

## **Standard Summary Project Fiche – IPA centralised programmes**

### **1. Basic information**

1.1	CRIS Number:	2007/018-830
1.2	Title:	Technical Assistance to Customs and Taxation Administrations (TACTA)
1.3	Sector:	Transition Assistance and Institution Building (06.62)
1.4	Location:	Albania, Bosnia i Herzegovina (BiH), Montenegro, Serbia including Kosovo <sup>1</sup>

### **Implementing arrangements:**

1.5	Contracting Authority:	The European Community represented by the Commission of the European Communities for and on behalf of the beneficiary countries.
1.6	Implementing Agency:	The European Community represented by the Commission of the European Communities for and on behalf of the beneficiary countries.
1.7	Beneficiary:	Multi-Beneficiary (see 1.4 above)
1.8	Overall cost:	€7,600,000
1.9	EU contribution:	€7,600,000
1.10	Final date for contracting	31.12.2007
1.11	Final date for execution of contracts	31.12.2008
1.12	Final date for disbursement	31.12.2009

### **2. Overall Objective and Project Purpose**

#### **2.1 Overall Objective:**

The overall objective of this project is to continue to give assistance to the customs and taxation authorities in the Western Balkan countries in the context of their preparation for future EU membership, and to facilitate their development of harmonised customs and taxation processes and systems in the area of internal market.

#### **2.2 Project purpose:**

The predecessor of TACTA, the CAFAO programme, has proved successful in developing the capacity of the Balkan countries to manage their borders and to draw increased revenues from customs and excise duties. It is essential to maintain the high quality of its delivery and to ensure that technical assistance continue to be given along the priorities defined by the Commission in the European Partnerships, in the Progress Reports as well as in the dialogue with national authorities. In particular, further progress is to be achieved in the following areas:

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

<sup>1</sup> As defined by the United Nations Security Council Resolution 1244 of 10th June 1999

## **2.3 Link with AP/NPAA/EP/SAA**

The purpose of the Instrument for Pre-Accession Assistance (IPA) is to help Beneficiary countries face the challenges of European integration, implement reforms to satisfy EU requirements in the Stabilisation and Association Process (SAP) and lay the foundations for fulfilling the Copenhagen criteria for EU membership. The principal policy documents setting out the priorities for programming of assistance under the IPA are the Accession and European Partnerships, the Strategy Paper, which presents the Commission's overall enlargement policy for the candidate and potential candidate countries, as well as the Annual Report on progress made on the road towards the EU, including implementation and enforcement of EU standards.

## **2.4 Link with MIPD**

The Multi-Beneficiary MIPD is designed to complement and be consistent with National MIPDs. Areas of intervention are addressed through the Multi-Beneficiary MIPD where there is a clear comparative advantage to be gained, for instance through tackling cross-border problems or in obtaining efficiencies through establishing harmonised approaches, leveraging established instruments or facilitating networks of experts.

See chapter 2.2.4 of the MIPD 2007-2009, TACTA assistance forms part of Priority Area I; Transition Assistance and Institution Building. It is foreseen that the TACTA programme will be phased out by the end of the decade by which time activities in the area of customs will have been transferred to the National programmes. Until then, implementation of activities will continue to be funded from the National budgets and implemented under the Multi-Beneficiary Annual Action Programmes.

## **2.5 Link with National Development Plans**

Not applicable: TACTA is a regional programme.

## **3. Description of project**

### **3.1 Background and justification**

The EU launched its CAFAO programme in 1996 to make possible the creation of a customs service in Bosnia and Herzegovina. The CAFAO programme has since developed activities in customs and to a certain extent fiscal administration in Albania, Kosovo, the former Yugoslav Republic of Macedonia (fYRoM), Montenegro and Serbia.

Overall, the countries' customs services together with their respective CAFAO programmes have directed their efforts at creating efficient customs services that allow not only for better management of border-crossing points and customs checks at airports and/or ports for public security, but also for the increase in the potential revenue from customs and excise duties on legitimate trade.

The existing national infrastructure for both customs administration and indirect taxation has greatly influenced the extent of CAFAO activities in each country. Thus, in the Republic of Montenegro, which started to change from sales tax to an EU-compliant Value Added Tax (VAT) system in 2000, CAFAO mainly directed its efforts at ensuring that the system

remained EU-compliant. In Bosnia and Herzegovina, CAFAO was fully involved in paving the way for the country to migrate to an EU VAT-compliant tax system in 2006.

It is expected that the Multi-Beneficiary TACTA programme will be phased out by the end of 2009. Activities in the area of customs and taxation will eventually be transferred to the National programmes. Until then, implementation of activities will continue to be funded from the National budgets and be implemented under the Multi-Beneficiary Annual Action Programmes. It is to be noted that fYRoM will withdraw altogether from the CAFAO programme at the end of 2007 and is consequently not involved in this project. Furthermore, in the cases of all participating countries apart from Kosovo activities in the area of taxation will pass into the hands of their respective national budgets and be implemented under their National Annual Action Programme(s) from January 2008. Montenegro and Serbia are expected to phase out of the TACTA Programme by the end of 2008: their participation meanwhile allows for the preparation for a shift in the type of assistance from January 2009 onwards.

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

Overall, the countries' customs services and their respective TACTA programmes should direct their efforts at creating efficient customs services that allow not only for better management of border-crossing points and customs checks at airports and/or ports for public security, but also for the increase in the potential revenue from customs and excise duties on legitimate trade.

The introduction of VAT and other customs and fiscal legislation is considered to have been successful. It is expected that there will be a continuous growth in the registration of VAT registrations and collection.

Although it is likely that there will be a significant growth in criminal proceedings relating to fraud and smuggling, the eradication of organised crime in the region is a long-term process for which international assistance may be required for a long period. Institutions in the regions are still fragile and are exposed in many cases to high level political pressures and suffer from a great turnover in staff at all levels. Anti-smuggling, intelligence and investigation units are still at an embryonic stage, which will require continual attention.

### **3.3 Results and measurable indicators:**

The overarching results to be *aimed* at by the Consultant in all beneficiary countries are:

- to develop the administrative capacity of the beneficiary
- to achieve sustainability, transfer of knowledge, and ownership by the beneficiary
- to prepare for an exit strategy

Results to be *achieved* in all beneficiary countries at the end of the contracting period are as follows:

- Customs legislation and procedures will be further aligned with the EU *acquis* and a full and consistent implementation throughout the whole territory.
- Tax legislation will be further aligned with the EU *acquis*.
- The administrative capacity to implement customs legislation and to fight corruption and cross-border crime will have further strengthened.

- The administrative capacity of the tax administration, including its collection and control capacity will have further strengthened and the fight against corruption and tax fraud will be more efficient.
- Transparency and the exchange of information with EU Member States will have improved in order to facilitate the enforcement of measures preventing the avoidance or evasion of taxes.
- The process of computerising tax and customs administrations will have started and progressed.

### **3.4 Activities**

TACTA will undertake the following activities:

- provide technical assistance to the customs and taxation authorities of the beneficiary countries in drafting legislation and implementing rules in the areas concerned;
- assist beneficiary countries in establishing efficient administrative structures as well as proper implementation and control procedures for developing, implementing and enforcing legislation;
- transfer appropriate knowledge to the beneficiary authorities by means of training programmes, with particular emphasis on “training the trainers” programmes;
- assist beneficiaries in promoting their cooperation with other national agencies, the competent authorities of EU Member States and neighbouring countries, and in establishing partnerships with appropriate qualified institutions (administrations, services, laboratories, etc) in EU Member States;
- facilitate final ownership by the beneficiaries and prepare them for withdrawal of EU-TACTA missions and eventually of international assistance.
- manage the use of the equipment handed over at the beginning of the contract, including maintenance and insurance.

### **3.5 Conditionality:**

Cooperation of national authorities concerned with the contractor in the implementation of the project, and in line with the SAP.

### **3.6 Linked activities**

The proposed project is the direct successor of the current CAFAO project with Eurocustoms, which ends on 29<sup>th</sup> February 2008, and will be financed from the IPA until the end of 2008 with funds from the participating countries’ IPA budgets and managed as follows:

<b>Country territory</b>	<b>IPA 2007</b>	Customs	Taxation
<b>Albania</b>	<b>€1.80 million</b>	Centralised management <sup>2</sup>	Deconcentrated management <sup>3</sup>
<b>BiH</b>	<b>€1.50 million</b>	Centralised management	
<b>Kosovo</b>	<b>€2.00 million</b>	Centralised management	
<b>Montenegro</b>	<b>€0.80 million</b>	Centralised management	Deconcentrated management
<b>Serbia</b>	<b>€1.50 million</b>	Centralised management	Deconcentrated management

<sup>2</sup> i.e. managed at EC headquarters

<sup>3</sup> i.e. managed by the respective EC Delegation

### 3.7 Lessons learned

The CAFAO project with Eurocustoms has brought up many interesting points:

- Because the Beneficiary countries' administrations have developed at different speeds, there have been large differences in the rate of collection of Customs and Tax revenues in each country.
- Some Beneficiaries now state the need for more focused assistance in specific areas rather than general T/A.
- CAFAO has lacked a regional cooperation approach, so has not encouraged more regional cooperation between the partner institutions in the Western Balkans. Whereas each CAFAO Mission has drawn up a country work plan, the regional dimension has been missing.
- An increase in regional activities is appropriate, indeed desirable, in the fight against corruption, cross-border crime and fiscal evasion;
- The reorganisation of assistance to go through Eurocustoms has been mixed. On the one hand, there have been improvements in the composition and workings of the Project Steering Committees and to the preparations of the annual country work plans, but on the other hand, another layer of bureaucracy has been seen as a drawback.
- The extended selection process of experts and their timely arrival have complicated the implementation of activities in line with the work plans.
- The use of short-term experts has been useful in certain specific areas, but several weeks may elapse before an individual is able fully to appreciate the situation in a particular country and thus be fully operational.
- EU visibility should be increased.

### 4. Indicative Budget (amounts in €m)

Activities	TOTAL COST	SOURCES OF FUNDING										
		EU CONTRIBUTION				NATIONAL PUBLIC CONTRIBUTION					PRIVATE	
		Total	% *	IB	INV	Total	% *	Central	Regional	IFIs	Total	% *
<u>Albania</u>	1.80	1.80	23.7%	1.80	-	-	-	-	-	-	-	-
<u>BiH</u>	1.50	1.50	19.7%	1.50	-	-	-	-	-	-	-	-
<u>Kosovo</u>	2.00	2.00	26.4%	2.00	-	-	-	-	-	-	-	-
<u>Montenegro</u>	0.80	0.80	10.5%	0.80	-	-	-	-	-	-	-	-
<u>Serbia</u>	1.50	1.50	19.7%	1.50	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>7.60</b>	<b>7.60</b>	<b>100%</b>	<b>7.60</b>	-	-	-	-	-	-	-	-

\* expressed as % of the Total Cost

### 5. Indicative Implementation Schedule

Contract	Start of Tendering	Signature of Contract	Project Completion
Contract 1	17.01.2007	31.08.2007	31.12.2009

## **6. Cross-cutting issues (where applicable)**

### **6.1 Equal Opportunity:**

The principles and practice of equal opportunity will be guaranteed so as to ensure equitable gender participation in the project.

**6.2 Environment:** Not applicable

**6.3 Minorities:** Not applicable

### **6.4 Good Governance:**

The administrative capacity of the tax administration, including its collection and control capacity, will be strengthened and the fight against corruption and tax fraud become more effective. In addition, the administrative capacity to implement customs legislation and to fight corruption and cross-border crime will be strengthened. However, the eradication of organised crime in the region is a long-term process for which international assistance may be required for a long period. The institutions are still fragile, suffer from a great turnover in staff at all levels and may be exposed in many cases to high level political pressures.

## ANNEX 1: Logical framework matrix in standard format

LOGFRAME PLANNING MATRIX FOR Project Fiche		Programme name and number: TACTA; 2007/xxx-xxx	
		Contracting period expires: 31.12.2007	Disbursement period expires: 31.12.2009
		Total budget: <b>€7,600,000</b>	IPA budget: €7,600,000

Overall objective	Objectively verifiable indicators	Sources of Verification	
To continue to give assistance to the customs and taxation authorities in the Western Balkan countries in the context of their preparation for future EU membership.	<ul style="list-style-type: none"> <li>• Respect of SAA and SAP commitments both of candidate and of potential candidate countries.</li> <li>• Adoption of legislation</li> </ul>	<ul style="list-style-type: none"> <li>• Relevant sub-committees of SAA (Albania);</li> <li>• SAA sub-committees for other potential candidate Western Balkan countries</li> <li>• Monitoring Reports regarding commitments</li> </ul>	
Project purpose	Objectively verifiable indicators	Sources of Verification	Assumptions
(a) continued alignment of customs and direct and indirect tax legislation with EU <i>acquis</i> ; (b) further increase of administrative capacity to implement this legislation; (c) further progress against corruption, cross-border crime and fiscal evasion.	<ul style="list-style-type: none"> <li>• CAFAO Steering Committees;</li> <li>• Assessment by the relevant Commission Services.</li> <li>• Increase in tax and Customs revenues</li> </ul>	<ul style="list-style-type: none"> <li>• Commission's monitoring and evaluation tools;</li> <li>• Commission documents;</li> <li>• Council documents;</li> <li>• Government documents.</li> </ul>	Beneficiaries make the necessary steps to update their practices according to the programme.

<b>Results</b>	<b>Objectively verifiable indicators</b>	<b>Sources of Verification</b>	<b>Assumptions</b>
<ul style="list-style-type: none"> <li>• Customs legislation and procedures aligned with EU <i>acquis</i>.</li> <li>• Tax legislation aligned with EU <i>acquis</i>.</li> <li>• Strengthening of administrative capacity.</li> <li>• Improved exchange with EU Member States about fiscal information.</li> <li>• Start of computerisation of tax and customs administrations.</li> </ul>	<ul style="list-style-type: none"> <li>• Establishment of efficient administrative structures;</li> <li>• Introduction of control procedures to enforce the legislation in conformity with EU <i>acquis</i>;</li> <li>• Establishment of programmes.</li> <li>• Increased collection of VAT and Customs duties;</li> <li>• Increased seizure of illegal goods;</li> <li>• Increased criminal proceedings</li> </ul>	<ul style="list-style-type: none"> <li>• Experts' presentation documents;</li> <li>• Experts', Commission's and attendees' mission reports;</li> <li>• Advisory visits reports;</li> <li>• Attendees' list;</li> <li>• Contractor's reports (quarterly activity and financial reports, monthly financial reports);</li> <li>• Minutes of management and planning meetings</li> <li>• Monitoring and evaluation reports</li> </ul>	<ul style="list-style-type: none"> <li>• Cooperation of national authorities concerned in the implementation of the project, in line with SAP.</li> </ul>
<b>Activities</b>	<b>Means</b>	<b>Costs</b>	<b>Assumptions</b>
<ul style="list-style-type: none"> <li>• Design and implementation of work programmes,</li> <li>• Seminars, Conferences, Training courses</li> <li>• Expert visits and Study visits</li> <li>• Assessments, translation of legal documents</li> <li>• Databases, Website and publications</li> </ul>	<ul style="list-style-type: none"> <li>• Contractor's staff;</li> <li>• Commission staff</li> </ul>	Technical assistance: €7.60million	<ul style="list-style-type: none"> <li>• Availability of experts;</li> <li>• Good cooperation between and good participation of Commission, contractor and beneficiaries</li> </ul>

**ANNEX II: amounts for the project contracted and disbursed by quarter**

<i>Quarter</i>	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009
<i>Contracting</i>	€7.60m	-	-	-	-	-
<i>Disbursements</i>	-	€3.60m	€1.00m	€1.00m	€1.00m	€1.00m