

Will PNG be on the anti-money laundering grey list? — Part 1



Photo Credit: Tatia Currie

by Michael Kabuni and Grant Walton

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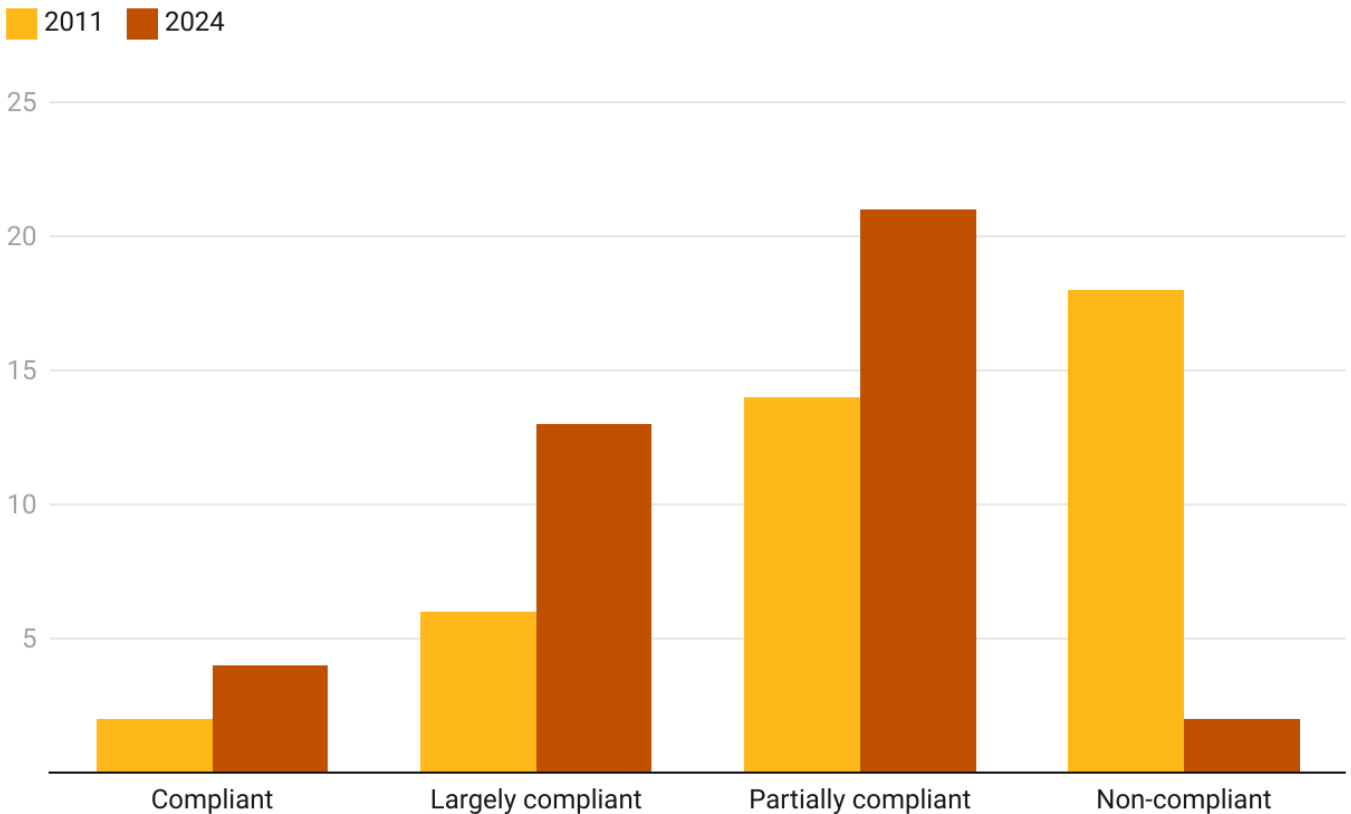
Papua New Guinea has nine months to strengthen its anti-money laundering (AML) measures to avoid being **grey-listed** following **an evaluation** by the Asia-Pacific Group on Money Laundering (APG), a regional regulatory body. The evaluation identified deficiencies in PNG's compliance with AML standards, which are set by the Financial Action Task Force (FATF), an intergovernmental organisation. In this blog, the first in a two-part series, we examine PNG's compliance with FATF regulations; the second blog will look at the potential implications of being grey-listed.

This is the second time PNG has faced such a warning since joining the APG in 2008 and adopting international AML/counter-terrorism financing (CTF) standards. The country was **first warned** in 2011 after its initial evaluation and was subsequently **grey-listed** in 2014 for failing to implement the necessary recommendations. However, government reforms introduced in 2015 — including amendments to critical legislation — meant PNG was removed from the grey list in 2016.

In 2011 and 2024 PNG was evaluated in terms of its “technical compliance” with AML/CTF measures. **Technical compliance** looks at “whether a country has all the necessary laws, regulations and legal instruments in place, in line with the technical requirements of the **40 FATF Recommendations**”.

The good news is that, as shown by Figure 1, on these measures PNG has improved. In 2011, PNG was found technically compliant with only two of the 40 FATF recommendations. In the 2024 evaluation this increased to four; furthermore, the number of standards with which PNG was largely or partially compliant increased, while there has been a significant reduction in outright non-compliance with standards (which reduced from 18 to only two).

Figure 1: Technical compliance levels for mutual evaluations



Source: Asia-Pacific Group on Money Laundering Mutual Evaluation Reports of PNG 2011 and 2024 • Created with Datawrapper

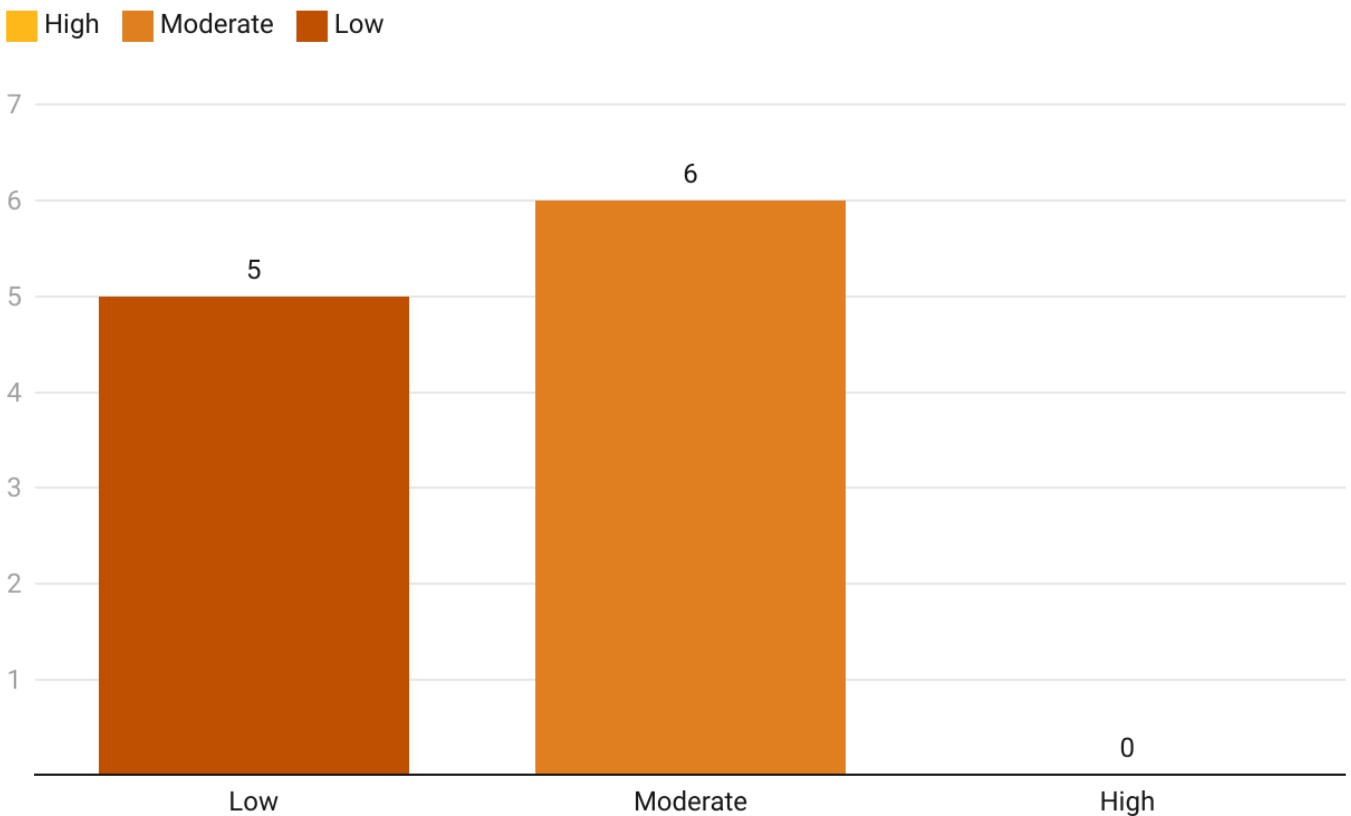
So far, so good.

However, in 2013 — after PNG’s 2011 assessment — the criteria for evaluating countries significantly changed. Now countries are also evaluated based on the *effectiveness* of AML/CTF responses, which **involves an assessment** of how well “countries are implementing and making use of the laws, regulations and policies that are being passed”.

The bar has been raised. Can PNG jump over it? In short, it’s not looking good.

The 2024 evaluation found PNG has poor performance on effectiveness metrics (what the APG calls “immediate outcomes”). Figure 2 shows it performed moderately well on six outcomes and low on five.

Figure 2: PNG’s performance on immediate outcomes criteria



Source: Asia-Pacific Group on Money Laundering Mutual Evaluation Report of PNG 2024 • Created with Datawrapper

The APG’s Mutual Evaluation Report (MER) notes that PNG has only prosecuted two cases of money laundering since PNG adopted FATF AML/CTF standards in 2008. From our examination of the [PacLII website](#), a repository for legal materials in the Pacific, we believe this is an underestimate, though not by much. We find five successful ML prosecutions (four were cases of “self-laundering”, while one involved [a cocaine transportation operation](#)), which is still a woefully low prosecution rate.

Notably, there have been no successful prosecutions for money laundering in the sectors identified as high risk by the 2024 APG MER and PNG’s own assessments. In 2017, PNG authorities [identified corruption and bribery](#), fraud against government programs and activities, illegal logging and fishing and tax evasion as the country’s key high-risk areas. These vulnerabilities were later reaffirmed by the APG’s 2024 evaluation.

Furthermore, while politicians (in money-laundering parlance, “politically exposed persons” or PEPs) are often accused of corruption and money laundering, PNG has become worse at sanctioning them.

Table 1 shows sanctions against politicians over two periods: one spanning 32 years (1975-2007) and the other 16 years (2008-2024). One might expect sanctions to be half as high in the second period as they were in the first. This is not the case. The data indicates a disproportionate drop in both non-criminal outcomes and criminal prosecutions after 2008. Between 2008 and 2024, only four dismissals occurred compared to 16 from 1975 to 2007, while imprisonments fell from nine to two.

Table 1: Non-criminal outcomes and prosecutions of politicians since 1975

Penalty	1975 - 2007		2008-2024		1975-2024
	Non-criminal outcomes	Criminal Prosecutions	Non-criminal outcomes	Criminal Prosecutions	Total
Dismissed from office	16		2	2*	20
Fined but remained in office	5		3		8
Imprisoned		9		2**	11
Resigned from office	7				7
Resigned but criminally charged		2			2
Suspended	0		7		7

Source: Ketan (2007) for the period 1975–2007; Grant Walton and Michael Kabuni for 2008–2023. *Two MPs who were jailed following criminal prosecutions were subsequently dismissed. **One of these MPs, Potape, served seven months in jail but was released after the Supreme Court overturned the charges. As a result, this analysis does not classify his case as a criminal prosecution.

The Parakagate scandal demonstrates some of the significant inefficiencies in PNG’s judicial process. This case involved illegal large-scale payments to the private law firm Paraka Lawyers by the Attorney General to represent the state in civil matters, with payments allegedly continuing even after the agreement was terminated. It took 10 years to sentence the principal Paul Paraka and, while he was eventually convicted, the state was unable to recover the K162 million that was misappropriated. Despite money being laundered through seven law firms and an accounting firm, and this initially being part of the charges against Paraka, money laundering charges were subsequently dropped.

Additionally, successful anti-money laundering cases have not been properly reported. For example, while the Internal Revenue Commission successfully recouped K140 million for tax evasion in 2023, **it refrained from naming** the companies involved in tax evasion. It is unclear how withholding the names of foreign companies engaged in such practices will benefit PNG in its efforts to avoid grey-listing.

The APG report identifies nine areas for priority action that PNG needs to address to improve compliance. These range from legislative reforms, funding and capacity

building, inter-agency cooperation, awareness and outreach and supervision.

However, with conflict between and within PNG's integrity agencies, **concerns about funding, low levels of policing** and — as we have outlined — poor rates of prosecution, it's perhaps unlikely the country will avoid grey-listing after the next APG assessment in November.

In our next blog we provide our take on the distinct question whether PNG *should* be on this notorious list.

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Link: <https://devpolicy.org/will-png-be-on-the-aml-ctf-grey-list-20250401/>