1. **Basic Information**

1.1 Désirée Number: 

1.2 Title: Connection of Cyprus Government Data Network with the DG TAXUD CCN/CSI systems 

1.3 Sector: Internal Market - Taxation/Customs 

1.4 Location: Ministry of Finance / Department of Customs & Excise, Nicosia-Cyprus 

2. **Objectives**

2.1 Overall Objective: 
To strengthen the administrative, operational and technical capacity of the Department of Customs and Excise to enable it to achieve full harmonisation with the EU Acquis and European Union best practice.

2.2 Project purpose: 
To achieve full interconnectivity of Cyprus Customs and VAT computerised systems with the European Commission/DG TAXUD systems, enabling the exchange of data between the Cyprus Government Data Network and the European Commission and the EU Member States systems within the framework of the Common Communication Network and Common System Interface (CCN/CSI) infrastructure developed by DG TAXUD.

2.3 Accession Partnership and NPAA priority

Accession Partnership

**Taxation**
- Ensure due alignment of the tax acquis, with particular attention to alignment of the VAT and excise duty regimes, including the transitional VAT regime. **In need of particular urgent action:** Proceed with alignment of VAT and excise duty rates to that of the Community acquis and elimination of discriminatory measures against imports from the EC.
- **In need of particularly urgent action:** Develop IT systems so as to allow for the exchange of electronic data with the Community and its Member States.

**Customs Union**
- Accelerate legislative harmonisation including as regards the introduction of all customs regimes with economic impact and simplified procedures; strengthen the institutional and administrative capacity. Implement the Reform and Modernisation Programme of the Customs Department.
- **In need of particularly urgent action:** Continue the implementation of the IT strategy of the Cypriot customs administration. Develop IT systems so as to allow for the exchange of computerised data between the EC and Cyprus.

**NPAA**
- Customs Union and Taxation - Fully computerise the Department by adapting, developing and implementing a system based on the New Danish Computerised System to meet the Cyprus and extension needs within the EU accession timeframe.
2.4 Contribution to National Development Plan
N/A

2.5 Cross Border Impact
N/A

3. DESCRIPTION

3.1 Background and justification:
The Common Communications Network and Common Systems Interface (CCN/CSI) is the EU prescribed communications network, consisting of a physical gateway and a set of protocols and application programming interfaces, which allows interconnectivity between the Customs and Taxation systems of the European Commission/DG TAXUD and the EU Member States.

Its objectives are:
- to provide a common platform for all customs and tax applications, thus avoiding the support and maintenance difficulties inherent in several heterogeneous systems with multiple types of hardware, software and communications equipment;
- to provide a coherent approach towards the development of new systems, in conformity with the regulatory constraints of the EU in the field of data transmission.

The European Commission is currently seeking a mandate from the EU Council of Ministers which should be approved in the autumn of 2001, and on the basis of which the Commission will carry out an exchange of letters with the countries concerned.

The European Commission requires that Candidate Countries have this gateway established and ready for interoperability testing twelve months prior to EU Accession so that it is fully operational on the date of accession.

Therefore the Cyprus Government should enter into an agreement with the European Commission/DG TAXUD so that the CCN/CSI system is extended to allow interconnection of the Cyprus national Customs and VAT computerised systems with those of the Commission and the EU Member States. The CCN/CSI gateway will be connected directly to the Cyprus Government Data Network.

The relevant Community Acquis with which Cyprus has to comply with, by the time of accession is the following:
- Council Regulation 218/92
- Council Directive 76/308
- Council Regulation 515/97
- Commission Regulation 2454/93
- Council Regulation 2913/92
- Council Regulation 1172/95
- Council Regulation 3330/91
- Commission Regulation 696/98
- Council Regulation 2913/92
- Council Regulation 1172/95
- Council Regulation 3330/91

3.2 Linked activities:
The Cypriot Government has entered into a contract with the French company Bull for the purchase, installation and testing of a system for automated declaration processing which will be further developed to cover all customs activities. This system, the Cyprus Integrated Customs Information System (CICIS), will be one of the national developments pertinent to the CCN/CSI gateway (on which it has to be based) together with the Cyprus Government Data Network and the national applications of VAT and Excise.

3.3 Results:
- Connection of Cyprus Government Data Network with the CCN/CSI system.
- Use of a coherent method of access by the applications operated by the Commission and the Cyprus Government under CCN/CSI.
• Access of the Department to all other EU systems such as TARIC, EBTI, Quotas etc.

3.4 Activities:
The Common Communication Network and Common System Interface (CCN/CSI) is mainly composed of a technical solution (gateway) developed by the Commission Services aiming, primarily to standardise the access to the DG TAXUD applications and, secondarily, to further integration with other Commission entities, hence extending it to non-DG TAXUD applications. CCN/CSI is therefore not dedicated to a particular Customs or Taxation application and will be valid for a long period of time.

The connection of the Cyprus Government Data Network with the CCN/CSI system will provide the Cyprus Customs and Excise Department and the VAT Service with:
- a coherent method of access to all DG TAXUD applications (TARIC, EBTI, Quotas, Ceilings etc) which will form part of the daily routine of the Department and will allow the Department to receive and implement the relevant EU directives the soonest possible;
- a coherent method of access to other EU Member States applications.

This project will provide with the necessary technical infrastructure (equipment, software) for the connection of the Cyprus Government Data Network with the CCN/CSI system and the technical assistance required in order to support the physical installation and the operational support of the gateway. The activities of this project will include:
• identification of national application platforms which will use CCN/CSI;
• study of the technical aspects of CCN/CSI with DG TAXUD;
• purchase and installation of the CCN/CSI system;
• set up of dedicated administration work station with local systems administration
• installation of a firewall for the national domain;
• extension of an internal network to connect national application platforms with WAN (wide area network) through the Government Data Network;
• development of interfaces on the National Application Platforms;
• piloting of the developed systems to access interoperability.

4. Institutional Framework
The Customs and Excise Department falls within the domain of the Ministry of Finance and has been in existence since 1879.

Functions of the Customs & Excise Department
The Department of Customs & Excise’s principal responsibilities are:
- the imposition and collection of import duties, excise duties and value added tax on all imported goods, and the imposition and collection of excise duties on locally produced goods such as hydrocarbon oils, spirits, soft drinks, beer and tobacco products ;
- the prevention and detection of smuggling, particularly narcotics ;
- the administration of various reliefs from duties and taxes ;
- the control of import and export licensing and certain aspects of exchange control, and the enforcement of prohibitions and restrictions on imports and exports prescribed in laws administered by other Cyprus ministries and authorities ; and
- the preparation and analysis of revenue and trade statistics.
Structure and Organisation of the Department

The Department is administered from the Headquarters Office at Nicosia by the Director of Customs and Excise who is assisted by two Chief Customs Officers, seven Senior Customs Officers – of which four are stationed at headquarters – and a number of other managerial and technical staff.

Customs Headquarters is responsible for policy making and the management of the technical operations of the Department. It consists of the following sections: EU Matters, Administration, International Relations, Training, Investigation, Legal Matters, Valuation, Classification, Reliefs, Temporary Importation, Internal Audit, Computer Service and Registry.

At the regional level, there are four customs stations – at Limassol, Larnaca, Nicosia and Paphos – which operate under the direction of Customs Headquarters. These regional offices typically comprise the following sections: Passing, Cashier, Examination, Stores, Bonded Warehouses, Exports, Excise, Preventive Service, Parcel Post, Refunds and Drawbacks, Temporary Importation and Valuation, Republic’s Warehouse and Registry.

The function of the District Officers is primarily revenue collection and enforcement of various laws in relation to the importation and exportation of goods as well as passenger traffic. They also perform other functions such as revenue supervision of breweries, tobacco factories, hydrocarbon oil installations and other excisable activities as well as visits to the manufacturers’ premises of finished goods eligible for drawback.

Management of Customs Activities

The activities of the Department are monitored and checked by staff both at Customs Headquarters and District Stations mainly through internal audit sections. External departmental inspection is also carried out by the office of the Auditor General who reports directly to the President. The inspections are designed to ensure that there are no irregularities and that the Department is offering an efficient and effective service.

The Department of Customs and Excise is one of the departments which functions under the direction of the Ministry of Finance.

5. DETAILED BUDGET

<table>
<thead>
<tr>
<th>Component</th>
<th>Investment (1)</th>
<th>Institution Building (2)</th>
<th>Total EU financing (=I+B)</th>
<th>National co-financing (3)</th>
<th>IFI TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Design, Development and Testing</td>
<td>0.30</td>
<td></td>
<td>0.30</td>
<td>0.10</td>
<td>0.40</td>
</tr>
<tr>
<td>TOTAL</td>
<td>0.30</td>
<td></td>
<td>0.30</td>
<td>0.10</td>
<td>0.40</td>
</tr>
</tbody>
</table>

(1) - In relation to equipment, software, documentation and related services (installation, testing, training etc.);
(2) - In relation to training, changes in organisation, procedures, legislation, etc.
(3) - The national co-financing relates to the operational cost of the system. The relevant amount has already been included in the 2002 draft Government Budget.
6. IMPLEMENTATION ARRANGEMENTS

6.1 Implementing Agency:
The implementing agency of this project will be the Department of Customs and Excise of the Ministry of Finance. An Interconnectivity Working Group has been formed from members of the Department of Customs and Excise, the VAT Service and the Department of Information Technology Services specifically for this purpose. This group operates under the direction of a project board whose members include the Directors of Customs and Excise and the Department of Information Technology Services.

Contact person: Panos Hartsiotis
   Senior Customs and Excise Officer,
   Phone: 00357 2 407583
   Fax: 00357 2 355050
   Email: panhart@spidernet.com.cy

6.2 Twinning
N/A

6.3 Non-standard aspects
It should be noted that there is only one supplier of each part of this system (CCN, and CSI), already contracted by DG TAXUD. In order to ensure absolute technical uniformity between the Cypriot and Community systems (for after accession there can only be a Community system for Community applications), a negotiated procedure will have to be used with the two Commission suppliers.

The project will be managed according to the Decentralised Implementation System (DIS) rules.

6.4 Contracts
The project will be implemented through 2 (two) contracts concluded via negotiated procedures with the two DG TAXUD contractors.

7. IMPLEMENTATION SCHEDULE

7.1 Start of negotiated procedures: February 2002

7.2 Start of project activity: June 2002

7.3 Project Completion: November 2002

8. EQUAL OPPORTUNITY
Article 28 of the constitution safeguards the right of all persons to equality before the law, the administration and justice and of equal protection there of and treatment thereby. Any direct or indirect discrimination against any person on the ground, i.e., of his sex, is prohibited.

Furthermore, the prevailing legislation with respect to equality of treatment for men and women is partly in conformity with the Acquis Communautaire. The following laws currently in force in Cyprus cover equality issues: the equal Pay between men and women for Work of Equal Value Law (Law 158/89), the Protection of Maternity Law of 1997 (Law 100(1)/97), the Termination of Employment Law 1967 (Law 24/67) as amended, and the Commissioner for Administration Law 1991 (Law 3/91) as amended. Cyprus has ratified by Law 39/62 the European Convention for the Protection of Human Rights and fundamental Freedoms. Various International Conventions, which guarantee equal rights between men and women, have also been ratified.
The Department of Customs and Excise, which is the Implementing Agency for this project, is an equal opportunity employer. Its human resources in terms of customs personnel comprise of 217 men and 69 women. The Director of the Department and VAT Commissioner is a woman. The total number of the personnel employed by the Customs and Excise is 428 consisting of 315 (74%) men and 113 (26%) women.
The other Cyprus agencies involved in this project are also equal opportunities employers.

9. **ENVIRONMENT**

N/A

10. **RATES OF RETURN**

N/A

11. **INVESTMENT CRITERIA**

N/A

12. **CONDITIONALITY AND SEQUENCING**

N/A

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**ANNEXES TO PROJECT FICHE**

1. Logical framework matrix in standard format
2. Detailed implementation chart
3. Contracting and disbursement schedule by quarter for full duration of programme (including disbursement period)
## LOGFRAME PLANNING MATRIX FOR

**PROJECT:**  
**CONNECTION OF CYPRUS GOVERNMENT DATA NETWORK WITH THE DG TAXUD CCN/CSI SYSTEMS**

<table>
<thead>
<tr>
<th>Contracting period expires: 31 July 2004</th>
<th>Disbursement period expires: 31 July 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total budget: 0.4 MEURO</td>
<td>EU contribution: 0.3 MEURO</td>
</tr>
</tbody>
</table>

### Overall objective
To strengthen the administrative, operational and technical capacity of the Department of Customs and Excise to enable it to achieve full harmonisation with the EU Acquis and EU best practice.

<table>
<thead>
<tr>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Full preparation of Cyprus at the time of accession.</td>
<td>• Screening Reports</td>
<td>Relevant legislative instruments enacted.</td>
</tr>
<tr>
<td>• DG TAXUD requirements fully met.</td>
<td>• European Commission´s Opinion on the Status of Preparation of Cyprus for Accession</td>
<td></td>
</tr>
</tbody>
</table>

### Project purpose
To achieve full interconnectivity of Cyprus Customs and VAT computerised systems with the European Commission/DG TAXUD systems, enabling the exchange of data between the Cyprus Government Data Network and the European Commission and the EU Member States systems, within the framework of the CCN/CSI infrastructure developed by DG TAXUD.

<table>
<thead>
<tr>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Interoperability established of the Cyprus Customs, Excise and VAT systems with all the EU Taxation and Customs systems.</td>
<td>• DG TAXUD reports on acceptance and conformance tests</td>
<td></td>
</tr>
<tr>
<td>• Regular progress reports of the Commission and the Cyprus Government</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Results

- Connection of Cyprus Government Data Network with the CCN/CSI system.
- Use of a coherent method of access by the applications operated by the Commission and the Cyprus Government under CCN/CSI.
- Access of the Department to all other EU systems such as TARIC, EBTI, Quotas, Ceilings etc.

<table>
<thead>
<tr>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• CCN/CSI infrastructure deployed in Cyprus.</td>
<td>• DG TAXUD reports on acceptance and conformance tests</td>
<td>Full commitment of management and staff.</td>
</tr>
<tr>
<td>• EU standards and formats for information exchange implemented.</td>
<td>• Technical and functional documentation.</td>
<td>Timely availability of adequate resources.</td>
</tr>
<tr>
<td>• VIES and TARIC data integrated in the national control system.</td>
<td>• Inventory of the Department of Information Technology.</td>
<td></td>
</tr>
<tr>
<td>• Exchange of data between the Cyprus Government and the EC systems for Customs and Taxation.</td>
<td>• Regular progress reports of the Commission and the Cyprus Government.</td>
<td></td>
</tr>
<tr>
<td>Activities</td>
<td>Means</td>
<td>Assumptions</td>
</tr>
<tr>
<td>------------</td>
<td>-------</td>
<td>-------------</td>
</tr>
</tbody>
</table>
| • Setting up of the relevant interconnectivity project team consisting of Customs, VAT and Information Services Officers | • Supply contract with the contractor prescribed by DG TAXUD | Full commitment of management and staff  
Availability of contractor’s appropriate experts  
Relevant legislative instruments prepared |
| • Technical assistance on the implementation of the IT systems to enable interoperability with the EC systems. | | |
| • Purchase of the necessary equipment | | |
| • Coherent preparation of the deployment and of the integration of the CCN/CSI infrastructure and installation of CCN/CSI hardware and software equipment. | | |
| • Acceptance test activities associated with the CCN/CSI. | | |
| • Training on the operation of the gateway. | | |
| • CCN/CSI maintenance and central help desk services. | | |

<table>
<thead>
<tr>
<th>Preconditions</th>
</tr>
</thead>
</table>
| Full commitment of all Authorities involved.  
Availability of required financial and human resources. |
### DETAILED TIME IMPLEMENTATION CHART FOR THE PROJECT

<table>
<thead>
<tr>
<th>COMPONENT</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
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<tbody>
<tr>
<td></td>
<td>ON</td>
<td>D</td>
<td>F</td>
<td>M</td>
</tr>
<tr>
<td>Connection of Cyprus Government Data Network with the DG TAXUD CCN/CSI systems</td>
<td>D</td>
<td>D</td>
<td>D</td>
<td>C</td>
</tr>
</tbody>
</table>

- **D** = Design
- **C** = Contracting
- **I** = Implementation
- **X** = Closure
## ANNEX 3

### CUMULATIVE CONTRACTING AND DISBURSEMENT SCHEDULE

(Million EURO)

<table>
<thead>
<tr>
<th></th>
<th>31/12/01</th>
<th>31/03/02</th>
<th>31/06/02</th>
<th>31/09/02</th>
<th>31/12/02</th>
<th>31/03/03</th>
<th>30/06/03</th>
<th>30/09/03</th>
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<th>31/03/04</th>
<th>30/06/04</th>
</tr>
</thead>
<tbody>
<tr>
<td>CONTRACTED</td>
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<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DISBURSEMENT</td>
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<td>0.30</td>
<td></td>
<td></td>
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