

## **Standard Summary Project Fiche – IPA Centralised Programmes**

### **Project Number 05: Modernisation of the Customs System**

#### **1. BASIC INFORMATION**

- 1.1 CRIS Number:** 2011/022-585
- 1.2 Title:** Modernisation of the customs system
- 1.3 ELARG statcode:** 03.29 European standards. Customs
- 1.4 Location:** Republic of Serbia

#### **Implementing arrangements:**

- 1.5 Contracting Authority:** EU Delegation to Serbia (EUD)
- 1.6 Implementing Agency:** EUD
- 1.7 Beneficiary (including details of project manager)**

Ministry/Agency: Serbian customs administration

The Serbian customs administration has brought decision to nominate two project managers taking into account that two results of the project are divided in organizational aspect.

Project Manager- Result 1:

Name: Dragan Dragovic

Department: customs affairs and international customs cooperation division

Address: Administration, Boul.Zorana Djindjica 155a, Belgrade

Tel/fax: +381 11 311 66 10

Email: [dragovicd@carina.rs](mailto:dragovicd@carina.rs)

Project Manager- Result 2:

Name: Nebojsa Petrov

Department: Enforcement division

Address: Administration, Boul.Zorana Djindjica 155a, Belgrade

Tel/fax: +381 11 214 17 80

Email: [petrovn@carina.rs](mailto:petrovn@carina.rs)

A Project Management Group (PMG) shall be established by the Serbian customs administration to ensure that all programme activities are carried out according to the work plans developed and to promptly identify and resolve any outstanding issues.

Steering committee:

A Project Steering Committee (PSC) shall be established for the control and supervision of the project activities/outputs. The PSC will provide strategic guidance to the project and provide opinions and recommendations based on reports submitted by the Implementing Agency. The PSC will be chaired by the Project Managers and it will be consisted of the representatives of key stakeholders, including the EU Delegation, NIPAC secretariat, the Ministry of Finance, top management of the Serbian customs administration. The PSC will meet each quarter and ad hoc if required. The representatives of the following may be invited if needed: Ministry of Interior, Ministry of Agriculture, Forestry and Water Management, and other necessary institutions.

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| <b>1.8 Overall cost:</b>                           | EUR 4.1 million   |
| <b>1.9 EU contribution:</b>                        | EUR 4.1 million   |
| <b>1.10 Final date for contracting:</b>            | 2 years after the signature of the Financing Agreement. |
| <b>1.11 Final date for execution of contracts:</b> | 4 years after the signature of the Financing Agreement. |
| <b>1.12 Final date for disbursements:</b>          | 5 years after the signature of the Financing Agreement. |

## **2. OVERALL OBJECTIVE AND PROJECT PURPOSE**

### **2.1 Overall Objective:**

The overall objective of the project is to support process of modernization of public administration ensuring protection of fiscal and financial interests of the Republic of Serbia, facilitation of legitimate trade and protection of society.

### **2.2 Project purpose:**

The project purpose is to strengthen the administrative and operational capacity of the Serbian customs administration (SCA) and relevant stakeholders with the aim to meet the EU requirements in the area of new computerized transit system, authorized economic operator, trade facilitations and risk management to simplify procedures and enhance knowledge-based and customer-oriented services enabling better coordination of border management and protection of internal market.

### **2.3 Link with AP/NPAA / EP/ SAA**

The Project is in line with the priorities of EP/ SAA/NPI.

This project addresses several key objectives as highlighted in the *European Partnership for 2008* (Official Journal of the European Union 19.3.2008), specifically those intended to the *European standards, Internal market, Customs and taxation (page 8)*. Within the short-term priorities it is determined to complete the alignment of customs legislation necessary for proper implementation of the SAA, strengthen the capacity of the customs administration to fight corruption, cross-border crime and fiscal evasion and strengthen enforcement capacity, especially in the areas of risk analysis and post-clearance control. Medium-term priorities

defined for Customs and taxation are the following: ensure continued approximation of customs and taxation as well as other fiscal legislation to the *acquis*, and continue to strengthen the administrative capacity to implement this legislation and to fight corruption, cross-border crime and fiscal evasion.

Short-term priority within *Justice, freedom and security, Visa, border control, asylum and migration (page 11)* highlights the importance to implement the integrated border management (IBM) strategy and strengthen cooperation between the IBM agencies. Medium-term priority is to continue to strengthen the capacity of the border police and the customs services, improve facilities at border posts and enhance cooperation with neighboring countries in the fight against human trafficking.

Short-term priority within *Justice, freedom and security, Fight against organized crime and terrorism (page 11)* defines the need to improve cooperation and the exchange of information between all branches of the security services and with other states and prevent financing and preparation of acts of terrorism.

Serbia has made good progress in the area of **customs**. The new Customs Law has been adopted and is largely harmonised with the *acquis*. The amended customs tariff nomenclature is fully in line with the 2010 EU Combined Nomenclature. The Government adopted in September 2010 the Amendments to the Decree on Harmonised Custom Tariff Nomenclature for 2010. The amended decree has allowed Serbia to catch up with the liberalisation schedule for processed agricultural products (PAPs) and fishery products foreseen for 2010 in the Interim Agreement. Two new free zones and one new customs house were opened. However, the IT infrastructure needs upgrading, in particular since the customs central IT system is reaching the limits of its capacity. The strategic planning process, both with regard to business and IT, should be reinforced. *Overall*, Serbia is already well on the way to meeting the EU *acquis* and remains committed to reforms in the area of customs. The obligations stemming from the Interim Agreement were well respected. Further efforts are needed as regards legislative alignment, and administrative capacity, including preparing for IT interconnectivity and interoperability with EU IT systems.

Article 99 of the **Stabilisation and Association Agreement** relates to Customs emphasizing 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 EU, 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 EU *acquis* in the field of customs. There is an obvious direct link between the effective implementation between SAA and SCA in Article 3, Article 9 and Article 18.

Amended ***National programme for integration of the Republic of Serbia into the European Union, abridged version, December 2009*** underlines the need for modernization of customs administration, strengthening and improvement of institutional capacities, further harmonisation of regulations in the area of customs with the EU regulations and WTO rules, further liberalization of trade in agricultural and food products in the CEFTA zone. Customs policy measures will provide optimal protection of domestic production with the aim to further increase competitiveness, while customs alleviations will attract foreign investments, which is in accordance with the country's policy of development. It is said that in the forthcoming period fiscal reforms will continue, covering the improvement of fiscal system and strengthening of customs administration. (Justice, freedom and security, 3.24.8. Customs cooperation page 230-232; 3.29 Customs Union, page 259-263).

## 2.4 Link with 2011-2013 MIPD<sup>1</sup>

Modernization of the custom system falls under the Public Administration sector and its objective to improve the efficiency and effectiveness both at central and local level and align with EU requirements.

The main goal is to support policy reforms for EU integration. Focus will be on capacity building for policy reforms, and implementation of the existing legal and strategic framework. Particular attention will be paid to the administrative capacities in the European integration process. There is a need to strengthen capacities in all line Ministries dealing with EU *acquis*; to enhance policy coordination and enable the country to align and implement the EU *acquis* effectively, as well as to meet the requirements for the implementation of IPA assistance under the Decentralised Management System (DIS).

## 2.5 Link with National Development Plan (where applicable) N/A

## 2.6 Link with national / sectoral plans

The overall objective, project purpose, results and activities are also linked with the priorities of national sectoral strategies.

In line with *National Strategy for Serbia's EU Accession to the European Union*, the appropriate strategy of foreign trade policy thus requires the adoption of an optimum combination of measures and instruments in the areas of customs policy, non-tariff protection policy, industrial and development policy, as well as close coordination of the abovementioned with other relevant policies.

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

In the document *Poverty Reduction Strategy Paper for Serbia* it is indicated that it is necessary to ensure the provision of a dynamic, efficient and transparent public administration which is well suited to the appropriate role of Government in a market economy.

In order to help implement the SAA successfully, the Republic of Serbia has adopted *the Integrated Border Management Strategy*. The concept implies that the borders are to be open for trade and flow of people, for regional cooperation, both within a region and between regions and the European Union. At the same time, 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 SCA as one of the four IBM agencies in all this is of great importance.

The Customs Administration implements the Agreement on Cooperation related to Integrated Border Management that was signed between the Ministry of Internal Affairs, the Ministry of Agriculture, Forestry and Water Management, the Ministry of Finance, and the Ministry for Infrastructure on 6 February 2009.

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<sup>1</sup> Multi-Annual Indicative Planning Document

Among the measures foreseen by the *Export Promotion Strategy 2008-2011* that should lead to a raise in Serbian exports is the elimination of at least some of the administrative barriers hindering exports. The role of the Ministry of Finance and SCA as its organisational unit, is stated as one of the key responsible institutions in the implementation of these measures, pointing to a need for existence of an efficient and uncorrupted customs administration.

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

The Government of the Republic of Serbia adopted in February 2009 the *Strategy for Drug Suppression in the Republic of Serbia* for the period 2009–2013, and the Action Plan for Implementation of the Action against Drugs. The Strategy is in compliance with the European Union Anti Drug Strategy (2005-2012) and other international documents, the Council of Europe recommendations, the UN Conventions, etc. related to opiate drugs production, circulation and use.

Customs *Risk Analysis and Risk Management Strategy* was adopted by the SCA in September, 2008. The Framework of the SCA RARM Strategy is based on the following documents: the National Strategy for the Accession of Serbia to the European Union, the Principles, Priorities and Conditions contained in the European Partnership with Serbia, the Integrated Border Management National Strategy and the WCO SAFE Framework of Standards to secure and facilitate global trade.

Currently the project regarding drafting of *the Strategy for the Ministry of Finance for successful European integration process* is in its initial phase. New medium-term *SCA Information System Development Strategy* will be drafted in 2010 and adopted.

### **3. DESCRIPTION OF PROJECT**

#### **3.1 Background and justification:**

Accession to the EU is a strategic goal for Serbia, which, among many fields, entails acceptance of the EU system of values and standards in the fields of protection of internal market's financial interests and efficient external border controls. The objective of Serbia is to become the major trading and market centre in South East Europe. It is strategically located within South East Europe and borders new member states. Serbia is the natural gateway between South East, Western, and Central Europe, positioned at the intersection of Pan European corridors no. 10 and no. 7, on the banks of the Danube, one of the biggest and most important river routes. Globalization, visa liberalization and geostrategic position of the Republic of Serbia, highlight the importance of safety, security and fiscal aspects in the cross-border controls conducted by the SCA. With the shift of the EU and Schengen area borders towards the Balkan countries, the strain on the capacities of border crossings and customs services fell on the countries with the status of the EU candidate and potential candidates.

SCA faces the increased flux of goods and passengers. Free movement of people and goods is one of the basic principles of the EU, which demands innovative measures, pertaining to, among others, introduction of adequate control of borders. In the light of Serbian integrations into the EU and the increased rate of cross-border traffic, introduction and consistent application of the Integrated Border Management and Customs system, compatible with the EU and regional solutions are very important.

Hence, the priority for SCA lies in developing new instruments and working methodologies, as well as further building of institutional capacity. In the 21st century characterized by trade acceleration, the elimination of controls within EU customs territory following the creation of the single market and the growing threatening of international organized crime, caused the customs administrations to review their priorities in order to protect revenue interests through more targeted tax controls and society protection in terms of security by focusing more on joint non-fiscal controls with other competent authorities, also within the fight against terrorism and organized crime. Governments require agencies of the state, including customs, to be service-oriented and meet expectations of societies and businesses. SCA needs to ensure performance of its tasks while listening to the expectations of stakeholders.

The reforms in Serbia related to the customs began in 2002 when the EU CAFAO and afterwards EU TACTA- Customs and Taxation projects, managed directly by the Commission, started to provide support for the modernization process, which was intensified in 2005 by taking part in the Columbus Programme of the World Customs Organization. The EU-funded projects were particularly useful in introducing new institutes and operational methods. Continuous investments in all areas of the customs operations towards harmonization and acceptance of the EU best practice and standards resulted in SCA's conducting Gap Analysis of the EU Customs Blueprints - the roadmap for all efficient and effective customs.

Serbian Customs Law entered into force in May 2010 and being very related to the EU Customs Code makes a solid base for the introduction of modern policies of customs work, such as: exchange of electronic messages amongst customs offices, traders and other legal stakeholders; one-stop-shop principle; inclusion of the rules for the customs treatment of goods under security and safety amendment Regulation (EC) 648/2005 and its implementing provisions providing the handling of pre-arrival/pre-departure information. Customs Law also provides broader and more precise provisions regarding customs supervision, control based on risk analysis using data-processing techniques and link of the information with risk analysis.

One of the preconditions for the EU accession is implementation of New Computerized Transit System (hereafter NCTS) and introduction of Authorized Economic Operator (AEO).

The articles 8, 9 and 10 of the Customs Law provide legal basis for the introduction of the institute of Authorised Economic Operator, including principles of authorised economic operator recognised during risk analysis and access to the data in the economic operator's system. An authorised economic operator may benefit from facilitations with regard to customs controls relating to security and safety and/or simplifications provided for under the customs rules. The criteria for granting the status of authorised economic operator shall include the following: an appropriate record of compliance with customs requirements in the period preceding the granting of the status; a satisfactory system of managing commercial and, where appropriate, transport records, which allows appropriate customs controls; proven financial solvency and where applicable, appropriate security and safety standards.

Customs transit in Serbia is meant as a customs procedure used to facilitate the movement between two points of the Serbian customs territory, also via another customs territory. It allows for the temporary suspension of duties, taxes and commercial policy measures.

SCA still has to implement a number of decisions in order to be fully prepared for functional, technical and organisational NCTS: improved quality of regulatory and operational customs business with the capacities to meet the requirements for the introduction of an NCTS compatible transit system; capable IT system, based on data processing techniques with possibility to on-line exchange data with customs offices, trade and other authorities and

legal partners; put in place organisation, capable of effective and efficient administrative assistance in the field of transit (enquiry and enforcement).

SCA prepared *Gap analysis of the Serbian Customs Law to highlight inconsistencies with CT/NCTS compatible system, including guarantee management, simplified procedures and AEO*, which will be a base for the amendments of Customs Law and its accompanying regulations.

The Government of the Republic of Serbia has adopted the Information on the necessity for the joining the Convention on a Common Transit Procedure and Convention on the Simplification of Formalities in Trade in Goods on 15 January 2009. In May 2009 the Republic of Serbia was granted the status of informal observer in the Joint Committee. Therefore, it is of utmost importance to fulfil the obligation of the Republic of Serbia towards the EU and to provide resources for the finalization of the NCTS project. This project will enable full application of the above mentioned Conventions and Customs Declaration Processing System will be able to support the exchange of data as foreseen in Convention on a Common Transit Procedure.

Both Conventions are aimed at facilitating the movement of goods between customs territories and simplifying the customs clearance formalities upon border-crossing. The Common Transit Procedure allows for the temporary suspension of duties, taxes and commercial policy measures that are applicable at import, and customs clearance formalities may take place at the destination rather than the point of entry into the customs territory. The New Computerised Transit System serves to manage and control the transit system for goods by electronic means. Since 2006, NCTS has been fully implemented in Europe as the principal customs transit system, which is based on an exchange of electronic messages that replace the various paper documents and certain formalities. The electronic message exchange takes place at three levels: between the economic operators and customs (external domain), between customs offices of one country (national domain) and, amongst the national customs administrations themselves and with the Commission (common domain).

The common globally accepted mission of customs is to develop and implement an integrated set of policies and procedures that ensure increased safety and security, as well as effective trade facilitation and revenue collection. This is achieved through efficient and effective use of tools and information exchange with all relevant stakeholders.

Performing their duties customs officers closely cooperate on regular basis with the representatives of: the Ministry of Finance (such as Tax Administration, Anti-money Laundering Administration, Foreign Exchange Inspectorate, Free Zones Administration), Ministry of Interior (Border Police, Service for combating organized crime, Crime Police), Security-Information Agency, European Integration Office, Ministry of Economy and Regional Development, Ministry of Agriculture, Forestry and Water Management, Ministry of Health, Ministry of Trade and Services, Ministry of Environment and Spatial Planning, Ministry of Economy and Regional Development, Institute of Intellectual Property Rights, Serbian Chamber of Commerce, National Bank, customs agents and foreign customs administrations and organizations world-wide.

Through the introduction of risk management, NCTS and other organizational concepts which are operational in modern customs administrations of the EU member states, SCA prepares to adjust and harmonize with the obligatory EU standards in order to integrate into European systems and institutions. A risk management strategy is being implemented, based on an improved IT system with more risk parameters. In the fields of enforcement and trade facilitation, progress was also made on international cooperation and systematic exchanges of pre-arrival information with neighboring countries.

According to the data for 2009 introduction and implementation of NCTS would lead to the reduction of waiting times at the borders and saved costs would be approximately EUR 1,25 million annually per only one border crossing. As for road traffic there are 87% of means of transport transiting through Serbia towards the market of the European Union and from the EU to Serbia. If NCTS is not introduced and implemented, the costs will increase and there would be possible threats that could affect the business of the EU companies. Moreover, owing to the risk analysis system benefits are numerous and in 2009 selectivity application resulted in every fifth consignment examined (21% of 293,524 single administrative documents). Border traffic would be accelerated by 10% and favorable conditions would be created for the EU and Serbian companies. Based on the results of customs risk management achieved in 2009, EUR 23 million were directly going into the budget of the Republic of Serbia. Better performance would be accomplished by the improvement of risk management IT support. SCA collected EUR 2,6 billion in import duties in 2009 and total customs revenues were at EUR 2,56 billion last year. Customs officers confiscated EUR 12 thousand worth of goods last year and discovered over 11,000 customs violations and prevented entering of narcotics, smuggled cigarettes, oil, cultural goods etc. into the European market. The project implementation would result in the increased detection of customs offences by 10%. Implementation of simplified procedures would increase import in the territory of the Republic of Serbia and also export in the EU.

Electronic submission of customs documents is possible at the moment, but SCA is seeking the ways to introduce the electronic signature and e-customs, which will enable trading community to work more efficiently by replacing various paper documents and certain formalities with an electronic communication.

Institutional and administrative capacity building remains a priority for SCA and further support in modernization process is necessary. Project components are linked with the realization of previously approved projects, namely: IPA 2007- *Administrative capacity building of the Customs Administration for the full implementation of the common EU transit procedure*- NCTS and IPA 2008- *Harmonization of the Serbian Customs Enforcement Division with the standards, organization and operational methodology of EU enforcement agencies*.

### **3.2 Assessment of project impact, catalytic effect, sustainability and cross border impact (where applicable)**

#### **Impact:**

With its capacity of SCA and other government agencies for simplification of procedures through efficient cooperation, the implementation of the project will have a beneficial effect on economy in the whole region. By application of controls and reducing waiting time at borders, the project will result in saving time and resources, further increasing the region's competitiveness. Among other government agencies, the entire trade community including transport operators, importers and exporters, freight forwarders and Serbian citizens will be beneficiaries of the project as they benefit from: modernized customs; improved procedures, proper institutes and information technology; lower expenses; more reliable business environment; time savings and reduction of corruption.

The project activities have been explicitly designed in consultation with ongoing 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.



## **Catalytic effect**

As regards catalytic effects, a more predictable, transparent and efficient customs administration not only provides for a more stable and predictable income situation for the government, it also stimulates compliance by the economic actors with the system; improve business level accounting practices and transparency, in general improving economic development of the Republic of Serbia.

## **Sustainability**

The competence built up throughout this project is in the long-term function of approximation of the Serbian customs system to the EU customs systems. Sustainability, after project completion, especially for the NCTS and risk management, is ensured by the selection of the SCA trainers whose roles will be to update gained knowledge on a permanent basis and to transfer/share them with other customs officers, maintaining of the IT programmes by IT customs officers and wide use of manual and guidelines.

## **Cross border/boundary impact**

Since Serbia has very sensitive geopolitical position and represents a transit route for smuggling different types of goods and persons towards Europe, the project will have a comparable, although indirect, impact on the EU. The modernisation of customs operations, in particular the control functions of risk management, will result with a reduction of illegal activities (smuggling of goods, vehicles and travellers, corruption) in the region and will facilitate trade through the introduction of more transparent procedures. Furthermore, the activities towards the implementation of NCTS systems will enable the country to meet the EU requirements in the accession process. The project will provide a good momentum for further improvement of trade facilitation in the Republic of Serbia and enhance its capacity to better compete on the international market. By strengthening its capacities SCA will become the leader in the region and more recognized member of the World Customs Organization, Southeast European Cooperative Initiative Center, the Regional Intelligence Liaison Office and other relevant organizations.

The SCA has embarked to implement its comprehensive modernization programme, and the activities envisaged in this project are complementary to the SCA reform process. Thus, sustainability of the project impact is ensured, and the results achieved will continue to be implemented by the SCA.

## **3.3 Results and measurable indicators**

**Result 1:** Created customs network (cooperation mechanisms between customs and stakeholders- public administration and trade community), in support of the international trading system and trade facilitation by application of New Computerized Transit System (NCTS), simplified procedures, Authorized Economic Operator, preferential rules of origin of goods

### *Measurable indicators:*

- NCTS system developed and system of authorized economic operators introduced
- Decision made on the selection of software solution, the presence of software for NCTS including authorized economic operator in accordance with the updated recommendations of IPA 2007 project

- NCTS software including module for authorized economic operator developed
- Introduced Guarantee System necessary for NCTS operations
- Increased number of companies accredited by authorized economic status
- Performed feasibility analysis on improvement of procedures in railway, river and air traffic
- Manuals, brochures and guidelines for trade partners prepared, guidelines for authorized economic operator drafted
- ToT conducted: 7 customs officers for NCTS operations, 4 customs officers for the use of authorized economic operators, 4 customs officers for trade facilitation, ToT handbook prepared
- Conducted training of 50% of customs officers for NCTS and use of software, 10% of customs officers for trade facilitation, authorized economic operators and preferential rules of origin of goods
- Organized 25 seminars and study visits for the business community in the areas of NCTS system, authorized economic operators and trade facilitation, preferential rules of origin of goods

**Result 2:** Border controls and security reinforced and strengthened capacity of SCA and law enforcement agencies in the fight against fraud, organized crime, terrorism, drug trafficking and smuggling of weapons, dual-use goods through the implementation of modern enforcement techniques

*Measurable indicators:*

- Increased number of signed Memorandum of Understanding and exchange of pre-arrival information on consignment
- Decision made on the software solution, the presence of software for improved analytical and monitoring mechanisms of risk management system in accordance with the recommendations of the Twinning project within IPA 2008
- Decided software solution developed
- Risk analysis and risk management System harmonized with the EU standards (DG Taxud, the EU Blueprints, WCO Framework of Standards)
- Decreased number of physical examinations at the borders and accelerated traffic across borders by 10% enabled by the use of risk analysis software
- Increased number of detected customs fraud by 10% by using risk analysis
- ToT conducted- 8 customs officers for risk analysis and risk management system, ToT handbook prepared
- 50 customs officers trained for the use of risk analysis system

### **3.4 Activities:**

#### **Activities related to Result 1:**

##### **1.1 Further develop simplified customs procedures and trade facilitations**

- 1.2 Organize coordination and cooperation between SCA, the business community (traders) and other government agencies by institutionalizing consultative and communication mechanisms- enhance information exchange, initiate Memorandum of Understanding and Protocols of Cooperation with business community regarding trade facilitations and the crucial role of authorized economic operator
- 1.3 Update technical and functional specification and terms of references drafted under project IPA 2007, related to: software for NCTS including the introduction of authorized economic operator
- 1.4 Design and develop NCTS software on the basis of the updated technical and functional specifications and terms of reference under activity 1.3
- 1.5 Customize and test NCTS software at national level and prepare national conditions for international testing
- 1.6 Pilot implementation of IT systems/modules/interfaces in the area of NCTS at selected border crossing point and inland customs post
- 1.7 Compile detailed technical documentation with a description of processes which enable repair/maintenance of the system and IT application
- 1.8 Perform training needs analysis
- 1.9 Publish guidelines and brochures for trade partners
- 1.10 Conduct Train the Trainer Course and prepare ToT Handbook
- 1.11 Organize series of seminars, workshops, and courses, study visits for customs, trade partners and public administration

**Activities related to Result 2:**

- 2.1 Analyze best practices in the EU countries regarding the use of pre-arrival information on consignments in the area of risk assessment
- 2.2 Continue activities on concluding the Memorandum of exchange of pre-arrival information in all modes of transport with business community
- 2.3 Further develop common priority control areas, joint risk analysis and uniform profiles at the central level
- 2.4 Prepare a plan for improving operations at the border and inland in accordance with the EU standards and best practices
- 2.5 Prepare proposals and terms of reference for the IT support of risk analysis system in accordance with improved procedures and recommendations of the Twinning project on Risk Analysis, Risk Management and Post-clearance Audit (IPA 2008)
- 2.6 Develop and test necessary risk analysis software
- 2.7 Compile detailed technical documentation to enable repair/maintenance of the IT system
- 2.8 Conduct Train the Trainer Course and prepare ToT Handbook
- 2.9 Organize series of seminars, workshops, training courses for law enforcement agencies regarding risk analysis

All activities will be implemented through one service contract.
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### **3.5 Conditionality and sequencing:**

#### **Conditionality:**

The Government of the Republic of Serbia continues to demonstrate its commitment to adopt and implement the EU *acquis* and standards in the field of customs. Capacity building in the SCA requires permanent and strategic commitment of the Government to invest significantly into the SCA resources and expertise. Sufficient political will is necessary to create the best possible conditions for the implementation of the EU standards defined in relevant fields.

Achieving results of the project depends on readiness and willingness of other involved Serbian governmental agencies to cooperate and work together with the SCA on the project. It is important that governmental agencies dedicate their human resources in order to bring concrete operational results. To strengthen SCA capacity in the fight against fraud and smuggling by application of risk analysis it will also require close and open relationships with other internal and external agencies, mainly in the field of judicial matters and home affairs. The willingness, understanding and readiness for communication of various stakeholders in transit procedures and trade facilitation activities are necessary for successful reaching of project results.

Top management of the SCA will be fully committed and involved in the development and implementation of the policies required to deliver the project results and transparently cooperate with external project experts and participate in project activities. In the event that conditionality is not met, suspension or cancellation of the project or a part of it will be considered.

#### **Sequencing:**

The project will be implemented through one service contract to cover all specified activities. A part of the service contract with reference to updating technical specifications and Terms of Reference will be finalized shortly and service contract can be launched very quickly. Updating of technical specification and Terms of Reference will be accomplished by latest by the end of the third quarter from the start of the project implementation.

Training on the use of NCTS, AEO and risk management software will be conducted once the software is developed (for NCTS including AEO and risk management).

### **3.6 Linked activities**

So far received international assistance through various programs has shown that the customs administration has a key role in monitoring of international movement of goods, at the same time providing security of trade supply chain, public revenue control and collection.

This project is consistent and tenable continuation of previous projects, such as IPA 2007- *Administrative capacity building of the Customs Administration for the full implementation of the common EU transit procedure, NCTS- New Computerized Transit System*, in total amount of EUR 1,500,000. The project purposes are to speed up and facilitate the transit procedures on border crossing points and to assist the Serbian Customs Administration to:

- Set up Common Transit corresponding administrative, legal and equipment structures and preparing for the implementation of an NCTS-compatible transit system;
- Introduce the conditions for joining the Convention on Common Transit;

- Introduce a faster and more transparent transit procedure.

The Project under IPA 2007 is assisting SCA in achieving the following results:

- Enhanced quality of regulatory and operational Customs business, with the capacities to meet the requirements for the introduction of an NCTS-compatible transit system, including guarantee system, simplified procedures and Authorised Economic Operator (AEO);
- Introduction of modern technical capacities for data exchange with Member States of the Convention on Common Transit / NCTS, by adapting the current IT system of the Customs Administration to new business challenges and new forms of data exchange;
- Introduction of the conditions for joining the Convention on Common Transit and a faster and more transparent transit procedure, leading to a reduced number of abuses in foreign trade business.

SCA implements a project within IPA 2008- *Harmonization of the Serbian Customs Enforcement Division with the standards, organization and operational methodology of EU enforcement agencies*, worth 8,900,000 EUR, which will contribute to enabling the Republic of Serbia to establish open, but secure borders through efficient border control and management systems, based on EU best experience and practices. The project aims to support and build up the capacity of the Serbian Customs Administration by capacity and institution building as well as by the installation of X-ray systems and other necessary equipment, in order to improve the efficiency and effectiveness of border control systems such as the means of preventing and combating international terrorism, smuggling, counterfeiting, and other customs offences, while also ensuring a higher level of environmental safety in Serbia. This project is composed of 4 components: Component 1: Equipment Supply, Component 2: Trainings for the Enforcement Division by UNODC, Component 3: Twinning Project for the Risk Analysis, Risk Management and Post Clearance Audit, Component 4: Twinning Project for the Tax and Revenue Collection Systems. The Twinning Contract for Risk Analysis, Risk Management and Post Clearance Audit was signed, the implementation starts and all its references and advices will be considered and implemented as preparatory actions necessary for the beginning of this project.

The recommendations of IPA 2007 and IPA 2008 will be incorporated and taken into account during the formulation of activities envisaged by this project. The present Project continues and complements the previous projects.

The Project on Systematic Electronic Exchange of Data (SEED) in the Western Balkans (Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, Montenegro and Serbia, as well as Kosovo<sup>2</sup>) aims to build capacities of relevant customs administrations in the field of efficient electronic data exchange for customs procedures and to improve the system for electronic data exchange and automatic matching. SEED Project is based on the present SCA IT system of risk analysis and does not foresee the improvement of IT support of risk management. There are no conflicting activities between this Project and SEED Project because this Project includes the development of software for efficient analytical and monitoring mechanisms of risk management system in accordance with recommendations of the Twinning Project within IPA 2008. RACWEB Project (Risk Assessment for Customs in Western Balkans) covers only one aspect of customs procedures with regard to inward processing of goods.

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<sup>2</sup> under UNSCR 1244/99.

Therefore, overlaps with the previous linked projects are avoided because this project is rational continuation of the previous coherent introduction and modernization projects of SCA. Additionally, financial resources for modernization and improvement of NCTS and risk management systems are not sought from other donors.

Reference list of previously received assistance is provided in Annex 6.

### **3.7 Lessons learned**

For the overall implementation strategy it proved crucial for the team to develop close working relationships with all stakeholders. The existence of good will helped to minimise some of the risks. Implementing various types of projects, the SCA considers that success factors have largely been determined by the actual expertise of individual experts. In that sense critical activities in each project are hinged upon the preparation of detailed and precise Technical Specifications and Terms of Reference as a precondition to the selection of the best performing companies.

The SCA has had experience in conducting tendering procedures for substantial procurements. Lessons have been learned from the procurement process that was carried out as part of the Trade and Transport Facilitations in Southeast Europe project financed through the World Bank credit. The SCA was able to successfully complete the procurement because it strictly followed the WB's guidelines on tendering procedures and developed clear and detailed technical specifications for the equipment that was procured. The same strategy was used for the preparation of the technical specification for the supply component within IPA 2008 by following the Practical Guide to Contract procedures for EU external actions. Many trainings were held by the Human Resources Management Service concerning PRAG and the UNODC office in Belgrade provide assistance in the preparation of the technical specification for radiation portal monitors and uniforms.

#### 4. INDICATIVE BUDGET (AMOUNTS IN M€)

Modernisation of the customs system			TOTAL EXP.RE	SOURCES OF FUNDING								
				IPA EU CONTRIBUTION		NATIONAL CONTRIBUTION					PRIVATE CONTRIBUTIO N	
ACTIVITIES	IB	INV	M€ (a) = (b) + (c) + (d)	M€ (b)	%*	Total M€ (c) = (x) + (y) + (z)	%*	Centra l M€ (x)	Regional / Local M€ (y)	IFIs M€ (z)	M€ (d)	%*
contract 1.1	X		4.1	4.1	100%							
<b>TOTAL IB</b>			4.1	4.1	100%							
<b>TOTAL INV</b>			-	-								
<b>TOTAL PROJECT</b>			<b>4.1</b>	<b>4.1</b>	<b>100%</b>							

Amounts net of VAT

- (1) In the Activity row use “X” to indentify whether IB or INV
- (2) Expressed in % of the Total Expenditure (column (a))

## 5. INDICATIVE IMPLEMENTATION SCHEDULE

Contracts	Start of Tendering	Signature of contract	Project Completion
Contract 1.1.	T+1Q	T+3Q	T+12Q

## 6. CROSS CUTTING ISSUES

### 6.1 Equal Opportunity

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 professional 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 SCA trainers will not be based upon gender criteria, but according to their knowledge, experience and capability to train other customs officers. The SCA has an equal opportunity policy with respect to recruitment and promotion. Also, within the SCA 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.

### 6.2 Environment

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 the project results will be focused on the implementation of computerized systems and paper-less 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.

### 6.3 Minorities

There are current legislative provisions for the protection of minority rights. The proposed project will make sure that the internal policies, structure or operating procedures of the beneficiary will conform with or promote minority issues. Indeed minorities are widely represented throughout the SCA. 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.



## ANNEX 1: Logical framework matrix

LOGFRAME PLANNING MATRIX FOR Project Fiche			
<b>Project title:</b> <b>Modernisation of the customs system</b>		Contracting period expires two (2) years after signature of Financing Agreement	Disbursement period expires fives (5) years after signature of Financing Agreement
		<b>Total budget : EUR 4.1 million</b>	<b>IPA budget: EUR 4.1 million</b>
OVERALL OBJECTIVE	Objectively verifiable indicators	Sources of Verification	
The overall objective of the project is to support process of modernization of public administration ensuring protection of fiscal and financial interests of the Republic of Serbia, facilitation of legitimate trade and protection of society.	<ul style="list-style-type: none"> <li>Increased efficiency and effectiveness of customs procedures and harmonization with the EU best practice</li> <li>Increased level of trade facilitation and society protection</li> <li>Increased border security and revenue collection</li> </ul>	<ul style="list-style-type: none"> <li>EC Progress Report</li> <li>World Customs Organization's Reports</li> <li>Official statistics</li> </ul>	
SPECIFIC PROJECT PURPOSE	Objectively verifiable indicators	Sources of Verification	Assumptions
The project purpose is to strengthen the administrative and operational capacity of the Serbian Customs Administration (SCA) and relevant stakeholders with the aim to meet the EU requirements in the area of New Computerized Transit System, authorized economic operator, trade facilitations and risk management in order to simplify procedures and enhance knowledge-based and customer-oriented services enabling better coordination of border management and protection of internal market.	<ul style="list-style-type: none"> <li>Customs procedures simplified, business of trade community facilitated upon project completion</li> <li>Increased efficiency of revenue collection by at least 5%</li> <li>Bureaucracy reduced</li> <li>Increased export and import activities by at least 5%</li> <li>Increased investments by at least 5%</li> <li>Detection of all customs offences increased by at least 10%</li> </ul>	<ul style="list-style-type: none"> <li>Final Project Report</li> <li>Annual Report of the Serbian Customs Administration to the Ministry of Finance</li> <li>Reports of the Serbian Customs Administration to the Delegation of the European Union</li> <li>Report of the Coordination Body for the implementation of IBM Strategy and Action Plan</li> <li>Official statistics of SCA and Ministry of Finance</li> </ul>	Sufficient political willingness to create the best possible conditions for the implementation of European standards in the customs area

RESULTS	Objectively verifiable indicators	Sources of Verification	Assumptions
<p><b>Result 1</b></p> <p>Created customs network (cooperation mechanisms between customs and stakeholders- public administration and trade community), in support of the international trading system and trade facilitation by application of New Computerized Transit System (NCTS), simplified procedures, Authorized Economic Operator, preferential rules of origin of goods</p>	<ul style="list-style-type: none"> <li>▪ NCTS system developed and system of authorized economic operators introduced</li> <li>▪ Decision made on the selection of software solution, the presence of software for NCTS including authorized economic operator in accordance with the updated recommendations of IPA 2007 project</li> <li>▪ NCTS software including module for authorized economic operator developed</li> <li>▪ Introduced Guarantee System necessary for NCTS operations</li> <li>▪ Increased number of companies accredited by authorized economic status</li> <li>▪ Performed feasibility analysis on improvement of procedures in railway, river and air traffic</li> <li>▪ Manuals, brochures and guidelines for trade partners prepared, guidelines for authorized economic operator drafted</li> <li>▪ ToT conducted: 7 customs officers for NCTS operations, 4 customs officers for the use of authorized economic operators, 4 customs officers for trade facilitation, ToT handbook prepared</li> <li>▪ Conducted training of 50% of customs officers for NCTS and use of software, 10% of customs officers for trade facilitation, authorized economic operators and preferential rules of origin of goods</li> <li>▪ Organized 25 seminars and study visits for the business community in the areas of NCTS system, authorized economic operators and trade facilitation, preferential</li> </ul>	<ul style="list-style-type: none"> <li>▪ Annual Report of the Serbian Customs Administration to the Ministry of Finance</li> <li>▪ Reports and recommendations of NCTS project- IPA 2007</li> <li>▪ Software decision document</li> <li>▪ Document on the introduction of new guarantee system</li> <li>▪ Document on the decision on accredited status of Authorized Economic Operator</li> <li>▪ Document of feasibility analysis in improvement of procedures in railway, river and air traffic</li> <li>▪ Documents of manual, brochures and guidelines</li> <li>▪ Decision of the Director General of SCA on selection of 15 trainers</li> <li>▪ Reports on conducted training, evaluation reports, certificates, ToT Handbook</li> <li>▪ Interviews with participants of study visits</li> <li>▪ Reports of Working Group on origin of goods</li> <li>▪ Regular and annual reports of Customs Business and International Customs Cooperation Division and Customs Tariff Division to the Director General of SCA</li> </ul>	<ul style="list-style-type: none"> <li>▪ Support and understanding by policy makers and decision-takers to proceed with the changes necessary for achieving project goals</li> <li>▪ Support and readiness of relevant state agencies and business community to cooperate</li> <li>▪ Well-trained and adequately equipped customs officers</li> <li>▪ Successful selection of the best consultants and companies</li> <li>▪ Adequate selection of trainers in SCA</li> <li>▪ Full functionality of delivered software</li> </ul>

	rules of origin of goods	<ul style="list-style-type: none"> <li>▪ Regular Project Implementation Reports</li> </ul>	
<p><b>Result 2</b></p> <p>Border controls and security reinforced and strengthened capacity of SCA and law enforcement agencies in the fight against fraud, organized crime, terrorism, drug trafficking and smuggling of weapons, dual-use goods through the implementation of modern enforcement techniques</p>	<ul style="list-style-type: none"> <li>▪ Increased number of signed Memorandum of Understanding and exchange of pre-arrival information on consignment</li> <li>▪ Decision made on the software solution, the presence of software for improved analytical and monitoring mechanisms of risk management system in accordance with the recommendations of the Twinning project within IPA 2008</li> <li>▪ Decided software solution developed</li> <li>▪ Risk analysis and risk management System harmonized with the EU standards (DG Taxud, the EU Blueprints, WCO Framework of Standards)</li> <li>▪ Decreased number of physical examinations at the borders and accelerated traffic across borders by 10% enabled by the use of risk analysis software</li> <li>▪ Increased number of detected customs fraud by 10% by using risk analysis</li> <li>▪ ToT conducted- 8 customs officers for risk analysis and risk management system, ToT handbook prepared</li> <li>▪ 50 customs officers trained for the use of risk analysis system</li> </ul>	<ul style="list-style-type: none"> <li>▪ Annual Report of the Serbian Customs Administration to the Ministry of Finance</li> <li>▪ Annual Report of Enforcement Division to the Director General of SCA</li> <li>▪ Monthly and annual reports of Risk Analysis and Risk Management Department</li> <li>▪ Software for IT support of risk analysis decision document</li> <li>▪ Decision of the Director General of SCA on selection of 8 trainers</li> <li>▪ Reports on conducted training, evaluation reports, certificates, ToT Handbook</li> <li>▪ Regular Project Implementation Reports</li> </ul>	

Activities	Means & Costs	Assumptions
<b>Activities related to Result 1</b>	Technical Assistance (Training of trainers/Trainings/Seminars/ Workshops/International Training Visits/Experts advisors/ software development) to be contracted for Result 1 and Result 2  <b>Service Contract EUR 4.1 million</b>	
1.1 Further develop simplified customs procedures and trade facilitations		
1.2 Organize coordination and cooperation between SCA, the business community (traders) and other government agencies by institutionalizing consultative and communication mechanisms-enhance information exchange, initiate Memorandum of Understanding and Protocols of Cooperation with business community regarding trade facilitations and the crucial role of authorized economic operator		
1.3 Update technical and functional specification and terms of references drafted under project IPA 2007, related to: software for NCTS including the introduction of authorized economic operator		
1.4 Design and develop NCTS software on the basis of the updated technical and functional specifications and terms of reference under activity 1.3		
1.5 Customize and test NCTS software at national level and prepare national conditions for international testing		
1.6 Pilot implementation of IT systems/modules/interfaces in the area of NCTS at selected border crossing point and inland customs post		
1.7 Compile detailed technical documentation with a description of processes which enable repair/maintenance of the system and IT application		
1.8 Perform training needs analysis		
1.9 Publish guidelines and brochures for trade partners		
1.10 Conduct Train the Trainer Course and prepare ToT Handbook		
1.11 Organize series of seminars, workshops, courses, study visits for customs, trade partners and public administration		

Activities		Assumptions
<b>Activities related to Result 2</b>		
2.1 Analyze best practices in the EU countries regarding the use of pre-arrival information on consignments in the area of risk assessment		
2.2 Continue activities on concluding the Memorandum of exchange of pre-arrival information in all modes of transport with business community		
2.3 Further develop common priority control areas, joint risk analysis and uniform profiles at the central level		
2.4 Prepare a plan for improving operations at the border and inland in accordance with the EU standards and best practices		
2.5 Prepare proposals and terms of reference for the IT support of risk analysis system in accordance with improved procedures and recommendations of the Twinning project on Risk Analysis, Risk Management and Post-clearance Audit (IPA 2008)		
2.6 Develop and test necessary risk analysis software		
2.7 Compile detailed technical documentation to enable repair/maintenance of the IT system		
2.8 Conduct Train the Trainer Course and prepare ToT Handbook		
2.9 Organize series of seminars, workshops, training courses for law enforcement agencies regarding risk analysis		

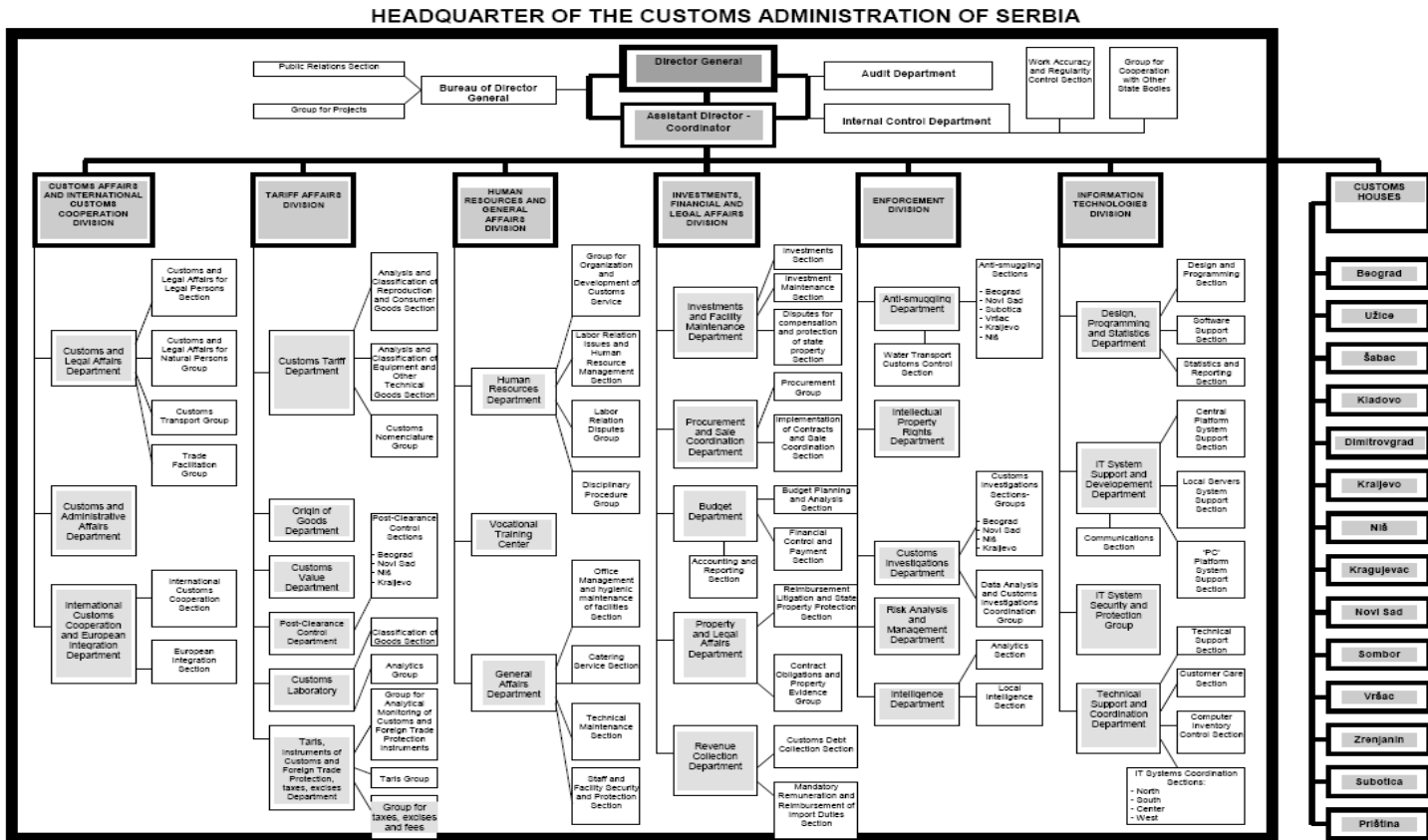
**Preconditions:** Realisation of IPA 2007 and IPA 2008

**ANNEX 2: Indicative amounts (in M€) Contracted and disbursed by quarter for the project (IPA contribution only)**

<b>Contracted</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Q5</b>	<b>Q6</b>	<b>Q7</b>	<b>Q8</b>	<b>Q9</b>	<b>Q10</b>	<b>Q11</b>	<b>Q12</b>	<b>Total</b>
Contract 1.1			4.1										<b>4.1</b>
<b>Cumulated</b>			<b>4.1</b>										<b>4.1</b>
<b>Disbursed</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Q5</b>	<b>Q6</b>	<b>Q7</b>	<b>Q8</b>	<b>Q9</b>	<b>Q10</b>	<b>Q11</b>	<b>Q12</b>	<b>Total</b>
Contract 1.1			0.82	0	0.72	0	0.72	0	0.72	0	0.72	0.40	<b>4.1</b>
<b>Cumulated</b>			<b>0.82</b>	<b>0.82</b>	<b>1.54</b>	<b>1.54</b>	<b>2.26</b>	<b>2.26</b>	<b>2.98</b>	<b>2.98</b>	<b>3.70</b>	<b>4.10</b>	<b>4.1</b>

## ANNEX 3: Institutional Framework – legal responsibilities and statutes

### The organizational scheme of the Serbian Customs Administration



According to the Customs Law (Official Gazette of the Republic of Serbia No. 18/10, Article 252), the Serbian Customs Administration (hereafter SCA), being an administrative body within the Ministry of Finance, is responsible for:

1. performing the customs supervision and control of the customs goods determined by this law and other regulations;
2. conducting of the customs procedures;
3. calculating, collecting and enforced collecting of import duties and other charges, excise and turnover taxes, and other charges applicable to imported goods or, where provided for by special regulations, those applicable to exported goods;
4. conducting preventive and post-clearance control;
5. issuing of general information on the application of the customs regulations, binding tariff information and binding origin information, as well as the information on other laws enforced within the powers of the customs authority;
6. conducting procedure prescribed by the Law for the purpose of detecting customs offences, economic offences and crimes;
7. conducting the administrative procedure in the first and second instances;
8. conducting the offence procedure in the first instance for offences prescribed by this Law and other regulation;

9. conducting the currency control in the international passenger traffic and frontier traffic with foreign countries;
10. conducting the control of importation, exportation and transit of goods subject to safety measures, measures to protect life and health of humans, animals and plants, the environment, the national heritage, property of historical, artistic or archaeological value and intellectual or industrial property rights, etc.;
11. keeping records within the scope of its work;
12. processing and monitoring of statistic data on imports and exports;
13. other activities in accordance with the law and other regulations.

SCA is organized at central - Headquarters and regional/local level - Customs Houses, customs posts and it consists of 6 following divisions: Customs Affairs and International Customs Cooperation, Tariff Affairs, HR and General Affairs, Investments, Financial and Legal Affairs, Enforcement and IT, 14 regional customs houses covering the whole territory of Serbia, 72 customs posts and 70 border crossings and currently 2509 customs officers are employed. For further information, please follow the link [www.carina.rs](http://www.carina.rs).





#### **ANNEX 4: Reference to laws, regulations and strategic documents**

All the systematic laws, being implemented by the Customs administration, that were passed after 2004, have been significantly harmonized with EU legislation (Customs Law, Law on Customs Tariff, Law on Foreign Trade Activities, Law on VAT, Law on Foreign Currency Operations, Law on Foreign Trade in Arms, Military Equipment and Dual Use Products.)

- The Customs Law ("Official Gazette of the Republic of Serbia" No. 18/10);
- Customs Tariffs Law ("Official Gazette of the Republic of Serbia" 62/05, 61/07 and 05/09)
- Law on Foreign Trade ("Official Gazette of the Republic of Serbia", No. 36/09 );
- Law on Value Added Tax ("Official Gazette of the Republic of Serbia", No. 84/04, 86/04, 61/05 and 61/07);
- Law on Foreign Currency Transactions ("Official Gazette of the Republic of Serbia", No. 62/06);
- Law on General Administrative Procedure ("Official Gazette of the FRY", No. 33/97, 31/01);
- Law on Ionization Radiation Protection and Nuclear Security, ("Official Gazette of Serbia" No.36/09)
- Offence Law ("Official Gazette of the Republic of Serbia", No. 111/09);
- Law on Foreign Trade in Arms, Military Equipment and Dual – use Goods ("Official Gazette of Serbia and Montenegro", No. 7/05 and 8/05);
- Regulation on Customs Approved Procedure with Customs Goods, Release of Customs Goods and Collection of Customs Dues ("Official Gazette of the Republic of Serbia", No. 127/03, 2003, 20/04, 24/04, 63/04, 104/04, 44/05, 71/05, 76/05, 106/05, 05/06, 47/06, 86/06, 10/07, 25/07, 80/07, 09/09, 26/09, 28/09, 57/09 and 96/09);
- Regulation on Special Conditions for the Trade in Goods with the Autonomous Province of Kosovo and Metohija ("Official Gazette of the Republic of Serbia", No. 139/04, 8/2005, 15/2005 and 91/2006);
- Regulation on harmonization of customs tariff nomenclature for 2010 („Official Gazette of the Republic of Serbia“, No. 100/09)
- Rulebook on the Form, Content and Manner of Submission and Filling in the Declaration and other Forms in the Customs Procedure ("Official Gazette of the Republic of Serbia", No. 129 of December 29, 2003, 53/04, 137/04, 11/05, 23/05, 65/05, 117/05, 114/06, 74/07, 02/08, 33/08, 50/08, 08/09, 25/09 and 107/09);
- Rulebook on the Duties of Customs Authorities in Foreign Trade in Arms, Military Equipment and Dual – use Goods ( "Official Gazette of the Republic of Serbia", No. 67/05);
- Rulebook on the Request Form for Permit Issuance, the Form of the Permit and Other Forms of Documents accompanying the Foreign Trade in Controlled Goods ("Official Gazette of the Republic of Serbia", No. 96/07);
- As well as other laws and bylaws.

- Customs administration also passed a number of special instructions concerning border operations, aiming to improve the procedures at borders and to heighten efficiency. The instructions are as follows:
- Instructions on customs posts operations on border crossings – passed in 2005
- Instructions on importation of motor vehicles and on establishment of their customs value – passed in 2004
- Instructions on control of goods in customs border area – passed in 2005
- Instructions on return of goods abroad in passenger traffic – passed in 2005
- Handbook on procedure in passenger traffic – passed in 2005
- List of tariff classified goods which are subject to veterinary-sanitary control on imports, exports and in transit – passed in 2005
- List of tariff classified goods, which are subject to phyto-sanitary control on imports, exports and in transit – passed in 2005
- Instructions regarding TIR System implementation – passed in 2001
- Instructions on customs procedure regarding temporary importation and exportation of goods based on ATA carnet – passed in 2004
- Instructions regarding CEMT Resolution implementation – passed in 2005
- Methodological instructions regarding implementation of the Law on VAT in customs approved procedures – passed in 2004
- Instructions on supplying ships, yachts and boats – passed in 2004
- Instructions on supplying aircrafts – passed in 2004
- Instructions on how to carry out the transit procedure in customs posts at border crossings – passed in 2006
- Instructions on exchange of customs information list in road traffic – passed in 2007.

#### Reference list of international standards

Regarding the implementation of international standards in the trade facilitation area, we would like to emphasize the fact that CEFTA (Agreement on Free Trade in Central Europe) has been implemented from October 2007, as well as the Agreement on Trade in Textile Products, concluded in 2005, between the EU and Serbia.

As far as implementation of international standards is concerned, it should be pointed out that, from the total of 12, Serbia has signed the following seven WCO conventions:

- Convention on the Harmonized Commodity Description and Coding System
- Customs Convention on the temporary importation of packings
- Customs Convention on the temporary importation of professional equipment

- Customs Convention concerning facilities for the importation of goods for display or use at exhibitions, fairs, meetings or similar events  
Customs Convention on the ATA carnet for the temporary admission of goods (ATA Convention)
- Customs Convention concerning welfare material for seafarers  
International Convention on the simplification and harmonization of Customs procedures (Kyoto Convention) as amended.

Since the SCA is already cooperating with the International Association of World Carriers and with UNECE, it is also engaged in monitoring the implementation of conventions, passed under UN auspices:

- Customs Convention on the international transport of goods under cover of TIR carnets – TIR Convention;
- Customs Convention on containers;
- Convention concerning customs facilities for touring;
- Customs Convention on the temporary importation of private road vehicles;
- Customs Convention on the importation of commercial road vehicles;
- International Convention on the harmonization of frontier controls of goods (Geneva);
- European Convention on customs treatment of pallets used in international transport;
- Customs Convention on the temporary importation for private use of aircraft and pleasure boats;
- Convention regarding the regime of navigation on the Danube;  
Convention on the Contract for the international carriage of goods by road (CMR);
- Convention on the means of prohibiting and preventing the illicit import, export and transfer of ownership of cultural property;  
UN Convention against illicit traffic in narcotic drugs and psychotropic substances;
- Single Convention on narcotic drugs;
- Convention on psychotropic substances;
- Convention on international trade in endangered species of wild fauna and flora (CITES);
- Basel Convention on the control of transboundary movements of hazardous wastes and their disposal;
- Convention on the prohibition of the development, production, stockpiling and use of chemical weapons and on their destruction;
- Vienna Convention (The Montreal Protocol) on substances that deplete the ozone layer;

Reference to AP /NPAA / EP / SAA

***European Partnership for 2008*** (Official Journal of the European Union 19.3.2008),  
*European standards, Internal market, Customs and taxation (page 8)*

Short-term and medium-term priority within *Justice, freedom and security, Visa, border control, asylum and migration (page 11)*

Short-term priority within *Justice, freedom and security, Fight against organized crime and terrorism (page 11)*

In the Section- European standards- Internal Market of *Serbia 2009 Progress Report (page 33-34)*

*Article 99 of the Stabilisation and Association Agreement; direct link between the effective implementation between SAA and SCA in Article 3, Article 9 and Article 18.*

Amended *National programme for integration of the Republic of Serbia into the European Union, abridged version, December 2009* (Justice, freedom and security, [3.24.8. Customs cooperation page 230-232; 3.29 Customs Union, page 259-263](#))

Reference to MIPD

*The Multi-annual Indicative Planning Document for the Republic of Serbia 2009-2011 (MIPD)* Political Criteria (2.3.1.1, page 18, 20, 28, 30)

Reference to National Development Plan (where applicable)

N/A

Reference to national/ sectoral investment plans (where applicable)

*National Strategy for Serbia's EU Accession to the European Union*, the appropriate strategy of foreign trade policy thus requires the adoption of an optimum combination of measures and instruments in the areas of customs policy, non-tariff protection policy, industrial and development policy, as well as close coordination of the abovementioned with other relevant policies.

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

In the document *Poverty Reduction Strategy Paper for Serbia* it is indicated that it is necessary to ensure the provision of a dynamic, efficient and transparent public administration which is well suited to the appropriate role of Government in a market economy.

*Integrated Border Management Strategy* (Official Gazette of the Republic of Serbia No. 11/06, and pages 6 and 25 on the web site:

[http://www.srbija.gov.rs/uploads/documents/strategy\\_border.pdf](http://www.srbija.gov.rs/uploads/documents/strategy_border.pdf)

Among the measures foreseen by the *Export Promotion Strategy 2008-2011* that should lead to a raise in Serbian exports is the elimination of at least some of the administrative barriers hindering exports. The role of the Ministry of Finance and SCA as its organisational unit, is stated as one of the key responsible institutions in the implementation of these measures, pointing to a need for existence of an efficient and uncorrupted customs administration.

The Government of the Republic of Serbia adopted the *National Strategy for Fight against Organized Crime*. Among the objectives concerned are capacity building of all participating state bodies (including SCA), reinforcement of cooperation at the national, regional and

international level, as well as strengthening of cooperation among state authorities, the business community and civil society.

The Government of the Republic of Serbia adopted in February 2009 the ***Strategy for Drug Suppression in the Republic of Serbia*** for the period 2009–2013, and the Action Plan for Implementation of the Action against Drugs. The Strategy is in compliance with the European Union Anti Drug Strategy (2005-2012) and other international documents, the Council of Europe recommendations, the UN Conventions, etc. related to opiate drugs production, circulation and use.

Customs ***Risk Analysis and Risk Management Strategy*** was adopted by the SCA in September, 2008. The Framework of the SCA RARM Strategy is based on the following documents: the National Strategy for the Accession of Serbia to the European Union, the Principles, Priorities and Conditions contained in the European Partnership with Serbia, the Integrated Border Management National Strategy and the WCO SAFE Framework of Standards to secure and facilitate global trade.

Currently the project regarding drafting of ***the Strategy for the Ministry of Finance for successful European integration process*** is in its initial phase. New medium-term ***SCA Information System Development Strategy*** will be drafted in 2010 and adopted.

**ANNEX 5: Details per EU-funded contract where applicable:**

1. Activities will be carried out by the Technical Assistance under one Service Contract.

Contract # and Name	Description	Cost Estimates (EUR m)
<b>Service contract 1</b>	<p>One Service Contract for the engagement of Technical Assistance to produce following deliverables :</p> <ul style="list-style-type: none"> <li>• Updated technical and functional specification and terms of references for NCTS including the introduction of authorized economic operator drafted under project IPA 2007;</li> <li>• NCTS software including module for authorized economic operator;</li> <li>• Feasibility analysis on improvement of procedures in railway, river and air traffic;</li> <li>• Manuals, brochures and guidelines for trade partners; guidelines for authorized economic operator drafted;</li> <li>• ToT handbook prepared and Training delivered to the selected group of future trainers for NCTS operations; for the use of authorized economic operators; for trade facilitation;</li> <li>• Training delivered to customs officers for NCTS and use of software; for trade facilitation, authorized economic operators and preferential rules of origin of goods;</li> <li>• Software solution for improved analytical and monitoring mechanisms of risk management system in accordance with the recommendations of the Twinning project within IPA 2008;</li> <li>• Plan for improving operations at the border and inland in accordance with the EU standards and best practices;</li> <li>• Proposals and terms of reference for the IT support of risk analysis system in accordance with improved procedures and recommendations of the Twinning project on Risk Analysis, Risk Management and Post-clearance Audit (IPA 2008);</li> <li>• Risk analysis software;</li> <li>• ToT handbook prepared and training delivered to customs officers for risk analysis and risk management system;</li> <li>• Training delivered to customs officers for the use of risk analysis system</li> </ul> <p>It is estimated that for the first component of service contract-result 1 the amount allocated would be 3,5 million EUR and for the second component-result 2 estimated costs would be 600 thousand EUR.</p>	4,1 Million EUR

# ANNEX 6: Reference list of previously received assistance

Name of programme/ donor/ project ID	Period	Project description
CARDS	2002 - 2008	CAFAO (Customs and Fiscal Assistance Office) through the EU funding, assisted the SCA in its modernization process. CAFAO assistance has been particularly useful in introducing new institutes and operational methods.
IPA	2007	Regional Programme TACTA (Technical Assistance to Customs and Tax Administration) <ul style="list-style-type: none"> <li>• Continuation of CAFAO Programme, institution building 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</li> <li>• Continued alignment of customs and direct and indirect tax legislation with the EU <i>acquis</i>;</li> <li>• Further increase of the administrative capacity to implement this legislation;</li> <li>• Further progress in the fight against corruption, cross-border crime and fiscal evasion.</li> </ul>
France, Slovakia, Slovenia	2005 - 2009	Bilateral Assistance provided by the EU customs administrations <ul style="list-style-type: none"> <li>• France- Capacity building in the areas of customs laboratory, post-clearance audit and enforcement</li> <li>• Slovakia- Cooperation without borders Project-</li> <li>• Slovenia- Non-refundable aid for the project of integrated customs tariff (TARIC application)</li> </ul>
21 countries		Agreements on Cooperation and Mutual Assistance in Customs Matters with customs administrations: Macedonia, Russian Federation, Bulgaria, Romania, Czech Republic, Hungary, Slovakia, Bosnia & Herzegovina, Turkey, Slovenia, Croatia, Poland, France, China, Austria, Greece, Germany, Italy, USA, Montenegro)
IPA	2007	The SCA is active participant in the River Information System (RIS) which is in charge of continuous surveillance of the movement of all vessels on the Danube in real time.
EXBS, EU LTP, SIPRI	Since 2004	SCA participates in the EU Cooperation under the Long Term Project (LTP)- Assistance in RARM Strategy and export control of Dual-use Goods, implemented by Stockholm International Peace Research Institute (SIPRI) and Federal Office of Economics and Export Control (BAFA).



		Furthermore, strengthening of enforcement is included into Project on Export Controls of Arms, Military Equipment and Dual-use Goods and Project on Investigating and Prosecuting Export Control Violations, implemented by SIPRI and Export Control and Related Border Security Programme (EXBS).
World Customs Organization	Since 2006	In the area of cooperation with the World Customs Organization (WCO), since 2006 the SCA 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)
World Customs Organization	Since 2004	In order to meet challenges and threats in a rapidly changing customs environment it is necessary to optimize the existing tools. Therefore, the SCA is involved in the WCO Global Information and Intelligence Strategy Project Group by developing the Standardized Risk Assessments document. The advantages of Customs Enforcement Network (CEN), CENCOMM and future nCEN instruments are also used by the SCA.
World Customs Organization	2010	Pilot project- Integrity of customs officers- to raise staff and managers awareness of the roles, functions and objectives of internal affairs
RACWeB co-funded by the European Commission under the "Information Society Technologies" priority of the Sixth Framework Programme	Since 2007	SCA is engaged within the Project on Risk Assessment for Customs in Western Balkans (RACWeB) which aims to improve the Western Balkans and EU countries' customs efficiency and transparency in risk assessment- inward processing by enhancing the identification of risk profiles through the utilization of data mining techniques and by developing an advanced, web-based risk assessment service in customs declarations. Such a service clearly does not intend to replace, but to complement current and future national customs systems.
Multi-beneficiary IPA	2010	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.
IPA	2010	Serbian Customs Administration is among stakeholders of IPA 2010- Project against Money Laundering and Terrorist Financing in Serbia.
WCO, TAIEX, OSCE, UNODC	Since 2004	Since 2004 numerous WCO, TAIEX, OSCE, UNODC workshops were organized with the aim of capacity building of SCA officers.

Norwegian Bilateral Assistance	2007	<p>SCA benefited from the project on IT support for the Integrated Tariff of the Customs Administration of Serbia-TARIS.</p> <p>To enable IT support for the implementation of the Integrated Tariff and economic policies in order to harmonize Serbian customs system with the European Union standards in core customs and taxation business areas</p>
Customs 2013	Since 2009	<p>Concerning EU programmes, the EU has co-financed Serbia's participation in the 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. 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 EU on participation of the Republic of Serbia in the European Union "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 have included: Programme Management, Training, NCTS, Measurability of Results.</p>
IPA	2007	<p>Within IPA 2007 national programme for Serbia, Ministry of Interior implements project Improving Border Control Standards. SCA is one of the project partners. 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.</p>