

STANDARD TWINNING PROJECT FICHE

1. Basic Information

- 1.1 Publication notice reference: EuropeAid/ 136-596/DAH/ACT/BA
- 1.2 Programme: IPA 2013
- 1.3 Twinning Number: BA 13 IB JH 01
- 1.4 Title: Support to the Fight against Money Laundering
- 1.5 Sector: Justice and Home Affairs
- 1.6 Beneficiary country: Bosnia and Herzegovina

2. Objectives

2.1 Overall Objective(s):

Increased competence of the bodies in Bosnia and Herzegovina on fight against money laundering, financing of terrorism and financial crime up to the level required for EU accession

2.2 Project purpose:

Strategic priority measures for fight against money laundering and financing of terrorist activities and reinforced prevention of money laundering system are implemented by relevant stakeholders in Bosnia and Herzegovina timely and efficiently

3. Description

3.1 Background and justification:

Money laundering is the ability to sanitize ill-gotten gains by moving them through tax 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 gained 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. It can have devastating economic and social consequences for countries, especially those in the process of transition such as Bosnia and Herzegovina (BiH).

The economy, society, and ultimately the security of countries used as money-laundering platforms are endangered. 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.

A dysfunctional system for the prevention of money laundering and financing of terrorist activities in BiH provides the grounds for organised crime to launder profit and further invest in criminal activities. It is further compromising private sector development and weakening financial institutions. BiH has taken measures for fight against money laundering and financing of terrorist activities but strategic priority measures are not implemented timely and efficiently. As well, BiH prevention of money laundering system is not strong enough and must be reinforced.

In order to improve this situation, standards of FATF (Financial Action Task Force), the Conventions of UN and the Council of Europe, the EU directives and the recommendations of the EGMONT group in the field of money laundering and financing of terrorist activities need to be fully implemented through an appropriate institutional and legal framework.

This project will increase the competence of the institutions of Bosnia and Herzegovina on the fight against money laundering up to the level required for EU accession and assist in improving legislation, capacities and capabilities of relevant bodies, institutions and agencies to strengthen cooperation and coordination in the area of fight against money laundering.

Current project will address the problems related to the capacities of the Financial Intelligence Unit (FID) and other specialised financial investigation units at all administrative levels to carry out their tasks. It will strengthen the cooperation and coordination of FID with these units and all other law enforcement agencies within BiH and internationally.

Very important part of the project will be the assistance to bring BiH legal framework in line with the EU requirements and increase the effectiveness in forfeiture and seizures of criminally gained assets. Special attention will be given to increasing the financial investigation capacities at all levels and assist prosecutors and judges to further specialise in relevant fields related to money laundering and financing of terrorist activities and to other financial offences. Development and implementation of respective joint training strategy(ies) and increased public awareness are also important components of this project fiche. All proposed results and activities have been carefully analysed against the current situation and level of implementation of the National Strategy for the Prevention of Money Laundering and Financing of Terrorist Activities in BiH and its Action Plan.

3.2 Linked activities (*other international and national initiatives*):

The project is built on the achievements of the "Joint training of Special Investigation and Protection Agency/SIPA Financial Intelligence Unit and Crime Investigation Unit, Prosecutors, financial regulatory agencies and institutions" project which was funded under IPA 2007 and implemented in 2010/2011.

The IPA 2010 funded EU Support to law enforcement project that started in May 2012 and ended in August 2014 was addressing the issue of assets forfeiture and structures for the management of confiscated assets in its Component IV. Improving the anti-money laundering system was also part of activities aiming at strengthening the fight against organised crime and corruption in component II and III. This project shall build on and continue activities related to the above results.

The supply component of this project shall upgrade and extend the Anti-Money Laundering System (AMLS). This builds on an existing system that was provided by the Government of Spain. International Criminal Investigative Training Assistance Program funded by the US (ICITAP) is advising the law enforcement sector on the fight against money laundering and financing of terrorism and the project shall closely cooperate with it.

3.3 Results:

1. FID, units for combating economic crime, financial investigations and anti-money laundering function according to the FATF recommendations, Egmont Group principles and of EU standards, including personal data protection requirements;
2. The legal framework and regulations linked to the fight against money laundering at all legislative levels in BiH are in line with EU requirements;
3. Effective structures for forfeiture and seizures of criminally gained assets in place;
4. FID operates in cooperation with other law enforcement agencies and other relevant institutions at all legislative levels in BiH and internationally;
5. The specialised investigation units for financial investigation, money laundering and financial offences on all administrative levels are strengthened according to the relevant international standards;
6. Standards for the selection procedure for targets of serious crimes and for the multiagency investigation teams improved;
7. Prosecutors and judges for the proceedings related to the financing of terrorist activities, money laundering and other financial offences have further specialised on respective fields at all of the 4 legislative levels in BiH;
8. Effective prevention measures for money laundering and financing of terrorist activities developed and implemented;
9. Monitoring system and supervision mechanism for financial institutions, for the designated non-financial business and professions, and for non-profit sector established and operational.
10. Drafted Anti money laundering and terrorism financing strategy.

3.4 Activities:

The proposal made by MS will mention the activities they propose to achieve the results listed in the fiche to meet the mandatory results of the project. Without listing necessarily all the possible activities, the proposal should be detailed enough to respond adequately to the Twinning project fiche.

A detailed list of benchmarks to be achieved under the above results broken down by institutions and topics and prepared by the BiH institutions will be available to be integrated into the work plan of the Twinning project at the beginning of the work plan negotiations.

Activities shall tentatively include, but not be limited to the following:

Activities related to Result 1

- 1.1 Reviewing various FID and units for combating economic crime, financial investigations and anti-money laundering function capacity plans and doing the gap analysis related to capacity development;
- 1.2 Providing relevant capacity building;
- 1.4 Developing proactive financial investigation practise;
- 1.5 Set up a Register of natural persons accounts in BiH;
- 1.6 Upgrading the system (AMLS) for FID for an efficient and comprehensive electronic reporting system;
- 1.7 Developing financial analytical capacities and capabilities of FID and units for combating economic crime, financial investigations and anti-money laundering function, including the provision of relevant software and needed hardware, where appropriate.

Activities related to Result 2

- 2.1 Harmonising the law on the prevention of money laundering and fight against terrorism with EU standards;
- 2.2 Harmonising the criminal legislation in the area of prevention of money laundering and financing of terrorism in BiH with relevant international conventions;
- 2.3 Harmonising all the relevant laws governing the operation of the financial and non-financial sector with the Law on the prevention of money laundering and financing of terrorist activities.

Activities related to Result 3

- 3.1 Assessing respective institutional and legal framework and its implementation;
- 3.2 Identifying potential gaps;
- 3.3 Proposing amendments and making proposals;

3.4 Assisting the law enforcement by trainings, on the job coaching etc.

Activities related to Result 4

- 4.1 Identifying and implementing measures to improve cooperation and coordination with all competent bodies for fight against money laundering and financing of terrorism in accordance with positive legal provisions;
- 4.2 Ensuring that requirements related to the prevention of money laundering and financing of terrorist activities defined in EU Integration process are fulfilled;
- 4.3 Ensuring efficient implementation of the recommendations defined in the evaluation reports of the Council of Europe Committee for the Prevention of Money Laundering (MONEYVAL) on state and entity level and in Brčko (analyse the relevance and justification of recommendations with regard to earlier given opinion of the MoI of Republika Srpska to MONEYVAL recommendations.);
- 4.4 Enhancing international cooperation and exchange of information related to the analysis of the Suspicious and Cash Transaction Reports by signing Memoranda of Understanding between FID and relevant foreign FIU's;
- 4.5 Supporting establishment of access of law enforcement agencies to the FID respective analysis.

Activities related to Result 5

- 5.1 Gap analysis related to capacity development for financial investigations carried out in all relevant law enforcement agencies;
- 5.2 Carrying out Training Needs Assessment and establishing a joint Training Strategy and Program on financial investigations for the relevant police education institutions implementing the program;
- 5.3 Developing and delivering joint training of police and prosecutors in view of carrying out financial investigations;
- 5.4 Developing and delivering performance training for specialised units for financial investigations and money laundering;
- 5.5 Procuring software to facilitate the work related to financial investigations;
- 5.6 Procuring equipment to facilitate the work related to financial investigations;
- 5.7 Establishing common standards for the intelligence process on money laundering and financing of terrorist activities, predicate offences and implementing capacity plan financing of terrorist activities.

Activities related to Result 6

- 6.1 Improving standards for the investigation process on money laundering, predicate offences and financing of terrorist activities consisting of models for the financial investigations related to the evaluation of the amount and type of proceeds and tracing of proceeds of crime;

- 6.2 Improving and introducing a Standardised Procedure for the Selection of Targets of Serious Crimes;
- 6.3 Improving Standardised Procedure for the establishing of Multiagency Investigation Teams.

Activities related to Result 7

- 7.1 Reviewing the situation related to specialisation;
- 7.2 Integrating Anti-Money Laundering (AML) relevant modules in the existing structures of training institutions;
- 7.3 Conducting relevant trainings for trainers and trainees.
- 7.4 Joint trainings of police representatives, courts and prosecutors.

Activities related to Result 8

- 8.1 Developing and implementing a public awareness campaign against money laundering, most common predicate offences and financing of terrorist activities;
- 8.2 Conducting Training Needs Analysis (TNA) for the legal persons and entities under obligation to report about suspicious and cash transactions and developing relevant Training Strategy and Program and carrying out trainings;
- 8.3 Developing partnerships with private sector, especially with banks and insurance companies, notaries and others;
- 8.4 Assessing and updating the current strategy on Prevention of Money Laundering and Financing of Terrorist Activities, and respective action plan and its implementation.

Activities related to Result 9

- 9.1 Making AMLS available for all parties under obligation to report;
- 9.2 Establishing standardized process for the feedback to the parties under obligation to report;
- 9.3 Developing functions of the FID and establish an efficient supervision mechanism with all institutions concerned and for all parties under obligation to report to ensure their compliance with the Anti-Money Laundering (AML)/Combating the Financing of Terrorism (CFT) regulations.

Activities related to Result 10¹

- 10.1 Presentation of the World Bank Methodology on Risk Assessment for relevant institutions in Bosnia and Herzegovina
- 10.2 Train the trainers workshop on the World Bank Methodology on Risk Assessment;
- 10.3 Development of questionnaires for Risk Assessment on Money Laundering and Terrorist Financing;

¹ In case such a risk assessment is already prepared before the start of the Twinning project, activities will be adjusted accordingly.

- 10.4 Establishment of sectorial working groups and work on Risk Assessment;
- 10.5 Drafting Anti-Money Laundering and Terrorist Financing Risk Assessment;
- 10.6 Drafting Anti-Money Laundering and Terrorist Financing Strategy and Action plan;

3.5 Means/ Input from the MS Partner Administration:

The project team will consist of a project leader, one Resident Twinning Advisor (RTA), a resident long term expert and a pool of experts for ad hoc assignments. The RTA will have a leading role in the realisation of the activities of the aforementioned project tasks while the project leader will be in charge of the whole coordination of activities, compliance with the given deadlines, and reaching the project results in a way to achieve the purpose of the project. All experts shall meet the formal conditions as set out in the 2012 Common Twinning Manual.

Furthermore, the project will aim at promoting coordination and cooperation among the multifaceted law enforcement sector in Bosnia and Herzegovina and it will pursue strictly the local ownership principle. For this purpose the project will work with a broad range of institutions, and these are expected to be fully responsible for their part of the project implementation already at a very early stage and maintain it throughout the entire duration of the project.

The project team will therefore closely cooperate with BiH counterparts and counterpart institutions. Work plans will be prepared in close cooperation and agreement with working groups set up for the purpose of project implementation by the BiH institutions and which include representatives from all participating agencies.

The Resident Twinning Advisor/RTA will ensure together with the BiH counterpart project leader that difficulties are identified at an early stage and effectively resolved. Both should also ensure close cooperation with the European Union Delegation to Bosnia and Herzegovina and coordination with other ongoing and linked projects. The RTA should be supported by a strong team for the financial and administrative management of the project.

The RTA and the long term resident expert must be able to provide specialist advice and carry out the requested activities.

3.5.1 Profile and tasks of the Project Leader

The profile of the Project Leader should be as follows:

The **Project Leader** should be a high-ranking official. S/he must have a broad knowledge of all processes in the area concerned, as well as good leadership skills. S/he must have a relevant university degree, minimum 10 years of work experience and a strong command of English.

The Project Leader will be tasked with the overall conception and direction of the Member State's inputs. S/he shall ensure the short/medium term expertise in support of the efficient

implementation of the project and the full support at senior levels within the Member State administration.

3.5.1 Profile and tasks of the RTA

The profile of the Resident Twinning Advisor should combine both technical competence and practical experience in the development and implementation of assistance programmes and projects in the field of Police Development.

The required qualifications are as follows:

- university degree in law, political science, security studies or equivalent or any other appropriate discipline or equivalent working experience with five years of relevant professional experience in an area associated to this contract above the five years required below;
- not less than ten years general professional experience and at least five years of experience within a police body at senior management level;
- knowledge of relevant best practices and international instruments and mechanisms of police cooperation;
- excellent command of written and verbal English, including familiarity with vocabulary and nomenclature relating to the area of law enforcement.

Additional qualifications:

- background in working within the police in fields related to this project (money laundering, organised crime, financial investigations, asset recovery);
- excellent analytical, organisational and communication skills and previous experience in working with multi-disciplinary and multi-national teams;
- experience of working with EU funded projects.

The RTA shall be full-time resident in the country throughout the duration of the project.

3.5.1 Profile and tasks of the long-term expert and the short/medium-term experts

The profile of a medium-term expert (100 to 150 days/year) should combine both technical competence and experience in providing technical assistance and providing advice in the field of Police Development.

The required qualifications are as follows:

- university degree in law, political science, security studies or equivalent or any other appropriate discipline or equivalent working experience with five years of relevant professional experience in an area associated to this contract above the five years required below;
- not less than five years general professional experience and at least two years of experience within a police body at senior management level;
- be proficient in English verbally and in writing
- have excellent communication and analytic skills
- be proficient in report drafting and
- have excellent advisory and team working skills

Additional qualifications:

- background in working within the police in fields related to this project (money laundering, organised crime, financial investigations, asset recovery);
- excellent analytical, organisational and communication skills and previous experience in working with multi-disciplinary and multi-national teams;
- experience of working with EU funded projects would be an asset

The profile of the short/medium-term experts should be as follows:

- Demonstrated experience in the fields of expertise required to carry out the activities and achieve the results under 3.3 and 3.4. Preferable prior experience in an international context;
- Excellent command of English.

Additional inputs from the private sector could be used.

The working language of the project will be English. Please note that, in order to facilitate communication, it is advisable to engage interpreting services.

4. Institutional Framework

The key player for prevention of money laundering in BiH is the Financial Intelligence Department (FID) of the State Investigation and Protection Agency (SIPA). Beside that Department, within SIPA exist organisational units such as Criminal Investigation Department and four regional offices with respective lines of work that are also responsible for the ML/FTA investigations. At the level of entities and Brcko District the institutions in charge for the ML/FTA investigations are entities Ministries of Interior, Brcko District Police and cantonal Ministries of Interior. In the RS Ministry of Interior there are specialised units: Unit for combating economic crime, financial investigations and money laundering that work closely with other Crime Police Departments.

FID was founded in 2004, upon adoption of the Law on MLP/FTA. The applicable law was enacted in 2014 ("Official Gazette BIH no. 47/14"). This law establishes measures and responsibilities of the FID (SIPA), persons under obligation, other state bodies and legal persons with public authorities for the detection, prevention and investigation of money laundering and financing of terrorist activities and prescribes measures and responsibilities of the FID in the framework of international cooperation in the field MLP / FTA. The law prescribes activities conducted by FID (SIPA) under the supervision of the SIPA Director, related to the prevention, investigation and detection of money laundering and financing of terrorist activities in accordance with the provisions of the Law on State Investigation and Protection Agency, Law on MLP / FTA and other laws, promotion of the cooperation between the competent authorities of Bosnia and Herzegovina, Federation of Bosnia and Herzegovina, Republika Srpska (RS) and Brcko District of Bosnia and Herzegovina in the area of prevention of money laundering and financing of terrorist activities, as well as for the promotion of cooperation and exchange of information with the competent authorities of other countries and international organizations, which are responsible for combating money laundering and financing of terrorist activities.

In terms of detection and investigation, the Law on MN/ FTA stipulates the competence of the FID for reception, collecting, recording, analysing, and when prescribed by this or other laws, for the submission to the competent Prosecutor's Office, of data, information and documents it receives in accordance with the provisions of this law. By international standards and rules of the Egmont Group, the primary tasks of the FID, as financial intelligence unit, are to receive reports of suspicious transactions and other notices regarding ML/ FTA, gathering additional information, analysing received and collected information and forwarding the results of analysis to the competent authorities. Since the FID is an organizational unit within SIPA which is a police agency, in addition to operations under international standards, the FID is given an investigative function performed by the Section for the prevention and investigation of criminal offenses ML / FTA, which acts according to the Law on State investigation and Protection Agency, Law on Police Officials of BiH and Criminal Procedure Code of BiH.

The obligations of the FID further include prevention of money laundering such as providing recommendations of amendments to regulations related to the prevention and detection of money laundering and financing of terrorist activities, education and professional training of employed and competent persons in tributary in the competent agencies of Bosnia and Herzegovina, the Federation, RS and Brčko District, publishing statistical data in the area of money laundering and financing of terrorist activities, and informing the public through other appropriate means about the forms of money laundering and financing of terrorist activities. It submits annual reports on general activities of the FID and activities related to the PML/ FTA, to the SIPA Director and the Minister of Security and at their request even more frequently.

Within the inter-institutional cooperation FID may request from the authorities of BiH, FBiH, RS and BD, as well as from other persons under obligation with public power, data, information and documentation necessary to perform duties of the FID. The law stipulates that the said authorities will submit requested data, information and documentation without charge and allow the FID electronic access to information, data and documents free of charge.

The law also stipulates that FID may with the consent of the Director, submit data and information on money laundering and financing of terrorist activities to the bodies and institutions at their reasoned request, only if such data and information may be relevant to these authorities to make decisions within their jurisdiction and investigative purposes.

Within international cooperation FID may request from foreign financial intelligence units and other law enforcement authorities, data, information and documentation necessary to perform the duties of the FID and can also provide the aforementioned authorities at their request, with data, information and documentation within the limits specified by law.

The MONEYVAL² third round evaluation report on Bosnia and Herzegovina handled all aspects of the FID operation. Based on detailed analysis of the situation regarding the FID, are identified the following deficiencies:

² In May 2009 ,in the framework of the third round evaluation the evaluators of the Committee of Experts of the Council of Europe(MONEYVAL Committee) visited Bosnia and Herzegovina to review the compatibility of the

- FID operates in isolation from other law enforcement agencies when it comes to the investigation of predicate offenses or money laundering,
- The legal limit while forwarding information to the local authorities,
- The banking sector is not provided with the FID guidelines regarding the manner of reporting,
- The effectiveness of computerised data base and overall efficiency analysis of suspicious cash transactions reporting.

Beside mentioned, there are other police institutions in BiH which also focus their attention to fight against economic crime, financial investigations and money laundering. Having in mind that current practice proved close connection between economic crime, financial investigations and money laundering, the Republic of Srpska Ministry of Interior has in a line with the Law on confiscation of proceeds of crime (“Official Gazette RS no 12/10”) expanded Department for Combating Organized Crime and Corruption with the Unit for combating economic crime, financial investigations and money laundering.

In the Federation of Bosnia and Herzegovina the Law on Confiscation of Proceeds from crime³ has been approved. The main aim of this Law is regulating and simplifying of the procedure for the search, seizure and confiscation of proceeds of crime during criminal proceeding. Moreover, the Law stipulates establishment of the special Agency for assets management.

4.1. Current state of play

In the period from 2005 to 2013 the FID filed to the Prosecutor's Offices 117 reports against 362 natural persons and 48 legal persons for having committed criminal offences including the amount of 350. 000.000 KM. 219 orders for temporary suspension of transactions in the amount of 31.000.000 KM have been issued.

In the initial period, most of the reports related to a crime committed in relation to money laundering and tax evasion (sales tax), relating to fictitious firms. Over time there has been a change in the structure of crimes. The most frequently reported crimes related to money laundering are organized crime in connection with corruption, criminal offenses against official duty, traffic of drugs, as well as tax evasion (VAT and direct tax fraud).

The FID is 80% staffed compared to the systematization of work positions (Analytical - 100%, investigating 80%). It can be argued that the lack of staff in the Department of Investigations represents a limiting factor in the investigation. Anyway, it is not meant to FID doing all investigations of money laundering and financing of terrorist activities, as well as all financial investigations taking place in Bosnia and Herzegovina. In fact, the law enforcement agencies in BiH are conducting these activities, each in accordance with its responsibilities.

measures to combat money laundering and financing of terrorist activities. On that occasion was evaluated compliance of BH with reference documents of Moneyval - primarily with the 40 +9 FATF Recommendations (Financial Action Task Force - a global standard setter in the field of MLP / FTA), which resulted in making Report on deficiencies and proposed measures to remove those deficiencies

³ “Official Gazette of Federation of Bosnia and Herzegovina”, No. 71/14)

As result, in the period from October 2010 to August 2013 the Unit for combating economic crime, financial investigations and money laundering of RS MoI filed ten (10) reports to prosecutor's office against twenty-five persons, where the total amount of "dirty - laundered" money amounted to 39,479,684.00 KM. The total value of property blocked in these cases by the competent court, or property that is seized and on which is placed a temporary measure to dispose were around 45 million KM. Based on court rulings, permanently confiscated property derived from criminal acts of money laundering amounted about 21 million KM.

In 2013 the State Investigation and Protection Agency (SIPA) submitted to Prosecutor's Office 7 reports on money laundering. Due to suspicious of money laundering, 37 investigations have been conducted in 2013. The total amount of "dirty - laundered" money (based on reports) is amounted to 18.817.788,61 KM.

In the first half of 2014 State Investigation and Protection Agency (SIPA) submitted to Prosecutor's Office 4 reports on money laundering, 28 investigations have been conducted and the total amount of "dirty - laundered" money (based on reports) is amounted to 5.356.499,55 KM.

In 2013 the amount of 4.896.643,51 KM has been seized upon convictions by the Court of Bosnia and Herzegovina.

Although there is a legal provision according to which the FID performs its tasks under the supervision of the SIPA Director like any other organisational unit of this Agency, FID mostly opens a case at the initiative /report of persons under obligation, then upon the initiative of the Prosecutors' offices, law enforcement agencies and foreign FIUs and has operational independence in carrying out these activities, as it is regulated by Rulebook on systematisation of work posts and job descriptions in SIPA.

In accordance with the law, persons under obligation report suspicious transactions, cash and cash related transactions based on which the FID generally opens cases for each suspicious transaction. FID also opens a case based on checking of cash and related cash transactions when certain phenomena are noticed as interesting from the FID standpoint.

Since 2005, the banks report transactions electronically. This option is available for other persons under obligation from 2010, i.e. after the adoption of the Instruction on how to fill out forms and electronic data entry to report cash transactions by the persons under obligation, issued by the BiH Minister of Security on the proposal of the FID. The financial intelligence department has technical capabilities for electronic receipt of transactions from the largest number of persons under obligation (all significant persons under obligation), through the AMLS system, which is donated by the Government of the Kingdom of Spain. However, the majority of persons under obligation, such as notaries, lawyers, accountants, leasing companies are not linked with a system of electronic reporting of transactions because it causes them additional costs (rental of static IP address, higher performance computer). For the aforementioned reasons, these persons under obligation deliver reports on transactions in writing that are entered in the AMLS system by the FID employees.

AMLS system is a database in which are recorded all reports of transactions (over 2.000.000) and data from the FID's cases. The ability of this system is to search by a variety of entities (by the name of the legal or natural person, registration number, account ...). In order to improve analytical functions efficiency of the FID, the AMLS system needs to be upgraded in terms of access to appropriate databases of certain institutions (Indirect Taxation Administration, Tax Administrations, Central Bank Loans Register, Registers of legal entities, operating records of the police authorities, etc.), in compliance with legal provisions and procedures of assigning classified information from the owner, i.e., data provider. For the same reason AMLS system needs to be upgraded in terms of connecting with special analytic software (i2 Analyst Notebook), for automatic withdrawal of data from AMLS which would multiply the quantity and quality of information and analysis.

The FID now has a direct electronic access to the database of personal information of citizens and the central register of bank accounts of legal entities in Bosnia and Herzegovina, which is managed by the Central Bank. It is important to mention that there is a need to establish a unified database of bank accounts of physical entities, which the direct access for the FID. The creation of such a base is in line with the new FATF recommendations published in the year 2012 (Recommendation 30) and Article 2, paragraph 1, of the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism (The Warsaw Convention), which was ratified by Bosnia and Herzegovina in 2008.

The main obstacle to the upgrading of the AMLS system is the lack of necessary funds. Lack of resources is also a problem for the technical maintenance of the AMLS system, for which there are specific allocated funds on an annual basis.

Inter-institutional Cooperation. During the initial period of the FID activities it was sometimes acting in isolation as pointed out in the 2009 MONEYVAL evaluation. However, although the statutory provisions have not regulated the provision of data by the self-initiative as well as information and documentation to other law enforcement agencies (which is not either prohibited), in practice the FID provides the data and information relating to the procedures of other agencies within their jurisdiction. In any case, there is a need for improving the mutual exchange of information.

International Cooperation. The Financial intelligence department is a member of the Egmont Group of Financial Intelligence Units since 2005. In international cooperation the FID is acting in line with the requirements of the foreign financial intelligence units and other law enforcement authorities in order to fulfil the conditions stipulated by the Law on MLP/FTA as well as the Egmont principles of exchange of information. In the international exchange of data the FID delivers everything that can provide for their needs through the law on MLP/FTA. With countries in the region FID has a satisfactory mutual exchange of information, while with the other countries this is not the case, where the requests of the FID are addressed to the international legal assistance. By signing the Memorandum of Understanding with foreign financial intelligence units it would improve the quality of information obtained. So far, the FID has signed 12 memorandums of understanding with foreign FIUs.

Training of FID employees. Although FID employees have participated in a number of trainings, there is a need for further improvement in terms of the use of advanced analytical techniques and appropriate analytical software, investigations of crimes of money laundering and financing of terrorist activities, financial investigations, meeting with new typologies of money laundering and financing of terrorist activities.

Training of the persons under obligation. During 2009 the Minister of Security, following the proposal of the FID, issued the *Rulebook on the risk assessment, data, information, methods of identification and other minimum parameters* necessary for the effective implementation of the provisions of MLP/FTA. In 2011 the FID has also released the *Guidelines for risk assessment and implementation of the Law on MLP/FTA*. The aforementioned regulations and guidelines are of a general nature and apply to all persons under obligation. Supervisory authorities (Banking Agency of Republika Srpska and Federation of BiH and other supervisory authorities) have issued specific regulations for each department. Persons under obligation have brought internal documents for risk assessment as well as indicators of suspicious transactions. To some degree the FID is involved in the training of employees of persons under obligation on the Law on MLP/FTA, mainly organised by other legal entities and international organisations, or by directly calling the officers and managers of individual persons under obligation. The FID should have a more important role in the training of employees of the persons under obligation. The training of persons under obligation in identifying suspicious transactions and quality descriptions of the suspected transactions is considered to be a priority. Lack of funds is a major constraint for organising trainings of the employees.

Training of the prosecutors' offices and law enforcement agencies. Occasionally, the FID employees participate as trainers in training of the prosecutors and law enforcement officials that are primarily organised by the international organisations (EU, ICITAP, OPDAT).

Bosnia and Herzegovina had a Strategy on Prevention of Money Laundering and Financing of Terrorist Activities and the Action Plan for the period 2009-2013. Obligations provided for in the Action Plan have not been fully executed. It is necessary to adopt a new Strategy on MLP/FTA, which should be developed on the basis of a National Risk Assessment. Drafting of the National Risk Assessment is required by Recommendation 1 of the revised FATF recommendations published in 2012 "Risk-based approach". This is the main recommendation which foresees a detailed assessment of the risk of certain forms of ML/ FTA, the vulnerability of the financial and non-financial institutions in the country, and discovering the weaknesses and strengths of the system of prevention and fight against ML/FTA. The National risk assessment should represent the basis for the development of all strategic documents in BiH, which are in any way related to this issue.

5. Budget

The budget of the Twinning project is 2 100 000 EUR.

<i>Project Title:</i>	IPA Community Contribution	National parallel Co-financing	TOTAL
Support to the fight against money laundering			
Twinning Contract	€ 2 000 000	€ 100 000	€ 2 100 000

The use of the National parallel Co-financing will be agreed upon at the beginning of the implementation of the Twinning contract.

6. Implementation Arrangements

- 6.1 Contracting Authority: EU Delegation to Bosnia and Herzegovina
Implementing Agency: EU Delegation to Bosnia and Herzegovina

Skenderija 3A
71 000 Sarajevo
Bosnia and Herzegovina

6.2 **Main counterpart in the BC, including contact person and contact details. Also include RTA counterpart and the BC Project leader**

Main counterpart and contact person

Ministry of Security of Bosnia and Herzegovina
Samir Rizvo (Senior Programming Officer) – Assistant Minister
Sector for International Relations and European Integration
Trg B&H 1, 71000 Sarajevo
Tel. +387 33 244 446
E-mail: Samir.Rizvo@msb.gov.ba

RTA Counterpart:

Dragan Mumović
Head of Financial Intelligence Unit
State Investigation and Protection Agency

BC Project Leader:

Edin Jahić
Head of Section for Fight against Organized Crime
Sector for Fight against Terrorism, Organized Crime, Corruption, War Crimes and Drug Abuse
Ministry of Security

6.3 Contracts

Twinning contract, 2 000 000 EUR, IPA financing

7. Implementation Schedule (indicative)

- 7.1 Launching of the call for proposals: December 2014
- 7.2 Start of project activities: September 2015
- 7.3 Project completion: August 2017
- 7.4 Duration of the implementation period: 24 months

8. Sustainability

The achievements of a Twinning project (mandatory results) should be maintained as a permanent asset to the Beneficiary administration even after the end of the Twinning project implementation. This presupposes inter alia that effective mechanisms are put in place by the Beneficiary administration to disseminate and consolidate the results of the project.

9. Crosscutting issues

9.1. Equal Opportunity

Equal opportunity for participation of men and women and minorities will be assured in all aspects of project implementation. Contractors involved in the project will be required to provide monitoring data recording the participation of men and women and minorities' representation in terms of expert inputs and trainee days as an integral component of all project progress reports.

The project will also ensure that the gender and minority/vulnerable groups concerns awareness is raised through the training activities undertaken in its framework.

9.2. Environment

The project will not have any negative environmental effects.

9.3. Minorities

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

10. Conditionality and sequencing

ANNEXES TO PROJECT FICHE

- 1. Logical framework matrix in standard format

ANNEX 1: Logical framework matrix in standard format

LOGFRAME PLANNING MATRIX FOR Project Fiche		Project title and number: Fight against Money Laundering	
		Contracting period expires: Three years following the date of the conclusion of Financing Agreement	Execution period expires: Two years following the contracting expiry date
		IPA budget:	EUR 2 000 000
Overall objective	Objectively verifiable indicators (OVI)	Sources of Verification	
To contribute to bring bodies in Bosnia and Herzegovina competent for fight against money laundering, financing of terrorism and financial crime up to the level required for EU accession			
Specific objective	Objectively verifiable indicators (OVI)	Sources of Verification	Assumptions
Strategic priority measures for fight against money laundering and financing of terrorist activities and reinforced prevention of money laundering system are implemented by relevant stakeholders in BiH timely and efficiently	National Strategy and Action plan for the Prevention of Money Laundering and Financing of Terrorist Activities in BiH is implemented according to the agreed timeframe and it is regularly monitored	Minutes of the meeting and decisions of the working group ⁴ FID (bi)annual reports EC Annual Progress Report	There is continued political will to fight against money laundering and financing of terrorist activities
Results	Objectively verifiable indicators (OVI)	Sources of Verification	Assumptions
1. FID, units for combating economic crime, financial investigations and anti-money laundering function according to the FATF recommendations, Egmont Group principles and of EU standards, including personal data protection requirements; 2. The legal framework and regulations linked to the fight against money laundering at all legislative levels in BiH are in line with EU requirements; 3. Effective structures for forfeiture and seizures of criminally gained assets in place; 4. FID operates in cooperation with other law enforcement agencies and other relevant institutions at all legislative levels in BiH and internationally; 5. The specialised investigation units for financial investigation, money laundering and financial offences on all administrative levels are strengthened according to the relevant international standards; 6. Standards for the selection procedure for targets of serious crimes and for the multiagency investigation teams improved; 7. Prosecutors and judges for the proceedings related to the financing of terrorist activities, money laundering and other financial offences have further specialised on respective fields at all of the 4 legislative levels in BiH; 8. Effective prevention measures for money laundering and financing of terrorist activities developed and implemented; 9. Monitoring system for financial institutions, for the designated non-financial	1. FID provides regularly reliable information for further investigations by beginning of 2016; 2. Relevant proposals for <i>Acquis</i> harmonisation available and incorporated in the formal legal drafting process; 3. Increased nr of convictions on forfeiture and seizure of criminally gained assets (related to the concrete available figure of the last annual statistical data); 4. FID shares systematically relevant information between law enforcement agencies within BiH and internationally; 5. Specialised investigation units have competent staff performing according to the international standards by beginning of 2016; 6. Standards for the selection procedure for targets of serious crimes and for the multiagency investigation teams established by the end of the project;	FID reports EC Annual Progress Report Project Reports; Training reports Court decisions Case management system statistics FID Reports EC Annual Progress Report Project Report, Training reports EC Annual Progress Report	Relevant stakeholders cooperate proactively throughout the project

⁴ Working group responsible for monitoring the implementation of the National Strategy and Action plan for the Prevention of Money Laundering and Financing of Terrorist Activities in BiH

business and professions, and for non-profit sector established and operational. 10. Drafted Anti money laundering and terrorism financing strategy.	7. Increased nr of convictions related to respective fields (related to the concrete available figure of the last annual statistical data); 8.1 Number of quality reports by the legal persons and entities under obligation to report about suspicious and cash transactions is increased by 30% (related to the concrete available figure of the last annual statistical data); 8.2 Updated Strategy and Action Plan for on Prevention of Money Laundering and Financing of Terrorist Activities available and agreed among relevant stakeholders; 9. All respective stakeholders report regularly in compliance with the AML/CFT regulations.	Court decisions FID reports Case management system statistics Project Reports, minutes of the relevant meetings AML System reports	
Activities to achieve results	Means / contracts	Costs	Assumptions
Reviewing various FID capacity plans and doing the gap analysis related to capacity development; 1.2 Providing relevant capacity building; 1.3 Making a national Money Laundering and Terrorist Financing Risk Assessment in accordance with the FATF Recommendation 1 (new recommendations from 2012) and in accordance with the methodology of the World Bank, based on which a Strategy and Action plan should be adopted; 1.4 Developing proactive financial investigation practise; 1.5 Set up a Register of natural persons accounts in BiH" 1.6 Upgrading the system (AMLS) for FID for an efficient and comprehensive electronic reporting system; 1.7 Developing financial analytical capacities and capabilities of FID units for combating economic crime, financial investigations and anti-money laundering function, including the provision of relevant software and needed hardware, where appropriate. 2.1 Harmonising the law on the prevention money laundering and fight against terrorism with EU standards ⁵ ; 2.2 Harmonising the criminal legislation in the area of prevention of money laundering and financing of terrorism in BiH with relevant international conventions ⁶ ; 2.3 Harmonising all the relevant laws governing the operation of the financial and non-financial sector with the Law on the prevention of money laundering and financing of terrorist activities. 3.1 Assessing respective institutional and legal framework and its implementation; 3.2 Identifying potential gaps; 3.3 Proposing amendments and making proposals;	Twinning contract	EUR 2 000 000	

⁵ "The proposal of a new law that eliminates deficiencies identified in MONEYVAL Evaluation Report 2009 in compliance with the FATF recommendations, is in the parliamentary procedure since 20.11.2013."

⁶ "Law on Amendments to the Criminal Code of Bosnia and Herzegovina in the form of a proposal, has been rejected by the House of Representatives of the Parliamentary Assembly of Bosnia and Herzegovina in November 2013".

<p>3.4 Assisting the law enforcement by trainings, on the job coaching etc.</p> <p>4.1 Identifying and implementing measures to improve cooperation and coordination with all competent bodies for fight against money laundering and financing of terrorism in accordance with positive legal provisions;</p> <p>4.2 Ensuring that requirements related to the prevention of money laundering and financing of terrorist activities defined in EU Integration process are fulfilled;</p> <p>4.3 Ensuring efficient implementation of the recommendations defined in the evaluation reports of the Council of Europe Committee for the Prevention of Money Laundering (MONEYVAL) on state and entity level and in Brčko (analyse the relevance and justification of recommendations with regard to earlier given opinion of the MoI of Republika Srpska to MONEYVAL recommendations.);</p> <p>4.4 Enhancing international cooperation and exchange of information related to the analysis of the Suspicious and Cash Transaction Reports by signing MOU's between FID and relevant foreign FIU's;</p> <p>4.5 Supporting establishment of access of law enforcement agencies to the FID respective analysis.</p> <p>5.1 Gap analysis related to capacity development for financial investigations carried out in all relevant LE Agencies;</p> <p>5.2 Carrying out Training Needs Assessment and establishing a joint Training Strategy and Program on financial investigations for the relevant police education institutions implementing the program;</p> <p>5.3 Developing and delivering joint training of police and prosecutors in view of carrying out financial investigations;</p> <p>5.4 Developing and delivering performance training for specialised units for financial investigations and money laundering;</p> <p>5.5 Procuring software to facilitate the work related to financial investigations;</p> <p>5.6 Procuring equipment to facilitate the work related to financial investigations;</p> <p>5.7 Establishing common standards for the intelligence process on money laundering and financing of terrorist activities, predicate offences and implementing capacity plan financing of terrorist activities.</p> <p>6.1 Improving standards for the investigation process on money laundering, predicate offences and financing of terrorist activities consisting of models for the financial investigations related to the evaluation of the amount and type of proceeds and tracing of proceeds of crime;</p> <p>6.2 Improving and introducing a Standardised Procedure for the Selection of Targets of Serious Crimes;</p> <p>6.3 Improving Standardised Procedure for the establishing of Multiagency Investigation Teams.</p> <p>7.1 Reviewing the situation related to specialisation;</p> <p>7.2 Integrating AML relevant modules in the existing structures of training institutions;</p> <p>7.3 Conducting relevant trainings for trainers and trainees.</p> <p>7.4 Joint trainings of police representatives, courts and prosecutors.</p> <p>8.1 Developing and implementing a public awareness campaign against money laundering, most common predicate offences and financing of terrorist activities;</p> <p>8.2 Conducting Training Needs Analysis (TNA) for the legal persons and entities under obligation to report about suspicious and cash transactions and developing relevant Training Strategy and Program and carrying out trainings;</p> <p>8.3 Developing partnerships with private sector, especially with banks and insurance companies, notaries and others;</p> <p>8.4 Assessing and updating the current strategy on Prevention of Money Laundering and</p>			
--	--	--	--

<p>Financing of Terrorist Activities, and respective action plan and its implementation.</p> <p>9.1 Making AMLS available for all parties under obligation to report;</p> <p>9.2 Establishing standardized process for the feedback to the parties under obligation to report;</p> <p>9.3 Developing functions of the FID and establish an efficient supervision mechanism for all parties under obligation to report to ensure their compliance with the Anti-Money Laundering (AML)/Combating the Financing of Terrorism (CFT) regulations.</p> <p>10.1.Presentation of the World Bank Methodology on Risk Assessment for relevant institutions in Bosnia and Herzegovina</p> <p>10.2. Train the trainers workshop on the World Bank Methodology on Risk Assessment;</p> <p>10.3. Development of questionnaires for Risk Assessment on Money Laundering and Terrorist Financing;</p> <p>10.4. Establishment of sectorial working groups and work on Risk Assessment;</p> <p>10.5.Drafting Anti-Money Laundering and Terrorist Financing Risk Assessment;</p> <p>10.6. Drafting Anti-Money Laundering and Terrorist Financing Strategy and Action plan;</p>			
--	--	--	--