

Standard Summary Project Fiche for the Transition Facility

1. Basic information

- 1.1 **CRIS Number: 2005/017-494-04-02**
- 1.2 **Title: Implementation of Export Control System and improvement of quality of customs services provided to traders**
- 1.3 Sector: Public Administration, Public Finance and Customs
- 1.4 Location: Customs Department under the Ministry of Finance of the Republic of Lithuania, Jakšto str.1/25, LT-03113 Vilnius, Lithuania

2. Objectives

2.1 Overall Objective(s):

The overall objective of this **0.633 MEUR** project, of which **0.096 MEUR** is national co-financing, is to improve the quality of Lithuanian customs e-services and interoperability with EU Member States customs administrations.

2.2 Project purposes:

- to specify needs of economic entities in order to improve quality of Lithuanian customs e-services;
- to implement Export Control System in Lithuanian Customs.

2.3 Justification

The Communication from the Commission to the Council, the European Parliament and the Economic and Social committee concerning a strategy for the Customs Union (*Commission of the European Communities, Brussels, 08-02-2001, COM(2001) 51 final*) –Annex 4 – acknowledges customs as a factor in the competitiveness of EU businesses and defines strategic objectives in the customs area:

- “Provide a framework for the development of international trade based on transparent and stable rules, applied coherently.
- Protect society from unfair international trade and damage, notably in terms of financial, commercial, public health, cultural and environmental interests.
- In order to fulfil these objectives effectively customs will have to operate in a non-bureaucratic environment with less resource to paper, based upon fully harmonised, clear legislation, the application of which, whilst respecting the principal of equal treatment, can be adapted to meet the specific needs of individual operators and which offers an acceptable level of control.
- The use of information technology is central to this concept and the development of a credible strategy concerning information networks and the full use of information technology in the Customs Union is essential (e-customs)”.

The Draft *eCustoms* vision statement and multi-annual strategic plan (*TAXUD/477/2004 - Rev. 3 – EN, Brussels 20/10/2004*) – Annex 5 – says: “The computerisation of the customs business process is beneficial both to customs administrations and traders. It should allow effective risk analysis, efficient monitoring of trade flow that is of interest to customs administrations and the appropriate selection of consignments to be checked. It should reduce costs for economic operators doing business in the EU, accelerate the movement of goods and get rid of unnecessary formalities. In order to maximise the added value for the Community, the Commission suggests organizing the computerisation activities along two

parallel threads: interoperability between Member States and accessibility to eCustoms for traders. <...>. The main projects either underway or planned in order to ensure interoperability are:

- Automated Export System (AES) (2003-2007);
- Automated Import System (AIS) (2004-2009);
- Exchange of risk information (2004-2007);
- Authorized Economic Operators (AEO) database(s) (2005-2009);
- Interoperability between customs administrations and other administrations or agencies involved in customs transactions within the same MS (2004-2007)
- Interoperability between central systems that have an impact on customs procedures
- Accessibility (2004-2010)
- Common customs information portal for traders (2004-2010)
- Single electronic access point for transactions (2004-2010)".

The chapter 59 of the Community Customs Code:

- defines that Community goods declared for the customs export procedure are controlled by the Customs from the moment of the acceptance of the customs declaration till the export of those goods from the Community customs territory;
- obliges offices of the departure to make sure that goods presented to those offices corresponds to goods that are declared and control their physical export.

3. Description

3.1 Background and justification:

Implementation of the concept of e-customs, which is one of the requirements for the improvement of the customs services and interoperability with other customs administrations of the EU Member States, is not possible without close involvement of the representatives of the economic entities to participate in the joint customs IT projects.

Lithuanian customs have to be able to cooperate with economic entities in order to identify and specify their needs. Specification of such needs would allow Lithuanian customs to understand international trade business requirements, in particular for data to be exchanged with customs and traders-related functionality of customs systems and therefore to harmonise them with customs objectives: control and facilitation of trade.

Specific business needs would be incorporated into the requirements of the future development of the customs information system – implementation of the concept of the e-customs. All initiatives arising from the development of the new customs information systems have to be introduced to business environment. Pilot versions of the newly developed systems would be tested with the participation of the representatives of the particular economic entities and therefore would improve quality of customs services.

Simplifications of the customs procedures and implementation of the secure supply chain approach would be also among the tasks in the implementation of the e-customs therefore trustful and reliable relations between economic entities and customs are essential.

Technical assistance is required in order to gather and analyse needs of the economic entities related with the services provided by Lithuanian Customs in order to develop systems with a benefit to both economic entities and customs. Expansion of the cooperation between

economic entities and customs would strengthen customs positive image in the society and would improve quality and effectiveness of the customs services.

In order to be able to implement provisions of the chapter 59 of the Community Customs Code, EU Draft eCustoms vision statement and multi-annual strategic plan and apply customs surveillance means more effectively also taking into account the enlargement of the Community and the fact that exported goods are being transported from the Community customs territory via customs offices of departure of other Member States the necessity of development of the new Export Control System has been clearly defined.

For the first stage of Automated Export System, namely the Export Control System (ECS), the user requirements have been defined and the functional specification has been currently approved by the Member States. The next step will be to achieve political agreement by all Member states to introduce the ECS if and when the test runs have been successful.

The purpose of the ECS is to provide a solution that will allow the customs offices involved in export procedures to exchange electronic messages in order to automate the administrative flow of the operations, to elevate the effectiveness of controls against VAT and other fraud, to expedite the flow of goods and to contribute to better supply chain security.

The main conclusion by Member States, participating in the implementation of the pilot version of the ECS, was that the project should be understood as a "pilot" from an electronic customs perspective with the option first to deliver an operational Export Control system (ECS), with the goal of rolling it out across the whole of the Community and extending this system eventually to support all of the export control transactions, as an Automated Export System (AES).

European Community initiated development of such computerised system, but for the implementation of the counterpart of the ECS within Lithuanian Customs additional funds are essential. The ECS is going to be developed using NCTS technological means and electronic messages, which are being exchanged in NCTS.

It is necessary to take into account a factor that Lithuanian Customs does not have system of data exchange between export and offices of departure. That is why the threat of frauds and illegal return of VAT is possible.

In order for Customs offices of departure to be able to ensure sufficient control, Customs offices need information, which could make sure that goods, presented to those offices, correspond to goods that are declared. The data have to be retrieved at the offices of departure with expedition.

3.2 Linked activities:

- 2001 Phare allocation of 0.15 MEUR project "Preparation of implementation of EU customs information systems had been used for the preparation of the functional specifications of the following systems on the basis of undertaken analysis in the relevant area (project is completed):
 - Tariff Quotas and Surveillance (TQS);
 - European Binding Tariff Information (EBTI);
 - Specimen Management System (SMS);

- Information System for Processing Procedures (ISPP);
 - European Customs Inventory of Chemical Substances (ECICS);
 - Binding Origin Information (BOI);
 - Tariff Suspensions;
 - National Transit Control System incorporating the New Computerised Transit System (NCTS);
 - Anti-Fraud Information System/Customs Information System (AFIS/CIS).
- 2002 Phare 4.75 MEUR funds, including 1.20 MEUR co-financing have been allocated for the project “Implementation of EU customs information systems” (project is completed) in order to implement these following EU systems:
 - National transit control system (NTCS) on the basis of the NCTS;
 - Integrated tariff management system (ITMS) excluding Lithuanian Tariff System (LITAR) including Tax calculation, Electronic Binding Tariff Information (EBTI), European Customs Inventory of Chemical Substances (ECICS), Tariff Quotas and Surveillance (TQS);
 - National case management/intelligence systems with interfaces to Anti-Fraud Information System (AFIS)/ Customs Information System (CIS).

A separate contract for planning, overall management of project and contract, quality assurance for all projects and legal technical assistance for each functional area was made.

These two above-mentioned projects are now successfully finished. They are closely interrelated with the proposed project since it is planned to use experience and technical solutions of the NCTS system for the implementation of the ECS.

- 2002 Phare programme funds of the 0.18 MEUR have been allocated for the project „Setting of methodologies, standards and tools for development of the Lithuanian Customs IT sector“. The objective of this project is to create standards and methodologies for the Lithuanian Customs IT sector in order to be practically used to ensure sustainability of the Lithuanian Customs IT systems and strengthen the Customs Information Systems Centre itself. This project is currently under implementation. The results of this project shall be used in further cooperation with representatives of the economic operators participating in customs initiatives.

3.3 Results

Results of the first component – specification of needs of economic entities in order to improve quality of Lithuanian customs e-services – of the project:

- Needs specification are prepared in these areas: simplified customs procedures, information exchange between economic entities and customs, presentation of customs information on changes made in customs procedures.
 - Feasibility study on combination and implementation of the economic entities needs and customs requirements for trade facilitation and control is prepared.
 - Recommendations and follow up activities for the customs how to combine and implement economic entities needs and customs requirements for trade facilitation and control are prepared.

Results of the second component – implementation of the ECS in Lithuanian customs – of the project:

- Operations of the Customs Department in the area of exportation reviewed;

- Working practices, procedures and organizational framework established, allowing export system to operate in a manner fulfilling EU requirements;
- ECN+ communication node, provided by the Commission installed and tuned;
- Necessary interfaces, based on API specifications provided by the Commission, with the existing national Customs information system designed, developed and implemented;
- Export control application software system tested and implemented nationally;
- Training needs analysed, training scheme developed, training provided for Customs personnel (25 in total) in the operational and technical requirements of the systems on the basis of “train trainers” approach;
- User manuals prepared and delivered;
- System administrator manuals prepared and delivered;
- Technical specifications for Supply component prepared.

Results of the third component – Supply – of the project:

- Necessary hardware and software licenses for development and testing environment of the ECS procured and installed.

3.4 Activities:

Activities of the first component – specification of needs of economic entities in order to improve quality of Lithuanian customs e-services – of the project:

- Preparation of needs specification document in these areas: simplified customs procedures, information exchange between economic entities and customs, presentation of customs information on changes made in customs procedures;
- Preparation of the feasibility study on combination and implementation of the economic entities needs and customs requirements for trade facilitation and control;
- Preparation of recommendations and follow up activities for the customs how to combine and implement economic entities needs and customs requirements for trade facilitation and control.

Activities of the second component – implementation of the ECS in Lithuanian customs – of the project:

- Review operations of the Customs Department in the area of exportation;
- Establishment of working practices, procedures and organizational framework, allowing export system to operate in a manner fulfilling EU requirements;
- Analysis of training needs, development of training scheme, provision of training;
- Assistance Lithuanian team in installation and tuning of ECN+ communication node, provided by the Commission;
- Design, development and implementation of necessary interfaces with the existing national Customs information system;
- Deployment of a Export control system nationally;
- Preparation of user manuals;
- Preparation of system administrator manuals;
- Preparation of Technical specifications for Supply component.

Activities of the third component – Supply – of the project:

- Procurement and installation of necessary hardware and software licences for development and testing environment of the ECS.

3.5 Lessons learned

Experts of the PHARE 2002 project “Implementation of EU customs information systems” Part 1 – “Overall project management, elaboration of operation plan and legal technical assistance for each functional area” emphasised importance to define the possibilities and needs of economic entities which are the clients of the customs IT systems. During the development and implementation of various customs information systems (for example declaration processing systems) also personnel of the Lithuanian customs clearly identified task for themselves not only to define precisely the business requirements raised by the customs officials but also the possibilities and needs defined by the economic entities. Accordingly, these identified needs are going to be covered within this proposed project. Involvement of the economic entities into the implementation of the customs IT projects would be very valuable and essential stage which would allow customs to facilitate international trade securing acceptable level of control.

4. Institutional Framework

The Beneficiary of this project is Customs Department under the Ministry of Finance of the Republic of Lithuania. The Project will be implemented within the Customs Department, A. Jakšto str.1/25, 01105 Vilnius, Lithuania together with the Customs Information Systems Centre.

The organisational structure of the Customs Department is as follows: the Director General, four Deputy Directors General, the main divisions: Law; Customs Law Harmonisation; Analysis of Statistics; Strategic Planning; Customs Procedures; Tariff; Tax Administration; Customs Business Management; Economic Entities Control; Internal Audit; Personnel and Training. The overall Lithuanian Customs organisation includes the Customs Department as headquarters, 5 Regional Customs administrations, and 41 Customs posts, Customs Criminal Service; Customs Information Systems Centre, Customs Training Centre and Customs Laboratory.

Customs Information Systems Centre shall be responsible for the implementation of the first and third components of the project – Improvement of quality of customs services provided to traders and for the implementation of the supply contract.

Customs Procedures Division shall be responsible for the implementation of the second component of the project – Implementation of the ECS.

The Project Steering Committee chaired by Mr. Jonas Miškinis, Deputy Director General of the Customs Department, will control the project. Project Steering Committee meetings will be held not less than once per quarter. Representatives of the NAC and CPMA will take part in the meetings as observers.

The owner of the procured assets (implemented and adapted software, delivered equipment etc.) will be Customs Department under the Ministry of Finance of the Republic of Lithuania.

5. Detailed Budget (in MEUR)

€M	Transition Facility Support			Co-financing			Total Cost (TF plus Co-financing)
	Investment Support	Institution Building	Total Transition Facility (=I+IB)	National Public Funds (*)	Other Sources (**)	Total Co-financing of the project	
Service 1	-	0.25	0.25	-	-	-	0.25
Service 2	-	0.192	0.192	0.064	-	0.064	0.256
Supply	0.095	-	0.095	0.032	-	0.032	0.127
Total	0.095	0.442	0.537	0.096	-	0.096	0.633

(*) all the co-financing is joint co-financing and will be provided from the state budget. The requested sum will be earmarked for the beneficiary institution in its budgetary appropriations for the year 2006-2007. In the case where the final overall cost is lower than foreseen in the project fiche, the National Public and Transition Facility Co-financing are reduced proportionally so as to maintain the agreed rate of co-financing.

(**) private funds, FIs loans to private entities.

6. Implementation Arrangements

6.1 Implementing Agency

The Implementing Agency is the Central Project Management Agency (CPMA). The CPMA will be responsible for tendering and contracting:

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 Director
 J.Tumo-Vaižganto g. 8a/2
 LT-01108 Vilnius
 Lithuania

Telephone: +370 52514400
 Fax: +370 52514401
 e-mail: info@cpma.lt

The responsibility for Project preparation, implementation and control will be given to beneficiary institution – Customs Department.

SPO: Rimutis Klevečka
 General Director
 A.Jakšto 1/25
 01105 Vilnius
 Lithuania

Telephone: +370 5266 61 11
 Fax: +370 5266 60 05
 e-mail: info@cust.lt

Contact person's details:

For Transition Facility project's procedural part: Ms. Svaja Razmienė Deputy Head of International Relations Division of the Customs Department (tel. +370 5 2617258, fax: +370 5 2124948, e-mail: svaja.razmiene@cust.lt).

For project's first and third components content part: Mr. Tautvydas Banelis Deputy Director of Customs Information Systems Centre (tel. +370 5 236 23 60, fax: +370 5 236 23 36 e-mail: tautvydas.banelis@cust.lt).

For project's second component's content part: Ms. Neringa Motiejūnaitė Head of Customs Procedures Division of the customs Department (tel. +370 5 266 60 78, fax: +370 5 266 60 05 e-mail: neringa.motiejunaite@cust.lt).

6.2 Twinning

There will be no Twinning arrangements in the project.

6.3 Non-standard aspects

There are not any non-standard contract/tender procedures.

6.4 Contracts

It is foreseen to have two global price service contracts and one supply tender for the implementation of the project. The maximum budget for this project is 0.633 MEUR:

- Service contract No. 1 – 0.25 MEUR
- Service contract No. 2 – 0.256 MEUR, including 0.064 MEUR of national co-financing.
- Supply tender – 0.127 MEUR, including 0.032 MEUR of national co-financing.

Duration of the project component under the Service contract No. 1 is 15 months.

All works under the supply contract and service contract No. 2 have to be completed by 31 March 2007. Beyond that date, no EU co-financing is possible for these sub-components.

7. Implementation Schedule

Component	Start of Tendering	Start of Project Activity	Project Completion
Service 1	2005 IV Q	2006 III Q	2007 III Q
Service 2	2005 IV Q	2006 II Q	2007 I Q
Supply	2006 III Q	2006 IV	2007 I Q

8. Sustainability

In order to ensure sustainability and successful achievement of guaranteed results, the project will be implemented with active participation of the staff from Custom Procedures Division, Customs Business Management Division and Customs Information Systems Centre.

Economic entities needs specification and feasibility study shall be included in the documents of the project for the implementation of the e-customs concept.

ECS shall be maintained and modernised according to the changes of the users needs.

9. Conditionality and sequencing

The project is conditional upon the availability of national co-financing.

The project will be sequenced as shown in the schedule provided in Annex 2.

The beneficiary will develop the tender documentation for the Service components. Under the Service No. 2 technical specifications for the Supply component will be developed. No

additional preparations are needed before the start of the project because Lithuanian customs officials are participating in the working group of the Export Control System established by the DG TAXUD.

The key milestones in this project are:

- ⇒ Service1 and Service2 tenders launched, contrasts signed;
- ⇒ Supply tender launched, contract signed;
- ⇒ Feasibility study and recommendations for the customs prepared;
- ⇒ Export system working practices, procedures and organizational framework established;
- ⇒ Relevant software/hardware delivered, implemented, tested and associated training completed.

ANNEXES TO PROJECT FICHE

1. Logical framework matrix in standard format
2. Detailed Implementation Chart for the Project
3. Cumulative Contracting and Disbursement Schedule (Transition Facility Contribution only)

LOGFRAME PLANNING MATRIX

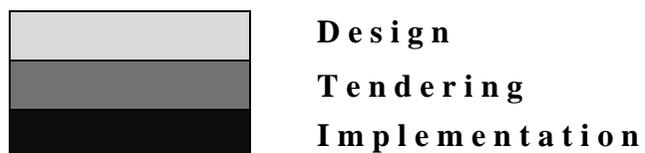
LOGFRAME PLANNING MATRIX FOR Project: Implementation of Export Control System and improvement of quality of customs services provided to traders		Programme name and number:	2005 Transition Facility
		Contracting period expires: 4Q/2007	Disbursement period expires: 4Q/2008
		Total budget: 0.633 MEUR	TF budget: 0.537 MEUR
Overall objective	Objectively verifiable indicators	Sources of Verification	
<ul style="list-style-type: none"> Improvement of the quality of Lithuanian customs e-services and interoperability with EU Member States customs administrations 	<ul style="list-style-type: none"> Number of the export declarations presented to customs electronically in comparison with all export declarations provided to customs increased at least 25 % 	<ul style="list-style-type: none"> Lithuanian customs reports on planned and actual indicators of customs activities Implementation Status Reports for Joint Monitoring Committee (JMC) meetings. 	
Project purpose	Objectively verifiable indicators	Sources of Verification	Assumptions
<ul style="list-style-type: none"> To specify needs of economic entities in order to improve quality of Lithuanian customs e-services To implement Export Control System in Lithuanian Customs 	<ul style="list-style-type: none"> Documented needs of economic entities are available for Lithuanian customs by the end of the project ECS is implemented in the 1st quarter of 2007 	<ul style="list-style-type: none"> ECS; Project progress reports; Implementation Status Reports for JMC meetings; Monitoring reports for Sectoral Monitoring Sub-Committee (SMSC) meetings; Project evaluation reports. 	
Results	Objectively verifiable indicators	Sources of Verification	Assumptions
<ul style="list-style-type: none"> Needs specification are prepared in these areas: simplified customs procedures, information exchange between economic entities and customs, presentation of customs information on changes made in customs procedures. Feasibility study on combination and implementation of the economic entities needs and customs requirements for trade facilitation and control is prepared. Recommendations and follow up activities for the customs how to combine and implement economic entities needs and customs requirements for trade facilitation and control are prepared. Operations of the Customs Department in the area of exportation reviewed; Working practices, procedures and organizational framework established, allowing export system to operate in a manner fulfilling EU requirements; 	<ul style="list-style-type: none"> By the end of the project: Needs specification, feasibility study and recommendations concerning economic entities prepared and documented; By 31 March 2007: Export system working practices, procedures and organizational framework developed and established; Relevant training material available and 25 Customs staff trained; Relevant software/hardware delivered, implemented, tested and fully operational, user manuals available. 	<ul style="list-style-type: none"> Project documents: needs specification, feasibility study, manuals, functional and technical specifications, reports; ECS; Minutes of the meetings with economic entities; Implementation Status Reports for JMC meetings; Monitoring reports for SMSC meetings; Project evaluation reports. 	<ul style="list-style-type: none"> All works under supply and service contract No. 2 is completed by 31 March 2007

<ul style="list-style-type: none"> • ECN+ communication node, provided by the Commission installed and tuned; • Necessary interfaces, based on API specifications provided by the Commission, with the existing national Customs information system designed, developed and implemented; • Export control application software system tested and implemented nationally; • Training needs analysed, training scheme developed, training provided for Customs personnel (25 in total) in the operational and technical requirements of the systems on the basis of “train trainers” approach; • User manuals prepared and delivered; • System administrator manuals prepared and delivered; • Technical specifications for Supply component prepared. • Necessary hardware and software licenses for development and testing environment of the ECS procured and installed. 			
Activities	Means	Assumptions	
<ul style="list-style-type: none"> • Preparation of needs specification document in these areas: simplified customs procedures, information exchange between economic entities and customs, presentation of customs information on changes made in customs procedures; • Preparation of the feasibility study on combination and implementation of the economic entities needs and customs requirements for trade facilitation and control; • Preparation of recommendations and follow up activities for the customs how to combine and implement economic entities needs and customs requirements for trade facilitation and control. • Review operations of the Customs Department in the area of exportation; • Establishment of working practices, procedures and organizational framework, allowing export system to operate in a manner fulfilling EU requirements; • Analysis of training needs, development of training scheme, provision of training; • Assistance Lithuanian team in installation and tuning of ECN+ communication node, provided by the Commission; • Design, development and implementation of necessary interfaces with the existing national Customs information 	<ul style="list-style-type: none"> • 2 service contracts • 1 supply contract 	<ul style="list-style-type: none"> • Project team are established; • Tender is not delayed/failed due to circumstances independent of the Beneficiary (i.e. appealation; lack of proposals and etc.); • Associated bodies of economic entities are involved in project activities. 	

<p>system;</p> <ul style="list-style-type: none"> • Deployment of a ECS nationally; • Preparation of user manuals; • Preparation of system administrator manuals; • Preparation of Technical specifications for Supply component. • Procurement and installation of necessary hardware and software licences for development and testing environment of the ECS. 		
		Preconditions
		<ul style="list-style-type: none"> • National co-financing available

Detailed Implementation Chart for the Project

Year	2005						2006												2007															
Month	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12				
Service contract 1				■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■					
Service contract 2	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■			
Supply contract							■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■			



Cumulative Contracting and Disbursement Schedule (Transition Facility Contribution only)

	2006			2007			
	30/06	30/09	31/12	31/03	30/06	30/09	
<i>Contracting</i>							
• Service contract 1		0.25					
• Service contract 2	0.192						
• Supply contract			0.095				
Total contracting (cumulative)	0.192	0.442	0.537				
<i>Disbursement</i>							
• Service contract 1		0.05	0.05	0.2	0.2	0.25	
• Service contract 2	0.038	0.038	0.153	0.192	0.192	0.192	
• Supply contract			0.019	0.095	0.095	0.095	
Total disbursement (cumulative)	0.038	0.088	0.222	0.487	0.487	0.537	