Annex 2 - ENPI Regional Action Programme 2012 – part 2

1. **IDENTIFICATION**

Title/Number	Eastern Partnership Integrated Border Management Flagship Initiative "Support for the creation of an electronic system of pre-arrival information exchange between the customs authorities of the Republic of Belarus and Ukraine" pilot project CRIS: ENPI/2012/023-795
Total cost	Total (indicative): EUR 4,289,444 EU contribution: EUR 3,667,000 IOM joint co-financing: EUR 70,000 (indicative) Contributions of beneficiary countries: Republic of Belarus: EUR 244,444 (indicative) Ukraine: EUR 308,000 (indicative)
Aid method / Method of implementation	Project approach – joint management with the International Organisation for Migration (IOM)

DAC-code	33120	Sector	Trade facilitation

2. **RATIONALE**

2.1. **Sector context**

Background:

This Action Fiche (AF) is based on the "Study for an Eastern Partnership Integrated Border Management - Flagship Initiative project"[1], which identified six project proposals for funding. A pre-selection panel of Commission services reviewed the proposals. This intention was reiterated during the Fourth and the Fifth IBM Flagship Panel meetings in Vilnius and Tbilisi in 2011, on the condition that beneficiaries provide co-financing for projects which will be financed under the programme's 2012 and 2013 budgets.

This intervention is also based on a short-term Lithuanian-Ukrainian pilot project implemented in 2009 whose basic aim was to test the feasibility of the use of electronic procedures for the movement of goods in transit from Ukraine via Belarus to Lithuania (and in the opposite direction).

In addition to their day-to-day contacts, the EU Delegations in Kiev and Minsk organised two meetings with the customs authorities in both beneficiary countries, which were dedicated to the formulation of this intervention. The intention of these meetings in December 2011 and February 2012 was twofold: to verify whether the ideas put forward in the study (see first paragraph) were still valid and to achieve the highest degree of ownership by beneficiary institutions.

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[1] CRIS contract no. 224-714.

The main idea of this project is to help Belarus and Ukraine create an electronic system of pre-arrival information exchange between the customs authorities of the two countries.

This intervention will consist of two major components: provision of services (mainly study visits and training sessions) and equipment supplies (details of the technical specifications will be identified during the project's inception phase).

Sector context:

Both governments expect increased cross-border trade levels in the coming years. According to Belarusian statistics, the number of vehicles crossing this border increased by 34.8% in the period 2009-2011 (by 13.7% from 2010 to 2011). Currently, the average time a truck standing at the border is slightly more than 7.5 hours. Despite the fact that no increase of staff working at border crossings are planned in the future, the expectations by the State Customs Committee of the Republic of Belarus (SCC RB) are that the processing time of trucks would go down to 2 hours as soon as a system of pre-arrival information exchange is introduced.

While trade flows at the Belarusian-Ukrainian border are not as significant as at other borders of the region, in particular from an Ukrainian perspective[2], it is important to mention that the border crossing points Novaya Huta (Belarus) / Novi Yarylovychi (Ukraine) and Vesyalouka (Belarus) / Senkivka (Ukraine) are located along the Trans-European transportation corridor IX (Helsinki - St. Petersburg - Moscow/Pskov - Kiev-Chisinau – Bucharest – Dimitrovgrad - Alexandropolis) and its branch corridor IXB (Kaliningrad/Klaipeda/Kaunas – Vilnius – Minsk - Kiev).

The strategic focus of the SCC RB was greatly redefined in recent years by the creation of the Customs Union in 2010, which lead to the introduction of one joint customs tariff, one joint commodity terminology as well as joint lists of goods to which the same import and export restrictions are applied in the three participating countries[3]. Further, joint customs declaration forms were unified similar to those used in the EU, and checks on the borders between the three states were entirely abolished in July 2011.

The strategic orientation of the State Customs Service of Ukraine (SCS UA) is defined by (1) the negotiation process of the EU and Ukraine on a free trade agreement as part of a future Association Agreement, which, if signed, will cover all trade-related areas (including customs), as well as by (2) Ukraine's obligations as regards the harmonisation of customs procedures to which the country has committed itself when joining Revised Convention on Harmonisation and Simplification of Customs procedures (Kyoto Convention). Discussions with SCS UA representatives also disclosed the importance of the Integrated Border Management (IBM) principles and EU customs blueprints[4] for the Ukrainian government.

Cooperation between Belarus and Ukraine in this specific area is based on the "Protocol on Information Exchange between the SCC RB and the SCS UA as regards Goods and Transport Vehicles Crossing the Customs Border of the Republic of Belarus and Ukraine", which entered into force on 12 September 2004.

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[2] For Ukraine, the most important border as regards arriving and departing goods are the ports in Odessa and Illichivsk.

[3] Belarus, Kazakhstan and Russia

[4] = Practical guidelines laying down clear criteria against which a customs administration is able to measure its own operational capacity

2.2.   Lessons learnt

For the time being there have been four Result-Oriented Monitoring (ROM) exercises on national Belarusian projects in the area of border management[5], the conclusions of which were positive. A sector evaluation in Belarus will be carried out in spring 2012.

In Ukraine, EU Border Assistance Mission to Moldova and Ukraine (EUBAM) was the only border management project which was monitored in the recent past. Also this project received good marks.

Lessons learned from previous assistance provided in this area include:

- A regional approach provides coherence and encourages harmonisation of global procedures among beneficiary countries.
- Assistance projects have to be tailor-made, and needs have to focus on each country's specific requirements.
- This intervention is a logical continuation of a short-term pilot project implemented in Ukraine and Lithuania in 2009.
- Assistance in a particular area needs a mid- to long-term perspective. "One-shot" interventions, implemented over a short period of time lack sustainability.
- The provision of equipment has to be linked to training sessions dedicated to the equipment's use.

Reference is also made to the European Court of Auditors Special Report No. 9 of 2008 "The Effectiveness of EU Support in the Area of Freedom, Security and Justice for Belarus, Moldova and Ukraine" which confirms "satisfactory achievements" in the area of border management.

2.3.   Complementary actions

In Belarus, the SCC RB has become one of the biggest recipients of EU-funding under two Cross-Border Cooperation (CBC) programmes. In 2012-2013, the CBC will support the reconstruction of four border crossing points at the Belarusian-Polish, Belarusian-Lithuanian and Belarusian-Latvian borders (accumulated EU contributions amount to EUR 18,350,000). Also in Ukraine, the SCS UA and the Border Guards Service receive significant CBC funds for infrastructure and supplies investments at eight border crossing points at the Polish-Ukrainian and Romanian-Ukrainian borders (accumulated EU contributions: EUR 21,868,000).

The European Union Border Assistance Mission to Moldova and Ukraine (EUBAM) was launched in November 2005 following a request made jointly by the presidents of Moldova and Ukraine to the European Commission. By offering comprehensive support to the two beneficiary countries on EU best practice from its headquarters in Odessa and six field offices on either side of the Moldovan-Ukrainian border, EUBAM envisages that border and customs procedures will ultimately mirror those prevalent in the EU. In this context, it is worth mentioning that this financially most significant project in the area of freedom, security and justice of the EU was commended in the above mentioned Court of Auditors report as contributing "greatly to building capacity in the Moldovan and Ukrainian border guard and customs services".

The EU Agency Frontières Extérieures (FRONTEX) has bilateral working arrangements on the establishment of operational cooperation with the relevant authorities of Belarus and Ukraine. According to these arrangements, cooperation focuses geographically on external

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[5] The project "Border Management in Belarus 1" (BOMBEL 1) was monitored three times and BOMBEL 2 once.

EU borders and thematically on the exchange of information and experience, risk analysis, joint operations, training, joint activities and secondment of border guards to EU Member States units responsible for border control. FRONTEX does not provide equipment to the two beneficiary countries.

<u>Joint Research Centre (JRC)</u>: A two-phased regional Instrument for Stability project[6] (EUR 11,700,000) focuses activities on the detection of nuclear and radioactive materials at borders, *inter alia*, through the provision of portable radiation monitors and mobile laboratories.

The "**Transport Corridor Europe-Caucasus-Asia**" (TRACECA) is an EU funded assistance programme involving the European Union and 13 countries of the Eastern European, Caucasus and Central Asian regions. Currently there are four on-going projects aiming at supporting the approximation of these countries to EU norms and standards and improving their transport infrastructure on the corridor. In parallel to this, TRACECA is a political process, based on the Basic Multilateral Agreement signed in Baku (Azerbaijan) in 1998. The implementation of this agreement is undertaken by the Intergovernmental Conference and the TRACECA Permanent Secretariat in Baku, financially supported by the parties to the Basic Multilateral Agreement.

<u>Lithuania</u>: In 2009, the Customs Department under the Ministry of Finance of the Republic of Lithuania (CD RL) completed a small-scale pilot project designed to, *inter alia*, help the SCS UA build up the capacity to exchange transit data according to requirements of a computerised transit system. The transit-related part of this programme was mainly focused on Ukraine's ability to obtain pre-arrival data on goods bound to/coming from Ukraine. It is worth mentioning that the project introduced EU standards with respect to the development and processing of transit declarations for the first time in Ukraine.

<u>International Centre for Migration Policy Development (ICMPD)</u>: The two-year Integrated Border Management (IBM) Flagship Initiative Training project under the Eastern Partnership was launched in January 2011 ("IBM FIT"; budget: EUR 2,000,000). Activities in its six beneficiary countries[7] focus on inter-institutional dialogue, awareness-raising on IBM, the fight against corruption, and support to the establishment of modern training systems.

In Ukraine, the <u>International Organization for Migration (IOM)</u> is implementing a number of projects. Several significant initiatives, dealing with human resources[8] and the development of risk assessment and criminal analysis systems (ARCA) within the State Border Guard Service of Ukraine, are realised in cooperation with the Polish Border Guards and the Hungarian National Police and funded by the <u>United States</u>.[9] In Belarus, IOM is currently involved in

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[6] "Combating illicit trafficking of nuclear and radioactive materials in Former Soviet Union (FSU) countries (Russian Federation, Ukraine, Armenia, Moldova, Georgia, Azerbaijan and Belarus)" and "Combating illicit trafficking of nuclear and radioactive materials in selected FSU and Mediterranean Basin countries and preparation of border management activities in ASEAN region"

[7] Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine

[8] "Reinforcing the State Border Guard Service of Ukraine's Human Resources Management System" and "Improving Integrated Border Management: Follow-up to the project Reinforcing the State Border Guard Service of Ukraine Human Resources Management" (HUREMAS and HUREMAS 2)

[9] IOM Ukraine is currently implementing the following US-funded projects: (1) "Development of European Compliant Risk Assessment and Criminal Analysis Systems for the State Border Guard Service – Ukraine (ARCA)", (2) "Strengthening the State Border Guard Service of Ukraine's Risk Analysis and Criminal Analysis Training Systems (ARCA 2)", (3) "Strengthening the State Border Guard Service of Ukraine's Integrated Approach to EU-Compliant Training Standards - Phase I (ITP-1)", (4) "Strengthening the State Border Guard Service of Ukraine's Integrated Approach to EU-Compliant Training Standards - Phase II (ITP-2)", and (5) "Improving Operational Management of Field Divisions at the State Border Guard Service of Ukraine (Border Divisions)".

two EU-funded migration and border management projects[10] benefitting, *inter alia*, the SCC RB and the border guard service. In the recent past, IOM was (and sill is) also involved in three additional major EU-funded border management interventions in the Western Balkans and Russia.[11]

On-going activities in the area of <u>trafficking and criminal use of Chemical, Biological, Radiological and Nuclear materials</u> (CBRN) conducted by the "CBRN Centres of Excellence (CoE)" and funded under the Instrument for Stability - There is a CBRN CoE South East Europe/South Caucasus/Ukraine/Moldova.

2.4. Donor coordination

Given the very low number of donors active in this area, donor coordination in Belarus in the sphere of border management (including customs) is limited to ad-hoc meetings, often held in bilateral format. The specific circumstances in that country have resulted in making the European Commission the main donor in the IBM area and giving it a major position vis-à-vis the SCC RB with which cooperation has developed well in recent years.

In Ukraine, the Government-led donor coordination process is not working at full capacity. Therefore, the Delegation regularly consults with the main actors, such as IOM, UNHCR, USAID and the customs liaison officers of EU embassies. In addition, EUBAM coordinates closely its training activities with other donors in the field.

3. DESCRIPTION

3.1. Objectives

<u>Overall objectives</u>:

- To help increase trade turnover levels in the Eastern Partners and adjacent EU Member States
- To help reduce smuggling levels, in particular, of cloth, food, car spare parts, cigarettes and alcohol
- To contribute to the development of Corridor IX of the Pan-European Transport Corridors "Helsinki / Klaipeda (Lithuania) - Alexandroupolis (Greece)"

<u>Purpose</u>:

To help reduce processing time by customs services working at the Belarusian-Ukrainian border.

3.2. Expected results and main activities

This project aims at supporting Belarus and Ukraine in creating an electronic system of pre-arrival information exchange between the customs authorities of the 2 countries.

<u>Expected results</u>:

- Time required to carry out customs formalities reduced
- System of automated risk analysis and risk-based conduction of inspections fully introduced

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[10] (1) "Strengthening Protection Capacity in Belarus – Phase 2" (main contractor: UNHCR); (2) "Strengthening Surveillance Capacities of the at the 'Green' and 'Blue' Border of the Republic Belarus and Ukraine"

[11] (1) " Strengthening IBM in Western Balkans and Turkey" (ended in 2011); (2) Enhancement of Management of the Russian Federation Border Checkpoints (on-going).

- Corruption and customs fraud levels through the application of paperless technologies reduced by minimising the influence of the human factor
- Processes performed at border crossings approximated to integrated border management (IBM) standards and requirements
- Movement of licit goods and means of transport across the borders and along Corridor IX of the Pan-European Transport Corridors facilitated

Main activities:

- Qualitative analysis at the beginning and at the end of project implementation on trade flows and smuggling of goods
- Preparation of technical specifications and other necessary tender documents
- Procurement of equipment
- Practical training on the use of technical equipment
- Exchange of experience as regards the involvement of stakeholders such as freight forwarders and other representatives of the business community
- Study visit(s) on the involvement of stakeholders of the private sector
- Joint Belarusian-Ukrainian seminars and training sessions on pre-arrival info exchange and involvement of stakeholders of the private sector
- Visibility activities

3.3. Risks and assumptions

Risks:

- Corruption spreading among customs officials will undermine the expected results of this actions (medium risk)
Mitigation measure: The EU-funded Sector Budget Support on Border Management in Ukraine will be supplemented by a series of accompanying measures, including monitoring activities related, *inter alia*, to fight corruption. Corruption levels in Belarus are generally lower. However, it is suggested to include anti-corruption training as a horizontal topic in project activities.

- The counterparts may not fully endorse (or take considerable time when endorsing) programme activities (low risk)
Mitigation measure: Experience shows that the *timely* involvement of beneficiaries in project activities is the best way to address this risk.

- Trained personnel may leave project beneficiary institution (low risk)
Mitigation measure: The risk of staff fluctuations in Belarus and Ukraine is lower compared to other parts of the world. However, the best way to address this matter is to involve significant numbers of beneficiary representatives in project activities.

Assumptions:

- There is a commitment and interest from the two beneficiary countries' administrations to share information, harmonise procedures/systems/practices amongst each other in accordance with EU standards and/or project recommendations.
- The two beneficiary countries will make sufficient numbers of appropriate qualified personnel available for training events and other activities
- Trainees, who have received training in the framework of this intervention, will keep working in the institution for sufficient time so that the skills and knowledge obtained can be properly applied and transferred to colleagues.

3.4. Cross-cutting Issues

Improving *good governance* (particularly ownership, equity, transparency and anti-corruption) by strengthening the partner countries' capacities in the sphere of customs procedures in general is the main gist of this intervention.

The expected long-term impact is to contribute to the *strengthening of good neighbourly relations* and the *facilitation of legal trade* by *encouraging dialogue* between different levels of the two state administrations and trade forwarders.

Special attention will be given in the project design to ensure a high level of *women's participation* in project activities such as seminars, workshops and study visits.

3.5. Stakeholders

The customs authorities of Belarus have about 5000 employees. Currently, this Belarusian service is administratively divided into 9 "Customs Houses" (one in each territorial entity, Minsk international airport and HQ in Minsk). Customs officers are located at 25 road border crossing points (BCPs), 13 BCPs at railway stations, 7 international railway transfer stations, 7 BCPs at airports and 3 BCPs at river ports. Budgetary funding to this service by the government appears to be stable over the past years. As stated earlier, the strategic focus of the SCC RB changed significantly by the creation of the Customs Union (CU) between Belarus, Kazakhstan and Russia in 2010. Apart from further harmonisation efforts linked to the formation of the CU (see section 2.1), the creation of a second[12] pre-arrival info exchange system appears to be one of the government's main priorities in the coming years (see National Programme on Accelerated Development of Services in the Sphere of Information and Communication Technologies 2011-2015, sub-section "Electronic Customs"). Currently, the government's customs policy is very much focussed to further reduce the processing time of goods shipped into, through and/or out of the country at Belarusian border crossing points.

The SCS UA has started the implementation of the "Strategy for the Development of the SCS UA in 2010-2015". This strategy identifies conceptual principles for the formation and realisation of customs affairs in Ukraine. Currently the SCS UA has approximately 17,300 employees, 1000 less than in 2010 when the reform process started. This number will go down to about 16,500 staff members in the coming years. These decreases are mainly linked to the introduction of electronic processing systems at border crossings and central levels. Customs officers work at 183 border crossing points. There are 27 customs houses and 255 customs clearance offices located all over the country. The SCS UA, contrary to the SCC RB and many other customs services in Europe, does not have investigative powers, since these functions are with state prosecutors' offices and the State Security Service (SBU). It is important to mention that the SCS UA is a major contributor to the state budget.

The final target groups of this action will be economic actors that cross borders legally.

4. IMPLEMENTATION ISSUES

4.1. Method of implementation

The project will be implemented under joint management through the signature of a contribution agreement with the International Organisation for Migration (IOM) in accordance with article 53d of the Financial Regulation. The international organisation

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[12] For the time being, Russia is the country's only neighbour with which Belarus has already developed such a system.

complies with the criteria provided in the Financial Regulation and is covered by a framework agreement signed in November 2011.

The decision to propose IOM is based on the following considerations:

- There are very few other international organisations which are permanently present in both beneficiary countries and which have expertise in customs projects;
- IOM can build on its long-term relationship with project beneficiaries, something that is particularly important in Belarus;
- Due to its extensive experience in implementing projects in the region, it can be assumed that project activities will start soon after the adoption of the Financing Decision; this experience is particularly valuable in Belarus where project registration procedures with the Ministry of Economy are rather complicated and time-consuming;
- IOM has successfully implemented several projects funded by the EU in the recent past (in Ukraine in particular);
- Experience shows that IOM is a flexible project implementer, usually taking the donor organisation's suggestions and ideas fully on board.

IOM will implement the project in partnership with the International Centre for Migration Policy Development (ICMPD), which does not have a representation office in Minsk. This cooperation between the two international organisations is suggested for the following reasons:

- Being the implementer of the ongoing IBM Flagship Initiative Project (IBM FIT), ICMPD is best placed to ensure full coherence between the two projects;
- ICMPD will bring its extensive experience in border management and IBM into the project;
- ICMPD is more likely to contribute to EU visibility than IOM due to the fact that almost all ICMPD member states are also EU Member States.

ICMPD's input in project activities will be threefold: the organisational and content-wise supervision of study visits in Europe, provision of specific expertise for seminars and workshops in the beneficiary countries complementing IOM's experts data base, and main responsibility for ensuring coherence with other IBM Flagship projects in the region.

The change of management mode constitutes a substantial change except where the Commission "re-centralises" or reduces the level of tasks previously delegated to the beneficiary country, international organisation or delegated body under, respectively, decentralised, joint or indirect centralised management.

4.2.   Procurement and grant award procedures

All contracts implementing the action are awarded and implemented in accordance with the procedures and standard documents laid down and published by the relevant International Organisation.

4.3.   Budget and calendar

The total cost of the project is likely to be EUR 4,289,444 of which EUR 3,667,000 will be contributed by the EU, EUR 70,000 (indicatively) by IOM as a joint co-financing and EUR 552,444 (indicatively) by the beneficiary countries.

Costs for visibility activities will be covered by the budget of the Contribution Agreement.

Indicative signing date of Contribution Agreement Contract: 3rd quarter of 2013

Indicative foreseen operational duration of project is up to 36 months from the signature of the contract.

4.4. Performance monitoring

Performance monitoring:

The project is expected to be subject to external monitoring (ROM monitoring).

Indicators:

- Signature of a Contribution Agreement by the EU Delegation by 3rd quarter of 2013
- Qualitative analysis on trade flows and smuggling of goods at the beginning and at the end of project implementation
- Delivery of the training sessions / seminars / conferences / workshops as stipulated in the Description of the Action concerning timing, quantity and quality
- Delivery of the equipment as stipulated in the Description of the Action concerning timing, quantity and quality

Role and set up of the assistance of a technical nature:

The international organisation will arrange steering committee meetings, indicatively to be organised on a quarterly basis, with participation of representatives of both beneficiary countries and the EU Delegation(s). The basic aims of these meetings will be to regularly review progress made on project implementation and to ensure the highest degree of ownership by both beneficiary countries.

4.5. Evaluation and audit

The project design will benefit from the conclusions of a sector evaluation of EU-funded border management projects, which were implemented in Belarus over the past 5-6 years, in spring 2012.

Where applicable, the provisions included in the framework agreement signed with the international organisation will apply.

4.6. Communication and visibility

A comprehensive visibility plan in compliance with the Communication and Visibility Manual for EU External Actions will have to be defined and implemented, in close collaboration with the EU Delegation in charge, by the future contractor as part of its activities. That visibility plan may include (indicative list): press conferences, briefings for media, publication in appropriate media (TV, website, press releases, etc.).

Where applicable, the provisions included in the framework agreement signed with the international organisation will apply.