

Standard Summary Project Fiche

Project Number LI 9907.04

1. Title

Computerised Customs Master Tariff System

2. Geographical Location

Customs Department under the Ministry of Finance of the Republic of Lithuania.

3. Objectives

The objective of this **1.5 MEUR Project** is to design, develop and construct a computerised version of the Customs Master Tariff Register (CMTR), which will be used to process amendment data from source information and subsequently update all other systems using tariff information as reference data. The existing CMTR is in hard copy only and is updated periodically with inputs from various government ministries and agencies. The Government has decreed that the Customs Department is responsible for this process, and as part of its modernisation strategy and investment programme is developing the electronic version of the CMTR.

On the level of Government policy, the Government of the Republic of Lithuania has adopted a comprehensive programme of legislation to promote Lithuania's accession to the EC. This Project, as part of the National Programme for the Adoption of the Acquis (NPAA - passed by the Seimas as a resolution in March 1998), enjoys the full commitment of the Government.

4. Institutional Framework

Legal responsibility for the maintenance of accurate tariff data rests jointly with the Ministry of Finance and Ministry of National Economy and it has already been agreed, in a joint meeting, that the day to day, practical maintenance tasks should be undertaken by Customs. Resulting from this, the Customs Department is in the process of preparing a draft Government Regulation concerning the maintenance of a computerised version of the tariff.

The Customs Department's Information Strategy was prepared with funding from the 1994 Phare National Programme; this strategy established a list of priorities for modernisation of the Department. The first priority was the introduction of a declaration processing system and it was decided to introduce the ASYCUDA system. This is being done with State and Phare funding (1996 and 1998 Phare National Programmes). The second priority identified in the strategy is the computerisation of the CMTR. This is the subject of this project.

The Project will be implemented within Lithuanian Customs, which is an autonomous Department of the Ministry of Finance. Although this is a systems development project, twinning assistance is required to develop legislation, policy, protocols, procedures, and the actual systems design. The Customs Department has undertaken to bear all costs associated with the procurement of any necessary hardware, whilst Phare will cover the cost of system development through the purchase of intangible supplies and services.

The organisational structure of the department is as follows: the Director General, Deputy Director General, the main divisions: Legal, Procedures and Tax, Control, Management, Personnel, Information Centre. The overall Lithuanian Customs organisation includes the Customs Department as a headquarters, 10 Regional Customs administrations, and 73 Customs posts, the Customs School and Customs laboratory. The Information Centre will be responsible for this project and is

currently conducting a feasibility study to determine the scope of the computerisation of the CMTR (see Annex 5).

The computerised CMTR system will be implemented in the Customs Department as part of the overall Customs Information System (CIS). The central database will be located in the new premises of Customs Information Centre, Vytenio 7, Vilnius, and will be securely accessible, via telecommunication links, by the various Government institutions, the Customs Regions and the trading community.

Mr Tautvydas Banelis, Head of the Information Centre, will be responsible for the implementation of the system (Tel. 3702 61 84 73, Fax 3702 224948 E-mail t.banelis@matheus.cust.lt). A dedicated Project Team staffed by Customs technical and procedural experts, supported by external expertise will implement the Project.

5. Description

This **1.5 MEUR Project** consists of 2 components: (1) **Twinning and Training Package to Support Development of Computerised Tariff System** and (2) **Software Development**.

The process of computerising the CMTR is complex, collecting data from various agencies, such as the Ministries of Agriculture, Economy and Finance as inputs, compiling and unifying the data into a common format and presenting the data output as information to a variety of end users. The main user will be the ASYCUDA system, where it will provide reference data for the processing of import, export and declarations. Other end-users of the new system will include Government departments, International Chambers of Commerce and the EC's Tariff Intégré Communautaire (TARIC) system in Bruxelles.

The overall objectives of the Project are, to design, develop and implement a system for the central management of tariff information capable of supporting the following functionality:

- Preparation of draft legislation amending existing tariff rules through to the, eventual, production and issue of the new legislation;
- Supporting, similarly nomenclature changes originating from the World Customs Organisation (WCO), the EU and the Republic of Lithuania;
- Maintenance and control of tariff data provided by Customs and other government agencies including the Ministry of Finance, the Ministry of National Economy, the Ministry of Agriculture, and State Tax Department, the Department of Statistics and the Ministry of Health Care and Veterinary Control in order to facilitate the more efficient collection of revenue and foreign trade statistics and the application of the various controls on imports and exports;
- Provision of up-to-date and accurate tariff information to Chambers of Commerce, trade representative bodies and individual traders in order to encourage international trade with Lithuania;
- Provision of an electronic interface to TARIC, which is a prerequisite for accession to the EU;
- Provision of an automatic interface between the central tariff database and the ASYCUDA declaration processing system which is currently being implemented;
- Provision of an automatic interface to the system for production and amendment of the printed version of the Lithuanian Customs Tariff.

At this stage, it is envisaged that the system will consist of the following modules:

- Master Tariff Preparation System;
- Consolidated Customs Master tariff;
- Legal References;
- Explanatory notes;
- Tariff Dictionary and List of Goods;
- Binding Tariff Information (Goods Classification);
- Credibility;
- Data load;
- Electronic Outputs and
- History & Archive

The project development will be undertaken in the following stages:

- Work Agreement Stage;
- Detailed Analysis;
- Functional Specification;
- Physical Data Design;
- Module Specifications;
- Program Production;
- System Consolidation;
- Testing;
- Implementation;
- Documentation and Training.

To implement this system it will be necessary to harness the experience and expertise of a Member State through the Twinning mechanism (component 1) working with the various Lithuanian agencies, including the Customs Department and local Lithuanian computer system experts (component 2) contracted via normal Phare tender procedures.

National (Lithuanian agencies)

- Project Manager
- Classification Experts
- Trade Agreement Experts
- Origin Experts
- IT Technical Experts

External (Member State (s), via Twinning)

- Pre-Accession Adviser
- 4 Short Term Advisers e.g. Classification, TARIC Interface, etc.
- Project Management Adviser

NB. It is anticipated that not all of the experts would come from the Customs Department, as expertise will be drawn from other involved Government agencies, such as the Ministry of National Economy, Ministry of Agriculture and Health Care and Veterinary Control Service. The expertise required for system-development, through from Functional Specification to Software Production, will be provided through an open local tender via the CFCU (component 2).

Twinning will be an important part of the initial project activities and provide two Pre-Accession Advisors (PAA) (both over a 15-months period) and any specialist technical short-term advisers

(STA) (approximately 10 person-months). Both PAA's will be involved in the formation of the Project Team, which will be responsible for producing the Technical Annex for the software development contract and will be involved in the tender evaluation process.

All national Lithuanian agency staff, hardware, proprietary software, telecommunications and software licence costs will be met from Government funds. Phare funds are envisaged to cover (1) the Pre-Accession and Project Management Advisers, the STA's (all EU experts should be fluent in the English language) and (2) to finance the software development contract.

It is important to ensure that the system provides an easy migration path towards the eventual implementation of TARIC. The first PAA (PAA-A), to be provided through Twinning arrangements should, therefore, be familiar with the Integrated Tariff of the European Communities (Council Regulation No. 2658/87) and all associated legislation. His/her main objectives will be to:

- Develop a migration strategy and plans for moving towards the implementation of TARIC;
- Make input to the project design, necessary to ensure a simple migration path;
- Make input to the software procurement process, as necessary;
- Development of a tariff change management system;
- Draft the required legislative changes necessary for adoption of the TARIC.

Given the complexity of the project, it is appreciated that the advisor will not possess a comprehensive knowledge of all aspects of the subject. Therefore, additionally, the advisor must be capable of defining STA requirements, drafting Terms of Reference for such expertise and overseeing the necessary technical assistance.

It is considered that any suitable candidate would have previous experience of the above mentioned (or similar) duties in the Customs administration of one of the Member States or the appropriate Commission Services.

The second PAA's (PAA-B) role is traditional project management. He/she should also be provided through Twinning, and have the following profile of experience and skills:

- Familiar with the management of complex systems development,
- Be able to build a multi-disciplinary team of specialists and experts,
- Identify the necessary short-term advisers required to augment the Project Team,
- Co-ordinate the use of short-terms advisers and
- Also be able to design and implement the training programme.

The four STA's should have specific knowledge and expertise as follows:

- STA A: Detailed Analysis, Functional Specification and Physical Data Design,
- STA B: Module Specifications, Programme Production, System Consolidation,
- STA C: Testing and Implementation,
- STA D: Documentation and Training.

6. Budget (in million EUR)

Component	Investment	Institution Building	Total Phare (= I + IB)	Recipient	IFI	TOTAL
Twinning and Training Package to Support Development of Computerised Tariff System		0.7	0.7			0.7
Software Development	0.8		0.8	0.5		1.3

TOTAL	0.8	0.7	1.5	0.5		2.0
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7. Implementation Arrangements

The CFCU is the Implementing Agency responsible for tendering; contracting and accounting. Responsibility for technical preparation and control will remain with the beneficiary, the Division of International relations of the Customs Department under the Ministry of Finance of the Republic of Lithuania.

It is planned to conclude two contracts: a twinning agreement and the contract for the purchase of software development.

The Project Team, consisting of the Lithuanian Customs Administration staff and the two recruited PAA's will prepare the Terms of Reference/Technical Specifications for the component Software Development. The Invitation to Tender will be launched by the CFCU, who will also manage the tender process throughout.

8. Implementation Schedule

Institution Building

Start of twinning arrangements 2Q/00

Completion 2Q/01

Investment

Start of tender procedure: 3Q/00

Start of project activity: 4Q/00

Completion 4Q/01

9. Equal opportunity

The institutions involved in the project execution will observe equal opportunity of men and women in its recruitment and human resources development. The beneficiary will ensure equal access of men and women to the project activities and results.

10. Environment

n/a

11. Rates of Return

It is not possible to calculate numeric estimates of the rates of return on the investment, but clearly the return will be highly significant. As in most other countries, Customs operations in Lithuania provide one of the major sources of revenue. The outputs of the Customs Tariff project will ensure the timeliness and accuracy of tariff information throughout the Customs Administration as well as supporting external users of such information in other parts of the administration or private trade. It will also ensure compatibility of the Lithuanian Customs tariff structure and data contents with those of the European Union. It is envisaged that the project will result in an increased capacity for duty and tax collection, speed the rate of collection and improve its accuracy, which will all contribute to a considerable uplift in revenues.

12. Investment Criteria

The Project is focused towards institutional capacity building, this will act as a *catalyst* in encouraging the Lithuanian Customs Administration to adopt new standards and levels of automation and in bringing operations in line with EC requirements as a prelude to EC accession. The requirements go beyond a straightforward project to interface the national system to the Community Tariff system in Brussels. As stated earlier this project is one of the priorities in

Department's information strategy. A Phare study of the Lithuanian Customs Tariff by an external expert identified an urgent need to establish a National Tariff Project in order to move from the present arrangements to that compatible with those practised in the Member States. This project, as well as providing the necessary TARIC interface, will also support a structured management approach to Customs tariff information by all government agencies who make use of tariff data and provide an automated interface to the Customs declaration processing system.

The investment in software will promote *sustainability* by augmenting the national budget allocation to help the Customs Administration to contain problems of implementation, in ensuring the correct level of appropriately trained personnel to maintain the advantages of automation and in optimising the capabilities of Customs as a major revenue source.

It will also provide *additionality* in that the Lithuanian state commit some 0.5 MUSD to Customs Information System in 1997 and 1.5 MUSD in 1998 – and is expected to commit some 2 MUSD in 1999 and a further 2 MUSD in 2000.

With respect to *readiness*, the Customs Information System programme aspect specifically addressed this project is ready to be implemented with immediate effect (see paragraph 1 of this section and Annex 5). *Competition*, however, is not applicable in that the provision of Customs services is not open to competition in Lithuania, but the development of the information system will be.

13. Conditionality and Sequencing

The Project will be preceded by, and conditional on the results a Feasibility Study (presently in the course of preparation), to be conducted by the Customs Department. This study will determine the scope of the system, as it has already been demonstrated that there is a need for it (see paragraph 1 of section 11 above).

Preparatory project activities, funded from the State budget, are already underway and include the formation of the Project Team (Lithuanian) which is conducting the feasibility study. This team will also be involved in the selection of Member State's proposals for the PAA's and the drafting of the Covenant. During the feasibility study phase, the Project Team is responsible for scoping the project in terms of the functionality to be included. Following this work the group will be responsible for producing the Technical Annex to the Invitation to Tender for the software development contract and will be involved in the Evaluation Process. Following award of contract to the successful Tenderer the team will be responsible for reviewing deliverables and resolving any specification difficulties and issues during the lifetime of the project. PAA-B, an experienced IT project manager, will support and advise the Lithuanian Project Manager in the management of the external software supply contract and the management of the national Project Team. His/her role must include a large measure of transference of skills in order to ensure the future sustainability of the project. The PAA-A should have in-depth knowledge and experience of the development of a tariff system from a user perspective. He/she will assist in the production of the necessary legislative changes to support system implementation, define and implement the necessary manual data management procedures surrounding the computerised system and develop a migration strategy and plans for the eventual introduction of TARIC.

At a Programme level, the Customs Tariff project is part of the revised Lithuanian Customs Administration's *Strategic Plan of the Lithuanian Customs: Year 1998 – 2000*. The background for this decision was the Blueprint document and gap analysis exercise, recommended by the European Commission. This project is a high priority factor in the realisation of that Plan.

On a Project level, however, in order to ensure the success of Customs Tariff, a team of 5 highly qualified personnel will be allocated to the project and be dedicated to the preparation of the feasibility study. The provisions of this project will enable the Tariff implementation process to be significantly progressed in accordance with project time scales.

The beneficiary, Customs Department, will provide the team of experts with necessary facilities and counter-part support for implementing the Project.

Logframe Matrix

Annex 1

Computerised Customs Master Tariff System	Project Number: LI 9907.05	Date of Drafting: 04/99	
	Contracting Period Expires: 31/10/2001	Disbursement Period Expires: 31/10/2002	
	Total Budget: 2.0 MEUR	Phare Contribution: 1.5 MEUR	
Wider Objectives	Indicators of Achievement	Sources of Information	Assumptions and Risks
To establish a more efficient base for the application of controls on imports and exports	Timely and accurate application of all tariff related measures at Customs declaration points	Customs statistics on reprocessed declarations resulting from current inaccuracies	The Government will continue to maintain the present economic strategy and will continue to press ahead with EC accession initiatives
Immediate Objectives	Indicators of Achievement	Sources of Information	Assumptions and Risks
To construct a computerised version of the Customs Tariff which will be used to process amendment data from source information and subsequently update all other systems using tariff information as reference data	Reduction in the number of queries and requirements for reprocessing due to the use of out of date or erroneous tariff data	Customs statistics and work returns	The Government will provide the currently planned funding to the development of the Customs Information System (CIS)
Outputs	Indicators of Achievement	Sources of Information	Assumptions and Risks
A fully operational computerised Customs Master Tariff system	Timely implementation of the proposed system within budget	Project plans and progress reports	The Ministry of Finance will provide the required support to the Customs Department
Inputs	Indicators of Achievement	Sources of Information	Assumptions and Risks
a) Twinning package including training and b) computer system development with local software company	Twining advisers in place Tender awarded and system designed	Customs department	Continued support to the Department from the State

Cumulative Contracting and Disbursement Schedule for the Project (MEUR)

Annex 2 a)

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Cumulative Quarterly Contracting Schedule (MEUR)

Project	4Q/99	1Q/00	2Q/00	3Q/00	4Q/00	1Q/01	2Q/01	3Q/01	4Q/01	1Q/02	2Q/02	3Q/02	Total
Computerised Customs Master Tariff System			0.7	0.7	1.5				-----	-----	-----	-----	1.5

Cumulative Quarterly Disbursement Schedule (MEUR)

Project	4Q/99	1Q/00	2Q/00	3Q/00	4Q/00	1Q/01	2Q/01	3Q/01	4Q/01	1Q/02	2Q/02	3Q/02	Total
Computerised Customs Master Tariff System			0.1	0.25	0.6	0.85	1.1	1.3	1.5				1.5

Detailed Cost Breakdown (in MEUR)

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Component	1999/2000			Total
	National Budget	Phare	Other	
<i>Institution Building</i>				
A. TA				
B. Twinning		0,7		0,7
C. Other				
Investment				
A. Studies				
B. Financial Support				
C. Equipment	0,5	0,8		1,3
D. Other				
Total	0,5	1,5		2,0

Relation of Project with Previous Phare Activities and On-Going Projects Financed from Other Sources

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A 1994 Phare National Programme project (LI9408) established the Customs Department's Information Technology Strategy, which set the computerisation of the Customs Master Tariff Register as its second priority. The first priority was the establishment of a customs declaration system, which is being implemented as the ASYCUDA system funded by Phare. Phare project LI9609 funded the purchase of pilot hardware software licenses and customising of the software and project LI9803 will install the system in three pilot sites at customs offices in Vilnius, Kaunas and Vilnius Airport starting in June 1999. If acceptable these systems will become operational and full system rollout to all locations will commence. National rollout will be 60% complete by the end of 1999 and finished by the end of 2000.

This funding under Phare provides an essential contribution towards the strengthening of the institutional and administrative capacity of Lithuanian Customs and also supports the activities of the other Government Departments and agencies contributing, or receiving data from the Customs Tariff.

This Project will also support eventual EU accession by providing an automatic interface to the EC's computerised tariff system, TARIC, in Brussels.

One of the main beneficiary systems will be the new ASYCUDA declaration processing system, which is currently being funded by Phare (see above).

Feasibility Studies

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The Project will be preceded by, and be conditional on, a Feasibility Study (presently in the course of preparation), conducted by the Customs Department. The objective of this study will be to determine the scope of the system, as it has already been demonstrated that there is a need for it (see paragraph 1 of section 11 above). This scoping will determine the systems functionality and which modules are necessary and in what order of priority they will be developed.

The study will also cost in detail the development of the systems, module by module.