STANDARD SUMMARY PROJECT FICHE

1. Basic Information
1.1 Désirée Number: 2002/000-315.02.03
1.2 Title: Integration of EU TARIC and NCTS systems into the Customs IT environment
1.3 Sector: Customs
1.4 Location: Hungary

2. Objectives

2.1 Overall Objective(s):
The overall project objective is to support Hungarian Customs and Finance Guard in meeting the IT requirements necessary upon Accession in particular in relations to the EU TARIC and NCTS systems.

2.2 Project purpose:
To ensure efficient electronic data exchange between the EC and Hungary in relation to the TARIC and NCTS systems.

2.3 Accession Partnership and NPAA priority:
The AP (Section 4.) defines the further urgent development of the IT systems of the Hungarian customs administration as to allow for efficient electronic data exchange between the EC and Hungary.

Similarly, chapter 8.2 of the NPAA declares the further improvement of customs administration to adopt the EU-conform standard IT systems.

2.4 Contribution to National Development Plan - Not applicable.

2.5 Cross Border Impact - Not applicable.

3. Description

3.1 Background and justification:

3.1.1. Current stage of the inter-operability project at the Hungarian customs administration

The Hungarian customs administration has established the project organisation, needed for the implementation of inter-operability allocating adequate time human resources from the business and IT field.

On the 4th February 2002 the HCFG Director General for Revenues, as the Inter-operability Programme Director held a project kick off meeting for the project owners, project and subproject managers covering tasks, deadlines, assured financial resources. The project managers handed over the relevant project documents to the full time project staff.
After examining the documents the work has started. The project teams report about all their activities to the project owners and the programme director in the form of standard daily, weekly and monthly reports. The three projects (ITMS, NCTS and CCN/CSI) prepared the Pre-Feasibility studies and Project Initiation Documents, which were discussed and accepted by the Steering Committee on March 20. A decision was also made on the same day for holding the next Steering Committee meeting on 2 April, where the ToRs (Terms of Reference) were discussed and accepted.

The preparation of preliminary studies and project initiation documents (made clear that the IT adaptation and roll out of the EU TARIC and MMC systems - the first one inside the ITMS and other one in the NCTS project - can be difficult, because the current hardware and software environment of the HCFG is out-of-date for their operations. Furthermore it does not seem practical to operate two customs IT systems in parallelone for EU and another for national applications.

At the same time integration of the EU TARIC and NCTS systems into the Hungarian customs information system is a suitable solution from the technical and business point of view. During the integration process the IT environment allows the data identity and communication of EU systems through the CCN/CSI gateway without any obstacles, plus the comprehensive integrity of the national system can be maintained. The professional support of DG TAXUD, the working systems and documentation, provided by the EU, and the twinning contract with the Spanish administration will help ensuring total compatibility.

3.1.2. Background information on the current IT system of the Hungarian customs administration

The current IT system covers the business activities of the Hungarian customs administration, and contains the following integrated elements:

- Support of customs processing;
- Support of excise field;
- Tracking the goods entered into the country.

At the installation of the software package the special access right and the professional functionality can be adjusted to reflect the type of office: border customs office or inland customs office or excise office.

The application allows wide range of electronic data connection with clients to support customs, excise and goods tracking activities. The data connection of clients can be managed through LAN or telephone line (PSTN) with the usage of Modem device.

The equipment stationed in the customs offices is connected through an online WAN. The traffic of the data network is encrypted from site to site. The high standard availability is guaranteed with backup satellite lines. The speed of the leased line is 64 Kbit/s and the speed of the backup VSAT is 19,2 Kbit/s. The number of end-points is more than 160.
The IT equipment installed into the customs offices works in client-server architecture. The operational system of the workstations is Windows 3.11 and the operation system of the servers is SCO UnixWare 2.1.3. The DBMS is ORACLE 7.3.4. The customs business application was developed in Gupta environment.

Main parameters of the workstations:
- Processor: Intel Pentium 166
- RAM: 32 Mbytes
- HDD: 2.1 GBytes
- Quantity: 1583
- Date of purchasing: 1997

Main parameters of the servers:
- Processor: Intel PentiumPro 166
- RAM: 128 MBytes
- HDD RAID5: 2-4-8 GBytes
- Quantity: 191
- Date of purchasing: 1997

3.1.3. Brief overview of the EU TARIC and NCTS systems

The common feature of both systems is that remote workstations are connected to a central national server. The device arrangement needs a simple system management in the case of the central server, but its bandwidth need is very large toward the data network in the case when there are plenty of workstations and a need for fast response time. Furthermore the availability of the data network has to be also high because at the lack of data connection the work is stopped in the given directions. The central national servers are connected to the central EU databases through the CCN/CSI interface.

The EU minimum requirements for workstations are Pentium II processor, 128 Mbytes RAM and Windows NT operating system. The same requirements for servers are RISC processor and IBM AIX UNIX operating system. Of course in the technical specification of the tender document the actual technical level available on the market will be used.

3.1.4. Explanation of target objectives

The firm intention of the Hungarian customs administration is to adapt the above-mentioned EU systems with maintaining the current advantages of the national applications. This can be obtained with the integration of the EU TARIC and NCTS systems into the IT systems of the Hungarian customs administration to form an integrated, common environment.

The new customs IT system would work in the following way. The Hungarian customs officer registers the goods crossing the borders of the EU member Hungary into the NCTS system, or the data are taken over from the customs agency at the border. The data reach the central national NCTS database through the data transmission system of
the HCFG and are forwarded to the EU databases in a form corresponds to EU standards through the CCN/CSI gateway.

If the goods are customs cleared for the home use in Hungary than the Hungarian customs officer cancels the entry from the NCTS system and put the item into the customs business application. The daily updated TARIC database would be in the reference database of the local server for the customs clearance, calculation and collection of payable EU customs duty and related fees.

The advantage of the developed IT system is an integrated national, but fully EU conform customs application in which any kind of customs business task can be undertaken immediately forwarding the data to the central EU databases and to the databases of EU Members.

The above-mentioned system can be realised if the Hungarian customs administration can purchase the equipment with EU proposed configuration with PHARE support because their own equipment is not suitable for running an integrated EU conform application. The hardware and software environment of the EU and Hungarian system is the following:

<table>
<thead>
<tr>
<th>The main features of the workstations:</th>
<th>Suggested by the EU</th>
<th>Equipment of the HCFG</th>
</tr>
</thead>
<tbody>
<tr>
<td>Processor</td>
<td>Intel Pentium II</td>
<td>Intel Pentium 166</td>
</tr>
<tr>
<td>Memory</td>
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<td>32 MBytes</td>
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<tr>
<td>HDD</td>
<td>2.1 GBytes</td>
<td></td>
</tr>
<tr>
<td>Operational system</td>
<td>Windows NT</td>
<td>Windows 3.11</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>The main features of servers:</th>
<th>Suggested by the EU</th>
<th>Equipment of the HCFG</th>
</tr>
</thead>
<tbody>
<tr>
<td>Processor</td>
<td>RISC</td>
<td>Intel PentiumPro 166</td>
</tr>
<tr>
<td>Memory</td>
<td>512 MBytes</td>
<td>128 MBytes</td>
</tr>
<tr>
<td>HDD RAID5</td>
<td>2-4-8 GBytes</td>
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</tr>
<tr>
<td>Operational system</td>
<td>IBM AIX</td>
<td>SCO UNIX</td>
</tr>
</tbody>
</table>

### 3.2. Linked activities

According to the National Inter-operability Implementation Strategy the HCFG prepared the Feasibility Pre-studies, the Project Initiation Documents for the discussion of the Steering Committee. On 2 April 2002 the Steering Committee decided to initiate a tender procedure for the implementation of the accepted programme. The winner of the tender procedure will have the responsibility to develop the earlier described EU conform integrated national customs application.

After the change of the IT equipment the old ones can be used for administrative and other background activities of the HCFG.

On the basis of the assured financial funds the collection of price offers for the needed equipment supply (for example MCC hardware/software, forming the CCN/CSI gateway environment, extension of data-network bandwidth and so on) has been started.

### 3.3 Results
- The EU TARIC and NCTS systems are integrated as part of the IT environment of the Hungarian customs administration;
- Data transmission to and from customs offices facilitated;
- Faster response to the EU data requests.

3.4 Activities

- Hardware equipment necessary for full operations of the EU TARIC and NCTS systems purchased.

The purchasing of IT equipment will take place by means of an open, international tender invitation. It is estimated that 699 Workstations and 120 Servers will be purchased. The exact specifications of the workstations and servers will be determined in the technical specifications for the tender and will reflect the technical standards on the IT market at the time of tendering. In any case it will be ensured that the IT equipment meets the technical minimum-requirements for Interoperability.

3.5 Lessons Learned

An assessment report was completed on Customs modernisation programmes in August 2001. The Report indicated that the purposes of the various projects were going to be achieved and likely to be sustainable. On the whole the Assessor concluded that achievement of past projects "constitute a solid basis for accession". Recommendations in the report mainly concerned implementation (timely payment of invoices, co-ordination between different actors, training of implementation staff …). The HCFG is aware of them and will ensure they are appropriately addressed at the stage of implementation.

4. Institutional Framework

The Hungarian Customs and Finance Guard (HCFG) as Employer will manage the programme. Owner will be the Hungarian State with the Hungarian Customs and Finance Guard acting as Trustee for the property.

The HCFG IT Department will be responsible for purchase, installation and IT integration, furthermore for the relocation of old equipment. A more detailed description of the Institutional framework in relation to the Inter-operability Strategy is provided in the context of Annex 5.

5. Budget
The Hungarian co-financing will be provided from the Central Government Budget. The project will be jointly co-financed between PHARE and Government resources. The PHARE amount is binding as a maximum amount available for the project. The ratio between the PHARE and national amount is also binding and has to be applied to the final contract price.

6. Implementation Arrangements

6.1. Implementing Agency

Implementing Agency for the programme will be the Central Finance and Contracts Unit (CFCU). Ms. Judit Rózsa, Director of CFCU will be PAO.

PAO: Ms. Judit Rózsa, Director of CFCU
Address: Deák Ferenc u. 5. Telephone: (361) 327 3652
H-1052 Budapest Fax: (361) 327 3572
e-mail: cfcu@ahh.gov.hu

SPO: Dr Lajos Rajczy, Director General for EU Accession and International Affairs
Address: Delej u. 20 Telephone: (361) 303 8977
H-1089 Budapest Fax: (361) 303 8987
e-mail: lajos.rajczy@mail.vopo.hu

6.2 Twinning:
Non-applicable.

6.3. Non-standard aspects
The rules of the Practical Guide will be strictly followed.

6.4. Contracts
The equipment will be purchased through an international open tender contains 1 component only. For the project the PHARE support will be € 3 Millions and the national co-financing will be € 1 Million.
### 7. Implementation Schedule

<table>
<thead>
<tr>
<th>Project phases</th>
<th>Months of Year 2002</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
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<td>03 04 05 06 07 08 09 10 11 12 01 02 03 04</td>
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<tr>
<td>Project fiche preparation, discussion, and acceptance.</td>
<td>x  x</td>
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</tr>
<tr>
<td>Signing financial Memorandum, preparation of tender documentation.</td>
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<td></td>
</tr>
<tr>
<td>Tender discussion</td>
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<tr>
<td>Tender evaluation</td>
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<tr>
<td>Announcing the winner of the tender</td>
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<tr>
<td>Contracting</td>
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<tr>
<td>Beginning of delivery</td>
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<td></td>
</tr>
<tr>
<td>Steering Com. meeting, acceptance of pre-study and PID</td>
<td>20</td>
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<tr>
<td>Tender for selection of system integrator firm.</td>
<td>3-30</td>
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<tr>
<td>Evaluation of bids</td>
<td>1</td>
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<tr>
<td>Contracting</td>
<td>31</td>
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<tr>
<td>Beginning of EU TARIC and NCTS system integration into the national customs business application.</td>
<td>x x x x x</td>
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<tr>
<td>Testing</td>
<td>x  x</td>
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<tr>
<td>Introduction</td>
<td>**</td>
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</table>

### 8. Equal Opportunity

HCFG is an equal opportunity employer. No discrimination will be applied during the construction and operation phases of the project.

### 9. Environment

Not applicable

### 10. Rates of Return

Not applicable.

### 11. Investment Criteria

11.1. Catalytic effect
The PHARE contribution gives an opportunity for significant IT development at the HCFG. Its result is the integration of EU TARIC and NCTS systems into IT environment of the customs administration. Without the PHARE support the level of data transmission toward the EU cannot reach nowadays requirements.

11.2. Co-financing
HCFG will contribute 25% of the costs of the equipment purchase. In addition, the Government budget will cover the following.

11.3. Additionality
The PHARE intervention will displace no other financiers.

11.4. Project readiness and Size
The tender documents of the equipment supply are under preparation, and will be available by the time of signing the financing memorandum.

11.5. Sustainability
The HCFG will operate and maintains the equipment from its own financial source.

All equipment purchased will be in accordance with European Union norms and standards.

11.6. Compliance with state aids provisions
Not applicable

11.7. Contribution to National Development Plan
Not applicable

12. Conditionality and sequencing
As a pre-condition the inter-operability programme, launched by the HCFG, functions, the fulfilment of the defined tasks has been started and has been progressing according to the time schedule included in Annex 5.

The technical specification are available and the the tender documentation will be completed within one week after signing the financial memorandum.
Annexes to project fiche

1. Logical framework matrix in standard format
2. Detailed implementation chart
3. Contracting and disbursement schedule
4. List of relevant laws, regulations and strategy documents
5. National Inter-Operability Strategy
6. Equipment distribution list
**LOGFRAME PLANNING MATRIX FOR**

<table>
<thead>
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<th>Programme name: Integration of EU TARIC and NCTS systems into the customs IT environment</th>
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<tbody>
<tr>
<td>Programme number: 2002/000-315.02.03</td>
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<td>Contracting period expires: 11/2004</td>
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<tr>
<td>Disbursement period expires: 11/2005</td>
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<td>Total budget: 4.0 Million EUR</td>
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<tr>
<td>Phare budget: 3.0 Million EUR</td>
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</table>

### Overall objective

The overall project objective is to support Hungarian Customs and Finance Guard in meeting the IT requirements necessary upon Accession in particular in relations to the EU TARIC and NCTS systems.

- Interoperability Strategy is implemented according to plans
- Commitments taken during the negotiations are respected in content and timing

### Objectively verifiable indicators

**Sources of Verification**

- Commission Monitoring of Negotiations Commitments
- Peer Review Reports
- Project initiation documents
- Reports of DG TAXUD
- Reports of DG Enlargement

### Project purpose

- To ensure efficient electronic data exchange between the EC and Hungary in relation to the TARIC and NCTS systems.

- Successful completion of the connection and operational tests of the TARIC/NCTS systems by March 2003

**Sources of Verification**

- Minutes and reports on the test operation of NCTS and TARIC systems
- Minutes on the meetings of the Inter-operability Steering Committee of the Hungarian Customs and Finance Guard
- ToR documents

**Assumptions**

- The political will of the EU for the continuation of the interoperability
- Continuation of the Inter-operability Programme of the Hungarian Customs and Finance Guard
<table>
<thead>
<tr>
<th>Results</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
</table>
| - The EU TARIC and NCTS systems are integrated as part of the IT environment of the Hungarian customs administration;  
- Data transmission to and from customs offices facilitated;  
- Faster response to the EU data requests. | - 120 pieces of servers and 699 pieces of workstations delivered and installed by March 2003  
- The NCTS and TARIC softwares, integrated into the Hungarian systems, operate in every customs offices by 1 January 2004  
- Mainframe environment, on which the central NCTS and TARIC databases run operational by March 2003  
- The computer centres of Brussels and Member States receive the Hungarian NCTS data by March 2003. The same date in the case of the Hungarian TARIC system is 1 January 2004. | - EU computer centres  
- DG TAXUD  
- HCFG  
- The Minute on Handing and Taking Over documents of the Informatics integrator and the HCFG, which provide evidence for the installation of servers and PCs in 120 customs offices. | - Availability of PHARE tender winner supplier  
- Availability of skilled experts in sufficient quantity from the supplier, IT integrator and Customs administration  
- Assured financial background for the operation of the equipments |

<table>
<thead>
<tr>
<th>Activities</th>
<th>Means</th>
<th>Assumptions</th>
</tr>
</thead>
</table>
| - Hardware equipment necessary for full operations of the EU TARIC and NCTS systems purchased. | - Supply contract for the purchase of Hardware Equipment. | - Availability of the Hungarian co-financing fund in time  
- Fast and efficient cooperation between the parties involved in the tender invitation and implementation |

Preconditions
- Availability of PHARE and national co-financing funds
- Signing financial memorandum
Annex 2

Integration of EU TARIC and NCTS systems into the customs IT environment
Project Fiche No. 2002/000-315.02.03

DETAILED IMPLEMENTATION TIME CHART

<table>
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<th>Components</th>
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<td>D</td>
<td>D</td>
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</table>

D  Design

T  Tendering and Contracting

I  Implementation
Annex 3

Integration of EU TARIC and NCTS systems into the customs IT environment
Project Fiche No. 2002/000-315.02.03

CUMULATIVE CONTRACTING AND DISBURSEMENT SCHEDULE

(Million Euro)

<table>
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</table>
Annex 4

List of Relevant Laws and Regulations and Strategy Documents of Hungary

Hungarian National Programme for the Adoption of the Acquis

Declaration of Endorsement of the Pre-Accession Strategy for Customs and Tax Administrations in Hungary.
(Endorsed by Commissioner Mario Monti and the Hungarian Ministry of Finance)

Act No. C of 1995 on Customs Law, Customs Procedures and Customs Administration and its Implementing Provisions:


(PM)

Government Decree 2212/1998. (X. 30.) (Korm.) on Legal Harmonisation (the implementation of concrete elements of the Acquis)

National Inter-Operability Implementation Strategy, HCFG, January 2002

Information Technology Management Strategy, HCFG, 2001

Quality Assurance Plan template for the projects of the Interoperability program, HFCG, January 2002

List of Relevant Laws and Regulations of EU

Agenda 2000 - Commission Opinion on Hungary’s Accession to the European Union

Community Customs Code and its Implementing Provisions


Blueprint managed by DG XXI. of the European Commission
Annex 5

Republic of Hungary
Hungarian Customs and Finance Guard

NATIONAL INTER-OPERABILITY
IMPLEMENTATION STRATEGY

Program manager: Maj.-Gen. Iván Kovácsics, Director General for Incomes

Approved by: Lieut.-Gen. Mihály Arnold,

Budapest
January 2002
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<tr>
<th>Version</th>
<th>Date</th>
<th>Description</th>
<th>Chapters concerned</th>
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1. INTRODUCTION

This document has been produced in order to assist the Hungarian Customs and Finance Guard to achieve Inter-Operability in time for the accession to the EU.

Preparation for the accession however, has been going on for several years on the basis of the regularly updated Blueprints (Annex 1) that was originally prepared in 1997, and also on the IT Development Strategy (Annex 2).

1.1. EU REQUIREMENTS

As a result of the Interconnectivity Study carried out by DG TAXUD in late 2000 / early 2001, it became apparent that little knowledge existed in most of the Candidate Countries as to the requirements for Inter-operability with all of the EU IT Customs & Taxation systems upon accession to the EU and the volume of work to be undertaken to achieve interconnectivity was hard to be estimated. This defect was mostly supplied by the Inter-Operability Implementation Strategy issued in December 2001 and the Interconnectivity CD issued in January 2002 (and the additional seminar in Brussels) and made apparent, that DG TAXUD only answers clear and particular questions.

Development units of TAXUD regularly change their systems and update the necessary system documents. It is essential for Candidate Countries to receive adequate information on changes in time.

1.2. REFERENCE DOCUMENTS

1. Blueprints
2. TAXUD Inter-operability Implementation Strategy (11.12.2001. - 8213/TI.01.01/IIS_v1.02)
3. TAXUD Interconnectivity Study (12.06.2001.)
4. TAXUD Interconnectivity CDs:
   - November 2000
   - June 2001 (DG TAXUD TEMPO methodology)
   - January 2002
2. OVERALL OBJECTIVE OF THE NATIONAL INTER-OPERABILITY STRATEGY

2.1. WHAT IS INTER-OPERABILITY?

The expression “Inter-operability” means that the EU and the national systems co-operate, connected to each other, not only in technical-IT ways, but also the non-IT parts (legislation, procedures, training etc.) of the systems are integrated. Additionally, not only the IT connection surface is provided, but also the conformity of the national systems with the EU equivalents.

2.2. DEFINITION OF THE OVERALL OBJECTIVE

The preparation and implementation of all the national systems at the Hungarian Customs and Finance Guard that are needed for ensuring the exchange of information with the European Union and the Member States on day one of accession by connection to the EU IT systems.

For the success of the overall objective the National Inter-operability Strategy describes the projects to be launched, the general project structure and the time-schedule.

2.3. THE NATIONAL INTER-OPERABILITY STRATEGY IN THE SYSTEM OF PLANNING DOCUMENTS
3. IMPLEMENTATION OF THE OVERALL OBJECTIVE

For the accession to the EU the following are essentially necessary:
- legal harmonisation;
- ensure the conditions necessary for the implementation of legal acts (infrastructure);
- Inter-operability of IT systems

The Hungarian Customs and Finance Guard during the implementation of Inter-operability
- is able to implement infrastructure development at significant pace;
- can be supported by its IT development;
- is able to implement large-scale investment plans;
- can benefit from the low average age of its staff;
- can benefit from a stable structure formed to requirements;
- can use traditionally good international relationships;
- can be supported by excellent relationships with clients

With developments
- the gaps of infrastructure should be filled;
- the problems arising from the frequent changes of legislation;
- the everyday communicational channels should be established with DG TAXUD;
- the language skills of the staff should be improved;
- it should be ensured that the number of mistakes will not rise in the change period.

The opportunity must be fully taken that
- shipments with EU destination could be cleared at Hungarian borders;
- EU standards and practice will be more precisely accessible and more easy to require;
- fight against commercial fraud and black economy should be more coherent and successful;
- moral and financial acknowledgement of the staff shall be improved;
- part of redundant staff could be restructured to certain fields with labour demand and newly arising tasks.

HCFG should prepare to handle the drastic decrease of the number and value of customs procedures as a result of the internal market and parallel the number of staff shall be reduced.

3.1. LEGAL HARMONISATION

The relationship of Hungary and the EU is signed from the promulgation of Association Agreement by Act I of 1994, as the Republic of Hungary officially announced the final aim of becoming member of the Community by signing the „European Agreement” in Brussels on 16 December 1991. Legal harmonisation has been continuously going on from the signing of the Agreement. The agreement set out the harmonisation of Hungarian and EU legislation.

As a result of the past few years’ work the legal harmonisation activity, that is part of a legal harmonisation program directed by a government decree, is close to an end.

The first and most important step was taken on 1 January 1996 when Act C of 1995 on Customs Law, Customs Procedures and Customs Administration (and Government Decree 45/1996 (III.25) on its implementation) entered into force. The basis of legislation and modifications was the Community Customs Code and its implementation. The present legislation is almost fully compatible with EU standards, however some provisions can only enter
into force at Hungary's EU accession. This last changes will be mad during next year.
Hungary – right after the entering into force of the new Customs Act – on 1 April 1996 signed the Convention of
Common Transit Procedures that was promulgated by Government regulation 83/1996 (VI. 14.) that has already
been modified.

The legal background for excise administration, the other basic activity of the Hungarian Customs Administration
is provided by Act CIII of 1997 on Excise Duty and the Circulation of Excise Goods that entered into force on 1
January 1998. There should be more changes and modifications made on this act than on the Customs Act, but
the time schedule in the above mentioned Government regulation serves as a guarantee that in time for the acces-
sion to the EU excise legislation will be EU compatible.

The tasks performed in the last two years and to be performed this year regarding legal harmonisation is attached
4. EU SYSTEM INTERFACES

DG TAXUD has identified 12 systems that require inter-operability with the Member States on the date of accession of the Candidate Countries. HCFG is responsible for the following:

- **CCN/CSI**: these gateways are mandatory for the communication between the DG TAXUD IT systems and their Member States counterparts. DG TAXUD and DG ENLARGE together with the Phare Committee have agreed to provide and pay for two pairs of CCN/CSI gateways, one of which has been installed at the customs administration. On the basis of the promises given this will be implemented in the second half of year 2002, as without a gateway the testing tasks necessary at the end of this year cannot be fulfilled.

- **EMCS excise reference tables**: the current SEED system will be replaced by the EMCS reference tables (phase 1 of the EMCS project). However at this time it is not clear if the EMCS reference tables will be operational by 01/01/04 and therefore Hungary may still have to comply with the current SEED system at the time of accession. A national development will be required for EMCS and this is foreseen as a major system development for all Member States.

- **NCTS**: there are several options available to achieve Inter-operability with NCTS. However DG TAXUD strongly recommends the adoption of the MCC Phase 3.1. solution and said that any Phare funded request for another solution will receive negative advice from DG TAXUD.

- **TARIC**: According to TAXUD the reception of the daily TARIC files and the integration of the received data within the customs administration is one of the major tasks.

- **TQS**: is currently under review by DG TAXUD Unit D3 and the member States. Though the green light for the new system has not yet been received, Unit D3 is discussing the consequences of the requirements of the new interface. Unit D3 is doing its best to have the new interface operational as soon as possible (and hopefully before the accession date) but cannot guarantee it. TAXUD recommends to focus on Taric first and re-assess the situation of TQS by mid 2002, but the supervision of the national legislation regarding quota and its EU compatible modification can be started.

- **EBTI**: the first version of the functional and technical specifications of the new EBTI system has been approved. However the development of a complete open interface with a light client counterpart has been delayed by the uncertainty of the continuation of the system. Only part of the open interface has been currently developed, allowing Member States to send BTIs to the Commission. The query part and the light client still have to be developed. For the moment no dates are available. The client-server EBTI suite is then still an option. Nevertheless, the objective is of course to avoid deploying the fat client solution in the candidate Countries.

- **ISPP and SMS**: Despite previous promises the specifications for the systems were not available by the end of 2001, and their operability foreseen by 01/07/02 is also in danger. It should be decided if Hungary wants to develop a national counterpart or if we are going to use web sites possibilities.

- **ECICS**: the system is still maintained by Unit D3 for development/maintenance/support, but the data is no longer kept up-to-date by unit B5 and therefore the data available on the DDS web site is sometimes outdated. ECICS might be stopped by the Commission in the future (discussions are ongoing). No national development required.

- **BOI and Tariff Suspensions**: No IT interfaces. National procedures must comply with EU regulations.
5. IMMEDIATE OBJECTIVES

Three system types should be divided:

a.) The current integrated Hungarian system. No serious changes to be done on this (as this is a finalised system) This should also be operational after accession to the EU for some years, as its data files are needed.

b.) The ideal system after accession to the EU.

c.) A minimum system vital for EU accession, that is the most important for projects. Its characteristics are the following:

- fulfils the EU requirements;
  - Can be prepared from available resources until the deadline;
  - operable.

As EU Member State Customs Administration can only be operated by integrated EU legislation. The currently operational EU systems fully comply with this legislation. The used working method shall be followed, that originates from the actual legislation.

**NCTS:** The MCC (Minimum Common Core) available should be adapted, as this system developed by the EU fulfils the minimum requirements. This decision, of course, should be analysed in details in the pre-study to be prepared. The advantages of the system:

- it is capable of testing the CCN/CSI gateway (second part of the year);
- the legal background for its introduction is ensured (EU, Transit Convention, national);
- the prepared system is handed over by the EU (the tests needed for adaptation should be done).

**ITMS:** Its establishment is more difficult, as its development has not been finished yet in the EU. Its implementation is part of the ideal system.

However TARIC, that is actually a „dynamic commercial working tariff” has to be used. As a minimum requirement the aim is the development of a Hungarian language working tariff in electronic format.

The CDPS, that should not be established from the current national system, is not an EU requirement, but is necessary in order to partly save the present automation results. The minimum requirements on this field:

- capable of counting the customs duty related to customs controls;
- capable of supporting the relevant current account connection that complies with EU legislation;
- the expected amount and functional role, as well as the IT support of post control provisions should be developed.

It is also important to consider that the amount of SAD documents after EU accession will significantly decrease. The estimations regarding the measure of decrease have to be prepared.

The principal aim is to establish the conditions of accession (developing minimum systems) until the accession date: 01/01/04.

After the accession, or in the case of delay development can be continued in order to create an ideal system structure.

Independent from the system development changes of the EU, the base of development is the operating systems of the EU (however, for CDPS this is not so, as it is neither used by EU Member States, except for countries situated on islands.)
6. DESCRIPTION OF THE CURRENT SITUATION

- The target date for the EU accession for Hungary is 01.01.2004.
- Hungarian Customs and Finance Guard is committed to EU accession, and part of Inter-operability Business Strategy and Business Change Management Plan.
- The high-management of HCFG will provide the necessary resources, including full-time, trained and experienced staff for the project groups.
- In Hungary (opposite to most Member States) excise goods and traders of excise products are registered and controlled by the customs administration and not the tax authority. This will remain the responsibility of the customs authority even after EU accession.
- In Hungary two CCN/CSI gateways will be installed, one at the tax authority and one at the customs administration.
- Hungary has started developing inter-operability (even if these activities were named differently, e.g.: Interconnectivity) so present document should view the results of this process as starting point.
- TEMPO is used as the basis for the Project Management Methodology. This methodology has been developed by DG TAXUD as an ideal reference for the management of IT projects being implemented within the DG TAXUD organisation itself. It is clear that HCFG will not receive any DG TAXUD support related to this methodology.
- For the timing and follow-up of the project MS Project 98 software is used. Gantt diagram is used as display.
- Whilst DG TAXUD is continually updating the systems and introducing new technology, Hungary should maintain a close relationship with DG TAXUD to ensure that they are developing implementation plans based on the most recent system development of DG TAXUD.
- Whilst the Customs Declaration Processing Systems (CDPS) are outside the scope of interconnectivity, they do have an important role to play (for example in the application of TARIC measures upon accession to the EU, the application of EU quotas, …).
- Hungary has been successfully operating its own CDPS for years, so it is in the scope of HCFG’s inter-operability program.
- In Hungary the customs procedures, the central registrations (e.g.: public finance accounts) and the relationship with clients are automated to a certain extent, either full-scale, or partly, but manual processing practically does not exist. The conversion and migration of automated systems to other automated system need big resources.
- The minimum EU requirements for the projects to be implemented should be accomplished by the end of year 2002, however our systems should be formed by an optimal system development that is easy to be implemented, in order to have a view to development with national characteristics after accession.
- For the implementation of the projects, in order to establish a strong project structure fulfilling all DG TAXUD requirements, the most highly qualified internal resources have already been mobilised, who are able to produce professional user requirements, to establish the system environment, to keep contact with TAXUD, to co-operate with outside resources and to test the new system and conduct training on usage.
- On the basis of the preliminary approval of the Ministry of Finance the financial resources, 3-3 billion Ft for years 2002 and 2003, needed for the implementation of the inter-operability program are budgeted.
7. PROJECTS

7.1. DEFINITION OF PROJECTS

With regard to the idea of TAXUD on ITMS (this system exists only theoretically) Hungarian Customs and Finance Guard needs to launch the following projects (find the level of priority in brackets):

- **CCN/CSI** (high)
- **ITMS**, together with the following sub-projects:
  - TARIC (high)
  - TQS (high)
  - EBTI (middle)
  - SMS/ISPP (middle)
  - CDPS* (low)
- **NCTS** (high)
- **EMCS** (middle)

7.2. OVERALL ORGANISATIONAL STRUCTURE

*According to TAXUD’s recommendation CDPS is not in the scope of the inter-operability program. In Hungary the development of CDPS in the frame of ITMS project is needed, so that the results of automation of customs data processing would be at least partially maintained parallel to inter-operability.*
<table>
<thead>
<tr>
<th>Head of Business Team</th>
<th>Head of Business Team</th>
<th>Head of Business Team</th>
<th>CCN/CSI project</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Endre Csikos</td>
<td>Mr. Csaba Torda</td>
<td>Mr. László Fehér</td>
<td>Head of IT Team :</td>
</tr>
<tr>
<td>Members: 19</td>
<td>Members: 20</td>
<td>Members: 2</td>
<td>Mr. Ferenc Domak</td>
</tr>
<tr>
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<td>Head of IT Team :</td>
<td>Head of IT Team :</td>
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<tr>
<td>Mr. Ferenc Sebok</td>
<td>Ms. Anna Vörös</td>
<td></td>
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<td>Members: 12</td>
<td>Members: 8</td>
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The positions and duties in the organisational structure, the structure of reporting, the samples of documents and the project generic structure is attached in Annex 5 on the General Project Quality Assurance Plan.
TIMESCHEDULE OF NATIONAL MILESTONES

<table>
<thead>
<tr>
<th>System</th>
<th>Status</th>
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<tr>
<td>CCN/CSI gateways provided by the EU</td>
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<tr>
<td>CCN/CSI gateways provided by the EU</td>
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<tr>
<td>National transit application – NCTS_HU</td>
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<tr>
<td>National transit application – NCTS_HU</td>
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<tr>
<td>TARIC system</td>
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<tr>
<td>EBITI system</td>
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<td>31/12/2003</td>
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<tr>
<td>SMS/ISPP elérhetőségének biztosítása</td>
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<td>Minimum CDPS supporting EU customs procedures</td>
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<td>EMCS (module 1)</td>
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