Title: Assistance to the Romanian Customs Administration (RCA) in developing more effective control management and border systems

Sub-programme: strengthen the institutional and administrative capacity to manage the acquis

Objectives

More effective control management and border systems is an essential pre-condition to the implementation of Government economic and fiscal policy and the expansion of foreign trade. The overall objective of the project is to facilitate trade and transit flows, improve efficiency, notably in the fight against fraud, with specific focus towards the “external” borders, and to ensure mutual co-operation and assistance at national level with other Government Departments and at international level with other Customs Services.

The immediate objectives are:

1. to further improve the quality of operational Customs business by establishing a complete, efficient, simplified, fully-automated and sustainable goods clearance and revenue collection system;
2. to strengthen capacity in the fight against fraud and drug trafficking through the establishment of a modern intelligence network and information system;
3. to improve the coverage, timeliness and accuracy of trade and revenue Customs business information to General Government and the Trading Community;
4. to improve the quality of Customs work and consistency of performance by establishing an operational Customs training system; and
5. to improve co-operation and communication between Customs and the Trade community by establishing new methods of disseminating information to the trade and extending the facilities currently available for the electronic transfer and processing of Customs data.

In the AP the reinforcement of institutional and administrative capacity is mentioned as a short-term objective. The NPAA also considers the Customs area to be a priority one.

Description

All project components described thereunder are designed to contribute to the achievement of the overall objective of establishing an effective Customs administration. However, this depends to a large extent, also on factors such as career perspectives and staff salary grid.

Immediate objective 1 – Customs Operational Business

RCA will continue the modernisation of Customs business functions commenced by a 1994 Phare project, centred on the Integrated Customs Information System (ICIS 1 and 2), which is in the final stages of implementation.

Firstly, action will be taken to address important system stabilisation issues to ensure that RCA will be able to sustain the system independently. These areas are:

- Establish an internal structure with the appropriate tools and resources that will harmonise and standardise the support and security of the operational systems installed
- Develop and introduce an integrated system to rationalise and improve the efficiency of the Customs operational systems
- Develop a methodology, tools and procedures to manage new application versions, new modules and configuration changes;
- Enhance and further develop formal disaster recovery procedures and systems
- Identify and standardise the necessary interfaces with all appropriate external systems
- Update and expand the skills of the project team, regional systems administrators and Users by providing additional technical and functional training.
Secondly, in order to enhance and improve the efficiency of the systems already installed it is necessary to **further develop the following national applications**:  

- National transit system for the control and movement of goods and associated guarantees in conjunction with the current PMCP projects on Transit management and automation  
- Customs accounting for duties and taxes including specifically the introduction of payment and accounting procedures compatible with EU requirements after accession, including the assurance of “Own Resources”  
- Management Information System - additional functionality must be provided and the interfaces with the various feeder systems unified and optimised focusing particularly on the provision of data for Risk Analysis and Management by Objectives  
- Communications - following the telecommunication study conducted under the Phare RO9304 programme it is necessary to improve software components, redefine the National policy for the exchange of information between sites and provide additional communication equipment where required.

**Thirdly**, the objective is to fully automate declaration processing where this is justified by the **business needs**. To meet this requirement the areas that remain to be developed or integrated are:  

- Automation of the Manifest to ensure that all goods are entered to Customs control – work is required to integrate the manifest module (MODCAR), develop the EDI interfaces with the agents and carriers (CARGOIMP, CUSCAR, SAM etc. EDIFACT messages );  
- Post-entry control to introduce procedures that allow for the correction of errors on the SAD and related documents – work is required to integrate the software modules and adapt the relevant application tools;  
- Suspense Regimes ( including Customs and Excise warehousing, Inward and Outward Processing ) to allow the duties on goods to be temporarily suspended - work is required to develop the necessary tools and to define and introduce the associated Customs procedures to accommodate the respective regimes;  
- Introduction of a simplified SAD to process the import of merchandise in passengers baggage and for use in other commercial activities;  
- Development and integration of new modules to allow the control and management of local office data at the regional office level.

**Immediate Objective 2 – Strengthen the capacity in the fight against fraud and drug trafficking**  

In order to improve the RCA’s enforcement capability it is necessary to establish a modern intelligence network and information system. This project will contribute to the achievement of this objective through the enhancement and national implementation of enforcement modules delivered through the ICIS 2 programme.

**Immediate objective 3 – Improve the coverage, timeliness and accuracy of trade and revenue Customs business information**  

The current method of processing national trade statistics does not utilise the electronic SAD data captured by the automated declaration processing system. Additional reporting needs have also been identified by Customs users. In order to improve the efficiency of this process it will be necessary to  

- Develop an interface between the Customs Integrated System and the Statistical Processing System to directly transfer SAD data;  
- Develop procedures to exchange post entry control and error correction information between the Statistical office and RGCA;  
- Develop procedures to manage and update the automated valuation file;  
- Enhance the Customs statistical reports output from the automated system at HQ and regional levels;  

and to support these initiatives, RCA will at the same time  

- Establish clear management responsibilities and procedures for the receipt, maintenance and
dissemination of the Tariff and other data related to the import/export of goods, for example preferences, quotas, anti-dumping etc.

Immediate Objective 4 – Improve the quality of Customs work and consistency of performance

RCA has begun the process of setting up a training infrastructure with the medium term intention of establishing a Customs training school. In order to build on the initiatives undertaken to date it is now necessary to

- Establish and define the role of the HQ training team;
- Create a training administration infrastructure and environment;
- Provide the necessary training skills to the selected instructors;
- Review the existing training methodology and current courses and determine training needs;
- Develop training modules, handouts and exercises based on identified needs;
- Establish an IT training network on which to present ASYCUDA and other IT related courses.

Immediate Objective 5 – Improve co-operation and communication between Customs and the Trade community

As part of the ongoing trade facilitation initiatives undertaken by RCA it is necessary to establish new methods of disseminating information to the trade and to extend the facilities currently available for the electronic processing of SAD declarations and other transactions. This will be achieved by

- Development, implementation and management of a Customs Internet WEB site to provide public access to all relevant Customs data and associated procedures;
- Establish a national policy for the provision of DTI and EDI facilities to the trade;
- Develop the necessary EDI message translators to process approved message standards and formats and implement the necessary interfaces between Customs and the trade;

and to support these initiatives, RCA will at the same time

- Establish institutionalised consultative mechanisms between Customs and the Trading Community and notably Trade Facilitation and EDI/DTI user groups; and
- Memoranda of Understanding between Customs and the major trade and transport interests.

Institutional framework

RCA is part of the Ministry of Finance and responsible for the collection of Customs duties, Excise duties and VAT on imports and the prevention of illegal imports and exports. The Administration is structured in three hierarchical level:

- Headquarters
- 10 Customs Regions co-ordinated by Regional Customs Directorates (RCD). Each RCD is methodologically and functionally subordinated to the HQ.
- 105 Local Customs Offices (LCO). Each RCD co-ordinates a particular number of border and inland LCOs.

A total number of 6,000 employees are foreseen for RCA. Currently only 4,700 posts are filled.

Starting with 1997, RCA gradually developed a coherent Customs Reform and Modernisation Strategy. In elaborating this strategy, RCA started by setting up its own strategic targets and, based on the analysis of the differences existing between the Romanian and the European Customs legislation, established activity and resources plans to cover the differences.

RCA has supported, from the very beginning of this initiative, the Pre-accession strategy for the Customs sector by endorsing the document in July 1997 and creating a Pre-accession Unit (PAU) in November 1997, at the recommendation of the 1st Pre-accession Meeting of the partner countries. The PAU comprises the managers of the key RCA departments. The main task is to baseline, finalise and implement the Customs Pre-accession Strategy towards full modernisation and reform.
RCA will support the implementation of the proposed project by assuring the necessary organisational environment, making available the necessary personnel and by co-financing the project with a total budget of 12.50 MECU equivalent in Lei, covering the cost of the national experts, the necessary building infrastructure and the related running and administrative costs.

**Budget (in MECU):**

<table>
<thead>
<tr>
<th>Component</th>
<th>Investment**</th>
<th>Institution Building</th>
<th>Total Phare (I+IB)</th>
<th>Recipient</th>
<th>IFI</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Customs operational business</td>
<td>4.15</td>
<td>1.85</td>
<td>6.00</td>
<td>4.50</td>
<td></td>
<td>10.50</td>
</tr>
<tr>
<td>2. Enforcement</td>
<td>0.25</td>
<td>0.15</td>
<td>0.40</td>
<td>1.00</td>
<td></td>
<td>1.40</td>
</tr>
<tr>
<td>3. Trade &amp; revenue Customs business information</td>
<td>0.40</td>
<td>0.05</td>
<td>0.45</td>
<td>1.00</td>
<td></td>
<td>1.45</td>
</tr>
<tr>
<td>4. Customs training system set-up</td>
<td>0.20</td>
<td>0.45</td>
<td>0.65</td>
<td>5.50</td>
<td></td>
<td>6.15</td>
</tr>
<tr>
<td>5. Trade facilitation</td>
<td>0.30</td>
<td>0.20</td>
<td>0.50</td>
<td>0.50</td>
<td></td>
<td>1.00</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>5.30</strong></td>
<td><strong>2.70</strong></td>
<td><strong>8.00</strong></td>
<td><strong>12.50</strong></td>
<td></td>
<td><strong>20.50</strong></td>
</tr>
</tbody>
</table>

(*) In relation to changes in management, procedures, legislation, enforcement, training and general activities and services as result of investments

(**) In relation to infrastructure, equipment, related developments, installation, testing and documentation

**Implementation arrangements**

The Central Finance and Contracting Unit (CFCU) will be the Implementing Agency dealing with tendering, contracting, payment and administrative matters. The Implementing Authority is the Romanian Customs Administration (RCA). The project will be managed under the Decentralised Implementation System (DIS). RCA will provide necessary resources (staff and premises) for the implementation of the project.

A project steering committee consisting of senior representatives from the RCA board has already been set up.

It is planned that the project will be implemented through a single contract. However, part of the IB budget is earmarked for long-term secondees.

The implementation Methodology will be regulated by the Project Quality Plan (PQP) which will be developed both by the IA and the contractors’ representatives after the contract signature (see Programme Implementation Planning table).

**Implementation schedule**

- Start of tendering: late 1998
- Start of project activity: January 1999
- Completion: December 2001

**Equal opportunity**

RCA operates an equal opportunities policy for men and women. A reporting mechanism recording gender breakdown of trainees and consultants employed will be used in order to have an overview of the situation on project completion.

**Environment**

N/A

**Rates of return/Investment criteria**
Whilst this section is not applicable to this proposal it should be clearly noted that, as a result of the ICIS 1 and ICIS 2 projects funded by Phare, after allowing for inflation and the reduction in duty rates RCA revenue increased by 70% in real terms (from 610 MECU in 1996 to 1070 MECU in 1997).

**Conditionality and sequencing**

In Romania much of the first level legislation is now complete.

The legislative harmonisation is an on-going process which is assessed regularly by the Customs administration, the Government and the related EU bodies. The basis legislation is:

- the Customs Code (law 141/1997);
- regulation implementing the Customs Code (GOR Decision 626/1997);
- Customs Code of Conduct (Customs Statute - GOR Decision 16/1998); this should be reviewed for completeness, particularly as regards adoption of disciplinary measures.

Legislation on common transit methodology and the new Customs organisation chart is awaiting GOR approval. RCA plans to adopt legislation in the areas proprietary and trade mark, harmonised Community tariff, excise collection by Customs.

Consequently the principal focus will now turn to the Organisation, its structure and strategies, implementing regulations, automation, facilitation, operations and enforcement, particularly as regards the external frontiers.

In addition, emphasis will be given to the materialisation of a Customs School and a training methodology. RCA’s commitments towards the achievement of this goal are as follows:

- Customs Code of Conduct approved on March 1998. This results in new recruitment, job selection, training and professional career criteria;
- designation of a team responsible for restructuring and organisation of related training. This team will manage the implementation of the proposed training objectives;
- the training department is included in the new customs administrative chart. This is expected to be approved soon by GOR;
- as a temporary measure, an understanding has been reached between the University of Economic Studies and RCA to provide facilities and lectures under a preliminary curriculum for Customs training starting on September 1998;
- RCA has allocated MECU 5 into its 1998 budget for the Customs School. The latter is located at the RCA central premises expected to be completed in 2001.

All project components will be implemented in function of developments, as necessary, in the areas described above.

**ANNEXES TO PROJECT FICHE**

1. Log-frame in standard format (attached at appendix 1)(compulsory)
2. If project consists of sub projects a detailed cost breakdown in the same format as the overall project budget (compulsory):
3. Detailed implementation time chart in standard format (attached at appendix 2)(compulsory)
4. Cumulative contracting and disbursement schedule for the project by quarter for full duration of programme (including disbursement period)
5. Relation of project with previous Phare activities and with ongoing projects financed from other sources (including govt. budget) (compulsory)
6. Reference to feasibility/pre-feasibility studies. For all investment projects, the executive summary of the economic and financial appraisals, and the environmental impact assessment should be attached (compulsory)
7. List of relevant Laws and Regulations (optional)
8. Reference to relevant Government Strategic plans and studies (may include Institution Development Plan, Business plans, Sector studies etc.) (optional)