



Completion Report

Project Number: 47315-001
Technical Assistance Number: 8632
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Tajikistan: Strengthening the Anti-Money Laundering Regime

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TA Number, Country, and Name: TA 8632-TAJ: Strengthening the Anti-Money Laundering Regime			Amount Approved: \$350,000	
			Revised Amount: N/A	
Executing Agency: National Bank of Tajikistan	Source of Funding: Cooperation Fund for Regional Trade and Financial Security Initiative		Amount Undisbursed: \$97,706.00	Amount Utilized: \$252,294.00
TA Approval Date: 1 April 2014	TA Signing Date: 24 April 2014	Fielding of First Consultants: 30 June 2014	TA Completion Date Original: 31 July 2015 Actual: 30 June 2017	
			Account Closing Date Original: 31 Jan 2016 Actual: 30 Jun 2018	
<p>Description: Further to the request of the National Bank of Tajikistan (NBT), ADB provided capacity development technical assistance (TA) to strengthen the anti-money laundering/combating the financing of terrorism (AML/CFT) regime in Tajikistan. The TA is aligned with the country partnership strategy objectives to implement institutional reforms for private sector development and reduce overall investment and business risks and costs. It is also aligned with ADB's AML and CFT policy, which guides ADB support to developing member countries in establishing and implementing effective legal and institutional AML and CFT systems. This TA falls under financial sector development, which is one of the five core areas of operations under Strategy 2020.</p> <p>The TA was also provided in the context of the introduction by Financial Action Task Force (FATF)¹ in February 2012 of a new set of international standards to combat money laundering and the financing of terrorism.² Tajikistan is expected to comply with these recommendations. The first recommendation requires countries to identify, assess, and understand the risks they face related to money laundering and the financing of terrorism. Based on that assessment, countries should apply a risk-based approach to ensure that measures to prevent or mitigate money laundering and the financing of terrorism are commensurate with the risks identified. In addition, Tajikistan would need to adjust certain laws and regulations to comply with the 2012 FATF recommendations. There is also a need to strengthen customer due diligence.</p> <p>Expected Impact, Outcome, and Outputs: The impact of the TA was to reduce risks and costs of investing in Tajikistan's financial system. The TA outcome was to strengthen AML/CFT regime in Tajikistan. The TA had the following outputs: (i) conducted national money laundering and terrorist financing risk assessment; (ii) identified and recommended measures to address legal and regulatory gaps under the 2012 FATF recommendations; (iii) improved AML and CFT control system; and (iv) trained relevant staff from government agencies and financial institutions in AML and CFT related issues.</p> <p>Delivery of Inputs and Conduct of Activities: ADB recruited several consultants to implement this TA. These are: (i) the international AML/CFT expert; (ii) the international legal expert; (iii) the national AML/CFT expert; and (iv) the national legal expert. ADB had to replace the international AML/CFT expert when it became apparent that he did not have the necessary ability to finalize the reports required from him. His contract was terminated on 31 August 2015. The new international AML/CFT expert was engaged on 28 September 2015.</p> <p>ADB also conducted numerous missions for the implementation of this TA: (i) inception from 30 June–17 July 2014; (ii) first review mission on 4–18 December 2014; (iii) consultation mission with international and national legal experts from 1–12 June 2015; (iv) second review mission on 17–28 August 2015; and (v) third review mission on 30 November–8 December 2015.</p> <p>The TA assisted the government in the preparation and finalization of the national risk assessments on AML/CFT (NRA). This is a vital document that allows the government to assess, identify and understand their legal risk. As part of the preparation of the NRA, the TA facilitated the establishment of the working group under the inter-ministerial commission on AML/CFT dedicated to the preparation of the NRA. The first draft NRA was produced on 31 October 2015 and it went through rounds of internal consultations conducted by the Financial Monitoring Department of NBT (FMD) and our</p>				

¹ The objectives of FATF is to promote standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system. Starting with its own members, the FATF and FATF-style regional bodies monitors countries' progress in implementing the FATF Recommendations; reviews money laundering and terrorist financing techniques and counter-measures; and, promotes the adoption and implementation of the FATF Recommendations globally.

² FATF. 2012. *International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation: The FATF Recommendations*.
<http://www.fatf-tafi.org/topics/fatfrecommendations/documents/internationalstandardsoncombatingmoneylaundryingandthefinancingofterrorismproliferation-thefatfrecommendations.html>

consultants. FMD is the unit that effectively functions as the Financial Intelligence Unit in Tajikistan and our main counterpart in the TA implementation. The document was finally approved on 18 September 2017 by the Inter-ministerial Commission on AML/CFT.

The TA also submitted to the government proposed amendments to 19 different legal instruments (i.e. laws, government decrees, resolutions and NBT instructions) and have had substantial discussions with the Financial Intelligence Unit (FIU) and the Ministry of Justice (MOJ) on these amendments. The FIU and MOJ have circulated these proposed amendments to various ministries and agencies for their feedback.

The TA also produced AML/CFT internal control guidelines on 16 July 2015 that can be used as guidance for supervised institutions to comply with the existing laws and regulations relating to money laundering, terrorist financing, and financing of weapons of mass destruction. The government disseminated the guidelines with some revisions to their reporting entities.

The TA conducted around 8 workshops, which have been well attended, including by many senior government officials such as deputy ministers and deputy heads of agencies as well as the banks, non-banking financial institutions and other reporting entities such as lawyers, accountants, gold dealers, and jewelers. The aim of the workshop is to raise their understanding and awareness on AML/CFT related issues. The workshop topics mainly focus on issues related to the preparation of the NRA.

Evaluation of Outputs and Achievement of Outcome: The TA produced substantial deliverables that are useful to strengthen the AML/CFT regime. The NRA is the main deliverables under the TA and has been used by the government to identify measures to address the AML/CFT risks. The NRA has also increased cooperation and coordination among the different agencies to address the threats and vulnerabilities for money laundering and terrorist financing in the country. The government has adopted some of the amendments to the various laws and regulations recommended by the TA. The AML/CFT internal control guidelines have been disseminated by the government to the reporting entities and should help them in conducting customer due diligence which should reduce money laundering and terrorist financing risks in the country. The workshops enhanced the understanding of money laundering and terrorist financing of many important stakeholders. The government expressed their appreciation to ADB on 14 July 2017 on the deliverables produced under the TA.

Overall Assessment and Rating: The TA is rated as successful, considering the achievement of the TA's outputs and tangible results described above.

Major Lessons: There were numerous changes to the key personnel involved in the TA implementation. They include the changes to (i) the Deputy Chairman of the National Bank of Tajikistan, (ii) the Assistant to the President on Legal Issues, and (iii) the Director of Financial Monitoring Department who is essentially the head of the FIU. In fact, the head of the FIU was replaced twice during TA implementation. This, at times, can mean that we may need to once again seek agreement with new officers on matters that had already been agreed with their predecessors. It will be useful to have some transition arrangement agreed in advance to anticipate such occurrences, particularly in a bureaucratic environment where sudden changes tend to occur more regularly. Second, the presentations, most of the discussion with the stakeholders, as well as source materials (particularly on domestic laws, regulations and decrees) required translations. This means that it is essential for us to have high quality translators and interpreters. As such, it is important to allocate sufficient budget for this cost item. Third, the government required the presence of an official from the Ministry of Affairs during some of our meetings and this meant that at times government officials that we met may exercise certain restraint in responding to some of the questions that we asked.

Recommendations and Follow-Up Actions: Given this engagement, it is useful for ADB to continue to provide support to Tajikistan to improve the integrity of their financial system and therefore, ADB should consider providing further TA support to the National Bank of Tajikistan. This may include strengthening the risk-based approach to customer due diligence by financial institutions and the designated non-financial business and professions.

TA = technical assistance.

Prepared by:
Ma. Celeste Grace A. Saniel-Gois

Designation and Division:
Senior Legal Operations Officer, OGC