PHARE 2005 PROJECT FICHE

1 BASIC INFORMATION

1.1 CRIS Number: HR2005/4/4
1.2 Title: Interoperability of IT Systems with the EU Customs Systems
1.3 Sector: 33110
1.4 Location: Croatian Customs Administration, Zagreb, Croatia
1.5 Duration: 24 months

2 OBJECTIVES

2.1 Overall Objective(s)

To support Croatia in the process of fulfilling the EU pre-accession requirements concerning the chapter 29 (Customs Union) and parts of chapter 16 (Taxation) of the acquis, especially with regard to the development and implementation of national systems required by the Croatian Customs Administration to connect with the EU IT systems aiming to enable the exchange of information between the EC and EU Member States immediately upon accession to the EU.

2.2 Project purpose

The purpose of the present project is the strengthening of the operational capacity of the Croatian Customs Administration in accordance with the EU standards in core Customs and Taxation business areas of the European Community Customs tariff, Customs transit control and the control of the movement of Excise goods to ensure full compatibility and interoperability of the Croatian Customs IT systems with the related EU Customs IT interoperability systems.

2.3 European Partnership and NPIEU priority

European Partnership

This project supports the following short-term and medium-term priorities, which have been specified in the Council Decision of 13 September 2004 on the principles, priorities and conditions contained in the European Partnership with Croatia in the area of customs.

- Strengthen the administrative and operational capacity of customs services, in particular with regard to the control of preferential rules of origin, and continue alignment with the EU Customs Code (short-term priority)
- Further enhance administrative cooperation in the customs sector in accordance with the Interim Agreement (short-term priority)
- Strengthen and consolidate the administrative and operational capacity of customs services. Expand training of all staff and increase the use of information technologies, the design and use of which should be compatible with EU systems in order to ensure interconnectivity (medium-term priority).
- Pursue alignment in the areas of free zones, transit, fees, tariff ceilings and the Generalised System of Preferences (medium-term priority)
The National Plan for the Integration in the European Union (NPIEU) for 2005 indicates in its Chapter Customs Union as a short-term priority the amendments to the current Customs Tariff Act. The need for improvement of existing IT structures and introduction of new information technologies compatible with EU IT systems is indicated as a medium-term priority.

2.4 Coherence with National Development Plan (and/or Structural Funds Development Plan/SDP)

Not applicable

2.5 Cross Border Impact

Not applicable

3 DESCRIPTION

3.1 Background and justification

The Customs Administration of the Republic of Croatia is a legal enforcement entity operating within the framework of the Ministry of Finance. It consists of the Customs Directorate (Headquarters), 12 Customs Offices (Houses), 93 Branch Offices and 90 Customs Units. The Customs Administration has currently approximately 3500 staff with 140 working in the Customs Directorate. The recruitment process for 200 additional staff (50 for the Customs Directorate) is ongoing. The mandate and structure of the Customs Administration is defined by the Code on Customs Service.

The Headquarters function has been organised into 8 separate Services covering the full spectrum of Customs activities (including the control and administration of all Excise taxes) with the 12 regional Customs Houses.

The Headquarters structures and functions were reorganised in early 2005. The new Service for Customs Tariff, Value, Origin and Customs Laboratory is headed by an Assistant Director General and consists of four departments: Department for Customs Tariff, Department for Value, Department for Origin and Department for Customs Laboratory. The Service has been allocated 9 staff (including Assistant DG), 4 of whom in the Department for Customs Tariff and who will form the full-time business project team for the Master Tariff system. According to the new organization the Department for Customs Tariff will have 16 staff.

The Service for Customs Systems and Procedures is responsible for legal regulation of all customs procedures, including transit procedure. It is headed by an Assistant Director General and consists of four departments: Department for Customs System, Department for Customs Proceedings, which is directly responsible for transit, Department for Border Procedures and Special Treatments and Department for Common Agricultural Policy. According to the new organization the Service will have 30 staff of which the Department for Customs Proceedings 12 staff. Four staff of this
Department are forming business project team for the NCTS projects. The business team will be supported by two members of core IT team from the Service for Information, System, Statistics and Analyses, which is responsible over all IT functions of Customs Directorate. At operational level 12 Customs houses are responsible for implementation of transit procedures.

The Customs Directorate Headquarters has the authority over the excise duty legislation and implementing provisions. The Service for Excise Duties is headed by an Assistant Director General. This Service consists of two departments: Department for Tax System and Department for Tax Procedures and Labelling Subjects of Taxation with Prescribed Stamps. This Service is allocated 8 staff, including Assistant DG. 3 staff of the Service will form the full-time business project team for the EMCS system supported by additional 3 from Customs house. According to the new organization this service will have 16 staff.

The Service for Information, System, Statistics and Analyses is responsible for overall IT functions of Customs Directorate. This Service is allocated with 9 staff including Assistant Director General. Every business team (NCTS, ITMS, EMCS) is supported with individual IT team of 2 IT staff from this Service. According to the new organization the Service for Information, System, Statistics and Analyses will have 18 staff. In addition to the Customs Directorate IT staff, it has been foreseen that the Data Processing Centre for the Municipality of Zagreb (GZAOP), which has developed and maintains all major Croatian Customs Administration IT systems and operates the CCA network, will allocate stable staff on a full-time basis for implementation of the various IT interconnectivity systems.

The basic act regulating customs procedures in the Republic of Croatia is the Customs Code which has been largely harmonized with Council Regulation (EEC) No 2913/1992 establishing the Customs Code, and its amendments. The last amendment of Croatian Customs Code entered into force on 2 April 2003 (Official Journal No 47/03).

With the signing of the Stabilisation and Association Agreement (SAA) in October 2001 and the submission of the membership application to the European Union in March 2003, the Government of the Republic of Croatia indicated a strong commitment to the EU integration process. Following the positive Opinion of the European Commission in April 2004, Croatia became a candidate country to the European Union on 18 June 2004. There is currently no established accession date.

In its Opinion the European Commission examined under Chapter Customs Union the current and prospective situation in the customs area with a brief assessment of Customs Administration’s ability to assume the obligations of membership in a medium-term. The Opinion highlighted that further efforts are needed to align customs legislation with the acquis and to effectively implement and enforce it in the medium term. Especially the administrative capacity needs to be assessed. Particular attention needs to be given to the modernization and strengthening of the customs administration by providing, amongst others, sufficient budget, IT and human resources, as well as further training to cover the whole range of customs issues, including those which are accession related.

Based on the analysis made in the Opinion of the European Commission on the application of Croatia for membership of the European Union, the Council Decision of 13 September 2004 on the principles, priorities and conditions contained in the European Partnership with Croatia indicates the main priority areas for Croatia's
preparations for further integration with the European Union. These priorities should be supported by the ongoing CARDS and future PHARE programmes.

The first DG TAXUD IT interoperability mission took place in October 2004. This mission found that there was little knowledge within the Croatian Customs Administration as to the requirements for EU Interoperability. The volume of work to be undertaken to achieve Interoperability may have been underestimated. Following the mission findings it has been acknowledged within the Customs Administration that considerable efforts will need to be made, if IT interoperability with the EU is to be achieved in the medium-term.

Following this the Customs Directorate has set up the core business and IT teams to manage parallel IT interoperability projects for NCTS, ITMS and EMCS. Improvement of business processes and preparatory work for the different IT interoperability systems will take place under different CARDS twinning projects, which will start in the course of 2005 (see Section 3.5).

The high level objective of the Interoperability programme is “The development and implementation of national systems required by the Croatian Customs Administration to connect with the EU IT systems to enable the exchange of information between the EC and EU Member States immediately upon accession to the EU.” In order to comply with the EU Customs Legislation and IT system requirements, the following systems require interoperability by the date of accession:

- **CCN/CSI**\(^1\): this gateway is mandatory for the communications between the DG TAXUD IT systems and their Member States counterparts. For Croatia, the CCN/CSI gateway (installation and operational costs for the Community domain) will be funded by the EU’s Customs 2007 Programme. The CCN/CSI must be operational at least three months prior to the beginning of any remote tests.

- **ITMS**: this integrated tariff management system is a business concept grouping most of the computerised systems dealing with the tariff exchange of information between the Commission and the Members States. Two of the applications under this concept are complex. Being mandatory for the accession day their development and interconnection should therefore be prepared in advance. These are TARIC (Tarif Integre Communautaire) and TQS (Tariff Quotas and Surveillance).

ITMS also covers some other systems dealing with the exchange of information. For following ITMS sub-systems the Commission has developed web-light client solutions that do not require substantial national adaptations and that can be used instead of national system-to-system solutions:

- EBTI (European Binding Tariff Information)
- ISPP (Information System for Processing Procedures)
- SMS (Specimen Management System).

Following further ITMS subsystems do not require any particular IT development:

- ECICS (European Customs Inventory of Chemical Substances)
- BOI (Binding Origin Information)
- Suspensions.

\(^1\) Common Communications Network / Common Systems Interface
However, all ITMS systems (TARIC, TQS, EBTI, ISPP, SMS, ECICS, BOI and suspensions) are accession-mandatory. Possible future evolution of the ITMS systems should in the beginning be followed by Croatian Customs in close liaison with their Twinning partners.

- **NCTS**: by the date of the accession, the National Transit application, fully compatible with the NCTS must be available. This means that by that time, all the legal provisions concerning the transit (primary, secondary and tertiary legislations) are in force, the IT system is fully tested in national and international modes and that at least all traders with the status of an authorised consignor/consignee are connected to the NCTS national external domain. Croatia, following the recommendations of DG TAXUD, has decided to implement the MCC application. Croatia plans to join the Common Transit Convention (CTC) prior to EU accession which in principle requires the same conditions to be met as for Community Transit upon the date of EU accession.

- **EMCS**: This system will modernise and significantly increase the grade of automatisation for a group of three outdated applications that are presently operational and mandatory for Member States (EWSE, MVS and SEED). The EMCS is currently in the development phase and will become mandatory for Member States by June 2009.

- Finally, new interoperability systems will be developed under the eCustoms’ DG TAXUD project (within the security and modernisation reform of the EC Customs Code). Currently, the most defined applications being the following:
  - AEO (Authorised Economic Operator)
  - ECS (Export Control System)
  - ICS (Import Control System)

The Phare 2005 programme will focus on the following systems:

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2 New Computerised Transit System
3 Minimal Common Core: the NCTS solution developed by DG TAXUD
4 Excise Movement Control System
5 Early Warning System for Excise (under the joined resp. of DG TAXUD and OLAF)
6 System for Exchange of Excise Data
7 The generic eCustoms term includes the following systems: AEO, ECS, ICS, RIF and other systems involved in Interoperability between MS Customs Administrations. In this context, it needs to be underlined that the “vision statement” on eCustoms is currently under discussion with the EU Member States. Therefore, all eCustoms systems specifications may change
• the Tarif Integre Communitaire (TARIC) component of ITMS, which is essential to ensure that the proper duty rates and economic measures are applied. This project will consist of two sub-components, a service contract to develop the necessary IT system and a twinning project to assist the Croatia Customs Administration in the management of the implementation of the IT system;

• the New Computerised Transit System (NCTS), which is essential to ensure the control of transit movements throughout the Community / the CTC territory. This project will consist of two sub-components, a supply contract for the necessary hardware and software licences necessary to implement the MCC package and a twinning project to assist the Croatia Customs Administration in the management of the implementation of the NCTS system by use of the MCC package;

• the Excise Movement Control System (ECMS) that will become another mandatory requirement for EU accession. This project will consist of two sub-components, a service contract to develop the necessary IT system and a twinning project to assist the Croatia Customs Administration in the management of the implementation of the IT system. The service contract will deal only with the functionalities forecast under EMCS Phase 2\(^8\), while the extension of these functionalities to a complete system (Phase 3\(^9\)) would need to be provided through a service contract under the Phare 2006 programme.

The present project is totally independent of any NGO involvement. Trade associations using the Transit declaration and the excises system will be trained through the twinning components of the programs.

3.2 Sectoral rationale

3.2.1 Identification of projects

The Phare 2005 programme includes the following projects:

**Project 1: ITMS**

Sub-project 1 - TARIC Development/Adaptation\(^{10}\) – Management Support – Twinning
Sub-project 2 - TARIC Development/Adaptation – Software Development Service Contract

**Project 2: NCTS**

Sub-project 1 - NCTS/MCC Implementation – Management Support – Twinning
Sub-project 2 - NCTS/MCC Implementation – Supply Contract

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\(^8\) Phase 2 deals with all the functions of Group I as identified in the Feasibility Study of EMCS and part of the functions of Group II: List of References, Consultation of MSA offices, Consultation operators, Management of guarantees, Consultation VAT information, reporting, Central service endorsement AAD copy 3, etc. All necessary documentation for EMCS (including the scope definition) will be available by Q1/2006. This elaboration of documentation is called EMCS phase 1. The functional specification and the fall back and recovery specification were already published in February 2005.

\(^9\) Phase 3 deals with the remaining functions of Group II and all the functions of Group III as identified in the Feasibility Study of EMCS

\(^{10}\) The decision whether Croatian Customs Administration will opt for a development from scratch or adapt the existing ACT to TARIC-compatibility will be taken prior to launching the tender; reference is made to section 12, 4 of this Project Fiche.
Project 3: EMCS

Sub-project 1 - EMCS Development – Management Support – Twinning
Sub-project 2 - EMCS Phase 2 Development – Software Development Service Contract

The ITMS, NCTS and EMCS twinning projects will cover primarily IT project management support for the software developments, including support to the management of all business and functional aspects of systems implementation.

The service contracts in each area will cover the software design, development and implementation as well as the user training and the production of all the necessary documentation including user requirements, software installation, system administration and user manuals.

The NCTS supply contract will include the provision, installation and maintenance of the necessary hardware infrastructure, commercial off the shelf software and necessary licences for the transit computerisation system.

3.2.2 Sequencing

The TARIC service contract (Project 1, Sub-project 2) is not dependent on the outputs of the CARDS 2004 ITMS twinning project and can therefore be launched as soon as pre-conditions are met. The TARIC management twinning (Project 1, Sub-project 1) should ideally start parallel to/slightly before the service contract.

The NCTS/MCC implementation twinning (Project 2, Sub-project 1) should start early 2007 upon finalisation of the CARDS 2002 NCTS twinning project, as it is dependent on a number of outputs produced under the ongoing twinning project. Subject to availability of funding under PHARE 2006 programme and the subsequent early launch of the PHARE 2006 software development service contract for trader module, this NCTS twinning could provide management support also for this service contract.

The launch of the EMCS service contract (Project 3, Sub-project 2) is dependent upon Terms of Reference, which will be prepared under the CARDS 2004 twinning project, which is expected to start in December 2005 at the latest. The EMCS management twinning (Project 3, Sub-project 1) should start parallel to/slightly before the service contract.

3.3 Results

In accordance with the Interoperability Implementation Strategy (Section 4.2), developed in cooperation with DG TAXUD, it has been foreseen that the Phare 2005 programme will contain the ITMS, NCTS and EMCS system components. In essence, on completion of the project, the Croatian Customs Administration will have implemented three computer systems associated with accession to the EU, and put in place the necessary organisational and procedural changes in order to operate the systems effectively and efficiently. The three systems are as follows:
3.3.1 Project 1 – Sub-project 1: Taric Development / Adaptations – Management Support Twinning

3.3.1.1 Purpose
Support the Croatian Customs Administration in TARIC-related IT project management, classification issues and start of preparations for TQS.

3.3.1.2 Results
Croatian Customs Administration supported in project management for the national TARIC-compatible Master Tariff System, on tariff-related business change management and on preparations for TQS.

3.3.2 Project 1 – Sub-project 2: Taric Development / Adaptations – Software development service contract

3.3.2.1 Purpose
Develop/update the EU (TARIC) compatible national tariff data base.

3.3.2.2 Results
The TARIC-compatible data base adapted/developed: Module 0: Skeletons (GUI, Report Layout, …); Module 1: Loader and merger; Module 2: Tariff Management; Module 3: Calculation / CDPS Interface.

3.3.3 Project 2 – Sub-project 1: MCC Implementation – Management Support Twinning

3.3.3.1 Purpose
Support the Croatian Customs Administration in the management of the National Transit Application based on DG TAXUD’s MCC (Minimum Common Core).
3.3.3.2 Results

National Transit application based upon the DG TAXUD’s MCC software package operational; the Croatian Customs Administration capable of working and managing the NCTS application and provide advice to the trade community.

3.3.4 Project 2 – Sub-project 2: MCC Implementation Supply Contract

3.3.4.1 Purpose

Purchase of the necessary IT equipment for the operations of the national Transit Application.

3.3.4.2 Results

Croatian Customs Administration supplied with the equipment and licences necessary for the MCC implementation (test and production platforms)

3.3.5 Project 3 – Sub-project 1: EMCS Management Support Twinning

3.3.5.1 Purpose

Support the Croatian Customs Administration in the management of the EMCS, IT developments and to prepare the EMCS Phase 3 developments.

3.3.5.2 Results

Croatian Customs Administration supported in project management for the EMCS Phase 2, on EMCS related business change management and on preparation for EMCS Phase 3.

3.3.6 Project 3 – Sub-project 2: EMCS Phase 2 Software Development Service Contract

3.3.6.1 Purpose

Develop the EMCS Phase 2 application.

3.3.6.2 Results

Functionalities covered by the EMCS Phase 2 application developed and tested.

3.4 Activities (including Means)

The activities to be undertaken under this project include the introduction of three computerised systems, one existing computer software package and two new computer software developments, the management of these developments, and the introduction of any necessary new organisational structures and administrative procedures to support the new systems.
ITMS (Project 1)

Sub-Project 1: Taric Development / Adaptations – Management Support Twinning

Support will be provided to the Croatian Customs Administration in project management for the national TARIC-compatible Master Tariff System, on tariff-related business change management and on preparations for TQS. This support will encompass the management of all business and functional aspects of systems implementation surrounding the introduction of the new computerised system, particularly in the areas of organisational restructuring and procedural reforms.

The main activities foreseen to be carried out under this Twinning contract include:

- Provide overall ITMS project management support
- Assist the Customs Administration in planning and development of necessary operational capacity and achievement of positive control over IT developments and projects (systems, infrastructure and services) and support with ITMS-related liaison with the European Commission, Member State Customs Administrations and the Consultant for the service contract
- Review and follow up the entry into force of all necessary legal, administrative and procedural arrangements and advice on any necessary changes as far as it relates to project objectives
- Assist in coordinating and monitoring of activities conducted by the Consultant of the Sub-Project 2
- Provide technical expertise during various stages of IT system development
- Provide training for Customs Administration staff on operation, management and maintenance of TARIC and any other relevant EU information systems
- Assist the Customs Administration in preparation/finalisation of relevant Terms of Reference for a service contract (TQS)

The twinning team will be composed of a Resident twinning advisor (RTA) and a team of at least 3 short term experts:

Profile of the RTA:

- University degree or equivalent experience;
- Minimum 10 years experience in the customs administration of an EU Member State (in case of a New Member State, having been involved for at least 4 years in aligning customs core business to the *acquis communautaire*);
- Working experience and expertise of minimum 4 years either in classification and valuation of goods or EU Customs procedures with economic impact;
- Experience and appropriate knowledge in writing strategic documents and carrying out training on methodology of strategy development;
- Excellent English language skills
- Good computer skills;
- Good communication skills.

Profile of the short-term expertise
• Minimum 5 years experience in the customs administration of an EU Member State (in case of a new Member State, having been involved for at least 4 years in aligning customs core business to the *acquis communautaire*);
• Good knowledge of EU Customs legislation, other than transit;
• Knowledge in writing of strategic documents and carrying out training on methodology of strategy development;
• Excellent English language skills;
• Good computer skills;
• Good communication skills;
• In overall, the short-term expert team should have sufficient expertise and experience among its various members:
  o Management and quality assurance of IT projects;
  o Design, development and implementation of large-scale IT systems and the associated training and development programmes
  o Managing and developing multi-disciplinary project teams
  o Working with third party software developers
  o Project management methodologies (including TEMPO)
  o Working within multi-disciplinary project teams
  o Computerisation of the Customs Tariff and EU TARIC
  o Design, development, testing, piloting of customs IT systems/modules/interfaces
  o Design, development and delivery of Site Acceptance Test plans and test scenarios

*Sub-project 2: Taric Development / Adaptations – Software development service contract*

Adapt the existing software (ACT) or develop the following TARIC-compatible DB modules as first part of ITMS Implementation:
• Module 0: Skeletons (GUI, Report Layout, …)
• Module 1: Loader and merger
• Module 2: Tariff Management
• Module 3: Calculation / CDPS Interface

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

• Preparation of the Project Quality Plan
• Realise detailed functional specification (System Specification Phase)
• Realise detailed technical specification (Design Phase)
• Development of each of the modules (Build and Test Phase)
• Realise all the software testing according to the used methodology (Build and Test Phase)
• Installation of the training and operational environment (Running and Maintenance Phase)
• Realise user training (Running and Maintenance Phase)
• Hand-over of the application and documentation and perform corrective maintenance (Running and Maintenance Phase)
NCTS (Project 2)

Sub-project 1: MCC Implementation – Management Support Twinning

Support will be provided to the Croatian Customs Administration in NCTS project management based on the MCC software implementation. This support will encompass the management of all business and functional aspects of systems implementation surrounding the introduction of the new computerised system, particularly in the areas of organisational restructuring and procedural reforms.

The main activities foreseen to be carried on under this Twinning contract include:

- Provide overall NCTS project management support
- Assist the Customs Administration in planning and development of necessary operational capacity and achievement of positive control over IT developments and projects (systems, infrastructure and services)
- Support with NCTS-related liaison with the European Commission, Member State Customs Administrations, the supplier and the Consultant for the trader module service contract (the latter subject to approval of the service contract under PHARE 2006 programme in due time)
- 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 system, including input to project design, software and equipment procurement, service contract on the trader module (subject to approval under PHARE 2006 programme in due time), transit procedures and transit department reorganisation
- Provide relevant training for Customs Administration staff
- If necessary, assist the Customs Administration in preparation/finalisation of relevant Terms of Reference and Technical Specifications for procurement of needed software

The twinning team will be composed of a Resident twinning advisor (RTA) and a team of at least 3 short term experts:

Profile of the RTA:

- Minimum 10 years experience in a customs administration of an EU Member State (in case of a New Member State, involvement for minimum 5 years in aligning customs core business to the *acquis communautaire*)
- Minimum 5 years experience of customs administration and strategic planning, preferably in a leading position
- Good knowledge of EU legislation in the field of Common and Community transit and Accession country experience in the common / community transit field
- Excellent English language skills
- Good communication skills
Profile of the short-term expertise

- Minimum 5 years experience in a customs administration of an EU member state (in case of a New Member State, involvement for minimum 4 years in aligning customs core business to the *acquis communautaire*)
- Good knowledge of EU legislation in the field of Common and Community transit
- Experience and appropriate knowledge in common and community transit (business and IT) field, including appropriate knowledge of interplay between Commission services and/or between Member States’ and CTC Customs Administrations
- Experience in writing strategic documents and carrying out training
- Strong communication skills
- Excellent command of English
- In overall, the short-term expert team should have sufficient expertise and experience among its various members:
  o Management and quality assurance of IT projects;
  o Design, development and implementation of large-scale IT systems and the associated training and development programmes
  o Managing and developing multi-disciplinary project teams
  o Working with third party software developers
  o Project management methodologies (including TEMPO)
  o Working within multi-disciplinary project teams
  o Computerisation of transit movement control
  o Design, development, testing, piloting of customs IT systems/modules/interfaces
  o Design, development and delivery of Site Acceptance Test plans and test scenarios

*Sub-project 2: MCC Implementation Supply Contract*

This sub-project includes provision of the NCTS-server equipment (hardware, software, licenses). The main foreseen activities to be carried on under this contract include:
- Provide necessary hardware infrastructure
- Install the hardware in the premises specified by the Customs Administration
- Install the software and COTS on the platforms according to the Customs Administration’s instructions
- Assure the agreed maintenance

*EMCS (Project 3)*

*Sub-project 1: EMCS Management Support Twinning*

Support will be provided to the Croatian Customs Administration in the management of the EMCS, IT developments and in preparations for the EMCS Phase 3 developments. This support will encompass the management of all business and functional aspects of systems implementation surrounding the introduction of the new computerised system, particularly in the areas of organisational restructuring and procedural reforms.

The main activities foreseen to be carried out under this Twinning contract include:
• Provide overall EMCS Phase 2 project management support
• Assist the Customs Administration in planning and development of necessary operational capacity and achievement of positive control over IT developments and projects (systems, infrastructure and services)
• Support with EMCS-related liaison with the European Commission, Member State Customs Administrations, the Consultant for the Sub-Project 2
• Review and follow up the entry into force of all necessary legal, administrative and procedural arrangements and advice on any necessary changes as far as it relates to project objectives
• Assist in coordinating and monitoring of activities conducted by the Consultant of the Sub-Project 2
• Provide relevant training for Customs Administration staff on operation, management and maintenance of EMCS Phase 2
• Support the Customs Administration in realisation the pre-study for EMCS Phase 3
• Assist the Customs Administration in preparation/finalisation of relevant Terms of Reference for a service contract (EMCS Phase 3), subject to approval of the project under PHARE 2006 programme

The twinning team will be composed of a Resident twinning advisor (RTA) and a team of at least 4 short term experts:

Profile of the RTA:

• University degree or equivalent experience
• Minimum 10 years experience in a tax/customs administration of a EU Member State (in case of a New Member State, having been involved for at least 4 years in aligning tax/customs core business to the *acquis communautaire*);
• Minimum 5 years of experience and expertise in excise duty field
• Experience and appropriate knowledge in writing strategic documents and carrying out training on methodology of strategy development;
• Excellent English language skills;
• Good computer skills;
• Good communication skills.

Profile of the short-term expertise

• Minimum 5 years experience in an excise duty service of an EU Member State (in case of a new Member State, having been involved for at least 3 years on implementing core business in the excise duty field in line with the *acquis communautaire*);
• Good knowledge of EU Excise duty legislation;
• Excellent English language skills;
• Good communication skills.
• Experience and appropriate knowledge in EU excise legislation and practices in the excise movement control field (including the SEED, EWSE, MVS systems and Excise Movement Control System developments)
• Knowledge of all IT software dealing with the control of the movement of excise goods within the community.
• In overall, the short-term expert team should have sufficient expertise and experience among its various members:
  o Management and quality assurance of IT projects;
o Design, development and implementation of large-scale IT systems and the associated training and development programmes
o Managing and developing multi-disciplinary project teams
o Working with third party software developers
o Project management methodologies (including TEMPO)
o Working within multi-disciplinary project teams
o Computerisation of the Excise movement control procedures
o Design, development, testing, piloting of customs IT systems/modules/interfaces
o Design, development and delivery of Site Acceptance Test plans and test scenarios

Sub-project 2 : EMCS Phase 2 Software Development Service Contract

Development of the software application compatible with the functional specifications of the EMCS Phase 2. Phase 2 deals with all the functions of Group I as identified in the Feasibility Study of EMCS and part of the functions of Group II, namely: List of References, Consultation of MSA offices, Consultation operators, Management of guarantees, Consultation VAT information, Reporting, Central service endorsement AAD copy 3, etc.

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)
• 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)

3.5 Linked Activities

CARDS 2002 twinning project “Community Transit -confirm Customs Procedures and IT interconnectivity System” (€ approx. 945,000)
This 18-month project, which started in July 2005, will provide assistance to the Customs Directorate in order to strengthen the administrative capacity of the Customs Directorate to implement Customs transit procedures fully aligned to the external and internal Community Transit Procedures and to prepare the implementation of the New Computerised Transit System (NCTS), based on the Minimal Common Core (MCC).

The project will be composed of two components. Activities under Component 1 “Administrative capacity building for NCTS implementation” will include
• a gaps and needs assessment of the Croatian Customs Code with regard to existing transit procedures, providing advices in legal drafting if necessary;
• SWOT\textsuperscript{11} analysis of the Croatian Customs Directorate regarding the available resources for Community transit procedures;
• Assistance to the Customs Directorate in setting up stable and sufficient administrative capacity in the area of Community transit;
• Preparation of training programmes and provision of training on Community transit, including trade awareness;
• Community transit study missions to Austria and on-the-job assistance to fully align the Croatian customs transit procedures to the Community external and internal transit procedures (normal and simplified).

Activities under Component 2 “Preparing the development of a NCTS-compatible automated transit system” will focus on setting up and defining a Business Change Management Plan (BCMP) related to the implementation of the NCTS Minimal Common Core (MCC) and all necessary preparatory work for the implementation of the MCC, including as a minimum Project Initiation Document, Project Plan, hardware specifications and functional specifications of the trader module.

CARDS 2004 twinning project “Modernisation of Customs Administration in view of preparing for the Integrated Tariff Management System (ITMS)” (€ 1,500,000)

This 24-month project, which is planned to start in October 2005, will provide assistance primarily in the EU Customs tariff related areas: classification, valuation of goods, binding tariff information, EU customs procedures with economic impact, EU simplified customs procedures (others than Community transit), quotas. It will also contribute to further legislative alignment, training of staff and increasing in the capability of the Customs Directorate to manage the implementation of the new procedures in the EU Customs Tariff related areas.

The project will be composed of two components. Component 1 “Administrative capacity building in the EU Customs tariff related areas” will focus on the legal gaps and needs analysis and providing advices on legal drafting, improvement of the administrative capacity in the EU Customs tariff related areas, preparing training programmes and providing training on the EU Customs tariff related areas and on EU non tariff-related measures and binding origin information, study visits or internships in one or more Member States and preparing a basic awareness programme for Customs management and trade community on EU simplified Customs and declaration procedures.

Component 2 “Preparing the development of an Integrated Tariff Management System (ITMS)” will focus on assistance in setting up and defining a Business Change Management Plan (BCMP) for the full business implementation in the EU Customs tariff related areas (including trade community) according to the progress in the related business activities, carrying out a review (and update/enhance where necessary) of the Terms of Reference for Phare 2005 ITMS service contract (TARIC Development/Adaptations) that were drafted under a separate contract, providing assistance in defining the Project Initiation Document (including implementation plan) for the ITMS project: TARIC, Tariff Quotas and Surveillance (TQS) and other tariff-related IT interconnectivity systems, providing assistance in preparing the Users Requirements for the ITMS project and assistance in preparing the Terms of Reference for Phare 2006

\textsuperscript{11} Strengths – Weaknesses – Opportunities – Threats
ITMS development project (service contract) and requirements for the ITMS Project Quality Plan (PQP).

CARDS 2003 twinning project “Support to the Customs Administration in the field of Excise Duties“ (€ 800.000)
This 18-month project, which is planned to start in December 2005, will provide assistance primarily in the EU Excise related areas. Based upon the gaps and needs analysis performed at the beginning of the contract, and in line with the strategic objectives of the Fiscal Blueprints, the project will adapt all relevant legislation, including secondary legislation, in the field of excise duties developed in line with the EU requirements, improve the organisation, management and administrative procedures for excise duties within the Customs Administration, and provide a comprehensive training programme (with train-the-trainer component). Additionally, and most importantly, the project will result in the preparation of Business change management and IT plans for the development of the Excise Movement Control System (EMCS), plus Terms of Reference for the EMCS Phase 2 Development project.

The project will be composed of two components. Component 1 “Administrative capacity building in the field of excise duties” will focus on performing legal gaps and needs analysis in the field of excise duties, assistance in drafting relevant laws and bylaws in the field of excise duties, developing a set of procedures, guidelines, rulebooks and manuals for improving the structure, management and operations of the Customs Administration services in the field of excise duties, a training needs analysis, development of a training scheme for Customs Administration services, preparing training materials and provide train-the-trainer training on excise duties, excise duty study missions to a Member State/Member States.

Component 2 “EMCS Development” will focus on assisting with the setting up, monitoring and implementation of business change management and IT plans in view of preparing the development of the Excise Movement Control System (EMCS) and assisting with preparing the Terms of Reference for the EMCS Phase 2 Development project (service contract) (subject to approval of the project as part of the PHARE 2005 programme).

World Bank Trade and Transport Facilitation in Southeast Europe (TTFSE) project
This project was closed in March 2005. The purpose of the TTFSE project was to strengthen the Customs Information Systems performance and in general improving the Border Crossing Facilities. One part of this project was the development of the Application of Customs Tariff (the ACT) software, which is utilized for passing, updating and using, as well as publishing data related to the Customs Tariff and data sources. Application of Customs Tariff (ACT) is developed on the basis of extended TARIC database. Many parts of this database (e.g. Nomenclature) have been used in a way TARIC requires, meaning that certain application modules were useable with relatively small number of changes. One of the elements of the TTFSE project in Croatia included a setting up of a specific Risk Management System, which will consist of selectivity and post-release check modules and a distinct targeting data base.

Customs 2007 programme
Customs 2007 programme aims to provide a legal and financial base for electronic information exchange systems between national administrations, training seminars for customs officials and experts, the exchanges of officials between national administrations and the basis for an electronic system which will allow business to
move towards a paperless customs environment. Candidate countries for accession to the European Union (EU) are participating in the programme, so as to help both them and the Member States prepare for enlargement. The Croatian Customs Directorate expressed its intention to participate in this programme at the beginning of 2005.

3.6 Lessons learned

Until now only one project has been completed in the Customs area under the CARDS 2001 Programme. Two monitoring reports have been produced concerning this project. Three significant criticisms emerged from these reports. Firstly, there was a perceived lack of administrative capacity due to a shortage of staff. To this end, additional personnel have been recruited for each of the proposed projects, in line with the manpower resource requirements suggested by DG TAXUD.

Secondly, the level and quality of project management was a source of criticism. This should be eliminated in the Phare 2005 Programme by the input from the Twinning projects and the addition of an independent overall project coordination and quality assurance unit. One of the major benefits of this unit will not only be improved management of the 2005 projects but also transfer of skills from the experts employed to the Customs management staff.

Finally, it was felt that it was difficult to link activities to results. This can be a result of poor quality project management and especially a lack of quality control procedures. Again, this problem should be overcome by the introduction of the new coordination unit that includes independent, experienced Quality Assurance input.

The 2005 Phare 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 Croatian Customs Administration computerisation, system design should be further improved in order to fully achieve a more integrated CIS model.

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 by the Croatian Customs Administration. With this in mind, a Business Change Management Plan is to be developed together with a supporting IT strategy document. The most important sections of these documents, that impact upon the major IT developments, will be produced by the end of 2005.

4 Institutional Framework

The Croatian Customs Administration is a part of the Ministry of Finance and is responsible for the collection of Customs duties, excise duties and VAT on imports and the prevention of illegal imports and exports. The organisation of the Customs administration has already been described in Section 3.1 of the present document.

The foreseen overall organisational structure to support the Phare 2005 programme is depicted in the following diagram, as presented in the Interoperability Implementation Strategy document that was produced in cooperation with DG TAXUD. The exact
implementation structure will be updated in the national IIS foreseen to be finalised by the end of 2005.

This high level structure diagram indicates that the key component is the Customs Steering Committee chaired by the Director General of Customs. The role of the Interoperability Programme Steering Committee is to direct, promote, monitor and review the successful execution of the Interoperability Programme and the related projects. It is the body of authority to determine priorities and take major project decisions.

The members of the Steering Committee may consist of: The Deputy Director; the Heads of Directorates and Functional Departments; the Programme Director; the Head of the IT Department; the Project Owner; the Project Managers (Business and IT); a representative of GZAOP; a representative of the Contractor(s); a representative of the Twinning Partner(s); a representative of the CFCU; a representative of the Ministry of Foreign Affairs and European Integration; a representative of Delegation of the European Commission to the Republic of Croatia; and a representative of the Ministry of Finance.
There should be a nucleus of participating members. Others such as Contractor(s) representatives may be invited to the Steering Committee meetings as and when required (this could be on a regular basis or may suit the administration to be on an ad hoc basis). Additionally, the chairman can invite supplementary participants (e.g. Regional Directors, Quality Manager, Project Adviser, other Ministries, ...) according to the agenda.

Depending on the programme intensity, it is suggested that the committee meets at least once every 3 months but may need to convene extraordinary meetings to address any specific issues that may affect the progress of any of the projects.

Below the Steering Committee’s level, each project will have it’s own organisational structure. The diagram below, of the MCC based NCTS project, gives an example of the typical structure.

This diagram indicates that the key person is the Project Owner and therefore he/she will have to be appointed at a high level. Further detailed descriptions for the roles and responsibilities of the staff may be found in the Interoperability Implementation Strategy document.
### Detailed Budget

<table>
<thead>
<tr>
<th></th>
<th>Phare/Pre-Accession Instrument support</th>
<th>Co-financing</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>National Public Funds (*)</td>
<td>Other Sources (**)</td>
<td></td>
</tr>
<tr>
<td><strong>€M</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year 2005 -</td>
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<tr>
<td>Investment support</td>
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<tr>
<td>jointly co funded</td>
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<tr>
<td>Sub-project 1 (ITMS)</td>
<td>1.875</td>
<td>0.625</td>
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<tr>
<td>Sub-project 2 (NCTS)</td>
<td>0.375</td>
<td>0.125</td>
<td>0.125</td>
</tr>
<tr>
<td>Sub-project 3 (EMCS)</td>
<td>1.825</td>
<td>0.875</td>
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<tr>
<td>Investment support –</td>
<td>4.075</td>
<td>1.625</td>
<td>1.625</td>
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<td>sub-total</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>% of total public</td>
<td>max 75 %</td>
<td>min 25 %</td>
<td></td>
</tr>
<tr>
<td>funds</td>
<td></td>
<td></td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>Year 2005 Institution Building support</th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub-project 1 (ITMS)</td>
<td>1</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Sub-project 2 (NCTS)</td>
<td>1</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Sub-project 3 (EMCS)</td>
<td>1</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>IB support</td>
<td>3</td>
<td></td>
<td>3</td>
</tr>
</tbody>
</table>

| Total project 2005 | 7.075 |              | 8.7        |

(*) contributions form National, Regional, Local, Municipal authorities, FIs loans to public entities, funds from public enterprises

(**) private funds, FIs loans to private entities

Croatian contribution to the Twinning will cover e.g. provision of office equipment and space for the RTA, organizational costs of training (rental fees, accommodation catering as well as local and international travel of trainees) and other costs non-eligible for funding as specified in the "Reference Manual on Twinning Projects".

1. All investment sub-projects supported by PHARE must receive co-financing from national public funds. Minimum requirement for co-financing from national public funds is 25% of the combined PHARE and national contributions to the overall investment support.
2. Many Institution building projects will also have a degree of co-financing – this should be quantified and included wherever possible.

3. Expenditure related to equipment (regulatory infrastructure or ESC-related) and to Technical Assistance supporting investment (e.g. pre feasibility study / supervision of works / technical specifications) should be considered as Investment support in the project fiche.

4. All co-financing must be provided on a joint basis. Parallel co-financing will, in a principle, not be accepted. Exceptions to this rule have to be agreed with the Commission in advance.

5. All co-financing should be clearly quantified, also the degree of certainty of such co-financing (i.e. for National Public Funds: is it already earmarked in local or national budget, for FIs Loans, private funds: are they already approved/ under appraisal, etc.).

6. Where parallel co financing is accepted and justified per exception to the normal rule it should be provided in monetary form. If this is not possible there should be clear criteria set out for the valuation of any non-monetary contributions (that should be quantified in the table).

7. If twinning is involved, clearly state the expected budget of the twinning covenant.

8. The financial engineering of the project should be closely monitored against actual delivery during implementation and against the objectives that were set in the project fiche so that corrective actions may be taken where required.

6 IMPLEMENTATION ARRANGEMENTS

6.1 Implementing Agency
Programme Authorising Officer
Mrs Vladimir Ivandić
Assistant Minister
Ministry of Finance
Katanciceva 5
10000 Croatia
E-mail: cfcu@mfin.hr

Senior Programme Officer
Ms. Ana Hrastović
Assistant Minister
Ministry of Finance
Katanciceva 5
10000 Croatia
E-mail: ana.hrastovic@mfin.hr

6.2 Twinning
Twinning Contact Point in the Customs Directorate
Ms. Vesna Kadić
Assistant Director General
A. Von Humboldta 4a
HR-10000 Zagreb
6.3 Non-standard aspects

The Practical Guide to contract procedures financed from the General Budget of the European Communities in the context of external actions (the PRAG) will be strictly followed, except for the Project 2 Sub-Project 2, which may be implemented by means of a direct agreement Contract with Bull.

6.4 Contracts

<table>
<thead>
<tr>
<th>Contracts</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract 1: Taric Development / Adaptations Management Support Twinning (Support to the Customs Administration in the ITMS project management and implementation)</td>
<td>€ 1,000,000</td>
</tr>
<tr>
<td>Contract 2: Taric Development / Adaptations Software Development service contract</td>
<td>€ 2,500,000</td>
</tr>
<tr>
<td>Contract 3: MCC Implementation Management Twinning (Support to the Customs Administration in the NCTS project management and implementation)</td>
<td>€ 1,000,000</td>
</tr>
<tr>
<td>Contract 4: MCC Implementatin supply contract</td>
<td>€ 500,000</td>
</tr>
<tr>
<td>Contract 5: EMCS Management Support Twinning</td>
<td>€ 1,000,000</td>
</tr>
<tr>
<td>Contract 6: EMCS Phase 2 Software Development service contract</td>
<td>€ 2,700,000</td>
</tr>
</tbody>
</table>

7 IMPLEMENTATION SCHEDULE

7.1 Start of tendering/call for proposals: 03/2006
7.2 Start of project activity: 12/2006
7.3 Project completion: 11/2008
8 **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.

Specifically in relation to the issue of equality between men and women, Croatia’s population (2001 census) constitutes 51.87% women and 48.13% men, with those in active employment (based on Labour Force Survey statistics, conducted in accordance with ILO methodology, for the second half of 2002) divided 45.31% women and 54.69% men.

All contractors shall be requested to provide monitoring data recording the participation of men and women in terms of expert inputs (in days) and of trainees benefiting under the project (in days) as an integral component of all project progress reports.

9 **ENVIRONMENT**

Not applicable

10 **RATES OF RETURN**

This investment is a pre-requisite to the effective enforcement of the acquis, and therefore a rate of return analysis is not applicable for this project.

The relevant applicable EU documents are as follows:

- Community Customs Code (Council Regulation (EEC) N) 2913/92 as amended), Title IV, Chapter 2, Sections 3, B (Articles 91-97) and Title IV, chapter 4, Section 5 (Articles 163-165), and in the Implementing Provisions to the Community Customs Code (Commission Regulation (EEC) N) 2454/93) in Part II, Title II (Articles 313-462) and in Annexes 31 to 38 and 42 to 58

11 **INVESTMENT CRITERIA (APPLICABLE TO ALL INVESTMENTS)**

11.1 **Catalytic effect**
Adoption and application of the European acquis in the Customs field (Chapter 29) is an essential element of the general process of Croatia’s preparation for accession to the EU. The DG TAXUD stated high level objective of its Interoperability Programme is defined as: “The development and implementation of national systems required by the Croatian Customs Administration to connect with the EU IT systems to enable the exchange of information between the EC and EU Member States immediately upon accession to the EU.” PHARE will support this process with reference to priorities identified in the Interoperability Implementation Strategy document.

11.2 Co-financing

Croatia’s authorities will provide from the national budget 25% of all the components of the project excluding the Twinning projects.

11.3 Additionality

This project has not any financial return to attract private or international sources of funds. PHARE grants will not overlap funds provided by the national budget or other bilateral support.

11.4 Project readiness and size

The proposed projects are based on the DG TAXUD’s Interoperability Implementation Strategy document, which has carefully planned and phased projects in the IT interoperability field under CARDS and PHARE 2005 and 2006 programmes. The projects are ready to be implemented as soon as the indicated pre-conditions have been met.

11.5 Sustainability

The projects comply with EU norms and standards. The project implementation will not have any adverse effects on the environment. The Twinning 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.

11.6 Compliance with state aids provisions

Not applicable

12 CONDITIONALITY AND SEQUENCING

Conditionality

Croatian authorities will continue to demonstrate commitments to adopt and implement the EU acquis and standards in the field of Customs and Taxation.

Before the practical start of implementation of the project the tasks and responsibilities of all involved services will be defined and approved. Considerable experience has
already been gained in making such arrangements. At this stage the services involved have already exchanged preliminary information about future project implementation and the respective division of tasks/responsibilities.

Projects being implemented through Twinning require full commitment and involvement on behalf of senior level officials of the beneficiary institution. Therefore, the Ministry of Finance commits to provide adequate staff and support to the twinning partner (incl. translation and interpretation) as well as to introduce the institutional changes identified as needed for the successful implementation of the project. The necessary conditions will be provided for monitoring the project implementation by EC and for complying with its corrective instructions.

The strict conditionalities associated with the programme include the following:

1. The Customs Administration IT strategy and Business Change Management Plan is in place prior start of contracting.
2. National Interoperability Implementation Strategy is in place prior to the start of contracting.
3. Full-time ITMS, NCTS and ECMS teams are in place prior to the start of contracting, including as a minimum 4 business people in each team and 4 IT people in the ITMS and EMCS teams and 2 IT people in the NCTS team.
4. A detailed gaps and needs analysis of the existing ACT system in comparison to TARIC requirements is prepared prior to the start of contracting of the TARIC development/Adaptation development contract (Project 1, Sub-project 2). In case Croatian Customs should opt for adapting the existing ACT to TARIC-compatibility, the beneficiary will guarantee that all necessary documentation and the ACT source code will be made available during the tender procedure and later for the selected contractor, where applicable. Croatian Customs guarantee that they own all necessary ACT documentation and the ACT source code.
5. The critical milestones of the various CARDS 2002, 2003 and 2004 twinning projects have been achieved prior to the start of implementation of the PHARE 2005 twinning projects.

Sequencing

The TARIC service contract (Project 1, Sub-project 2) is not dependent on the outputs of the CARDS 2004 ITMS twinning project and can therefore be launched as soon as pre-conditions are met. The TARIĆ management twinning (Project 1, Sub-project 1) should start parallel to/slightly before the service contract.

The NCTS/MCC implementation twinning (Project 2, Sub-project 1) should start early 2007 upon finalisation of the CARDS 2002 NCTS twinning project, as it is dependent on a number of outputs produced under the ongoing twinning project. Subject to availability of funding under PHARE 2006 programme and the subsequent early launch of the PHARE 2006 software development service contract for trader module, this NCTS twinning could provide management support also for this service contract.

The launch of the EMCS service contract (Project 3, Sub-project 2) is dependent upon Terms of Reference, which will be prepared under the CARDS 2004 twinning project, which is expected to start in December 2005 at the latest. The EMCS management twinning (Project 3, Sub-project 1) should ideally start parallel to/slightly before the service contract.
In cases of unforeseen delay of launch of procurement, project implementation or other obstacles, the CFCU and the leadership of the Customs Administration (and the Twinning partner/Consultant, whenever applicable) will define and undertake the necessary measures for overcoming them.

The following key milestones are applicable:

- All software components of the projects are dependent upon the installation of the CCN/CSI gateway. For testing and operational purposes the first milestone is the completion of the installation of the CCN/CSI six months before the first need for testing (i.e. 09/2006)
- National EMCS Phase 2 application operational 11/2008
- National Tariff Management System ready for testing (TARIC compatible) 04/2008
- National Tariff Management System operational 12/2008
- National Transit Application (MCC) ready for testing 12/2007
ANNEXES TO THE PROJECT FICHE

Annex 1 – Logframe
Annex 2 – Detailed implementation chart
Annex 3 – Contracting and Disbursement Schedule
Annex 4 – List of Feasibility Studies, Financial Appraisals, EIAs etc
Annex 5 – Reference List of Legislation
**LOGFRAME FOR PHARE PRE-ACCESSION SCHEME PROJECTS**

| LOGFRAME PLANNING MATRIX FOR Project: Interoperability of IT Systems with the EU Customs Systems | Programme name and number PHARE 2005 | HR2005/4/4 |
| Ministry of Finance, Customs Directorate | Contracting period expires 30.11.2007 | Execution of contracts period expires 30.11.2008 |
| | Total budget : 8.700.000 € | PHARE budget : 7.075.000 € |

<table>
<thead>
<tr>
<th>Overall objective</th>
<th>Objectively Verifiable Indicators</th>
<th>Verifiable Sources of Verification</th>
</tr>
</thead>
</table>
| To support Croatia in the process of fulfilling the EU pre-accession requirements concerning the chapter 29 (Customs Union) and parts of chapter 16 (Taxation) of the acquis, especially with regard to the development and implementation of national systems required by the Croatian Customs Administration to connect with the EU IT systems aiming to enable the exchange of information between the EC and EU Member States immediately upon accession to the EU. | - Croatian Customs Administration in full compliance with the accession requirements and the nationally Interoperability implementation strategy provided by the EC.  
- Croatian TARIC-compatible Master Tariff System implemented and operational; | - 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 on Croatia |

<table>
<thead>
<tr>
<th>Project purpose</th>
<th>Objectively Verifiable Indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
</table>
| The purpose of the present project is the strengthening of the operational capacity of the Croatian Customs Administration in accordance with the EU standards in core Customs and Taxation business areas of the European Community Customs tariff, Customs transit control and the control of the movement of Excise goods to ensure full compatibility and interoperability of the Croatian Customs IT systems with the related EU | 1. Croatian TARIC-compatible Master Tariff System implemented and tested  
2. MCC-based National Transit Application (NTA) tested in mode 1 (national) and in mode 2 (international) and operational for national transit;  
3. Number of Customs and | - Regular Customs Administrative and Operational Capacity Reports.  
- EC up-dated country reports on IT interoperability and IT interconnectivity. | - Government maintains consistent policy and commitment to the EU accession  
- Willingness and capacity of Customs high-level management to introduce changes and innovation into |
<table>
<thead>
<tr>
<th>Results</th>
<th>Objectively Verifiable Indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Improved project management structure, procedures and working methods</td>
<td>1.1. Organizational changes in the Customs administration in place</td>
<td>1.1. Regular progress reports</td>
<td>The customs/excise officers and IT staff are efficiently trained.</td>
</tr>
<tr>
<td></td>
<td>1.2. Satisfactory administrative capacity and competently trained staff</td>
<td>2.1. Training materials and evaluation questionnaires fulfilled by the trainees.</td>
<td>Low turnover of trained customs/excise and IT staff.</td>
</tr>
<tr>
<td>2. The Croatian Customs Administration supported in project management</td>
<td>2.1. Customs and IT staff trained in TARIC</td>
<td></td>
<td>Full commitment of the parties involved.</td>
</tr>
<tr>
<td>for the national TARIC-compatible Master Tariff System, on tariff-related business change management and on preparations for TQS.</td>
<td>3.1. TARIC DB running</td>
<td>3.1. EC updated country reports on IT interoperability and IT interconnectivity</td>
<td>DG TAXUD’s MCC application still supported by the accession time</td>
</tr>
<tr>
<td></td>
<td>3.2. TARIC modules 0, 1, 2 and 3 in accordance with interoperability strategy in place</td>
<td>3.2. DG TAXUD reports on acceptance and conformance tests</td>
<td></td>
</tr>
<tr>
<td>3. The following TARIC-compatible DB modules adapted and/or developed (as first part of ITMS Implementation):</td>
<td>3.3. Regular progress reports</td>
<td>3.3 Regular progress reports</td>
<td></td>
</tr>
<tr>
<td>• Module 0: Skeletons (GUI, Report Layout, ...)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Module 1: Loader and merger</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Module 2: Tariff Management</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Module 3: Calculation / CDPS Interface</td>
<td></td>
<td></td>
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<tr>
<td>4. IT-preparation for TQS started (as second part of the ITMS Implementation)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. National Transit application based upon the DG</td>
<td>5. 1. Croatian Customs Administration business and IT</td>
<td>5.1. Regular progress reports</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5.2. EC up-dated country reports on IT</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
TAXUD’s MCC software package operational; the Croatian Customs Administration capable of working and managing the NCTS application and provide advice to the trade community.

6. Croatian Customs Administration supplied with the equipment and licences necessary for the MCC implementation (test and production platforms)

7. EMCS Phase 2 developed and tested.

8. TOR for EMCS Phase 3 developed.

<table>
<thead>
<tr>
<th>Activities</th>
<th>Means</th>
<th>Specification of costs:</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1 Support the Croatian Customs Administration in project management for the national TARIC-compatible Master Tariff System, on tariff-related business change management and on preparations for TQS;</td>
<td>Twinning</td>
<td>1.000.000 €</td>
<td>Full commitment of the parties involved.</td>
</tr>
<tr>
<td>1.2 Development / adaptation of a national TARIC-compatible Master Tariff System.</td>
<td>Contract</td>
<td>2.500.000 €</td>
<td>Sufficient absorption capacity and ownership of change process.</td>
</tr>
<tr>
<td>2.1 Support the Croatian Customs Administration in NCTS project management and support the MCC implementation;</td>
<td>Twinning</td>
<td>1.000.000 €</td>
<td></td>
</tr>
<tr>
<td>Task Description</td>
<td>Category</td>
<td>Cost</td>
<td></td>
</tr>
<tr>
<td>------------------</td>
<td>----------</td>
<td>-------</td>
<td></td>
</tr>
<tr>
<td>A Supply Contract to provide the NCTS-server equipment (hardware, software, licenses); Support the project management for EMCS Phase 2</td>
<td>Supply Twinning</td>
<td>500,000€ 1,000,000 €</td>
<td></td>
</tr>
<tr>
<td>Prepare the TOR for EMCS Phase 3</td>
<td>Contract</td>
<td>2,700,000 €</td>
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</tbody>
</table>

**Preconditions**

- The Customs Administration IT strategy and Business Change Management Plan is in place prior start of contracting.
- National Interoperability Implementation Strategy is in place prior to the start of contracting.
- Full-time ITMS, NCTS and ECMS teams are in place prior to the start of contracting, including as a minimum 4 business people in each team and 4 IT people in the ITMS and EMCS teams and 2 IT people in the NCTS team.
- A gaps and needs analysis of the existing ACT system in comparison to TARIC requirements is prepared prior to the start of contracting of the TARIC development/Adaptation development contract (Project 1, Sub-project 2).
- The critical milestones of the various CARDS 2002 and 2004 twinning projects have been achieved prior to the start of implementation of the PHARE 2005 twinning projects.
## Annex 2: Detailed Implementation Chart

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>TARIC Development / Adaptations – Management Support Twinning (Project 1, Sub-Project 1)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Launch Twinning Request to Member States</td>
<td>x x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Selection of Member State(s) for Twinning</td>
<td></td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>• Elaboration of Twinning Covenant</td>
<td></td>
<td>x x x x x</td>
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<tr>
<td>• Submit Twinning Covenant to the Commission &amp; Steering Committee for Approval</td>
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<td>x x</td>
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<tr>
<td>Implementation of Twinning Package</td>
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<td>x x x x x x x x x x x x x x x x x x x</td>
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<tr>
<td>• Tender Launch</td>
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<tr>
<td>• Contract Signature</td>
<td>x</td>
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<tr>
<td>• Software Development &amp; Tests</td>
<td>x x x x x x x x x x x x x x x x x x x x</td>
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<tr>
<td>• Data Migration</td>
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<tr>
<td>• Handing Over</td>
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<tr>
<td>• Training</td>
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<td>x x x x</td>
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<tr>
<td>MCC Implementation – Management Support Twinning (Project 2, Sub-Project 1)</td>
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<tr>
<td>• Launch Twinning Request to</td>
<td>x x</td>
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<tr>
<td>Member States</td>
<td>2006</td>
<td>2007</td>
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<td>• Selection of Member State(s) for Twinning</td>
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<td>• Elaboration of Twinning Covenant</td>
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<tr>
<td>• Submit Twinning Covenant to the Commission &amp; Steering Committee for Approval</td>
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</table>

| Implementation of Twinning Package                                           |      |      | x x x|

| MCC Implementation supply contract (Project 2, Sub-Project 2)                 |      |      |      |
| • (Tender Launch)                                                            | x x x|      |      |
| • Contract Signature                                                         |      |      |      |
| • Installation, tests and handover                                            | x    |      |      |

| EMCS Management Support Twinning (Project 3, Sub-Project 1)                   |      |      |      |
| • Launch Twinning Request to Member States                                   |      |      | x x  |
| • Selection of Member State(s) for Twinning                                  |      | x    |      |
| • Elaboration of Twinning Covenant                                            | x x x|      |      |
| • Submit Twinning Covenant to the Commission & Steering Committee for Approval| x x  |      |      |

| Implementation of Twinning Package                                           | x x x| x x x| x x x|

<p>| EMCS Phase 2 Software development service contract (Project 3, Sub-Project 2) |      |      |      |
| • Tender Launch through /to evaluation                                        | x x x| x x x| x x  |</p>
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<th>2008</th>
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<td>Data Migration</td>
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<td>Handing Over</td>
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<td>Training</td>
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</table>

- Contract Signature
- Software Development & Tests
- Data Migration
- Handing Over
- Training
## Annex 3 – Contracting and Disbursement Schedule

### Cumulative Contracting Schedule by Quarters in EUR (Provisional)

<table>
<thead>
<tr>
<th>Description</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project 1, Sub-Project 1</td>
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<td></td>
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<tr>
<td>TARIC Development / Adaptations – Management Support Twinning</td>
<td>1.000.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TARIC Development / Adaptations – Software development service contract</td>
<td></td>
<td>1.875.000</td>
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</tr>
<tr>
<td>Project 2, Sub-Project 1</td>
<td></td>
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<tr>
<td>MCC Implementation – Management Support Twinning</td>
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<td>MCC Implementation supply contract</td>
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<td>Project 3, Sub-Project 1</td>
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<td>EMCS Management Support Twinning</td>
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<tr>
<td>EMCS Phase 2 Software development service contract</td>
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<td><strong>7.075.000</strong></td>
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<td>2007</td>
<td>2008</td>
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<tr>
<td>TARIC Development / Adaptations – Management Support Twinning (Project 1, Sub-Project 1)</td>
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<td>400.000</td>
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<td>1.600.000</td>
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<tr>
<td><strong>TOTAL (EUR):</strong></td>
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<td><strong>4.100.000</strong></td>
<td><strong>5.425.000</strong></td>
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</table>
ANNEX 4: LIST OF FEASIBILITY STUDIES, FINANCIAL APPRAISALS, EIAs etc

2. ACT and TARIC Harmonisation Process Assessment – BIOS Informatika, Mar. 2005
ANNEX 5 – REFERENCE LIST OF LEGISLATION

1. Customs Code ("Official Journal", No. 78/99, 94/99, 117/99, 73/00, 92/01 and 47/03),
2. Regulation for implementation of Customs Code ("Official Journal", No. 161/03),
3. Regulation on forms for implementation of Customs Code ("Official Journal, No 147/99),
4. Regulation on conditions and procedures for exercising duty free treatment ("Official Journal", No 154/03 and 189/03),
5. Code on Customs Tariff, ("Official Journal", No 61/00 and 117/00),
6. Regulation on Customs Tariff for 2004. ("Official Journal", No. 184/03),
7. Regulation for Application of the Commodity description and Coding system ("Official Journal", No 76/04),
8. Regulation Implementing Customs Measures for Protection of Intellectual Property Rights ("Official Journal", No 161/03),
9. Excise Law on passenger cars, other motor vehicles, vessels and aeroplanes (NN139/97, 105/99, 55/00, 127/00, 107/00, 136/02 – Consolidated version, 44/03)
10. Excise Law on Coffee (NN 139/97, 55/00, 59/00, 73/00, 107/01, 136/02 – Consolidated version)
11. Excise Law on Non-Alcoholic Beverages (NN 51/94, 139/97, 107/01, 136/02 – Consolidated version)
12. Excise Law on Beer (NN 51/94, 139/97, 55/00, 107/01, 136/02 – Consolidated version)
15. Excise Law on Mineral Oils (NN 55/00, 101/00, 27/01, 107/01, 136/02 – Consolidated version, 123/03)
16. Excise Law on Luxury Products (NN 105/99, 114/01, 136/02 – Consolidated version)