PHARE 2006 PROJECT FICHE

1 BASIC INFORMATION

1.1 CRIS Number: HR2006/018-113/4/3
1.2 Title: Integration of the Croatian Customs Information Systems with the EU Customs Information Systems
1.3 Sector: 33110
1.4 Location: Croatia
1.5 Duration: 36 months

2 OBJECTIVES

2.1 Overall Objective(s)
The overall objective of the project Integration of the Croatian Customs Information Systems with the EU Customs Information Systems is to harmonize Croatian Customs system 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.

2.2 Project purpose
The purpose of the project Integration of the Croatian Customs Information Systems with the EU Customs Information Systems is to ensure full compatibility and interoperability of the Croatian Customs Information systems with the related EU Customs IT systems.

2.3 Accession Partnership and NPIEU priority

Accession Partnership
This project supports the following short-term and medium-term priorities, which have been specified in the Council Decision of 9 November 2005 on the principles, priorities and conditions contained in the Accession Partnership with Croatia in the area of customs.

Continue strengthening the administrative and operational capacity of customs services, in particular for the control of preferential rules of origin, and accelerate alignment with the EU acquis.

Make the Customs Training Centre fully operational.

Continue developing the necessary IT systems to allow the exchange of electronic data with the EU and its Member States.

Adopt and implement a code of ethics for the customs services.

Strengthen and consolidate the administrative and operational capacity of the customs services.

---

1 In 2004 European Commission presented a first European Partnership with Croatia. It was adopted by the Council on 13 September 2004. The Commission considered it appropriate to update this first Partnership on the basis of its findings in the 2005 Croatia Progress Report.
Expand training of all staff and increase the use of EU-compatible information technologies and continue preparations to ensure interconnectivity with EU systems. Strengthen auditing and the use of risk assessment and selectivity. Substantially advance alignment with the acquis, in particular in the areas of free zones, transit, fees, tariff quotas and the surveillance of imports and exports of goods.

**National Plan for the Integration in the European Union (NPIEU)**

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 houses, 86 inland customs offices and 175 BCP Customs offices. The Customs Administration currently has 3162 staff, including 148 staff 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. The business team will be supported by two members of core IT team from the
The Service for Information, System, Statistics and Analyses, which is responsible over all IT functions of Customs Directorate. In addition, IT team will be supported with two APIS IT (former GZAOP2) staff. 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 employees 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. In addition, IT team will be supported with two APIS IT (former GZAOP) staff. 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 bussiness project team for the EMCS system supported by additional 3 from Customs house. The business team will be supported by two members of core IT team from the Service for Information, System, Statistics and Analyses. In addition, IT team will be supported with two APIS IT (former GZAOP) staff. 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 bussiness team (NCTS, ITMS and 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 APIS IT Company (former 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

2 The data processing centre, outsourced for the development of new applications, maintenance of current applications, providing operational support to the Customs IS, in partnership with the Customs Administration on the basis of an annual-renewable contract. It is the largest IT ‘entity’ in Croatia with more than 8,000 workstations connected to its centralized server and processing more than 3 million online transactions per day. APIS IT supply technical IT services to a number of municipal and state institutions but their primary clients are the Customs and Tax administrations.

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 of its findings in the Croatia Progress Report 2005, on 9 November 2005, the Council adopted Decision on the principles, priorities and conditions contained in the Accession Partnership with Croatia that lists short and medium-term priorities for the country’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 started in the course of 2005 (see Section 3.5) and 2006.

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\(^3\): 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 Intégré Communautaire) and TQS (Tarif 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.

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

NCTS\(^4\): 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 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. Target date for joining CTC is 01.01.2008.

---

\(^3\) Common Communications Network / Common Systems Interface

\(^4\) New Computerized Transit System
EMCS\textsuperscript{5}: 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\textsuperscript{6}, MVS and SEED\textsuperscript{7}). 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 e-Customs’ DG TAXUD project (within the security and modernisation reform of the EC Customs Code). Currently, the most defined applications being the following\textsuperscript{8}:

- AEO (Authorised Economic Operator)
- ECS (Export Control System)
- ICS (Import Control System)

The Phare 2006 programme will focus on the following systems:

- Systems related to Integrated Tariff Management System which are accession-mandatory. This project will consist of two sub-components, a service contract to develop the necessary IT systems and a twinning project to assist the Croatian Customs Administration in the management of the implementation of the IT systems;
- 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 service contract to develop the necessary IT systems and a twinning light project to assist the Croatian Customs Administration in the management of the implementation of the ECS;
- 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 Croatian Customs Administration in the management of the implementation of the IT system. The service contract will deal with the functionalities forecast under EMCS Phase \textsuperscript{9} and AEO\textsuperscript{10}.

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.

\textsuperscript{5} Excise Movement Control System
\textsuperscript{6} Early Warning System for Excise (under the joined resp. of DG TAXUD and OLAF)
\textsuperscript{7} System for Exchange of Excise Data
\textsuperscript{8} The generic e-Customs 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 e-Customs is currently under discussion with the EU Member States. Therefore, all e-Customs systems specifications may change
\textsuperscript{9} EMCS Phase 3 develops the enforcement and control functions and includes management of wayside checks, risk evaluation, warnings, reminders, statistics, movement verification and mutual assistance and free text messaging. This registry of “Authorized Economic Operators” is essential for the development of the e-Customs project.
\textsuperscript{10} The registry of “Authorized Economic Operators” is essential for the development of the e-Customs project
3.2 Sectoral rationale

3.2.1 Identification of projects

The Phare 2006 programme includes the following projects:

**Project 1: ITMS**

- Sub-project 1 - ITMS Management Support – Twinning
- Sub-project 2 - ITMS Adaptation\(^{11}\) – Service Contract

**Project 2: NCTS**

- Sub-project 1 - ECS Implementation – Twinning Light (Management Support)
- Sub-project 2 - Upgrade of the National Transit Application\(^{12}\) – Service Contract

**Project 3: EMCS**

- Sub-project 1 - EMCS + AEO Management Support – Twinning
- Sub-project 2 - EMCS Phase 3 + AEO – 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.

3.2.2 Sequencing

The launch of the ITMS service contract (Project 1, subproject 2) is dependant upon the Terms of Reference, which will be prepared/finalised under the Phare 2005 twinning project, which is expected to start in February 2007 at the latest. The ITMS management twinning (Project 1, Sub-project 1) should ideally start parallel to/slightly before the service contract.

The launch of the EMCS service contract (Project 3, Sub-project 2) is dependent upon Terms of Reference, which will be prepared/finalised under the Phare 2005 twinning project, which is expected to start in March 2007 at the latest. The

\(^{11}\) 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 for Phare 2005 Development Service Contract; in this view the Customs Directorate prepared the G&N analysis on functionalities of Application Customs Tariff in relation to ITMS TARIC requirements and submitted to DG TAXUD for evaluation; in the moment of preparing this project fiche there was no feedback from DG TAXUD; reference is made to section 12, 4 of this Project Fiche.

\(^{12}\) The launch of this project will follow the assumption that the upgrade of national transit application is already covered under Phare 2005 (project2, sub-project 2) direct agreement with current strategic partner APIS IT (former GZAOP) and Twinning management support; in the moment of preparing this project fiche it was still not decided whether the derogation for direct agreement will be granted; reference is made to section 12 of this project fiche.
EMCS management twinning (Project 3, Sub-project 1) should ideally 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 2006 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:

- National Tariff Management System operational
- National Transit Application fully operational
- National EMCS Phase 3 application operational.

3.3.1 Project 1 – Sub-project 1: ITMS Management Support – Twinning

3.3.1.1 Purpose

Support the Croatian Customs Administration in ITMS-related IT project management.

3.3.1.2 Results

Croatian Customs Administration supported in managing ITMS.

3.3.2 Project 1 – Sub-project 2: ITMS Adaptation – Service Contract

3.3.2.1 Purpose

Upgrade/develop\(^{13}\) the EU compatible national ITMS modules.

3.3.2.2 Results

The following ITMS-compatible modules adapted and/or developed: Module 4: Internet Access, Module 5: Quotas, Module 6: Surveillance, Module 7: ISPP, Module 8: SMS, Module 9: EBTI-3, Module 10: System Administration & other Tools (RIF …).

3.3.3 Project 2 – Sub-project 1: ECS Implementation – Twinning Light (Management Support)

---

\(^{13}\) Existing tariff related modules will be upgraded (e.g. internet access, quotas…) and certain modules will require development from the scratch (e.g. ISPP, surveillance…)
3.3.3.1 Purpose
Support the Croatian Customs Administration in management of the ECS application.

3.3.3.2 Results
The Croatian Customs Administration capable of working and managing the ECS application.

3.3.4 Project 2 – Sub-project 2: Upgrade of National Transit Application – Service Contract

3.3.4.1 Purpose
Upgrade the needed functionality of current system through direct agreement with current strategic partner APIS (former GZAOP) with customs development of all needed modules and integration

3.3.4.2 Results
All needed modules and functionalities upgraded, developed and tested.

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

3.3.5.1 Purpose
Support the Croatian Customs Administration in project management of the EMCS Phase 3 and AEO developments.

3.3.5.2 Results
The Croatian Customs Administration supported in project management of EMCS Phase 3 and AEO.

3.3.6 Project 3 – Sub-project 2: EMCS Phase 3 + AEO – Service Contract

3.3.6.1 Purpose
Develop the EMCS Phase 3 and AEO applications.

3.3.6.2 Results
Functionalities covered by the EMCS Phase 3 and AEO applications developed and tested
3.4 Activities (including Means)

ITMS (Project 1)

Sub-Project 1: ITMS Management Support – Twinning

Support will be provided to the Croatian Customs Administration in ITMS-related project management on related business change management. 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 Contractor 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 Contractor 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 ITMS and any other relevant EU information systems

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:
  - Management and quality assurance of IT projects;
  - Design, development and implementation of large-scale IT systems and the associated training and development programmes
  - Managing and developing multi-disciplinary project teams
  - Working with third party software developers
  - Project management methodologies (including TEMPO)
  - Working within multi-disciplinary project teams
  - Computerisation of the Customs Tariff and EU TARIC
  - Design, development, testing, piloting of customs IT systems/modules/interfaces
  - Design, development and delivery of Site Acceptance Test plans and test scenarios

Sub-project 2: ITMS Development/Adaptation – Service Contract

Upgrade/develop the following TARIC-compatible modules:

- Module 4: Internet Access
- Module 5: Quotas
- Module 6: Surveillance
- Module 7: ISPP
- Module 8: SMS
- Module 9: EBTI-3
- Module 10: System Administration & other Tools (RIF, …)

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)
• Upgrade/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: ECS Implementation – Twinning Light (Management Support)

Support will be provided to the Croatian Customs Administration in ECS implementation project management. 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 ECS implementation 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 ECS-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 ECS field
• Provide relevant training for Customs Administration staff

The twinning team will be composed at least 3 short term experts:
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:
  - Management and quality assurance of IT projects;
  - Design, development and implementation of large-scale IT systems and the associated training and development programmes
  - Managing and developing multi-disciplinary project teams
  - Working with third party software developers
  - Project management methodologies (including TEMPO)
  - Working within multi-disciplinary project teams
  - Computerisation of transit movement control
  - Design, development, testing, piloting of customs IT systems/modules/interfaces
  - Design, development and delivery of Site Acceptance Test plans and test scenarios

Sub-project 2: Upgrade of National Transit Application – Service Contract

This sub-project includes upgrade of needed functionality of current system through direct agreement with current strategic partner APIS (former GZAOP) with customs development of all needed modules and integration.

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

- Realise detailed functional specification (System Specification Phase)
- Realise detailed technical specification (Design Phase)
- Upgrade and/or development of modules (Build and Test Phase)
- Prepare training material
- Perform pilot test

EMCS (Project 3)

Sub-project 1: EMCS + AEO Management Support – Twinning

Support will be provided to the Croatian Customs Administration in the management of the EMCS phase 3 and AEO IT 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 3 and AEO 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 3

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 3 + AEO – Development Service Contract**

Development of the software application compatible with the functional specifications of the EMCS Phase 3 and AEO EMCS Phase 3 develops the enforcement and control functions and includes management of wayside checks, risk evaluation, warnings, reminders, statistics, movement verification and mutual assistance and free text messaging. This registry of “Authorised Economic Operators” is essential for the development of the e-Customs project.

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).

**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 started in November 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.

**CARDS 2003 twinning project “Support to the Customs Administration in the field of Excise Duties” (€ 800,000)**

This 18-month project, which started in February 2006, 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.

**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 database.

**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.

**Phare 2005 projects:**

**TARIC Development / Adaptations – Management Support Twinning (€ 1.000.000)**

Through this ITMS sub-project 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.

**TARIC Development / Adaptations – Software development service contract (€ 2.500.000)**

This ITMS sub-project will provide support to the Customs administration in either adapting the existing software (ACT) or developing 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. This service contract is expected to be launched in April 2006 at the latest.

**MCC Implementation – Management Support Twinning (€ 1.000.000)**

Through this NCTS sub-project 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. This twinning project is expected to start in January 2007, immediately after the CARDS 2002 NCTS twinning project will come to an end.

**MCC Implementation Supply Contract (€ 500.000)**

This sub-project includes provision of the NCTS-server equipment (hardware, software, licenses). The main foreseen activities to be carried on under this

---

14 The Customs Administration is currently seeking to revise this project. Reference is made in section 12 of this document.

15 The Customs Administration is currently seeking to revise ToR. Reference is made in section 12 of this document.
contract include providing necessary hardware infrastructure, instilling the hardware in the premises specified by the Customs Administration and installing the software and COTS on the platforms according to the Customs Administration’s instructions. Contract implementation is foreseen to start in February 2007.

**EMCS Management Support Twinning (€ 1.000.000)**

Through this EMCS- sub-project 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. This twinning project is expected to start in March 2007 at the latest. Taken into consideration that there will be an overlap of several months between these EMCS twinning projects, a close coordination between the projects is required.

**EMCS Phase 2 Software Development Service Contract (€ 2.700.000)**

This sub-project includes 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.

### 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. Secondly, the level and quality of project management was a source of criticism, and finally, it was felt that it was difficult to link activities to results.

All this should be overcome in currently implemented CARDS projects, taking into account additional personnel that have been recruited for each of the projects as the full time experts, in line with the manpower resource requirements suggested by DG TAXUD.

The 2006 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 in the first half of 2006.
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 in during 2006.

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 its own organisational structure. The diagram below, 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.

5 **DETAILED BUDGET (IN MILLION EUR)**

<table>
<thead>
<tr>
<th>Phare/Pre-Accession Instrument support</th>
<th>Joint Co-financing</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Public Funds (*)</td>
<td>Other Sources (**)</td>
<td>Total Co-financing of Project</td>
</tr>
<tr>
<td><strong>€M</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Year 2006 – Investment support jointly co-funded</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contract 2 (Project 1 sub-project 2)</td>
<td>1.125</td>
<td>0.375</td>
</tr>
<tr>
<td>Contract 4 (Project 2 sub-project 2)</td>
<td>0.900</td>
<td>0.300</td>
</tr>
<tr>
<td>Contract 6 (Project 3 sub-project 2)</td>
<td>1.500</td>
<td>0.500</td>
</tr>
<tr>
<td><strong>Investment support – sub-total</strong></td>
<td><strong>3.525</strong></td>
<td><strong>1.175</strong></td>
</tr>
<tr>
<td><strong>% of total public funds</strong></td>
<td>max 75 %</td>
<td>min 25 %</td>
</tr>
</tbody>
</table>

| **Year 2006 Institution Building support** | | |
| Contract 1 (Project 1, sub-project 1) | 0.500 | | 0.500 |
| Contract 3 (Project 2, sub-project 1) | 0.250 | | 0.250 |
| Contract 5 (Project 3, sub-project 1) | 1.000 | | 1.000 |
| **IB support** | **1.750** | | | **1.750** |

| **Total project 2006** | **5.275** | **1.175** | **1.175** | **6.450** |

(*) contributions from 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 noneligible 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

The Central Financing and Contracting Unit (CFCU) at the Ministry of Finance is responsible for the tendering, contracting and disbursement of all the project’s components in line with DIS principles and the PRAG

**Programme Authorising Officer**
Mrs Vladimira Ivandić
Assistant Minister
Ministry of Finance
Katančičeva 5
10000 Zagreb
Croatia
E-mail: cfcu@mfin.hr

**Senior Programme Officer**
Ms. Ana Hrastović
6.2 Twinning

Twinning Contact Point in the Customs Directorate
Ms. Vesna Kadić
Assistant Director General
A. Von Humboldta 4a
10000 Zagreb
Croatia
E-mail: vesna.kadic@carina.hr

Twinning National Contact Point
Mrs. Ivana Kovačević
Ministry of Finance, Administrative Office
Katančićeva 5
10000 Zagreb
Croatia
E-mail: ivana.kovacevic@mfin.hr

6.3 Non-standard aspects
All aspects of project procurement and implementation will be carried out in full compliance with the competitive tender/contract procedures outlined in the PRAG.
Derogation for direct agreement with current strategic partner (APIS IT) partner for the project 2, sub-project 2 will be needed as this project represent the follow-up project of Phare 2005 - project 2, sub-project 2\textsuperscript{16}.

6.4 Contracts

<table>
<thead>
<tr>
<th>Contracts</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract 1: ITMS Management Support - Twinning</td>
<td>€ 500.000</td>
</tr>
<tr>
<td>Contract 2: ITMS Adaptation –Service Contract</td>
<td>€ 1,500.000</td>
</tr>
<tr>
<td>Contract 3: ECS Implementation – Twinning Light (Management Support</td>
<td>€ 250.000</td>
</tr>
<tr>
<td>Contract 4: Upgrade of National Transit Application –Service Contract</td>
<td>€ 1,200.000</td>
</tr>
<tr>
<td>(direct agreement with current strategic partner)</td>
<td></td>
</tr>
<tr>
<td>Contract 5: EMCS + AEO Management Support – Twinning</td>
<td>€ 1,000.000</td>
</tr>
<tr>
<td>Contract 6: EMCS Phase 3 + AEO –Service Contract</td>
<td>€ 2,000.000</td>
</tr>
</tbody>
</table>

\textsuperscript{16} Reference is made in section 3.2 and 12 of this document;
7 IMPLEMENTATION SCHEDULE

7.1 Start of tendering/call for proposals:
   Contract 1: 2Q/2007
   Contract 2: 1Q/2007
   Contract 3: 1Q/2007
   Contract 4: 1Q/2007
   Contract 5: 1Q/2007
   Contract 6: 2Q/2007

7.2 Start of project activity:
   Contract 1: 1Q/2008
   Contract 2: 4Q/2007
   Contract 4: 1Q/2007
   Contract 5: 1Q/2008
   Contract 6: 1Q/2008

7.3 Project completion:
   Contract 1: 4Q/2008
   Contract 2: 1Q/2009
   Contract 3: 2Q/2008
   Contract 4: 4Q/2008
   Contract 5: 2Q/2009
   Contract 6: 3Q/2009

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) No 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) No 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 and updated prior start of contracting.
2. National Interoperability Implementation Strategy is in place and updated prior to the start of contracting.
3. Full-time ITMS, NCTS and ECMS teams are in place and sustainable 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. Upgrade of the Croatian Customs Tariff Application (ACT) in relation to ITMS-TARIC requirements implemented under Phare 2005 program (project 1, subproject 2).

5. Derogation for use of direct award procedure is granted for the Phare 2006 Upgrade of National Transit Application – Development Service Project (Project 2, Sub-project 2) prior to tender launch. This depends of the successful reprogramming of Phare 2005 NCTS projects.17

6. The critical milestones of the various CARDS and Phare 2005 projects have been achieved prior to the start of implementation of the Phare 2005 twinning projects.

7. The PIU adequately strengthened prior to start of tendering procedure.

Sequencing

The launch of the ITMS service contract (Project 1, subproject 2) is dependant upon the Terms of Reference, which will be prepared/finalised under the Phare 2005 twinning project, which is expected to start in February 2007 at the latest. The ITMS management twinning (Project 1, Sub-project 1) should ideally start parallel to/slightly before the service contract.

The launch of the EMCS service contract (Project 3, Sub-project 2) is dependent upon Terms of Reference, which will be prepared/finalised under the Phare 2005 twinning project, which is expected to start in March 2007 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.

- 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 3 application operational 07/2009
- National Tariff Management System ready for testing (TARIC compatible) 12/2007
- National Tariff Management System operational 12/2008
- National Transit Application ready for testing 06/2007
- National Transit Application fully operational 01/2008
- National TQS system operational 12/2008

17 The Customs Administration is currently seeking to revise Terms of Reference (ToR) for Phare 2005 NCTS projects (project 2, sub-projects 1 and 2) and the revision should be based upon results of G&N analysis on the functionalities of national transit application in relation to NCTS requirements produced in the beginning of January 2006. The revision should include upgrade of current system through direct agreement with current strategic partner as a replacement for implementing MCC as initially planed.
Annexes to the Project Fiche
Annex 1 – Logical Framework Matrix
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
Annex 6 - Reference List of Relevant Strategic Plans and Studies
Annex 7 - Organisational Chart of the Customs Administration
### Integration of the Croatian Customs Information Systems with the EU Customs Information Systems

<table>
<thead>
<tr>
<th>Programme name and number PHARE 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>HR2006/018-113/4/3</td>
</tr>
</tbody>
</table>

**Ministry of Finance, Customs Directorate**

**Contracting period expires: 30.11.2008**  
Execution of contracts period expires: 30.11.2009

**Total budget : 6.450.000 €**  
PHARE budget : 5.275.000 €

<table>
<thead>
<tr>
<th>Overall Objective</th>
<th>Objectively Verifiable Indicators</th>
<th>Sources of Verification</th>
</tr>
</thead>
</table>
| To harmonize Croatian Customs system 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 | - Performance of the Croatian Customs Administration is in full compliance with the accession requirements | - EC regular report  
- EC up-dated country reports on IT interoperability and IT interconnectivity |

<table>
<thead>
<tr>
<th>Project Purpose</th>
<th>Objectively Verifiable Indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
</table>
| To ensure full compatibility and interoperability of the Croatian Customs IT systems with the related EU Customs IT systems | - National Tariff Management System operational  
- National Transit Application fully operational  
- National EMCS Phase 3 application operational | - Regular Customs Administrative and operational capacity reports  
- EC up-dated country reports on IT interoperability and IT interconnectivity | - Successful implementation of other EU financed customs projects in Croatia |

<table>
<thead>
<tr>
<th>Results</th>
<th>Objectively Verifiable Indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>- The Croatian Customs Administration supported in managing ITMS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The following ITMS-compatible modules developed and/or adapted:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Module 4: Internet Access</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Module 5: Quotas</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Module 6: Surveillance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Module 7: ISPP</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Module 8: SMS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Module 9: EBTI-3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Module 10: System Administration &amp; other Tools (RIF, …)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- The Croatian Customs Administration competent in managing the ECS application</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Required modules and functionalities upgraded and integrated</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- The Croatian Customs Administration supported in project management of EMCS Phase 3 and AEO</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- EMCS Phase 3 and AEO applications developed and tested</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| - Organizational changes, satisfactory administrative capacity and competently trained staff in place; number of system users |
| - ITMS modules 4, 5, 6, 7, 8, 9 and 10 in accordance with interoperability strategy in place |
| - Number of system users |
| - National transit application delivered and working successfully |
| - EMCS Phase 3 and AEO delivered and working successfully |
| - Trained staff in EMCS Phase 3 usage |

| - Regular progress reports |
| - EU up-dated country reports on IT interoperability and IT interconnectivity |
| - DG TAXUD reports on acceptance and conformance tests |
| - Regular progress reports |
| - EC updated country reports on IT interoperability and IT interconnectivity |
| - DG TAXUD reports on acceptance and conformance tests |
| - Regular progress reports |
| - EC updated country reports on IT interoperability and IT interconnectivity |
| - DG TAXUD reports on acceptance and conformance tests |

<p>| - Low turnover of trained customs/excise and IT staff |
| - Effective liaison with DG TAXUD |
| - Trained staff and IT staff remains in the Croatian Customs Administration |
| - EU IT Customs system stays in present form |</p>
<table>
<thead>
<tr>
<th>Activities</th>
<th>Means</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>- ITMS Management Support</td>
<td>500 000 € for:</td>
<td>- Full commitment of the parties involved</td>
</tr>
<tr>
<td></td>
<td>- Twinning</td>
<td>- Sufficient absorption capacity and ownership of change processes</td>
</tr>
<tr>
<td>- ITMS Developments/Adaptation</td>
<td>1 500 000 € for:</td>
<td>- Service available on market</td>
</tr>
<tr>
<td></td>
<td>- Service Contract</td>
<td></td>
</tr>
<tr>
<td>- ECS Implementation – Management Support</td>
<td>250 000 € for:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Twinning Light</td>
<td></td>
</tr>
<tr>
<td>- Upgrade of National Transit Application</td>
<td>1 200 000 € for:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Service Contract</td>
<td></td>
</tr>
<tr>
<td>- EMCS Management Support</td>
<td>1 000 000 € for:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Twinning</td>
<td></td>
</tr>
<tr>
<td>- EMCS Phase 3 + AEO Development</td>
<td>2 000 000 € for:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Service Contract</td>
<td></td>
</tr>
</tbody>
</table>

**Preconditions:**
1. Qualified project staff allocated.
2. Action plans agreed.
3. PIU strengthened prior to tendering procedure.
**ANNEX 2: DETAILED IMPLEMENTATION CHART**

<table>
<thead>
<tr>
<th>Project Title: Integration of the Croatian Customs Information Systems with the EU Customs Information Systems</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Contract 1: ITMS – Management Support Twinning (Project 1, Sub-Project 1)</strong></td>
</tr>
<tr>
<td>2005</td>
</tr>
<tr>
<td>IV</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>• Launch Twinning Request to Member States</td>
</tr>
<tr>
<td>• Selection of Member State(s) for Twinning</td>
</tr>
<tr>
<td>• Elaboration of Twinning Covenant</td>
</tr>
<tr>
<td>• Submit Twinning Covenant to the Commission &amp; Steering Committee for Approval</td>
</tr>
<tr>
<td>• Implementation of Twinning Package</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Contract 2: ITMS Developments/Adaptation – Software development service contract (Project 1, Sub-Project 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
</tr>
<tr>
<td>IV</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>• Tender Launch</td>
</tr>
<tr>
<td>• Contract Signature</td>
</tr>
<tr>
<td>• Software Development &amp; Tests</td>
</tr>
<tr>
<td>• Data Migration</td>
</tr>
<tr>
<td>• Handing Over</td>
</tr>
<tr>
<td>• Training</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Contract 3: ECS Implementation – Management Support Twinning Light (Project 2, Sub-Project 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
</tr>
<tr>
<td>IV</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>• Launch Twinning Request to Member States</td>
</tr>
<tr>
<td>• Selection of Member State(s) for Twinning</td>
</tr>
<tr>
<td>• Elaboration of Twinning Covenant</td>
</tr>
<tr>
<td>Project Title</td>
</tr>
<tr>
<td>------------------------------------------------------------------------------</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>• Submit Twinning Covenant to the Commission &amp; Steering Committee for Approval</td>
</tr>
<tr>
<td>• Implementation of Twinning Package</td>
</tr>
<tr>
<td><strong>Contract 4: Upgrade of National Transit Application - Software development service contract (Project 2, Sub-Project 2)</strong></td>
</tr>
<tr>
<td>• Tender Launch</td>
</tr>
<tr>
<td>• Contract Signature</td>
</tr>
<tr>
<td>• Software Development &amp; Tests</td>
</tr>
<tr>
<td>• Data Migration</td>
</tr>
<tr>
<td>• Handing Over</td>
</tr>
<tr>
<td>• Training</td>
</tr>
<tr>
<td><strong>Contract 5: EMCS Management Support Twinning (Project 3, Sub-Project 1)</strong></td>
</tr>
<tr>
<td>• Launch Twinning Request to Member States</td>
</tr>
<tr>
<td>• Selection of Member State(s) for Twinning</td>
</tr>
<tr>
<td>• Elaboration of Twinning Covenant</td>
</tr>
<tr>
<td>• Submit Twinning Covenant to the Commission &amp; Steering Committee for Approval</td>
</tr>
<tr>
<td>• Implementation of Twinning Package</td>
</tr>
<tr>
<td><strong>Contract 6: EMCS Phase 3 + AEO Software development service contract (Project 3 Sub-Project 2)</strong></td>
</tr>
<tr>
<td>• Tender Launch through /to evaluation</td>
</tr>
<tr>
<td>• Contract Signature</td>
</tr>
<tr>
<td>• Software Development &amp; Tests</td>
</tr>
<tr>
<td>• Data Migration</td>
</tr>
<tr>
<td>• Handing Over</td>
</tr>
<tr>
<td>• Training</td>
</tr>
</tbody>
</table>
## ANNEX 3 – CONTRACTING AND DISBURSEMENT SCHEDULE

<table>
<thead>
<tr>
<th>Project Title: Integration of the Croatian Customs Information Systems with the EU Customs Information Systems</th>
<th>Cumulative contracting schedule by quarters in EUR (provisional)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2006</td>
</tr>
<tr>
<td></td>
<td>IV</td>
</tr>
<tr>
<td>Contract 1: ITMS – Management Support Twinning (Project 1, Sub-Project 1)</td>
<td></td>
</tr>
<tr>
<td>Contract 2: ITMS Developments/Adaptation – Software development service contract (Project 1, Sub-Project 2)</td>
<td></td>
</tr>
<tr>
<td>Contract 3: ECS Implementation – Management Support Twinning Light (Project 2, Sub-Project 1)</td>
<td></td>
</tr>
<tr>
<td>Contract 4: Upgrade of National Transit Application - Software development service contract (Project 2, Sub-Project 2)</td>
<td></td>
</tr>
<tr>
<td>Contract 5: EMCS Management Support Twinning (Project 3, Sub-Project 1)</td>
<td></td>
</tr>
<tr>
<td>Contract 6: EMCS Phase 3 + AEO Software development service contract (Project 3 Sub-Project 2)</td>
<td></td>
</tr>
<tr>
<td>TOTAL (EUR):</td>
<td>900.000</td>
</tr>
<tr>
<td>Project Title: Integration of the Croatian Customs Information Systems with the EU Customs Information Systems</td>
<td>Cumulative disbursement schedule by quarters in EUR (provisional)</td>
</tr>
<tr>
<td>---------------------------------------------------------------</td>
<td>---------------------------------------------------------------</td>
</tr>
<tr>
<td></td>
<td>2006</td>
</tr>
<tr>
<td>Contract 1: ITMS – Management Support Twinning (Project 1, Sub-Project 1)</td>
<td>IV</td>
</tr>
<tr>
<td></td>
<td>200.000</td>
</tr>
<tr>
<td>Contract 2: ITMS Developments/Adaptation – Software development service contract (Project 1, Sub-Project 2)</td>
<td>IV</td>
</tr>
<tr>
<td></td>
<td>450.000</td>
</tr>
<tr>
<td>Contract 3: ECS Implementation – Management Support Twinning Light (Project 2, Sub-Project 1)</td>
<td>IV</td>
</tr>
<tr>
<td></td>
<td>100.000</td>
</tr>
<tr>
<td>Contract 4: Upgrade of National Transit Application - Software development service contract (Project 2, Sub-Project 2)</td>
<td>IV</td>
</tr>
<tr>
<td></td>
<td>360.000</td>
</tr>
<tr>
<td>Contract 5: EMCS Management Support Twinning (Project 3, Sub-Project 1)</td>
<td>IV</td>
</tr>
<tr>
<td></td>
<td>400.000</td>
</tr>
<tr>
<td>Contract 6: EMCS Phase 3 + AEO Software development service contract (Project 3 Sub-Project 2)</td>
<td>IV</td>
</tr>
<tr>
<td></td>
<td>600.000</td>
</tr>
<tr>
<td>TOTAL (EUR):</td>
<td>360.000</td>
</tr>
</tbody>
</table>
ANNEX 4: LIST OF FEASIBILITY STUDIES, FINANCIAL APPRAISALS, EIAs ETC

1. DG TAXUD/B1 – Interoperability Implementation Strategy – Suggested Approach for Croatia, Feb 2005 (Ref. 08664-401/TI.01.01/HR Customs IIS v1.4.doc)

2. IBM Croatia - Gaps & Needs Analysis on Functionalities of National Transit Application in Relation to NCTS Requirements, Jan 2006 (Project ref: KE5001N)

3. IBM Croatia - Gaps & Needs Analysis on Functionalities of Croatian Customs Tariff Application in Relation to ITMS TARIC Requirements, Feb 2006 (Project ref: KE5001N)
ANNEX 5 – REFERENCE LIST OF LEGISLATION

1. Customs Code ("Official Journal", No. 78/99, 94/99, 117/99, 73/00, 92/01, 47/03, 140/05),
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

ANNEX 6 - REFERENCE LIST OF RELEVANT STRATEGIC PLANS AND STUDIES

Not applicable.
The general organisation of the Customs Administration in Croatia is presented by the following chart:
The following chart describes structure of the Customs Administration – Headquarters:

[Diagram of the structure of the Customs Administration – Headquarters]

Designed by: Petra Ježovita

22.03.2005