

FINAL VERSION

1. Basic information

- 1.1 **CRIS Number:** 2009/021-665
- 1.2 **Title:** Strengthening the capacity of the Customs Administration
- 1.3 **Statistical Code:** 3.29
- 1.4 **Location:** Customs Administration (CARM), Skopje

Implementing arrangements

1.5 **Implementing Agency**

The Central Finance and Contracting Department (CFCD) is the contracting authority and will be responsible for all administrative and procedural aspects of the tendering process, contracting matters and financial management including payment of project activities, upon conferral of management. The Head of CFCD will act as the Programme Authorizing Officer (PAO) of the project.

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1.6 **Beneficiary (including details of the SPO)**

Customs Administration

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Financing:

- 1.7 **Overall costs (VAT excluded)¹:** EUR 3 300 000

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.

1.8 EU contribution: EUR 2 910 000

1.9 Final date for contracting

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

1.10 Final date for execution of contracts

Two years from the final date for contracting

1.11 Final date for disbursements

One year from the final date for execution of contracts

2. Overall Objective and Project Purpose

2.1 Overall Objective

Compliance of the former Yugoslav Republic of Macedonia with the EU requirements concerning the Community Integrated Tariff Environment (CITE) in order to bring the country closer to the EU market and the Customs Union.

2.2 Project purpose

The purpose of the present project is the strengthening of the operational capacity of the Macedonian Customs Administration in accordance with EU standards in the core Customs and Taxation business areas of the European Community Customs tariff and to ensure full compatibility and interoperability of the Customs IT systems with the related EU Customs IT interoperability systems. (The concerned Integrated Tariff Environment (ITE) systems are TARIC, European Binding Tariff Information (EBTI), Quota, Surveillance, the European Customs Inventory of Chemical Substances (ECICS).

2.3 Link with AP/NPAA/EP/SAA

2.3.1 Link with AP

The **Accession Partnership** identifies three short-term priorities for customs reforms, including the need to increase administrative capacity to implement customs legislation and to fight cross-border crime and the need to further approximate legislation and procedures to the Acquis, in particular in the areas of transit and allocation of tariff quotas.

2.3.2 Link with NPAA

The **National Plan for Adoption of Acquis** with regard to customs reforms intends to further pursue legal development and harmonisation with the Acquis, strengthen capacity building of the Customs Administration, as well as strengthening of the customs IT

infrastructure, including establishment of full interconnection with the EU systems (CCN/CSI and NCTS) and continuation of the procedures for interconnection with other EU systems. The implementation of computerized systems dealing with the tariff exchange of information between the EC and the Member States, being mandatory for the accession day, needs to be developed and the interconnection established in advance. This is one of the priorities stated in the National Plan concerning the interconnectivity with the EU IT systems, including the ITE systems. Permanent adjustment of the Customs Administration's IT system will reflect, among others, as a priority, introduction of IT systems such as: TARIC, European Binding Tariff Information (EBTI), Quota, Surveillance, the European Customs Inventory of Chemical Substances (ECICS). All ITE systems are mandatory for accession.

2.3.3 Link with SAA

The project will address Article 88 of the SAA, which stipulates "achieve the approximation of the customs system of the former Yugoslav Republic of Macedonia to that of the Community", "the simplification of inspections and formalities in respect of the carriage of goods and support for introduction of modern customs information systems", as well as the "possibility of interconnection between the transit system of the Community and the former Yugoslav Republic of Macedonia".

2.3.4 Link with Progress report

The latest progress report makes the following evaluation: "Good progress has been made on **customs legislation**. Amendments to the Customs Code introduced risk criteria for the control of customs declarations and the status of authorized economic operator (AEO). The 2008 customs tariff was adopted, taking into account the obligations stemming from the SAA and the changes in the EU Combined Nomenclature. Tariff quotas are now allotted on a "first come, first served" principle, which is in line with the *acquis*. The legislation in the area of transit has yet to be aligned... Significant progress has been made in the area of **administrative and operational capacity**. As a result of the strategy for professional advancement, employees benefited from a large number of training activities, including induction training for new employees... The four mobile scanners purchased in 2007 were put into service... In preparation for setting up a "single-window" system at border crossings, an IT system for issuing authorizations and transit records has been developed. However, a comprehensive IT strategy and a strategy for interconnectivity with the Community IT systems have yet to be developed... The customs administration continued implementing its strategy on integrity and combating corruption... Significant results were achieved in combating cross-border crime and trade in counterfeit goods... The country was granted observer status on the EFTA committees for the Convention on common transit and on simplification of formalities in trade in goods. Cooperation was enhanced with a number of State institutions and also with trading and freight forwarding companies, by signing memoranda of understanding on integrated border management. The revenue collected by the customs administration continued to increase significantly. As a conclusion the report underlines that substantial progress has been made in area of Customs Union, both as regards legislative alignment and administrative capacity. Revenue collection has increased substantially and good results have been achieved in combating cross-border crime,

including infringements of intellectual property rights. The customs legislation is well aligned with the *acquis*, but still has to be further harmonised. Administrative and operational capacity has improved significantly and the fight against corruption has led to tangible results.

2.4 Link with MIPD

The **Multi-Annual Indicative Planning Document (MIPD) 2008 - 2010** indicates that with regard to the Customs Union, it is necessary to further align the customs legislation and procedures with the *acquis* and to strengthen the customs administration in order to ensure its proper functioning. As stated "pre-accession assistance shall help the country, above all, to advance along the road to EU integration and support the country's efforts to comply with the Copenhagen criteria. Against this background pre-accession assistance shall help to overcome the deficiencies that have been identified". In doing so, the assistance will focus on adopting the *acquis* as well as administrative capacity-building for transposing, implementing and enforcing the *acquis* in line with the priorities identified in the Accession Partnership. In the area of the Customs Union one of the expected results is the transposition of the Community *acquis* to be completed in the area of the Internal Market, transport and energy, taxation and Customs Union and be well advanced in other major areas of EU legislation.

2.5 Link with National Development Plan

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". The reform of Customs is identified as area of focus and priority.

2.6 Link with national/ sectoral investment plans

The project directly links to the following key Strategies and Action Plans in the sector:

- Code of Conduct for customs officers;
- Customs Administration IT Strategy;
- Pre-Accession Economic Programme (2007-2009), 2006;
- Strategic Plan of the Customs Administration 2004-2008;
- Strategic Plan of the Customs Administration 2008-2010;
- Training and Professional Development Strategy;
- Anti-corruption Strategy.

3. Description of project

3.1. Background and justification

The sector background - The Customs Administration (CARM) is part of the Ministry of Finance and responsible for the collection of customs duties and excises and VAT on imports, as well as for prevention of illegal imports and exports. The CARM is structured in three hierarchical levels: the Headquarters located in Skopje, five Regional Customs Houses, and 37 Customs Offices. Each Regional Customs House is

responsible for one or more of the 19 Border Crossing and 18 inland Customs Offices. The CARM has over 1000 employees.

The relevant legislation in the area of Customs includes the Customs Code, the main legal act which is in force since January 2006, the Law on the Customs Administration, the Implementing Regulation of the Customs Code, and a number of other laws and implementing legal acts. The legislation is well aligned with the *acquis*, however further alignment is necessary, in particular in the areas of transit, authorized economic operators and tariff quotas.

Reform and Recommendations - The CARM is undergoing a reform process in accordance with its Strategic Plan 2008-2010, the National Plan for Adoption of the *Acquis* and is using the EC Customs Blueprints. The objective of the reforms is to reach increased organizational and operational efficiency of the customs service; to enhance the integrity in the CARM; to achieve implementation of harmonized customs legislation; to introduce transparent and efficient customs procedures, such as the “Single Window concept”; to enhance the use of Information Technology and Electronic Working; and to provide for greater client oriented approach and better cooperation with the business community.

The EC’s 2007 Progress Report, chapter 29: Customs Union, concludes that progress has been substantial in the customs area. Legislative alignment is well advanced, while in terms of the administrative and operational capacity, the country has made significant progress and achieved important results in fighting illegal trade and collecting revenues. Efforts to combat corruption and misconduct have been very positive and need to be pursued. Overall, customs needs to continue its modernization efforts to be able to effectively implement customs rules and the EU *acquis*. Despite the substantial progress, much remains to be done to develop IT systems to allow interconnectivity with Community IT systems. Improvement in IT and other equipment, including a comprehensive IT strategy addressing interconnectivity issues, is necessary to allow the customs administration to properly manage and enforce *acquis* implementation.

Implementation - The country has requested to accede to the EC-EFTA conventions on Common Transit and on the Simplification of Formalities in Trade in goods and has started preparations in this respect. Recently, a status of observer to the EC-EFTA Joint Committee has been granted. Also, the country ratified the Protocol amending the Kyoto International Convention on the simplification and harmonisation of customs procedures, established under the auspices of the Customs Co-operation Council. The recent Strategic Plan 2008-2010 underlines the use of IT and further expansion of e-services, as one of the five strategic goals. The CARM has elaborated an IT Strategy and Development Plan, based on the CARM’s Strategic Plan. The strategy defines all entities, parties involved and participants in the Customs operation, defines the functions between them, as well as the tools used for its purposes. However, the ICT Strategy needs to be reviewed and updated to reflect the requirements for establishing interconnectivity with the computerised systems of the EU.

In May 2007 DG TAXUD carried out an IT Awareness Mission to the CARM and

presented the IT systems which the Customs Administration should have access to and indicates how best this could be accessed. The main priorities is the further development of IT systems meaning development of software solutions for national operations (Customs Declaration Processing Software – CDPS), hence, undertaking urgent action regarding selection, procurement and implementation of customs software and setup of a new IT system is needed. The new IT system should ensure a high-quality software solution that would support a nation-wide customs operations by fully accepting EU legislation and EU standards, as well as ensuring compatibility and interoperability with the EU systems. Activities already undertaken for procurement of the new customs system and staffing of the ICT Sector are in accordance with the recommendations of DG TAXUD that the CARM must take a number of technical, functional and organisational decisions before any IT interconnectivity preparations could start in practice.

Firstly, a decision has to be taken on the Customs Declaration Processing System for use in the future. In the case of choosing one of the systems used by the EU Member States, the interconnectivity obligations are likely to require less work and investment. Secondly, it is essential that adequate human resources are allocated to reinforce the different sectors involved (ICT Sector, EU Integration Department). Current capacity may prove insufficient to define, prepare and manage accession-essential projects. Thirdly, it is necessary to identify who will be responsible for the CCN gateway (either Customs or the Tax Administration).

The CARM ICT Sector has examined the use and an eventual further development of the current software solution – ASYCUDA –, as well as assessing experiences of other countries that have left the ASYCUDA system. At present, several outdated applications are in function (developed in outdated software platforms), without any functional connection, without the possibility for a qualitative upgrade and without the possibility for output of quality reports and analysis.

The CARM is aware of the importance of having a state-of-the-art computerised system in place to facilitate its ambition to improve its efficiency and to bring its operation in line with EU best practices. Accordingly, a decision has been made to select, obtain and implement software solutions in order to establish a new Customs Declaration Processing System (CDPS). The bidding documents were prepared on the basis of the User and Technical Requirements of the future CDPS, prepared by EU experts.. Following an international tender, the contract for procurement of the CDPS was awarded to a consortium led by the Italian Customs Agency. Activities for its implementation are underway. The system introduces comprehensive electronic processing of customs documents, which will allow faster flow of goods. It also sets the necessary conditions for interconnectivity with the EU Member States by introducing import, export and transit regimes compatible with the EU regimes

The EC's 2008 Progress Report, chapter 29: Customs Union again concludes that progress has been made, both as regards legislative alignment and administrative capacity. Revenue collection has increased substantially and good results have been achieved in combating cross-border crime, including infringements of intellectual

property rights. The customs legislation is well aligned with the *acquis*, but still has to be further harmonized. Administrative and operational capacity has improved significantly and the fight against corruption has led to tangible results. Also cooperation was enhanced with a number of state institutions and also with trading and freight forwarding companies, by signing memoranda of understanding on Integrated Border Management.

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

The project complies with EU norms and standards. The project will provide concrete assistance and knowledge transfer to the Customs managers in the area of IT project management methodologies and quality management assurance. This will ensure longer term capacity of Customs to sustain complex IT projects in the customs area and manage them effectively. The operational expenses for the national part of CITE will be covered by the Government.

The improvement of the customs system will most certainly have a positive impact on the general business environment, hopefully stimulate investments (both foreign and domestic) and create a more transparent and reliable business environment. The project will support the strengthening of the competitiveness of the economy, and provide up-to-date and clear information on customs tariffs, procedures and requirements to trade.

3.3. Results and measurable indicators

The specific results to be achieved are:

- The Customs Administration will be supported in project management for the national part of the ITE System, on tariff-related business change management and in the preparations for TARIC, European Binding Tariff Information (EBTI), Quota, Surveillance, the European Customs Inventory of Chemical Substances (ECICS);
- A Customs Master Tariff System fully compatible with the EU Integrated Tariff Environment and capable of supporting of the Tariff Management, loading and merging of tariff data and calculation of all Customs charges applicable within the Community;
- The necessary hardware system is implemented and ready to support operation of the CITE system.

The measurable indicators are:

- CARM in full compliance with the accession requirements and the nationally Interoperability implementation strategy provided by the EC.
- Macedonian Master Tariff System (TARIC, European Binding Tariff Information (EBTI), Quota, Surveillance, the European Customs Inventory of Chemical Substances (ECICS) implemented, tested and operational;
- A number of Customs and IT staff trained in ITE systems (particularly TARIC);
- TARIC DataBase up and running;
- TARIC modules in accordance with interoperability strategy in place;

- Necessary equipment obtained and hardware platform is operational;
- ITE environment is operational.

3.4 Activities

The project consists of 3 components

Component 1 - ITE Management Support

Support will be provided to the CARM in ITE-related project management on related business change management. This support will encompass the management of all business and functional aspects of systems implementation surrounding the introduction of the new computerized system, particularly in the areas of organizational restructuring and procedural reforms.

The main activities foreseen to be carried out under this technical assistance are to:

- Provide overall ITE project management support;
- Assist the Customs Administration in planning and development of necessary operational capacity and achievement of positive control over IT developments and projects (systems, infrastructure and services) and support with ITE-related liaison with the European Commission, Member State Customs Administrations and the Consultant for the service contract - component 2;
- Review and follow up the entry into force of all necessary legal, administrative and procedural arrangements and advice on any necessary changes as far as it relates to project objectives;
- Provide assistance in defining mode of transformation of the Macedonian Tariff into the TARIC structure;
- Assist in coordinating and monitoring of activities conducted by the Consultant of the component 2;
- Provide technical expertise during various stages of IT system development;
- Provide assistance in training for Customs Administration staff on operations, management and maintenance of ITE and any other relevant EU information systems.

Note: Final definition of activities under this component should be considered in the Interoperability Implementation Strategy and specified in Terms of Reference related to an ITE project, which are expected to be realised under IPA 2007 project activities.

Component 2 - ITE Development – Software Development Service Contract

- Development of the EU compatible and national ITE modules consistent with the application of tariff and commercial legislation throughout the Customs Union.

An ITE compatible system will be designed, adapted, developed and implemented technically based on the existing national system. This will include both the

methodologies and procedures for the maintenance of this system and the automated tools to assist this process.

Main activities

The main activities concerning the development of each of the modules as part of a single software application will include:

- Preparation of the Project Quality Plan
- Preparation of detailed functional specification (System Specification Phase)
- Preparation of detailed technical specification (Design Phase)
- Development of each of the modules (Build and Test Phase)
- Realising all the software testing according to the used methodology (Build and Test Phase)
- Installation of the training and operational environment (Running and Maintenance Phase)
- Realising user training (Running and Maintenance Phase)
- Hand-over of the application and documentation and performing corrective maintenance (Running and Maintenance Phase)

Nature of services to be provided

The following services are to be provided under this project:

- Software design, development, testing, documentation and roll-out/implementation;
- Design, development, in-country organisation and delivery of training courses for the customs staff in relation to the new ITE systems, and of common awareness for the Trading business community;
- Design and development of supporting training material;
- Elaboration and production of functional and technical documentation for CARM staff (e.g. Users Manual, Administrators Guide etc), as well as Users Manual for traders.

Component 3: Supplies of necessary equipment

The main activities for the procurement of the necessary equipment will include:

- Preparation of the technical specification based on detailed technical specification from Component 2;
- Preparation of detailed requirements for maintenance and operational support of the equipment, to be included in the specification;
- Installation, configuration and testing of the hardware equipment according to requirements of the operational requirements;
- Maintenance of equipment.

Integrated Tariff Environment is a business concept grouping most of the computerized systems dealing with the tariff exchange of information between the Commission and Member States. The concerned systems are: TARIC, European Binding Tariff Information (EBTI), Quota, Surveillance, the European Customs Inventory of Chemical Substances (ECICS). Being mandatory for accession, their development and interconnection should therefore be prepared in advance. All ITE systems are accession-mandatory. Through this project, the Customs Administration will implement business processes compatible with ITE, and will likewise introduce IT systems for support of these processes.

Management and contracting arrangements

Although the project is composed of 3 individual components, these components are inter-related. Therefore, the project will be implemented through a strongly coordinated mechanism. A steering committee will be established chaired by the Director of the CARM. The EC Delegation and the Secretariat for European affairs shall be invited to participate with observer status. The Steering Committee shall meet not less than once per three months.

Advisory services will be provided to the beneficiary through two different service contracts. The TA contracts will provide next to a team leader additional expertise to assist in key tasks, e.g. in the field of administrative capacity building, Customs systems, training, legal development and others. Some of these experts will address the cross-cutting issues. The TA contracts will assist the CARM in the design of the specifications of the IT equipment and software to be procured.

The core project team – consisting of the team leader and other experts will be placed within the CARM.

The team leaders 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 in the different components of the activity is significantly important. The team leaders are responsible for an appropriate management of resources. During the inception phase of the project, a detailed deployment plan will be developed under the coordination of the Steering Committee.

The expected contracting arrangements are:

- 1 Service contract for ITE-related project management on related business change management. This support will encompass the management of all business and functional aspects of systems implementation surrounding the introduction of the new computerized system, particularly in the areas of organizational restructuring and procedural reforms. The contract has an expected implementation period of 18 to 24 months. The contract value will be EUR 1 000 000. The IPA contribution will be EUR 900 000 and the national co-financing will be EUR 100 000. The project is intended to start in Q1 2011.

- 1 Service contract for ITE Development – Software Development Service Contract. This support will assist the development of the EU compatible national ITE modules with consistent application of tariff and commercial legislation throughout the customs union. Activity will design, adapt, develop and implement, an ITE compatible system, technically based on the existing national system. This will include both the methodologies and procedures for the maintenance of this system and the automated tools to assist this process. The contract has an expected implementation period of 18 to 24 months. The contract value will be approximately 1 900 000 EUR. The IPA contribution will be EUR 1 710 000 and the national co-financing will be EUR 190 000. The project is intended to start in Q3 2010.
- 1 Supply contract for provision of necessary equipment. The contract has an expected implementation period of 16 to 20 months plus 12 months warranty period. The contract value will be approximately 400 000 EUR. The IPA contribution will be EUR 300 000 and the national co-financing will be EUR 100 000. The project is intended to start in Q4 2011.

3.5. Conditionality and sequencing

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 beneficiaries before the launch of the tender process;
3. Allocation of working space and facilities by the beneficiaries for technical assistance before the launch of the tender process;
4. Participation by the beneficiaries in the tender process as per EU regulations;
5. Organisation, selection and appointment of members of working groups, steering and coordination committees, seminars by the beneficiaries as per project work plan;
6. Appointing the relevant staff by the beneficiaries to participate in training activities as per work plan;
7. The updated Customs Administration IT strategy is in place prior to the start of contracting;
8. National Interoperability Implementation Strategy is in place prior to the start of contracting;
9. Full-time ITE team is in place prior to the start of contracting, including as a minimum 4 business people and 2 IT people;
10. ITE – service contract in place.

The launch of the development of the ITE service contract depends on the completion of CDPS.

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

3.6 Linked activities

Current Projects:

Project "Support to the implementation of the Customs Reform Strategy" under IPA 2007 has the overall objective of further alignment of the Acquis in the customs area, and to strengthen administrative capacity of the CARM and its capacity to meet the EU requirements in the area. The purpose is to contribute to a professional Customs Administration enabled to appropriately implement reforms, taking due account of EU regulations and best practices. It comprises of three components:

- *the harmonisation of Customs legislation in the former Yugoslav Republic of Macedonia with EU legislation 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”;*
- *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.*
- *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. .*

The Single Window and Integrated Border Management Project – Electronic Licenses application, submitting of T1-Transit Document - under preparation; Hardware, Network, Security devices - provided under the national budget; Software for management of transit documents, Quotas, BTI, BOI, etc. planned) – financed by USAID and by a national investment.

Customs Railway Solution –The Trade and Transport Facilitation (TTFSE) project II, financed by the World Bank, (Loan Agreement signed September 2007), has as objective the improvement of border crossing facilities and procedures, and the facilitation of trade by addressing targeted border-zone infrastructure bottlenecks. The project aims to improve the efficiency and quality of rail freight services along Trans-European Transport corridor X. Specific activities envisaged are: (i) upgrading to motorway standards of the corridor X section border crossing Tabanovce to Kumanovo; (ii) modernisation of the passenger border crossing at the Blace border crossing with Kosovo; (iii) modernisation of the road toll collection system along the 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.

Inward Processing Solution (analysis finished) – financed by USAID
Enhancing the efficiency and promoting Institutional Capacity (Crown Agents), Contract signed (October 2007). Main Objectives:

- Introduction/application of control, systems and procedures

- Development of the investigative and intelligence capacities for strategic, tactical and specific intelligence. Support for the operation of the investigation and intelligence functions through the provision of appropriate technology tools was offered during the donors coordination meeting – November 8, 2007, including potentially TRIPS© and Analyst’s Notebook.
- Provision of long-term operational and technical support to control and investigation units to detect illegal trade, smuggling and economic crime.
- Development and promotion of effective inter-agency cooperation in the country and abroad.
- Development and effective implementation of anti-corruption strategy

SEMS/DREWS project ends on 30 June 2009. The overall objective is to maintain the administrative capacity of beneficiaries in the exchange of information with other regional Law Enforcement Agencies. The project also aims to assist Beneficiaries to become familiar with the concept of the electronic exchange of data such as CCN mail, NCTS, TACIS, etc. The project aims to establish a bridge in administrative cooperation by means of the electronic exchange of information between Member States and accession and pre-accession countries. The project has two main purposes, namely:

- The continuation of support services for the current SEMS/DREWS implementation in the Western Balkans region, and
- The implementation of the SEMS systems as regional standards for the exchange of encrypted pre-arrival information in “real-time”.

A project with interlinked activities is **the Integrated Border Management** in the Western Balkans and Turkey financed from **the Multi-beneficiary IPA 2007** starting in June 2009: EUR 1.5m grant agreement with consortium led by IOM.

Planned Projects:

- Decision, Procurement and Implementation of New CDPS
- System for management of Free Economic Zones
- Guarantees Management Software

Upcoming projects with indirect effect are the Multi-beneficiary IPA 2009: Regional Blueprints Exercise on Customs and Taxation, whose objective is to evaluate the administrative capacity of Customs and Tax administrations in Balkans and Turkey using Taxud’s Customs and Fiscal Blueprints and to support them modernise and align with the Customs and Fiscal Blueprints and acquis.

Also, the Multi-beneficiary IPA 2009: Taxation and Customs IT interconnectivity and operational capacity is to provide guidance to identify the technical requirements of WB countries’ national IT strategies and plans so as to ensure coherence with EU IT interconnectivity requirements.

Next Activities Planned – National Domain:

- Implementation of Fully EU Compatible CDPS Solution (it has to be web-based, centralized software; the CARM ICT Sector is planning to implement ITIL

standards for service delivery and support)

Next Activities EU Systems

- Interoperability Implementation Strategy (IIS) and Action Plan will be drafted under IPA 2007 Technical Assistance
- Highest priority will be given to NCTS and ITE since the country has applied for joining the Common Transit Convention; observer status is already obtained.

The CARM applied for EU support to further develop the User and Technical Requirements of the new CDPS. A Framework Contract was signed in January 2008 and a team of several experts with experience in EU Customs IT systems has reviewed the business processes, proposed its simplification, and completed the User and Technical Requirements of the future CDPS. The project was completed in August, 2008. Following completion, on the basis of the User and Technical Requirements of the future CDPS, in September 2008 CARM has launched an international tender for its procurement. The CDPS will be developed and implemented in the period Q1 2009 - Q2 2010, using national financing.

Under IPA 2008, as foreseen, upon completion of the project, the Customs Administration will have implemented the Customs Transit Control System in conformity with the Common Transit Convention, in order to assist in the control and management of the movement of goods by the electronic exchange of transaction information between CTC countries, and put in place the necessary organisational and procedural changes in order to operate the systems effectively and efficiently. This is a prerequisite for EU accession. The CCN/CSI will be implemented and operational.

The project will strengthen the operational capacity of the CARM in accordance with EU standards in core Customs business areas of the European Community Customs transit control to ensure full compatibility and interoperability of the CARM ICT system with the NCTS and to achieve full interconnectivity with the European Union/DG TAXUD systems, enabling data exchange by means of the Common Communication Network and Common System Interface (CCN/CSI) infrastructure.

The expected results are:

- CARM is endowed with the necessary capacity:
 1. To use and manage the NCTS and CCN/CSI application, including database administration;
 2. To perform the Help Desk support and systems maintenance;
 3. To provide advice to the trade community.
- The required modules and functionalities of the current system are adapted/developed in line with NCTS requirements and tested.
- The connection of CARM and Public Revenue Office (PRO) Network with the CCN/CSI system is established and operational.
- Use of a coherent method of access by the applications operated between the Commission and the Government under CCN/CSI.

Past projects:

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 and managed centrally. The CAFAO programme was operational till January 2009, the objectives of which were:

- alignment with the EU acquis of customs legislation and direct and indirect tax legislation;
- increase of the administrative capacity to implement this legislation;
- progress in the fight against corruption, cross-border crime and fiscal evasion.

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

In general one main issue was the perceived lack of administrative capacity due to the frequent changes in managerial positions'. The level and quality of project management was also a source of criticism. This should be addressed in the IPA 2007 and IPA 2008 support. One of the major benefits will not only be improved management of the 2009

Project, but also in the transfer of skills from the experts of the new IPA programmes employed to the Customs management staff.

It was also felt that it has been difficult to link activities to results, which may be linked to poor quality project management and particularly a lack of quality control procedures. Again, this problem should be overcome by the introduction of TEMPO methodology and support to the Quality Assurance and Quality Control, as foreseen in the IPA 2007 and IPA 2008 projects.

The previous IPA Programming exercise in Customs placed particular emphasis on actions supporting the computerisation of the EU standards and practices in relation to DG TAXUD systems. With reference to the process of further CARM's computerisation, system design should be further improved in order to fully achieve a more integrated CDPS. In addition prior agreed methodology standards should be strictly followed in this project as well as business modelling and testing methodologies. All of this naturally pre-supposes that a comprehensive IT strategy will be developed and maintained in line with the ambitions of this project.

4. Indicative Budget (amounts in €)

			SOURCES OF FUNDING										
			TOTAL EXP.RE	TOTAL PUBLIC EXP.RE	IPA COMMUNITY CONTRIBUTION		NATIONAL PUBLIC CONTRIBUTION					PRIVATE CONTRIBUTION	
ACTIVITIES	IB (1)	INV (1)	EUR (a)=(b)+(e)	EUR (b)=(c)+(d)	EUR (c)	% (2)	Total EUR (d)=(x)+(y)+(z)	% (2)	Central EUR (x)	Regional/Local EUR (y)	IFIs EUR (z)	EUR (e)	% (3)
<i>ITE Management Support</i>	x		1 000 000	1 000 000	900 000	90	100 000	10	100 000				
Service Contract for ITE	x		1 900 000	1 900 000	1 710 000	90	190 000	10	190 000				
Supplies IT equipment		x	400 000	400 000	300 000	75	100 000	25	100 000				
TOTAL IB			2 900 000	2 900 000	2 610 000	90	290 000	10	290 000				
TOTAL INV			400 000	400 000	300 000	75	100 000	25	100 000				
TOTAL PROJECT			3 300 000	3 300 000	2 910 000		390 000		390 000				

NOTE: DO NOT MIX IB AND INV IN THE SAME ACTIVITY ROW. USE SEPARATE ROW

Amounts net of VAT

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

(2) Expressed in % of the **Public** Expenditure (column (b))

(3) Expressed in % of the **Total** Expenditure (column (a))

In case of local or foreign training the project will fund from incidentals – whenever necessary - the renting of training rooms and equipment, the printing of training material and accessories as well as per diems/allowances for participants in the way and to the level normally financed by the government, but never higher than the per diem rates published by the EU.

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

Contracts	Start of Tendering	Signature of contract	Project Completion
Service Contract for ITE Management Support	Q2 2010	Q1 2011	Q1 2013
Service Contract for ITE software	Q1 2010	Q3 2010	Q3 2012
Supplies IT equipment	Q2 2011	Q4 2011	Q1 2013

6. Cross cutting issues

6.1 Civil Society development and dialogue

n/a

6.2 Environmental considerations

Where relevant the project will aim to take on board best practice vis-à-vis environmental activities and considerations.

6.3 Equal Opportunity 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 (2001-2006). 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 from the outset 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.

6.4 Minority and vulnerable groups

Where the main reference in the country in relation to minority groups 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 Administration 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.

6.5 Good governance, with particular attention to fight against corruption

The beneficiaries will, along with the above mentioned activities, endeavour to integrate equally best practice activities in the fight against corruption within the various project activities. Naturally, a well functioning customs service plays a key role in good governance and also in the on-going fight against corruption.

ANNEXES

- 1- Log frame in Standard Format
- 2- Amounts contracted and Disbursed per Quarter over the full duration of Programme
- 3- Description of Institutional Framework
- 4 - Reference to laws, regulations and strategic documents:
 - Reference list of relevant laws and regulations
 - Reference to AP /NPAA / EP / SAA
 - Reference to MIPD
 - Reference to National Development Plan
 - Reference to national / sector investment plans
- 5- Details per EU funded contract (*) where applicable:
 - For *TA contracts*: account of tasks expected from the contractor
 - For *twinning covenants*: account of tasks expected from the team leader, resident twinning advisor and short term experts
 - For *grants schemes*: account of components of the schemes
 - For *investment contracts*: reference list of feasibility study as well as technical specifications and cost price schedule + section to be filled in on investment criteria (**)
 - For *works contracts*: reference list of feasibility study for the *constructing works* part of the contract as well as a section on investment criteria (**); account of services to be carried out for the *service part* of the contract

(*) non standard aspects (in case of derogation to PRAG) also to be specified

(**) section on investment criteria (applicable to all infrastructure contracts and constructing works):

- Rate of return
- Co financing
- compliance with state aids provisions
- Ownership of assets (current and after project completion).

ANNEX 1 - Logical framework matrix in standard format

LOGFRAME PLANNING MATRIX FOR THE PROJECT FICHE: Strengthening the capacity of the Customs Administration

Ministry of Finance, Customs Administration

Programme name and number:
National Programme for the former Yugoslav Republic of Macedonia under the IPA Transition Assistance and Institution Building Component for 2009

CRIS number: 2009/021-665

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
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Disbursement period expires one year from the final date for execution of contracts.

Total budget :
EUR 3 300 000

IPA budget:
EUR 2 910 000

Overall objective

Compliance of the former Yugoslav Republic of Macedonia with the EU requirements concerning the Community Integrated Tariff Environment (CITE) in order to bring the country closer to the EU market and the Customs Union.

Objectively verifiable indicators

CARM in full compliance with the accession requirements and the nationally Interoperability implementation strategy provided by the EC.

Macedonian Master Tariff System (TARIC, European Binding Tariff Information (EBTI), Quota, Surveillance, the European Customs Inventory of Chemical Substances (ECICS) implemented, tested and operational;

Customs and IT staff trained in ITE systems (particularly TARIC)

TARIC DB running

TARIC modules in accordance with interoperability strategy in place

Necessary equipment obtained and hardware platform is operational

- ITE environment is operational

Sources of Verification

EC regular report

EC up-dated country reports on IT interoperability and IT interconnectivity

Annual report of the Steering Committee

Project reports (quarterly, annual)

European Commission annual reports

Project purpose

The purpose of the present project is the strengthening of the operational capacity of the Macedonian Customs Administration in accordance with EU standards in the core Customs and Taxation business areas of the European Community Customs tariff and to ensure full compatibility and interoperability of the Macedonian Customs IT systems with the related EU Customs IT interoperability systems. (The concerned systems are TARIC, European Binding Tariff Information (EBTI), Quota, Surveillance, the European Customs Inventory of Chemical Substances (ECICS))

Objectively verifiable indicators**Sources of Verification**

- Regular Customs Administrative and Operational Capacity Reports.
- EC up-dated country reports on IT Interoperability and IT interconnectivity.
- Number of complains from Economic operators
- Customs statistics
- Trade reports

Assumptions

Government maintains consistent policy and commitment to the EU accession
 Willingness and capacity of Customs high-level management to introduce changes and innovation into practical management.
 Interconnectivity systems supplied by the DG TAXUD
 Successful implementation of other EU financed customs projects

Results	Objectively verifiable indicators	Sources of Verification	Assumptions
<p>The Customs Administration will be supported in project management for the national part of the ITE System, on tariff-related business change management and in the preparations for TARIC, European Binding Tariff Information (EBTI), Quota, Surveillance, the European Customs Inventory of Chemical Substances (ECICS).</p> <p>A Customs Master Tariff System fully compatible with the EU Integrated Tariff Environment and capable of supporting of the Tariff Management, loading and merging of tariff data and calculation of all Customs charges applicable within the Community .</p> <p>The necessary hardware system is implemented and ready to support operation of the ITE system.</p>	<p>CARM in full compliance with the accession requirements and the nationally Interoperability implementation strategy provided by the EC.</p> <p>Macedonian Master Tariff System (TARIC, European Binding Tariff Information (EBTI), Quota, Surveillance, the European Customs Inventory of Chemical Substances (ECICS) implemented, tested and operational;</p> <p>A number of Customs and IT staff trained in ITE systems (particularly TARIC)</p> <p>TARIC Data Base up and running</p> <p>TARIC modules in accordance with interoperability strategy in place</p> <p>Necessary equipment obtained and hardware platform is operational</p> <p>ITE environment is operational</p>	<ul style="list-style-type: none"> - Regular progress reports - EC updated country reports on IT interoperability and IT interconnectivity - DG TAXUD reports on acceptance and conformance tests - EC up-dated country reports on IT interoperability and IT interconnectivity - DG TAXUD reports on acceptance and conformance tests 	<p>Full commitment of the parties involved.</p>

Activities	Means	Costs	Assumptions
<p>Component 1 - Component 1 :ITE Management Support</p> <p>The main activities foreseen to be carried out under this technical assistance are to: Provide overall ITE project management support Assist the Customs Administration in planning and development of necessary operational capacity and achievement of positive control over IT developments and projects (systems, infrastructure and services) and support with ITE-related liaison with the European Commission, Member State Customs Administrations and the Consultant for the service contract - component 2. Review and follow up the entry into force of all necessary legal, administrative and procedural arrangements and advice on any necessary changes as far as it relates to project objectives. Provide assistance in defining mode of transformation of the Macedonian Tariff into the TARIC structure. Assist in coordinating and monitoring of activities conducted by the Consultant of the component 2. Provide technical expertise during various stages of IT system development. Provide assistance in training for Customs Administration staff on operations, management and maintenance of ITE and any other relevant EU information systems.</p>	Service Contract	Total budget for component 1 : EUR 1 000 000 IPA budget: EUR 900 000 .	Full commitment of the parties involved.
<p>Component 2: ITE Development – Software Development</p> <p>The main activities concerning the development of each of the modules as part of a single software application will include: Preparation of the Project Quality Plan Preparation of detailed functional specification (System Specification Phase) Preparation of detailed technical specification (Design Phase) Development of each of the modules (Build and Test Phase) Realising all the software testing according to the used methodology (Build and Test Phase) Installation of the training and operational environment (Running and Maintenance Phase)</p>	Service Contract	Total budget for component 1 : EUR 1 900 000 IPA budget: EUR 1 710 000 National co-financing: EUR 190 000	

<p>Realising user training (Running and Maintenance Phase) Hand-over of the application and documentation and performing corrective maintenance (Running and Maintenance Phase)</p> <p>Nature of services to be provided The following services are to be provided under this project: Software design, development, testing, documentation and roll-out/implementation; Design, development, in-country organisation and delivery of training courses for the customs staff in relation to the new ITE systems, and of common awareness for the Trading business community; Design and development of supporting training material; Elaboration and production of functional and technical documentation for CARM staff (e.g. Users Manual, Administrators Guide etc), as well as Users Manual for traders.</p>			
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Pre conditions

1. New national CDPS system is implemented and operational
2. The Customs Administration IT Strategy is in place prior to the start of contracting.
3. National Interoperability Implementation Strategy is in place prior to the start of contracting.
4. Full-time ITE team is in place and sustainable prior to the start of contracting, including a minimum 4 business people and 2 IT people team.

ANNEX 2 - Amounts (in €) contracted and disbursed by quarter over the full duration of the project (IPA funds only)

	2010				2011				2012				2013			
Contracted	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q16
TA Management					900 000											
TA IT Development			1 710 000													
Supplies								300 000								
Cumulated			1 710 000		2 610 000			2 910 000								
Disbursed																
TA Management					270 000		180 000		180 000		180 000		90 000			
TA IT Development			513 000		342 000		342 000		342 000		171 000					
Supplies								180 000			120 000					
Cumulated			513 000		1 125 000		1 647 000	1 827 000	2 349 000		2 820 000		2 910 000			

Annex 3 - Description of Institutional Framework

The Customs Administration is a state administration authority within the Ministry of Finance with a status of a legal person. The Customs Administration carries out its powers throughout the entire territory of the country. The Customs Administration carries out the activities that are under its competence in accordance with the Law on Customs Administration, the Customs Law, the Customs Tariff Law and other laws governing the importation, exportation and transit of goods, as well as for the performance of all other activities that are vested under its competence with other laws. The basic powers of the Customs Administration are:

- to conduct customs supervision;
- to conduct customs control;
- customs clearance of goods;
- to conduct customs control, investigation and intelligence measures for the purpose of prevention, detection and investigation of customs offences and crimes;
- to initiate a procedure for customs and other offences, as well as for crimes determined by law and to collect mandatory fines;
- to calculate and collect or repay the import and export duties, taxes and other public levies on importation, exportation or transit of goods, as well as to conduct forcible collection of the above in accordance with law;
- to conduct the customs-administrative procedure in first degree;
- to conduct the control of the entering and exiting of cash in domestic and foreign currencies, cheques and monetary gold;
- to conduct the control of the importation, exportation and transit of goods for which special measures are prescribed in the interest of security and public morality, protection of people's health and lives, animals and plants, protection of the living environment, protection of items of temporary protection or cultural heritage or natural rarities, protection of copyright and other related rights and industrial property rights, as well as other measures of commercial policy prescribed by law;
- to organise the customs information system and provide data on imports and exports for statistical purposes;
- to organise and conduct control of the professional liability of the employees;
- to draft legislation in the area of Customs competence;
- to organise and carry out training, testing of the knowledge and professional skills of Customs officers, as well as human resource management;
- to give expert assistance for the application of the customs regulations for the purpose of which it organises seminars and public platforms with the right for compensation;
- to conduct storage and safe-keeping of goods, as well as procedure of sale of confiscated, abandoned or discovered goods;
- to carry out monitoring of customs goods with compensation of costs;
- to conduct chemical-technological examination of goods with compensation of costs;
- to cooperate with other state authorities;

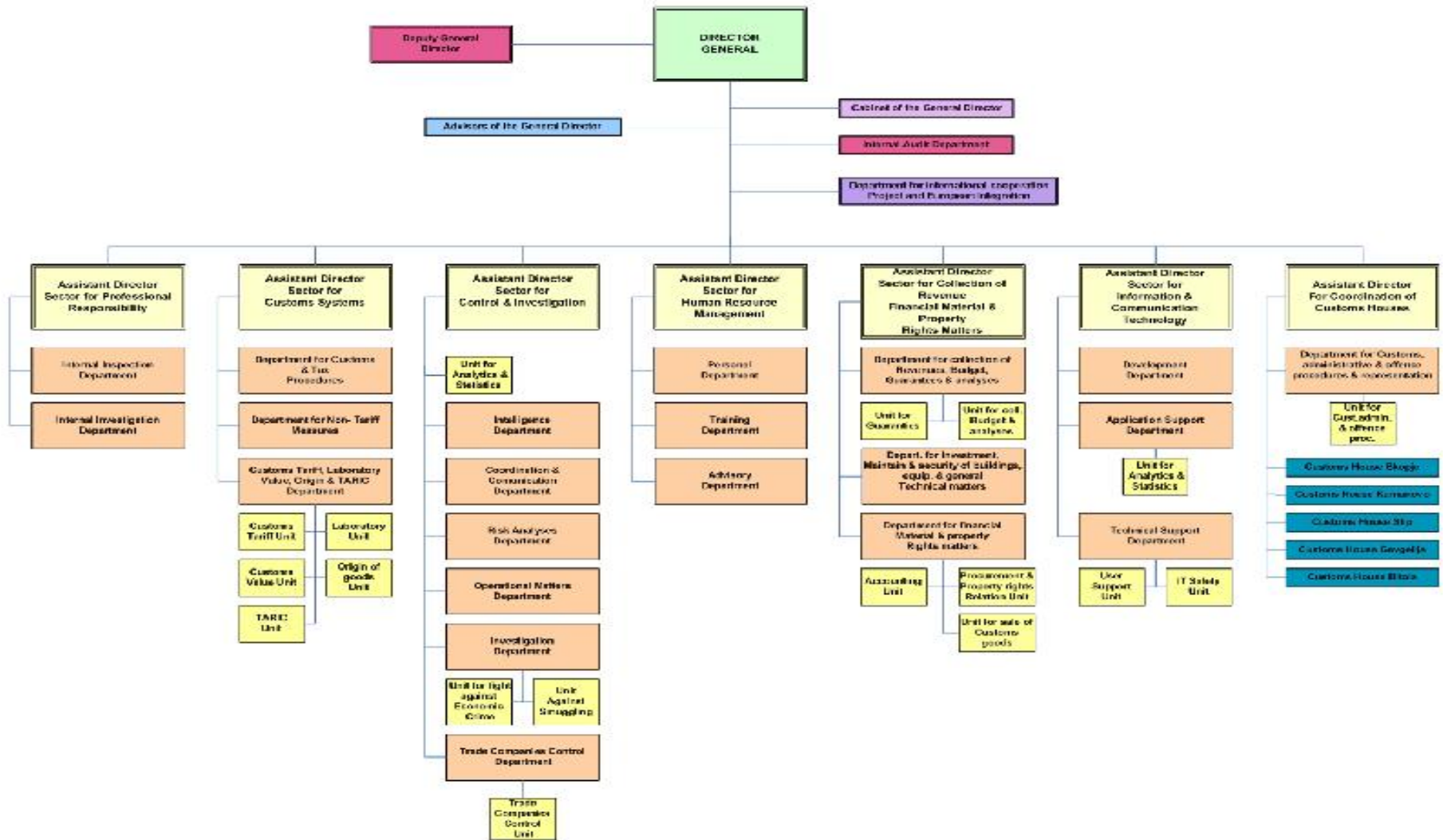
- to cooperate with foreign customs administrations and international organisations and
- to exercise other powers prescribed by the Law on Customs Administration and other laws.
-

The total number of employees in the Customs Administration is 1133.

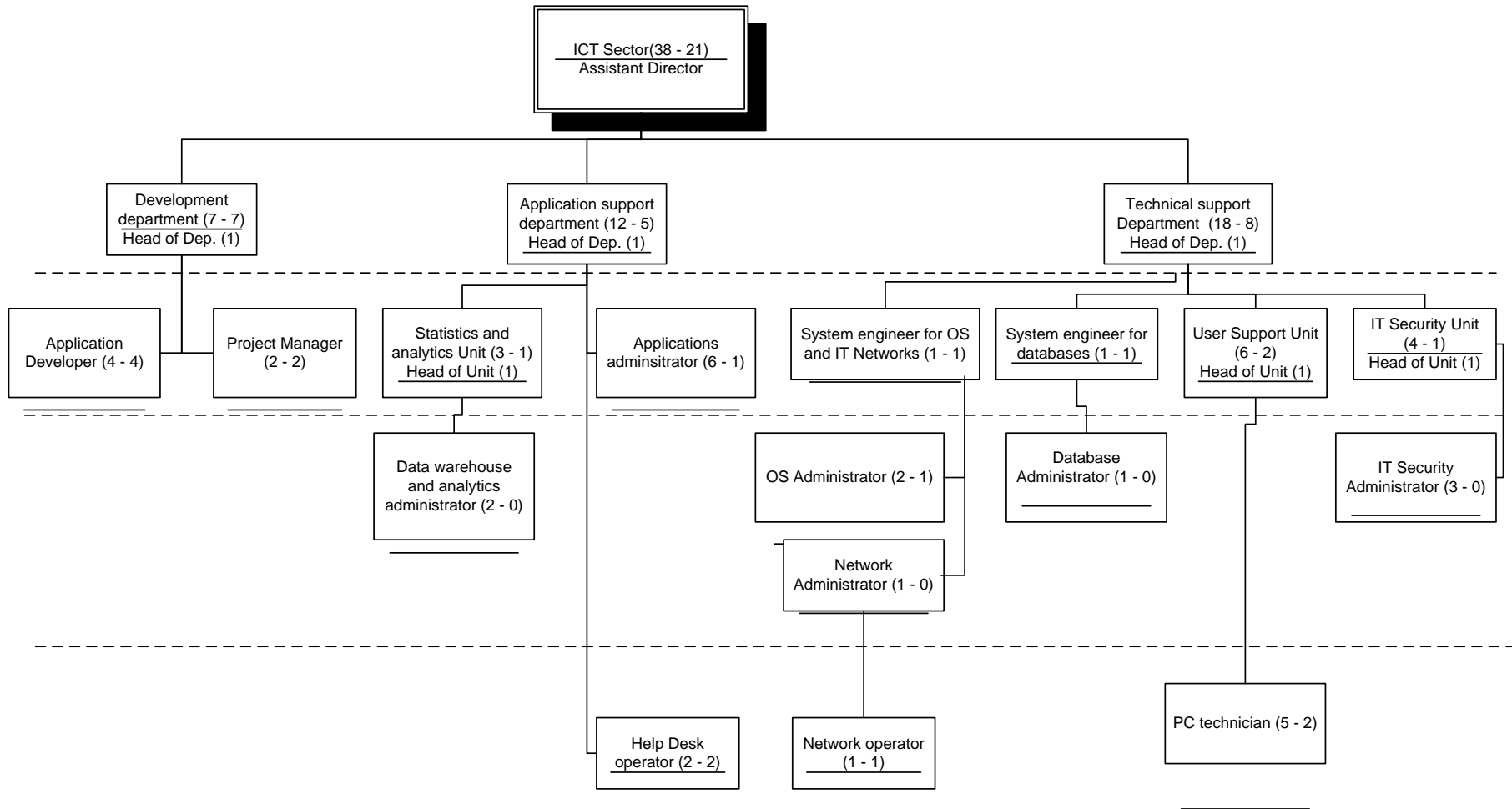
According to the Budget of the former Yugoslav Republic of Macedonia for 2008, the total amount designated to the Customs Administration is 820.854.000 denars.

LEGAL BASIS *Council Regulation (EEC) No 2658/87 of 23 July 1987 on the tariff and statistical nomenclature and on the Common Customs Tariff (OJ L 256, 7.9.1987, p. 1), Articles 2, 5, 6, 12 ; Regulation 2454/1993 (Implementing provisions of the current customs code), Art 308a, b and c: Management of Tariff Quotas; Customs Code implementing provisions as amended by Reg. (EC) No 1875/2006, Art 308d: System of import surveillance; Current Customs Code and its Implementing provisions; Electronic Customs Decision, Art. 4.3 Systems, services and time limits;*

Organisation structures. Please find below the organigrams of the Customs Administration and the ICT sector.



ICT Sector



ANNEX 4 - Reference to Laws, Regulations and Strategic Documents:

Reference to Laws, Regulations and Strategic Documents:

- Constitution, 1991;
- Customs Code, 2005, 2008;
- Implementing Regulation for the Customs Code, 2005, 2006,
- Customs Administration Law, 2004;
- Law on Value Added Tax, 1999, 2006;
- 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 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;
- Regulation on the Form, Contents and the Manner of Completing the Customs Declaration and Other Documents within the Customs Procedure, 2005;

Reference to AP/NPAA / EP/ SAA/Progress report

Reference to AP

Reference to **Accession Partnership** (2007-2008): The program will address the following AP priorities: “Increase administrative capacity to implement customs legislation and to fight cross-border crime”; “Further approximate legislation and procedures to the acquis, in particular in the areas of transit and allocation of tariff quotas”.

Reference to NPAA

The **National Plan for Adoption of Acquis** with regard to customs reforms intends to further pursue legal development and harmonisation with the Acquis, strengthen capacity building of the Customs Administration, as well as strengthening of the customs IT infrastructure, including establishment of full interconnection with the EU systems (CCN/CSI and NCTS) and continuation of the procedures for interconnection with other EU systems. The implementation of computerized systems dealing with the tariff exchange of information between the EC and the Member States, being mandatory for the accession day, needs to be developed and the interconnection established in advance. This is one of the priorities stated in the National Plan concerning the interconnectivity with the EU IT systems, including the ITE systems. Permanent adjustment of the Customs Administration’s IT system will reflect, among others, as a priority, introduction of IT systems such as: TARIC, European Binding Tariff

Information (EBTI), Quota, Surveillance, the European Customs Inventory of Chemical Substances (ECICS). All CITE systems are mandatory for accession.

Reference to SAA

The project will reinforce the **SAA** Article 88, which stipulates "achieve the approximation of the customs system of the former Yugoslav Republic of Macedonia to that of the Community", "the simplification of inspections and formalities in respect of the carriage of goods and support for introduction of modern customs information systems", as well as the "possibility of interconnection between the transit system of the Community and the former Yugoslav Republic of Macedonia".

Reference to Progress report

Reference to the **Progress Report** (2007): The 2007 report makes the following evaluation: "There was significant progress with respect to customs legislation. ... Moreover, the implementing legislation to the Customs Code was amended to facilitate inward processing and bonded warehousing and the customs administration published manuals on customs clearance and on preferential rules of origin. However, although the customs legislation is already well aligned, the *acquis* in the area of transit and tariff quotas has not yet been transposed. ... Administrative and operational capacity improved substantially, especially in terms of organisation. As of April 2007, the customs administration collected 37.31 % more customs duties, excise duties and VAT compared to the same period of last year. A new system for control of goods subject to dual use and of weapons is being introduced. The former Yugoslav Republic of Macedonia has requested to accede to the Common Transit Convention and has started preparations in this respect. However, much remains to be done to develop IT systems in order to allow interconnectivity with the Community IT systems. A strategy on integrity and combating corruption was adopted and is being implemented consistently. ... Significant results were achieved in seizing counterfeit and pirated goods. ... Customs action in combating illegal trade has been steady and consistent, leading to major improvements in the overall performance of the service compared to previous years. It is necessary to build on these results and continue the modernisation efforts. ... Progress was also made in strengthening inter-institutional cooperation with the ministries of interior, health, agriculture and environment. Improvement in IT and other equipment, including a comprehensive IT strategy addressing interconnectivity issues, is necessary in order to allow the customs administration properly to manage and enforce the implementation of the *acquis*".

Reference to the **Progress Report** (2008): The latest progress report makes the following evaluation: "Good progress has been made on **customs legislation**. Amendments to the Customs Code introduced risk criteria for the control of customs declarations and the status of authorized economic operator (AEO)... The 2008 customs tariff was adopted, taking into account the obligations stemming from the SAA and the changes in the EU Combined Nomenclature. Tariff quotas are now allotted on a "first come, first served" principle, which is in line with the *acquis*. The legislation in the area of transit has yet to be aligned... Significant progress has been made in the area of **administrative and operational capacity**... As a result of the strategy for professional advancement, employees benefited from a large number of training

activities, including induction training for new employees... The four mobile scanners purchased in 2007 were put into service... In preparation for setting up a "single-window" system at border crossings, an IT system for issuing authorizations and transit records has been developed. However, a comprehensive IT strategy and a strategy for interconnectivity with the Community IT systems have yet to be developed... The customs administration continued implementing its strategy on integrity and combating corruption... Significant results were achieved in combating cross-border crime and trade in counterfeit goods... The country was granted observer status on the EFTA committees for the Convention on common transit and on simplification of formalities in trade in goods. Cooperation was enhanced with a number of State institutions and also with trading and freight forwarding companies, by signing memoranda of understanding on integrated border management. The revenue collected by the customs administration continued to increase significantly. As a conclusion the report underlines that substantial progress has been made in area of Customs Union, both as regards legislative alignment and administrative capacity. Revenue collection has increased substantially and good results have been achieved in combating cross-border crime, including infringements of intellectual property rights. The customs legislation is well aligned with the *acquis*, but still has to be further harmonised. Administrative and operational capacity has improved significantly and the fight against corruption has led to tangible results.

Reference to National Plan for Adoption of Acquis (2008):

The Plan has following assessment and priorities with regard to reforms in the customs: The former Yugoslav Republic of Macedonia in 2005 established a customs system similar to the customs system of the European Union. With the adoption of the Customs Law and the Decree on implementation of the Customs Law, which started applying as of 1 January 2006, a high level of compliance of our legislation with the legislation of the European Union was achieved. With the purpose of harmonisation with the most recent amendments to the European Union Customs Code (32005R0648), especially in the part of introducing the concept of authorised economic operator, amendments to the Customs Law and the Decree on implementation of the Customs Law have been drafted. In addition to this, the amendments contain provisions specifying and simplifying the manner and the criteria of adoption, amendments and abolishment of approvals by the Customs Administration and a definition is introduced of a person with higher (financial) risk.

During 2008, the activities of the Customs Administration of the former Yugoslav Republic of Macedonia will be concentrated on further harmonisation of the legislation and strengthening of the administrative capacity for implementation of the customs legislation and fight against cross-border crime.

The novelties envisaged by the Customs Law will ensure building a customs system that would provide timely and efficient collection of customs and other duties and prevention of the entry of illegal goods, which would contribute to facilitation of international trade and sustainable economic development. Creating conditions for efficient implementation of regulations, building appropriate control mechanisms and simultaneous development of simplified procedures and facilitations in the

implementation of customs procedures is possible only if there is a clear and standardised definition of the rights and obligations of all participants in the customs procedure, which was achieved with this Law.

To the end of creating better conditions for the Macedonian economy to compete on the global markets, it is of significant importance to establish a new customs ICT system, to enable electronic exchange of information and to ensure connection to trade by using modern technology. According to the 2008-2010 strategic plan, activities will be intensified related to strengthening of the administrative capacity for implementation of the customs legislation and preparation of the country for EU membership. To that end, activities will be undertaken for adoption of the *acquis communautaire*, harmonisation of the national legislation with the EU legislation and building capacities for efficient control at external borders.

The 2008 Action Plan of the Customs Administration envisages activities regarding the selection, procurement and implementation of software for processing customs declarations and establishment of a new ICT system (above all, preparation of the national domain). The preparation of the necessary documentation with a description of the required user and technical setup of the Customs Declarations Processing System (CDPS) will be realised through an engagement of consultants through the European Commission.

With regard to the interconnections with the EU systems, in 2008 it is envisaged to prepare NCTS and ITMS projects, as well as to prepare ICT strategic documents and above all, IIS strategy (Interoperability Implementation Strategy). Trainings are envisaged with regard to the TEMPO methodology, realisation of organisational changes within the sector (Help Desk and project management).

The Customs Administration initiated urgent activities with respect to the selection, procurement and implementation of software for processing customs declarations and setting up a new ICT system. Logically, it sets priorities and norms focused, above all, towards the EU systems and standards. This means:

- (National setup) - high-quality software solutions that support the bases of the nationwide customs operations by fully accepting the EU legislation and the EU standards in the ICT operations, as well as a compatible e-government solution.
- (Setup according to the EU systems) - such setup of national configuration and system should be fully and directly focused on the EU systems.

With respect to the National Setup, it is envisaged to engage consultants for preparation of the necessary documentation, describing the necessary user and technical setup of the system for processing customs declarations.

Regarding the interconnections with the EU systems, under IPA 2007, the ICT component was prepared by preparing NCTS and ITMS projects, as well as drafting ICT strategic documents and, above all, IIS Strategy (implementation of

interoperability). Training is also envisaged regarding TEMPO methodology, as well as realisation of adequate organisational changes within the sector (Help Desk and project management).

The Customs Administration will continue the activities aimed at improving the risk management system and will work on introducing working criteria and standards and efficient exchange of data. In the future, the process of selecting risk profiles is expected to be automated by introducing a system for centralised electronic administration of all operational activities in the Customs Administration for the purposes of risk analysis, statistics and intelligence.

The Customs Administration will continue the activities for promoting cooperation and exchange of data with domestic and foreign institutions for fight against illicit trade and organised crime. Activities will continue to establish electronic exchange of data with domestic institutions and the neighbouring customs services and a legal framework will be established by signing memoranda/protocols.

Contemporary methods for clearance of goods, by introducing simplifications and transfer to paperless operations, require additional efforts and activities by the customs service for efficient collection of duties and implementation of trade policy measures.

To that end, it is envisaged to introduce integrated customs and statistical nomenclature of the European Union (TARIC), strengthen the surveillance mechanisms by introducing video monitoring at the border crossings, introduce a system for collection of excises throughout the country, improve the risk management systems, modernise the border crossings to the end of better implementation of integrated border management and enhance the cooperation with other state institutions and inspection services.

From ICT point of view, full interconnection with the EU systems (CCN/CSI and NCTS) and continuation of the procedures for interconnection with other EU systems are envisaged on the medium term. Thereby, the Customs Administration, via continuous adjustment of the ICT Strategy, will commit to acceptance of the priorities with regard to the new European systems (AES, AIS), as well as provision of legal and technical preconditions regarding the security of the ICT system, support to paperless solutions, implementation of the electronic data exchange, set up of a risk management system, defined, above all, in Regulation 32005R0648.

One of the strategic priorities of the Customs Administration of the Government in the period 2008-2010 is the introduction of integrated tariff of the EU (TARIC), which, through an encoding system, identifies all tariff and non-tariff measures to be applied on certain products. In the course of 2008, activities will be commenced pertaining to introduction of the integrated tariff of the EU – TARIC. During this period, introduction of a computer software for receipt, update and overview of the TARIC database is planned, which will contain all information on all measures that need to be undertaken by the customs service at the time of importation of certain goods from certain countries.

The Customs Administration will establish electronic system for early notification on the arrival of goods in the customs territory, as well as efficient system for electronic communication between the border terminals and between the border and internal terminals.

The reorganisation of the customs service will enable: adoption of comparable legislation regarding the organisation and competencies of the customs authorities; provision of high degree of cooperation among the customs, tax and other state services; establishment of efficient customs control, especially in the part of smuggling and collection of public duties; highly-qualified and motivated employees with high degree of responsibility and regulated status, salaries, training and promotion opportunities, support of an information system comparable with the structure of the Community Information System.

The Multi-Annual Indicative Planning Document (2008-2010) refers to: “Alignment of the national customs legislation with the Acquis and reinforcement of border controls”; “With regard to the customs union, it is necessary to further align the customs legislation and procedures with the acquis and to strengthen the customs administration in order to ensure its proper functioning”; “The transposition of the Community acquis will have been largely completed in the area of the Internal Market, transport and energy, taxation and Customs Union and be well advanced in other major areas of EU legislation”.

Reference to the National Development Plan

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". Reform of Customs is identified as area of focus and priority.

Reference to the national/ sectoral investment plans:

The project directly links to the following key Strategies and Action Plans in the sector:

- Code of Conduct 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;
- Strategic Plan of the Customs Administration 2008-2010;
- Training and Professional Development Strategy;
- Anti-corruption Strategy

The CARM is undergoing a reform process in accordance with its Strategic Plan 2008-2010, the National Plan for Adoption of the Acquis and is using the EC Customs Blueprints. The objective of the reforms is to reach increased organizational and operational efficiency of the customs service; to enhance the integrity in the CARM; to achieve implementation of harmonized customs legislation; to introduce transparent and efficient customs procedures, such as the “Single Window concept”; to enhance the use

of Information Technology and Electronic Working; to provide for greater client oriented approach and better cooperation with the business community.

The conclusions of the European Commission' 2007 Progress Report for the former Yugoslav Republic of Macedonia, chapter 29: Customs Union, which state that progress has been substantial in the customs area. The legislative alignment is well advanced. In terms of the administrative and operational capacity, the country has made significant progress and achieved important results in fighting illegal trade and collecting revenues. Efforts to combat corruption and misconduct have been very positive and need to be pursued. Overall, the customs needs to continue to its modernization efforts in order to be able to effectively implement customs rules and the EU *acquis*. Despite of the substantial progress over the reporting period, much remains to be done to develop IT systems in order to allow interconnectivity with the Community IT systems. Improvement in IT and other equipment, including a comprehensive IT strategy addressing interconnectivity issues, is necessary in order to allow the customs administration properly to manage and enforce the implementation of the *acquis*.

The country has requested to accede to the EC_EFTA conventions on Common Transit and on the Simplification of Formalities in Trade in goods (SAD) and has started preparations in this respect. Recently, a status of observer to the EC_EFTA Joint Committee has been granted.

The CARM has elaborated an IT Strategy and Development Plan, based on the CARM's Strategic Plan. The Strategy defines all entities, parties involved and participants in the Customs operation, defines the functions between them, as well as the tools used for its purposes. However, the ICT Strategy needs to be reviewed and updated to reflect the requirements for establishing interconnectivity with the computerised systems of the EU.

Reference to the **Progress Report** (2008): The latest progress report makes the following evaluation: "Good progress has been made on **customs legislation**. Amendments to the Customs Code introduced risk criteria for the control of customs declarations and the status of authorised economic operator (AEO). The 2008 customs tariff was adopted, taking into account the obligations stemming from the SAA and the changes in the EU Combined Nomenclature. Tariff quotas are now allotted on a "first come, first served" principle, which is in line with the *acquis*. The legislation in the area of transit has yet to be aligned... Significant progress has been made in the area of **administrative and operational capacity**. As a result of the strategy for professional advancement, employees benefited from a large number of training activities, including induction training for new employees... The four mobile scanners purchased in 2007 were put into service... In preparation for setting up a "single-window" system at border crossings, an IT system for issuing authorisations and transit records has been developed. However, a comprehensive IT strategy and a strategy for interconnectivity with the Community IT systems have yet to be developed. The customs administration continued implementing its strategy on integrity and combating corruption. Significant results were achieved in combating cross-border crime and trade in counterfeit goods. The country was granted observer status on the EFTA committees for the Convention

on common transit and on simplification of formalities in trade in goods. Cooperation was enhanced with a number of State institutions and also with trading and freight forwarding companies, by signing memoranda of understanding on integrated border management. The revenue collected by the customs administration continued to increase significantly. As a conclusion the report underlines that substantial progress has been made in area of Customs Union, both as regards legislative alignment and administrative capacity. Revenue collection has increased substantially and good results have been achieved in combating cross-border crime, including infringements of intellectual property rights. The customs legislation is well aligned with the *acquis*, but still has to be further harmonised. Administrative and operational capacity has improved significantly and the fight against corruption has led to tangible results."

ANNEX 5 -Details per EU funded contract

Management and contracting arrangements

Although the project is composed of 3 individual components, these components are inter-related. Therefore, the project will be implemented through a strong coordination mechanism. A steering committee will be established chaired by the Director of the CARM. The Delegation of the European Union and the Secretariat for European Affairs shall be invited to participate with observer status. The Steering Committee shall meet not less than once per three months.

Advisory services will be provided to the beneficiary through two different service contracts. The TA contracts will provide next to a team leader additional expertise to assist in key tasks, e.g. in the field of organizational restructuring and procedural reforms, design, adapt, develop and implement an ITE compatible system, and others. Some of these experts will address the cross-cutting issues. The TA contracts will assist the CARM in the introduction of methodologies and procedures for maintenance of this system and the automated tools to assist this process, as well as the design of the specifications of the IT equipment and software to be procured.

The core project team – consisting of the team leader and other experts will be placed within the CARM.

The team leaders 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 in the different components of the activity is significantly important. The team leaders are responsible for an appropriate management of resources. During the inception phase of the project, a detailed deployment plan will be developed under the coordination of a Steering Committee.

The expected contracting arrangements are:

- 1 Service contract for ITE-related project management on related business change management. This support will encompass the management of all business and functional aspects of systems implementation surrounding the introduction of the new computerized system, particularly in the areas of organizational restructuring and procedural reforms. The contract has an expected implementation period of 18 to 24 months. The contract value will be EUR 1 000 000. The IPA contribution will be EUR 900 000 and the national co-financing will be EUR 100 000. The project is intended to start in Q1 2011.

- 1 Service contract for ITE Development – Software Development Service Contract. This support will assist the development of the EU compatible national ITE modules with consistent application of tariff and commercial legislation throughout the customs union. Activity will design, adapt, develop and implement, an ITE compatible system, technically based on the existing national system. This will include both the methodologies and procedures for the maintenance of this system and the automated tools to assist this process. The contract has an expected implementation period of 18 to 24 months. The contract value will be approximately 1 900 000 EUR. The IPA contribution will be EUR 1 710 000 and the national co-financing will be EUR 190 000. The project is intended to start in Q3 2010.

- 1 Supply contract for provision of necessary equipment. The contract has an expected implementation period of 16 to 20 months plus 12 months warranty period. The contract value will be approximately 400 000 EUR. The IPA contribution will be EUR 300 000 and the national co-financing will be EUR 100 000. The project is intended to start in Q4 2011.