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ANNEX

IT TAXATION AND CUSTOMS

1. IDENTIFICATION

Beneficiaries	Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, Montenegro, Serbia including Kosovo (as defined by UNSCR 1244) and Turkey
CRIS number	2007/019-210
Year	2007
Cost	€500,000
Implementing Authority	The European Commission
Final date for contracting:	30/11/2008
Final date for execution	30/11/2010
Sector Code	15120 (06.62)
Budget line	22.02.07.01 (Regional and Horizontal programmes)
Programming Task Manager	DG Enlargement – Unit D3
Implementation Task Manager	DG TAXUD – Unit B1 (in sub-delegation)

2. PRIORITY AXES / PROJECTS

2.a Priority axes

The setting up of well-functioning customs and tax administrations in the countries of the Western Balkans¹ and Turkey is critical in supporting facilitation of legitimate trade, while fighting illegal trade, protecting the external border, as well as ensuring collection of taxes. It is also crucial in an accession perspective, as the countries will have to be able to enforce and implement the EU acquis in these areas, including by managing certain IT systems interconnected at EU level, to exchange information with the Commission and the Member States. It is also an important step in the Stabilisation and Association process (SAP) and in forming a contractual relationship with the EU following the eventual signature of a Stabilisation and Association Agreement (SAA).

The development of modern IT systems and application, supporting the institutional tasks of the customs and tax administration are of particular importance in achieving the above objectives. At the same time, in order to support the beneficiary countries in their IT preparations, DG TAXUD has the obligation to provide specialised assistance in the fields of IT interconnectivity and in all aspects of their IT functionality, including organisational issues, and operational capability. DG TAXUD was assisted until the end of 2006 by specialised IT external consultants, in its institutional tasks of evaluating IT preparations of candidate countries and countries with EU perspective.

¹ Namely Albania, Bosnia and Herzegovina (BiH), Croatia, the former Yugoslav Republic of Macedonia, Montenegro, Serbia including Kosovo as defined by the United Nations Security Council Resolution 1244 of 10th June 1999).

This project was instrumental in assisting previous candidate countries (now Member States) in developing coherent IT strategies and consistent National IT development plans, which allowed them to meet their accession obligations in the field of IT interconnectivity.

Similarly, in 2005 the project was instrumental in assisting Croatia in assessing its initial IT interconnectivity needs in view of accession, in developing a coherent IT Interconnectivity Strategy and in planning its IT development projects (as listed below in CARDS and Phare assistance). Assistance was also provided to Turkey in devising its initial IT interconnectivity needs after the opening of accession negotiations, which resulted in the preparation of a coherent National Plan for IT interconnectivity and in the undertaking of various projects financed under Phare 2004 and Phare 2006 (see Section 2.c).

In order to continue fulfilling its institutional obligations, DG TAXUD needs specialised technical support, in order to guarantee that the technical and functional solutions adopted by the countries are consistent with their future EU perspective, and technically coherent with the relevant EU infrastructure and applications.

The Multi-Beneficiary 2007-2009 Multi-annual Indicative Planning Document (MIPD) (in particular section 2.2.4 Internal Market and Trade) is designed to assist candidate and potential candidate countries' efforts to cooperate with each other in fields of common interest as they strive towards membership of the EU. Customs and Taxation assistance forms part of the IPA Transition Assistance and Institution Building Component.

The approach is based on the axiom that certain national issues may benefit from being supported through horizontal programmes rather than through multiple national programmes, hence the funds being provided from multi-beneficiary IPA allocation. For example, economies of scale may be obtained through horizontal programmes, including the effective and efficient use of limited resources to provide advice and consultancy on the implementation of the EU *acquis*.

2.b Description of projects

The overall objective of this project is to continue providing support in assisting the beneficiary countries in their IT interconnectivity and interoperability preparations in the fields of taxation and customs, in the light of their future EU membership. The present project represents the continuation of the assistance already provided by external consultants and financed by DG TAXUD until the end of 2006 in the field of IT interconnectivity and interoperability towards candidate countries and countries with EU perspective.

The project aims to provide guidance and specialised assistance to beneficiary countries in identifying the technical requirements of their national IT strategies and plans, ensuring their coherency with EU IT interconnectivity requirements. This will allow better targeting of financial assistance from the EU in the actual development of the IT systems required in the field of taxation and customs.

The specialised IT assistance to be provided under this project will allow the Tax and Customs administrations of the beneficiary countries to:

- identify the IT requirements necessary to their administrations to ensure exchange of information with the EU IT systems in view of their European perspective
- develop coherent IT and Business Strategies consistent with the above-identified IT needs, and identify the related financial and organisational needs

- evaluate different IT solutions to fulfil the IT requirements for exchange information with the EU IT systems
- develop and implement National IT Development Plans for EU Interconnectivity.

Close monitoring of the above activities to be performed by the beneficiary administrations would also allow timely identification of technical IT-related issues and the provision of the needed specialised expertise to allow addressing such issues.

The overarching results to be *aimed* at by the Consultant are:

- to support the beneficiary's administrations in the development of the IT systems and the related business procedures used in the tax and customs fields for the exchange of information via IT infrastructure;
- to assess the progress made by the beneficiaries in the field of operational capacity and IT interconnectivity with EU systems;
- to achieve sustainability, transfer of knowledge, and ownership by the beneficiary.

The results to be *aimed at* in all participating beneficiary countries are:

- further adaptation of business procedures used in the tax and customs administrations for the mandatory exchange of information;
- the compliance of the IT systems developed by the beneficiary administrations with accession-essential interconnectivity requirements (limited to candidate countries);
- the sustainability, transfer of knowledge, and ultimately ownership by the beneficiary.

2.c Overview of past and present assistance

Until the end of 2006, DG TAXUD managed a contract for the provision of specialised IT consulting services, aimed at supporting DG TAXUD in its institutional activities in the field of IT interconnectivity and interoperability. This assistance covered all aspects of their IT functionality, including organisational issues, operational capability and their efforts to connect to EU Taxation and Customs IT systems. The external support allowed DG TAXUD to evaluate specific IT assistance projects, as proposed by the beneficiary countries, to closely monitor the progress made by the candidate countries in their IT preparations and to ensure that EU pre-accession assistance funds directed to IT modernisation were spent effectively and in coherence with EU requirements.

In Croatia and in Turkey, initial steps have been taken under the CARDS and Phare Programmes to develop the accession-essential IT interconnectivity projects in the fields of taxation and customs; these projects will require strict specialised monitoring by DG TAXUD, which would require in turn the above-mentioned assistance. Similarly, Western Balkan countries (The former Yugoslav Republic of Macedonia in particular, being already a candidate country) will also continue developing their IT infrastructure while taking into account possible EU requirements in terms of interconnectivity. The technical evaluation of these projects and their monitoring will require specialised IT knowledge, to be provided to DG TAXUD, so that it can ensure that the projects are coherent with the EU requirements.

In Croatia, the following projects are ongoing/planned, in relation to IT interconnectivity:

- CARDS 2004 twinning project “Modernisation of Customs Administration in view of preparing for the Integrated Tariff Management System (ITMS)”
- Phare 2005 project ‘TARIC Adaptations – Software development service contract’
- Phare 2005 project ‘NCTS Implementation – Management Support Twinning’
- PHARE 2005 project ‘NCTS Implementation - Upgrade of the National Transit Application Service contract’

- Phare 2005 project 'EMCS Management Support Twinning'
- Phare 2005 project 'EMCS Phase 2 Software Development' (Service Contract)

In Turkey, the following projects are ongoing/planned, in relation to IT interconnectivity:

- Phare 2004 project "Modernisation of Customs Administration" II
- Phare 2006 project "Modernisation of Customs Administration" III, which includes four sub-components related to IT Interconnectivity:
 - 1) CCN/CSI gateways installation and configuration
 - 2) NCTS development and integration
 - 3) ITMS development and integration
 - 4) Legislative and procedural alignment.

In the former Yugoslav Republic of Macedonia, a project is planned under IPA 2007 for assisting the Customs Administration in IT matters.

2.d Horizontal issues

None

2.e Conditions

None

2.f Benchmarks

	2007	2008	2009
Number of tenders launched	-	1	-
Contracting Rate	-	100%	-

3. BUDGET (AMOUNTS IN €MILLION)

3.1. Indicative Budget table

	EU – IPA assistance			Total co-financing of project	Total (IPA plus co-financing)
	Institution Building		Investment Total		
TOTAL	0.50		-	0.50	-

3.2 Principle of co-financing applying to the projects funded under the programme

Not applicable

4. IMPLEMENTATION ARRANGEMENTS

4.1. Method of implementation

The programme will be implemented on a centralised basis by the European Commission in accordance with Article 53a of the Financial Regulation² and the corresponding provisions of the Implementing Rules³.

The implementation of the programme will be sub-delegated to DG Taxation and Customs Union.

4.2. General rules for procurement

Procurement shall follow the provisions of Part Two, Title IV of the Financial Regulation and Part Two, Title III, Chapter 3 of its Implementing Rules as well as the rules and procedures for service, supply and works contracts financed from the general budget of the European Communities for the purposes of cooperation with third countries adopted by the Commission on 24 May 2007 (C(2007)2034).

Grant award procedures shall follow the provisions of Part One, Title VI of the Financial Regulation and Part One, Title VI of its Implementing Rules.

The Commission shall also use the procedural guidelines and standard templates and models facilitating the application of the above rules provided for in the "Practical Guide to contract procedures for EC external actions" ("Practical Guide") as published on the EuropeAid website⁴ at the date of the initiation of the procurement or grant award procedure.

5. MONITORING AND EVALUATION

5.1 Monitoring

The Commission may undertake any actions that it deems necessary to monitor the programme.

5.2 Evaluation

Programmes shall be subject to ex-ante evaluations, as well as interim and, where relevant, ex-post evaluations in accordance with Articles 57 and 82 of the IPA Implementing Regulation⁵, with the aim of improving the quality, effectiveness and consistency of the assistance from Community funds and the strategy and implementation of programmes.

The results of ex-ante and interim evaluations shall be taken into account in the programming and implementation cycle.

The Commission may also carry out strategic evaluations.

² OJ L 248, 16.09.2002, p.1. Regulation as amended by Regulation (EC, Euratom) No 1995/2006 (OJ L 390, 30.12.2006, p.1)

³ OJ L 357, 31.12.2002, p.1. Regulation as last amended by Regulation (EC, Euratom) No 478/2007 (OJ L 111, 28.04.2007, p.13)

⁴ http://ec.europa.eu/europeaid/work/procedures/implementation/practical_guide/index_en.htm

⁵ Commission Regulation (EC) No 718/2007 of 12 June 2007 (OJ L 170, 29.6.2007, p. 1)

6. AUDIT, FINANCIAL CONTROL AND ANTI-FRAUD MEASURES

The accounts and operations of all parties involved in the implementation of this programme, as well as all contracts and agreements implementing this programme, are subject to, on the one hand, the supervision and financial control by the Commission (including the European Anti-Fraud Office), which may carry out checks at its discretion, either by itself or through an outside auditor and, on the other hand, audits by the European Court of Auditors. This includes measures such as ex-ante verification of tendering and contracting carried out by the Delegation in the Beneficiary Country.

In order to ensure the efficient protection of the financial interests of the Community, the Commission (including the European Anti-Fraud Office) may conduct on-the-spot checks and inspections in accordance with the procedures foreseen in Council Regulation (EC, Euratom) 2185/96⁶.

The controls and audits described above are applicable to all contractors, subcontractors and grant beneficiaries who have received Community funds.

7. LIMITED CHANGES

Limited changes in the implementation of this programme affecting essential elements listed under Article 90 of the Implementing Rules to the Financial Regulation, which are of an indicative nature⁷, may be undertaken by the authorising officer by delegation (AOD), or by the authorising officer by sub-delegation (AOSD), in line with the delegation of powers conferred upon him by the AOD, in accordance with the principles of sound financial management without an amending financing decision being necessary.

⁶ OJ L 292; 15.11.1996; p. 2

⁷ These essential elements of an indicative nature are, for grants, the indicative amount of the call for proposals and, for procurement, the indicative number and type of contracts envisaged and the indicative time frame for launching the procurement procedures.

COMMISSION DECISION

C(2007) 5801 of 3/12/2007

adopting a horizontal programme for IT Taxation and Customs to the Western Balkans and Turkey under the IPA-Transition Assistance and Institution Building component in 2007

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to Council regulation (EC) No 1085/2006 of 17 July 2006 establishing an Instrument for Pre-Accession Assistance (IPA)¹, and in particular Article 14(2) (a) thereof,

Whereas:

- (1) Regulation (EC) No 1085/2006 lays down the objectives and main principles for pre-accession assistance to candidate and potential candidate countries;
- (2) In accordance with Article 7 of Council Regulation (EC) No 1085/2006, the assistance should be provided through multi-annual or annual programmes, which can be established by country and by component, or as appropriate, by group of countries or by theme. These programmes should be drawn up in accordance with the general policy framework referred to in Article 4 of Regulation (EC) No 1085/2006 and the relevant multi-annual indicative planning document referred to in Article 6 of that Regulation;
- (3) The Council established for all candidate and potential candidate countries an Accession Partnership or a European Partnership. The Commission has adopted on 29 May 2007 the multi-beneficiary multi-annual indicative planning document 2007-2009 which present(s) indicative allocations for the main priorities for pre-accession assistance to countries concerned²;
- (4) Therefore, the horizontal programme for IT Taxation and Customs to the Western Balkans and Turkey under the IPA Transition Assistance and Institution Building Component for 2007 aims at providing support to DG Taxation and Customs Union in assisting the beneficiary countries in their preparation for IT interconnectivity and interoperability in the fields of taxations and customs, especially in the light of their future EU membership;
- (5) This Decision meets the requirements of Article 90 of Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the

¹ OJ L 210, 31.07.2006, p. 82

² C(2007)2205

implementation of Council Regulation No 1605/2002³ (hereafter: "Implementing Rules") and constitutes thus a financing decision within the meaning of Article 75 of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities⁴ (hereafter: "Financial Regulation");

- (6) The measures provided for in this Decision are in accordance with the opinion of the IPA Committee,

HAS DECIDED AS FOLLOWS:

Article 1

The horizontal programme for IT Taxation and Customs to the Western Balkans and Turkey under the IPA Transition Assistance and Institution Building component for 2007, as set out in the Annex, is hereby adopted.

The programme shall be implemented by centralised management.

Article 2

The maximum amount of Community contribution shall be EUR 0.5 million, to be financed through item 22.02.07.01 - Regional and horizontal programmes - of the general budget of the European Communities for 2007.

Done at Brussels, [...]

For the Commission

[...]

Member of the Commission

³ OJ L 357, 31.12.2002, p.1. Regulation as last amended by Regulation (EC, Euratom) No 478/2007 (OJ L 111, 28.04.2007, p.13)

⁴ OJ L 248, 16.09.2002, p.1. Regulation as amended by Regulation (EC, Euratom) No 1995/2006 (OJ L 390, 30.12.2006, p.1)