



INTERNATIONAL MONETARY FUND



**AML/CFT THEMATIC FUND PHASE III
THIRD ANNUAL REPORT (MAY 2022–APRIL 2023)
AND
WORKPLAN FOR YEAR FOUR**

JUNE 2023

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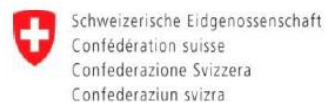
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ABBREVIATIONS

AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
AML TF III	Phase III of the Anti-Money Laundering/Combating the Financing of Terrorism Thematic Fund
APG	Asia Pacific Group on Money Laundering
ATI	Africa Training Institute
BCRG	Banque Centrale de la République de Guinée
BFIU	Bangladesh Financial Intelligence Unit
BiH	Bosnia & Herzegovina
BOJ	Bank of Jamaica
CAFIU	Cambodian Financial Intelligence Unit
CARTAC	Caribbean Regional Technical Assistance Centre
CBDC	Central Bank Digital Currency
CBE	Central Bank of Egypt
CD	Capacity Development
CDMAP	Capacity Development Management and Administration Program
CENTIF	La Cellule Nationale de traitement des Informations Financières
CFATF	Caribbean Financial Action Task Force
COM	IMF Communications Department
CSO	Civil Society Organization
DNFBP	Designated Non-Financial Business and Professions
DPMS	Dealers in Precious Metals and Stones
EAG	Eurasian Group
ECCB	Eastern Caribbean Central Bank
ECCU	Eastern Caribbean Currency Union
ESAAMLG	Eastern and Southern Africa Anti-Money Laundering Group
FATF	Financial Action Task Force
FID	Financial Integrity Division
FIU	Financial Intelligence Unit
FSRB	FATF-Style Regional Body
GIABA	Intergovernmental Action Group Against Money Laundering in West Africa
ICD	IMF Institute for Capacity Development
FCS	Fragile and Conflict Affected States
FSRB	FATF Style Regional Body
ICRG	International Co-Operation Review Group
GAFILAT	Financial Action Task Force of Latin America
GIABA	Inter-Governmental Action Group Against Money Laundering in West Africa
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
IVE	Intendencia de Verificación
JG	Joint Group
LP&A	Legal Persons and Arrangements

MENA	Middle East and North Africa
MENAFATF	Middle East and North Africa Financial Action Task Force
MER	Mutual Evaluation Report
MONEYVAL	Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism
ML/TF	Money Laundering/Terrorist Financing
MVTS	Money and Value Transfer Services
NBFIRA	Non-Bank Financial Institutions Regulatory Authority
NBT	National Bank of Tajikistan
NBU	National Bank of Ukraine/Financial Monitoring Unit
NPO	Non-Profit Organizations
NRA	National Risk Assessment
OJK	Otoritas Jasa Keuangan
PCMA	Palestine Capital Market Authority
PF	Proliferation Financing
PEP	Politically Exposed Person
PMA	Palestine Monetary Authority
RA	Regional Advisor
RBA	Risk-Based Approach
RBM	Results-Based Management
RBS	Risk-Based Supervision
RTACs	Regional Technical Assistance Centers
SBP	State Bank of Pakistan
SC	Steering Committee
SoB	Superintendency of Banks
STI	IMF-Singapore Regional Training Institute
TBO	Transparency of Beneficial Ownership
TFS	Targeted Financial Sanctions
VAs	Virtual Assets
VASPs	Virtual Asset Service Providers
WB	World Bank

EXECUTIVE SUMMARY

1. Phase III of the Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) Thematic Fund (AML TF III) completed its third year of capacity development (CD) operations with overall excellent results. This progress was achieved despite a confluence of challenges including continuing COVID-19 travel restrictions for some part of the year and political and capacity issues in a few countries. The AML TF III continues to benefit countries across the world, providing targeted and robust CD (Technical Assistance and Training) projects with an increased focus on thematic CD on new financial integrity topics. Throughout the third reporting period of the AML TF III, traction continued to be strong in most recipient countries.

2. As of end-April 2023, donor partners have pledged US\$ 29.4 million to finance a comprehensive suite of targeted AML/CFT CD activities spanning November 2020 through April 2026. CD delivery in the third year of operations covered 39 projects comprising: 27 single-country projects (two of which were suspended); three multi-country projects; five thematic projects; four analytics and development projects; and CD delivery through four regional advisors (RAs). This report covers the activities during the third reporting period (twelve months between May 1, 2022, and April 30, 2023).

3. Significant results were achieved in the reporting year in a number of CD projects that have been completed. This included, among others: (i) the publication of two research books on Counter Terrorism Financing (CFT) and transparency in beneficial ownership (TBO); (ii) the successful completion of the financial integrity measures to prevent the misuse of COVID-19 emergency-related spending (COVID-19) project, which, under the nimble multi-country CD engagements, resulted in the adoption of regulations on the TBO information of companies awarded procurement contracts in 11 countries; (iii) the completion of the project with Indonesia aimed at enhancing its risk-based AML/CFT supervisory framework, which obtained a high level of technical compliance during Indonesia's recent Financial Action Task Force (FATF) mutual evaluation, and conferred to the Financial Services Authority (*Otoritas Jasa Keuangan*—OJK), the CD recipient, recognition as having the most advanced risk-based supervision framework amongst supervisors, (iv) the removal of Pakistan from the FATF's International Cooperation Review Group's (ICRG) grey list; (v) the submission of a draft AML/CFT law to Parliament in Ecuador and the enhancement of its AML/CFT supervisory framework; and (vi) the completion of the project with Guinea, with AML/CFT regulations having been approved and the FIU operations enhanced. These seven projects will be closed after achieving their objectives and outcomes.

4. The reporting year also saw steady progress in most ongoing CD projects in achieving their objectives and outcomes. Some of the achievements of these projects included, among others): (i) the enactment of AML/CFT legislation and related regulations, for example, the enactment of AML/CFT laws in Suriname and Tajikistan and the approval of the AML/CFT Decree in Haiti; (ii) the development piloting and fine-tuning of AML/CFT risk-based supervisory tools including in Botswana, Guatemala, and Jamaica; and (iii) refinement of IMF staffs' national risk assessment tools such as in Bhutan. Work on the development of the e-learning online course and

its related technical note continued as did work on the development of the technical notes on confiscation, and training modules and risk-based tools for the supervision of the virtual assets (VA) and virtual asset service providers (VASPs) project. Additionally, three thematic projects—on beneficial ownership transparency, VA/VASPs and central bank digital currencies (CBDCs) delivered assistance to multiple countries on issues dealing with emerging financial integrity risks associated with these topical issues.

5. The IMF continues to receive a high level of AML/CFT-related CD requests from its membership. During the reporting year, 14 country requests and 19 expressions of interest for new CD were received. The Financial Integrity Divisions (FID)¹ were able to respond to a request from Namibia by getting an approval from the Steering Committee (SC) of the AML TF III on a lapse of time basis. This enabled staff to respond to the time-sensitive nature of the CD request. Due to the increase in CD demand in Africa, a RA for francophone Africa has also been approved and is currently being recruited. Demand for assistance covered all areas of available IMF CD assistance, including requests for legal drafting, implementing/enhancing risk-based AML/CFT supervisory frameworks, undertaking national risk and diagnostic assessments, establishing frameworks for beneficial ownership transparency, strengthening financial intelligence units, and training on VAs and supervision of VASPs.

6. The reporting year highlights the gradual resumption of field-based missions, which CD recipients welcomed. After a period of almost exclusively employing virtual missions, the removal of travel restrictions previously imposed during the COVID-19 pandemic has enabled the IMF to resume field-based missions. This resumption of field-based missions has benefited CD recipients notably through the provision of hands-on assistance and mentoring by CD teams resulting in improved traction with the authorities. In addition, these missions have enabled more effective interactions with authorities, and better and more frequent access to the relevant stakeholders. Notwithstanding the lifting of travel restrictions, a hybrid model of field-based and virtual engagements continued to be implemented to maximize engagement, flexibility, effectiveness, and enhance CD value for money. In some instances where there were health or security concerns, such as sporadic spikes of COVID-19 and other diseases, for example, the Ebola outbreak in Uganda, CD teams continued to conduct virtual missions. This was achieved through engagements using video and conference calls, as well as desk-based reviews. Staff will continue to rely on virtual missions when the engagement with authorities is limited and does not require onsite travel.

7. The workplan for Year 4 of the AML TF III is a continuation of the first three years. The overall objective of the AML TF III remains the mitigation of money laundering and terrorism financing risks due to weak AML/CFT frameworks through the provision of tailored and programmatic CD activities. Appropriate regional balance and long-term customized CD delivery augmented by thematic and research projects continue to be the foundations of the AML TF III. These are features of the workplan, together with increased integration with the other IMF

¹ The Financial Integrity Group was composed of two units (F11 and F12), and as of May 1, 2023, was restructured into 2 Divisions called Financial Integrity Division 1 (F1) and Financial Integrity Division 2 (F2).

workstreams, including by leveraging synergies with IMF's surveillance, lending, Financial Sector Assessment Program, assessments, and research work. It is expected that field-based CD delivery will increase through flexibility and will continue to be exercised by the utilization of hybrid modalities, should the circumstances demand.

8. The workplan for Year 4 of the AML TF III includes seven new CD project proposals (including expansion of scope and budget increase for one existing project), budget allocations for the RAs, budget reduction for seven projects and addition of new module for two projects which are presented for the SC's endorsement. The proposed workplan for Year 4 includes 46 projects comprising: 28 single-country projects; 3 multi-country projects; 11 thematic projects; 4 analytics and development (research and training) projects; and CD delivery through 5 RAs. Among these, the seven new CD project proposals include one country project and six thematic projects. Two of the thematic projects are larger initiatives that build on the work of Year 3 projects—the CFT book and the project with Moldova on illicit financial flows. Most of the new projects follow a modular, thematic approach, which enables staff to effectively respond to CD demand and optimize the remaining budget. The thematic projects benefit multiple countries, and thereby allow staff to meet and manage the continuous stream of CD requests. The thematic approach also allows the prompt delivery of CD in response to the needs of countries. The single country project proposal for Algeria is designed to provide a wide-ranging scope of CD required and that could not be easily accommodated under the existing multi-country Middle East and North Africa (MENA) project. The workplan also includes budget allocations for the new RA and for the fourth and fifth years of the AML TF for the existing RAs. The budgets for Afghanistan, Eastern and Caribbean Central Bank (ECCB), Ecuador, Egypt, Guinea, the MENA, and Pakistan projects are being reduced either due to project closure or in response to the findings of a scoping mission. Further, a new outcome to the project for Egypt replaces an existing outcome. A new outcome is also proposed for Suriname to continue work on implementing the recently enacted AML/CFT law.

9. Efforts to enhance CD management and the implementation of a results-based framework continue. The IMF's CD management tool known as the Capacity Development Management and Administration Program (CDMAP) entered its third year. It continues to support the operationalization of the IMF's CD Strategy by providing a holistic and transparent view of CD engagements over time at the country, regional, department, workstream, modality and funding levels. The results-based management (RBM) framework, embedded in CDMAP, is an important tool that the IMF uses to help CD teams plan, monitor, and evaluate CD projects based on standardized metrics. The RBM catalog was expanded to include two new workstreams on AML/CFT to enhance the repertoire of tools available for CD teams. Further details on CDMAP and the RBM framework are included in annex C.

10. This report contains the following key sections:

- Analysis of progress made to date: this section summarizes progress made in CD delivery;
- Financial highlights: this section provides the status of fundraising efforts and expenditure during the reporting period;
- Presentation of the Workplan for Year 4 of the AML TF III;
- Annex A which includes interim project assessment of active projects, reports from RAs, and final assessments of completed projects;
- Annex B which includes project summaries for new projects being proposed for Year 4 of the AML TF III; and
- Annex C—Other AML/CFT issues at the IMF: this Annex highlights broader AML/CFT developments that may have implications for the AML TF III.

All the projects covered in this report are delivered by the staff of the FID of the Legal Department of the IMF and experts working under their direct supervision.

Box 1. Decision Points

The SC is invited to consider and endorse:

1. The Annual Report for Year Three of AML TF III operations.
2. The workplan and budget for Year Four of the AML TF III operations that includes:
 - proposals for seven new projects (including an expansion of scope and budget increase for one existing project);
 - budget decreases for two existing projects- the Egypt and Middle East and North Africa (MENA) projects;
 - budget decreases for projects with Afghanistan, Eastern and Caribbean Central Bank, Ecuador, Guinea, and Pakistan that will be scheduled for closure;
 - time extension for 15 projects; and
 - an addition of new modules in two projects (Suriname and Egypt).
3. Budget allocations for the new (fifth) regional advisor and for Year Four and through the end of the current phase in April 2026 of the existing regional advisors' budgets.
4. Increase in the budget of the Administrative and Governance work to regularize the forecast according to the current execution rate.
5. Nominate France as Vice Chair for the SC meeting for FY24 and subsequent chair for FY25.
6. Next SC meeting to take place in early July 2024 virtually and be chaired by Canada.

The proposed revisions to the workplan for the fourth year of the AML TF III are detailed in Table 5. Project summaries for proposed projects can be found in Annex B. Information regarding the 15 existing projects for which extension is sought is set out in paragraph 52 below and the background regarding adding new modules to two of the existing projects is noted in paragraphs 50 and 51 below.

I. ANNUAL REPORT FOR YEAR THREE OF THE AML TF III

A. Progress to Date

11. The third year of the AML TF III witnessed progress in most projects. The reporting year included 39 projects and the continuation of the work of 4 RAs with good progress in most projects and the completion of a few. The 39 CD projects comprised: 27 single-country projects, including two projects that have been suspended; three multi-country projects; five thematic projects, four analytics and development (research) projects, besides CD delivery through four RAs. Some projects are to be closed due to geo-political developments, lack of traction, or security issues. Assessment reports for each of these projects are set out in Annex A. A fifth RA for Francophone Africa had been approved by the SC on a lapse of time basis on February 17, 2023, and the recruitment process for that advisor is underway. Consistent with the endorsements by the SC, staff has been assisting beneficiary countries in strengthening their AML/CFT frameworks. This has been achieved through an extensive CD program designed to deliver sustainable and measurable results through longer, deeper, and more focused engagements as well as more targeted and agile CD being provided through thematic projects.

12. There have been significant achievements during the past year. These include the enactment of laws, the approval of regulations, the development and approval of AML/CFT risk-based supervisory tools, the development of national risk assessment (NRA) tools and training modules and awareness raising of a significant number of government officials. Some of the achievements of projects included, among others: (i) the enactment of AML/CFT laws in Suriname and Tajikistan and the approval of an AML/CFT Decree in Haiti; (ii) development and piloting of AML/CFT risk-based offsite and onsite supervisory tools including in Botswana, Guatemala, and Jamaica; and (iii) the refinement of the staffs' national risk assessment tools in Bhutan. Work on the development of the e-learning online course and its related technical note continued as did work on the development of the technical notes on confiscation, and training modules and risk-based tools for the supervision of the VAs and VASPs project. Additionally, four thematic projects—on beneficial ownership transparency, COVID-19, VA/VASPs and CBDCs—were able to deliver assistance to multiple countries on issues dealing with emerging financial integrity risks associated with these topical issues.

13. There has been good progress in several ongoing single country projects during the reporting year, while some projects experienced constraints and delays. Descriptions of these are set out below.

a) Bangladesh (Legal drafting and AML/CFT risk-based supervision)

- A field-based mission was undertaken in January 2023, focused on providing recommendations to enhance the existing AML/CFT offsite supervisory framework and tools. Recommendations were made to improve the data collection, the risk assessment tool and supervisory

arrangements and resources needed. The Bangladesh Financial Intelligence Unit (BFIU) will calibrate the offsite tools, and these are to be pilot tested on two to three banks by May 2023. A working group comprising BFIU supervisors was established as the counterpart to continue this calibrating work. It is expected that work related to the finalization of the offsite and onsite tools will continue beyond the original project end date of September 2023 until April 2026. Initial delays are largely attributable to the slow progress made during the period when the COVID-19 pandemic prevented field-based mission travel.

b) Bhutan (National ML/TF Risk Assessment)

- A virtual CD scoping mission was carried out during July 19–21, 2022, and key recommendations were shared with the authorities. The purpose of the mission was to discuss the proposed scope, prioritizations, and modalities of the CD project with Bhutan. Notably the mission discussed the modalities and tools for updating the NRA for the country, including in relation to the NRA modules for non-profit organizations (NPOs), legal persons and arrangements (LP&LA), VA/VASPs, and proliferation financing (PF) that are being developed and will be piloted in Bhutan. Currently, the CD team is finalizing the new modules (NPOs, VA/VASPs, LP&LA, and PF), a process that has taken a longer than expected time to complete. A follow-up mission took place in April 2023 to pilot the tools. During this mission, the CD team refined the NRA information collection tools with a view to minimizing the burden on authorities given their low capacity and conducted perception surveys. Despite the limited statistics available, the CD team was successful in collecting data by building upon the previous NRA, utilizing more external/publicly available data and using blended information collection tools. An overview of the NPO, LP& LA, PF, VA/VASPs modules was provided to assist authorities in collecting the needed information for these modules.

c) Bosnia & Herzegovina (BiH) (Legal drafting)

- The project concerns assistance in legal drafting with the objective of aligning BiH's AML/CFT legal framework with the FATF standards. BiH will undergo a mutual evaluation by MONEYVAL in the third quarter of 2023, and technical compliance with the FATF Recommendations is a core component of that evaluation. The legal drafting input provided by the CD team was preceded by a virtual engagement with the Parliamentarians in June 2022. The CD team delivered its comments and drafting suggestions on the first draft of the new AML/CFT Act in August 2022 and discussed the proposed changes and outstanding issues during a field-based mission in September 2022. The Working Group established by the authorities is advancing the revised iteration of the draft law for final comments of the CD team. The Working Group's pace of progress has slowed, and the next draft is yet to be finalized. The finalization of the law and its adoption continues to be leveraged through AIV consultations and regular engagement with the authorities.

d) Botswana (AML/CFT risk-based supervision)

- The CD team has been working remotely with staff from the central bank, the Bank of Botswana (BOB), and the non-bank financial institutions regulatory authority (NBFIRA). Work on the project has progressed with the calibration of offsite risk-based supervisory tools that were developed for banks, bureaux de change, and payment service providers who are under the supervisory oversight of BOB; and for life insurance companies, who are supervised by the NBFIRA. A further onsite mission to provide CD to BOB and NBFIRA took place in late April 2023. This mission continued strengthening the implementation of the risk-based approach to AML/CFT supervision for both BOB and NBFIRA. The CD team assisted authorities in further calibrating offsite tools after reviewing the results of the pilot exercise with BOB showing considerable progress. The CD team commenced developing similar risk-based tools for asset managers under NBFIRA. The CD team also reviewed the onsite supervisory manuals and make recommendations to improve them. The next mission will review the results of the last exercise of implementation of the customized risk models, and calibrate the models based on the results generated. This mission will also commence the process for developing similar risk-based tools for securities intermediaries under the supervision of NBFIRA.

e) Egypt (FIU and AML/CFT Risk-Based Supervision)

- There were initial delays in commencing this project due to the lack of traction from the intended CD recipients who expressed concern about the confidentiality of information provided to the CD team. This concern was addressed by a letter of assurance from the IMF. A scoping mission took place in March 2023, where the CD team met with the prosecutor general's office, the Central Bank of Egypt (CBE), and the FIU with a view to prioritizing the CD needs for Egypt. During the March 2023 mission, the CD team discussed with the authorities' specific areas of engagement, including: i) enhancing the effectiveness of ML investigations and prosecutions through the prioritization of financial investigations and the use of beneficial ownership information; ii) strengthening the mechanisms to obtain beneficial ownership information; and iii) enhancing the effectiveness of AML/CFT supervision of banks by the CBE. On supervision, the CBE's AML/CFT supervisors explained the approach for risk-based supervision that is being implemented. However, the effectiveness of AML/CFT supervision is constrained by structural issues, such as the high use of cash in the economy and limited financial literacy. The CD team noted that CBE supervisors were unable to articulate a clear understanding of ML/TF threats affecting the banking sector, which may have an impact on the evaluation of risks and the effectiveness of risk mitigation measures, including at the strategy setting level. Moreover, CBE supervisors indicated that banks are facing challenges in conducting due diligence, including the verification of the identity of beneficial owners.
- Going forward, the activities under i) and ii) listed above relating to enhancing the effectiveness of ML investigations and prosecutions through the prioritization of financial investigations and the use of beneficial ownership information; and strengthening the mechanisms to obtain beneficial ownership information will be included under the effectiveness module (outcome) that will be added to the project while the AML/CFT risk-based supervision module will continue.

In addition, a roadmap for CD delivery is being finalized by the CD team in consultation with the authorities. Such a roadmap will allow the full operationalization of the CD delivery in the coming fiscal year.

f) Guatemala (AML/CFT Risk-based Supervision)

- Work during the period under review focused on providing assistance to the financial intelligence unit and the AML/CFT supervisor. The CD focused on improving the risk-based AML/CFT supervisory oversight of the FIU (IVE) over money remitters, cooperatives, real estate operators, and vehicles with the development of customized risk-based supervisory tools. A field-based mission in June 2022, as well as two recent virtual missions delivered by the CD team during the COVID-19 pandemic, assisted IVE's supervision staff with the development and the pilot implementation of risk-based supervisory models. Following the development of risk models, the CD team worked with IVE's supervision staff in developing a comprehensive AML/CFT manual for non-bank financial institutions. The authorities have demonstrated strong commitment and traction in implementing the newly developed risk-based models and tools under this project.

g) Guyana (AML/CFT Risk-Based Supervision)

- The project with Guyana commenced in February 2023 with an initial training being delivered to AML/CFT authorities in Guyana. To assist Guyana with its upcoming mutual evaluation, the CD team delivered a training component to prepare the authorities on how to better demonstrate effectiveness with respect to the immediate outcomes under the FATF standards. The training held in February 2023 focused on mutual evaluation best practices and included areas such as how to demonstrate effectiveness about implementation of AML/CFT risk-based supervision by Bank of Guyana, implementation of AML/CFT measures by financial and designated non-financial entities, transparency of beneficial ownership, and use of financial intelligence. The training included mock interviews with relevant agencies and the CD team also discussed areas of deficiencies where authorities could take rectification measures in time for the results to be recognized in its mutual evaluation. During the period when Guyana is undergoing its mutual evaluation, the CD team will maintain contact with the authorities to address any questions and to ensure ongoing traction.

h) Haiti (AML/CFT legal drafting)

- The CD team completed an initial assessment of the main AML/CFT laws, the draft AML/CFT/CPF decree and the Organic Law of UCREF (the FIU of Haiti) and provided detailed recommendations to the authorities. The mission also highlighted various questions of policy that the authorities needed to consider so that they could be considered in the design of the legislation. The CD team carried out a field-based mission, that was held in Miami, in the United States, in January 2023 to discuss these recommendations. Prior to this, the CD team met with authorities virtually in July 2022 to understand the capacities of the agencies and the risks perceived by the authorities. During the January mission, the CD team focused on revisions to the draft AML/CFT

decree and recommended enhancements to the FIU law. The authorities have incorporated these into a second draft which was submitted for review during the second half of February 2023. The CD team provided comments on a revised draft AML/CFT/CPF decree in mid-March 2023 with a recommendation for the draft to be finalized and submitted for approval. The draft decree was approved in April 2023. Haiti is on the FATF's grey list and the draft laws, if enacted in line with the CD team's recommendations, will enable Haiti to meet some of its action plan items. The reform is being leveraged through conditionality under the IMF Staff Monitored Program to Haiti.

i) Jamaica (AML/CFT Risk-Based Supervision)

- CD work undertaken during the year enabled the Bank of Jamaica (BOJ) to make progress in developing risk-based supervisory tools. During the reporting year, work focused on developing offsite tools for *cambios* (*foreign exchange bureaus*). Two rounds of analysis were undertaken using data submitted by *cambios*. The results of these analyses allowed the BOJ to develop initial supervisory priorities for these institutions and make decisions on the optimum allocation of supervisory resources. The CD team will undertake a review of the work done by the BOJ to finalize these tools. The offsite tools developed for the offsite supervision of deposit taking institutions (DTIs), and *cambios*, have allowed the BOJ to rank supervised entities based on ML/TF risk. Successive rounds of analysis have fine-tuned the tools to ensure they produced good quality information that can be used to risk-rate institutions. In the coming year, further assistance to the BOJ in developing supervisory tools for microfinance institutions will be provided so that Jamaica can address this item on its ICRG Action Plan. Jamaica has been placed under FATF's increased monitoring since February 2020. It failed to complete its action plan which fully expired in January 2022. At its February 2023 plenary, the FATF strongly urged Jamaica to swiftly demonstrate significant progress in completing its action plan by June 2023. The remaining items under the ICRG action plan (e.g., beneficial ownership and regulation of gatekeepers) are being leveraged through the conditionality and commitments of the Government under the IMF Precautionary Financing to Jamaica. The government committed to meet all remaining items by June 2023.

j) Jordan (Legal Drafting, AML/CFT Structures and Tools)

- In October 2021, Jordan made a high-level political commitment to work with the FATF and MENAFATF to strengthen the effectiveness of its AML/CFT regime and was added to the FATF's grey list based on the lack of progress in addressing the deficiencies highlighted in its mutual evaluation report (MER). With the IMF's CD support, Jordan is making good progress at addressing the items in the ICRG action plan developed between the FATF and Jordan, particularly in relation to addressing the deficiencies in its AML/CFT legal framework. Progress includes creating legal obligations for confiscating instrumentalities used or intended to be used in ML crimes and disclosing the physical cross-border transportation of funds upon exiting Jordan, and addressing the requirements for targeted financial sanctions related to terrorism and PF. The CD team has provided comments and suggestions on all areas of the ICRG action plan. There is slower progress for some issues, notably in relation to supervisory issues and

preventive measures (Immediate Outcomes 3 and 4), law enforcement (Immediate Outcome 7), and beneficial ownership (Immediate Outcome 5). However, the lack of progress relates to effective implementation of the requirements. The CD team has been playing a key trusted advisor role to help coordinate activities across all agencies (Central Bank, FIU, General Intelligence Directorate, Public Security Directorate, Securities Commission). The team is also helping Jordan prepare for its ICRG updates and reviews ahead of the submission to the Africa/Middle East Joint Group (JG) before each FATF Plenary. In addition to the ongoing advice to the authorities on the ICRG progress reports, a mission took place in November/December 2022, where the team provided additional assistance on the establishment of a framework for mitigating the potential for NPOs to be abused for TF purposes and for Jordan's ongoing VA/VASP risk assessment.

k) *Moldova (Illicit Financial Flows Analysis)*

- The CD team assisted the Moldovan authorities with enhancing their approach to monitoring cross-border payments, issuing a report with recommendations and a workplan with the next steps. Results of the financial flows analysis were shared with the Moldovan authorities and the CD team identified aspects of the AML/CFT regime that need to be strengthened to address illicit financial flows risks more effectively. The team also provided technical feedback on the National Bank of Moldova's toolkit for monitoring cross-border payments. This included making recommendations on the next steps that can be taken in the development of a technological solution for transaction monitoring using advanced analytical tools, such as network analysis and machine learning. The CD team also worked with the FIU and the tax authority to strengthen domestic coordination related to cross-border ML and related tax evasion risks, such as information exchange on cross-border risk factors and scenarios indicating elevated ML risks. Moldova is exposed to substantial ML/TF cross-border risks, which were exacerbated recently by bilateral sanctions evasion risks. To help mitigate these risks, work to enhance the relevant aspects of AML/CFT supervision, including by incorporating results of the cross-border payments analyses into the risk-based approach to AML/CFT supervision, and the FIU's operational and strategic analysis will be undertaken pursuant to the proposed Illicit Financial Flows project, if approved.

l) *Namibia (Diagnostic, Legal Drafting, AML/CFT Risk-Based Supervision and Effectiveness)*

- Namibia's AML/CFT framework was assessed, and its MER was adopted in September 2022. The MER identified several technical compliance gaps and effectiveness challenges in all areas of Namibia's AML/CFT framework. As a result, Namibia is at risk of being included in the FATF "grey list" soon. The CD team is providing immediate legislative review and drafting support to assist with the urgent legal reforms underway and is providing advice to the authorities to address the priority action items identified in the MER, including in the areas of effective supervision. The CD team carried out a scoping and legislative drafting mission during the period November 28–December 9, 2022. During the scoping mission, the CD team held high-level meetings with the Ministers of Justice and Finance, the Bank of Namibia, and Namibia's high-level AML/CFT Council to discuss the ICRG process. The mission also met with all other relevant AML/CFT

stakeholders. During the mission, the CD team also provided a legal review and drafting assistance in relation to draft legal amendments to several pieces of legislation. The CD team has shared a draft CD report with the authorities which outlines key advice on undertaking urgent reform in Namibia. Following the mission, the CD team undertook a legal review of key pieces of laws including the Financial Intelligence Act, held additional virtual discussions with the authorities to clarify comments and provided technical advice and research on key issues. This included advice related to: the independence and autonomy of functions of the Financial Intelligence Centre; the setting up of a monitoring framework for not-for-profit organizations in line with the FATF's requirements; and the setting up of beneficial ownership registries with the Business and Intellectual Property Authority and the Master of High Courts. The CD team is continuing to support additional legal review on a continuous basis.

m) Paraguay (Legal Drafting, AML/CFT Risk-Based Supervision and FIU)

- The project is in the early stages of development and started with the delivery of assistance under the risk-based supervision component where two field-based missions were delivered in September 2022 and November 2022. These missions commenced the process of fully assessing and validating the effectiveness of supervisory methodologies, tools, and risk models used by the seven competent authorities with AML/CFT supervisory responsibility, as well as resources available and dedicated to AML/CFT supervision within each authority. The September mission provided assistance to the supervisory staff of the *Instituto de Cooperativas, Superintendencia de la Corte Suprema de Justicia*, and the *Secretaria de Prevención de Lavado de Dinero* (Seprelad), Paraguay's FIU in developing and implementing a sound and effective risk-based approach to AML/CFT supervision for cooperatives, notaries, and designated non-financial businesses and professions (DNFBPs), respectively. The November mission achieved its objectives by i) conducting in-depth assessments of the risk-based supervisory approach in place for each relevant authority to identify areas for improvement and/or supervisory gaps; ii) fine-tuning risk models, and in some cases developing a first draft of risk models and data collection templates, as applicable, for each sector under review; and iii) proposing recommendations to further enhance supervisory approaches, tools, and practices. A follow-up mission was undertaken in March 2023. The CD team provided recommendations to the four AML/CFT supervisory authorities to further strengthen their risk-based supervisory tools after identifying that there is a need to re-design all risk models to incorporate risk elements. The team also discussed the reforms to the AML/CFT law that are necessary to bring the framework in line with the FATF Standard and discussed the specific needs of Seprelad with respect to enhancing its capability to generate quality intelligence reports. The legal and regulatory, and intelligence and strategic analyses components will be covered in detail in future missions.

n) South Sudan (Legal Drafting, AML/CFT Risk-Based Supervision and FIU)

- During this fiscal year, the CD team undertook a field-based mission to discuss amendments needed to AML/CFT laws in South Sudan. There were delays in the delivery of CD due to the initial sluggish response time from the authorities. However, there has been a change of personnel at the Central Bank and at the FIU and the new contact at the FIU has been very

responsive and arranged for an onsite mission that took place from February 28 to March 3, 2023. During the mission, the CD team discussed key policy issues that will affect the design of the law as well as ongoing legislative reforms that can also impact the form and content of the revised law. The CD team had previously reviewed the 2012 Anti-Money Laundering Act and identified the weaknesses in the law and this analysis was provided to the authorities at the end of 2021 and discussed during the mission. The CD team met with all AML/CFT stakeholders including the police authorities, prosecutors, the financial intelligence unit, the central bank, and representatives of the Attorney General's office. These discussions are contributing to the drafting of a report on the key deficiencies in the AML/CFT law and other related laws of South Sudan. The discussions will also further assist with the drafting of revisions to those statutes that will assist the country in achieving a higher level of technical compliance with the FATF 40 Recommendations. South Sudan is currently on the FATF grey list, and the review of the Anti-Money Laundering Act is a major item on the ICRG action plan. The CD team will prepare draft revised AML/CFT laws as well as provide support to key agencies in developing strategies and work plans to address the FATF ICRG action plan and strengthen the AML/CFT framework. The reform is being leveraged by IMF conditionality in these areas.

o) Suriname (Legal Drafting)

- The CD team conducted a field-based mission in June 2022, meeting with relevant AML/CFT stakeholders and select private sector stakeholders, including representatives of the *cambios'* association to discuss an AML/CFT bill that was drafted based on the CD team's recommendations. The CD team also had a closing meeting with the Anti-Money Laundering SC members, which included the Minister of Justice and the Minister of Foreign Affairs and the Police to convey the CD team's key findings. Shortly before the onsite visit, the CD team was informed that the authorities were discussing a version of the law in the National Assembly that did not incorporate several key proposals from the CD team and thus had some serious deficiencies. The CD team therefore conducted a legal drafting workshop during the field-based mission for key stakeholders, providing detailed review and drafting assistance to correct key deficiencies in the draft law. The authorities re-submitted the law to the National Assembly, considering the CD team's proposals, which was successfully enacted by National Assembly on November 19, 2022. The CD team also held discussions with the authorities during the field-based mission to identify next steps in the engagement with the authorities. The CD team is currently reviewing sectoral legislation and regulations shared by the central bank to ensure that they provide an appropriate legal basis for effective risk-based supervision by the central bank. To support the implementation of the new law, the addition of a new module (outcome) is being proposed aimed at developing effective risk-based AML/CFT supervisory frameworks by: (i) the Central Bank of Suriname in relation to banks, money value transfer institutions and money exchange agencies, and (ii) the Gaming Board in relation to its supervision of casinos.

p) Tajikistan (Legal Drafting, AML/CFT Risk-Based Supervision and CBR)

- The CD team recommended to the authorities that a new AML/CFT law should be drafted that follows more closely the structure of the international standard for AML/CFT and addresses the

technical compliance deficiencies identified in their AML/CFT mutual evaluation. This recommendation was approved by the Chairman of the National Bank of Tajikistan (NBT). The CD team has provided extensive legal drafting and review assistance, including through virtual missions to develop a comprehensive draft law. The draft law has been discussed by all relevant authorities and enacted in March 2023. Work on the sectoral risk assessment has also begun, including collecting relevant data from all institutions under the NBT's supervision. Authorities will need to update the information provided and provide additional information especially regarding the threat assessment. The CD team will develop preliminary profiles per sector, to be discussed, validated, and ranked through workshops with the authorities. Additionally, in response to a request from the FIU, members of the CD team carried out a field-based mission in February 2023. The discussions with the relevant authorities focused on providing advice to enhance their AML/CFT legal, regulatory, and supervisory framework. Notably, the mission discussed the AML/CFT law, as well as the drafting of related AML/CFT instructions, procedures, decrees, and amendments to other related sectoral laws. In addition, the CD team carried out a one-day workshop to continue ongoing work on a sectoral risk assessment to support authorities in enhancing their risk-based supervision. In collaboration with the CD team of the Beneficial Ownership and Transparency project, the CD team also held discussions with the Unified State Registry on the setting up of a comprehensive beneficial ownership framework. The CD team coordinated with donors and providers, as well as the EAG, who helped to coordinate all donors and providers' efforts in this region.

q) Timor-Leste (FIU)

- There has been limited progress in achieving the expected results of the project given the lack of response to several requests made by the CD team to arrange the next steps for the project. The CD team had originally requested to have a mission in the fourth quarter of 2022 which did not take place due to the lack of response from the authorities. In January 2023, the authorities indicated the delays were mainly due to the lack of resources within the FIU (currently there are two staff members who are coordinating the country's Asia Pacific Group (APG) AML/CFT assessment). The CD team undertook a mission in April 2023 where they met with the FIU and the Central Bank (including the Deputy Governor), Minister of Justice, and deputy Prosecutor-General to discuss the legal and operational framework of the FIU, as well as to provide support in strategic analysis, and hands-on recommendations for the upcoming APG assessment. Timor-Leste will soon be assessed by APG, with an onsite that will take place in September 2023, and elections that will take place this year. While the team will share written technical assistance products over the coming months (e.g., reporting manual), once the follow-up to the meeting has been completed, in light of the APG assessment, it is expected that the project will be closed before the end of the fiscal year 2024 after the CD report is finalized and submitted to the authorities. Authorities were encouraged to reconnect following the APG assessment.

r) Uganda (AML/CFT Risk-Based Supervision)

- The CD project continues to support the Bank of Uganda in its implementation of AML/CFT risk-based supervision for banks, forex bureau and money remitters. During the year, the project had

largely completed the agreed deliverables for the banking sector which include revisions to the offsite risk-based tools and risk rating methodologies. Four guidance notes on risk assessment, customer due diligence, targeted financial sanctions, and suspicious transactions reporting have been developed and issued for publication to reporting institutions. A field-based mission took place in March 2023 and the CD team completed the remaining deliverables particularly on risk-based tools and methodologies for the forex bureau and money remitters, supervisory sanctions framework and onsite supervision for banks. Finally, a workshop will be organized in the second half of 2023 (tentative) to train supervisors to use and implement the tools developed. While the situation from the pandemic has eased up, planned onsite missions were impacted by the Ebola outbreak in the last quarter of 2022. This led to a change in delivery modality i.e., from a planned field-based mission to a virtual mission and remote CD delivery and assistance. Uganda is under enhanced monitoring by the FATF, and the outcomes of this project are expected to support Uganda's key action items under IO3 in its FATF ICRG action plan, as well as supporting the action item relating to IO4. FATF has strongly urged Uganda to swiftly demonstrate significant progress in completing its action plan by June 2023 or the FATF will consider next steps if there is insufficient progress.

s) *Ukraine (AML/CFT Risk-Based Supervision and Legal Drafting)*

- During the reporting period, considering the war in Ukraine and the persistent security challenges, only limited remote CD was provided to the National Bank of Ukraine/Financial Monitoring Unit (NBU) by delivering a virtual seminar jointly with the Monetary and Capital Markets Department of the IMF on the regulation and supervision of VAs. In particular, the virtual seminar covered financial integrity risks associated with VAs, the FATF standards relevant to VAs and VASPs, and the practical steps to implement the standards. It also discussed steps needed for regulated financial institutions (such as banks) to assess and mitigate the financial integrity risks stemming from dealing with customers who are VASPs or deal in VAs. The CD team remains in touch with the authorities and stands ready to resume the work under the project. Given the resource constraints of the authorities, future work is expected to progress at a slower pace and will first be focused on concluding the work on enhancing the AML/CFT supervision of the banking sector, including supporting the authorities' efforts to resume onsite AML/CFT inspections. The CD team will then work with the NBU on identifying risks associated with proceeds of corruption in the non-bank financial institutions and mitigating those risks. During the remainder of this project, the CD team will calibrate the risk-based tools. The pace of CD delivery will take into account contextual factors and other relevant priorities set by the authorities. The commencement of the legal drafting module focusing on the transparency of beneficial ownership has been delayed due to the recent revision to FATF Recommendation 24 (concluded in March 2022) and more recently the war. This work is unlikely to commence until after the end of the war, and it is proposed that this module be terminated.

t) *Vietnam (Legal Drafting, AML/CFT Risk-Based Supervision and FIU)*

- An onsite diagnostic mission was successfully conducted in November 2022, with policy recommendations made and a workplan devised to ensure achievement of the project's

objectives. Authorities have prioritized the legal drafting work as Vietnam is under the FATF's ICRG observation period. Legal drafting work is progressing well in line with the authorities' immediate priority to put in place a law and regulations that are consistent with FATF standards. Comments were provided on the draft AML/CFT law and related regulations. In this regard, the AML Law was approved by the National Assembly on November 15, 2022 and became effective on March 1, 2023. The implementing regulation, i.e., the AML Decree, was approved by the Prime Minister on April 28, 2023. The authorities are also prioritizing efforts to finalize the AML Circular which will prescribe additional requirements to implement the AML-related preventive measures. The CD team has provided extensive comments on the AML Circular, which is also expected to be approved in May 2023. A field-based mission in April 2023 continued delivery of CD activities relating to legal drafting, AML/CFT risk-based supervision and capacity of the FIU. The work on risk-based AML/CFT supervision and improving the institutional and operational capacity of the FIU built upon the recommendations made during the diagnostic mission.

u) Yemen (Legal Drafting)

- A further comprehensive review of Yemen's AML/CFT Law and its implementing regulations was conducted to identify gaps in the law and regulations when compared to the requirements of the FATF Recommendations. Major gaps in the legal framework have been identified. The CD team has commenced the legal drafting process to amend the law to address the identified gaps. A CD report will also be prepared to outline the gaps, together with proposals for revisions to law and regulations. A mission is being planned for mid-2023 to discuss the proposed draft law and regulations with the authorities before finalization. The project continued to face challenges due to the current IMF's policy of restricted travel to Yemen. Constraints in technology, infrastructure and resource capacity issues in Yemen also hampered more effective discussions and engagements. All CD engagements have so far been conducted virtually. The CD team continued to engage and coordinate with other AML/CFT TA providers in Yemen particularly those on the ground, to ensure synergy and improved traction by the authorities. The FATF has determined that Yemen has completed its agreed ICRG action plan. However, due to the security situation, the FATF has been unable to conduct an onsite visit to confirm whether the process of implementing the required reforms and actions has begun and is being sustained. The FATF will continue to monitor the situation and conduct an onsite visit soon.

14. Multi-country projects, such as the projects for selected Pacific Island, and MENA countries, have been an effective instrument for regional CD delivery for countries facing similar AML/CFT issues.

a) MENA (Legal Drafting, Diagnostic and Training)

- Since its launch in May last year, the project assisted three MENA jurisdictions (West Bank and Gaza, Algeria, and Sudan) in the preparations for their mutual evaluations. A virtual mission was delivered to the **West Bank and Gaza** in May 2022 focusing on AML/CFT supervision. Officials from the Palestine Monetary Authority (PMA), Palestine Capital Market Authority (PCMA) and the Ministry of National Economy, which is responsible for supervising the dealers in precious

metals and stones (DPMS) sector participated in the mission. The CD team conducted a diagnostic assessment of the risk-based supervisory framework and made related recommendations. The team also assessed the authorities' preparedness for their upcoming mutual evaluation and conducted mock interviews with supervisors to prepare them for their onsite visit. Discussions with authorities revealed that there are broadly positive findings in the draft MER submission to MENAFATF in relation to the effective implementation of risk-based supervision for banks, money and value transfer services (MVTs), and other financial institutions. However, it showed significant gaps in the scope of covered DNFBPs and structural vulnerabilities that call into question the overall effectiveness of the supervision of DNFBPs and the implementation of AML/CFT preventive measures.

- As for **Algeria**, a virtual mission was conducted in June 2022 with participants from the Bank of Algeria in AML/CFT supervision. Significant gaps were identified in Algeria's written submissions to MENAFATF. The documents provided for the assessment of AML/CFT supervision were lacking in relation to risk-focused description of supervision and did not include information or examples on the impact of supervision on the reporting entities' level of compliance with their AML/CFT obligations. In addition, most of the information provided related to banks, which suggests that there might be significant gaps in the regulatory coverage of other reporting entities. The CD team provided feedback at the end of the mission including guidance on how to improve the information provided to MENAFATF and how to build an effective AML/CFT risk-based supervision framework in line with the FATF standards.
- With respect to **Sudan**, a virtual meeting was conducted with the authorities in September 2022 to explain requirements under Immediate Outcomes 3, 10, and 11 of the FATF Methodology covering the effectiveness of AML/CFT supervision and the framework for applying targeted financial sanctions in relation to TF and PF. The session focused on the expectations under each Immediate Outcome and the best manner to provide a comprehensive effectiveness submission to MENAFATF. Later, based on the documents and information provided by Sudan, a virtual diagnostic mission was conducted in December 2022 and a mock exercise was undertaken with the Central Bank of Sudan and the Insurance Supervisory Authority to identify AML/CFT supervisory gaps. As indicated under the workplan, due to the receipt of a comprehensive CD request from Algeria and the conclusion of its mutual evaluation, it is proposed that Algeria benefit from a dedicated country specific CD project (subject to SC approval)—see paragraph 47(a) and Annex B. It is expected that several other countries (e.g., Oman, Iraq, Djibouti, Somalia) will benefit from CD under this project.

b) Pacific Island Countries (PIC): Solomon Islands, Tonga, Samoa (Legal drafting and AML/CFT Risk-Based supervision)

- The CD team is engaging with the authorities on finalizing the legal framework that underpins risk-based supervision. Legal drafting working groups in Tonga and Solomon Islands are undertaking advanced discussions on the draft bills. During field-based missions (February 2023 in Tonga and March 2023 in Solomon Islands) the CD team discussed in greater detail the amendments needed to the AML/CFT legal framework and nuances of the standards that need

to be implemented. Following the approval of the legal framework, the CD team will conduct a risk-based AML/CFT supervisory training and develop customized supervisory tools, with a focus on supervisory tools for banks and money remittance service providers. In light of the absorption capacities, an extension will be required to get the amendments to the law passed, supervisory training conducted, and to fully integrate the supervisory tools. With the lifting of travel restrictions, field-based missions are expected to address issues regarding competing priorities and provide an opportunity to secure political buy-in to the project. The authorities are expected to finalize and approve the draft AML/CFT legal framework. It is planned that supervisory training will be conducted through field-based missions to introduce the concepts of risk-based AML/CFT supervision and jumpstart the development of the customized supervisory tools.

15. Analytics and development projects undertaken contribute to AML/CFT themes of international relevance, inform future CD delivery, and lead to the development of CD modules.

With expertise in AML/CFT mutual evaluations and knowledge of the FATF standard, staff has a wealth of experience that can inform the analytics and development projects it is undertaking or has completed. The analytics and development projects include a confiscation of the proceeds of crime project, an e-learning course as well as the completed CFT book and TBO handbook. The Beneficial Ownership and Transparency project, the successor to the TBO project, is intended to be a thematic project. However, it will continue some of the analytical work on TBO while also working on the development of a dedicated CD module. A successor to the CFT book is also being proposed for SC approval aimed at, amongst others, providing CD to strengthen the effectiveness of members' CFT frameworks.

a) Confiscation of the Proceeds of Crime (Analytics and Development)

- The project, which commenced in October 2022, is aimed at assisting jurisdictions with the design of legislative and policy frameworks for the confiscation of the proceeds of crime and asset recovery both in the domestic and cross border contexts. Confiscation is a key area for the FATF, and it is one of the current presidency's strategic priorities. To date, the project has been split into two sub-research tracks dealing with domestic confiscation issues and cross border confiscation issues. The CD team has prepared a draft technical note outlining the main areas to be covered. The CD team also developed work plans for the development of technical notes. Additionally, the CD team has collated research material, including extracts from over 30 jurisdictions from the fourth round of FATF mutual evaluations, and the recent rounds of FATF Style Regional Body (FSRB) mutual evaluations. The research focused on mutual evaluations of countries that have scored either a substantially effective rating or highly effective rating for Immediate Outcome 8 on Confiscation. These will be valuable in mapping the characteristics of successful confiscation systems and identifying good practices that have been adopted by various countries with differing legal systems in this area. The next step, through roundtables, is the preparation of first drafts for review. The papers will be reviewed both internally and by a group of confiscation of experts who will add their perspectives to this work later in the year.

b) E-learning (Analytics and Development)

- The e-learning/online course, on AML/CFT risk-based supervision of financial institutions, supports the institutional strategy of the IMF about leveraging the use of new technologies for CD delivery including through the development of online courses. To-date, all four modules of the course have been drafted and undergone preliminary internal reviews by staff of the FID and the Institute for Capacity Development (ICD). These modules were subsequently fine-tuned by the CD team in response to feedback from reviewers. The four modules in the course are: (i) Legal and Regulatory Framework; (ii) Essential Elements of Risk-based Supervision (RBS); (iii) Offsite Surveillance/Monitoring; and (iv) Onsite Supervision. They will be complemented with video lectures, and links to relevant online reference materials and readings and related standard setters, including the FATF, Basel Committee on Banking Supervision, International Organization of Securities Commissions, and International Association of Insurance Supervisors, as applicable. The modules are next scheduled to be independently reviewed by internal and external experts to ensure quality and consistency. Following the reviews, the finalized modules will move onto the multimedia production phase, where ICD will address the creation of graphic and video storyboards, course images, and video recordings. Staff have also completed a draft of a related technical note on risk-based supervision which has informed development of the modules.

16. Thematic projects continue to play a critical role in the delivery of one of the AML TF III objectives. Notably these multi-country thematic projects are aimed at delivering CD that assists member countries in strengthening their AML/CFT frameworks and increasing their resilience to threats to their financial integrity. In this regard the four thematic projects on Beneficial Ownership and Transparency, VAs and VASPs, COVID-19, and its successor project on Beneficial Ownership and Procurement, have been designed to focus on topics that pose threats to financial integrity. See Box 2 for details of these thematic projects. In addition, the CBDC project aimed at raising awareness on the potential financial integrity risks of CBDCs and the financial integrity implications of various design options.

Box 2. Work on Thematic Projects

CBDC

This project, which commenced in August 2021, has two main facets: (i) raising awareness on the potential financial integrity risks of CBDCs and the financial integrity implications of various design options and development of TA CD tools; and (ii) research and analysis.

In relation to raising awareness and development of CD tools, the team continues to join in the delivery of training on a bilateral basis (in an IMF inter-departmental CD program) and participate in regional seminars. The project continues to develop and refine training materials based on the analysis mentioned above. Bilateral TA in FY2022 to discuss financial integrity risks related to CBDC included Azerbaijan, Egypt, Haiti, Jordan, and South Sudan, and is ongoing in Lesotho, Morocco, Paraguay, Uganda, and Vietnam. Regional work included two seminars on digital currencies (in the Caribbean region, hosted by the Caribbean

Regional Technical Assistance Centre (CARTAC) and in the Asia-Pacific region). Requests for bilateral and regional engagements continue to be addressed to the IMF and requests for LEG involvement in the development of knowledge products (such as those described above) are increasing. Experience gained by the team in the context of its CD work has been useful in informing the development of IMF-wide CD policies and tools for CBDCs.

In relation to research and analysis, the team continues to deepen its analysis of the financial integrity implications of CBDCs, including a mapping of how the FATF recommendations should apply to a CBDC arrangement. This analysis provides the foundation for discussions with member countries and engagements in this area (see above). The team continues to join inter-departmental efforts at the IMF in various publication efforts that include discussion of CBDCs (e.g., a paper on the digital money landscape in the Pacific Island Countries region and, notably, a CBDC Handbook—a project envisioned to span the next 4–5 years and intended to guide IMF CD teams as well as central banks considering or exploring a CBDC). In FY2022, the team also joined an initiative involving several international organizations led by the Bank of International Settlements (BIS) to develop principles and guidance (“building blocks”) on cross-border payments; the team led the analysis for financial integrity issues on the chapter dedicated to cross-border CBDCs.

VA/VASP

This program is aimed at the delivery of training programs related to VAs and VASPs. The training programs focus on the legal framework, risk assessment, supervision, and enforcement. The program is aimed at providing legal drafting assistance; advice on policy considerations; and the development of risk-based supervision structures and tools in relation to VA and VASPs, to mitigate the ML/TF risks emerging from the VA sector.

The CD team updated and reviewed the training materials developed as part of the project to take on board the latest FATF guidance and to further enhance the materials to capture challenges associated with effective implementation and to capture emerging topics. The training materials cover: Introduction to VA and VASPs; Legal Framework and operational Aspects of an Effective AML/CFT System; ML/TF risk assessment for VA/VASPs; Licensing/Registration, Preventive Measures and Supervision; Enforcement. The CD team has delivered regional training seminars in collaboration with the IMF African Training Institute and participated in a training event with the African Regional Technical Assistance Centre in West Africa.

In addition, the CD team has developed materials and provided advice and training to Bhutan, Ukraine, Iran, and Zimbabwe on the development and implementation of an effective framework to mitigate the ML/TF risks associated with VAs. The delivery of advice and training to countries on how to mitigate the ML/TF risks associated with VAs will continue. The project also included assistance on legal drafting, with a preliminary review of Namibia’s legal framework for VA completed and work is underway to assist Montenegro to ensure that a robust AML/CFT legal framework is in place for VA and VASPs. Work has commenced to develop a VA & VASP supervisory ML/TF risk assessment tool (to complement the work that has been completed on the development of a VA & VASP module as part of the National Risk Assessment CD) with the first deliverable involving the development of the methodology. A workshop will be held with

representatives from all regions within the IMF's membership, with a focus on those with established regimes for VAs and experience with the collection of data to support ML/TF risk assessments, to get feedback and further refine the methodology.

COVID-19 project (Financial Integrity Measures to Prevent the Misuse of Emergency Financing)

Fifteen countries benefitted from the CD project's targeted and agile support in integrating beneficial ownership information in public procurement related to their COVID-19 expenditures. Some countries made legal adjustments to apply to all contracts (beyond COVID-19 contracts). These include 8 fragile and conflict-affected states (FCS) (of which two are also classified as small developing states). Desk officers conducted fully virtual engagement, that helped maximize the time of staff and the authorities and avoided any travel costs. The public procurement agencies were the key counterparts for the CD project.

Regulations on collection and publication of beneficial ownership information of companies awarded procurement contracts was published in 11 countries: Benin, Chad, Comoros, Costa Rica, Equatorial Guinea, Gabon, Guinea-Bissau, Haiti, Mali, Mauritania, and Uganda. These incorporated key elements on: (i) requiring submission of beneficial ownership information by those participating in public procurement, (ii) prima facie verification of beneficial ownership information by the procurement authority, (iii) public access to the beneficial ownership information of the company awarded the public procurement, and (iv) enforcement mechanisms for non-compliance or false submission of information. The other four countries in the project, did not issue regulations contrary to the recommendations of the CD team. The training aspect of the project included increasing understanding of public procurement authorities on international AML/CFT standards on beneficial ownership. In this respect, an informational note on "Transparency of COVID-related Procurement" was developed as part of the CD project.

Policy commitments made by authorities in IMF emergency financing (i.e., Rapid Credit Facility and Rapid Financing Instrument) on transparency and accountability of COVID-related spending fueled demand for the CD project. In addition, subsequent IMF-supported programs included commitments or conditionality and further contributed to CD demand.

Moving forward, FID country desk officers are expected to follow-up on the implementation of these regulations, especially on ensuring that public access to beneficial ownership information of those companies awarded procurement contracts. The CD project is proposed to be closed and the beneficial ownership and procurement project will continue the work of the project but with an expanded scope.

Beneficial Ownership and Procurement

This project, the successor to the COVID-19 project, is aimed at assisting low-capacity countries to incorporate financial integrity measures to strengthen transparency and accountability in public procurement. The CD to be provided is consistent with the March 2022 revisions to the FATF standards in relation to transparency of beneficial ownership. In particular, this project will support the integration of transparency of beneficial ownership requirements of contracting parties in the context of public procurement framework. Delivery of the targeted CD project will focus on HQ-based legal drafting support

(exclusively virtual missions) to low-capacity countries (including FCS and small developing states) to rapidly revise secondary legislation or regulations on procurement.

Since the project commenced in November 2022, pick-up on the CD has not been as expected, owing to competing priority reforms in a post-COVID-19 environment such as sovereign debt vulnerabilities and recurring shocks induced by climate change. Further engagement and awareness-raising is expected in the context of surveillance as well as discussions in IMF-supported programs and related monitoring (through updating a matrix on progress of Government's commitments in this area).

In the meantime, the CD team will prepare an informational note to raise awareness of the scope and potential impact of the CD. The note will also leverage the lessons learned from the previous targeted CD under the COVID-19 project

Beneficial Ownership and Transparency

This project builds upon the Guide to Beneficial Ownership Transparency ("Unmasking Control") that was the product of a CD project initiated under AML TF Phase II and finalized in AML TF Phase III. The project is intended to helping IMF member countries to enhance entity transparency by ensuring the timely availability of adequate, accurate and up to date beneficial ownership information, in line with the updated FATF standards' requirements on transparency of beneficial ownership.

The CD team has produced standardized training materials drawing on the key messages from Unmasking Control, that have been utilized in a series of training sessions on beneficial ownership.

The CD team is further developing CD modules to be utilized at the one-week Enhancing Beneficial Ownership Transparency workshop at the Singapore Training Institute (STI) in July 2023.

The CD team is also currently producing additional analytical outputs to further support the development and operationalization of the CD modules, including an output assessing the risks and opportunities of different competent authorities hosting a country's beneficial ownership register.

Finally, the legislative drafting module of the project is aimed at delivering legal drafting assistance to countries requesting support in ensuring that their legal framework is in line with the revised FATF standard. In this regard, the CD team has begun engaging directly with select countries (from Africa and Asia) interested in receiving targeted CD under this module and is discussing possible pilot countries for the delivery of CD under this project.

Regional Advisors (RAs)

17. The RAs² play an important role in supporting CD projects endorsed by the SC of the AML TF III. During the year, the RAs supported projects undertaken in Bangladesh, Bhutan,

² The current RAs are advisors of the Asia-Pacific region, Latin America and the Caribbean region, the Middle East North Africa and Central Asia region and Sub-Saharan Africa region.

Botswana, Egypt, Guyana, Haiti, Jamaica, Jordan, the MENA region, Namibia, Solomon Islands, Suriname, South Sudan, Tonga, Timor-Leste, Tajikistan, Uganda, Vietnam, and Yemen. They also assisted in the delivery of the thematic VA/VASP project which focused on the challenges associated with the regulation and supervision of the VASP sector, and in the analytics and development project on confiscation which involves the drafting of technical notes on frameworks for the confiscation of the proceeds of crime and asset recovery. As noted in paragraph 36, the RAs play a critical role in coordinating with FSRBs, donors and other CD providers in relation to the AML TF III projects. They also play a key role in continuing to engage with authorities of CD beneficiary countries in the period between missions by CD teams to ensure ongoing traction. The AML TF III budget approved by the SC in October 2020 covers years FY2021–2024 of Phase III. This year’s workplan includes a budget allocation for the new fifth RA as well as budget allocations for Year Four and through the end of the current phase in April 2026 expenses of the existing RAs (FY2025–2026).

18. The RAs continued to support regional initiatives and activities. This includes participating in plenary and working group meetings of FSRBs, notably, the APG, Caribbean Financial Action Task Force (CFATF), Eurasian Group (EAG), Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), Inter-Governmental Action Group against Money Laundering in West Africa (GIABA), and MENAFATF and in meetings, and workshop/seminars arranged by the FSRBs, government agencies, regional organizations, and donors. As in previous years, the RAs supported activities conducted at the IMF regional training institutes and regional capacity development centers by organizing and conducting courses. These included an assessor training course which was conducted at the IMF’s Middle East Center for Economics and Finance in collaboration with the FATF and the MENAFATF, a webinar on beneficial ownership for countries in Sub-Saharan Africa organized by LEG and the Africa Training Institute (ATI) in collaboration with the EU Global Facility, and presenting on “AML/CFT Supervision Concepts” at a course organized by the ATI and the Monetary and Capital Markets Department on “Core Elements of Banking Supervision”. Support was also provided at a training event in Saudi Arabia designed to maximize the use of AML tools to tackle proceeds of corruption.

19. In line with guidance provided by SC members in the past, the RAs will continue to prioritize AML TF III projects. However, they will also periodically support policy work and work on non-AML TF III projects and other FID activities that provide broad support for FID’s overall CD objectives in the respective regions. The RAs participate – to a limited extent - in various FID’s working groups such as the Risk-Based Supervision Working Group, the Fintech Working Group, and the Risk and Context Working Group. They also support the development of technical notes on confiscation of the proceeds of crime, the work of the FATF Policy Development Group on asset confiscation and work related to CD coordination and administration. The work of these working groups is relevant to the CD delivery undertaken by the advisors, and they can provide valuable input to this body of work. They also contribute to the reviews of mutual evaluations.

20. A fifth RA for Francophone Africa was approved by the SC on a lapse of time basis on February 17, 2023. The new RA for Africa will complement the work of the other RAs and will be

responsible for providing, managing, and coordinating CD on AML/CFT activities to IMF member countries in the Francophone sub-Saharan region. The recruitment of the RA is currently underway with an advertisement having been placed on April 17, 2023.

Completed and Successful Projects Planned for Closure

21. Significant and concrete results were achieved in two analytics and development projects, one thematic project, and four country projects that have been completed and are to be closed. Results achieved include the publication of two books from the analytics and development projects on CFT and TBO, namely the CFT book “The Suppressing the Financing of Terrorism Handbook for Practitioners- Challenges and Good Practices in Improving Effectiveness; and the TBO Handbook “Unmasking Control: A Guide to Beneficial Ownership Transparency”. Results in the thematic COVID-19 (financial integrity measures to prevent the misuse of emergency-related financing) project included the approval of subsidiary legislation on transparency of beneficial ownership in 11 countries and achievements in the three country projects included the enactment of a new AML/CFT legislation, approval of AML/CFT regulations, the implementation of risk-based approach to AML/CFT supervision and enhanced FIU operations. Subparagraphs (a)–(g) below provide further details.

Completed Analytics and Development Projects with Significant Results

a) Book on Counter Terrorism Financing – Good Practices to Enhance Effectiveness

- The objective of this project was the development of a book intended to assist AML/CFT policy makers and practitioners in identifying key challenges and good practices for strengthening the effectiveness of counter terrorism financing frameworks. The book “Countering the Financing of Terrorism - Good Practices to Enhance Effectiveness” is due to be published in May 2023, and IMF staff will conduct outreach sessions and events to engage all relevant stakeholders and disseminate the key findings and lessons learnt from the research undertaken. See Box 3 for further details.

b) Unmasking Control – a Guide to Beneficial Ownership Transparency

- The objective of the project was to develop a guide and a CD tool that will assist countries to improve their compliance with beneficial ownership transparency requirements, in line with the international AML/CFT standard (FATF Recommendation 24 with respect to transparency of legal persons). The main achievements under this project were the timely publication of the transparency of beneficial ownership handbook (Unmasking Control: A Guide to beneficial Ownership Transparency) and dissemination of the handbook via a high-level launch event at the 2022 IMF/World Bank (WB) Annual Meetings and at several relevant external events. See Box 3 for further details.

Box 3. AML/CFT Publications and related Launch and Media Plans

Countering the Financing of Terrorism - Good Practices to Enhance Effectiveness³

The book is designed to assist AML/CFT policy makers and practitioners in identifying key challenges and good practices for strengthening the effectiveness of counter-terrorism financing frameworks. It had been researched and edited by IMF staff with contributions from several recognized experts from other institutions, including the United Nations, Egmont Group of FIUs, Interpol, and Europol. The book's six chapters cover (1) improving the understanding of terrorist financing risks; (2) the role of the private sector in detecting and disrupting terrorist financing activities; (3) the production and use of financial intelligence to counter terrorism and terrorist financing; (4) investigating, prosecuting, and sanctioning terrorism financiers; (5) terrorism-related targeted financial sanctions; and (6) international cooperation in combating the financing of terrorism.

The manuscript was sent for editing/formatting in June 2022 and was published in May 2023. IMF staff will be engaged in outreach sessions in New York with the United Nations (May 2023), in Berlin with the donors' community (June 2023), in Paris (June 2023), Egmont (July 2023), and FSRBs (throughout the year) to present the book and its key findings. Other planned events to disseminate the key lessons from the book include: the publishing of a feature story on the IMF's intranet; preparing blogs and social media; a specific IMF event with a roundtable and management participation (July, tentative) and a Podcast for external IMF audience, planned for September, highlighting key takeaways from the book.

Unmasking Control: A Guide to Beneficial Ownership Transparency

This handbook is designed to provide helpful and accessible guidance to member countries, as they look to implement frameworks to have access to beneficial ownership information. The guide follows the new requirements for beneficial ownership under the FATF's international AML/CFT standard, which will require all countries to implement changes to their current systems. This is an area that is increasingly discussed in the context of IMF surveillance, lending (including commitments introduced for emergency lending) and CD work.

Unmasking Control was launched in October 2022, with an event at the IMF/WB 2022 Annual Meetings in October. Since this date, FID, with the support of the IMF's communication department (COM), had conducted a series of activities aimed at disseminating the key lessons from the book. These activities included promoting the book on the IMF bookstore, IMF publication newsletter, placing an advert in the London Review of Books, and through promotional flyers. FID staff disseminated the book to internal stakeholders by emailing relevant mission chiefs and all LEG colleagues and externally by sharing the book with relevant civil society organizations (CSOs) and with each FSRB. FID staff also presented and promoted the book during the plenary meetings of the FSRBs. Further, the CD team presented on the book at regional training events coordinated by the EU Global Facility events for the Financial Action Task Force of Latin America (GAFILAT), ESAAMLG, and at high-profile opportunities, including the IMF/ WB/FED Seminar for

³ This was published [on May 15, 2023](#).

Senior Banking Supervisors from Emerging Economies, the International Anti-Corruption Conference (IACC), the Global Forum on Tax Transparency Plenary Meetings, and the FATF workshop on its revised Standards and Methodology. To facilitate these presentations and future trainings, the CD team has developed a presentation template for the book that has been translated into French and Spanish. Finally, the CD team has also begun engaging directly with IMF members interested in improving their beneficial ownership transparency frameworks, including with Moldova, Guyana, and Namibia, to discuss how the handbook and FID can support their implementation efforts.

To facilitate awareness and use of the handbook across the IMF, the CD team is currently developing an intranet article outlining the key findings of the handbook for IMF core workstreams and planning an internal training on beneficial ownership transparency intended for area departments. To continue to promote the handbook and the IMF's work on beneficial ownership externally, the CD team is working with COM to develop a short informational video and engaging with relevant journalists on the background to promote the IMF's work in this space. The CD team has spoken with relevant CSOs including Open Ownership regarding potential future events on the book and topic. FID has a series of external trainings planned that will leverage the handbook, including the upcoming IMF-Singapore Training Institute course on beneficial ownership in July and has also already begun using the handbook in its CD work, including as part of the Namibia CD project recently approved by donors.

Completed Thematic Project with Significant Results

c) COVID-19 project

- Fifteen countries benefitted from this CD project's targeted and agile support in integrating beneficial ownership information in public procurement related to their COVID-19 expenditures. The project included CD to eight FCS (of which two are also classified as small developing states). As a result of advice provided by the CD teams, regulations on collection and publication of beneficial ownership information of companies awarded procurement contracts were published in 11 countries: Benin, Chad, Comoros, Costa Rica, Equatorial Guinea, Gabon, Guinea-Bissau, Haiti, Mali, Mauritania, and Uganda, while four other countries did not issue the relevant regulations in response to staff's recommendations. See Box 2 for further details.

Completed Single Country Projects with Concrete Results

d) Ecuador (Legal Drafting and AML/CFT Risk- Based Supervision)

- This project was designed to (i) assist the authorities in their efforts to bring Ecuador's AML/CFT legal framework into compliance with the FATF Recommendations, focusing on AML/CFT tools to effectively combat proceeds of corruption, and (ii) assist the Superintendency of Banks (SoB) in Ecuador to strengthen its risk-based approach to AML/CFT supervision. For the legal drafting module, an AML/CFT law in line with FATF standards was drafted to bring it in into compliance with international standards. The draft was submitted to the National Assembly and subsequently to Parliament in February 2023 for discussion and enactment (currently pending). The CD team also reviewed Regulation 2020-2055, a key component of the legal basis for SoB's

supervisory activities and made recommendations to better align it with the requirements of a risk-based approach. The Regulation was adopted. For the supervisory component, the CD team worked with the SoB and the FIU to strengthen SoB's onsite and offsite supervisory tools. The CD team reviewed the offsite supervisory tools used by the SoB and made several recommendations to make these tools more relying on risks. The SoB strengthened the tools with the objective of positioning itself to have a robust and effective risk-based supervisory regime in which supervisory resources are allocated based on ML/TF risk. The CD team proposed a structure for a detailed Handbook designed to capture all components of the SoB's supervisory framework including the tools strengthened under the project. The Handbook has been adopted by the authorities. This project is planned to be closed as all the deliverables have been largely completed except for the enactment of the AML/CFT law. The enactment of the law continues to be leveraged by the ongoing mutual evaluation and through the IMF's engagement with the authorities (e.g., surveillance and potential lending).

e) Guinea (Legal drafting, FIU and AML/CFT Risk-Based Supervision)

- The project achieved substantial progress in meeting its projected outcomes. Progress was achieved for the workstream involving the *Banque Centrale de la République de Guinée* (BCRG), notably in the development of regulations to implement the amended AML/CFT Law which was approved in January 2023. Progress was also achieved in the workstream involving the FIU (CENTIF), where the CD team assessed the FIU's performance and provided advice to enhance its structure and analytical process, resources, understanding of risks, and financial intelligence outputs. CENTIF has also benefitted from substantial input by the CD team to the draft Implementing FIU Decree. Nevertheless, further efforts by Guinea will be needed to: implement the asset declaration system; enhance the effectiveness of the FIU; achieve effective implementation of preventive measures across all obliged entities; and implement effective AML/CFT risk-based supervision based on the training and tools developed with the assistance of the CD team. There is lack of engagement by the authorities on the operationalization of the asset declaration framework and the related decrees, developed with staff assistance, were not implemented. The implementation of effective risk-based supervision by BCRG continues to be constrained by limited resources.

f) Indonesia (AML/CFT Risk-Based Supervision)

- This CD project commenced in 2016 and transitioned over to AML TF III in November 2020. The authorities have been receptive to the recommendations resulting from the eight missions delivered throughout the project and have demonstrated commitment and discipline in implementing the CD team's recommendations. Progress was notably achieved in developing, adopting, and implementing risk-based tools for the sound and effective supervision of banks, securities intermediaries, and life insurance companies. All tasks, activities, and training conducted during this CD project positively impacted OJK's performance during the FATF mutual evaluation. The strengthening of the regulatory framework assisted Indonesia, in particular the OJK, in obtaining a high level of technical compliance with the international standard including FATF Recommendations relating to the supervisory aspects. On the

supervisory framework, the mutual evaluation recognized that among all the supervisors in Indonesia, OJK's "Offsite and onsite supervision includes good elements of risk-based supervision, with the OJK having the most advanced risk-based supervision framework."

g) Pakistan (Legal Drafting and AML/CFT Risk-Based Supervision)

- In response to a request from the State Bank of Pakistan (SBP) to review Pakistan's CFT regime and to build the capacity of SBP officials to undertake a risk-based supervision of the banking sector, the CD team provided legal and AML/CFT supervisory advice. The CD team provided advice on further improvements to the legal framework for targeted financial sanctions (TFS) for terrorism and TF. Advice was also provided on how the Anti-Money Laundering Act 2010 could be improved by providing a statutory foundation for AML/CFT preventative measures and recommending the creation of AML/CFT regulations applicable to all financial institutions and non-financial businesses. In relation to the AML/CFT supervisory component, advice was provided to SBP on improvements to tools and procedures relating to the risk-based supervision of the banking sector. The CD team provided advice on the offsite tools developed by SBP and made recommendations to make them more effective as risk-based tools. The SBP made several modifications to the tools to reflect the CD team's recommendations. All the items related to the project in Pakistan's ICRG action plan have been assessed by FATF as largely achieved and this was due to efforts by Pakistani authorities in collaboration with CD providers, including the IMF. Following the FATF onsite visit between August 29 and September 2, 2022, the FATF concluded that Pakistan was implementing its required reforms and that such implementation was likely to be sustained, especially given the high-level political commitment. Accordingly, in October 2022, the FATF removed Pakistan from the ICRG grey list. The project is therefore complete and will be closed.

Projects to be Terminated or to Remain Suspended

22. There were situations where it became necessary to terminate or to continue the suspension of CD projects due to geopolitical developments, lack of traction, and security issues. These issues led to project delays and a lack of progress. The CD project with Afghanistan is proposed to be closed due to the suspension of engagement by the IMF coupled with lack of clarity within the international community regarding the recognition of the government in the country. The project with the ECCB is also to be closed due to a duplication in the CD requested, where the WB is providing similar CD, a lack of resources and the lack of coordination among Eastern Caribbean Currency Union (ECCU) member states. The war in Ukraine has delayed the delivery of the CD project to the country. Some limited work on the AML/CFT supervisory framework has commenced while the legal drafting component on beneficial ownership transparency is unlikely to commence until after the end of the war and the component is proposed to be terminated. It is also proposed that the project with Myanmar remains suspended until re-engagement is possible.

a) Afghanistan (Legal Drafting)

- This project commenced in July 2021 in response to a request submitted by the central bank of Afghanistan, to provide legal drafting support and to strengthen the AML/CFT supervision of non- bank financial institutions (NBFIs). The legal drafting component of the project was intended to assist authorities in developing laws or regulations that are necessary for the implementation of sound preventive measures and the implementation of a risk-based approach (RBA) to AML/CFT supervision for NBFIs in Afghanistan. Due to the change in the government of Afghanistan, no work commenced. Since there continues to be a lack of clarity within the international community regarding the recognition of a government in Afghanistan, the IMF has paused its engagement with the country. Therefore, in the meantime, staff are not able to provide CD. As there has been no change in the status, staff propose to close the project.

b) ECCU/ECCB (AML/CFT Risk-Based Supervision, Legal Drafting)

- The project was approved in November 2020 to build capacity within the ECCB in two areas: improving the legal AML/CFT framework and RBS. When the project commenced, the CD team initially engaged remotely with the authorities in scoping out the work to be undertaken to review the AML/CFT legal, regulatory, and supervisory frameworks. However, resources available from the ECCB side had been committed to an ongoing CD being provided by the WB to the supervisory staff of the ECCB. The limited ECCB resources available prevented them from coordinating with the ECCU members to discuss the necessary steps needed to harmonize the AML/CFT legal frameworks and the RBS framework. In late February 2023, the authorities indicated that the CD under this AML TF III project was no longer needed, as the CD provided under a WB project covered all areas of risk-based supervision. A change in the scope of the project was requested i.e., to develop a model law. This would require each ECCB member submit an individual request for CD, which at this time is not feasible, given the lack of coordination amongst the members and no request or expression of interest having been received from any of the members. Staff propose to close the project.

c) Myanmar (AML/CFT Risk-Based Supervision)

- Since February 2021, project activities have been suspended following the political developments in Myanmar. The IMF put on hold its engagement on CD with the authorities and is following those developments closely to evaluate their implications. Myanmar has been on the FATF list since February 2020. In October 2022, upon the expiry of its action plan and the continued lack of progress, the FATF identified Myanmar as a high-risk jurisdiction due to significant strategic deficiencies in its AML/CFT and CPF regime. For all countries identified as high-risk, the FATF calls on all members and urges all jurisdictions to apply enhanced due diligence, and, in the most serious cases, countries are called upon to apply countermeasures. In 2020, the IMF extended an emergency loan program to help Myanmar address the economic impact of the COVID-19 pandemic. However, following the military coup in February 2021, the IMF suspended the loan disbursements. Staff continues to monitor Myanmar's political situation and progress in strengthening its implementation of AML/CFT measures. Staff stand ready to

resume CD delivery to the country once the political situation stabilizes and a legitimate government is in place.

Project Achievements and Results

23. There have been significant achievements during the past year as mentioned in paragraph 12; however, the full results of AML/CFT CD may not be immediately visible until a few years after the project's completion. The process can take time to show results as AML/CFT CD involves addressing complex issues that require an in-depth understanding of financial and non-financial systems, criminal behavior, as well as legal and regulatory frameworks. AML/CFT CD also involves changing culture and behavior which can be challenging and time-consuming. Further, the effectiveness of, for example, a new legal framework or supervisory tools may not be seen until they have been fully implemented and enforced. The CD project with Cambodia, which was an AML TF II project, highlights the longer-term outcomes of the engagement with the country. Cambodia was removed from the FATF grey list in February 2022, about two years after the CD project had closed. The assistance provided to Cambodia by the CD team, with support from the AML TF, largely contributed to the achievement of four of the action plan items and partly contributed to one of the action plan items. See Box 4 for this success story with Cambodia.

Box 4. Success Story: AML/CFT Project with Cambodia

A CD project with Cambodia commenced under the AML/CFT Thematic Fund in 2017 to assist the Cambodian authorities to:

- Develop an AML/CFT national strategy to serve as a roadmap to guide Cambodia to build an effective AML/CFT system;
- Review the AML/CFT law and its implementing regulations to bring them in line with the FATF Recommendations;
- Strengthen the role of Cambodian Financial Intelligence Unit (CAFIU) in receiving, collecting, analyzing, and disseminating reports and exchange of information with law enforcement agencies particularly the Anti-Corruption Unit, the tax authorities, and the Prosecutor's Office; and
- Develop a risk-based approach to AML/CFT supervision of financial institutions in Cambodia.

Cambodia was the subject of a mutual evaluation by the APG and the MER that was published in July 2017 found that Cambodia's AML/CFT programs had numerous shortcomings. The country was rated as compliant or largely compliant against 21 of the 40 FATF Recommendations. The remaining 19 were found to be partially compliant or non-compliant. The effectiveness of Cambodia's AML/CFT programs was also found to be lacking with low ratings being given against seven of the eleven criteria. It was found to be moderately effective against three criteria and substantially effective against only one. These ratings qualified Cambodia for inclusion in the FATF's ICRG Process unless significant improvements could be made by July 2018.

In February 2019, Cambodia was added to the FATF's grey List and was subject to an action plan by the ICRG. This action plan included items requiring amendments to Cambodia's legal and regulatory AML/CFT Framework; requiring CAFIU to implement the risk-based supervisory tools developed with the CD team and improve the number and quality of its intelligence disseminations.

Key Achievements

The CD team delivered a total of eleven missions (including a scoping mission) of which nine were in person and the remaining two were conducted virtually in 2020 due to the COVID-19 pandemic. The focus of these missions was to assist the authorities in addressing the ICRG action plan. CAFIU was fully engaged with the project team for the duration of the project and made considerable efforts to accelerate legislative schedules and to develop and implement the supervisory tools. Over the course of the project the National Bank of Cambodia provided additional resources to CAFIU which assisted CAFIU analysts to implement improved policies and procedures developed in consultation with the project that resulted in the elimination of the reporting backlog and an improvement in the quality and quantity of intelligence reports.

Specific outcomes achieved by the CD team over the course of the project included the following:

Legal drafting—A new AML/CFT Law was drafted and came into effect in July 2020. Implementing regulations were also drafted and delivered to the authorities in November 2020. These draft regulations were issued in part in November 2020 and January 2021.

National Strategy—A full-fledged AML/CFT National Strategy for five years from 2019–2023 was developed with inputs from all relevant stakeholders and launched in March 2019. The assistance of the CD team, and the support of the AML/CFT Thematic Fund was acknowledged in this document.

FIU—A standard operating procedures manual was developed and put in use by the authorities, which assisted CAFIU to increase its effectiveness and efficiency, especially in terms of increasing the number of operational disseminations that contribute to ML/TF investigations, prosecutions, and convictions. Many series of training were provided to CAFIU staff, and the content focused on financial intelligence analysis techniques and other core financial intelligence functions. There was also collaboration with the United Nations Office on Drugs and Crimes (UNODC) in delivering a joint training program which was attended by 42 participants from key AML/CFT agencies in Cambodia.

Supervision—Work on developing a risk-based approach to AML/CFT supervision of commercial banks was completed in June 2018 and a full report documenting the methodology was delivered. The risk-based approach has been put into operation by the authorities and acknowledged by the APG in Cambodia's progress report. Further, a risk-based approach for the supervision of three other financial sectors—third party processors, payment service providers, and micro deposit taking institutions—were also developed and adopted by the authorities.

Cambodia Successfully Exited FATF listing in February 2022

In 2022 the ICRG was satisfied that all items under the action plan were satisfactorily completed, and that Cambodia had substantially improved its compliance with the FATF Recommendations. The country was now found to be compliant or largely compliant with 32 FATF Recommendations (up from 21) and was only partially compliant or non-compliant against 8 FATF Recommendations (down from 19). The assistance provided to Cambodia by the CD team with support from the AML/CFT Thematic Fund largely contributed to the achievement of four of the action plan items and partly contributed to one of the action plan items.

24. Staff have been innovating and creating tools for use by all member countries, while leveraging synergies from other AML/CFT CD work undertaken within the organization. The e-learning course once completed will include a range of tools for use by AML/CFT supervisors and is drawing upon a draft technical note developed by an in-house Risk-Based Supervision Working Group. CD teams have been making use of innovative technologies such as machine learning, data analytics and artificial intelligence to improve the detection and prevention of ML/TF activities and to modernize our CD. The CD team for the project with Moldova is developing a toolkit for

monitoring of cross-border payments and illicit financial flows. A non-AMLTF- III CD project with the Nordic Baltic countries is also working on a similar tool on financial flows analysis and discussing the risk-based supervision of banks and VASPs, and potential implications of financial integrity failures on financial stability. Both teams are utilizing the synergies and lessons learnt from these projects in developing and refining the tool. See Box 5 for further details.

Box 5. Financial Flows Analysis and IMF Capacity Development

Cross-border payments may pose elevated ML/TF risks, including risks related to laundering of foreign proceeds of crime, in some countries where the financial flows are excessive relative to the GDP and the size and the level of development of the financial sector. Enhancing the understanding of ML and TF risks from cross-border payments and developing the necessary mitigation measures are pre-conditions for countries to manage the potential risks arising from financial flows. In turn, this requires creating tools and frameworks for data collection and analysis, and the incorporation of the results of the analysis into the AML/CFT supervisory framework and the analytical work undertaken by the FIU. While developed financial centers usually have the required capacity and tools to monitor and analyze the financial flows to understand the ML/TF risks and sufficiently effective AML/CFT regimes to mitigate these risks, countries with less developed financial centers may not.

Staff developed a framework for analysis of financial flows, aiming to assist countries exposed to substantial ML/TF cross-border risks to develop their AML/CFT regime's capacity to address illicit financial flows risks. The framework includes (i) monitoring of cross-border wire transfers, non-resident activity, and assessing associated ML/TF risks; (ii) incorporating results of the cross-border payments analyses into the risk-based approach to AML/CFT supervision and the FIU's operational and strategic analysis; and related domestic coordination (iii) developing AML/CFT legal, regulatory, and technical measures to address illicit financial flows. The financial flows analysis toolkit is based on the wide range of data – for example on payments, trade in goods and services, portfolio and direct investment data, strength of AML/CFT regimes – and applies a range of statistical, econometric and machine learning approaches for the identification of potentially higher ML risk and outlier financial flows. The methodology and the toolkit will be transferred to the countries as part of CD work, reducing the burden on country's AML/CFT resources. The annual report proposes to expand the scope of the ongoing successful project with Moldova, which piloted the project's scope and approach in the previous fiscal year, to deepen the work assisting countries to analyze and address ML/TF risks arising from cross-border payments and non-resident activity.

The input from the financial flows analysis also informs staff's risk-based selection of countries for CD engagement and prioritization of areas for CD work as well as new tools to enhance existing CD modules (national risk assessments, supervision, tax evasion, CBRs).

25. CD recipients that have benefitted from the AML TF III during this reporting year are mostly from low-income or lower middle-income countries. This is in keeping with the SC's preferred country selection criterion to focus more on lower-income countries. The composition of

beneficiary countries that received AML/CFT CD is presented below.⁴ Eleven countries which are FCS⁵ are marked up with an underline.

- a) Seven low-income countries (single country projects with Guinea, South Sudan, Uganda, and Yemen; multi-country and thematic projects involving Chad, Sudan, and Uganda);
- b) Twenty-one lower-middle income countries (single-country projects in Bangladesh, Bhutan, Egypt, Haiti, Indonesia, Pakistan, Tajikistan, Timor-Leste, Ukraine, and Vietnam; participation of Algeria, Bhutan, Djibouti, Iran, Lesotho, Morocco, Solomon Islands, Ukraine, Vietnam, and West Bank and Gaza, Zimbabwe) in multi-country and thematic projects; and
- c) Fourteen upper-middle income countries (single-country projects in Bosnia and Herzegovina, Botswana, Ecuador, Guatemala, Guyana, Jamaica, Jordan, Moldova, Namibia, Paraguay, Suriname; and participation of Montenegro, Paraguay, and Tonga in multi-country and thematic projects).

26. Future work with FCS will be aligned with the IMF Strategy for FCS.⁶ Such work will design the provision of CD with these countries considering their limited absorptive capacity and will prioritize supporting institution-building activities and working through coordinated efforts with other development partners.

CD Requests and Spending

27. The IMF continued to receive new CD requests – see Table 1. From May 2021 to April 2023, direct requests for new CD assistance were received from 14 countries and expressions of interests were received from 19 countries. Requests for CD related to areas of comparative strength for the IMF and are included in the RBM catalog of CD workstreams (modules) that the IMF can deliver: conducting diagnostics, conducting NRAs, developing national strategies, legislative drafting, enhancing the RBA to AML/CFT supervision, including supervision of VASPs, improving the operations of the FIU, enhancing entity transparency etc. Most requests were received from lower-middle income and low-income countries- see Figure 1. These requests were received either directly from country authorities, through area departments, or from an FSRB, and are recorded in CDMAP.

⁴Income level information is from the World Bank Country and Lending Groups database: <https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups>.

⁵ FCS data is from the World Banks' FY23 List of Fragile and Conflict-affected Situations: <https://www.worldbank.org/en/topic/fragilityconflictviolence/brief/harmonized-list-of-fragile-situations>. This list will be used in line with the requirements of the IMF Strategy for Fragile and Conflict-Affected States.

⁶ [Staff Guidance Note on The Implementation of The IMF Strategy for Fragile and Conflict-Affected States \(FCS\)](#)

Table 1. Requests for AML/CFT CD May 1, 2022–April 30, 2023		
IMF Region	Requests	List of Requesting Countries in Alphabetical Order (AML TF III Engagements are Marked with a ^) (Expressions of Interest are Marked with a *)
Africa (sub-Saharan Africa)	15	Angola,* Cote d'Ivoire, Eswatini,* Ghana, Kenya,* Lesotho,* Malawi, Mozambique,* Namibia,^ Nigeria,* Rwanda,* Sierra Leone, Tanzania,* Zimbabwe^
Asia-Pacific	5	Bhutan,^ India,* Mongolia, Nepal,* Sri Lanka
Middle East, North Africa, and Central Asia	10	Algeria,^ Djibouti,^ Iraq,^ Kazakhstan,* Kuwait,* Libya,* Somalia, Tunisia, Uzbekistan,* West Bank and Gaza^^
Western Hemisphere (Latin America & The Caribbean)	3	Cayman Islands,* Ecuador,^^ and Guatemala,^^ Suriname^^
Europe	0	
TOTAL	33	

Figure 1. Requests for IMF AML/CFT CD by Income Level of Requesting Countries (Including FCS and Emerging Markets)

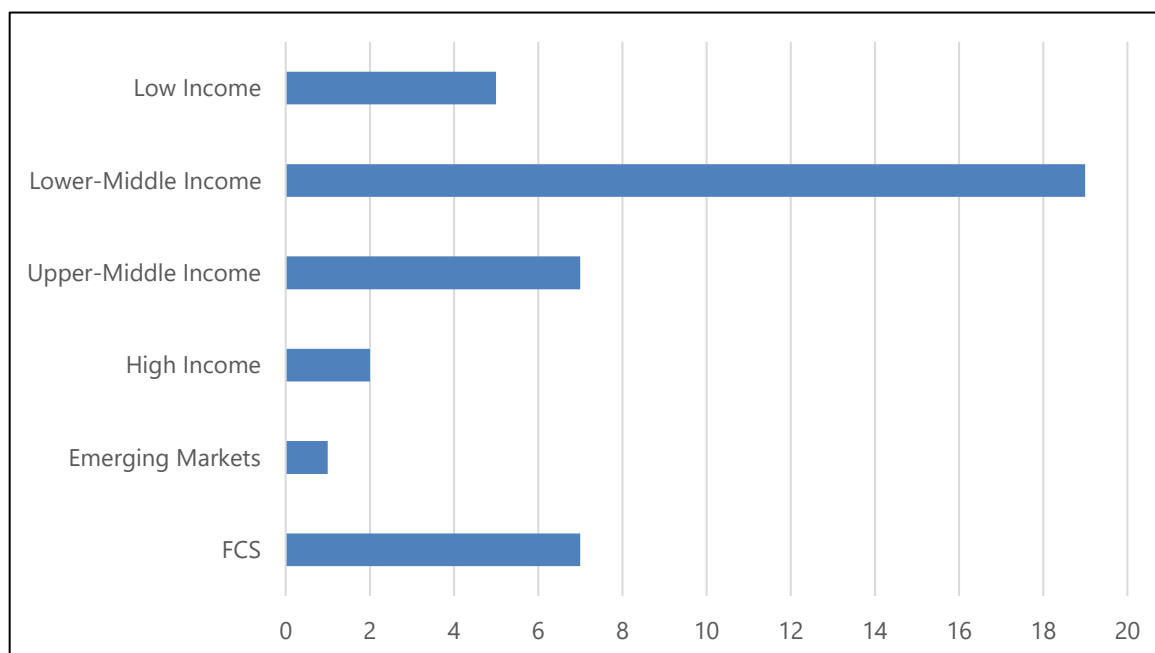


Figure 2. Spending by Region, May 1, 2022–April 30, 2023⁷

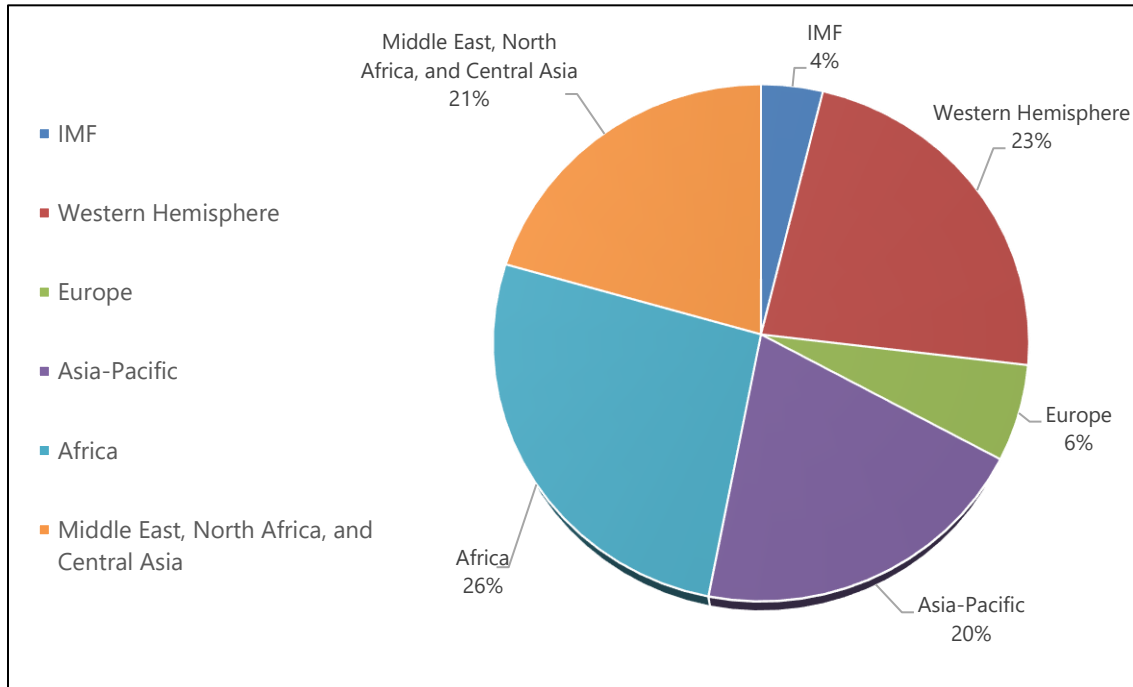
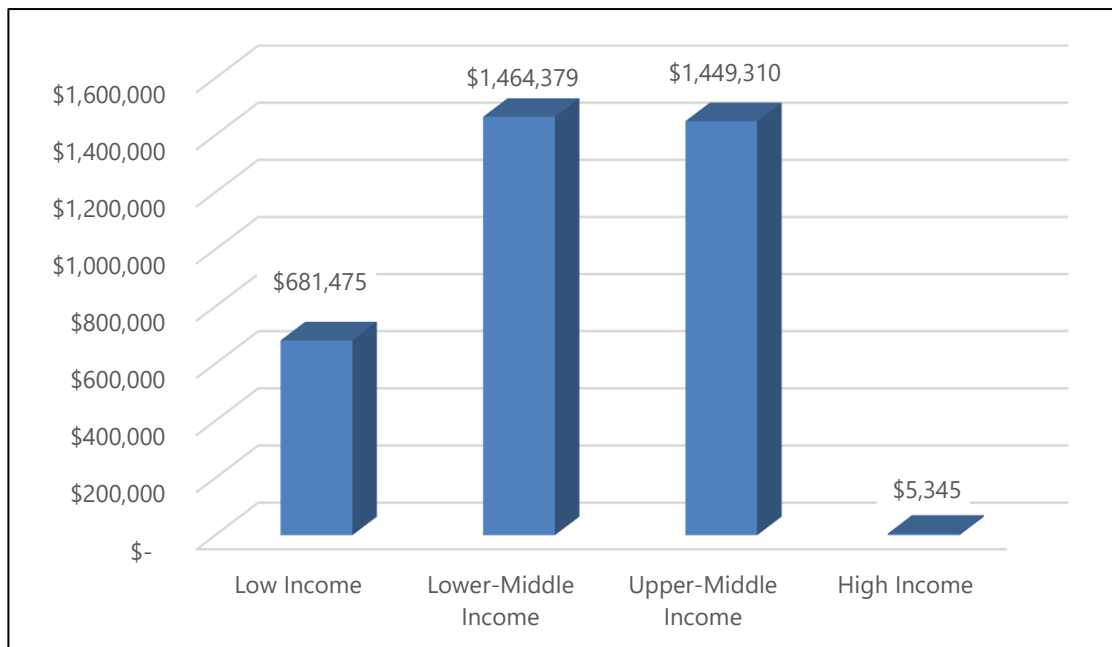


Figure 3. Spending by Income Level, May 1, 2022–April 30, 2023



⁷ This figure details the spending during the reporting year by region. The reference to IMF depicts work that benefits several regions, or the IMF membership in general, such as analytics and development work.

28. Year Three of AML TF III spending covered all regions⁸ and was distributed mainly across lower and lower-middle income countries. In terms of geographical spread, spending on CD engagement covered all regions of the world more or less equally, except for Europe, as most European countries are not eligible for assistance under the AML TF III. Spending was mostly concentrated on lower and lower-income countries consistent with the SC's preference for CD to focus more on lower-income countries.

B. Challenges in CD Delivery in the Reporting Year

29. Several projects faced challenges such as limitations in resources, lack of awareness, lack of traction, duplication of CD, geopolitical developments, and political divisions. There was slow execution in the delivery of CD to Timor-Leste due to a lack of available resources on the part of the authorities to absorb CD. Likewise, the ECCB project suffered from the ECCB's limited resources which prevented it from coordinating with ECCU members to discuss the necessary steps needed to harmonize the AML/CFT legal frameworks and the RBS framework. One of the key challenges to some of the projects was the lack of capacity to absorb and implement the new requirements of the FATF Standards. As an example, in the COVID-19 CD project there was a lack of awareness of beneficial ownership requirements by procurement authorities and its usefulness in achieving transparency and accountability in public procurement. In some cases (i.e., Democratic Republic of Congo, Kosovo, Niger, and Sao Tome and Principe), the authorities were not able to finalize or approve regulations, owing to intervening lack of interest or political will. In Vietnam, there were delays in receiving the drafts and translations of relevant legislation from the authorities due to competing priorities and the lack of resources, delaying the timely provision of legislative drafting advice. In Bosnia and Herzegovina, the general elections in October 2022, the ensuing political division, and the protracted process of forming the government have also slowed down the project. Geopolitical developments impacted the projects in Afghanistan, Myanmar, and Ukraine as mentioned above. In Egypt, there was an initial lack of traction and in South Sudan there were delays due to slow responses, but interest has since picked up due to the stepping up of our engagement in Egypt and changes of project counterparts in South Sudan.

30. The delivery of CD to countries (particularly to low-capacity countries) was particularly challenging during the period where travel was not possible as a result of the COVID-19 pandemic or for security reasons. These limitations led to a reliance on virtual CD delivery and webinar style presentations. However, virtual deliveries were sometimes impacted negatively by inadequate communications and IT infrastructure and by intermittent and/poor internet connections and other logistical issues, especially in low income and fragile states.

31. COVID-19, other localized outbreaks of disease and security concerns are still concerns in some countries. In Bangladesh, there was slow progress made during the period when the COVID-19 pandemic prevented mission travel. In the case of Uganda, a recent Ebola outbreak affected the planned field-based mission which had to be converted to a virtual mission. This

⁸ Figure 3 provides details on spending during the reporting year by income level of countries.

impacted the level of involvement by authorities. In Yemen, there are still security-related travel restrictions in force.

32. The novel and changing nature of some financial integrity issues and newly issued or lack of guidance from international standard setters also caused slower commencement of CD delivery. Guidance on VAs and VASPs and the implementation of the beneficial ownership transparency requirements for legal persons were only recently issued by the FATF while guidance from the FATF on CBDCs has still not been issued. Most countries are still making policy decisions on the modalities for implementation of these requirements which has delayed bilateral CD delivery in these areas.

33. The shift to field-based missions has increased the necessity for security-related training for CD teams working in countries affected by conflict. In line with the FCS Strategy and the CD Strategy, many of the countries where CD teams need to travel may be affected by lack of police control, crime, and conflict. Therefore, it is essential to continue the collaboration with the IMF Security Services, and for CD teams to be updated on the latest security-related developments in the countries they are travelling to. For those countries deemed as High-Risk Locations, CD teams need to attend mandatory training and security briefings and, in some cases such as for Haiti, the mission was held in a third country.

C. Coordination with Donors, Other CD Providers, and Organizations

34. Coordination with donors, other CD providers and international/regional organizations on a frequent basis continues to be a key element of CD delivery under the AML TF III. This coordination ensures the best use of AML TF III resources, avoids duplication, and maximizes the effectiveness of AML TF III projects. Coordination occurs through multilateral or bilateral meetings in the context of FATF and FSRB plenaries and events, bilateral discussions with donors and other CD providers engaged in a recipient country, as well as through discussions with donors and other CD providers in the context of IMF lending and Article IV consultations (the IMF's annual economic health check). Where countries are on the ICRG list, there are more frequent meetings with the relevant FSRBs. All the engagements are undertaken with a view to sequencing CD delivery; avoiding duplication; and exploring avenues for collaboration. Some of the projects have delivered CD activities in collaboration with the FSRBs and IMF Regional Technical Assistance Centers (RTACs). In addition, staff actively participates and contributes to the work and activities of the FATF and FSRBs, particularly in the areas of FATF standards setting, conducting, and reviewing draft MERs, as well as discussion of CD needs of countries and coordination of CD activities.

35. In addition to the FATF and FSRBs, some key donors, CD providers and organizations that IMF CD teams coordinated with include other international and regional organizations, and CD agencies of countries active in recipient countries. Meetings and discussions have been held with international organizations such as ADB, WB, Egmont Group of FIUs, IADB, IFC, UNODC, United Nations bodies dealing in CFT issues, the Organization for Economic Cooperation and Development and the Organization for Security and Co-operation in Europe. In addition, meetings

and discussions have also been held with bilateral donors and providers such as *Deutsche Gesellschaft für Internationale Zusammenarbeit* (GIZ) GmbH, the Dutch authorities, Expertise France, U.S. Agency for International Development, U.S. Department of State, and the Treasury, and the Foreign, Commonwealth & Development Office, United Kingdom. Donor coordination was also undertaken with a CSO, Open Partnership as well as private CD providers.

36. RAs play a key role in coordinating the CD activities in relation to the AML TF III projects in their respective regions.

They regularly participate in meetings of donors and other providers held in conjunction with FSRB plenaries and typology meetings, for example, the APG's Donors and Providers Group, the MENAFATF Typologies and Technical Assistance Working Group, the ESAAMLG and GIABA Technical Assistance Forums and the CFATF's Donors Forum which comprise all CD providers and donors active in the respective regions. Project managers of the relevant country under discussion in these fora also participate virtually in these discussions where possible. The RAs also regularly coordinate and discuss CD projects with the RTACs, and three of the Advisors are located in these RTACs (two are currently located in CARTAC and Africa Regional Technical Assistance Center South and one is expected to be located in Middle East Regional Technical Assistance Center, once that RTAC is fully operational).

D. Communications and Outreach

37. CD teams continue to highlight the results and progress of their CD work and the contributions of the AML TF III at various fora.

These communications take place at meetings with high level officials during missions, FSRB and CD donor and provider meetings. The publication of the TBO handbook was highlighted through social media postings and other events and similar events will take place once the CFT book is published as highlighted in Box 3. FID is developing a communications strategy which will streamline communications including through social media.

E. Financial Highlights

Fundraising Status and Budget Execution as of April 2023

38. Pledges to the AML TF III have reached US\$29.4 million. Since the June 2022 SC meeting, no new letters of understanding have been signed. IMF continues discussion with Italy which has committed to contribute to the AML/CFT TF III. We reviewed the funding envelope and proposed new projects as mentioned in this document. We estimate the phase extension will not be needed; however, the IMF team will continue monitoring the execution of projects closely. During this period, we also secured \$156, 523 additional resources from partners of phase I and II of the AML TF. We are grateful to Korea, France, Luxembourg, and Qatar, for rolling over their respective balances from phase I and II to continue supporting phase III of this TF. Table 2 below shows the financial contributions of donor countries to April 2023.

Table 2. Financial Contributions
(As of end-April 2023; in Thousands of U.S. Dollars)

Agreement/Amendment Information					Contribution Received		Contribution Expected (U.S. Dollars)	
Partners	Signed Date ^{1/}	Currency	Amount	U.S.Dollars	Agreement Currency	U.S.Dollars	Requested	Future Contributions ^{2/}
Partners								
Canada	10/11/2019	USD	1,904	1,904	1,904	1,904	-	-
France	9/25/2020	EUR	815	950	652	757	-	180
Germany	1/5/2021	EUR	6,000	7,348	4,000	4,393	-	2,206
Japan	12/9/2020	USD	2,600	2,600	1,400	1,400	-	1,200
Korea	6/25/2021	USD	1,500	1,500	1,500	1,500	-	-
Luxembourg	10/1/2021	EUR	2,000	2,316	1,000	1,087	551	551
Netherlands	11/30/2020	USD	3,500	3,500	700	700	700	2,100
Qatar	6/11/2020	USD	2,000	2,000	2,000	2,000	-	-
Saudi Arabia	10/5/2020	USD	2,000	2,000	800	800	600	600
Switzerland	5/27/2020	CHF	5,000	5,180	5,000	5,399	-	-
Partners Total				29,298		19,939	1,851	6,837
Internal Transfers ^{3/}								
France				31	-	31	-	-
Korea				14	-	14	-	-
Luxembourg				59	-	59	-	-
Qatar				52	-	52	-	-
Internal Transfers Total				157		157	-	-
Grand Total				29,454		20,095	1,851	6,837
Program Document Budget				27,000				
				2,454				

1/ May also refer to agreements that are under negotiation and approval date for Capacity Development Partnership agreements (e.g., flexible/umbrella agreements).

2/ The future contributions amount is set to zero for completed installments.

3/ Refers to transfers from one program phase to another (e.g., phase rollover)

39. The cashflow continues to be satisfactory and cash balances are projected to remain positive through FY2025. Thanks to recent disbursements from donor partners, the liquidity position improved further. While travel restrictions in the COVID-19 environment affected CD delivery both in FY2021 and 2022, the execution rebounded in FY2023 and is expected to continue increasing in the upcoming years. We will carefully monitor implementation and ensure that CD support meets the continued high demand from the authorities. Tables 3 and 4 detail the cash flow projections and budget execution of each project.

Table 3. Cash Flow Statement

(In Thousands of U.S. Dollars, as of April 30, 2023)

Partner	Actuals			Projections			Total
	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	
Contributions^{1/}	8,864	4,755	6,476	5,537	3,151		28,784
Canada	1,904						1,904
France	394	186	208	180			968
Germany	1,211		3,181	2,206			6,598
Japan ^{2/}	400	400	600	600	600		2,600
Korea		1,514					1,514
Luxembourg		561	585	551	551		2,248
Netherlands	700			1,400	1,400		3,500
Qatar	1,000	1,000	52				2,052
Saudi Arabia			800	600	600		2,000
Switzerland	3,254	1,095	1,050				5,399
Total Interests	1	7	316				324
Total Cash Inflows	8,865	4,762	6,792	5,537	3,151		29,107
Total Expenses^{3/}	1,042	4,088	5,907	6,296	6,334	5,433	29,099
Cash Balance	7,823	8,498	9,383	8,624	5,442	201	201

1/ Contributions are net of transfers and return of funds.

2/ Japan's installment schedule is tentative.

3/ Expenses paid include the 7% TFM fee. Projected expenses are working budget for outer years till FY26.

Table 4. Budget Execution Report
(In Thousands of U.S. Dollars, as of April 30, 2023)

Country	Latest Approved	Expenses	Remaining Budget	Execution (%)
Direct TA	15,895	5,653	10,242	36%
Afghanistan, Islamic Republic	135	4	131	3%
Bangladesh	316	207	109	65%
Bhutan	524	283	240	54%
Bosnia And Herzegovina	252	159	93	63%
Botswana	733	215	518	29%
ECCB	424	28	397	7%
Ecuador	252	210	42	83%
Egypt, Arab Republic Of	815	100	714	12%
Guatemala	161	101	60	63%
Guinea	464	320	144	69%
Guyana	623	77	545	12%
Haiti	372	127	245	34%
Indonesia	111	107	5	96%
Jamaica	531	166	365	31%
Jordan	427	256	171	60%
MENA Countries	1,234	199	1,035	16%
Moldova	132	101	31	76%
Myanmar, Union Of	129	3	126	3%
Namibia	496	124	372	25%
Pacific Islands	536	133	402	25%
Pakistan	226	69	158	30%
Paraguay	852	183	669	21%
South Sudan	347	151	197	43%
Suriname	423	213	209	50%
Tajikistan	428	261	168	61%
Timor-Leste, Democratic Rep.Of	446	211	235	47%
Uganda	521	286	234	55%
Ukraine	525	147	378	28%
Vietnam	911	198	713	22%
Yemen, Republic Of	284	67	216	24%
Beneficial Ownership & Procurement	172	1	171	0%
Beneficial Ownership Transparency	482	65	417	13%
CBDC	477	294	183	62%
COVID19	290	290		100%
VA & VASP	845	296	549	35%
Long-Term Advisors	6,555	3,444	3,111	53%
African Countries	1,311	928	383	71%
African Countries (Francophone)	1,308		1,308	0%
Asian Pacific Countries	1,500	1,267	233	84%
Middle East & Central Asia Countries	1,312	587	725	45%

Western Hemisphere Countries	1,125	662	462	59%
Online Training	858	384	473	45%
Research Programs	465	218	248	47%
CFT Handbook	155	152	4	98%
Confiscation Technical Notes	310	66	244	21%
Administrative / Governance Cost	1,093	861	232	79%
Closed Projects	476	476		100%
Angola	150	150		100%
TBO Entity Transparency	327	327		100%
	25,342	11,036	14,306	44%
of which Trust Fund Management Fee	1,658	722	936	

1/ The remaining balance for closed projects is zeroed out upon project completion.

II. WORKPLAN FOR YEAR FOUR OF THE AML TF III

A. Workplan Outline

40. This year the annual report and workplan for the AML TF III have been merged into a single report. As in prior years, the workplan is to be read in conjunction with the Operational Guidelines of the AML TF and the Program Document for the AML TF III. These documents contain details of the manner and form of engagement with recipient countries, the SC, and other CD providers.

B. Workplan Financial Outline

41. Subject to the SC endorsement on the revisions of the workplan, the total workplan for phase III will amount to \$29.2 million. The budget calculations for the total workplan, (which include the funding of the CD projects, funds to support RAs, and overall management costs) are presented in Tables 4 and 5. In total, the budget of the AML TF III will support 46 projects including 39 existing projects, some of which have transitioned from Phase II, seven new proposals, as well as continued funding for the five RAs. On a more granular basis, the proposed workplan will include 28 single country projects, three multi-country projects, 11 thematic projects, and four analytical and development projects. An overview of all the projects is set out in Table 6 below.

42. The revisions to the workplan for the fourth-year aim to continue strengthening IMF's CD engagement with member countries and include seven new proposals and the addition of a new module that are being submitted to the SC for endorsement. The new projects being proposed are: (i) one single-country project with Algeria; (ii) six thematic projects (including expansion of one existing project from single country to thematic), i.e., a) AML Measures to Support the Fight Against Corruption (AML and Corruption), b) AML Measures to Improve Tax Compliance and Help Tackle Tax Crimes (AML and Tax), c) Enhancing the Legal Framework and Effectiveness of CFT measures (CFT/TFS Project), d) Enhancing the AML/CFT Frameworks for Countries under FATF Scrutiny (ICRG Project), e) Expansion of the existing Moldova/Illicit Financial Flows (IFF Project); and (f) Risk and Context project aimed at undertaking or updating country NRAs and developing modalities for processing data on risk (Risk and Context Project). The workplan also includes budget allocations for the new regional advisor and for the fourth year and through the end of current phase in April 2026 for the existing RAs. This will ensure the continuous engagement of the RAs through the end of the current phase in April 2026. The initial Phase III budget, established in October 2020, only provided for years one through three and for only the three RAs who were engaged at that time. Subsequently, a fourth RA was recruited, and plans are in place to engage a fifth this fiscal year. The proposed increase in budget will allow for continuity of all five RAs for the duration of Phase III. Further, the budget of the Administrative and Governance work is proposed to be increased. This increase will marginally adjust the current approved budget taking into account the current level of execution (the revised remaining budget will cover the mid-term evaluation and staff engagement in future administration and governance activities including preparations and participation in SC meetings). Budget decreases are being proposed to the MENA project and the

project with Egypt. Budgets decreases are also being proposed for the projects that are closing (with Afghanistan, the ECCB, Ecuador, Guinea, and Pakistan). Table 5 provides details of the proposed revisions to the budget of the workplan. In addition, a new supervision module is being added to the Suriname project while a new effectiveness module is being added to the Egypt project and the FIU module is being removed.

Table 5. Proposed Revisions to Workplan
(As of end-May 2023; in Thousands of U.S. Dollars)

Description	Rationale	Approved Budget	Proposed Budget	Change (in USD) +/-	Change (in percent) +/-
Direct TA					
Egypt, Arab Republic Of	Budget Decrease	815	615	-200	-25%
MENA Countries	Budget Decrease	1,234	984	-250	-20%
Algeria	New Funding Program		268	268	100%
AML Measures on Anti-Corruption	New Funding Program		161	161	100%
AML Tax	New Funding Program		107	107	100%
CFT Legal Reforms	New Funding Program		214	214	100%
ICRG Countries	New Funding Program		375	375	100%
Illicit Financial Flows	New Funding Program		268	268	100%
Risk and Context	New Funding Program		321	321	100%
Afghanistan, Islamic Republic	Closing project	135	09	-126	-93%
ECCB	Closing project	424	37	-387	-91%

Ecuador	Closing project	252	215	-37	-15%
Guinea	Closing project	464	340	-124	-27%
Pakistan	Closing project	226	71	-155	-69%
Long-Term Advisors					
Africa Regional Advisor	Budget Increase	1,311	2,069	758	58%
Africa Regional Advisor (Francophone)	Budget Decrease	1,308	1,177	-131	-10%
Asia Regional Advisor	Budget Increase	1,500	2,531	1,031	69%
Middle East Regional Advisor	Budget Increase	1,312	1,895	583	44%
Western Hem. Regional Advisor	Budget Increase	1,125	1,822	698	62%
Management and Administration					
TTF Program Management (Evaluation)	Budget Increase	1,093	1,553	460	42%
Subtotal		11,199	15,031	3,832	
<i>of which Trust Fund Management Fee</i>			983	251	

C. Commentary on Workplan

43. In general terms, the workplan for the fourth year of the AML TF III is a continuation of the original workplan that was approved by the SC in December 2020. The main elements presented to the SC at the end of 2020 (e.g., general principles guiding the CD, available modules, role of the RAs) remain largely unchanged.

44. The proposed workplan for the fourth year includes the continuation of most projects, commencement of several new projects, completion of some projects, as well as a reduction in budgets of seven projects (due to planned closure or change in scope of projects). The corresponding budget data are presented in Tables 4 and 5, while Table 6 sets out an overview of the current and new projects as well as the projects that are closing.

Table 6. Overview of Ongoing and Proposed Projects		
Ongoing Projects from the AML TF II	Ongoing Projects from the AML TF III	Proposed New Projects
<p>Single-Country Projects</p> <ul style="list-style-type: none"> • Botswana • Ecuador* • Guatemala • Guinea* • Indonesia* • Jordan • Pakistan* • Tajikistan • Ukraine 	<p>Single Country Projects</p> <ul style="list-style-type: none"> • Afghanistan* • Bangladesh • Bhutan • Bosnia and Herzegovina • Egypt • Guyana • Haiti • Jamaica • Moldova** • Myanmar • Namibia • Paraguay • South Sudan • Suriname • Timor-Leste • Uganda • Vietnam • Yemen <p>**Note: The Moldova project, The Moldova project is set to transition into a thematic project entitled "Illicit Financial Flows". which will expand to incorporate additional countries within its scope.</p>	<p>Single Country Projects</p> <ul style="list-style-type: none"> • Algeria
<p>Multi-Country Projects</p> <ul style="list-style-type: none"> • ECCU/ECCB* 	<p>Multi-Country Projects</p> <ul style="list-style-type: none"> • Pacific Island Countries Regional Project (Samoa, Solomon Islands, Tonga) • The MENA Mutual Evaluation Preparation Project (Eligible countries are Oman, Lebanon, Algeria, Sudan, Iraq, Djibouti, West Bank and Gaza, and Somalia) 	<p>Thematic Projects that Benefit Countries</p> <ul style="list-style-type: none"> • AML Measures to Improve Tax Compliance and Help Tackle Tax Crimes • AML Measures to Support the Fight Against Corruption • Enhancing CFT/TFS Regimes (CFT/TFS Project)

		<ul style="list-style-type: none"> • Enhancing the AML/CFT Frameworks for Countries under FATF Scrutiny (ICRG Project) • Illicit Financial Flows • Risk and Context
<p>Analytics and Development Project</p> <ul style="list-style-type: none"> • TBO Handbook* • CFT Book* • E-Learning course on risk-based AML/CFT and related technical note 	<p>Analytics and Development Project</p> <ul style="list-style-type: none"> • Confiscation of the Proceeds of Crime Technical Notes • 	<ul style="list-style-type: none"> •
	<p>Thematic Projects that Benefit countries</p> <ul style="list-style-type: none"> • Central Bank Digital Currency • VA/VASP • Beneficial Ownership and Procurement • Beneficial Ownership and Transparency • COVID-19 	
<p>Regional Advisors</p> <ul style="list-style-type: none"> • Asia-Pacific (APD) • Caribbean and Latin America (WHD) • Sub-Saharan Africa (AFR1) 	<p>Regional Advisors</p> <ul style="list-style-type: none"> • Middle East, North Africa, and Central Asia (MCD) • Francophone Africa (AFR2) 	
<p>* Projects planned to be closed</p>		

45. The revisions to this year’s workplan allow for the prioritization of CD requests and optimization of the remaining budget. Besides the funding of new projects, the workplan further envisages budget decreases to two existing projects and five projects that are closing. The new thematic projects, which form most of this year’s project proposals, can benefit more than one country. This thematic and modular approach, along with the expected budget decreases for the seven projects is intended to optimize and maximize the utilization of the remaining budget of AML TF III, while allowing staff to prioritize CD on emerging and critical AML/CFT issues of high relevance to countries. This thematic and modular approach enables CD support to a wider set of recipient countries. Accordingly, some of the single country CD requests are expected to be included under

the umbrella of these new and pre-existing modular, thematic, and multi-country projects. The thematic and modular approach further enables flexibility on the extent of support given to countries depending on their relative needs as well as traction and responsiveness of the authorities. Table 5 provides an overview of the proposed revisions to the Workplan.

46. The resumption of field-based CD delivery is expected to continue; however, flexibility in budgeting and project planning will remain key cornerstones in the fourth year of the workplan. Remaining security concerns in some countries, unexpected outbreaks, or resurgence of disease such as the COVID-19 will mean that staff will have to be flexible in their budgeting and programming. Country authorities and IMF have become more experienced in adapting to the virtual environment when needed.

47. There are seven new projects (including expansion in the scope of one existing project) being proposed. Staff proposed to commence one single country project with Algeria, an additional six thematic projects with a total projected budget of \$1.71 million. As noted above, the thematic projects stand to benefit multiple countries and allow staff to engage with member countries on emerging financial integrity topics. It also carries the benefit of flexibility to reallocate resources based on the precise needs and extent of traction of the recipient countries. Furthermore the thematic projects ensure agility and responsiveness of the IMF's CD program. The new projects are set out in Annex B and a short overview is also provided below:

- a) **Algeria** – this single country project will focus on helping Algeria in (i) assessing its ML and TF risks, (ii) strengthening the implementation of risk-based AML/CFT supervision of financial institutions, and (iii) reinforcing the transparency of legal entities. The project is envisaged to have three related modules: (i) a national risk assessment module that will concentrate on making the necessary updates to its NRA in relation to the misuse of legal entities; the misuse of NPOs; and PF; (ii) a risk-based supervision module that assist the supervisors of financial sectors with highest ML/TF risks in: (a) strengthening the understanding of these risks; (b) revamping the supervisory strategy and tools so as to implement a RBA to supervision; and (c) reviewing procedures and preventive measures regulations; and (iii) an effectiveness module aimed at strengthening the implementation transparency of legal entities by leveraging the IMF's expertise in transparency of beneficial ownership. The project will be guided by the findings of the mutual evaluation of Algeria that will be adopted by the MENAFATF Plenary in May 2023.
- b) **AML Measures to Support the Fight Against Corruption (AML and Corruption)** – this thematic multi-country project draws on the synergies between the AML measures and the fight against corruption. The project will focus on diagnosing vulnerabilities related to the AML framework and leverage it further to tackle proceeds of corruption and providing TA in this area. The project will involve providing CD on the use of AML measures to tackle proceeds of corruption—part of a larger IMF governance diagnostic of six state functions of relevance for corruption. The CD will focus on improving the legal and regulatory framework that relate to AML measures directed towards tackling the proceeds of corruption and developing measures to enhance the effectiveness of AML measures targeted at tackling the proceeds of corruption such as measures for politically exposed persons (PEPs), the FIU and anti-corruption

coordination, and enforcement against money laundering generated by corruption. Copies of previous governance diagnostic reports can be found [here](#). Future diagnostics are envisaged for Lebanon, Sri Lanka, and Cameroon.

- c) **AML Measures to Improve Tax Compliance and Help Tackle Tax Crimes (AML and Tax)**—this thematic multi-country project recognizes the closely intertwined nature of money laundering and tax crimes. It will support member countries in leveraging specific AML measures to improve tax compliance and help tackle tax crimes, thereby improving the overall integrity of the AML and tax regimes, improving their effectiveness, and reducing redundancies resulting from a siloed approach. In the initial 12 months, the project will focus—on assisting Tunisia in assessing and measuring the current level of inter-agency cooperation between AML and tax authorities and the utilization of AML measures for tax compliance purpose. Tunisia will be a showcase pilot as tax compliance is a key objective under the financing program of the IMF and the project will work in close collaboration with the IMF Fiscal Affairs Departments. This exercise will benefit from the recently published Working Paper⁹ on the matter that forms the basis for this CD project.
- d) **Enhancing the Legal Framework and Effectiveness of CFT measures (CFT/TFS Project)**—this thematic project is intended to build on the recent IMF publication “Countering the Financing of Terrorism- Good Practices to Enhance Effectiveness” to deliver targeted CD to member countries, especially FCS. The project will assist CD recipients by reviewing the legal and regulatory framework and making recommendation to improve its CFT and TFS in relation to TF/PF framework(s) to be in line with the FATF Standards; and enhancing the effectiveness of the implementation of CFT frameworks by: (i) conducting an evaluation of effectiveness of frameworks in place and providing necessary recommendations; (ii) developing necessary procedures, guidance, or other tools that may be necessary to enhance the implementation; and (iii) conducting training activities to enhance the capacity of national authorities in charge of implementation. Subject to project approval by the Steering Committee, Senegal (currently listed by the FATF including for CFT/TFS vulnerabilities) will be the first beneficiary country under this project.
- e) **Enhancing the AML/CFT Frameworks for Countries with Strategic AML/CFT Deficiencies, and especially Countries Under FATF Scrutiny (ICRG Project)**—this multi-country thematic project will focus on countries that received below-standard results in their recent mutual evaluation and are at risk of being designated by the FATF as countries with strategic AML/CFT deficiencies. The project provides for a proactive approach, whereby the IMF will provide CD assistance to countries identified as having strategic AML/CFT deficiencies, and especially countries under FATF scrutiny which are likely to be listed by the FATF. The project will focus on providing assistance in the development of a national strategy/roadmap to address the identified deficiencies, and targeted support on policy, legal, institutional, and operational

⁹ Mathias, Emmanuel and Adrian Wardzynski. 2023. “Leveraging anti-money laundering measures to improve tax compliance and help mobilize domestic revenues.” IMF Working Paper No. [23/83]. International Monetary Fund. Washington D.C.

measures. The CD provided is intended to address some priority strategic deficiencies and where relevant, reduce the number of action items under the potential ICRG action plan and give the potential listed country a head start on some of the pending issues. In the case of listing, some targeted assistance may be provided after the observation period to complete work already commenced under the project, if these relate to deliverables included in the ICRG action plan. Cote D'Ivoire, Eswatini, Nigeria, Lesotho, and Tanzania could be potential recipient countries under this project.

- f) **Illicit Financial Flows (IFF Project)** – this multi-country thematic project seeks to build on the Moldova pilot CD project that assisted authorities in the analysis of cross-border risks arising from illicit financial flows. The ML/TF risks arising from cross-border payments and non-resident activity constitute important components of a comprehensive national risk assessment, risk-based supervision, and the analytical functions of the FIU. The project will accordingly help develop a toolkit for (i) monitoring of cross-border wire transfers, non-resident activity, and assessing associated ML/TF risks; (ii) enhancing AML/CFT supervision, including by incorporating results of the cross-border payments analyses' into the risk-based approach to AML/CFT supervision and the FIU's operational and strategic analysis; and related domestic coordination (iii) developing AML/CFT legal, regulatory and technical measures to address illicit financial flows, and (iv) analyzing whether the country is facing any correspondent banking pressures. The focus will be on providing CD to countries with illicit financial flows risks arising from the elevated domestic levels of economic crime (e.g., offenses in extractive industries, tax evasion, corruption) or risk of criminal proceeds transiting through the country. Curacao could be the second country that would benefit from this project.
- g) **National Risk Assessment and Processing Data on Risk (Risk and Context Project)** – this project will provide assistance to countries in undertaking or updating their NRAs or sectoral risk assessments, especially in light of the changes to the FATF standards that place a greater focus on risk assessment and implementation of a risk-based approach. While providing CD to countries, the project will also aim to simplify the IMF tool on NRAs, integrate the new NRA modules being developed under the Bhutan CD project and develop a methodology for analyzing ML/TF risk data and contextual information with aim of enhancing the IMF's capacity to provide CD on risk assessments, and in particular, to lower capacity countries..

48. It is proposed that the budgets of seven projects be decreased. The decrease in the budgets of the Egypt and MENA projects is possible due to savings in the budget execution of these projects, which is due to the removal of the FIU module from the scope of the CD project with Egypt and the utilization of virtual delivery with some of the CD recipients of the MENA project. Decreases are also proposed for the budgets of projects with Afghanistan, the ECCB, Ecuador, Guinea and Pakistan as only administrative and residual work are needed before these projects are closed. These closures are due to geopolitical considerations in Afghanistan, the lack of traction in the ECCB project and the completion of the projects with Ecuador, Guinea, and Pakistan. This reduction will allow the optimization of the budget by the reallocation to some of the planned work). As illustrated in Table 5 above, this is expected to generate savings of US\$1.28 million.

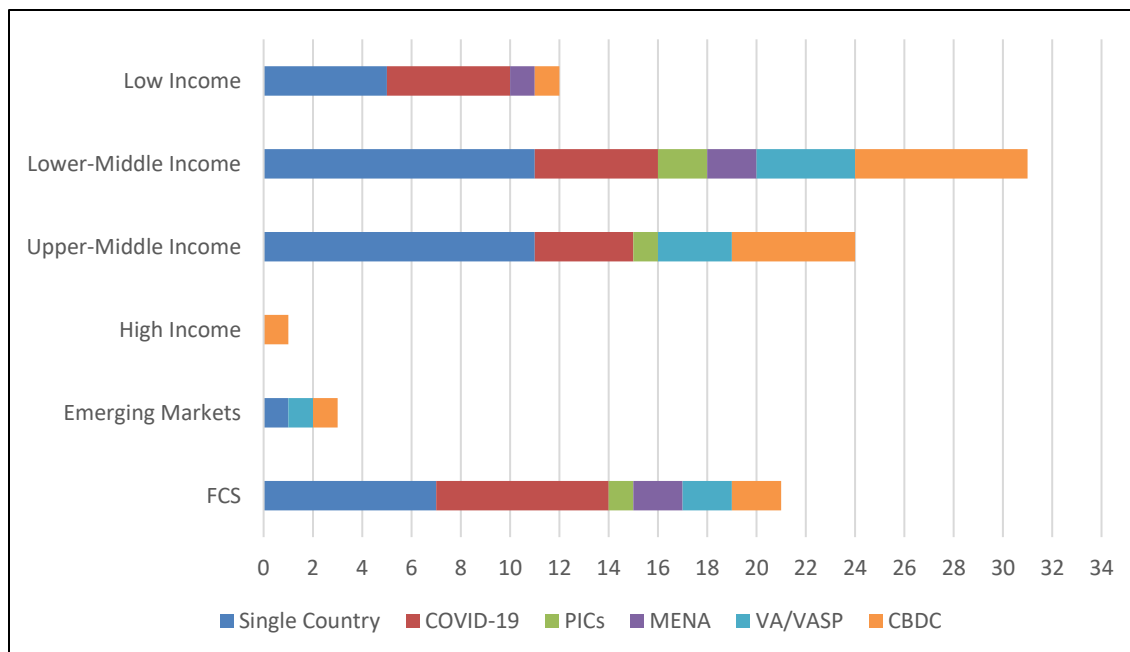
49. A new module is being proposed for the Egypt project. Pursuant to a scoping mission in March 2023, areas of engagement identified included: (i) enhancing the effectiveness of ML investigations and prosecutions through the prioritization of financial investigations and the use of beneficial ownership information; (ii) strengthening the mechanisms to obtain beneficial ownership information. Given the need for CD in these areas, it is proposed that a new outcome on CD to ensure that AML/CFT system achieves desired effectiveness outcomes. This module was only added to the RBM catalog in October 2022 and could not be included when the SC approved the project in March 2022. A project summary is included in Annex B. Given that no CD need for enhancing the governance or operations of the FIU was identified during the scoping mission, approval of the SC is sought for the removal of the current FIU module.

50. A new module is also being proposed for the project with Suriname. The legislative drafting component of the project is close to completion- see paragraph 13(o)—with the new AML/CFT law having come into force in November 2022. With the revised law in place, and work on a draft implementing decree and relevant sectoral legislation at an advanced stage, the Central Bank of Suriname has requested assistance in developing an effective risk-based AML/CFT supervision framework in relation to banks, money value transfer institutions and money exchange agencies, which are among the financial institutions with the highest ML/TF risk profiles. A similar request was received by the Gaming Board in relation to its supervision of casinos. It is therefore proposed that a new module (outcome) on AML/CFT structures and tools (supervision) be added to the project which will support the development of sectoral risk assessments and appropriate offsite and onsite supervisory tools for these sectors. No additional budget is requested.

51. Extension until April 2026 is requested for 15 ongoing projects. Projects with Bangladesh, Bhutan, Botswana, Guatemala, Jamaica, Jordan, Moldova, Myanmar, South Sudan, Suriname, Uganda, Yemen, Pacific Island Countries, the e-Learning course on risk-based AML/CFT supervision, and CBDC project require extensions. These extensions are intended to facilitate ongoing work in the projects as CD delivery needed to be prolonged due to the ongoing and residual delays caused by the COVID-19 pandemic and the need for countries to transition to field-based CD delivery. The proposed extensions until April 2026 aim to avoid future extensions. Any new requests for extensions will have the end of the current AML TF III as the end date.

52. With the addition of the new projects, CD recipients that will benefit from the AML TF III will still mostly hail from low-income or lower middle-income countries. This is in line with the SC's preferred country selection criterion to focus more on lower-income countries.

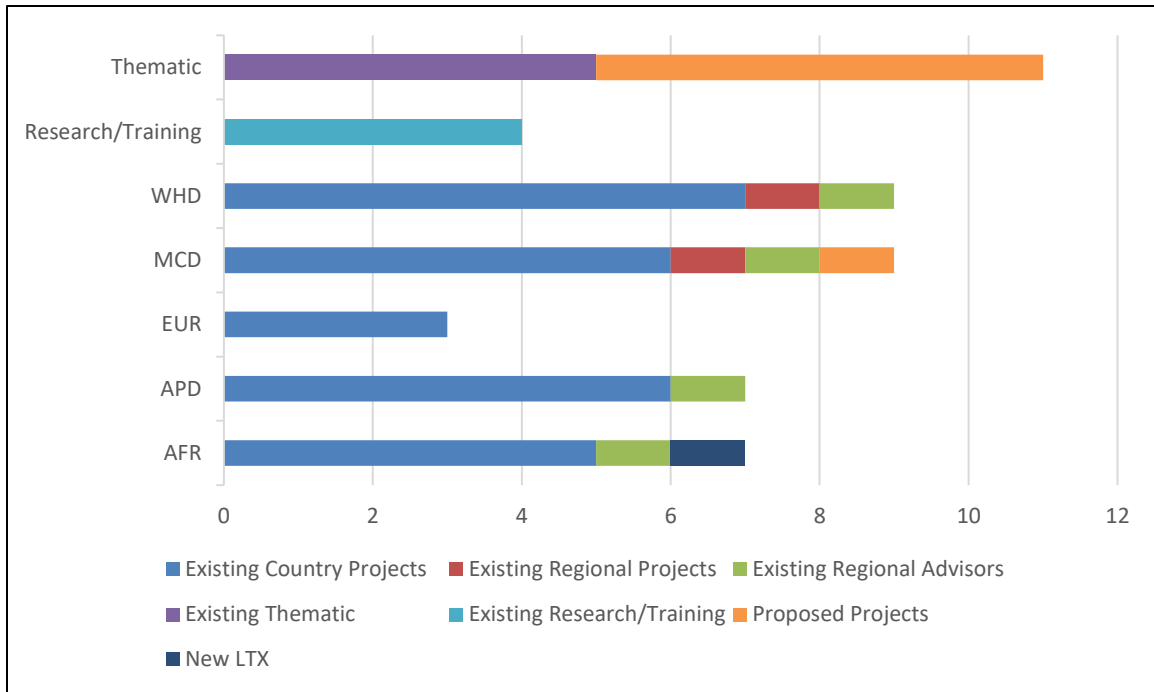
Figure 4. AML TF III Single Country, Regional, and Thematic Projects by Income Level (Including FCS and Emerging Markets)¹⁰



53. There is, by and large, an even distribution of CD projects across all the regions except for Europe. Figure 5 shows the number of projects per region, and the number of thematic projects. It does not show the regional distribution of the thematic projects, which is recorded in the Annual Report section. The number of country projects in Africa and Asia is slightly lower than in the MENA and the Latin America and Caribbean region – See Figure 5.

¹⁰ This figure includes overlap between the single country projects and the regional/thematic projects (CBDC: Egypt, Paraguay, Haiti, and Vietnam; COVID-19: Haiti and Uganda; VA/VASP: Bhutan and Ukraine). Also included are projects that are closed or are closing, (Afghanistan, Angola, Ecuador, ECCB, Guinea, Indonesia, and Pakistan).

Figure 5. Projects per Region and Thematic Projects (Existing and Proposed)



D. Other AML/CFT and CD Developments at the IMF

54. Several developments have or will have an impact on the delivery of AML TF III projects. These include an update on CDMAP, the review of the IMF’s CD and AML/CFT strategies, a new CD Dissemination Strategy, amendments to the RBM catalog and the impact of the gradual shift to field-based engagements and the need to mitigate accompanying security concerns. These are set out in **Annex C**.