Programme: IPA 2009
Partner Country: Croatia
Area of Cooperation: Public Finance
IPA Twinning Light Project Fiche

“Harmonisation of the customs risk management system with the EU standards and best practice“

Project budget: € 250.000
1. Basic Information

1.1 Programme: IPA 2009 FPP RAC
1.2 Twinning Number: HR/2009/IB/JH/06TL
1.3 Title: Harmonisation of the customs risk management system with the EU standards and best practice
1.4 Sector: Public Finance
1.5 Beneficiary country: Republic of Croatia

2. Objectives

2.1 Overall Objective(s):
To support Croatia in the process of fulfilling the EU accession requirements concerning the Chapter 29 (Customs Union) and parts of Chapter 16 (Taxation), Chapter 24 - Justice, Freedom and Security and Chapter 33 - Financial and Budgetary Provisions of the acquis, with regard to ensuring the application of modern and consistent risk management procedures in all customs offices that would facilitate balance between ensuring enforcement, security and trade facilitation at the same time.

2.2 Project purpose:
Project purpose is to assist the Croatian Customs Administration (CCA) in setting up a full-scale risk management system that will ensure improved compliance with laws and regulations, better human resource allocation, improved revenue collection and improved collaboration between traders and customs, through the application of the most effective methods and solutions proven as the best EU practice for risk management in the customs.

2.3 Contribution to Accession Partnership/ Stabilisation and Association Agreement/Program of the Government of the Republic of Croatia for Assumption and Implementation of Acquis Communautaire

The necessity of an efficient risk analysis system in customs is emphasized in the following European Commission and national documents:

Council Decision on the principles, priorities and conditions contained in the Accession Partnership with Croatia and repealing Decision 2006/145/EC, from February 2008, stated the following:

- Apply customs rules in a consistent and homogeneous manner across customs offices, notably in the areas of declaration processing, origin, simplified procedures, counterfeiting and selectivity of controls; ensure the application of modern and consistent risk analysis procedures in all offices.

The Stabilisation and Association Agreement (SAA) between the Republic of Croatia and the EU in its Article 89, stipulates that “the Parties shall cooperate to guarantee
compliance with all the provisions scheduled in the area of trade and to achieve the approximation of the customs system of Croatia to that of the Community”. Further it stipulates “Cooperation shall include the following in particular:

- the improvement and simplification of inspections and formalities in respect of the carriage of goods”.

Program of the Government of the Republic of Croatia for assumption and implementation of acquis communitaire in its items 3.29 Customs Union, emphasizes the activities on setting up and further improvement of functionalities of the risk analysis and selectivity system in customs.

This twinning light project will contribute to the realization of the requirements set in the EU and national strategic accession documents taking into account the fact that the development of risk management at the EU level is a prerequisite for addressing the challenge posed to the customs union by enlargement, for making progress on security concerns and to achieve equivalence in the application of customs controls. While the process of introducing legislative measures is underway there is a need to push on in parallel with a programme of practical implementation.

3. Description

3.1 Background and justification:

A common characteristic of customs work is the high volume of transactions and the impossibility of checking all of them. Customs administrations therefore face the challenge of facilitating the movement of legitimate passengers and cargo while applying controls to detect customs fraud and other offences. Customs services find themselves increasingly under pressure from national governments and international organizations to facilitate the clearance of legitimate passengers and cargo while also responding to increase in transactional crime and terrorism. These competing interests mean that it is necessary to find a balance between facilitation and control. Customs controls should ensure that the movement of vessels, vehicles, aircraft, goods and persons across international borders occurs within the framework of laws, regulations and procedures that comprise the customs clearance process. Given the high number of export, import and transit transactions many customs administrations use risk analysis to determine which persons, goods, and means of transport should be examined and to what extend (WCO Revised Kyoto Convention, Standard 6.4.).

Risk analysis and risk assessment are analytical processes that are used to determine which risks are the most serious and should have priority for being treated or having corrective action taken. Risk management techniques are useful means to ensure enforcement, security and trade facilitation at the same time. By selectively categorising goods and passengers for verification a more rapid release and clearance can be achieved. Consignments and persons considered as ‘low-risk’ based on the risk profile attract minimal attention and intervention from customs and can be processed quickly. Furthermore, it enables customs staff to concentrate their efforts and resources on fewer consignments. Risk management is a systematic identification of risks and implementation of all measures necessary for risk exposure limitation. This includes activities like data and information collection, risk analysis and assessment, regulating and undertaking measures and regular checking and review of procedures and their results, which is based on sources and strategies of the customs service and other services in the Republic of Croatia, and international sources and strategies.
The setting up of the modern and efficient risk management system is a very important task of the CCA in the light of preparation of the Republic of Croatia for membership in the European Union (EU) as the customs in the EU today play a crucial role in facilitation of legal trade flow and budget revenue collection while ensuring enforcement and safety at the same time. The CCA started developing its risk management system in 2004, with support of the World Bank financed project TTFSE1. As a result of this project the automated risk management system was introduced at four pilot customs offices (Zagreb Customs House – Airport Customs Office and Žitnjeak Customs Office, Rijeka Customs House – Rijeka Port Customs Office, Vukovar Customs House - Bajakovo Customs Office). This first pilot system was a basis on which the existing risk management system was later developed. The risk management system has been also introduced in the Customs Act (Article 4 and 14) as the basic act regulating customs procedures in the Republic of Croatia and which has been largely harmonized with Council Regulation (EEC) No 2913/1992 establishing the Customs Code, and its amendments. The risk management is also regulated by the Regulation Implementing the Customs Act (Article 4 and 5).

The existing Automated Risk Management System (ARMS) was introduced as operational in all CCA operational units in the beginning of 2008 when it has been fully implemented into the existing Customs Declaration Processing System (CDPS). The ARMS consists of the Selectivity Subsystem, Subsystem for Targeted Fraud Detection and Knowledge Database. The Selectivity Subsystem is a part of the overall risk management system in which rules (profiles) are created, tested and then integrated into the system. The Subsystem for Targeted Fraud Detection is a part of the risk management system which receives intelligence, after which they are processed and integrated into the selectivity system. Part of the system called the Knowledge Database operates as a support to the selectivity system and in making more rapid and easier decisions in determining the level of verification for particular subjects from any aspect of the CCA operations. Advantages of introduced risk management system were the achievement of more efficient controls prior to, during and after customs clearance procedures, faster flow of people and goods, harmonised procedures on the whole customs territory, more efficient fight against fraud and smuggling and improvement of public image of the CCA.

The ARMS has been screened by the European Commission (EC) - DG TAXUD, during monitoring missions that were implemented in Croatia from 2007 – 2009, with aim to check CCA operational capacity to implement customs acquis in consistent and homogenous ways. As a result the EC found that the ARMS is well designed and sophisticated with adequate supporting procedures, feedback mechanisms and a knowledge database. It has also been found that the system contributes to trade facilitation and work improvement and enables faster procedures. However, the EC evaluated that the system still need further improvements as it has still not been sufficiently adapted to solving certain issues appearing in connection with risk profiles, smuggling, appearance of new economic operators etc. where decisions are still made based on the experience of customs officers and not on data in the system. In this respect EC advised CCA to consider cooperation with the EU MS customs administrations in terms of risk analysis.

Improved risk management efficiency, harmonisation and updating of applied procedures and changes in the operational framework of the CCA system is necessary.

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1 Trade and Transport Facilitation in Southeast Europe
to meet all requirements required by national and EU tariff policies. In this respect this Twinning Light Project is envisaged to be the key instrument supporting the CCA in its efforts in further development and the application of risk management system.

3.2 Linked activities:

Trade and Transport Facilitation in Southeast Europe (TTFSE) project (World Bank project)

This project, financed by the World Bank loan, which started in 2002 was completed and closed in March 2005. The purpose of the TTFSE project was to strengthen the Customs Information Systems performance and in general improve the Border Crossing Facilities. One of the components of the TTFSE project included setting up of a specific Risk Management System in the CCA. As a result the selectivity, post-release check modules and a distinct targeting data base were developed.

CARDS 2001 twinning project “Integrated Border Management – Customs” (HR/2001/IB/JH/02)

This project has contributed to harmonization of Croatian customs legislation to the Customs Code and other EU customs legislation as well as to preparation of administrative and operational capacities of the CCA in line with the EU standards. It was implemented from 2003 to 2005.

CARDS 2001 twinning project "Enhancing Inter-agency Cooperation Development and Implementation of Croatia's 'Integrated Border Management" (HR/2001/IB/JH/04)

Besides strengthening of institutional and administrative capacities of different administrations operating at the border, including the CCA, and strengthening of cooperation and coordination between administrations, one of the most important results of this project was the Integrated Border Management Strategy. It was implemented during 2004 – 2005.

CARDS 2002 twinning project „Community Transit-conform Customs Procedures and IT Interconnectivity System “(HR/2002/IB/FI/05)

The project has contributed to development of the CCA administrative capacities necessary for the implementation of the New Computerized Transit System (NCTS) and preparation of development of national automatic transit system compatible to NCTS which is necessary for establishment of interconnectivity between the Croatian customs IT system and EU IT system in transit area. It was implemented during 2005 – 2006.

CARDS 2003 twinning project „Support to the Customs Administration in the field of Excises Duties” (HR/2003/IB/FI/02)

The project has contributed to harmonization of excise duties legislation and procedures to the acquis communautaire and the best EU practice, as well as to the preparation of automated excise movement and control system (EMCS) as a part of process of establishing interconnectivity. It was implemented during 2006 – 2007.
CARDS 2004 twinning project „Modernization of the Customs Administration in view of Preparing for the Integrated Tariff Management System“ (HR/2004/IB/Fl/02)

The project has contributed to harmonization of legislation as well as to creation of preconditions for proper implementation of the acquis in the area of customs tariff and to preparation for development of automatic interconnectivity systems (TARIC, TQS, EBTI, etc.) which all together represent Integrated Tariff Management System – ITMS. It was implemented during 2005 – 2007.

Phare 2005 „Interoperability of IT Systems with EU Customs Systems“

The objective of this project was to strengthen operational capacity of the CCA in line with the EU standards in crucial areas of customs activities within the European customs Tariff, customs transit control and excisable goods movement control in order to ensure full compatibility and interconnectivity of informational systems between the informational systems of the Republic of Croatia and the EU. The EU compatible national customs interconnectivity systems TARIC, NCTS and EMCS have been developed within this project. This complex project was implemented during the course of 2007 – 2009 through 3 service and 3 twinning sub-projects (HR/2005/IB/Fl/03 - TARIC Adaptation; HR/2005/IB/Fl/04 - NCTS Implementation; HR/2005/IB/Fl/05 - EMCS Development).

Phare 2006 project „Integration of the Croatian Customs Information Systems with the EU Customs Information Systems“

The objective of this project was to enable full compatibility and interconnectivity of informational system to the EU customs systems in the area of customs tariff, customs transit control and import and export of excisable goods. This project is the continuation of development of the customs interconnectivity between the Croatian and EU. It includes development of ITMS Subsystems, EMCS phase 3, NCTS trade module and Export Control System (ECS) and Common Communication Network/Common System Interface (CCN/CSI). This complex project was implemented during the course of 2008 – 2010 through 3 service, 1 supply and 3 twinning sub-projects (HR/2006/IB/Fl/03 - ITMS Adaptation; HR/2006/IB/Fl/03-TL - Export Control System Implementation, HR/2006/IB/Fl/02 - EMCS and AEO Development).

CUSTOMS 2013

CUSTOMS 2013 Community programme aims to provide a legal and financial base for electronic information exchange systems between national administrations, training seminars for customs officials and experts, exchanges of officials among national administrations and the basis for an electronic system which will allow business to move towards a paperless customs environment. Candidate countries for accession to the European Union (EU) are participating in the programme, so as to help both them and Member States prepare for enlargement. The Memorandum of Understanding between Croatia and European Union on Croatian participation in the CUSTOMS Community programme was signed in August 2006.
3.3 Results:

1. Gaps and needs (G&N) analysis and SWOT analysis of the customs existing risk management system with specific recommendations for improvements conducted and corresponding Report produced.

2. Programme for harmonisation of the CCA risk management system with the EU standards and best EU practice and its Implementation Plan developed.

3. Guidelines on working methodology of the CCA risk management system developed.

4. Future trainers in customs trained on relevant methods and risk management procedures harmonised with the EU standards and EU best practice.

3.4 Activities:

Activities concerning Result 1:

1.1. Conducting G&N analysis and SWOT analysis of the existing customs risk management system resulting in recommendations for improvements and production of corresponding draft report. The analyses should focus on organisational structure, procedures, description of activities, communication between organisational units involved in risk management and assessment of the legal framework including in-house risk management acts.

1.2. Organising a workshop with the stakeholders (mid-level managers from the central and local level in charge of risk analysis) for the purpose of discussing and providing feedback on the draft report.

1.3. Conducting revision of the G&N and SWOT draft report based on the feedback provided in course of the activity 1.2 and finalising the analyses Report encompassing recommendations for the improvements of the existing risk management system.

Activities concerning Result 2:

2.1. Preparation of draft Programme for harmonisation of the CCA risk management system with the EU standards and best practices and development of its draft implementation plan based on analyses report resulted from Activity 1.3. This Programme needs to encompass at least the following:

- Organisational and human resources,
- Information systems,
- Communication within the CCA and between CCA and other stakeholders,
- Training,
- Infrastructure,
- e-customs systems of the EU and other relevant IT systems referring to risk management in customs.

2.2. Conducting a workshop with the staff of the Department for Risk Management for the purpose of discussing and providing feedback on the draft Programme for harmonisation and its draft implementation plan.
2.3. Preparation of user requirements for improvement of IT support for the customs risk management system based on outputs of the activities 2.1 and 2.2.

2.4. Analysing feedback from the workshop (Activity 2.2) and accordingly revising the draft of the Programme for harmonisation and its implementation plan. Drawing up of the final Programme for harmonisation of the CCA risk management system with the EU standards and best EU practice including Plan for its implementation.

Activities concerning Result 3:

3.1. Establishing working groups and preparing draft guidelines for the working methodology, covering risk management issues in at least the following areas:
- Customs clearance procedure,
- Customs investigations,
- Anti smuggling,
- Subsequent verifications (audit),
- Transit procedure (including notices of arrival and departure),
- Safety and security requirements,
- Excise duties,
- Connecting the risk management system with other national programmes (Integrated Border Management, NCTS, ECS, ECMS, ICS, Budgeting etc.) and EU systems.

3.2. Organising workshops with the management and staff responsible for each of the areas covered by Activity 3.1 for the purpose of discussing and providing feedback on the first draft of the working methodology guidelines.

3.3. Revising the draft working methodology guidelines based on the outputs from Activity 3.2. and preparing final working methodologies guidelines.

Activities concerning Result 4:

4.1. Conducting training needs analysis and preparing training programme for trainers including training materials. The training needs analysis should be based on Analyses Report prepared in Activity 1.3.

4.2. Conducting “train-the-trainers” training at the Customs Training Centre (Zagreb) based on the identified training requirements for up to 40 customs officers.

4.3. Conducting one study visit for 5 customs officers for the duration of 5 working days to an EU member state customs authority for the purpose of getting acquainted with the organisational structure, procedures, communication between organisational units involved in risk management, their respective activities and manuals as well as their implementation in practice. Preparation of the report on findings of the study visit.

Two visibility events will be organized in the course of the implementation of the project; Kick-off meeting at the start of the implementation and the Final meeting at the end of the implementation of the project activities.
Indicative schedule of activities:

<table>
<thead>
<tr>
<th>Date/Duration</th>
<th>Activity</th>
<th>Output</th>
<th>Input (working days)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Month 1</td>
<td>1.1.</td>
<td>G&amp;N analysis and SWOT analysis of the existing customs risk management system conducted and corresponding draft report produced</td>
<td>MS experts in total of 30 working days</td>
</tr>
<tr>
<td></td>
<td>4.3.</td>
<td>One study visit for 5 customs officers for the duration of 5 working days to an EU member state customs authority conducted and report on findings of the study visit prepared</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1.2.</td>
<td>Workshop with the stakeholders for the purpose of discussing and providing feedback on the draft report organised</td>
<td>MS experts in total of 2 working days</td>
</tr>
<tr>
<td>Month 2</td>
<td>1.3.</td>
<td>G&amp;N and SWOT draft report revised based on the feedback provided in course of the activity 1.2 and analyses Report encompassing recommendations for the improvements of the existing risk management system finalised</td>
<td>MS experts in total of 10 working days</td>
</tr>
<tr>
<td></td>
<td>2.1.</td>
<td>Draft Programme for harmonisation of the CCA risk management system with the EU standards and best practices prepared and its draft implementation plan developed</td>
<td>MS experts in total of 30 working days</td>
</tr>
<tr>
<td>Month 3</td>
<td>2.2.</td>
<td>Workshop with the staff of the Department for Risk Management conducted for the purpose of discussing and providing feedback on the draft Programme for harmonisation and its draft implementation plan</td>
<td>MS experts in total of 2 working days</td>
</tr>
<tr>
<td></td>
<td>2.3.</td>
<td>User requirements for improvement of IT support for the customs risk management system based on outputs of the activities 2.1 and 2.2. prepared</td>
<td>MS experts in total of 15 working days</td>
</tr>
<tr>
<td>Month 4</td>
<td>2.4.</td>
<td>Feedback from the workshop (Activity 2.2) analysed and the draft of the Programme and Implementation plan revised; Programme for harmonisation of the CCA risk management system with the EU standards and best EU practice including Plan for its implementation finalised</td>
<td>MS experts in total of 10 working days</td>
</tr>
<tr>
<td>Date/Duration</td>
<td>Activity</td>
<td>Output</td>
<td>Input (working days)</td>
</tr>
<tr>
<td>---------------</td>
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</tr>
<tr>
<td></td>
<td>3.1.</td>
<td>Working groups established and draft guidelines for the working methodology (covering risk management issues) prepared</td>
<td>MS experts in total of 60 working days</td>
</tr>
<tr>
<td>Month 5</td>
<td>3.2.</td>
<td>Workshops with the management and staff responsible for each of the areas covered by Activity 3.1 organised</td>
<td>MS experts in total of 2 working days</td>
</tr>
<tr>
<td></td>
<td>3.3.</td>
<td>The draft working methodology guidelines revised based on the outputs from Activity 3.2. and working methodologies guidelines finalised</td>
<td>MS experts in total of 20 working days</td>
</tr>
<tr>
<td>Month 6</td>
<td>4.1.</td>
<td>Training needs analysis conducted and training programme for trainers including training materials prepared</td>
<td>MS experts in total of 10 working days</td>
</tr>
<tr>
<td></td>
<td>4.2.</td>
<td>“Train-the-trainers” training at the Customs Training Centre (Zagreb) based on the identified training requirements for up to 40 customs officers conducted</td>
<td>MS experts in total of 10 working day</td>
</tr>
<tr>
<td>TOTAL working days</td>
<td></td>
<td></td>
<td>201</td>
</tr>
</tbody>
</table>

3.5 **Means/ Input from the MS Partner Administration:**

One of the experts may act as a Project Leader responsible for general coordination.

3.5.1 **Profile and tasks of the Project Leader**

**Profile of Project Leader**

**Requirements:**
- University level education or equivalent professional experience of 13 years in the customs service
- 6 years of experience in customs of which 4 years of experience in the field of customs risk management
- Working level of English language
- Computer literacy
- Proven contractual relation to public administration or mandated body, as defined under Twinning manual 5.3.2
- Experience in project management
Assets:
- Experience in developing guidelines on risk management

Tasks of the Project Leader
- Organisation of study visit
- Participation in Steering Committee meetings
- Project reporting
- Monitoring project implementation, project risks, progress against the project budget and results achievements with the support of the short-term experts.
- Assuring compatibility with EU requirements
- Ensuring backstopping and financial management of the project in the MS

3.5.2 Profile and tasks of the short-term experts

Profile of the Short term experts

Requirements:
- University level education or equivalent professional experience of 10 years in the customs service
- 5 years of experience in customs of which 3 years of experience in the field of customs risk management
- Working level of English language
- Computer literacy
- Proven contractual relation to public administration or mandated body, as defined under Twinning manual 5.3.2.

Note: The pool of experts should include:

1) at least one expert who in addition to the above mentioned Requirements satisfies the following requirement:
   - Experience in preparation of IT user requirements related to the customs risk management

2) at least one expert who in addition to the above mentioned Requirements satisfies the following requirement:
   - Experience in developing and conducting training

Assets:
- Experience in developing strategic documents
- Experience in developing guidelines on risk management
- Experience in conducting trainings

Tasks of the Short-term experts:
- Conducting G&N and SWOT analyses of the existing customs risk management system and preparing corresponding report
- Preparation of user requirements for improvement of IT support for the customs risk management system
- Preparation of Programme for harmonisation of the CCA risk management system with the EU standards and best practices and its Implementation plan
- Preparation of working methodology guidelines
- Organising and conducting workshops
- Conducting training needs analyses
- Preparation of training programme and training materials
- Conducting ‘train-the-trainers’ training
4. **Institutional Framework**

The CCA is a legal enforcement entity operating within the framework of the Ministry of Finance. The CCA has 3164 employees. It has a centralised structure, established upon 4 organisational layers:
- 1 Central Office (Directorate)
- 17 Customs Houses
- 109 border Customs Offices
- 86 inland Customs Offices.

The Directorate is organised in 11 services (Internal Control; HRM and Legal Affairs; Financing; Mandatory Levies; Customs Procedures; International Affairs; Excises; Tariff, Value, Origin and Laboratory; Customs Controls; Statistics and IT; Public Relations) covering the full spectrum of customs activities as defined by applicable regulations.

At the central level, within the Service for Customs Control, Department for Risk Management is responsible for development, maintenance and management of the automated risk management system including overall coordination of the risk management system across the organisational units of the CCA. The Department for Risk Management will be directly involved in this twinning light project. At regional levels, in Customs Houses, within the Departments for Customs Controls, Subsections for Risk Management and Anti Smuggling are responsible for implementation of the risk management system at the local level and coordination with the central level.

A potential revision of the institutional framework depends on the findings/outputs of the project.

Two Steering Committee meetings will be held for the purpose of reviewing the progress made under the project as well as to discuss results achieved and/or problems occurred. The first Steering Committee meeting will be held during the third month of project activities implementation in order to discuss and comment the draft start-up report. The second Steering Committee meeting will be organised during the last month of the implementation period of the Action to discuss the draft final report.

It should be noted that the participation of the Member State Project Leader in Steering Committees meetings has to be combined with expert missions in case the Member State Project Leader is also a short-term expert in the twinning light project. If the Member State Project Leader is not short-term expert in the twinning light project then his visits to Croatia, (one visit every three months) as part of his overall task to ensure coordination and political steering of the project, should be organised at the same time as the two Steering Committee meetings of the project.

The exact participants of the Steering Committee meetings will be defined during the implementation of the project, but will at least include the following members:
- BC Project Leader
- MS Project Leader
- CFCA Project Manager
- EUD Task Manager
- CODEF Sector Manager

The beneficiary is committed to provide all necessary infrastructure such as office space and desktop computers with internet connection for experts, venue for holding seminars and workshops, and to ensure the necessary local staff/experts inputs.
5. Budget

<table>
<thead>
<tr>
<th>Harmonisation of the customs risk management system with the EU standards and best practice</th>
<th>IPA Community Contribution</th>
<th>National Co-financing</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Twinning Light Contract</td>
<td>90%</td>
<td>10%</td>
<td>250,000 EUR</td>
</tr>
</tbody>
</table>

Interpretation costs will be reimbursed from the budget only for the purpose of workshops and seminars, up to 7% of the Contract amount can be used for translation and interpretation purposes.

Provisions for visibility costs and expenditure verification costs should be included in the budget.

6. Implementation Arrangements

6.1 Implementing Agency responsible for tendering, contracting and accounting
Central Finance and Contracting Agency (CFCA)
Ulica grada Vukovara 284/C
HR – 10000 Zagreb
Mrs. Marija Tufekčić, Director of the CFCA
Phone: +385 1 4591 245
Fax: +385 1 4591 075
E-mail: procurement@safu.hr

Twinning Administrative Office
Central Finance and Contracting Agency
Ulica grada Vukovara 284/C
HR - 10000 Zagreb
Contact: Mr Domagoj Šimunović, Twinning NCP
Phone: +385 1 4591 245
Fax: +385 1 4591 075
E-mail: twinning@safu.hr
6.2 Main counterpart in the BC

**SPO**
Ministry of Finance  
Katančićeva 5  
HR - 10000 Zagreb  
Mrs. Vladimira Ivandić  
Phone: +385 1 4591 258  
Fax: +385 1 4922 598  
E-mail: vladimira.ivandic@mfin.hr

**BC Project leader**
Ministry of Finance - Customs Administration  
A.Von Humboldta 4a  
HR - 10000 Zagreb  
Mr. Mario Premec  
Position: Head of Department for Risk Management  
E-mail: Mario.Premec@carina.hr  
Phone: +385 1 6211 366  
Fax: +385 1 6211 009

6.3 Contracts
It is envisaged to implement the Project through one twinning light contract with an indicative amount of EUR 250,000.

6.4 Reporting

The Start-up Report will cover first two months of the contract and will be submitted during the third month.

The Start-up report should:
- Clearly define the aims and purpose of the aid provided by the project,
- Give detailed description of the content of particular parts of the project,
- Work out in detail the activities carried out and the results achieved,
- Work out in detail all modifications agreed with the beneficiary institution,
- Review difficulties met during the implementation of the project and measures that were undertaken for their removal,
- Provide all findings obtained in the meanwhile and preliminary conclusions, and
- Contain a general plan of activities for the implementation of the remained duration of the project.

The Final Report shall be submitted within three months upon the completion of the project activities and in any case within the legal duration of the project, and it should contain the following:
- Complete review of all activities carried out by MS experts during the implementation of the project,
- Achieved progress concerning each activity,
- Summary of all project results, with particular emphasis on mandatory results,
- Estimation of the project impact compared with the project aims and measures of the achieved progress,
- Identification of all important problems met during the implementation of the contract and solutions that have been applied,
- Lessons drawn from the project, and
- Recommendations for further steps in future projects

The reports must be endorsed and countersigned by the beneficiary, who may make additional comments.

Reports shall be submitted to CCA, the Central Finance and Contracting Agency, the Central Office for Development Strategy and Coordination of EU funds and the EU Delegation to Croatia in a form of 4 hard copies and an electronic version. All reports should be written in English.

6.5 Language

The working language is English. All guidelines and manuals will be translated into Croatian.

7. Implementation Schedule (indicative)

7.1 Launching of the call for proposals
1Q 2011

7.2 Start of project activities
3Q 2011

7.3 Project completion
1Q 2012

7.4 Duration of the execution period (number of months):
9 months; the execution period will end 3 months after the implementation period of the Action (work plan) which will take 6 months.
8. **Sustainability**

The allocation of sufficient number of staff is the main guarantee of sustainability. In order to ensure successful achievement of guaranteed results, the project will be implemented with active participation of staff from all organisational units of the CCA – Central Office and regional Customs Houses.

This project will ensure the adoption of EU standards and best practices in the field of risk management in customs, namely risk analysis and risk assessment and will provide practical assistance and knowledge transfer to the CCA staff in the area of risk management methodologies. This will ensure a longer term capacity of the CCA to use risk management techniques, which are useful means to ensure enforcement, security and trade facilitation at the same time.

9. **Crosscutting issues**

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.

The project does not involve activities with an environmental impact.

10. **Conditionality and sequencing**

Not applicable.

**ANNEXES TO PROJECT FICHE**

1. Logical framework matrix in standard format
Annex 1. Logical framework matrix in standard format

<table>
<thead>
<tr>
<th>Harmonisation of the customs risk management system with the EU standards and best practice</th>
<th>Programme name and number</th>
<th>IPA 2009 FPP RAC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministry of Finance - Customs Administration</td>
<td>Contracting period expires:</td>
<td>2 years following the date of conclusion of the Financing Agreement</td>
</tr>
<tr>
<td></td>
<td>Disbursement period expires:</td>
<td>3 years following the end date for contracting</td>
</tr>
<tr>
<td></td>
<td>Total budget:</td>
<td>250,000 €</td>
</tr>
<tr>
<td></td>
<td>IPA financing:</td>
<td>90%</td>
</tr>
<tr>
<td></td>
<td>National co-financing:</td>
<td>10%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Overall objective</th>
<th>Objectively Verifiable Indicators</th>
<th>Sources of Verification</th>
</tr>
</thead>
<tbody>
<tr>
<td>To support Croatia in the process of fulfilling the EU accession requirements concerning the Chapter 29 (Customs Union) and parts of Chapter 16 (Taxation), Chapter 24 - Justice, Freedom and Security and Chapter 33 - Financial and Budgetary Provisions of the acquis, with regard to ensuring the application of modern and consistent risk management procedures in all customs offices that would facilitate balance between ensuring enforcement, security and trade facilitation at the same time.</td>
<td>Croatia in full compliance with the accession requirements as regards ensuring the application of modern and consistent risk management procedures in all customs offices</td>
<td>CCA reports</td>
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<td>EC annual Progress Reports on Croatia</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Project purpose</th>
<th>Objectively Verifiable Indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project purpose is to assist the Croatian Customs Administration (CCA) in setting up a full-scale risk management system that will ensure improved compliance with laws and regulations, better human resource allocation, improved revenue</td>
<td>Strengthened capacity of the CCA organizational units to manage risk in implementation of customs procedures</td>
<td>CCA Annual Performance Report</td>
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<td></td>
<td>Improved compliance with laws and regulations, better human resource allocation, improved revenue collection and</td>
<td>Final Twinning Project Report</td>
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<td>CCA Annual Performance Report</td>
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<td>Government maintains consistent policy and commitment to the EU accession;</td>
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<td></td>
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<td>Willingness and capacity of CCA high-level management to introduce changes</td>
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</table>
collection and improved collaboration between traders and customs, through the application of the most effective methods and solutions proven as the best EU practice for risk management in the customs.

<table>
<thead>
<tr>
<th>Results</th>
<th>Objectively Verifiable Indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
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</thead>
<tbody>
<tr>
<td>1. Gaps and needs (G&amp;N) analysis and SWOT analysis of the customs existing risk management system with specific recommendations for improvements conducted and corresponding Report produced.</td>
<td>• G&amp;N analysis and SWOT analysis of the existing customs risk management system conducted and corresponding draft report produced.</td>
<td>Twinning project reports</td>
<td>The customs officers are efficiently trained.</td>
</tr>
<tr>
<td></td>
<td>• Workshop with the stakeholders for the purpose of discussing and providing feedback on the draft report organised.</td>
<td>Documentation produced under the project.</td>
<td>Full commitment of the parties involved.</td>
</tr>
<tr>
<td></td>
<td>• G&amp;N and SWOT draft report revised based on the feedback provided in course of the activity 1.2 and analyses Report encompassing recommendations for the improvements of the existing risk management system finalised.</td>
<td>Attendance list</td>
<td></td>
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<td></td>
<td>• Draft Programme for harmonisation of the CCA risk management system with the EU standards and best practices prepared and its draft implementation plan developed.</td>
<td>Documentation produced under the project.</td>
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<tr>
<td></td>
<td>• Workshop with the staff of the Department for Risk Management conducted for the purpose of discussing and providing feedback on the draft Programme for harmonisation and its draft implementation plan.</td>
<td>CCA Annual Performance Report</td>
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<td></td>
<td>• User requirements for improvement of IT support for the customs risk management</td>
<td>Twinning project reports</td>
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<tr>
<td></td>
<td>Twinning project reports</td>
<td>Documentation produced under the project.</td>
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<td></td>
<td>Attendance list</td>
<td>Twinning project reports</td>
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<tr>
<td></td>
<td>Documentation produced under the project.</td>
<td>Attendance list</td>
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<tr>
<td></td>
<td>Twinning project reports</td>
<td>Documentation produced under the project</td>
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</tr>
</tbody>
</table>
3. Guidelines on working methodology of the CCA risk management system developed.

- Feedback from the workshop (Activity 2.2) analysed and the draft of the Programme and Implementation plan revised; Programme for harmonisation of the CCA risk management system with the EU standards and best EU practice including Plan for its implementation finalised

- Working groups established and draft guidelines for the working methodology (covering risk management issues) prepared

- Workshops with the management and staff responsible for each of the areas covered by Activity 3.1 organised

- The draft working methodology guidelines revised based on the outputs from Activity 3.2 and working methodologies guidelines finalised

- Training needs analysis conducted and training programme for trainers including training materials prepared

- “Train-the-trainers” training at the Customs Training Centre (Zagreb) based on the identified training requirements for up to 40 customs officers conducted

- One study visit for 5 customs officers for the duration of 5 working days to an EU member state customs authority conducted and report on findings of the study visit prepared

4. Future trainers in customs trained on relevant methods and risk management procedures harmonised with the EU standards and EU best practice.

<table>
<thead>
<tr>
<th>Documentation produced under the project</th>
<th>CCA Annual Performance Report</th>
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<tbody>
<tr>
<td>Twinning project reports</td>
<td>Expense coût</td>
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<tr>
<td>Attendance list</td>
<td>Programme Costs</td>
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<tr>
<td>Twinning project reports</td>
<td>Training Costs</td>
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<tr>
<td>Twinning project reports</td>
<td>Training Materials</td>
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<tr>
<td>Twinning project reports</td>
<td>Training Equipment</td>
</tr>
<tr>
<td>Twinning project reports</td>
<td>Training Requirements</td>
</tr>
<tr>
<td>List of participants</td>
<td>Reports on findings of the study visits</td>
</tr>
<tr>
<td>Twinning project reports</td>
<td>Training Reports</td>
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<tr>
<td>Twinning project reports</td>
<td>Training Schedule</td>
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<tr>
<td>Activities</td>
<td>Means</td>
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<tr>
<td>Activities concerning Result 1:</td>
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</tbody>
</table>
1.1. Conducting G&N analysis and SWOT analysis of the existing customs risk management system resulting in recommendations for improvements and production of corresponding draft report. The analyses should focus on organisational structure, procedures, description of activities, communication between organisational units involved in risk management and assessment of the legal framework including in-house risk management acts. | Analyses, Consultation | 250.000,00 EUR | Full commitment of the parties involved. Sufficient absorption capacity and ownership of change process. |
1.2. Organising a workshop with the stakeholders (mid-level managers from the central and local level in charge of risk analysis) for the purpose of discussing and providing feedback on the draft report. | Workshop, Analyses, Consultations | | |
1.3. Conducting revision of the G&N and SWOT draft report based on the feedback provided in course of the activity 1.2 and finalising the analyses Report encompassing recommendations for the improvements of the existing risk management system. | Preparation of documentation | | |
Activities concerning Result 2: | | | |
2.1. Preparation of draft Programme for harmonisation of the CCA risk management system with the EU standards and best practices and development of its draft implementation plan based on analyses report resulted from Activity 1.3. This Programme needs to encompass at | | | |
least the following:
- Organisational and human resources,
- Information systems,
- Communication within the CCA and between CCA and other stakeholders,
- Training,
- Infrastructure,
- e-customs systems of the EU and other relevant IT systems referring to risk management in customs.

2.2. Conducting a workshop with the staff of the Department for Risk Management for the purpose of discussing and providing feedback on the draft Programme for harmonisation and its draft implementation plan.

2.3. Preparation of user requirements for improvement of IT support for the customs risk management system based on outputs of the activities 2.1 and 2.2.

2.4. Analysing feedback from the workshop (Activity 2.2) and accordingly revising the draft of the Programme for harmonisation and its implementation plan. Drawing up of the final Programme for harmonisation of the CCA risk management system with the EU standards and best EU practice including Plan for its implementation.

Activities concerning Result 3:

<table>
<thead>
<tr>
<th>Workshop</th>
<th>Analyses</th>
<th>Consultations</th>
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<tbody>
<tr>
<td>Preparation of documentation</td>
<td>Preparation of documentation</td>
<td>Preparation of documentation</td>
</tr>
<tr>
<td>Analyzes</td>
<td>Consultations</td>
<td>Consultations</td>
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<tr>
<td>Preparation of documentation</td>
<td>Preparation of documentation</td>
<td>Preparation of documentation</td>
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</tbody>
</table>
3.1. Establishing working groups and preparing draft guidelines for the working methodology, covering risk management issues in at least the following areas:

- Customs clearance procedure,
- Customs investigations,
- Anti smuggling,
- Subsequent verifications (audit),
- Transit procedure (including notices of arrival and departure),
- Safety and security requirements,
- Excise duties,
- Connecting the risk management system with other national programmes (Integrated Border Management, NCTS, ECS, ECMS, ICS, Budgeting etc.) and EU systems.

3.2. Organising workshops with the management and staff responsible for each of the areas covered by Activity 3.1 for the purpose of discussing and providing feedback on the first draft of the working methodology guidelines.

3.3. Revising the draft working methodology guidelines based on the outputs from Activity 3.2 and preparing final working methodologies guidelines.

Activities concerning Result 4:

4.1. Conducting training needs analysis and preparing training programme for trainers including training materials. The
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<tbody>
<tr>
<td>training needs analysis should be based on Analyses Report prepared in Activity 1.3.</td>
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<tr>
<td>4.2. Conducting “train-the-trainers” training at the Customs Training Centre (Zagreb) based on the identified training requirements for up to 40 customs officers.</td>
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<tr>
<td>4.3. Conducting one study visit for 5 customs officers for the duration of 5 working days to an EU member state customs authority for the purpose of getting acquainted with the organisational structure, procedures, communication between organisational units involved in risk management, their respective activities and manuals as well as their implementation in practice. Preparation of the report on findings of the study visit.</td>
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<tr>
<td></td>
<td>Preconditions</td>
<td>N/A</td>
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</tbody>
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