



 Office of Internal Oversight

Evaluation of the OSCE's Assistance Projects on Anti-Money Laundering and Countering Financing of Terrorism, 2006-2016

Summary of Strategic Level and Field Level Insights



Report number: IE2017/6

Date issued: 14 March 2018

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OIO wishes to thank OSCE officials from many Executive Structures, external partners, and counterparts in participating States, who were interviewed for this evaluation. OIO also acknowledges the assistance provided by the Mission to Montenegro and the Project Co-ordinator in Uzbekistan for hosting the evaluation team during field visits.

This report reflects the conclusions of the evaluators, and not necessarily those of all consulted individuals.

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Executive Summary

In 2017 the Office of Internal Oversight (OIO) carried out an independent evaluation of anti-money laundering (AML) and countering of financing of terrorism (CFT) assistance projects delivered by OSCE Field Operations over the period 2006-2016. This report summarizes the findings from three case studies and interviews, and provides strategic level and field operation level observations and recommendations for follow-up by OSCE management.

Beginning with findings at the field level, the evaluation found that the OSCE's assistance was **relevant** in that it was aligned with the needs stated by beneficiary government. The assistance had also **comparative advantage and added value** in that it was commonly provided through a multi-Dimensional lens, and flexible in revising activities and objectives as required. Meanwhile, the Executive Structures did not **monitor and evaluate** the assistance projects. **Efficiency** in terms of whether activities were delivered on time and budget was good, whereas **vertical and horizontal co-ordination** was limited: contacts between Field Operations and the OSCE Secretariat, and between Field Operations, mostly focused on information-sharing rather than on joint-planning or co-ordination.

The assistance was **effective** in that capacity-building had been delivered to more than 2000 individuals, strengthened their knowledge and skills, and contributed to enhanced *policies*, such as new laws or national strategies and action plans. Meanwhile, the assistance did not lead to tangibly changed *practices* with regard to implementation of, e.g., laws. Regarding assistance **impact**, there was no evidence that it had reduced money laundering and financing of terrorism, or increased the amount of prosecutions and convictions of such crimes. Moreover, two of the three countries did not become more compliant with international AML/CFT standards. However, the responsibility to implement knowledge gains and policies gained from the OSCE's assistance resides with the assistance beneficiary countries and is outside the direct control of the OSCE.

The assistance had not been **gender mainstreamed** as outlined in the OSCE Gender Action Plan. **Sustainability** in terms of whether assistance gains are sustainable in the event of discontinued assistance was mixed. It existed at the strategic level in terms of policies and action plans, but not at the operational level since laws and actions are not yet fully implemented, nor at the personnel and human capacity level, and at the financial resource level, since the beneficiary countries have not earmarked staff or financial resources, or created their own capacity-building programmes.

Turning to findings situated at the strategic level, interviewees at OSCE Field Operations and the Secretariat regarded the OSCE's **policy and strategic guidance** as insufficient, and this was seen to have undermined OSCE-wide co-ordination and the establishment of joint assistance project practices. **Co-ordination** within the Secretariat was found to have been confined to information exchange rather than joint planning. The assistance was moreover found to have been **relevant** in terms of alignment with external needs assessments conducted by the Council of Europe and other international organizations. It also had considered **synergy-generating** effects. For instance, anti-corruption and organized crime are related to money laundering, since corruption and organized crime fuel and are fuelled by money laundering. OIO observed that oftentimes AML/CFT projects were indeed delivered simultaneously with other projects that addressed corruption and organized crime. Finally, money laundering and financing of terrorism are **transnational challenges** in that there are countries of origin, countries of transit, and countries of destination for illicit financial flows. Consistent with this, many of the assistance projects promoted international contacts.

1. Introduction and Purpose

- 1 By 2016, the OSCE had delivered anti-money laundering (AML) and counter-financing of terrorism (CFT) assistance projects to the OSCE's participating States for at least 15 years. While a central theme to the OSCE, the assistance had never been reviewed from a cross-organizational strategic perspective.¹
- 2 In 2017 the Office of Internal Oversight (OIO) initiated an independent evaluation of AML and CFT assistance projects delivered by OSCE Field Operations. A review of OSCE documents and financial data showed that the OSCE spent approximately €4,000,000 - €5,000,000 over the period 2004-2016 on projects that either in whole, or in part, addressed issues around AML or CFT.² Expenditures were identified in 14 field operations (of which 12 were still in existence as of December 2016), the Office of the Co-ordinator of Economic and Environmental Affairs (OCEEA), the Office of the Special Representative and Co-ordinator for Combating Trafficking in Human Beings (CTHB), and the Transnational Threats Department (TNTD). Around 70 per cent of expenditures were connected to OCEEA, CTHB, TNTD, the Mission to Montenegro, the Programme Office in Bishkek, and the Project Co-ordinator in Uzbekistan.
- 3 Using the criteria of financial materiality, the evaluation focused on the Mission to Montenegro, the Project Co-ordinator in Uzbekistan, and the Programme Office in Bishkek, and looked at all their relevant AML and CFT projects, 48 in total, over the period 2006-2016. As such, the evaluation covered around 50-60 per cent of OSCE's expenditures in the area of AML and CFT over the period, which was deemed sufficiently comprehensive to allow for broader and cross-organizational conclusions that extend beyond these three cases. It combined desk reviews of OSCE and third-party data and documents with interviews of Secretariat and Field Operations staff, government representatives and other international assistance providers, including the United Nations Office on Drugs and Crime, the European Union (EU), and the Council of Europe (CoE). Visits were undertaken to two of the three Field Operations. The evaluation was carried out by OIO in collaboration with an experienced external AML/CFT expert.
- 4 This report summarizes the findings from the case studies and interviews, and provides a series of observations for further reflection and follow-up by OSCE management. Chapter 2 provides background information on the subject matter, key OSCE documents, decisions and policies over the period 2001-2016, and on the OSCE's assistance activities. Chapter 3 pursues the following five strategic questions related to AML and CFT, which were identified through preparatory discussions with staff at the OSCE Secretariat, Field Operations, and the UNODC's Global Programme on Money Laundering (GPML):
 - a. Do OSCE Decisions provide sufficient guidance for Executive Structures?
 - b. To what extent are assistance projects co-ordinated by the OSCE Secretariat?

¹ Aggregate and detailed accounts and overview tables of OSCE police-related as well as OCEEA activities, including relevant OSCE Decisions and documents, that, *inter alia*, address money laundering and terrorism financing can be found in the OSCE's *Annual Report of the Secretary General on Police-related Activities* (covering 2002 - 2015), and in the *Report by the OSCE Secretary-General on Police-Related Activities of the OSCE Executive Structures up to the End of 2009* (2009) that covers the period 1999-2009. See also OSCE's annual reports on economic and environmental activities 2001 and onwards. These collections include overviews of relevant key OSCE documents and Decisions. For a comprehensive collection of key OSCE documents, PC and MC Decisions and action plans related to police-related activities, see annex to the OSCE Document PC.DEC/1049 (2012) and OSCE (2016a).

² This sum is on par or higher than the OSCE's project expenditures in many of its other thematic areas. For detailed thematic expenditure data in all the OSCE Dimensions over the period 2011-2016, see OIO (2016b, 2016c, 2016d).

- c. Has the assistance been relevant to beneficiary participating States?
 - d. To what extent were synergies created across the OSCE's three Dimensions
 - e. To what extent were transnational issues addressed by the OSCE's assistance?
- 5 Chapter 4 provides insight from the three OSCE Field Operation evaluations across eight areas of inquiry. It covers relevance, added value, effectiveness, impact, vertical and horizontal co-ordination, gender mainstreaming and sustainability of assistance activities. Finally, chapter 5 offers strategic level recommendations for consideration and follow-up by OSCE management.

2. Background: Theme, Policy Framework and Assistance Activities

2.1 Theme

- 6 Money laundering refers to the (1) concealment of monetary or non-monetary assets resulting from criminal activities (including legal yet non-taxed assets or income), (2) conversion of such assets into legal assets, (3) the acquisition, possession, or use of assets that are knowingly derived from criminal activity as outlined in item 1, or (4) attempts, contribution to, or facilitation of any of the three previously described methods.³ More generally, it "[...] is the processing of [...] proceeds to disguise their illegal origin"⁴ or "sanitizing proceeds of crime"⁵ for the purpose of financial gain, including financing legitimate business and criminal activities. Financing of terrorism is different in that (1) the prime motivation is not financial gain, (2) it does not necessarily involve money laundering as it involves illegal as well as legal proceeds, (3) the amount of funds are smaller, and (4) funds are not used for legitimate business.⁶
- 7 A study estimated the volume of money laundering to amount to 2.7 per cent of the global GDP in 2009, whereas less than 1 per cent, (and perhaps as little as 0.2 per cent), of the illegal financial flows are estimated to be seized.⁷ The large amount of money laundering suggests that AML regimes do not have a considerable deterrent effect, possibly because of weak implementation, as evidenced by the low interdiction rate.⁸ This also means that money laundering is an extremely low-risk activity, and that AML regimes are ineffective, either because they are insufficient, and/or not implemented for various reasons, including corruption and shortage of funds and human capital. It also implies that even a doubling of national authorities' efficiency from 1 per cent to 2 per cent to interdict illicit funds will only have a very marginal impact, and that money laundering would still be virtually risk-free.
- 8 AML and CFT obligations are covered by international conventions⁹, while a number of professional and interstate organizations aim to enhance international co-ordination and co-

³ Schneider (2007). For an overview of money laundering techniques, see Holt (2015a).

⁴ FATF (2017).

⁵ Levi and Reuter (2006).

⁶ Van den Broek (2015).

⁷ UNODC (2011). For other estimates see Schneider (2010). Annual country-wise time-series data on illicit financial inflows and outflows for around 150 countries over the period 2005-2014 can be found in the downloadable supplementary data to Global Financial Integrity (2017).

⁸ On effectiveness, see Yepes (2011) and Holt (2015b).

⁹ See OSCE (2016a) and <http://www.unodc.org/unodc/en/money-laundering/Instruments-Standards.html>.

operation.¹⁰ This includes foremost the Financial Action Task Force (FATF), which is an inter-governmental entity that sets standards and promotes implementation of legislative, regulatory and operational measures intended to address money laundering and financing of terrorism.¹¹ In that regard, and working with the United Nations, the World Bank, and the International Monetary Fund (IMF) among others¹², FATF has issued 40 recommendations (2012 version) that have become global standards. Three of these recommendations relate to financing of terrorism, while the others focus on money laundering. Together with other actors, FATF monitors compliance thereto among its member states.¹³

2.2 Policy framework

- 9 Initially, money laundering and financing of terrorism issues were addressed by OSCE activities in the areas of good governance and anti-corruption (SEC.GAL/118/02). The OSCE's direct approach to AML and CFT can be traced to December 2001 when money laundering and financing of terrorism issues were discussed in the "Bucharest Plan of Action for Combatting Terrorism" (MC(9).DEC.1). Also, in December 2001, the OSCE agreed on a "Programme of Action" that covered the FATF recommendations.
- 10 In March 2002, the OSCE created a "Road Map on Terrorism" (SEC.GAL/35/02/rev.1) that operationalized the aforementioned two documents. The primary responsibility of promoting implementation of international recommendations/legislation on money laundering and financing of terrorism was given to the 2nd Dimension and OCEEA, and to a lesser extent to the 3rd Dimension. The 1st Dimension was involved essentially in terms of supporting enforcement of AML/CFT legislation, for instance through police training.
- 11 Ministerial Council (MC) Document MC.(11).JOUR.2 from December 2003 is a strategy document for the 2nd Dimension. It outlines, *inter alia*, that OSCE should "[...] continue to develop, implement and enforce financial legislation and regulation on combating money laundering and corruption and criminalizing the financing of terrorism." (p. 5). Two years later, MC Decision MC.DEC/3/05 on combating transnational organized crime addressed, *inter alia*, money laundering. In 2007, MC Decision MC.DEC/3/07 outlined a counter-terrorism strategy

¹⁰ For a list of organisations, see <http://www.fatf-gafi.org/about/membersandobservers/>, <https://www.imf.org/external/np/leg/amlcft/eng/aml4.htm>, and <https://www.imolin.org/>.

¹¹ See Holt (2015). For detailed information and access to recommendations, guidelines, and country evaluations, see FATF's website at <http://www.fatf-gafi.org>.

¹² Levi and Reuter (2006). For a collection of UN convention and international standards in the areas of AML and CFT, see UNODC (2013). See also chapter 20 in OSCE (2016a), which provides an overview of international co-operation and the role of international organizations.

¹³ The Basel AML Index risk ranks all countries of the world with regard to money laundering and financing of terrorism. The European Union Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism [MONEYVAL] created in 1997 monitors compliance with international standards to counter ML and FT (see http://www.coe.int/t/dghl/monitoring/moneyval/About/About_MONEYVAL_en.asp). It covers Council of Europe member states that are not members of FATF, and states that desire to become FATF members and request to be evaluated. Moreover, the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG) is a FATF-style regional body composed of Belarus, China, India, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Turkmenistan, and Uzbekistan (see <http://www.eurasiangroup.org/>). An additional 16 states and 17 international and regional organizations have observer status within the EAG. Finally, the United States Department of State United States Department of State Bureau for International Narcotics and Law Enforcement Affairs' *International Narcotics Control Strategy Report (1999-2017)* (Volume II: Money Laundering and Financial Crimes) rates countries and provides descriptions of "Primary Jurisdictions of Concern" with regard to compliance with the 1988 UN Drug Convention in terms of addressing drug money laundering.

and decided to “provide assistance to participating States, at their request, in building up their capacity to counter terrorist financing by, inter alia, the strengthening of financial control mechanisms” and implementation of the FATF recommendations. This was to be carried out in co-operation with international partners, including the United Nations and the World Bank.

- 12 MC Declaration (MC.DOC/2/12) reaffirmed previous commitments and “encourage[d] the OCEEA and the Transnational Threats Department [...] to assist participating States, at their request” to counter money laundering and financing of terrorism through the “development, adoption and implementation of legislation and practices to improve inter-agency and external co-ordination mechanisms in this area.” Finally, the “OSCE Strategic Framework for Police-Related Activities” (PC.DEC/1049) from 2012 outlines “priority areas for the OSCE’s police-related activities”, including capacity building and institution-building for participating States in the area of AML in the context of organized crime, as well as trafficking in human beings (THB).
- 13 To a limited extent, the OSCE has addressed money laundering and financing of terrorism from a cross-dimensional perspective in the context of its work to combat trafficking in human beings. MC Decision MC.DEC/5/08 (2008) urged “participating States to intensify measures to disrupt trafficking networks, including by means of financial investigations, investigations of money laundering connected to human trafficking and the freezing or confiscation of the assets of human traffickers”. Related to this, is the OSCE study “Analyzing the Business Model of Trafficking in Human Beings to Better Prevent the Crime” (2010) that linked trafficking in human beings with money laundering and financing of terrorism. An additional OSCE study, “Leveraging Anti-Money Laundering Regimes to Combat Trafficking in Human Beings”, was published in 2014.

2.3 Assistance activities

- 14 Money laundering and financing of terrorism are transnational issues. There are countries of origin, transit, and destination. Moreover, money laundering takes place electronically through the international financial services system (banks), but also on a cash basis. The latter is especially challenging to prevent and detect. National AML/CFT responsibilities are moreover divided across government entities, including finance intelligence/investigative units (FIU), the police, and prosecutors. Thus, successful financial investigations and prosecutions require international and national co-operation and co-ordination. This means that AML and CFT assistance needs to complement activities such as capacity-building and legal advice with the promotion of international as well as national co-ordination and co-operation. This is also highlighted in the FATF recommendations.
- 15 The six pillars of national AML/CFT systems that international assistance typically serve to strengthen, are the following:
 1. National legislation
 2. Regulated financial sector
 3. National Financial Intelligence/Investigative Units (FIUs)
 4. Law enforcement
 5. Prosecution service
 6. Judiciary

- 16 The assistance projects delivered by the three OSCE Field Operations included in this evaluation covered these pillars to varying extents. Projects often addressed the pillars more or less simultaneously, sometimes with assistance projects pertaining to all three OSCE Dimensions. Sometimes, AML and/or CFT were the sole project focus, while at other times they were part of a broader set of issues, such as corruption. For instance, training of Government staff may have multiple intended effects, such as the reduction of money laundering and of corruption.
- 17 While often not stated explicitly in the project documents, the theory of change or overall logic behind the assistance generally involved achieving mid-term outcomes in terms of enhanced policies (e.g., national strategies and laws) and practices (implementing laws, strategies and knowledge), which would ultimately contribute to the long-term assistance objective of reduced money laundering. The underlying long-term assistance objectives have thus been more ambitious than just enhancing skills and formal compliance with FATF recommendations, as they also included an expectation that new policies and practices would be implemented by the assistance beneficiaries.
- 18 Of course, the responsibility to apply the knowledge and skills gained through the OSCE's capacity building and other types of assistance, and to implement new policies and strategies, is that of participating States. The achievement of mid- and long-term results is thus not under the direct control of the OSCE. Nevertheless, the OSCE has an interest in whether its assistance ultimately makes an effective contribution to the reduction of money laundering, since this is the underlying rationale of the assistance. This is why this evaluation considered the OSCE's support and results beyond the immediate and short-term objectives (e.g., enhanced skills) of the assistance projects.

3. Strategic Level Insights

3.1 Policy guidance and strategy

- 19 The OSCE's policy framework for AML and CFT provides strategic direction to participating States and OSCE Executive Structures. Regarding its effectiveness in that regard, mixed views were provided to OIO. While some interviewees were of the view that the current policy framework provides sufficient guidance for Executive Structures, most disagreed.
- 20 Moreover, there does not exist an OSCE-wide strategy related to AML and CFT, with a related implementation plan and results expected in the short-, mid-, and long-term. As a consequence, interviewees at OSCE Executive Structures did not share the same vision and intention regarding AML/CFT either internally, or with other Executive Structures, which was in turn reported to have undermined cross-organizational co-ordination and joint practices. Commonly, interviewees voiced interest in more policy and strategic level guidance – a single OSCE vision and “voice” – to assist in aligning assistance activities and provide direction.
- 21 One alleged reason for the lack of strategy was limited interest among participating States caused by the technical and complex character of AML and CFT issues. Another factor highlighted by interviewees is that Decisions on AML by their nature span two Dimensions. For instance, MC Declaration (MC.DOC/2/12) tasked OCEEA (2nd Dimension) and the Transnational Threats Department (1st Dimension) to provide AML/CFT assistance to participating States. Moreover, some OSCE assistance projects on AML and CFT issues (e.g., training of police on AML

issues) have resided in the 1st Dimension, whereas other assistance projects (e.g., AML training of prosecutors, judges and bank officials) have resided in the 2nd and/or the 3rd Dimensions. The cross-Dimensional character makes it difficult to create policy consensus among OSCE participating States, let alone consensus on a strategy that spans two Dimensions. Finally, the priorities of the OSCE's Chairperson-in Office change on an annual basis, which in turn undermines the development of a long-term strategy and policy.

- 22 OIO notes also that research demonstrates that assistance needs are long-term. For instance, the 2011 World Bank World Development Report (WDR) shows that institutional reforms commonly take around 20 years, sometimes less and sometimes more. The OSCE should therefore not harbour quick-impact expectations. It also underlines further the need for the OSCE as a whole, and for Field Operations, to develop long-term strategies in order to ensure assistance results in the future.
- 23 Regarding technical level guidance, contrary to areas such as Small Arms and Light Weapons (SALW), and Stockpiles of Conventional Ammunition (SCA), the OSCE has issued none in the areas of AML and CFT, other than one resource: The OSCE "Handbook on Combating Corruption" (2016a). It is a well-written booklet that provides valuable overviews of OSCE commitments and decisions, international regimes, and key issues related to not only corruption, but also to financial crime and money laundering, for OSCE staff.
- 24 Nevertheless, interviews with OSCE Field Operation staff revealed no overall demand for technical guidance from the OSCE. One common view was that there already exists guidance through the FATF recommendations and related interpretative notes. Most interviewees regarded the FATF recommendations as useful, though some interviewees regarded them as vague, but by and large they were seen as sufficiently specific while providing room for country-specific adaption. A second view was that, if required, Field Operations could rely on external expertise to support the implementation of projects. A third view was that it is difficult to create detailed technical guidelines that supersede the FATF recommendations, and are applicable across all countries in which the OSCE operates. A fourth view was that the Secretariat has a limited ability to create such detailed guidance because of staff shortages.

3.2 Co-ordination

- 25 Thematic co-ordinators are commonly assigned within the OSCE. For instance, the Forum for Security Co-operation (FSC) co-ordinates activities in the area of SALW and SCA, and the Border Security Management Unit co-ordinates border security and management issues. This is not the case for AML/CFT assistance, where no overall co-ordination body exists, since the AML assistance themes can be found across all of the OSCE's Dimensions. At the level of the Secretariat, and consistent with MC Decisions, the OCEEA has had a co-ordinating role for 2nd Dimension AML/CFT activities since the early 2000s, and TNT, since its establishment in 2012, played a similar role for 1st Dimension activities. For 3rd Dimension related assistance projects, none of the Institutions (the Office for Democratic Institutions and Human Rights [ODIHR], the High Commissioner for National Minorities [HCNM], and the Representative on Freedom of the Media [RFoM]) are active in the field of AML/CFT. Moreover, there is no single entity with an assigned AML/CFT co-ordinating role in this area. As a consequence, OSCE Field Operation staff

involved in 3rd Dimension AML/CFT projects communicated with TNTD/Strategic Police Matters Unit (SPMU) (1st Dimension) and OCEEA (2nd Dimension) instead.

- 26 OIO also observed that projects with similar/identical activities and purposes were not consistently assigned to particular Dimensions. For instance, an AML assistance project may be regarded as a rule of law project and thus managed in a 3rd Dimension Rule of Law programme in one Field Operation, or it may be regarded as a Good Governance project and managed in a 2nd Dimension Good Governance programme in another Field Operation, despite the concrete activities being difficult to distinguish from one another. This further complicates co-ordination among the OSCE Dimensions.
- 27 Interviews also indicated that co-ordination, planning and communication between concerned 1st and 2nd Dimension AML/CFT entities within the Secretariat was limited, even-though there are assigned AML and CFT points of contact within these departments. This was partly explained by a shortage of staff resources within the Secretariat.
- 28 Consistent with the cross-Dimensional character of FATF's recommendations, there is a cross-Dimensional character to the OSCE's assistance, and hence a need for co-operation between involved entities. To address this co-ordination issue, and as suggested by most of the interviewees, one option would be to create something akin to a single cross-Dimensional AML/CFT focal point or "cell" at the OSCE Secretariat, who in turn would liaise with assigned officials in the various entities. Such a solution would provide a platform for intra-Secretariat co-ordination and co-operation, and a single point of contact for the OSCE's Field Operations.
- 29 Ideally, the focal point should have extensive expertise on AML and CFT issues, and be qualified to carry out analysis of AML/CFT issues, including of OSCE assistance activities planned in the field, and provide expert support to Executive Structures. This envisioned focal point function could resemble the "Adviser on Research and Analysis" concept implemented by TNTD/SPMU. It would also serve to enhance OSCE capacities in the AML/CFT area. In particular, it would address many of the interviewees' interest in the OSCE developing its own in-house technical expertise that can be called upon for advice as necessary.
- 30 Additionally, the aforementioned envisioned long-term AML/CFT strategy, combined with an implementation plan that includes expected short-, mid- and long-term results, to guide Field Operations and concerned OSCE Secretariat programmes should be developed. This could constitute one of the first tasks of such a proposed AML/CFT focal point, in co-operation with other concerned officials. Such a strategy would clarify the role of the Secretariat and address the absence of guidance and plans discussed in Section 3.1 above. Several interviewees believed that such a strategy would serve to enhance co-ordination, make AML/CFT assistance more "joint", instead of the current character of the OSCE's project assistance, which was described as "fragmented" and lacking a shared vision.
- 31 In order to further facilitate co-operation and the exchange of good practices and lessons learned between Executive Structures, a mechanism for this purpose should be considered. One option would be to either establish a knowledge management platform that shares features with the OSCE POLIS online platform (<https://polis.osce.org>), or consideration could be given to expanding the POLIS platform to also integrate information on AML/CFT. POLIS contains key OSCE and non-OSCE documents, evaluation reports, studies, and relevant news. Executive Structures can also share information or request information and advice through the platform.

Given that the POLIS platform has already created a website template with a series of functionalities, this template could potentially be largely re-used without any additional costs (other than staff costs), and populated with AML/CFT related data.

3.3 Relevance

- 32 The assistance AML/CFT activities were identical or very similar across the three cases. They focused on financial services transactions instead of cash-based transactions, which are more difficult to address. The support (such as training) typically covered to varying degrees staff from the judiciary, law enforcement, FIUs, but also from private financial institutions. Moreover, some training events were of a cross agency/entity character, aiming to enhance national cross agency/entity co-operation and co-ordination; other support elements included the promotion of international contacts with AML/CFT organizations and peer FIUs.
- 33 Interviews conducted with OSCE Secretariat staff revealed, however, some scepticism about the potential for impact of the AML/CFT assistance projects. The assistance was seen to be often insufficient (financially too small) and fragmented (rather than having a common approach across the OSCE), which in turn undermined its effectiveness.
- 34 Nevertheless, OIO found that the assistance activities were well aligned with information from reports issued by FATF, the Eurasian group on combating money laundering and financing of terrorism (EAG), the Council of Europe (CoE), the European Union (EU) and the Organisation for Economic Development and Co-operation (OECD), which showed that needs in the areas of AML/CFT were substantial in all three countries. Indeed data shows, that given the large scale of these needs, addressing them requires the involvement of multiple stakeholders, since no single entity can be expected to be able to address them all.
- 35 Regarding the balance between activities to address money laundering and financing of terrorism, which are usually regarded and treated as inter-related (including in the FATF recommendations), OIO observed that the majority of OSCE projects addressed money laundering. Financing of terrorism was given less attention, and only tackled in projects supporting the implementation of national AML/CFT strategies, or anti-corruption strategies, or the revision of legislation covering both AML and CFT. In light of the size of illicit financial flows for money laundering as compared to financing of terrorism, and related challenges faced by participating States, the OSCE's AML focus may be regarded as reasonable. It was also well aligned with the focus of FATF's recommendations, and reflected the actual assistance requests from OSCE participating States that only marginally concerned financing of terrorism.

3.4 Assistance synergy effects across OSCE Dimensions

- 36 AML/CFT themes are cross-Dimensional, and potential synergy or multiplier effects exist with other OSCE thematic areas. For instance, anti-corruption and organized crime are related to money laundering, since corruption and organized crime fuel and are fuelled by money laundering. This means that a reduction of corruption may lead to less money laundering and to an increased likelihood that AML projects will yield results. Similarly, if money laundering is reduced, it may have a beneficial impact on the level of corruption and organized crime, and increase the likelihood of anti-corruption assistance projects being successful.

37 OIO observed that oftentimes AML/CFT projects were indeed delivered simultaneously with other projects that addressed corruption and organized crime, and some projects merged anti-corruption, organized crime and AML issues into a single assistance package. For instance, the Project Co-ordinator in Uzbekistan has delivered anti-corruption assistance in tandem with its AML/CFT assistance since 2012, and this has also been the case for the Programme Office in Bishkek since 2015. While this is positive, OIO as well as several interviewees are of the opinion that more efforts should be made to more systematically exploit the potential for synergies, and consider providing assistance across themes and Dimensions simultaneously.

3.5 Transnational issues

38 Money laundering and financing of terrorism are transnational challenges in that there are countries of origin, countries of transit, and countries of destination for illicit financial flows. Consistent with this, FATF recommendations stress the need to pursue international co-operation when investigating these types of crimes. This points to the importance of considering regional and international aspects when designing assistance projects, as successful financial investigations and prosecutions require international co-operation, including information sharing. This opinion was also shared by several of the interviewees.

39 Two of the three Field Operations that were included in this evaluation addressed transnational issues by supporting the establishment of international contacts. This involved financing travels of government officials to attend meetings at FATF, EAG, and other international bodies, and some study trips. This assistance, which was requested by the Government, and which was of a substantial financial size was, however, almost exclusively directed at higher level officials. Officials within the enforcement sector, who process actual suspected money laundering and financing of terrorism cases, and may benefit from co-operating with operational level peers in other countries, were seldom involved. This issue is returned to in Sections 4.1 and 4.6 below.

4. Field Level Insights from Three Field Operations, 2006-2016

4.1 Relevance

40 Whereas none of the three Field Operations included in the evaluation had a long-term assistance strategy, the relevance of the OSCE's assistance project activities was overall good regarding its alignment with Governments' requests. In all three Field Operations included in this evaluation, assistance themes/activities were usually identified in consultation with the host Government, and formulated in line with relevant government national multi-year strategies and implementation plans. OIO also observed, however, that assistance requests submitted by Governments were not reviewed by AML/CFT experts. This was the consequence of a lack of technical in-house expertise, combined with resource constraints to hire external expertise to provide technical input. It is, however, unclear to what extent the engagement of external experts would have resulted in assistance projects having another or broader focus.

41 Across the 48 projects evaluated, OIO found that training, seminars and workshops had been provided to more than 2000 officials. Capacity building activities involved enforcement officials (police and prosecutors), FIU officials, as well as officials from other concerned government entities and agencies, including compliance officers at private financial institutions. The activities

were in line with expressed counterpart needs, but for reasons of resource limitations, not all assistance needs/requests could be addressed by the OSCE.

- 42 Often, the assistance was tailor-made and intended for just one specific Government entity, typically the FIU. At other times, the assistance could have served to promote co-ordination and co-operation across concerned government entities, but it was not implemented in such a way. More than often this was due to host country counterparts, which did not see the need to broaden the group of trainees, rather than due to omissions by the OSCE. For instance, representatives of one Government entity interviewed told OIO that they had made a request to have their staff included in OSCE's training sessions, but that those requests were rejected by another government entity.
- 43 The evaluation also observed that two of the Field Operations included in the evaluation provided support for international travels of Government officials to attend meetings at FATF, EAG and other international bodies. Related expenditures were multi-year and of a substantial size, mostly supporting attendance of routine events that should have been covered by the regular budget of the concerned Government entities. These expenditures also reduced the resources available for other project tasks, for instance to enhance domestic implementation/enforcement of AML/CFT laws and policies, and to strengthen international contacts and co-operation at the operational level. The relevance and effectiveness of this specific type of assistance geared towards enhancing the internationalisation of the AML/CFT work would have been higher, had it primarily targeted officials at the operational level within FIUs, the police and the judiciary. Domestic training with a strong cross-agency component should also have been a priority.

4.2 Comparative advantage and added value

- 44 The assistance needs of the three participating States covered by the evaluation are large and long-term. No single international organization could be expected to fully address all of them. Nevertheless, in two of the three cases studied, Governments had to rely on the OSCE as the only substantial assistance provider. Since host Governments considered the support to be of relevance to their needs, which were well-documented in reports by EAG, OECD, and other international entities, the assistance of the field operations was of added value.
- 45 A comparative advantage of the OSCE is that its assistance can cover inter-related issues. For instance, anti-corruption and organized crime are overlapping with AML/CFT, and related projects can be delivered in tandem to garner synergies. To the credit of the three Field Operations, this advantage was leveraged by providing support in the areas of anti-corruption and organized crime simultaneously with AML/CFT assistance (Sections 2.3 and 3.4 above).
- 46 Beneficiaries also expressed appreciation for the OSCE's flexibility to adapt the assistance to changing national needs and to adapt projects at short notice if required. For the Mission to Montenegro, this has meant, however, that it was called to provide small-scale ad-hoc support in areas not covered by any of the other assistance providers. By definition, this type of assistance involved a strategy of adaption to circumstances and other organizations' larger projects, instead of a pro-active, independent and long-term approach. Whereas the OSCE's engagement was of added value, its comparative advantage as a partner who can leverage support in three Dimensions was not fully utilized.

4.3 Results

- 47 The support provided by the OSCE's Field Operations generated a number of tangible results, which are aligned with the objectives stated in the original project proposals. For instance, the Project Co-ordinator in Uzbekistan, contributed to a revision of AML/CFT laws and regulations, the development of banking sector AML/CFT compliance guidelines, and of National [Money Laundering and Terrorism Financing] Risk Assessment (NRA) methodology. It also provided training for around 1000 persons from various government entities, as well as technical support to the development of suspicious transaction report (STR) software both for banks and for the FIU, and facilitated international contacts.
- 48 Similar results were achieved by the Mission to Montenegro and the Programme Office in Bishkek. The latter contributed to legislative revision and national action plans, implementation of FATF recommendations, enhancement of national/regional/international co-operation and co-ordination, the provision of soft- and hardware, and enrolled around 500 persons in seminars, workshops and trainings on various AML and NRA-related issues. The Mission to Montenegro involved about 900 officials in seminars, workshops and training events on various AML and NRA-related issues, in addition to supporting the development, revision and implementation of national strategies, action plans, and legislation. Other results include membership of the Egmont Group, and the development of national risk assessment plans, handbooks, and laws, in which Field Operations were involved.
- 49 However, and despite the considerable amount of assistance provided, findings regarding the compliance of Montenegro, Uzbekistan, and the Kyrgyz Republic with FATF recommendations were mixed. According to data found in assessment reports issued by the CoE and the Euroasia Group on Combating Money Laundering and Financing of Terrorism, two countries were reported as not having become more compliant, while one country was reported to have become significantly more compliant.
- 50 Data indicating other tangible mid-term assistance outcomes such as enhanced AML/CFT co-ordination, co-operation, and other changed practices, was lacking in most cases. Interviews with OSCE field staff, as well as reports and data published by the EAG, OECD, FATF, the EU and the CoE, indicated instead that practices had not improved to any tangible degree, including inter-agency co-operation and co-ordination. This view was shared by many of the interviewed Government representatives, who agreed a large challenge was to advance the actual implementation of laws, strategies, and policies. Several factors may have slowed down progress, including staff-turnover/rotation in government entities, which means that OSCE trained staff left their posts. Moreover, training of enforcement entity staff (judiciary and the police) was usually limited, and not always geared towards promoting co-ordination across relevant government entities.
- 51 As mentioned above, data indicate that institutional reforms commonly take many years. However, since AML/CFT assistance has been delivered over a period of ten years by two of the OSCE Field Operations covered in this evaluation, it would be reasonable to expect at least some noticeable positive long-term outcomes, even though their achievement might be beyond the direct control of the field operations
- 52 However, evidence collected also indicates that as of December 2016 the assistance has not had any long-term impact in terms of reduced levels of money laundering and financing of terrorism,

and more prosecutions and convictions. In fact, for one beneficiary country, data showed a negative trend in terms of court cases and convictions during the past couple of years. In the others, these numbers were very low. Similarly, data on illegal financial inflows indicated that at best the situation had remained stable in two of the countries, whereas it had substantially deteriorated in one of them.

- 53 It is important to approach these findings on results by considering the often limited size of the OSCE's assistance, coupled with the fact that it is the responsibility of assistance beneficiary governments to apply the knowledge and skills gained through the OSCE's capacity building and other types of assistance, and to implement new policies and strategies. The achievement of mid- and long-term results is thus not under the direct control of the OSCE.

4.4 Gender mainstreaming

- 54 The 2004 OSCE Action Plan for the Promotion of Gender Equality promotes equal rights and treatment of men and women. Its Second Pillar sets out that the OSCE should mainstream gender in its activities in order to achieve these goals. However, OIO found that none of the projects explored the potential gender dimensions of the issues at stake. Projects were instead described as gender neutral, in that they were geared towards supporting the implementation of national action plans, delivering training, drafting a national risk assessment plan and contributing to draft national laws, none of which took gender into account. The assistance was also technical and applied, and aimed at enhancing compliance with and enforcement of non-gender mainstreamed international regimes, against which countries are assessed for compliance by international bodies. Gender equality concerns were outside of the core compliance issues that the projects addressed.
- 55 A series of project documents stated an ambition to achieve gender balanced participation at events. However, a challenge identified in this respect by field operations was that female government staff members often worked in more junior positions, or were very few in numbers, while the assistance events often focused on participants at a higher level. Hence the female recruitment base was small, and no action was taken to address this issue.
- 56 OIO acknowledges that gender mainstreaming in these types of interventions can be challenging. However, regardless of whether gender equality considerations would have had any implications for the assistance, they should have been analyzed to establish their relevance (or lack thereof). In the end, of course, activities to address gender equality issues may or may not have been accepted by counterparts.

4.5 Monitoring and evaluation

- 57 Two of the three Field Operations had documented their assistance activities well. Meanwhile, none of the Field Operations had a mechanism, or any corresponding guidelines for that matter, for collecting and assessing outputs and outcomes of their interventions. As a consequence, beyond anecdotal evidence and cursory observations, they were not in a position to demonstrate – let alone know – whether the assistance had generated progress regarding mid- and long-term outcomes.

- 58 One challenge for creating a long-term monitoring and evaluation mechanism is related to the OSCE's annual Unified Budget cycle, and that interventions need to be negotiated with relevant Governments on an annual basis, which means that no guaranteed multi-year horizon exists. Nevertheless, given continuing substantive assistance needs of the host countries covered by the evaluation, and since the Field Operations harboured expectations of continued multi-year assistance, the Field Operations would have been well-served by mid- to long-term monitoring and evaluation strategies. To some extent the lack of such a monitoring and evaluation mechanism may also be explained by the absence of a long-term OSCE-wide strategy behind the AML and CFT assistance, the absence of Field Operation level long-term assistance strategies, and/or in-house capacity constraints in the area of AML/CFT.
- 59 Another reason may be related to the fact that projects and their objectives, such as to comply with international commitments, revise legislation, or increase capacities of FIUs to investigate financial crimes, were often annual. Consequently, indicators to measure long-term achievements were not formulated in the project proposals, and no outcome level data was collected. This could also be a consequence of the OSCE's standard project proposal templates, which do not elicit the formulation of mid- and long-term assistance outcomes, or related indicators.

4.6 Efficiency

- 60 Assistance efficiency in terms of whether activities were delivered on time and in line with budgets was good. However, its value for money in comparison to assistance delivered by similar projects within and outside of the OSCE could not be assessed due to the difficulty of finding projects of similar character in terms of local cost levels, economy-of-scale advantages, etc. Furthermore, project staff costs, often covered by the Unified Budget, are not traceable to individual projects and are thus difficult to estimate.
- 61 As already pointed out, a substantial amount of project funds were dedicated to financing international travels of government officials. Evidence collected points to the fact that value for money would have been higher if this type of assistance had been re-directed towards enforcement issues, training of operational level staff within government entities (e.g. judiciary and prosecution services), and the promotion of international co-operation between the entities at the operational level.

4.7 Co-ordination

- 62 Collaboration between Field Operations and the OSCE Secretariat in Vienna was limited in all three cases. Pro-active co-ordination in terms of joint planning and project development was rare. OSCE-wide Economic-Environmental Dimension (EED) implementation conferences and other meetings were organized by the Secretariat once or twice per year. Assistance from the OSCE Secretariat was also given when requested, such as on project funding issues and to provide experts for training events, but usually this support was needs-based and reactive. It was also observed that co-operation often depended on the personal contacts of particular individuals, rather than on institutionalized cooperation arrangements. Communications were furthermore mostly of an information exchange character rather than providing for co-ordination.

- 63 Some interviewees in the Field Operations expressed that they felt “orphaned” regarding direction, assistance, and advice from the Secretariat. This applied regardless of which OSCE Dimension the projects were located in. In this connection OIO notes that if OSCE strategic and policy guidance is indeed insufficient (Section 3.1 above), and as several interviewees stated, it then becomes challenging in turn for the Secretariat to provide strategic and policy guidance and assistance to OSCE Field Operations.
- 64 Co-ordination between OSCE Field Operations was even more limited, allegedly because of lack of networking possibilities, staff shortages, and different AML/CFT related working priorities. Horizontal co-ordination with other international assistance providers that were active in the countries concerned was more prevalent. In the case of the Mission to Montenegro, informal donor co-ordination meetings were held every three months, and the government organized formal donor meetings at the end of each year to identify assistance gaps. However, the co-ordination meetings covered technical matters rather than thematic issues. As such, the meetings had the character of information sharing, and did not feed into project planning and substance, or support synergy effects among assistance providers.
- 65 Similarly, in the case of the Programme Office in Bishkek, the projects were discussed with the UNODC, foreign embassies, the EU, and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ). These actors were involved in supporting or delivering projects addressing drug trafficking and corruption, rather than money laundering and financing of terrorism. Nevertheless, since drug trafficking proceeds constitute the main source of illicit funds and money laundering in the region, the co-ordination effort was relevant.

4.8 Sustainability

- 66 None of the three Field Operations included in the evaluation had any long-term assistance strategy intended to ensure sustainability, including a smooth transition once the co-operation on AML/CFT is phased out. Sustainability, which was assessed at four levels (strategic, operative, personnel capacity and resource), was overall also found to be mixed.
- 67 OIO found that strategic level sustainability in terms of the development of laws, strategies and action plans was satisfactory. Data showed that in all cases there had been progress with regard to policies, as detailed in section 4.3 above. An example is Uzbekistan, which has developed national laws, improved compliance with FATF recommendations, created a national anti-corruption strategy, issued a national development plan 2017-2020 that covers corruption issues, and prepared for a national risk assessment. The country thus stands on a more solid AML/CFT foundation as compared to 10 years ago, thanks to the support provided by the Project Co-ordinator in Uzbekistan. Similarly, Kyrgyzstan has developed and launched comprehensive national strategies in the areas of AML/CFT and anti-corruption, and improved its laws, and new plans are being prepared for 2018-2020. Montenegro has launched comprehensive national strategies in the areas of AML/CFT, anti-corruption, and there are other government plans, including an EU accession agreement coupled with a national implementation action plan. Meanwhile, sustainability has often not been achieved at the operational level since plans, laws and policies were insufficiently implemented, even though Government implementation action plans existed for many of them.

- 68 Sustainability regarding human capacities was also found to be lacking. Staff turnover was high, the number of trained staff members was limited, and only little training was provided for staff at private financial institutions. The assistance beneficiary countries lacked resources and skills to provide a sufficient amount of training on their own, and as such were dependent on external assistance.
- 69 The OSCE has nonetheless not tried to address this issue by delivering any training-of-trainers, or developing training curricula for the host countries, because counterparts had not yet created their own training centres at which trainers could be active. The exception was Kyrgyzstan, where the FIU with OSCE support (office equipment and computers) opened its own training centre in 2013. In general, training of staff by the host countries often took place through continuous on-the-job training. For lack of resources, it was also unclear whether the governments could maintain and update AML/CFT software and related hardware previously supplied by two of the OSCE field operations. Overall, the evaluation observed that the three countries covered by the case studies were in need of continued international engagement and assistance for years to come.

5. Strategic Level Recommendations for OCEEA

- 70 This evaluation generated a series of findings and conclusions that concern the strategic level in the Secretariat, and others that relate to issues to be addressed in the field. Recommendations that concern the latter are presented in three separate country-specific evaluation reports, while recommendations at the level of overall strategy are outlined below. Each one of them addresses an issue identified in Section 3 of this report. They are offered for joint consideration and follow-up by TNTD and OCEEA Management.
- 71 *Policy guidance and strategy.* There is a demand for more policy level and strategic guidance for the OSCE's work on AML and CFT. Existing policy documents and Decisions lack detail, and there is no overall long-term OSCE strategy and plan for their implementation.

Recommendation 1

In consultation with TNTD, develop policy guidance and a joint OCEEA/TNT long-term strategy and implementation plan for the OSCE's work on AML/CFT. The implementation plan should detail expected short-, mid-, and long-term outcomes.

- 72 *Co-ordination.* Co-ordination, collaboration and information exchange within the Secretariat, and between the Secretariat and Field Operations, is limited, and there does not exist a single point of contact at the Secretariat for AML/CFT issues.

Recommendation 2

Located at the OCEEA, a joint OCEEA/TNTD cross-dimensional focal point for AML/CFT with extensive technical level expertise on AML/CFT issues, and dedicated time for analysis of AML/CFT activities, should act as a technical resource for Executive Structures. The role and tasks of the focal point, which should be clearly communicated to Executive Structures, could include the development of the above mentioned OSCE strategy and corresponding implementation plan. Depending on the availability of financial and staff resources, the focal point could be funded through either (1) a new position with an individual contracted, seconded, or financed

through a long-term ExB project position, (2) within the current financial and staff resources of the OCEEA, or (3) through some other solution that is suitable for OCEEA.

Recommendation 3

In consultation with TNTD, create a joint OCEEA/TNTD inter-active communication, co-ordination and information/lessons learned mechanism (for instance, through an IT-based platform) that contains key OSCE and non-OSCE documents, evaluation reports, studies, and news items, as well as good practices and lessons learned. One option involves creating a dedicated space for information on AML/CFT issues within the already existing POLIS platform, or creating a new AML/CFT-dedicated platform using the POLIS platform as a template.

6. Management Response and Recommendation Implementation Plan

Overall Management Response

The OCEEA appreciates OIO's evaluation in the field of AML/CFT. We believe that conclusions of the report could help to better structure AML/CFT activities in supporting the needs of Field Offices and the OSCE pS. We have a few points of feedback on the content of the report:

1. The evaluation does not address how the OSCE should prioritize AML/CFT activities in supporting the mission of the Organization as a whole. Taking into consideration that other entities (FATF, Moneyval, Council of Europe) are the leading organizations in this field and other organizations (i.e. UNODC) have far more resources dedicated to this area, the report does not address the resource issue (time and funds) OSCE should assign to AML/CFT versus resources dedicated to broader areas in good economic governance given the limitations described above and in point 3.
2. Due to OSCE's wide mandate on security issues and good governance, AML/CFT is also covered in activities dedicated to overlapping but broader areas such as anti-corruption, capacity building in relevant law enforcement entities, etc.
3. Other important considerations that should be taken into account are: (1) Political willingness of national authorities of pS in this area. Capacities of financial intelligence units (FIUs), other relevant law enforcement agencies, and financial institutions of pS do not always translate into financial systems free of money laundering and corruptive practices (2) success in the area of AML/CFT (especially CFT) is largely driven by intelligence and whether/how that intelligence is shared. Our activities can only provide best practices on information sharing among the relevant agencies of pS.
4. Part of the reason as to why OSCE FOs have focused in this area could be connected to the fact that AML/CFT legislative frameworks and enforcement, including the establishment of FIUs are relatively new developments, driving pS to request more assistance in this specific area.
5. OCEEA strongly supports the use of an IT platform to increase collaboration within the Secretariat and with the FOs on AML/CFT and other areas within good economic governance.

Area	Issue	Recommendation	Accept Yes/No	Recommendation Implementation Plan (If not accepted, add management comments)	Implementation date (estimate)
Policy guidance and strategy	1. There is a demand for more policy level and strategic guidance for the OSCE's work on AML and CFT. Existing policy documents and Decisions lack detail, and there is no overall long-term OSCE strategy and plan for their implementation	1. In consultation with TNTD, develop policy guidance and a joint OCEEA/TNT long-term strategy and implementation plan for the OSCE's work on AML/CFT. The implementation plan should detail expected short-, mid-, and long-term outcomes.	Partially	The OCEEA conducted consultations with the TNTD on this recommendation. It was agreed that communication and coordination of joint efforts will be strengthened even further, while a policy guidance/strategy as a separate document would not add value to the ongoing efforts. Both Departments work closely together, also on joint activities and in partnership with larger thematic organizations (e.g. FATF). Both Departments work closely with Field Offices that require assistance in formulating and implementing their activities in AML/CFT. Existing short- and mid-term outcomes have been already formulated in the OCEEA and TNTD UBPs and POs	Ongoing enhancement of coordination and communication.

Annexes

Annex I: Glossary

AML	Anti-Money Laundering
CoE	Council of Europe
CFT	Counter- Financing of Terrorism
CTHB	Co-ordinator for Combating Trafficking in Human Beings
DAC	Development Assistance Committee
EAG	Euro-Asian Group on Combating Money Laundering and Financing of Terrorism
EED	Economic Environment Dimension
EU	European Union
FATF	Financial Action Task Force
FIU	Financial intelligence/Investigative Unit
FSC	Forum for Security Co-operation
GDP	Gross Domestic Product
GPML	Global Programme on Money Laundering
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
HCNM	High Commissioner on National Minorities
IMF	International Monetary Fund
MC	Ministerial Council
ML	Money Laundering
MONEYVAL	CoE Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism
NRA	National Risk Assessment
OCEEA	OSCE Office of the Co-ordinator of Economic and Environmental Activities
ODIHR	Office for Democratic Institutions and Human Rights
OECD	Organisation for Economic Development and Co-operation
OIO	Office of Internal Oversight
OSCE	Organization for Security and Co-operation in Europe
PC	Permanent Council
RFoM	Representative on Freedom of the Media
SALW	Small Arms and Light Weapons
SCA	Stockpiles of Conventional Ammunition
SPMU	Strategic Police Matters Unit
STR	Suspicious Transaction Report
TF	Terrorism Financing
THB	Trafficking in Human Beings
TNTD	Transnational Threats Department
UNODC	United Nations Office on Drugs and Crime
WDR	World Development Report

Annex II: Evaluation concept

I. Objectives and deliverables

1. The purpose of the cross-organizational evaluation was to (1) review and draw lessons from past and on-going assistance activities, (2) determine progress toward project objectives, and (3) provide recommendations, lessons learned and best practices to improve on-going project implementation and to inform future planning and decision-making on AML and CFT assistance projects. It was intended to produce two types of outputs:
 - Three case specific evaluations for selected field operations, primarily intended for the management and concerned officers of these operations, the OSCE Secretary General, and relevant OSCE Secretariat units.
 - One cross-organizational strategic level report that builds on three individual case studies. It summarizes the findings from the case studies, and pursues a series of strategic level questions of wider importance for the OSCE's work on AML and CFT issues. This report is intended for the OSCE at large.
5. Evaluation questions were informed by input from preparatory meetings with concerned staff at the OSCE Secretariat, relevant field operations, as well as the Global Programme against Money Laundering (GPML) at the United Nations Office on Drugs and Crime (UNODC). The evaluation adhered also to the Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC) evaluation criteria and the OECD Guidelines on Conflict, Peace and Development Co-operation evaluation criteria of *relevance, added value, efficiency, effectiveness, impact* and *sustainability*. It assessed project implementation, and covered short-term and mid-term outcomes, and long-term (impact) results as allowed by data availability. It also assessed vertical (between Executive Structures and the OSCE Secretariat) and horizontal (between Executive Structures) co-ordination, and gender mainstreaming.
6. The evaluation combined desk reviews of OSCE and third-party documents with interviews of Secretariat and field operations staff, and undertook visits to two of the three field operations. The case study reports drew on and triangulated information from three types of sources: (1) OSCE documents, including PC and MC decisions, project documents, financial records, and related material, (2) structured key informant interviews (OSCE staff, OSCE project beneficiary representatives, and as relevant international organizations and representatives of other OSCE participating States active in Montenegro, Uzbekistan and Kyrgyzstan), and (3) third party studies and data.
7. A subject matter (AML, CFT) expert consultant was hired to support the evaluation, which was led by OIO's Senior Evaluator. The consultant provided expert comments and advice throughout the evaluation process, attended field operation visits and authored detailed field visit reports, provided comments on all the reports. In addition, staff from evaluated Field Operations were invited to provide comments on all the respective case study reports, and an evaluation reference group (see Annex IV) was consulted throughout the evaluation and was invited to provide comments on all reports.

II. Challenges and caveats

8. The evaluation questions for the three case studies related to “relevance”, “added value”, and “efficiency” are non-attributional and usually straight-forward to address. As such they did not present any particular methodological inference-related challenges.
9. In contrast, case study evaluation questions on outcomes as well as impact are attributional in terms of assessing the contribution of activities and outputs. In this regard, one challenge is that since this evaluation does not involve randomized controlled trials and control groups, also the related attribution problem needs attention. A second related challenge concerned data to assess outcomes and impact, and how to robustly assess mid-term outcomes (i.e., changed policies and practices) and impact (i.e., amount of money laundering and financing of terrorism; amount of court cases and convictions) beyond reliance on anecdotal evidence. This is a typical challenge in most evaluations, regardless of theme. It is also typically easier to assess short-term and mid-term outcomes than long-term impact. Concerning the latter, data on the amount of money laundering and financing of terrorism are only estimates, whereas data on the deterrent and interdiction effects of AML and CFT assistance are not available. Whereas there is no single and perfect solution to the attribution and contribution challenges, they were addressed to the largest possible extent by reliance on third-party data, alternative indicators, and triangulation of data.
10. A third challenge was that the accuracy of interview information depends on the correct recall, candidness of interviewees, and staff turnover. To reduce this challenge the evaluation triangulated and cross-checked information from numerous sources.

Annex III: List of consulted stakeholders¹⁴

- OSCE Secretariat in Vienna and Field Operations

- Ambassador Vuk Zugic*, Director, Office of the Co-ordinator for Economic and Environmental Affairs (OCEEA)
- Ms. Rasa Ostrakaite, Co-ordinator of Activities to Address Transnational Threats, Transnational Threats Department (TNTD)
- Ms. Ermelinda Meksi*, Deputy Co-ordinator/Head, Economic Activities, Office of the Co-ordinator for Economic and Environmental Affairs (OCEEA)
- Mr. Andrei Muntean**, Senior Economic Adviser/Head, Economic Governance Unit, Office of the Co-ordinator for Economic and Environmental Affairs (OCEEA)
- Mr. Guy Vinet, Head, Strategic Police Matters Unit, Transnational Threats Department (TNTD)
- Mr. Arnar Jensen**, Police Affairs Officer, Adviser on Analysis and Reporting, Transnational Threats Department/Strategic Police Matters Unit (TNTD/SPMU)
- Ms. Iris Pilika**, Programme Officer, Economic Governance Unit, Office of the Co-ordinator for Economic and Environmental Affairs (OCEEA)
- Ms. Natia Esebua*, Project/Programme Evaluation Officer, Programming and Evaluation Support Unit, Conflict Prevention Center (CPC)
- Mr. Lorenzo Rilasciati**, Senior Economic and Environmental Officer, Office of the Co-ordinator for Economic and Environmental Affairs (OCEEA)
- Mr. Alberto Andreani**, Programme and Capacity Building Officer, Office of the Special Representative and Co-ordinator for Combating Trafficking in Human Beings (CTHB)
- Mr. Oleksiy Feshchenko**, AML Adviser, Global Programme against Money Laundering, Proceeds of Crime and the Financing of Terrorism (GPML), United Nations Office on Drugs and Crime (UNODC)
- Mr. Yaroslav Yurtsaba*, AML Adviser, National Programme Manager, Thematic Projects/Economic Projects, OSCE Project Co-ordinator in Ukraine
- Mr. Rati Japaridze*, Economic and Environmental Officer, OSCE Office in Astana

Individuals interviewed for the case studies

- OSCE Field Operations

- OSCE Programme Office in Bishkek
 - Ms. Nana Baramidze, Senior Economic and Environment Officer
 - Mr. Azamat Alkadyrov*, Senior Programme Assistant

¹⁴ Individuals marked with one asterisk were consulted during the preparatory phases of the evaluation regarding evaluation focus and general AML/CFT issues that the evaluation needed to consider. Individuals marked with two asterisks were also members of the evaluation reference group and invited to provide detailed comments on the individual draft reports, including this report. Finally, the OSCE officials in the individual field operations that were covered by the evaluation were invited to provide comments on the respective case study reports.

- OSCE Mission to Montenegro
 - Ambassador Maryse Daviet, Head of Mission
 - Mr. Dan Redford, Deputy Head of Mission
 - Mr. Mihailo Maric, Programme Assistant
 - Ms. Dragica Vucinic, National Security Co-operation Officer
 - Ms. Danica Nikolic, National Programme Co-ordination Officer
 - Mr. Robert Kucharski*, Programme Manager
 - Ms. Ana Bukilic, Senior Programme Assistant
 - Ms. Danica Nikolic, National Programme Co-ordination Officer
 - Ms. Lia Magnaguagno, Programme Manager
 - Mr. Srdjan Cetkovic, Senior Programme Assistant
 - Ms. Svetlana Lausevic, Senior Programme Assistant

- OSCE Project Co-ordinator in Uzbekistan
 - Mr. Murod Kusanov*, National Economic and Environmental Officer
 - Ms. Umida Sharifbaeva*, Programme Assistant

- Government officials in case study countries

- Kyrgyz Republic
 - Mr. Azamat Mambetov (plus one staff from his division), State Service for Combatting Financial Crime
 - Mr. Timur Sabirov (plus two staff from his division), Head of International Division, State Financial Intelligence Service
 - Mr. Chyngyz Kenenbaev, Head of Legal Department Division, State Financial Intelligence Service
 - Mr. Arslanbek Khurshudov, Head of Anti-Corruption Division, General Prosecutor's Office
- Montenegro
 - Mr. Dusan Drakic, Head of Department for the Control of the Financing of Political Parties and Campaigns, Agency for the Prevention of Corruption. In addition, a number of his colleagues attended the meeting.
 - Mr. Radomir Todorovic, Deputy Director, Administration for the Prevention of Money Laundering and Terrorism Financing.
 - Ms. Natalija Vujanović, Head, Suspicious Transaction Report section
 - Ms. Aleksandra Rubežić, Head, Analytics section
- Uzbekistan
 - Mr. Nozim Rustambekov, Deputy Head of FIU, Head of AML/CFT division
 - Mr. Saidabror Gulyamov, Head of International Co-operation Division of the FIU
 - Mr. Aziz Soleev, Head of Analytical Division of the FIU

- Mr. Rustam Sayfulov, Representative of National Security Council under the President of the Republic of Uzbekistan
- Mr. Khasan Kabirdzhanov, Head of Department on Co-ordination of Internal Control on Combating Money Laundering
- Mr. Soat Rasulov, Deputy Head of Department on Co-ordination of Internal Control on Combating Money Laundering
- Mr. Sherzod Khadzhimuratov, Deputy Chairman of Asia Alliance Bank (former Deputy Chairman of Central Bank)

- International donor representatives

- Ms. Marzia Palotta, Programme Officer Justice and Home Affairs, European Union, Montenegro
- Ms. Ana Selic, Project Officer, Council of Europe, Montenegro
- Mr. Milorad Markovic, National Legal Officer, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), Montenegro
- Ms. Ana Grgurevic, Legal Specialist, Embassy of the United States to Montenegro
- Ms. Ashita Mittal, Regional Representative of UNODC in Central Asia, Tashkent
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