

Project Fiche – IPA Annual Action Programme 2007 for Bosnia and Herzegovina
Joint Training of SIPA Financial Intelligence Unit and Crime Investigation Unit,
Prosecutors, Financial Regulatory Agencies and Institutions

1. Basic information

1.1 CRIS Number:

1.2 Title: Joint training of SIPA Financial Intelligence Unit and Crime Investigation Unit, Prosecutors, financial regulatory agencies and institutions

1.3 ELARG Statistical code: 01.24 Justice, Freedom and Security

1.4 Location: Bosnia and Herzegovina

Implementing arrangements:

1.5 Contracting Authority (EC): EC Delegation in Bosnia and Herzegovina

1.6 Implementing Agency: EC Delegation in Bosnia and Herzegovina

1.7 Beneficiary (including details of project manager):

The primary beneficiaries:

SIPA Financial Intelligence Unit and Crime Investigation Unit.

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Other beneficiaries are:

- Prosecutors,
- Financial Regulatory Agencies, and
- Financial Institutions.

Financing:

1.8 Overall cost: 400,000 EUR

1.9 EU contribution: 400,000 EUR

1.10 Final date for contracting: N+2

1.11 Final date for execution of contracts: N +4

1.12 Final date for disbursements: N + 5

2. Overall Objective and Project Purpose

2.1 Overall Objective:

The overall objective of the project is to improve the capabilities of law enforcement agencies in the implementation of the Anti-money laundering and financing terrorism measures.

2.2 Project purpose:

The project purpose is to strengthen the capacity of the Financial Intelligence and Criminal Investigation Units' (FIU and CIU) in investigating money laundering and

financing cases and improve the cooperation with Prosecutors and financial regulatory agencies in cases of money laundering and financing terrorism.

2.3 Link with AP/NPAA / EP/ SAA

European Partnership:

continue strengthening cooperation between SIPA's FIU and CIU, secure adequate implementation of Law on Money Laundering Prevention and further improvement of legislation, implementation of international conventions, secure continued improvement of implementation of Law on Money Laundering Prevention.

Stabilization and Association Agreement, Article 82 - Money laundering and terrorism financing (Citation: SAA with Bosnia and Herzegovina 03.01.07 with changes from COWEB disc):

1. The Parties shall co-operate in order to prevent the use of their financial systems for laundering of proceeds from criminal activities in general and drug offences in particular, as well as for the purpose of terrorist financing.
2. Co-operation in this area may include administrative and technical assistance with the purpose to develop the implementation of regulations and efficient functioning of the suitable standards and mechanisms to combat money laundering and terrorism financing equivalent to those adopted by the Community and international fora in this field, in particular the Financial Action Task Force (FATF).

2.4 Link with MIPD

The MIPD 2007-09 includes the support to the State Investigation and Protection Agency as follows:

Expected results:

The capabilities of the law enforcement agencies in the fight against money laundering, drugs organised crime, terrorism and corruption will be enforced.

Programmes to be implemented in pursuit of these objectives

Assistance will be provided to the various departments of the State Investigation and Protection Agency (SIPA), the Office for Narcotics and other relevant services to improve their capabilities to fight against money laundering, drug trafficking, terrorism and organised crime.

2.5 Link with National Development Plan

Following activity from the BiH Medium Term Development Strategy (PRSP) 2004-2007, Annex General Action plan –Anti-Corruption Strategy will be supported by this Project:

Strengthen the coordination among the bodies responsible for money-laundering issues.

3. Description of project

3.1 Background and justification:

Money laundering is the ability to sanitize ill-gotten gains by moving them through lax or corrupt national financial systems. The laundering allows criminals and terrorists to operate freely, using their financial gains to expand their criminal pursuits and fostering illegal activities such as corruption, drug trafficking, arms trafficking, smuggling, and financing of terrorism. In recent years worldwide efforts to combat money laundering have assumed heightened importance as a result of increased global terrorism. Money laundering not only threatens the security of a country, but also compromises its stability, transparency, and the efficiency of its financial systems, thus undermining economic prosperity.

Money laundering can have devastating economic and social consequences for countries, especially those in the process of development such as Bosnia and Herzegovina. The economy, society, and ultimately the security of countries used as money-laundering platforms are all imperilled. Financial institutions that accept laundered funds cannot rely on those funds as a stable deposit base. Large amounts of laundered funds are likely to be suddenly wired out to other financial markets as part of the laundering process, threatening the institution's liquidity and solvency. A financial institution's reputation and integrity can be irrevocably harmed if involved in money laundering.

For a country as a whole money laundering and terrorist financing do nothing for the reputation of the host country. The loss of investor confidence that follow revelations of large-scale involvement in such activities can sharply diminish opportunities for foreign direct investment and economic growth.

While the bulk of money laundering in many countries still tend to use the formal banking system, money laundering through non-banking financial institutions (NBFIs) appears to be growing in importance—through security brokers, leasing and insurance companies, and others.

Money laundering through the banking system is closely related to the standards of accounting and auditing in the private and financial sectors, and with the quality of the overall regulatory and supervisory framework. The Entity Banking Supervision Agencies in Bosnia and Herzegovina have established money laundering departments and have issued regulations to banks on the reporting of suspicious transactions. The banks however still need further training on how to detect transactions of a suspicious nature. Supervision in the insurance sector is poor. A State Insurance Agency was established late 2006 but it does not have supervisory oversight, this has been left to the Entity agencies. The Republika of Srpska Insurance Supervisory Agency was established in May 2006 and its supervisory capacities are still weak and like the Federation Supervisory Agency independence from political influence has not been secured. Supervision of security brokers is under the responsibility of the Entity Security Commissions. Further regulatory amendments are necessary to improve their supervisory capacities in detecting suspicious money laundering transactions.

When it comes to Prosecutors and FIU, cooperation between the two institutions is weak because different Prosecutors dealing with money-laundering cases and there are differences in approaches for the same or similar cases. A common understanding and approach is needed.

Training is required for law enforcement, financial regulators and institutions and prosecutors in order to increase their understanding of their responsibilities in the combating money laundering. It is expected that such training could result in substantial increases in the number of money laundering cases prosecuted.

When a money laundering case is conducted both the Financial Intelligence Unit and the Criminal Investigative Unit are involved in the investigation . Currently, they have not developed methods on working jointly on cases. Most often the FIU will receive notification from a financial institution on a suspicious transaction. The FIU will investigate and prepare a case for the prosecutors. The prosecutors will then turn to the CIU for further investigations of the criminals involved in the case. Bringing the case to court is then prolonged and investigations may even be duplicated. What is needed is a system of closer initial cooperation between FIU and CIU.

3.2 Assessment of project impact, catalytic effect, sustainability and cross border impact (where applicable)

This activity will institutionalise measures combating money laundering within a larger number of responsible agencies as well as improve cooperation among the agencies in a

sustainable manner. This will be completed through both the training activities and the development of guidelines and regulations within the financial regulatory agencies.

In enhancing the cooperation between FIU and CIU, this activity will also develop mechanisms for the investigation of money laundering activities in a more proactive and preventive manner. With a systematic approach to combating money laundering by CIU and FIU, stronger evidence required for prosecution will be obtained.

Finally, in increasing the skills of prosecutors in understanding the intricacies of money laundering transactions, cases presented for prosecution will result in a greater number of convictions.

This activity will be a comprehensive approach to increasing awareness and skills for all parties involved in the anti-money laundering chain and should result in more cases being successfully prosecuted, thereby decreasing BiH's vulnerability as a country susceptible to money laundering.

3.3 Results and measurable indicators

Result 1. Established efficient cooperation between FIU and CIU with Prosecutors and financial regulatory agencies in money laundering and financing terrorism cases.

Result 2. Financial Intelligence and Criminal Investigation Units skills improved in investigating and analyzing suspicious transactions.

Indicators:

- Increased number of money laundering cases jointly conducted by FIU and CIU.
- FIU staff are able to analyze suspicious transactions and prepare cases for Prosecutors.
- The financial regulatory agencies have improved or have new reporting mechanisms for suspicious transactions.
- Improved reporting by financial institutions to FIU
- Prosecutors skills and knowledge of money laundering cases improved through training.

3.4 Activities

Activity 1:

1.1 Conduct an assessment of the current cooperation between FIU and CIU with Prosecutors and financial regulatory agencies in money laundering cases. This assessment will include a review of the current mechanisms of the financial regulatory bodies in preventing money laundering, a review of relevant anti-money laundering legislation and a review of the FIU and CIU training strategies.

1.2. Harmonize or draft relevant legislation for financial regulatory bodies in order to improve anti-money laundering measures in line with the acquis.

1.3. Update training strategy for FIU and CIU which will include trainings with Prosecutors, financial regulatory agencies and financial institutions.

1.4. Deliver selected training with FIU, CIU, Prosecutors and financial regulatory bodies in accordance with the updated training strategy.

Activity 2:

2.1. Provide trainings for FIU and CIU on financial analysis of suspicious transactions.

2.2. Propose mechanisms to improve cooperation between FIU and CIU in the investigation of money laundering activities in accordance with the relevant legislation.

The project activities will be implemented through a Twinning of 12 month duration.

3.5 Conditionality and sequencing:

All conditions are in place for this project to be carried out. An Action Plan for money laundering prevention is in place and is being implemented. Legislation has been adopted, the Financial Intelligence and Criminal Investigative Units are operating and are staffed, as well as the financial regulatory agencies.

3.6 Linked activities

In 2005 the Spanish Embassy supported a project titled "Information system for FIU support". The aim of the Project is to establishment a database and provide an anti-money laundering software (AMSL).

This software will connect a database within the Banking Agencies of the Federation and Republic Srpska to enable the FIU to monitor and collect information on suspicious transactions in a more efficient manner. This software will also provide information to the responsible BiH judicial bodies and to exchange information with FIUs in other countries and relevant international organizations.

The project proposed under IPA 2007 is complementary to the "Information system for FIU support" and by no means will there be a duplication of activities.

3.7 Lessons learned

This will be the first project that will involve a number of agencies and departments. It is therefore important that all parties cooperate in the implementation of this project.

4. Indicative Budget (amounts in €)

Activities	TOTAL COST	SOURCES OF FUNDING										
		EU CONTRIBUTION				NATIONAL PUBLIC CONTRIBUTION					PRIVATE	
		Total	% *	IB	INV	Total	% *	Central	Regional	IFIs	Total	% *
Activity 1						0	0	0	0	0	0	0
contract 1	400 000	400 000		400 000								
TOTAL	400 000	400 000		400 000		0	0	0	0	0	0	0

* expressed in % of the Total Cost

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

Contracts	Start of Tendering	Signature of contract	Project Completion
Contract 1	Q1/2008	Q2/2008	Q2/2009

All projects should in principle be ready for tendering in the 1ST Quarter following the signature of the FA

6. Cross cutting issues (where applicable)

6.1 Equal Opportunity:

Equal opportunity for participation of men and women will be assured in all aspects of the project implementation.

6.2 Environment:

The project will not have negative environmental effects

6.3 Minorities:

Participation in the project activities will be guaranteed on the basis of racial or ethnic origin, religion or belief, disability, sex of sexual orientation.

ANNEXES

Annex 1- Log frame in Standard Format

Annex 2- Amounts contracted and Disbursed per Quarter over the full duration of Programme

Annex 3 - Reference to laws, regulations and strategic documents

Annex 4- Details per EU funded contract

ANNEX I: Logical framework matrix in standard format

LOGFRAME PLANNING MATRIX FOR Project Fiche	Programme name and number: Joint training of SIPA Financial Intelligence Unit and Crime Investigation Unit, Prosecutors, financial regulatory agencies and institutions	
	Contracting period expires	Disbursement period expires
	Total budget : 400,000	IPA budget: 400,000

Overall objective	Objectively verifiable indicators	Sources of Verification	
The overall objective of the project is to improve the capabilities of law enforcement agencies in the implementation of the Anti-money laundering and financing terrorism measures.	Increased money laundering and financing terrorism cases brought to prosecution.	Monitoring reports, reports from FIU and CIU, relevant international reports such as MONEYVAL, GRECO, Egmont group etc.	
Project purpose	Objectively verifiable indicators	Sources of Verification	Assumptions
The project purpose is to strengthen the capacity of the Financial Intelligence and Criminal Investigation Units' (FIU and CIU) in investigating money laundering and financing terrorism cases and improve the cooperation with Prosecutors and financial regulatory agencies in cases on money laundering and financing terrorism.	Increased number of transactions reported by financial institution and efficiently analyzed and investigated by FIU and CIU.	Monitoring reports, reports from FIU and CIU, relevant international reports such as MONEYVAL, GRECO, Egmont group etc.	
Results	Objectively verifiable indicators	Sources of Verification	Assumptions
<p>1. Established efficient cooperation between FIU and CIU with Prosecutors and financial regulatory agencies in money laundering and financing terrorism cases.</p> <p>2. Financial Intelligence and Criminal Investigation Units skills improved in investigating and analyzing suspicious transactions.</p>	<p>Increased number of money laundering cases jointly conducted by FIU and CIU.</p> <p>FIU staff are able to analyze suspicious transactions and prepare cases for Prosecutors.</p> <p>The financial regulatory agencies have improved or have new reporting mechanisms for suspicious transactions. Improved reporting by financial institutions to FIU.</p>	<p>Training schedules</p> <p>Evaluation reports, reports from FIU and CIU, relevant international reports such as MONEYVAL, GRECO, Egmont group etc.</p>	<p>Effective cooperation and communication between all parties involved.</p>

	Prosecutors skills and knowledge of money laundering cases improved.		
Activities	Means	Costs	Assumptions
<p>1.1. Conduct an assessment of the current cooperation between FIU and CIU with Prosecutors and financial regulatory agencies in money laundering cases. This assessment will include a review of the current mechanisms of the financial regulatory bodies in preventing money laundering, a review of relevant anti-money laundering legislation and a review of the FIU and CIU training strategies.</p> <p>1.2. Harmonize or draft relevant legislation for financial regulatory bodies in order to improve anti-money laundering measures, in line with the acquis.</p> <p>1.3. Update training strategy for FIU and CIU which will include trainings with Prosecutors, financial regulatory agencies and financial institutions.</p> <p>1.4. Deliver selected training with FIU, CIU, Prosecutors and financial regulatory bodies in accordance with the updated training strategy.</p> <p>2.1. Provide trainings for FIU and CIU on financial analysis of suspicious transactions.</p> <p>2.2. Propose mechanisms to improve cooperation between FIU and CIU in the investigation of money laundering activities in accordance with the relevant legislation.</p>	<p>1.1. Assessment done by expert team leader. (TA)</p> <p>1.2. Proposals for amendments and/or new legislation done by two experts (one national expert and one short term international expert). (TA)</p> <p>1.3. Training strategy updated done by expert team leader. (TA)</p> <p>1.4. Workshops, study tours and meetings done and organized by experts team leader and national and international short term experts. (TA)</p> <p>2.1. Workshops, study tours and meetings done and organized by experts team leader and national and international short term experts. (TA)</p> <p>2.2. Mechanisms created and proposed by expert team leader and a national expert. (TA)</p>	<p>1.1. Expert -team leader 22 man-days 20 000EU. 1 year?</p> <p>1.2. One national expert 22 man-days 7 000EU and one international expert 20 000EU.</p> <p>1.3. Expert team leader 15 man-days 12 000EU.</p> <p>1.4. 200 000 EU</p> <p>2.1. 100 000 EU</p> <p>2.2. Expert -team leader 22 man-days 20 000EU.</p>	

Pre-conditions

ANNEX III Reference to laws, regulations and strategic documents:

Reference to laws, regulations and strategic documents

Law on the State Investigation and Protection Agency („B&H Official Gazette“ No 29/04)

Law on Prevention of Money Laundering („B&H Official Gazette“ No 29/04)

Rulebook on data, information, documents, methods of identification and minimum of other necessary indicators for effective implementation of the Law on Prevention of Money Laundering („B&H Official Gazette“ No 17/05)

B&H Strategy for fight against organized crime and corruption adopted in July 2006 – Title X Special goals of the Strategy for fight against organized crime, item 9

Criminal Code of Bosnia and Herzegovina(„B&H Official Gazette“ No 37/03)

Criminal Procedure Code of Bosnia and Herzegovina

Republic Srpska: Law on Banks (Official Gazette of Republika Srpska Number 44/03)

FB&H: [Law on Banks \(The FBiH Official Gazette, 39/98 and 32/00, 04/02\)](#)

ANNEX IV Details per EU funded contract (where applicable):

The project will be implemented by a Twinning of 12 month duration. The activities include:

Activity 1:

1.1. Conduct an assessment of the current cooperation between FIU and CIU with Prosecutors and financial regulatory agencies in money laundering cases. This assessment will include a review of the current mechanisms of the financial regulatory bodies in preventing money laundering as well as a review of relevant anti-money laundering legislation and a review of the FIU and CIU training strategies.

1.2. Harmonize or draft relevant legislation in order to improve anti-money laundering measures, in line with the acquis.

1.3. Update training strategy for FIU and CIU which would include the trainings with Prosecutors and financial regulatory agencies.

1.4. Deliver selected training with FIU, CIU, Prosecutors and financial regulatory bodies in accordance with the updated training strategy.

Activity 2:

2.1. Provide trainings for FIU and CIU on financial analysis of suspicious transactions.

2.2. Propose mechanisms to improve cooperation between FIU and CIU in the investigation of money laundering activities in accordance with the relevant legislation.

The expected results of this project are as follows:

- Assessment of the current cooperation between the stakeholders done.
- Relevant national legislation harmonized or drafted according to acquis.
- Training strategy for FIU and CIU updated.
- Stakeholder staff trained.
- FIU and CIU staff trained in financial analysis of suspicious transactions.
- Improved cooperation between the FIU and CIU in the investigation of money laundering activities.

The RTA will define the duration of short-term experts' engagement during the project implementation. The minimum total input of all short-term experts shall be 12 months. Additional short-term experts may be engaged for specific issues.

The profile of the Resident Twinning Adviser (Long-term expert) should be as follows:

- university degree in economy, law or other relevant university degree;
- at least five years of professional experience in field of financial analysis of suspicious transactions and investigation of money laundering activities;
- experience in drafting and implementing strategic documents and rulebooks;
- good knowledge of EU legislation, institutional needs and best practices established;
- English knowledge.

Additional qualifications:

- experience in transposing the anti-money laundering EU legislation into the national legislation, and practice of EU member states or EU candidate countries;
- experience in applying project management techniques;
- good communication skills and previous experience in working with multi-disciplinary and multi-national team;
- knowledge of the situation in EU candidate countries and/or countries in the stabilisation and association process in the field of fight against money laundering and financing terrorism.