

**Standard Summary Project Fiche – IPA 2008 centralised National and CBC
Programmes
Technical assistance to the Customs Administration**

1. Basic information

1.1 CRIS Number: 2008/020-316

1.2 Title: Technical assistance to the Customs Administration

1.3 ELARG Statistical code: 03.29

1.4 Location: Podgorica, Montenegro

Implementing arrangements:

1.5 Contracting Authority (EC):

Delegation of the European Commission

1.6 Implementing Agency:

Delegation of the European Commission

1.7 Beneficiary (including details of project manager):

Customs Administration of Montenegro

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A project team consisting of members from the two beneficiaries will be established with the purpose to coordinate the activities of the project.

1.8 Overall cost (VAT excluded):

€1,120,000

1.9 EU contribution:

€1,000,000

1.10 Final date for contracting:

Two years from the signature of the Financing Arrangement

1.11 Final date for execution of contracts:

Two years after the final date for contracting.

1.12 Final date for disbursements:

One year after the final date from the execution of the contracts.

2. Overall Objective and Project Purpose**2.1 Overall Objective:**

Modernization of the Customs System of Montenegro in full compliance with EU standards and in support of trade facilitation.

2.2 Project Purpose:

To improve the operational capacity of the customs service in Montenegro.

2.3 Link with AP/NPAA/EP/SAA

The **European Partnership document** underlines the need for further alignment of customs legislation and procedures with the EU *acquis*. It stresses the need for modernisation of customs administration in order to ensure a high level of administrative capacity to fight corruption, cross border crime and tax evasion.

The **2007 Progress Report** points out some progress in the MCA's operations that provides a good basis for further capacity building under this proposed project. It also notes that the first phase of the Business Strategy is implemented - further work on the implementation will be addressed by this proposed project.

The **Stabilisation and Association Agreement (SAA)** stipulates that Montenegro will establish co-operation with the EU on customs so as to comply with the provisions on trade and to approximate their customs system with EU standards.

2.4 Link with MIPD

The 2007 – 2009 MIPD, followed by the 2008-2009 draft MIPD, envisages that further alignment is needed on rules of origin, transit procedures, statistical reporting, customs valuation, and in the fight against corruption and smuggling.

2.5 Link with National Development Plan

The National Programme of Montenegro for Integration to EU stipulates short- and mid-term priorities for alignment of the national legal framework with the EU *acquis* and for enhancement of the administrative and operational capacity of the customs administration. Details of these priorities are provided in Annex 4.

2.6 Link with national/sectoral investment plans

The principal national document is the Government's Action Plan which is aimed at fighting corruption and organised crime.

In 2004, the MCA adopted the "Action Plan for Development of Integrity in the Customs Administration" in accordance with the 12 principles of the Arusha Declaration of the World Customs Organisation.

3. Description of project

3.1 Background and justification:

The MCA comes under the authority of the Ministry of Finance, and consists of 14 organisational units with a total of 540 employees, details provided in annex 4.

The EC's 2007 Progress Report on Montenegro highlighted that some progress had been made in customs. Montenegro acceded to the World Customs Organisation in October 2006. The Law amending the Customs Law, and an amendment to the Law on customs tariffs (introducing the EU combined nomenclature), were adopted and have entered into force. Montenegro introduced legislation providing for the closure of duty-free shops at land borders in 2007. A technical mission in February 2007 on the issuing of EUR 1 certificates concluded that the customs authorities had sufficient capacity to monitor preferential rules. A formal Notice has been published in the EU Official Journal stating that the conditions for the proper operation of the preferential rules arrangements have been restored. However, the fight against corruption, cross border crime and tax evasion needs to be strengthened.

Governance

A MCA Business Strategy and Plan for 2006 – 2007 was established during 2005 and the strategy and plan has been updated during the following years. Experiences with the Business Strategy and Plan has been that it is too comprehensive and not operational suitable. A new format of the Business Strategy and Plan is being established during 2008 and assistance will be needed to implement and make the enhanced Business Strategy and Plan operational during 2009.

The MCA is currently having a total of 540 employees, however the organisational chart envisages total number of employees to be 669. Each month the MCA is losing experienced officers from all sections of the administration, due to low salaries, inability to solve housing problems and general lack of perspective. The deteriorating financial situation of the MCA staff makes working in customs service rather unpopular. While professional and experienced staff is leaving the service it is difficult to employ educated and dynamic young personnel. There is therefore a need to strengthen the limited human resource and enhance the human resource management systems, including the training structure and function to support the effective implementation of the MCA business strategy.

Further steps need to be taken in enhancing the capacity of the customs laboratory by establishing technical specification of equipment needed for the laboratory.

Legislation & procedures

Further alignment of Customs legislation with the EU acquis is one of the EU Partnership priorities with Montenegro. A review of Customs Law was completed during the course of 2007, and a new Law on Amendments to the Customs Law was adopted in March 2008. Although the Customs Law has been improved it is still not fully compliant with the EU acquis. No further amendments to the current Customs Law are expected; instead The Ministry of Finance wishes to draft a new Customs Law inline with the new modernised Community Customs Code. This new Customs Law is planned to be drafted during 2009 and passed by the Parliament in the first half of the year 2010 with implementation from 1st January 2011 and onwards.

The Customs Service Law and the Decree on Customs Measures for Protection of Intellectual Property Rights were reviewed in 2007 and found not to be fully EU compliant. Both are in the process of being amended/renewed. All relevant Implementing Provisions (Secondary Legislation) must be reviewed and partly rewritten and related Operational Instructions and Guidelines/Public Notices are to be prepared in order to facilitate the proper implementation of renewed legislation. There is also a pressing need to enforce the legislative basis concerning the customs service by introducing into the legislation of a ban on the employment in the customs of people convicted for criminal affairs and corruption.

The development of a MCA Post Clearance Audit (PCA) function has commenced and in the course of 2008 appropriate procedures for PCA will be implemented and trainings introducing this new work area will be provided to MCA officers. Further development of PCA by introducing an audit management system to ensure efficient, quality-controlled audits using appropriate methods is planned for 2009

IBM & Enforcement

The implementation of the Montenegrin National Integrated Border Management (IBM) Strategy in line with the EU Guidelines for IBM in the Western Balkans is an ongoing process. The implementation has been delayed over a year due to the drafting of an Implementation Report for the National IBM Action Plan, which incorporates recommendations for setting up a National IBM Body to implement the Action Plan – currently awaiting Government approval. The role of the MCA in the implementation of IBM in Montenegro is fundamental – as increasing the efficiency and effectiveness of Customs controls and protecting society, whilst at the same time facilitating legitimate trade is a primary objective of the EU Guidelines for IBM in the Western Balkans.

Increasing the efficiency and effectiveness of Customs controls in protecting society also involves the need of strengthening Customs control for the protection of Intellectual Property Rights and implementation of security measures in line with the EU Guidelines and WCO Framework of Standards to Secure and Facilitate Global Trade.

Risk Management System

The MCA Risk Management System (RMS) was implemented and has been functioning since 24 April 2007. The MCA Risk analysis Group are setting risk parameters and profiles in the system and any shipment declared for free circulation is selected in three channels, physical examination (red channel), documentary control (yellow channel) or no control (green channel). The RMS can currently not be used for risk analysis of declarations for other customs procedures. The introduction of RMS has increased efficiency and effectiveness of Customs Controls, whilst at the same time contributed to trade and there is now a need to further develop and upgrade the RMS enabling risk analysis to be carried out on all types of customs declarations.

This project will provide continued assistance to the MCA in order to create a professional, effective and efficient administration that will provide value for money to the taxpayers by using limited resources to the best effect, and to maximise revenue collection and the protection of society.

3.2 Assessment of project impact, catalytic effect, sustainability and cross border impact

This proposed project will have a direct **impact** on meeting the standards required standards for EU accession, and will also help in meeting wider international standards (e.g. World Trade Organization, World Customs Organization; Conventions such as Kyoto and Istanbul as well as Declarations such as Arusha). These are critical steps in creating a modern effective customs administration.

Improving the efficiency of MCA will reduce the black economy and will be an important benefit to the wider economy, and thus have a **catalytic effect** on growth and prosperity.

A competent MCA is crucial in **sustaining** safe borders and in facilitating trade. This proposed project will help to give the MCA the capacity and skills to fulfil that role.

The proposed project will also have an obvious **cross-border impact** in that it will facilitate more efficient legitimate cross border trade, whilst inhibiting smuggling and other cross-border crime.

3.3 Results and measurable indicators

The proposed project will address three key areas that require additional intervention. Results and measurable indicators will be:

1). MCA Governance improved.

Measurable indicators:

- Speed up of customs procedures; Average time needed to complete the customs procedure will be 60 minutes and 30% of consignments will be cleared within less than 15 minutes.
- The turnover of human resources will decrease by 10%.
- The ranking of Montenegro will be improved in the Transparency International Corruption Perceptions Index by 2011.

2). Customs legislation and procedures aligned with the EU acquis.

Measurable indicators:

- A new Customs Law passed by the Parliament by the end of the project;
- Approved implementing provisions to the new Customs Law, the Customs Service Law and the amended IPR legislation adopted by the end of the project.
- New administrative procedures including Operational Instructions and Public Notices adopted by the end of the project.

3). Integrated Border Management and Enforcement enhanced.

Measurable indicators:

- Decrease of the corruption impact on customs and tax sector (Transparency International Corruption Barometer) by the project end;
- RMS upgraded also to cover declarations of goods for the procedures with economic impact by the end of the project.

3.4 Activities

(1). Activities related to improving the governance (Result 1)

They include:

- Assessments shall be made of the gaps between EU Customs Blueprints and the existing situation for relevant customs functions at the beginning of the project and at the end of the project.
- Establishment of a Strategic Development Unit (SDU) to coordinate, communicate, monitor, review and report on the implementation of the business strategy.
- Implementation of a long term business strategy and plan for the Customs Administration including the development and implementation of an annual operational and financial planning system as well as improving the internal communications;
- Establishment of a detailed organisational arrangements for enhancing a fully-functional Human Resources Unit and establish an effective HRM system to support the achievement of the MCA objectives.
- Development of a Training Unit to support the effective implementation of the MCA's business strategy. Develop and implement a long-term training strategy, design training programmes in line with EU best practices and undertake a trainer training programme as well as develop a national management training curriculum;
- Development of an Internal Affairs Data Base for the Professional Standards to assist to ensure employee integrity and to identify and combat breaches, including training of staff, all aiming to support fight against corruption and to enhance integrity of customs officers;
- Introducing an audit management system which ensures efficient, quality-controlled audits using appropriate methods (systems based audit and/or control audit) in the operation of the Post Clearance Audit.
- Development and implementation of training programmes to familiarise auditors with new systems and procedures, attitudes, methodologies and upgrade their skills and experience, for better performance and higher standards of customs auditing.
- On-going support for enhancing the transit system using modern technology and ensuring its compliance with the new Computerised Transit System (NCTS).
- Enhancing the Customs laboratory through preparation of technical specification for the purchase of the equipment necessary for the normal operation of the customs laboratory identified by the 2007 CAFAO needs assessment.

(2). Activities related to aligning the customs legislation and procedures (Result 2):

They include:

- Supporting drafting of new Customs legislation (Customs law and Customs Service Law) in line with the new Modernised Community Customs Code;
- Drafting of the implementing provisions to the new Customs Law, the Customs Service Law and the amended IPR legislation;
- Preparation of the related Operational Instructions and Guidelines/Public Notices in order to facilitate the proper implementation of renewed legislation.
- Improving the knowledge of the MCA staff and the economic operators on the new legislative developments in the customs sector.

(3). Activities related to Enhancement of Integrated Border Management and Enforcement (Result 3)

They will include:

- Provision of consultancy and other support to the ongoing implementation of the Montenegrin National Integrated Border Management Strategy and Action Plan in line with the EU Guidelines for Integrated Border Management in the Western Balkans
- Provision of consultancy and other support for improving the inter-agency cooperation with view to the implementation of the IBM Strategy;
- Provision of on-going support for the implementation of the new powers of the customs officers as specified by the new Customs Service Law;
- Strengthening Customs controls for the protection of IPR by providing systematic in-house specialist training, organise national/international seminars in conjunction with IPR rights holders and national law enforcement agencies, to enhance the awareness of IPR protection;
- Developing a supply chain security approach to Customs control in line with the EU guidelines and the WCO Framework of Standards (SAFE), taking into account the common risk management framework and the provisions for Authorised Economic Operators (AEO).

(4). Activities related to upgrading the Risk Management System (Results 1 and 3)

Additional activity related to IBM enforcement includes the upgrading of Risk Management System. This activity will enable risk analysis to be carried out on all types of customs declarations in order to increase the efficiency and effectiveness of customs controls, whilst at the same time contributing to trade facilitation. This activity will be performed under one contract for technical assistance, funded, tendered and managed by MCA.

3.5 Conditionality and sequencing:

The project includes the following conditions:

The Government continues to demonstrate its commitment to adopt and implement the EU *acquis* and standards in the field of customs. Capacity building in the MCA requires sustained ownership and strategic commitment from the Government, and a significant investment in terms of resources and expertise.

The beneficiary is fully committed to implement the proposed project, which specifically means it appoints adequate qualified staff (including translators/interpreters) to participate in the project implementation (including all training sessions), as well as allocates appropriate working space and facilities.

In the event that conditionality is not met, suspension or cancellation of the projector part of it will be considered.

The project will be implemented according to two contracts, one service contract covering activities related to upgrading of Risk Management System and one twinning contract for all other activities. No particular requirement regarding the contract sequencing should be applied.

3.6 Linked activities

The MCA has already benefited from earlier assistance. In 2001- 2002, the EC provided IT and other equipment worth €230,000. And in 2004 the UK, together with EC, provided equipment for border safety and control worth €350,000.

Between 2002 and 2007 the MCA received the technical assistance under the EC funded Customs and Fiscal Assistance Office (CAFAO) worth approximately € 3.3 million. Currently, the Customs Administration is receiving assistance through EU funded Technical Assistance to Customs and Tax Administrations (TACTA) worth €0.8 million. Essentially, the activities of CAFAO were taken over and continued by TACTA. The TACTA assistance is provided in three main areas: Governance, Legislation and Procedures and Integrated Border Management. This proposed project will build on that assistance.

The MCA also received assistance through regional information initiatives such as the South East European Messaging System (SEMS), and bodies such as the WCO Regional Intelligence & Liaison Officer (RILO) and the South East European Cooperation Initiative (SECI) Centre.

During 2003 and 2004 USAID provided assistance to the MCA and the Ministry of Interior for building and reconstruction of temporary border crossing points as well as for the equipment worth in total \$3.3 millions.

3.7 Lessons learned.

Implementation of projects in the Public administration in general and in Customs Administration also is faced with insufficient administrative capacity of the beneficiary. This may be related to the turnover of quality personnel and difficult employment of new and skilled people, as well as linked to the lack of motivation due to low salaries or over-protection created by the labour legislation. In order to provide sustainability the Project must provide a transfer of skills from the experts employed to the Customs management staff.

Project must assure also that the pre-defined methodology standards should be strictly followed as well as business modelling and testing methodologies.

4. Indicative Budget (amounts in EUR)

			SOURCES OF FUNDING									
			TOTAL EXP.RE	IPA COMMUNITY CONTRIBUTION		NATIONAL CONTRIBUTION					PRIVATE CONTRIBUTION	
ACTIVITIES	IB	INV	EUR (a)=(b)+(c)+(d)	EUR (b)	%	Total EUR (c)=(x)+(y)+(z)	%	Central EUR (x)	Regional/ Local EUR (y)	IFIs EUR (z)	EUR (d)	%
contract 1	X	–	1,000,000	1,000,000	100							–
contract 2	X	–	120,000			120,000	100	120,000				–
TOTAL IB			1,120,000	1,000,000	89	120,000	11	120,000				
TOTAL INV												
TOTAL PROJECT			1,120,000	1,000,000	89	120,000	11	120,000				

Amounts net of VAT

The proposed project will be implemented through two contracts.

Activities 1, 2 and 3 will be implemented through a twinning contract.

Activity 4 will be implanted through a second separate service contract that will be funded and tendered by the Montenegrin Government.

See Annex 5 for more details.

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

Contracts	Start of Tendering	Signature of contract	Project Completion
Contract 1	Q1 2009	Q3 2009	Q2 2011
Contract 2	Q1 2009	Q3 2009	Q3 2010

Contract 1 will be tendered according to EU legislation.

Contract 2 will be tendered according to Montenegro legislation.

6. Cross cutting issues:

6.1 Equal Opportunity

There is extensive equal opportunity legislation in Montenegro.. The proposed project will ensure that the internal policies, structure or operating procedures of the beneficiary conform with or promote equal opportunity.

The MCA has an equal opportunity policy with respect to recruitment and promotion. This is demonstrated by the fact that inside the MCA many positions at all levels are held by female staff.

Furthermore, the increased capacity of the MCA to fight cross border crime will have a positive effect on human trafficking in which women and children are predominantly the victims.

6.2 Environment

Environment protection legislation in Montenegro is comprehensive and is going through a process of harmonisation with the EU acquis. The proposed project will give due cognisance to environmental issues.

Generally, introducing better controls of smuggling will prevent trafficking of hazardous and dangerous materials and thus increase environmental protection. More specifically, education and training activities will also address the growing presence of organised crime in the area of environment through, for example, illegal import and export of waste; disposal of hazardous waste; movement of ozone depleting substances, etc.

6.3 Minorities

There are current legislative provisions for the protection of minority rights. The proposed project will make sure that the internal policies, structure or operating procedures of the beneficiary will conform with or promote minority issues. Indeed minorities are widely represented throughout the Customs Administration.

ANNEXES

- 1- Log frame in Standard Format
- 2- Amounts contracted and Disbursed per Quarter over the full duration of Programme
- 3- Description of Institutional Framework
- 4 - Reference to laws, regulations and strategic documents:
 - Reference list of relevant laws and regulations
 - Reference to AP /NPAA / EP / SAA
 - Reference to MIPD
 - Reference to National Development Plan
 - Reference to national / sectoral investment plans
- 5- Details per EU funded contract (*) where applicable:

ANNEX 1: Logical framework matrix in standard format

LOGFRAME PLANNING MATRIX for Project Fiche		Programme name and number	Technical assistance To the Customs Administration No. 2008/xxx-xxx
Technical Assistance to the Customs Administration		Contracting period expires: Two years after the signing of FA	Disbursement period expires: 1 year after the execution of contracts
		Total budget : €1,120,000	IPA budget:€1,000,000
Overall objective	Objectively verifiable indicators	Sources of Verification	
Modernization of the Customs System in full compliance with the EU standards in support of trade facilitation	<ul style="list-style-type: none"> • Closing of Acquis Chapter 29: Customs Union by 2015. • Positive reports of the independent audit for the operation of the customs system. • Full compliance with the Customs Blueprints achieved by 2015 • Decreased (by 40%) business costs for export and import (export/import cost per container) by 2012 - (In 2007 Montenegro ranks at 113th place) 	<p>EU country reports and IMF reports;</p> <p>Independent Audit reports</p> <p>WB Doing Business Trading Across Border Report and Index</p>	
Project purpose	Objectively verifiable indicators	Sources of Verification	Assumptions
To improve the operational capacity of the customs service in Montenegro	<ul style="list-style-type: none"> • A reduced gap between EU Customs Blueprints and existing situation for relevant customs functions. • Increase of customs revenue by 10% by the end of the project; • Increase of seizures of illegal or dangerous goods in the fight of organised crime by 3%; • Decrease of examinations and controls of legitimate trade by 5%; 	<p>EU Custom's blueprints gaps analysis reports of the situation before and after the project.</p> <p>MCA interim and annual reports;</p> <p>MoF interim and annual reports;</p>	<p>Long-term commitment of Montenegro government to the modernisation of the customs system:</p> <ul style="list-style-type: none"> • Sustained Human and Financial Resource allocation to such reforms • Retention of and upgrading of investments, i.e. trained staff and IT systems. <p>Commitment of the Ministry of Finance and the MCA to ensuring correct, uniform application of the customs rules and related provisions.</p> <p>Cooperation with the other law-enforcement agencies nationally and internationally</p>

			Positive trends in economic development continue
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Results	Objectively verifiable indicators	Sources of Verification	Assumptions
<p>1. MCA Governance improved.</p> <p>2. Customs legislation and procedures aligned with the EU acquis.</p> <p>3. Integrated Border Management and Enforcement enhanced.</p>	<ul style="list-style-type: none"> • Speed up of customs procedures: Average time needed to complete the customs procedure will be 60 minutes and 30% of consignments will be cleared within less than 15 minutes; • The turnover of human resources will decrease by 10%; • Increase (by at least 10%) in the number of detected false declarations by the project end; • A new Customs Law passed by the Parliament by 2010; • Approved implementing provisions to the new Customs Law, the Customs Service Law and the amended IPR legislation adopted by 2011; • New administrative procedures including Operational Instructions and Public Notices adopted by 2011; • The ranking of Montenegro will be improved in the Transparency International Corruption Perceptions Index by 2011; • RMS upgraded also to cover declarations of goods for the procedures with economic impact by 2011. 	<p>MCA interim and annual reports; MoF interim and annual reports; EU country reports and IMF reports; Transparency International Corruption Perceptions Index.</p>	<p>Working relationships established with economic operators</p> <p>Support of the Parliament and Government of Montenegro for the adoption of the drafted legislative documents</p> <p>Funds available for developing the customs laboratory and purchase of the needed equipment</p>

Activities	Means	Costs	Assumptions
<p>1. Activities related to improving governance</p> <ul style="list-style-type: none"> • Gap analysis of existing situation compared with EU Customs Blueprints (entry and exit assessment); • Establishment of a Strategic Development Unit; • Implementation of a long term business strategy; • Establishment of an effective HRM system; • Development of a Training Unit and training programme implementation • Development of an internal affairs database; • Introduction of audit management system • Training, consultancy and on-going support to MCA and MoF; • Support for ensuring compliance with the NCTS • Preparation of technical specification for purchasing equipment for the Customs laboratory. <p>2. Activities related to alignment of legislation</p> <ul style="list-style-type: none"> • Drafting of Customs legislation, procedures, Operational Instructions and Guidelines; • Improving the knowledge of the MCA staff on the EU acquis <p>3. Activities related to IBM Strategy implementation</p> <ul style="list-style-type: none"> • Supporting the implementation of the Montenegrin National IBM Strategy and Action plan • Enhancing inter-institutional cooperation; • Supporting the Customs Enforcement capacity, especially in relation to new enhanced powers of customs officers; • Support for strengthening customs control for protection of IPR; • Development of a supply chain security approach to Customs controls; <p>4. Activities related to Upgrading the Risk Management System</p>	<p>One EU funded twinning contract covering all activities except activities related to upgrade of Risk Management System.</p> <p>One service contract tendered according to Montenegrin legislation, covering activities related to upgrade of Risk Management System.</p>	<p>The overall estimate is for Euros 1,120,000 Euro.</p> <p>EU contribution: 1,000,000 €</p> <p>Montenegro contribution: 120,000 €</p>	<p>Full commitment of the parties involved.</p> <p>The MCA and MoF have incumbent staff to implement the project;</p>

ANNEX 2: Indicative amounts contracted and Disbursed per Quarter over the full duration of Programme

Contracted	Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011
Contract 1	1,000,000							
Cumulated	1,000,000	0	0	0	0	0	0	0

Disbursed	Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011
Contract 1	480,000			210,000		210,000		100,000
Cumulated	480,000		480,000	690,000	690,000	900,000		1,000,000

Contract 1 will be a twinning contract, managed by the European Commission.

Contract 2, which covers the introduction of the risk management system, will be tendered and implemented by the Government of Montenegro in accordance with the national legislation.

ANNEX 3: Description of Institutional Framework

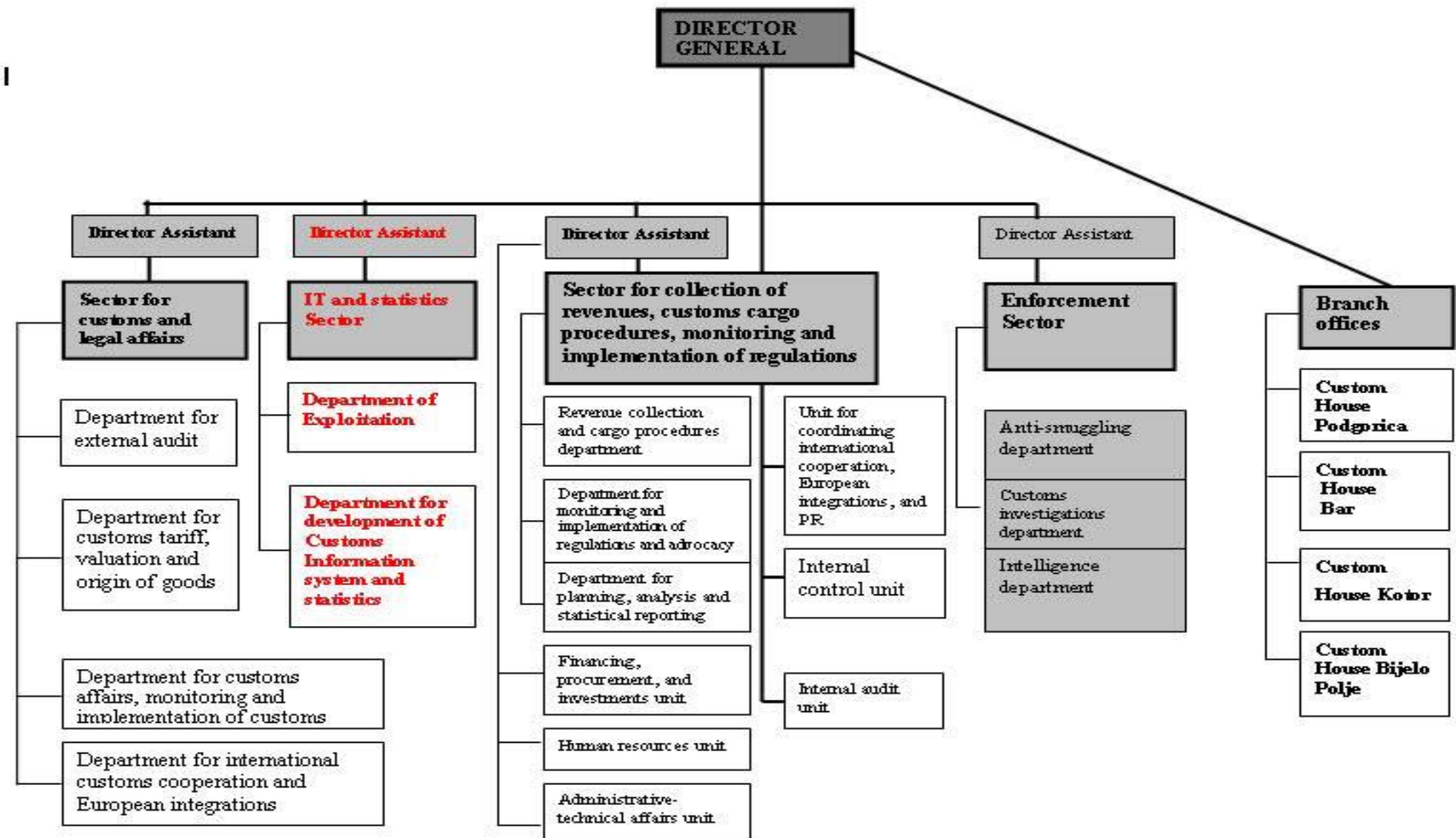
The Montenegrin Customs Administration is an independent customs service directly responsible to the Government of Montenegro and supervised by the Ministry of Finance. It currently comprises of 14 organizational units with total of 540 employees. The organisational chart envisages total number of employees to be 669. In order to provide an unhindered and fast movement of legal goods and passengers, protection and security of the territory under customs' authority and efficient collection of revenues in accordance with EU, WTO and WCO regulations and standards, the Customs Administration performs following duties: customs supervision, recording and collection of customs duties, control of goods which import or export is specially regulated, prevention and detection of customs offences and criminal acts, processing and monitoring of import and export statistical data, as well as other duties under its competence determined by the relevant legislation.

The administration is divided by duties between administration (HQ) and operations (Outfield).

There are sub offices in various locations in the country to reflect trade and administration needs. The main Administration is housed in MCA HQ building in Podgorica.

The branches and the 4 main divisions are reporting direct to the MCA Director. The 4 divisions are headed by an assistant director and the sub-functions by a section head. The 4 divisions are divided by work /business needs into sub –functions. The framework of the Institution is in 3 tiers and consists of Strategic/Tactical and operation levels.

The organisational chart of the Montenegrin Customs Administration is given in the Table below.



ANNEX 4: Reference to laws, regulations and strategic documents

4.1 Reference list of relevant laws and regulations

-Laws-

1. The Customs Law (“Official Gazette of the Republic of Montenegro, number 7/02, 38/02, 72/02, 21/03, 31/03, 29/05, 66/06) (21/08)
2. The Law on customs service (“Official Gazette of the Republic of Montenegro, numbers 7/02, 29/05)
3. The Law on customs tariff (“Official Gazette of the Republic of Montenegro, numbers 75/05, 17/07)
4. Customs tariff – refined text (“Official Gazette of the Republic of Montenegro, number 56/07)

-Regulations-

5. Regulation on procedure with passengers and goods at border between Montenegro and Serbia (“Official Gazette of the Republic of Montenegro, number 26/03, 54/05)
6. Regulation on procedure of utilization of right of customs duties exemption (“Official Gazette of the Republic of Montenegro, number 22/03)
7. Regulation on condition and manner of sale of customs goods and other procedures related to customs goods (“Official Gazette of the Republic of Montenegro, number 22/03, 62/04)
8. Regulation on conditions for performing duties of representation at customs authorities (“Official Gazette of the Republic of Montenegro, number 20/03, 62/04)
9. Regulation for the implementation of the Law on customs (“Official Gazette of the Republic of Montenegro, number 15/03, 81/06)
10. Regulation on procedure of customs organ with goods, suspected to violate intellectual property rights (“Official Gazette of the Republic of Montenegro, number 25/05)
11. Regulation on establishing customs houses and organizational units within the Montenegro Customs Administration (“Official Gazette of the Republic of Montenegro, number 42/02, 31/04)
12. Regulation on issuing certificates used to accompany goods during import, export or transit (“Official Gazette of the Republic of Montenegro, number 41/05)
13. Regulation on detailed procedure and conditions for opening duty-free shops (“Official Gazette of the Republic of Montenegro, number 43/05)
14. Regulation on type, level and payment method of customs duties (“Official Gazette of the Republic of Montenegro, number 4/07)
15. Regulation on harmonization of nomenclature of Customs tariff for 2008 (“Official Gazette of the Republic of Montenegro, number 3/08)

4.1.1 Montenegro 2007 Progress report:

“4.1.4. Customs and taxation

Some progress was made in the area of **customs rules** during the reporting period. The Republic of Montenegro acceded to the World Customs Organisation in October 2006. The Law amending the Customs Law and an amendment to the Law on customs tariffs introducing the EU combined nomenclature were adopted by parliament in January and

March 2007 respectively and have entered into force. Montenegro has introduced legislation providing for the closure of duty-free shops at land borders by the end of 2007, which represent a positive development whose implementation will have to be carefully monitored. Fees applied for customs declarations have been reviewed. Customs legislation is mostly aligned with the EU *acquis* but further alignment is required in the areas as origin, transit procedures and customs valuation. In terms of administrative capacity, some progress can be reported. In the first six months of 2007, the collection of Customs duties showed a considerable increase compared to the same period in 2006. Moreover, 76% of customs documents were filed via the internet. A significant number of customs officers were trained on application of the rules regarding origin of goods and received instructions in money laundering handling firearms and assessment of work performance. An agreement on customs cooperation and mutual assistance with Slovenia was signed in April 2007. Intensification of customs cooperation and mutual assistance with neighbouring countries could significantly contribute to the customs upgrade. Relevant improvements can be also reported in the field of application of preferential origin rules. A technical mission in February 2007 on the issuing of EUR 1 certificates concluded that the customs authorities had sufficient capacity to monitor preferential rules. On this basis the notice to importers issued by the European Commission is being removed. The first phase of the Business Strategy implementation was completed.”

4.2.1 Reference to EP

The European Partnership Document (January 2007, EP) includes under Short-term key priorities, European Standards, Customs and Taxation:

- Further align customs legislation and procedures with the *acquis*. Continue to modernise the customs administrations in order to ensure a high level of administrative capacity and to fight against corruption, cross-border crime and fiscal evasion.
- Amend and implement legislation in the area of rules of origin in order to introduce a legal basis for the application of the EC rules of origin for the purposes of the autonomous trade measures, for this purpose ensure the provision of information and training to operators and customs officers.
- Strengthen implementation and enforcement capacity in the field of intellectual property rights, including in border services, law enforcement agencies and the judiciary

4.2.2 Reference to the Stabilisation and Association Agreement (SAA)

Article 99 *Customs*

The Parties shall establish co-operation in this area with a view to guarantee compliance with the provisions to be adopted in the area of trade and to achieve the approximation of the customs systems of Montenegro to that of the Community, thereby helping to pave the way for the liberalisation measures planned under the Stabilisation and Association Agreement and for the gradual approximation of the Montenegrin customs legislation to the *acquis*.

Co-operation will take due account of priority areas related to the Community *acquis* in the field of customs. Protocol 6 establishes the rules on mutual administrative assistance between the Parties in the customs field.

4.2.3 Reference to MIPD

Regarding customs, the 2008 – 2010 draft MIPD envisages that further alignment is needed on rules of origin, transit procedures, statistical reporting, customs valuation and the fight against corruption and smuggling. Among main objectives this MIPD specifies implementing integrated border management (IBM) including visa facilitation policy, asylum and migration as well as assisting the Customs administration to ensure the sustainability of past assistance. It is expected that during this period Customs legislation would be aligned to the EU *acquis* which would include an upgraded operational capacity of the Customs Administration, Customs Security Programme established and increased fight against corruption, cross border crime and fiscal evasion.

4.2.4 Reference to the EU Customs Blueprints (related to the Declarations of the Directors General following the Conferences on Customs Cooperation in South-East Europe, Naples, Italy November 2007 / Brdo, Slovenia March 2008)

Capacity building in the Customs Administrations requires sustained ownership and strategic commitment from the political authorities of the countries concerned, and a significant investment in terms of resources and expertise. The administrative capacity of the Customs Administrations can still be improved and EU-compliant procedures and practices need to be implemented effectively. The EU Customs Blueprints constitute a useful tool to support the modernisation efforts of the Customs Administrations for candidate and pre-accession countries. Administrative capacity should be further strengthened on the basis of the updated version of the EU Customs Blueprints.

The continuous alignment of Customs legislation to the EU requirements is needed by the candidate and pre-accession countries, and that continuous modernisation efforts are required by the Customs Administrations to ensure the necessary capacity to implement and enforce the new legislation. Customs Administrations should ensure the implementation of adequate border enforcement provisions to tackle the increase trade in goods that pose security, health and safety dangers; Customs control for the protection of Intellectual Property Rights should be further strengthened. Additionally: National Training Strategies should be further developed and fully implemented; Risk Management systems should be fully implemented in order to increase the effectiveness and efficiency of Customs controls and at the same time to contribute to trade facilitation; Integrated Border Management strategies, designed to enhance cooperation between the different agencies active at the border, should be fully implemented and full account should be taken of the latest version of the EU Customs Code, relating to security.

4.3 Reference to National Programme for Integration of Montenegro in the EU for the period 2008-2012

Section 3.29. Customs Union

3.29.2. Short-term priorities

Legislation

In 2008 changes and amendments to the current Customs Law need to be introduced for the purpose of further harmonization of this Law with Acquis.

Until the end of November 2008 Decree on harmonization of nomenclature of the customs tariff for 2009 needs to be passed, which needs to be harmonized with Combined Nomenclature for 2009 and the Stabilization and Accession Agreement.

3.29.3. Mid-term priorities

Legislation

Medium term priorities refer to total harmonization of customs regulations with EU regulations which include adoption of the new Customs Law and the Customs Service Law.

In 2009 the Customs Law will be fully developed and completed whose biggest part needs to be harmonized with modernized Customs Law of the EU, where certain solutions in the sense of application will be postponed and adjusted to the needs of its application in line with national capacities. Duties arising from the Stabilization and Accession Agreement will have special treatment. This Law should be passed by the Parliament in the first half of the year 2010.

In the second half of 2010 Decree on application of the Customs Law and other bylaws needed for application of this Law will be adopted in order to enable its application as of 1 January 2011.

In 2010 the new Customs Service Law will be passed and deadlines for adoption of that law will be harmonized with deadlines for adoption of the new Customs Law.

In 2011 additional harmonization of the Customs Law will be conducted so that it is fully harmonized with the Customs Law of the Community where a transitional period will be established for certain solutions that are application will be delayed for 2-3 years.

Institutions

Goal of the Customs Administration is to make a stable and clear system for application of new customs regulations which are in line with regulations of EU. As for modernization of work technology and monitoring of work results, underway is application of the Business Strategy and Planning using the methodology applied by the leading customs services of EU. The persons engaged in this Project in the Working Program CAFAO for 2007 further specialization was proposed in order to achieve in the practical part of application as better results as possible. In the period until 2012 support is expected from IPA means for the purpose of a better coordination of assistance and achieving significant results within the available means.

Customs Administration has planned the following in the above mentioned period:

- Undertaking activities of introduction of TARIC-a (integrated EU tariffs);
- Undertaking activities for the purpose of application of Temporary Agreement between EU and Montenegro on trading ;
- Undertaking activities for improvement of conditions of work of customs laboratory (IPA);
- More efficient application of regulations on protection of rights of intellectual property;
- Enforcement of implementation of regulations from the area of phyto-sanitary, veterinary and ecological regulations;
- Enforcement of activities of improvement of regulations for trading relieves;
- Development of efficient regime of control from the area of rules on goods origin and value of goods in accordance with requirements of EU;
- Strengthening of coordination and cooperation among border services on national and international level, in accordance with the Strategy of integrated border management and the Action Plan for Strategy application;
- strengthening of cooperation with business entities and their associations ;

- conducting control of the procedure of issuing certificate on origin of goods from the territory of Montenegro ;
- application of activities from the Action Plan for application of the Strategy for integrated border management;
- further participation in work of the Board for Foreign Economic Relations and European Integrations of the Chamber of Commerce ;
- monitoring of work of the World Customs Organization (its working bodies);
- signing of the Agreement between the Government of Montenegro and the Government of the Republic of Ukraine on the mutual assistance in customs matters;
- signing the Agreement by the Government of Montenegro and Government of the Republic of Moldova about mutual assistance in customs matters;
- signing of the Agreement between the Government of Montenegro and the Government of Belarus on mutual assistance in customs matters;
- continuous cooperation with foreign customs services and organizations;
- continuation of the initiated activities on education of customs officers, employees of other state organs, and business entities in the area of goods origin; and education of customs officers in the area of customs tariff for the occasion of the Law on Changes of the Customs Service Law coming into force in the area of value of goods, protection of intellectual property right, border control and coordination of IBM (integrated border management).

4.4 Reference to national / sectoral investment plans

The Action Plan outlines concrete measures for the next three years as laid down by the Programme, adopted by the Government on July 27th 2005. The Action Plan is focused on legislation against corruption, money laundering and tax evasion.

The Montenegrin Customs Administration is a signatory to the EU CARDS *Integrated Border Management (IBM) Strategy for the Western Balkans*

ANNEX 5 -Details per EU funded contract.

The Project will be implemented through 2 (two) contracts. The first contract (twinning) will fund Activities 1, 2 and 3. The beneficiary (MCA) will co-finance the Project through a second contract (service) that will fund Activity 4. The sequence of the implementation of the first contract doesn't depend of the implementation of the second contract.

The project will be managed according to the Practical Guide for contract procedures.

The following Table presents how total funds are likely to be distributed:

Contract/type	Title	Estimated Cost (€)	Funded by
Contract 1: Twinning	Assistance to the MCA and MoF	1,000,000	EU (100%)
Contract 2: Service	Upgrading Risk Management System	120,000	MCA (100%)
Total:		1,120,000	EU (89.29%) MCA (10.71%)

Based on previous experience and having in mind the size of the proposed contracts, the following activities will be

1. Twinning contract

The TW contract will cover all major activities described in this PF, except the activities related to upgrading of the Risk Management System which will be provided through a separate service contract. The Twinning partner shall ensure the implementation of all planned activities and the achievement of the project goals, along with the technical organisation of the work and reporting. The needed support staff and backstopping facilities have also to be put in place to ensure smooth advancement of the project.

A Steering Committee should be established to supervise the programme, coordinate the stakeholders involved, and provide guidance in the implementation of the technical assistance.

2. Technical assistance service contract

The TA contract will cover the activities related to the introduction of the Risk Management System. The Montenegrin Customs Administration will organize tendering process for this contract and will supervise its implementation.