

Date: 24-05-2007

Project Fiche 3.4 Customs Reform

1. Basic information

1.1 CRIS Number: 2007/19297

1.2 Title: Support to the implementation of the Customs Reform Strategy

1.3 ELARG Statistical code: Axe 03 - 29

1.4 Location: Skopje, with nationwide project activities.

Implementing arrangements:

1.5 Contracting Authority (EC)

European Commission, EC Delegation, on behalf of the beneficiary

1.6 Implementing agency

European Commission, EC Delegation, on behalf of the beneficiary

1.7 Beneficiary (including details of project manager):

The Beneficiary is the national Customs Administration

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1.8 Overall costs (VAT excluded)¹: EUR 3.2 million.

1.9 EU contribution: EUR 3 million.

1.10 Final date for contracting

Two years from the date of the conclusion of the Financing Agreement

1.11 Final date for execution of contracts:

Two years from the final date for contracting.

¹ The total costs 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.

1.12 Final date for disbursements

One year from the final date for execution of contracts.

2. Overall Objective and Project Purpose

2.1 Overall Objective

The overall objective of the project is to achieve further alignment of the Acquis in the area of customs, and to strengthen the administrative capacity of the national Customs Administration (MCA) and its capacity to meet the EU requirements in this area.

2.2 Project purpose

The project purpose is to contribute to a professional customs administration that is enabled to appropriately implement the reforms, taking due account of EU regulations and best practices. The project will comprise three components:

1. *the harmonisation of Customs legislation with the Acquis* and best practice, as the prime component of the overall objective in order “*to establish a sound and modern legal foundation for the Customs business*”;
2. *the reinforcement of the border controls* as an important component of the overall activity of “*strengthening MCA’s capacity in the fight against fraud, corruption and drug trafficking*” through the revision of customs border operations, with specific focus towards the “EU external” borders, and the implementation of modern enforcement techniques.
3. *improving the Customs IT system* with the aim to increase the operational efficiency, decrease corruption and achieve full compliance, in particular interconnectivity, with the EU’s standards.

2.3 Link with AP/NPAA / EP/ SAA

The programme will reinforce the SAA Article 88, which refers to ‘achieve the approximation of the customs system of the former Yugoslav Republic of Macedonia to that of the Community’ and to ‘the simplification of inspections and formalities in respect of the carriage of goods and support for introduction of modern customs information systems’.

The project addresses the priorities as states in both the National Programme for the Adoption of the Acquis and the European Partnership 2005: ‘Ensure proper implementation of the commitments undertaken in the Stabilisation and Association Agreement, in particular in the areas of electronic communications and customs’. ‘Increase administrative capacity to implement customs legislation and to fight against cross-border crime’; ‘Further approximate legislation and procedures with the acquis, in particular in the area of transit, simplified procedures and tariff quotas’; ‘Fully align customs legislation and procedures with EU legislation and standards and fully implement these procedures on the whole territory’; ‘Continue to strengthen the Customs Administration and ensure its proper functioning in order to reach EU standards. Complete the implementation of the 2004-2008 Strategic Plan’; ‘Continue preparations to ensure interconnectivity with the computerised systems of the EU’.

The progress report indicates that the former Yugoslav Republic of Macedonia should adopt a strategy for further developing IT systems to allow interconnection and operation with the centralised and decentralised Community IT systems.

2.4 Link with MIPD

The MIPD indicates that it is necessary further to align the customs legislation and procedures with the *acquis* and to strengthen the customs administration in order to ensure its proper functioning and that EU assistance may support appropriate measures which aim at establishing interconnectivity with the computerised systems of the EU”.

2.5 Link with National Development Plan (where applicable)

The National Development Plan of 2007, states that ‘Customs revenue will be increased through rigorous, but simplified scanning with modern and sophisticated equipment and professional customs office management’.

2.6 Link with national/ sectoral investment plans (where applicable)

The project directly links to the following key strategies and action plans in the sector:

- Code of Ethics for customs officers;
- Customs Administration IT Strategy;
- Pre-Accession Economic Programme (2007-2009), 2006;
- Public Investment Programme (2006-2008), 2006;
- Strategic Plan of the Customs Administration 2004-2008;
- Training and professional development Strategy;
- Anti-corruption Strategy.

3. Description of project

3.1 Background and justification:

Customs Administration of the former Yugoslav Republic of Macedonia (MCA) is part of the Ministry of Finance and responsible for the collection of Customs duties, Excise duties on import and VAT on imports and the prevention of illegal imports and exports. The Administration is structured in three hierarchical levels, (1) the Headquarters located in Skopje, (2) 5 Customs Regions coordinated by Regional Customs houses, which are methodologically and functionally subordinated to the HQ, and (3) 37 Customs Offices. Each Regional Customs House co-ordinates a number of the 19 border crossing offices border and 18 inland Customs Offices. The MCA employs over 800 staff.

A new Customs Law was approved by the Parliament in May 2005. The new Customs Law and the related implementing legislation entered into force in January 2006. It represents a further alignment of customs procedures with EU standards especially in the part of the procedures with economic impact and the simplified procedures in accordance with the obligations undertaken with the Stabilization and Association Agreement. An IT strategy has

been adopted, which should facilitate modernization of the system and further harmonisation with EU systems. In the field of anti-corruption measures, the customs administration has issued a new Code of Ethics for customs officers.

The Customs Administration is in the process of being restructured in a manner that it could implement the *acquis communautaire* in the area of the Customs Union, more specifically aiming at reaching the following goals:

- Reaching complete harmonization of the customs legislation;
- Reaching full organizational and operative efficiency of the customs service;
- Enhancing Integrity at the Customs, and introducing transparent and efficient customs procedures, such as “single window concept”

Although progress is significant, three areas stand out that would need additional support. These are the further harmonization of the legislation with the Acquis, reinforcement of customs Border Management as well as preparing for IT development.

This project will assist and insure that MCA is in a position to meet with the EU obligations and at certain point function properly in the single market. Further alignment is needed in order to act effectively in an enlarged community, and the project aims to further increase the understanding and the use of community customs legislation, procedures and gain more experienced customs administration.

Reinforcement of customs Border Controls has been given a high priority as the need for efficient working is paramount to improve controls and increase the detections of drug trafficking and other illegal trade with weapons.

The MCA has improved coordination with other institutions involved in border management and improved smuggling detection facilities. The Ministry of Finance is in the process of engaging a private consulting company, which would provide assistance in the increasing the efficiency and promoting the institutional capacity of the MCA. This project will be complementary to the work of the private consulting company, which would mainly focus on improving the quality of operational customs business, capacity in the fight against fraud and drug trafficking, fight against corruption, and co-operation of the MCA with the business community (traders) and other agencies.

The MCA currently operates with an outdated IT system, which needs to be replaced with a modern IT system, which will allow for more efficient operations as well as for inter-connectivity with the EU. Further strengthening in terms of IT and other equipment is necessary to allow the customs administration to manage and enforce the implementation of the legislation. The IT system will be independent from the Ministry of Interior to allow smooth functioning and interconnection and operation with the centralised and decentralised Community IT systems. In the field of the inter-connectivity of the national customs system with that of the EU, an IT strategy has been adopted. Furthermore, an IT awareness mission from DG TAXUD was performed in May 2007, in order to explain the needs for interconnectivity in the various areas of customs operations. The MCA is currently in the process of procuring an IT system from an EU Member State. The outcome of these negotiations will be known in the upcoming months, and if the MCA does not obtain the IT system from the EU MS, then it will proceed with a public procurement of an IT system.

The EU commitment to the customs reform in the former Yugoslav Republic of Macedonia implemented so far through CAFAO, has been critical for changes which have taken place so far in the MCA. Required reform strategies and necessary legislation aligned with the *acquis* have been adopted and the reform has started to be implemented. However, the CAFAO support will terminate at the end of 2007. Considering the importance of the customs reform for the country's further progress in the fight against corruption and economic growth, and the EU's commitment to support this process, highlighted at the Stabilisation and Association Agreement and in the annual progress reports, continuity of the EC assistance to the MCA will need to be ensured. Any gap in continuing assistance to the MCA will be detrimental to the momentum of progress and improvement.

Therefore, the project will consist of three components:

- a) Further alignment of legislation with the *Acquis*,
- b) Further reinforcement of border controls, and
- c) Improvement of the Customs IT system with the aim to increase the operational efficiency, decrease corruption and achieve full compliance with the EU's standards.

3.2 Assessment of project impact, catalytic effect, sustainability and cross border impact (where applicable)

The first objective of this project is to ensure full harmonization of the national legislation in the area of customs with the *acquis*. The transposition of the *acquis*, in particular on transit, will facilitate trade between the countries in the region.

The modernisation of the border crossing operations, in particular the control functions, will result with a reduction of illegal activities (smuggling of goods, vehicles and travellers, corruption) and will facilitate trade through the introduction of more transparent procedures.

The third component of the project is of crucial importance for the MCA as it will facilitate the overall restructuring of the organization to achieve greater administrative efficiency, more successful fight against corruption and to improve services provided to traders. Furthermore, the activities towards the introduction of modern IT systems will enable the country to meet the EU requirements in the accession process.

Overall, the project will provide a good momentum for further improvement of trade facilitation in the former Yugoslav Republic of Macedonia and enhance its capacity to better compete on the international market.

The MCA has embarked to implement its comprehensive modernization programme, and the activities envisaged in this project are complementary to the MCA's reform strategy. Thus, sustainability of the project impact is ensured, and the results achieved will continue to be implemented by the MCA.

As regards catalytic effects, a more predictable, transparent and efficient Customs administration not only provides for a more stable and predictable income situation for the government at large, it also stimulates compliance by the economic actors with the system, improve business level accounting practices and transparency, in general improving business practice.

The project activities have been explicitly designed in consultation with ongoing and planned activities in the sector, synergy is guaranteed. The project results will assist other projects working in the field of economic development as well public finance management.

3.3 Results and measurable indicators:

The project will consist of three components:

- a) Further alignment of legislation with the Acquis
- b) Further strengthening of border controls
- c) Improvement of the Customs IT system

Component 1: Further alignment of legislation with the Acquis

Expected Results

The specific results to be achieved under this component include:

- Prepared Gap Analysis Assessment;
- Further harmonized legislation in the area of customs, especially with the new security amendments of the Community Customs Code and its implementing regulations, which are going to be implemented from January 1, 2008. Customs Administration through the negotiations process should also be capable to implement the new Modernized Customs Code of the European Union which is expected to come into force from 2010;
- To quicken and validate the transposition of the customs acquis, by comparing in detail the Customs Administration's current status with that of the Acquis and establishing an action plan accordingly. This includes the establishment of sound strategic plans at all levels.

The *measurable indicators* are:

- New legislation enacted by 2010 in line with the *acquis* (according to the NPAA Program for approximation of the European legislation)
- Guidelines and instructions for custom and trade developed by 2010
- Delivered Gap Analysis and recommendations by 2009

Component 2: Further strengthening of border controls

Expected Results

The specific results to be achieved under this component include:

- Enhanced quality of operational customs business;
- Complete, efficient, simplified, fully-automated and sustainable goods clearance and revenue collection system established;
- Strengthened capacity in the fight against fraud and drug trafficking through the implementation of modern enforcement techniques and the establishment of a modern intelligence network and information system;

- Improved anti-corruption initiatives and transparency of the MCA;
- Improved coordination and co-operation between the MCA, the business community (traders) and other agencies by institutionalizing consultative and communication mechanisms
- Customs dogs for detection of drugs placed and operational at key border crossings.

The *measurable indicators* include:

- Complete, efficient, simplified, fully-automated and sustainable goods clearance and revenue collection system established by 2010; and by then, clearance time could be significantly reduced (by at least 20%) compared to current status quo
- Established system to provide information to the public and to traders by 2010

Component 3: Improvement of the Customs IT system

Main MCA priority is procurement and implementation of new Declaration Processing Software System (DPSS). At the time of drafting this project fiche, the support of the MCA in the procurement of Declaration Processing Software System (DPSS) is strongly linked to the ongoing activities for procuring an IT system from an EU Member States.

Expected Results

This project component is expected to deliver the following results:

- Identified functional and technical adaptation to national requirements and IT support of them.
- Fulfilled EU interoperability requirements
- Updated IT Strategy of customs, based on new DPSS
- Further development of simplified procedures for compliant traders (Authorised Economic Operator);
- Ensured production of quality messages and exchange of data both, at governmental level and business to government level
- Enhanced Interconnectivity strategy (IIS)
- Draft ToR for ITMS & NCTS interconnectivity requirements of the new DPSS
- TEMPO methodology introduced and staff trained
- Ensured exchange of information among national administrations as well as with traders through enhanced inter-operability of the customs IT systems (e.g. TARIC, NCTS)
- Provision of selected IT infrastructure elements.

The *measurable indicators* are:

- Updated IT strategy documents of customs according both to the new DPSS and EU requirements by 2009
- IIS Strategy and ToR for ITMS & NCTS are drafted in 2009
- The number of staff able to operate under TEMPO Methodology (to be further detailed in the terms of references)

- IT support for simplified procedures has been introduced by 2010

3.4 Activities

Component 1: Further alignment of legislation with the Acquis

The activities under this component aim to:

- Reach a sufficient level of legislative alignment with the acquis in the area of customs;
- Establish the legal foundations of customs activities based on the new legislation and prepare new operational procedures;
- Perform a legal review to assess the impact of new legislation on other related national legislation and propose any necessary changes;
- Development of instructions and guidelines for customs issues.

The specific activities under this component will include:

- Further alignment of legislation with the *acquis*, *in particular with regard to* procedures for issuing of Authorized Economic Operator (AEO) authorizations and introduction and implementation of the customs legislation for pre arrival information for clearance of goods.
- Preparation of a Gap Analysis Study between the present customs legislation and new Modernized Community Customs Code;
- Introduction of significant amendments for further harmonization with the legislation;
- Harmonization of the implementing provisions for customs legislation in line with the NPAA and the recommendation from the gap analysis;
- Asses the training needs and develop training for Customs Administration staff in the area of Acquis harmonization.

Component 2: Reinforcement of border controls

In order to improve the MCA's enforcement capability and protect and increase the revenue it is necessary to implement modern enforcement techniques and to establish a modern intelligence network and information system. This will be achieved by:

- The development of a national strategy for the rationalization of border operations taking into account the need to align them with post-accession requirements
- Prioritise improvements to the infrastructure
- Deployment of specialised equipment according to EU standards and best practice.
- Training and deploying customs drugs dogs at key border posts.

Component 3: Improvement of the Customs IT system

The MCA will have to migrate towards a more modern and high performance IT infrastructure. The present system is outdated and does not allow for appropriate service delivery and control. The activities under component 3 will depend on the procurement of an

IT system, and the MCA is currently negotiating with an EU MS to take over its IT system. If not, the MCA will procure an IT system through a public procurement.

The activities under this component will include:

- Assistance to the MCA in the introduction of Authorised Economic Operator.
- Updating of the IT strategy
- Preparation of draft terms of reference for ITMS & NCTS interconnectivity requirements based on the new it systems.
- Introduction of and training on TEMPO (Taxud's Electronic Management of Projects Online) Methodology
- Improving the exchange of information between the MCA and traders
- Provision of selected IT infrastructure elements.

Project Management and Administration

Advisory services will be provided to Customs Administration. Next to a team leader being responsible for the overall activity implementation, additional expertise will be engaged to assist in detailed tasks. Some of the short-term experts will address the cross-cutting issues.

A team leader will be responsible for the overall management, representation (co-ordination with the EU and other international bodies) as well as reporting. The co-ordination of activity development with the different institutions – as well as relevant ministries - is important. The team leader is responsible for an appropriate management of resources. The core project team will be placed within the Customs Administration. Specific experts will be placed within the respective departments. During the inception phase of the project, a detailed deployment plan will be developed under the coordination of a Steering Committee.

The contracting arrangements are as follows:

It is expected that:

Component 1: Further alignment of legislation with the Acquis

- 1 Service contract will be concluded following an international restricted tender procedure to support Component 1
- The duration of the contract will be for a period of 24 to 36 months, depending on the budget
- The successful tenderer will start implementation one month after contract signatory, the expected date for implementation is April 2008
- The contract value will be approx. EUR 1 mn

Component 2: Reinforcement of border controls

- 1 Service contract will be concluded following an international restricted tender procedure to support Component 2
- The duration of the contract will be for a period of 24 to 36 months, depending on the budget

- The successful tenderer will start implementation one month after contract signatory, the expected date for implementation is April 2008
- The contract value will be approx. EUR 0.7 mn
- 1 supply contract to provide selected equipment for a total value of EUR 0.4 mn (IPA contribution EUR 0.3 mn and government co-financing EUR 0.1 mn)

Component 3: Improvement of the Customs IT system

- 1 Service contract will be concluded following an international restricted tender procedure to support Component 3
- The duration of the contract will be for a period of 12 to 24 months, depending on the budget
- The successful tenderer will start implementation one month after contract signatory, the expected date for implementation is April 2008
- The contract value will be approx. EUR 0.7 mn
- 1 supply contract to provide selected IT infrastructure elements for a total value of EUR 0.4 mn (IPA contribution EUR 0.3 mn and government co-financing EUR 0.1)

3.5 Conditionality and sequencing:

The project includes the following conditionalities:

- 1) Endorsement by all key stakeholders of the Terms of Reference, specifications for the individual contracts to be engaged;
- 2) Appointment of counterpart personnel by the beneficiary before the launch of the tender process;
- 3) Allocation of working space and facilities by the beneficiary for technical assistance before the launch of the tender process;
- 4) Arrangement by the beneficiary of all legal procedures to allow construction (e.g. construction permits, urban plan amendments), refurbishment activities before the launch of the tender process;
- 5) Participation by the beneficiary in the tender process as per EU regulations;
- 6) Organisation, selection and appointment of members of working groups, steering and coordination committees, seminars by the beneficiary as per workplan of the project;
- 7) Appointing the relevant staff by the beneficiaries to participate in training activities as per work plan;

In the event that conditionalities are not met, suspension or cancellation of projects will be considered.

3.6 Linked activities

In the period 1992-2006, the Customs Administration has been benefiting from donor assistance focusing on capacity building, data processing systems, procurement of equipment, reconstruction of border crossings, projects on modernization and development of the customs services etc.

In the last four years the Customs Administration of the former Yugoslav Republic of Macedonia (MCA) has principally received assistance from the Customs And Fiscal Assistance Office (CAFAO) funded by the EU. The following activities have been provided by the Customs and Fiscal Assistance Office (CAFAO):

In the area of harmonisation of Customs Legislation:

- 2003 – 2007: technical assistance for the drafting and finalisation of Customs law and regulations

In the area of reinforcement of border controls:

2006 - 2007: Enforcement - to establish anti smuggling, intelligence and investigation units in the Customs Administration, to assist the training of new staff, the development of Memorandum of Understanding agreements with major trade companies, consultancy on the development of an enforcement database and initial development of a Management Information System designed on a risk based system

The World Bank regional project on Trade and Transport Facilitation in Southeast Europe, which finished in 2005, focused on the following components institutional reform of the custom management; establishment of a information management system; infrastructure improvement of the border cross region that includes Kafasan, Tabanovce and Deve Bair; harmonization of the legislative framework, procedure and documentation regarding the trade and transport.

In the period 2006-2007, the Customs Administration participated in several activities for operative technical assistance in the area of trainings for the employees, as well as in the sphere of improvement of the technical equipping of the Administration. The technical assistance was provided through the mission of the European Union (CAFAO-MAK) with 2 million EUR. Additionally, certain bilateral assistance is used as part of the Twinning project with the Customs Administration of the Kingdom of Netherlands for the period 2005 to 2008. The project amounts to approx. EUR 0.5 mn and the funds will be used according to the agreed programme activities.

The Trade and Transport Facilitation project II, also financed by the World Bank, which begins in 2007, has an objective to improve the border crossing facilities and procedures, and facilitate trade by addressing targeted border-zone infrastructure bottlenecks. The project aims also to improve the efficiency and quality of rail freight services along the Trans-European Transport corridor X. The specific activities envisaged under the project are: (i) upgrading to motorway standards of the road corridor X section border crossing Tabanovce to Kumanovo; (ii) modernization of the passenger border crossing at the Blace border crossing with Kosovo; (iii) modernization of the road toll collection system along main transport corridors; (iv) creating a rail communication system on Corridor X and designing an EDI based solution for freight and freight train management information sharing between customs and railways.

USAID funded projects on e-Government and Business Environment Activity (BEA), will support the efforts of the MCA to modernize its operational procedures, in particular the electronic processing of applications submitted online by traders. The specific activities of the e-Gov project are: preparation of software application for issuing import-export licenses and quotas, Euro Certificate processing, simplified procedures, and binding tariff information. The

specific activities of the BEA project are related to collecting and classifying trade data requirements and procedures, and developing new simplified and streamlined procedures.

3.7 Lessons learned

Although impact realised through the previous assistance overall is satisfactory, a number of challenges, as documented in progress reviews, monitoring and evaluations reports, remain:

- *Enforcement*: In previous years, a large focus has been on establishing the legal frameworks in the country. The capacity to enforce the law, however, has received insufficient attention, leading to a situation where the legal reform is rather well advanced, but the practice – law enforcement and implementation - has not followed.
- *Conditionalities*: Often project implementation is hampered by either insufficient staff and resources allocated to (newly established) institutions or insufficient operational funds available in the government budget to allow for appropriate implementation of the mandate of the concerned department.
- An important lesson learned during the CARDS period is that appropriate mainstreaming of cross-cutting issues would significantly be stimulated through the allocation of a designated budget. In a similar vein as above, a maximum of 10% of the total budget will be reserved to targeted support to the mainstreaming of cross-cutting issues (see also further below).

Clear co-operation and communication will have to be established with the Ministry of Finance and other related ministries and agencies. The Customs Administration of the former Yugoslav Republic of Macedonia will actively participate in the various working groups and steering committees which will need to be created to manage and control the integration of ICIS and any associated systems with other governmental IT systems.

To strengthen MCA capacity in the fight against fraud, corruption and drug trafficking it will also require close and open relationships with other internal and external agencies, mainly in the field of judicial matters and home affairs.

4. Indicative Budget (amounts in EUR mn)

Activities	TOTAL COST (Million Euro)	SOURCES OF FUNDING										
		EU CONTRIBUTION				NATIONAL PUBLIC CONTRIBUTION					PRIVATE	
		Total	% *	IB	INV	Total	% *	Central	Regional	IFIs	Total	% *
Activity 1 Support for alignment with customs acquis	1.0	1.0	100	1.0								
Contract 1.1: TA for alignment with customs acquis	1.0	1.0	100	1.0								
Activity 2 Support for reinforcement of border controls												

Contract 2.1: TA for reinforcement of border controls	0.7	0.7	100	0.7						
Contract 2.2: Supply for border controls	0.4	0.3	75		0.3	0.1	25	0.1		
Activity 3 Support for Customs IT System										
Contract 3.1: TA for Customs IT System	0.7	0.7	100	0.7						
Contract 3.2: Supply for Customs IT System	0.4	0.3	75		0.3	0.1	25	0.1		
TOTAL	3.2	3.0		2.4	0.6	0.2		0.2		

* expressed in % of the Total Cost

Amounts net of VAT

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

Contracts	Start of Tendering	Signature of contract	Project Completion
Contract 1.1: TA for alignment with customs acquis	October 2007	April 2008	April 2010
Contract 2.1: TA for reinforcement of border controls	October 2007	April 2008	April 2010
Contract 2.2: Supply for border controls	September 2008	April 2009	April 2010
Contract 3.1: TA for Customs IT System	October 2007	April 2008	April 2010
Contract 3.2: Supply for Customs IT System	September 2008	April 2009	April 2010

6. Cross cutting issues (where applicable)

The cross-cutting issues will be addressed throughout the project. Up to 10% of the budget of the individual service contracts for capacity building – through short term expertise - may be allocated to assist the different beneficiaries to comply with European standards and best practices, implement relevant existing Government strategies and develop internal measures to ensure each cross-cutting issue is appropriately mainstreamed.

The mainstreaming of the cross cutting issues is regarded on two different levels:

- 1) Ensuring that the internal policies, structure or operating procedures of the beneficiary agency will conform to and promote the relevant principles outlined per section below.

- 2) Ensuring that the products, outputs produced by the beneficiaries (e.g. laws, regulations, policies, strategies) will conform to and promote the relevant principles outlined per section below.

Throughout the project cycle, in particular when developing project ToR, state actors specifically addressing (one of) the cross cutting issues shall be consulted.

- **Equal opportunities and non-discrimination;**

The training activities will include a specific component to train staff in the implementation of the Government Gender Strategy, while reference will be made to the EC Programme of Action for the mainstreaming of gender equality in community development cooperation (2001-06). An output of this training component will be to assist the beneficiary to implement an 'internal gender assessment' to identify areas where it could improve its internal performance vis-à-vis gender.

The training activities will include a specific component to train beneficiary staff in the different aspects of mainstreaming gender in programme and project development as well as monitoring the implementation.

Equal participation in this project of women and men will be enforced at the start of the project. All periodical progress review reports and other interim reports will include a specific chapter providing detailed explanations on measures and policies taken with respect to this equal opportunity for women and men and will provide measurements of achievement of this goal.

- **Support to minority and vulnerable groups;**

Where the main reference is the Ohrid Framework Agreement, in an EU context, reference is made to the "Race directive" of 2000 (2000/43/EC of 29 June), which has an important impact on employment (incl. vocational training, working conditions, social protection etc.) and is also a crucial aspect of the acquis.

The Customs Authority will be assisted to implement an 'internal minority and vulnerable group assessment' to identify areas where it could improve its internal performance vis-à-vis minorities or other vulnerable groups.

The training activities will include a specific component to train beneficiary staff in the different aspects of mainstreaming minority and vulnerable groups in programme and project development as well as monitoring the implementation.

- **Environmental protection;**

The European Community has a longstanding commitment to address environmental concerns in its assistance programmes (as part as a wider commitment to sustainable development). Key references include art. 6 of the Treaty and also the Cardiff process which foresees the systematic consideration of environmental aspects into EC development cooperation AND in other policies (hence very important for the acquis).

The support will include a specific component to assist the beneficiary to implement an 'internal environment assessment' to identify areas where it could improve its internal performance vis-à-vis environmental aspects.

The training activities will include a specific component to train beneficiary staff in the different aspects of mainstreaming environment in programme and project development as well as monitoring the implementation.

- **Good governance, with particular attention to fight against corruption.**

The training activities will include a specific component to address a) the basic principles of a professional Human Resource Development strategy, b) sound budget planning and execution c) developing and implementing an communication strategy to allow for an appropriate level of transparency, and d) developing and implementing an internal risk assessment concerning corruption and design an appropriate strategy to fight corruption.

ANNEXES

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

ANNEX 1: Logical framework matrix in standard format

LOGFRAME PLANNING MATRIX FOR Customs Reform Project Fiche	Programme name and number: Support to the Customs administration		
	Contracting period expires two years from the date of the conclusion of the Financing Agreement	Execution period expires two years from the final date for contracting	Disbursement period expires one year from the final date for execution of contracts.
		Total budget: EUR 3.2 million	IPA budget: EUR 3 million
Overall objective	Objectively verifiable indicators	Sources of Verification	
The overall objective of the project is to achieve further alignment of the acquis in the area of customs, and to strengthen the administrative capacity of the Customs Administration (MCA) and its capacity to meet the EU requirements in this area.	Endorsement by the Commission that MCA fully in line with accession requirements and blueprints standards	European Commission/DG TAXUD and the national Government at the end of the project. Regular validation against the blueprints by MCA's Unit for International affairs and European integration and European Commission/MCA Committee on Customs Co-operation	
Project purpose	Objectively verifiable indicators	Sources of Verification	Assumptions
The project purpose is to contribute to a professional customs administration that is enabled to appropriately implement the reforms, taking due account of EU regulations and best practices. The project will comprise three components: 1. the harmonisation of Customs legislation with the Acquis and best practice, as the prime component of the overall objective in order "to establish a sound and modern legal foundation for the Customs business"; 2. the reinforcement of the border controls as an important component of the overall activity of "strengthening MCA's capacity in the fight against fraud, corruption and drug trafficking" through the revision of customs border operations, with specific focus towards the "EU external" borders, and the implementation of modern enforcement techniques. 3. Improving the Customs IT system with the aim to increase the operational efficiency, decrease corruption and achieve full compliance, in particular interconnectivity, with the EU's standards.	Compliance with EU acquis	Commission monitoring and evaluation tools Commission documents Government documents Contractor's reports	Government maintains consistent policy for the Customs Administration, in line with NPAA National legislation in line with EU legislation and best practice enacted Programme structure fits into the strategic programme analysis results MCA procures a new IT system
Results	Objectively verifiable indicators	Sources of Verification	Assumptions
Component 1: Further alignment of legislation with the Acquis - Prepared Gap Analysis Assessment; - Further harmonized legislation in the area of customs, especially with the new security amendments of	The <i>measurable indicators</i> are: - New legislation enacted by 2010 in line with the <i>acquis</i> (according to the NPAA Program for approximation of the European legislation)	- Monitoring and assessment review at end of project by MCA and the national Government. - Regular review by the European Commission representatives viz. "Legislation" blueprint and NPAA	- Concerned Government bodies and Parliament accepts the proposed amendments and new legislation within the timescale of the project

<p>the Community Customs Code and its implementing regulations, which are going to be implemented from January 1, 2008. Customs Administration through the negotiations process should also be capable to implement the new Modernized Customs Code of the European Union which is expected to come into force from 2010;</p> <ul style="list-style-type: none"> - To quicken and validate the transposition of the customs acquis, by comparing in detail the Customs Administration's current status with that of the Acquis and establishing an action plan accordingly. This includes the establishment of sound strategic plans at all levels. 	<ul style="list-style-type: none"> - Guidelines and instructions for custom and trade developed by 2010 - Delivered Gap Analysis and recommendations by 2009 	<ul style="list-style-type: none"> - MCA and working teams nominated for the achievement of this proposal will regularly review and monitor the evolution of the project implementation, the indicators of achievement, the outputs and the implementation plan - Regular review by the European Commission representatives viz. "Legislation" blueprint and NPAA 	
<p>Component 2: Further strengthening of border control</p> <ul style="list-style-type: none"> - Enhanced quality of operational customs business; - Complete, efficient, simplified, fully-automated and sustainable goods clearance and revenue collection system established; - Strengthened capacity in the fight against fraud and drug trafficking through the implementation of modern enforcement techniques and the establishment of a modern intelligence network and information system; - Improved anti-corruption initiatives and transparency of the MCA; - Improved coordination and co-operation between the MCA, the business community (traders) and other agencies by institutionalizing consultative and communication mechanisms - Customs dogs for detection of drugs placed and operational at key border crossings. 	<p>The <i>measurable indicators</i> include:</p> <ul style="list-style-type: none"> - Complete, efficient, simplified, fully-automated and sustainable goods clearance and revenue collection system established by 2010; and by then, clearance time could be significantly reduced (by at least 20%) compared to current status quo - Established system to provide information to the public and to traders by 2010. 	<ul style="list-style-type: none"> - Monitoring and assessment review at end of project by MCA and the national Government. - Regular review by the European Commission representatives viz. "Border and inland controls" blueprint and NPAA. - MCA and working teams nominated for the achievement of this proposal will regularly review and monitor the evolution of the project implementation, the indicators of achievement, the outputs and the implementation plan. - Regular review by the European Commission representatives viz. "Border and inland controls" blueprint and NPAA. 	<ul style="list-style-type: none"> - Dog training programme uses same standards and methodology as the original programme - Close co-ordination with other Customs Programme ongoing projects - Efficient co-operation with other agencies and neighbouring countries - Receptiveness of other government departments and agencies to modernisation process
<p>Component 3: Improvement of the Customs IT system</p> <ul style="list-style-type: none"> - Identified functional and technical adaptation to national requirements and IT support of them. - Fulfilled EU interoperability requirements - Updated IT Strategy of customs, based on new DPSS - Further development of simplified procedures for compliant traders (Authorised Economic Operator); - Ensured production of quality messages and exchange of data both, at governmental level and business to government level - Enhanced Interconnectivity strategy (IIS) - Draft ToR for ITMS & NCTS interconnectivity 	<p>The <i>measurable indicators</i> are:</p> <ul style="list-style-type: none"> - Updated IT strategy documents of customs according both to the new DPSS and EU requirements by 2009 - IIS Strategy and ToR for ITMS & NCTS are drafted in 2009 - The number of staff able to operate under TEMPO Methodology (to be further detailed in the terms of references) - IT support for simplified procedures has been introduced by 2010 	<ul style="list-style-type: none"> - Monitoring and assessment review at end of project by MCA and the national Government. - Regular review by the European Commission representatives 	<p>The MCA procures an IT software system before the start of this component.</p>

<p>requirements of the new DPSS</p> <ul style="list-style-type: none"> - TEMPO Methodology introduced and staff trained - Ensured exchange of information among national administrations as well as with traders through enhanced inter-operability of the customs IT systems (e.g. TARIC, NCTS); - Provision of selected IT infrastructure elements. 			
Activities	Means	Costs	Assumptions
<p>Component 1: Further alignment of legislation with the Acquis</p> <p>The activities under this component aim to:</p> <ul style="list-style-type: none"> • Reach a sufficient level of legislative alignment with the acquis in the area of customs; • Establish the legal foundations of customs activities based on the new legislation and prepare new operational procedures; • Perform a legal review to assess the impact of new legislation on other related national legislation and propose any necessary changes; • Development of instructions and guidelines for customs issues. <p>The specific activities under this component will include:</p> <ul style="list-style-type: none"> • Further alignment of legislation with the acquis, in particular with regard to procedures for issuing of Authorized Economic Operator (AEO) authorizations and introduction and implementation of the customs legislation for pre arrival information for clearance of goods. • Preparation of a Gap Analysis Study between the present customs legislation and new Modernized Community Customs Code; • Introduction of significant amendments for further harmonization with the legislation; • Harmonization of the implementing provisions for customs legislation in line with the NPAA and the recommendation from the gap analysis; • Asses the training needs and develop training for Customs Administration staff in the area of Acquis harmonization <p>Component 2: Reinforcement of border controls</p>	<p>Technical assistance to be contracted for component 1.</p>	<p>Component 1: The contract value will be approx. 1.0 Million Euro (100% IPA contribution)</p>	<ul style="list-style-type: none"> - Availability of experts - Good cooperation between all stakeholders

Pre conditions

- 1) Endorsement by all key stakeholders of the Terms of Reference, specifications for the individual contracts to be engaged;
- 2) Appointment of counterpart personnel by the beneficiary before the launch of the tender process;
- 3) Timely allocation of working space and facilities by the beneficiary for technical assistants before the completion of the tender process;
- 4) Arrangement by the beneficiary of all legal procedures to allow construction (e.g. construction permits), refurbishment activities before the launch of the tender process;
- 5) Participation by the beneficiary in the tender process as per EU regulations;
- 6) Organisation and appointment of members of working groups, steering and coordination committees, seminars by the beneficiary as per work plan of the project;
- 7) Appointing the relevant staff by the beneficiaries to participate in training activities as per work plan;
- 8) Provision of the necessary authorisations for co-operating and sharing of information with the deployed advisory resources.

ANNEX II: Indicative planning of the amounts (in €Million) Contracted and disbursed by quarter for the project (IPA funds only)

Contracted	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q3 2010
Contract 1.1: TA for alignment with customs acquis		1.0									
Contract 2.1: TA for reinforcement of border controls		0.7									
Contract 2.2: Supply for border controls						0.3					
Contract 3.1: TA for Customs IT System		0.7									
Contract 3.2: Supply for Customs IT System						0.3					
Cumulated		2.4				3.0					
Disbursed											
Contract 1.1: TA for alignment with customs acquis		0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Contract 2.1: TA for reinforcement of border controls		0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07
Contract 2.2: Supply for border controls						0.25				0.05	
Contract 3.1: TA for Customs IT System		0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07
Contract 3.2: Supply for Customs IT System						0.25				0.05	
Cumulated		0.24	0.48	0.72	0.96	1.7	1.94	2.18	2.42	2.76	3.0

Annex III: References:

3.1 Reference to laws, regulations and strategic documents:

Key laws, regulations and strategic documents on customs:

- Constitution of the former Yugoslav Republic of Macedonia, 1991;
- Customs Code, 2005;
- Implementing Regulation for the Customs Code, 2005, 2006;
- Customs Administration Law, 2004;
- Law on Control on Export of Goods and Technologies, 2006;
- Law on Ratification of International Convention for Temporary Importation (Istanbul Convention) 2006;
- Law on Customs measures for the enforcement of Intellectual Property Rights, 2005;
- Law on Value Added Tax, 1999, 2006;
- Law on Customs Tariff, 2004;
- Law on General Administrative Procedure, 2006;
- Law on Misdemeanours, 2005;
- Law on Criminal Procedure, 2004;
- Law on Administrative Fees, 2003;
- Customs Convention on the International Transport of Goods under cover of TIR Carnets (TIR Convention), concluded in Geneva on 14.11.1975 – adopted on 10.11.1993 in succession
- Customs Convention on the A.T.A. Carnet for the Temporary Admission of Goods (A.T.A. Convention) Brussels, 06.12.1961 – members since 03.04.1996.
- Law on Technology and Industry Development Zones;
- Law on Rights, Obligations and Responsibilities of the State Administration Bodies, 2002;
- Rules of Procedure for Operation of the Government, 2006;
- Law on Government, 2003;
- Law on Organisation and Operation of the State Administrative Bodies, 2002;
- Law on Prevention of Corruption, 2004;
- Law on Free Access to Public Information, 2006;
- Law on State Administrative Bodies Organization and Performance, 2002;
- Decisions on Harmonising and Amending the Customs Tariff for 2004, 2005, 2006;
- Law on Ratification of the Protocol on the Accession of the former Yugoslav Republic of Macedonia to the World Trade Organisation, 2003.
- Foreign Trade Law, 2003;
- Decision on methods and procedures for distribution on goods within the tariff quotas, 2004;
- Regulation on Determining Types of Goods Subject to Procedure Only at Designated Customs Border-Crossings, 2004;

- Regulation on the Form, Contents and the Manner of Completing the Customs Declaration and Other Documents within the Customs Procedure, 2005;
- Regulation on Selling and Managing Customs Goods and Allocation of the Funds Collected from the Sale, 2005, 2007;
- Regulation on Determining the Conditions for Deferring Customs Debt Payments, 2004;
- Regulation on Exercising the Right to Tax Exemption, 2001;
- Regulation on Customs Services' Fees, 2005;
- Regulation on the Conditions for Opening, Closing and Operating of Duty Free Shops, 2005;

3.2 Link with AP/NPAA / EP/ SAA

The programme will reinforce the SAA Article 88, which refers to 'achieve the approximation of the customs system of the former Yugoslav Republic of Macedonia to that of the Community' and to 'the simplification of inspections and formalities in respect of the carriage of goods and support for introduction of modern customs information systems'.

The project addresses the priorities as states in both the National Programme for the Adoption of the Acquis and the European Partnership 2005: 'Ensure proper implementation of the commitments undertaken in the Stabilisation and Association Agreement, in particular in the areas of electronic communications and customs'. 'Increase administrative capacity to implement customs legislation and to fight against cross-border crime'; 'Further approximate legislation and procedures with the acquis, in particular in the area of transit, simplified procedures and tariff quotas'; 'Fully align customs legislation and procedures with EU legislation and standards and fully implement these procedures on the whole territory'; 'Continue to strengthen the Customs Administration and ensure its proper functioning in order to reach EU standards. Complete the implementation of the 2004-2008 Strategic Plan'; 'Continue preparations to ensure interconnectivity with the computerised systems of the EU'.

The progress report indicates that the country should adopt a strategy for further developing IT systems to allow interconnection and operation with the centralised and decentralised Community IT systems.

3.3 Link with MIPD

The MIPD indicates that it is necessary further to align the customs legislation and procedures with the acquis and to strengthen the customs administration in order to ensure its proper functioning and that EU assistance may support appropriate measures which aim at establishing interconnectivity with the computerised systems of the EU".

3.4 Link with National Development Plan (where applicable)

The National Development Plan of 2007, states that 'Customs revenue will be increased through rigorous, but simplified scanning with modern and sophisticated equipment and professional customs office management'

3.5 Link with national/ sectoral investment plans (where applicable)

The project directly links to the following key strategies and action plans in the sector:

- Code of Ethics for customs officers;
- Customs Administration IT Strategy;
- Pre-Accession Economic Programme (2007-2009), 2006;
- Public Investment Programme (2006-2008), 2006;
- Strategic Plan of the Customs Administration 2004-2008;
- Training and professional development Strategy;
- Anti-corruption Strategy.

Annex IV: Contract details

The contracting arrangements are as follows:

Component 1: Further alignment of legislation with the Acquis

- 1 Service contract will be concluded following an international restricted tender procedure to support Component 1
- The duration of the contract will be for a period of 24 to 36 months, depending on the budget
- The successful tenderer will start implementation one month after contract signatory, the expected date for implementation is April 2008
- The contract value will be approx. 1.0 Million Euro.

Component 2: Reinforcement of border controls

- 1 Service contract will be concluded following an international restricted tender procedure to support Component 2
- The duration of the contract will be for a period of 24 to 36 months, depending on the budget
- The successful tenderer will start implementation one month after contract signatory, the expected date for implementation is April 2008
- The contract value will be approx. 0.7 Million Euro
- 1 supply contract to provide selected equipment for a total value of 400.000 Euro (IPA contribution 300.000, government co-financing 100.000).

Component 3: Improvement of the Customs IT system

- 1 Service contract will be concluded following an international restricted tender procedure to support Component 3
- The duration of the contract will be for a period of 12 to 24 months, depending on the budget
- The successful tenderer will start implementation one month after contract signatory, the expected date for implementation is April 2008
- The contract value will be approx. 0.7 Million Euro
- 1 supply contract to provide selected IT infrastructure elements for a total value of 400.000 Euro (IPA contribution 300.000, government co-financing 100.000).