<u>Project Fiche: No. 15</u>

Systematic Electronic Exchange of Data (SEED)
in the Western Balkans

1. Basic information

1.1 CRIS Number:	2010/xxx-xxx
1.2 Title:	Systematic Electronic Exchange of Data (SEED) in the Western Balkans
1.3 ELARG Statistical code:	03.29 - Customs
1.4 Location / Beneficiaries:	Western Balkans: Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, Montenegro and Serbia, as well as Kosovo under UNSCR 1244/99.

<u>Implementing arrangements</u>:

1.5 Contracting Authority (EC):	European Community represented by the Commission of the European Communities on behalf of the Beneficiaries.
1.6 Implementing Agency:	Not applicable
1.7 Beneficiary	Customs and Taxation Administrations of the Western Balkans.

<u>Financing</u>:

1.8 Overall cost (VAT excluded)[1]:	EUR 1 300 000
1.9 EC contribution:	EUR 1 300 000
1.10 Final date for contracting:	30 November 2011
1.11 Final date for execution of contracts:	30 November 2013
1.12 Final date for disbursements:	30 November 2014

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

2. Overall Objective and Project Purpose

2.1 Overall Objective

The overall objective is to increase the administrative capacity of the Beneficiaries in the field of efficient electronic data exchange for customs procedures and to improve the system for electronic data exchange and automatic matching.

2.2 Project purpose

This project is designed to build capacity of beneficiaries' customs administration by implementing a systematic solution for a common concept or regional standard in the exchange of customs data between Beneficiaries. At the same time, it will set a standard for structured data exchange with other interested parties (e.g. other state agencies and institutions, participants in the customs procedure as well as between individual departments or divisions) and initiatives (e.g. e-TIR, RacWeb, etc.).

2.3 Link with AP/NPAA/EP/SAA[2]

This project directly supports the priorities in Customs and Taxation mentioned in the European Partnership / Accession Partnership with the Beneficiaries, which are also reflected in the National Programme for the Adoption of the *acquis communautaire* or the National Action Plan adopted by each Beneficiary (see Annex IV).

2.4 Link with MIPD

The IPA Multi-beneficiary Multi Annual Indicative Planning Document (MIPD) 2009-2011[3], in particular section 2.3.3.6, underlines that a coordinated horizontal and specialised support is required to ensure that the technical and functional solutions adopted by the beneficiaries are in line with EU requirements. The expected result to be achieved within the framework of regional cooperation supported through Multi-Beneficiary IPA is the development of systems and documentation compliant with accession requirements.

3. Description of project

3.1 Background and justification

The establishment of well-functioning Customs and Tax administrations in the Western Balkans is critical to facilitating legitimate trade, combating illegal trade, protecting future EU external borders, as well as ensuring the collection of taxes and customs duties. The establishment of well-functioning Customs and Tax administrations is also crucial from the perspective of future EU membership.

Prior to the SEMS[4] project, the Customs Administration of Serbia had already initiated a paper (hard copy) data exchange with certain neighbouring Customs Administrations, namely Bulgaria,

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[2]   AP = Accession Partnership; NPAA = National Programme for the Adoption of the *acquis* (Candidate Countries); National Action Plan (Potential Candidates); EP= European Partnership; SAA = Stabilisation and Association Agreement
[3]   COM(2009) 4518
[4]   South-east European Messaging System

Bosnia and Herzegovina, Montenegro and the former Yugoslav Republic of Macedonia using the so-called Customs Information Lists (CIL). The legal basis established for the exchange of paper CIL documents has been used for the facilitation of SEMS/SEED (electronic data exchange) pilot exercises between Serbia and Bosnia and Herzegovina and between Kosovo and the former Yugoslav Republic of Macedonia.

The biggest limitation to the success of a data exchange system has been the manual matching of papers by the Heads of Customs Posts on either side of an international border. It is time-consuming and unreliable so the system for electronic data exchange and automatic matching should be improved. Customs Administrations in the region introduced bilateral electronic data exchange initiatives but these failed because of the lack of synchronisation and harmonisation of actions/initiatives/projects at regional level.

The situation changed when the TACTA[5] and the SEMS projects started in 2008. The overall objective of the SEMS project[6] was to continue support to the administrative capacity of the Beneficiaries already provided by the CAFAO[7] and TACTA programmes in the exchange of information with other regional Law Enforcement Agencies. The SEMS project had two main purposes, namely:

- The continuation of support services for the implementation of SEMS/DREWS[8] in the Western Balkan region, and
- The implementation of the SEMS systems as regional standards for the exchange of encrypted pre-arrival information in "real-time".

During the implementation of SEMS, a new concept (SEED) was developed which greatly improve the electronic exchange of information in the Western Balkan region which brought about an increase in the collection of Customs duties as well as improvements in the fight against counterfeiting, money laundering and illicit trafficking. The continuation of the SEED project requires additional technical assistance for approximately a further two years.

SEED-related activities were introduced into the work-plan of the IPA 2007 Regional IBM project[9]. The project was granted to a consortium led by the International Organisation for Migration (IOM) which included the Italian Customs Agency (Agenzia delle Dogane). This agency undertook the Customs component of the IBM project. About 60 man-days were dedicated to the improvement of the automated data processing systems of the Beneficiaries specifically on keeping the achievements at the current level and efforts on starting the operational exchange of data at the 3rd Pilot Action. In addition, sharing of data with other "border agencies" would be prepared.

SEMS project outputs are as follows:

(1) Design of the SEED system:

- User requirements document
- Functional specification document

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5   "Technical Assistance to Customs and Tax Administrations" (CRIS 147596 and 201944)
6   "Implementation and Maintenance of the South East European Messaging System" (CRIS 154684)
7   "Customs And Fiscal Assistance Office" (CRIS 141688, 141696, 141698, 141748)
8   Danube River Early Warning System
9   "Strengthening Integrated Border Management (IBM) in the Western Balkans and Turkey" (CRIS 208777)

The documents describe the functions and characteristics of the system when fully implemented. They take into account the functional requirements set by the European Commission in the Pan-European system design (such as NCTS).

(2) Implementation of three bilateral "SEED pilot systems" for electronic data exchange:

- Pilot no. 1: Customs Administration of Macedonia – UNMIK Customs,
- Pilot no. 2: Indirect Taxation Authority of Bosnia and Herzegovina – Customs Administration of Serbia, and
- Pilot no. 3: Customs Administration of Albania – Montenegrin Customs Administration,

These pilot projects have established a framework for the further development of a common technological platform to connect the Beneficiary Administrations' heterogeneous information systems based on different platforms and different technologies. The current version of the SEED system contains basic functionalities and requires significant improvements as described in the project design documentation.

This project proposal is a continuation of the activities and requires an increase of functions of the pilot projects up to full implementation, as described in the SEED "User requirements" document. The project should also provide individual support to the Beneficiaries in raising the National Customs Information Systems to a proper level.

By implementing this project, Beneficiaries will be one step closer to fulfilling European Commission requirements regarding the preparation of the procedures and the functionality of National Customs Information Systems for EU accession as well as membership of the Common Transit Convention.

The following significant short-term results will emerge:

- "Risk assessment on pre-arrival data": risk analysis and other analytical activities using the information sent by the neighbouring administration, when the customs document is generated in the neighbour customs information system, received in „real time", at least several hours before the goods arrival.

- "Matching of Customs Information Lists": automatic comparison of sets of data from the customs documents at the Customs office of exit with the data declared at the Customs office of entry (two neighbouring Customs offices on either side of the border).

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

Past European Community assistance in Customs and Taxation to former candidate countries, now Member States, has made a significant contribution to achieving their compliance with EU legislation as well as implementing the necessary administrative structures and IT systems to be interconnected with EU systems for the exchange of Customs and Taxation information.

Beneficiaries have made some progress in aligning their Customs and Taxation procedures with EU requirements. Assistance of the same type as given in the past will be instrumental in assisting Candidate Countries and Potential Candidates in their preparations towards EU accession.

Long-term sustainability will be increased through training activities and help in updating the strategic plans expected to be performed by the contractor. The project will also help to identify challenges that are common to several administrations and/or to the region that may be addressed through future specific Multi-beneficiary projects.

3.3 Results and measurable indicators

Specific objectives: implementation of the procedures and technical realisation of the data exchange information system (regional standard) within the Customs Administrations of the Western Balkans[10]).

Achievement of the specific objectives will contribute to:
- Improvement of the fight against customs offences/fraud,
- Facilitation of the legitimate trade,
- Improvement of the regional cooperation,
- Progress of all Beneficiary Administrations towards meeting European standards.

Improving the fight against Customs offences/fraud:
- Data exchange between two neighbouring Customs Administrations will improve the prevention of swapping of customs documents between two neighbouring Border Crossing Points (BCPs) in order to avoid payment or to reduce the amount of customs duties.
- Verification of exit/entry will preclude the fake exit of goods.
- Automated data comparison will help decrease the impact that customs officers have on customs procedures at BCPs, which will in turn reduce the potential for corruption.

Facilitation of legitimate trade:
- Automated data comparisons with positive results will contribute to facilitation of Customs formalities at BCPs.
- Risk analysis using the information received several hours before the arrival of goods will surely help in raising the efficiency of the customs procedures at BCPs.

Improving regional cooperation:
- Implementation of the system will improve the trans-border cooperation and facilitate the harmonisation and modernisation of procedures on both sides of the border,
- Improving the data exchange between state agencies on the same side of the border, as well as the trans-border cooperation, can play an important role in promoting the "Integrated Border Management" concept.
- After the exchange of information system is fully implemented and the coordinator is withdrawn, Beneficiary Administrations will continue with intensive cooperation through data exchange which will enable the sustainability of the solution.

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[10] According to "Customs Blueprints" Key Indicator: "IT systems are in place allowing exchange of information between customs, other customs administrations and all the relevant authorities" page 41, Chapter: Customs Cooperation

Advancement of all Beneficiary Administrations towards European Integration:

- Implementation of the exchange of information system represents an excellent exercise for the Beneficiary Administrations in their preparations for challenges represented by Interconnectivity and Interoperability with European Commission systems (NCTS, ECS, ICS, etc.).

3.4 Activities

Implementation will include technical assistance to the Beneficiaries for the realisation of project activities and the provision of consultancy services for the procurement of necessary equipment and software licences needed for the SEED applications to operate. (The funding and procurement of the equipment will be under the responsibility of the Beneficiary Administrations or other potential donor assistance).

Technical assistance will focus on the coordination of activities between Beneficiaries, providing technical assistance: programming, project design and consulting, as well as drafting operational guidelines and training of users. Technical assistance will also include the support during changes of specific procedures at the customs posts of entry/exit (implementation and use of a device generating and reading CIL numbers, etc.).

Assistance in procurement procedures will be focused on providing technical expertise and consultancy for procuring server hardware, software licences, as well as peripheral devices so that the system might work.

In addition, number of multi-beneficiary (regional) events will be organised: workshops/ seminars/exercises/forums, where main aspects of the project implementation will be evaluated and guidelines/recommendations for joint/common, as well as, country specific activities will be provided.

3.5 Conditionality and sequencing

Not applicable

3.6 Linked activities

Regional / Multi-beneficiary

- CARDS 2005: Implementation and Maintenance of the South-East European Messaging System (SEMS)[11]
- IPA 2007: Technical Assistance to Customs and Taxation Administrations (TACTA)[12]
- IPA 2009: Customs & Fiscal Blueprints[13];

Albania:

- IPA 2007: Taxation: IT advice and training with Twinning; IT equipment;
- IPA 2008: Customs: Support to the alignment of customs procedures; Logistic support National budget: installation of Asycuda World;

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[11]   Not Croatia
[12]   Not Croatia or the former Yugoslav Republic of Macedonia
[13]   Also Turkey

Bosnia and Herzegovina:

- IPA 2008: Integrated Border Management, including support alignment of ITA to *acquis communautaire;*

The former Yugoslav Republic of Macedonia:

- IPA 2007: Customs: Support to the implementation of Customs Reform Strategy;
- IPA 2007: Taxation: Support to Tax Reform;
- IPA 2008: Customs: Interoperability of the Customs Administration's IT system with the EU Customs IT systems;
- IPA 2009: Customs: Strengthening the capacity of the Customs Administration;

Kosovo:

- IPA 2008: Customs: IT enabling and support;
- IPA 2008: Taxation: Support the improvement of IT structure in the Tax Administration and assess the compatibility with the EU requirements and standards;
- IPA 2009: Improving the IT system in the Tax Administration in Kosovo in compliance with EU requirements and standards;

Montenegro:

- IPA 2007: Taxation: Improving capacities for better efficiency and functionality of the Tax Administration work in accordance with European standards;
- IPA 2008: Customs: Technical Assistance to the Customs Administration;

Serbia:

- IPA 2007: Customs: Implementation of the New Computerised Transit System (NCTS);
- IPA 2008: Customs: Strengthening the capacities of the Serbian Customs Enforcement Division in line with EU best practice;

4. Indicative Budget (amounts in EUR)

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	x		1 300 000	1 300 000	100	–	–	–	–	–	–	–
contract 1	–	–	1 300 000	1 300 000	100	–	–	–	–	–	–	–
TOTAL IB			1 300 000	1 300 000	100	–	–	–	–	–	–	–
TOTAL INV			-	-	-	–	–	–	–	–	–	–
TOTAL PROJECT			1 300 000	1 300 000	100	–	–	–	–	–	–	–

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 (Grant agreement)	-	Q2 2010	Q2 2012

6. **Cross-cutting issues**

6.1 **Equal Opportunity**

Based on the fundamental principles of promoting equality and combating discrimination, participation in the project will be guaranteed on the basis of equal access regardless of sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation.

6.2 **Environment**

This project will respect all the applicable rules on the environmental impact, including those pertaining to recycling/disposal of legacy IT equipment and documentation.

ANNEXES

   I.   Logical framework matrix in standard format

  II.   Amounts (in EUR) contracted and disbursed per quarter over the full duration of project

 III.   Description of Institutional Framework

 IV.   Reference to laws, regulations and strategic documents:

  V.   Details per EC funded contract (where applicable)

 VI.   List of Acronyms

ANNEX I: Logical framework matrix in standard format
Please ensure information provided in the Logframe and Main text are consistent.

LOGFRAME PLANNING MATRIX FOR Project Fiche	Programme name and number *Systematic Electronic Exchange of Data (SEED) in the Western Balkans*	2010/xxx-xxx
	Contracting period expires 30 November 2011	Disbursement period expires 30 November 2014
	Total budget: EUR 1 300 000	IPA budget: EUR 1 300 000

Overall objective	Objectively verifiable indicators	Sources of Verification	Assumptions
To enhance the administrative capacity of the Beneficiaries in the exchange of information with other regional Law Enforcement Agencies	Implementation of exchange of information system among all the Beneficiary Administrations/ Agencies (BAs) applying the exchange of information system	Project reporting Monitoring missions on-site	Cooperation of the BAs in implementing the project activities (including presence at the training activities) Necessary equipment to be put at the disposal of the exchange of information system BAs willing to buy the necessary IT equipment

Project purpose	Objectively verifiable indicators	Sources of Verification	Assumptions
Continuation of support services for the current exchange of information implementations (pilot projects)in the Western Balkans region,	Monitoring / assessment missions performed and reports delivered Implementation of exchange of information system in all the BAs Number of Administrations/ Agencies applying the exchange of information system	- Project reports - DG TAXUD monitoring and/or assessment reports	Commitment of national authorities to the reform process Cooperation of the BAs in implementing the project activities (including presence at the training activities) Necessary equipment to be put at the disposal for the exchange of information BAs willing to buy the necessary IT equipment
The ongoing technical assistance and customization of the exchange of information systems as regional standards for the exchange of encrypted pre-arrival information in "real-time"	IT development status assessed on a regular basis (at least every year) Implementation of exchange of information system in all the BAs Number of Administrations/ Agencies using the exchange of information system Number of Administrations actively participating to the regional initiatives	Project reports DG TAXUD monitoring and/or assessment reports Conference list of participants	Cooperation of the BAs in implementing the project activities (including active participation to regional activities)

Results	Objectively verifiable indicators	Sources of Verification	Assumptions
Project Coordination	- Coordination meetings with the end-users; - Co-ordination between the BAs and the development team; - Management of the implementation; - Contacts with external parties;	Project reporting: - Number of end-users involved in the project - Number of BAs actively involved - Number of external parties involved	Cooperation of the BAs and external parties in implementing the project activities
Operational Guidelines	- System Analysis and System design based on users' requirements; - Unit testing, technical testing and functional testing; - Preparation of User Guides;	- Operational Guidelines in place (translated in English and all national languages)	Cooperation of the BAs in implementing the project activities
Pilot Actions and Training	- Assistance in the implementation/ Demonstration of the applications; - Training of the end-users in the format of train-the-trainer courses; - Training of the end-users on 'how' to handle the application; - Advice the end-users on technical issues; - Technical training for the IT staff who should take over the System Development and Maintenance, once the project is in operation;	Project reporting: - Number of participants trained - Number of trainer trained - Number of end-users ready to use the system autonomously - Number of participants (per country) to the regional conference	Cooperation of the BAs in implementing the project activities

	• Expert consultancy on 'how' to use the data received by exchange of information applications • Organising a Regional Conference for promoting the use of the exchange of information systems as regional standard		
• Technical Assistance	• Technical assistance and customisation of the exchange of information system including its integration into the Beneficiaries Integrated Information Systems • The necessary environmental and technical infrastructure to support the exchange systems, including the software package and necessary hardware required for the application and hosting of central databases, is in place • The necessary telecommunication and IT infrastructures to support the maintenance of the system	Project reporting	Cooperation of the BAs in implementing the project activities (including presence at the training activities) Necessary equipment to be put at the disposal of the exchange of information system BAs willing to buy the necessary IT equipment

Activities	Means	Costs	Assumptions
Technical assistance to the Beneficiary Administrations and providing consultancy for the procurement of necessary equipment and software licences. Coordination of activities between the Beneficiary Administrations; programming, project design and consulting, drafting operational guidelines and training of users. Support during changes of specific procedures at the customs posts of entry/exit Assistance in procurement procedures: technical expertise and consultancy for procuring server hardware, software licenses, as well as peripheral devices. Organisation of multi-beneficiary (regional) events: workshops/ seminars/exercises/forums for evaluation of the project implementation and for providing guidelines/recommendations for joint/common and/or country specific activities.	Grant agreement with ITACA	EUR 1 300 000	Cooperation of the BAs BAs willing to buy necessary IT equipment BAs willing to participate in events

ANNEX II: Amounts (in EUR) contracted and disbursed per quarter over the full duration of project Please complete.

Contracted	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012
Contract 1	-	1 300 000	-	-	-	-	-	-	-	-	-
Cumulative	-	1 300 000	-	-	-	-	-	-	-	-	-
Disbursed	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012
Contract 1	-	390 000	-	260 000	-	260 000	-	260 000	-	130 000	-
Cumulative	-	390 000	-	650 000	-	910 000	-	1 170 000	-	1 300 000	-

ANNEX III: Description of Institutional Framework

Albania
Customs: Headquarters (Tirana), 17 Customs Offices and 5 Customs points, 1,200 staff.
General Tax Directorate: Headquarters (Tirana), 15 regional tax offices and 21 service offices, 1,230 staff.

Bosnia and Herzegovina
Indirect Taxation Authority (Customs and Taxation): Headquarters (Banja Luka), 4 Regional Centres, 30 customs sub-offices and 59 customs posts

Croatia
Customs: Headquarters (Zagreb), 13 regional Custom Houses, 109 Custom Offices and 119 Custom Units, 3,200 staff
Tax: Headquarters (Zagreb), 20 regional Tax Offices, 120 Branch Offices, 4,000 staff

Kosovo
Tax Administration: Headquarters (Pristina), 8 Regional offices + large taxpayer unit, 640 staff
Customs Service: Headquarters (Pristina), customs offices, 570 staff

The former Yugoslav Republic of Macedonia
Customs: Headquarter (Skopje), 5 Customs Houses, 41 Customs offices, 1,200 staff
Public Revenue Office: Headquarter (Skopje), tax offices, 1,250 staff

Montenegro
Customs: Headquarters (Podgoriça), customs offices, 520 staff
Tax Administration: Headquarters (Podgoriça), tax offices, 620 staff

Serbia
Customs: Headquarters (Belgrade), 13 customs houses, 140 customs posts/units/points, 2,600 staff
Tax Administration: Headquarters (Belgrade), 5 Regional centres, 201 offices/units/points, 6,600 staff

ANNEX IV: Reference to laws, regulations and strategic documents

-   European Partnership / Accession Partnership priorities for Customs and Taxation: http://ec.europa.eu/dgs/enlargement/index_en.htm

-   Council Regulation (EEC) No 2913/92 of 12 October 1992 establishing the Community Customs Code

-   Commission Regulation (EEC) No 2454/93 of 2 July 1993 laying down provisions for the implementation of Council Regulation (EEC) No 2913/92 establishing the Community Customs Code.

-   Council Regulation (EEC) No 2658/87 of 23 July 1987 on the tariff and statistical nomenclature and on the Common Customs Tariff [Official Journal L 256 of 7.9.1987]

ANNEX V: Details per EC funded contract

To implement these activities, the European Commission will conclude a Grant Agreement with the consortium 'ITACA' based on Article 168(1)(f) of the Implementing Rules of the Financial Regulation.

The 'ITACA' Consortium consists of three technical and institutional partners (viz the Italian Customs and Revenue Agencies and the Finnish Customs Administration) with the support of two specialised consultancies under the leadership of the Italian Customs Agency (Agenzia delle Dogane). They have the specific expertise necessary to implement the SEED work plan by drawing both upon internal resources and upon resources available in the wider network of European Customs and Tax Administrations in which the ITACA members participate.

	Type of Contract	Amount in EUR	Duration
Contract 1	Direct Grant	1 300 000	24 months

Annex VI – List of Acronyms

Abbreviation	Full description
Asycuda	Automated System for Customs Data
BA	Beneficiary Administrations
CCN / CSI	Common Communications Network / Common Systems Interface
CCN / TC	Common Communications Network / Technical Centre
CDPS	Customs Declaration Processing System
CTC	Common Transit Convention
DG TAXUD	European Commission Directorate General responsible for Taxation and Customs Union
EC	European Commission
EMCS	Excise Movement Control System
EU	European Union
IT	Information Technology
ITA	Indirect Tax Authority (Bosnia and Herzegovina)
ITACA	International Technical Assistance for Customs Administrations
ITMS	Integrated Tariff Management System
MS	Member State
NCTS	New Computerised Transit System
TARIC	*Tarif Intégré Communautaire*
VIES	VAT Information Exchange Systems