



# ANNUAL REPORT

Asia/Pacific Group  
on Money Laundering

2022-2023



The Asia/Pacific Group on Money Laundering (APG) is an inter-governmental organisation consisting of 42 members in the Asia-Pacific region, as well as organisations and observers from outside the region.

Under Article 1 of the APG Terms of Reference 2019, the APG is a non-political, technical body, whose members are committed to the effective implementation and enforcement of the internationally accepted standards against money laundering, financing of terrorism and proliferation financing set by the Financial Action Task Force. This document, any expression herein, and/or any map included herein, are without prejudice to the status of, or sovereignty over, any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area. Under the APG Terms of Reference, membership in the APG is open to jurisdictions which have a presence in the Asia-Pacific region.

**Cover image:** APG 2023 Annual Meeting, Vancouver, Canada.

For more information about the APG, please visit our website.

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## APG Co-CHAIRS' FOREWORD



**Deputy Commissioner  
Ian McCartney**



**Associate Assistant Deputy  
Minister Julien Brazeau**

In accordance with Section 5.5 of the *APG Terms of Reference 2019*, we submit the following report to the membership on the operations of the Asia/Pacific Group on Money Laundering (APG) for the period 1 July 2022 to 30 June 2023.

This report highlights the achievements of the APG over the reporting period against the goals and strategies contained in the *Strategic Plan 2020-2024*.

The APG has grown from strength to strength since its establishment in 1997, and the outcomes achieved position the APG and the region to more effectively defeat efforts by criminals and terrorists to subvert the integrity of the international financial system.

The 2023 APG Annual Meeting hosted by the Canadian Government in Vancouver, British Columbia was the first entirely in-person meeting of delegates since the beginning of the COVID-19 pandemic, signalling a return to normal for the APG with the consideration of the mutual evaluation reports for Brunei Darussalam, Lao PDR and Nepal.

Over the last year, the APG has also conducted a number of events and training programmes, including mutual evaluation preparation meetings and an assessor training workshop.

This year represented the half way mark of Canada's 2022-2024 Co-Chair term, by Associate Assistant Deputy Minister, Julien Brazeau, of Canada's Department of Finance. Canada's Co-Chairs' priorities for 2022-2024 have focused on beneficial ownership, money laundering and grand corruption, combatting terrorism financing and increasing expertise and the use of data analytics by authorities and digital transformation of AML/CFT, as well as providing mutual evaluation support to the APG. A number of technical seminars have been conducted on these priority areas, including seminars on beneficial ownership, combating terrorism financing and digital transformation/data analytics. As part of these initiatives, the APG is seeking to create a database of data analytics experts in the region, which will form part of a bilateral assistance program for APG members to request and receive targeted training from experts. Further details of the achievements of the APG are detailed in the report below.

We would like to extend our thanks to all APG members and observers who made 2022-2023 a successful year for the APG.



**Deputy Commissioner Ian McCartney**  
**APG Co-Chair**  
Australia  
18 December 2023



**Associate Assistant Deputy Minister Julien Brazeau**  
**APG Co-Chair**  
Canada  
18 December 2023

## APG ORGANISATIONAL STRUCTURE 2022–2023

1. The APG has 42 member jurisdictions as follows:

Afghanistan (inactive)	Lao People's Democratic Republic	Philippines
Australia	Republic	Samoa
Bangladesh	Macao, China	Singapore
Bhutan, Kingdom of	Malaysia	Solomon Islands
Brunei Darussalam	Maldives	Sri Lanka
Cambodia	Marshall Islands	Chinese Taipei
Canada	Mongolia	Thailand
China, People's Republic of	Myanmar	Timor-Leste
Cook Islands	Nauru	Tonga
Fiji	Nepal	Tuvalu
Hong Kong, China	New Zealand	United States of America
India	Niue	Vanuatu
Indonesia	Pakistan	Vietnam
Japan	Palau	
Korea, Republic of	Papua New Guinea	

2. The APG has seven observer jurisdictions and 33 observer organisations (including FATF-style regional bodies, or 'FSRBs'). APG observers are as follows:

APG Observers			
Jurisdictions	Organisations		FSRBs
France	Alliance for Financial Inclusion	Interpol	CFATF
Germany	APEC secretariat	Islamic Development Bank	EAG
Democratic People's Republic of Korea	ARIN-AP	Oceania Customs Organisation (OCO)	ESAAMLG
Kazakhstan	ASEAN Secretariat	Pacific Islands Chiefs of Police	FATF
Kiribati	Asian Development Bank (ADB)	Pacific Islands Forum Secretariat	GABAC
Federated States of Micronesia	ADB/OECD Anti-Corruption Initiative	Pacific Islands Legal Officers' Network (PILON)	GAFILAT
United Arab Emirates	Commonwealth Secretariat	Pacific Financial Technical Assistance Centre	GIABA
United Kingdom	Egmont Group of FIUs	United Nations (UN)	MENAFATF
	European Commission	UN Office on Drugs and Crime	MONEYVAL
	Financial Services Volunteer Corps	World Bank	
	Global Center for Cooperative Security	World Customs Organisation (WCO)	
	Group of International Finance Centre Supervisors		
	International Monetary Fund		

## APG Co-Chairs

3. The APG has two Co-Chairs: one Chair is a permanent position, and the other rotates among APG members every two years. The Co-Chairs are responsible for chairing meetings and providing strategic advice and direction to the membership.

4. **Co-Chair, Australia:** The permanent Co-Chair is held by Australia, represented by Deputy Commissioner Ian McCartney of the Australian Federal Police. Deputy Commissioner McCartney has significant experience in national and international economic and organised crime investigations. In 2014, Deputy Commissioner McCartney was awarded with the Australian Police Medal in recognition of his distinguished service, particularly in the areas of law enforcement liaison in Asia, and for his role in national investigations.
5. **Co-Chair, Canada:** The rotating Co-Chair position is held by Canada for a two-year term from 2022-2024, represented by Associate Assistant Deputy Minister Julien Brazeau of the Department of Finance Canada. Associate Assistant Deputy Minister Brazeau leads the Department's work on financial crimes and security, amongst a number of financial sector policy related areas. He held roles in the private sector as Partner with Deloitte Canada's Financial Services group and as counsel with one of Canada's leading corporate law firms. In addition, Associate Assistant Deputy Minister Brazeau previously held a number of roles within the Government of Canada including Director General, Financial Services Division, where he led the Department of Finance's work on financial sector innovation and modernization. He previously served as Associate Deputy Commissioner, Competition Bureau where he led the Bureau's competition policy and advocacy efforts.

### Previous Rotating Co-Chairs

6. Since the APG's establishment in 1997 there have been 12 previous rotating Co-Chairs as follows:

APG member	Agency/Department	Period
1. Philippines:	Department of Foreign Affairs	1998-2000
2. Malaysia:	Bank Negara Malaysia	2000-2002
3. Korea:	Korea Financial Intelligence Unit	2002-2004
4. Japan:	Japan Financial Intelligence Office	2004-2006
5. Indonesia:	Indonesian Financial Transaction Reports & Analysis Centre	2006-2008
6. Singapore:	Commercial Affairs Department	2008-2010
7. India:	Directorate of Enforcement	2010-2012
8. China:	People's Bank of China Anti-Money Laundering Bureau	2012-2014
9. New Zealand:	Ministry of Justice	2014-2016
10. Sri Lanka:	Financial Intelligence Unit	2016-2018
11. Bangladesh:	Bangladesh Financial Intelligence Unit	2018-2020
12. Malaysia:	Bank Negara Malaysia	2020-2022

### APG Co-Chairs' Priorities 2022 - 2024

7. At the Annual Meeting in July 2022, the APG membership endorsed a set of 'Co-Chairs' Priorities,' which are set out in the below table.

Priorities	Deliverables
<b>Beneficial ownership:</b> <ul style="list-style-type: none"> <li>Mutual evaluations have highlighted the challenges many FATF and APG members are having in meeting the FATF's standards on beneficial ownership transparency. Providing a platform for jurisdictions to learn from each other could help with the implementation of these standards.</li> </ul>	<ul style="list-style-type: none"> <li>Technical seminar where participants will learn about the changes to the FATF standards and guidance and hear from a range of FATF members on their experiences in the implementation</li> </ul>

<ul style="list-style-type: none"> <li>Revisions to R. 24 were endorsed by the FATF in March 2022 leading to opportunities for training.</li> </ul>	<p>of a beneficial ownership registry. (Delivered 30 March 2023)</p> <ul style="list-style-type: none"> <li>A further technical seminar on 'ML/TF - Economic and Practical Aspects of Implementing the FATF standards' was delivered by the IMF in-person on 12 July 2023 at the APG Annual Meeting and encompasses the topic of identification of beneficial owners of legal persons.</li> </ul>
<p><b>Grand corruption:</b></p> <ul style="list-style-type: none"> <li>Grand corruption occurs when political elites steal public funds or otherwise power for personal or political advantage. This large-scale, high-level corruption is an international challenge, existing within and enabled by a transnational system of kleptocracy. Grand corruption can hinder the implementation of international anti-corruption obligations and enforcement of related domestic laws, seriously impede the effective implementation of the FATF Standards, and threaten financial integrity, contribute to a culture of impunity and cause serious and widespread harm to individuals and societies.</li> <li>The intrinsic link between money laundering and grand corruption is well recognised; it was highlighted by FATF ministers in the April 2022 Declaration, including the role the FATF standards play in preventing and combatting corruption.</li> </ul>	<ul style="list-style-type: none"> <li>Technical seminar where participants will learn about the issue of grand corruption, the FATF's standard on international cooperation and how it can help to fight grand corruption, as well as presentations on asset recovery regime(s) and the G20 Anti-Corruption Working Group commitments.</li> </ul>
<p><b>Combating terrorism financing:</b></p> <ul style="list-style-type: none"> <li>Terrorism threats continue to evolve, from large terrorist organisations, to returning terrorist fighters and right-wing extremists.</li> <li>According to the United Nations Office of Counter-Terrorism, effective efforts to counter the financing of terrorism need to rely more on financial intelligence sharing between countries and enhanced coordination between the public (such as financial regulators) and private sector.</li> </ul>	<ul style="list-style-type: none"> <li>Webinar from FINTRAC on a FIU's role in combatting terrorism financing and a general overview of priority terrorist financing-related trends/issues. (Delivered 15 December 2022)</li> </ul>
<p><b>Digital transformation / data analytics:</b></p> <ul style="list-style-type: none"> <li>Increase expertise and use of data analytics by authorities and focus on digital transformation of AML/CFT is a priority for the 2022 – 2024, continuing the work achieved by Malaysia during its co-chair term.</li> </ul>	<ul style="list-style-type: none"> <li>Continuation of webinars on developments in the field of data analytics.</li> <li>Pilot a bilateral assistance program where APG members reach out and receive targeted training from experts in the field of data analytics.</li> </ul>

### **2023 Annual Meeting**

8. The 2023 Annual Meeting was held in person in Vancouver, Canada from 9 to 14 July 2023. The meeting was opened with remarks delivered by Canada's Federal Minister of Tourism and Associate Minister of Finance – the Hon. Randy Boissonnault PC MP and the Hon. Minister Mike Farnworth, Minister of Public Safety and Solicitor General and Deputy Premier of British Columbia. The Vice President of the Financial Action Task Force, Jeremy Weil, also attended and spoke about the strength of the AML/CFT global network and the important role of the APG in the network.
9. Over 350 delegates attended the meeting. A number of APG delegates received sponsorship funding to attend the meeting, generously provided by China, New Zealand and Chinese Taipei.

### **Membership Decisions**

10. During the 2023 Annual Meeting the membership agreed to a number of important matters on membership, including:
  - a. Tuvalu was granted APG membership. Tuvalu is the APG's 42<sup>nd</sup> member.
  - b. The Republic of Kazakhstan and the United Arab Emirates were admitted as APG observers.

### **Governance**

11. During the 2023 Annual Meeting the membership agreed to a number of important governance-related matters, including
  - a) to conduct a mid-mandate review of the APG's 2020-2028 term and to develop a new Strategic Plan for 2024-2028 in accordance with Article 8 of the *APG Terms of Reference 2019*;
  - b) to add to increase core budget to add four APG Secretariat staff at Policy Officer level commencing 2024 – 2025;
  - c) to the use of special plenary meetings during the course of APG 4<sup>th</sup> Round to best spread the ME resource requirements during the years of peak demand for ME support;
  - d) to further assessment of resource needs once the 4<sup>th</sup> Round commences; and
  - e) to implement a new policy review and amendment process.

### **Financial**

12. The APG ended the FY 2022–23 in a strong position. Performance during the year is summarised as follows:

- Income: \$5,472,162<sup>1</sup>
- Expenses: \$5,092,277
- Surplus: \$379,885
- Net equity: **\$2,297,733**

13. Notes to the financial statements (Annex B) explain each of the line items in detail. The APG finished FY 2022-23 with a surplus of \$379,885. An independent review report for compliance with accounting principles is also contained at Annex B.
14. The core budget for FY 2023-24 was approved for the amount of \$4,237,039. The membership agreed to use the previous year's savings in travel expenses to offset membership fee increases in 2023-24. Initiatives for the year FY 2023-24 are outlined in Part Five of this report.

### **Mutual Evaluation and Follow-Up Reports**

15. At the 2023 Annual Meeting members adopted the mutual evaluation reports of Brunei Darussalam, Lao PDR, and Nepal. These were the first APG mutual evaluation reports to be adopted in-person since 2019.
16. During the course of 2022-23 the APG adopted and published nine follow-up reports (FURs) with re-ratings: Fiji, Bhutan, Japan (FATF), China (FATF), Hong Kong, China (FATF), Mongolia, Thailand, Cambodia and Myanmar. Thailand's and Mongolia's FURs were adopted at the 2023 Annual Meeting, while the remainder were adopted using the out-of-session adoption process. Members also adopted FURs without re-ratings for the Cook Islands, Tonga, Vietnam, Vanuatu, Philippines, Pakistan, Sri Lanka, Solomon Islands and Bangladesh.
17. The APG continues to work with the FATF to prepare for the global 5<sup>th</sup> Round of assessments (the APG's 4<sup>th</sup> Round) commencing in mid-2025. Members agreed during the 2023 Annual Meeting to an ME Schedule for the APG 4<sup>th</sup> Round of Assessments, and the implementation of priority preparation activities for the APG 4<sup>th</sup> Round.

### **Typologies**

18. At the 2023 Annual Meeting, the Operation Committee agreed that the draft 2023 APG Typologies Report would be discussed and adopted at the APG 2023 Typologies Workshop, to be held in New Delhi in December 2023. The report will then be published at the end of 2023. The 2023 APG Typologies Report contains a synopsis of the typologies projects undertaken in 2022-23, recent trends in money laundering and terrorist financing, and a number of case studies.
19. The 2023 report will reflect refinements based on feedback from APG members. This will include closer indexing to allow each case study to be more readily cross referenced. The report will include a greater focus on asset recovery case studies and the success and challenges involved in effective asset recovery. The report will also include a focus on virtual assets (VA) and virtual asset service providers (VASP).

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<sup>1</sup> From all sources, core and voluntary. Notes 1 and 4 to Annex B explain.

20. The current typologies projects include:

- Money laundering associated with tax crimes
- Implementation of FATF standards on mitigating TF risks among non-profit organisations
- Illicit financial flows generated from illegal fishing

### **Technical Assistance**

21. The 2023 Technical Assistance and Training (TA&T) Forum was held concurrently with the 2023 Annual Meeting in Vancouver, Canada. The APG Donors and Providers of Technical Assistance Group (DAP Group) met to discuss technical assistance coordination and cooperation across the region. APG held three sub-regional meetings with the DAP Group and APG members, focused on the identification and discussion of sub-regional AML/CFT issues and needs for South East Asia, the Pacific and South Asia respectively. In addition to the sub-regional discussions, the TA&T Forum involved 20 individual meetings between members and DAPs. These meetings focused on individual members' AML/CFT needs and potential assistance from members of the DAP Group.

### ***Pacific Technical Assistance***

22. A separately funded Pacific technical assistance programme reported to the membership. The multi-year programme is funded by the government of New Zealand (Ministry of Foreign Affairs and Trade). A copy of the Pacific AML/CFT Capacity Development (PACD) Programme Annual Report 2022-2023 is at **Annex C**.

### ***Virtual Assets & Virtual Assets Service Providers***

23. To assist members to understand new virtual assets requirements and increase compliance, in March 2023 the APG Operations Committee commenced a pilot of a VA/VASP Network, to be delivered across the remainder of 2023. The purpose of the VA/VASP Network is to create an informal forum for VA/VASP practitioners to share information, challenges and successes, and discuss policy issues. The Network will meet virtually 4-5 times during the pilot period. The proposed outputs are to develop a clearer understanding of the technical assistance needs in the region, provide feedback on policy issues related to VA/VASPs, and enhance members' understanding of the risks posed by VA/VASPs.
24. Interest in the VA/VASP Network has been strong, with over 110 delegates registering to be part of the Network. Meetings have included updates from the FATF Virtual Asset Contact Group (VACG) Co-Chairs, and presentations and discussion on VA risk assessments, VASP supervision and law enforcement approaches to investigations involving VA/VASPs.

### **APG STRATEGIC PRIORITIES**

25. The APG Strategic Plan 2020–2024 includes four strategic goals, each containing a subset of strategies or performance outcomes against which the goals are measured. These performance outcomes are set against a framework of APG values, which the APG membership endeavours to incorporate into its operational activities and reflect in its dealings with other international and inter-governmental organisations, including FSRBs.
26. Below is a summary of APG’s performance highlights for the 2022-2023 financial year under each strategic goal.

#### **STRATEGIC GOAL #1** **EFFECTIVE MULTILATERAL ORGANISATION**

#### **CONTINUOUSLY UTILISE AND IMPROVE ON EFFECTIVE GOVERNANCE STRUCTURES, INCLUDING THE MEMBERSHIP, CO-CHAIRS GOVERNANCE COMMITTEE AND SECRETARIAT**

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#### **Required activities in 2022–2023:**

- Deliver the 2023 APG Annual Meeting and Annual TA & T Forum in Canada in July 2023.
- The Governance Committee (GC) will consult with members and meet at least five times in the year to provide on-going advice to the membership and co-chairs on governance, policy and planning issues and will implement, where needed, membership decisions and directions.
- At least one (1) membership-related visit will be undertaken to members and non-members to facilitate full and active membership and to promote commitment to the global AML/CFT standards. Additional visits and activities will be undertaken with external donor funding.
- APG committees and project groups will deliver programmes as agreed by the membership and consider others suggested by the GC, Operations (OC) and ME Committees (MEC).

#### **Achievements:**

- The 2023 APG Annual Meeting was hosted by Canada in July 2023.
- The GC met five times during the year (including during the 2023 Annual Meeting) and:
  - Made recommendations on significant membership and observer-status issues
  - Received regular budget updates and recommendations from the Secretariat on financial matters (see achievements under the next Goal 1 activities for details);
  - Monitored, and evaluated the implementation of, the Co-Chairs’ Priorities for 2022-2024;
  - Recommended amendments to the *Governance Committee Terms of Reference 2019*;

- Received updates and recommended staffing and other resourcing proposals based on the findings of the APG Resources Needs Project Team;
  - Monitored administrative and policy planning for the 2023 Annual Meeting;
  - Monitored FATF referrals in accordance with the policy *ICRG Managing Referrals from FATF's International Cooperation Review Group*;
  - Maintained oversight of limited issues relating to Afghanistan's inactive membership status;
  - Responded to a range of broad governance and specific membership-related matters including ME schedule postponements for members; and
  - Considered member and observer applications from Tuvalu, Kazakhstan and the UAE.
- The Secretariat provided administrative and advisory support and briefing documents to the Co-Chairs, GC and APG committees as per the *APG Terms of Reference 2019* and the terms of reference of each committee. The work of each committee is outlined in other goals below.

## **USE OPEN, TRANSPARENT AND INCLUSIVE BUSINESS AND FINANCIAL PLANNING**

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### **Required activities in 2022–2023:**

- The Secretariat will manage and report on APG revenue and expenditure in accordance with the agreed 2022–2023 budget and legal obligations of the host government, Australia.
- The Secretariat will provide the GC with quarterly updates of the budget in 2022-2023 with any necessary budget-line adjustments to account for variations in supplier costs and any unforeseen expenses. Adjustments could be made either way and if savings eventuate additional travel can be considered.
- The Secretariat will file monthly reconciliation reports of APG income and expenses related to its Special Reserve Bank of Australia account with the Deputy Commissioner of the AFP in accordance with the hosting obligations of the Secretariat.

### **Achievements:**

- The Secretariat managed funds in accordance with the laws and governance frameworks of its host agency, the AFP, as well as internal Secretariat policies and arrangements with donors of voluntary contributions. The Secretariat reported to the Australian Co-Chair on the management of these funds, including with monthly financial reconciliation reports.
- Savings were realised in 2022-2023, primarily in travel expenses. Details of the management of funds are contained in the *Summary of Financial Performance 2022-2023*.
- The Secretariat reported on APG revenue and expenditure on a continuous basis to the Co-Chairs and GC with quarterly budget updates seeking decisions throughout the year for the re-allocation of savings.
- APG financial management and financial statements were subject to annual detailed AFP audit committee review.

- The Secretariat underwent an independent review of the APG special financial statements in July and August 2023. The report of that review is attached to this Annual Report.

## **EFFECTIVELY RESOURCE THE APG AND ITS OPERATIONS AND ENSURE PROPER MANAGEMENT OF APG ASSETS**

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### **Required activities in 2022–2023:**

- In addition to budget contributions, members and observers will support operations through voluntary contributions, project support, active working group participation, expert advice or other resources.
- The Secretariat will manage and report on APG assets in the APG Business Report for 2022-2023.
- The Secretariat will annually review and revise the formal hosting arrangement with the Australian government to ensure that it continually supports APG operations in a transparent and effective manner and that it provides for accountability and management of secretariat staff.

### **Achievements**

- Australia, China, Japan, New Zealand, Chinese Taipei and the United States continued to provide voluntary contributions and project support to programmes, including visits to members, workshop costs, ME preparation, as well as costs related to staff establishment. Details of these contributions are in the *Summary of Financial Performance 2022-2023*.
- Australia assisted the Secretariat by providing a seconded officer to the Secretariat to fill a staff vacancy responsible for the APG ME programme and related policy work.
- In May 2023 New Zealand's Ministry of Foreign Affairs and Trade confirmed a significant funding grant to continue the Secretariat's Pacific AML/CFT Capacity Development Programme over the next five years to 2028.
- APG non-staff and non-financial assets are acquired and managed through the Secretariat's host agency but accountable to the membership. The APG Asset Register was regularly audited by the Secretariat's Governance & Policy team. In 2022-2023 there were no irregularities or unaccounted for assets.
- The AFP/APG Hosting Arrangement was reviewed. Minor changes were made to clarify procedures that did not alter the general legal framework of the arrangement.

## **STRATEGIC GOAL #2 EFFECTIVELY ORGANISED AND ENGAGED MULTILATERAL ORGANISATION**

### **CONTINUOUSLY UTILISE AND EFFECTIVELY SUPPORT PRIORITY WORK STREAMS WITHIN THE APG OPERATIONS COMMITTEE AND MUTUAL EVALUATION COMMITTEE**

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### Required activities in 2022–2023:

- The MEC will meet five times in the year to consider reports, implementation and training, 3<sup>rd</sup> Round ME programme and schedule. The MEC will make recommendations as necessary.
- In relation to the APG 4<sup>th</sup> Round, the Secretariat will:
  - Contribute to FATF projects to develop amendments to the FATF Universal Procedures for Assessments and to the FATF assessment methodology;
  - Prepare a draft APG 4<sup>th</sup> round ME schedule for adoption; and
  - Prepare preliminary APG ME Procedures for the APG 4<sup>th</sup> round to take account of changes to the FATF Universal Procedures and identified improvements identified by the membership.
- The OC will consider and approve new typologies projects and implementation activities in consultation with APG members and observers.

### Achievements:

#### *MEC Activities:*

- The MEC, co-chaired by Macao, China and New Zealand, met six times – five virtual and one in-person – with active support from a large number of delegates. During year the MEC:
  - Endorsed 17 APG 3<sup>rd</sup> round follow-up reports;
  - Considered key issues with the ME reports of Brunei Darussalam, Lao PDR and Nepal;
  - Endorsed amendments to the APG ME Procedures; and
  - Implemented a mechanism to further identify and manage horizontal issues, and complex quality and consistency issues with APG ME reports and follow-up reports.
- The MEC prepared for the APG 4<sup>th</sup> Round through a number of channels including establishing the APG 4<sup>th</sup> Round Sequencing Project Team and by raising awareness of members through updates on the preparation for the APG 4<sup>th</sup> Round.
- The APG Secretariat engaged with the private sector through targeted ME preparation events and regional private sector events focused on compliance officers, assessments, ICRG, beneficial ownership, etc. This included multiple presentations (both in person and virtually) at public events (commercial and university based) across the region which are listed in **Annex A**.
- APG members supported operations through project support, working group participation, expert advice and technical assistance programmes and events. This included Japan hosting an assessor training workshop in February 2023.

#### *OC Activities:*

- The OC, co-chaired by India and Samoa, met twice in the year, including in-person at the 2023 Annual Meeting. The OC:
  - a) Contributed to the planning of the APG Typologies Workshop; and
  - b) Approved and oversaw the pilot of the APG VA/VASP Network.
- The OC maintained oversight of three typologies projects in the year:
  - ML associated with tax crimes;

- Illicit financial flows from illegal fishing; and
- Challenges and lessons learned in the Asia/Pacific region with the FATF standards relating to non-profit organisations.

## **ENGAGE WITH ALL RELEVANT AML/CFT REGIONAL AND INTERNATIONAL STAKEHOLDERS**

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### **Required activities in 2022–2023:**

- Continue engagement with FATF, FSRBs, and other relevant bodies on strategically important regional initiatives as well as conferences, seminars, workshops.
- The Secretariat will encourage bilateral and multilateral engagement between members, observers and other jurisdictions and organisations to advance strategic objectives.
- Continue engagement with existing observer jurisdictions of APG.
- Identify relevant international organisations for possible observer status.
- The Secretariat will support existing mechanisms with the Pacific Island Forum Secretariat and the ASEAN Secretariat, and will continue efforts to support greater cooperation with South-Asian regional bodies.

### **Achievements:**

- The Secretariat coordinated with all other FSRB Secretariats through regular multilateral meetings in the margins of FATF plenaries and various channels of engagement throughout the year.
- The Secretariat attended the June 2023 GIABA (hybrid) plenary meeting. The Secretariat contributed to discussions on two MERs (Cote D'Ivoire and Liberia) at the GIABA plenary and working group meetings.
- The APG engaged with regional observer bodies for a number of purposes including presentations at expert panels and bilateral engagement on mutual interest matters, including:
  - ASEAN;
  - Asian Development Bank;
  - Pacific Island Forum Secretariat;
  - Pacific Island Chiefs of Police Secretariat;
  - UNODC; and
  - United Nations Development Programme in the Pacific.
- The APG engaged with non-observer organisations including:
  - American Bar Association Rule of Law Initiative (ABA ROLI);
  - EU AML/CFT Global Facility
  - International Public Sector Fraud Forum;
  - OECD's Task Force on Tax Crimes and Other Crimes (TFTC);

- Pacific Islands Forum Fisheries Agency (FFA);
- Pacific Islands Tax Administrators Association (PITAA); and
- Pacific Private Sector Development Initiative (PPSDI).
- The APG Secretariat engaged with private sector entities and academia of direct relevance to the APG including:
  - Deloitte;
  - University of Sydney;
  - University of New South Wales;
  - La Trobe University; and
  - Association of Certified Anti-Money Laundering Specialists (ACAMS).

### **ACTIVELY PARTICIPATE IN INTERNATIONAL AML/CFT POLICY DEVELOPMENT AND STANDARD-SETTING PROCESSES THROUGH COOPERATION WITH FATF AND INTERNATIONAL PARTNERS**

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#### **Required activities in 2022–2023:**

- Participate in FATF plenaries and working groups with the express goal of shaping and influencing global AML/CFT policy.
- Coordinate input to FATF and other bodies' projects, policy development, assessment work and studies of risks, trends and methods.

#### **Achievements:**

- The APG contributed to FATF processes and the FATF's ongoing policy development through written input and (virtual and in person) attendance at meetings and input to project teams. The APG Secretariat and APG members:
  - Attended three FATF plenary meetings;
  - Attended FATF working group meetings, including intersessional working group meetings;
  - Attended three ICRG Asia-Pacific Joint Group meetings (noted elsewhere in this report);
  - Contributed to two FATF project teams on beneficial ownership; and
  - Provided members' and Secretariat comments on FATF policy papers (contact groups, working groups and the plenary) throughout the year.
- The APG Secretariat served as expert reviewers on the assessments of:
  - Liberia (GIABA) – adopted June 2023;
  - Dominica (CFATF) – adopted July 2023;
  - British Virgin Islands (CFATF) – scoping note January 2023;
  - Sudan (MENAFATF) – scoping note December 2022 (now postponed); and

- Iraq (MENAFATF) – scoping note June 2023.
- The Secretariat provided written comments on two draft MERs across the global network during the year:
  - Lebanon (MENAFATF)
  - Kazakhstan (EAG)
- The APG Secretariat, along with APG members Fiji and Macao, China, were members of the working group on the project to enhance the strategic vision and inclusiveness of the FATF Global Network through the GNCG.
- The APG Secretariat contributed as an observer to the FATF Virtual Asset Coordination Group (VACG) and attended four VACG meetings.

### **STRATEGIC GOAL #3 CONDUCTING AND RESPONDING TO ASSESSMENTS**

#### **COMPLETE THE APG'S THIRD-ROUND MUTUAL EVALUATION PROGRAMME**

##### **Required activities in 2022–2023:**

- Continue the planning and completion of mutual evaluations: Brunei Darussalam; Lao PDR; Marshall Islands; Nauru; Nepal and Timor-Leste.
- Three mutual evaluations will be adopted in July 2023:
  - Brunei Darussalam;
  - Lao PDR; and
  - Nepal
- In relation to the APG 3<sup>rd</sup> Round, the Secretariat will:
  - Prepare an updated 3<sup>rd</sup> ME schedule (as needed) for adoption; and
  - Amended ME procedures through the ME Committee for final approval by the membership to take account of changes to the FATF Universal Procedures.
- In relation to the APG 4<sup>th</sup> Round, the secretariat will:
  - Contribute to FATF projects to develop amendments to the FATF Universal Procedures for Assessments and to the FATF assessment methodology;
  - Prepare a draft APG 4<sup>th</sup> Round ME schedule for adoption;
  - Prepare preliminary APG ME Procedures for the APG 4<sup>th</sup> round to take account of changes to the FATF Universal Procedures and identified improvements identified by the membership; and

- Prepare resourcing models (assessors, reviewers, secretariat staffing) to support the delivery of the APG 4<sup>th</sup> Round to share with members at the 2023 Annual Meeting.

#### **Achievements:**

- The Lao PDR, Nepal and Brunei Darussalam MERs were completed consistent with the APG ME Procedures and related quality and consistency requirements.
- The Lao PDR, Nepal and Brunei Darussalam MERs were adopted by the APG in July 2023 and were published in October / November 2023 following global quality and consistency reviews.
- Pre-ME preparation support was provided to Nauru, Papua New Guinea, Marshall Islands, Timor-Leste, the Maldives and Sri Lanka.
- The mutual evaluations of Nauru, Timor-Leste, Papua New Guinea, the Marshall Islands and India commenced/recommenced. On-site visits took place in the second half of 2023 with MERs to be adopted at the 2024 APG Annual Meeting.
- A revised APG 3<sup>rd</sup> Round ME schedule was adopted at the 2023 Annual Meeting.
- Revised APG ME Procedures were prepared and endorsed by the MEC and adopted at the 2023 Annual Meeting. The changes relate to streamlining APG follow up processes.
- An initial APG 4<sup>th</sup> Round ME schedule was considered and adopted at the 2023 Annual Meeting.
- The APG Secretariat has closely coordinated with the FATF and FSRB Secretariats on the preparation for the upcoming global 5<sup>th</sup> Round, including on the preparation of the Universal Procedures for Assessments in the 5<sup>th</sup> Round. Preparation of APG ME Procedures for the APG 4<sup>th</sup> Round will commence once the FATF Universal Procedures for Assessments are adopted in October 2023.
- The APG Resources Needs Project Team prepared resourcing models (assessors, reviewers, secretariat staffing) to support the delivery of the APG 4<sup>th</sup> Round which was endorsed by the GC and supported members decisions at the 2023 Annual Meeting.

### **RESPOND TO MUTUAL EVALUATIONS WITH FOLLOW-UP PROCESSES**

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#### **Required activities in 2022–2023:**

- Follow-up process will continue through the MEC for all non-FATF members assessed in the APG 3<sup>rd</sup> Round of MEs.
- Support enhanced quality and consistency reviews of mutual evaluations and follow-up reports.

#### **Achievements:**

- All APG follow-up reports were subject to internal quality and consistency review and all follow-up reports with re-ratings were subject to global quality and consistency review in accordance with the Universal Procedures.

- Staff shortages in the Secretariat during the year resulted in some delays in finalising FUR processes and resulted in the postponement of a number of ME preparation and post-ME implementation planning events.
- The MEC endorsed and members adopted twelve APG follow-up reports and five joint FATF/APG FURs. Six APG FURs were ongoing as of July 2023.
- Nine follow-up review teams were formed involving 20 reviewers from 16 members. The review teams re-assessed 59 recommendations in these reports.
- The APG continued to implement its expanded quality and consistency programme for all ME reports and follow-up reports. Two non-binding practice notes on consistency issues were adopted by the MEC for R.3 and R.39.
- The MEC continued to monitor possible cases of insufficient progress with follow up in 2022-2023.
- Members adopted amendments to the APG 3<sup>rd</sup> Round ME Procedures to streamline aspects of the follow up process.

### **SEEK ASSESSMENT EXPERTS, CONDUCT TRAINING AND IMPROVE ASSESSMENT PROCEDURES IN ORDER TO EFFECTIVELY DELIVER THE APG'S ASSESSMENT PROGRAMME**

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#### **Required activities in 2022–2023:**

- Deliver one or more assessor training workshops for assessors and follow-up reviewers;
- Deliver standards training workshops for potential assessors and officials preparing for or responding to an mutual evaluation;
- Conduct pre-mutual evaluation training for members yet to be assessed;
- In relation to the APG 4<sup>th</sup> Round, the Secretariat will: a) provide briefings and awareness raising to members on the upcoming APG 4<sup>th</sup> Round; b) conduct a scoping study of training needs ahead of the commencement of the APG's 4<sup>th</sup> Round; and c) Develop draft strategic planning assistance modules aimed at assisting members to prepare for an APG 4<sup>th</sup> round ME.

#### **Achievements:**

- The APG delivered a virtual assessor training workshop in August 2022, with 36 participants from 23 APG members and one observer organisation (Moneyval). Japan hosted an in-person APG assessor training workshop in March 2023 in Tokyo for 38 trainees from 24 APG members. The workshop was supported by experts from Japan and Malaysia, as well as both MEC Co-Chairs, and the Secretariat. Japan provided generous voluntary contribution to host the training and fund participation from a number of participants from across the APG membership.
- The FATF TRAIN standards training course (STC) workshop was delayed until 2023-24 due to resource constraints with the APG Secretariat. Malaysia will host the delayed FATF TRAIN STC workshop in November 2023.

- Virtual ME preparation events and briefings were provided to Lao PDR, Brunei Darussalam, Nepal, the Marshall Islands, Nauru, Timor-Leste, the Maldives and Sri Lanka. In-person ME preparation briefings were delivered to authorities in India, Timor-Leste and Papua New Guinea.
- External review and global network quality and consistency processes were applied to all the ME and follow-up reports adopted during the year.
- The Resources Needs Project Team assessed training needs ahead of the commencement of the APG's 4<sup>th</sup> Round and made a number of recommendations to members to be adopted at the 2023 Annual Meeting.
- The APG Secretariat has worked to develop draft strategic planning assistance modules aimed at assisting members to prepare for an APG 4<sup>th</sup> Round ME. This project was delayed somewhat due to staff shortages within the APG Secretariat. The Secretariat is working closely with those members to be assessed at the start of the next round on trialling these new modules.

## **SUPPORT FATF'S ICRG PROCESS AND APG MEMBERS IN ICRG PROCESS**

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### **Required activities in 2022–2023:**

- Provide priority assistance and support for members involved in the ICRG process.
- Participation at Asia-Pacific Joint Group meetings and ICRG meetings.
- Deliver targeted information briefings, information and interpretative materials, implementation assistance and coordination of technical assistance and training.
- Conduct ICRG-related assistance visits to members under ICRG review with external donor support.

### **Achievements:**

- The APG provided support to members, including Cambodia, Myanmar, the Philippines and Vietnam, in relation to the ICRG process and observation period.
- The APG Secretariat and members participated in:
  - Three ICRG meetings (October 2022, February 2023 and June 2023); and
  - Three Asia-Pacific Regional Joint Group meetings (September 2022, January and May 2023).
- The APG Secretariat provided advice to the Asia-Pacific Joint Group Co-Chairs and to members under ICRG review including on:
  - ICRG process, rules and practice;
  - General comments on legislative, regulatory and administrative measures to address ICRG concerns;
  - Technical assistance coordination;
  - Implementation planning; and
  - The impact of ICRG processes on APG membership status.

- The APG provided policy input to the FATF AGSR on its review of ICRG processes and procedures. This occurred formally through the FATF's Strategic Review, but informally through discussions with the FATF Secretariat, Asia Pacific Joint Group and its co-chairs.

## **STRATEGIC GOAL #4**

### **WORKING COOPERATIVELY & SUPPORTING IMPLEMENTATION**

#### **CONDUCT AND/OR SUPPORT RESEARCH ON EXISTING AND EMERGING AML/CFT RISKS AND CONTEXTUAL ISSUES**

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##### **Required activities in 2022–2023:**

- Deliver the annual Typologies Workshop in late 2022 or early 2023.
- The APG will complete its three typologies projects through the Operations Committee.
- Support initiatives by the FATF's RTMG and typologies related work from members and observers where possible.

##### **Achievements:**

- Due to resourcing constraints, the APG Typologies Workshop was not held in 2022-2023. The 2023 Typologies Workshop to be held in December 2023, hosted in New Delhi, India.
- The typologies project on ML associated with tax crimes was completed, with the report of adopted by the membership at the 2023 Annual Meeting. The project on illicit financial flows generated from illegal fishing was postponed for completion of the discussion paper in late 2023. The report from the project on challenges and lessons learned in the in the Asia Pacific region with the implementation of R. 8 and Immediate Outcome 10 was adopted at the 2023 Annual Meeting.

#### **IDENTIFY DOMESTIC, REGIONAL AND GLOBAL ISSUES THAT MAY AFFECT IMPLEMENTATION OF THE FATF STANDARDS AND ASSESS MEMBERS' ASSISTANCE NEEDS AND OPPORTUNITIES TO IMPROVE INTERNATIONAL COOPERATION**

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##### **Required activities in 2022–2023:**

- Engage with members and technical assistance providers to identify domestic and regional assistance needs, and implementation issues, arising from members' experience of international cooperation, risk assessments, typologies work, mutual evaluations (including follow-up) and FATF processes.
- The APG will support the Canadian Co-Chairs' Priorities during the chairing by Canada from 2022-2024.
- Continue to identify other domestic and regional technical assistance and implementation issues.

##### **Achievements:**

- The APG identified domestic and regional implementation issues through the APG's technical assistance coordination processes and encouraged assistance in response to identified needs.
- In line with the APG Co-Chairs' Priorities for 2022-24, the Secretariat hosted:
  - a technical seminar on beneficial ownership in March 2023;
  - a webinar on 'Countering Terrorist Financing (CTF) from an FIU Perspective' in December 2022; and
  - a plenary technical seminar at the 2023 Annual Meeting on ML/TF - Economic and Practical Aspects of Implementing the FATF Standards, including discussion of two publications by the IMF on beneficial ownership and CFT.

## **PROVIDE GUIDANCE, ADVICE, AND TECHNICAL ASSISTANCE ON IMPLEMENTATION OF THE FATF STANDARDS IN COLLABORATION WITH REGIONAL AND GLOBAL PARTNERS**

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### **Required activities in 2022–2023:**

- Support work by FATF and other global partners to share experience and implementation support resources on topics including risk assessments, international cooperation, investigating and prosecuting ML, TF, proliferation financing, illicit financial flows from wildlife smuggling and risk-based supervision of financial and non-financial sectors.
- Deliver strategic implementation planning support pre- and post-mutual evaluations.
- Support members to build AML/CFT capacity and mechanisms consistent with the FATF standards, including through technical assistance visits, workshops and desk-based assistance.

### **Achievements:**

- APG held the final workshop of a four-part series for members and observers on implementing the FATF Standards in relation to virtual assets and virtual asset service providers (VASPs).
- The APG established a pilot VA/VASP network to convene on regional issues, which met once in May 2023.
- Post-ME strategic implementation planning support was provided to Vietnam.

## **SUPPORT THE COORDINATION OF TECHNICAL ASSISTANCE BETWEEN MEMBERS AND RELEVANT PROVIDERS OF ASSISTANCE**

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### **Required activities in 2022–2023:**

- Deliver the Annual Technical Assistance and Training (TA) Forum in 2023.
- Collect information and analyse gaps in members' AML/CFT systems
- Undertake AML/CFT technical assistance projects in collaboration with DAP Group members.
- Collaborate with priority members and DAP Group members to deliver regional programmes to build capacity to improve.

- Implement the New Zealand funded Pacific AML/CFT Capacity Development programme,

### Achievements:

- The 2023 TA&T Forum was held concurrently with the APG Annual Meeting in July 2023 and included:
  - A DAP Group meeting where DAP Group members shared details of their AML/CFT-related assistance to members and discuss common opportunities and challenges for technical assistance in the region;
  - Three sub-regional meetings where the DAP Group and members identified and discussed TA needs in the Pacific, South East Asia, and South Asia respectively; and
  - 20 bilateral meetings between the DAP Group and individual members and focused on each member's TA needs.
- The Secretariat:
  - Distributed information on members' assistance needs and their ongoing TA activities to the DAP Group prior to the 2023 TA forum;
  - Shared a report on TA commitments and outcomes with DAP Group members with respect to each of the 25 members who receive technical assistance
  - Assisted DAP Group members with background information on TA activities and needs, supporting bilateral and regional TA, and advice on FATF Standards, ME processes and the FATF ICRG process.
- Activities under the New Zealand funded Pacific AML/CFT Capacity Development Programme (PACD) will be separately outlined in detail in the PACD Programme 2022-2023 Annual Report. However key PACD technical assistance projects for 2022-23 included:
  - Three in-person four-day workshops on financial investigations, money laundering investigations and criminal asset confiscation, followed by mentoring support to law enforcement agencies (Cook Islands, Palau and Samoa).
  - Virtual regional training courses, each running for eight half days, on the following topics:
    - i. One course on AML/CFT supervision fundamentals;
    - ii. Two courses on the AML/CFT supervision of banks;
    - iii. Two courses on the AML/CFT supervision of remittance providers; and
    - iv. Two courses on the AML/CFT supervision of offshore entities.
  - Organisation of the Pacific AML/CFT Supervisors' Forum, co-hosted by the New Zealand Department of Internal Affairs and the Pacific Islands Forum Secretariat. The Forum was held in Auckland from 30 May–1 June and attended by over 40 participants from across the APG Pacific jurisdictions. The Forum was co-funded by MFAT and the Ministry of Finance, Japan.
  - Legislative drafting support to Nauru.
- Commencement of a project to provide legislative drafting assistance to Palau on targeted financial sanctions for terrorism and proliferation financing (FATF Recommendations 6 and 7).
- Mentoring support to the Marshall Islands, Tonga, Palau and Nauru on AML/CFT supervision.

### **SUMMARY OF BUDGET OUTCOMES FOR 2022–2023**

27. A core budget for 2022-23 of \$3,610,632 was approved and adopted at the 2022 Annual Meeting. Below is an overview of the APG finances in the year 2022–2023. All figures are in Australian dollars.
28. Contributions required from members to meet the budget were calculated using the APG funding formula that calculates contributions using an 80/20 per cent combination of GDP and GDP per capita and required a minimum contribution of \$13,6792. As in previous years, members noted that the core budget would not, of itself, enable the APG to complete the work outlined in the 2022–2023 Business Plan. Members agreed, therefore, that voluntary contributions, continued use of accumulated assets (reserves) and various streams of ‘non-core budget’ funding totalling \$2,89,946 should be made available in 2022–23 to meet the costs of the APG’s agreed work programme. Total revenue from all sources was budgeted at \$5,956,372. Total proposed expenditure from all streams of funding (core and non-core), including reserves, was \$6,510,578. The APG therefore budgeted for a deficit of \$554,206.
29. The budget outcomes for the period 1 July 2022 to 30 June 2023, based on the audited financial reports (**Annex B**) are as follows:
- |   |                           |
|---|---------------------------|
| • Total equity at <u>1 July 2022</u> :  | <b><u>\$1,917,848</u></b> |
| • total income all sources:             | \$5,472,162               |
| • total expenditure all sources:        | \$5,092,277               |
| • net operating (surplus)               | \$379,885                 |
| • total equity at <u>30 June 2023</u> : | <b><u>\$2,297,733</u></b> |
30. The postponement of three mutual evaluations and temporarily vacant staff positions resulted in an underspend in the forecast expenditure of both core and non-core funding in FY2022–2023.

### **Voluntary financial support 2022–2023**

#### **Untied Funding**

31. In 2022-2023 Australia paid a voluntary contribution of \$103,918 which included the unspent voluntary contribution from 2021-2022.

#### **Project funding**

32. Six members provided project funding, each tied to particular projects and realised as revenue as expenditure is made, in FY2022–2023: Australia, China, Japan, New Zealand, Chinese Taipei and the United States.

33. Australia: In February 2020, Australia provided \$526,000 over three years to provide technical assistance to Afghanistan ahead of their mutual evaluation. No funds were realised in FY2022-2023.
34. China made a voluntary contribution of US\$200,000 to support an additional policy officer in the Secretariat for two years. \$109,343 of this amount was realised in FY2022-2023 and the remaining funds proposed to be rolled over to other grants. In December 2018, China provided a grant of US\$130,000 over three years (2019-2021) to support the APG's ICRG programme and support specific Pacific APG members' attendance at APG annual events. China also agreed to roll over the balance (\$30,035) of the 2016-18 voluntary contribution into the 2019-2021 programme to support specific Pacific members programme. \$28,041 was realised in FY2022-2023 and \$104,256.45 forecast to be spent in 2023-2024. In November 2017 China provided a grant of US\$130,000 over four years (2018-19 to 2020-21) to support the APG's 3<sup>rd</sup> round mutual evaluation (ME) programme. \$41,697 was spent in FY2022-2023 and a further \$32,885 expected to be realised as revenue in 2023-2024.
35. Japan: In April 2020, Japan provided \$266,533 to the APG to support training on the FATF standards. \$171,254 was realised in FY2022-2023 and a further \$76,000 proposed for 2023-2024.
36. New Zealand: New Zealand has made voluntary contributions to support experts travelling from New Zealand to APG events to benefit members, and other agreed activities. \$50,680 was realised as revenue in FY2022-2023. The remaining \$166,086 is budgeted for use in 2023-2024 and beyond.
37. Chinese Taipei: In April 2019, Chinese Taipei agreed to provide a grant of \$75,000 per year over two years (March 2019 to March 2021) for priority Pacific Island members and observers. This funding has been extended due to the inability to utilise funds for their intended purpose as a result of travel restrictions. The remaining balance (\$39,160) of the previous voluntary contribution for 2016-18 was allocated for expenditure on the APGML website redevelopment. \$6,185 was realised in FY2022-2023 with the remaining balance expected to be realised in FY2023-24. In November 2021, Chinese Taipei agreed to provide \$205,500 over three years to support the work of the Secretariat in addressing strategic deficiencies related to AML/CFT. \$52,120 was realised as revenue in 2022-2023 and a further \$77,500 forecast for 2023-2024.
38. United States: In October 2013, the US provided \$164,965 (US\$153,580) in support of APG mutual evaluation (ME) training, in-country Pre-ME training and the trans-Pacific drug routes typologies project. \$1,618 of this funding remains and advice is being sought on returning these funds to the US as this project has been finalised. In August 2016, the US provided a further grant of US\$75,000 (AU\$98,555) to support Pacific members enhance AML/CFT investigations capacity and address deficiencies. None of this amount was realised as revenue in 2022-2023. The remaining \$30,238 is expected to be spent in 2023-2024, pending further discussions with the US.

### **PACD programme funding**

39. New Zealand agreed in June 2023, through the Ministry of Foreign Affairs and Trade, to continue supporting economic stability in APG Pacific Island members through Phase II of the PACD programme. Total value of the programme is NZD6,000,000 over five years (2023-2028). In 2022-2023, a total of AU\$652,815 was spent on: (i) dedicated staff positions, (ii) delivery of technical assistance and training projects to APG Pacific Members, and (iii) administrative costs. Additional detail is outlined in the PACD Programme 2022-2023 Annual Report (**Annex C**).

### **In-kind support**

40. Australia: Australia provides yearly in-kind support (accommodation, ICT services, finance, human resources, security, legal etc.). In FY2021-22, the value of this in-kind support was attributed at \$804,875.

### **Acknowledgement of support**

41. The Co-Chairs and the Secretariat on behalf of all APG members thank Australia, China, Japan, New Zealand, Chinese Taipei, and the United States for their significant and on-going financial support of APG activities in 2022-2023, which has contributed to ensuring that the APG remains a high-performing FSRB.

### **Budget for 2023-2024**

42. The APG's agreed 2023-2034 budget outlines the anticipated income and expenditure to support the agreed business plan adopted by the membership in 2023. The membership agreed to a 17.35% budget increase over 2022-2023 for membership contributions in 2023-2024. Income for the year from both membership contributions and voluntary donations is projected to be \$5,657,514. Non-core expenditure from voluntary donations, reserves and in-kind support will be approximately \$1,916,579. Total expenditure from all sources in this year is projected at approximately **\$6,153,618**.
43. The business plan for the year is costed against these figures as an estimate of income and expenditure. Next year's activities are outlined in the next Part of this report.

## **PRINCIPAL TASKS 2023–24**

44. The APG's key tasks for 2023–24 were agreed by the membership at the 2023 Annual Meeting (some of which are dependent on external funding). These are set out below

### **Key meetings**

45. The following key APG meetings will occur in 2023–24:

- 2023 Annual Typologies Workshop, 28 November – 1 December 2023
- 2024 APG Annual Meeting and Annual Forum on Technical Assistance and Training
- APG Governance Committee will meet at least five times in the year

### **Membership visits**

46. One membership-related visit will be undertaken to members and/or non-members to facilitate full and active membership and promote commitment to the global AML/CFT standards. Additional visits and activities will be undertaken with external donor funding, if required.

### **Participation in global AML/CFT network**

47. As an associate member of the FATF, the APG will participate in:

- three FATF plenary meetings
- three ICRG meetings (during plenary meetings)
- working group meetings in the FATF
- meetings of the FATF's Asia/Pacific Joint Group (A/P JG)

48. Information from the global network will be disseminated to members when received. The Secretariat will provide communication, information and liaison assistance to the A/P JG in further support of APG members in accordance with the APG Strategic Plan 2020–2024.

### **Mutual Evaluations**

49. The APG will:

- Complete the MEs of Brunei Darussalam, Lao PDR and Nepal
- Continue the MEs of the Marshall Islands, Nauru, Timor-Leste, Papua New Guinea and India (FATF-led joint FATF/APG/EAG assessment)
- Commence the MEs of the Maldives and Niue

- Continue the mutual evaluation follow-up process for all non-FATF members assessed in the third round of MEs
- Support enhanced quality and consistency reviews of mutual evaluations and follow-up reports including contributions to FATF and FSRB reports

### **ME Training and Other Support**

50. In relation to the APG Third Round, the APG will:

- Deliver an assessor training workshop;
- Deliver standards training workshops for potential assessors and officials preparing for or responding to a mutual evaluation; and
- Conduct pre-mutual evaluation training for members yet to be assessed.

51. In relation to the APG Fourth Round, the APG will:

- Provide briefings and awareness raising to members on the upcoming APG 4<sup>th</sup> round of MEs
- Conduct a scoping study of training needs ahead of the APG's Fourth round
- Develop draft planning assistance modules for members to prepare for the APG 4<sup>th</sup> round

### **ME Policy and Schedule**

52. In relation to the APG Third Round, the APG will

- Prepare amended ME procedures (as needed) through the ME Committee for final approval by the membership

53. In relation to the APG Fourth Round, the APG will:

- Contribute to FATF projects to develop amendments to the FATF Universal Procedures for Assessments and to the FATF assessment methodology
- Prepare a draft APG Fourth Round ME schedule for adoption
- Prepare preliminary APG ME Procedures for the APG Fourth round to take account of changes to the FATF Universal Procedures and identified improvements identified by the membership
- Prepare resourcing models (assessors, reviewers, Secretariat staffing) to support the delivery of the next APG round to share with members at the 2023 Annual Meeting

### **Implementation, Technical Assistance and ICRG Activities**

54. The APG will:

- Provide priority assistance and support for members involved in the ICRG process, including participation at A/P JG meetings, ICRG meetings, information briefings, supply of

information and interpretative materials, implementation assistance and coordination of technical assistance and training;

- Conduct ICRG-related assistance visits to members under ICRG review with external donor support;
- Assist members to develop sustainable strategies to meet MER recommendations including implementing the Strategic Implementation Planning Framework;
- Continue to coordinate and support technical assistance and training, including supporting the APG DAP Group, deliver the annual TA Forum in 2023 and collect, analyse and share information on the needs and delivery of TA through the DAP Group and other processes;
- Consider a number of regional AML/CFT technical assistance projects, in collaboration with DAP Group members for legal, financial, FIU and law enforcement sectors;
- Support existing mechanisms with the Pacific Island Forum Secretariat and the ASEAN Secretariat, and will continue efforts to support greater cooperation with South-Asian regional bodies;
- Work closely with the APG Co-Chairs and DAP Group members to support a number of the priorities for 2023-2024, either by providing guidance, sharing expertise or by conducting technical assistance projects in line with those priorities;
- Collaborate with priority members and DAP Group members to deliver regional programmes to build capacity to improve:
  - a. Assessments of risk and strategic responses to risk mitigation.
  - b. International cooperation between AML/CFT supervisors.
  - c. Law enforcement and prosecutors capabilities, focusing on policy responses to proceeds of crime and TF, including improved international cooperation.
  - d. Combatting PF, including working with global and regional bodies to identify and address challenges to effective implementation of the global standards to combat PF.
- Implement the Pacific AML/CFT Capacity Development programme funded by New Zealand.

## Typologies

55. The APG will:

- Deliver the 2023 Annual Typologies Workshop. The workshop will consider the reports of separate projects.
- Complete three typologies projects through the Operations Committee, focusing on:
  - a. Illicit financial flows from illegal fishing;
  - b. Money laundering associated with tax crimes; and
  - c. Implementation of FATF Recommendation 8 and Immediate Outcome 10 on mitigating TF risks among non-profit organisations.
- Support initiatives by the FATF's RTMG and typologies-related work from members and observers where possible

## **APG resources**

56. The financial resources required to achieve these programmes and plans for 2023–24 extend beyond members' core contributions to include additional financial resources, as well as human and technical resources. Many TA activities and visits rely on voluntary funding and on participation by individual member experts. The APG will continue in the coming year to seek additional resources from members and observers to assist in meeting our strategic objectives.

## APG Activities and Conferences 2022-2023

Associate Member Activities	Member Activities	Conferences, Workshops, Seminars
<ul style="list-style-type: none"> <li>FATF Plenary, Paris, France, October 2022</li> <li>FATF/APG workshop, Sydney, Australia, January 2023</li> <li>PDG Intersessional Meeting, virtual meeting, January 2023</li> <li>FATF Plenary, Paris, France, February 2023</li> <li>VACG FATF meeting, Tokyo, Japan, April 2023</li> <li>Asia Pacific Joint Group meeting (FATF ICRG), Macao, China, May 2023</li> <li>FATF Plenary, Paris, France, June 2023</li> </ul>	<ul style="list-style-type: none"> <li>The Republic of Korea, meeting with Director General for Non-proliferation and Nuclear Affairs, Sydney, Australia, July 2022</li> <li>Lao PDR, ME on-site visit, September 2022</li> <li>Timor-Leste ME prep visit, October 2022</li> <li>Brunei Darussalam, ME on-site visit, November 2022</li> <li>Nepal, ME on-site visit, December 2022</li> <li>Papua New Guinea ME prep visit, December 2022</li> <li>APG Assessor Training (hosted and sponsored by Japan), Tokyo, Japan, March 2023</li> <li>Annual meeting preparation visit, Canada, February 2023</li> <li>Meeting with the incoming Australian High Commissioner to the Cook Islands, virtual meeting, February 2023</li> <li>Meeting with the Republic of Kazakhstan for potential observer status, February, March and April 2023.</li> <li>FINTRAC presentation, (APG Secretariat office), Sydney Australia, February 2023</li> <li>Meeting with Chinese Taipei MJIB, Sydney, Australia, March 2023</li> <li>Meeting with Palau officials (APG Secretariat office) Sydney, Australia, March 2023</li> <li>Meeting with the UAE for potential observer status, April, May 2023.</li> <li>Lao PDR, ME on-site visit, April 2023</li> <li>Nepal, ME on-site visit, April 2023</li> </ul>	<ul style="list-style-type: none"> <li>Participant in research project, 'Transnational peer review in the AML regimes' workshop, (University of Sydney), Sydney, Australia, August 2022</li> <li>'Money Laundering of the Proceeds of Tax Crimes' workshop, (PITAA), Fiji, August 2022</li> <li>Speaker on 'Countering the use of new and emerging technologies for terrorist purposes' workshop, virtual meeting, September 2022</li> <li>Speaker on 'BO Transparency for Legal Persons and Arrangements', webinar, (Indonesian Financial Services Authority OJK), virtual meeting, October 2022</li> <li>Speaker on 'BO Transparency for Legal Persons and Arrangements', webinar, (EU Global Facility on AML &amp; CFT), virtual meeting, October 2022</li> <li>Virtual Member Training on Inclusive Financial Integrity, (Central Bank of Malaysia- AFI), November 2022</li> <li>OECD TFTP presentation, virtual, November 2022.</li> <li>Presenter at Beijing Symposium: 'Analysing Global AML Trends and New Developments' (ACAMS), Singapore, November 2022</li> <li>Presenter at IPSFF Data Sub-Group meeting, (International Public Sector Fraud Forum), November 2022</li> <li>MENA and APRG roundtable discussion: 'The role of FIUs in a national risk assessment', virtual meeting, (Egmont Group), December 2022</li> <li>Speaker at Pacific Regional Workshop on Beneficial Ownership, (UNDP), (Solomon Islands hybrid format), March 2023</li> <li>MENAFATF Typologies Workshop presentation by APG (held in the UAE presented virtually), March 2023</li> </ul>

	<ul style="list-style-type: none"> <li>• Brunei Darussalam, ME on-site visit, May 2023</li> <li>• New Zealand agencies visit, May 2023</li> </ul>	<ul style="list-style-type: none"> <li>• Presenter at ASEAN Regional NPO Conference, Bali, Indonesia, March 2023</li> <li>• Regional Workshop on Counter-Proliferation (UNSCR 1540 community), virtual meeting, March 2023</li> <li>• Speaker, UNODC The impact of transactional organized crime and money laundering on the gaming sector and special economic zones (SEZs) meeting, (held in Thailand presented virtually), March 2023</li> <li>• Speaker, Pacific Business Registries Workshop run by Pacific Private Sector Development Initiative, Sydney, Australia, March 2023</li> <li>• Speaking visit by APG to Chinese Taipei for VA conference, March 2023</li> <li>• Speaking visit by APG to Asia-Pacific AML and Anti-Financial Crime Conference (ACAMS), Singapore, April 2023</li> <li>• Pacific Supervisors Forum, Auckland, New Zealand, May 2023</li> <li>• Panellist speaker on AML in the Pacific, Deloitte's Symposium Sydney, Australia, June 2023</li> <li>• Key Note Speaker, ACAMS Australasia Conference, Sydney, Australia, June 2023</li> <li>• Training course on AML supervision techniques for regulators in financial and non-financial sectors, (ABA ROLI), Lao PDR, June 2023</li> </ul>
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## **ANNEX B**

### **2021-2022 APG Review of Special Purpose Financial Report and Financial Statements**

**Asia/Pacific Group on Money Laundering**

**Special Purpose Financial Statements  
for the year ended 30 June 2023**

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## Statement by the Executive Secretary

In my opinion:

1. The Asia/Pacific Group on Money Laundering (APG) is not a reporting entity and these special purpose financial statements and notes:

- are based on properly maintained financial records and prepared in accordance with the accounting policies outlined in the overview to the financial statements which are appropriate to meet the needs of users;
- present fairly the APG's financial position as at 30 June 2023 and its performance for the year ended on that date; and

2. At the date of this statement, there are reasonable grounds to believe that APG will be able to pay its debts as and when they become due and payable.



Gordon Hook  
Executive Secretary, APG Secretariat

15 September 2023

## Statement of comprehensive income

for the year ended 30 June 2023

	Notes	2023 \$	2022 \$
<b>INCOME</b>			
Contributions from members	1.1	3,612,997	3,303,343
Other contributions	1.2	1,054,290	1,000,759
<b>Total revenue</b>		<b>4,667,287</b>	<b>4,304,102</b>
<b>Gains</b>			
Resources received free of charge from the AFP		804,875	719,846
<b>Total gains</b>		<b>804,875</b>	<b>719,846</b>
<b>Total income</b>		<b>5,472,162</b>	<b>5,023,948</b>
<b>EXPENSES</b>			
Employee benefits	2.1	3,273,686	3,081,452
Depreciation and amortisation		572	48
Supplier expenses	2.2	1,251,761	1,344,108
Travel expenses	2.3	566,258	91,380
<b>Total expenses</b>		<b>5,092,277</b>	<b>4,516,988</b>
<b>Surplus</b>		<b>379,885</b>	<b>506,960</b>

The above statement should be read in conjunction with the accompanying notes.

## Statement of financial position

as at 30 June 2023

	Notes	2023 \$	2022 \$
<b>ASSETS</b>			
<b>Financial assets</b>			
Cash and cash equivalents		4,844,614	4,829,420
Trade and other receivables	3	162,174	293,894
Accrued revenue		-	-
<b>Total financial assets</b>		<b>5,006,788</b>	<b>5,123,314</b>
<b>Non-financial assets</b>			
Property, plant and equipment		1,668	2,240
Prepayments		93,356	-
<b>Total non-financial assets</b>		<b>95,024</b>	<b>2,240</b>
<b>Total assets</b>		<b>5,101,812</b>	<b>5,125,554</b>
<b>LIABILITIES</b>			
<b>Payables<sup>1</sup></b>			
Supplier payables		57,628	87,470
Unearned income	4	1,603,339	2,007,438
Salaries and wages		78,867	58,486
Superannuation		12,322	9,881
FBT		2,818	2,201
<b>Total payables</b>		<b>1,754,974</b>	<b>2,165,476</b>
<b>Provisions</b>			
Leave provisions <sup>2</sup>		1,049,105	1,042,230
<b>Total provisions</b>		<b>1,049,105</b>	<b>1,042,230</b>
<b>Total liabilities</b>		<b>2,804,079</b>	<b>3,207,706</b>
<b>Net assets</b>		<b>2,297,733</b>	<b>1,917,848</b>
<b>EQUITY</b>			
Retained surplus		2,297,733	1,917,848
<b>Total equity</b>		<b>2,297,733</b>	<b>1,917,848</b>

The above statement should be read in conjunction with the accompanying notes.

<sup>1</sup> All supplier payables are expected to be settled within 7 days (2022: 7 days). All other payables are expected to be settled within 12 months.

<sup>2</sup> Employee provisions which are expected to be settled beyond 12 months (commonly long service leave), are discounted to present value using market yields on the 10-year government bond rate.

## Statement of changes in equity

for the year ended 30 June 2023

	2023	2022
	\$	\$
<b>Retained surplus</b>		
Opening balance	1,917,848	1,410,888
Comprehensive income		
Surplus for the period	379,885	506,960
Total comprehensive income	379,885	506,960
<b>Closing balance</b>	2,297,733	1,917,848

The above statement should be read in conjunction with the accompanying notes.

## Cash flow statement

for the year ended 30 June 2023

	2023	2022
	\$	\$
<b>Operating activities</b>		
<i>Cash received:</i>		
Contributions and other receipts	4,394,908	4,021,401
Net GST received from ATO	51,682	33,799
<b>Total cash received</b>	4,446,590	4,055,200
<i>Cash used:</i>		
Employees	3,243,988	3,050,479
Suppliers and other payments	1,187,408	695,331
<b>Total cash used</b>	4,431,396	3,745,810
<b>Net cash from operating activities</b>	15,194	309,390
<b>Investing activities</b>		
<i>Cash used:</i>		
Purchase of property, plant and equipment	-	2,288
<b>Total cash used</b>	-	2,288
<b>Net cash used by investing activities</b>	-	(2,288)
<b>Net increase in cash held</b>	15,194	307,102
Cash and cash equivalents at the beginning of the reporting period	4,829,420	4,522,318
<b>Cash and cash equivalents at the end of the reporting period</b>	4,844,614	4,829,420

The above statement should be read in conjunction with the accompanying notes.

## Overview

### Objectives of Asia/Pacific Group on Money Laundering

The purpose of the Asia/Pacific Group on Money Laundering (APG) is to facilitate the adoption, implementation and enforcement of internationally accepted standards against money laundering, terrorist financing and financing of the proliferation of weapons of mass destruction, in particular the Forty Recommendations of the Financial Action Task Force (FATF). The APG allows for regional factors to be taken into account in the implementation of anti-money laundering, anti-terrorist financing and anti-proliferation financing measures and provides for peer review by means of a mutual evaluation process.

### Basis of preparation of the financial statements

The APG's accounts form part of the Australian Federal Police (AFP) special account, Services and Other Entities Trust Moneys Account.

The AFP continued to host the APG for the year ended 30 June 2023 and has prepared this special purpose financial report for the members of the APG. This special purpose financial report has been prepared for distribution to the members to fulfil the Executive Secretary's financial reporting requirements under the APG Terms of Reference.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention.

The financial statements are presented in Australian dollars and values are rounded to the nearest dollar unless otherwise specified.

Unless alternative treatment is specifically required by an accounting standard, assets and liabilities are recognised in the statement of financial position when it is probable that future economic benefits will flow to the entity or future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under executor contracts are not recognised unless required by an Accounting Standard. Assets and liabilities that are unrecognised are reported as commitments. There are no operating or capital commitments payable at 30 June 2023 (2022: nil operating or capital commitments).

Contingent liabilities and assets are not recognised in the statement of financial position but are reported in the notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote. The APG does not have any contingencies as at 30 June 2023 (30 June 2022: nil).

Unless alternative treatment is specifically required by an accounting standard, income and expenses are recognised in the statement of comprehensive income when and only when the flow, consumption or loss of economic benefit has occurred and can be reliably measured.

### Significant accounting judgements and estimates

In the process of applying the accounting policies listed in this note, the APG has made the following judgement that has the most significant impact on the amounts recorded in the financial statements:

- The liability for long service leave has been estimated using present value techniques. This takes into account expected salary growth through promotion, inflation, attrition and future discount rates.

No accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next accounting period.

## Overview (cont.)

### New Australian Accounting Standards

#### *Adoption of New Australian Accounting Standard Requirements*

No new or revised standards and interpretations that were issued prior to the sign-off date and are applicable to the current reporting period had a material effect on the APG's financial statements.

#### *Future Australian Accounting Standard Requirements*

No accounting standard has been adopted earlier than the application date stated in the standard.

### Gains

#### *Resources received free of charge*

Resources received free of charge are recognised as gains when and only when a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

#### Financial instruments

The APG's financial instruments are measured at fair value. Interest-earning financial assets and liabilities are measured using the effective interest rate method. The carrying amount of all financial instruments in the Statement of financial position approximates fair value. Financial instruments held by the APG carry minimal credit, liquidity and market risk.

### Taxation

The APG is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

## Events after the reporting period

No significant events have occurred since the reporting date requiring disclosure in the financial statements.

## Note 1: Income

	2023	2022
	\$	\$
<b>Note 1.1: Contributions from members</b>		
Afghanistan	-	12,627
Australia	206,794	193,915
Bangladesh	33,458	26,375
Bhutan	13,792	12,228
Brunei Darussalam	13,792	12,627
Cambodia	13,792	12,627
Canada	236,023	222,150
China	426,055	390,046
Chinese Taipei	85,261	61,239
Cook Islands	13,782	12,637
Fiji	13,792	12,627
Hong Kong, China	80,416	75,485
India	320,715	293,415
Indonesia	126,506	117,337
Japan	519,931	475,988
Korea	220,275	197,741
Lao PDR	13,792	12,627
Macau, China	75,783	68,026
Malaysia	49,472	45,533
Maldives	13,792	12,627
Marshall Islands	13,792	12,627
Mongolia	13,775	12,644
Myanmar	13,792	12,878
Nauru	16,185	14,100
Nepal	13,792	12,627
New Zealand	59,404	55,948
Niue	13,792	12,627
Pakistan	37,536	32,253
Palau	13,792	12,627
Papua New Guinea	13,792	12,627
Philippines	43,515	38,705
Samoa	13,792	12,627
Singapore	95,261	86,219
Solomon Islands	13,792	12,627
Sri Lanka	13,335	12,627
Thailand	64,407	57,568
Timor-Leste	13,792	12,627
Tonga	13,792	12,627
United States	610,197	558,624
Vanuatu	13,792	12,627
Vietnam	30,447	27,630
<b>Total contributions from members</b>	<b>3,612,997</b>	<b>3,303,343</b>

## Note 1: Income (cont.)

	2023	2022
	\$	\$
<b>Note 1.2: Other contributions</b>		
Voluntary Contribution - Australia	103,918	76,086
Project Contribution - China	131,970	108,726
Project Contribution - Chinese Taipei	14,817	68,500
Project Contribution - NZ Ministry of Foreign Affairs and Trade	595,751	747,447
Project contribution - Japan	155,780	-
Project Contribution - NZ MOJ Specific Travel	52,054	-
<b>Total other contributions</b>	<b>1,054,290</b>	<b>1,000,759</b>

### Accounting Policy

#### Contributions

Contributions from members are annual contributions from APG members to fund the ongoing activities of the APG. They are recognised as income on receipt. This treatment of income is consistent with AASB 1058 *Income of Not-for-Profit Entities*.

Voluntary contributions are received from members in accordance with funding agreements which establish the purpose of the activities, proposed budgets, monitoring and evaluation plans. Revenue from voluntary contributions are recognised as revenue over time when performance obligations are met. This treatment of revenue is consistent with AASB 15 *Revenue from Contracts with Customers*.

Project contributions are additional allocations attributed to particular projects or activity as specified by the donor. Project contributions are recognised over time when performance obligations are met. This treatment of revenue is consistent with AASB 15 *Revenue from Contracts with Customers*.

## Note 2: Expenses

	2023	2022
	\$	\$
<b>Note 2.1: Employee benefits</b>		
Wages and salaries	2,371,358	2,234,336
Superannuation:		
Defined contribution plans	310,810	300,929
Defined benefit plans	129,395	118,625
Leave and other entitlements	450,232	419,370
Other employee expenses	11,891	8,192
<b>Total employee benefits</b>	<b>3,273,686</b>	<b>3,081,452</b>

### Accounting Policy

Liabilities for services rendered by employees are recognised at the reporting date to the extent they have not been settled.

Liabilities for 'short-term employee benefits' (as defined in AASB 119) and termination benefits due within twelve months of the end of the reporting period are measured at their nominal amounts. The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

All other employee benefit liabilities are measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

## Note 2: Expenses (cont.)

### Accounting Policy (cont.)

#### Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting as the average sick leave taken in future years by employees of the APG is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates at the time the leave is taken, including the APG's employer superannuation contribution rates to the extent the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave has been determined by reference to the work of an actuary as at 30 June 2023. Attrition rates and pay increases through promotion and inflation are taken into account in the estimate of the present value of the liability. A full review by an actuary is conducted every 3 years.

#### Superannuation

Staff of APG are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS) or the PSS accumulation plan (PSSap). The CSS and PSS are defined benefit schemes for the Commonwealth of Australia. The PSSap is an accumulation fund.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported in the Department of Finance's administered schedules and notes.

APG make employer contributions to their employee's superannuation scheme at rates determined by an actuary to be sufficient to meet the cost to the Government of the superannuation entitlements of the APG's employees. APG accounts for the contributions as if they were contributions to defined contribution plans.

### Note 2.2: Supplier expenses

	2023	2022
	\$	\$
Goods and services		
Consultants and contractors <sup>1</sup>	344,309	425,696
Audit fees	34,000	10,000
Legal fees	10,583	170,104
Staff and recruitment	1,170	3,860
Conference costs	223,445	139,411
Communications and IT	9,983	8,794
General and office	4,720	3,132
Building and accommodation <sup>1</sup>	55,360	31,824
Office space <sup>1</sup>	508,158	487,171
Other expenses	18,251	21,305
<b>Total goods and services</b>	<b>1,209,979</b>	<b>1,301,297</b>
Other supplier expenses		
Workers compensation expenses	41,782	42,811
<b>Total other supplier expenses</b>	<b>41,782</b>	<b>42,811</b>
<b>Total supplier expenses<sup>1</sup></b>	<b>1,251,761</b>	<b>1,344,108</b>

<sup>1</sup> Supplier expenses include \$804,875 (2022: \$719,846) of resources received free of charge from the AFP comprising consultants and contractors \$241,357 (2022: \$204,014), building and accommodation \$55,360 (2022: \$28,661) and office space \$508,158 (2022: \$487,171).

### Note 2.3: Travel expenses

Airfares	301,769	77,218
Accommodation	157,301	2,735
Other travel expenses	107,188	11,427
<b>Total travel expenses</b>	<b>566,258</b>	<b>91,380</b>

## Note 2: Expenses (cont.)

### Note 2.4: New Zealand Ministry of Foreign Affairs and Trade (MFAT) expenses

	MFAT	All Other APG	Total
Breakdown of expenses	\$	\$	\$
Employee	292,961	2,980,725	3,273,686
Supplier	171,211	1,080,550	1,251,761
Travel	104,915	461,343	566,258
<b>Total</b>	<b>569,087</b>	<b>4,522,618</b>	<b>5,091,705</b>

In 2017, the New Zealand government provided voluntary funding over five years to support a programme of technical assistance and training in the Pacific. This includes the establishment of three additional staff (referred to as the "Pacific Cell") in the APG secretariat. Reflecting COVID-related delays, the timeframe for expenditure of the funding was extended to a sixth year and will conclude in the 2nd half of 2023. This funding forms part of the APG's accounts and is reflected in these financial statements. However, for accountability reasons, and to ensure that this funding does not affect other APG resourcing from member contributions, day to day management of this funding is kept separate from other APG funds. It is reported on separately here for transparency.

## Note 3: Trade and other receivables

	2023	2022
	\$	\$
Member contributions and other receivables	160,857	282,077
GST receivable from the Australian Taxation Office	1,317	11,817
<b>Total trade and other receivables</b>	<b>162,174</b>	<b>293,894</b>

<sup>1</sup> This amount includes membership contributions from five members which have not been received in full as at 30 June 2023.

### Accounting Policy

Credit terms for goods and services are 30 days (2022: 30 days). Receivables are held for the purpose of collecting contractual cash flows and measured at amortised cost using the effective interest method adjusted for any loss allowance.

Financial assets are assessed for impairment at the end of each reporting period based on Expected Credit Losses, using the general approach which measures the loss allowance based on an amount equal to lifetime expected credit losses.

## Note 4: Unearned income

	2023	2022
	\$	\$
Member and project contributions paid in advance		
Project contribution - US State Department	30,238	30,238
Project contribution - China	208,693	385,876
Project contribution - Chinese Taipei	289,031	230,846
Project contribution - NZ Ministry of Foreign Affairs and Trade	142,294	299,560
Project contribution - NZ Ministry of Justice	294,712	266,766
Project contribution - US State Department	1,618	1,619
Project contribution - Australian Department of Foreign Affairs and Trade	526,000	526,000
Project contribution - Japan	110,753	266,533
<b>Total unearned income</b>	<b>1,603,339</b>	<b>2,007,438</b>

## **ANNEX C**

### **Pacific AML/CFT Capacity Development Programme Annual Report 2022 - 2023**



# **Completion Report**

## **Pacific AML/CFT Capacity Development Programme**

*Asia/Pacific Group on Money Laundering*



The Asia/Pacific Group on Money Laundering is an inter-governmental organisation, consisting of 42 member jurisdictions, focused on ensuring that its members effectively implement the international standards against money laundering, terrorist financing and proliferation financing related to weapons of mass destruction.

APG members and observers are committed to the effective implementation and enforcement of internationally accepted standards against money laundering and the financing of terrorism and proliferation, in particular the Financial Action Task Force Recommendations.

For more information about the APG, please visit the website: [www.apgml.org](http://www.apgml.org)

This document and/or any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

**Cover image:** Green sea turtle (2023), courtesy of Michael Petty

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## ABBREVIATIONS & ACRONYMS

ADB	Asian Development Bank
AFI	Alliance for Financial Inclusion
AFP	Australian Federal Police
AML/CFT	Anti-Money Laundering / Countering the Financing of Terrorism
APG	Asia/Pacific Group on Money Laundering
AUSTRAC	Australian Transaction Reports and Analysis Centre
DAP	Donors and Providers
DIA	Department of Internal Affairs New Zealand
DNFBPs	Designated Non-Financial Businesses and Professions
EAG	Eurasian Group on Combating Money Laundering
FATF	Financial Action Task Force
FATF-TREIN	Financial Action Task Force – Training and Research Institute
FFA	Pacific Islands Forum Fisheries Agency
FIU	Financial Intelligence Unit
FSVC	Financial Services Volunteer Corps
GIFCS	Group of International Finance Centre Supervisors
ICT	Information and communication technology
ICRG	FATF International Cooperation and Review Group
IDB	Islamic Development Bank
IMF	International Monetary Fund
LEA	Law Enforcement Agency
MFAT	Ministry of Foreign Affairs and Trade
ME	Mutual Evaluation
ML	Money laundering
NCC	National Coordination Committee
NZ	New Zealand
NZD	New Zealand Dollars
NPO	Non-profit organisation
OCO	Oceania Customs Organisation
PACD	Pacific Anti-Money Laundering and Combating the Financing of Terrorism Capacity Development
PNG	Papua New Guinea
PFTAC	Pacific Financial Technical Assistance Centre
PIC	Pacific Island Country
PICP	Pacific Islands Chiefs of Police
PIFS	Pacific Islands Forum Secretariat
PILON	Pacific Islands Law Officer's Network
TA	Technical assistance
TA&T	Technical assistance and training
TF	Terrorist financing
UNODC	United Nations Office on Drugs and Crime
UNCTED	United Nations Counter-Terrorism Committee Executive Directorate
WCO	World Customs Organisation

## EXECUTIVE SUMMARY

The purpose of this completion report is to provide a summary of progress and achievements of Phase I of the PACD programme (2017-2023), and highlight some lessons learned to enhance the current programme.

This completion report provides information on the six years of the PACD programme and is divided into the following sections:

- **Part One** summarises the PACD programme management and implementation arrangements;
- **Part Two** reports the progress against the strategic priorities of the PACD Programme;
- **Part Three** presents an analysis of the overall success of the PACD programme and lessons learnt during Phase I;
- **Part Four** summarises the overall expenditure of the six years of the PACD programme;
- **Annex 1** reports against the costed work plan for 2022-2023 as outlined in the *PACD Business Plan 2022-2023* and provides a detailed report of 2022-2023 PACD expenditure;
- **Annex 2** reports progress against short and medium term outcomes of the PACD Results Management Table;
- **Annex 3** provides an overview of PACD programme risk management processes.

In 2017, the APG received a funding grant of 3.6 million NZD from New Zealand's MFAT for the five-year PACD programme, to be implemented from 2017-2022. In 2022, the programme was extended for an additional year due to the COVID-19 pandemic. The funding provided for the establishment of a dedicated Pacific TA Cell<sup>1</sup> within the APG secretariat to:

- Provide and coordinate the provision of support, training, and resources to Pacific APG members to address illicit financial flows and improve implementation of AML/CFT standards across the Pacific region;
- Provide this support across all areas of the AML/CFT system, including legislative compliance and implementation; and
- Work closely with donors and providers across the region to coordinate assistance to Pacific members and leverage additional support to that provided by MFAT.

The PACD programme provides targeted and coordinated jurisdiction-specific in-country TA to all APG Pacific members, to meet the following Outcomes:

- Improved compliance with the international AML/CFT standards, resulting in increased economic confidence;
- Greater capacity of Pacific regulators and supervisors to regulate and supervise that compliance ; and
- Greater capacity of Pacific LEAs have to investigate and prosecute financial crime.

### Progress in achieving Outcomes of the PACD Programme

The PACD programme activities are organised under the four goals of the *PACD Strategic Plan 2017-2020*, which are aligned with the wider APG strategic goals<sup>2</sup> and the Goal and Outcomes of the Programme.

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<sup>1</sup> The term 'Pacific TA cell' or shorter 'Pacific cell' in this report refers to the APG secretariat staff members funded under the New Zealand programme dedicated to delivering the programmes reported herein.

<sup>2</sup> See *APG Strategic Plan 2016-2020*

**Strategic Goal 1** is to be an effective technical assistance cell supporting implementation of the FATF standards and the work of the global AML/CFT network in the Pacific. APG met this goal with the full establishment of the Pacific Cell since November 2018, which is dedicated to delivering the PACD programme. The Pacific Cell closely engages with a diverse range of stakeholders in the DAP Group and other regional organisations, and has participated in more than 35 stakeholder workshops and meetings during the grant period. During Phase I, the Pacific Cell has become a key coordinator of AML/CFT support in the Pacific region.

**Strategic Goal 2** is that national AML/CFT regimes are strengthened. Substantial progress has been made to achieve this goal through the implementation of three projects to improve members' understanding and mitigation of their ML/TF risks, and four projects to provide AML/CFT legislative drafting assistance. In addition, PACD funds have sponsored delegates from all Pacific members to attend multiple APG or APG-supported events each year (COVID restrictions permitting) to increase Pacific engagement with the global AML/CFT standards and to increase networks and engagement both regionally and globally. These measures have contributed to an increase in technical compliance with the FATF Standards in the Pacific region.

**Strategic Goal 3** is that AML/CFT regulation is improved and enforced. To support progress on this goal, virtual training on AML/CFT supervision has been provided to 211 participants during 11 training courses. Desk-based mentoring was provided to four Pacific members, and in-person mentoring to two members (pre-COVID). The PACD programme supported the Pacific AML/CFT Supervisors' Forum in May 2023, bringing together 47 Pacific AML/CFT supervisors and practitioners from the region.

**Strategic Goal 4** is increased detection, investigation and prosecution of ML/TF. In contribution to this goal, the Pacific TA Cell has coordinated the delivery of nine law enforcement training workshops and three mentoring visits. The Pacific Cell undertook a project to support the development of enhanced ICT systems with Pacific FIUs, and co-funded the upgrade of Samoa's FIU database for collecting and analysing financial reporting data.

The delivery of the above activities in combination with resourcing the Pacific Cell has costed a total of approximately **NZD 3,460,051**. There is NZD 112,663 in unspent funds<sup>3</sup>, NZD 34,927 of which has been committed to an ongoing project under Phase II. The unspent funds will be incorporated into the budget of Phase II of the PACD programme.

### **Lessons learned to enhance the current programme**

Throughout Phase I of the PACD programme, a number of steps have been taken to improve programme delivery and respond to challenges that have arisen. Challenges related to the COVID-19 pandemic have enhanced the flexibility and adaptability of the programme, and improved the use of virtual channels for the delivery of TA&T in the region.

- Strategic-level lessons learned are associated with programme implementation approach and expectations, the changing international AML/CFT environment and inclusion of mutual evaluations in the programme.
- Operational-level lessons learned are associated with reliance on external providers for TA delivery, hosting arrangement of the APG and Pacific Cell, business continuity planning and measuring results of the programme.

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<sup>3</sup> The unspent funds are primarily due to project delays caused by the COVID-19 pandemic.

## PART 1: PACD PROGRAMME MANAGEMENT AND IMPLEMENTATION ARRANGEMENTS

Management and implementation of the PACD programme are fully supported by APG members while the Australian government's hosting arrangement with the APG Secretariat ensures that the Secretariat has the infrastructure resources (accommodation, ICT services, human resources, finance and legal services) to deliver fully the agreed outcomes of the programme.

The PACD programme utilises the APG's governance framework, which in turn is supported within the governance framework of the Australian Federal Police. The Pacific Cell staff members are managed separately from APG core activities. The budgetary arrangements for the Cell comply with the *Pacific AML/CFT Capacity Development Governance Framework*.

### APG

The APG is an inter-governmental organisation operating regionally within the Asia/Pacific. Its focus is to ensure full compliance with the international standards against money laundering, terrorist financing and proliferation financing<sup>4</sup> by its members and, in doing so, it assists in reducing serious crimes related to those issues.

The APG membership is the ultimate decision-making body of the APG, although, the governance committee, permanently co-chaired by Australia and a rotating co-chair, may make decisions on behalf of the membership if delegated to do so. Decisions within the membership and in the governance committee are made on a consensus basis. The APG membership consists of 42 member jurisdictions across the Asia/Pacific (Table 1).

**Table 1: APG Members by Sub-Region**

<i>North Asia</i>	<i>South East Asia</i>	<i>South Asia</i>	<i>Pacific</i>	<i>CANZUS</i>
China Hong Kong, China Japan Macao, China Mongolia Republic of Korea Chinese Taipei	Brunei Darussalam Cambodia Indonesia Lao PDR Malaysia Myanmar Philippines Singapore Thailand Timor-Leste Vietnam	Afghanistan Bangladesh Bhutan India Maldives Nepal Pakistan Sri Lanka	Cook Islands Fiji Marshall Islands Nauru Niue Palau Papua New Guinea Samoa Solomon Islands Tonga Tuvalu <sup>5</sup> Vanuatu	Australia Canada New Zealand United States

### APG Secretariat

Management and accountability of APG business is centred within the APG Secretariat by the Executive Secretary. The Secretariat offices are located in Sydney, Australia, with some staff based in Canberra. Policy formulation, membership fee collection, budgeting and expenditure, asset management, financial audits and membership communication are all conducted within the Secretariat. All staff members of the APG Secretariat are employed by the Australian government within the Australian Federal Police (AFP) for management and accountability purposes.

### Pacific Cell

During the grant period, the Pacific TA Cell consisted of three secretariat staff members, as follows:

<sup>4</sup> See <https://www.fatf-gafi.org/> for more information on FATF Recommendations / international AML/CFT standards.

<sup>5</sup> Tuvalu became an APG member in July 2023. As an APG observer, Tuvalu was not formally included in Phase I of the PACD programme but received some support (as noted in Part 2 of the report).

- Deputy Director, Pacific Technical Assistance, responsible for the management of the NZ-funded program, stakeholder management, coordination of TA&T activities, liaising with NZ MFAT activity manager.
- Policy Officer, Pacific Technical Assistance, responsible for supporting the Deputy Director in planning, coordination and delivery of TA&T programmes.
- Policy Support Officer, Pacific Technical Assistance, responsible for the financial management of the program, policy support, report writing, stakeholder engagement and assisting other team members in the coordination of TA&T activities.

The Director, TA&T maintained operational oversight of the Pacific Cell and its business programme, while the Executive Secretary maintained strategic oversight and responsibility of the Pacific programme. The staffing structure was largely sufficient to support the delivery of the PACD programme. However, some challenges were experienced with regard to timely recruitment into vacant positions, particularly due to the requirement for successful candidates to obtain an appropriate security clearance prior to commencing in the role.

The Cell is managed separately from the APG core activities, but utilises the existing networks and TA coordination mechanisms. This includes Pacific members and observers, as well as other APG members and observers, which participate in the APG DAP Group (see Table 2).

The PACD programme supports the APG's strategic direction while delivering agreed PACD Outputs that facilitate progress towards the Goals and Outcomes of the Programme, as outlined in the *PACD Strategic Plan 2017-2020*. Strategic priorities are outlined as four goals, each containing a subset of strategies against which the goals are reported.

The annual PACD business plan includes the major tasks, performance targets and budget for each year consistent with the *PACD Strategic Plan 2017-2020* and *Grant Funding Arrangement*.

### Donors and Providers Group for Technical Assistance (DAP Group)

The DAP Group is a semi-formal grouping of APG members and observers (see Table 2) focused on coordinating the AML/CFT needs of APG members with the provision of technical assistance and training across the Asia/Pacific region. DAP Group members meet face-to-face at least once a year during the APG Annual Forum on Technical Assistance and Training to discuss a range of issues associated with coordinating AML/CFT technical assistance to APG members (see below).

**Table 2: DAP Group List**

APG DAP Group Members				
ADB/OECD Anti-Corruption Initiative for Asia-Pacific	ADB	France	Malaysia	Chinese Taipei
AFI	Australia	Germany	New Zealand	United Kingdom
APEC secretariat	Canada	GIFCS	OCO	United Nations
ARIN-AP	China	IMF	PICP	UNCTED
ASEAN secretariat	Commonwealth secretariat	Interpol	PIFS	UNOCD
	Egmont Group of FIUs	IDB Japan	PILON	United States
	FSVC	Korea	PFTAC	World Bank
				WCO

### APG Annual Forum on TA&T

Since 2002 as part of the annual meeting, the APG has held an annual forum on technical assistance and training. In 2023 this forum was held in Vancouver, Canada and involved eight individual sessions between Pacific members and donors and providers of technical assistance, as well as a Pacific regional coordination meeting, and a half-day meeting of the DAP group.

The TA&T forum provides an opportunity for the Pacific Cell to discuss with Pacific members, stay up to date with TA&T needs and priorities, and understand the broader TA&T landscape in the Pacific region. This ensures the provision of TA is demand-driven. While the forum generally meets in person, it continued to meet virtually during the COVID-19 restrictions.

## PART 2: SUMMARY OF PROGRESS IN ACHIEVING PACD STRATEGIC GOALS

PACD programme activities are organised under the four goals of the *PACD Strategic Plan 2017-2020*, which are aligned with the wider APG strategic goals in the *APG Strategic Plan (2016-2020 and 2020-2024)*, and the goals and outcomes of the programme.

The following section is a summary<sup>6</sup> of the performance highlights of the PACD programme during the grant period, from 1 July 2017 to 30 June 2023, under each strategic goal and consistent with the annual PACD business plans.

### STRATEGIC GOAL #1:

#### BE AN EFFECTIVE TECHNICAL ASSISTANCE CELL SUPPORTING IMPLEMENTATION OF THE FINANCIAL ACTION TASKFORCE (FATF) STANDARDS AND THE WORK OF THE GLOBAL AML/CFT NETWORK IN THE PACIFIC

##### Strategies to Complete Strategic Goal:

- *Resource the Pacific Cell with appropriately qualified staff to ensure the delivery of expected outcomes and proper management of NZ funds; and*
- *Ensure effective coordination and governance structures are in place, including within the APG secretariat and with external stakeholders including MFAT, Pacific members, regional organisations, and other donors and providers of TA.*

##### Summary of Achievements:

- The Pacific Cell was established with three staff members consisting of a Deputy Director, Policy Officer, and Policy Support Officer<sup>7</sup>. On-the-job training and mentoring opportunities have been regularly provided to Pacific TA cell staff, and all Pacific TA Cell staff completed mandatory AFP internal training.
- To support effective stakeholder engagement, coordination and cooperation on PACD activities, the Pacific Cell has participated in 35 in-person or virtual workshops and meetings organised by other DAP Group members and regional organisations. This was supplemented by ongoing coordination with DAPs and regional organisations, both in person and virtually.
- The Pacific Cell met with MFAT in Wellington in September 2019 and October 2022, the later visit focusing on discussions about Phase II of the PACD programme. Phase II commenced in July 2023 with a renewed NZD \$6M grant for a five-year period (2023-2028).
- The Pacific Cell facilitated the PACD programme's external review by Ernst & Young, which was completed in October 2022.
- To ensure active consultation with DAP Group members to identify areas for collaboration, the Pacific Cell has:
  - disseminated regular quarterly updates, outlining current and future PACD projects;
  - created and maintained a new subsection of the APG website to promote the PACD programme, and published short online news articles on PACD activities;

<sup>6</sup> Detailed information on PACD programme activities is available in PACD annual and mid-year progress reports for 2017-2022.

<sup>7</sup> As reported in the mid-year progress report in 2023, the Policy Support Officer position was vacant between February 2022 and 30 June 2023.

- facilitated five broad DAP Group teleconferences and almost weekly teleconferences with specific DAPs; and
- facilitated six annual forums on TA&T<sup>8</sup>, each of which included a DAP Group Meeting, Pacific sub-regional TA coordination meeting, and individual TA needs meetings between Pacific members and DAP Group members.

## STRATEGIC GOAL #2:

### NATIONAL AML/CFT REGIMES ARE STRENGTHENED

#### Strategies to Complete Strategic Goal:

- *Engage stakeholders to garner political commitment and drive to enhance AML/CFT systems;*
- *Ensure AML/CFT measures are undertaken on the basis of strong policy discussions and planning, including understanding risk;*
- *Provide legislative drafting assistance to bring legislation into greater compliance with FATF standards;*
- *Support Pacific MEs and follow-up assessments;*
- *Support Pacific island jurisdictions in engaging productively with the global AML/CFT community, including benefiting from associated activities.*

#### Summary of Achievements:

- In-country scoping visits were conducted to each Pacific member (11 in total) to identify TA priorities and needs, from which a TA Implementation Plan was developed for each Pacific member.
- PACD funds have sponsored 51 representatives from all 11 Pacific members<sup>9</sup> and two Pacific observers to attend nine APG or APG-supported events, to increase Pacific members' understanding of the global AML/CFT standards.
  - This included the FATF Standards training course for Pacific members, which was delivered in March 2019 in partnership with FATF TRAIN and NZ Ministry of Justice. A second FATF Standards Training course was held virtually in October 2021.
- The PACD programme assisted Pacific members to identify key risks to inform national AML/CFT policy development.
  - Nauru was assisted to conduct its first national AML/CFT risk assessment;
  - Solomon Islands was assisted to develop a national AML/CFT strategy based on its ML/TF risks;
  - Tuvalu was assisted with a gap analysis of its AML/CFT framework and the development of a National AML/CFT strategy and action plan.
- The Pacific Cell delivered projects providing legislative drafting assistance, including:
  - Review of Fiji's targeted financial sanctions amendments to its Public Order Act;
  - Full review of Nauru's AML/CFT legislative framework, including the Proceeds of Crime Act;
  - Commencing a legislative drafting project with Palau to enhance its targeted financial sanctions regime.
- The PACD programme assisted Pacific members in preparing for and responding to their Mutual Evaluations (MEs), including:

<sup>8</sup> The TA&T Forums were held in person in 2017, 2018 and 2019, virtually in 2020 and 2021 and in a hybrid format in 2022.

<sup>9</sup> Tuvalu has joined as APG's 12<sup>th</sup> Pacific member after the end of the reporting period in July 2023.

- A Strategic Implementation Planning (SIP) visit to the Solomon Islands took place in February 2020 (together with AMLAT and AUSTRAC);
- A three-day AML/CFT awareness raising workshop in the Marshall Islands in January 2020;
- Ongoing virtual support to Nauru in preparation for its ME; and
- A pre-ME support visit to PNG in December 2022.
- A Mutual Evaluation Preparation Guide was developed to provide all Pacific members with a better understanding of the activities required to prepare for upcoming mutual evaluation assessments to develop and maintain an effective AML/CFT regime.

### STRATEGIC GOAL #3:

#### AML/CFT REGULATION IS IMPROVED AND ENFORCED

##### Strategies to Complete Strategic Goal:

- *Provide tailored programmes and mentoring to assist financial supervisors/regulators to improve capacity in enforcing AML/CFT measures and regulating financial activity.*

##### Summary of Achievements:

- The Pacific Cell engaged a consultant to develop and deliver a series of virtual training courses on AML/CFT supervision. Each of the 11 courses ran for eight half days between November 2021 and June 2023. A total of 211 participants from 11 jurisdictions<sup>10</sup> attended the courses which focused on the following topics:
  - Introduction to AML/CFT supervision (three courses)
  - AML/CFT supervision of banks (three courses)
  - AML/CFT supervision of remitters (three courses); and
  - AML/CFT supervision of offshore entities (two courses).
- The PACD programme also supported Pacific members with desk-based mentoring related to AML/CFT supervision. In connection with the virtual supervision training courses (as above), a consultant assisted members with the following:
  - Tonga: Support with onsite AML/CFT supervision planning, including a review of the planning documents;
  - Marshall Islands: Reviewing AML/CFT supervision onsite manuals and supporting with the establishment of a single consolidated manual, including providing training on the manual;
  - Palau: Supporting Palau in establishing a regulatory regime for virtual assets and virtual asset service providers; and
  - Nauru: Reviewing a draft of the AML/CFT Bill and providing comments from an operational supervisory perspective on selected issues.
- The PACD programme organised the Pacific AML/CFT Supervisors' Forum in Auckland from 30 May to 1 June 2023. The event was co-hosted by the New Zealand Department of Internal Affairs (DIA) and PIFS and co-funded by MFAT and the Ministry of Finance, Japan. Over 40 participants from across the APG Pacific jurisdictions attended the Forum to discuss best practices and challenges in supervision, and regional issues such as correspondent banking and de-risking.
- Tonga was supported to develop a risk-based AML/CFT supervision framework for financial and non-financial institutions.

<sup>10</sup> Participants from all APG Pacific members (except Niue) attended one or more courses. Representatives from Timor-Leste attended eight courses (Timor-Leste is not an APG Pacific member and generally not eligible for PACD support, but representatives were invited to attend as approved by MFAT).

- PACD funding was used to support DIA in providing ongoing assistance to Vanuatu for AML/CFT supervision of the casino sector.

### ***Box 1: Pacific AML/CFT Supervisors' Forum***

A meeting of the Pacific AML/CFT Supervisors' Forum was held on 30 May to 1 June 2023 in Auckland, New Zealand. The Forum was organised by the APG, the Department of Internal Affairs (New Zealand) and the Pacific Islands Forum Secretariat, and co-funded by the New Zealand Ministry of Foreign Affairs and Trade and the Ministry of Finance, Japan.

The Forum brought together 47 AML/CFT supervisors and practitioners from nine of the APG's Pacific members, as well as delegates from Australia and New Zealand. The participants discussed AML/CFT supervisory trends and developments in the Pacific region, including:

- Risk-based approach to AML/CFT supervision;
- Best practices and challenges in supervising financial institutions and designated non-financial businesses and professions (DNFBPs);
- Correspondent banking and de-risking in the Pacific region;
- Virtual assets and virtual asset service providers and their AML/CFT supervision; and
- Technical assistance and training needs in the Pacific region.

Private sector participants operating in the region participated on the third day of the Forum, offering their perspectives on regional trends and AML/CFT compliance and supervision.



#### STRATEGIC GOAL #4:

##### INCREASED DETECTION, INVESTIGATION AND PROSECUTION OF ML/TF

###### Strategies to Complete Strategic Goal:

- *Provide programmes/mentoring to ensure law enforcement agencies (LEAs) have the capacity and capability to detect and investigate ML/TF;*
- *Provide tailored programmes and mentoring to ensure ML/TF is prosecuted;*
- *Strengthen mechanisms for recovery and repatriation of proceeds and assets connected to criminal activity; and*
- *Provide anti-corruption mentoring to improve capacity for use of financial investigations in combating the key regional risk of corruption.*

###### Summary of Achievements:

- Nine law enforcement training workshops have been conducted, including:
  - A five-day workshop for Palauan authorities on money laundering investigation and asset confiscation (co-funded with United States); and
  - A five-day cash courier workshop for Cook Islands, Fiji and Samoan officers, in collaboration with UNODC, NZ Customs and Police, and OCO.
  - Four remote training courses on financial investigations of higher-risk predicate crimes, money laundering investigations and asset confiscation (Nauru, Tonga, RMI, Samoa).
  - Three in-person workshops on financial investigations of higher-risk predicate crimes, money laundering investigations and asset confiscation (Cook Islands, Palau, Samoa).
- Three law enforcement mentoring visits have been supported, including:
  - AFP provided a criminal assets litigator to support Fiji with utilisation of unexplained wealth provisions;
  - NZ Customs supported Samoa Customs to finalise and present operational orders targeting cash smuggling via airline passengers;
  - NZ Police supported Tonga Police to develop a standard operating procedure to conduct terrorist financing investigations;
  - A total of two days of mentoring for law enforcement authorities in Samoa and the Cook Islands in connection with the in-person LEA workshops in 2022 (as noted above).
- An options paper was developed to assess the ICT needs of five Pacific FIUs and identify solutions.
- The Pacific TA cell co-funded the upgrade of Samoa FIU's database for collecting and analysing financial reporting data.

###### **Box 2: LEA workshop in the Cook Islands**

Three in-person workshops on financial investigations for law enforcement authorities in the Pacific region were conducted between March and May 2023:

- 27 - 30 March in the Cook Islands;
- 24 - 27 April in Palau; and
- 16 - 19 May in Samoa, in collaboration with the Pacific Transnational Crime Coordination Centre (PTCCC).

Each four-day workshop focused on financial investigations of higher-risk predicate crimes, money laundering investigations and asset confiscation. A key part of the workshops was a hypothetical scenario tailored to the target jurisdiction's money

laundering risks and legal framework. The workshops were delivered by Mr Michael Petty who has previously delivered remote LEA workshops for the PACD programme.

Some of the feedback from the workshop organised in the Cook Islands included:

*“Really enjoyed the content and examples demonstrated from real world cases. There was a lot of insight to Cook Islands which exist but have not been used and makes sense. Really enjoyed informative presentations, loved the real world cases, 4 days may not be long enough but was sufficient to get through the content. Training needs to be on a more regular basis, maybe twice a year for a refresher.”*

*“The training program was evenly spread out to cover the 4 days allocated. The hypothetical exercises reinforced the objectives of the training. I joined the training with 40% knowledge of money laundering - on the last day I have 95% understanding of it, thanks to the topics presented, good contributions from the other attendees.*



## PART 3: OVERALL SUCCESS AND LESSONS LEARNED IN THE CURRENT PROGRAMME

The PACD programme was evaluated by Ernst & Young in 2022, with the final report published (and publicly available) in October 2022. The programme was evaluated in accordance with the OECD DAC Network on Development Evaluation (EvalNet) six evaluation criteria<sup>11</sup> and MFAT's evaluation operational policy.

### 1. Key findings

The table below summarises the findings of the evaluation against the six criteria.

**Table 3: Summary of the evaluation findings from the external evaluation of the PACD programme**

Criterion	Rating (1-5)	Notes
<b>Relevance</b>	Highly relevant (4.31)	<p>The outputs and activities delivered under Phase I were mostly aligned with the priorities of the relevant PICs and MFAT. In addition, PICs provided feedback that the TA&amp;T activities delivered to date were either fully relevant or very relevant, to addressing their AML/CFT requirements.</p> <p>However, despite the PACD Programme being very relevant to PICs' needs, the evaluation identified that some priorities have not been fully addressed, including Enforcement related priorities and IT technical assistance needs, among others.</p>
<b>Effectiveness</b>	Effective (3.93)	<p>A reasonable amount of TA&amp;T was effectively delivered to PICs. Furthermore, there is evidence to suggest that the assistance delivered has strengthened PICs' capability and capacity to combat money laundering and terrorist financing.</p> <p>However, the significant disruption caused by the COVID-19 pandemic, including delays or postponement of planned activities, and the lack of in-country mentoring and technical assistance, has significantly impacted the PACD programme's effectiveness.</p>
<b>Efficiency</b>	Highly efficient (4.03)	<p>Activities to-date have been cost-effective in their delivery and implementation. Resources appear to have been used appropriately and reasonably. The PACD programme was able to pivot to the virtual delivery of training very efficiently, and a reasonable amount of TA&amp;T and other support was provided to PICs in a timely and reliable manner.</p>
<b>Coherence</b>	Highly coherent (4.55)	<p>The PACD Programme fits in with and complements AML/CFT initiatives undertaken by other agencies in the Pacific region. There were no suggestions that the PACD programme conflicted with other initiatives, but rather it was found that the programme supports and aligns with other initiatives. However, some PICs expressed that the training and assistance delivered by other DAPs can overlap, resulting in duplicate efforts.</p>
<b>Impact</b>	Partly impactful (2.82)	<p>The PACD Programme has made a tangible positive impact to PICs and other stakeholders. Overall, PICs indicated that through the support received under the PACD Programme and other DAPs, security and confidence in their financial institutions and DNFPBs has improved.</p>

<sup>11</sup> OECD, Evaluation of development programmes, Evaluation Criteria:

<https://www.oecd.org/dac/evaluation/daccriteriaforevaluatingdevelopmentassistance.htm>

		<p>However, given that the COVID-19 pandemic had significantly changed the economic environment of the Pacific, and that the PACD Programme remained ongoing at the time of the evaluation, there was limited data to comprehensively assess higher-level, long-term impacts - particularly around improving financial market confidence in the Pacific and encouraging banks and other financial service providers to continue to operate and invest in the region. In addition, the COVID-19 pandemic has detrimentally impacted the PACD Programme's progress towards achieving its short and medium-term outcomes.</p>
<b>Sustainability</b>	Partly sustainable (2.52)	<p>The sustainability of benefits received under the PACD Programme is a challenging issue which is a key concern for almost all PICs. Sustainability of benefits is impacted by several factors, including the size and limited resources of some Pacific AML/CFT agencies, the challenge of finding people with relevant financial crime experience in the Pacific, and differing levels of maturity across Pacific agencies in the region.</p> <p>In addition, members highlighted that there are limited systems and controls in place to enable Pacific agencies to maintain the benefits from the PACD programme longer term. Challenges around insufficient resources, staff retention and low levels of institutional maturity faced by Pacific agencies may limit long-term sustainability.</p>
<b>Overall weighted programme rating</b>	Successful (3.74)	<p>The PACD programme has made some progress towards achieving its objectives. The COVID-19 pandemic has caused significant disruption which has impacted both the deliverables under the programme and the priorities of PICs. In addition, a lack of capacity and resources, among other institutional challenges faced by PICs, has also impacted progress. Despite this, the TA&amp;T activities delivered to PICs to-date have contributed to helping the PACD programme achieve its Outputs and Outcomes.</p> <p>A clear indicator of this is the increase in the PICs who are now complying with international AML/CFT standards. At the end of Phase I, three Pacific Members are either compliant or largely compliant with 10 key FATF Recommendations, with two additional members rated largely compliant or compliant on 9 Recommendations<sup>12</sup>. Despite compliance rates slowing down during the COVID-19 pandemic, the PACD programme, along with other DAPs, continues to provide technical assistance to PICs aimed at increasing compliance with FATF Recommendations.</p>

## 2. Recommendations

The programme evaluation made nine key recommendations to further enhance the PACD programme. The recommendations and the proposed response for Phase II of the programme are summarised below.

**Table 4: Summary of recommendations from the external evaluation of the PACD programme**

Recommendation	Proposed response
Increased focus on providing in-country mentoring-based TA to PICs, supplemented by virtual mentoring where appropriate.	Increase the amount of in-country mentoring-based TA, primarily in person but virtually when beneficial or necessary. Mentoring to be provided by consultants, APG staff and/or embedded experts on secondment.

<sup>12</sup> Compared to one Pacific member at the start of Phase I.

Virtual training delivery should be more focused and personally targeted, with smaller audiences if possible.	Provide smaller, more targeted virtual training products and focus on mentoring (as above).
Address sustainability as part of the design stage of AML/CFT development programmes and activities to support long-term AML/CFT resilience.	Provide yearly introductory AML/CFT training programmes for new staff to enhance the sustainability of AML/CFT capability in PICs.
Enhance PICs' involvement in the PACD programme, including the initial design and seeking regular feedback on the outputs and outcomes.	See PICs' feedback on the programme design and develop individual roadmaps with PICs. Establish an annual feedback mechanism to better understand PICs' views on the PACD programme's effectiveness.
TA&T priorities and plans should be fully defined at the beginning of development programmes, with clear communication about any variations.	Increase the focus on TA priorities and planning prior to commencing new activities. Enhance the communication with PICs and other stakeholders about changes to the scope or timing of activities.
Consider establishing an AML/CFT knowledge repository for PICs.	Consider the repository as part of the broader project to re-design the APG website.
Increased coordination between the APG Secretariat and PICs when scheduling TA&T delivered to PICs.	Increase the involvement of PICs in the early stages of activity design, including scheduling.
PICs should provide input into future programmes' priorities, design and development.	Increase the involvement of PICs in the early stages of Phase II of the PACD programme and yearly business planning.
Consider the role of the private sector in any future AML/CFT programmes.	Consider including the private sector in regional or in-country events, or as part of any PACD programme activities.

### 3. Lessons learned

A number of lessons have been learned during the establishment of the PACD programme and its operation from 2017 to 2023. These lessons will continue to be used by the APG Secretariat and Pacific Cell to drive both strategic and operational improvements to the programme over the next five years. The following is a summary of lessons learned as highlighted in the Ernst & Young evaluation (marked with an asterisk), including additional lessons learned from the Pacific cell.

#### A. STRATEGIC-LEVEL LESSONS LEARNED

##### 1. Mutual Evaluations

Original negotiations in 2017 on PACD programme funding excluded spending on activities related to the APG ME programme. However, recognising the role of MEs in driving AML/CFT compliance and reforms, relevant aspects of the ME programme were added in scope of the PACD programme in 2021. ME support has been highlighted further as one of the key focus areas during Phase II.

Political will for AML/CFT reform is generally highest in the lead-up to an ME and immediately following the conclusion of the ME process. While it is challenging to provide TA directly before an ME (due to the

absorptive capacity of the jurisdiction), the Pacific Cell is actively seeking to leverage post-ME political will to drive project implementation.

## **2. Issues arising from shortage of resources and infrastructure challenges\***

The majority of Pacific members reported challenges associated with insufficient resources and levels of institutional maturity. For example, many relevant AML/CFT agencies across the Pacific are small and do not have enough staff to attend training and workshops, while maintaining their day-to-day work responsibilities. Retention of staff remains a challenge in many jurisdictions.

In some locations, technical assistance and training activities can take time out of the working day for the entire office. Resource constraints can also have an impact on whether individual Pacific members are able to engage with the Pacific Cell and commit to TA&T programmes. The Pacific Cell will continue to explore ways it can adjust its TA approach with flexible project plans and varying modes of delivery, such as on-the-job mentoring.

Some Pacific Island jurisdictions have poor internet connectivity which makes it difficult to sustain virtual delivery of live training and workshops. From a sustainability perspective, many Pacific members also lack the overall capacity and resources to retain the results and benefits of the PACD Programme in the long-term.

## **3. Duplication of AML/CFT training and technical assistance efforts\***

Duplication risk is a challenging issue as AML/CFT is wide in scope with links to different areas (e.g. drug trafficking, digital identity, data privacy laws, bribery and corruption, while also being associated with financial sector regulation issues). As the number of AML/CFT technical assistance providers increase in the Pacific, so will the risk of duplication.

Pacific members have indicated that some technical training assistance provided overlapped with assistance received from other DAPs. There needs to be a greater emphasis on ensuring training activities are coordinated between the DAPs to avoid duplication of effort.

Duplication of training and technical assistance creates inefficiencies and impacts resources for both Pacific members and DAPs that could be better utilised elsewhere. This is especially the case for AML/CFT agencies in the Pacific Island jurisdictions that have limited resources and need to balance day-to-day work priorities against training and technical assistance needs.

## **4. Initial scoping of priorities against technical assistance and training activities not sufficiently defined at the beginning of the PACD Programme\***

The evaluation found it was difficult to determine which Pacific members' priorities, technical assistance and training activities were planned to be funded and run under the PACD Programme, as opposed to activities run by other DAPs. Further, it appears that the initial scoping of activities may have created unintended expectations for Pacific members around the number of activities that would be delivered under the PACD Programme and the timeframe in which they would be completed in.

Adequate scoping is essential for the effective and efficient delivery of activities under the PACD programme. Having a clear and in-depth understanding of the priorities and needs of Pacific members allows for structured and resourceful planning of the programme and activities in line with outputs, objectives and available funding. This also allows for better communication and management of expectations of members and relevant stakeholders.

## **5. Pacific Members did not provide direct input into the initial design of the PACD programme\***

The APG Secretariat meets with Pacific members through formal channels such as TA&T Forums but also more informally via general meetings. This ongoing dialogue assisted the APG in understanding Pacific member's AML/CFT needs and priorities, and helped inform the PACD programme's Outputs and Outcomes.

Despite the APG Secretariat's efforts, the external evaluation identified that Pacific members felt they did not have any direct input into the design of the PACD programme. Consequently, they would not have had an opportunity to provide their views on the PACD programme's specific objectives, including whether the Outputs and Outcomes were appropriately scoped, and how the activities would be delivered.

#### **6. Limited feedback sought from Pacific Members throughout the programme\***

The external evaluation identified that Pacific members' feedback was not formally sought during the PACD programme. Some Pacific members also expressed that they did not have an opportunity to provide feedback during the programme. Although feedback was sought for some individual activities delivered during the PACD Programme, the external evaluation was the first time Pacific members were asked to provide their overall views on the programme – particularly in the context of its Outcomes and Outputs, including areas where the programme could be improved. Had feedback been sought earlier on, certain elements of the PACD programme, including technical assistance and training may have been re-designed or modified, for better delivery and greater effectiveness.

#### **7. Cultural and language awareness of Pacific Members\***

In the external evaluation, some Pacific members expressed that there were instances where they felt training and workshops delivered lacked a Pacific focus. For example, Pacific members expressed that some technical assistance and training activities were not tailored to the context of their specific jurisdiction and therefore not relevant to the specific AML/CFT challenges faced.

Given that English is not the first language for many Pacific members, there should be an increased focus on the language requirements for training and/or technical assistance as some members found it difficult to understand the content of activities delivered during the PACD programme.

#### **8. Changing international AML/CFT environment**

Since the commencement of the PACD programme, several significant changes have been made to the FATF Standards (e.g. changes associated with virtual assets, proliferation financing and beneficial ownership) and further changes are currently under discussion (e.g. changes associated with asset confiscation). This places additional obligations on APG Pacific members. Additional resources within the Pacific Cell (as provided by Phase II of the PACD programme) are required to effectively support APG Pacific members to respond to these changes to the international AML/CFT environment.

### **B. OPERATIONAL-LEVEL LESSONS LEARNED**

#### **1. Difficulties around the delivery of virtual training and technical assistance\***

A considerable number of Pacific members found the transition to virtual delivery of training and workshops during the COVID-19 pandemic to be challenging. Reasons for this included unstable internet connections, differing time zones and difficulty engaging with virtual presentations. Members have expressed an overwhelming preference for in-country, in-person training and assistance. While they understand this was not possible during periods of COVID-19 pandemic restrictions, they would like to revert to in-country sessions once circumstances allow. Despite the strong preference for in-country, Pacific members appreciate it is not always feasible and do value the delivery of virtual training.

## **2. Lack of on-site mentoring throughout the programme\***

A considerable number of Pacific members indicated that in-country mentoring increases the effectiveness and productivity of technical assistance. In parallel with their preference for in-person training, Pacific members have stressed the importance of mentoring to the success of delivering AML/CFT technical assistance. Where in-country mentoring is not possible, effective virtual delivery of mentoring will also be welcomed. It is noted that there are situations where the use of both in-country and virtual mentoring is required, particularly long-term activities in which sustained in-country mentoring during the entire period is not possible. In such circumstances, effective virtual mentoring to supplement in-country mentoring may be required.

## **3. Difficulties in identifying appropriate subject matter resource or consultants with requisite AML/CFT knowledge and experience in delivering technical assistance and training in the Pacific\***

During the PACD Programme, the APG Secretariat encountered difficulties in finding appropriate subject matter resources and consultants to deliver some of the technical assistance or training activities. This resulted in some activities being either delayed or cancelled.

AML/CFT is a niche area with a limited pool of subject matter resources, particularly those with experience working in the Pacific. This makes it challenging to find the right people to deliver activities. To mitigate this, the Pacific Cell continues to build a register of suitably qualified AML/CFT consultants with expertise covering the breadth of the PACD programme outputs.

The Pacific TA Cell equally focuses on building its partnerships with DAP Group members, particularly Australia and New Zealand. Engaging agencies such as NZ DIA, NZ Customs, AUSTRAC and AGD in specific TA projects is not only very cost effective, but also has long-term benefits for both jurisdictions in strengthening international cooperation. Continuing to strengthen these partnerships remains an ongoing priority during Phase II to ensure a diversity of support and expertise is available to assist Pacific members.

## **4. Hosting Arrangement of the APG and Pacific Cell**

The hosting arrangement of the APG Secretariat provides significant financial and non-financial benefits to the APG and the Pacific Cell. Nevertheless, compliance with Australian Government policies and procedures creates challenges in the Pacific Cell's ability to (i) respond quickly to APG Pacific members' TA needs due to procurement policies and procedures, (ii) employ staff in a timely manner, and (iii) work remotely while on work-related travel in the Pacific. In addition, there is some risk to the PACD programme from any changes in Australian Government and AFP policies and procedures. These challenges and risks are actively managed as required, with the benefits of the APG hosting arrangement far outweighing any "costs" to the PACD programme.

## **5. Business Continuity Planning**

In March 2020, the World Health Organisation confirmed the COVID-19 outbreak as a global pandemic. This activated a number of measures by the Australian Government, including the APG secretariat's host agency<sup>13</sup>, to contain the spread of the virus. These measures impacted on the operations of the APG secretariat primarily through travel and visitor restrictions both within Australia and to APG member jurisdictions.

On 12 March 2020, all APG secretariat travel was suspended. Around the same time, many APG Pacific members including New Zealand introduced travel restrictions. For the PACD programme, the

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<sup>13</sup> The APG Secretariat is hosted by the Australian Federal Police.

suspension of APG secretariat travel also resulted in the postponement or cancellation of a number of workshops, travel by APG delegates, and travel by external consultants.

While a number of projects were able to be modified to facilitate delivery during the COVID-19 pandemic, the prioritisation of APG Pacific members' resources to their health sector, changing international travel arrangements, and working from home arrangements of some APG Pacific members and the APG secretariat made it challenging to initiate new activities and projects in early 2020 – late 2022. As a result, the PACD programme was extended for an additional year to offset the underspent funds from 2020-2021.

## **6. Measuring results**

At the beginning of Phase I, the Pacific Cell developed a very comprehensive Results Management Framework including 19 indicators and 32 targets covering the programmes' short-term, medium-term and long-term outcomes. In practice, the level of performance measurement detail has been challenging to maintain as it would require ongoing implementation surveys and large volumes of operational data to be provided by Pacific members.

Under Phase II, the Pacific Cell will explore how the current indicators and targets can be streamlined to better meet programme expectations of MFAT and reduce the data collection and reporting burden on the Pacific Cell and APG Pacific members.

## PART 4: SUMMARY OF PACD EXPENDITURE

The following section outlines PACD expenditure from 1 July 2017 to 30 June 2023. The total expenditure at the end of Phase I of the programme is **NZD 3,460,051**, representing approximately 96% of the total project cost (NZD \$3.6M). The total funds remaining at the end of Phase I is **NZD 112,663**<sup>14</sup>.

As highlighted in previous MFAT reporting, significant underspends incurred in Years 1 and 2 of the programme. The rate of TA delivery increased substantially from mid-2019, but slowed down during 2020-2021 due to the COVID-19 pandemic. While Phase I was initially designed as a five-year programme, it was extended for an additional year in 2022 and continued for the 2022-2023 financial year.

### OUTPUT 1 - PACIFIC TA CELL ESTABLISHED WITHIN THE APG SECRETARIAT

Total expenditure against Output 1 is **NZD 2,011,817** and relates to employee expenses of the three full-time Pacific TA Cell staff and salary attribution costs relating to when core APG staff undertook tasks for the PACD programme<sup>15</sup>.

A significant underspend against Output 1 was incurred during Years 1 and 2 of the programme, primarily due to delays in the recruitment process to fill the Policy Officer and Policy Support Officer positions. Further underspends incurred in 2022-2023 when the Policy Support Officer position remained vacant. The unspent funds from Output 1 have been reallocated across the other Outputs.

### OUTPUT 2 - TECHNICAL ASSISTANCE AND TRAINING

Total expenditure against Output 2 is **NZD 1,289,043** and relates to expenses associated with delivering TA activities under the four Strategic Goals, including travel and sponsorship costs, workshop costs and consultant fees. The expenditure was split between Strategic Goals as follows:

- Strategic Goal 1: NZD 55,892
- Strategic Goal 2: NZD 529,903
- Strategic Goal 3: NZD 440,567
- Strategic Goal 4: NZD 262,681

### OUTPUT 3 - ADMINISTRATIVE COSTS

Total expenditure against Output 3 is **NZD 159,191** and relates to non-salary administrative costs of the Pacific TA Cell, such as staff training and office consumables. The costs associated with Output 3 were lower than expected primarily due to less expenditure on financial audit expenses<sup>16</sup> and minimal funding required to maintain the Pacific Cell due to resources provided free of charge in accordance with the APG's hosting arrangement with the AFP. The largest single administrative expense was the final programme external audit. The total cost of the external audit conducted by Ernst & Young was NZD 95,745, spread over two financial years (2021-2022 and 2022-2023).

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<sup>14</sup> AUD 105,903 converted at 0.94. The balance of funds (NZD 27,285) is attributable to bank transfer fees for the four deposits during Phase I, and fluctuations of the NZD/AUD exchange rate during the six-year period. The PACD programme uses a standard exchange rate of 0.94 but the actual rate has varied between 0.88 and 0.95.

<sup>15</sup> A policy on allocating employee costs between the New Zealand funded Pacific project and APG core budget has been developed to detail the attribution of salary costs when non-Pacific TA staff are required to augment the work of the Pacific Cell and deliver grant outcomes in a timely manner.

<sup>16</sup> It was originally envisioned that the cost of an annual financial audit would be approximately NZD 19,000. However, PACD programme funds are audited annually in combination with the APG's financial audit at no cost to the PACD programme.

**Table 5: Costed Outputs 2017-2023**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	
	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	Total
<b>Salary Costs</b>	160,683	350,057	434,799	394,267	356,079	315,932	2,011,817
<b>Strategic Goal 1</b>	33,798	15,474	6,620	0	0	0	55,892
<b>Strategic Goal 2</b>	4,570	152,401	101,160	32,182	187,983	51,607	529,903
<b>Strategic Goal 3</b>	54,186	100,067	21,365	5,187	132,067	127,695	440,567
<b>Strategic Goal 4</b>	69	22,237	80,202	23,565	37,241	99,367	262,681
<b>Administration Costs</b>	1,836	13,784	8,075	1,061	76,221	58,214	159,191
<b>TOTAL Expenditure</b>	<b>\$255,142</b>	<b>\$654,020</b>	<b>\$652,221</b>	<b>\$456,262</b>	<b>\$789,591</b>	<b>\$652,815</b>	<b>\$3,460,051</b>

#### **Proposed Use of Grant Underspend**

As noted above, the total funds remaining at the end of Phase I is **NZD 112,663**. Out of this total, NZD 34,927 has been committed to a project (legislative drafting project with Palau) that commenced during Phase I and is currently continuing under Phase II.

It has been agreed that remaining funds from Phase I are rolled over to Phase II to fund the project with Palau, with the remaining NZD 77,736 placed in reserves. The funds in reserves could be used to fund any unforeseen expenditure in future years, including to offset fluctuating travel costs in the Pacific.

## ANNEX 1: REPORT AGAINST THE COSTED WORK PLAN FOR 2022-2023

The following section provides a summary of 2022-2023 expenditure and explanation for variance against the costed work plan in the *PACD Business Plan 2022-2023*.

### Output 1 - Pacific TA Cell established within the APG Secretariat

Expenditure against Output 1 was NZD 315,932 and relates to employee expenses of the two full-time Pacific Cell staff and salary attribution costs relating to core APG staff undertaking tasks for the PACD programme<sup>17</sup>. Table 1 shows an underspend of NZD 51,223 resulting from the Policy Support Officer position being vacant since February 2022 (recognising the challenge of recruiting for a position that was funded only to 30 June 2023 under Phase I), and the salary attribution costs being lower than the budget allocation for 2022-2023.

As noted in the mid-year financial report (1 July to 31 December 2022), the salary attribution costs were expected to be lower than the budget allocation for 2022-2023, and the projected underspend was reallocated to Output 3.

### Output 2 - Technical assistance and training

Expenditure against Output 2 was NZD 278,669 with the details of individual activity expenditure included in Table 2. The underspend of NZD 92,831 primarily results from:

- less than expected expenditure on Pillar Project legislation drafting (the majority of the project expenditure will occur in the 2023-2024 financial year);
- Niue's preference to delay the pre-ME support to the 2023-2024 financial year;
- the NPO project for Fiji being put on hold due to the general election in 2022; and
- less than expected expenditure on desk-based mentoring under the Pillar Project on AML/CFT Supervision, and in-person mentoring under the LEA training project.

These underspends are partly offset by greater than expected expenditure on the LEA training project. While the 2022-2023 costed workplan included a remote LEA training project, the three workshops were delivered in person due to the easing of COVID-19 related travel restrictions in the Pacific. Some additional funds were used to sponsor a participant from Nauru to attend the LEA training in Samoa.

### Output 3 - Administrative costs

Expenditure against Output 3 was NZD 58,214, which is NZD 8,938 more than the allocated budget. As noted above, the underspend on salaries from Output 1 was reallocated to Output 3 primarily to cover the travel costs of the Pacific Cell to the APG Annual Meeting in 2023.

**Table 1: Summary of expenditure (NZD) 2022-2023**

Output	2022-2023 Budget	2022-2023 Expenditure	Variance
<b>1 - Pacific TA Cell</b>	<b>367,155</b>	<b>315,932</b>	<b>51,223</b>
<b>2 - Technical Assistance and Training</b>	<b>371,500</b>	<b>278,669</b>	<b>92,831</b>
<i>Strategic Goal 1</i>	<i>10,000</i>	<i>0</i>	<i>10,000</i>
<i>Strategic Goal 2</i>	<i>134,500</i>	<i>51,607</i>	<i>82,893</i>

<sup>17</sup> A policy on allocating employee costs between the PACD budget and APG core budget has been developed to detail the attribution of salary costs when non-Pacific TA staff are required to augment the work of the Pacific Cell and deliver grant outcomes in a timely manner.

<i>Strategic Goal 3</i>	152,000	127,695	24,305
<i>Strategic Goal 4</i>	75,000	99,367	-24,367
<b>3 - Administrative costs</b>	<b>49,276</b>	<b>58,214</b>	<b>-8,938</b>
<b>TOTAL</b>	<b>787,931</b>	<b>652,815</b>	<b>135,116</b>

As displayed in Table 1, the total underspend for 2022-2023 is NZD 135,116. The total amount of funds remaining from Phase I is NZD 112,663<sup>18</sup>. Further details on the proposed use of the remaining funds are included in Part 4 of the report.

**Table 2: Detailed expenditure (NZD) 2022-2023**

<b>Outputs</b>	<b>Total (NZD)</b>
<b>1 - Pacific TA Cell</b>	<b>315,932</b>
<i>Permanent Pacific Cell staff costs (to 30 June 2023)</i>	247,152
<i>Salary attribution costs (to 30 June 2023)</i>	68,780
<b>2 - Technical Assistance and Training</b>	<b>278,669</b>
Strategic Goal 1	<b>0</b>
Strategic Goal 2	<b>51,607</b>
<i>PNG visit – Pre-ME support</i>	5,202
<i>Pillar Project Legislative drafting – consultant cost associated with legislation drafting for Nauru</i>	11,259
<i>Pillar Project Legislative drafting – Palau TFS reforms</i>	18,264 <sup>19</sup>
<i>Annual Meeting – Kuala Lumpur (sponsorship costs)</i>	12,617
<i>Assessor Training – Japan (sponsorship costs)</i>	4,265
Strategic Goal 3	<b>127,695</b>
<i>Pillar Project AML/CFT Supervision (consultant cost)</i>	83,768
<i>AML/CFT Supervision Forum-NZ (sponsorship costs)</i>	43,927
Strategic Goal 4	<b>99,367</b>
<i>LEA Training Project – Consultant costs</i>	55,692 <sup>20</sup>
<i>LEA Training Project – Workshop costs (Cook Islands, Palau, Samoa)</i>	39,699
<i>Sponsorship to LEA Training – Samoa</i>	3,976
<b>3 - Administrative costs</b>	<b>58,214</b>
<i>General administration costs (Recruitment Band 5, Medical)</i>	1,007
<i>PACD Programme Evaluation</i>	23,936
<i>Annual Meeting – Kuala Lumpur (APG staff)</i>	6,885
<i>Annual Meeting – Vancouver (APG staff)</i>	16,039 <sup>21</sup>
<i>Assessor Training – Japan (APG staff)</i>	4,323
<i>Travel to Wellington – New Programme discussions</i>	4,780
<i>Travel to Canberra/Sydney (Director travel costs)</i>	1,244
<b>TOTAL</b>	<b>652,815</b>

<sup>18</sup> Against the budget set out in the Grant Agreement using an AUD/NZD exchange rate of .94

<sup>19</sup> This cost incurred in the 2022-2023 financial year but the payment was made in the 2023-2024 financial year.

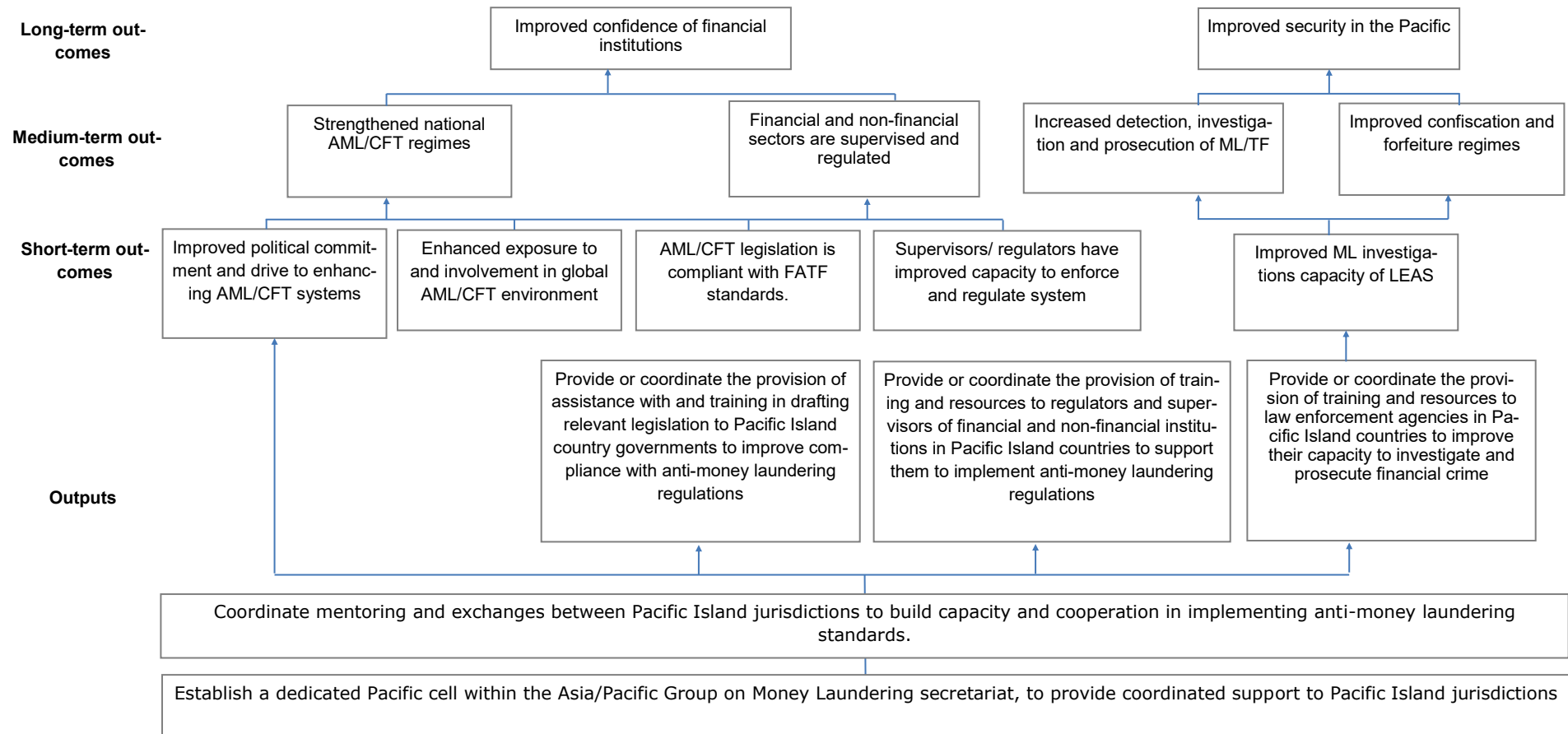
<sup>20</sup> Some (NZD 12,358) of these costs incurred in the 2022-2023 financial year but the payment was made in the 2023-2024 financial year.

<sup>21</sup> This cost incurred in the 2022-2023 financial year but the payment was made in the 2023-2024 financial year.

## ANNEX 2: SUMMARY OF PROGRESS AGAINST PACD OUTCOMES

This section outlines progress against the Outcomes of the PACD programme, in accordance with the PACD Results Framework and Results Management Table.

The updated PACD Results Diagram is as follows.



## SHORT-TERM OUTCOMES

### RESULT 1: IMPROVED POLITICAL COMMITMENT AND DRIVE TO ENHANCING AML/CFT SYSTEMS

The following indicators show that there has been a significant increase in political commitment and drive to enhance AML/CFT regimes over Phase I of the PACD programme, mainly related to Pacific members' commitment to make changes to their regimes in accordance with their national AML/CFT policies.

#### Indicator 1a: Pacific members have a functioning AML/CFT coordination mechanism

<i>Baseline</i>	8 Pacific members have a functioning AML/CFT coordination mechanism.	<i>End of Phase I</i>	10 Pacific members have a functioning AML/CFT coordination mechanism.	<i>Target</i>	All Pacific members have a functioning AML/CFT coordination mechanism.
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Upon commencement of the PACD programme, eight Pacific members had an AML/CFT coordination mechanism in place with high-level representation that meets at least twice a year. At the end of Phase I, the number had increased to 10 (91% of members). While restrictions during the COVID-19 pandemic had an impact on in-person meetings of the relevant committees and working groups, it is noted that many Pacific members were able to maintain AML/CFT coordination via virtual means.

#### Indicator 1b: Pacific members have enhanced commitment to issue new or amended AML/CFT related laws, policy statements and/or procedures.

<i>Baseline</i>	1 Pacific member has a risk-based national AML/CFT policy/strategy.	<i>End of Phase I</i>	8 Pacific members have a risk-based national AML/CFT policy/strategy, with 2 more in progress.	<i>Target</i>	All Pacific members have a functioning AML/CFT coordination mechanism.
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Upon commencement of the PACD programme, one Pacific member had a risk-based national AML/CFT policy or strategy in place. At the end of Phase I, this had grown to 8, with two more Pacific members due to finalise their AML/CFT policy/strategy soon. In addition, PACD funds were used to support the development of a AML/CFT National Strategy and Action Plan for Tuvalu, which became an APG member in July 2023.

### RESULT 2: ENHANCED EXPOSURE TO AND INVOLVEMENT OF PACIFIC MEMBERS IN THE GLOBAL AML/CFT ENVIRONMENT

The following indicators show that Pacific members' involvement in the global AML/CFT environment has increased with support of PACD funding, and meets the PACD programme targets.

#### Indicator 2a: Pacific members participate in APG, APG-supported, and other relevant regional events.

<i>Baseline</i>	7 Pacific members attended at least two APG or APG-supported events per year.	<i>End of Phase I</i>	All Pacific members attended at least two APG or APG-supported events per year.	<i>Target</i>	All Pacific members attended at least two APG or APG-supported events per year.
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The target that all Pacific members attend at least two APG or APG-supported events per year is met. Funds from the PACD programme have been critical in enabling on-going sponsorship of Pacific members to attend relevant events and achieving the increase in this indicator. Given the impact of the COVID-19 pandemic and travel restrictions, virtual attendance at events has been counted towards the annual numbers.

<i>Baseline</i>	All Pacific members attended at least two events of other regional organisations.	<i>End of Phase I</i>	All Pacific members attended at least two events of other regional organisations.	<i>Target</i>	All Pacific members attended at least two events of other regional organisations.
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All Pacific members are actively engaged in these regional fora and attend at least two events per year (including virtual attendance). All Pacific members are members of PICP, PIFS, PILON, OCO, PTCN, APIFIU, PIDC and FFA.

**Indicator 2b: Pacific members are actively involved in mutual evaluations and APG follow-up reports as assessors or reviewers.**

<i>Baseline</i>	1 Pacific delegate was a reviewer.
<i>End of Phase I</i>	On average, 5.5 Pacific delegates were assessors or reviewers in each year of the programme.
<i>Target</i>	Two delegates from Pacific members are involved as assessors or reviewers on APG MEs or Follow-up Reports each year.

APG has exceeded this target every year since the start of the programme, due to an increased focus on encouraging involvement of Pacific members in the global AML/CFT assessment process, particularly on MEs of Pacific Members.

**RESULT 3: AML/CFT LEGISLATION COMPLIANT WITH FATF STANDARDS**

The following indicator shows Pacific members are increasing their compliance with key FATF Recommendations.

**Indicator 3a: Pacific members have improved compliance with FATF Recommendations.**

<i>Baseline</i>	9% of Pacific members are LC/C with at least 10 key FATF Recommendations.
<i>End of Phase I</i>	27% of Pacific members are LC/C with at least 10 key FATF Recommendations.
<i>Target</i>	50% of Pacific members are LC/C with at least 10 key FATF Recommendations.

At the start of the PACD programme, one Pacific member was rated largely compliant or compliant on at least 10 of the 13 key FATF Recommendations (R.3, R.5, R.10, R.11, R.20, R.1, R.4, R.6, R.26, R.29, R.36, R.37, and R.40). At the end of Phase I, this has increased to three Pacific members (27%), with two additional members rated LC/C on 9 key FATF Recommendations. Three Pacific members are currently undergoing their ME, and the final ratings may change the overall level of compliance in the Pacific region. Ongoing and planned legislative drafting projects under Phase II of the PACD programme will aim to increase the level of compliance further.

**RESULT 4: SUPERVISORS/REGULATORS HAVE IMPROVED CAPACITY TO ENFORCE AND REGULATE AML/CFT SYSTEMS**

The four indicators below show steady improvement of Pacific members in developing risk-sensitive frameworks for AML/CFT supervision of financial institutions and DNFBPs, and beginning to undertake risk-sensitive supervision of the banking sector.

**Indicator 4a: Pacific members have improved risk-sensitive frameworks for AML/CFT supervision of financial institutions and DNFBPs.**

<i>Baseline</i>	9% of Pacific members have a risk-sensitive framework for AML/CFT supervision.
<i>End of Phase I</i>	55% of Pacific members have a risk-sensitive framework for AML/CFT supervision.
<i>Target</i>	75% of Pacific members have a risk-sensitive framework for AML/CFT supervision.

At the start of the PACD programme, one Pacific member had a risk-sensitive framework for AML/CFT supervision of financial institutions and DNFBPs. At the end of Phase I, this has increased to six members. Further risk-based supervision support is planned for Phase II of the PACD programme to further support Pacific members' supervision frameworks, particularly for DNFBPs.

<i>Baseline</i>	9% of Pacific members have SOPs and/or manuals for risk-sensitive AML/CFT supervision.
<i>End of Phase I</i>	64% of Pacific members have SOPs and/or manuals for risk-sensitive AML/CFT supervision.
<i>Target</i>	75% of Pacific members have SOPs and/or manuals for risk-sensitive AML/CFT supervision.

At the start of the PACD programme, one Pacific member had standard operating procedures and/or manuals to conduct risk-sensitive AML/CFT supervision of financial institutions and DNFBPs. At the end of Phase I, this has increased to seven members. Tonga, Vanuatu and RMI have directly benefited from assistance under the PACD programme to develop these types of risk-based supervision materials.

Pacific members have also increased the level of AML/CFT awareness raising for private sector entities. This increased from 36% of members conducting regular outreach at the start of Phase I, to 73% of members at the mid-point of Phase I. However, data on this metric has been challenging to identify and collect for the period during the COVID-19 pandemic. It is understood that fewer outreach and awareness raising activities took place during COVID, impacting overall progress on this indicator.

## RESULT 5: IMPROVED ML INVESTIGATIONS CAPACITY OF LEAs

The following four law enforcement related indicators show that while Pacific members have made some progress in their capacity to undertake financial investigation of higher-risk predicate crimes, more work needs to be done to develop stronger frameworks to conduct money laundering investigations and to confiscate assets.

### Indicator 5a: Pacific members have demonstrated capacity and capability to conduct financial investigations of higher-risk predicate crimes with the intention of identifying ML and/or asset recovery cases.

<b>Baseline</b>	9% of Pacific members have a policy/strategy to pursue ML investigations and asset confiscation.	<b>End of Phase I</b>	45% of Pacific members have a policy/strategy to pursue ML investigations and asset confiscation.	<b>Target</b>	75% of Pacific members have a policy/strategy to pursue ML investigations and asset confiscation.
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There has been some increase in the number of Pacific members with policies/strategies to pursue ML investigations and asset confiscation, with five Pacific members now having a policy or strategy to pursue ML investigations and asset confiscation. Further activities to support this target are planned under Phase II of the PACD programme.

<b>Baseline</b>	73% of Pacific members have policies/procedures for FIU analysis and are disseminating STRs.	<b>End of Phase I</b>	82% of Pacific members have policies/procedures for FIU analysis and are disseminating STRs.	<b>Target</b>	75% of Pacific members have policies/procedures for FIU analysis and are disseminating STRs.
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At the start of the PACD programme, eight Pacific members had developed policies and procedures for FIU analysis of suspicious transaction reports and were regularly disseminating financial intelligence to law enforcement agencies. This has increased to nine members by the end of Phase I, surpassing the target for this indicator, and represents an area of relative strength of Pacific members' AML/CFT regimes.

<b>Baseline</b>	All Pacific members are conducting financial investigations.	<b>End of Phase I</b>	All Pacific members are conducting financial investigations.	<b>Target</b>	Consistent with their ML risk profile, Pacific members are conducting financial investigations or higher-risk predicate crimes with the intention of identifying ML and/or asset recovery cases.
<b>Higher-risk Pacific members*</b>					
<b>Baseline</b>	1 of 3 Pacific members are conducting financial investigations.	<b>End of Phase I</b>	1 of 3 Pacific members are conducting financial investigations.		
<b>Medium-risk Pacific members*</b>					
<b>Baseline</b>	1 of 4 Pacific members are conducting financial investigations.	<b>End of Phase I</b>	1 of 4 Pacific members are conducting financial investigations.		
<b>Lower-risk Pacific members*</b>					

\* For the purpose of this measure, Fiji, Papua New Guinea, Solomon Islands and Vanuatu are considered to be relatively higher-risk based on the general perception of value of criminal offending in these jurisdictions. Cook Islands, Samoa and Tonga are considered to be medium-risk, while Marshall Islands, Nauru, Niue and Palau are considered to be lower-risk.

To date in the PACD programme, all higher-risk Pacific members have been conducting financial investigations of higher-risk predicate crimes with the intention of identifying ML and/or asset recovery cases. There has been no change in medium and lower risk Pacific members over the life of the grant.

## MEDIUM-TERM OUTCOMES

### RESULT 1: STRENGTHENED NATIONAL AML/CFT REGIMES

The following indicators show Pacific members are increasing their technical compliance with FATF Recommendations, and in particular are improving their understanding of ML/TF risks.

#### Indicator 1a: Pacific members have improved technical compliance with FATF Recommendations.

<i>Baseline</i>	9% of Pacific members are LC/C with at least 10 key FATF Recommendations.	<i>End of Phase I</i>	27% of Pacific members are LC/C with at least 10 key FATF Recommendations.	<i>Target</i>	75% of Pacific members are LC/C with at least 10 key FATF Recommendations.
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This indicator builds on the similar short-term indicator, by increasing the target from 50% of Pacific members to 75% of Pacific members rated largely compliant or compliant on at least 10 of the 13 core and key FATF Recommendations (R.3, R.5, R.10, R.11, R.20, R.1, R.4, R.6, R.26, R.29, R.36, R.37, and R.40). At the start of the PACD programme, one Pacific member was rated largely compliant or compliant on at least 10 of the 13 key FATF Recommendations. At the programme mid-point, this has increased to three Pacific members with two additional members rated LC/C on 9 key FATF Recommendations. Three Pacific members are currently undergoing their ME, and the final ratings may change the overall level of compliance in the Pacific region. Ongoing and planned legislative drafting projects under Phase II of the PACD programme will aim to increase the level of compliance further.

<i>Baseline</i>	27% of Pacific members are making continued progress to address technical compliance deficiencies on other FATF Recommendations.	<i>End of Phase I</i>	27% of Pacific members are making continued progress to address technical compliance deficiencies on other FATF Recommendations.	<i>Target</i>	75% of Pacific members are making continued progress to address technical compliance deficiencies on other FATF Recommendations.
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To date in the PACD programme, four Pacific members have achieved upgrades to largely compliant or compliant on other FATF Recommendations, demonstrating progress to address technical compliance deficiencies. Two members have achieved almost full compliance with all FATF Recommendations, and are not required to file follow-up reports with re-ratings (as per the APG ME Procedures). Further, three Pacific members are currently undergoing their ME, and have not requested re-ratings in the lead up to their ME.

#### Indicator 1b: Pacific members have an improved understanding of their ML/TF risks.

<i>Baseline</i>	4 Pacific members have up-to-date ML/TF risk information.	<i>End of Phase I</i>	All Pacific members have ML/TF risk information, but some deficiencies exist.	<i>Target</i>	All Pacific members have up-to-date ML/TF risk information.
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All Pacific members have developed national AML/CFT risk assessments, but further work is required to update the assessments and include further elements. Some of these elements include proliferation financing, virtual assets and virtual asset service providers, and legal persons and arrangements. Given the dynamic nature of ML/TF risks, continuous efforts are required to maintain the information up-to-date. Further support on risk assessments (both regionally and domestically) is planned for Phase II of the PACD programme.

## LONG-TERM OUTCOMES

As shown above, the PACD programme's activities have had an impact on short and medium term outcomes during Phase I, despite the challenges related to the COVID-19 pandemic. This is aligned with the findings of the Ernst & Young external evaluation of the PACD programme.

However, reflecting the nature of the long-term outcomes and the relationship between short, medium and long term outcomes under MFAT's results-based approach to designing and managing grants, it is challenging to provide reliable data to demonstrate progress against the PACD programme's long-term performance indicators. Some of these indicators include an objective assessment of the AML/CFT supervisors' and LEAs' level of expertise. Other indicators relate to the number of ML convictions, and the value of assets confiscated annually. While some of this data may give insights to the programme's effectiveness, there may not be a direct link between the PACD programme outcomes and outcomes of the broader criminal justice system. This is particularly true in very small Pacific jurisdictions, where the number of predicate offence and ML cases is low overall, regardless of the capability of the LEAs.

In the absence of reliable data to prove progress on the programme's long-term outcomes, no specific comparisons against the baseline have been provided.

### ANNEX 3: RISK MANAGEMENT

Risk description	Likelihood	Consequence	Risk rating	Proposed risk management	Responsibility	Notes from Phase I	Lessons learned
<b>Changes in Pacific TA Cell staff.</b>	Possible	Moderate	Medium	<p>Utilise existing APG secretariat or AFP resources to transfer across to the Pacific TA Cell or to act in the Pacific TA Cell until permanent staff can be recruited.</p> <p>Seek seconded staff from the AFP or APG members to fill the positions.</p> <p>Increase salary attribution to ensure continued delivery of PACD programme projects.</p>	APG	<p>The Cell's Policy Support Officer position became vacant from 7 February 2022, and remained vacant until the end of Phase I.</p> <p>Savings against permanent Cell staff costs were partially offset by an increase in salary attribution to ensure continued delivery of PACD programme projects.</p> <p>Staffing changes in the Pacific Cell (Director and Deputy Director roles) had a negligible impact on the operation of the Cell.</p>	<p>The likelihood of staffing changes was higher than anticipated during Phase I. The length of recruitment processes (including relevant security clearances) impacted on the consequences, which varied between moderate and major.</p> <p>While salary attribution can be used to offset savings against permanent staff costs, this is only possible if broader APG Secretariat staff are available to provide additional support.</p>
<b>Due to COVID-19, including related health sector response or budgetary allocation of funds/resources, APG Pacific members are unwilling to undertake any AML/CFT reforms and total rejection of TA under the PACD programme.</b>	Possible	Major	High	<p>Align PACD programme with other related national priorities of Pacific members, particularly economic recovery.</p> <p>Align PACD programme activities with APG membership process (e.g. mutual evaluations, APG follow-up, APG membership action) and Global AML/CFT related process (e.g. FATF ICRG process).</p> <p>Regular liaison with Pacific members to maintain awareness of government priorities.</p>	APG	<p>Many APG Pacific members remained engaged in PACD activities during the COVID-19 pandemic. However, the inability to conduct in-person events and activities had an impact on the overall effectiveness of the PACD programme (as noted in the EY evaluation).</p>	<p>The risk ratings were appropriate. For Phase II of the PACD programme, the Pacific Cell will consider further mitigation strategies and contingency plans.</p>
<b>Due to COVID-19 (including related health sector response or budgetary allocation of funds/resources) or other</b>	Likely	Minor	Medium	<p>Involve Pacific members in identification, design, development and planning for TA including: (i) seeking in-principle support for TA project plans;</p>	APG	<p>Over the three years, due to COVID-19, the Pacific Cell: (i) modified several projects to facilitate remote delivery; and (ii) postponed/cancelled a number</p>	<p>The consequences of this risk during Phase I varied between minor and moderate. While a number of activities were</p>

reasons, Pacific member postpone/ reject individual TA activity.				<p>(ii) modifying projects to be delivered remotely and in accordance with Pacific members' health sector response to COVID-19 and technical capabilities; (iii) link projects to other related national priorities, particularly economic recovery.</p> <p>Flexibly respond to Pacific members' changing priorities and/or challenges organising remote delivery workshops by allowing additional time to arrange workshops and delaying delivery, where required.</p> <p>Coordinate TA activities and projects with other TA providers to ensure best possible scheduling of PACD activities.</p>		<p>of workshops until a time where they can be safely delivered.</p> <p>The increase in general uncertainty caused by the COVID-19 pandemic combined with the additional logistical burden of organising remote TA (see below for a discussion of this issue) means some remote TA activities were also delayed or postponed.</p> <p>Delivery of Pillar Projects that focused on activities better suited to remote AML/CFT TA and allowed the Cell to more easily respond to changes in AML/CFT prioritisation enhanced the Cell's ability to continue to support APG Pacific members in the current environment.</p>	cancelled or postponed, the overall PACD programme during Phase I was successful (as per the EY evaluation).
Loss of political will (for reasons not related to COVID-19 - see above for discussion regarding COVID-19) in Pacific member to undertake any AML/CFT reforms and total rejection of TA under the PACD programme.	Unlikely	Major	High	<p>Align PACD programme activities with APG membership process (e.g. mutual evaluations, APG follow-up, APG membership action) and Global AML/CFT related process (e.g. FATF ICRG process).</p> <p>Align PACD programme activities with other related national priorities of Pacific members.</p>	APG	<p>While no Pacific member has rejected TA under the PACD programme, the members' ability and resources to engage in TA&amp;T have varied during Phase I.</p>	<p>While the explicit loss of political will for AML/CFT reforms is still considered unlikely, other factors have had an impact on Pacific members' level of engagement in the PACD programme. These include the lack of resources and competing priorities.</p> <p>The Pacific Cell will do further work to understand and mitigate risks related to engagement during Phase II.</p>

<b>Annual expenditure less or more than original Costed Outputs in Grant Agreement.</b>	Possible	Moderate	Medium	<p>Appropriately manage delivery of TA activities and projects in accordance with the PACD's annual business plans and budget including reducing or adding activities or co-funding activities (with other APG members and observers) where appropriate, and utilise existing APG secretariat resources to undertake new TA projects or activities.</p> <p>Seek NZ approval to relocate unspent funds to other programme Outputs; roll unspent funds into next final year; or modify the terms of the grant.</p>	APG	<p>As discussed above in Part 4 of the report, the total amount of unspent and uncommitted funds is NZD 77,736. This is 2.2% of the total Phase I budget (NZD \$3.6M).</p> <p>As per MFAT's agreement, the unspent funds will be placed in reserves for Phase II.</p>	The risk ratings were appropriate. During Phase II, it is recommended that any unspent funds from the annual budget are placed in reserves and not directly rolled over to the next financial year's budget (as was the practice during Phase I).
<b>Overall costs of programme increase or decrease.</b>	Possible	Major	High	<p>Appropriately manage PACD programme funds (including currency exchange) in accordance with Australian Government standards and AFP's internal policies and procedures including undertaking an annual financial audit of PACD expenditure (as part of the APG's annual audit).</p> <p>Appropriately manage annual delivery of TA activities and projects in accordance with the PACD's annual business plans (see above).</p>	APG	<p>As the majority of funds are expended in AUD and the Grant Agreement and funds payments are in NZD, the PACD programme is impacted by currency exchange.</p> <p>The exchange rate has not had a significant impact on PACD funds during Phase I. However, the rate has varied between 0.88 and 0.95 at different times when deposits have been made, impacting the total amount of funds available to the PACD programme to a minor extent.</p>	The risk ratings were appropriate. While the exchange rate has fluctuated to some extent during Phase I, using the fixed rate of 0.94 has not had a major impact on the PACD budget.
<b>Pacific member rejects individual TA activity for reasons not related to COVID-19 (see above for discussion regarding COVID-19).</b>	Possible	Minor	Medium	<p>Ongoing involvement of Pacific members in identification, design and development of Pacific Members' individual implementation plans and any regional TA activities including through the APG Annual TA&amp;T Forum.</p> <p>Involve Pacific member in identification, design, development and planning for</p>	APG	<p>While no Pacific member has totally rejected TA, several projects over the life of the programme were postponed due to Pacific jurisdictions' ability to receive the TA and changing TA priorities.</p>	The risk ratings were appropriate. For Phase II, the Pacific Cell will consider the risks related to projects that are postponed or put on hold (as opposed to rejected).

				<p>TA including seeking, in principle, support for TA project plans.</p> <p>Coordinate TA activities and projects with other TA providers to ensure best possible scheduling of PACD activities.</p>			
<b>Not achieving short and/or medium-term outcomes.</b>	Unlikely	Major	High	<p>Monitor progress against short and medium term outcomes and in combination with Pacific members implementation plans, appropriately allocate PACD programme resources including Pacific TA Cell staff and TA activity funds.</p>	APG	<p>As per the EY evaluation and the results management of the PACD programme, the programme achieved results during Phase I despite the challenges associated with the COVID-19 pandemic.</p>	<p>Given the impact of COVID, the likelihood of this risk was higher than anticipated.</p> <p>For Phase II, the Pacific Cell will revisit the results management framework with the aim of having a more streamlined framework while reducing the data collection and reporting burden on Pacific members.</p>
<b>Availability of experts (including consultants) to undertake or support TA activities.</b>	Possible	Moderate	Medium	<p>Inform DAP Group members of upcoming PACD programme activity and priorities as early as possible including through quarterly updates.</p> <p>Appropriately plan annual TA activities including involvement of DAP Group members in activity planning as early as possible.</p> <p>Continue to increase the Pacific TA Cell's database of AML/CFT experts.</p> <p>Contract experts to more flexible and longer agreements, which facilitate delivery different types and levels of assistance to multiple APG Pacific members.</p> <p>If required, reschedule activity based on expert's availability; source other experts; reduce the number of experts for the activity.</p>	APG	<p>The legislation drafting, AML/CFT supervision, and law enforcement pillar projects locked in experts to deliver activities for the last six months of the grant.</p> <p>Overall, the availability of experts did not have a significant impact on the delivery of Phase I of the programme.</p>	<p>The risk ratings were appropriate. To further mitigate this risk, the Pacific Cell will explore additional mitigate strategies during Phase II (including using external experts on short-term secondments).</p>

<b>Conflict of interest between the APG Secretariat's role in TA and mutual evaluations.</b>	Unlikely	Minor	Low	<p>To avoid potential conflicts of interest between any support the APG Secretariat provides to APG members and the APG assessment process, only the APG plenary has the authority to adopt an MER. The assessment team (not including any APG Secretariat staff members) is, collectively, responsible for the production of an independent report (containing analysis, findings and recommendations) concerning the member's compliance with the FATF Standards, in terms of both TC and effectiveness.</p> <p>As outlined in the FATF and APG Mutual Evaluation Procedures, the APG Secretariat's role is not to assess the APG member. It is to provide support for the assessment team and the assessed country and ensure the methodology is appropriately applied to members.</p>	APG	With the inclusion of MEs in the PACD programme in early 2020, Pacific Cell staff and PACD funds have been used to support ME related activities.	<p>The risk ratings were appropriate. No conflicts of interest were identified in the process of conducting mutual evaluations and providing TA under the PACD programme.</p> <p>Where TA activities were provided, they were finalised prior to the ME process commencing.</p>
<b>Disruption in the delivery of PACD projects between PACD grant periods.</b>	Possible	Moderate	Medium	<p>Programme continuity planning is necessary to avoid potential disruption in the delivery of TA&amp;T between the current and future PACD programmes.</p> <p>Some current PACD projects may be able to continue beyond the 30 June 2023 date to provide some continuity (subject to further discussions with MFAT).</p>	APG/MFAT	<p>Phase II of the PACD programme commenced on 4 August 2023 upon APG and MFAT signing the new Grant Funding Arrangement.</p> <p>While most PACD projects were finalised before the end of Phase I, one legislative drafting project continues during Phase II.</p>	N/A

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## **2022-2023 Annual Report of the Asia/Pacific Group on Money Laundering**

This report contains a summary of the major APG business programmes and objectives achieved for the financial year 1 July 2022 to 30 June 2023 and includes independently reviewed financial statements.