

## PROJECT FICHE – IPA NATIONAL PROGRAMMES / COMPONENT I

### 1 IDENTIFICATION

<b>Project Title</b>	2 - Support to further modernisation of the Customs Administration and improved border management in the Republic of Serbia
<b>CRIS Decision number</b>	2013/023-621
<b>Project no.</b>	2.
<b>MIPD Sector Code</b>	1. Public Administration Reform
<b>ELARG Statistical code</b>	34 - Institutions
<b>DAC Sector code</b>	33120
<b>Total cost</b> (VAT excluded)*	6.700.000 EUR
<b>EU contribution</b>	5.807.500 EUR
<b>Management mode</b>	Decentralised management
<i>Decentralised mngmt:</i> <b>Responsible Unit or National Authority/Implementing Agency</b>	Central Finance and Contracting Unit (CFCU) - Ministry of Finance and Economy, Department for Contracting and Financing of EU Funded Projects Programme Authorising Officer (PAO) – Assistant Minister at the Ministry of Finance and Economy, Head of Department for Contracting and Financing of EU Funded Projects Mrs. Nataša Šimšić
<b>Implementation management</b>	Ministry of Finance and Economy, Nominated SPO at Ministry of Finance and Economy Mrs. Jelena Sedlaček, Head of European Integration Department, Sector for International Financial Relations and European Integration Beneficiary: Customs Administration
<b>Implementing modality</b>	Stand-alone project
<b>Project implementation type</b>	Project-type interventions
<b>Zone benefiting from the action(s)</b>	Republic of Serbia

### 2 RATIONALE

The project support for Customs system of Serbia within IPA 2013 is structured around two main components: **the first one** focuses on further gradual fulfilment of EU and international interconnectivity, interoperability and e-Customs standards and requirements. Therefore, the comprehensive work started on modernisation of the overall IT network and on introduction of the NCTS and the AEO through IPA 2007 and IPA 2011 Projects, shall herewith (IPA 2013) continue with additional upgrade of the CAS communication network and with preparations for introduction of Automated Import System (AIS) including Import Control System (ICS) and Automated Export System (AES) including Export Control System (ECS).

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\* The total project cost should be net of VAT and/or of other taxes. Should this not be the case, clearly indicate the amount of VAT and the reasons why it is considered eligible.

This means also that in practice, the provisions of the national Customs Code, as aligned with relevant *acquis* and WCO rules, shall be implemented; **the second** Project component relies upon the Integrated Border Management Strategy, as further precised by the CAS Business Strategy and Action plans with regards to investments into infrastructure of border crossing points (BCPs). Control, surveillance, trade and traffic aspects are interrelated within the scope of any physical BCP, but the pre-condition for carrying out of all the processes is a reasonably functional basic infrastructure which is also compatible with the one in neighbouring state. In the case of BCP Bajmok (Serbian border with Hungary) comprehensive construction works need to take place and are prioritised for the support under this PF.

## **2.1 PROJECT CONTEXT: ISSUES TO BE TACKLED AND NEEDS ADDRESSED**

In pursuing its accession agenda towards EU, Republic of Serbia has been constantly awarding much attention to comply with the requirements of EU customs policy towards countries which candidate for the membership. Very extensive *acquis* and very specific rules governing Customs Union which is in the core of the contemporary EU, ranked this particular area among the priority ones in fulfilling standards and in marking maturity of the Republic of Serbia to join the EU family. Some of the Copenhagen criteria are essentially linked with the improvement of customs system and market economy of the countries applying for the membership. By the time they join, new members must have: stable institutions guaranteeing democracy, the rule of law; a functioning market economy and the capacity to cope with competitive pressure and market forces within the Union; the ability to take on the obligations of membership, including support for the aims of the Union. They must have a public administration capable of applying and managing EU laws in practice. At the stage of candidate country and given its geostrategic position, Republic of Serbia has to cope with several important challenges among customs activities, which at present and in the short term could be summed-up as follows: enlargement of the European Union, leaving Serbia at the very “gates” of the EU space, sharing northern, eastern and soon western (with the accession of Croatia) borders with EU Member States; the fight against fraud and organized crime and ensuring the safety of citizens; the role of customs in revenue collection; developments in international trade and in new trading techniques; influence of the competitiveness of EU business and the increasing importance of indirect taxes.

The Customs Administration of Serbia (hereafter CAS) is an executive authority of the Government of the Republic of Serbia, and, as part of the Ministry of Finance and Economy, it implements the customs policy of the Republic of Serbia playing a unique role both in performing the required tasks within the territory of the Republic of Serbia as well as in meeting the obligations towards the international community and the future membership within the European Union. The Customs Service faces the environment that changes quickly due to the increase of the production and consumption, growth of international trade and new global challenges (organized crime, terrorism and climate changes). In this context, the role of the CAS is to maintain a permanent equilibrium between its major tasks: protection of the society, revenue collection and trade facilitation.

While the process of incremental removal of the trade barriers in accordance with the Stabilisation and Association Agreement (SAA) decreased to a certain extent the relative importance of the revenue functions of customs, it brought to the foreground the protective role of customs in contributing to the health and security of the national economy, society and the environment. CAS fulfils its protective functions, on one hand, by controls and checks of goods, vehicles and passengers at the customs posts and, on the other hand, by surveillance throughout the customs territory to ensure that all the customs formalities have been completed in line with the *acquis*.

The Customs Union is one of the cornerstones of the European Union and is at the heart of the internal market. In order to step-up the integration and mutual compatibility of customs services, the European Parliament and the Council have adopted the *Decision on a paperless environment for customs and trade* (Decision promoting electronic customs, No 70/2008/EC) to introduce an electronic, paper-free customs environment in the EU. The Decision is designed to make Member States' electronic customs systems compatible with each other; introduce EU-wide electronic risk analysis and improve information exchange between frontier control authorities; make electronic declarations the rule; and introduce a centralised customs clearance arrangement. The result should be to increase the competitiveness of companies doing business in Europe, reduce compliance costs and improve EU security. This Decision contains actions and deadlines for making Member States' electronic customs systems compatible with each other and creating a single, shared computer portal. The ratio behind this decision is facilitating communications between traders and customs and providing for faster and better exchange of information between European customs authorities. Electronic declarations are prescribed as compulsory, with paper-based declarations becoming the exception.

In pair with the above Decision, Regulation on modernised Customs Community Code was adopted (Regulation (EC) 450/2008, entered into force June 2008) by the European Parliament and the Council in response to a number of internal and external challenges faced by the EU, as well to the changing context in which customs authorities work. It brought about some important modifications, such as an obligatory electronic communication between an economic operator and customs authorities, simplification of the structure and more coherent terminology, with fewer provisions and simpler rules; reform of customs import and export procedures to reduce their number and make it easier to keep track of goods; rationalisation of the customs guarantee system; extension of the use of single authorisations (whereby an authorisation for a procedure issued by one Member State would be valid throughout the Community);

Meanwhile, the Customs Code of the Republic of Serbia (Official Gazette of the Republic of Serbia No 18/10) entered into force in May 2010 and is being regularly harmonized with the EU legislation and with World Customs Organization (WCO) rules. National Customs Code provides legislative basis for speeding up the customs procedure and cutting foreign trade-related costs. The Code envisages simplification of procedures for customs transit, import, and export customs procedures. The Code has been prepared in order to improve the existing procedures and secure higher level of compliance with the EU legislation.

Further modernization process of CAS largely depends on speed and degree of the modernization of CAS IT system according to already established requirements and standards (e-Customs, interoperability, interconnectivity, etc.). However, on the way to establishing modern electronic customs administration, CAS IT needs to improve IT Resource and IT Infrastructure management capacity by implementation of the Enterprise Architecture structure components, including business process design, applications and data modelling, data centre further development, network consolidation, improve the Security system of entire CAS IT system.

Along with the Authorized Economic Operator (AEO) and New Computerised Transit System (NCTS) – the new concepts which were introduced under IPA 2007 Customs Project and will be implemented under IPA 2011 Customs Project, there are two new instruments relevant in the anticipation of further modernization of the national customs system. Namely, Automated Import System (AIS) including Import Control System (ICS) and, Automated Export System (AES) including Export Control System (ECS) aim to computerize and facilitate customs procedures: transit, import and export so the data duplication would be

avoided at the EU level. The AIS should enable **an import** procedure started in one Member State to be completed in another Member State without a re-submission of the same data. The first phase of the implementation, Import Control System, is aimed to provide for the handling of pre-arrival declarations (under security and safety amendment Regulation and the link of the information with risk analysis). The purpose of ECS is to provide a solution, which will allow the customs officers to exchange electronic messages in order to automate the administrative flow of information, to elevate the effectiveness of controls against VAT, excise and other fraud, to expedite the flow of goods and to contribute to better supply chain security. The ECS apply to the movement of goods released for export and exported via another Member State, either covered by declarations made under the normal export procedure, i.e. where a full declaration is submitted to the office of export, or by incomplete or simplified declarations made under simplified procedures. At the same time the current version of ECS Phase 2 doesn't cover full functionality and the major missing functionality concern simplified procedures, partial / split exit via several offices of exit, connection between export and transit and export and the excise control system. It is proposed that the next phase of ECS which will provide the "missing" functionality and the required by UCC and its implementing and delegated acts adaptations to be called the **Automated Export System (AES)**.

DG TAXUD adopted the *EU Multi-Annual Strategic Plan (MASP v II)*. Annex 2 taking into account particularly the adoption of the Electronic Customs Decision and of the Union Customs Code. It provides for an overview of all projects directly or indirectly related to electronic customs in separate tables and its Annex 2 should be seen as an overall project management tool and as a commitment by all parties to respect the deadlines set out in it. Priority projects listed in Annex 2 are interlinked and in some cases even interdependent. **As two first listed are AIS and AES. Moreover, ICS and ECS are mandatory systems prior to EU accession.** In the case of Serbia, this is confirmed and reiterated in the reports of DG TAXUD Monitoring missions and Blueprints. Detailed recommendations are provided on the necessity for the national systems to continuously cope with interoperability and interconnectivity requirements and e-Customs, as the new Member States are expected to exchange information with the EC and other Member States on day one of accession.

The documents adopted nationally - the CAS Business Strategy 2011-2015, CAS IT Strategy 2011-2020 and CAS IT Tactical Plan 2011 – 2013, reflect the above recommendations and set the ground for a timely and planned phasing-in of the national customs systems in the EU environment and for aligning with the constantly changing requirements mostly set by DG TAXUD. For CAS to fulfil objectives given in those strategic documents is of utmost importance to begin preparations on introducing respective systems on time.

The CAS has made significant progress in the last five years with the assistance of the European Union (EU), the World Bank and other international donors, but the CAS is still undergoing a period of major but necessary change. Technology can be seen as a key strategic business facilitator and that is why implementing corporate business strategies and plans that incorporate ICT represent major task. The sophisticated usage of ICT within the AIS, AES is an opportunity for the CAS to strengthen its position as the vanguard of strategic societal and economic developments in Serbia.

In parallel with planning and upgrading of trade and exchange related systems as parts of accession requirements, the CAS has already invested significant resources in the construction of infrastructure at border crossing points (hereinafter BCP), as well as inland, but the situation is still unsatisfactory, some of the persistent problems being: inadequate housing, poor infrastructure, inadequate traffic capacity, etc.

The construction of new facilities, both at BCP and inland, in order to conduct integrated border management, would create the conditions for proper and efficient operation of border services (police, customs, inspection) and related services - freight forwarding, AMSS (Automobile and Motorcycle Association of Serbia), etc., and facilitation of traffic (both passenger and goods) and trade, including better results in the implementation of customs and other border procedures. The CAS is investor and responsible for overall work in the construction of BCP facilities, as the *only authority* that invests from national budget in the infrastructure of BPC for the benefit of all border services.

**In the period 2008-2011 the total value of investments from the national budget which CAS obtained, was approx. 34 million EUR**, related to modernization (construction, reconstruction and adaptation) of border crossings, customs offices and customs posts in more than 15 objects.

In the same period, the total value of EU donations concerning the investments in Customs infrastructure was approx 6.37 million EUR and the following projects were realized:

1. The construction phase Ia BCP Preševo
2. Adaptation of the premises of the Centre for Vocational Education CAS Headquarters,
3. Equipping 9 (nine) secondary BCPs with common control facilities for CAS and police (assembly type) from the CARDS 2006

According to the CAS Business Plan already for 2012, the priority BCPs planned for constructions/reconstruction, are the following:

1. Construction of BCP Gostun (to Republic of Montenegro)
2. Reconstruction of BCP Vatin (to Republic of Romania)
3. Construction of BCP Kotroman Phase 2 (to Republic of Bosnia and Herzegovina) – phase 1 of construction work is already done
4. Construction of BCP Bajmok (to Republic of Hungary)

Due to current economic situation and lack of financial resources, the planned activities are evidentially being delayed while at the same time IPA financing is being sought to complement national funds.

## **2.2 LINK WITH MIPD AND NATIONAL SECTOR STRATEGIES**

*The Multi-annual Indicative Planning Document for the Republic of Serbia 2011-2013 (MIPD)* in chapter on *Justice and Home Affairs* states: “An Integrated Border Management Strategy was adopted in 2006. However, in practice it is not always working smoothly and border controls need further improvements. Significant differences between border crossing points continue to exist.

In the *National Programme for Integration of the Republic of Serbia with the European Union* it is said that in the forthcoming period fiscal reforms will be continued, covering the improvement of the fiscal system and strengthening the Tax and Customs Administrations. Regarding CAS it is said that in period 2010-2012 investments are planned for border crossing points. Among others, following border crossing points are listed: Gostun, Vatin, Kotroman and Bajmok.

*The Public Administration Reform Strategy* aims to create a democratic society based on the rule of law, transparency, economy and efficiency; to create a service-oriented public administration capable of providing high quality services to the citizens and private sector. One of the goals is a modernized public administration supported by the state-of-the-art information technologies.

In order to help implement the SAA successfully, the Republic of Serbia has adopted the ***Integrated Border Management Strategy - IBM Strategy (Official Gazette 111, 22.11.2012)***. The concept implies that the borders should be open for trade and movement of people, for regional cooperation, both within the region and between the regions and the European Union. At the same time, the borders should be closed for criminal and other activities that jeopardize stability and security in the region. The whole region has to fight against organized crime, terrorism, illegal migration and human trafficking, particularly at border crossings. The role of CAS as one of the four IBM agencies is of the utmost importance.

***Strategy of the ministry of finance for successful European integration process*** regarding Chapter 29 – Customs union sets priorities and measures to be undertaken for its realization. In Section 8.3. *Identification of main gaps between the acquis and the national legislation* regarding Administrative capacity it is observed that Serbia generally has a good level of administrative capacity and it has recently been strengthened in the area of post-clearance controls and the risk analysis system. The country is also involved in regular activities under the Customs 2013 Program. The strategic planning process, both with regard to business and IT, should be reinforced. Further efforts will also have to be made in the area of simplified procedures, post clearance controls and audit. Major efforts will be needed to develop and operate all EU customs-related IT applications for tariff management, transit and security including the connection to the CCN/CSI gateway.

In Section 8.4. *Strategy for reducing the gaps regarding Interoperability and interconnectivity with the EU IT systems* the following is noted: “The customs service will have to ensure and demonstrate that all necessary EU IT customs systems (e.g. tariff related systems, NCTS, ECS, ICS and EOS) are in place and fully operable prior to the date of accession.

In December 2010 the ***CAS Business Strategy 2011-2015*** was adopted in which one of the strategic objectives is formulated as follows: In line with the EU IT standards, the CAS will promote the development of information and communication technologies, i.e. systems that fully support Customs Service operations, ensure risk management, facilitate trade, bring Customs Service operations to a higher level of efficiency and allow interoperability and interconnectivity with other systems.

The implementation of EU IT projects requires significant financial and human resources and several years are normally required for the introduction and full operability of each of the systems. On the basis of the **Customs Blueprints** and **The Business Strategy**, the comprehensive and coherent IT strategy is prepared to support the automatization of all the key business areas. The strategy also includes the roadmaps for achieving the interoperability with EU systems. All technical requirements of national IT strategies and plans are coherent with the EU IT interconnectivity requirements. Effective operational structures, related to IT interconnectivity, should be ensured.

Most of the EU IT systems are designed and can only be used for EU member countries. The IT system for the support of the transit system (NCTS) is one of the few which can be used in non-EU member countries, members of the Common Transit Convention. Joining the Common Transit Convention in the early stage will enable Serbia to connect to the common EU network (CCN/CSI) through the implementation of one of the important IT projects (NCTS) and to gain the necessary experiences for all others needed.

Links to the trade, private companies and economic partners should be strengthened to prepare the partners for working with EU legislation as well as to prepare them for the implementation of common IT systems.”

Further, more detailed elaboration is given in ***CAS IT Strategy 2011-2020*** and ***CAS IT Tactical Plan 2011 – 2013*** adopted in October 2011. NCTS as top priority is already being

addressed by the CAS with the support of timely planned assistance in the scope of IPA 2011 Program. In accordance with the prioritisation outlined within the IT Strategy, the NCTS is followed by AIS (ICS) and AES (ECS) – the preparation for introduction, which is being programmed within the present fiche. For the schematic overview of the ICT architecture and sequence in developing of IT systems for CAS, justifying timeliness of the planned interventions in accordance with the CAS IT Strategy, please refer to Annex 4 of the fiche.

The *Customs Risk Analysis and Risk Management Strategy* were adopted in 2008. It aims to decrease customs fraud and irregularities, increase the volume of collected import duties and increase the number of discovered offences. Serbia has made good progress in the area of customs. However, further alignment with the EU Customs Code is still required, in particular with regard to transit and risk analysis. There is also a need to strengthen customs operating procedures in order to reduce the discretionary powers of customs officers. Serbia's customs and IT infrastructure and procedures, risk-analysis system, post-clearance controls and human capital in this area need to be further strengthened.

Government of the Republic of Serbia has adopted the *National Strategy for Fight against Organized Crime*. Among its objectives are capacity building of all participating public authorities (including CAS), reinforcement of cooperation at the national, regional and international level, as well as the strengthening of cooperation among public authorities, the business community and civil society.

### **2.3 LINK WITH ACCESSION PARTNERSHIP (AP) / EUROPEAN PARTNERSHIP (EP) / STABILISATION AND ASSOCIATION AGREEMENT (SAA) / ANNUAL PROGRESS REPORT**

According to the *European Partnership* for 2008 (*European standards, Internal market, Customs and taxation*) within the short-term priorities it is recommended that CAS should complete alignment of the customs legislation necessary for the proper implementation of the SAA, strengthen its capacity to fight corruption, cross-border crime and tax evasion and strengthen enforcement capacity, especially in the areas of risk analysis and post-clearance audit. The medium-term priorities defined for the Customs and taxation are as follows: ensure continuous approximation of the customs and taxation as well as other fiscal legislation to the *acquis*, and continue to strengthen the administrative capacity to implement this legislation and fight corruption, cross-border crime and tax evasion; improve transparency and the exchange of information with EU Member States in order to facilitate enforcement of measures preventing avoidance or evasion of taxes.

The short-term priority within the *Justice, freedom and security (Visa, border control, asylum and migration)* highlights the importance to implement the Integrated Border Management (IBM) Strategy and strengthen cooperation between the IBM agencies. The medium-term priority is to continue to strengthen the capacity of the Border Police and the Customs Service, improve facilities at the border crossing points and enhance cooperation with the neighbouring countries in the fight against human trafficking.

Within the *Justice, freedom and security (Fight against organized crime and terrorism)* it is indicated that it is necessary to improve cooperation and exchange of information between all branches of the security services and with other states in order to prevent financing and preparation of acts of terrorism.

The medium-term priorities within the *Political criteria, Democracy and the Rule of Law, Public administration* are as follows: implement measures to develop human resources in the civil service, strengthen the policy-making and coordination of the public administration.

In *Analytical Report accompanying the Opinion on Serbia's application for membership of the European Union, published in October 2011* (3.29. Chapter 29: Customs Union) it is

stated that the EU *acquis* in this sector consists of the Community Customs Code and its implementing provisions, the EU's Combined Nomenclature (CN), the Common Customs Tariff including trade preferences, tariff quotas and tariff suspensions and other customs-related legislation outside the scope of the Customs Code. Member States must ensure that the necessary implementing and enforcement capacity, including links to the relevant EU computerized customs systems (tariff-related systems, NCTS, ECS, ICS, etc.) are in place. The customs authorities must also ensure adequate capacity to implement and enforce special rules laid down in related areas of the EU *acquis* such as on external trade, health and security.

The legislation on customs-related security initiatives, including authorised economic operators, has been adopted, but implementing provisions are missing. Post-clearance controls and the risk analysis systems have been relatively successful over the last year, but need to be used more frequently for systematic planning and execution of *ex-post* controls. The *risk analysis capacity* is also hampered by an insufficient IT system and lack of strategy. Customs perform a high percentage of physical controls but are not producing proportionate findings. Risk analysis and management need to be changed to a thematic system targeting risk control, similar to the system applied in the EU, supported by an adequate IT application.

In December 2010 the Customs Administration adopted a business strategy for 2011-2015. A customs IT strategy was adopted in early autumn 2011. The CAS currently uses the Information System of Customs Services (ISCS). There are plans to merge the ISCS with the Integrated Customs Tariff TARIS. Although around 90% of customs declarations are submitted electronically, data exchange for customs formalities is only partially processed through the IT system. In general, Serbia has progressed on customs computerisation and is planning future interconnectivity with EU customs IT systems. However, further upgrading of the customs IT systems is needed.

In 3.24. *Chapter 24: Justice, freedom and security* is stated that the disparities in infrastructure between border crossing points persist. Modernisation and upgrading of equipment and infrastructure are required, both at border crossing points and for surveillance purposes, including access to relevant Interpol databases.

Furthermore, in *Serbia 2012 Progress Report* (4.29. Chapter 29: Customs Union) is stated that here has been good progress on customs legislation. The Serbian government amended the decree on customs tariff nomenclature in November 2011 with the aim of aligning it with the 2012 EU Combined Nomenclature and with the liberalisation schedule of the Interim Agreement. Serbia increased duty relief for postal packages in October 2011. However, the rules are still not fully in line with the *acquis*. The Law on the Customs Service remains to be established and the classification practice is to be upgraded to EU standards.

Legislation has been adopted on customs-related security initiatives, including authorized economic operators. This legislation remains to be implemented. A regulation on the application of measures for the protection of intellectual property rights was adopted. However, the Customs Administration of Serbia (CAS) still needs to utilise fully the electronic exchange of data with IPR holders. An adequate legislative framework on cultural goods is to be established. The provisions on cash control remain to be aligned with the *acquis*. Preparations in the area of customs legislation are on track.

There has been some progress concerning administrative and operational capacity. The CAS has continued to improve its administrative capacity to effectively enforce the customs legislation. It applied integrity procedures for customs officials and stepped up the fight against corruption. Post-clearance controls and risk analysis systems were further strengthened by adopting a strategy for post-clearance audit, systematisation of procedures

and setting up of an electronic database of customs offenders. Auditing has been reinforced and the central customs administration has been authorised to carry out audits of individual customs offices. In December 2011, the State Audit Institution reported on faultless 2010 financial records for the CAS in December 2011. The coordination between CAS and the Ministry of Finance and Economy has also improved and new instructions have been issued on cooperation between the two entities. The CAS is establishing a fully functioning IT system based on interconnectivity between its various departments. Around 90% of customs declarations are submitted electronically and the concept of electronic signature introduced. It concluded that, **the legacy Customs Declaration Processing System (CDPS) will be integrated and step by step replaced by the new Trans European Systems** and a properly equipped and functioning customs laboratory is needed.

In terms of trade facilitation, the CAS implements the system for exchanging pre-arrival information with Bosnia and Herzegovina, Montenegro and the Former Yugoslav Republic of Macedonia. It continues to actively engage in international activities concerning the fight against illegal trade in goods (narcotics, oil and cigarettes) and cross-border movement control.

Customs procedures between Kosovo\* and Serbia have stabilised further since the adoption of two Belgrade-Pristina dialogue agreements on customs stamps and integrated border management (IBM). However, the situation at gates 1 and 31 remains complicated in terms of procedures to be applied. The Serbian side eventually signed the Implementation Protocol on IBM in September 2012, but it has yet to be implemented. In the meantime, the Administrative Border/Boundary Line (ABL) between Kosovo and Serbia remains vulnerable to illicit activities. Trade in goods between Serbia and Kosovo remains handled by the Serbian Tax Administration and its Special Department and not by the Serbian customs. This includes most excise goods. Customs procedures to guarantee the application of the *acquis* at the ABL with Kosovo have yet to be introduced.

Preparations in the area of administrative and operational capacity are on track.

*Overall conclusion* is that Serbia made good progress in the area of the Customs Union with the adoption of new laws and sustained efforts to enhance its administrative capacity, in particular in the audit and post clearance sector. Coordination between the customs administration and the Ministry of the Economy and Finance in charge of customs policy needs to be further improved. Serbia also needs to ensure the proper application of the *acquis* at the ABL with Kosovo. Customs related security legislation should be implemented and **the CDPS system will be integrated and replaced in the future by the new Trans European Systems**. Overall, preparations in the area of the Customs Union are well on track.

Likewise, (4.24. *Chapter 24: Justice, freedom and security*) the Progress Report outlines again the necessity of further modernisation and upgrading of equipment and infrastructure both at border crossing points and for surveillance purposes.

Article 99 of the ***Stabilisation and Association Agreement*** which refers to customs, emphasizes that the Parties shall establish cooperation in this area with a view to guarantee compliance with the provisions to be adopted in the area of trade and to achieve the approximation of the customs systems of Serbia to that of the Community, thereby helping to pave the way for the liberalisation measures planned under this Agreement and for the gradual approximation of the Serbian customs legislation to the *acquis*. Cooperation shall take due account of priority areas related to the Community *acquis* in the field of customs. There is an obvious direct link

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\* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/99 and the ICJ Opinion on the Kosovo declaration of independence

between the effective implementation of the SAA and CAS activities in Article 3, Article 9 and Article 18.

## 2.4 PROBLEM ANALYSIS

CAS is oriented towards the benefits for business community, by making sure that trade facilitation functions smoothly and efficiently. With simplified customs legislation, streamlined customs processes and procedures and convergence of IT systems, traders would save money and time in their business transactions with customs. Consequently it would enhance the competitiveness of European and Serbian businesses and improve safety and security checks, for the general benefit of all citizens.

Until now, several *Directorate-General TAXUD IT Monitoring Missions* to the CAS took place. Latest one *on the Assessment of Meeting the Conditions of Interconnectivity and Interoperability of EU IT systems* was in August 2011, and in its report it is stated: The existing Customs Declarations Processing System (CDPS) is not aligned with the DG TAXUD's interconnectivity & interoperability requirements. Moreover, one of the conclusions states: It is understood that current Export features will not be EU compatible at a short term horizon. The CAS experts are aware of EU initiatives on e-Customs and should be able to cope with all required functionalities in due time.

The CAS is using the *Directorate-General TAXUD Customs Blueprints* as practical guidelines laying down clear criteria based on the EU best practices against which a Customs Administration is able to measure its own operational capacity in order to analyse gaps between the existing situation and the blueprint standards and thus provide a basis for reform plans. DG TAXUD is continually updating the systems and introducing new technology in order to establish pan-European electronic customs systems. The Candidate and Potential Candidate Countries should maintain a close relationship with DG TAXUD to ensure that they are developing implementation plans based on the most recent system development of DG TAXUD. New Member States are expected to exchange information with the EC and other Member States on day one of accession. In July 1997, the Commission proposed a pre-accession strategy for applicants for membership of the European Union. Correct preparation of the customs administrations of the Candidate and Potential Candidate countries was identified as a priority and they have to be aware that there are on-going IT developments in the EU.

SAC IT Strategy is fully in line with CAS Business Strategy and Business Plan, which together define the strategic directions of the development and activities of the CAS. In this regard, the CAS supported by IPA 2011 project (started in December 2012) will in 27 months fully implement NCTS system and reach certain level in the area of AEO. This will be functional and technological basis for other pan-european customs IT systems (AES and AIS are among them). Also, CAS will gain necessary experience for implementation of projects of similar scale and complexity. The expansion of the CAS IT system in terms of capacity for processing and storing the data required by modern solutions that must include virtualization technologies, will provide a significant level of flexibility and reliability in the adoption and implementation of the services which would be most useful for the end users – users outside CAS IT system. It is therefore necessary to provide a high level of protection of new-consolidated CAS IT network in order to:

- preserve the confidentiality, integrity and availability of information,
- protect the IT assets and business processes from all kinds of security threats,
- prevent security incidents and minimize their impact on the business.

In addition, such a consolidated network will lead to significant cost reduction in maintenance and procurement of IT equipment as well as the cost reduction of entire CAS IT system. It should be noted this network will lead to a faster realization of business requirements, both internal and external, considering that new technology will be implemented which allows higher data rates and better managing of entire IT system.

In the area of **border management**, the Law on State Border Protection is being implemented and a cooperation agreement between the ministries involved in border management was signed in February 2009. Still, there are significant differences between the 82 border crossing points in the sense of technical and infrastructure capacities. There have been numerous illegal border crossings and illegal women and children migrants. The number of under-age victims continued to rise, which is a matter of concern. In this sense, a more comprehensive implementation of the Integrated Border Management Strategy through synchronised actions of security, trade, control and customs authorities is needed (involving at least the Ministry of Interior, Ministry of Finance and Economy – Customs Administration, Ministry of Agriculture, Trade, Forestry and Water Management). Customs authorities fulfil their protective functions, on one hand, by controls and checks of goods, vehicles and passengers at the customs posts and, on the other hand, by surveillance throughout the customs territory to ensure that all the customs formalities have been completed in line with the acquis. More importantly, the Customs Administration is the only authority that invests from national budget and responsible for all the works in the construction of border crossing point (BCP) facilities, with further beneficial effects to all the border services (functions in the competences of other state administration bodies).

According to the performed analyses, and according to the adopted Integrated Border Management Strategy where it is clearly stated that CAS is only authority for construction and reconstruction of border crossings, the priority BCPs planned for constructions/reconstruction within the *CAS Business Plan for 2012*, are:

1. Construction of BCP Gostun (to Republic of Montenegro)
2. Reconstruction of BCP Vatin (to Republic of Romania)
3. Construction of BCP Kotroman Phase 2 (to Republic of Bosnia and Herzegovina) – phase 1 of construction work is already done
4. Construction of BCP Bajmok (to Republic of Hungary)

Construction of the above BCPs is of great importance for the process of European integration and EU accession for the Republic of Serbia, considering the fact that these BCP are located on the present border of Serbia and the EU and that are at the same time significant road transport routes. Due to current economic situation and lack of financial resources for planned activities, there are not enough funds in the budget to satisfy the complete financial construction. Likewise, given the fact that the preparatory documentation for the listed BCPs is in different status respectively and that parallel intervention in all 4 BCPs would require concentration of significant amount of resources in relatively short term horizon, it has been decided to start the complete intervention with the BCP Bajmok. Therefore the present PF ensures the IPA funds to be joined with the national budget only for the works on Bajmok BCP. It is however envisaged that in accordance with the targeted deadlines during years 2012 and 2013, the CAS proceeds with own budget funds in preparation of the technical and project documentation necessary for constructions/reconstructions (infrastructure works) for all the 4 BCPs. Namely, in order to fulfil all the preconditions prior to construction works, CAS will carry out all necessary actions to acquire land and prepare the documentation. Those preparatory activities to be financed from the budget sources are divided into several phases applicable for all the 4 BCPs:

#### ***Phase I - Preparation of planning documentation***

- Detailed Regulation Plan

***Phase II - Obtaining land as property of the Republic of Serbia, for the CAS***

- Declaration of public interest by the Government of the Republic of Serbia
- Expropriation and administrative transfer of land
- Implementation in the Cadastre

***Phase III – Conducting procurement of services for development of technical documentation and technical control of the Main Project***

***Phase IV - Technical documentation***

- Obtaining location permit
- Feasibility Study with Preliminary Design
- Review Committee
- Final design
- Technical Review of the Final Design
- Obtaining a building permit

Subsequently, it is envisaged for the following two phases to be funded by IPA resources secured within the scope of PF 2013 for the BCP Bajmok:

***Phase V*** - Professional supervision of construction/reconstruction works – carrying out of a service contract for supervision

***Phase VI*** - Construction of BCPs – carrying out the works contract for improving facilities at four prioritised border crossing points

Phases V and VI shall actually most probably be carried out in parallel, with the option that the supervision activities are launched even somewhat before the works start. Supervision shall probably continue for a period of time after completion of works, with the adjustable dynamics throughout the duration.

And finally in last phase CAS would finalize the work:

***Phase VII (Customs)*** - Technical acceptance of works and obtaining occupancy permit.

For the first four phases the CAS will invest in total approximately 1 million EUR for the 4 BCPs in question.

Border crossing Bajmok is the interstate crossing between Hungary and the Republic of Serbia, and therefore it was used only by nationals of the two countries. The border crossing was opened formally in 1991. At the moment on Serbia's side are only two traffic lines, with no shelter for the vehicle and passengers, with the object - container type with minimum capacity for the police and customs, without any amenities and facilities. Since 2013 border crossing Bajmok is being used by EU citizens and citizens of the Republic of Serbia; the traffic at this crossing has to be made by passenger cars and passenger vans, while the traffic for trucks, buses and commercial vans is prohibited. The border crossing currently only works per day from 08:00 to 18:00 in the summer period (from 01.05-30.09), and from 08:00 to 16:00 in winter (from 01.10-30.04). At the border crossing on Serbia's side there is no customs information system and computer equipment, or other ancillary services (exchange, freight, mail). As for the Hungarian side, the reconstruction of their border crossing was completed in 2006. It contains eight lanes (four in each direction) and it is equipped with modern facilities. According to CAS data, in 2011, this border crossing was passed by 23778 cars and 54938 passengers.

Inadequate capacity and quality of existing facilities, the lack of certain facilities and structures (necessary for the proper functioning of the border), and incompatibility with the quality and capacity of border crossings into neighbouring Hungary, necessitates for the construction and modernization of GP Bajmok. The land is owned by CAS and the location permit has been granted to CAS recently. Also, the realization of this project is of great importance for the process of European integration and EU accession of the Republic of Serbia, as this border crossing is located on the border of Serbia and the EU.

## **2.5 LINKED ACTIVITIES AND DONOR COORDINATION**

Republic of Serbia benefited from the EU-funded CARDS programme that supported regional actions such as the promotion of integrated border management, development of modern customs procedures and building the capacities of State institutions.

CAFAO, through the EU funding, assisted the CAS in its modernization process from 2002 to 2008. CAFAO assistance has been particularly useful in introducing new institutes and operational methods.

As a continuation of the CAFAO Programme, the Regional Programme TACTA (Technical Assistance to Customs and Tax Administration) was implemented and financed by EU funds for multi-beneficiary IPA 2007 aimed at institution and capacity building in the Western Balkan countries in the context of their preparation for future EU membership, and development of harmonized customs and taxation processes and systems in the area of internal market.

The Regional Blueprints Exercise on Customs and Taxation was a technical assistance project funded by the European Commission as a multi-beneficiary IPA 2009 project in order to continue supporting the tax and customs administration in the Western Balkans and Turkey with their reform process in view of the EU integration. The Project was aimed at performing a synchronized assessment of the administrative capacity of the Customs and Taxation Administrations in the Western Balkans and Turkey by using the framework offered by the EU Customs and Fiscal Blueprints.

CAS participated in Multi-Beneficiary IPA 2007 “Regional support to the update, implementation and monitoring of the Integrated Border Management (IBM) strategies and related Action Plans and development of regional and cross border initiatives” (2008/208-777). Its objectives were to ensure a regionally harmonised implementation of the national IBM strategies and the associated Action Plans (AP), to further enhance regional co-operation through the sharing of best practices and lessons learned in implementing the IBM model, the establishment of common standards and procedures, the improvement of operational cooperation, and the intensification of communication and information exchange, to support cross-border inter-agency cooperation and to further support the development of compatible information systems.

Project related to the Systematic Electronic Exchange of Data (SEED) which is funded by the European Commission, first managed by the I.T.A.C.A. (International Technical Assistance to Customs and Tax Administrations) consortium and then approved within Multi-beneficiary IPA 2010 provides positive results.

The CAS is active participant of the River Information System (RIS) which is in charge of continuous surveillance of the movement of all vessels on the Danube in real time.

Serbian Customs Administration is among stakeholders of IPA 2010 Project against Money Laundering and Terrorist Financing in Serbia.

Within IPA 2007 national programme for Serbia, Ministry of Interior implements project *Improving Border Control Standards*. The purpose of this project is to introduce EU standards of Border Security and Management at Serbian borders and enhance the flow of commerce, trade and persons and reduce criminal activities. The project is implemented through one twinning and one supply contract.

In the area of cooperation with the World Customs Organization (WCO), since 2006 the CAS has participated in the Columbus Programme for capacity building, with the aim to implement the Framework of Standards to Secure and Facilitate Trade (WCO SAFE FoS).

CAS benefited from the project on IT support for the Integrated Tariff of the Customs Administration of Serbia-TARIC within the Norwegian Bilateral Assistance. Concerning Community programmes, the EU has co-financed Serbia's participation in the Customs 2013 Programme. Dealing with issues such as securing the EU's external border, the prevention of money laundering and trade in counterfeit goods require the effective use of common control mechanisms alongside strong cooperation both between customs administrations, between them and traders as well as between the European Commission, national customs services and businesses. The Customs 2013 is a tool designed precisely to support this kind of strengthened cooperation. It connects customs services across borders, fosters the exchange of information and ensures that the Modernised Customs Code and other EU rules are implemented and applied in a uniform manner. Thus, there is a greater certainty that the Member States' customs and tax administrations interact efficiently based on modern and efficient computer-based systems and IT technologies that have become indispensable to facilitate legitimate trade while combating fraudulent activities. On 27 February 2009 the Republic of Serbia joined the Customs 2013 Programme by signing the Memorandum of Understanding between the Government of the Republic of Serbia and the European Community on participation of the Republic of Serbia in the European Community "Customs 2013" Programme. The Memorandum, by which the Serbian Customs Administration implements the Decision 624/2007/EC, came into force on 21 April 2009. Training within Customs 2013 so far has included: Programme Management, Training, NCTS, Measurement of Results and Performance Measurement.

This project is compatibly and logically linked to the prior projects under IPA 2007, IPA 2008 and IPA 2011 programmes. Within IPA 2007- *Capacity building of the customs administration for the full implementation of the Common EU transit system*, Interconnectivity and Interoperability Strategy and Action plan were developed, underlining the importance of ICT and adoption of the EU standards and best practices. Under IPA 2008 - *Harmonisation of the Customs Enforcement Division with the standards, organisation and operational methodologies of the EU enforcement agencies*, enforcement capacities are enhanced and the EU systems on risk analysis and risk management and indirect taxation are introduced. IPA 2011- *Modernisation of the customs system*, aims to fully implement NCTS and risk management and AEO.

Successful completion of the IPA 2007 project led to IPA 2011 *Modernisation of the Customs System* in which one of most important results will be bringing Serbian customs Transit system and procedures in line with Common Transit Convention rules and NCTS through the implementation of an NCTS compatible National transit application, and subsystems needed for its full performance (e.g. Guarantee management system for the NCTS and Authorisation Management System). There will be no duplication, as IPA 2013 will specify which of the subsystems implemented through IPA 2011 can be used as such for full performance of AIS, AES, and which ones need to be upgraded and/or updated. There will be a roadmap created for implementation of AIS, AES, which will specify priorities, order and feasible time scope.

Furthermore, in that manner CAS will on time start the procedure of providing funds for the implementation of AIS and AES. In that sense, as a good practice, IPA 2013 would create conditions and performed necessary preparations for implementation of AIS and AES, as IPA 2007 created conditions and performed necessary preparations for implementation of NCTS.

Overlaps with the previous linked projects are avoided because this project prepares CAS for introduction on new systems. Additionally, financial resources for AIS (ICS) and AES (ECS) are not sought from other donors.

CAS Department for investments and facilities maintenance is engaged in the management of investment projects, contracting services, making urban planning and design documentation, construction contracting and supervising the construction works. The contracts are the result of public procurement carried out by the Department of investments and facilities maintenance, the Department also initiates the procedure of declaring general interest for the location if necessary, and resolves property rights matters in the process of expropriation. The annual average of realized contracts that have been dealt by the Department during the period 2008-2011, was of the value of approximately 10 million €. This shows significant logistical capacities and huge experience in the area of infrastructure projects.

## **2.6 Lessons learned**

Taking into account past and on-going projects strategic planning and changes in management have become crucial for further development. New systems are more than national systems as they have to comply not just with national laws and *acquis*, but also with EU technical requirements for harmonization of customs IT system.

In order to implement all the necessary changes on way to harmonization with EU systems, it is crucial to develop and maintain close cooperation with all border services. This cooperation includes mutually planned activities in preparatory phases in border crossings modernisation projects and common usage of equipment which is used for targeted control of passengers, goods and vehicles. In line with Integrated Border Management Strategy, all border services are obliged to exchange information and perform common controls and procedures. Designing and constructing of border crossings leads to the better working conditions for all services in the zone of border crossing.

Furthermore, with the growing portfolio of projects implemented by national institutions, it became absolutely necessary for the CAS to follow-up on the interventions and developments planned by other stakeholders whenever there is an opportunity in achieving greater impact by joint and inclusive approach. As presented in the section 2.5 above, the CAS participated and contributed in a number of projects principally coordinated by other institutions, and vice versa, in the design of its own projects and programs the CAS has been involving related national services. In the same spirit, the CAS shall be at the disposal for any necessary cooperation with regards to implementation of measures in the scope of the Home Affairs Sub-sector fiche IPA 2013, particularly the ones concerning fighting organised crime in the trafficking in human beings and the implementation of asylum policies in line with international and EU standards.

CAS has already learnt in significant number of projects importance of dedication and resource allocation for achieving results that represent objectives of the project. Through IPA 2007, followed by IPA 2011 project, CAS already experienced introduction of one mandatory system for acceptance into EU (NCTS), and hardware procurement that is delivered and installed. Taking into account amount of funds spent on different types of works in recent years, CAS proved that construction projects can be prepared as well as realised successfully. The

significant experience gained during that period is beneficial for all kinds of future construction works.

### **3 DESCRIPTION**

#### **3.1 OVERALL OBJECTIVE OF THE PROJECT**

The project overall objective is to improve the quality of the services the Customs administration is providing to Business Society and Citizens, increase the capacity of CAS, strengthen the function of border control and customs administration to improve the fights against illegal migration.

The implementation of AIS (ICS) and AES (ECS) are key milestones for the CAS's obligations on its European integration roadmap and important elements for the improvement of the quality of services, information exchange and efficiency of the operations. In this regard, further support to the modernisation and improvement of the functioning of CAS is necessary in order to facilitate the further implementation of the systems, which will be preceded by preparing conditions with this project: legislation and organization improvements, focused cooperation with Traders and other Target Groups, knowledge transfer from other European administrations, update of the IT Strategy and IT Tactical plans, Design of the Enterprise Architecture of CAS, network and communication infrastructure consolidation and security management system of entire IT system have to be in place.

In order to facilitate trade, speed up border formalities, improve the control, besides modernisation of Business and IT, it is of utmost importance to start with the most mature and urgent construction of border crossings – Bajmok BCP in the case of this PF.

#### **3.2 SPECIFIC OBJECTIVE(S) OF THE PROJECT**

The project purpose is to create conditions for implementation of AIS (ICS) and AES (ECS) and upgrade priority border facilities and infrastructure at Bajmok Border Crossing Point, thus ensuring modernized and smooth electronic interconnectivity and physical interoperability with other customs authorities at EU and bordering space.

Elaborated in more details, the purpose of the present project can be presented as follows:

- Prepare the framework (legislation and administrative procedures, CAS re-organization, technical and functional specifications, test strategy and test plan / test cases) for the implementation of AIS(ICS), AES(ECS) and Customs/Authorization Decision Information Systems, improve the IT Resources and IT Infrastructure management and prepare the conditions for information exchange and collaboration between the Traders, CAS and the other European Customs Administrations;
- Provide the necessary hardware and software necessary for its' functioning for the Applications implementation, System Integration, Enterprise Architecture Design, Network and Communication Infrastructure Consolidation and implementation of IT Security policy;
- Ensure efficient and effective customs and integrated border control at Bajmok by the construction of new Border Crossing Point facilities and infrastructure.

### **3.3 RESULTS**

#### **Component 1**

##### **Result 1:**

Preparations completed for the implementation of AIS(ICS), AES(ECS) and Customs/Authorization Decision management system as the necessary systems for efficient information exchange between Traders, CAS and other European Customs Administrations

##### Indicators

- 1.1 Legislative, administration and customs procedures changes introduced and adopted*
- 1.2 Functional and technical Specifications and Test Strategy and Test Plan accepted by CAS*
- 1.3 Increased awareness among Traders*

##### **Result 2:**

Improved efficiency of the customs operations by implementation of modernised CAS IT Infrastructure and IT Resources management tools.

##### Indicators

*Necessary hardware (and software licenses necessary for its' functioning e.g. operational system, database, etc.) procured and operational*

- 2.1 Efficiency of CAS IT network improved in terms of capacity and speed:*
  - 2.2.1 Improved capacity of the CORE network*
  - 2.2.2 Improved network bandwidth in small Customs Posts (up to 5 employees in one shift)*
  - 2.2.3 Improved network bandwidth in middle Customs Posts (from 5 to 20 employees in one shift)*
  - 2.2.4 Improved network bandwidth in middle Customs Posts (over 20 employees in one shift)*
  - 2.2.5 Decreased downtime in remote Customs Posts (up to 200 km from Headquarters in Belgrade)*
  - 2.2.6 Decreased downtime in remote Customs Posts (more than 200 km distance from Headquarters in Belgrade)*

#### **Component 2**

##### **Result 3:**

Conditions created for improving efficiency of border management (decrease in illegal transit and increase the cross border trade and movement of persons) between Serbia and Hungary by construction of infrastructure at BCP Bajmok.

##### Indicators

- 3.1. BAJMOK BCP fully constructed*

### **3.4. MAIN ACTIVITIES**

Indicative activities that are planned under this PF are grouped according to the two major components.

The achievement of the results 1 and 2 under component is envisaged with the undertaking of following activities:

Activities related to the Result 1:

- 1.1. Conduct detailed analysis of the legislation, administrative and customs procedure regulations and provide recommendations for alignment of the Serbian Customs legislation and customs procedures to the Union Customs Code (UCC) and the delegated acts and implementing acts in accordance with new empowerments.
- 1.2. Conduct analyses of the CAS organization and provide recommendation for the CAS re-organization and draft the proposed / accepted changes in the Systematisation act.
- 1.3. Establish Institutional framework for permanent communication with the Traders Groups and drafting the institutional regulations for collaboration. Conduct surveys on awareness of Traders Groups about new customs interconnectivity systems at the beginning and at the end of the project.
- 1.4. Draft the Functional and Technical Requirements for the implementation of AIS (ICS), AES (ECS) and Customs/Authorization Decision management information system.
- 1.5. Draft the Testing Strategy and the Test plan (test cases) for AIS(ICS), AES(ECS).
- 1.6. Provide trainings and knowledge transfer for the methodology, customs procedures and IT, including the conduct of Study visits to EU Member State country.

Activities related to the Result 2:

- 2.1. Update the IT Strategy and IT Tactical Plan and establish the Enterprise Architecture (EA) Framework and design the Customs Enterprise Architecture.
- 2.2. Conduct analyses and provide recommendations related to the development of the IT Security policy principles, Systems Integration design and Service Oriented Architecture concept.
- 2.3. Procure necessary hardware and software licenses necessary for the operations of the “new” Trans-European Systems (TES), System Integration and Enterprise Architecture design (including Servers, extension of the capacity of the storage equipment, networking components and network traffic management tool, ARIS Software licences for Business process modelling, applications architecture, data architecture and infrastructure architecture, used in DG TAXUD as a tool for information exchange and EA development, Enterprise Service Bus technology to assure a smooth system integration path, software licenses for Service Desk software, as important component of the service oriented organizational approach).
- 2.4. Conduct implementation and commissioning of the purchased equipment and software. Conduct Training of the users for the procured equipment and software.

In the implementation of the indicated activities, wherever suitable and particularly for the training purposes, seminars, workshops, etc., due consideration shall be given to gender equality in proportions of the participants/trainees, if possible.

This component (encompassing the two results) will be implemented through three contracts:

- **One service contract** to provide **technical assistance** for the legislation and customs procedure alignment, re-organization planning, collaboration with the Traders, specific Customs procedure and IT Trainings, update of the IT Strategy, development of the Enterprise Architecture components and organization, drafting IT Security principles, Service Desk operation manual and systems integration approach (i.e. technical assistance for the Results 1 and 2).

- **The purchase** of hardware and software licenses necessary for its' functioning for: 1) AIS, AES and Customs Decision Management System (Result 1.), 2) System Integration and Business Process Modelling and for implementation of network consolidation, improvement of communication infrastructure and security system, as well as carrying out adaptation works for equipment accommodation if necessary (Result 2.), shall be ensured through **two supply contracts respectively**.

The achievement of the Result 3 under the component is envisaged with the undertaking of following activities:

- 3.1 Carry out construction works on BCP Bajmok in accordance with project documentation
- 3.2 Undertake communication with other relevant governmental agencies and organizations related to project implementation;
- 3.3 Carry out supervision over the construction works at BCP Bajmok

This component shall be carried out through two contracts:

- **One works contract** for improving facilities at BCP Bajmok.
- **One service contract** for carrying out professional supervision of construction works

#### **3.4 ASSESSMENT OF PROJECT IMPACT, CATALYTIC EFFECT AND CROSS BORDER IMPACT**

By creating conditions for implementation of AIS (ICS) and AES (ECS), CAS would be prepared for its implementation after this project. Purposes of implementing AIS (ICS) and AES (ECS) are numerous: fast reception and treatment (notably, risk analysis) of the entry summary declarations; better control of movements and a more rational use of resources available for control; full control of the export/exit of goods from the customs territory and more efficient handling of exiting movements at the offices of exit. The economic operators would profit by the possibility to lodge the entry summary declaration at a different customs office than the customs office of first entry, an early confirmation of the operation, allowing for faster accounting of VAT deductions, export refunds, etc. The CAS has embarked to implement its comprehensive modernization programme, and the activities envisaged in this project are complementary to the CAS reform process. Thus, sustainability of the project impact is ensured, and the results achieved will continue to be implemented by the CAS.

The CAS will further improve implementation of customs procedures with the aim of efficient collection of import and other duties, while maintaining the tendency of reducing the costs borne by foreign trade companies, carriers and passengers. Currently, the improvement of the business activities of the CAS, Serbian companies and competitiveness of the economy is slowed down, since the documentary control in the clearance procedures is still carried out for the most part by engaging human resources, which might lead to obstacles to simplified procedures and increase corruption. Simplified procedures aimed at cutting down on the costs of compliant foreign trade companies, carriers and law-abiding passengers will be of great benefit for the CAS, since the officers will be free of dealing, among other things, with low risk goods, and of duplications of procedures, and enable them to focus on high risk goods and improve the services provided to clients.

According to the CAS Business Strategy, the CAS will need to upgrade or replace the existing systems in order to achieve better efficiency. In addition, as part of the CAS business standards, it is clearly stated that the highest possible level of utilisation of new information technologies that facilitate customs procedures as well as both internal and external communication shall be sought. Furthermore, appropriate IT tools and state-of-the-art technologies independent from the hardware platform and based on open standards shall be applied. This project is dealing with the above mentioned strategic objectives of the CAS.

The CAS has decided to launch the development of the IT systems to support the CAS Business Strategy. As a result of the Business Strategy, the CAS prepared the new IT Development Strategy for the next ten years (2011-2020) and a three-year Tactical Plan (2010/342942 Europeaid/127054/c/ser/multi) in line with the best practices applied by other EU customs administrations within the guidelines and mission reports provided from DG TAXUD. The new IT Development Strategy also aims to deal with the IT system development strategic goal of the CAS. Main goals of this project - introduction of AIS and AES are clearly outlined in the above mentioned strategic documents.

Constructed BCP Bajmok with more lanes (better roads and its capacity and better quality) and accompanying service will not just facilitate the trade, improve control efficiency and become benefit for the passengers and traders: increase in trade will have positive impact on the overall economy which will in turn provide new employment opportunities for the population. The effect will be seen not just in Serbia, but in neighbouring countries as well.

This all means that the project activities have been designed in consultation with on-going and planned activities in the sector and therefore synergy is guaranteed. The project results will assist other projects working in the field of economic development as well public finance management.

Regarding catalytic effects, a more cooperative, modernized, paperless oriented, transparent and efficient customs administration with better infrastructure stimulates compliance of all the economic actors within the system, improve business level accounting practices and transparency, in general improving economic development of the Republic of Serbia.

Creating modern conditions for free movement of people, goods, capital and services, as well as implementation of projects of common interest, especially those related to border management and fight against organized crime, corruption, money laundering, illegal migration and trafficking, would be a key factor in the development of relations between neighbouring countries and strengthening regional stability.

Territorial cohesion, competitiveness and sustainability of the neighbouring countries and its development through co-operation in the economic, social and environmental spheres across administrative borders will be strengthened. Improved infrastructure and improved environment on both sides of the border will enhance access to transport, information and communication services, and cross-border systems for utilities and environmental protection.

Economic synergies in the region will be increased and the capacity for joint use of shared regional potential will be improved, leading to solid framework for (cross-border) business support, partnerships (particularly in sectors such as culture, tourism, research and development, environmental protection, education), active exchanges of best practices, and joint regional planning and preparation of the region's economic sector for participation in the EU market.

### **3.5 SUSTAINABILITY**

All IT activities shall be prepared and developed in collaboration with the staff of CAS. The solution owner is CAS and maintaining of the overall CAS IT system is financed from the national budget which is a guarantee of sustainability.

Although new functions of the CAS IT system are based in CAS strategic documents, they are also covered on certain regulatory level (regulations, manuals, etc.), and as such they will be mandatory for all the users of CAS IT system, which means that all the outputs accomplished by this project will be in function of normal operating of CAS, which is guarantee of utilization and sustainability of the project outputs.

CAS as one of the authorities within Ministry of Finance and Economy in line with adopted Integrated Border Management Strategy: "CAS provides the budget for the construction, reconstruction, renovation and rehabilitation of facilities at border crossings and border crossings maintenance, executing works at border crossings for all border services from the national budget funds which are approved to the CAS and performs other duties in accordance with laws and regulations ". According to organisational structure of the CAS, there is professional and responsible Department for investments and object maintenance. The competence built up throughout this project is in the long-term function of harmonization of the Serbian customs system to the EU customs systems. Sustainability, after project completion, is ensured by the selection of the CAS trainers whose roles will be to update gained knowledge on a permanent basis and to transfer/share them with other customs officers, using wide range of manual and guidelines

### **3.6 ASSUMPTIONS AND PRE-CONDITIONS\***

Assumptions that should be considered are:

- The Government maintains consistent policy and commitment to the EU accession
- Capacities to follow-up the innovations in EU customs procedures maintained
- Co-financing resources secured
- Willingness and capacity of customs high-level management to introduce innovation into practical management
- Full commitment of the parties involved
- Successful selection of the best consultants and companies
- Sufficient absorption capacity and customs ownership of the project

For the implementation of the proposed project, there are several pre-conditions fulfilment of which is upon the national administration:

- Technical specification for the equipment timely prepared;
- Storage and installation space for the equipment available at CAS premises
- All the necessary permits conditioning the start of works as well as complete project documentation in place

## **4 IMPLEMENTATION ISSUES**

### **4.1 INDICATIVE BUDGET**

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\* Assumptions are external factors that have the potential to influence (or even determine) the success of a project but lie outside the control of the implementation managers. Such factors are sometimes referred to as risks or assumptions but the Commission requires that all risks shall be expressed as assumptions. Pre-conditions are requirements that must be met before the sector support can start.

**Indicative Project budget (amounts in EUR)**

PROJECT TITLE			SOURCES OF FUNDING										
			TOTAL EXPENDITURE	TOTAL PUBLIC EXPENDITURE	IPA CONTRIBUTION		NATIONAL PUBLIC CONTRIBUTION						PRIVATE CONTRIBUTION
IB (1)	INV (1)	EUR (a)=(b)+(e)	EUR (b)=(c)+(d)	EUR (c)	% (2)	Total EUR (d)=(x)+(y)+(z)	% (2)	Central EUR (x)	Regional/Local EUR (y)	IFIs EUR (z)	EUR (e)	% (3)	
Component 1			3,850,000	3,850,000	3,372,500	87.6	477,500	12.4	477,500				
Contract 1.1													
Service contract for IT improvements and new systems under results 1 and 2.	X		2,000,000	2,000,000	1,800,000	90	200,000	10	200,000				–
Contract 1.2													
Supply contract for AIS/AES equipment		X	1,300,000	1,300,000	1,105,000	85	195,000	15	195,000				
Contract 1.3													
Supply contract for general ICT network		X	550,000	550,000	467,500	85	82,500	15	82,500				–
Component 2			2,850,000	2,850,000	2,435,000	85.4	415,000	14.6	415,000				
Contract 2.1													
Service contract - Supervision for the BCP Bajmok	X		250,000	250,000	225,000	90	25,000	10	25,000				–
Contract 2.2													
Construction works		X	2,600,000	2,600,000	2,210,000	85	390,000	15	390,000				–

for the BCP BajmokWorks Contract													
TOTAL IB		2,250,000	2,250,000	2,025,000	90	225,000	10	225,000					
TOTAL INV		4,450,000	4,450,000	3,782,500	85	667,500	15	667,500					
<b>TOTAL PROJECT</b>		<b>6,700,000</b>	<b>6,700,000</b>	<b>5,807,500</b>	<b>86.68</b>	<b>892,500</b>	<b>13.32</b>	<b>892,500</b>					

**National co-financing** for all the contracts is to be ensured via financial plans of the Ministry of Finance and Economy – CAS and channelled through National Fund

## 4.2 INDICATIVE IMPLEMENTATION SCHEDULE (PERIODS BROKEN BY QUARTER)

Contracts	Start of Tendering/ Call for proposals	Signature of contract	Project Completion
Contract 1.1 - Service contract	T + 1Q	T + 4Q	T + 14Q
Contract 1.2 – Supply contract for AIS and AES	T + 4Q	T + 6Q	T + 11Q
Contract 1.3 – Supply contract for general CAS IC network	T + 2Q	T + 4Q	T + 9Q
Contract 2.1 – Service contract (supervision of works)	T + 1Q	T + 3Q	T + 15Q
Contract 2.2 – Works	T + 1Q	T + 4Q	T + 14Q

### For Project Component 1:

- Procurement documentation for Contract 1.1 is going to be prepared in cooperation between CAS and CFCU;
- Technical specification for procurement of hardware equipment (and software licenses necessary for its' functioning e.g. operational system, database, etc.) for Contract 1.2 (AIS and AES) is going to be partially prepared within needs assessment through Framework Contact that will commence prior to the implementation of Contract 1.2 and finalized during its implementation. Production of procurement documentation for this contract, including review of hardware (and software licenses necessary for its' functioning e.g. operational system, database, etc.) specification, is going to be done in cooperation between CAS and CFCU. Implementation should be planned for the later stage of project implementation;
- Technical specification for procurement of hardware equipment (and software licenses necessary for its' functioning e.g. operational system, database, etc.) for Contract 1.3 is going to be prepared within separate Framework Contact which refers to consolidation of CAS communication network and which is currently being agreed with EU Delegation to the Republic of Serbia. Production of procurement documentation for this contract, including review of hardware (and software licenses necessary for its' functioning e.g. operational system, database, etc.) specification, is going to be done in cooperation between CAS and CFCU. Preparedness of procurement documentation is condition for achieving the envisaged Result 2 and implementation of the respective activities. However, as the technical assistance within the service contract 1.1 is expected to provide systemic guidance with consolidation of the communication network of the CAS, it is estimated very beneficial that the technical assistance team is given opportunity to provide up-to-date inputs to the prepared technical specification for the planned supply (contract 1.3) before it is launched. This is expected to be a rather brief assignment for the TA team which could coincide with their inception phase. Launching of the supply tender is therefore planned shortly after introduction of the technical assistance (in accordance with the table-schedule above)

### For Project Component 2:

- Preparatory actions for construction works are financed from the national budget and CAS is authority responsible for their implementation (production of Urbanity Documentation, Terms of Reference, Feasibility Study, Project Concept and Main Project, land procurement, etc.).

- Procurement documentation for Contract 2.1 is going to be made in cooperation between CAS and CFCU. Professional supervision logically needs to follow the complete duration of the envisaged works, so for the most substantial period of time contracts 2.1 and 2.2 are planned to run in parallel. However, it is very likely that supervision activities shall have to be launched even somewhat before the works start, and continue for a period of time after completion of works, with the adjustable dynamics throughout the duration. This is why the indicative time schedule for supervision service contract is envisaged for the largest number of quarters as presented in the table above.
- Procurement documentation for Contract 2.2 is going to be prepared in cooperation between CAS and CFCU. CAS Investment and Facility Maintenance Department has long experience in producing procurement documentation for works and services (whereby estimated values and technical characteristics are similar to those in this project). For the Component 2, Contract 2.1 has to be launched first, as the professional supervision will follow the overall construction work on Bajmok BCP. The sequence of border crossing is given in table above.

When it comes to the implementation issues, to all the institutions dealing with preparatory steps for the implementation and with the implementation itself, it is advised to promote gender equality principles and requirements whenever possible, as evidenced in tender documentation, through the evaluation and selection aspects, etc.

### **4.3 CROSS CUTTING ISSUES**

Cross-cutting issues will be addressed in the project so as to comply with the best EU standards and practice in that area and in a way which demonstrates how they will be dealt with within the project's framework, its activities and outputs.

Cross-cutting issues will be addressed in a proactive manner, and will present a specific component of projects (at all levels of projects' development, starting from the project identification stage). Synergies between the projects and the objectives of will be identified and developed. Also, the projects' objectives and activities need to be screened in order to ensure they will not impact negatively on gender equality, minorities' inclusion and environment.

#### **4.3.1 *Equal Opportunities and non discrimination***

Based on the fundamental principles of promoting equality and combating discrimination, participation in the project will be guaranteed on the basis of equal access regardless of sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation. Participation in the project will require different qualifications and competence in the particular area and will allow an equal opportunity for women and men to participate in implementation of the project. For example, the selection of the CAS trainers will not be based upon gender criteria, but according to their knowledge, experience and capability to train other customs officers. The CAS has an equal opportunity policy with respect to recruitment and promotion. Also, within the CAS many positions at all levels of management are held by female staff. Equal participation in this project of women and men will be enforced at the start of the project. All periodical progress review reports and other interim reports will include a specific chapter providing detailed explanations on measures and policies taken with respect to this equal opportunity for women and men and will provide measurements of achievement of this goal

#### **4.3.2 *Environment and climate change***

The environmental issues will be addressed throughout the project implementation, which will have no harmful effect on the environment. The project emphasizes environmental protection and will endeavour to ensure that proper safety standards are secured through tighter control of these substances at the borders. As one of the project results will be focused on the preparation of implementation of computerized systems and paperless communication, the project takes due cognizance to environmental issues. Also, the project team will use electronic method of communication, the printing will be reduced and recycled paper will be used. Measures for reducing pollution from road (e.g., fuel quality control) will have to be promoted as subsequent implementation of the project is likely to increase road traffic at and along the borders.

With environmental aspects of the project when it comes to works at BCPs deals not just Feasibility study, but also the Study of the environmental impact, which is obligatory part of the technical documentation.

Impact Study includes:

- -The quality of air, water, soil, noise level, vibration intensity, heat and radiation;
- -Health of the population;
- -Climate and meteorological characteristics
- -Qualitative review of possible changes in the environment during construction works;
- Natural resource-specific values and landscape features, etc.

#### **4.3.3 Minorities and vulnerable groups**

Serbia has demonstrated its commitment to further improve human and minority rights by signing and ratifying a number of international conventions in this area (also foreseen in European laws and standards). Improved customs procedures at the borders will not only facilitate trade and ensure revenue, but will also enable Serbia to meet its obligations under international security and policing conventions such as sensitivity to the presence of minorities in border areas. Customs procedures, whether conducted at borders or inland of the territory of Serbia, are performed equally for all participants in customs procedures. Furthermore, in the case of discovering any discrepancies in them, Serbian customs officers act according to the Customs Law and other relevant legislation, which do not recognize belonging to any group (minority, majority). Simply said, person who brakes any legislation regarding performance of customs duties and tasks is treated in line with the conducted violations, regardless of her/his personal characteristics and/or belonging to any group. Bearing in mind previously mentioned, it is clear that non-discriminatory principles will be fully observed throughout implementation of the project.

#### **4.3.4 Civil Society/Stakeholders involvement**

With regards to results concerning the preparations for implementation of AIS and EIS, within the CAS it will be of particular importance to involve IT departments with other internal units dealing rather with policy and control environment from the procedural point of view.

When it comes to BCPs, during the project implementation at all stages, besides CAS employees at the border crossings other authorities shall be present: Ministry of Interior, Ministry of Agriculture, Trade, Forestry and Water Management, and technical services (freight forwarders, AMSS, etc.). Constant communication and coordination of all representatives of various border services as object users is required, because of their work being directly connected with the work of CAS in order to harmonize the different needs and

requirements. Constant collaboration with representatives of public companies and authorities in accordance with the Law on planning and construction is likewise indispensable.

Ministry of Interior is supporting this project on all border crossings, and Ministry of Agriculture, Forestry and Water Management is supporting on border crossings where they have their control points. CAS already has got written confirmation and assigned contact points in those Ministries.

