Standard Summary Project Fiche for the Transition Facility

1. Basic Information

1.1 **CRIS Number: 2007/019-303.06.04**

1.2 **Title: Development of a National System for Administering the Excise Duty Entirely by the Customs Administration**

1.3 **Sector:** Finance

1.4 **Location:** Bulgaria, National Customs Agency (NCA)

2. Objectives

2.1 Overall Objective(s):

Developing and further strengthening the system for administering excise duties in compliance with the European legislation and EU best practice.

2.2 Project purpose:

Development of an information system as a part of the BICIS for automation of the activities related to the administering of excise duties, including excise bonded warehouses and control on excise products in line with the EU standards and requirements in this field.

2.3 Justification

The project is aimed at securing the implementation of new acquis and European Commission initiatives.

3. Description

3.1 Background and justification:

In the context of the process of harmonisation of the legislation with the acquis and the EU best practice actions were taken related to the drafting of legislation for establishment of conditions for introduction of the general rules for production, warehousing, storage, movement and control on excise products under excise duties suspension arrangements, including the introduction of excise bonded warehouses system.

In line with the commitments undertaken a new Excise Act has been developed by the inter-ministerial working group. The draft new Excise Act is harmonised with the whole EU acquis in the field of excise duties - not only with Directive 92/12/EEC on the general rules for warehousing, movement and control on excise products, but with the other directives in the field of excise duties as well (Directive 92/79/EEC, Directive 92/80/EEC, Directive 92/81/EEC, Directive 92/82/EEC, Directive 92/83/EEC, Directive 92/84/EEC, Directive 95/59/EEC and Directive 95/60/EEC) and provides for the administration of the excise duties entirely by the customs administration.

The Excise and Tax Warehouses Act has been adopted on 15th November 2005. It foresees the excise duties to be managed entirely by the customs administration. The Implementing provisions have been published on 23rd May 2006 and came into force as from the 1st July 2006. Third level legislation has been prepared.

Law for amendment and supplement to the Excise Law, which introduces the rules for control and movement of excisable goods between the EU member states has been adopted on 22 December 2006 and entered into force on 1 January 2007.

The establishment of the organizational structure at central, regional and local level has been completed.

Training of customs officers and trade awareness program on adopted legal provisions is an ongoing activity.

Licensing for bonded warehouse management has been started on 1st January 2006.

The computerisation is one of the strategic objectives of BCA and also an important pre- requisite for achieving the required administrative capacity for adoption of Acquis.

BCA is currently developing an integrated system using modern technologies and standard methodologies. The international software development standards defined by the Object Management Group (OMG) for the development of Model Driven Architecture (MDA) are used as a basis for standardisation of software applications within BCA. The project management methodology, and project realisation methodology, as well as the used terminology of all BCA IT projects strictly follows the Rational Unified Process (RUP), its roles, workflows, and deliverable templates.

The **EMS project** development has been planned based on identified business objectives in the area of excise management. EMS phases have been defined in a way to allow NCA to keep EMS abreast of the changes occurring in the legal basis, business logic and DG TAXUD requirements.

Taking into consideration that the selected software architecture will provide flexible business process organization, easy way to add and remove business modules as well as reusability of existing software components and systems, NCA is enabled to split the EMS into separate phases without changes to existing business functionality.

In order to respond at the largest possible extent to the requirements of the business experts as regards year 2006, NCA has realized **EMS 1.1** as a set of priority national requirements related mainly to licensing and registration, registers management and submission and acceptance of excise declaration and inventory ledger register. The system is in operation from July 2006.

EMS functionality was further extended with accession related requirements under **EMS 1.2**, namely realization of EMCS phase 0 including SEEDv0, EWSE and MVS. All conformance tests with DG TAXUD were successfully completed and the system is operational from 1 January 2007.

The automation of the activities related to excise management as regards excise declarations processing and control on payments of the excise duty, labels and markers, extension of the licensing and registration management system, operational control, etc. as provided for in the national legislation is foreseen under **EMS 2.1**, which is foreseen for realisation under the current project.

Financing for EMS 2.1 has been requested and committed under Phare 2004. The Terms of reference for the project have been finalised by BCA IT and business experts in the beginning of 2006 and approved by the EC Delegation in the beginning of August 2006. The tender procedure has been launched in June 2006 but the project has not been contracted within the Phare 2004 contracting period. Financing for EMS 2.1 is currently being requested under the Transition Facility. The Terms of reference (ToR) have been updated to take into consideration the legislative developments during the last year as well as CFCU guidelines for preparation of ToR for projects tendered under the national procurement law.

EMS 2.2 will cover the development of EMCS computerization project according the Functional Excise System Specification and Technical Excise System Specification for phases 2 and 3. Financing for the project has been requested and provided under Phare 2006 National programme. A thorough analysis of the EMCS Functional and Technical specifications (finalised at the end of 2006 by the EC) and EMS 1.2 functionality has been finalised as part of the EMS 2.2 pre-study phase and detailed Terms of reference have been prepared.

3.2 Linked activities:

NATIONAL PHARE PROGRAMME

Project "Further Development of the process of the Bulgarian Customs Administration Computerisation and Development of a National System for Administering the Excise Duty Entirely by the Customs Administration":
Component 1.1: "Extension of the BICIS functionality" aiming at improvement of the standardisation, modularity and scalability of BICIS, as well as adaptivity of the main system modules to the changing legal basis, business logic and, DG TAXUD requirements and standards. It is related to the EMS 2.1 project since EMS2.1 will be implemented following the technological framework defined and implemented under component 1.1.
Component 1.2 "Technical assistance for evaluation and quality control aims at improvement of the technical control of the quality of project components 1.1, 1.3 and 2.3[1] performance; the quality and completeness of the project deliverables, as well as to provide technical support of the NCA managerial staff for the management of the main project activities. Under this component assistance is planned to be provided to the NCA in the beginning of the project for evaluation of the quality of activities and deliverables.
Component 2.1 "Development of legal and administrative capacity for administering the excise duties entirely by the customs administration" for accomplishing full harmonization of the Bulgarian legislation with the acquis, and strengthening the NCA administrative capacity for implementation of the legislation in the field of excise duties. It is related to the EMS 2.1 project since the definition of actors, documents, sequence of activities as regards excise management and control to be defined under the twinning contract will be used as input for EMS 2.1.
Component 1.3 "Supply of equipment for modernisation of the infrastructure supporting BICIS" aims at the improvement of the infrastructure supporting the development and exploitation of BICIS.
Component 2.4 and 2.5 will cover the development of EMCS phase 2 and 3 requirements as pert the DG TAXUD Excise System Specifications and the supply of equipment for EMS phase 2.

NATIONAL PROJECTS

EMS 1 development projects

These projects cover the minimal national and interconnectivity requirement for the EMS. Detailed information on EMS phases and status is presented in Annex 4 Needs assessment.

MF Communications project

This project was related to the establishment of BICIS communication environment, and BICIS security communications rules. The project is basis for reliable, secure, and stable exploitation of BICIS information exchange.

3.3 Results:

Development of Excise Management System phase 2.1 (EMS 2.1)

Developed information system for automation of the activities related to administering excise duties, including excise bonded warehouses, control on excise products, etc. comprising:

- Business requirements analysis and assessment made and system functional specification prepared.
- Prepared technical and security specification for development of information system for automation of the activities related to administering excise duties including control on excise products, excise duty bonded warehouses, etc.

[1] The current project proposal was initially included as Component 2.3 of Phare Project BG2004/016-711.09.02 "Further Development of the process of the Bulgarian Customs Administration Computerisation and Development of a National System for Administering the Excise Duty Entirely by the Customs Administration"

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- Developed software architecture of the information system for automation of the activities in the field of excise duties in line with NCA IT Strategy.
- Databases for the purposes of the system developed.
- Prepared and deployed system prototypes, including functionality for preliminary evaluation and tests of the adopted business logic.
- All System modules and components implemented including:
    - System kernel functions;
    - Financial module including payment and reimbursement of excise duty and guarantee management;
    - Licensing and registration functions;
    - Tax stamps management;
    - Risk management;
    - Operational control functions;
    - System administration functions;
    - Integration of the developed system with BICIS, in particular as regards companies' data processing, risk analysis, post-clearance control, administrative penalty procedures etc.

Users and system administrators trained.

Operational and turnover to maintenance tasks completed for the whole system.

Remedial work, if necessary, performed during the warranty period in order to ensure operational efficiency of the software.

3.4 Activities:

Development of Excise Management System phase 2.1 (EMS 2.1)

Development of information system for automation of the activities related to administering excise duties, including excise bonded warehouses, control on excise products, etc. comprising

- Business requirements analysis and assessment and development of the system functional specification.
- Development of the technical and security specification for implementation of information system for automation of the activities related to administering excise duties including control on excise products, excise duty bonded warehouses, etc.
- Development of the software architecture of the information system for automation of the activities in the field of excise duties in line with NCA IT Strategy.
- Establishment of databases for the purposes of the system.
- Development and deployment of system prototypes, including functionality for preliminary evaluation and tests of the adopted business logic.
- Implementation of all system modules and components including:
    - System kernel functions;
    - Financial module including payment and reimbursement of excise duty and guarantee management;
    - Licensing and registration functions;

- Tax stamps management;
- Risk management;
- Operational control functions;
- System administration functions;
- Integration of the developed system with BICIS, in particular as regards companies' data processing, risk analysis, post-clearance control, administrative penalty procedures etc.

Training of users and system administrators.

Complete the operational and turnover to maintenance tasks for the whole system.

Perform remedial work, if necessary, during the warranty period in order to ensure operational efficiency of the software.

These activities will be implemented through a service contract with clearly stated deliverables.

Experts with experience in:

- Project management and Quality Assurance management following RUP;
- Analysis and design using UML, MDA, SOA, BPEL and J2EE;
- Software implementation with J2EE and XML;
- System architecture development with XML and application servers;
- System engineering.

3.5 Lessons learned:

The National Customs Agency has always applied a strategic approach in the programming of Phare assistance. This is applicable to the programming of the Transition Facility, as well.

Full involvement of stakeholders in the programming process has been assured.

In previous programming years it has been noted that the programme design should be improved. This applies in particular to the indicators of achievement.

Significant delays in the tender procedures expose to risk projects with critical delivery date.

Pre-defined methodology standards should be strictly followed during the BCA IT projects and especially RUP as well as business modelling and testing methodologies;

4. Institutional Framework

The project beneficiary institution will be the National Customs Agency (NCA).

The NCA is a part of the Ministry of Finance and is responsible for the collection of Customs duties, Excise duties and VAT on imports and the prevention of illegal imports and exports. It collects about 48 % of the revenues of the state budget. About 3,900 staff is employed by NCA. The organisational structure of NCA is presented in detail in the attached IT Strategy Section 3.

The NCA is structured in four hierarchical levels:

Central Customs Directorate;

5 Customs Regions coordinated by Regional Customs Directorates;

17 Customs houses;

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84 Customs bureaus and Customs posts.

The NCA has supported, from the very beginning the Commission's Pre-accession Strategy for the Customs and Taxation Sector.

The new Customs Act and Implementing Regulations have been enforced since 01.01.1999. The Law on Amendment of the Customs Act has been adopted by the Parliament in April 2003.

For many years the NCA has been beneficiary of Phare support whereas considerable experience has been gained in the programming, management, implementation and monitoring of Phare projects and relevant structures are in place and functioning.

The NCA has established a special organisational structure for the technical management and monitoring of the project, which comprises a Project Steering Committee (PSC), Project Implementation Unit (PIU), and a dedicated Project Implementation Team.

The Project Steering Committee will be the NCA BICIS Steering Committee. The BICIS Steering Committee will monitor, supervise and co-ordinate the overall progress and implementation of the Project and will be responsible for approving the project deliverables. The BICIS SC is chaired by the Director General of NCA. The SC meetings will be held every three months (and more frequently, if necessary). Representatives of the CFCU, the National Aid Coordinator (NAC), "European Integration and Monitoring" Directorate within the Ministry of Finance and Consultants representatives will be invited as observers to the SC meetings. Representatives of other institutions will be invited to the SC meetings, if the agenda requires.

The day-to-day project management will be carried out by the NCA Project Implementation Unit (PIU) on the base of the decisions made by the NCA BICIS SC.

A Project Implementation team has been established.

The Project Implementation team comprises experts from the Customs Statistics and Automation Directorate and the CRP - Customs Regimes and Procedures Directorate

Furthermore the IT Projects organisation is presented in **Annex 9** of the Project Fiche.

The NCA will support the implementation of the proposed project by assuring the necessary organisational environment and making available the necessary personnel.

The existing Training centres in Sofia, Plovdiv and Russe will be used for organising of training courses and seminars.

5. Detailed Budget

€M	**Transition Facility support**			**Co-financing**			**Total cost**
	Invest-ment	Institu-tion Building	**Total Transition Facility (=I+IB)**	National Public Funds (*)	Other Sources (**)	Total co-financing of the project	**TF plus cofinancing**
Service contract "Development of Excise management System phase 2.1"		0.825	0.825	0.275		0.275	1.100
Total		**0.825**	**0.825**	**0.275**		**0.275**	**1.100**

(*) contributions from National, Regional, Local, Municipal authorities, FIs loans to public entities, funds from public enterprises. All the co-financing is joint co-financing and will be provided from the state budget.. In the case where the final overall cost is lower than foreseen in the project fiche, the national public and Transition Facility co-financing shall be 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

Programme Authorising Officer (PAO):

Mrs. Gergana Beremska

State Treasurer, Ministry of Finance

102, Rakovski Str., 1040 Sofia, Bulgaria

Tel.: + 359 2 9859 2495

Fax: +359 2 9859 2499

The Implementing Agency for this project will be the Central Finance and Contracts Unit (CFCU) at the Ministry of Finance. The CFCU will be responsible for the tendering, contracting, monitoring and payment activities under the project.

Contact details:

CFCU Director

Mr. Lujbomir Tushanov

102, Rakovski Str., 1040 Sofia, Bulgaria

Tel.: +359 2 9859 2772, 359 2 9859 2777

Fax: +359 2 9859 2773

The responsibility for technical project preparation, implementation and control will remain with the beneficiary institution, i.e. the National Customs Agency.

The Senior Programme Officer will be Mrs. Marina Popova, Director of "European Integration and International Cooperation" Directorate.

Contact details:

Central Customs Directorate

47, Rakovski Str.

1000 Sofia, Bulgaria

Tel.: +359 2 9859 4508

Fax: +359 2 9859 4129

The details of the NCA PIU are as follows:

"Institutional Building and Phare Programme" Department, "European Integration and International Cooperation" Directorate

Central Customs Directorate

47, Rakovski Str.

1000 Sofia, Bulgaria

Tel.: +359 2 9859 4508; 9859 4406

Fax: +359 2 9859 4129

6.2 Twinning

Not applicable

6.3 Non-standard aspects

After the completion of the project there will be 12 months warranty period. Justification for the warranty period requirement is provided in Annex 8 of the Project Fiche.

6.4 Contracts

To maximise the effectiveness of the proposed project, NCA foresees 1 service contract at the amount of: **MEUR 1.10.**

7. Implementation Schedule

7.1 Start of tendering/call for proposals

Component 1: November 2007, ToR ready for tendering: April 2007;

7.2 Start of project activity

Component 1: May 2008, contract duration: 24 months;

7.3 Project Completion

Component 1: May 2010*;

Note: After the completion of the project there will be 12 months warranty period. Justification for the warranty period requirement is provided in **Annex 8 of the Project Fiche.*

8. Sustainability

The project activities are in line with EU sector policy acquis.

Operational and maintenance costs for the requested computerisation projects will be covered from national budget.

The NCA will ensure the appropriate administrative capacity to be able to manage the maintenance of the systems and the supplies as well as ensure the continuous training of new users.

9. Conditionality and sequencing

9.1 Conditionality

9.2 Sequencing

The software development will follow the Rational Unified process (RUP) methodology sequence including Inception, Elaboration, Construction and Transition Phases. Within the phases the following standard activities/disciplines will be performed: Business Modelling, Requirements, Analysis & Design, Implementation, Testing, Deployment, and Training.

The sequencing in EMS development is presented in detail in Annex 4.

Annexes to project Fiche

1. **Logical framework matrix in standard format**
2. **Detailed implementation chart**

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3. **Contracting and disbursement schedule by quarter for full duration of programme**
4. **Needs assessment**
5. **Estimated Budget Breakdown**
6. **Reference list of relevant laws and regulations**
7. **Reference list of relevant strategic plans and studies**
8. **Justification for the warranty period requirement**

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ANNEX 1

LOGFRAME PLANNING MATRIX FOR Project:	Programme name and number	
DEVELOPMENT OF A NATIONAL SYSTEM FOR ADMINISTERING EXCISE DUTY ENTIRELY BY THE CUSTOMS ADMINISTRATION	Contracting period expires **15 December 2009**	End of execution of contracts **15 December 2010**
	Total budget: **1.10 MEURO**	TF budget: **0.825 MEURO**

Overall objective	**Objectively verifiable indicators**	**Sources of Verification**	
Developing and further strengthening the system for administering excise duties in compliance with the European legislation and EU best practice.	Legal, administrative and operational capacity of the customs administration to implement the acquis in the area of excise duties.	EC monitoring reports.	
Project Purpose	**Objectively verifiable indicators**	**Sources of Verification**	**Assumptions**
Development of an information system as a part of the BICIS for automation of the activities related to the administering of excise duties, including excise bonded warehouses and control on excise products in line with the EU standards and requirements in this field	Improved administrative capacity for control on excise products, namely: - 30% reduction of excise declaration time for the traders after deployment of the project deliverables. - 30% reduction of time for licensing and registration of traders. - 10% increased excise violations detection rate with decreased number of checks after deployment of the project deliverables. These indicators will provide the basis for measuring achievement after project completion.	DG TAXUD Evaluation reports	BCA top management maintains consistent policy towards computerisation of the customs business.
Results	**Objectively verifiable indicators**	**Sources of Verification**	**Assumptions**
Development of Excise management System phase	Customs officers satisfaction with the	BCA IT Strategy Implementation Progress Report	Co-ordination between the

2.1 Developed information system for automation of the activities related to administering excise duties, including excise bonded warehouses, control on excise products, etc. comprising: • Business requirements analysis and assessment made and system functional specification prepared. • Prepared technical and security specification for development of information system for automation of the activities related to administering excise duties including control on excise products, excise duty bonded warehouses, etc. • Developed software architecture of the information system for automation of the activities in the field of excise duties in line with NCA IT Strategy. • Databases for the purposes of the system. • Prepared and deployed system prototypes, including core functionality for preliminary evaluation and tests of the adopted business logic. • All System modules and components implemented including: o System kernel functions; o Financial module including payment and reimbursement of excise duty and guarantee management; o Licensing and registration functions; o Tax stamps management; o Risk management; o Operational control functions; o System administration functions;	training delivered Quality, completeness and traceability of the IT component deliverables Stability, modularity, quality and maturity of the information system that is being developed Degree of conformity of the delivered software solution with the business needs in terms of functionality required.	BCA Quality review reports after each iteration Minutes of project tracking meetings Training evaluation results	parties involved in the development of the system for administration of excise duties Optimal administrative capacity and officers with relevant experience

○ Integration of the developed system with BICIS, in particular as regards companies' data processing, risk analysis, post-clearance control, administrative penalty procedures etc. Users and system administrators trained. Operational and turnover to maintenance tasks completed for the whole system. Remedial work, if necessary, performed during the warranty period in order to ensure operational efficiency of the software.			
Activities		**Means**	**Assumptions**
Development of Excise management System phase 2.1 Development of information system for automation of the activities related to administering excise duties, including excise bonded warehouses, control on excise products, etc. comprising • Business requirements analysis and assessment and development of the system functional specification. • Development of the technical and security specification for implementation of information system for automation of the activities related to administering excise duties including control on excise products, excise duty bonded warehouses, etc. • Development of the software architecture of the information system for automation of the activities in the field of excise duties in line with NCA IT Strategy. • Establishment of databases for the purposes of the system. • Development and deployment of system prototypes, including functionality for preliminary evaluation and tests of the adopted business logic. • Implementation of all system modules and components including: ○ System kernel functions; ○ Financial module including payment and reimbursement of excise duty and guarantee management; ○ Licensing and registration functions; ○ Tax stamps management; ○ Risk management;		Service contract with clearly stated deliverables. Experts with experience in: Project management and Quality Assurance management following RUP; Analysis and design using UML, MDA, SOA, BPEL and J2EE; Software implementation with J2EE and XML; System architecture development with XML and application servers; System engineering	

○ Operational control functions; ○ System administration functions; ○ Integration of the developed system with BICIS, in particular as regards companies' data processing, risk analysis, post-clearance control, administrative penalty procedures etc. Training of users and system administrators Complete the operational and turnover to maintenance tasks for the whole system. Perform remedial work, if necessary, during the warranty period in order to ensure operational efficiency of the software.		
		Preconditions
		Not applicable

ANNEX 2

DETAILED TIME IMPLEMENTATION CHART FOR THE PROJECT

Development of a National System for Administration of Excise Duty Entirely by the Customs Administration

COMPONENT	2007								2008												2009												2010				
	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M
Service contract: Development of Excise management System phase 2.1						D	C	C	C	C	C	C	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	X
	D = Design of contract/tender procedure; for Twinning – call for proposals C = Contracting period; for Twinning – drafting of Contract I = Implementation* X = Closure																																				

The first C appears in the month in which the tender is foreseen to be launched.

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ANNEX 3

CONTRACTING AND DISBURSEMENT SCHEDULE BY QUARTER FOR FULL DURATION OF PROGRAMME

Project title: **Development of a National System for Administration of Excise Duty Entirely by the Customs Administration**													
Contracting	**Cumulative contracting schedule by quarter in € m (provisional)**												**Total**
	2007				**2008**				**2009**				
	I	**II**	**III**	**IV**	**I**	**II**	**III**	**IV**	**I**	**II**	**III**	**IV**	
Service contract						1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10
Total contracting:						1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10

Disbursement	**Cumulative disbursement schedule by quarter in € m (provisional)**												**Total**
	2008				**2009**				**2010**				
	I	**II**	**III**	**IV**	**I**	**II**	**III**	**IV**	**I**	**II**	**III**	**IV**	
Service contract		0.66	0.66	0.825	0.825	0.99	0.99	0.99	1.10*				1.10
Total disbursement		0.66	0.66	0.825	0.825	0.99	0.99	0.99	1.10*				1.10

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ANNEX 4

Needs Assessment

The EMS development will cover national as well as interconnectivity requirements. The main groups of functions of the system include:

- Licensing and registration;
- Monitoring of the excise warehouses and the flow of excisable products in real time;
- Maintaining registers required for the excise management process;
- Accompanying Administrative Document (AAD) processing;
- Risk analysis and control functions;
- International exchange of data;
- Excise declarations processing and control on payments of the excise duty;
- Consultation functions.

The diagram on Figure 1 represents the EMS general architecture

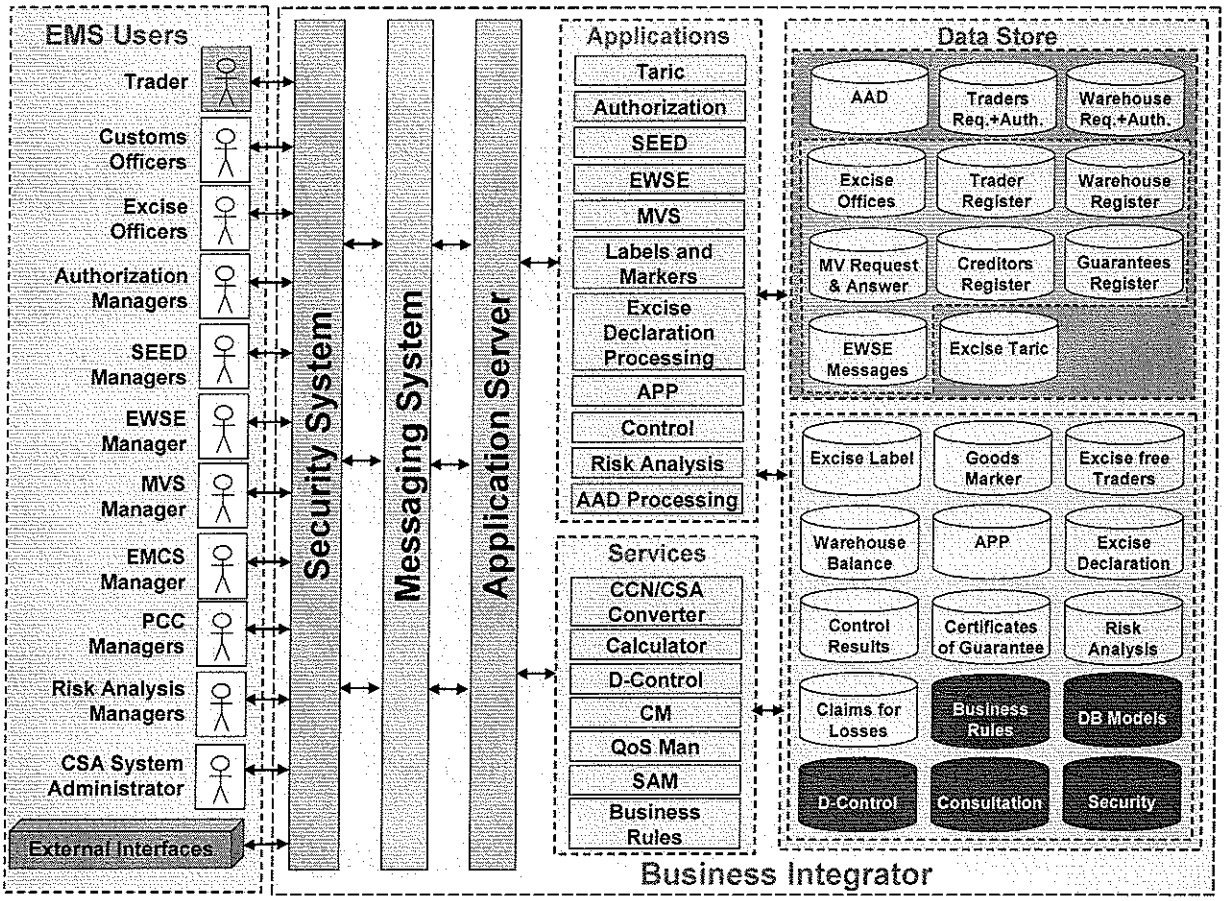

Figure 1

The EMS development will follow the architecture of the BICIS kernel (to be developed under project BG2004/016-711.09.02)

The main EMS modules are the following:

- Security system;
- Messaging system;
- Application server;

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- Business modules (Applications);
- Services used by the whole system (Services);
- Data bases grouped in DBs serving the business modules and DBs serving the system information.

All six parts will be realised as three layer web-based J2EE applications or as web services which are common for the whole system.

The Services and the Data Store which support all EMS modules will be integrated as parts of the BICIS Kernel and their task is to serve not only all EMS but also all BICIS modules. The Security system, the Messaging system and the Application server will be part of the EMS integration software.

This Service Oriented Architecture (SOA) will provide flexible business process organization, easy way to add and remove business modules as well as reusability of existing software components and systems.

In accordance with NCA's plans for EMS development, the system shall be implemented as an integrated and centralised BICIS module which will use BICIS services and databases.

The EMS project development has been planned based on identified business objectives in the area of excise management. EMS phases have been defined in a way to allow NCA to keep EMS abreast of the changes occurring in the legal basis, business logic and DG TAXUD requirements.

Taking into consideration that the selected software architecture will provide flexible business process organization, easy way to add and remove business modules as well as reusability of existing software components and systems, NCA is enabled to split the EMS into separate phases without changes to existing business functionality.

EMS breakdown into phases:

The Excise law from November 2005 endowing NCA the entire management of the excise duty entered into force from 1 January 2006. In order to respond at the largest possible extent to the requirements of the business experts as regards year 2006, NCA has realized as **EMS 1.1** a set of priority national requirements, mainly:

- Functionality for registration of licensed warehouse keepers and tax warehouses, as well as registered traders has been realised.
- Submission and acceptance of excise declaration and inventory ledger register;
- Management of the excise account of economic operators;
- Management of a register for reimbursement of excise duty to the economic operators;

EMS 1.1 is operational from July 2006.

EMS functionality has been further extended with accession related requirements under **EMS 1.2,** namely realization of EMCS phase 0 including the realization of:

- International exchange of collected data with the EU MS (System for Exchange of Excise Data);
- International exchange of data based on risk analysis of registered AADs. (Early Warning System for Excise);
- Processing of enquiries on registered AADs and exchange of data (Movement Verification System).

EMS 1.2 is operational from 1 January 2007.

The automation of the activities related to excise management as regards excise declarations processing and control on payments of the excise duty, labels and markers, extension of the licensing and registration management system, operational control, etc. as provided for in the national legislation is foreseen under **EMS 2.1 for which funds are being requested with this Project fiche.**

The Terms of reference for the project have been finalised by BCA IT and business experts in the beginning of 2006 and approved by the EC Delegation in the beginning of August 2006.

The project is planned to cover the automation of the following business processes: Payment of excise duty, Control, Management of end users exempted from excise duty, Marking of gas oil and kerosene, Denaturing of ethyl alcohol, Reimbursement of excise duty, Managing tax stamps, Return of tax stamps, Managing of EU exemptions certificate, Guarantee management, Managing of licence and registration, Risk and profile management.

EMS 2.2 will cover the development of EMCS computerization project according the Functional Excise System Specification and Technical Excise System Specification for phases 2 and 3 including:

- Registers Managements System extension;
- Accompanying Administrative Document Processing;
- Connection with Customs procedures such as export and import of goods, etc.;
- Processing of Losses;
- Recording of reports of Controls;
- Risk Assessment;
- Automatic Recalls;
- Movement Verification and Mutual Assistance;
- International Exchange of EMCS Messages;
- Excise system administration functions;
- Excise Consultation Module.

The connections with all internal modules of the system and external systems are realized through specified interfaces in the kernel.

An indicative plan for EMS realization is presented below:

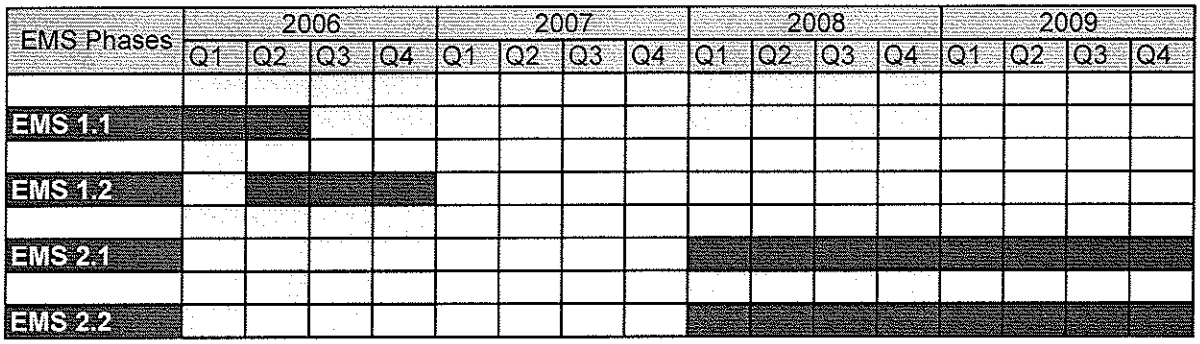

Figure 2

The aim of EMS 2.1 is the development of a module for automation of the activities related to the administration of excise duties, including excise bonded warehouses and control on excise products in line with the EU standards and requirements in this field.

NCA operational capacity would be improved as the information system will enable the customs administration to effectively monitor the excise warehouses and the flow of excisable products in real time and carry out the requisite checks where necessary. As regards customs administration and traders, the use of automated data transmission methods would simplify formalities and mean faster discharge of operations.

The financial estimation for the implementation of the project has been calculated based on the RUP methodology and taking into consideration the resource allocation for successfully completed projects.

The RUP foresee a proportion of project resources used for each activity during the various phases of the software development cycle. The actual costs are calculated as follows:

- The number of man/days utilised for implementation of the successfully completed Customs Clearance project;
- Coefficients (Ratios) reflecting the ratio between the volume of functional requirements of the proposed project and that of the Customs Clearance project;
- The number of man/days for the proposed project, obtained as a product of the actually used man/days for the Customs Clearance project and the ratio for the proposed project;

The sums for the various project activities, obtained as product of the man/days for implementation of the project, the Ratio for the relevant activity as set in the RUP and the estimated daily rate of the contracted staff.

ANNEX 5

Estimated budget breakdown

The financial estimation for Component 1 has been calculated based on the RUP methodology and taking into consideration the resource allocation for successfully completed projects.

The RUP foresee a proportion of project resources used for each activity during the various phases of the software development cycle. The actual costs are calculated as follows:

- The number of man/days utilised for implementation of successfully completed projects;
- Coefficients (Ratios) reflecting the ratio between the volume of functional requirements of the proposed project and that of completed projects;
- The number of man/days for the proposed project, obtained as a product of the actually used man/days for completed projects and the ratio for the proposed project;

The sums for the various project activities, obtained as product of the man/days for implementation of the project, the Ratio for the relevant activity as set in the RUP and the estimated daily rate of the contracted staff.

Discipline	Man days
Project and Quality Management	320
Business modelling and Requirements	220
Analysis and Design	320
Implementation	650
Testing	320
Environment	200
Rework	100
	2130

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ANNEX 6

Reference list of relevant laws and regulations

Bulgarian national legislation:

Customs Act

Implementing Provisions of the Customs Act

Excise and Tax warehouses Act

Implementing Provisions of the Excise and Tax warehouses Act

Tobacco and Tobacco Products Act

Implementing Provisions of the Tobacco and Tobacco Products Act

Wines and Alcohol Beverages Act

Ordinance on the marginal extent of excise products natural wastages

Ordinance on taking samples and methods for control over excisable goods

EU legislation:

Directive 92/12/EEC on the general rules for warehousing, movement and control on excise products

Directive 92/79/EEC

Directive 92/80/EEC

Directive 2003/96/EEC

Directive 92/83/EEC

Directive 92/84/EEC

Directive 95/59/EEC

Directive 95/60/EEC

ANNEX 7

Reference list of relevant strategic plans and studies

Business Strategy of the Customs Administration of the Republic of Bulgaria

IT Strategy of the National Customs Agency

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ANNEX 8

Justification for the warranty period requirement

After the developed systems under the above components have been deployed by the Consultant's teams, user acceptance tests have been completed and the systems are transferred to the BCA and/ or the system integrator for maintenance, they are put into operation in all customs sites by BCA.

Following that, Project acceptance will take place if all contracted deliverables are accepted by the Beneficiary according to the evaluation criteria set in the Iteration plan for each iteration and certified by the Beneficiary with Iteration acceptance protocols.

Whereupon project acceptance occurs there will be a 12-month warranty period.

Normally, each specially developed software has some warranty period. If some problems with the exploitation of the software occur during the warranty period, the Consultant shall be responsible for solving these problems. The following types of problems could occur during the warranty period:

System performance problems might occur during the exploitation of the system in a multi-user environment, due to uncovered inadequate product tunings during user acceptance testing. Product tunings correction might lead to changes in the software, which could generate functional errors.

If it is difficult to run the full set of test cases, defects generated from the programming code might occur during system exploitation.

If user acceptance tests are performed with a limited number of end-users, it might turn out that the product does not cover the technical requirements specified in the Vision and the Software requirements Specification during system exploitation when all potential users of the system operate with it.

Based on the above three examples, during the warranty period the Consultant will perform remedial work, if necessary, in order to ensure operational efficiency of the software and enable Bulgarian Customs Administration to continue to productively use it if any deviation of the normal exploitation according to the Vision, User requirements specification and Software requirements specification occurs.

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