STANDARD SUMMARY PROJECT FICHE

1. Basic Information

1.1 Désirée Number: CZ 2003/004-338.05.02

1.2 Title: Fight against Money Laundering

1.3 Sector: Finance

1.4 Location: Czech Republic

2. Objectives

2.1 Overall objective

• The ability to take on obligations of membership including adherence of political, economic and monerary union

2.2 Project purpose

• To enhance the efficiency of the institutional framework, including supporting IT systems, for combating money laundering and other organised crime in line with the EU legislation and practice, leading to a higher rate of successful prosecution.
• Creation of conditions for prevention of leakage of sensitive information.

2.3 Accession Partnership and NPAA priority

• Alignment of legislation with second directive against money laundering; ensure compliance with FAFT recommendations.

2.4 Contribution to National Development Plan

• n.a.

2.5 Cross Border Impact

n.a.

3. Description

3.1 Background and justification

The project is aimed to support the implementation of the Directive 91/308/EEC on Prevention of the use of financial systems for purpose of money laundering, and other relevant EC provisions related to combating the organized crime, as well as the 8 new FAFT recommendations, at the operational level in the Czech Republic. Primarily, it should provide highly sophisticated expertise to the Financial Analytical Unit (FAU) of the Ministry of Finance, which is responsible for the coordination of actions against the proceeds from money laundering.

The assistance should focus on the area of electronic communication throughout the whole chain combating money laundering (FAU, police, prosecutor’s offices, tax administration, customs, Securities Centre, Securities Commission, Banking Supervision and Banking Association, etc.) and, more specifically, on the creation of the encrypted connection between the FAU and the financial institutions (banks), police, prosecutor’s offices, tax administration, customs, Securities Centre, Securities Commission, Banking Supervision and Banking Association. The implementation of the project will require also further up-dating of current ITC system within the FAU.

The project should result in a simpler, faster and safer transfer of data between FAU and respective institutions; in enhancing the effectiveness and efficiency of the FAU operations; in preventing the leakage of highly sensitive information and better physical protection of the FAU offices. Furthermore, it would complement the current multi-country Phare project focused on the electronic encrypted connection between FIUs.

The implementation of the project will be based on the need analysis, respective Technical Specification and a complete tender dossier for the supply to be elaborated under NPP 2002.

3.2 Linked activities

This project will benefit from the previous Phare assistance provided by the EC at the national and multinational levels and under different facilities; namely from the project “Strengthening Actions against Proceeds from Money Laundering” (CZ00.07.03) focused on the improvement of the EC compliant legal,
institutional and technical environment in combating money laundering, leading to more effective court prosecution, as well as on the procurement of analytical software and training of staff.

The outcomes of other related projects on national and multinational levels will, where appropriate, also be taken into account; i.e. namely the projects „Strengthening the Institutions of Law Enforcement / Asylum” (CZ 9810.02), „Strengthening the Operation of Law Enforcement Institutions and the Judiciary” (CZ 9904.01) and „Improving the Fight against Corruption and Economic Crime“ (CZ 01.07.06), as well as the Phare Multibeneficiary Drugs Programme, dealing with the combat against legalisation of proceeds from criminal activities and encryptology issues.

The previous Phare projects have not dealt so far with the issues of encryptology.

The coordination with all relevant projects mentioned above will be ensured via Steering Committee to be set up as a part of the organisation and methodology scheme at the outset of the implementation of this project. The SC will consist of the representatives of MoF (FAU), MoI and other relevant line ministries and institutions.

3.3. Results

- Encrypted communication between Financial Analytical Unit (financial intelligence unit)/further FAU/, police, prosecutor’s offices, tax administration, customs, Securities Commission, Securities Centre, Banking Supervision, Banking Association and compliance departments of financial institutions operational
- Updating of current software of information system of the FAU in order to ensure reliable IT environment for the encrypted connections
- Higher level of mutual information sharing and level of co-operation between respective departments of ministries of Finance, Interior and Justice and other relevant authorities

3.4. Activities

Supply based on the Technical Specification and a complete tender dossier to be prepared under NPP 2002:

- Development, delivery and installation of a new system of mutual electronic encrypted connection (HW & SW) between FAU and police, prosecutor’s offices, tax administration, customs, Securities Commission, Securities Centre, Banking Supervision, Banking Association
- Training of relevant staff of FAU, police, prosecutor’s offices, tax administration, customs, Securities Commission, Securities Centre, Banking Supervision, Banking Association in usage of encryption
- Providing the FAU, police, prosecutor’s offices, tax administration, customs, Securities Commission, Securities Centre, Banking Supervision and Banking Association with the technical documentation of the system of mutual encryption

3.5 Lessons learned

The experience from previous EC assistance related to combating the organised crime (mostly Phare projects both for the financial non-banking sector, and for the Ministry of Interior where the FAU was also one of the beneficiaries, proved to be very appropriate both in terms of transfer of know-how and supply of appropriate investments (special SW and HW).

4. Institutional Framework

The Financial Analytic Unit (FAU) constitutes a special Department (Dpt. 24) of the Ministry of Finance which falls under direct responsibility of the Minister. It executes its functions in compliance with the legislative provisions concerning combat against the proceeds from money laundering, in particular law no.61/96 Coll., as subsequently amended. In this and previous Phare project (CZ.00.07.03) the FAU discharge the coordinating role and ensures the linkage to other relevant Czech authorities and institutions.

5. Detailed Budget (mil.€)

<table>
<thead>
<tr>
<th>Project Components</th>
<th>Phare Support</th>
<th>National Cofinancing</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Investment Support</td>
<td>Institution Building</td>
<td>Total Phare (=I+IB)</td>
</tr>
<tr>
<td>Supply of equipment</td>
<td>0.6</td>
<td>0.6</td>
<td>0.6</td>
</tr>
<tr>
<td>Supply of equipment</td>
<td></td>
<td></td>
<td>0.2</td>
</tr>
<tr>
<td>Total</td>
<td>0.6</td>
<td>0.6</td>
<td>0.2</td>
</tr>
</tbody>
</table>

* There will be parallel co-financing from the state budget, chapter MoF, the amounts as follows:
-2004 – The amount has been included in the 2004 Budget forecast.
6. Implementation Arrangements

6.1. Implementing Agency
The CFCU is the Implementing Agency responsible for tendering, contracting and accounting. Responsibility for technical aspects related to preparation, implementation and control will rest with the beneficiary institutions and will be co-ordinated by the Ministry of Finance.

The contact person for the project is Ms Jana Stará, Senior Programme Officer for Phare projects of the MoF and Finance Non-Banking Sector, Ministry of Finance, Letenská 15, Prague, tel. +420 2587042612, fax +420 257049236, e-mail Jana.Stara@mfcr.cz.

6.2. Twinning
n/a

6.3. Non-standard aspects
n/a

6.4. Contracts
(1) Supply contract - 0.6 MEUR

7. Implementation Schedule

7.1. Start of tendering/call for proposals
Supply contract 4Q/03

7.2. Start of project activity
Supply contract 1Q/04

7.3. Project Completion
Supply contract 3Q/04

8. Equal Opportunity
Equal opportunity principles and practices in ensuring equitable gender participation in the Project will be guaranteed.

9. Environment
n.a.

10. Rates of Return
n.a.

11. Investment Criteria
n.a.

12. Conditionality and Sequencing
The proposals for amendments to legislation, procedures and structures resulting from the project will be reflected in proposals put forward by the Ministry of Finance to the Government of the Czech Republic.

ANNEXES TO PROJECT FICHE

1. Logframe planning matrix
2. Detailed implementation chart
3. Contracting and disbursement schedule
# LOGFRAME PLANNING MATRIX

<table>
<thead>
<tr>
<th>Overall objective</th>
<th>Objectively verifiable indicators</th>
<th>Sources of verification</th>
</tr>
</thead>
<tbody>
<tr>
<td>The ability to take on obligations of membership including adherence of political, economic and monetary union</td>
<td>EC recognition (membership and other forms of participation in different bodies created by EC/OECD for combating money laundering)</td>
<td>EC reports and other reports of the relevant international bodies related to the area of combating money laundering, in particular the regular report of the PC-R-EV of the Council of Europe</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Project purpose</th>
<th>Objectively verifiable indicators</th>
<th>Sources of verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>To enhance the efficiency of the institutional framework, including supporting IT systems, for combating money laundering in line with the EU legislation and practice, leading to a higher rate of successful prosecution.</td>
<td>Mutual encrypted connection between FAU, police, prosecutor’s offices, tax administration, customs, Securities Commission, Securities Centre, Banking Supervision, Banking Association operational</td>
<td>Ministry of Finance, Ministry of Interior, Ministry of Justice, Financial institutions and regulators</td>
<td>Amendment to anti-money laundering law (expected to enter in force on July 2003)</td>
</tr>
<tr>
<td>Creation of conditions for prevention of leakage of sensitive information</td>
<td>Encrypted connection between FAU and compliance officers of financial institutions operational</td>
<td>Ministry of Finance, Ministry of Interior, Ministry of Justice, Financial institutions and regulators</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Results</th>
<th>Objectively verifiable indicators</th>
<th>Sources of verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Encrypted communication between Financial Analytical Unit (financial intelligence unit)/further FAU/, police, prosecutor’s offices, tax administration, customs, Securities Commission, Securities Centre, Banking Supervision, Banking Association and compliance departments of financial institutions operational</td>
<td>Encrypted mutual connection and data transfer between FAU (30 officers of the FAU) and approx. 150 representatives in the following Czech authorities and institutions: 24 policemen (8 on headquarter and 16 on district level), 6 state prosecutors (2 in the Highest Prosecutor’s Office and 4 in High</td>
<td>Ministry of Finance, Ministry of Interior, Ministry of Justice, Financial institutions and regulators</td>
<td>Improvement of coordination between respective departments of ministries of Finance, Interior and Justice and other relevant authorities</td>
</tr>
</tbody>
</table>
system of the FAU in order to ensure reliable IT environment for the encrypted connections

- Higher level of mutual information sharing and level of co-operation between respective departments of ministries of Finance, Interior and Justice and other relevant authorities

N.B.: The previous projects at the national level did not deal with the encryptology.

<table>
<thead>
<tr>
<th>Activities</th>
<th>Means</th>
<th>Assumptions</th>
</tr>
</thead>
</table>
| Development, delivery and installation of a new system of mutual electronic encrypted connection (HW & SW) between FAU and police, prosecutor’s offices, tax administration, customs, Securities Commission, Securities Centre, Banking Supervision, Banking Association | **Supply contract:** Supply of appropriate HW & SW based on the need analysis, respective Technical Specification and a complete tender dossier to be prepared under NPP 2002 - **0,6 MEUR** Estimated cost is based on the assumption of the need of 180 work stations necessary to ensure the system; approx. cost of one work station (including... | - Co-operation of all relevant parties in the Ministries of Finance, Interior and Justice and other relevant authorities
- Links to related projects (Phare, horizontal)
- In the framework of the Horizontal phare project 2002/2003 for ten candidate countries encrypted connection between financial intelligence units will be provided |
• Training of relevant staff of FAU, police, prosecutor’s offices, tax administration, customs, Securities Commission, Securities Centre, Banking Supervision, Banking Association in usage of encryption
• Providing the FAU, police, prosecutor’s offices, tax administration, customs, Securities Commission, Securities Centre, Banking Supervision and Banking Association with the technical documentation of the system of mutual encryption

<table>
<thead>
<tr>
<th>LCD display, speakers, web camera, microphone, cryptosoftware, faxmodem cards, cipher card, printer, operation system Windows 2000 and MS Office</th>
<th>(encrypted connection on international level)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent assessment will be done throughout the approval process by the EC Delegation.</td>
<td>Co-financing from the Czech side prevent security equipment, protection of the relevant offices, creation of various registers in electronic form (business registers, population register, police records, register of properties, etc.), purchase of other technical equipments (computers, servers, printers, SW), creation of various electronic databases of relevant authorities and institutions</td>
</tr>
</tbody>
</table>

Preconditions

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Annex 2

Detailed Implementation Chart

Fight against Money Laundering

<table>
<thead>
<tr>
<th>Year</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
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<tbody>
<tr>
<td>Supply contract</td>
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<tr>
<td>- Start of tendering</td>
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<tr>
<td>- Start of project activity</td>
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<td></td>
<td></td>
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<tr>
<td>- Project completion</td>
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# CONTRACTING AND DISBURSEMENT SCHEDULE

## Cumulative Quarterly Contracting Schedule (mil.€)

<table>
<thead>
<tr>
<th></th>
<th>1Q/03</th>
<th>2Q/03</th>
<th>3Q/03</th>
<th>4Q/03</th>
<th>1Q/04</th>
<th>2Q/04</th>
<th>3Q/04</th>
<th>4Q/04</th>
<th>1Q/05</th>
<th>2Q/05</th>
<th>3Q/05</th>
<th>4Q/05</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fight against Money Laundering</td>
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<td></td>
<td>0,6</td>
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</tbody>
</table>

## Cumulative Quarterly Disbursement Schedule (mil.€)

<table>
<thead>
<tr>
<th></th>
<th>1Q/03</th>
<th>2Q/03</th>
<th>3Q/03</th>
<th>4Q/03</th>
<th>1Q/04</th>
<th>2Q/04</th>
<th>3Q/04</th>
<th>4Q/04</th>
<th>1Q/05</th>
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<th>3Q/05</th>
<th>4Q/05</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fight against Money Laundering</td>
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<td>0,6</td>
</tr>
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