

## **Standard Summary Project Fiche – IPA centralised programmes**

**Project number 6: Harmonization of the Serbian Customs Enforcement Division with the standards, organization and operational methodology of EU enforcement agencies**

### **1. Basic information**

<b>1.1. CRIS Number:</b>	2008/020-406
<b>1.2. Title:</b>	<b>Harmonization of the Serbian Customs Enforcement Division with the standards, organization and operational methodology of EU enforcement agencies</b>
<b>1.3. ELARG Statistical code:</b>	01.29
<b>1.4. Location:</b>	Republic of Serbia

### **Implementing arrangements:**

<b>1.5. Contracting Authority:</b>	EC Delegation to the Republic of Serbia
<b>1.6. Implementing Agency:</b>	Components 1, 3 and 4 – EC Delegation to the Republic of Serbia Component 2 – Direct GA to UNODC

### **1.7. Beneficiary (including details of project manager):**

Ministry of Finance /Customs Administration of Serbia (CAS)

Bul. Zorana Djindjica 155A, Beograd

**Project Manager:** Slobodan Nikolic, Deputy Director General of the CAS

### **Financing:**

<b>1.8 Overall cost IPA 2008:</b>	<b>8,900,000 EUR</b>
<b>1.9 EU contribution:</b>	<b>4,400,000 EUR</b>
<b>1.10 Final date for contracting:</b>	3 years after the signature of the Financing Agreement
<b>1.11 Final date for execution of contracts:</b>	5 years after the signature of the Financing Agreement
<b>1.12 Final date for disbursements:</b>	6 years after the signature of the Financing Agreement

### **2. Overall Objective and Project Purpose**

#### **2.1. Overall Objective**

This project 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.

#### **2.2 Project Purpose**

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.

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

#### **European Partnership**

This project directly contributes to the fulfilment of the Serbian short-term priorities as defined in the European Partnership 2007, in the section on Regional issues and international obligations (page 9) highlights the importance of implementing agreements with neighbouring countries on cross-border cooperation, the fight against organized crime, trafficking and smuggling, border management and the environment.

In the EP's section pertaining to harmonization with European standards, it has been recommended for the Customs Administration to strengthen its enforcement capacity (page 11).

Among the EP short-term priorities under European Standards, it has been suggested "To strengthen the administrative capacity of bodies in charge of inspection and monitoring in the area of environmental protection" (page 12), which is directly relevant to the Serbian customs authority as it is also responsible for preliminary radiation controls at the borders.

Moreover, in the heading Justice, freedom and security (pages 14-15), the EP has emphasized the need to increase capacities to fight money laundering, organized crime, terrorism and drug trafficking, and to implement integrated border management. This project is directly linked to building CAS capacities in these areas.

The mentioned priorities are also defined as medium-term priorities, stated on pages 16 and 19.

#### **Stabilisation and Association Agreement/Interim Agreement**

There is an obvious direct link between the effective implementation of the SAA and the work of the customs administration such in the case of Article 3 (establishment of an effective system of national export controls of weapons of mass destruction and dual-use goods) or Article 18 (establishment of a free trade area between the EU and Serbia) and an indirect link as in the case of Article 9 (conformity with the WTO provisions, in particular GATT 1994 and GATS). Consequently, a solid implementation of the Interim Agreement, as well as the implementation of all trade-related parts of the SAA, very much depends on the overall proper functioning and efficiency of the Serbian customs administration.

### **2.4. Link with MIPD**

As stipulated in the Multi-annual Indicative Planning Document 2007-2009 for Serbia (MIPD), the CAS should receive financial support and assistance within two of the three sub-components, Political Requirements and European Standards.

The Serbia MIPD supports the activity programmed under the Multi-Beneficiary MIPD 2007-2009 in the area of nuclear safety, and this has been pointed out in the MIPD for Serbia (page 14). The proposed project relates to the following strategic choice from the MIPD for Serbia, "Assistance is foreseen for the support to Customs and Taxation administration, supplementing existing programmes in the area or allowing them to continue or ensuring follow-up to present actions" (page 14).

The project also links to Political Requirements – Improving budget and fiscal management (enhancing control and collection capacity of the customs administration, page 15); and European Standards – Environment (inspecting and monitoring, page 22), Development and implementation of other strategies and policies (the part relating to customs and nuclear safety, page 23) and Justice, freedom and security (border management and fight against organized crime and terrorism, page 23).

Under Expected Results and Timeframe, Section 2.2.3.2 (page 24), the MIPD states that assistance may be provided in the following areas: border controls, protection of intellectual property rights, nuclear safety, institution building and technical assistance to support the implementation of strategies for the fight against drugs, human trafficking, smuggling, money laundering, combatting organized crime and further support to the implementation of Serbia's Integrated Border Management (IBM) Strategy and Action Plan.

## **2.5. Link with National Development Plan (where applicable) n/a**

## **2.6. Link with national/sectoral plans**

### ***Export Promotion Strategy 2008-2011***

With a view to (1) achieving an increased level of production and thereby the citizens' living standard, (2) ensuring macroeconomic stability by reducing the dependence of economic growth from the scope of capital inflow (risk underlying reduction of the existing balance-of-payments deficit related to decline of the dinar exchange rate, inflation growth and production drop), and (3) enabling prompt servicing of the foreign debt, the Government of the Republic of Serbia has adopted the Export Promotion Strategy for the period 2008-2011 on 22 May 2008. The strategy shows that without the growth of export Serbia will not be in a position to achieve its basic economic goals. Among the measures foreseen by the strategy that should lead to a raise in Serbian exports is the elimination of at least some of the administrative barriers hindering exports (e.g. simplification of all administrative procedures especially in the field of export licensing, improved coordination and cooperation between the inspection services, especially on the border crossings, etc). The role of the Ministry of Finance, that is, the Customs Administration of Serbia as its organisational part, 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.

### ***IBM National Strategy***

In order to help implement the SAA successfully, the Republic of Serbia has adopted the IBM Strategy (published in the Official Gazette of the Republic of Serbia No. 11/06). This strategy stipulates the following:

"...The concept of the European Union as regards integrated border management 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. Regular trans-border communication helps to facilitate economic development of the whole region and contributes to diminishment of poverty. 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..." (page 6).

"...The integrated border management system will be in accord with the rules, standards and recommendations of the European Union for external borders..." (page 25).

Implementation of IBM means strengthening regional security and at the same time identifying Serbia as a reliable partner to the EU in carrying out its border controls. Again, the role of the customs administration as one of the four IBM agencies in all this is of the outmost importance.

### **3. Description of the Project**

#### **3.1. Background and Justification**

##### Equipment

Having in mind the global trends in doing business today, the goal of all modern customs authorities operations is not only to collect duties, but also to facilitate and speed up legal cross-border flows and at the same time to prevent and combat all illegal cross-border activities. To do this the capacity of the Customs Enforcement Unit is crucial, founded upon its well trained staff and appropriate, up-to-date equipment.

According to the Serbian Customs Law, in effect since 2004, among others, the role of the CAS is to prevent human trafficking, illegal trade in arms, ammunition or explosive material, unauthorized production and circulation of narcotics, money forgery and laundering and smuggling of cultural heritage items, currency and goods. With the intention to accomplish this essential role, in 2004 the CAS established the Enforcement Division.

Furthermore, in line with the International Convention on Harmonization of Frontier Controls of Goods (1982) and according to the Decision of the Government of the Republic of Serbia on the Control of Radioactive Goods at the Border, from November 17, 2005, the CAS executes the control of radioactive goods at the border, on behalf of the Environmental Protection Administration (EPA). In view of the Customs Law and the Decision, the CAS is responsible for preventing and combating all illegal cross-border movement of goods, including nuclear and radioactive materials. On July 17, 2006 implementation of the Decision started and the CAS took over radioactivity control at the border, after organizing appropriate training for customs officers in cooperation with the EPA and obtaining the necessary equipment.

Prior to the Government Decision, the EPA was in charge of the control of radioactive goods at the border. However, their officers did not carry out the measurement of radiation levels for many reasons, including lack of equipment. The EPA instead engaged authorized laboratories to do that and only issued the permits (certificates) based on the reports of the engaged authorized laboratories about the measured radiation. That is the reason why the CAS, in addition to implementing training for customs officers, also had to procure equipment. Altogether the CAS has 124 hand-driven radiation detectors which were donated by the joint EU and International Agency for Atomic Energy (IAEA) project, and the US Government within the Export Control and Related Border Security Assistance (EXBS) programme. The CAS possesses only handheld radiation detectors, which cannot continuously record the detected radiation level. Besides, controls are inefficient due to its subjectiveness to human error, inability to automatically record radioactivity and register it electronically and timeliness of the applied procedure.

According to Article 21(3) of the Law on Ionization Radiation Protection ("Official Journal of FRY" no. 46/96 and "Official Gazette of RS" no. 85/2005 and 101/2005), stationary radiation monitors have to be placed at Border Control Points (BCPs) in order to prevent illicit movement of radioactive material over the State border, but currently none of them is in function.

An assessment of the necessary number of stationary radiation monitors – eight in total – has been prepared by the CAS, based on the fact that four BCPs in the Republic of Serbia are located at Corridor X, the route which is of the utmost importance for the southeastern part of Europe, within the Trans-European Network of roads. The CAS estimate is that two stationary radiation monitors per BCP would be necessary to cover railway and road traffic. In line with the regional initiatives launched in Zagreb in March 2007 (an initiative strongly supported by the IAEA), positioning of these monitors at the border crossing of one country, Serbia in this case, shall be considered *de facto* to be functionally used by its neighbouring countries as well.

Installation of the stationary ionization monitors will speed up the whole procedure of radiation control at the borders, leading to its automation. Also, it will enable electronic data exchange with the Customs IT system for data recording and collecting. Analysis of the said data will help the Enforcement Division to more effectively target and follow through on the control of suspicious consignments.

The present level of necessary equipment is not satisfactory

With this project, from the part financed from *IPA resources* the CAS will be able to procure modern equipment for the Enforcement Division, such as:

-8 Stationary Radiation Monitors

-Clothing and footwear for operations under any type of weather conditions (5/11 or 9/11)

From the *national resources* (national co-financing) Enforcement division will be equipped with:

- Mobile scanner for cargo traffic – 2 pcs

-Mobile X Ray vehicle -2 pcs

- Narcotics and explosives detector – 6 pcs

- Uniforms – 150 pcs

- Audio and video equipment – 30 pcs

- Vessel - 1 pcs

- Laptop – 40 pcs

The CAS X-ray Machine for cargo traffic should be functionally adjusted to control needs and should enable fast arrival at the location through inaccessible terrain, thereby facilitating efficient and accurate examination of suspicious consignments and detection of sensitive goods.

#### Capacity Building

Training would be another essential feature of this project. So far, the Customs and Fiscal Assistance Office (CAFAO) Mission for Serbia and Montenegro has delivered to the Enforcement Division trainings on the best EU practices. Moreover, 500 customs officers have been trained to use these handheld devices for detecting radiation within the context of the World Bank Trade and Transport Facilitations in Southeast Europe project. In addition, customs officers of the Enforcement Division have been improving their performance and gaining new experience on their own, through their day-to-day work. One of the most important ways to obtain new experience has been participation in joint operations and exercises with the customs administrations of the EU and of neighbouring countries. Nonetheless, there is a need for an EU-compatible modern training requiring further use of relevant training modules devised by CAFAO.

Moreover, the enforcement capacities of the CAS may be additionally strengthened by a fine-tuning of the CAS internal investigation/audit/controls activities, which appear to be more advanced than the rest of the CAS enforcement departments.

In addition, there is a need to improve the area of post clearance audit (PCA). The concept of post clearance audit allows for speedier clearance of the goods with the audit examination being performed subsequently at the importers' premises (traditionally, customs documentary checking and physical examination connected with importations and exportations takes place before the goods are released). The amount of importations selected for audit will depend on the customs resources available with the main effort directed at known areas of risk. The overall aim is to cover the activities of all major importers over a reasonable period of time. Where irregularities are discovered the audit can be extended to include all the importations made by the particular importer under examination.

In Serbia, there is a legal basis necessary for the conduct of the PCA. However, Serbia is at the beginning of the PCA development and CAS still has a high number of untrained and inexperienced staff in this field. It is also expected that the current legislative ground will eventually change in the process of approximation of Serbian customs legislation to the modernised EU Customs Code from June 2008, requiring additional skills and knowledge. Furthermore, the PCA would need to align to the simplified customs procedures and the Serbian authorities would therefore need to develop its own national legislative procedures for the PCA. For these reasons, the CAS would need to devote substantial efforts in order to train its PCA staff in a number of different sub-PCA areas. This would require devising of the relevant PCA training modules (basic and specialised), conducting the training, revising the legislation, etc.

Regarding the PCA, Serbia is in a critical phase, where there has been (1) a reduced number of customs controls at the border crossings, followed by an inadequate level of PCA controls, and (2) high exposure to the staff turnover. On a positive side, there now exists a specialised organisational PCA unit within the CAS, which has the political backing. This PCA unit, however, needs to be strategically guided by a separate audit strategy, as a part of an overall CAS strategy that would include the risk analysis (i.e. selectivity approach), strengthening of the underling CAS IT system for the electronic submission of customs documents and computerised PCA controls, et similar, the issues which are to be addressed by this project.

Finally, due to the existing level of tax and fiscal evasion and for the purpose of full alignment of tax legislation with that of the EU, the project will assist the relevant Serbian authorities in addressing the gaps in customs and tax legislation focusing on taxes collected by the Customs Administration (excises and VAT at importation). Besides, this component will assist Serbia to prepare for the implementation of the customs acquis during the accession process. The expected increase of revenue collection for the budget is an essential element for the co-financing requirement under the structural funds. It will moreover allow Serbia to fully benefit from lending possibilities through International Financial Institutions such as the European Investment Bank or the European Bank for Reconstruction and Development.

### **3.2 Assessment of the project impact, catalytic effect, sustainability and cross border impact**

Strengthening the enforcement capacity of the Customs Administration of Serbia will have a direct impact on the prevention and combating of all forms of illegal activities in the Republic of Serbia and cross-border. Due to the fact that Serbia has a very sensitive geopolitical position and represents a transit route for smuggling different types of goods and persons towards Europe, the project realization will have a comparable, although indirect, impact on the EU.

Considering the connection between combating fraud and the gray economy, it is clear that the second indirect impact will relate primarily to raising the level of economic development in the Republic of Serbia, and subsequently in the whole region.

Financial sustainability of the project will be ensured by incorporating appropriate resources for the maintenance of the procured equipment into the national budget over the long-term.

### **3.3. Results and measurable indicators**

#### *1. Equipment*

Efficient and effective border control systems are established through the provision of equipment to combat international terrorism and to substantially reduce smuggling, counterfeiting and other customs offences.

## *2. Training UNODC*

Improved overall training programme of the Enforcement Division. (UNODC)

- 6 or more trainers trained in 7 or more modules for theoretical training seminars
- 6 or more trainers trained in approximately 17 modules for specialized workshops
- Approximately 150 trained enforcement officers in all modules for theoretical training seminars by project completion
- 150 or more trained enforcement officers in relevant modules for specialized workshops by project completion
- At least 4 Customs Houses equipped with training tools
- Technical Specifications for supply component drafted

## *3. Twinning*

a) Appropriate techniques for systematic risk identification and implementation to limit exposure to risks in accordance with national strategies and based on EU best practices have been put in place.

b) An effective system of post-clearance control and audit service that allows the customs administration to better implement its tasks (clearance and control of goods, revenue collection) and to facilitate balancing increasingly free trade with an efficient customs control system.

## *4. Twinning*

Acquis aligned tax legislation in place and staff trained which contributes to reducing tax evasion and to increasing revenue collection by the Customs Administration (excises and VAT at importation).

## *5. Equipment*

Improved capacity of the CAS through provision of up-to-date equipment to restrict illicit movement.(will be procured from the national contribution as a co-financing part)

### **3.4. Activities**

#### *Activity 1. Equipment*

- Procurement of relevant equipment and controlling the quality and quantity of delivered items according to the signed contract;
- Organization of appropriate training to operate the stationary radiation monitors (will be provided by equipment producer) and development of a new procedural plan to comply with the changes in methodology for conducting radiation controls at the border.

#### *Activity 2.Training UNODC*

The activities will be implemented through direct grant agreement with UNODC. Six or more trainers will be selected from the Enforcement Division to be trained as trainers in modules for theoretical training seminars and in modules for specialized workshops; and organisation and delivery of the trainings activities. The six trainers will be selected from the six different enforcement areas: anti-smuggling, customs control on waterways, customs investigations, intelligence, intellectual property rights and risk analysis.

Design of technical specifications for equipment to be procured

#### *Activity 3 (a) Twinning Risk Management*

- Development of national customs and other legislation in line with international legislation blueprint
- Harmonisation of Model of Risk Management
- Development of measures to determine high-risk areas
- Creation of system in which risk management process is performed, evaluation of all available information gathered from various sources, taking adequate actions, monitoring and performance assessment
- Regular communication with other relevant agencies and administrations, that would encourage regular exchanges of information and experience and application of joint coordinated controls and operations
- Establishment of formal and informal arrangements that would enable prompt and efficient communication
- Transparent establishment of regular and close cooperation with trade organization, creation of necessary Memoranda of understanding and cooperation, where possible, establishment of modern electronic communication
- Appropriate equipment and state-of-art information systems would be provided by the project, taking into account efficient and safe exchange of needed information
- Analysis of similar overlapping areas should be incorporated (Border and Inland Control, Training, Information Technology and Equipment)

#### *Activity 3 (b) Twinning Post Clearance Audit*

- Development of a comprehensive legal basis which gives customs officers the necessary powers to carry out audit/post-clearance controls efficiently and effectively.
- Development of an organisational structure which enables auditors and their managers to carry out their duties with the maximum efficiency and effectiveness.
- Development of an audit management system which ensures efficient, quality-controlled audits using appropriate methods and establishes an operational quality assurance programme ensuring that standards of an acceptable quality are being applied to audit activity.
- Development of a training strategy to ensure that auditors and managers have all the necessary knowledge and skills to plan and implement their duties.
- Development of an audit planning policy with planned short-term and long-term controls, in accordance with priorities based on risk analysis and risk assessment.

#### *Activity 4 Twinning Tax and Revenue Collection Systems*

- Development and approximation of acquis compliant tax legislation
- Strengthening tax and revenue collection systems of the Customs Administration (excises and VAT at importation)
- Development of training plans and modules
- Identification of staff and organisation of training session

#### *Activity 5 Equipment (national contribution)*

- Procurement of relevant equipment in line with national procurement procedures and controlling the quality and quantity of delivered equipment according to the signed contract

### **Contracting Arrangement:**

This project will be implemented through one direct grant agreement with UNODC, two twinning contracts and one supplies contract.

## **3.5 Conditionality and sequencing**

### ***Conditionality***

The following are the prerequisites that have to be met in order to ensure successful project implementation within the framework of planned period:

#### I. Good cooperation with other governmental agencies

- Environmental Protection Agency - responsible for the implementation of the Law on Ionization Radiation Protection and other environment issues;
- Ministry of Interior / Border Police - directly responsible for the prevention of illegal cross-border movement of WMD, arms, explosives and similar goods;
- Ministry of Agriculture, Forestry and Water Resources - Veterinary and Phyto- Sanitary Inspection, due to their presence and role at the borders;
- Ministry of Health, important government body that is dealing with other border agencies in combating drug smuggling.

#### II. The Serbian Government maintains its commitment to support ongoing efforts that will ensure full implementation of the IBM Strategy.

#### III. The CAS continues to have good cooperation with foreign, especially neighbouring, customs administrations and international organisations such as the World Customs Organization (WCO), the Southeast European Cooperative Initiative Center and the Regional Intelligence Liaison Office, in combating all cross-border crime activities.

### ***Sequencing***

- The direct grant agreement contract is likely to be signed first.
- The tendering procedure for the supply contract will start immediately after the technical specifications under the direct agreement have been designed by UNODC during the first three months of project implementation. Training for use of the procured equipment will be provided by the supplier so this training is not directly related to the other activities financed through grant and twining contracts.
- The drafting of the Twinning fiches will begin as soon as possible in order to launch the tendering procedure amongst Member States.

It is important that the stationary radiation monitors be delivered to their respective locations, meaning at the different border crossing points which will have been identified for their placement. Stationary radiation monitors are huge and very heavy to transport so the supplies contractor will be responsible for ensuring that each monitor is delivered to its final destination.

## **3.6. Linked activities**

The Republic of Serbia benefits from the EU-funded CARDS programmes that are supporting regional actions such as the promotion of integrated border management, development of modern customs procedures and building the capacities of State institutions. The CAS has received assistance from these programmes.

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

to CAFAO efforts, the Government of the United Kingdom contributed €600,000 for the reconstruction and modernisation of the Enforcement Division's Operational Centre and for the creation of the "Customs Open Line" as well as for the supply of equipment for customs control on waterways in 2003.

Also, CAFAO assisted in the implementation of the WCO e-learning system, financed by the CARDS Programme in the amount of €11,000. The financial support in the amount of €115,000 intended for the refurbishment of the Vocational Training Centre, planned for the second half of 2008, has been provided from the CARDS Programme 2005.

The Enforcement Division is building capacities through the EXBS program, managed by the U.S. Department of State. Through this programme from 2005 onwards, training courses covering different areas for the purposes of improving enforcement activity were realized in the amount of \$245,000 and equipment was received (including the mentioned hand-driven radiation detectors and educational tools for the Vocational Centre) in the amount of \$640,000.

- Training for using the hand-driven radiation detectors for 500 customs officers, in the amount of \$50,000 was financed through World Bank credit, approved for implementation of the Trade and Transport Facilitations in Southeast Europe project, which ended in 2007<sup>1</sup>.

In terms of training, during 2007 a CAFAO consultant advised on the modernisation of the existing training system according to the model of EU customs administrations. The consultant prepared modules for theoretical training seminars and for specialized workshops. TACTA as an EU-funded project, in 2008 has built on the CAFAO's achievement, devising some basic PCA training modules and conducting elementary trainings. Due to the mobility of staff, the results are being difficult to achieve and so there is a need for a further and continuous training of the CAS staff.

### **3.7. Lessons learned**

Implementing various types of projects, the CAS 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 firms.

The CAS 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 entire Trade and Transport Facilitations in Southeast Europe project financed through the World Bank credit. The CAS 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 will be followed using the EC's PRAG procedures for all tendering processes in the proposed project.

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<sup>1</sup> The total project Trade and Transport Facilitations in Southeast Europe project was approximately \$6,700,000.

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

			TOTAL EXP.RE	SOURCES OF FUNDING								
				IPA COMMUNITY CONTRIBUTION			NATIONAL CONTRIBUTION					PRIVATE CONTRIBUTION
ACTIVITIES	IB (1)	INV (1)	EUR (a)=(b)+(c)+(d)	EUR (b)	%(2)	Total EUR (c)=(x)+(y)+(z)	% (2)	Central EUR (x)	Regional/ Local EUR (y)	IFIs EUR (z)	EUR (d)	% (2)
Activity 1												
contract 1.1	x		400.000	400.000	100							—
Activity 2												
contract 1.2	x		1.400.000	1.400.000	100							—
Activity 3												
Contract1.3	x		1.400.000	1.400.000	100							
Activity 4												
Contract 1.4		x	1.200.000	1.200.000	100							
Contract 1.5		x				4.500.000	100	4.500.000				
.....												
TOTAL IB			3.200.000	3.200.000	100							
TOTAL INV			5.700.000	1.200.000	21	4.500.000	79	4.500.000				
TOTAL PROJECT			<b>8.900.000</b>	<b>4.400.000</b>	<b>49</b>	<b>4.500.000</b>	<b>51</b>	<b>4.500.000</b>				

Amounts net of VAT

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

## **5. Indicative Implementation Schedule (periods broken down per quarter)**

<b>Contracts</b>	<b>Start of Tendering</b>	<b>Signature of contract</b>	<b>Project Completion</b>
<b>Contract 1.1</b>		T + 2 Q	T + 4Q
<b>Contract 1.2</b>	T + 4Q	T + 8 Q	T + 12Q
<b>Contract 1.3</b>	T + 4Q	T + 8Q	T + 12Q
<b>Contract 1.4</b>	T + 4Q	T + 8Q	T + 10Q

## **6. Cross cutting issues**

### **6.1. Equal Opportunity**

Training and equipment will be equally available to men and women deployed in the Enforcement Division. Procedures at border crossings are carried out in observance of full gender equity principles. The Enforcement Division, as well as the entire CAS, ensures equal employment opportunities for women and men, and at the central CAS offices in Belgrade, there are 225 women employed within the total of 448 staff.

Gender equity and equal opportunity will be fully observed in project implementation even though there is no specific gender component. The selection of the CAS trainers which will be trained through this project will be based exclusively upon criteria relating to their competence and capability to train other customs officers.

### **6.2. Environment**

Not only will project implementation have no detrimental effect on the environment. One of the project results will be the creation of more efficient controls at State borders in order to prevent illicit movement of nuclear and radioactive materials, and to reduce risks associated with the occurrence of emergency situations that are a consequence of abuse of these dangerous materials. In this way, 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.

### **6.3. Minority and vulnerable groups**

Customs procedures at BCPs are conducted equally with regard to minority and vulnerable groups. Non-discriminatory practices will be fully observed throughout. As stronger controls at border crossings are expected to at least indirectly reduce the smuggling of goods and persons through Serbia, the project will contribute to combating human trafficking, which most often involves vulnerable women and children. Enhanced economic development is expected to be another indirect impact of more stringent border controls, as this would correlate with a reduction in smuggling, fraud and other crimes that allow for the grey economy to prosper in Serbia. With improved economic development, poor and vulnerable groups may have better opportunities for employment and self sufficiency.

<b>ANNEX 1. LOGFRAME PLANNING MATRIX FOR Project Fiche</b>	<b>Harmonization of the Serbian Customs Enforcement Division with the standards, organization and operational methodology of EU enforcement agencies</b>	
	Contracting period expires 3 years after the signature of the Financing Agreement	Disbursement period expires 6 years after the signature of the Financing Agreement
	Total budget : <b>8,900,000.00 €</b>	IPA budget: <b>4,400.000.00 €</b>

<b>Overall objective</b>	<b>Objectively verifiable indicators</b>	<b>Sources of Verification</b>	
This project 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.	1. Harmonization with EU standards regarding the border security issues and modernization of customs administration	1. Annual report of European Commission on progress of Serbia in the integration process	
<b>Project purpose</b>	<b>Objectively verifiable indicators</b>	<b>Sources of Verification</b>	<b>Assumptions</b>
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	1. Detection of all customs offences (smuggled narcotics, other goods, counterfeit, radiation materials etc) increased by 10% by projection completion 2. Realization of the IBM Action plan, goals no. 14, 32 and 34-determination of the procedures in cases of emergency situations at BCPs, providing advanced and continuous training, equipping of certain BCPs	1. Annual report of the Serbian Customs Administration to the Ministry of Finance 2. Coordination Body for implementation of IBM report on realization of Action Plan to the Serbian Government	1. Well trained and adequately equipped enforcement customs officers 2. Continuation of efforts of the Serbian Government in implementing the Integrated Border Management Strategy
<b>Results</b>	<b>Objectively verifiable indicators</b>	<b>Sources of Verification</b>	<b>Assumptions</b>
1. Improved overall training program of the Enforcement Division 2. Appropriate techniques for systematic risk identification and implementation of all	1.1. 6 or more trainers trained in 7 or more modules for theoretical training seminars by 1.2. 6 or more trainers trained in approximately 17 modules for specialized workshops	1.1 Decision of the Director General of the CAS on selection of 6 or more trainers 1.2 Decision of the Director General of the CAS on selection of 6 or more trainers 1.3 Report of Assistant DG of the Enforcement Division on completion of the training of approximately 150 officers 1.4 Report of Assistant DG of the Enforcement Division on	1. Full functionality of delivered equipment 2. Successful education of customs officers

<p>measures needed to limit exposure to risk developed in accordance with national strategies and based on EU best experience and practices.</p> <p><b>3. Effective and efficient post-clearance control and audit service developed</b></p> <p><b>4. Improved capacity of the Enforcement Division through provision of up-to-date equipment to meet EU standard</b></p> <p><b>5. Improved capacity of the CAS through provision of up-to-date equipment to restrict illicit movement.(will be procured from the national contribution as a co-financing part)</b></p>	<p>1.3. Approximately 150 trained enforcement officers in all modules for theoretical training seminars by project completion</p> <p>1.4. 150 or more trained enforcement officers in relevant modules for specialized workshops by project completion</p> <p>1.5. At least 4 Customs Houses equipped with training tools</p> <p>2.1...</p> <p>3.1...</p> <p>4.1. 8 stationary radiation monitors installed</p> <p>4.2. 250 pcs clothing and footwear for operations under any type of weather conditions - (5/11 or 9/11 standard)</p> <p>5.1 - 2 pcs Mobile scanner for cargo traffic procured</p> <p>5.2 -2 pcs Mobile X Ray vehicle -</p> <p>5.3 - 6 pcs Narcotics and explosives detector</p> <p>5.4 - 150 pcs - Uniforms</p> <p>5.5 - 30 pcs Audio and video equipment</p> <p>5.6 Vessel 1 pcs</p> <p>5.7. 40 pcs Laptop</p>	<p>completion of the training of 150 or more officers</p> <p>1.5 CAS Annual Balance sheet for 2011</p> <p>2.1 Annual report of the Serbian Customs Administration to the Ministry of Finance</p> <p>2.2 Annual report of the Serbian Customs Administration to the Ministry of Finance</p> <p>2.3 Annual report of the Serbian Customs Administration to the Ministry of Finance</p> <p>3.1 Environment Protection Agency permission for use of 8 stationary radiation monitors</p> <p>3.2 Report of Serbian customs administration on waiting time measurement at border crossings - according to TTFSE World Bank methodology</p> <p>3.3 Report of authorized institution on completion of the training of 50 customs officers</p> <p>3.4 Procedural plan adopted by CAS</p>	
Activities	Means	Estimated Costs	Assumptions
<p><b>Activity 1</b></p> <p>1.1 The first group of activities will be implemented through direct grant agreement. By direct grant agreement will be selected six trainers from the Enforcement Division to be trained as trainers in modules for theoretical training seminars and in modules for specialized</p>	<p><u>1.Direct grant agreement with UNODC</u></p> <p><u>2.Twininig contact</u></p> <p>3.Twininig contract</p> <p>4.Supply contract</p> <p>Supply contract financed from the national resources</p>	<p><b>400,000</b></p> <p><b>1.400,000</b></p> <p><b>1,400,000</b></p> <p><b>1,200,000</b></p> <p><b>4,500,000 (national contribution)</b></p>	<p>1. Adequate selection of external consultant</p> <p>2. Adequate selection of the best performing companies for the supply of the equipment</p> <p>3. Adequate selection of trainers in CAS</p> <p>4. Readiness of competent ministries and authorized institutions for radiation</p>

<p>workshops; and organisation and delivery of the trainings activities. The six trainers will be selected from the six different enforcement areas: anti-smuggling, customs control on waterways, customs investigations, intelligence, intellectual property rights and risk analysis.</p> <p>1.2 Preparation of the technical specifications for equipment to be procured;</p> <p>Activity 2</p> <p>2.1 <u>Legal Basis</u> – development of national customs and other legislation in line with international legislation blueprint</p> <p>2.2 <u>To harmonize Model of Risk Management</u></p> <p>2.3 <u>To develop measures to determine high-risk areas</u></p> <p>2.4 <u>Risk Management Process</u> - environment in which risk management process is performed, evaluation of all available information gathered from various sources, taking adequate actions, monitoring and performance assessment</p> <p>2.5 <u>Cooperation</u> – regular communication with other relevant agencies and administrations, that would encourage regular exchanges of information and experience and application of joint coordinated controls and operations</p> <p>2.6 <u>Internal Communication</u> – establishment of formal</p>	<p><b>TOTAL – PROJECT:</b> <b>8,900.000.00 €</b></p>	<p>measurement to cooperate (Ministry of Finance- Customs Administration and Ministry of Environmental Protection – Environmental Protection Agency)</p>
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<p>and informal arrangements that would enable prompt and efficient communication</p> <p><b>2.7 Relations with the Public and Trade</b> – transparent establishment of regular and close cooperation with trade organization, creation of necessary Memoranda of understanding and cooperation, where possible, establishment of modern electronic communication</p> <p><b>2.8 Facilities, equipment and computerization</b> – appropriate equipment and state-of-art information systems would be provided by the project, taking into account efficient and safe exchange of needed information</p> <p><b>2.9 Cross-reference</b> – considering the complexity of the subject included by the project, range of similar overlapping areas should be incorporated (Border and Inland Control, Training, Information Technology and Equipment)</p>		
<p><b>Activity 3</b></p> <p>3.1. Development of a comprehensive legal basis which gives customs officers the necessary powers to carry out audit/post-clearance controls efficiently and effectively.</p> <p>3.2. Development of an</p>		

organisational structure which enables auditors and their managers to carry out their duties with the maximum efficiency and effectiveness.

3.3 Development of an audit management system which ensures efficient, quality-controlled audits using appropriate methods and establishes an operational quality assurance programme ensuring that standards of an acceptable quality are being applied to audit activity.

3.4. Development of a training strategy to ensure that auditors and managers have all the necessary knowledge and skills to plan and implement their duties.

3.5 Development of an audit planning policy with planned short-term and long-term controls, in accordance with priorities based on risk analysis and risk assessment.

#### Activity 4

4.1 Procurement of relevant equipment in line with PRAG procedures and controlling the quality and quantity of delivered equipment according to the signed contract;

4.2 Organization of appropriate training to operate the stationary radiation monitors (will be provided by equipment producer) and development of a new procedural plan to comply with the changes in methodology for conducting radiation controls at the border.

#### Activity 5 (national contribution)

5.1 Procurement of relevant

equipment in line with national procurement procedures and controlling the quality and quantity of delivered equipment according to the signed contract.		
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## ANNEX II

### Amounts (in €) Contracted and Disbursed per Quarter – IPA contribution only

<b>Contracted</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Q 5</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		400,000											400,000
Contract 1.2				1.400.000									1.400,000
Contract 1.3				1.400.000									1.400.000
Contract 1.4				1.200.000									1.200.000
<b>Cumulated</b>		<b>400,000</b>		<b>4.400.000</b>									<b>4.400,000</b>
<b>Disbursed</b>													
Contract 1.1		400,000											400,000
Contract 1.2				140.000		315.000		315.000		315.000		315.000	1.400,000
Contract 1.3				140.000		315.000		315.000		315.000		315.000	1.400,000
Contract 1.4				540.000				540.000		120.000			1.200.000
<b>Cumulated</b>		<b>400,000</b>		<b>1.220,000</b>		<b>1,850,00 0</b>		<b>3,020,000</b>		<b>3,770,000</b>			<b>4,400,000</b>
													<b>4,400,000</b>

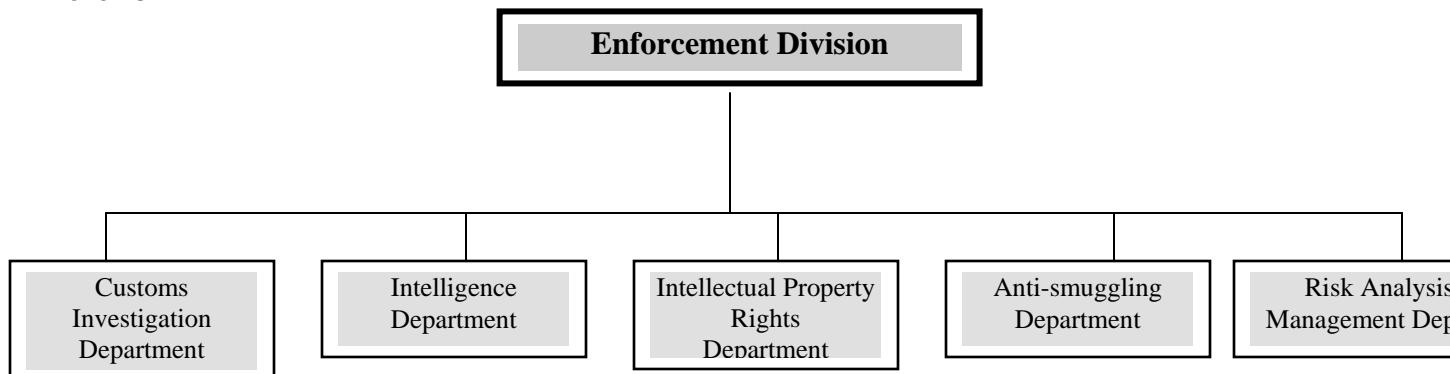
## **ANNEX III**

### **Institutional Framework – legal responsibilities and statutes**

The Serbian Customs Administration (CAS) is the administration within the Ministry of Finance. The Customs Law (Official Gazette of the Republic of Serbia No. 73 of July 18, 2003; 61/05) has been applied from January 1<sup>st</sup>, 2004. and is harmonized with EU blueprints and World Trade Organization (WTO) norms and requirements. According to the Customs Law (Article 252), the Customs Administration 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 binging 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.

The Enforcement Division as organizational unit of the CAS has been established in 2004. by the Customs Law. The organizational chart of the Enforcement Division is as follows:



Authorized customs officers in the Enforcement Division have the powers to:

- Stop and examine means of transport and goods at any place within the customs territory of the Republic of Serbia
- Carry and use the weapons under the same conditions regulated for use by the Police Officers
- Interview and detain a person if there is serious doubt that the person committed a criminal act. That person can be detained until the Police arrive.
- Perform post controls of business records (to access the premises, investigate documentation and employees).

Customs findings can be used in the court as evidence in criminal and offence procedures.

IBM System requires from all border agencies to work efficiently in order to create fast and facilitated legal flow of goods, people and capital across borders. In order to accomplish this goal border agencies must have adequate number of employees who are educated, trained and motivated. Customs Administration of Serbia is overworked as a result of EU integration process and taking over the radiation control at the border from Environment Protection Administration, but this new duties are not followed by adequate increase of number of employees. New Human Resource Plan, which is in adoption procedure, envisages increase in total number of employees by 164, resulting in the final number of 2706 customs officers. We assume this would be enough for our customs service to fulfill its duties, at least for certain period of time. Within the total number of employees (2706) the Enforcement Division has 156 officers.

## **ANNEX IV**

### **Reference to laws, regulations and strategic documents**

#### **Reference list of national laws and regulations**

Customs procedures carried out by customs officers are set up by the Customs Law and by the Regulation on customs approved treatment of customs goods, release of customs goods and collection of customs debt, being implemented from January 1, 2004.

All the systemic laws, being implemented by the Customs administration, that were passed after 2004, are in fact new laws, and as such they 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 system is based on the following legislation:

- The Customs Law ("Official Gazette of the Republic of Serbia" No. 73 of July 18, 2003; 61/05);
- Customs Tariffs Law ("Official Gazette of the Republic of Serbia" 62/05)

Apart from the above laws, the customs service uses the following regulations in its work:

- Law on Foreign Trade ("Official Gazette of the Republic of Serbia", No. 101 of November 21, 2005.);
- Law on Value Added Tax ("Official Gazette of the Republic of Serbia", No. 84 of July 24, 2004; 86/04, 61/05);
- Law on Foreign Currency Transactions ("Official Gazette of the FRY", No. 23 of April 27, 2002; 34/02);
- Law on General Administrative Procedure ("Official Gazette of the FRY", No. 33/97, 31/01);
- Law on Ionization Radiation Protection, ("Official Journal of FRY" no. 46/96 and the "Official Gazette of RS" no. 85/2005 and 101/2005)
- Misdemeanors Law ("Official Gazette of the Socialist Republic of Serbia", No. 44/89 and the "Official Gazette of the Republic of Serbia", No. 21/90, 11/92, 6/93, 20/93, 53/93, 67/93, 28/94, 16/97, 37/97, 36/98, 44/98, 65/01, 55/04);
- 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 of December 23, 2003; 20/04, 24/04, 63/04, 104/04, 44/05, 71/05, 76/05);
- 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 of December 30, 2004, 8/2005, 15/2005);
- 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);

- Rulebook on the Duties of Customs Bodies 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 Serbia-Montenegro", No. 12/05);
- 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 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 Serbia is already cooperating with the International Association of world carriers and with UNECE, it is also involved in monitoring the 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 EP 2007 (pages 9,11,12,16 and 19)**

**Reference to SAA (Article 3, page 6, Article 6, page 7, Articles 84, 85, 86, 87, pages 37, 38 and 39)**

**Reference to MIPD 2007-2009 (pages 14, 15, 22, 23 and 24)**

**Reference to IBM National Strategy (Official Gazette of the Republic of Serbia No. 11/06, and web site: [www.srbija.sr.gov.yu](http://www.srbija.sr.gov.yu), pages 6 and 25)**

The following documents were used while producing the Integrated Border Management Strategy for Serbia: EU Integrated border management guidelines for Western Balkans countries, Schengen catalogue, Schengen legal heritage, as well as international conventions concerning protection of human rights, rights of asylum seekers and refugees.

## **ANNEX V**

### **Details per EU funded contract**

#### Contract 1 – Direct Grant Agreement

1. Completion of training needs analyses
2. Curriculum development
3. Assistance in selection of CAS staff for the training of trainers (ToT) component
4. Design and delivery of the ToT component
5. Design, delivery and evaluation of training activities – including courses, seminars, workshops
6. Provision of assistance in the development of a new procedural plan for conducting radiation control (expert from IAEA, if possible)

Contract 2- Twining

Contract 3- Twining

#### Contract 4 – Supplies contract

1. Stationary radiation monitors\* - 8 pcs
2. Clothing and footwear for operations under any type of weather conditions - 250 pcs (5/11 or 9/11 standard)

#### **Supply of equipment (national contribution)**

No.	Anticipated expenses	Necessary funds -EUR	Financial source
1.	Service/training  Equipment: - Mobile scanner for cargo traffic – 2 pcs  -Mobile X Ray vehicle -2 pcs  - Narcotics and explosives detector – 6 pcs - Uniforms – 150 pcs - Audio and video equipment – 30 pcs  - Vessel - 1 pcs - Laptop – 40 pcs  Work  <b>Total</b>	<b>197.400,00</b>  <b>4.174.287,5</b> 2.961.000,00  355.562,50  354.350,00 148.050,00 29.612,50  296.100,00 29.612,50  <b>128.312,50</b>  <b>4.500.000,00</b>	National budget

\* The assessment of the necessary number of stationary radiation monitors - 8, has also been prepared by CAS, based on the fact that 4 BCPs in the Republic of Serbia are located at Corridor X, the route which is of the utmost importance for the Southeast part of Europe and its integration into the European trends, within the Trans-European Network of roads. CAS estimates 2 per BCP – to cover railway and road traffic. The final decision regarding the placement of stationary radiation monitors will be taken in line with the regional plan of their allocation, as agreed at the earlier said Regional Conference, held in Zagreb, in March 2007. Besides this initiative, the IAEA has expressed its readiness to elaborate a detailed plan for the installation of the stationary radioactivity detectors in the region.