

IPA National Programme 2008 Part II – Bosnia and Herzegovina

Fiche 19: Integrated Border Management and support to the Indirect Taxation Authority

1. Basic information

1.1 CRIS number: 2008/20-339

1.2 Title: Support for the implementation of the BiH Integrated Border Management (IBM) Strategy and Action Plan, including support to further EU Acquis alignment of the Indirect Taxation Authority of BiH (ITA).

1.3 ELARG Statistical Code: 03.24 European Standards/Justice, Freedom and Security

1.4 Location: Bosnia and Herzegovina

Implementing arrangements:

1.5 Contracting Authority: European Commission

1.6 Implementing Agency: European Commission

1.7 Beneficiary:

There are two direct beneficiaries:

A) Ministry of Security as the national coordinator of IBM

Project Manager:

Mr. Ermin Pesto, National Coordinator for IBM, Ministry of Security.

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B) Indirect Taxation Authority of BiH (ITA)

Project Manager

Mr Edvin Alibasic, ITA Chief of Cabinet - Senior Programme Officer

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Additional beneficiaries are:

The BiH Border Police, the State Veterinary Office and the Entities Veterinary Inspectorates, the State Plant Health Administration and the Phyto-sanitary and Sanitary Inspectorates.

Financing:

1.8 Overall cost (VAT excluded): EUR 4,000,000

1.9 EU contribution: EUR 3,800,000

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

1.11 Final date for execution of contracts: Two years following the end date of contracting

1.12 Final date for disbursements: One year following the end date for the execution of contracts

2. Overall Objective and Project Purpose

2.1 Overall Objective:

To implement an effective and efficient border management system in Bosnia and Herzegovina resulting in the functioning of open, but controlled and secure borders as well as strengthening the ITA institutional and administrative capacity towards further EU Acquis alignment.

2.2 Project purpose:

To strengthen the capacity of IBM involved institutions and to assist with the implementation of the foreseen activities in the IBM strategy Paper and its Action Plan, part of which are the implementation of the ITA obligations deriving from the SAA and Multi/Bi-lateral agreements.

2.3 Link with AP/NPAA / EP/ SAA:

This part of the European Commission “Progress report on BiH” for 2007 refers to the situation in the IBM sector in BiH.

Bosnia and Herzegovina has made some progress on border management....Inter-agency coordination and exchanges of information have been enhanced. Closer cooperation between the border police and the Indirect Taxation Authority has led to an increase in detection of smuggled and forged goods.

Still, there is a lack of mature coordination structures and limited administrative capacity. There has been limited progress on implementation of the integrated border management (IBM) strategy. A revised strategy - fully complying with EU guidelines - and the corresponding action plan have not yet been adopted. The Ministry of Security does not yet play a central role as overall coordinator for IBM issues. Cooperation with neighboring countries is taking place, but not yet in any sustained and structured way. Unresolved border demarcation issues are adversely affecting control of the green border. Several international and regional obligations in the field of border management have not yet been met. Budgetary resources for implementation of the IBM strategy/action plan have not yet been fully secured. In 2007, Bosnia and Herzegovina concluded an international border cooperation agreement with Croatia. However, implementation is lagging behind due to limited capacity. Further improvements have been made to border crossing points, but many still remain poorly equipped. Limited political attention and incomplete land expropriation remain obstacles to sustained progress in this area.

Overall, Bosnia and Herzegovina has partially met some of its objectives in relation to border management, but many more measures need to be taken in the short and medium term.¹ P. 49

As regards administrative and operational capacity, ITA has made progress in combating fraud and corruption by increasing the level of risk analysis and intelligence work. This has led to some results in terms of detection of smuggled and counterfeit goods. Some 90% of the staff of the law enforcement sector within ITA have received training on anti-smuggling, intelligence and investigation operations. A free line to which citizens can report their complaints has been

¹ BOSNIA AND HERZEGOVINA 2007 PROGRESS REPORT, page 49.

opened. ITA has taken steps towards the systematisation of its internal organisation. Further efforts to strengthen ITA's administrative capacity are nonetheless necessary, in particular as regards internal audit, risk analysis and intelligence/investigation. Stronger action needs to be taken in the fight against corruption. Communication between the different sectors and field units within ITA needs to be further improved. So far, little exchange of information or feedback to ITA headquarters exists. In addition, working conditions at some of the border crossing points hamper efficient and effective work. As regards computerisation, Bosnia and Herzegovina has not yet decided which customs declaration processing system it will use in future. Regarding taxation, progress has been made on VAT collection. Bosnia and Herzegovina's VAT legislation is largely in line with the VAT Directive. Legislative proposals were prepared to introduce a zero rate for certain categories of products. Such rates, if introduced, would not be in line with the Community acquis.

The Law on Excises has been implemented. Further amendments are needed to align the legislation with European standards. Bosnia and Herzegovina needs to refrain from introducing excise legislation that would discriminate against imports. This would be contrary to the acquis, as well as WTO and CEFTA rules.

In the field of business taxation, a gap analysis is being carried out to identify existing measures which could be contrary to the Code of Conduct on business taxation. As regards administrative capacity, the VAT collection units have been staffed, procedures have been set up, and training has been provided. However, additional training is needed to further enhance tax collection, including training on risk analysis techniques.

The authorities have made no progress on selecting an indirect tax revenue allocation model and disputes over the methods for revenue distribution have continued. The High Representative imposed a decision setting the share of revenue to be distributed to Brčko District. However, this is only an interim solution until an agreement is reached.

Bosnia and Herzegovina's preparations in the fields of customs and taxation are moderately advanced, but only limited progress was made over the reporting period towards addressing the issues identified in last year's report.

Link with EP:

Conclude and implement agreements with neighbouring countries, notably on cross border cooperation, the fight against organised crime, trafficking and smuggling, judicial cooperation, border management, readmission, environment, transport and energy.

Further align customs legislation and procedures to the acquis; ensure that the legal framework for free zones is compatible with EU standards and guarantee the adequate supervision of free zones; take all necessary steps to properly implement rules of origin; implement customs valuation rules in accordance with international standards and practices; Improve the administrative capacity to implement customs legislation, and to fight against corruption, cross-border crime and fiscal evasion; fully implement and enforce the VAT law, and further approximate tax legislation with the acquis.

Implement all international and regional obligations in the field of border management.

Ensure continued approximation of customs and taxation legislation to the acquis, and further increase the administrative capacity to implement this legislation, and to fight against corruption, cross-border crime and fiscal evasion. Improve transparency and exchange of information with

the EU in order to facilitate the enforcement of measures preventing the avoidance or evasion of taxes.

Fully implement the Integrated Border Management strategy and achieve effective border management.

2.4 Link with MIPD 2007 - 2009:

This is to be complemented by activities in the areas of law enforcement, migration and visa issues as well as Integrated Border Management.

The Integrated Border Management (IBM) strategy will be implemented.

Institutional support and capacity building for the Ministry of Security and law enforcement agencies of the Ministry of Security (SIPA, Border Police, Service for Foreigners Affairs), the Ministry of Foreign affairs and the future Reception Centre in the visa, asylum and migration field; support to the implementation of the BiH action plan for Integrated Border Management, including equipment and necessary infrastructure improvements

Improving Trade Policy to facilitate the implementation of all Free Trade Agreements and work towards CEFTA, to continue the necessary reforms to comply with WTO rules and obligations.

Improve the capacity of all external relevant bodies whose function impacts upon the work of the ITA with a view to improving and coordinating economic and fiscal policies.

To further develop the channels of communication and cooperation between relevant bodies and government institutions, as the Central Bank of BiH, the Directorate for Economic Planning (DEP), the ITA Macro Analysis Unit and the BiH Statistical Institution and so enhance border protection and indirect tax revenues.

2.5 Link with national/ sectoral investment plans

In the "The EU Integration Strategy of Bosnia and Herzegovina" adopted by the CoM in May 2006, page 188 chapter "Border control, Asylum, Migration and Visa Issues, necessary measures" it is written "...the implementation of the Strategy of IBM in BiH and the Action Plan for implementing this strategy so as to coordinate activities and decrease problems pertaining of the entry of persons and goods at border crossings, which is one of the EC requirements."

Implementing the Convention on Transit Procedures and simplifying procedures. Developing an effective customs service that would adopt administrative procedure standards applied in the EU. (Page210)

Developing and implementing a set of customs laws compatible with the Community Customs Code. Adopt and introduce the Combined Customs Classification System Plan. Maintain cooperation with institutions in charge of introducing a system of protection of personal data (Page 211)

Bosnia and Herzegovina has developed a strategy and an Action Plan for an Integrated Border Management in BiH. These documents are coherent with the Guidelines for Integrated Border Management for the countries of the Western Balkan, released by DG Enlargement.

The revised BiH IBM Strategy Paper and its corresponding Action Plan has made an indicative assessment of the required investment for the full implementation of IBM. It equals some 200

million KM (approx EUR 100 million). The project activities under support of IPA 2008 IBM – ITA twinning project are expected to be realized as a part of the Action Plan of IBM national strategy and envisaged SAA requirements.

3. Description of project

3.1 Background and justification:

At the May 2003 Ohrid Border Conference on security and border management, the BiH Government subscribed to the document "Way forward", which identifies concrete and specific measures such as the installation of information exchange databases, implementation of Twinning projects, harmonisation of the legislation of border control with EU standards, conclusion of co-operation of protocols with customs, police, and Interpol, readmission agreements and delivery of training and equipment.

The EC has also prepared a document with the title "Guidelines for IBM in the Western Balkans". Based on that document the IBM project was launched throughout the countries of the Western Balkans. Bosnia and Herzegovina prepared a national Strategy on IBM that was adopted by the Council of Ministers in July of 2005. Ministry of Security of BiH was appointed as the national coordinator for the implementation of IBM Strategy. The other institutions involved in the implementation of the IBM project are; Border Police BiH, Indirect Taxation Authority, State Veterinary Office of BiH, State Plant Health Administration, and the three Border Inspectorates established at the entities level and the Brcko District.

Due to the adoption of the new regional "Guidelines for IBM in the Western Balkans" the institutions of BiH under the coordination of the Ministry of Security BiH and with the technical assistance from the EU Commission, have prepared a new revised version of the national strategy and a corresponding action plan on IBM. On 10 July 2008, the revised IBM Strategy Paper and its corresponding action plan was adopted by the Council of Ministers BiH.

The IBM Strategy consists of three vertical pillars of intra-service, inter-agency and international cooperation that covers a huge number of different activities. All the activities are covered by the national Action plan on IBM. The cost of which is estimated at KM 200 million. The twinning project of IPA 2008 will continue to focus on the three pillars of intra-service, inter-agency and international cooperation. Given the fact that EU countries have extensive experience in the implementation of IBM, BiH authorities seek knowledge transfer through twinning arrangements.

The project will provide technical assistance to the Border Police, Indirect Taxation Authority, State Plant Health Protection Agency, State Veterinary Office, the Ministry of Security, and others involved in border management issues on trade facilitation and border control. One part of the priorities foreseen by the Strategy is the establishment of the JAC (Joint Analysis Centre) at which all the institutions that are part of the IBM are connected to and provide data through an IT network.

The ultimate result of the implementation of the IBM concept should be that people, goods and services flow unimpeded across the borders, while at the same time preventing any form of cross-border crime. Therefore the project purpose should contribute to that objective by strengthening

the inter-institutional cooperation and coordination between the main agencies with a competence at the borders.

On December 29, 2003 the Parliament of Bosnia and Herzegovina adopted the Law on Indirect Taxation and thus ensured the legal basis for establishing the Indirect Taxation Authority, the biggest state level institution. The Indirect Taxation Authority is an autonomous administrative organization responsible for its activities, through its Governing Board, to the Council of Ministers of Bosnia and Herzegovina. The Indirect Taxation Authority functions as an integral entity over the entire territory of Bosnia and Herzegovina and has its headquarters based in Banja Luka. In 2004 the former customs administrations of the entities and District Brčko were merged. Within the ITA, a Tax Sector was established for the first time at state level. It was tasked with the collection of indirect taxes, including developing and maintaining a unique value added tax system. The ITA has successfully introduced a new Value Added Tax, and has exceeded planned revenue collections since. However the ITA is still a young administration and there is room for improvements to be achieved. The customs tariff of Bosnia and Herzegovina needs to be aligned with the most recent version of the EU Combined Nomenclature, notably with a view to implementation of the future Stabilisation and Association Agreement (SAA). Since June 2007, the ITA became a member of IOTA but is not yet a member of WCO. From external reports, it is established that during 2007 progress has been made in the area of customs and taxation. Supervision of the operational free zones in Bosnia and Herzegovina needs to be improved in order to meet EU standards and the customs valuation rules need to be consistently applied throughout the country. New comprehensive, GATT-compliant instructions on valuation addressing this issue were adopted in September 2007.

In the area of origin, the Indirect Taxation Authority (ITA) became since the entry into force of CEFTA (22 Nov 2007), the only authority in Bosnia and Herzegovina empowered to request and carry out verification of EUR 1 movement certificates for trade with the EU and CEFTA countries. Centralisation of verification of preferential origin certificates within a single body is necessary for proper implementation of diagonal cumulation in the context of CEFTA and the future SAA.

As regards administrative and operational capacity, ITA has made progress in combating fraud and corruption by increasing the level of risk analysis and intelligence work. Some 90% of the staff of the law enforcement sector within ITA has received training on anti-smuggling, intelligence and investigation operations. A free line to which citizens can report their complaints has been opened. ITA has taken steps towards the systematisation of its internal organisation. Further efforts to strengthen ITA's administrative capacity are nonetheless necessary, in particular as regards internal audit, risk analysis and intelligence/investigation.

Stronger action needs to be taken in the fight against corruption. Communication within ITA needs to be further improved. In addition, working conditions at some of the border crossing points hamper efficient and effective work.

As regards computerisation, Bosnia and Herzegovina has not yet decided which customs declaration processing system it will use in future (Asycuda currently in use or Alice).

The Law on Excise needs further amendments in order to align the legislation with European standards.

As regards administrative capacity, the VAT collection units have been staffed, procedures have been set up, and training has been provided. However, additional training is needed to further enhance tax collection, including training on risk analysis techniques

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

IBM twinning project should help the BiH institutions design and adopt more efficient and effective practices in order to create a border management system that complies with EU standards and in line with "Guidelines for Integrated Border Management in the Western Balkans" updated version of January 2007 sent by DG Enlargement to countries of the region.

Through the realization of IBM twinning project activities, will have for result the elevation of the security of borders to a higher level; improving the business climate, increase transparency of regulations; reducing waiting times and bottle necks; and providing a better work environment for the employees/ officers who perform control(s)/ checks regarding cross-border traffic.

In addition the implementation of the ITA Twinning project would create conditions for further improvement of efficient revenue collection that would, in the end, lead to general progress and enhanced systems. The creation of improved conditions for more effective legislation that would also contribute to more efficient functioning of the ITA, particularly in the area of fighting customs and fiscal frauds, as well as other negative impacts influencing revenue collection. This refers specifically to establishment of more efficient control system. All above mentioned contributes to creating conditions for further progress in accession to EU.

3.3 Results and measurable indicators:

The overall expected results of these measures are the improvement of the effectiveness of the IBM related institutions and in addition to bring ITA procedures in line with European/International standard, and a significant move toward meeting the EU Acquis. This will be indicated by the following specific outputs where outputs 1-3 are expected from contract 1, twinning support to IBM and specific outputs 4-6 are expected from contract 2.

1. related legislation is aligned with EU standards and mechanism are established for monitoring the relevant development of legislation in Europe
2. A clear communication and coordination structure between the border management agencies is in place and the connection with JAC and number of relevant border crossing points is established
3. Adoption of techniques leading to increased detection of commercial fraud, illegal migration, smuggling of weapons and drugs, or any other kind of illegal activities.
4. Customs: Further strengthening the ITA's institutional and Administrative Capacity to support the adoption and implementation of an improved legislative framework in line with the EU Acquis (focussed on Chapter 29: Customs Union and Chapter 24: Justice, freedom and Security, which deals also with customs co-operation and Judicial co-operation in criminal and civil matters), and taking account of the WCO Arusha Declaration covering Customs integrity and code of ethics. The project will support the ITA capacity building exercise through training session, drafting primary and secondary legislation study trips in the following areas: customs valuation; rules of origin, simplified

- process and procedures with economic impact; tariff; transit procedures, common risk analysis; intelligence and investigation; post clearance audits, internal audit, implementation of the Multilateral and Bilateral free trade agreements
5. VAT and Local Excise : The project will provide support to add capacity in the following specific areas: Organisation and Structure, legislation, enforced collection, investigation, internal audit, and training.
 6. ITA IT strategy : Assist with the implementation of the ITA IT strategy in line towards an EU compatible computerisation / IT Interconnectivity system capable to deal in the long term with TARIC and EU transit systems (NCTS).

Measurable Indicators:

- Recognition of the legislation in the progress report.
- Number of EU legal articles identified and introduced to BiH legislative documents
- Meetings held at regular intervals
- MOU between relevant agencies signed and implemented according to plan
- Each institution has a co-ordinator responsible for border management switch with previous one
- The fields of co-ordination requirements are identified in the coordination plan
- Value of fraudulent activities detected increasing year on year
- Shift of activity to border crossings as opposed to illegal crossings from 2010
- Increase in legal traffic at legal border crossings as of 2010
- Ratification of international conventions on transit and simplified procedures,
- Achievement of all planned training Production and issue of all explanatory manuals and public notices
- Reduction in border waiting times in line with IBM
- Increased use of risk based audit selection
- Increased reporting and prosecutions for indirect tax offences

3.4 Activities:

Activities under contract 1:

3.4.1 Support to the implementation of the IBM National Strategy Paper and it Action Plan

3.4.1.1 Analysis of the legislative gap between the regulatory environment in BiH and the EU; Support to drafting new legislation

3.4.1.2 Further development of co-ordination and cooperation between the different IBM stakeholders on the basis of the recently adopted IBM strategy paper and its action plan.; Providing support to the implementation of existing MoU's and to assist with the development of

new MOU's and corresponding implementation plans in the fields of inter-agency and international co-operation between IBM related institutions.

3.4.1.3 Development of operational techniques along common concepts, especially as regards information systems, intra-service, inter-agency and international cooperation for risk analysis and investigations.

Activities under contract 2:

3.4.2 Further EU Acquis alignment of the Indirect Taxation Authority of BiH:

3.4.2.1 Legislation: Assisting with drafting primary and secondary in line with the acquis communautaire and WCO best practise where needed and as detected in the ongoing gap-needs assessment, including drafting VAT legislation completely in line with the EU VAT Directive

3.4.2.2 Training: Roll out of a training curriculum. Preparation of manuals on the practical application of customs legislation and procedures in line with the acquis communautaire and WCO best practices. Train the trainers and organising study trips (cfr gap needs assessment).

Preparation of manuals and organising trainings in the field of enforced collection and investigation. The estimated overall cost of the training programmes for Customs, VAT and Excise on itself are in the range of EUR 500,000.

3.4.2.3 Roll out of the ITA IT strategy : Assist with the development and implementation of the ITA IT strategy in line towards an EU compatible computerisation / IT Interconnectivity system capable to deal in the long term with TARIC and EU transit systems (NCTS) .

All above mentioned activities are going to be financed through two EU Twinning contracts.

3.5 Conditionality and sequencing

Regarding IBM, there is no outstanding conditionality to be met due to the fact that in July 2008 the Council of Ministers has adopted the revised IBM Strategy and its corresponding Action Plan. However, reaching an agreement on the delineation and demarcation of the borderline throughout the region should be a priority for all Western Balkan countries.

Adoption of the ongoing gap-needs assessment and long term strategy paper under preparation by EU Experts for the benefit of the ITA.

Assumptions:

1. Agreement on the location, authorities, tasks and responsibilities of the Joint Analysis Centre.
2. Good cooperation with neighbouring countries and concluding Agreements on demarcation of the border line with these countries.
3. Allocation and approval by the ITA Senior Management of sufficient budget to support and implement the ITA long-term strategy.
4. Political will and support to create a capable, successfully and sustainable Indirect Taxation Authority of Bosnia and Herzegovina.

3.6 Linked activities:

- CARDS 2005; establishment of the JAC and providing assistance. Activities are expected to take place till September 2008.
- Regional projects; CARDS 2004 was a regional project which was completed at the end of 2006. The goal of this project was to provide assistance to the countries which were included in the activities regarding IBM for implementing the Strategy and Action plan.
- CARDS 2001 -2006 funding: EU Customs and Fiscal Assistance (CAFAO) Project and its successor Technical Assistance to Customs and Tax Administrations (TACTA).

3.7 Lessons learned:

The project of IBM twinning support builds on the objectives and achievements of IBM CARDS 2005 implemented by International Organisation for Migration. As such, the implementation of the IBM Strategy and Action Plans with all relevant services is the guiding principle.

The main lesson learnt from this project is the difficulty to achieve co-ordination and cooperation amongst the different actors without a fully consulted and agreed document in place that spells out the roles and responsibilities of the each field of co-operation. Therefore consultation with stakeholders and structured co-operation built on clear Terms of Reference is required to ensure appropriate institutional responses to the questions of Integrated Border Management and alignment, synchronization and conciliation of procedures and processes with EU standards.

ITA is still a young administration who has, with the EU assistance, progressed well and is now mature and ready to receive technical assistance through a twinning partnership project.

4. Indicative Budget (amounts in EUR)

			SOURCES OF FUNDING									
			TOTAL EXP.RE	IPA COMMUNITY CONTRIBUTION		NATIONAL CONTRIBUTION					PRIVATE CONTRIBUTION	
ACTIVITIES	IB -1	INV -1	EUR (a)=(b)+(c)+(d)	EUR (b)	%(2)	Total EUR (c)=(x)+(y)+(z)	%(2)	Central EUR (x)	Regional/ Local EUR (y)	IFIs EUR (z)	EUR (d)	%(2)
Activity 1	X		1,500,000	1,425,000	95.00	75,000	5.00	75,000	0	0	0	0
Contract 1.1	-	-	1,500,000	1,425,000	95.00	75,000	5.00	75,000				-
Activity 2-	X		2,500,000	2,375,000	95.00	125,000	5.00	125,000	0	0	0	0
contract 2.1	-	-	2,500,000	2,375,000	95.00	125,000	5.00	125,000				-
TOTAL IB			4,000,000	3,800,000	95.00	200,000	5.00	200,000				
TOTAL INV				0		0						
TOTAL PROJECT			4,000,000	3,800,000	95.00	200,000	5.00	200,000	0	0	0	0

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	Start of Tendering	Signature of contract	Project Completion
Contract 1. -	Q1 2009	Q3 2009	Q4 2011
Contract 2. -	Q1 2009	Q3 2009	Q4 2011

All projects should in principle be ready for tendering in the 1ST Quarter following the signature of the FA.

6. Cross cutting issues

6.1 Equal Opportunity

Equal opportunity principles and practices in ensuring equitable gender participation in the Project will be guaranteed. The project is not gender specific and serves to assist all IBM-related personnel involved (from high administration to operational service levels). The cross border trade in human beings notably involves the trafficking of human beings and attempts at illegal EU migration. The overall aim of the project is to improve the efficiency and effectiveness of the IBM-related institutions which should serve to counter such activities. In addition, the setting up of a IBM joint analysis centre will significantly improve faster information sharing and lead to quicker and better and coordinated actions in the fight against organised crime and trafficking in human beings. The introduction of modern investigation techniques and the use of a risk analysis system will lead to an increase of the border security, including better protection of victims of human being trafficking. Equal opportunities and non-discrimination will be respected as regarding gender as well as minorities. The project should also encourage a gender balance in the recruitment of staff in the IBM related institutions, as well as to encourage the recruitment of persons from minority groups.

6.2 Environment

The project will not have any negative environmental effects. The revised national IBM strategy and its Action Plan have been drafted and finalised to be in line with the updated EU Guidelines for Integrated Border Management in the Western Balkans. The Guidelines take environmental aspects into consideration. Enhanced coordination and cooperation amongst IBM involved institutions such as Border Police, Indirect Taxation Authority, State Veterinary and Phytosanitary services will avoid the overlapping of tasks and therefore reduction of vehicles waiting time and consequently the pollution when crossing the border.

6.3 Minorities

Participation in the project activities will be guaranteed on the basis of equal access regardless of racial or ethnic origin, religion or belief, disability, sex or sexual orientation. Minority and vulnerable groups' concerned will be reflected in all activities programmed under the project, in particular when it concerns public services, legislative matters and socio-economic development.

ANNEXES:

ANNEX I. Logical framework matrix in standard format

ANNEX II: Amounts (in EUR) Contracted and disbursed by quarter for the project

ANNEX III. Description of Institutional Framework

ANNEX V. Details per EU funded contract where applicable:

ANNEX IV. Reference to laws, regulations and strategic documents

ANNEX I. Logical framework matrix in standard format

LOGFRAME PLANNING MATRIX for Project Fiche	Programme name and number: <i>Support for the implementation of the BiH Integrated Border Management (IBM) Strategy and Action Plan, including support to further EU Acquis alignment of the Indirect Taxation Authority of BiH (ITA).</i>	
	Contracting period expires: N+2	Disbursement period expires: N+5
	Total budget : EUR 4.000.000	IPA budget: EUR 3.800.000

Overall objective	Objectively verifiable indicators	Sources of Verification	
To implement an effective and efficient border management system in Bosnia and Herzegovina resulting in the functioning of open, but controlled and secure borders as well as strengthening the ITA institutional and administrative capacity towards further EU Acquis alignment.		<ul style="list-style-type: none"> • Progress reports • EU Monitoring reports 	
Project purpose	Objectively verifiable indicators	Sources of Verification	Assumptions
To strengthen the capacity of IBM involved institutions and to assist with the implementation of the foreseen activities in the IBM strategy Paper and its Action Plan part of which are the implementation of the ITA obligations deriving from the SAA and Multi/Bi-lateral agreements.	Reduced waiting time at the order crossing points ITA obligations are fulfilled Bi-lateral agreements in place	<ul style="list-style-type: none"> • Expert reports. • Annual reports from IBM related institutions • Progress report • ITA reports • CEFTA reports 	Continued political support to implement the adopted revised IBM Strategy and Action Plan. Providing sufficient financial support from the BiH budget needed for the implementation of the IBM Strategy Paper/Action. Approval and adoption of ITA Gap needs assessment and long term strategy paper.
Results	Objectively verifiable indicators	Sources of Verification	Assumptions

<p>The overall expected results of these measures are the improvement of the effectiveness of the IBM related institutions and in addition to bring ITA procedures in line with European/International standard, and a significant move toward meeting the EU Acquis. .</p> <p>Related legislation aligned with EU standards and mechanism are established for monitoring relevant development of legislation in Europe</p> <p>Clear communication and coordination structure between the border management agencies is in place and the connection with JAC and number of relevant border crossing points is established</p> <p>Adoption of techniques leading to increased detection of commercial fraud, illegal migration, smuggling of weapons and drugs, or any other kind of illegal activities.</p> <p>Customs: Further strengthening the ITA's institutional and Administrative Capacity to support the adoption and implementation of an improved legislative framework in line with the EU</p> <p>VAT and Local Excise : The project will provide support to add capacity in the following specific areas: Organisation and Structure, legislation, enforced collection, investigation, internal audit, and training.</p> <p>ITA IT strategy : Assist with the implementation of the ITA IT strategy in line towards an EU compatible computerisation / IT Interconnectivity system capable to deal in the long term with TARIC and EU transit systems (NCTS).</p>	<p>Recognition of the legislation in the progress report.</p> <p>Number of EU legal articles identified and introduced to BIH legislative documents</p> <p>Meetings held at regular intervals</p> <p>MOU between relevant agencies signed and implemented according to plan</p> <p>Each institution has a co-ordinator responsible for border management switch with previous one</p> <p>The fields of co-ordination requirements are identified in the coordination plan</p> <p>Value of fraudulent activities detected increasing year on year</p> <p>Shift of activity to border crossings as opposed to illegal crossings from 2010</p> <p>Increase in legal traffic at legal border crossings as of 2010</p> <p>Ratification of international conventions on transit and simplified procedures,</p> <p>Achievement of all planned training</p> <p>Production and issue of all explanatory manuals and public notices</p> <p>Reduction in border waiting times in line with IBM</p> <p>Increased use of risk based audit selection</p> <p>Increased reporting and prosecutions for indirect tax offences</p>	<p>1.1 Copy of the gap analysis report</p> <p>1.2 Copy of the decision</p> <p>1.3 Official Gazette</p> <p>1.4 Expert reports</p> <p>1.5 Traffic and crime statistics</p>	<p>Agreement on the location, authorities, tasks and responsibilities of the Joint Analysis Centre.</p> <p>Good cooperation with neighbouring countries and concluding Agreements on demarcation of the border line with these countries.</p>
Activities		Costs	Assumptions

<p>Activities under contract 1:</p> <p>3.4.1 Support to the implementation of the IBM National Strategy Paper and its Action Plan</p> <p>3.4.1.1 Analysis of the legislative gap between the regulatory environment in BiH and the EU; Support to drafting new legislation</p> <p>3.4.1.2 Further development of co-ordination and cooperation between the different IBM stakeholders on the basis of the July 2008 adopted IBM strategy paper and its action plan; Providing support to the implementation of existing MOU's and to assist with the development of new MOU's and corresponding implementation plans in the field of inter-agency and international cooperation between IBM related institutions.</p> <p>3.4.1.3 Development of operational techniques along common concepts, especially as regards information systems, intra-service, inter-agency and international cooperation for risk analysis and investigations.</p> <p>Activities under contract 2:</p> <p>3.4.2 Further EU Acquis alignment of the Indirect Taxation Authority of BiH:</p> <p>3.4.2.1 Legislation: Assisting with drafting primary and secondary in line with the acquis communautaire and WCO best practise where needed and as detected in the ongoing gap-needs assessment, including drafting VAT legislation completely in line with the EU VAT Directive</p> <p>3.4.2.2 Training: Roll out of a training curriculum. Preparation of manuals on the practical application of customs legislation</p>	<p>Twinning</p>	<p>€ 1,500,000 IBM (of which 1,425,000 IPA and 75,000 national co-financing)</p> <p>EUR 2,500,000 ITA (of which 2,375,000 IPA and 125,000 national co-financing)</p>	
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<p>and procedures in line with the acquis communautaire and WCO best practices. Train the trainers and organising study trips (cfr gap needs assessment).</p> <p>3.4.2.3 Roll out of the ITA IT strategy: Assist with the development and implementation of the ITA IT strategy in line towards an EU compatible computerisation / IT Interconnectivity system capable to deal in the long term with TARIC and EU transit systems (NCTS) .</p>			
			<p>Pre-conditions</p> <p>Good cooperation with neighbouring countries and concluding Agreements on demarcation of the border line with these countries.</p> <p>Adoption of the ongoing ITA gap-needs assessment and long term strategy paper. Allocation of sufficient fund by ITA GB</p>

ANNEX II: amounts (in EUR) Contracted and disbursed by quarter for the project

Contracted	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011
Contract 1.1			1,425,000								
Contract 2.1			2,375,000								
Cumulated			3,800,000								
Disbursed	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011
Contract 1.1			570,000				712,500				142,500
Contract 2.1			950,000				1,187,500				237,500
Cumulated			1,520,000				3,420,000				3,800,000

ANNEX III. Description of Institutional Framework

This concept is being implemented through the IBM Strategy which has been adopted by the Council of Ministers on the 4th of July 2005.

The strategy includes the following institutions;

- Ministry of Security as the coordinator and carrier of activities,
- Border Police BiH,
- Indirect Taxation Authority,
- State Veterinary Office,
- State Plant Health Administration and the three Border Inspectorates established at the entities level and the Brcko District.

Until now, the activities on realizing the priorities and the strategy have been implemented through the work of the Inter-agency working group (called MARG in Bosnian) which contained/ included the national coordinator (Ministry of Security) and also the above mentioned institutions.

Besides this Inter-agency working group there have been formed six other sub-groups which have worked on the elaboration of the prioritised goals which have been set out through the strategy.

A commission which will carry out the IBM project is in preparation of being formed.

The institutions which are involved in implementing the IBM Strategy will be the beneficiaries of the services provided by twinning. These institutions will also be obligated to provide accommodation or to accommodate the twinning experts.

The institutional framework for the ITA lays in the Law on the establishment of the Indirect Taxation Authority as well as Customs Policy, VAT and Excise laws.

ANNEX IV. Reference to laws, regulations and strategic documents

Reference list of relevant laws and regulations

Memorandum of understanding between the involved institutions.

There is a signed memorandum between the Indirect Taxation Authority of BiH and the (State) Border Police BiH and another memorandum between the Indirect Taxation Authority, State Veterinary Office and (State) Border Police BiH is under development at this moment.

ITA, Customs, VAT and Excise Laws

Link with the European Partnership

Please see §2.3

Link with the SAA

Please see §2.3.

Link with MIPD

Please see §2.4.

Link with National Development Plan

Please see §2.5

Link with national/ sectoral investment plans

Please see §2.6.

Annex V. Details per EU funded contract

Tasks to be undertaken by the Regional Twinning Adviser, the Short Term experts to include:

- Analysis of the legislative gap between the regulatory environment in BiH and the EU
- Support to drafting new IBM related legislation.
- Develop co-ordination plan identifying fields of coordination and positions for co-ordination.
- Develop MOU specifying the fields of co-operation and positions responsible for co-ordination and their TOR.
- Development of operational techniques along common concepts, especially as regards information systems, interagency and intra-agency cooperation for risk analysis and investigations.
- Assist with drafting primary and secondary Customs legislation and VAT legislation completely in line with the *acquis communautaire*.
- Preparation of manuals on the practical application of customs legislation and procedures in line with the *acquis communautaire* and WCO best practices. Train the trainers and organising study trips (cfr gap needs assessment) as well as preparation of manuals and organising trainings in the field of enforced collection and investigation.
- Assist with the development and implementation of the ITA IT strategy in line towards an EU compatible computerisation / IT Interconnectivity system capable to deal in the long term with TARIC and EU transit systems (NCTS)

Key Experts

The projects requires six (6) twinning experts. For the following skills base (one for each result area). Additional expertise may be required for training input to be provided alongside the main experts sought.

1 Legislation

1 Coordination and monitoring

1 Combating fraud

1 VAT

1 Training

1 IT