

## **Standard Summary Project Fiche – IPA centralised programmes**

### **Project number 5: Project against Money Laundering and Terrorism Financing in Serbia**

#### **1. Basic information**

- 1.1 CRIS Number: 2009/021-765**
- 1.2 Title: Project against Money Laundering and Terrorism Financing in Serbia**
- 1.3 ELARG Statistical code: 01.24**
- 1.4 Location: Republic of Serbia**

#### **Implementing arrangements:**

- 1.5 Contracting Authority: EU Delegation to the Republic of Serbia**
- 1.6 Implementing Agency: Council of Europe (joint management)**

Given the previous experience of the Council of Europe in the implementation of similar projects, including in Serbia, and the fact that Serbia has ratified the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime of 1990 and is participating in the Moneyval evaluation mechanism, the Council of Europe is well placed to implement this project under a direct grant agreement. The Council of Europe is also committed to co-fund this project. Furthermore, the Memorandum of Understanding between the Council of Europe and the European Union of 2007 – which among other things calls for strong cooperation between the two organisations in justice and home affairs matters and the implementation of joint programmes - provides added argumentation for the implementation of this project by the Council of Europe.

#### **1.7 Beneficiary (including details of project manager):**

Administration for the Prevention of Money Laundering, Ministry of Finance

Project manager: Milovan Milovanovic, Legal Advisor, Administration for the Prevention of Money Laundering.

The Ministry of Finance will establish a Project Management Group (PMG) which will be incorporated into the Administration for the Prevention of Money Laundering (APML). The PMG shall be established to ensure that all programme activities are carried out according to the work plans developed and to promptly identify and resolve any outstanding issues.

A Project Steering Committee (PSC) will be established for the control and supervision of the project activities/outputs. The PSC will provide strategic guidance to the project and provide opinions and recommendations based on reports submitted by the Implementing Agency. The PSC will contain representatives of key stakeholders, including representatives of the APML, Foreign Exchange Inspectorate, Customs Administration and Tax Administration. The PSC will meet every six months, and ad hoc as required, and will be chaired by the Project Manager. The PSC may also include representatives of the following: Ministry of Interior, Public Prosecutor's Office, the judiciary, National Bank of Serbia, Securities Commission, and professional associations of obliged institutions.

## **Financing:**

- 1.8 Overall cost (VAT excluded): 2.265.000 EUR**
- 1.9 EU contribution: 2.000.000 EUR**
- 1.10 Final date for contracting:** 2 years after the signature of the Financing Agreement (FA)
- 1.11 Final date for execution of contracts:** 4 years after the signature of the FA
- 1.12 Final date for disbursements:** 5 years after the signature of the FA

## **2. Overall Objective and Project Purpose**

### **2.1 Overall Objective:**

Prevention and control of money laundering and terrorist financing in Serbia in accordance with the European and other international standards and best practices.

### **2.2 Project purpose:**

To enhance capacities of the key institutions to prevent and control money laundering, economic and financial crime and strengthen the interagency cooperation.

### **2.3 Link with AP/NPAA / EP/ SAA**

According to Article 6 of the **Stabilisation and Association Agreement**<sup>1</sup> (SAA) Serbia commits itself to continue to foster cooperation and good neighbourly relations with the other countries of the region including an appropriate level of mutual concessions concerning the movement of persons, goods, capital and services as well as the development of projects of common interest, notably those related to border management and combating organised crime, corruption, money laundering, illegal migration and trafficking, including in particular in human beings, small arms and light weapons, as well as illicit drugs. This commitment constitutes a key factor in the development of the relations and cooperation between the Parties and thus contributes to regional stability.

According to Article 84 of the SAA Serbia is committed to cooperate with other Parties in order to prevent the use of financial systems and relevant non-financial sectors for laundering of proceeds from criminal activities in general and drug offences in particular, as well as for the purpose of financing terrorism.

It is also committed to develop and implement regulations and ensure efficient functioning of the suitable standards and mechanisms to combat money laundering and financing of terrorism equivalent to those adopted by the Community and international fora in this field, in particular the Financial Action Task Force (FATF).

**The European Partnership 2008** as a priority of the Republic of Serbia in chapter **European standards - Justice, freedom and security states as follows:** „Adopt the necessary legislation and a national strategy, including a timetable, against money laundering and financing of terrorism, strengthen national bodies for the fight against money laundering and improve inter-agency and international cooperation.“

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<sup>1</sup> Stabilisation and Association Agreement between the European Communities and their Member States of the one Part, and the Republic of Serbia, of the other Part.

## 2.4 Link with MIPD

According to MIPD<sup>2</sup> 2009 – 2011 for the Republic of Serbia, following objectives and expected results are to be achieved:

- *2.3.1.1 Political Criteria*

*Objectives and choices*

Support the fight against organized crime, counterfeiting and piracy, fight against drugs, human trafficking money laundering and terrorism (...), point 7., page 18.

*Expected results by the end of the covered period*

It is expected to improve independence, transparency, accountability, and efficiency of judiciary; establish administrative capacities to combat human trafficking, drug trafficking, smuggling and money laundering, as well as to combat organized crime, terrorism and corruption and confiscation of illegally acquired property, with special emphasis to children's rights in the relevant areas. The capabilities of the law enforcement agencies in these areas strengthened as well as internal control of the Serbian Police forces improved. The Unit for fight against terrorism strengthened, including improved cooperation and exchange of information among relevant services (point 8., page 21)

- *2.3.1.3. Ability to assume obligations of membership*

*Objectives and choices*

Supporting further alignment with European standards in the area of **justice, freedom and security**, in particular as regards visas (to ensure implementation of the EU-Serbia visa facilitation agreement), border management, asylum and migration mechanisms, data protection, regional cooperation in the field of law enforcement and fight against organised crime and terrorism, fight against drugs, human trafficking and money laundering (point 7., page 28.)

*Expected results by the end of the covered period*

(...)The legal and institutional framework of the law enforcement agencies in the fight against money laundering, drugs organised crime, terrorism and corruption in line with the EU's *acquis* is in place. New legislation on money laundering implemented. New legislation on prevention of money laundering and financial terrorism as well as respective national strategy adopted and implemented. The inter-agency cooperation and international cooperation to counter money laundering improved (point 7., page 31.).

## 2.5 Link with National Development Plan (where applicable)

N/A

## 2.6 Link with national/ sectoral investment plans (where applicable)

**National Program for the Integration of The Republic of Serbia** into the EU: Chapter 3.24 Justice, Liberty and Security, elaborates on the domains of fight against corruption, terrorism and organized crime but the more precise provisions are to be found under point 3.4.3. – Preventing money laundering, where following short-term priority is set:

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<sup>2</sup> Multi-annual Indicative Planning Document (MIPD) 2009-2011 for Serbia

„Improvement of administrative capacities is necessary to ensure adequate implementation of the Law. Above all, this refers to the quality, quantity, speed and method of receiving data, as well as type and established procedures for data processing and storage.“

On the 25<sup>th</sup> of September 2008, the Government of the Republic of Serbia adopted the **National Strategy for the Prevention of Money Laundering and Financing Terrorism.**

The key objectives of the Strategy are as follows:

- To influence the reduction in money laundering and terrorism financing-related crimes by taking preventive and repressive measures;
- To implement the international standards leading to membership or an improved status of Serbia in international organizations;
- To develop a system of cooperation and responsibilities of all stakeholders in combating money laundering and terrorism financing;
- To improve the cooperation between the public and the private sectors in the fight against money laundering and terrorism financing;
- To ensure the transparency of the financial system.

### **3. Description of project**

#### **3.1 Background and justification:**

In recent years the authorities of the Republic of Serbia have begun efforts to improve their capacities to fight economic crime in general, including money laundering, terrorist financing and cybercrime. Progress has been achieved in developing the institutional capacity of the Ministry of Finance and the judiciary through the Project against Economic Crime in the Republic of Serbia (PACO Serbia) which was funded by the EAR and implemented by the Council of Europe in 2006 – 2008. Indeed, the Communication from the Commission to the Council and the European Parliament on Enlargement Strategy and Main Challenges 2008-2009<sup>3</sup> of 5 November 2008 states that “the legal framework and cooperation between banks and financial institutions on money laundering, have improved.”

The following draft laws have been prepared with the assistance of PACO Serbia:

- Law on Managing Seized Assets (Adopted);
- Law on Agency for the Prevention of the Corruption (Adopted);
- Law on Organisation and Authorities of the State Bodies in Combating Organised Crime (Pending for adoption);
- Law on Liability of Legal Persons (Adopted);
- Law on the Ratification of the Cybercrime Convention and its Additional Protocol (Adopted);
- Law on Prevention of Money Laundering and Terrorism Financing (Adopted).

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[http://www.europa.org.yu/upload/documents/key\\_documents/2008/strategy\\_paper\\_incl\\_country\\_conclu\\_en%202008.pdf](http://www.europa.org.yu/upload/documents/key_documents/2008/strategy_paper_incl_country_conclu_en%202008.pdf)

In addition to the above, the National Strategy for the Prevention of Money Laundering and Financing Terrorism, drafted with the assistance of the PACO Serbia project was adopted in September 2008 and provides for political guidance in the further development of the AML/CTF system.

<i>Reports on suspicious transactions in obligors</i>					
<b>Institution reporting</b>	<b>1.11 -31.12.2003</b>	<b>2004</b>	<b>2005</b>	<b>1.1 -31.12.2006</b>	<b>Total</b>
Banks	24	249	275	802	<b>1,350</b>
Exchange Offices	-	7	-	-	<b>7</b>
Post offices	4	1	4	1	<b>10</b>
<b>Total</b>	<b>28</b>	<b>257</b>	<b>279</b>	803	<b>1,367</b>

The above table shows an increase in the number of reports being raised regarding suspicious transactions which is positive. However the number of these reports which are then formally investigated has decreased over the same period (58 in 2004, 73 in 200 and 38 in 2006). The low number of such cases points to a low quality of reporting.

However, significant further action is required and the Serbia Progress Report 2008<sup>4</sup> the EC concludes that “Preparations in the area of money laundering are still at an early stage. Money laundering continues to be a serious problem in Serbia”. In particular, it highlights the need to adopt the legislation regarding the prevention of money laundering and financing of terrorism and to align legislation with the Council directive on prevention of the use of the financial system for the purpose of money laundering and financing terrorism.

The report states that:

“Criminal investigations in money laundering cases have had very limited success. Police and prosecution service lack the capacities and expertise to follow up properly reports issued by the Financial Intelligence Unit concerning suspicious transactions. This results in a low number of final convictions in such cases. Proper management of seized assets is still not assured. Legal entities do not fully comply with their reporting obligations and enforcement remains insufficient. Further efforts are needed in order to better control the high number of cash transactions.”

The Communication from the Commission to the Council and the European Parliament on Enlargement Strategy and Main Challenges 2008-2009<sup>5</sup> of 5 November 2008 also states that “enforcement capacity to confiscate assets remains low. Investigation resources, inter-agency cooperation and enforcement capacity need to be further improved.”

The lack of political stability (there were two Parliamentary elections in January 2007 and May 2008) have been a major obstacle to the capacity building effort and in particular to the

<sup>4</sup> [http://www.europa.org.yu/upload/documents/key\\_documents/2008/serbia\\_progress\\_report\\_en%202008.pdf](http://www.europa.org.yu/upload/documents/key_documents/2008/serbia_progress_report_en%202008.pdf)

<sup>5</sup> [http://www.europa.org.yu/upload/documents/key\\_documents/2008/strategy\\_paper\\_incl\\_country\\_conclu\\_en%202008.pdf](http://www.europa.org.yu/upload/documents/key_documents/2008/strategy_paper_incl_country_conclu_en%202008.pdf)

legislative process. Equally, progress is hindered by the high number of key stakeholders in the process and the lack of co-operation between them. Developing and agreeing systems and procedures for sharing information between agencies will be a critical part of this project.

With information and communication technologies playing an increasingly important role in Serbia as elsewhere, societies are vulnerable to cybercrime. Cybercrime is increasingly targeted at generating economic proceeds involving different types of fraud and economic crime (such as phishing and other forms of identity theft, credit card fraud, auction fraud, internet marketing and retail fraud, online gambling, lottery fraud, intellectual property and related offences, stock market manipulation, advance fee fraud, extortion, espionage, insider trading and many others) through illegal access, data interception, data and system interference with the help of malware, including botnets and spam.

All these crimes are highly transnational in nature. In addition, the internet and information and communication technologies facilitate money laundering and the financing of terrorism. A wide range of stakeholders are involved in measures against such forms of crime not only from the public sector but in particular the private sector. However, efforts remain fragmented. Initiatives against fraud on the internet are not necessarily linked to the activities carried out by financial intelligence units or law enforcement authorities responsible for financial investigations. It is therefore necessary to ensure inter-agency as well as public-private cooperation in the investigation of criminal money flows in the internet and to strengthen capacities to follow money on the internet.

The final report of PACO Serbia identified a number of specific issues which should be addressed in the control of money laundering and financing terrorism. These include “the practical application of the AML/CTF law (when it is adopted), implementation of the AML National Strategy, provision of further training and further IT improvements”. The implementation of the AML/CTF law, preparation of sub-laws and guidelines, preparation of manuals on the strengthening of the co-operation of all institutions involved in the prevention of the AML/CTF; further AML/CTF training and a review of the usage of IT system should also be carried out. The proposed project will address these specific issues as part of the overall process of implementation of the National Strategy.

### ***Institutional Framework***

Ministry of Finance has an important role among institutions fighting financial crime. It carries out duties and tasks relating to the prevention of money laundering and proposes relevant regulation. The following bodies have also been established within the Ministry of Finance with specific responsibilities for tackling money laundering and terrorism financing, and therefore are major beneficiaries to the present Project:

The ***Administration for the Prevention of Money Laundering (APML)*** is the financial intelligence unit (FIU) of the Republic of Serbia. The APML collects, analyses and keeps data and information and, where it suspects money laundering, it notifies the competent state bodies (the police, judiciary, and inspectorate authorities) so that they can take measures within their competence. The APML has 24 staff with a further 11 vacant posts.

The ***Tax Administration*** - in 2003, the Tax Police Sector was established with competences to detect tax criminal offenses and their perpetrators. This sector has about 220 employees, and it is managed by the chief inspector who is appointed by the Government at the proposal of the minister of finance.

The *Customs Administration* has established in its Internal Control Department, a Team against terrorism, organized crime and money laundering. This team has primarily a coordinative role and works with other state bodies. The Customs service is authorized to conduct foreign currency controls in the international passenger traffic.

A wide range of other institutions join the Ministry of Finance with equal relevance in the system of fighting financial crime in Serbia.. These include the Ministry of Justice, Ministry of Interior, Security Information Agency, Ministry of Defence, Public Prosecutors Office, Securities Commission and the National Bank of Serbia. It is a specific task of this project that mechanisms are established, both during and after project implementation, to involve these institutions in the decision making process and to improve the way they share information.

### **3.2 Assessment of project impact, catalytic effect, sustainability and cross border impact**

The immediate impact of the proposed project is to strengthen the capacities of the Serbian institutions involved in the AML/CTF effort to implement the National Strategy for the Prevention of Money Laundering and Financing Terrorism and fulfil the European Partnership commitments (short and medium term) in line with the Council of Europe's Moneyval recommendations and applicable international standards. Mid-term and long term impact is to effectively limit the level of money laundering and economic crime in Serbia, thus making it a safer place for investment.

Sustainability will be ensured through the development and adoption of legislation and the subsequent changes in institutional procedures necessary to meet the legal requirements. Capacity will be built within key stakeholders so that they are able to identify and address issues in the future.

### **3.3 Results and measurable indicators:**

The project fiche consists of one contract which contains three components:

- Legislation development and public awareness raising
- Institutional capacity development
- Co-operation and information exchange

#### **COMPONENT I: LEGISLATION DEVELOPMENT AND PUBLIC AWARENESS RAISING**

##### ***1. Legislative proposal available to make the relevant Serbian legislation compliant with the applicable European and international standards***

Measurable indicators:

- Legislation gap analysis report
- Existing legislation revised/amendments proposed and recommendations drafted for the necessary new legislation;
- Good quality of amendments/ proposals in comparison to international standards

***2. Civil society and the media consolidated in support of efforts to prevent and control economic crime***

Measurable indicators:

- Increased number of press investigations of financial crime
- Increased public awareness on causes and measures for the control of financial crimes

**COMPONENT II: INSTITUTIONAL CAPACITY DEVELOPMENT**

***3. Capacities of the APML to carry out its duties in relation to the implementation of the AML/CTF legislation increased***

Measurable indicators:

- All financial analysts of relevant MoF services, and up to 80% of their other competent staff, trained;
- Reports of APML sent to law enforcement agencies are well prepared and contain enough evidence to start investigation/prosecution

***4. Capacity of the law enforcement agencies, relevant service of the MOF and judiciary to detect, investigate, prosecute and adjudicate in the money-laundering, terrorist financing and economic crime cases (including tracing criminal money on the internet) is increased***

Measurable indicators:

- Increased number of investigations, prosecutions and adjudications for financial crimes;
- At least 5 trainers in relevant GoS services identified and trained;
- Improved effectiveness of the tracking of criminal money on the internet;

***5. Capacity of financial market regulators, supervisors and obliged entities in assuming their obligations under AML/CTF legislation and to apply policies based on the risk analysis, is increased***

Measurable indicators:

- Number of false positives reduced by 50%;
- Reports of financial market regulators, supervisors and obliged entities are prepared in line with the instructions and contain necessary information for AML/CTF suppression
- Training on the risk-based approach delivered to all financial regulators and at least 5 trainers identified and trained

**COMPONENT III: CO-OPERATION AND INFORMATION EXCHANGE**

***6. Mechanisms and procedures of interagency cooperation and information exchange within the relevant bodies of the AML/CTF system in Serbia, including between public and private sector, reinforced;***

Measurable indicators:

- Cooperation mechanism in place with MoUs and service level agreements concluded;
- Number and efficiency of investigations and prosecutions in financial crime cases;



***7. Technical infrastructure to collect, analyse and exchange information necessary to prevent and control money laundering, terrorist financing and predicate financial crimes, improved***

Measurable indicators:

- Timely preparations of annual work plans
- Existence of new software in the relevant units, as per needs assessment report;
- 80% of staff using software trained

**3.4 Activities:**

**COMPONENT I:**

**Activities related to the result 1.**

1.1. Analysis of Serbian legislation and practice and support in the preparation of the necessary legislative drafts ;

1.2. Organisation of series of training events on practical implementation of new European AML/CTF standards, CoE Convention 198 and application of new standards and procedures for core group of staff

1.3. Design/revise standards of data protection, data security and access rights of different persons and services

1.4. Organize multi-agency study visits to CoE Member States to provide first-hand experience to complement the theory and help individuals to examine possible changes to their own procedures and approaches, and also initiate the basis for launching cooperation and networking with those states.

**Activities related to the result 2**

2.1. Train staff in relevant public agencies in media relations and the provision of information to the public

2.2. Workshops for investigative journalists

2.3 Organisation of awareness raising workshops to gain public support to measures against money-laundering and economic crime.

**COMPONENT II:**

**Activities related to the result 3**

3.1. Based on a comprehensive TNA, support the AMLP in preparing further training plans for their staff, train selected AMLP staff as trainers and assist them in delivering training courses for staff from other AML/CTF system participants

3.2. Deliver training events for analytical staff from FIUs to exchange operational experiences and present them with best international practices

**Activities related to the result 4.**

4.1. Support the preparation and delivery of training programs and materials on money laundering for the law enforcement agencies, other relevant services of the MOF and judiciary.

4.2 Assist in the training of staff of the law enforcement and financial investigation units and their training institutions in delivery of training in economic and financial crime and money laundering investigations and related topics

4.3 Support the delivery of specialist anti money laundering training to the operational investigation units of the Ministry of Interior and Security Service and the specialist anti money laundering and terrorist financing teams.

**Activities related to the result 5.**

5.1 Assist the financial sector regulators in the determination of national standards of compliance with relevant legislation and international standards

5.2 Organise seminars and workshops for the regulators/supervisors on best practices available in other European countries and on the application of the risk-based approach in the internal AML/CTF policies

5.3 Assist financial supervisors and regulators in the elaboration of training plans and curricula for obliged institutions in their sectors.

**COMPONENT III:**

**Activities related to the result 6.**

6.1. Annual typology meetings with law enforcement and regulatory authorities

6.2. Support preparation of protocols on information exchange between relevant services and cooperative agreements between the state authorities and private industry to make the effective tracking of criminal money.

6.3. Prepare and disseminate AMLP indicators and guidelines for obliged institutions;

6.4. Analyse and support improvement to data collection and analysis systems, including a feedback mechanism for law enforcement and criminal justice authorities.

6.5. Support preparation of yearly implementation plans of the National Strategy.

**Activities related to the result 7**

7.1. Assess IT infrastructure needs to manage information flow across the network

7.2. Produce detailed technical specifications for the necessary equipment and software

7.3. Procure necessary software and provide training on its use

7.4. Conduct necessary adjustments necessary for efficient usage of procured equipment and software

This project will be implemented through one contribution agreement with the Council of Europe (CoE)
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CoE as an implementing agency will provide financial contribution to the project as well as the beneficiary through purchase of hardware equipment and lease of telecommunication lines.

**3.5 Conditionality and sequencing:**

In recent years, the EU and other donors have invested a considerable amount of funds in the area of public sector reforms and crime prevention in Serbia. Although progress can and has been noted in these important areas, sustainability of return on investment needs to be assured and confirmed.

It should be noted that EU funded technical assistance and support in the framework of the implementation and fulfilment of key priorities under the European Partnership commitments can be expected to be linked accordingly on the basis of the following conditions:

- Clear political will to carry out committed and underline reforms as such;
- Efforts towards retention of staff in overall public sector administration in order to ensure institutional memory and sustainable capacity building throughout the process of reforms and development;
- tangible reform results;
- measurable indicators of success and of impact created through projects as such;
- cooperation and coordination in a horizontal way with all relevant institutions by also avoiding duplication of efforts;
- full implementation of the relevant treaty law/international instruments commitments in accordance with the recommendations and evaluations procedures;

Progress of reforms to be initiated, or that have been initiated, could also be measured not only through the EC monitoring and progress reporting tools but also, through the subject matter Council of Europe monitoring mechanisms such as Moneyval.

All activities should be delivered so as to maximise the ownership of the results Implementing Agency will work in close cooperation with the appropriate Serbian authority while implementing suggested project activities. The responsibilities for each specific activity should be established in the Contribution Agreement with the ECD.

There are no issues of sequencing since the fiche contains only one contract which is a direct grant agreement with the Council of Europe. It will be the responsibility of the Council of Europe to procurement the necessary software in accordance with its internal procedures.

### **3.6 Linked activities**

**Prevention of economic crime (PACO Serbia)** funded under CARDS 2004. The project provided support to the Ministry of Justice, Ministry of Finance, Ministry of Interior and the Prosecution service in a range of areas including anti-money laundering and the reduction in financing terrorism. Specific outputs of the project have been detailed in section 3.1 of this fiche. The project ended in 2008.

**Development of reliable and functioning policing systems and enhancing combating main criminal activities and police co-operation** project funded under CARDS 2002/03. The project strengthened the capacity of the Ministry of Interior and the police service to tackle serious crime in SEE. The project ended in 2007.

**Support to Prosecutors' Network in South Eastern Europe, PROSECO** (2008. – 2010) - The overall objective of the project is to strengthen the capacities of the CARDS countries to develop and implement judiciary co-operation against serious crime based on the European Union *acquis* and other European and international standards and practices by supporting the Prosecutor's Network. In particular, the project will focus on strengthening the legislation and institutional capacities of General Prosecutors' Offices of South Eastern Europe in view of a more effective co-operation against serious crime.

Under IPA 2008 program, project **Harmonization of the Serbian Customs Enforcement Division with the standards, organization and operational methodology of EU**

**enforcement agencies**, has been approved. Purpose of this project is to support and build up the capacity of the Serbian Customs Administration by capacity and institution building as well as by the installation of X-ray systems and other necessary equipment, in order to improve the efficiency and effectiveness of border control systems such as the means of preventing and combating international terrorism, smuggling, counterfeiting, and other customs offences, while also ensuring a higher level of environmental safety in Serbia. Amongst other activities, the project should tackle the issue of risk management by creation of the system in which risk management process is performed and establishment of regular communication with other relevant agencies and administrations, that would encourage regular exchanges of information and experience and application of joint coordinated controls and operations as well as establishment of formal and informal arrangements that would enable prompt and efficient communication

Within IPA 2009 national package, the Ministry of Justice of the Republic of Serbia submitted the project: **Capacity building of the Directorate for Confiscated Property and Improving the system of Criminal Asset Confiscation**. The purpose of this project is to enhance the institutional capacity and efficient functioning of the Directorate for Confiscated Property Management as well as other key institutions involved in the search, seizure, management and confiscation of the proceeds from crime in the Republic of Serbia. Amongst other activities, the project should design curriculum and deliver multidisciplinary training for training of staff in the Directorate, Financial investigation unit and relevant state institutions in seizure of criminal assets and procure adequate IT and electronic equipment necessary for the efficient work of the Directorate for Confiscated Property Management and Financial investigation unit of the Ministry of Interior and if needed to other key state institutions. It is envisaged that this project will also be implemented through one direct agreement with the Council of Europe.

Under Multi-beneficiary IPA 2008, the project **Fight against organised crime, in particular illicit drug trafficking, and the prevention of terrorism** was financed. The purposes of the project are: (i) Improve cross-border intelligence collection systems and exchange, criminal intelligence capacities, including financial intelligence units, relating to organised crime, in particular financial crime and illicit drug trafficking and counter-terrorism; (ii) Enhance and further develop more effective strategies and instruments on the trail, freezing and confiscation of terrorist assets and organised crime-related proceeds; (iii) Strengthen and consolidate International Law Enforcement Coordination Units (ILECUs).

It is also envisaged that under Multi-beneficiary IPA Programme 2010 a project named: **“Regional Cooperation in Criminal Justice: Strengthening capacities in the fight against cybercrime”** will be financed. The purpose of this project should be to strengthen cross-border and international operational cooperation between law enforcement and judicial authorities of the IPA Beneficiaries and EU Member States in investigations or prosecutions of cybercrime. One of the expected results of the project envisages that capacities of financial investigators and officials of Financial Intelligence Units (FIU) in following crime proceeds on the internet would be improved and their cooperation with the financial sector strengthened.

This project should provide training on analysis and investigation of criminal proceeds flows on the internet involving the IPA Beneficiaries, organise workshops on financial investigation involving information and communication technologies and develop cooperation procedures/agreements between financial investigators, FIU and the private sector (including

financial sector). These activities will complement to wider approach in suppression of money laundering and terrorism financing envisaged in project proposed in this project fiche.

### **3.7 Lessons learned**

Experience has shown that the effectiveness of the fight and prevention of economic crime and corruption has a bearing on foreign direct investment and economic development. Introduction of effective mechanisms to prevent and suppress these phenomena contributes to the improvement of the society's well being and improves the perception of a country by the public, including at an international level.

Therefore, efficient coordination and cooperation, as well as political commitment of all relevant stakeholders should be ensured from the beginning of the project design and throughout its implementation in order to provide a basis for sustainable action. It is therefore of the utmost importance to get approval of all relevant documents by the key stakeholders. This includes independent organisations as well as those within the public administration.

Experience gained during the implementation of the previous funded EC projects have proven that the establishment of a Project Steering Group and of a centralised and well coordinated project management unit within the premises of the main project stakeholder institution, can contribute to improving the decision making process and accelerate the passing of different decisions and policy related reforms at all government levels. Members of the Steering Group should be senior level representatives from the leading stakeholder institutions and those other direct and indirect beneficiary structures.

Given the previous experience of the Council of Europe in the implementation of similar projects, including in Serbia, and the fact that Serbia has ratified the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime of 1990 and is participating in the Moneyval evaluation mechanism, the Council of Europe is well placed to implement this project under a direct grant agreement.

The Council of Europe would also be able to co-fund this project. The Memorandum of Understanding between the Council of Europe and the European Union of 2007 – which among other things calls for strong cooperation between the two organisations in justice and home affairs matters and the implementation of joint programmes - provides added justification for the implementation of this project by the Council of Europe.

#### 4. Indicative Budget (amounts in EUR)

Project against Money Laundering and Terrorism Financing in Serbia			SOURCES OF FUNDING									
			TOTAL EXP.RE	IPA COMMUNITY CONTRIBUTION		NATIONAL CONTRIBUTION						Council of Europe
ACTIVITIES	IB (1)	INV (1)	EUR (a)=(b)+(c)+(d)	EUR (b)	% (2)	Total EUR (c) = (x) + (y) + (z)	% (2)	Central EUR (x)	Regional / local EUR (y)	IFIs EUR (z)	EUR (d)	% (2)
Direct grant agreement with CoE	x	–	2,265,000	2,000,000	88%	65,000,00	3%	65.000,00			200.000,00	9%
TOTAL IB			2,265,000	2,000,000	88%	65,000,00	3%	65.000,00			200.000,00	9%
TOTAL INV												
<b>TOTAL PROJECT</b>			2,265,000	2,000,000	88%	65,000,00	3%				200.000,00	9%

\* expressed in % of the Total Cost

## 5. Indicative Implementation Schedule (periods broken down per quarter)

Contracts	Start of Tendering	Signature of contract	Project Completion
Direct grant agreement with CoE	N/A	N+1Q	N+12Q

All projects should in principle be ready for tendering in the 1<sup>st</sup> Quarter following the signature of the FA

## 6. Cross cutting issues (where applicable)

### 6.1 Equal Opportunity

While an objective assessment of the personnel's qualifications and experience is central to the performance of the public administration reforms, equal opportunities and gender issues will be highly taken into consideration throughout the entire project implementation. The Project activities will cover major some areas of public sector, thus indirectly will deal with relevant groups and with no discrimination at all. It will pay a special attention in addressing gender equality.

### 6.2 Environment

The project has no negative effect on the environment. The project procures software for improving analysis of data electronically and develops mechanisms and procedures to facilitate the exchange of electronic information between agencies. Both these contribute to reducing the amount of paper being used and associated storage.

### 6.3 Minorities

The project will be implemented in a way which does not discriminate against any individual on the grounds of their ethnic origin, race or religion.

**ANNEX I: Logical framework matrix in standard format**

LOGFRAME PLANNING MATRIX FOR Project Fiche			
Programme name and number:			
<b>Project against Money Laundering and Terrorism Financing in Serbia</b>		Contracting period expires: 2 years after the signature of the FA	Disbursement period expires: 5 years after the signature of the FA
		Total budget : 2.265.000 EUR	IPA budget: 2.000.000 EUR
<b>Overall objective</b>	<b>Objectively verifiable indicators</b>	<b>Sources of verification</b>	
To reinforce prevention and control of economic and financial crimes and (thus) contribute to stability, and efficiency of the anti-money laundering system of the Republic of Serbia	<ul style="list-style-type: none"> <li>Increased reporting, investigation, prosecution and adjudication of money laundering offences;</li> <li>Increased level of conformity with international standards reflected in the evaluation/assessment reports of international bodies;</li> <li>Increasing numbers of AML/CTF professional trained;</li> <li>(Increased seizure and confiscation of the proceeds from crime);</li> <li>At least 70% of measures under the National Strategy for the Prevention of Money Laundering and Financing Terrorism implemented within the timeframe foreseen</li> </ul>	The EC Annual Progress Report; Final report on the basis of the criteria and recommendations of the CoE and the Financial Action Task Force; Moneyval reports; Official statistics of key institutions	
<b>Project purpose</b>	<b>Objectively verifiable indicators</b>	<b>Sources of verification</b>	<b>Assumptions</b>
To enhance capacities of the key institutions to prevent and control money laundering, economic and financial crime and strengthen the interagency cooperation.	Legislative framework reviewed with public awareness campaign completed; <ul style="list-style-type: none"> <li>Increased number of financial crime cases reaching successful prosecution</li> </ul>	Project progress and activity reports. Feedback by CoE and other international organizations (FATF and similar). National statistics	Political willingness continues to exist to prevent financial crimes and implement the National Strategy Understanding and support by policy makers and decision takers to improve AML/CTF system; Positive attitude towards interagency cooperation within beneficiary institutions; Local partners effectively cooperate with Project teams and are able to absorb new knowledge.



<b>Results</b>	<b>Objectively verifiable indicators</b>	<b>Sources of Verification</b>	<b>Assumptions</b>
<b>Component I - Legislation development and public awareness raising</b>			
1. Legislative proposal available to make the relevant Serbian legislation compliant with the applicable European and international standards	<ul style="list-style-type: none"> <li>• Legislation gap analysis report</li> <li>• Existing legislation revised/amendments proposed and recommendations drafted for the necessary new legislation;</li> <li>• Good quality of amendments/ proposals in comparison to international standards</li> </ul>	Final report on the basis of the criteria and recommendations of the CoE and the FATF; Moneyval reports;	Legal opinion adopted and transposed into Serbian legislation
2. Civil society and the media consolidated in support of efforts to prevent and control economic crime	<ul style="list-style-type: none"> <li>• Increased number of press investigations of financial crime</li> <li>• Increased public awareness on causes and measures for the control of financial crimes</li> </ul>	Press reviews; Official statistics;	Politicians, journalists and CSO are able and willing to follow and support Project's results
<b>Component II – Institutional capacity development</b>			
3. Capacities of the APML to carry out its duties in relation to the implementation of the AML/CTF legislation increased	<ul style="list-style-type: none"> <li>• All financial analysts of relevant MoF services, and up to 80% of their other competent staff, trained;</li> <li>• Reports of APML sent to law enforcement agencies are well prepared and contain enough evidence to start investigation/prosecution</li> </ul>		
4. Capacity of the law enforcement agencies, relevant service of the MOF and judiciary to detect, investigate, prosecute and adjudicate in the money-laundering, terrorist financing and economic crime cases (including tracing criminal money on the internet) is increased	<ul style="list-style-type: none"> <li>• Increased number of investigations, prosecutions and adjudications for financial crimes;</li> <li>• At least 5 trainers in relevant GoS services identified and trained;</li> <li>• Improved effectiveness of the tracking of criminal money on the internet;</li> </ul>	Project training reports, including TNA Feedback questionnaires and training certificates Feedback workshops with law enforcement agencies	
5. Capacity of financial market regulators, supervisors and obliged entities in assuming their obligations under AML/CTF legislation and to apply policies based on the risk analysis, is increased	<ul style="list-style-type: none"> <li>• Number of false positives reduced by 50%;</li> <li>• Reports of financial market regulators, supervisors and obliged entities are prepared in line with the instructions and contain necessary information for AML/CTF suppression</li> <li>• Training on the risk-based approach delivered to all financial regulators and at least 5 trainers identified and trained</li> </ul>	National statistics Training reports	

<b>Results</b>	<b>Objectively verifiable indicators</b>	<b>Sources of Verification</b>	<b>Assumptions</b>
<b>Component III - Co-operation and information exchange</b>			
6. Mechanisms and procedures of interagency cooperation and information exchange within the relevant bodies of the AML/CTF system in Serbia, including between public and private sector, reinforced;	<ul style="list-style-type: none"> <li>• Cooperation mechanism in place with MoUs and service level agreements concluded;</li> <li>• Number and efficiency of investigations and prosecutions in financial crime cases;</li> </ul>	Moneyval reports; Official statistics Training reports, questionnaires and certificates	Absorption capacity of agencies involved is maintained and operational staff are available for training
7. Technical infrastructure to collect, analyse and exchange information necessary to prevent and control money laundering, terrorist financing and predicate financial crimes, improved	<p>Timely preparations of annual work plans</p> <ul style="list-style-type: none"> <li>• Existence of new software in the relevant units, as per needs assessment report;</li> <li>• 80% of staff using software trained</li> </ul>	Progress reports; Moneyval reports; Reports of the Standing Coordination Group; Invoice and acts of acceptance for purchased software	Readiness for cooperation among all involved actors and willingness to change inefficient data exchange practices; The contribution of the GoS through purchasing or upgrading the hardware and network infrastructure

Activities:	Means/Costs	Assumptions
<p><b>Result 1:</b>  1.1. Analysis of Serbian legislation and practice and support in the preparation of the necessary legislative drafts ;  1.2. Organisation of series of training events on practical implementation of new European AML/CTF standards, CoE Convention 198 and application of new standards and procedures for core group of staff  1.3. Design/revise standards of data protection, data security and access rights of different persons and services  1.4. Organize multi-agency study visits to CoE Member States to provide first-hand experience to complement the theory and help individuals to examine possible changes to their own procedures and approaches, and also initiate the basis for launching cooperation and networking with those states.</p> <p><b>Result 2:</b>  2.1. Train staff in relevant public agencies in media relations and the provision of information to the public  2.2. Workshops for investigative journalists  2.3. Organisation of awareness raising workshops to gain public support to measures against money-laundering and economic crime.</p> <p><b>Result 3:</b>  3.1. Based on a comprehensive TNA, support the AMLP in preparing further training plans for their staff, train selected AMLP staff as trainers and assist them in delivering training courses for staff from other AML/CTF system participants  3.2. Deliver training events for analytical staff from FIUs to exchange operational experiences and present them with best international practices</p> <p><b>Result 4:</b>  4.1. Support the preparation and delivery of training programs and materials on money laundering for the law enforcement agencies, other relevant services of the MOF and judiciary.  4.2 Assist in the training of staff of the law enforcement and financial investigation units and their training institutions in delivery of training in economic and financial crime and money laundering investigations and related topics  4.3 Support the delivery of specialist anti money laundering training to the operational investigation units of the Ministry of Interior and Security Service and the specialist anti money laundering and terrorist financing teams.</p>	<p><b>1 contribution agreement with CoE</b>   <b>IPA Budget: 2,000,000 euro</b></p>	

<b>Activities:</b>	<b>Means/Costs</b>	<b>Assumptions</b>
<p><b>Result 5:</b>            5.1. Assist the financial sector regulators in the determination of national standards of compliance with relevant legislation and international standards            5.2. Organise seminars and workshops for the regulators/supervisors on best practices available in other European countries and on the application of the risk-based approach in the internal AML/CTF policies            5.3. Assist financial supervisors and regulators in the elaboration of training plans and curricula for obliged institutions in their sectors.</p> <p><b>Result 6:</b>            6.1. Annual typology meetings with law enforcement and regulatory authorities            6.2. Support preparation of protocols on information exchange between relevant services and cooperative agreements between the state authorities and private industry to make the effective tracking of criminal money.            6.3. Prepare and disseminate AMLP indicators and guidelines for obliged institutions;            6.4. Analyse and support improvement to data collection and analysis systems, including a feedback mechanism for law enforcement and criminal justice authorities.            6.5. Support preparation of yearly implementation plans of the National Strategy.</p> <p><b>Result 7:</b>            7.1. Assess IT infrastructure needs to manage information flow across the network            7.2. Produce detailed technical specifications for the necessary equipment and software            7.3. Procure necessary software and provide training on its use            7.4. Conduct necessary adjustments necessary for efficient usage of procured equipment and software</p>		

**ANNEX II: amounts (in million €) Contracted and disbursed by quarter for the project (IPA funds only)**

<b>Contracted</b>	<b>N+1Q</b>	<b>N+2Q</b>	<b>N+3Q</b>	<b>N+4Q</b>	<b>N+5Q</b>	<b>N+6Q</b>	<b>N+7Q</b>	<b>N+8Q</b>	<b>N+9Q</b>	<b>N+10Q</b>	<b>N+11Q</b>	<b>N+12Q</b>	<b>Total</b>
Contract 1	2.00												2.00
<b>Cumulated</b>	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
<b>Disbursed</b>													
Contract 1	0.50		0.35		0.35		0.35		0.35		0.10		2.00
<b>Cumulated</b>	<b>0.50</b>	<b>0.50</b>	<b>0.85</b>	<b>0.85</b>	<b>1.20</b>	<b>1.20</b>	<b>1.55</b>	<b>1.55</b>	<b>1.90</b>	<b>1.90</b>	<b>2.00</b>	<b>2.00</b>	<b>2.00</b>

It is foreseen that an amount of €200,000 as a contribution from the Council of Europe and an amount of €65.000,00 as a national contribution will be provided in addition to the EC funds

## **ANNEX III Institutional Framework – legal responsibilities and statutes**

### ***2.3. Description of situation at the institutional level***

#### *2.3.1. Ministry of Finance*

The Ministry of Finance carries out public administration tasks relating to the prevention of money laundering and proposes regulations governing the area. The following separate bodies have been established within the Ministry of Finance having the fight against money laundering and terrorism financing within their remit: The Administration for the Prevention of Money Laundering, Tax Administration, Foreign Currency Inspectorate and the Games of Chance Administration.

#### *2.3.2. Administration for the Prevention of Money Laundering*

The Administration for the Prevention of Money Laundering (APML) is the financial intelligence unit (FIU) of the Republic of Serbia. The APML collects, analyses and keeps data and information and, where it suspects money laundering, it notifies the competent state bodies (the police, judiciary, and inspectorate authorities) so that they can take measures within their competence.

The APML is an administrative body within the Ministry of Finance. The finances for the operation and functioning of the APML, as a direct budget user, are provided in the Republic of Serbia budget. The APML 2008 budget amounts to RSD 46,136,000.00.

The Rulebook on the Internal Organization and Jobs Systematization in the MF-Administration for the Prevention of Money Laundering envisages 35 positions for civil servants and employees, of which 24 posts have been filled.

Internal organizational units in the APML are: Analytics Department; Suspicious Transactions Department comprising the Suspicious transactions team monitoring banks and other financial institutions, and Suspicious transactions team monitoring the capital and securities market and other obligors; International and National Cooperation Department, and Section for legal, material and financial affairs.

#### *2.3.3. Tax Administration*

The Tax Administration is an administrative body within the Ministry of Finance. In 2003, the Tax Police Sector was established with competences to detect tax criminal offenses and their perpetrators. This sector has about 220 employees, and it is managed by the chief inspector who is appointed by the Government at the proposal of the minister of finance.

The Tax Police Sector consists of two departments at the level of the Republic, located at the sector's head office (Department for the coordination of tasks concerning tax crime identification and Department for analysis and IT), and four regional departments (Belgrade, Novi Sad, Kragujevac, and Niš), which are subdivided into 26 operative sections.

Tax Police authorities are laid down in the Law on the Taxation Procedure and Administration. The Tax Police acts as an internal affairs body during the pre-trial procedure and has powers to apply, in accordance with law, all the investigative actions except for the restriction of movement. The Tax Police also applies the provisions of the Criminal Procedure Code governing the pre-trial procedure.

#### *2.3.4. Customs Administration*

The Customs Administration is an administrative body within the Ministry of Finance. Within its Internal Control Department, the Customs Administration established a Team against terrorism, organized crime and money laundering. This team has primarily a coordinative role and works with other state bodies, including by sharing operative data and conducting checks in certain cases when requested by other bodies.

The Customs service is authorized to conduct foreign currency controls in the international passenger traffic. Where it identifies an infringement of foreign currency regulations it makes a report on the perpetrated foreign currency offense.

If the Customs service officers obtain indications, during the customs procedure or when they apply the measures of customs supervision and inspection, that a legal person committed a foreign currency offence they will report it to the Foreign Currency Inspectorate. The Foreign Currency Inspectorate will decide on any further action concerning such a report.

#### *2.3.5. Ministry of Justice*

**The Ministry of Justice** performs public administration tasks relating to criminal legislation, international legal assistance, etc. Within its Sector for normative tasks and international cooperation, the Ministry of Justice has several organizational units, including the Section for normative tasks dealing with drafting and monitoring of the implementation of laws, development and improvement of the legal system in the Ministry's remit; Department for international cooperation and European integration follows the European integration programs, legal harmonization with the regulations of the European Union, Council of Europe and the United Nations; it also monitors the implementation of the rights and obligations that derive from the relevant international conventions within the competence of the Ministry of Justice; the Ministry's International legal assistance section deals with requests of the domestic and foreign courts, other state bodies and individuals for international legal assistance.

#### *2.3.6. Judicial Training Centre*

The Judicial Training Centre is an organization offering training and professional improvement programs for judges, prosecutors and other employees in the Republic of Serbia judiciary. The founders of the Judicial Training Centre are the Ministry of Justice and the Judges' Association of Serbia. The purpose of the Judicial Training Centre is to design and implement training programs, improve and upgrade the knowledge of judges, prosecutors, and other staff in the judiciary, to explain the present-day international legal order standards and court practice of developed legal systems, as well as new institutes and regulations concerning the European integration processes.

#### *2.3.7. Ministry of Interior*

The Administration against organized crime within the Ministry of the Interior (hereinafter: MIA) has been reorganized, in line with the Law on organization and competences of state bodies in the suppression of organized crime, as the Bureau against organized crime. Within the Bureau and its Department against organized financial crime, a Section against money laundering has been set up. The Bureau against organized crime forms part of the Criminal Police Administration.

Other regional police administrations too are involved in the field. An ongoing education of police officers is under way. Given the high level of social risk that these criminal offenses

entail, as well as the lack of practice, the education has targeted not only the members of the Ministry of the Interior dealing with economic crime, but also towards the police officers dealing with the so-called general crimes. The reason for this is that kidnapping, extortions, illicit trade in narcotics are also among the predicate offenses.

It is especially important to hold international meetings and expert round tables as a means of experience sharing in the process of harmonization of national legislation with the regulations of other countries.

The police work in collecting evidence relating to a criminal offense of money laundering is largely dependent on the availability of adequate equipment. An important step has been made in that regard, but the needs of the police regarding equipment are still considerable.

#### *2.3.8. Security Information Agency*

Security-Information Agency (hereinafter: BIA), under the Law on the Security Information Agency ('RS Official Gazette' No. 42/02), also deals with countering organized international crime. It works on detecting, investigating and documenting the most serious forms of organized crime with a foreign element such as drug smuggling, illegal migrations and human trafficking, arms smuggling, money counterfeiting and laundering, and it also deals with the most serious forms of corruption linked to international organized crime. BIA also has special tasks concerning the prevention and suppression of the internal and international terrorism.

An important area of BIA's activity is investigating, detecting and documenting links between individuals, groups and organizations involved in the international organized crime and terrorism.

Separate departments have been created within the Counter-Intelligence Administration carrying out security operative activities against terrorism and international organized crime, as well as the appropriate organizational units in the BIA's territorial centres.

Within the Counter-Intelligence Administration, a Centre for Education and Research (CER) is operational and implementing basic operative and specialist professional training courses for staff working on countering international organized crime and terrorism. Professional training of staff is carried out by in-house lecturers, lecturers from other state bodies and institutions, as well as through international cooperation. The CER also organizes specialist courses for members of other state bodies. BIA has its own budget.

BIA cooperates internationally with over forty security services. It has a particularly intensive cooperation with the countries in the region. The main area of cooperation relates to data exchange concerning the international organized crime, international terrorism and data relating to money laundering and terrorism financing.

Apart from the bilateral cooperation, the BIA also actively participates in multilateral fora organized by the South East Europe Intelligence Conference, as a member, and Middle Europe Conference, as an observer.

#### *2.3.9. Ministry of Defence*

Ministry of Defence, pursuant to the Law on Ministries ('RS Official Gazette', No.65/08), performs, among other things, public administration tasks related to security matters relevant for defence. On the basis of the Law on Bases of Organization of the Republic of Serbia Security Forces ("RS Official Gazette", No. 116/07) Military Security Agency and Military Intelligence Agency were established as administrative bodies within the Ministry of Defence,



having the status of a legal entity. Law on Security Forces ('FRY Official Gazette', No.37/02 and 'SCG Official Gazette' No.17/04) lays down the competences of military security forces – Military Security Agency and Military Intelligence Agency in the combat against terrorism and organized crime, which includes prevention of money laundering and terrorism financing.

#### *2.3.9.1 Military Security Agency*

Military Security Agency is a security service performing tasks relevant for defence. Pursuant to the law, Military Security Agency, among other things, detects, investigates, monitors, suppresses and intercepts national and transnational terrorism, as well as detecting, investigating and documenting most serious crimes with elements of organized crime aimed against commands, institutions and units of the Serbian Army and the ministry competent for defence matters. Given the competences of Military Security Agency as stipulated by law, one of major tasks in protecting defence system is the prevention of money laundering and terrorism financing.

Military Security Agency established cooperation with counterpart agencies in the country and abroad in the field of prevention of money laundering and terrorism financing, as well as with the Serbian Ministry of Interior.

#### *2.3.9.2 Military Intelligence Agency*

Military Intelligence Agency is a security service performing tasks relevant for defence. Pursuant to the law, Military Intelligence Agency, among other things, collects, analyses, evaluates and provides data and information on potential and real threats posed by transnational and foreign organizations, groups and individuals aimed against Serbian Army, ministry competent for defence matters, as well as against sovereignty, territorial integrity and defence of the Republic of Serbia, including data related to the prevention of money laundering and terrorism financing.

Military Intelligence Agency established cooperation with counterpart agencies abroad in the field of prevention of money laundering and terrorism financing, as well as with other state authorities of the Republic of Serbia.

#### *Public Prosecutor's Office*

**Public Prosecutor's Office** is an independent state body whose jurisdiction is governed by the Constitution of the Republic of Serbia and the Law on Public Prosecutor's Office. In the Republic of Serbia, there are the State Public Prosecutor's Office, 30 District Prosecutors' Offices, and 109 Municipal Public Prosecutors' Offices. The jobs systematization provides for the following posts in the public prosecutor's office: the State Public Prosecutor with 39 deputies, 30 district public prosecutors with 195 deputies, 109 municipal public prosecutors with 403 deputies.

The State Public Prosecutor's Office has set up groups for the monitoring and consultation of cases of economic crime, including the criminal offence of money laundering, but no none have specialized exclusively for the crimes of money laundering and terrorism financing.

A Special Department of the District Prosecutor's Office in Belgrade for the Suppression of Organized Crime (hereinafter: the Special Prosecutor's Office) is competent to act in cases of organized crime in the Republic of Serbia.

A modified role of the public prosecutor provided for in the new Criminal Procedure Code allows for a greater participation of the public prosecutor in collecting evidence and in criminal proceedings. This requires additional personnel and financial capabilities.

#### *2.3.10. Courts*

Article 142 of the Republic of Serbia Constitution states that the courts in the Republic of Serbia are autonomous and independent and that they adjudicate in cases based on the Constitution, laws and other general acts where required by the law, as well as based on generally accepted rules of the international law and ratified international agreements.

The judicial power is exercised through the courts of general and special jurisdiction whose establishment, organization, jurisdiction, arrangements and composition are determined in the law. The highest instance court in the Republic of Serbia is the Supreme Cassation Court. Currently, there are 187 courts of general and special jurisdiction. Most of the cases are dealt with in a number of courts located in larger cities.

Based on the new constitutional and legislative framework, the National Judicial Reform Strategy ('RS Official Gazette', No. 44/06) envisages a streamlining of court networks as well as a new system of jurisdiction. Appellate courts will mostly take over the jurisdiction of today's Supreme Court, whereas the basic and higher instance courts of general jurisdiction will retain, with slight changes, the jurisdiction they had before. Also envisaged is the establishment of new specialized administrative and minor offense courts. Commercial courts will retain the competences they had.

This strategy also envisages the training of judges which will allow for a systematic improvement and specialization of the holders of judicial offices.

#### *2.3.11. Bodies monitoring the implementation of the Law on the Prevention of Money Laundering*

**2.3.11.1. National Bank of Serbia** is the central bank of the Republic of Serbia whose competence is laid down in the Constitution of the Republic of Serbia and the Law on the National Bank of Serbia. The National Bank of Serbia is an independent and autonomous institution. Its main objective is to maintain financial stability. The National Bank of Serbia, among other things:

- improves the functioning of payment operations and the financial system;
- controls the solvency and legality of operations of banks and other financial organizations;
- conducts the monitoring of the implementation of the insurance law by the companies dealing with the management of voluntary pension funds, and financial leasing providers;
- conducts the monitoring of the implementation of the Law on the Prevention of Money Laundering by banks, exchange offices, insurance organizations, companies for the management of voluntary pension funds, and financial leasing providers.

**2.3.11.2. Securities Commission** is an independent and autonomous organization of the Republic of Serbia. Its competences are defined in the Law on Securities and Other Financial Instruments, Law on Investment Funds, Law on the Prevention of Money Laundering and other laws. The Commission, among other things, performs the following tasks:

- issues licenses to broker-dealer companies;
- issues licenses to companies for the management of investment funds and to investment funds;

- conducts the monitoring of the operation of broker-dealer companies, stock-markets, investment funds management companies as well as the Central register of securities, licensed banks, custody banks, securities issuers, investors and other persons with respect to their business conducted in the securities market, etc;
- conducts the monitoring of the implementation of the Law on the Prevention of Money Laundering by broker-dealer companies, custody banks, stock markets and investment funds management companies.

**2.3.11.3. Other bodies and organizations** competent for the monitoring of the implementation of the Law on the Prevention of Money Laundering have not conducted the monitoring, until the time of adoption of this strategy, due to insufficient human and material resources.

*2.3.12. Other bodies relevant for the fight against money laundering and terrorism financing*

**2.3.12.1. Standing Coordination Group** – On 9 April 2009, the Government of the Republic of Serbia established the Standing Coordination Group with the purpose of monitoring and implementation of the National strategy for combating money laundering and terrorism financing as well as to monitor activities and recommend special measures to the competent bodies against money laundering and terrorism financing.

Within some obligor associations such as the Association of Banks, Association of Accountants and Auditors, etc, there are bodies dealing with the issue of money laundering.

**2.3.12.2. The Association of Banks of Serbia** is an association of all banks in the Republic of Serbia. In January 2005, the Association of Banks of Serbia set up a working group for compliance, which was transformed into a Committee for the banking operations compliance. The Association of Banks of Serbia holds professional training for its members.

**2.3.12.3. The Association of Accountants and Auditors of Serbia** is a professional organization of accountants and auditors in the Republic of Serbia gathering several thousand members.

## **ANNEX IV Reference to laws, regulations and strategic documents**

### ***2.2.1. Conventions ratified and signed***

2.2.1.1. United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (hereinafter: Vienna Convention), adopted in 1988 ('SFRY Official Gazette – International Agreements', No. 14/90);

2.2.1.2. Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime (hereinafter: Strasbourg Convention), adopted in 1990 ('FRY Official Gazette - International Agreements', No. 7/02 and 'SCG Official Gazette – International Agreements', No.18/05);

2.2.1.3. United Nations Convention Against Transnational Organized Crime with its Additional Protocols (hereinafter: Palermo Convention, adopted in 2000 ('FRY Official Gazette - International Agreements', No. 6/01);

2.2.1.4. 1999 Council of Europe Criminal Law Convention on Corruption ('FRY Official Gazette - International Agreements', No. 2/02 and 'SCG Official Gazette – International Agreements', No.18/05);

2.2.1.5. United Nations Convention Against Corruption, adopted in 2003 ('SCG Official Gazette – International Agreements' No, 12/05);

2.2.1.6. United Nations Convention for the Suppression of the Financing of Terrorism, adopted in 2000 ('FRY Official Gazette – International Agreements' No. 7/02);

2.2.1.7. Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and the Financing of Terrorism (hereinafter: Warsaw Convention), adopted in 2005, signed on 16 May 2005 ('RS Official Gazette – International Agreements', No 19/09)

### ***2.2.2. Regulations in force***

2.2.2.1. Law on the Prevention of Money Laundering and Terrorism Financing ("RS Official Gazette", No. 20/09);

2.2.2.2. Criminal Code ("RS Official Gazette" No. 85/05-amended and 107/05-amended), entered into force on 1 January 2006;

2.2.2.3. Criminal Procedure Code ("RS Office Gazette", No. 46/06 and 49/07), applicable as of 31 December 2008;

2.2.2.4. Law on Banks ("RS Official Gazette", No. 107/05);

2.2.2.5. Law on Insurance ("RS Official Gazette" No. 55/04, 70/04 – as amended in 61/05 and 85/05);

2.2.2.6. Law on Voluntary Pension Funds and Pension Plans ('RS Official Gazette', No. 85/04);

2.2.2.7. Law on Financial Leasing ("RS Official Gazette", No. 55/03 and 61/05);

2.2.2.8. Law on Games of Chance ("RS Official Gazette", No. 84/04);

2.2.2.9. Law on Securities and Other Financial Instruments Market ("RS Official Gazette", No. 47/06), applicable as of 11 December 2006;

2.2.2.10. Law on Investment Funds ("RS Official Gazette", No. 46/06), applicable as of 11 December 2006;

2.2.2.11. Law on Foreign Exchange Operations ("RS Official Gazette", No. 62/06);

2.2.2.12. Law on the Training of Judges, Public Prosecutors, Deputy Public Prosecutors and Assistant Judges and Prosecutors ("RS Official Gazette" No. 46/06) – applicable as of 1 March 2007;

2.2.2.13. Law on the Organization and Competences of State Bodies in the Suppression of Organized Crime ("RS Official Gazette", No. 42/02, 27/03, 39/03, 67/03, 29/04, 58/04-additional law, 45/05 and 61/05).

2.2.2.14. Law on Accounting and Auditing ("RS Official Gazette", No. 46/06);

2.2.2.15. Law on Payment Operations ('FRY Official Gazette', No. 3/02 and 5/03 and 'RS Official Gazette', No. 43/04 and 62/06);

2.2.2.16. Law on Bases of Organization of the Republic of Serbia Security Forces ("RS Official Gazette", No. 116/07);

2.2.2.17. The by-laws passed pursuant to the Law on the Prevention of Money Laundering, Law on Banks, and Law on Foreign Exchange Operations, as follows:

- Rulebook on the Methodology, Duties and Actions for the Implementation of the Tasks specified under the Law on the Prevention of Money Laundering ("RS Official Gazette", No. 59/06 and 22/08);

- Decision on the Minimum Content of "Know Your Customer" Procedure ("RS Official Gazette", No. 57/06);

- Decision on the Conditions and Non-Resident Account Maintenance ('RS Official Gazette', No. 16/07);

- Decision on Requirements for Opening and Maintenance of Foreign Currency Resident Accounts ('RS Official Gazette', No. 67/06).

2.2.2.18. Law on the Confiscation of the Proceeds from Crime (Official Gazette of Republic of Serbia 97/08)

2.2.2.19. Law on the Liability of Legal Entities for Criminal Acts (Official Gazette of Republic of Serbia 97/08)

2.2.2.20. Draft law on the prevention of money laundering and terrorism financing (Official Gazette of Republic of Serbia 20/09)

### **2.2.3. Other relevant regulations**

2.2.3.1. Law on Public Administration ("RS Official Gazette", No. 79/05 and 101/07);

2.2.3.2. Law on Civil Servants ('RS Official Gazette', No 79/05, 81/05, 83/05, 64/07, and 67/07).

### **2.2.4. Regulations currently drafted**

2.2.4.1. Draft law on repressive measures applied based on the relevant UN SC resolutions;

## **Reference to AP /NPAA / EP / SAA**

According to Article 6 of the **Stabilisation and Association Agreement**<sup>6</sup> (SAA) Serbia commits itself to continue to foster cooperation and good neighbourly relations with the other countries of the region including an appropriate level of mutual concessions concerning the movement of persons, goods, capital and services as well as the development of projects of common interest, notably those related to border management and combating organised crime, corruption, money laundering, illegal migration and trafficking, including in particular in human beings, small arms and light weapons, as well as illicit drugs. This commitment constitutes a key factor in the development of the relations and cooperation between the Parties and thus contributes to regional stability.

According to Article 84 of the SAA Serbia is committed to cooperate with other Parties in order to prevent the use of financial systems and relevant non-financial sectors for laundering of proceeds from criminal activities in general and drug offences in particular, as well as for the purpose of financing terrorism.

It is also committed to develop and implement regulations and ensure efficient functioning of the suitable standards and mechanisms to combat money laundering and financing of terrorism equivalent to those adopted by the Community and international fora in this field, in particular the Financial Action Task Force (FATF).

**The European Partnership 2008** as a priority of the Republic of Serbia in chapter **European standards - Justice, freedom and security states as follows:** „Adopt the necessary legislation and a national strategy, including a timetable, against money laundering and financing of terrorism, strengthen national bodies for the fight against money laundering and improve inter-agency and international cooperation.“

## **Reference to MIPD**

According to MIPD 2009 – 2011 for the Republic of Serbia, following objectives and expected results are to be achieved:

- *2.3.1.1 Political Criteria*

*Objectives and choices*

Support the fight against organized crime, counterfeiting and piracy, fight against drugs, human trafficking money laundering and terrorism (...), point 7., page 18.

*Expected results by the end of the covered period*

It is expected to improve independence, transparency, accountability, and efficiency of judiciary; establish administrative capacities to combat human trafficking, drug trafficking, smuggling and money laundering, as well as to combat organized crime, terrorism and corruption and confiscation of illegally acquired property, with special emphasis to children's rights in the relevant areas. The capabilities of the law enforcement agencies in these areas strengthened as well as internal control of the Serbian Police forces improved. The Unit for fight against terrorism strengthened, including improved cooperation and exchange of information among relevant services (point 8., page 21)

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<sup>6</sup> Stabilisation and Association Agreement between the European Communities and their Member States of the one Part, and the Republic of Serbia, of the other Part.

- *2.3.1.3. Ability to assume obligations of membership*

*Objectives and choices*

Supporting further alignment with European standards in the area of **justice, freedom and security**, in particular as regards visas (to ensure implementation of the EU-Serbia visa facilitation agreement), border management, asylum and migration mechanisms, data protection, regional cooperation in the field of law enforcement and fight against organised crime and terrorism, fight against drugs, human trafficking and money laundering (point 7., page 28.)

*Expected results by the end of the covered period*

(...)The legal and institutional framework of the law enforcement agencies in the fight against money laundering, drugs organised crime, terrorism and corruption in line with the EU's *acquis* is in place. New legislation on money laundering implemented. New legislation on prevention of money laundering and financial terrorism as well as respective national strategy adopted and implemented. The inter-agency cooperation and international cooperation to counter money laundering improved (point 7., page 31.).

**Reference to National Development Plan**

N/A

**Reference to national / sectoral or investment plans**

**National Program for the Integration of The Republic of Serbia** into the EU: Chapter 3.24 Justice, Liberty and Security, elaborates on the domains of fight against corruption, terrorism and organized crime but the more precise provisions are to be found under point 3.4.3. – Preventing money laundering, where following short-term priority is set:

„Improvement of administrative capacities is necessary to ensure adequate implementation of the Law. Above all, this refers to the quality, quantity, speed and method of receiving data, as well as type and established procedures for data processing and storage.“

On the 25<sup>th</sup> of September 2008, the Government of the Republic of Serbia adopted the **National Strategy for the Prevention of Money Laundering and Financing Terrorism**.

The key objectives of the Strategy are as follows:

- To influence the reduction in money laundering and terrorism financing-related crimes by taking preventive and repressive measures;
- To implement the international standards leading to membership or an improved status of Serbia in international organizations;
- To develop a system of cooperation and responsibilities of all stakeholders in combating money laundering and terrorism financing;
- To improve the cooperation between the public and the private sectors in the fight against money laundering and terrorism financing;
- To ensure the transparency of the financial system.

## **ANNEX V: Details per EU funded contract**

This project will be implemented through joint management mechanism by signing one contribution agreement with CoE.

CoE, as an implementing agency will be responsible to deliver legislative and administrative reviews and advice, training and awareness raising activities as well as procurement of operational software and applications.

The above activities should be designed and delivered using a range of tools set out below. No attempt is made to prescribe which tool should be used for each activity. This should be agreed between the Implementing Agency, Beneficiary Institution and the EC Delegation during the design of the direct grant agreement.

**Expert advice** – provided by a Long Term Advisor within his/her competences/experience and by ST-Advisers selected according to their specific field of competence, through direct interaction with individual officials or groups of officials on the issues specified in the Work plan and wherever necessary.

**Expert opinions** – will be provided in writing, as necessary, to comment on the pieces of legislation or their drafts or other documents, by independent experts from the Council of Europe and its Member States via the CoE Secretariat.

**Study visits to CoE Member States** - provide first-hand experience to complement the theory and help individuals to examine possible changes to their own procedures and approaches, and also initiate the basis for launching cooperation and networking with those States. As far as possible these should be multi-agency events.

**Roundtables and seminars** - allowing stakeholders/professional groups and individuals to look at ways in which their own policies can be reformed. They will also be used to contribute specialist knowledge to a broader debate on a given issue.

**Workshops** - allow a particular task to be undertaken involving multiple co-operating parties. Experts put their knowledge at the disposal of practitioners and officials. Workshops can also be used to provide specific advanced training.

**Training courses** – allow participants to acquire new knowledge and/or professional skills through interaction with a qualified trainer. Elements of self-education can be included. All training should be formally evaluated immediately on completion of the course with a further review at an appropriate time to determine how the training has contributed to meeting the project results.

**Research/Assessment/Risk Analysis/** – a way to get a comprehensive overview of a given issue to serve as a basis for further analysis.

**Surveys** – a way to get periodic comprehensive overview of nature/ dynamics/ characteristics of money laundering in given area to serve as basis for developing analyses and identifying appropriate reaction. Surveys should also be carried out in order to determine the success of the project, for example, a survey of law enforcement agencies to determine whether the quality of reports they receive has improved as intended.

**Translations** - make important texts and information accessible in local languages and can be used as a tool in training activities and seminars.

**Publication and dissemination** of texts and/or audiovisual CD-ROMs - ensure that certain expertise or knowledge is made available to the widest possible audience.



**Software and IT equipment** will be provided to a limited extent in support of the AMLP and the interagency information exchange network.

According to the indicative needs assessment of all stakeholders that will be involved in the implementation of this project, it can be expected that following software and equipment would be provided through this project:

detecting and investigating money laundering and financial crimes			
Agency	Item	No. of items	Comment
Financial intelligence unit	i2 Analyst Notebook	7	
	i2 iBridge user	3	
	i2 iBridge developer	1	
	OLAP tool for 10 users	1	
Foreign Exchange Inspectorate	i2 Analyst Notebook	1	
	i2 iBridge user	1	
SeC	i2 Analyst Notebook	1	
	i2 iBridge user	1	
	OLAP tool for 3 users	1	
National bank	i2 Analyst Notebook	1	
Tax Service	i2 Analyst Notebook	1	
	i2 iBridge user	1	
	OLAP tool for 3 users	1	
	Workflow software	1	
	COFEE toolkit	1	
	workstation and software for documents analysis with digital microscope and spectroscope	1	
Customs	i2 Analyst Notebook	1	
	i2 iBridge user	1	
	OLAP tool for 10 users	1	
MoI	i2 Analyst Notebook	1	
Prosecutor's office	i2 Analyst Notebook	1	

Increase capacities of information exchange between agencies			
Agency	Item	No. of items	Comment
Financial intelligence unit	Server	2	National contribution
	Router VPN, Switch	1	National contribution
	Database management system	1	
	Software for support of joint investigation	1	
Foreign Exchange Inspectorate			
SeC	Server	1	National contribution
	Router VPN, Switch	1	National contribution
	Database management system	1	
National bank	Server	1	National contribution
	Router VPN, Switch	1	National contribution
	Operation system	1	
	Database management system	1	
Tax Service	Server	1	National contribution
	Router VPN, Switch	1	National contribution
	Database management system	1	
Customs	Server	1	National contribution
	Router VPN, Switch	1	National contribution
	Database management system	1	
MoI	Server	1	National contribution

Increase capacities of information exchange between agencies			
Agency	Item	No. of items	Comment
	Router VPN, Switch	1	National contribution
	Database management system	1	
Prosecutor's office	Server	1	National contribution
	Router VPN, Switch	1	National contribution
	Database management system	1	
All agencies	Leased lines		National contribution