1. **Basic Information**

   1.1 CRIS Number: 2004/006-270.04.03
   Twinning EE04-IB-JH-03
   1.2 Title: Integrated programme to strengthen the capacity of the Estonian anti money laundering institutions
   1.3 Sector: Justice and Home Affairs
   1.4 Location: Estonia

2. **Objectives**

   2.1 Overall Objective(s):
   Increased effectiveness in fight against money laundering at both international and national levels.

   2.2 Project purposes:
   Increase in the administrative capacity of the relevant authorities to fight money laundering.

   2.3 Justification

   The 2003 Peer Review Report identified money laundering as a bottleneck. The report mentions that further concerted effort for improving the administrative capacity of Financial Intelligence Unit (FIU) for the combating of money laundering is needed. Improving the effectiveness of the prevention of money laundering is also mentioned in Chapter 24.5 Prevention of money laundering of the National Plan for the Adoption of the EU-Acquis 2003.

   - **Commission Comprehensive monitoring report on Estonia’s preparations for membership 2003**
     Chapter 4 - Free movement of capital: in the area of money laundering, Estonia still has to amend its anti-money-laundering legislation in line with the most recent EU-acquis and, *inter alia*, extend the range of persons obliged to report suspicious transactions to cover lawyers, accountants, tax advisors, auditors and notaries.

     More detailed regulation on supervision of gambling is needed. Estonia must extend reporting obligations in case funds are intended for the financing of terrorism. Moreover, further work will also be necessary to comply with the recommendations of the Financial Action Task Force.

     In terms of implementing structures, the Financial Intelligence Unit (FIU) needs to be further strengthened both in terms of staff and equipment, especially to carry out analysis and maintain the security of data and premises. Training activities are needed for the FIU, economic police, prosecutors, customs officials, and bank personnel.

     In the conclusion it is stated that: Estonia is essentially meeting the requirements for membership and should be in a position to implement the EU-acquis in the area of capital movements and payments and payment systems from accession. A limited number of specific issues still need to be addressed in these areas before accession.

     The commitments and requirements in the fight against money laundering are partially met. In order to complete preparations for membership, Estonia must transpose the recent EU-acquis and further reinforce its administrative capacity to effectively implement the acquis on money laundering.
Chapter 24: Justice and home affairs:

Estonia still needs to complete its legislative alignment with the most recent acquis on money laundering. A Financial Intelligence Unit is in place, but its resources and capacities should be reinforced.

- The FATF 8 special recommendations on the financing of terrorism:

Estonia will have to take the necessary measures to comply with these 8 recommendations in the fight against terrorism by improving their supervisory procedures in the field of money transfers, freezing and confiscation of assets, international co-operation, wire transfers and the supervision on non-profit organisations.

Recommendation No 6 of the Anti terrorism recommendations states:
“Each country should take measures to ensure that persons or legal entities, including agents, that provide a service for the transmission of money or value, including transmission through an informal money or value transfer system or network, should be licensed or registered and subject to all the FATF Recommendations that apply to banks and non-bank financial institutions. Each country should ensure that persons or legal entities that carry out this service illegally are subject to administrative, civil or criminal sanctions”

- The 25 NCCT recommendations (Non Co-operative Countries and Territories)

The absence or ineffective regulations and supervision for all financial- and non-financial institutions in a given country or territory, onshore or offshore, on an equivalent basis with respect to international standards applicable to money laundering and the increased concern on the Estonian side in regards to the offshore products that are being offered on the Estonian economic market should cause Estonia to make an effort to combat the illegal use of these types of products. Supervision of this type of business is not regulated and regulations on the use of these types of businesses are lacking in Estonia.

3. Description

3.1 Background and justification

3.1.1 History
The FIU was established on 1 July 1999 within the Crime Department of the Police Board with the aim of creating a money-laundering prevention system according to the MLPA, which would also be in compliance with the requirements of the European Union (EU-) as well as other international requirements.

Within six months a money laundering prevention system was created which met the basic requirements of the moment and which was also acknowledged during the check-up visit of the Council of Europe’s Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures (PC-R-EV; from July 2002 named MONEYVAL) in January 2000. In addition, preparations were made for joining the Egmont Group, the international association of financial intelligence units, and in June 2000 the Estonian FIU was accepted as a member.

3.1.2 Legal background
Already in the year 2000 the first major amendments to the legislation were adopted, which made the work of the money laundering prevention system significantly more efficient. One of the most
important amendments was the right of the FIU to turn to the court with the application for the seizure of property.

From 1 January 2004 the new Money Laundering and Terrorism Financing Prevention Act (MLTFPA) entered into force in order to comply with EU Directive 2001/97/EC amending Council Directive 91/308/EEC on the prevention of the use of the financial system for the purpose of money laundering. Also the FATF recommendations were taken into account.

The new Act covers also the reporting obligation in case of suspicion of terrorism financing, in addition to money laundering. According to the Act the FIU also has the right to seize assets in case of terrorism financing on the same basis as in case of money laundering (freeze the transaction for two working days and if by this time the legal origin of the money has not been proved, the FIU may seize the assets for 10 working days). Previously the FIU had the right to freeze the transaction for 2 working days and then turn to the court for seizing the assets.

The new Act has also expanded the range of subjects. It covers lawyers, accountants, tax-advisors and notaries, but also currency exchange companies, money transmitters, entrepreneurs whose activities are related to lotteries and gambling, real-estate and high value goods mediators, and all the entrepreneurs whose transactions exceed the value of 100 000 Estonian kroons in cash and 200 000 in case of non-cash transactions.

In addition, the FIU has new obligations, for example supervising the obliged entities (which are not supervised by the Financial Supervision Authority) from the money laundering point of view and conduct misdemeanour procedures/issue administrative acts in the case of failure to comply with the requirements stemming from Money Laundering and Terrorism Financing Prevention Act.

### 3.1.3 Administrative capacity

From 1 January 2004 the FIU is a part of the Central Criminal Police as an independent unit.

According to resolution No 5 of the Minister of Internal Affairs of 22 January 2004 4 additional positions were created in the FIU (see conditionalities). These positions are foreseen to start to implement the amendments of the MLPA. In due course more positions might be subject to discussions in 2005. Therefore, there are 11 positions in total in FIU at the moment, out of which 4 positions are vacant.

From January 2004 there are seven employees in the FIU: a chief superintendent, three leading police inspectors and three chief specialists. All the employees have the necessary level of education and all police officers have completed the minimum further training in the field of prevention of money laundering. The IT specialist of the FIU deals with the following: preparations for joining the FIU.NET system (Phare Anti Money Laundering project – Module 7 FIU.NET), creation of an encrypted data connection\(^1\), compilation of the IT development plan of the unit, designing a database and the local network.

The 3 analysts of the Estonian FIU make 450 notifications per analyst during the past year (see annex 4). At the same time, other tasks (participating in various projects and work groups, participating in drawing up draft legislation and in fulfilling the voluminous questionnaires of international organisations) also have to be carried out.

Experts of the EU have drawn attention to gaps in the fight against money laundering in Estonia. The main shortcomings are insufficient administrative capabilities of authorities involved in the process, and a lack of a general national strategy. In order to improve administrative capacity, it is necessary

\(^1\) At present the encrypted data connection has been created with the biggest operating bank in Estonia, the Hansabank
to draw up national training programmes for agencies taking part in the criminal procedure (police, prosecutor’s office, courts) and revise the working processes of the Financial Intelligence Unit in relation to the working processes of other agencies involved in the anti money laundering chain.

Another problem is the exchange of information at national level as well as the use of the financial information delivered to the FIU by the reporting institutions.

The FIU receives and processes highly confidential data (including bank secrets). Restrictions on the use of information is stipulated in MLTFPA article 21 – “Information registered in the Financial Intelligence Unit shall only be forwarded to a preliminary investigation authority, the prosecutor or a court in connection with a court proceeding on the basis of a written request of the preliminary investigation authority, the Prosecutor’s Office or the court or on the initiative of the Financial Intelligence Unit if the information is significant for the prevention, establishment or investigation of money laundering or a criminal offence related thereto. Only officials of the Financial Intelligence Unit shall have access to and the right to process the information in the Financial Intelligence Unit database.

In addition to nationally sensitive personal data, the FIU also receives and exchanges information with the FIUs of foreign countries. (MLTFPA Article 24 - The Financial Intelligence Unit has the right to exchanging information with foreign agencies, which perform the functions of a financial intelligence unit). Therefore, it is highly important to pay attention also to data protection requirements. However, the database the FIU is using at the moment is very basic.

A new database with additional possibilities would significantly increase security and the administrative capacity of the FIU. For this reason it is necessary for the FIU to **develop a secure information system**, which would comprise:

- A separate secure local network;
- Local client/server database for reports and files;
- A standard electronical reporting system;
- Analysis software.

In addition to electronical security, attention should also be paid to the security of offices in order to guarantee that all the requirements on the use and processing of data are met at the moment the Estonian FIU joins the information exchange system FIU.NET of all the FIUs in the EU. In order to secure the operation of the information exchange system FIU.NET in the Estonian FIU, a server room and work environment meeting the requirements must be provided.

**Project justification**

The project aims at improving the overall system of anti money laundering activities. Therefore, the project activities involve all key institutions and main aspects of their involvement.

**3.1.4 The need for drafting a National Money Laundering Prevention Strategy**

In order to fight effectively against a specific type of crime any country needs to conduct a strategic analysis and elaborate a national strategy. This strategic plan should specify the FIU’s work in the field of money laundering and co-ordinate the activities of other relevant agencies as well. While analysing the situation in a respective country, attention should be paid to its geographical location, cash flows from and to different countries, analysis of major crimes, concurrent offences to money laundering etc. So far there is no national strategic plan for fighting against money laundering in Estonia.
A major role in developing a strategic approach to the money laundering problems will be played by the National Coordination Committee (NCC) on Money Laundering. Tasks of this NCC on Money Laundering can be described as assisting the Financial Intelligence Unit in their anti money laundering approach as well as advising the authorities on the topic of anti money laundering and the way the FIU is working in the anti money laundering field.

The NCC consists of representatives of all the relevant ministries involved, representatives of Supervisory authorities as well as from the Estonian Banking Association, representatives from Law Enforcement and Prosecution Services in Estonia.

A national strategic approach on money laundering should at least include objectives like:
- Assessment of the effectiveness of each of the institutions involved in the anti money laundering chain and recommendations for improving this effectiveness;
- Comparison of the present national legislation with international legislation and standards;
- Weaknesses of the legal framework in the field of money laundering prevention and the combating of terrorism financing, where necessary;
- Raising the awareness of the authorities involved in the anti money laundering chain;
- Improving of the national and international co-operation between the authorities involved in the area of anti money laundering;
- Identifying national and international typologies and trends in the area of money laundering.

3.1.5 Training for the relevant authorities
Already in the year 2000 the first major amendments were made to the MLPA, which significantly intensified the work of the money laundering prevention system. One of the most important amendments was the right of the FIU to turn to the court with an application for seizure of property. By the end of the year 2003 property has been seized with the co-operation of the FIU in the amount of approximately 10 million Estonian kroons, the FIU has itself seized property in the amount of approximately 8 million Estonian kroons and materials have been forwarded for the commencement of a criminal procedure in 30 cases. The MLPA entered into force four years ago (in 1999), however until the present time no court judgements have taken effect.

It is important to provide further training to respective institutions in order to follow up on the reports done by the FIU (investigators, prosecutors, judges), in the course of which attention should be paid to the shortcomings of each institution’s work and to the possibilities for resolving these shortcomings.

**Training for investigators:**
(Short-term expert 1)

The level of financial investigations and the knowledge of money laundering in Estonia needs be improved. Furthermore, there is a need to pay more attention to the different money laundering techniques. It is important that all investigating police officers who are investigating predicate offences should have basic knowledge of money laundering. In order to improve knowledge in this field, a short-term expert could be involved in organising a training for investigators of different law enforcement agencies.

A basic one-week training course for 25 investigators organized by the FIU has already taken place as a result of the PHARE Anti Money Laundering project (project no 02-0003.00, took place in the years 2002-2003) and will have to be followed up by a training on a professional basis to all law enforcement agencies. As evident from the study of training needs carried out before the previous course, the interest in this kind of training was very high and we were not able to enable everyone interested in the course to participate in it.
It is planned to organise at least 2 similar training courses for at least 50 investigators all over Estonia. The content of these training courses should vary from basic knowledge of money laundering to expert financial investigation techniques (financial profiling of criminal subjects, etc.).

**Training for Prosecutors and Judges:**
(Short-term experts 2 and 3)

It is also planned to involve short-term external experts (preferably a prosecutor and a judge, both having experience in dealing with money laundering cases from member states with convictions in the area of money laundering) with the aim of organising preliminary training for prosecutors and judges. There would be 2 groups for a limited number of persons (both consisting of 2 judges and 4 prosecutors) and the training could take place in the form of 2 workshops lasting for 3 days for each group. Number of participants was decided on the basis of workload of relevant institutions.

After these workshops study visits to different judicial systems of the member states will be organised in order to compare and discuss the approach in money laundering cases with colleagues. The short-term experts will also be involved in organising these study visits to the member states of the experts.

After the training and study visits an analysis of the training needs and a training schedule for further and consistent training for the relevant institutions is also required from these experts.

Further training need is composed on the basis of the evaluation of the workshops. Participants assess how this kind of training meets their needs and what can be improved while doing it in future.

### 3.1.6 Training in supervision
(Short-term expert 4 and 5)

The amendments to the MLPA also foresee supervision over a large circle of persons obliged to report to the FIU. In Estonia the Financial Supervisory Authority is the institution exercising supervision over credit and financing establishments, however, when the amended MLTFPA entered into force on 1 January 2004 a great number of new legal subjects were added. The supervision obligation over these establishments was put on the FIU. According to initial estimates there are more than a thousand entrepreneurs to be supervised (lawyers, notaries, auditors, gambling companies, currency exchange companies, money transfer companies, real estate, vehicles, precious metals, antiques and art dealers, etc.) Supervision also includes the procedure of misdemeanours to the extent provided by the amended MLTFPA.

The employees of the FIU lack previous work experience and skills to provide supervision related to the new additional obligations. In order to fulfil obligations provided by the law it is necessary to organise training for the FIU staff.

Supervision is a diverse topic. All the groups mentioned above need their own supervisory approach i.e supervision on the financial sector is quite different from supervision over the non-financial sector. As this is going to be one of the major tasks of the FIU, it will become necessary to involve more than one short-term expert. Two different experts could be considered:

1) An expert specialised in the issue of supervision (for the financial sector) and also providing instructions on the supervision of such professionals as notaries, accountants etc. He/she would also be responsible for training the FIU staff in the matters of this sector.

2) An expert specialised in supervision over the non-financial sector, who will handle other types of institutions such as casinos, currency exchange companies etc. He/she would also be responsible for training the FIU staff in the matters of these sectors.
These experts would have the experience in providing supervision which meets the standards regarding compliance on the topic of prevention of money laundering. The experts would carry out a survey establishing the range of subjects whom the FIU has to supervise after the new act entered into force. In addition, the experts would carry out research on the training requirements and would organise and train the FIU staff.

In addition, also the new subjects of the law need to be trained – entrepreneurs, who, according to the new law, will have the obligation to report. Legislation on money laundering, the reporting system to the FIU and the legal responsibility arising from the abovementioned need to be introduced to the entrepreneurs. Determining the training requirements and organising the trainings would also be the obligation of the short-term experts.

3.1.7 Development of feedback systems:

(Short-term expert 6)
Feedback is an important part of the anti money laundering approach. Reporting institutions need feedback from the institution they are reporting to (FIU) in order to improve their reporting activity. In order to evaluate their customers and motivate the reporting personnel, feedback should be provided.

Also the FIU needs feedback from investigative authorities about the cases sent to them in order to provide them with cases with a higher quality in the future.

In Estonia the feedback system is not developed as well as it should be. Therefore, the short-term expert should evaluate the present level of feedback and develop different ways and procedures for feedback in the future.

In accordance with this evaluation the short-term expert should develop procedures and, if need be, regulations in order to certify that proper feedback is being given by all relevant institutions in the anti money laundering chain.

3.1.8 Awareness rising

(RTA)
The money laundering topic is quite new in Estonia. Punishment for money laundering was introduced on 1st of July 1999 when the Money Laundering Prevention Act entered into force. The higher officials still need more information on prevention of money laundering. Therefore organising awareness raising meetings amongst the state officials in higher positions (persons from ministries, law enforcement officials, prosecution and judicial services) is necessary for developing a common approach. Raised understanding on the importance of this issue is essential as Estonia is about to become a member of the EU where one of the objectives is free movement of capital.

3.1.9 IT support (TA)
Security of data, good databases and an efficient analysis system are essential to an effective work of the FIU. At the same time it is important to make the reception of reports more automatic and create a unified format for the reports. The following measures are necessary for achieving the abovementioned results.

In order to protect the data it is necessary to guarantee that the FIU has its own local computer network\(^2\), with no uncontrolled access from the outside and where all the databases and local computer network equipment are under the control of FIU staff only. The necessary maintenance of the equipment and databases, if carried out by a non-FIU employee, will be carried out under the supervision of an FIU employee. Another short-term expert is needed for checking and developing

\(^2\) See annex 5 for further description, justification and explanation
the security measures of the local network, who will also analyse the situation of the local network and, if necessary, will configure the firewall.

In order to increase administrative capacity and improve the quality of work it is necessary that the FIU has databases with the required functionality, security and all the data requirements.

An electronical reporting system is needed for making the recording of the reports in the database more automatic and providing the reports with a unified format. This would increase the administrative capacity of the FIU and all the reports coming through this system would have a unified format.

For a well-operating analysis system, analysis of software is needed, which the FIU partially owns. At the same time, in order to join the existing databases with the I2 software additional iBridge interfaces are needed. Also, a short-term expert is needed for inculcating the analysis system with the I2 software, who will assist in joining the existing databases with the I2 software and create an exemplary solution.

Therefore there is a need for:

1. A secured local area network with all the necessary equipment
2. Development of 2 databases (database for reports and files)
3. An electronical reporting system (software)
4. iBridge software

With the abovementioned measures the administrative capacity of the FIU will increase, the quality of the work and efficiency will improve. The necessary level of data security will be reached and a required data protection policy can be implemented.

3.1.10 Equipment for working outside the FIU office and on business trips

As there will be new supervision tasks to be carried out by the FIU staff and there will be the obligation to supervise several subjects, it will be necessary to have internet access in order to receive/check information on location (at the location of the subject) operatively. At the same time, it will be necessary to save several data on location. In order to have operative access to various registers, lap-tops are needed which enable internet connections either via GPRS or WLAN (to be covered from state budget). In addition, lap-tops are needed for operating on business trips as well as outside the FIU office.

The abovementioned equipment would make the work carried out at the location of various subjects checked more operative and efficient by providing quick access to the required data. At the same time the FIU staff could also work on business trips. In conclusion, the operative efficiency and the administrative capacity of the bureau would increase significantly.

3.1.11 Security of the FIU offices

In addition to electronical security, attention has also to be paid to the security of the offices. The FIU offices, where also FIU data is stored on paper and where the personal computers are located, must have local security alarms and fire alarms installed and must have locks. The lock should utilize the magnet card system, be connected with a local computer and only be opened with a personal magnet card. All activities carried out with the magnet cards will be recorded. In addition, video surveillance would be necessary in order to guarantee security of data. FIU offices must have air-conditioners to guarantee normal working conditions for the FIU staff and to avoid overheating of computers. In addition, iron doors must be installed.
Considering the nature of the project, no NGOs were consulted during the project preparation process. The project aims at institution building at the central government level and the NGOs are not seen as directly benefiting or having a role in the project’s activities.

3.2 Linked activities:

- **Program of information system for criminal investigation and criminal analysis (ES01.04.03):**

  The project started in 2001 and was completed in 2003. The objective of the project was to improve efficiency and exchange of information of police investigators and analysts. For this purpose 28 Analyst Workstation software licences were procured and training on investigation and analyses methodology (Anacapa) and strategic intelligence and analyses were conducted.

  Several law enforcement authorities benefited from the project: Police Board, Security Police Board and Tax Board. The project provided two Analyst Workstations for the FIU.

- **The PHARE Anti Money Laundering Project (02-0003.00):**

  In the years 2002 and 2003 Estonia took part in the PHARE Anti Money Laundering Project.

  The overall objective of the project was to strengthen the capacity of the anti money laundering system in CEECs in compliance with the EU acquis and international standards.

  The more specific objectives were:
  - to improve legal, administrative and operational conditions
  - to improve co-operation between different institutions in each CEEC
  - to achieve effective international co-operation

  The project included different training modules for different target groups.

  During this project there were several bottlenecks discovered concerning the approach of the Money Laundering problems in Estonia. For example:
  - In the area of the prosecution service as well as the judicial service problems still exist because of the lack of experience with money laundering cases.
  - **Compliance and supervision of non-financial institutions** such as casinos, exchange offices and others is at a lower level and needs improvement.
  - **Feedback** between the different organisations involved in the anti money laundering approach is not at a high level.

  In the near future the Estonian FIU will join the FIU.NET, which was also one of the activities in the framework of the same Phare AML Project (module 7). Joining the FIU.NET is necessary for improving the exchange of financial intelligence information with foreign EU counterparts. The present information system of the FIU does not support such an information exchange in the way it is supposed to support.

  **Training provided by the FIU**

  Persons from the Estonian FIU have participated in training courses as lecturers for leading investigators and drug-investigators several times to emphasize the importance of money laundering related to drug-crimes and other types of criminal activities.
At the end of December 2003 a one-week special money-laundering course for investigators was organised by the FIU. The police officers who attended that course (approximately 25 persons) are investigators at a higher level (leading investigators who are in charge of investigations) from the different police prefectures all over Estonia.

Recently, employees of the FIU composed a CD-based training course for the introduction of money laundering issues. The CD will be made in co-operation with Phare AML project and NCIS (FIU from UK) who created the first similar introduction course.

**Other activities**

The Estonian FIU is actively participating in the Egmont Group activities.

Egmont Group Baltic Regional Workshop was held on 19-20 September 2002 in Estonia near Tallinn. Estonian, Latvian and Lithuanian FIUs participated. The Russian FIU was also invited, but due to the FATF delegation visit to Russia, they cancelled at the last minute.

The participants in the workshop gave an overview of the structural and legislative changes in their countries and their influence on the fight against money laundering and international co-operation. Special attention was paid to issues related to terrorist financing and handling of the lists of suspected persons coming from different sources.

Additional topics were black money coming from Russia and co-operation possibilities with the Russian FIU.

In all participating countries the common problem seemed to be the lack of convictions in money-laundering cases and the reasons for it, which seem to be the same in all the countries.

### 3.3 Results:

3.3.1. Draft National money laundering prevention strategy composed, including:
- 3.3.1.1 General analysis and gap-analysis of the effectiveness of the current money laundering prevention system;
- 3.3.1.2 Analysis of the money laundering legislation and its compliance with international standards, recommendations and requirements of the EU;
- 3.3.1.3 Comparative analysis with an EU MS’s well functioning money laundering prevention system;
- 3.3.1.4 Recommendations and action plan on implementation of the national money laundering prevention strategy.

3.3.2. Staff in the FIU and involved authorities qualified
- 3.3.2.1 4 judges, 8 prosecutors and 50 investigators also in investigation and prosecution of money laundering crimes;
- 3.3.2.2 Analysis of further training needs and recommendations on a further consistent training plan for involved authorities;
- 3.3.2.3 Experts from FIU and FSA dealing with supervision (from the money laundering point of view) qualified in organising and performing supervision and feedback systems;
- 3.3.2.4 Raised awareness amongst new subjects of supervision on their obligations;
- 3.3.2.5 Handbook and training materials for the investigators composing methodical and practical guidelines for helping to define the money laundering crimes and investigating them.

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4 For the indicators please see Annex 1 – Logical Framework Matrix.
3.3.3 Strategy for carrying out supervision over subjects of the money laundering prevention act focused on specifics of each separate subject elaborated.

3.3.4. Developed feedback system between relevant anti money laundering institutions.

3.3.5. Increased awareness of higher officials on anti money laundering techniques, these officials integrated into the field of prevention of money laundering.

3.3.6. New information system for the FIU in place, containing the following aspects:
   3.3.6.1 Secure local network for the FIU for protection of data;
   3.3.6.2 Local client/server database for reports and files;
   3.3.6.3 An electronical reporting system;
   3.3.6.4 Physical link between the FIU main database and analysis software (I2) and working analysis system using I2 tools;
   3.3.6.5 Trained users.

3.3.7. Secure offices.

3.4 Activities:

3.4.1 Contract 1: Twinning for 12 months, (514 600 EUR)

The project will be implemented through a Twinning package which will include the following components:

1. One long-term Resident Twinning Advisor (RTA) for 12 consecutive months, 180 000 EUR (result 3.3.1)

RTA’s tasks will be:
1. To develop a draft national money laundering prevention strategy (result 3.3.1)
   1.1 Conduct general and gap analysis of the current money laundering prevention system and its effectiveness (result 3.3.1.1);
   1.2 Carry out an analysis of Estonian legislation on the prevention of money laundering in regard to implementation and compliance with international standards and requirements of the EU (result 3.3.1.2)
   1.3 Carry out analysis of the Estonian money laundering prevention system and recommendations for improvement (preventive and practical aspects, national priorities, co-operation among authorities) including examples of good practice of EU MS’s (result 3.3.1.3)
   1.4 To compose a draft strategy paper (result 3.3.1.4)
   1.5 Advice and supervise the establishment of the IT infrastructure of the FIU under contracts 2-4
2. Collection of materials for a handbook on money laundering, organizing the editing of the handbook (result 3.3.2.4)
3. Co-ordination and guidance of the work of short-term external experts, validation of their work
4. Organising the awareness raising meetings amongst the state officials in higher positions (persons from ministries, law enforcement officials, prosecution and judicial services) (result 3.3.5).

RTA’s profile:
• Higher police, financial or legal education
• Excellent knowledge of the field of money laundering crimes and predicate offences, the newest developments and international institutions involved in the fight against money laundering
• Excellent knowledge of international legislation and regulations and fields, which finance money laundering and terrorism.
• Previous work experience in the field of prevention of money laundering, at least 5 years (preferably in a central anti money laundering unit)
• Preferably previous experience in participating in projects related to prevention of money laundering
• Experience in strategical analysis and planning
• Good computer skills
• Command of the English language

RTA Assistant for 12 consecutive months, 12 000 EUR
Tasks:
Provision of full time assistance for purposes of translation and interpretation, organisation of meetings and office duties on a daily basis.

2. MS Project Leader 15 man – days over 12 calendar months, 10 000 EUR
Tasks:
• General co–ordination of the project
• Supervision of budget
• Making conclusions

Profile:
• Knowledge of the fight agains t money laundering and other related crimes, training police officials in these issues
• Excellent knowledge of management,
• Experience in risk assessment and program evaluation
• Experience in international co – operation projects
• Good command of the English language.
• Computer literacy

3. One short-term expert (STE 1) for 2 working months over 3 calendar months, including two weeks for carrying out the training for investigators, 34 000 EUR

STE 1 tasks will be:
• Preparation and conduct of the training sessions (1+1 week) for leading investigators. Preparing case-studies (result 3.3.2.1).
• Determining and analysing further training needs and drawing up of a detailed training schedule, including content or training modules and resource needs for further sustainable training for investigators (result 3.3.2.2)

Profile for STE 1:
• Higher police, legal or economics education
• Excellent theoretical and practical knowledge of the system of the prevention of money laundering, experience in financial investigations and of the institutions involved in the fight against money laundering
• Good overview of international legislation in the field of money laundering
• Previous experience in training
• Competence in the English language
4. **One short-term expert (STE 2) for 17 days over 2 calendar months**, including 2x 3 days for carrying out the training for prosecutors and judges, 16 000 EUR

STE 2 tasks will be:
- Preparation and conduct of the workshop (3 days + 3 days) for prosecutors and judges. Preparing case studies (result 3.3.2.1).
- Analysis of the training needs and recommendations for further training in this field for prosecutors (result 3.3.2.2).
- Involvement in the organisation of further study visits for the prosecutors to MSs

Profile for STE 2:
- Higher legal education
- At least 5 years experience in prosecuting financial crimes
- Good overview of international legislation in the field of money laundering
- Previous experience in training
- Competence in the English language

5. **One short-term expert (STE 3) for 17 days over 2 calendar months**, including 3+3 days for carrying out the training for prosecutors and judges, 16 000 EUR

STE 3 tasks will be:
- Preparation and conduct of the workshop (3 days + 3 days) for prosecutors and judges. Preparing case studies (result 3.3.2.1).
- Analysis of the training needs and recommendations for further training in this field for judges (result 3.3.2.2).
- Involvement in the organisation of further study visits for the judges to MSs

Profile for STE 3:
- Higher legal education
- At least 5 years experience in the court system, preferably in financial crimes
- Good overview of international legislation in the field of money laundering
- Previous experience in training
- Competence in the English language

6. **One short-term expert (STE 4) for 2 consecutive months**, including 0.5 months for carrying out the training on supervision, including presentations for notaries and accountants as well as other professionals, 34 000 EUR

STE 4 tasks will be:
- Working out a strategy for supervision based on the different specifics of the various subjects (result 3.3.3)
- Organising awareness raising meetings for these subjects of the Act in order to introduce to them new obligations for compliance and supervision, focusing on the following branches of professions: notaries, lawyers, exchange companies, money transfer offices (result 3.3.2.3)
- Organising training for the employees of the Financial Supervisory Authority (FSA) and The Financial Intelligence Unit with supervisory tasks (FIU) on supervision in relation to the new obligations arising from the Money Laundering Prevention Act (result 3.3.2.3)
- Organisation of study-visits (1 FSA + 1 FIU) (result 3.3.2.3)

Profile for STE 4:
- Higher legal or economics education
• Excellent theoretical and practical knowledge of Supervision in the financial sector
• Work experience in the field of supervision
• Competence in forwarding knowledge and in teaching
• Experience in organising trainings
• Competence in the English language

7. **One short-term expert (STE 5) for 2 consecutive months**, including 0.5 months for carrying out the training on supervision for the non-financial sector to the FIU as a supervisory authority over these subjects, and also giving presentations for the representatives of these subjects, focusing on casinos, car dealers, entrepreneurs dealing with high value goods obliged to report to the FIU according the new Act. 34 000 EUR

**STE 5 tasks will be:**
• Elaborating a strategy for conducting supervision based on the specifics of the professions/enterprises (result 3.3.3)
• Organising awareness raising meetings for these subjects of the Act in order to introduce to them new obligations (result 3.3.2.3)
• Organising training for the employees of the The Financial Intelligence Unit with supervisory tasks on supervision in relation to the new obligations arising from the Money Laundering Prevention Act (result 3.3.2.3)
• Organisation of study-visits (1 person from FIU) (result 3.3.2.3)

**Profile for STE 5:**
• Higher legal or economics education
• Excellent theoretical and practical knowledge of Supervision in the non-financial sector
• Work experience in the field of supervision
• Competence in forwarding knowledge and in teaching
• Experience in organising meetings
• Competence in the English language

8. **One short-term expert (STE 6) for 2 consecutive months**, 34 000 EUR

**STE 6 tasks will be:**
• Research of the current situation in the field of feedback between all the institutions involved in the fight against money laundering (result 3.3.1.1.)
• Development of an effective feedback system together with the subjects of the Money Laundering Prevention Act as well as with the investigating bodies (result 3.3.4)
• Analysis of the situation and possibilities for organising a periodical overview of the work done in the state in the field of the prevention of money laundering (result 3.3.4)
• Training for FIU staff on how to organise the work of the feedback system (information to the people who have reported to the FIU on what has been done as the result of their report, information to the FIU from investigating institutions on what has been done with the forwarded materials) (result 3.3.4).

**Profile for STE 6:**
• Higher police or legal education
• Excellent theoretical and practical knowledge of the co-operation between the FIU as an institution and the subjects of the law (people and institutions obliged to report)
• Experience in analytical work
• Competence in the English language
Training related costs, 23 000 EUR (results 3.3.2, 3.3.5)

Organisation costs of trainings include costs of training materials, additional lecturers and translation costs, awareness raising meetings for the higher officials, editing and printing of handbook. Additional lecturers are needed while conducting a training for investigators (there would be need for the experts who can speak about offshore regions and using of offshore companies for example, what is big problem in Estonia. Also issue of confiscation of criminal proceeds needs an extra lecturer). The expert will put together a package of study materials, which will be translated into Estonian.

Study visits

There are 2 study visits forseen to two workers of FIU specially dealing with supervision – the new task of FIU. At the moment, there are no personnel working in FIU dealing with supervision, but they will be hired in the nearest future.

Also the study visit for the judges and prosecutors after the workshops we consider necessary. As the workload of judges and prosecutors is significant and there are no precedents in court concerning money laundering offence and it is important to provide a comprehensive training in relatively short time.

Within the framework of the project altogether 6 study visits will be organised, for the total of 19 days and for the total of 19 persons, total 25 000 EUR (TF 10 000 EUR, from co-financing 15 000 EUR)

• 1 study visit for 2 people from the FIU dealing with the development of IT and technology with the duration of 3 days in order to get acquainted with the information systems and the development of the latter in the FIU (result 3.3.6)
• 1 study visit for two employees of the FIU + 1 person from the FSA, who will be dealing with the supervision of the subjects of the Money Laundering Prevention Act. The visit will last for 4 days and the objective of the visit will be to learn how to fulfil the tasks provided by the Act (supervision over the subjects) based on the example and practical experience of a Member State (result 3.3.2.2)
• 1 study visit for two analysts lasting for 4 days, in order to get acquainted with the analytical work and possibilities of a neighbouring country’s FIU and in order to learn how to resolve the problems arising in the course of practical work.
• 1 study visit lasting for 4 days (follow-up to the workshop) for 3 prosecutors and 3 judges who participated in the workshop to the Member State to get practical experience from a well-working system (result 3.3.2.1)
• 1 study visit (follow-up to the money laundering training course) for the 6 financial investigators lasting 4 days to get practical experiences from a Member State’s financial investigation unit (dealing also with money laundering cases). (result 3.3.2.1)

Contract 2: Technical assistance and development of software (TA for 6 consecutive months, TF 120 000 EUR) (result 3.3.6.2 and 3.3.6.3)

The tasks of TA will be creation of a physical link between the FIU main database and analysis software (I2) (result 3.3.6.4), creating an exemplary analysis solution using the following I2 tools: I-Bridge, I-Base and Analyst Notebook (result 3.3.6.4). TA contract also includes training of users (result 3.3.6.5)

This is not software analysis – tasks are-
- creating a link between FIU database and I2
- create example case/solution in the basis of that
- training of users
The following software products are meant for increasing the administrative capacity of the FIU and for fulfilling the data protection requirements. The database for the reports received by the FIU and for the information related to them. The electronic reporting system for receiving standardised structural reports from reporting persons and institutions.

The future user of the software and the licences is the FIU.

Design, development and implementation of a reports database and files database (65 000 EUR) (result 3.3.6.2)

Design, development and implementation of an electronic reporting system (software) (5 000 EUR) (result 3.3.6.3)

The budget estimations are made on the ground of market research for elaboration of similar software.

3.4.3 Contract 3: Procurement of IT components and physical security means (50 000 EUR) (results 3.3.6 and 3.3.7)

The equipment (for details see annex 6) is necessary for increasing the administrative capacity of the FIU and the observance of the data protection requirements.

The physical security needs to be addressed in order to meet fully data protection requirements.

An external expert will carry out a feasibility study for investment components by April 2004 at the latest. The budget will be revised according to the results of the study. Any additional costs that might result from this study will be covered by national funds.

The future user of the equipment is the FIU.

3.5 Lessons learned:

Five Phare projects are currently being implemented under Ministry of Internal Affairs:
- Developing the readiness to implement SIS;
- Enhancing border control and development of border surveillance at Estonian Eastern border; Extension of Estonian Automated Fingerprint Identification system;
- Improving investigation involving digital evidence and
- Support to the creation of witness protection system.
All projects cover different fields of justice and home affairs.

As regards project implementation the decentralised approach has been most successful. Direct beneficiaries are implementing the projects having designated or employed project managers and assisting staff for proper implementation.

The Estonian Police has direct experiences from three finished Phare projects:
- Development of Criminalistics and Forensic Science,
- Police Training and Education System and
- Support to Development and Implementation of the National Drug Strategies and Programme.

While programming the current project the following recommendations were considered: precise definition of the expert’s profile and tasks, realistic and measurable outcomes of the project, communication and co-ordination between evolved parties, problems in timing of different activities.
Representatives of stakeholders were involved in drafting of all aspects of the project fiche - there is better understanding of expectations of different institutions. Expert's tasks and outcomes were indicated in detail as possible (technical specifications added to the fiche).

The Ministry of the Interior has experienced different problems in implementing Phare projects: low interest from PAA (RTA will be asked to be replaced if necessary), difficulties finding leading member state or project manager (under current project the FIU has started to identify the project manager), co-financing difficulties (relevant sums are apied from state budget). In terms of ensuring sustainability this project addresses all involved parties - FIU, investigators, prosecutors, judges, players from financial sector.

4. Institutional Framework

The main beneficiary of the project is the Estonian Financial Intelligence Unit (structural unit of the Estonian police) which will also be the implementing authority of the project. The Estonian police is under the jurisdiction of the Ministry of Internal Affairs. There are 4 national authorities under the administration of the Police Board:
- Central Criminal Police (CCP);
- Forensic Service Centre (FSC);
- Central Law Enforcement Police;
- Police School (PS);
- 4 regional authorities – Police Prefectures (PP).

As of 1 January 2004 the FIU is subordinated to the Central Criminal Police. The structure of Central Criminal Police is provided in annex 8.

The beneficiary of the project is the Estonian police, more specifically the Estonian FIU.
The project is aimed at developing an effective system for preventing money laundering in Estonia. Also, it is aimed at improving the administrative capacity of the FIU and other law enforcement agencies as well as other institutions in the anti money laundering chain.

After the completion of the project the Estonian FIU will become the owner of the assets.

The present tasks of the FIU are:
- To collect, register, process and analyse information
- To freeze or seize proceeds with suspicion of criminal origin
- To forward important information concerning money laundering to pre-trial investigation authorities
- To co-operate with credit and financial institutions and other police authorities in the prevention of money laundering
- To organise foreign relations and the exchange of information with FIUs of other countries.

Other institutions benefiting from this project are:
- The Ministry of Justice;
- The Ministry of Internal Affairs co-ordinates the national fight against money laundering;
- The Ministry of Finance co-ordinating the supervision over the credit- and financial institutions (conducted by Financial Supervision Authority);
- The Prosecution Services (prosecuting ML offences);
- Law Enforcement Authorities investigating money laundering offences and predicate offences;
- Supervisory and Reporting Institutions MLTFPA Art. 25 provides that supervisory authority specified in the legislation regulating the activities of credit and financial institutions (i.e. – FSA) shall monitor compliance by credit and financial institutions with the requirements of MLTFPA and of legislation established on the basis thereof. If, upon monitoring a credit or
financial institution, a supervisory authority identifies a situation which might be an indication of money laundering, the supervisory authority is required to notify the Financial Intelligence Unit thereof;
- Other entities who are subjects of the MLTFPA and who are obliged to report the FIU and who are under the supervision of FIU.
5. **Detailed Budget**

<table>
<thead>
<tr>
<th>Transition Facility</th>
<th>Support</th>
<th>Total TF(=I+IB)</th>
<th>National Co-financing</th>
<th>IFI*</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract 1 Twinning Package</td>
<td>Investment Support</td>
<td>Institution Building</td>
<td>439 000</td>
<td>439 000</td>
<td>34 000</td>
</tr>
<tr>
<td>1.1 Twinning covenant preparation</td>
<td>20 000</td>
<td>20 000</td>
<td></td>
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<td>20 000</td>
</tr>
<tr>
<td>1.2 RTA for 12 months</td>
<td>180 000</td>
<td>180 000</td>
<td></td>
<td></td>
<td>180 000</td>
</tr>
<tr>
<td>1.3 RTA Assistant</td>
<td>12 000</td>
<td>12 000</td>
<td></td>
<td></td>
<td>12 000</td>
</tr>
<tr>
<td>1.3 MS Project Leader</td>
<td>10 000</td>
<td>10 000</td>
<td></td>
<td></td>
<td>10 000</td>
</tr>
<tr>
<td>1.4 STE 1</td>
<td>34 000</td>
<td>34 000</td>
<td></td>
<td></td>
<td>34 000</td>
</tr>
<tr>
<td>1.5 STE 2</td>
<td>16 000</td>
<td>16 000</td>
<td></td>
<td></td>
<td>16 000</td>
</tr>
<tr>
<td>1.6 STE 3</td>
<td>16 000</td>
<td>16 000</td>
<td></td>
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<td>16 000</td>
</tr>
<tr>
<td>1.7 STE 4</td>
<td>34 000</td>
<td>34 000</td>
<td></td>
<td></td>
<td>34 000</td>
</tr>
<tr>
<td>1.8 STE 5</td>
<td>34 000</td>
<td>34 000</td>
<td></td>
<td></td>
<td>34 000</td>
</tr>
<tr>
<td>1.9 STE 6</td>
<td>34 000</td>
<td>34 000</td>
<td></td>
<td></td>
<td>34 000</td>
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<tr>
<td>1.10 Training related costs</td>
<td>23 000</td>
<td>23 000</td>
<td>7 000</td>
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<td>30 000</td>
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<tr>
<td>1.11 Study visits</td>
<td>10 000</td>
<td>10 000</td>
<td>15 000</td>
<td></td>
<td>25 000</td>
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<tr>
<td>1.12 Project manager</td>
<td>12 000</td>
<td>12 000</td>
<td></td>
<td></td>
<td>12 000</td>
</tr>
<tr>
<td>Audit</td>
<td>5 000</td>
<td>5 000</td>
<td></td>
<td></td>
<td>5 000</td>
</tr>
<tr>
<td>Reserve</td>
<td>11 000</td>
<td>11 000</td>
<td></td>
<td></td>
<td>11 500</td>
</tr>
<tr>
<td>Contract 2 Technical assistance and Development of software</td>
<td>120 000</td>
<td>120 000</td>
<td>17 500</td>
<td></td>
<td>137 500</td>
</tr>
<tr>
<td>Contract 3 Procurement of IT components and physical security means</td>
<td>50 000</td>
<td>50 000</td>
<td>24 000</td>
<td></td>
<td>74 000</td>
</tr>
<tr>
<td>5 laptop computers with WLAN adapters</td>
<td></td>
<td>8 000</td>
<td></td>
<td></td>
<td>8 000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>50 000</strong></td>
<td><strong>559 000</strong></td>
<td><strong>609 000</strong></td>
<td><strong>83 500</strong></td>
<td><strong>692 500</strong></td>
</tr>
</tbody>
</table>

The amounts for co-financing indicated in the table correspond to cash co-financing. In addition, in-kind contributions from the Estonian administration for the effective implementation of the twinning may be further detailed in the twinning covenant.

Twinning co-financing includes fees for hiring independent project manager, travel expenses for study visits totally for 19 persons and training related costs (rent of rooms for training sessions and awareness raising meeting, presentation equipment and other).

Contracts 2 and 3 will be jointly co-financed.

The budget and implementing arrangements for contracts 2 and 3 (number and nature of contracts) are conditional on the results of a feasibility study. They will be revised on the basis of the results of the study. Any additional cost that might arise from the study will be covered by national co-financing. In case the budgetary needs are inferior, TF funds will be reduced proportionally.
Flow and stock data on co-finance will be submitted quarterly for steering committees and to the CFCU and on a half-yearly basis to the Sector Monitoring Working Group. The beneficiary, together with the NAO commits to sound financial management and financial control.

Estonian side will provide full support for experts as in-kind co-financing (such as office space, office costs etc).

National co-financing

<table>
<thead>
<tr>
<th>National co-financing</th>
<th>2005</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>State budget</td>
<td>83,500</td>
<td>83,500</td>
</tr>
<tr>
<td><strong>Total national co-financing</strong></td>
<td><strong>83,500</strong></td>
<td><strong>83,500</strong></td>
</tr>
</tbody>
</table>

6. Implementation Arrangements

6.1 Implementing Agency

The Implementing Agency is the CFCU. The CFCU will be responsible for tendering and contracting. The responsibility for project preparation, implementation and control will remain in the recipient institution.

The Programming Authorising Officer/PAO is:

*Mr Renaldo Mändmets*
Deputy Secretary General
Ministry of Finance
Tel: (+372) 6 113 545
Fax: (+372) 6 966 810
e-mail: renaldo.mandmets@fin.ee

The Program Officer/PO is

*Mr Märt Kraft*
Secretary General
Ministry of Internal Affairs
Tel: (+372) 612 5008
Fax: (+372) 612 5010
e-mail: mart.kraft@sisemin.gov.ee

The Project Leader is:

*Ms Inga Vaher*
Leading police inspector
FIU Central Criminal Police
Tel: (+372) 612 3218
Fax: (+372) 612 3205
e-mail: inga@pol.ee

The Project Manager:

(to be employed for 12 months as of the start of the project) Please nominate a project manager

We are at the stadium of searching the appropriate project manager for this project at the moment
A Project Steering Committee (PSC) will be set up to oversee the project implementation and management. The Steering Committee will meet once every 4 months and it will include representatives of the Ministry of Internal Affairs, the Ministry of Finance, the Police Board, the Central Criminal Police, the State Prosecutors Office, a representative of the Estonian Banking Association, a representative from the European Commission as appropriate.

6.2 Twinning

The Estonian police, more specifically the Estonian FIU is the implementing authority for this component. The Estonian counterpart for the RTA is:

Ms Inga Vaher
FIU
Central Criminal Police
Leading Police Inspector
Tel: (+372) 612 3218
Fax: (+372) 612 3205

6.3 Non-standard aspects

No non-standard aspects

6.4 Contracts

Contract 1. Twinning package 473 000 EUR (439 000 EUR TF)
Contract 2. Technical assistance and Development/procurement of software 137 500 EUR (120 000 EUR TF)
Contract 4. Supply, Procurement IT components and physical security means 74 000 EUR (TF 50 000 EUR)

7. Implementation Schedule

7.1 Start of tendering/call for proposals:
September 2004

7.2 Start of project activity:
February 2005

7.3 Project Completion:
February 2006

8. Sustainability

Securing the institutional structure: the positions of the persons involved in the project exist in the structures of the police and other law enforcement agencies, except for the project manager who will be employed for the period of project activities. The changes resulting from the project mostly concern the restructuring of human resources or are organisational by nature.

Annual expenditure is foreseen in the budget for the software licences, the respective application will be introduced into the budget strategy of 2006 already in 2004.

Technical support for the software and hardware of the computers is provided by an employee of the FIU. It is also possible to use the technical support of the Police Board, making sure that the data protection requirements are fulfilled. All maintenance costs will be covered by national funds.
The task of organising further trainings for investigators in the field of money laundering (if needed) will be organised by the FIU.

9. **Conditionality and sequencing**

- Contracts 2-4 are conditional upon results of a feasibility study. The budget for those contracts will be revised according to the results of the study. Any additional costs that might result from this study will be covered by national funds. The Transition Facility support will be reduced in case the scope of activities under contract 2-4 are reduced.

- The 4 vacant positions in the FIU are filled before the start of the project.

The project is conditional upon recruitment of a dedicated project manager in FIU.

Terms of references of the feasibility study has been created, the study should be conducted by April 2004 at the latest.

**ANNEXES TO PROJECT FICHE**

1. Logical framework matrix in standard format
2. Time implementation chart
3. Contracting and disbursement schedule by quarter for full duration of program (including disbursement period)
4. Reports received by FIU
5. Overview of FIU’s information system
6. List of hardware/equipment/software to be procured
7. Structure of the Ministry of Internal Affairs
8. Structure of the Estonian police
9. Structure of the Central Criminal Police
# LOGFRAME PLANNING MATRIX FOR Integrated programme to strengthen the capacity of the Estonian anti money laundering institutions

<table>
<thead>
<tr>
<th>Overall Objective</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased effectiveness in fight against money laundering on international as well as on national level.</td>
<td>• Increased level of qualification and efficiency of the investigators. Increased number of materials forwarded by FIU to law enforcement authorities (20% compared to 7 cases in 2003) • Increased international co-operation in fight against money laundering</td>
<td>• Police activity analysis and data • Evaluations and analysis by international organisations</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Project Purposes</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in the administrative capacity of the relevant authorities to fight money laundering.</td>
<td>• The strategy is ready to be presented to the government for approval. • Conducted training courses: for 50 investigators, 8 prosecutors and 4 judges by the end of November 2005 and for officials of the FIU (on supervision) by the December 2005 • FIU existing information system is ready to join the FIU.NET</td>
<td>• Project evaluation reports. • Project reports • Training reports</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>3.3.1. Draft National money laundering prevention strategy composed, including: 3.3.1.1 General analysis and gap-analysis of the effectiveness of the current money laundering</td>
<td>Strategy is ready to be presented to the government by the end of the project Equipment in place by December</td>
<td>Government approves the strategy. Quarterly reports Regular reports of the steering committee</td>
<td>All tender documentation prepared on time.</td>
</tr>
</tbody>
</table>
prevention system;
3.3.1.2 Analysis of the money laundering legislation and its compliance with international standards, recommendations and requirements of the EU;
3.3.1.3 Comparative analysis with an EU MS’s well functioning money laundering prevention system;
3.3.1.4 Recommendations and action plan on implementation of the national money laundering prevention strategy.
3.3.2. Staff in the FIU and involved authorities qualified
3.3.2.1 4 judges, 8 prosecutors and 50 investigators also in investigation and prosecution of money laundering crimes;
3.3.2.2 Analysis of furher training needs and recommendations on a further consistent training plan for involved authorities;
3.3.2.3 Experts from FIU and FSA dealing with supervision (from the money laundering point of view) qualified in organising and performing supervision and feedback systems;
3.3.2.4 Raised awareness amongst new subjects of supervision;
3.3.2.5 Handbook and training materials for the investigators composing methodical and practical guidelines for helping to define the money laundering crimes and investigating them.
3.3.3 Strategy for carrying out supervision over subjects of the money laundering prevention act focused on specifics of each separate subject elaborated.

2005.
Trained staff in FIU and involved authorities by the end of December 2005.
Increased number of reports received by FIU from other entities than credit institutions as a result of effective supervision (24 reports in 2003) about 10 %
Increased number of ongoing criminal investigations on M-L (at the moment approx. 10) 10 %
Increased number of M-L cases brought into the court. (2 in 2003)

Final report
Statistics by FIU
Statistics from the law enforcement authorities
3.3.4 Developed feedback system between relevant anti money laundering institutions.

3.3.5. Increased awareness of higher officials, these officials integrated into the field of prevention of money laundering.

3.3.6. New information system for the FIU in place, containing the following aspects:
   3.3.6.1. Secure local network for the FIU for protection of data;
   3.3.6.2 Local client/server database for reports and files;
   3.3.6.3 An electronical reporting system;
   3.3.6.4 Physical link between the FIU main database and analysis software (I2) and working analysis system using I2 tools;
   3.3.6.5 Trained users

3.3.7. Secure offices

<table>
<thead>
<tr>
<th>Activities</th>
<th>Means</th>
<th>Cost (EUR)</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Contract 1 Twinning</td>
<td></td>
<td></td>
<td>Commitment of the authorities</td>
</tr>
<tr>
<td>RTA Development of a draft national money laundering prevention strategy (result 3.3.1)</td>
<td></td>
<td></td>
<td>involved.</td>
</tr>
<tr>
<td>1.1 Conduct general and gap analysis of the current money laundering prevention system and its effectiveness (result 3.3.1.1);</td>
<td>Twinning Covenant preparation</td>
<td>20 000</td>
<td>Estonia</td>
</tr>
<tr>
<td>RTA for 12 months</td>
<td>RTA Assistant</td>
<td>180 000</td>
<td></td>
</tr>
<tr>
<td>MS Project Leader 15 man – days over 12 calendar months</td>
<td>Short-term Expert (STE) 1 for 2 months</td>
<td>12 000</td>
<td></td>
</tr>
<tr>
<td>STE 2 for 17 days</td>
<td>STE 3 for 17 days</td>
<td>10 000</td>
<td></td>
</tr>
<tr>
<td>STE 4 for 2 months</td>
<td>STE 5 for 2 months</td>
<td>34 000</td>
<td></td>
</tr>
<tr>
<td>STE 6 for 2 months</td>
<td></td>
<td>34 000</td>
<td></td>
</tr>
<tr>
<td>1.2 Analysis of Estonian legislation on the prevention of money laundering in regard to implementation and compliance with international standards and requirements of the EU (result 3.3.1.2)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.3 analysis of the Estonian money laundering</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Phare Estonia

180 000 12 000 34 000
prevention system and recommendations for improvement (preventive and practical aspects, national priorities, co-operation among authorities) including examples of good practice of EU MS’s (result 3.3.1.3)

2. Collection of materials for a handbook on money laundering, organizing the editing of the handbook (result 3.3.2.4)
3. Co-ordination and guidance of the work of short-term external experts, validation of their work
4. Organising the awareness raising meetings amongst the state officials in higher positions (persons from ministries, law enforcement officials, prosecution and judicial services) (result 3.3.5).

3. One short-term expert (STE 1)
STE 1 tasks will be:
Preparation and conduct of the training sessions (1+1 week) for leading investigators. Preparing case-studies (result 3.3.2.1).
Determining and analysing further training needs and drawing up of a training schedule for further consistent training for investigators (result 3.3.2.2)

4. One short-term expert (STE 2)
STE 2 tasks will be:
Preparation and conduct of the workshop (3 days + 3 days) for prosecutors and judges. Preparing case studies (result 3.3.2.1).
Analysis of the training needs and
recommendations for further training in this field for prosecutors (result 3.3.2.2).
Involvement in the organisation of further study visits for the prosecutors to MSs

5. One short-term expert (STE 3)
STE 3 tasks will be:
Preparation and conduct of the workshop (3 days + 3 days) for prosecutors and judges. Preparing case studies (result 3.3.2.1).
Analysis of the training needs and recommendations for further training in this field for judges (result 3.3.2.2).
Involvement in the organisation of further study visits for the judges to MSs

6. One short-term expert (STE 4)
STE 4 tasks will be:
Working out a strategy for supervision based on the different specifics of the various subjects (result 3.3.3)
Organising awareness raising meetings for these subjects of the Act in order to introduce to them new obligations for compliance and supervision, focusing on the following branches of professions: notaries, lawyers, exchange companies, money transfer offices (result 3.3.2.3)
Organising training for the employees of the Financial Supervisory Authority (FSA) and The Financial Intelligence Unit with supervisory tasks (FIU) on supervision in relation to the new obligations arising from the Money Laundering Prevention Act (result 3.3.2.3)
Organisation of study-visits (1 FSA + 1 FIU) (result 3.3.2.3)
7. One short-term expert (STE 5)
STE 5 tasks will be:
Elaborating a strategy for conducting supervision based on the specifics of the professions/enterprises (result 3.3.3)
Organising awareness raising meetings for these subjects of the Act in order to introduce to them new obligations (result 3.3.2.3)
Organising training for the employees of the The Financial Intelligence Unit with supervisory tasks on supervision in relation to the new obligations arising from the Money Laundering Prevention Act (result 3.3.2.3)
Organisation of study-visits (1 person from FIU) (result 3.3.2.3)

8. One short-term expert (STE 6)
STE 6 tasks will be:
Research of the current situation in the field of feedback between all the institutions involved in the fight against money laundering (result 3.3.1.1.)
Development of an effective feedback system together with the subjects of the Money Laundering Prevention Act as well as with the investigating bodies (result 3.3.4)
Analysis of the situation and possibilities for organising a periodical overview of the work done in the state in the field of the prevention of money laundering (result 3.3.4)
Training for FIU staff on how to organise the work of the feedback system (information to the people who have reported to the FIU on what has been done as the result of their report, information to the FIU from investigating institutions on what has been done with the forwarded materials) (result 3.3.4).
| Organisation costs incl training, 23 000 EUR (results 3.3.2) |  |
|Study visits |  |
|Contract 2: Technical assistance and Development of software |  |
|Contract 3: Procurement of IT components and physical security means |  |

| Contract 2: Technical assistance and Development of software | 120 000 |
|Contract 3: Procurement of IT components and physical security means | 50 000 |
|Procurement of laptop computers Reserve | 24 000 |
| **TOTAL** | 609 000 | 83 500 |

**Preconditions**

- Employing the project manager for the period of project activities.
- Funds for co-financing are to be allocated from within national budget
- FIU has rooms to provide to the experts as a working-place
Project N°: 
Project Title: Integrated programme to strengthen the capacity of the Estonian anti money laundering institutions

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## ANNEX 3 A

### CUMULATIVE CONTRACTING SCHEDULE

**Project No:**

**Project title:**

Integrated programme to strengthen the capacity of the Estonian anti money laundering institutions

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419 000 419 000 419 000 419 000 419 000 419 000 419 000 419 000 419 000 419 000 419 000

70 000 70 000 70 000 70 000 70 000 70 000 70 000 70 000 70 000 70 000 70 000 70 000

50 000 50 000 50 000 50 000 50 000 50 000 50 000 50 000 50 000 50 000 50 000 50 000

559 000 559 000 559 000 609 000 609 000 609 000 609 000 609 000 609 000 609 000 609 000
ANNEX 3 B

CUMULATIVE DISBURSEMENT SCHEDULE

**Project No:**
**Project title:**
Integrated programme to strengthen the capacity of the Estonian anti money laundering institutions

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**Annex 4**

**Reports received by Estonian FIU**

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<th>Subjects</th>
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<th>2001</th>
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<td>327</td>
<td>1682</td>
<td>925**</td>
<td>1147</td>
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<td>16</td>
<td>13</td>
<td>7</td>
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<td>11</td>
<td>3*</td>
<td>1*</td>
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<td>1</td>
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<td>Other</td>
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<td>11</td>
<td>16</td>
<td>22</td>
<td>70</td>
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<td>Total</td>
<td>56</td>
<td>394</td>
<td>1829</td>
<td>1073</td>
<td>1293</td>
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* currency-exchange company Tavid started to forward to FIU once in the quarter a lists of suspicious currency-exchange transactions. The abovementioned amount 3 is amount of lists, what may consist 60-70 transactions.

** decreasing number of reports came from the banks is not accurate, since the Hansabank changed the technology of sending the reports."
Annex 5

IT support

Secured local network

Currently the FIU uses a central computer network, which is administered by the Police Board. The MLPA foresees access to the information kept in the data collection of the FIU and the right to process such information only belongs to the competence of an FIU official. At the moment the FIU cannot control who has access to the computers of the FIU. We are aware that in many computers there are remote administrator type programmes (programmes through which it is possible to take control over a computer), through which it is also possible to access the computers of the FIU. Therefore, we do not have complete control over who has access to our computers or over what is done in the computers by those who have accessed the computer.

We could use a secure local area network separated from the general network by a firewall, local area network would have two local servers. One server for identifying users and for file sharing, the other server for maintaining a client/server database. Also equipment for data backup and for power failure should be provided.

Therefore, we would need a firewall, a 24 port Ethernet switch, a cat5e or cat6 cable, connecting sockets in the walls and other equipment for installing cables, 2 servers + server software and database management system software, network attached storage (NAS) with 1TB of storage space, uninterruptable power supplies (UPS). Both of the servers should use RAID technology and have two separate SCSI hard disks and the possibility for mirroring (RAID Level 1) hard disks.

With the creation of a separate local network it would be possible to achieve the necessary inner electronical security and an adequate security policy could be applied. Also requirements for data backup and in case of power failure could be met. As the FIU also has its own IT specialist, then maintenance of the equipment and responsibility for the security policy will be his duties.

Local client/server database for reports

The database used at the present does not enable the client/server concept (to use the database over the network). In addition, more attributes need to be saved than the database enables. At present the search possibilities from the database are insufficient, the number of search criteria is small and it is impossible to carry out a combined search. In addition, it is impossible to receive statistical abstracts with the present database, which again makes it more difficult to provide feedback. The database does not provide sufficient security: it is impossible to create user accounts, user groups and monitor the activities of users. It is also impossible to back up data automatically.

---

5 Fields about which data needs to be collected, for example: first name, surname, date of birth, passport number, etc
A client/server database needs to be created together with a user interface, where it would be possible to create user accounts and user groups and monitor the activities of users in using a database. In addition, more attributes need to be saved. The database should enable searches based on more criteria and also combined searches based on combined criteria. The system should enable to back up data automatically.

At the same time, the initial design has already been completed and data needs have been determined, also the initial diagram of database tables has been created. The planned database would improve the quality of the information stored and would speed up the access to the information in the database, which would significantly improve the administrative capacity and the quality of the work of the FIU, already overworked. An adequate level of security and possibility to back up data automatically would be guaranteed. At the same time, information exchange with the FIUs of other countries would speed up and the data would be better protected.

Local client/server database for files

At the moment we have only paper files but there is a need to convert those paper files to electronic form. In the case of electronic form there would be a better overview about what is inside the file, collected material would be more compact and easier to follow.

Therefore, we would need a client/server database for files with a user interface, where it would be possible to create user accounts and user groups and monitor the activities of users in using a database. Also the database of reports and the database of files should be integrated. The database of files should enable to record full and high quality information about the file subjects. The reports (from the reports database) that are connected to some case file should be integrated with files database. The database should enable searches based on different criteria and also combined searches based on combined criteria. Should enable to create statistical abstracts. The system should enable to back up data automatically.

The database would speed up the search of information from files, also there would be a better overview about what is inside the file and the files would be more compact and easier to follow. The planned database would significantly improve the administrative capacity and the quality of the work of the FIU, already overworked. An adequate level of security and a possibility to back up data automatically would be guaranteed. At the same time, information exchange with the FIUs of other countries would speed up.

Equipment for working (töötades välisreisidel või väljaspool bürood)

As due to the addition of new tasks the bureau will need to provide supervision over a wide range of subjects, access to the Internet on location (at the location of the subject) will be needed in order to receive/check information operatively. At the same

---

6 At the moment we have paper files and we want to convert paper files to electronic form
7 There are lots of data to be recorded, for example: the reason for opening the file, who is/are the main subjects, persons/firms that are connected to this case file, the statements of the accounts…There are lots of criteria to record
time there is the necessity to save several data on location. In order to guarantee operative access to the various registers, we will need lap-tops, which enable Internet connections via GPRS or WLAN. In addition, lap-tops are needed for working on business trips or outside FIU offices.

Therefore, 5 lap-tops are needed, which are equipped with WLAN network adapters and would enable a GPRS connection via an infrared interface.

The said equipment would make the work carried out at the location of the subjects more operative and efficient by enabling quick access to the necessary data. At the same time it would also enable the FIU staff to work on business trips. In conclusion, the FIU would work more operatively and with an increased administrative capacity.

Electronical reporting system

As the biggest reporter (approximately 75% of reports) forwards reports to us electronically and some other reporters have agreed to do the same in the future, then it would be feasible to automatically store the received reports in the database.

We need a computer programme, which is in compliance with the FIU database and where there are columns for filling in the necessary attributes. The reporter fills in the columns and the program delivers a file, in which the data is structured. The file reaches the FIU, where the report of the reporter is automatically inserted into the database according to the fixed (previously defined) structure. Therefore, we need a computer program, which would structure the data entered by the reporter and a program, which would store these data in the database.

As a result the entering of data in the database would speed up the process and a great number of reports would arrive in a uniform format, as at the present moment the reports arrive in different formats. At the same time, this would significantly save human resources as in that case it would not be necessary to enter the data included in the report by hand.

Analysis software

In order to speed up analysis, the FIU needs some analysis facilities to collate very large amounts of data and identify the connections within the data. For this purpose 2 Analyst’s Workstations were provided to the FIU under Phare project ES01.04.03 Program of Information System for Criminal Investigation and Criminal Analysis. Under the current project it is necessary to procure also IBridge interfaces for the transfer of data. The present clause also requires the completion of the clause "Local Client/Server database", as otherwise there is nowhere to transfer the data with iBridge from.

Together with the I2 software it is also necessary to provide training for the FIU staff, which will enable to use the aforementioned software purposefully and effectively.

Therefore, we need a short-term expert for the linking of our main database with I2 analysis software and the creation of an exemplary analysis solution using the following I2 tools: I-Bridge, I-Base and Analyst Notebook. The expert should be
experienced in the interconnection of the analysing tool with the local registration databases and should be able to help the FIU to create a physical link between the FIU main database and analysis software (I2)

Security of the FIU rooms

In addition to electronical security, attention also has to be paid to the security of the offices. The FIU offices, where also FIU data is stored on paper and where the personal computers are located, must have local security alarms and fire alarms installed and must have locks. The lock should utilize the magnet card system, be connected with a local computer and only be opened with a personal magnet card. All activities made with magnet cards will be recorded. In addition, video surveillance would be necessary in order to guarantee security of data. FIU rooms must have air-conditioners to guarantee a normal temperature for the FIU staff and to avoid overheating of computers. In addition, iron doors are needed.

In the near future the FIU should start to use the information exchange system FIU.NET. In order to guarantee the efficient work of the FIU.NET the Estonian FIU needs a server room meeting the requirements. At the same time, the server room is also needed for the local database server and for the identifying server. The server room must meet the following criteria: entrance into and exit from the room must be monitored and documented. In order to maintain a uniform temperature and humidity in the room an air-conditioner should be installed. The room must meet all fire safety requirements.
ANNEX 6

List of hardware/equipment/software to be procured HT

Contract 4

Computer hardware (14 500 EUR; 10 800 EUR co-financing):
  • Database server meeting the requirements (4 000 EUR).
  • Identification server (2 500 EUR).
  • Network Attached Storage (NAS) 1TB (7000 EUR)
  • Hardware firewall (1 000 EUR).
  • 8 UPSes (1600 EUR), will be covered by co-financing
  • Cables, cable attachments, wall-sockets and installation (1 000 EUR), will be covered by co-financing
  • 24 port Ethernet Switch (200 EUR), will be covered by co-financing
  • 5 laptop computers with WLAN adapter (8 000 EUR), will be covered by co-financing

Software (10 000 EUR; 16 500 EUR co-financing):
  • 3 iBridge user licences (3 x 2500=7500 EUR), 1 iBridge developer licence (9000 EUR) and support licence (all the software upgrades from 01.06.2001 to 31.05.2005) (10 000 EUR will be covered by co-financing)

Contract 5

Equipment (14 000 EUR; 5 000 EUR co-financing):
  • A lock with a magnet card for the FIU rooms and central system for recording the movements. Installation (4500 EUR).
  • Video surveillance system with 5 cameras and installation (4 500 EUR)
  • Air-conditioning to the server room and to the FIU staff rooms and installation (5000 EUR).
  • Iron doors and installation (5 000 EUR), will be covered by co-financing
ANNEX 8
ESTONIAN POLICE

Police Structure

The central agency is the ESTONIAN POLICE BOARD which manages, directs, co-ordinates the activities of all police units under its administration.

The Estonian Police has four national units:

- CENTRAL CRIMINAL POLICE
- CENTRAL LAW ENFORCEMENT POLICE
- FORENSIC SERVICE CENTRE
- POLICE SCHOOL

Territorial police units are POLICE PREFECTURES (4). The local police chiefs are called PREFECTS.
ANNEX 9
CENTRAL CRIMINAL POLICE

Central Criminal Police

- Analysis and Planning Bureau
- Proceedings Department
- Operational Department
- Rapid Response Unit (K-Commando)
- Financial Intelligence Bureau
- Criminal Intelligence Department
- FINESTO
- Personnel Bureau
- Office Business Bureau
- Economic Management Bureau
- Finance Bureau