Project Fiche: No. 10

Taxation and Customs IT interconnectivity and operational capacity

I. Basic information

1.1 CRIS Number: 2009/021-704
1.2 Title: Taxation and Customs IT interconnectivity and operational capacity
1.3 ELARG Statistical code: 03.29 - Customs
1.4 Location: Western Balkans: Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, Montenegro and Serbia as well as Kosovo under UNSCR 1244/99 and Turkey

Implementing arrangements:

1.5 Contracting Authority (EC): European Community represented by the Commission of the European Communities on behalf of the Beneficiaries. Implementation of this project will be cross sub-delegated from DG Enlargement to DG Taxation and the Customs Union.
1.6 Implementing Agency: Not applicable
1.7 Beneficiaries: The Customs and Taxation administrations of the Western Balkans and Turkey.

Financing:

1.8 Overall cost (VAT excluded)¹: EUR 500 000
1.9 EC contribution: EUR 500 000
1.10 Final date for contracting: 30 November 2010
1.11 Final date for execution of contracts: 30 November 2012
1.12 Final date for disbursements: 30 November 2013

¹ The total cost of the project should be net of VAT and/or other taxes. Should this not be the case, the amount of VAT and the reasons why it should be considered eligible should be clearly indicated.
2. Overall Objective and Project Purpose

2.1 Overall Objective

To continue to assist the beneficiaries in their IT interconnectivity and interoperability preparations in the fields of customs and taxation.

2.2 Project purpose

The project aims to provide guidance and specialised assistance to the Candidate and Potential Candidates for accession to identify the technical requirements of their national IT strategies and plans thereby ensuring coherency with EU IT interconnectivity requirements.

2.3 Link with AP/NPAA / EP/ SAA

This project is directly supporting, on a horizontal basis, the priorities in customs and taxation mentioned in the European Partnership / Accession Partnership with the Beneficiaries, priorities reflected also in the National Programme for the Adoption of the Acquis or the National Action Plan adopted by each Beneficiary (see Annex IV).

2.4 Link with MIPD

The IPA Multi-beneficiary Multi Annual Indicative Planning Document (MIPD) 2009-2011, in particular section 2.3.3.6, underlines that a coordinated horizontal and specialised support managed by DG Taxation and the Customs Union is needed to ensure that the technical and functional solutions adopted by the beneficiaries are in line with EU requirements.

3. Description of project

3.1 Background and justification

The establishment of well-functioning Customs and Tax administrations in the Western Balkans and Turkey is critical to facilitating legitimate trade, combating illegal trade, protecting EU external borders, as well as ensuring the collection of taxes and customs duties. The establishment of well-functioning Customs and Tax administrations is also crucial from the perspective of eventual EU membership, as the Candidate and Potential Candidates for accession will need to implement and enforce the acquis in these areas, including managing the IT systems similar to those used for customs clearance and controls, transits, movement of excises goods or VAT interconnected with EU Member States.

2 AP = Accession Partnership; NPAA = National Programme for the Adoption of the Acquis (for Candidates), National Action Plan (for Potential Candidates); EP= European Partnership; SAA = Stabilisation and Association Agreement
3 C(2009)5418
The development of interconnected IT systems for customs and taxation systems by the EU is continually evolving. In order to continue to fulfil its institutional obligations, DG Taxation and Customs Union needs specialised technical support to guarantee that the technical and functional solutions adopted by the Candidate and Potential Candidates for accession are consistent with permanently changing EU requirements.

This specialised assistance extends also to all aspects of the IT business in Customs and Taxation, including organisational issues and operational capability. The project is designed as a constant and easily available support for the outstanding institution building needs of the beneficiaries in this very specific area of IT not covered by other projects. Until mid-2010, DG Taxation and Customs Union will be assisted by specialised IT external consultants to continue this project.

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

Past European Community assistance to former candidate countries in the areas of customs and taxation has made a significant contribution to achieving compliance with EU legislation as well as implementing the necessary administrative structures and IT systems to be interconnected with EU systems for the exchange of customs and tax information.

The beneficiaries of this project have made some progress in aligning their taxation and customs business procedures with EU requirements. Assistance of the same type as given in the past will be instrumental in assisting the Candidate and Potential Candidates in their preparations towards accession.

Long-term sustainability will be increased through training activities and help in updating the strategic IT plans expected to be performed by the contractor. Once identified, the challenges common to several administrations and/or to the region could be addressed through specific Multi-beneficiary projects.

3.3 Results and measurable indicators

1. Progress made by the beneficiaries in the field of operational capacity; IT interconnectivity with EU systems assessed; customised roadmaps for achieving interoperability with EU systems produced.

2. Support provided to the beneficiaries in the development of the IT systems and related business procedures used in the tax and customs fields for the exchange of information via IT infrastructure, including ad-hoc requests.

Measurable indicators:

- IT development status assessed on a regular basis (at least every year).

- Customised roadmaps for achieving interoperability with EU systems produced and/or updated on a regular basis (at least every year).

- Effective operational structures, related to IT interconnectivity, established.
3.4 Activities

1. Reviews / Assessment

- Assessments of the conformity of the national IT development plans and projects with the *acquis* throughout the duration of the project;

- Assessment of IT operational capacity and business procedures of the beneficiaries linked to the automatic exchange of information via the above-mentioned IT systems within the various National Administrations, such as the assessment of staff availability, training, recruiting procedures, the beneficiaries’ IT expertise as well as the ability of the concerned Authorities to retain staff.

- Production of customised roadmaps for each of the beneficiaries on the proposed way of achieving interoperability with the EU systems.

2. IT support

- Draft generic high-level IT management strategies for Customs and Taxation IT projects or provide further assistance to EU accession preparation where necessary;

- Help in revising the strategic plans and training the beneficiaries' IT staff;

- Assist beneficiaries to develop and implement appropriate migration and development strategies in view of accession to the EU;

- Assist all other beneficiaries to improve their IT systems and operations with a view to closer cooperation with the EU;

- Assess the terms of reference for IT systems and interconnectivity relating to the automatic exchange of information in the fields of customs and taxation;

- Assess the coherence and consistency of countries' business procedures and operational capacity with the IT systems necessary for automatic exchange of information;

- Collect and disseminate documentation, monitor activities and continue to support DG Taxation and Customs Union in its assistance to the Beneficiaries;

- Make ad-hoc studies on the planned development or update of computerised systems used by the beneficiaries.
3.5 Conditionality and sequencing

Not applicable

3.6 Linked activities

**Albania:**
- IPA 2007: TAX administration: IT\(^4\) advice and training with Twinning; IT equipments (planned)
- IPA 2008: Customs: Support to the alignment of customs procedures; Logistic support (planned). National budget: Installation of Asycuda World (planned)

**Bosnia and Herzegovina:**
- IPA 2008: Integrated Border Management, including support to *acquis* alignment of ITA

**The former Yugoslav Republic of Macedonia:**
- IPA 2007: Customs: Support to the implementation of Customs Reform Strategy (Development of CDPS, alignment of legislation, border controls);
- IPA 2007: Taxation: Support to Tax Reform;
- IPA 2008: Customs: Interoperability of the Customs Administration’s IT system with the EU customs IT systems;
- IPA 2009: Customs: Strengthening the capacity of the Customs Administration (planned)

**Kosovo\(^5\):**
- IPA 2008: Customs: IT enabling and support (planned)
  - Taxation: Support the improvement of IT structure in the Tax Administration and assess the compatibility with the EU requirements and standards (planned).

**Montenegro:**
- IPA 2008: Customs: Development of administrative capacity

**Turkey:**
- Phare 2006: Customs: NCTS, ITMS, CCN/CSI
- IPA 2008: Customs: Inspection system at railroad border points

**Other donors:**

Sweden (SIDA): In 2008, the Swedish Government provided support to modernise and make the property tax IT system in Kosovo more efficient. The European Commission will liaise closely with

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\(^4\) See list of abbreviations in Annex VI

\(^5\) under UNSCR 1244/99
SIDA when implementing the project proposed in this project fiche to ensure that there are no overlaps.
4. Indicative Budget (amounts in EUR)

<table>
<thead>
<tr>
<th>ACTIVITIES</th>
<th>IB (1)</th>
<th>INV (1)</th>
<th>TOTAL EXP. RE</th>
<th>IPA COMMUNITY CONTRIBUTION</th>
<th>NATIONAL CONTRIBUTION</th>
<th>PRIVATE CONTRIBUTION</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>EUR (a)=(b)+(c)+(d)</td>
<td>EUR (b)</td>
<td>Total EUR (c)=(x)+(y)+(z)</td>
<td>% (2)</td>
<td>% (2)</td>
<td>Central EUR (x)</td>
</tr>
<tr>
<td>Activity 1</td>
<td>x</td>
<td>500 000</td>
<td>500 000</td>
<td>100</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>contract 1</td>
<td>–</td>
<td>500 000</td>
<td>500 000</td>
<td>100</td>
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<td>–</td>
</tr>
<tr>
<td>TOTAL IB</td>
<td>500 000</td>
<td>500 000</td>
<td>100</td>
<td>–</td>
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<tr>
<td>TOTAL INV</td>
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<td>-</td>
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<tr>
<td>TOTAL PROJECT</td>
<td>500 000</td>
<td>500 000</td>
<td>100</td>
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</tbody>
</table>

Amounts net of VAT

(1) In the Activity row use "X" to identify whether IB or INV

(2) Expressed in % of the Total Expenditure (column (a))
5. Indicative Implementation Schedule (periods broken down per quarter)

<table>
<thead>
<tr>
<th>Contracts</th>
<th>Start of Tendering</th>
<th>Signature of contract</th>
<th>Project Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract 1</td>
<td>Q1 2010</td>
<td>Q3 2010</td>
<td>Q4 2011</td>
</tr>
</tbody>
</table>

6. Cross-cutting issues

6.1 Equal Opportunity
Based on the fundamental principles of promoting equality and combating discrimination, participation in the project will be guaranteed on the basis of equal access regardless of sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation.

6.2 Environment
This project will respect all the applicable rules on the environmental impact, including those pertaining to recycling/disposal of legacy IT equipment and documentation.
ANNEXES

I. Logical framework matrix in standard format

II. Amounts (in EUR) contracted and disbursed per quarter over the full duration of project

III. Description of Institutional Framework

IV. Reference to laws, regulations and strategic documents:

V. Details per EC funded contract (where applicable)

VI. List of Acronyms
ANNEX I: Logical framework matrix in standard format Please ensure information provided in the Logframe and Main text are consistent.

<table>
<thead>
<tr>
<th>LOGFRAME PLANNING MATRIX FOR Project Fiche</th>
<th>Programme name and number</th>
<th>2009/021-704</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><em>Taxation and Customs IT interconnectivity and operational capacity</em></td>
<td></td>
</tr>
<tr>
<td>Contracting period expires 30 November 2010</td>
<td>Disbursement period expires 30 November 2013</td>
<td></td>
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<tr>
<td>Total budget: EUR 500 000</td>
<td>IPA budget: EUR 500 000</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Overall objective</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>To continue to assist the beneficiaries in their IT interconnectivity and interoperability preparations in the fields of customs and taxation</td>
<td>Fully tested IT systems and related organisational structures and procedures in place by the date of accession</td>
<td>Reports produced under the contract Monitoring missions on-site</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Project purpose</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
</table>
| The project aims to provide guidance and specialised assistance to the Candidate and Potential Candidates for accession to identify the technical requirements of their national IT strategies and plans thereby ensuring coherency with EU IT interconnectivity requirements. | - Monitoring / assessment missions performed and reports delivered  
- IT side ready for interconnectivity and interoperability  
- Updated strategies and roadmaps | - Project reports  
- DG TAXUD monitoring and/or assessment reports  
- Country Reports issued by the European Commission  
- Projects for Customs and Taxation approved under IPA 2011 and onwards  
- Beneficiary Administrations revised strategies and actions plans  
- Reports on ad-hoc requests | Commitment of national authorities to the reform process |
1. Progress registered by the beneficiaries in the field of operational capacity and IT interconnectivity with EU systems assessed; customised roadmaps for achieving interoperability with EU systems produced.

2. Support provided to the beneficiaries in the development of the IT systems and related business procedures used in the tax and customs fields for the exchange of information via IT infrastructure, including ad-hoc requests.

<table>
<thead>
<tr>
<th>Results</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>- IT development status assessed on a regular basis (at least every year)</td>
<td>- Project reports&lt;br&gt;- DG TAXUD monitoring and/or assessment reports&lt;br&gt;- Projects for Customs and Taxation approved under IPA 2011 and onwards&lt;br&gt;- Beneficiary Administrations revised strategies and actions plans&lt;br&gt;- Training reports&lt;br&gt;- Ad-hoc reports</td>
<td>- Service Contract&lt;br&gt;- Technical Assistance: EUR 500 000&lt;br&gt;- Availability of experts and good co-operation between stakeholders</td>
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<td>2.</td>
<td>- Customised roadmaps for achieving interoperability with EU systems produced and/or updated on a regular basis (at least every year)&lt;br&gt;- Effective operational structures, related to IT interconnectivity, established</td>
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<thead>
<tr>
<th>Activities</th>
<th>Means</th>
<th>Costs</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reviews / assessment:</td>
<td>Service Contract</td>
<td>Technical Assistance: EUR 500 000</td>
<td>- Assessments of the conformity of the national IT development plans and projects with the <em>acquis</em> throughout the duration of the project; - Assessment of IT operational capacity and business procedures of the beneficiaries linked to the automatic exchange of information via the above-mentioned IT systems, within the various National Administrations, such as the assessment of staff availability, training, recruiting procedures, the beneficiaries’ IT expertise as well as the ability of the concerned Authorities to retain staff. - Produce customised roadmaps for each of the beneficiaries on the proposed way of achieving interoperability with the EU systems</td>
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</tbody>
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IT support
- Draft generic high-level IT management strategies for Customs and Taxation IT projects or providing further assistance to EU accession preparation where necessary;
- Help in revising the strategic plans and training the beneficiaries' IT staff;
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- Assess the coherence and consistency of countries' business procedures and operational capacity with the IT systems necessary for automatic exchange of information;
- Collect and disseminate documentation, monitor activities and continue to support DG Taxation and Customs Union in the assistance to the beneficiaries;
- Make ad-hoc studies on the planned development or update of computerised systems used by the beneficiaries.
ANNEX II: Amounts (in EUR) contracted and disbursed per quarter over the full duration of project Please complete.

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<td>Contract 1</td>
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<td>500 000</td>
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<tr>
<td>Cumulated</td>
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<tr>
<td>Contract 1</td>
<td>100 000</td>
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<td>50 000</td>
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<tr>
<td>Cumulated</td>
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<td>250 000</td>
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<td>450 000</td>
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<td>500 000</td>
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</table>
ANNEX III: Description of Institutional Framework

**Albania**
Customs: Headquarters (Tirana), 17 Customs Offices and 5 Customs points, 1,200 staff.
General Tax Directorate: Headquarters (Tirana), 15 regional tax offices and 21 service offices, 1,230 staff.

**Bosnia and Herzegovina**
Indirect Taxation Authority (Customs and Taxation): Headquarters (Banja Luka), 4 Regional Centres, 30 customs sub-offices and 59 customs posts

**Croatia**
Customs: Headquarters (Zagreb), 13 regional Custom Houses, 109 Custom Offices and 119 Custom Units, 3,200 staff
Tax: Headquarters (Zagreb), 20 regional Tax Offices, 120 Branch Offices, 4,000 staff

**Kosovo**
Tax Administration: Headquarters (Pristina), 8 Regional offices + large taxpayer unit, 640 staff
Customs Service: Headquarters (Pristina), customs offices, 570 staff

**The former Yugoslav Republic of Macedonia**
Customs: Headquarter (Skopje), 5 Customs Houses, 41 Customs offices, 1,200 staff
Public Revenue Office: Headquarter (Skopje), tax offices, 1,250 staff

**Montenegro**
Customs: Headquarters (Podgorica), customs offices, 520 staff
Tax Administration: Headquarters (Podgorica), tax offices, 620 staff

**Serbia**
Customs: Headquarters (Belgrade), 13 customs houses, 140 customs posts/units/points, 2,600 staff
Tax Administration: Headquarters (Belgrade), 5 Regional centres, 201 offices/units/points, 6,600 staff

**Turkey**
Customs Undersecretariat: Headquarters (Ankara), 18 Regional Customs and 4 Customs Enforcement Directorates, 143 Customs Offices and Customs Enforcement Offices, 8,960 staff
Tax (Revenue) Administration: Headquarters (Ankara), 29 Regional Directorates, 489 offices, 45,000 staff
ANNEX IV: Reference to laws, regulations and strategic documents


ANNEX V: Details per EC funded contract

A service contract will be awarded following a restricted call for tenders, to be launched in the first quarter 2010.

<table>
<thead>
<tr>
<th>Contract 1</th>
<th>Type of Contract</th>
<th>Amount in EUR</th>
<th>Duration</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Service Contract</td>
<td>500 000</td>
<td>24 months</td>
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<tr>
<td>Abbreviation</td>
<td>Full description</td>
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<tr>
<td>Asycuda</td>
<td>Automated System for Customs Data</td>
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<tr>
<td>CCN / CSI</td>
<td>Common Communications Network / Common Systems Interface</td>
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<tr>
<td>CCN / TC</td>
<td>Common Communications Network / Technical Centre</td>
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<tr>
<td>CDPS</td>
<td>Customs Declaration Processing System</td>
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<tr>
<td>CTC</td>
<td>Common Transit Convention</td>
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<tr>
<td>DG TAXUD</td>
<td>European Commission Directorate General responsible for Taxation and Customs Union</td>
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<td>EC</td>
<td>European Commission</td>
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<td>EMCS</td>
<td>Excise Movement Control System</td>
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<td>EU</td>
<td>European Union</td>
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<tr>
<td>IT</td>
<td>Information Technology</td>
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<tr>
<td>ITA</td>
<td>Indirect Tax Authority (Bosnia and Herzegovina)</td>
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<td>ITMS</td>
<td>Integrated Tariff Management System</td>
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<td>MS</td>
<td>Member State</td>
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<td>NCTS</td>
<td>New Computerised Transit System</td>
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<td>TARIC</td>
<td>Tarif Intégré Communautaire</td>
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<td>VIES</td>
<td>VAT Information Exchange Systems</td>
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