1. Basic Information

1.1 Desiree Number

2. Title

Strengthening the Fight against Money Laundering

3.1 Sector

AD

4.1 Location

Ministry of Finance, Republic of Turkey

2. Objectives

2.1 Overall Objective(s)

- To consolidate a functioning democratic system, including respect for the rule of law.
- To strengthen the institutional and regulatory capacity to implement the *acquis*

2.2 Project Purpose

- Development of efficient legal, institutional and technical framework for combating money laundering in line with EU legislation and practice.

2.3 Accession Partnership and NPAA Priority

The NPAA identifies the following medium term priorities for institution building and assimilation of the Acquis into Turkish Law:

- Implementation of policy on organised crime, corruption and economic crime (legislation, implementing structures, sufficient qualified staff and better co-operation between institutions); strengthen capacities to deal with money laundering.

The NPAA highlights the following priorities:

- Implementation of the Council of Europe’s recommendations in the area of fighting money laundering.
- Implementation of the Council of Europe’s Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime (No. 141),
- Implementation of the forty recommendations of Financial Action Task Force on money laundering (FATF is an inter-governmental body whose purpose is the development and promotion of policies to combat money laundering and proceeds from crime, currently consists of 26 countries and 2 international organisations – one of them is European Commission),
- Implementation of Council of Europe’s Directive on prevention of the use of the financial system for the purpose of money laundering (91/308/EEC),
- Adoption of implementation of the corresponding measures to make anti money laundering procedures more effective.

(A high level of inter-authority co-operation both at the national and international levels is vital if the fight against economic crime is to succeed. Therefore, apart from specific national concepts
and measures, also the international aspects and practice applied in EU and other countries adhering to the FATF activities will have to be followed).

3. **Description**

3.1 **Background/Justification**

The Turkish Government in the course of progress towards accession to the European Union and in response to the obligations of the *acquis* of the EU and its Member States, are actively following a National Programme for the Adoption of the Acquis. However the objective of the process of law approximation is to not only implement the relevant amendments to existing legislation but as importantly, to strengthen those institutions responsible for the enforcement or implementation of the new procedures and processes. This process of ‘Institution building’ to enhance administrative capacity, is seen as crucial in ensuring the successful transition for Turkish institutions to the standards, norms and achievements of similar EU Member State administrations.

It is with these matters very much in mind that the Ministry of Finance of the Turkish Republic, through the Financial Crimes Investigation Board, wishes to utilise the experience and knowledge of a long term pre-accession adviser from one of the Member States to develop an enhanced level of knowledge and expertise through the twinning of institutions.

Turkey has made progress in the fight against organised crime, including money laundering, however there is still much work that needs to be done to improve the ability to effectively prevent and detect this type of crime. International co-operation is seen as crucial to ensure that all resources can be concentrated against transnational and international criminal groups. The development of a National Strategy, the training and professional development of policy makers and senior personnel are seen as important factors in achieving success against organised crime and those involved in money laundering.

The biggest deficits currently preventing the Turkish Republic in combating money laundering more effectively are the lack of modern technology (both computers and special analytical software), Legislation which does not bring all criminal acts within present money laundering legislation and insufficient experience in large financial investigations.

3.2 **Linked activities**

This is the first such activity in Turkey programmed with EC assistance. Nevertheless, the FCIB has extensive contacts internationally with its counterpart organisations, some of whom have offered limited assistance to the FCIB. The FCIB is an active participant in various coordination fora.

3.3 **Results/Outputs**

The outputs to be delivered and guaranteed results to be achieved via this project include:

- Drafting of legislative amendments and implementation procedures improving the conditions for investigation and prosecution of money laundering,
- Drafting of legislative amendments and implementation procedures allowing the efficient seizure and confiscation of the proceeds from crime,
• Inter-ministerial, inter-agency co-ordination, co-operation and reporting structures and procedures reviewed and reinforced,

• Improved FCIB staff skills, in particular in the analytical and investigative fields for investigators and prosecutors and in the policy-making area for headquarters staff
• Improved crime prevention mechanisms and higher standards of investigation and prosecution of financial criminal activities, money laundering and the proceeds from crime,
• Strengthened criminal data collection and their analysis, standards established for technical co-operation, exchange of information and financial data between relevant financial institutions and law enforcement bodies in Turkey and globally,
• Financial Crimes Investigation Board, in charge of collection, processing, evaluation and analysis of data concerning the investigation of money laundering, able to transmit encrypted data to domestic and international institutions and bodies,
• Implementation of the Action Plan for Financial Services extending the coverage of the current Directive 91/308/EEC.

3.4 Activities/Inputs

The Project consists of the following key Inputs:

• Twinning
• Technical Assistance
• Investment

Twinning and Training Package

The 2 year Pre Accession Adviser is expected to co-ordinate all components/inputs of the project. He/she should have long term experience in the investigation/prosecution of financial crimes; good knowledge of law enforcement structures and administrative procedures across the EU Member States; experience with international co-operation, practice with bodies of EU, Europol or Interpol; and good knowledge of standards of European Community and acquis communautaire. His/her working language will be English; knowledge of Turkish would be an advantage.

Short-Term Experts should be specialists able to cover the activities described below, in co-operation with the PAA. The working language will be English.

The assistance will comprise consultations, analytical studies, specialised training/seminars including on-the-job training, study visits and consultations to relevant EU Member State institutions as relevant.

It is expected the activities to be undertaken within this project will enhance the common approach of the institutions involved and will lead to the improvement of the efficiency of co-operation among these bodies. It will facilitate the creation of integrated task units for combating major economic crime and money laundering. It will also allow establishing close professional relations on working level with relevant EU Member State institutions.

Key Activities under this Project include:
• Analysis of and draft proposals for strengthening legislation and enforcement procedures so as to increase the capacity to prosecute the offence of money laundering (the offence should be clearly defined legally);

• Analysis of and draft proposals for improved legislation and implementation procedures on asset forfeiture and confiscation, to create conditions for seizing of proceeds from crime, originated both from Turkey and foreign countries;

• Review and proposal for reinforcing co-operation and reporting structures between all of the authorities responsible for the prevention of crime in the area of money laundering and the proceeds of crime, developing a common understanding as to crime prevention;

• Analysis of a proposal for strengthening management capacities;

• Delivery of training support, developing local training capacity and materials/case-work. Training should cover professional levels of all involved institutions (MoF, MoI, MoJ, public and other relevant law enforcement and financial institutions (commercial banks, economic partners etc)), providing them with experience of EU Member States and techniques for combating money laundering.

**Technical Assistance**

It is essential that Institution Building support be complemented by investment in integrated and coherent information technology and analytical tools. Therefore, investment support is needed in the form of specialised technical support consultants to assist in design of a user requirements document, integration of commercial “off the shelf” (COTS) packages with bespoke requirements and specialist technology training for both hardware and software being deployed within the project. A detailed list of inputs required is provided below.

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**System Design**

- System Security Design
- System Requirements Definition
- Project Manager
- System Integration

**System Development**

- i2 Configuration
- i2 Conversion
- Intel Database Configuration
- Intel Database Conversion

**IT Development support training**

- Training Needs Analysis
- IT Development training, i2
- IT Development training, Oracle
- IT Development training, Intel dB
- IT Development training, Cisco PIX
- IT Development training, Cisco IDS
- IT Development training, Encryption
- IT Development training, Unix

The Technical Assistance component will also make a review and assessment of the technical specifications to verify if the equipment proposed needs further update and/or changes, and will manage the supply of equipment in compliance with EC regulations.
**Investment**

It is essential that Institution Building support be complemented by investment in integrated and coherent information technology and analytical tools. Therefore, investment support in the form of specialised hardware and software is needed. The investment support, allowing the ability to prosecute economic crime and money laundering more effectively and to ensure the linkage with the EU, will cover the following:

- Central analytical systems of FCIB;
- Special analytical software for the selected Financial Office(s);
- Special analytical software for the Police.

The investment components should meet the following needs:

- Develop and strengthen efficient professional and technical structures for combating economic crime, in particular organised crime and actions against the proceeds from criminal activities;
- Make the process of prosecution more efficient and faster, via reducing time necessary for studies of complicated cases on all levels (MoF, police, investigator, prosecutor, judge, court) as a result of new analytical tools and visualisation of the cases;
- Create the standards for technical co-operation and exchanging of information between the financial institutions and the law enforcement bodies in the Turkish Republic and abroad; in particular via implementation of standard analytical software at all levels (system i2, recommended by Interpol, Europol and Eurojust). Commercial and private financial institutions will be offered the possibility of sending their specialists to i2 system training, provided by PCR [what is PCR? Not explained earlier in text as far as I can see], and to money laundering prevention training provided by FCIB within the framework of the project;
- Equip Financial Crimes Investigation Board and selected Financial Offices for collecting, processing, evaluation and analysis of data concerning suspicious financial operations, including the supply of hardware and software and the equipment for the encryption and transmission of restricted data;
- Equip Police units for collecting, processing, evaluation and analysis of data concerning criminal financial activities, suspicions of legalisation of proceeds from criminal activities including the supply of special software for criminal intelligence analysis (i2).

Detailed technical specifications are provided in annex.

### 3.5 Lessons learned

Turkey has achieved remarkable results in the fight against organised crime, in particular against money laundering. More powers have been recently given to FCIB in the framework of a national plan against corruption. FCIB is developing contacts with counterpart organisations both in the EU and beyond.

However, much remains to be done. There is a general lack of experience in large financial investigations. Legislation is not adequate to tackle the problem effectively. Finally, the lack of modern technology represents an obstacle to accurate and effective investigations, as well to a sound coordination between relevant organisations.

### 4. Institutional Framework
The Steering Committee for this project will be established in order to ensure good co-operation of parties involved. The Steering Committee will comprise among others the representatives of the Ministry of Finance, Ministry of Interior and Ministry of Justice and will be chaired by the Ministry of Finance.

Under the Ministry of Finance of the Turkish Republic a part of responsibility for combating money laundering rests with the Financial Crimes Investigation Board. FCIB, a central body located in Ankara is responsible for receiving and analysing reports on unusual or suspicious transactions from financial institutions. Within the framework of MoF responsibilities the FCIB co-operates closely with the National Bank, Securities Commission, Securities Centre, financial institutions, and Public Prosecutor’s Offices.

The police investigation of financial crime originates from complaints lodged by FCIB and from other police investigations, as a result of their investigation of large organised crime cases.

Under the Ministry of Justice of the Turkish Republic the responsibility for prosecution of major economic crimes, including money laundering, rests with Independent Public Prosecutors.

The Ministry of Finance will be responsible for the provision of the necessary resources to enable the PAA to function properly. The Ministry will also arrange with all of the other Agencies for the nomination of module co-ordinators.

The FCIB will be the owner of all equipment purchased as part of the project upon its completion.

5. **Budget (in M €)**

<table>
<thead>
<tr>
<th>Project Components</th>
<th>Investment Support</th>
<th>Institution Building</th>
<th>Total EC (=I+IB)</th>
<th>National Co-financing</th>
<th>IFI</th>
<th>TOTAL (MEUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Twinning</td>
<td></td>
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<td>2.00</td>
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<td></td>
<td>2.00</td>
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<td>Technical Assistance</td>
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<td>1.25</td>
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<td>1.25</td>
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<tr>
<td>Investment</td>
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<td></td>
<td>4.50</td>
<td>1.50</td>
<td></td>
<td>6.00</td>
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<tr>
<td><strong>Total</strong></td>
<td>4.50</td>
<td>3.25</td>
<td><strong>7.75</strong></td>
<td>1.50</td>
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<td><strong>9.25</strong></td>
</tr>
</tbody>
</table>

6. **Implementing Arrangements**

6.1. **Implementing Agency**

The Central Financing Contracting Unit (CFCU) will be the Implementing Agency and will be responsible for all procedural aspects of the tendering process, contracting matters and financial management (including payments) of the project activities. The PAO will be Erkan Tortup of the CFCU.

The beneficiary institution will be the FCIB.
6.2. Twinning

The project will be implemented in the form of one Twinning Covenant between Turkey and a Member State for a total duration of 2 years. The twinning partner will manage the Institution Building component in close collaboration with the FCIB (under the Ministry of Finance):

Member States may form a Consortium, which shall result in a wide range of experience of short-term experts gathered from different national administrations of more than one Member State provided that national approaches can be harmonised within the Consortium.

The Twinning beneficiary will be the same as the project beneficiary (FCIB).

6.3 Non-standard aspects

N/A

6.4 Contracts

There will be one selection procedure for the Twinning and 2 tenders. A total of 3 contracts is envisaged, with the estimated costs as follows:

- Twinning Covenant EUR 2,000,000
- Technical assistance EUR 1,250,000
- Supply Contract EUR 4,500,000 (EC contribution)

7. Implementing Schedule

The Twinning project is scheduled for two years duration.

- Start of twinning selection 4 Quarter / 02
- Start of twinning activity 2 Quarter / 03
- Technical Assistance tender launched 2 Quarter / 03
- Supply of Equipment tender launched 3 Quarter / 03
- Project completion 2 Quarter / 05

8. Equal Opportunity

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

9. Conditionality and sequencing

No conditionality identified; sequencing as in §7.

ANNEXES TO PROJECT FICHE

1. Logical framework matrix
2. Detailed implementation chart
3. Disbursement schedule
4. Technical Specifications
<table>
<thead>
<tr>
<th>Overall Objectives</th>
<th>Objectively Verifiable Indicators</th>
<th>Sources of Verification</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ø Functioning democratic system consolidated, including respect for the rule of law;</td>
<td>By the end of the project: Extent of regulatory framework’s harmony with EU legislation. Turkey’s capacity for implementing the acquis</td>
<td>Reports prepared by Turkish Government, European Commission (in particular the Regular Report) and other international organisations, in particular the Council of Europe</td>
<td>Turkish government commitment to cooperate internationally in the fight against money laundering and to tackle the problem domestically with vigour.</td>
</tr>
<tr>
<td>Ø The institutional and regulatory capacity to implement the acquis strengthened.</td>
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<td></td>
</tr>
</tbody>
</table>

**Project Purpose**

<table>
<thead>
<tr>
<th>Objectively Verifiable Indicators</th>
<th>Sources of Verification</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ø An efficient, legal, institutional and technical framework for combating money laundering - in line with the EU legislation and practice - developed, leading to higher rate of successful prosecution.</td>
<td>By mid 2005: Extent of implementation of Council of Europe recommendations, conventions and directives as set out in the NPAA, and implementation of the FATF recommendations. By the end of the project: 15% Decrease in money laundering offences at national and international level compared with</td>
<td>Reports prepared by Turkish Government, European Commission and other international organisations Reports of FATF (Financial Action Task Force, OECD) Internal reports of FCIB.</td>
</tr>
</tbody>
</table>
30% increase in number of investigations, prosecutions, convictions compared with 2002 figures. 

30% Rise in total value of confiscations compared with 2001 data.

<table>
<thead>
<tr>
<th>Results</th>
<th>Objectively Verifiable Indicators</th>
<th>Sources of Verification</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Legislative amendments and implementation procedures, improving the conditions for investigation and prosecution of money laundering, drafted;</td>
<td>By the end of the project: Legislation passed or amended</td>
<td>Turkey’s official gazette Progress Reports EC-Turkey Association Committee sub-committee papers</td>
<td></td>
</tr>
<tr>
<td>2. Legislative amendments and implementation procedures, allowing the efficient seizure and confiscation of the proceeds from crime, drafted;</td>
<td>By the end of the project: Legislation passed or amended</td>
<td>Turkey’s official gazette Progress Reports EC-Turkey Association Committee sub-committee Committee sub-committee Effective court decisions</td>
<td></td>
</tr>
<tr>
<td>3. Inter-ministerial, inter-agency co-ordination, co-operation and reporting structures and procedures reviewed and reinforced;</td>
<td>By the end of the project: 25% increase in the number of suspicious transaction reports received from other institutions, and 20% increase in the number mutual studies, compared with 2002 figures.</td>
<td>FCIB reports Seminars, workshops, co-implemented projects with other institutions.</td>
<td>Willingness of other related public and private institutions to cooperate.</td>
</tr>
<tr>
<td>4. Improved FCIB skills, in particular in the analytical and</td>
<td>By the end of the project: 150 persons from relevant</td>
<td>Staff training evaluation reports.</td>
<td>Full participation of relevant trainees.</td>
</tr>
<tr>
<td>Investigative fields, and in policy making for headquarters staff</td>
<td>Organisations trained and developed in key skill areas.</td>
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</tbody>
</table>
| **5.** Improved crime prevention mechanisms and higher standards of investigation and prosecution - of financial criminal activities, money laundering and the proceeds from crime - established; | By the end of the project: 20% shortening of the time for investigation | Investigation reports conveyed to the Courts.  
Annual functioning report of FCIB. |
| **6.** Criminal data collection and their analysis strengthened, standards for technical co-operation established, information and financial data between relevant financial institutions and law enforcement bodies - in Turkey and globally - exchanged; | By the end of the project:  
Rapid access and analysis of criminal data.  
20% increase in international information exchanges compared with 2002 data. | Annual functioning report of FCIB.  
Documents of international institutions.  
Full co-operation of related institutions. |
| **7.** FCIB able to transmit encrypted data to domestic and international institutions and bodies | By the end of the project:  
Increase in the efficiency of data transmission between national and international organisations.  
Extent of such exchanges with international counterparts. | FCIB annual report  
International institution reports (in particular Council of Europe and FATF)  
Related institutions have compatible system with the FCIB |
| **8.** The Action Plan for Financial Services extending the coverage of the current | Increase in the number of financial and non-financial institutions obliged to report suspicious | FCIB annual report  
Progress report  
EC-Turkey Association |

<table>
<thead>
<tr>
<th>Activities</th>
<th>Means</th>
<th>Committee sub-committee</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Twinning and Training Package</strong></td>
<td>- Twinning Contract</td>
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<tr>
<td></td>
<td>- Training Contract</td>
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</table>

1. Analysis of and draft proposals for strengthening legislation and enforcement procedures so as to increase the capacity to prosecute the offence of money laundering (the offence should be clearly defined legally);

2. Analysis of and draft proposals for improved legislation and implementation procedures on asset forfeiture and confiscation, to create conditions for seizing of proceeds from crime, originated both from Turkey and foreign countries;
3. Review and proposal for reinforcing co-operation and reporting structures between all of the authorities responsible for the prevention of crime in the area of money laundering and the proceeds of crime, developing a common understanding as to crime prevention;

4. Delivery of training support, developing local training capacity and materials/case-work. Training should cover professional levels of all involved institutions (MoF, MoI, MoJ, public and other relevant law enforcement and financial institutions (commercial banks, economic partners etc)), provide them with experience of EU Member States and techniques for combating money laundering.

5. Analysis of a proposal for strengthening management capacities;
<table>
<thead>
<tr>
<th><strong>Investment in Institution Building</strong></th>
<th>Procurement Contract(s)</th>
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<tbody>
<tr>
<td>6.i. Special analytical software for the selected Financial Office(s);</td>
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<tr>
<td>6.ii. Special analytical software for the Police including equiping Police units for collecting, processing, evaluation and analysis of data concerning criminal financial activities, suspicions of legalisation of proceeds from criminal activities including the supply of special software for criminal intelligence analysis (i2).</td>
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</tr>
<tr>
<td>7. Central analytical systems of FCIB, including equiping FCIB and selected Financial Offices for collecting, processing, evaluation and analysis of data concerning suspicious financial operations, including the supply of hardware and software and the equipment for the encryption and transmission of restricted data;</td>
<td></td>
</tr>
<tr>
<td>Year</td>
<td>2002</td>
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<tr>
<td><strong>Twinning And Training</strong></td>
<td>N N N</td>
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**Notes:**
- Negotiation of twinning covenant: N
- Twinning & Training Contract Implementation and Payments: T
- Investment Contract(s) Implementation and Payments: I
## ANNEX III: CUMULATIVE CONTRACTING AND DISBURSEMENT SCHEDULE

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<td>Disbursed</td>
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<td>7,354,167</td>
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