Project Fiche 3.3:   Customs Administration

1. Basic information

1.1.   CRIS Number: 2008/20-311

1.2.   Title: Interoperability of the Customs Administration's IT system with the EU customs IT systems

1.3.   ELARG Statistical code: 3.29

1.4.   Location: Skopje

<u>**Implementing arrangements**</u>

1.5 Contracting Authority (EC)
European Commission, EC Delegation, on behalf of the beneficiary

1.6 Implementing Agency
European Commission, EC Delegation, on behalf of the beneficiary

1.7   Beneficiary (including details of project manager)
Customs Administration of the former Yugoslav Republic of Macedonia (MCA)
Contacts:
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1.8   Overall costs (VAT excluded)[1]: EUR 4.100.000

1.9   EU contribution: EUR 3.500.000

1.10   Final date for contracting
Two years from the date of the conclusion of the Financing Agreement

1.11   Final date for execution of contracts
Two years from the final date for contracting

1.12   Final date for disbursements
One year from the final date for execution of contracts

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[1] The total costs of the project should be net of VAT and/or other taxes. Should this not be the case, the amount of VAT and the reasons why it should be considered eligible should be clearly indicated.

2. Overall Objective and Project Purpose

2.1. Overall Objective

To support the country in the process of fulfilling the EU pre-accession requirements, concerning accessing the Common Transit Convention, including support to the implementation of the National Customs Transit System (NCTS) and Common Communication Network and Common System Interface (CCN/CSI).

2.2. Project purpose

The purpose of the present project is the strengthening of the operational capacity of the Customs Administration of the former Yugoslav Republic of Macedonia (MCA) in accordance with the EU standards in core Customs business areas of the European Community Customs transit control to ensure full compatibility and interoperability of the MCA 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.

2.3. Link with AP/NPAA/EP/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".

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 **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.

2.4. Link with MIPD

The **Multi-Annual Indicative Planning Document** (MIPD) indicates that by the support to the customs reforms, the transposition of the Community acquis will have been largely completed in the area of Customs Union. It states that particular attention should be paid to alignment of the national customs legislation with the Acquis and reinforcement of border controls and highlights the necessity to further align the customs

legislation and procedures with the acquis and to strengthen the customs administration in order to ensure its proper functioning.

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"

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;
- 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

3.　Description of project

3.1.　Background and justification

The Customs Administration (MCA) 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 MCA 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 MCA has over 900 employees.

The relevant legislation in the area of Customs include 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.

The MCA is undergoing a reform process in accordance with its Strategic Plan 2004-2008, the recently drafted 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 MCA; 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 European Commission's 2007 Progress Report for the country, chapter 29: Customs Union, concludes that progress has been substantial in the customs area. The 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, the 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 the Community IT systems. Improvement in IT and other equipment, including a comprehensive IT strategy addressing interconnectivity issues, is necessary 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.

Recently the Strategic Plan 2008-2010 has been drafted, and one of the five strategic goals concerns the use of IT and further expansion of e-services The MCA has elaborated an IT Strategy and Development Plan, based on the MCA'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.

DG TAXUD carried out an IT Awareness Mission to the MCA in May 2007 and presented the IT systems which the Customs Administration should have access to and the manner to gain this access. The main priorities in the further development of IT systems entail the software solutions of the 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. The new IT system should ensure high-quality software solution that would support the bases of the nation-wide customs operations by fully accepting the EU legislation and EU standards, as well as ensuring compatibility and interoperability with the EU systems. The activities already undertaken for procurement of new customs system and the staffing of the ICT Sector are in accordance with the recommendations of DG TAXUD that the MCA will need to 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 to use in the future. In 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 the Administration that will be responsible for the CCN gateway (either Customs or Tax Administration).

The MCA ICT Sector has examined the use and an eventual further development of the current software solution – ASYCUDA –, as well as the 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 MCA 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 to establish a new Customs Information System. The present project will support MCA in its efforts.

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

The project complies with EU norms and standards. The Technical Assistance Projects 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 a longer term capacity of Customs to sustain complex IT projects in the customs area and manage them effectively. The operational expenses for the NCTS and the CCN/CSI will be covered by the Government.

The improvement of the customs system will most certainly have a positive impact on the general business environment, stimulate investments (both foreign and domestic) and create a more transparent and predictable business environment.

3.3. Results and measurable indicators[2]

In essence, 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 organizational and procedural changes in order to operate the systems effectively and efficiently. This is a prerequisite for accession to the EU. The CCN/CSI will be implemented and operational.

The expected results are:
- MCA is endowed with the necessary capacity:
    - To use and manage the NCTS and CCN/CSI application, including database administration;
    - To perform the Help Desk support and systems maintenance;
    - 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 MCA and Public Revenue Office (PRO) Network with the CCN/CSI system is established and operational.

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[2] Please note that some of the indicators have not yet been quantified or been given a benchmark. This will be done during the development of the detailed Terms of Reference.

- Use of a coherent method of access by the applications operated between the Commission and the Government under CCN/CSI.

The measurable indicators are:
- The Customs Administration, business and IT staff trained, and subsequently competent, in using NCTS, measured through number of requests to the Help Desk for support.
- Operational IT-equipment installed, tested and operational
- Phase 4 or further implemented excluding the Trader module
- NCTS implemented and fully operational;
- CCN/CSI infrastructure deployed.
- EU standards and formats for information exchange implemented.
- NCTS data integrated in the national control system.

3.4.   Activities

The project consists of three components:

Component 1: Management Support to the NCTS Implementation

Component 2: NCTS Implementation (a) Upgrade of the National Transit Application, and (b) Software development

Component 3: Implementation of CCN/CSI

Component 1: Management Support to the NCTS Implementation

Support will be provided to the MCA in NCTS-related IT project management, quality assurance and quality control, based on upgrading existing national transit application. This support will encompass the management of all business and functional aspects of systems implementation surrounding the introduction of the new computerized system. The contractor will provide support to the MCA for Quality Assurance and Quality control on all other contracts, related to the NCTS and CCN/CIS implementation. The main activities foreseen to be carried on under this contract include:

- Provide NCTS project management, Quality Assurance and Quality control support
- Assist in planning and development of necessary operational capacity and control over IT developments and projects (systems, infrastructure and services)
- Review and follow up the entry in force of all necessary legal, administrative and procedural arrangements and advice on any necessary changes as far as it relates to project objectives in the NCTS field
- Assist in the production and maintenance plans for the implementation of the NCTS and CCN/CSI,
- Provide Quality assurance in equipment procurement, installation and putting into operation
- Support to the MCA in transit procedures and transit department reorganisation
- Assist in coordinating and monitoring of activities conducted by the other contractors, working on the NCTS and CCN/CSI
- Provide relevant training to Customs Administration staff
- If necessary, assist the Customs Administration in preparation/finalisation of relevant TOR and Technical Specifications for procurement of needed software

Component 2: NCTS Implementation ((a) Upgrade of the National Transit Application and (b) Software development

Upgrade of the national transit application to compatibility with the functional specifications of NCTS. The main activities foreseen to be carried on under this contract include:
- Preparation of the Project Quality Plan
- Realise detailed functional specification (System Specification Phase)
- Realise detailed technical specification (Design Phase)
- Development of the application (Build and Test Phase)
- Realise all the software testing according to the used methodology (Build and Test Phase)
- NCTS data integrated in the national control system
- Installation of the training and operational environment (Running and Maintenance Phase)
- Realise user training (Running and Maintenance Phase)
- Hand-over application and documentation and perform corrective maintenance (Running and Maintenance Phase)

Component 3: Implementation of CCN/CSI

The Common Communication Network and Common System Interface (CCN/CSI) is a technical solution (gateway) developed by the Commission Services aiming at establishing a unique, secure and reliable electronic data exchange infrastructure to be used by all common applications of the national administrations and by the Commission services. This project will provide the necessary technical infrastructure (equipment, software) for the connection of the MCA with the CCN/CSI system and the technical assistance required to support the physical installation and the operational support of the gateway.

The activities foreseen under this component include:

- Setting up of the relevant interconnectivity project team consisting of Customs, PRO and Information Services Officers.
- Technical assistance on the implementation of the IT systems to enable interoperability with the EC systems.
- Procurement of the necessary equipment.
- Coherent preparation of the deployment and of the integration of the CCN/CSI infrastructure and installation of CCN/CSI hardware and software equipment.
- Acceptance test activities associated with the CCN/CSI.
- Training on the operation of the gateway, CCN/CSI maintenance and central help desk services.

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 MCA. 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 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 MCA 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 MCA.

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:

Financed through IPA:

- 1 Service contract[3] for the development, delivery and installation, as well as associated training, of the required software for NCTS Implementation. Implementation is expected to start in 3rd quarter 2010, one month after the

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[3] Please note that at the time of drafting the Project Fiche it is believed that the development, delivery and installation, as well as associated training, of the required software for NCTS Implementation would best be implemented through a service contract instead of through a supply contract. However, a final decision will be made during the development of the detailed Terms of Reference.

signature of the contract. The contract has an expected implementation period of 18 to 24 months. The contract value will be approx. EUR 2 Million.

- 1 Service contract for CCN/CSI will be concluded following an international restricted tender procedure to support the project with duration of 18 to 24 months. Implementation is expected to start in 3rd quarter 2010, one month after the signature of the contract. The contract value will be approx. EUR 1.5 Million.

Financed through the national contribution:

- 1 Supply contract for the purchase of additional IT equipment. Implementation is expected to start in 2nd quarter 2011, one month after the signature of the contract. The contract has an expected implementation period of 4 to 10 months, and a subsequent warranty period of 12 months, bringing the total duration to 16 – 22 months. The contract value will be approx. EUR 0.4 Million.

- 1 Supply contract for the delivery and installation, as well as associated training, of the required software for CCN/CSI implementation. Implementation is expected to start in 2nd quarter 2011, one month after the signature of the contract. The contract has an expected implementation period of 8 to 10 months, and a subsequent warranty period of 12 months, bringing the total duration to 20 – 22 months. The contract value will be approx. EUR 0.2 Million.

Comment concerning the contracts related to the CNN/CSI, please note that the project will provide with the necessary technical infrastructure (equipment, software) for the connection of the Customs system of the country with the CCN/CSI system and the technical assistance required for the physical installation and the operational support of the gateway.

It should be noted that there is only one supplier of the CCN/CSI infrastructure and one supplier of the network connection, already selected by DG TAXUD.

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 workplan of the project;
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 NCTS team is in place prior to the start of contracting, including as a minimum 4 business people and 2 IT people;
10) National Transit Application – service contract in place.

The launch of the development of NCTS 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 the IPA 2007 has the overall objective to achieve further alignment of the *acquis* in the area of customs, and to strengthen the administrative capacity of the MCA and its capacity to meet the EU requirements in this area. The project purpose is to contribute to a professional Customs Administration that is enabled to appropriately implement the reforms, taking due account of EU regulations and best practices. The project will comprise of three components:
  1. *the harmonisation of national Customs legislation* with European Union (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"*;
  2. *The reinforcement of the border controls* as an important component of the overall activity of *"strengthening MCA's capacity in the fight against fraud, corruption and drug trafficking"* through the revision of customs border operations, with specific focus towards the "EU external" borders, and the implementation of modern enforcement techniques.
  3. *Improving the Customs IT system* with the aim to increase the operational efficiency, decrease corruption and achieve full compliance, in particular interconnectivity, with EU 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 the USAID and the national budget

- Customs Railway Solution –The Trade and Transport Facilitation (TTFSE) project II, financed by the World Bank, (Loan Agreement signed September 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.

- Inward Processing Solution (analysis finished) – financed by the USAID

- Enhancing the efficiency and promoting Institutional Capacity (Crown Agents), Contract signed (October 2007). Main Objectives:

  o Introduction/application of control, systems and procedures

  o 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.

  o Provision of long-term operational and technical support to control and investigation units to detect illegal trade, smuggling and economic crime

  o Development and promotion of effective inter-agency cooperation in the country and abroad.

  o Development and effective implementation of anti-corruption strategy

Planned Projects:

- Feasibility Study for New CDPS System

- Decision, Procurement and Implementation of New CDPS

- System for management of Free Economic Zones

- Guarantees Management Software

Next Activities Planned – National Domain:

- Implementation of Fully EU Compatible CDPS Solution (it has to be web-based, centralized software; the MCA 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

- The highest priority will be given to NCTS due to the fact that the country has applied for joining the Common Transit Convention, a status of observer is obtained.

The MCA applied for EU support to further develop the User and Technical Requirements of the new CDPS. A Framework Contract (FWC) is expected to be signed in January 2008 and a team of several experts with experience in EU Customs IT systems will review the business processes, will propose simplification, if necessary,

and will complete the User and Technical Requirements of the future CDPS. The project is expected to start at the beginning of 2008.

The CDPS will be developed and implemented in the period Q3 2008 - Q4 2009, using national financing and/or bilateral agreement with the Italian Customs (under preparation and depending upon negotiation).

Under the IPA 2007, it is foreseen to implement the following components:

1. *the harmonisation of Customs legislation with the Acquis* and best practice, as the prime component of the overall objective in order *"to establish a sound and modern legal foundation for the Customs business"*;

2. *the reinforcement of the border controls* as an important component of the overall activity of "*strengthening MCA's capacity in the fight against fraud, corruption and drug trafficking*" through the revision of customs border operations, with specific focus towards the "EU external" borders, and the implementation of modern enforcement techniques.

3. *improving the Customs IT system* with the aim to increase the operational efficiency, decrease corruption and achieve full compliance, in particular interconnectivity, with the EU's standards.

3.7.   Lessons learned

Firstly, there was a perceived lack of administrative capacity due to the managerial positions' staff frequent changes.

Secondly, the level and quality of project management was a source of criticism. This should be eliminated in the IPA 2007 support. One of the major benefits will not only be improved management of the 2008 Project, but also transfer skills from the experts employed to the Customs management staff.

Finally, it was felt that it was difficult to link activities to results, which may be linked to poor quality project management and especially 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.

The 2007 IPA Programming exercise in the Customs area places particular emphasis on actions supporting the computerisation of the EU standards and practices in relation to the DG TAXUD systems. With reference to the process of further MCA's computerisation, system design should be further improved in order to fully achieve a more integrated CDPS.

Also, pre-defined methodology standards should be strictly followed as well as business modelling and testing methodologies. This pre-supposes that a comprehensive IT strategy is developed and maintained.

4. Indicative Budget (amounts in €Million)

ACTIVITIES	IB (1)	INV (1)	TOTAL EXP.RE EUR (a)=(b)+(c)+(d)	IPA COMMUNITY CONTRIBUTION EUR (b)	%(2)	NATIONAL CONTRIBUTION Total EUR (c)=(x)+(y)+(z)	% (2)	Central EUR (x)	Regional/ Local EUR (y)	IFIs EUR (z)	PRIVATE CONTRIBUTION EUR (d)	% (2)
Activity 1												
Service Contract CCN/CSI	X	–	1.5	1.5	100							–
Service Contract for NCTS	X	–	2.0	2.0	100							–
Supplies/Service CCN/CSI- software	–	X	0.2			0.2	100	0.2				–
Supplies IT equipment	–	X	0.4			0.4	100	0.4				–
TOTAL IB			3.5	3.5	100							
TOTAL INV			0.6			0.6	100	0.6				
TOTAL PROJECT			**4.1**	**3.5**	**85**	**0.6**	**15**	**0.6**				

Amounts net of VAT

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

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

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

Contracts (financed by IPA)	Start of Tendering	Signature of contract	Project Completion
Contract 1 - Service Contract CCN/CSI	Qu1 2010	Qu3 2010	Qu3 2012
Contract 2 - Service Contract for NCTS	Qu1 2010	Qu3 2010	Qu3 2012
Contracts (financed by National Contribution)	Start of Tendering	Signature of contract	Project Completion
Contract 3 - Supplies/Service CCN/CSI- software	Qu4 2010	Qu2 2011	Qu4 2012
Contract 4 - Supplies IT equipment	Qu4 2010	Qu2 2011	Qu4 2012

6. Cross cutting issues

- **Equal Opportunity**

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

- **Minorities**

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 (200/43/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.

- **Environment**

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

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

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

ANNEXES

1 - Log Frame in Standard Format

2 - Amounts contracted and Distributed 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/sectoral 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 Grant schemes*: account of components of the shceme
   - *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 construction works):
   - Rate of return
   - Co-financing
   - Compliance with state aids provisions
   - Ownership of assets (current and after project completion)

ANNEX 1 - Log frame in standard format

LOGFRAME PLANNING MATRIX FOR Project Fiche: Interoperability of the MCA IT System with the EU Customs IT Systems –NCTS and CCN/CSI			
Ministry of Finance, Customs Administration	Contracting period expires two years from the date of the conclusion of the Financing Agreement	Execution period expires two years from the final date for contracting	Disbursement period expires one year from the final date for execution of contracts.
		Total budget : EUR 4.1 Million	IPA budget: EUR 3.5 Million

Overall objective	Objectively verifiable indicators	Sources of Verification	
To support the country in the process of fulfilling the EU pre-accession requirements, concerning accessing the Common Transit Convention, including support to the implementation of NCTS and CCN.	• Customs Administration in full compliance with the accession requirements and the nationally Interoperability Implementation Strategy provided by the EC. • National Transit IT application exchanging data with all the member states	• 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	Objectively verifiable indicators	Sources of Verification	Assumptions

		• 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	• 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 (CCN) • Successful implementation of other EU financed customs projects
The purpose of the present project is the strengthening of the operational capacity of the MCA in accordance with the EU standards in core Customs business areas of the European Community Customs transit control to ensure full compatibility and interoperability of the MCA IT system with the NCTS and to achieve full interconnectivity with the European Commission/DG TAXUD systems, enabling the exchange of data within the framework of the Common Communication Network and Common System Interface (CCN/CSI) infrastructure developed by DG TAXUD.			

Results	Objectively verifiable indicators	Sources of Verification	Assumptions

- MCA is endowed with the necessary capacity:
  • To use and manage the NCTS and CCN/CSI application, including database administration;
  • To perform the Help Desk support and systems maintenance;
  • 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 MCA 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.
	- Customs Administration, business and IT staff trained, and subsequently competent, in using NCTS, measured through number of requests to the Help Desk for support.
	- Operational IT-equipment installed, tested and operational
	- Phase 4 or further implemented excluding the Trader module
	- NCTS implemented and fully operational;
	- CCN/CSI infrastructure deployed in the country.
	- EU standards and formats for information exchange implemented.
	- NCTS data integrated in the national control system.
		• 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
			Full commitment of the parties involved.

Activities	Means	Costs	Assumptions
Component 1: Management Support to the NCTS Implementation • Provide NCTS project management, Quality Assurance and Quality control support • Assist in planning and development of necessary operational capacity and control over IT developments and projects (systems, infrastructure and services) • Review and follow up the entry in force of all necessary legal, administrative and procedural arrangements and advice on any necessary changes as far as it relates to project objectives in the NCTS field • Assist in the production and maintenance plans for the implementation of the NCTS and CCN/CSI, • Provide Quality assurance in equipment procurement, installation and putting into operation • Support to the MCA in transit procedures and transit department reorganisation • Assist in coordinating and monitoring of activities conducted by the other contractors, working on the NCTS and CCN/CSI • Provide relevant training to Customs Administration staff • If necessary, assist the Customs Administration in preparation/finalisation of relevant TOR and Technical Specifications for procurement of needed software	Service contract Supply contract	TA: 1.500.000 EUR (IPA Funded) Supplies: 200.000 (funded through national contribution)	Full commitment of the parties involved.

Component 2: NCTS Implementation - Upgrade of the National Transit Application – Software development • Preparation of the Project Quality Plan • Realise detailed functional specification (System Specification Phase) • Realise detailed technical specification (Design Phase) • Development of the application (Build and Test Phase) • Realise all the software testing according to the used methodology (Build and Test Phase) • NCTS data integrated in the national control system • Installation of the training and operational environment (Running and Maintenance Phase) • Realise user training (Running and Maintenance Phase) • Hand-over application and documentation and perform corrective maintenance (Running and Maintenance Phase)	Service Contract Supply Contract	2,000,000 EUR (IPA funded) 400.000 EUR (funded though national contribution)	
Component 3: Implementation of CCN/CSI • Setting up of the relevant interconnectivity project team consisting of Customs, PRO and Information Services Officers. • Technical assistance on the implementation of the IT systems to enable interoperability with the EC systems. • Procurement of the necessary equipment. • Coherent preparation of the deployment and of the integration of the CCN/CSI. infrastructure and installation of CCN/CSI hardware and software equipment. • Acceptance test activities associated with the CCN/CSI. • Training on the operation of the gateway, CCN/CSI maintenance and central help desk services.			

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; and

4. Full-time NCTS 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 million EUR) contracted and Distributed per Quarter over the full duration of Programme (only IPA funds)

	2010				2011				2012				2013			
Contracted	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Service Contract CCN/CSI			1.5													
Service Contract for NCTS			2													
Cumulated			**3.5**													
Service Contract CCN/CSI			0.3		0.2	0.2	0.2	0.2	0.2		0.2					
Service Contract for NCTS			0.4		0.3	0.3	0.3	0.3	0.3		0.1					
Cumulated			**0.7**		**1.2**	**1.7**	**2.2**	**2.7**	**3.2**		**3.5**					

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:

1) to conduct customs supervision;

2) to conduct customs control;

3) customs clearance of goods;

4) to conduct customs control, investigation and intelligence measures for the purpose of prevention, detection and investigation of customs offences and crimes;

5) to initiate a procedure for customs and other offences, as well as for crimes determined by law and to collect mandatory fines;

6) 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;

7) to conduct the customs-administrative procedure in first degree;

8) to conduct the control of the entering and exiting of cash in domestic and foreign currencies, cheques and monetary gold;

9) 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;

10) to organise the customs information system and provide data on imports and exports for statistical purposes;

11) to organise and conduct control of the professional liability of the employees;

12) to draft legislation in the area of Customs competence;

13) to organise and carry out training, testing of the knowledge and professional skills of Customs officers, as well as human resource management;

14) 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;

15) to conduct storage and safe-keeping of goods, as well as procedure of sale of confiscated, abandoned or discovered goods;

16) to carry out monitoring of customs goods with compensation of costs;

17) to conduct chemical-technological examination of goods with compensation of costs;

18) to cooperate with other state authorities;

19) to cooperate with foreign customs administrations and international organisations and

20) to exercise other powers prescribed by the Law on Customs Administration and other laws.
The total number of employees in the Customs Administration is 933.

According to the national Budget for 2008, the total amount designated to the Customs Administration is 820.854.000,00 denars.

Legislation
Under the IPA 2007 financial support, Technical Assistance project - "Further alignment of legislation with the acquis", which is expected to start in 2008, assistance to the Customs Administration will be provided in order to strengthen its administrative capacity to implement the EC transit procedures and the NCTS. In this context, the emphasis will be placed on gaps and needs providing, as the case may require, advice in drafting customs legislation and instructions, trade awareness and training, including study visits to EC Custom's structures and on-the-job assistance.

Under the IPA 2008, a Technical assistance project it is planned to review and follow up the entry in force of all necessary legal, administrative and procedural arrangements and advice on any necessary changes as far as it relates to project objectives in the NCTS field.

The NCTS is based on the electronic exchange of the transit data between the National Customs Administrations in parallel and in anticipation of the movement of the goods. NCTS provides a fully computerized Customs regime for goods which enter into the Common Transit. Its goal consists in strengthening and modernizing the means of Customs control in the context of the Single Market and the EFTA countries, and in reducing the possibilities for fraudulent operation inherent in the former paper-based system. The NCTS optimizes the management of the Transit System by using modern technology.
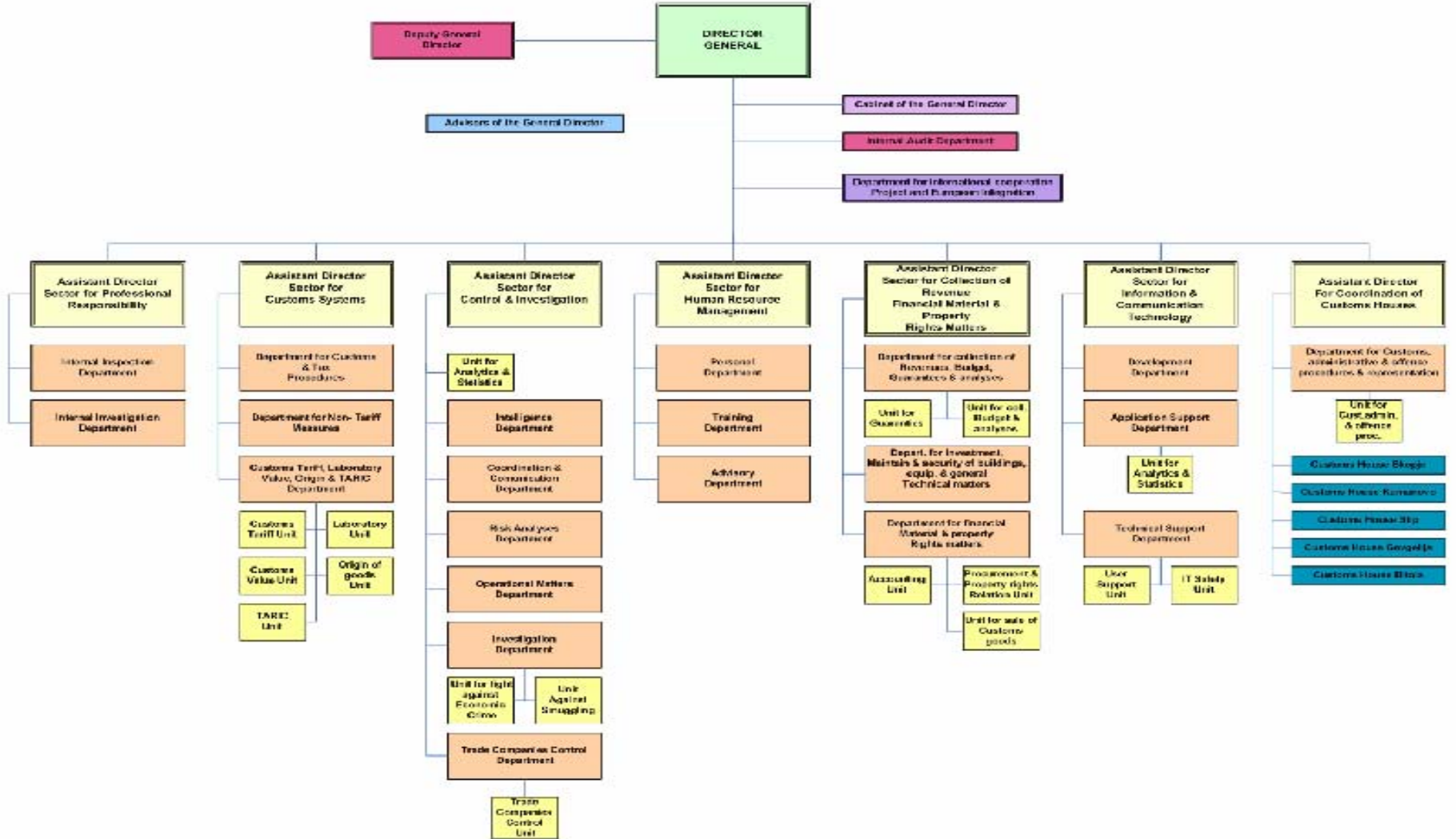
The membership of Common Transit Convention is a pre-condition for EU accession. The conditions for joining the Common Transit Conventions require that the country must be able to implement the whole of the *acquis* on common transit and the simplification of formalities (SAD) in force at the time, at legislative, operational and computerization level (NCTS). In order to operate the computerized system between the Contracting Parties a connection to the CCN/CSI common communications network will also be necessary.

The country has requested to accede to the Common Transit Convention and has started preparations in this respect. A status of observer in the EC/EFTA Working Group and the ECG (Electronic Customs Group) – NCTS is granted.
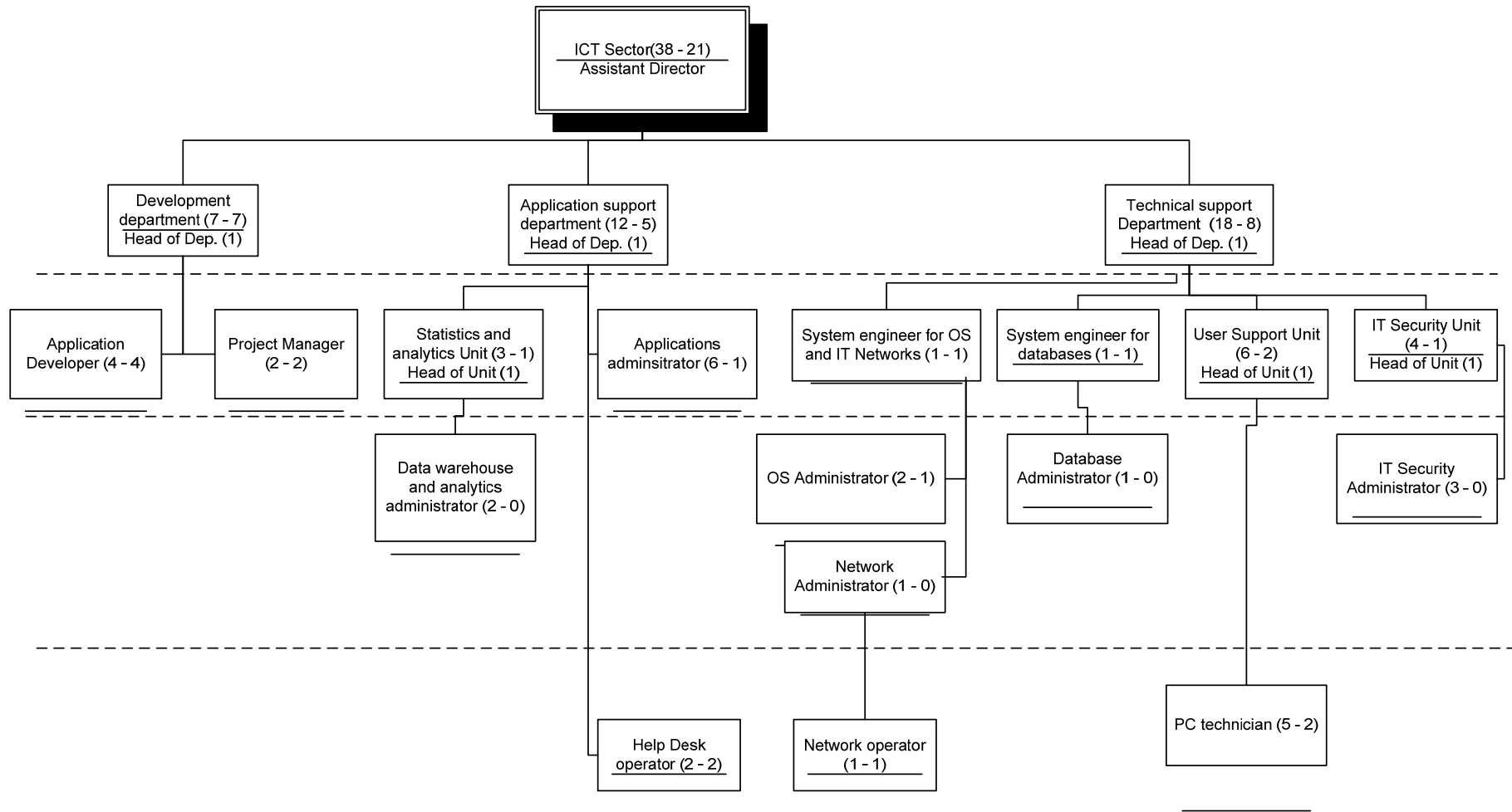
The European Commission 2007 Progress Report, chapter 29: Customs union, stated that despite of the substantial progress over the reporting period, much remains to be done to develop IT systems in order to allow interconnectivity with the Community IT systems. Improvement in IT and other equipment, including 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*.

LEGAL BASIS General D.A.C. (R. 2454/93), as last amended by Reg. (EC) 883/2005 (OJ L 148, 11.6.2005, p. 5) Convention Common Transit (Reform) as last amended by Decision 6/2005 (OJ L 324, 10.12.2005, p. 96) Legal base for NCTS phase 3 [EC Regulation No. 993/2001 (.O.J. L 141, 28 May 2001) & Decision 1/2001, EC-EFTA Joint Committee – (O.J. L 165, 21 June 2001)] Legal base for the usage of the CCN/CSI IT network (Decision 2/99, ECEFTA Joint Committee on Common Transit, 30.03.1999 (O.J. L 119, 07.05.1999)] Mandatory use of I.T.

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

ICT Sector

ICT Sector(38 - 21)
Assistant Director

Development department (7 - 7)
Head of Dep. (1)

Application support department (12 - 5)
Head of Dep. (1)

Technical support Department (18 - 8)
Head of Dep. (1)

Application Developer (4 - 4)

Project Manager (2 - 2)

Statistics and analytics Unit (3 - 1)
Head of Unit (1)

Applications adminsitrator (6 - 1)

System engineer for OS and IT Networks (1 - 1)

System engineer for databases (1 - 1)

User Support Unit (6 - 2)
Head of Unit (1)

IT Security Unit (4 - 1)
Head of Unit (1)

Data warehouse and analytics administrator (2 - 0)

OS Administrator (2 - 1)

Database Administrator (1 - 0)

IT Security Administrator (3 - 0)

Network Administrator (1 - 0)

Help Desk operator (2 - 2)

Network operator (1 - 1)

PC technician (5 - 2)

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

4.1   Reference to Laws, Regulations and Strategic Documents:

Key Laws, Regulations and Strategic Documents on Customs:
- 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;

4.2   Link with AP/NPAA/EP/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 **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 the **Progress Report** (2007): The latest progress 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 counterfeited 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 **National Plan for Adoption of Acquis** (2007): The Plan has following assessment and priorities with regard to reforms in the customs: "The Customs Law led to full harmonisation of the national with the legislation of the European Union, whereas the Council Regulation (EEC) establishing the Community Customs Code (31992R2913) served as a model. … On the basis of Protocol 5 for Mutual Assistance in Customs Matters as a part of the Stabilisation and Association Agreement…, cooperation with the EU Member States is being realised"; "The Customs Administration which is an authority within the Ministry of Finance is the competent institution for enforcement of the customs legislation. The Customs Administration is responsible for the control of the goods crossing the border line at the official border crossing points, and at the same time is responsible for the accomplishment of a number of other tasks, prescribed under the new laws and regulations"; The non-harmonised areas will be fully aligned in the course of the second revision of the customs legislation, which implies that the country shall commence with their application as a part of the acquis as of the day of its admission to the European Union. At the same time, the country will implement the Common Communication Network (CCN) and develop a proposal for introduction of a New Computerised Transit System (NCTS). Preparations for ratification and implementation of the Convention on mutual assistance and cooperation between Customs Administrations of the EU Member States of 1997 (Naples II) and the Convention on the use of information technology for customs purposes (CIS) will commence, and their final ratification will follow upon accession to the EU"; "The country will work on creating an integral Intelligence system and common database to be used by all state bodies involved in the fight against organised crime. The increase of the customs capacity to fight against border crime is a priority in this area. Appropriate level of infrastructure and equipment, including computerisation and appropriate investigation capacities, as well as establishing efficient customs organisation with a sufficient number of qualified and motivated staff with a high level of integrity will be provided in order to achieve more efficient customs cooperation. To that effect, reorganisation and additional staffing of the customs office is foreseen… The reorganisation and the professional training of the customs office providing for effective and correct collection of the direct incomes of the European Union, as well as the protection and the monitoring of the external borders of the EU, are the main targets that need to be achieved by the Customs Administration in the accomplishment of the obligations arising from the EU membership"; "The country, in 2005 established a customs system similar to the customs system of the European Union. With the adoption of the Customs Law and the Implementing Regulation of the Customs Law, which started applying as of 1 January 2006, a high degree of compliance of our legislation with the legislation of the European Union was achieved. This resulted in further adjustment of the procedures regulating customs procedures, especially in the part of the procedures having economic impact and the simplified procedures. … In May 1997, the European Commission prepared the document Customs Blueprints, which states the basic recommendations to be fulfilled by the countries in the pre-accession strategy, where the European Union states the basic recommendations for improvement and increasing of the

efficiency of the Customs Administrations of the countries aspiring for membership in the European Union. Blueprints clearly states that membership in the European Union cannot be expected without an adequate Customs Administration and it also states the basic objectives that need to be implemented by the customs administrations in order to build an operative efficiency of the customs services. In order to achieve complete fulfilment of the recommendations stated in these documents, the Customs Administration prepared a gap analysis in order to determine the future activities in this direction. The review of harmonisation of the national customs legislation with the acquis communautaire, showed a high degree of legislative harmonisation. … The Customs Administration has adopted the Strategy for development of information system, using uniform methodology, setting all priorities for further development of the ICT department, so as to modernise the Customs Administration and integrate it with the EU customs systems. The priorities in strengthening of the ICT capacities were globally defined via the ICT Strategy adopted by the Customs Administration. Strategic commitments are based, above all, on the key documents with regard to the European integration processes (interconnection and interoperability with the EU systems) and fulfilment of the ICT standards resulting from the European Legislation (with regard to the IT support to various customs procedures). Urgent activities were launched with regard to the selection, procurement and implementation of customs software and setting up new ICT system in the Customs Administration. Logically, it sets priorities and norms focused, above all towards EU systems and standards. This means: 1 (National setup) High-quality software solutions that support the bases of the nation-wide customs operations by fully accepting the EU legislation and EU standards in the ICT operations as well as compatible e-government solution. 2 (Setup according to the EU systems) Such setup national configuration and system should be fully and directly focused on EU systems. The need was determined, as well as the steps and modes of launching an administrative procedure for connecting with the EU systems, above all CCN/CSI and NCTS. … The activities of the Customs Administration will be concentrated on further harmonisation of the legislation and strengthening of the customs infrastructure. … In the pre-accession period, the Customs Administration will be restructured in a manner so that it could implement the acquis communautaire in the area of the Customs Union. The modernisation of the national customs system is aimed at reaching the following goals: • reaching full harmonisation of the customs legislation; • reaching full organisational and operational efficiency of the customs service. … To the end of achieving operational efficiency of the customs service, sophisticated equipment for scanning trucks and containers will be purchased. … 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, which is in the phase of establishment. … A commitment by the Customs Administration, via continuous adjustment of the Strategy for ICT, is the acceptance of 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, setting up a risk management system, defined, above all, in the Regulation 32005R0648. The Action Plan of the Customs Administration envisages activities with regard to the selection, procurement and implementation of customs software and setting up a new ICT system in the Customs Administration (above all, preparation of the national domain), which could last 1 to 3 years. After the administrative launching of the procedure (requirement) for interconnection with the EU systems, IT preparations could be made with regard to the monitoring missions of the EU Commission, as well as selection of the most adequate modes of interface towards EU systems (the next 1 to 2 years, lasting at least 2 years). Continuous adjustment will be made of the Strategy for ICT, as well as preparation of Strategy for interconnection and interoperability with the European ICT systems. … The membership of the country in the European Union involves the obligation to adopt and incorporate the customs legislation of the Community, to undertake tasks for

protection and control of the external borders of the European Union, to eliminate the internal borders with the European Union, to implement an efficient ICT system, aligned to the European Union standards, as well as to increase the Customs Administration efficiency. The areas of the customs legislation that will remain non-harmonised after the first review will be finally harmonised following the second review of the customs legislation, which means that the country will start their implementation as part of the acquis on the day of joining the European Union. … 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. With regard to the customs laboratory regarding the control of certain substances depleting the ozone layer, the environment, the toxins, drugs and other psychotropic substances, as well as with regard to the quality of goods during import and export, establishment of modern, equipped laboratory is envisaged, which would operate by standardised methods in accordance with the rules of good laboratory practice and the ISO 9001 standards. … Establishment of full interconnection with the EU systems (CCN/CSI and NCTS) and continuation of the procedures for interconnection with other EU systems. The reorganisation and ability of the customs service for efficient and correct collection of the direct revenues of the European Union, as well as the protection and control over the external borders of the European Union are essential goals that need to be achieved by the Customs Administration in meeting their obligations resulting from the membership in the European Union. … The Customs Administration should be strengthened technically and in terms of human resources, so that in the moment of accession in the European Union to be able to perform the new tasks of administrative cooperation and exchange of data. The largest part of the budget funds will be used for computerisation of the Customs Administration. The rest of the funds will be used for further harmonisation of the customs system with the European Union Customs Code, as well as for strengthening the administrative capacity of the Customs Administration through new employments and improvement of the infrastructure".

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".

4.3 Link with National Development Plan (where applicable)

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

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

The project directly links to the following key Strategies and Action Plans in the sector:
- Code of 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 MCA is undergoing a reform process in accordance with its Strategic Plan 2004-2008, the recently drafted 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 MCA; 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, 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 MCA has elaborated an IT Strategy and Development Plan, based on its 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.

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 MCA. 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 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 MCA 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 MCA.

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:

Financed through IPA:

- 1 Service contract[4] for the development, delivery and installation, as well as associated training, of the required software for NCTS Implementation. Implementation is expected to start in 3rd quarter 2010, one month after the signature of the contract. The contract has an expected implementation period of 18 to 24 months. The contract value will be approx. EUR 2 Million.

- 1 Service contract for CCN/CSI will be concluded following an international restricted tender procedure to support the project with duration of 18 to 24 months. Implementation is expected to start in 3rd quarter 2010, one month after the signature of the contract. The contract value will be approx. EUR 1.5 Million.

Financed through the national contribution:

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[4] Please note that at the time of drafting the Project Fiche it is believed that the development, delivery and installation, as well as associated training, of the required software for NCTS Implementation would best be implemented through a service contract instead of through a supply contract. However, a final decision will be made during the development of the detailed Terms of Reference.

- 1 Supply contract for the purchase of additional IT equipment. Implementation is expected to start in 2nd quarter 2011, one month after the signature of the contract. The contract has an expected implementation period of 4 to 10 months, and a subsequent warranty period of 12 months, bringing the total duration to 16 – 20 months. The contract value will be approx. EUR 0.4 Million.

- 1 Supply contract for the delivery and installation, as well as associated training, of the required software for CCN/CSI implementation. Implementation is expected to start in 2nd quarter 2011, one month after the signature of the contract. The contract has an expected implementation period of 4 to 6 months, and a subsequent warranty period of 12 months, bringing the total duration to 16 – 22 months. The contract value will be approx. EUR 0.2 Million.

Comment concerning the contracts related to the CNN/CSI, please note that the project will provide with the necessary technical infrastructure (equipment, software) for the connection of the Customs system of the country with the CCN/CSI system and the technical assistance required for the physical installation and the operational support of the gateway.

It should be noted that there is only one supplier of the CCN/CSI infrastructure and one supplier of the network connection, already selected by DG TAXUD.