STANDARD SUMMARY PROJECT FICHE

1. **BASIC INFORMATION**
   1.1 **DÉSIRÉE NUMBER:** 2002/000-590-11-01
   1.2 **TITLE:** Customs Business Strategy and Customs Data Systems
   1.3 **SECTOR:** Internal Market - Taxation/Customs union
   1.4 **LOCATION:** Latvia, State Revenue Service

2. **OBJECTIVES**
   2.1 **OVERALL OBJECTIVE:**
   To be in position to fulfil customs tasks as a Member state.

   2.2 **PROJECT PURPOSE:**
   Implementation of Customs Business Strategy and development of customs computer systems compatible with those in operation in member states of the European Union.

2.3 **ACCESSION PARTNERSHIP AND NPAA PRIORITY**
   **Accession Partnership**
   - Customs Union
     - Complete alignment of customs legislation and ensure implementation; reinforce administrative and operational capacity. Continue efforts to implement the customs ethics policy.
   - **In need of particularly urgent action**
     - Accelerate the implementation of the IT strategy of the Latvian Customs administration. Develop IT systems so as to allow for the exchange of electronic data between the EC and Latvia.

   **NPAA**
   - LS-002 (Modernisation of State Revenue Service) 2.3.: Improvement of efficiency of customs control and elimination of the corruption risks in customs
   - LS-002 (Modernisation of State Revenue Service) 2.4.: Development of the SRS IT system.

3. **DESCRIPTION**
   3.1 **BACKGROUND AND JUSTIFICATION:**
   The decision of Latvia to join the European Union essentially affects the work of customs, as joining will be possible only if customs will function in accordance with the standards set by the EU.

   In order to achieve that in 2005 Latvia has highly professional, sufficiently funded and rewarded and honest customs service that could provide effective customs control on the external border of the EU and ensure the balance with comprehensive activities for trade facilitation, the Council of the SRS, in December 5, 2001, adopted a new SRS Customs Strategy for the years 2001 – 2005. It is based on the Customs Union Strategy for the EU prepared by the European Commission. The SRS Customs Business Strategy points out the main directions of the work and determines activities providing Latvian customs service to be able to carry out its duties after Latvia fully becomes a member state.

   To implement the Customs Business Strategy annual work plans for customs are elaborated. The Work Plans are structured according to the strategic tasks included in the Customs Business strategy. Activities for the implementation of the main priority tasks are formulated as sub-tasks of each specific task upon which the performance evaluation is carried out. All personnel of the customs and
society are informed about these plans. Sub-tasks are determined on annual basis taking into account recommendations of all structural units of SRS National Customs Board and Regional Customs Offices.

Latvian Customs Work Plan for year 2002 has been approved and is being implemented.

In October 2000, the Customs Control Strategy was adopted. It aims to develop a common and effective customs control system providing for separation of customs control and customs service functions.

“SRS IT Strategic Plan” based on a long-term programme for the creation of a common SRS IS has been developed and is being implemented in order to ensure common approach to tax and customs administration.

Customs IT Strategy is being developed, comprising main development tasks of Customs IT system, including interconnectivity with EU IT systems.

In order to achieve adequate administrative capacity of Latvian Customs for joining the EU, the activities of the project are planned in two main directions: Implementation of Customs Business Strategy and Development of EU compatible Customs Computer based systems. Although there are two main directions in the project, all the project activities are directed to achieving common purpose, therefore close co-operation will be ensure between experts working in different components. Moreover the private sector involvement in the project is essential.

The planned activities are based directly on the EU customs and fiscal blueprints, there is no overlapping with the activities already undertaken by the Latvian Customs, and they are developed with the objective to ensure the conformity with the EU requirements for customs administration, to strengthen the customs administration in order to reach sufficient capacity, so that Latvian Customs would be able to act on adequate level of efficiency under a common framework of the EU legislation.

**Implementation of Customs Business strategy.**

This component of the project will address implementation of Latvian Customs Business Strategy in the fields of administration of EU traditional own resources, administration of Common Agriculture Policy, improvement of controls of EU external border and Compliance and Partnership between Customs and Trade.

**Administration of EU traditional own resources.**

Traditional own resources of the European Union collected by customs administrations of the member states consists of customs duties and agricultural levies. EU legislation provides that member states are responsible for the collection of the above-mentioned resources. Upon any delay of payments to the European Commission the interest fees can be applied. Furthermore member states have to have appropriate control infrastructure that ensures that customs carry out its duties in acceptable manner.

In order to be able to administer EU traditional own resources, it is necessary to organize training and seminars for customs personnel, to provide Latvian Customs Administration with recommendations and consultations and to draft strategy and implementation plan in this field.

**Administration of Common Agriculture Policy.**

After joining of the EU customs will also have to undertake the control of agricultural goods that are subject to the Common Agricultural Policy.
Latvian Customs Administration is not enough informed and prepared for this future obligation, therefore it is necessary to organize training and seminars for customs personnel, to provide Latvian Customs Administration with recommendations and consultations and to draft strategy and implementation plan in this field.

**Improvement of controls on EU external border.**

Aim of this project component is to improve controls on EU external border, what will be achieved by training of customs personnel in physical controls and application of EU and national legal provisions. EU experts will organize training and seminars, will evaluate organizational structure and functioning of Latvian Customs Service and will give recommendations and consultation in respective field.

**Compliance and Partnership between Customs and Trade**

The purpose of this sub-component is implementation of the universal and widespread quality evaluation system for trade based on customs audit that would result in possibilities for honest trade to use simplified customs procedures. The fundamental idea of this system is that quality should pay. The greater responsibility the economic operator agrees to accept for the quality of his customs management, the more opportunities for simplification the Latvian Customs can offer. It will enable Latvian Customs to certify companies for simplified customs procedures. It will also free resources to concentrate on the more effective control measures of those who deliberately break the rules. The system will be based on partnership between Latvian Customs and trade and industry.

**Development of EU compatible Customs Computer based systems.**

This component of the project will address implementation of Latvian Customs Business Strategy in the field of improvement of Customs IT systems. In the light of Latvia’s accession process to the EU all the relevant documents (acquis, Customs Blueprints & Gap Analysis\(^1\), Accession Partnership, EU Common Position) have stressed the necessity to take measures for acceleration and simplification of customs clearance through the unification of customs documents and wider use of EDI declaration. Reference has been made also to the necessity for further development of IT applications in order to prepare the national information systems for interfacing with the EU computerised customs and taxation systems and to apply measures for joining the NCTS system.

The relevant Community Acquis with which Latvia has to comply with by the time of accession is the following:

- Council Regulation 218/92
- Commission Regulation 696/98

\(^1\) Customs Blueprints:

13.2. Strategic objectives

To develop, implement and regularly update:

- Customs IT systems which meet the user requirements of the customs administration, the trade, government departments and the EU

13.3.2. IT Technical Policy

- Appropriate IT systems capable of interfacing with EU systems (eg TARIC, NCTS, EU Import Quota and CIS/SCENT, etc) are in place.
- Council Directive 76/308
- Council Regulation 515/97
- Commission Regulation 2454/93
- Council Regulation 2913/92
- Council Regulation 1172/95
- Council Regulation 3330/91

Latvian Customs have already taken various measures to comply with above mentioned tasks:

- An Information Systems Strategy has been produced for the whole of the State Revenue Service, which defines the IS organisation and infrastructure which is required to introduce and support computer systems throughout the SRS. Any new systems and changes to existing systems, introduced by the NCB will comply with this strategy. This strategy has been recently reviewed to comply with IS requirements of EU.

- The implementation of computerised declaration system ASYCUDA++ is continuing in Latvia (full deployment of A++ expected by the July of 2002). It is expected that in first half of 2002 an ASYCUDA Regional Centre for the Baltic Region will be created in Riga. One of the tasks of this centre will be to provide quality support to the integration of NCTS and TARIC ASYCUDA interfaces through technical and functional tests. The establishment of ASYCUDA Regional Centre was decided by Lithuanian, Estonian and Lithuanian Customs administrations in negotiations with UNCTAD as a suitable solution for updating of ASYCUDA. Nevertheless Latvia will also consider possibility to conclude bilateral service level agreements with UNCTAD, covering maintenance and support.

- The IT gap and needs analysis against the Customs computerisation blueprint key indicators in NCB has been done regularly, including year 2001. Besides the Interconnectivity Study Team (Contract: DG TAXUD/98/c-055 SA01) conducted a mission to the Latvian National Customs and Tax Boards on 05/02/01-09/02/01, which was a considerable assistance in assessment of current Customs IT situation.

By its nature the particular project component is a system development activity, with the aim to design, develop and implement customs computer systems (Master Tariff System (MTS), European Binding Tariff Information (EBTI), QUOTA, Surveillance, European Customs Inventory Of Chemical Substances (ECICS), Origin Network/Binding Origin Information (ORNET/BOI), Specimen Management System (SMS), Information System for Processing Procedures (ISPP), New Computerised Transit System (NCTS)), corresponding to the EU requirements and standards (see also Annex 5).

Implementation and adjustment of the data interchange channel Common Communication Network (CCN)/Common Systems Interface (CSI) between Latvia and the European Commission is a prerequisite for the introduction of the EU compatible transit system in Latvia and the EU compatible “Integrated Tariff Management System”. Installation of CCN/CSI is foreseen in PHARE Networking programme. It is expected that CCN/CSI will be installed by 31.12.2002.

Latvian Customs will take into account the principles, defined in the Twinning between Estonia and Swedish Customs on implementation of Master Tariff System, as well as experience of other EU Member States in implementing of above mentioned customs computer systems.

3.2. LINKED ACTIVITIES:

3.2.1. PHARE’99 project No:LE-9903.O1 "Strengthening of tax administration: institutional strengthening/development of human resources and development of tax audit management system” – 2.00 MEUR.
Project consists of following components:
1. Computer based training;
2. Supply of training equipment;
3. Consultations on human resources development management (twinning);
4. Development of computerised audit selection system.

3.2.2. PHARE 2000 “Development of integrated Latvian border management and infrastructure” – 5,314 MEUR.

As a result of this project border control and guarding process in line with EU standards will be established and a strategy to co-ordinate border services (customs, police, border guards, navy, immigration police and sanitary border inspection) will be elaborated. Within the Twinning component of the project functions and activities of all institutions involved in border control and guarding will be defined by development and practical implementation of integrated border management strategy, existing border control standards will be harmonised and new ones adopted, co-operation mechanisms will be improved, common border control action plan implemented, unified planning of necessary resources for all institutions involved in border control and guarding and development of needs assessment plan, training of top-level managers and operational staff.

3.2.3. Under preparation: PHARE 2001 “Inspection infrastructure at seaports and railroad border crossings” – 9,505 MEUR.

The aim of this project is to ensure proper functioning of customs, veterinary and phytosanitary controls at future EU external borders on railroad and seaport border crossing points. Border control points envisaged for upgrading according to the EU requirements will be selected taking into the account the flow of consignments subject to control during the previous years, as well as economic, commercial, geographical and political aspects. It will provide stable basis for further improvement of the quality of control, decrease border-crossing time and improve working conditions, as well provide stable environment for effective application of customs control equipment in the framework of PHARE 2001 project "Institutional strengthening of Tax and Customs Administrations".

3.2.4. MCP III project (Eurocustoms)

In the framework of this project visit of Austrian Tariff Expert was organised and it was a considerable assistance to the Latvian National Customs Board in understanding the TARIC and the impact of its implementation on the declaration processing system.

3.2.5. The bilateral co-operation program of Denmark and Latvia for the period 1997-2000, 1,89 MDKK

During the years 1997-2000 under the aforementioned co-operation program training seminars has been organised by specialists of Denmark’s customs and tax administration, study visits have been organised and reports and suggestions were submitted on the following main issues:

- The development of a tax manual.
- Seminar on the EU Customs Code.
- Audit Customs Payment System.
- Seminar on the SRS communications strategy.
- Introduction of the Denmark’s performance measuring system (REKS) and its application on a regional level.
- General information about the EU related systems.

Now the negotiations about the possible continuation of the co-operation program for the years 2001-2002 are carried out.
3.2.6. The SRS Modernisation project for 1998-2002 (developed in 1998 in co-operation with experts of the International reconstruction and development bank) - 5,00 MUSD loan

The reorganisation of the organisational structure of the SRS, optimally re-allocating the functions performed by the SRS, changing the currently existing two-level structure into a three-level structure is included in the framework of the SRS Modernisation project. Such a three-level structure is functioning in 2 SRS regions since April 22, 1999.

To improve the services to taxpayers and customs clients, the client service halls are developed in the SRS territorial offices. On January 1, 2001, in total 21 client service hall was functioning in the regional centres and villages of Latvia. In the years 2001 and 2002 the SRS will continue the development of regional client service halls in all the country.

Parallel to these activities a model of the SRS structure changes is being developed – the transfer of the SRS current “function oriented” structure to a new “process-oriented” structure.

3.2.7. The SRS investment project “The IT of state revenue and customs policy implementation” 1997 -2003 years - 29,04 MEUR.

The new Tax information system has been developed and introduced in all the SRS territorial offices under the project’s framework. Activities for the development of the remaining functions are implemented in accordance with plans. The Tax information system includes electronic exchange of information in on-line regime with registers of state importance (Enterprise register, Citizens’ register, State Social Insurance Agency, State Treasury).

3.3 Implementation of Customs Business Strategy

3.3.1 Guaranteed Twinning results

3.3.1.1 More effective customs control of EU external borders
- sector strategy and implementation plan drafted
- customs officers trained
- working methods and methodology improved
- increased number of detected smuggling cases

3.3.1.2 Increased customs capacity to administer Common Agriculture Policy.
- sector strategy and implementation plan drafted
- customs officers trained
- working methods and methodology developed
- Latvian Customs prepared to administer Common Agriculture Policy.

3.3.1.3 Increased customs capacity to administer EU traditional own resources.
- sector strategy and implementation plan drafted
- customs officers trained
- working methods and methodology developed
- Latvian Customs prepared to administer EU traditional own resources.

3.3.1.4 Universal and widespread quality evaluation system for trade based on customs audit implemented. Increased possibilities for honest trade to use simplified customs procedures.
- sector strategy and implementation plan drafted
- customs officers and trade trained
- working methods and methodology developed
- quality evaluation system for trade based on customs audit implemented.

Activities/Inputs

This component of the project will be implemented by Twinning Covenant 1, which comprises following activities (see also Annex 6):
♦ Project management.

The project management will be responsibility of Long term twinning expert (PAA) – 12 man-months. He/she will also:
• Organise and co-ordinate work of short term experts, as well as seminars and study visits;
• Submit reports and proposals in the fields covered by Twinning Covenant;
• Participate in activities of short term experts;
• Submit regular reports about implementation of the Twinning Covenant.

♦ Development of Customs capacity to administrate Common Agriculture Policy.

To implement this sub-component short term expertise (6 man-months) is foreseen. Short term EU experts will:
• Draft sector strategy and implementation plan;
• Train customs officers;
• Develop working methods;
• Develop methodologies;
• Organise seminars;
• Provide consultations and recommendations.

1 training seminar and 1 study visit are also foreseen to implement this sub-component.

♦ Development of Customs capacity to administrate EU own resources.

To implement this sub-component short term expertise (6 man-months) is foreseen. Short term EU experts will:
• Draft sector strategy and implementation plan;
• Train customs officers;
• Develop working methods;
• Develop methodologies;
• Organise seminars;
• Provide consultations and recommendations.

1 training seminar and 1 study visit are also foreseen to implement this sub-component.

♦ Improvement of Customs control on EU external border

To implement this sub-component short term expertise (6 man-months) is foreseen. Short term EU experts will:
• Draft sector strategy and implementation plan;
• Train customs officers;
• Develop working methods;
• Develop methodologies;
• Organise seminars;
• Provide consultations and recommendations.

Training seminars on physical control, risk analysis and EU legislation concerning customs powers and responsibilities are also foreseen to implement this sub-component. Equipment for Customs physical control (sets of tools for practical execution of physical control) will be supplied.

♦ To implement quality evaluation system for trade based on customs audit

To implement this sub-component short term expertise (6 man-months) is foreseen. Short term EU experts will:
• Draft sector strategy and implementation plan;
• Train customs officers;
• Develop working methods;
• Develop methodologies;
• Organise seminars;
• Provide consultations and recommendations.

Training seminars for trade and for customs officers and a study visit are also foreseen to implement this sub-component.

3.4. Development of EU compatible Customs Computer based systems
3.4.1 Guaranteed Twinning results

3.4.1.1 Master Tariff System (MTS) compatible with EU TARIC and other tariff related databases EBTI, QUOTA, Surveillance, ECICS, ORNET/BOI, ISPP, SMS and Tariff Suspensions implemented.
- Technical and functional specifications available;
- Software provided to run the basic functions of MTS (CMTS) developed;
- The link between MTS and computerized declaration processing system established;
- MTS supplied with hardware;
- System tested and accepted;
- System users trained.

3.4.1.2 Implementation of Computerized Transit Control System (CTCS) compatible with EU NCTS.
- Software provided to perform message converting functions between National Transit Module (NTM) and NCTS;
- Transit Module (TM) with the functions according the NCTS and National transit requirements implemented;
- CTCS tested and implemented;

3.4.2 Inputs:
This component of the project will be implemented through Twinning covenant 2, Service contract 1, Service contract 2 and Supply contract. The component comprises two sub-components: “Implementation of Master Tariff System (MTS) compatible with EU TARIC and other tariff related databases EBTI, QUOTA, Surveillance, SMS, ISPP, ECICS, ORNET/BOI, Tariff Suspensions” and “Implementation of Computerised Transit Control System (CTCS) compatible with EU NCTS “.

Following activities are foreseen in the component:
♠ Project management.

The project management will be responsibility of Long term twinning expert (PAA) – 24 man-months. He/she will also:
- Organise and co-ordinate work of short term experts, as well as seminars and study visits;
- Co-operate with national experts;
- Submit reports and proposals in the fields covered by Twinning Covenant;
- Participate in activities of short term experts;
- Submit regular reports about implementation of the Twinning Covenant.

♣ Legislation/Administration change
To implement this sub-component short term expertise (10 man-months) is foreseen. Short term EU experts will:
- Analyse existing national legislation and Latvian Customs Administrative Structure;
- Provide information about EU requirements and legislation;
- Provide consultations and recommendations.
- Draft proposals on changes in administration and legislation.

♠ Study visit to DG TAXUD on:
- Tariff matters;
- IT matters.

3.4.2.1 Sub-component 1: “Implementation of Master Tariff System (MTS) compatible with EU TARIC and other tariff related databases EBTI, QUOTA, Surveillance, SMS, ISPP, ECICS, ORNET/BOI, Tariff Suspensions.”
Service contract 1. (Implementation of MTS, compatible with EU TARIC and other tariff related databases EBTI, QUOTA, Surveillance, SMS, ISPP, ECICS, ORNET/BOI, Tariff Suspensions) will cover following activities:

- Start-up phase
  - Production of Project Quality Plan (PQP)
  - Training of the Project Team members
  - Definition and installation of system configuration for analysis and development environments (offices, office furniture, PCs, network, access rights, database, development tools…)
- System specification phase
  - Production of functional specification
  - Review Training/Information Strategy
  - Review the Data Building, Converting, Translating Strategy
  - Review the Testing Strategy
- Design phase
  - Produce the Technical Specification
  - Produce the Tests Plans
  - Produce the Training Specification
- Building and Testing phase
  - Install the Testing, Training and Production Environments
  - Production of the Programs Specifications
  - Build and Comment Programs and Procedures
  - Execute the Tests
  - Produce the System Manuals
  - Develop Training Material
- Running and Maintenance phase
  - Execution of Acceptance Tests
  - Execution of Conversion/Translation
  - Provision of training
  - Reception of the System

Inputs of the Contractor:
- Contractor’s Project Leader – 24 mm
- Contractor’s Technical Manager – 24 mm
- Contractor’s Quality Manager – 24 mm
- 3 Analysts – 24 mm (each)
- DBA - 24 mm
- System engineer - 24 mm
- 3 Developers - 24 mm (each)

- Short term expertise
  1 EU long term advisor (tariff specialist, Business Project Manager) – 12 man-months
  1 EU long term advisor (IT specialist, IT Project Manager) – 12 man-months
  2 EU tariff experts – 10 man-months (together)
  2 EU IT experts – 10 man months (together)
- Supply Contract MTS supply with hardware and software.

3.4.2.2 Sub-component 2: “Implementation of Computerized Transit Control System (CTCS) compatible with EU NCTS” ²

² During the studies performed by Latvian Customs before the start of the project, the results of joint study between UNCTAD and Commission services concerning NCTS and the linking of the Minimum Common
Service Contract 2. (Implementation of Computerized Transit Control System (CTCS)) will cover following actions:

- System Specification phase
  - National Functional Specification
  - System configuration
  - Organisation change strategy
  - Data build strategy
- Design phase
  - Tests plan
  - Data conversion plan
  - Training plan
  - Purchasing hardware and software
- Build and test phase
  - CCN/CSI gateways configured for NCTS
  - Hardware and software installation and tests
  - Translation of the visual interface
  - Data load
  - Local testing
  - National testing
  - External domain tests
  - Conformance Tests
  - Prepare system manuals
  - Prepare training material
- Running-in phase
  - Set-up the national Help desk
  - Training
  - Final entry verifications
  - Countdown to operations

Inputs of the Contractor:
- Contractor’s Project Manager – 18 mm
- Contractor’s Team (4 experts) – 12 mm (each)
- Short term expertise.
  1 EU long term advisor (transit expert-Business Project Manager) – 12 man-months
  1 EU long term advisor (IT expert-IT Project Manager) – 12 man-months
  4 EU short term experts (transit and IT experts) – 30 man-months (together).
  Translator – 2 man-months
- Supply Contract Computerised Transit Control System (CTCS) supply with operational hardware and system software.

4. INSTITUTIONAL FRAMEWORK

Core (MCC) to the ASYCUDA system will be analysed and taken into account. The implementation of MCC based on ORACLE may require supply of additional equipment, training and purchase of licences, because Latvian Customs computer systems currently are based on INFORMIX.
The main institution involved in the project is the State Revenue Service (SRS) National Customs Board (NCB). During the implementation of the project close co-operation will be assured with SRS IT Board, SRS International Relations Division and other structural units of SRS. EC DG TAXUD will also be consulted during development of the project. Ministry of Finance and other institutions will also be involved, if necessary.

The National Customs Board falls within the domain of the Ministry of Finance. The responsibility of the Customs Service of Latvia is protection of state economy, domestic market and society by controlling the movement of prohibited goods across the border of the Republic of Latvia. Besides that, Customs Service is responsible for the publication of foreign trade and of customs statistics.

The structure of the SRS National Customs Board comprises 11 divisions (Attachment 7). The regional Customs offices are part of regional SRS offices.

The development of business strategy is performed by the Customs Modernization Division and it is followed by operational plans. Customs officers are regularly informed about these plans and reporting system. Customs Modernization Division will be responsible for implementation of Component I of the project: Implementation of Customs Business Strategy.

NCB IT Systems Division is responsible for development and maintenance of Customs IT systems. There are three subdivisions in IT Systems Division: Prototype, Planning and Maintenance subdivisions. IT Systems Division will be responsible for implementation of Component II of the project: Development of EU compatible Customs Computer based systems.

SRS will be owner of the entire asset after project completion.

For the implementation of this project a Project Steering Committee (PSC), comprising senior representatives of the Latvian Customs key departments, representatives from Ministry of Finance and SRS IT Department will be set up, in charge with the monitoring, supervision and co-ordination of the overall progress and implementation of the project. The PSC will provide guidance for the different components of the project, will approve the results and will define priorities. PSC will be chaired by the Director of National Customs Board.

PSC will appoint the Project Managers for each component of the project from the divisions directly involved in the implementation of the project. The Project Managers, together with Long Term Twinning Advisers (PAAs) and Long Term Advisers (LTAs) will co-ordinate and supervise all activities in their respective components as well as activities of working groups and project implementation teams, consisting of short term Twinning experts and Latvian Customs experts. For each LTA a Latvian counterpart will be appointed. The Latvian Customs experts will work together with Twinning experts and the Contractor’s Project teams to gain necessary experience for the maintenance of developed systems and implementation of strategies.

NCB EU Integration Unit (EUIU) will carry out the day-to-day management of the project. Its role is to administer and resolve issues concerning the management of the project, including planning and identification of tasks, reporting, preparation of Terms of Reference, participation in tendering, monitoring and evaluation of activities. The EUIU will report to the PSC. The EUIU will assure the secretariat for the PSC meetings.

Contact person: Kalvis Vitolinš
Title: Director of National Customs Board
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Fax: +371 7322440
Email: Kalvis.Vitolins@dep.vid.gov.lv
5. **DETAILED BUDGET**

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6. **IMPLEMENTATION ARRANGEMENTS**

6.1 **IMPLEMENTING AGENCY:**
Central Financing and Contracting Unit, PAO Ms.Valentina Andrejeva, State Secretary of Ministry of Finance.
Smilsu 1, Riga, Latvia, LV-1978; phone +371 7226672, fax +371 7095503.

The Technical Implementation of the project will be the responsibility of the SPO Kalvis Vitolinš Director of NCB.
Kr. Valdemara 1a, Riga, Latvia, LV-1841; phone +371 7047500, fax +371 7322440.

6.2 **TWinning**
It is envisaged to implement (partially) the project through Twinning arrangements, as follows:
- Component I, Implementation of Customs Business Strategy (578 000 EURO)
  Contact person: Juris Stinka
  Title: Customs expert, EU Integration Unit, Customs Modernization Division, NCB
  Phone: +371 7047462
  Fax: +371 7047462
  Email: Juris.Stinka@dep.vid.gov.lv
- Component II, Development of EU compatible Customs Computer based systems (1 688 000 EURO)
  Contact person: Martinš Kaškins
  Title: Head of IT system Division, NCB
  Phone: +371 7047430
  Fax: +371 7047462
  Email: Martins.Kaskins@dep.vid.gov.lv

6.3 **NON-STANDARD ASPECTS**
The project will be implemented strongly following Practical Guide for PHARE, ISPA and SAPARD contracting procedures.

6.4 **CONTRACTS**
- Twinning Covenant 1. – 0.521 MEUR
- Twinning Covenant 2. – 1.519 MEUR
Service contract 1. – 2.434 MEUR
Service contract 2. – 0.50 MEUR
Supply contract – 0.20 MEUR

7. IMPLEMENTATION SCHEDULE

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<td>II Quarter of 2005</td>
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8. EQUAL OPPORTUNITY
Participation in the project will allow an equal opportunity for women and men to participate in implementation of the project.

9. ENVIRONMENT
N/A

10. RATES OF RETURN
It is not possible to calculate a precise, arithmetic rate on the investment at this stage of the project, but considering the improvements to be gained in the working culture and speed of the client service and increase in the control efficiency of the transit conveyances across the future external border of the EU as a result of these investments, it is clear that the investment will bring about considerable rates of return for the business environment (rapid clearance, which is possible with modern systems only: fully computerised risk-analysis-based systems and close co-operation with the economic operators) as well as for the Customs Administrations of Latvia and the EU Member States (reduced time and financial expenses of accounting, guarantee administration and circulation of documents on paper, increase in the enforcement efficiency will help to prevent fraud and corruption).

11. INVESTMENT CRITERIA
11.1. Catalytic effect:
As a result of implementation of the project Latvian Customs administrative capacity will be strengthened, it will be equipped with EU compatible IT solutions, which would allow Latvia to adequately fulfil obligations of Member State.

11.2. Co-financing:
National co-financing of 25% will be provided for supply contracts and 10% for Twinning Covenants and service contracts.

11.3. Additionality:
PHARE grants do not displace other financiers.

11.4. Project readiness and Size:
All necessary technical studies (Pre-study phase) will be completed before the start of the project:

- Pre-analysis;
- Preparation of Pre-Study reports;
- Taking required decisions;
- Preparing Project Initiation Documents;
- Preparing Tendering documentation;
- Preparing Project Quality Plans.

Project complies with minimum project size requirements.

11.5. Sustainability:

This project will create a complex environment for implementation of the EU standards for Latvia’s accession process and for future development of Latvia as an EU Member State.

By implementation of the above-mentioned project the National Customs Board will enable to establish the EU compatible business processes, organisational structure and IT environment. Employees of the NCB involved in the project work will acquire the necessary know-how and skills of applying the EU standards; Customs support team will be set up.

Whilst it is recognised that IT systems are being constantly enhanced, modified and redeveloped it is essential that the maintenance of the delivered software will be undertaken by local software companies. Software development includes provision for 3 years maintenance of the delivered software, later maintenance will be state funded.

Measures applied in the course of project implementation will ensure the efficient control over the movement of goods across the future EU eastern border will improve the quality of customer service and facilitate the development of Latvia’s export potential.

NCB uses the trained risk analyst officers for delivering - further training to the rest of the intelligence staff in the Latvian Customs.

11.6. Compliance with state aids provisions

12. CONDITIONALITY AND SEQUENCING

- Availability of external experts
- Full commitment from the beneficiary to transparently co-operate with external project experts
- Successful development of ASYCUDA modules by UNCTAD
- Availability of information about EU requirements
- PHARE Networking programme on installation of CCN/CSI is implemented
- All necessary technical studies before starting of the project are done and appropriate documentation available
- Tendering documentation, Project Initiation Document, Project Quality plans prepared.

***************

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)
4. Reference to Strategic Documents
5. Twinning.
6. Structure of NCB.
### LOGFRAME PLANNING MATRIX FOR PROJECT

<table>
<thead>
<tr>
<th>Overall objective</th>
<th>Indicators of Achievement</th>
<th>Sources of Information</th>
</tr>
</thead>
</table>
| To be in position to fulfil customs tasks as a Member state. | • Reductions in the number of complaints against Customs resulting from improved management and operation of Customs functions.  
• Reduced percentage cost of revenue collection.  
• Increase in detection of irregularities.  
• Increase in revenue collected (allowing for inflation and increase in trade).  
• Increased facilitation of legitimate trade. | - State Revenue Service annual report  
- Customs statistics  
- Trade reports  
- Commission’s regular reports |

<table>
<thead>
<tr>
<th>Project purpose</th>
<th>Indicators of Achievement</th>
<th>Sources of Information</th>
<th>Assumptions</th>
</tr>
</thead>
</table>
| To implement Customs Business Strategy and develop computerised Customs Computer Systems comparable with those in operation in member states of the European Union. | • Implementation of Customs Business Strategy  
• Ensured capability of Latvian Customs to administer Common Agriculture Policy  
• Ensured capability of Latvian Customs to administer EU traditional own resources  
• The development and implementation of the Master Tariff System  
• Dissemination of amendments to the Latvian Customs Tariff, on time and at reduced cost and manpower.  
• Ensured rapidity and accuracy of communications.  
• Reduction in the number of declaration errors. | - State Revenue Service annual report  
- Customs statistics  
- Trade reports  
- Commission’s regular reports | - Allocated budgetary resources are sufficient for the successful Project outcome  
- Full commitment of all parties involved |
<table>
<thead>
<tr>
<th>Results</th>
<th>Indicators of Achievement</th>
<th>Sources of Information</th>
<th>Assumptions</th>
</tr>
</thead>
</table>
| • More effective customs control of EU external borders  
• Increased customs capacity to administer Common Agriculture Policy.  
• Increased customs capacity to administer EU traditional own resources.  
• Universal and widespread quality evaluation system for trade based on customs audit implemented.  
• Increased possibilities for honest trade to use simplified customs procedures.  
• Implementation of Master Tariff System  
• Implementation of Computerised Transit Control System | • Improvement of customs controls  
• Reduction of smuggling  
• Reduction in the cost and resource expenditure required to maintain the tariff information.  
• Reduction in the lead-time required to introduce amendments to Tariff information.  
• Increase in the scope, speed and accuracy of information provided to other systems.  
• Increase in trade facilitation and in international trade with Latvia.  
• A reduction in the number of declaring errors concerning liability.  
• An increase in the revenue received through correct assessment of liability and duty charge.  
• A significant reduction in the number of appeals concerning classification decisions.  
• A significant reduction in the time taken to deal with appeals.  
• Increase in accuracy and speed with which legal basis for clearance is established and applied.  
• Increase in the irregularities discovered in the control of prohibitions and restrictions.  
• More timely and accurate production of the Tariff.  
• Availability of the Tariff on the Internet. | – Equipment is documented  
– State Revenue Service annual report  
– Customs statistics  
– DG TAXUD reports on acceptance and conformance tests  
– Regular progress reports of the Commission and of the Latvian Government | • Continuation of SRS modernisation  
• Information available about EU requirements. |
<table>
<thead>
<tr>
<th>Activities</th>
<th>Means</th>
<th>Assumptions</th>
</tr>
</thead>
</table>
| • Development of customs administrative capacity in the field of control of EU external borders. | • PAA: 12 mm  
• 8 short term experts 24mm  
• PAA:24mm  
• 4 STA 48mm  
• 10 EU short term experts 60mm  
• Translator 2mm  
• 2 service contracts  
• supply contract | • Project documentation  
• SRS annual report | • Successful training  
• Successful development of ASYCUDA modules by UNCTAD  
• Availability of information about EU requirements  
• Phare Networking programme on installation of CCN/CSI is implemented.  
• Full commitment of management and stuff  
• Availability of appropriate experts. |
| • Preparing of Customs for the administration of Common Agriculture Policy. |  |  |
| • Preparing of Customs for the administration of EU traditional own resources. |  |  |
| • Universal and widespread quality evaluation system for trade based on customs audit implemented. |  |  |
| • Legislation/Administration change |  |  |
| • Implementation of Master Tariff System (MTS) compatible with EU TARIC and other tariff related data bases EBTI, QUOTA, Surveillance, ECICS, ORNET/BOI, ISPP, SMS, Tariff Suspensions. |  |  |
| • Implementation of Computerised Transit Control System (CTCS) compatible with EU NCTS |  |  |
| • Project management |  |  |

### Preconditions

- Adequate human resources provided by all institutions to form joint Twinning working groups
- Full commitment from the beneficiary to transparently co-operate with external project experts
- Stable political course
- Internal political goal to undergo administrative and structural changes.
- Successful development of ASYCUDA modules by UNCTAD
- Availability of information about EU requirements
- Phare Networking programme on installation of CCN/CSI is implemented
- All necessary technical studies before starting of the project are done and appropriate documentation available
- Tendering documentation, Project Initiation Document, Project Quality plans prepared.
## ANNEX 2

### DETAILED TIME IMPLEMENTATION CHART FOR THE PROJECT

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<th>COMPONENT</th>
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<th>2003</th>
<th>2004</th>
<th>2005</th>
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<td>4. Service Contract I</td>
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<tr>
<td>5. Service Contract II</td>
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</tbody>
</table>

- **D** = Design
- **C** = Contracting
- **I** = Implementation
- **X** = Closure
# CUMULATIVE CONTRACTING AND DISBURSEMENT SCHEDULE (Million EURO)

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<th>31/12/02</th>
<th>31/03/03</th>
<th>31/06/03</th>
<th>31/09/03</th>
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</tbody>
</table>
Reference to Strategic Documents


The SRS Customs Strategy for the years 2001 - 2005 has been developed on the basis of the Customs Union Strategy for the EU prepared by the European Commission. The SRS Customs Business Strategy points out the main directions of the work and determines the activities ensuring the capability of the customs service to carry out its duties in the interests of all the member states after Latvia’s accession to the EU.
Twinning Covenant 1. Implementation of Customs Business Strategy.

- A long term Twinning expert (Pre-accession adviser – PAA) – 12 man-months

**Profile of PAA:**
- Not less than 10 years experience in a customs administration of a EU member state;
- Not less than 5 years experience in leading position of customs administration and strategic planning;
- Higher education – at least the master’s degree;
- Experience in management of similar projects;
- Good knowledge of EU legislation;
- Experience and appropriate knowledge:
  - in writing of strategic documents and carrying out training on methodology of strategy development;
  - in developing system of trend analysis of legislation and trade and organising this work;
  - in developing and implementation of collection, control and risk strategies;
- Excellent English language skills;
- Good communication skills.

**Tasks of pre-accession advisor:**
- To provide overall management of implementation of Twinning Covenant;
- To be responsible of planning, organising and co-ordination of short term experts’ pool, training seminars and study visits within the Twinning Covenant;
- To submit reports and proposals on:
  - development of system for trend analysis of legislation and trade and use it for planning of resources;
  - improvement of administration and control strategies in conformity with the EU requirements, specifying the performance indicators;
- To submit records on regular basis to the Project contact person about implementations of the Twinning Covenant.

- Short term expertise:
  - To develop Customs capacity to administrate Common Agriculture Policy (6 man-months);
  - To develop Customs capacity to administrate EU own resources (6 man-months);
  - To improve Customs control on EU external border (6 man-months)
  - To implement quality evaluation system for trade based on customs audit (6 man-months)

**All short term experts should have:**
- Not less than 5 years experience in a customs administration of a EU member state;
- Higher education;
- Good knowledge of EU legislation;
- Experience and appropriate knowledge in respective field;
- Knowledge in writing of strategic documents and carrying out training on methodology of strategy development;
- Excellent English language skills;
- Good communication skills.

**The tasks of short term experts will be:**
- Drafting of sector strategies and implementation plans;
• Training of customs officers;
• Developing working methods;
• Developing of methodologies;
• Organising of study visits;
• Organising of seminars;
• Providing consultations and recommendations.

◊ Training seminars on:
  • Administration of Common Agriculture Policy (3 days, 15 officials, 2 experts);
  • Administration of EU own resources (3 days, 15 officials, 2 experts);
  • Customs physical control (10 days, 30 officials, 3 experts);
  • Risk analysis (5 days, 15 officials, 2 experts);
  • EU legislation concerning customs powers and responsibilities (5 days, 10 officials, 2 experts);
  • Quality evaluation system for trade
    • with participation of trade (2 days, 3 experts)
    • (with participation of customs officials) (3 days, 3 experts)

◊ Study visits on:
  • Administration of Common Agriculture Policy (3 days, 5 officials, 2 experts);
  • Administration of EU own resources (3 days, 5 officials, 2 experts).
  • Quality evaluation system for trade and simplified customs procedures (5 days, 5 officials)

◊ Supply of equipment for Customs physical control (sets of tools for practical execution of physical control).

⇒ Twinning Covenant 2 Development of EU Compatible Customs Computer based systems (Activities/Inputs described in this point refer to entire Twinning, specific Twinning activities are described under respective Sub-components).

◊ Project management
  A long term Twinning expert (Pre-accession adviser – PAA) – 24 man-months
  
  Profile of the PAA:
  - solid background in the EU Customs IT system related activities, especially in the design, development, implementation and management activities;
  - sound knowledge of regulations and policies of the European Union, in relation to Customs IT systems and related issues;
  - sound communication skills and previous experience of working in a multi-disciplinary and multi-national team;
  - previous experience as project co-ordinator/project manager;
  - sound knowledge of English.

◊ Legislation/Administration change:
  • Short-term expertise
    2 EU short term experts - 10 man-months (together)
General tasks of Twinning experts (including experts of sub-components):

- To manage and co-ordinate the implementation of the business and functional activities identified in the project plan (initially from the PID);
- To manage and control the project business and functional requirements;
- To monitor progress and take any necessary corrective actions;
- To ensure external contractors deliver on time and in accordance with the conditions of the contract;
- To define the tasks and responsibilities of the Business Project Team Members and IT Project Team Members;
- To liaise with external stakeholders e.g. trade, other Government Departments, etc;
- To ensure overall consistency of all sub-projects;
- To ensure external contractors deliver on time and in accordance with the conditions of the contract;
- To implement the IT activities identified in the project plan (initially from the PID);
- To monitor and audit the IT activities;
- To manage and control the project IT requirements;
- To monitor the execution of the IT activities in the Project Quality Plan;
- To co-ordinate and control the IT activities at the different phases and levels;
- To co-operate and co-ordinate with the external Contractor’s Project Leader;
- To maintain a close working relationship with the Contract Leader and the Project Manager;
- To prepare reports as required by the Steering Committee and the Project manager.

Study visit to DG TAXUD on:
- Tariff matters – 3 weeks, 2 officials;
- IT matters – 3 weeks, 2 officials.

Sub-component 1: “Implementation of Master Tariff System (MTS) compatible with EU TARIC and other tariff related databases EBTI, QUOTA, Surveillance, SMS, ISPP, ECICS, ORNET/BOI, Tariff Suspensions.”

Short term expertise:
- 1 EU long term advisor (tariff specialist, Business Project Manager) – 12 man-months
- 1 EU long term advisor (IT specialist, IT Project Manager) – 12 man-months
- 2 EU tariff experts – 10 man-months (together)
- 2 EU IT experts – 10 man months (together)

Profiles of the experts:
Business Project Manager should be a senior customs officer with at least 5 years experience in customs declaration processing and tariff section work. Ideally, he should:
• Have a good working knowledge of the tariff requirements;
• Have a good working knowledge of the functionality of the declaration processing system;
• Have a good understanding of the TARIC system, including the TARIC structure, TARIC measure types (new EU measure types to be introduced e.g. Meursing tables, anti-dumping duties, etc);
• Have a sound knowledge of the EU Quota system and EU legislation and procedures for Quotas and tariff suspensions;
• Be familiar with the other EU systems and related legislation and procedures (ECICS, ISPP, EBTI, BOI, SMS).

The tariff experts should have a minimum of three years experience of working in the tariff section of Customs and/or in the Customs declaration processing unit. The priority modules of ITMS will be TARIC and TQS since the CCs will have to exchange TARIC and TQS data with the EC on day one of accession. It is therefore recommended that at least two of the team members are experts in the application of tariff measures and are familiar with TARIC and the EU Quota system. At least one of the team members should have some experience as a trainer and of conducting training needs analysis and designing training modules both for the Customs users and the trade.

The IT Team should have a minimum of three years working in IT and understand the technical infrastructure of the CDPS, the communication network and the technical specification requirements issued by DG TAXUD Unit D3 for the EU IT systems. In particular, at least one of the team members should be familiar with the technical structure of TARIC.

Sub-component 2: “Implementation of Computerised Transit Control System (CTCS) compatible with EU NCTS “

♦ Short term expertise:
1 EU long term advisor (transit expert-Business Project Manager) – 12 man-months
1 EU long term advisor (IT expert-IT Project Manager) – 12 man-months
4 EU short term experts (transit and IT experts) – 30 man-months (together).
Translator – 2 man-months

Profiles of experts:
The Business Project Manager should be a senior customs officer with at least five years experience in the field of national transit procedures. He should:
• Be fully familiar with the Common Transit Convention;
• Be fully familiar with the Community Customs Code;
• Be fully familiar with common transit procedures;
• Be familiar with the TIR convention;
• Have a good understanding of the NCTS documentation provided by DG TAXUD;
• Be fully familiar with the existing national transit procedures;
• Be fully familiar with the functionality of the existing national transit system, if applicable.

The transit experts should have a minimum of three years experience in the field of transit control and declaration processing. They should be fully familiar with the transit procedures and systems and have a sound knowledge of the four business areas of the transit business, namely Core Business, Central Services, Guarantee Management & System Administration and the associated elementary business processes identified in the NCTS documentation provided by DG TAXUD.

At least one of the team members should have some experience of designing and delivering training courses for system users in the Customs Administration and the trade.

The IT Project Team should have a minimum of three years experience of working in IT and have a full understanding of the technical specifications and infrastructure of the transit system and declaration processing system.

The “Translator” may be one of the Transit Experts with English knowledge.