



ANNEX C1: Twinning Fiche

Project title: Strengthening capacities of Indirect Taxation Authority of BiH

Beneficiary administration: Indirect Taxation Authority of Bosnia and Herzegovina

Twining Reference: BA 20 IPA FI 01 23

Publication notice reference:

EU funded project

TWINNING TOOL

1. Basic Information

1.1 Programme: IPA 2020 Annual Action Programme for Bosnia and Herzegovina; CRIS reference 2020/042-264-Objective 1, direct management mode

For UK applicants: Please be aware that following the entry into force of the EU-UK Withdrawal Agreement¹ on 1 February 2020 and in particular Articles 127(6), 137 and 138, the references to natural or legal persons residing or established in a Member State of the European Union and to goods originating from an eligible country, as defined under Regulation (EU) No 236/2014² and Annex IV of the ACP-EU Partnership Agreement³, are to be understood as including natural or legal persons residing or established in, and to goods originating from, the United Kingdom⁴. Those persons and goods are therefore eligible under this call.

1.2 Twinning Sector: Customs and Taxation

1.3 EU funded budget: EUR 1 000 000

1.4 Sustainable Development Goals (SDGs): Goal 16: Peace, justice and strong institutions; Goal 8: Decent Work and Economic Growth;

2. Objectives

2.1 Overall Objective(s):

Efficiency and capacity of ITA strengthened through implementation of best practices and legislation in line with EU acquis on indirect taxation

2.2 Specific objective:

To improve overall performance of ITA by applying new laws, procedures and well developed effective systems of customs, VAT and excise controls.

2.3 The elements targeted in strategic documents i.e. National Development Plan/Cooperation agreement/Association Agreement/Sector reform strategy and related Action Plans

Article 111 of the Stabilisation and Association Agreement (SAA) concluded between BiH and the EU in June 2008, stipulates cooperation of Parties to the Agreement in improving development of effective and responsible public administration. In the most part, the cooperation will be directed toward development of institutions, encompassing all levels of public administration in Bosnia and Herzegovina. Article 97 stipulates establishment of cooperation in the area of customs duties in order to align the customs duties system of BiH with the EU system, as well as customs laws of BiH with the acquis. Article 98 stipulates establishment of cooperation in the area of taxation, including

¹ Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community.

² Regulation (EU) No 236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union's instruments for financing external action.

³ Annex IV to the ACP-EU Partnership Agreement, as revised by Decision 1/2014 of the ACP-EU Council of Ministers (OJ L196/40, 3.7.2014)

⁴ Including the Overseas Countries and Territories having special relations with the United Kingdom, as laid down in Part Four and Annex II of the TFEU.

measures of further tax system reforms with the aim of ensuring more efficient tax revenues collection and combating tax fraud.

In Country Report for Bosnia and Herzegovina for 2022, customs and taxation part is stated that: Bosnia and Herzegovina has some level of preparation on customs and taxation. **No progress** was made in taxation. BiH should bring the legislation on VAT and excise duties in line with EU Acquis, eliminate all burdens in the area of electronic signature in order to ensure its interoperability and harmonised countrywide system. **Some progress** was made in customs by adopting the customs offenses law and starting to implement the Customs Policy Law from August 2022. In the coming year, Bosnia and Herzegovina should reinforce the administrative and operational capacity of the Indirect Taxation Authority and increase post-clearance controls based on risk analysis, expand use of simplified procedures for reliable economic operators and upgrade interconnectivity and interoperability with EU IT systems and requirements.

3. Description

3.1 Background and justification:

Bosnia and Herzegovina is a potential candidate country for the EU membership. The Stabilisation and Association Agreement (SAA) entered into force in June 2015. Application for membership is submitted in February 2016. In September 2016 the EU Council invited the European Commission to present an Opinion on the merits of the Bosnia and Herzegovina's EU membership application.

On 12th October 2022, the Commission, recommended that Bosnia and Herzegovina be granted candidate status by the Council, on the understanding that the following steps are taken:

- adopt, as a matter of priority, integrity amendments in the existing law of High Judicial and Prosecutorial Council;
- adopt a new law on the High Judicial and Prosecutorial Council and adopt the law on Courts of Bosnia and Herzegovina;
- adopt the law on Prevention of Conflict of Interest;
- take decisive steps to strengthen the prevention and fight against corruption and organised crime;
- decisively advance work to ensure effective coordination, at all levels, of border management and migration management capacity, as well as ensuring the functioning of the asylum system;
- ensure prohibition of torture, notably by establishing a national preventive mechanism against torture and ill-treatment;
- guarantee freedom of expression and of the media and the protection of journalists, notably by ensuring the appropriate judicial follow-up to cases of threats and violence against journalists and media workers;
- ensure a track record in the functioning at all levels of the coordination mechanism on EU matters including by developing and adopting a national programme for the adoption of the EU *acquis*.

On indirect taxation system, the Parliament of Bosnia and Herzegovina, in 2003, adopted the Law on Indirect Taxation System and thus ensured the legal basis for establishing the Indirect Taxation Authority (ITA), the biggest state level institution with over 2 600 employees. The Indirect Taxation Authority is an autonomous administrative organisation responsible for its activities, through its Governing Board, to the Council of Ministers of Bosnia and Herzegovina. Its jurisdiction is in the field of indirect taxes (customs, value added tax, road tolls, and excises).

Current organisational structure of the ITA consists of five sectors, four departments and the Office of Director. The ITA Headquarters is in Banja Luka. Activities on the ground are carried out through four regional centres-Sarajevo, Banja Luka, Mostar and Tuzla, 30 customs stations and 59 customs offices out of which there are 40 road border crossings, 4 customs stations at the airports, 8 railway border crossings, 3 postal depots and free zones.

In cooperation with other institutions and inspection services, the ITA has considerable role in protection of society and health of people as well as protecting environment and cultural heritage, preventing trafficking in illegal and prohibited goods and substances. One of the important roles is also to facilitate trade in balance with control measures. This includes simplifications for reliable economic operators and work on secure supply chain environment.

A new Law on Customs Policy is implemented in Bosnia and Herzegovina from 1st August 2022. This Law was drafted with experts from twinning project in 2014 and at that time was aligned with CC, but not aligned with the Union Customs Code (UCC). IPA 2018 EU4TRADE project is ongoing, where experts from ITA and Ministry of Foreign trade and Economic relations of BiH, together with EU experts, are preparing a new draft of Law on Customs Policy which will be aligned with UCC. Still new implementing regulations and some bylaws need to be prepared.

BiH is committed to the introduction of e-government and digitalisation. The ITA with the assistance of EU funds, has become a certified body for issuing a qualified digital signature in May 2021. The ITA, upon request from an economic operator, issues the qualified digital certificate. The first e-service provided by the ITA was NCTS (New Computerised Transit System), meaning paperless transit.

The use of the new digital qualified signature in BiH opens the possibility of accelerating all business processes, much faster and better communication between the Indirect Taxation Authority and the business community, reducing costs, etc. The ITA's plan is that electronic signature of tax returns become obligatory for large tax payers from January 1st 2023. For all other tax payers the year 2023 will be left for the transition to electronic signature of returns.

Bosnia and Herzegovina is expected to join the Common Transit Convention (CTC) in the coming year. As part of this process, the Indirect Taxation Authority of Bosnia and Herzegovina (ITA) has undertaken international commitments in the field of transit and transport. Transport is a critical factor driving Europe's competitiveness and economy. Transport results in the ever-increasing importance of the EU economy and, as such, to EU security. The purpose for ITA of joining the CTC and New Computerised Transit

System (NCTS) is to begin the process of integration into the Trans-European eCustoms procedures. After the steps leading to the implementation of NCTS, ITA will be able to be a fully active partner of the European Union's Trans-European transit regime. The customs information system connectivity to EU systems is seen to have both physical and symbolic significance in linking Bosnia and Herzegovina to the European family.

One of the new simplified customs procedures, provided by the new Law on Customs Policy in BiH, is "Authorised economic operator" (AEO), which is one of the security measures in the global trade supply chain arising from the Framework of norms for securing and facilitating global trade established by the World Customs Organization. This status can be granted to reliable business entities that provide a high level of security guarantees in relation to their role in the international trade supply chain and meet the criteria and conditions for this status, which will enable them to use the benefits not only in terms of the simplification provided for in the customs regulations, but also facilitations in terms of customs controls related to protection and security in the supply chain.

New drafts aligned with EU Acquis of VAT Law and the Law on excise duties with bylaws are prepared within the IPA 2011 and 2014 twinning projects but have still not been put into approval procedure.

3.2 Ongoing reforms:

In Economic Reform Programme (ERP) of BiH the main challenges for BiH include, inter alia, implementing customs policy legislation and supporting the green and digital transition, which include e-authentication and simplification of business registration, licensing and permit procedures.

Also one of the key challenges in ERP is improving the business environment through closer cooperation and coordination at all levels of government

Various important customs reforms such as the new electronic transit procedure (NCTS), the authorised economic operators (AEO) scheme and electronic customs declaration for import and export customs procedures depend on full implementation of the new Customs Policy Law.

The ERP presents a number of PFM measures but some of the most crucial challenges remain unaddressed including issues related to the proper involvement of the ITA in preparation and costing of proposed changes to the VAT and excise duty regimes.

All four governments (the State-level, the entities and Brčko District) have adopted in June 2022 a country wide public financial management (PFM) strategy for period 2021-2025. One of the measures is restructuring of the tax burden and improvement of the legislative framework where the alignment of customs and tax legislation and best practices with EU Acquis is written as activity. Also, it is necessary to continue the fight against tax and customs fraud through more effective detection and processing of customs and tax fraud. Behind that one of the objectives is to improve the efficiency and

effectiveness of institutions responsible for collecting tax revenues through modernization of infrastructure and operations, which contributes to the removal of administrative barriers.

3.3 Linked activities:

The experience of the previous projects showed that better results are achieved with intensive activities in a few targeted sectors, rather than targeting many sectors with a limited number of activities.

During 2020 and 2021 the twinning project IPA 2017 “Further support to ITA” was implemented. and this project builds on results achieved with IPA 2017 twinning project ITA has support from EU twinning projects in continuation and has already implemented six twinning and twinning light projects very successfully from 2010. The numerous laws and bylaws are drafted in these projects with assistance of EU experts such as: Law on customs policy, Decision on implementation of law on customs policy, Law on VAT, Book of rules for implementation of new Law on VAT, new Law on Excise duties, Book of rules for implementation of new Law on Excise duties, Law on Enforced collection procedures, etc.

List of the IPA projects:

- IPA 2008 Twinning BA/08/IB/FI/02 “Support to further EU Acquis alignment of ITA”
- IPA 2011 Twinning BA/11/IB/FI/01 “Further harmonisation to EU practices and acquis on customs and taxation”
- IPA 2010 Technical assistance project. “Improvement of ITA through full implementation of ASYCUDA WORLD”
- IPA 2014 Twinning BA14/IB/FI/01R “Improving capacity of ITA”
- IPA 2017 Technical assistance project “Implementing NCTS in BiH”
- IPA 2017 Supply of Laboratory equipment
- IPA 2017 Supply of IT and laboratory equipment
- IPA 2017 Twinning BA17/IB/FI/01/19 “Further support to ITA”
- 2 twinning light projects for Internal Audit Department in ITA

Project of Swedish Tax Administration with the scope of improving capacity of 4 tax administrations and contributing to the transformation into modern, reliable and service oriented tax administration in Bosnia and Herzegovina is ongoing from 2017.

The IMF is also supporting ITA since 2016 with 2 projects –technical assistance in risk management including training for staff

In addition, a key lesson learned from the programming and implementation of the IPA I and IPA II assistance, is that systematically devoting efforts in securing not only the consent but also the ownership and commitment of all stakeholders is an imperative before the actions start in the complex governmental and administrative framework of Bosnia and Herzegovina. This and other relevant lessons learned from the evaluations were taken into account while the current Action was designed.

3.4 List of applicable *Union acquis*/standards/norms:

- Decision No 70/2008/EC of the European Parliament and of the Council of 15 January 2008 on a paperless environment for customs and trade (OJ 2008, No L 23, p. 21);
- Decision No 624/2007/EC of the European Parliament and of the Council of 23 May 2007 establishing an action programme for customs in the Community (Customs 2013) (OJ L 154 of 14.6.2007 p.25).
- Council Regulation (EC) No 515/1997 of 13 March 1997 on mutual assistance between the administrative authorities of the Member States and cooperation between the latter Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax and the Commission to ensure the correct application of the law on Customs and agricultural matters. (OJ L 82, 22.3.1997, p.1).
- Council Regulation (EC) No 1798/2003 of 7 October 2003 on administrative cooperation in the field of value added tax and repealing Regulation (EEC) No 218/92 (OJ L 264, 15.10.2003).
- Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax (OJ L 347, 11 December 2006).
- Directive 2008/118/EC of 16 December 2008 concerning the general arrangements for excise duty and repealing Directive 92/12/EEC;
- Regulation No 2009/684/EC of 24 July 2009 implementing Council Directive 2008/118/EC as regards the computerised procedures for the movement of excise goods under suspension of excise duty;
- Decision n° 1152/2003/EC of the European Parliament and of the Council, dated 16 June 2003 laid the legal basis for the development of EMCS (Excise Movement and Control System).
- Regulation No 952/2013 of the European Parliament and of the Council of 9 October 2013 laying down the Union Customs Code
- Commission delegated Regulation (EU) 2015/2446 of 28 July 2015 supplementing Regulation (EU) No 952/2013 of the European Parliament and of the Council as regards detailed rules concerning certain provisions of the Union Customs Code
- Corrigendum to Commission Delegated Regulation (EU) 2015/2446 of 28 July 2015 supplementing Regulation (EU) No 952/2013 of the European Parliament and of the Council as regards detailed rules concerning certain provisions of the Union Customs Code
- Commission implementing regulation (EU) 2015/2447 of 24 November 2015 laying down detailed rules for implementing certain provisions of Regulation (EU) No 952/2013 of the European Parliament and of the Council laying down the Union Customs Code
- Corrigendum to Commission Delegated Regulation (EU) 2015/2446 of 28 July 2015 supplementing Regulation (EU) No 952/2013 of the European Parliament and of the Council as regards detailed rules concerning certain provisions of the Union Customs Code
- Commission delegated Regulation (EU) 2016/341 of 17 December 2015 supplementing Regulation (EU) No 952/2013 of the European Parliament and of the Council as regards transitional rules for certain provisions of the Union Customs Code where the relevant

electronic systems are not yet operational and amending Delegated Regulation (EU) 2015/2446

- Corrigendum to Commission Delegated Regulation (EU) 2016/341 of 17 December 2015 supplementing Regulation (EU) No 952/2013 of the European Parliament and of the Council as regards transitional rules for certain provisions of the Union Customs Code where the relevant electronic systems are not yet operational and amending Delegated Regulation (EU) 2015/2446
- Convention on a Common Transit Procedure (OJ L 226 13.8.1987)

Additional Excise legislation:

- Commission Implementing Decision concerning the application of the control and movement provisions of Council Directive 2008/118/EC to certain additives, in accordance with Article 20(2) of Council Directive 2003/96/EC (2012/209/EU)
- Council Directive 2003/96/EC restructuring the Community framework for the taxation of energy products and electricity
- 2011/544/EU: Commission Implementing Decision of 16 September 2011 on establishing a common fiscal marker for gas oils and kerosene (notified under document C(2011) 6422)
- Council Directive 2011/64/EU of 21 June 2011 on the structure and rates of excise duty applied to manufactured tobacco
- Council Directive 92/83/EEC on the harmonization of the structures of excise duties on alcohol and alcoholic beverages
- Council Directive 92/84/EEC on the approximation of the rates of excise duty on alcohol and alcoholic beverages
- Commission Regulation (EC) No 3199/93 on the mutual recognition of procedures for the complete denaturing of alcohol for the purposes of exemption from excise duty
- Commission Implementing Regulation (EU) No 612/2013 on the operation of the register of economic operators and tax warehouses, related statistics and reporting pursuant to Council Regulation (EU) No 389/2012 on administrative cooperation in the field of excise duties
- Commission Regulation (EEC) No 3649/92 on a simplified accompanying document for the intra-Community movement of products subject to excise duty which have been released for consumption in the Member State of dispatch
- Council Regulation (EU) No 389/2012 on administrative cooperation in the field of excise duties and repealing Regulation (EC) No 2073/2004

3.5 Components and results per component

Component 1: Approximation in the area of Customs and Taxation

Result 1: Performance improved and practices and procedures aligned with those of EU in the field of customs, VAT and excise duty

Sub-result 1.1. Proposal of the Decision on the implementation of the new Customs Policy in BiH which has to be harmonized with the implementing regulations of the Union Customs Code (UCC) drafted

Sub-result 1.2. Bylaws and instructions on customs, excise, and VAT procedures updated or drafted

Component 2: Risk management

Result 2: Compliance Risk Management (CRM) process adopted at all levels of ITA

Component 3: Support to ITA internal audit department

Result 3: Internal auditors trained

Component 4: Support to Expert team for implementing FATF Action plan (Financial Action Task Force)

Result 4: ITA staff trained in the field of controls of cash entering or leaving the country

3.6 Means/input from the EU Member State Partner Administration(s)*:

3.6.1 Profile and tasks of the PL:

Qualifications and skills

- Proven contractual relation to public administration as defined under Twinning manual 4.1.4;
- University degree, or equivalent professional experience of 8 years in public administration
- Fluent written and spoken English.

General professional experience

- At least 3 years of general professional experience in the area of customs and/or taxation gained within an EU MS Customs and/or Taxation Administration.

Specific professional experience

- At least 3 years of experience in a managerial position within an EU MS Customs and/or Taxation Administration;
- Previous experience in Twinning Projects would be an advantage.

Tasks:

1. Conceive, supervise and coordinate the overall preparation of the project;
2. Coordinate and monitor the overall implementation of the project;
3. Liaise with the Project Leader from the Beneficiary Institution;
4. Co-chair, with the Beneficiary Project Leader, the project implementation at the Steering Committee meetings;
5. Execute administrative issues (i.e. signing quarterly reports, Operative side letters, addenda, etc.)
6. Ensure correct and successful implementation of the project and its sound financial management.

3.6.2 Profile and tasks of the RTA:

One Resident Twinning Adviser (RTA) over a period of 24 months and short term experts will support the beneficiary administration to achieve the objectives listed above.

The RTA has the responsibility to guide the work of the team. Short term experts will work in close cooperation with the RTA and the beneficiary administration staff.

The RTA is expected to fill the following:

Qualifications and skills

- Proven contractual relation to public administration or mandated body, as defined under Twinning manual 4.1.6;
- University degree, or equivalent professional experience of 8 years in public administration
- Fluent written and spoken English.

General professional experience

- At least 3 years of general professional experience in the area of customs and/or taxation gained within an EU MS Customs and/or Taxation Administration.

Specific professional experience:

- At least 3 years of professional experience in indirect taxation;
- Overall knowledge of relevant EU legislative and institutional, requirements related to the all components of this project;
- Professional experience of at least one year at management position,;
- Experience in twinning/technical assistance in at least one project in the field of indirect taxation would be an advantage;

Assets:

- Experience in drafting and/or implementing strategies, policies or regulations;
- Good knowledge regarding the situation and the administrative structures from BiH.

Tasks:

- Overall supervision of the project implementation and coordination of all activities, as well as management of the project administration;
- Advice on indirect taxation standards and practices in EU Member States;
- Coordination of the activities of the team members in line with the agreed work programmes to enable timely completion of project outputs and outcomes.
- Preparation of the Terms of Reference for the Short Term Experts;
- Where appropriate participation in project's workshops;
- Preparation of project progress reports;
- Permanent contact with the BC Project Leader;
- Liaison with EU Delegation Programme Manager;
- Liaison with other relevant projects.

The RTA is expected to ensure, together with the beneficiary administration, the achievement of the objectives listed in 2.1/2.2. In order to meet these purposes, and if fully justified, the RTA may propose alternative and/or complementary project outputs to those identified in the section 3.5.

3.6.3. Profile and tasks of Component Leaders:

Qualifications and skills

- University degree, or equivalent professional experience of 8 years in public administration
- Fluent written and spoken English.

General professional experience

- At least 3 years of general professional experience in the area of indirect taxation gained within an EU MS Administration.

Specific professional experience:

- At least 3 years of experience in the area for which component leader is proposed;
- Overall knowledge of relevant EU legislative and institutional, requirements related to the various components of this project;
- Experience in twinning/technical assistance projects or other similar international projects in the field of indirect taxation would be an advantage.

3.6.4. Profile and tasks of other short-term experts:

Terms of Reference (ToR) for short-term expert(s) will be elaborated by the RTA. The ToR for the short term experts is to be agreed with EU Delegation Programme Manager and with the BC Project Leader in cooperation with the beneficiary institutions.

Short -term customs and tax experts are expected to have:

- At least 3 years of specific professional experience in a specialised national administration;
- University degree, or equivalent professional experience of 8 years in public administration
- Fluent written and spoken English;
- Professional experience in the following areas:
 - For customs experts: Professional legal customs background related to the tasks for which they will be deployed such as: simplified procedures, valuation, origin, post-clearance audit, laboratory, tariff, transit, intellectual property rights, risk analysis, etc.
 - For tax experts: Professional legal tax background related to the tasks for which they will be deployed such as: VAT, excise, tax audit, special schemes, tax returns, risk analysis, etc.

- For experts working on component 2: professional experience related to risk management
- For experts working on component 3: professional experience related to internal audit
- For experts working on component 4: experience related to FATF work

4. Budget

EUR 1 000 000,00

5. Implementation Arrangements

5.1 Implementing Agency responsible for tendering, contracting and accounting (AO/CFCU/PAO/European Union Delegation/Office):

The EU Delegation in Bosnia and Herzegovina

Contact point:

Ms. Dijana Sikima, Programme Manager

Delegation of the European Union to BiH

Skenderija 3a, Sarajevo

Tel: + 387 33 254 785, Fax: + 387 33 666 037

e-mail: dijana.sikima@eeas.europa.eu

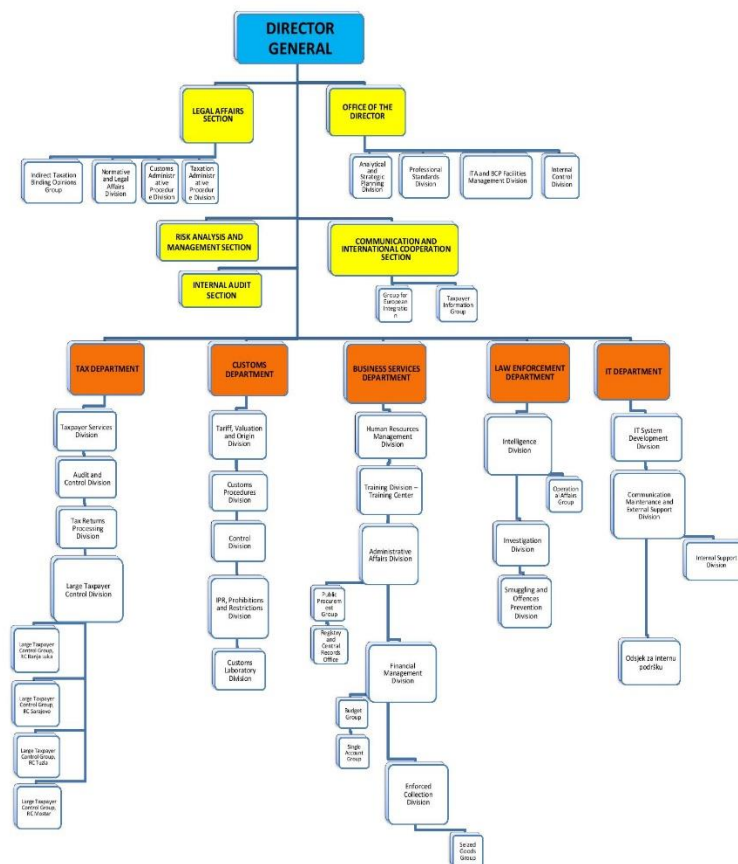
6.2 Institutional framework

Indirect Taxation Authority is an autonomous administrative organisation responsible for its activities, through its Governing Board, to the Council of Ministers of Bosnia and Herzegovina. It is responsible for enforcement of legal provisions and policy on indirect taxation, as well as for the collection and allocation of indirect taxes revenue (of all indirect taxes in Bosnia and Herzegovina: value added tax, customs duties, excise duties and road taxes). The ITA keeps the Single account, and all indirect tax based revenues are paid to this account, with the allocation and disbursement of indirect tax based revenues defined in the law on allocation and disbursement of the aforementioned revenues. The Indirect Taxation Authority has currently registered and is maintaining a VAT taxpayer population of over 50,000. The Indirect Taxation Authority has set the following goals towards future EU integration:

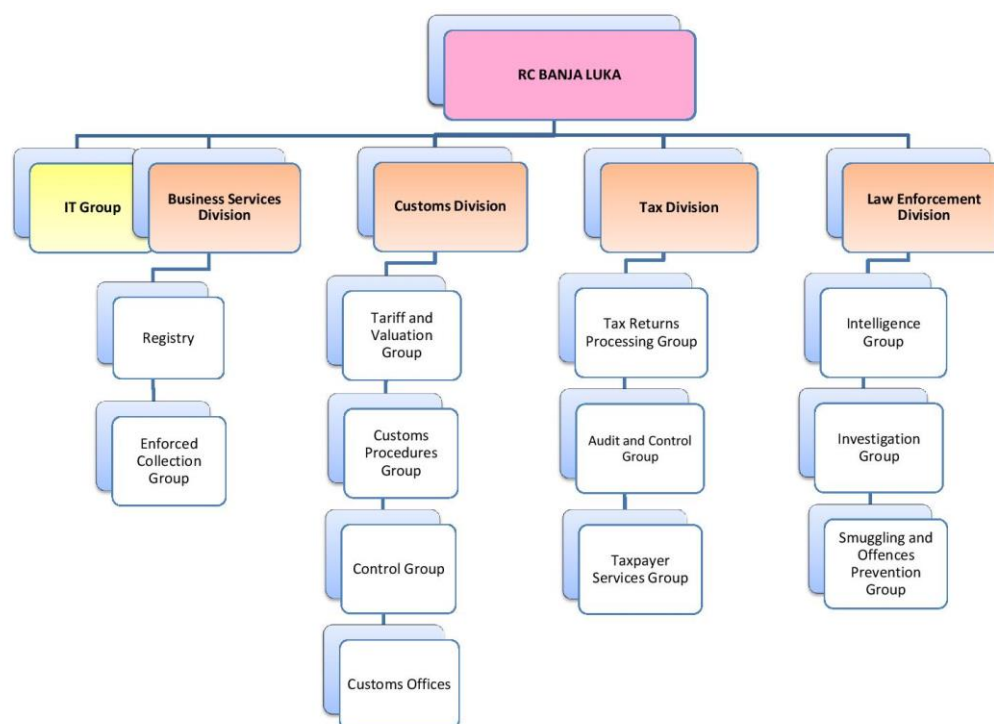
- To accelerate the flow of goods and people while simultaneously intensifying the targeted controls.
- To enhance the level of security of the citizens, to develop cooperation with other national and international institutions aimed at harmonizing the procedures and aligning the legislation with the EU standards.
- Better exchange of information between other institutions and the successful fight against trafficking and all other types of customs or tax frauds.

Operational line of responsibility extends throughout the headquarters and all the way to the branch office and sub-office and encompasses taxes, customs, law enforcement, business services and information technology. The ITA has branch offices and sub-offices in the entire BiH territory. The organisational structure of the Indirect Taxation Authority (Head Quarters and Regional Centres) is presented down below as follows:

ITA Headquarters organigram



ITA Regional Centre organigram (Banja Luka, Mostar, Sarajevo, Tuzla)



5.3 Counterparts in the Beneficiary administration:

5.3.1 Contact person:

Ms. Jasna Pavić, expert adviser in Communication and International cooperation department

Indirect Taxation Authority of BiH

Bana Lazarevica bb, 78000 Banja Luka

5.3.2 PL counterpart

Mr. Ratko Kovačević, Head of Cooperation and International cooperation Department

Indirect Taxation Authority of BiH

Bana Lazarevića bb, 78 000 Banja Luka

Phone: +387 51 335 363, fax: +387 51 335 258

5.3.3 RTA counterpart

Ms Jasna Pavić, expert adviser in Cooperation and International cooperation dept.

Indirect Taxation Authority of BiH

Bana Lazarevića bb, 78000 Banja Luka

6. Duration of the project

Duration of the project is 24 months.

7. Management and reporting⁵

7.1 Language

The official language of the project is the one used as contract language under the instrument (English/French). All formal communications regarding the project, including interim and final reports, shall be produced in the language of the contract.

7.2 Project Steering Committee

A project steering committee (PSC) shall oversee the implementation of the project. The main duties of the PSC include verification of the progress and achievements via-à-vis the mandatory results/outputs chain (from mandatory results/outputs per component to impact), ensuring good coordination among the actors, finalising the interim reports and discuss the updated work plan. Other details concerning the establishment and functioning of the PSC are described in the Twinning Manual.

7.3 Reporting

All reports shall have a narrative section and a financial section. They shall include as a minimum the information detailed in section 5.5 of the Twinning Manual and Annex A7, Section 5. Reports need to go beyond activities and inputs. Two types of reports are foreseen in the framework of Twinning: interim quarterly reports and final report. An interim quarterly report shall be presented for discussion at each meeting of the PSC. The narrative part shall primarily take stock of the progress and achievements via-à-vis the mandatory results and provide precise recommendations and corrective measures to be decided by in order to ensure the further progress.

8. Sustainability

The action will produce sustainable results since it is designed to support the already existing beneficiary institution and structure that are already in place, but which require additional assistance in the complex process of the harmonisation with the Acquis and the latest international standards in the field of PFM. All outcomes related to this action are linked to already established structures and procedures at all levels of the government and will result in sustainable outcomes.

9. Crosscutting issues (*equal opportunity, environment, climate etc...*)

The planned activities are complementary to the Principles of Public Administration, and in accordance with the Strategic Framework for Public Administration Reform 2018-2022, as well as the Public Finance Management Strategy.

Taking into account that through, the transposition of EU legislation is planned through the project, compliance with Principles 9, 10 and 11 related to the development and coordination of policies will be ensured. The activities will be carried out in accordance with the principles in the part related to the use of the compliance table in the process of transposition (9), the preparation of an adequate assessment of the impact of regulations (Principle 10, including sub-principles 4 and 6 related to cost breakdown and defining monitoring and evaluation mechanisms), and appropriate public consultations (Principle 11), including inter-ministerial consultations.

⁵ Sections 7.1-7.3 are to be kept without changes in all Twinning fiches.

Additionally, are in accordance with principle 9 in the area of public finance management, and refer to the development of internal audit in ITA. Finally, the intervention will take into account the contribution to the fulfillment of principles in the field of service provision, in the part related to the simplification of procedures and towards citizens-oriented provision of services in the VAT segment.

Based on the fundamental principles of promoting equality and combating discrimination, participation in the action will be guaranteed on the basis of equal access regardless of sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation as well as taking into account promotion and participation of people with disabilities. During implementation of activities, full respect of minorities and vulnerable groups will be ensured. The project will contribute to addressing the rights-based approach by strengthening the capacity of the government to ensure citizens' rights are being respected and the capacity of citizens to demand their government work to ensure their rights through improving the transparency and efficiency.

9.1 Equal opportunities and non-discrimination

The Gender Action Plan (GAP) of Bosnia and Herzegovina (2018-2022) is the framework strategic document for mainstreaming gender equality in all areas of social life. GAP BiH is aligned with the relevant European Union Strategy for equality of men and women and other relevant strategic documents of the Council of Europe, European Union and United Nations. Gender responsive budgeting is a principle for defining all the measures in each priority area of GAP BiH. It is required that each budget beneficiary makes an analysis of the budget impact on different needs of men and women. Gender mainstreaming of the Action contributes to the implementation of GAP BiH. This is also in line with the EU Gender Equality Strategy 2020–2025, which emphasizes that the structural reform support programme can support Member States in mainstreaming gender in public administration, state budgeting and financial management.

9.2 Minority and vulnerable groups

Improvement in the public service and strengthened good governance to be gained from the Action in the area of PFM will be beneficial for minorities and vulnerable groups too. Publicity and dissemination of information will help to empower minorities and vulnerable groups as well as the society as whole. Based on the fundamental principles of promoting equality and combating discrimination, participation in the Action will be guaranteed on the basis of equal access regardless of racial or ethnic origin, religion or belief, disability, age or sexual orientation.

9.3 Environmental considerations

The project aims at strengthening PFM and will not have any negative impact on the environment and effect on climate change. The activities from this project will be delivered in the most environmentally friendly possible way. Green procurement will be promoted for all activities related to the implementation of the Action, in turn supporting its mainstreaming in the wider PA.

9.4 Civil society development and dialogue

Civil society organisations have been consulted throughout the design of the intervention which is supposed to represent the basis for the project development. When it comes to the implementation of this specific project, all envisaged activities will have to be open to cooperation and setting synergies with civil society organization and other interested non-state stakeholders if needed.

9.5 Good governance, with particular attention to fight against corruption

All relevant requirements to insure a sound financial management of the Twinning Project will be fulfilled in accordance with the principle of good governance.

All necessary provisions will be taken to fight against corruption in accordance with the IPA Implementing Regulation.

10. Conditionality and sequencing

n/a

11. Indicators for performance measurement

Indicator for Result 1

Sub-result 1:	2022	2025	
	0	1	Decision on the implementation CPL drafted
Sub-result 2:	0	7	Bylaws, instructions on procedures drafted

Indicator for Result 2

Maturity of risk management in ITA increased

Baseline	year 2022	year 2025
	level ⁶ 2/3	level 4

Indicator for Result3

Trainings and education, according to the plan of the internal audit department of the ITA, which is aligned with international standards for the professional practice of internal auditing, undertaken

Baseline	year 2022	year	2025
	20%		40%

Indicator for Result 4

Number of ITA officials trained and educated for effective controls of cash transfer across the border

⁶ According to WCO standards (WCO Compendium), the maturity of risk management of customs administrations is evaluated through five levels (naive, aware, defined, managed, enabled). Also according to OECD standards (Risk Management Maturity Model), the maturity of tax risk management is evaluated through five levels (Emerging, Progressing Established, Leading, Aspirational). Maturity is measured on the basis of several key attributes (culture, policies, processes, infrastructure).

The maturity of the ITA is between the second and third level. The intention of the ITA is to identify key problems through the project and create an Action Plan or recommendations for the implementation of the risk management process as an organizational culture, which will fully raise the maturity of the ITA to level three in the first year and to level 4 in the following years.

Baseline year 2022
 25%

year 2025
50%

12. Facilities available

Required contributions of Beneficiary institution (including equipment, offices):

- I. Office space: Sufficient office space shall be allocated by the ITA to the MS Twinning Partner for the RTA, the Project Assistant(s) and for the short-term experts on mission. Meeting space will be provided when necessary.
- II. Logistical support: The project office at the ITA BiH will be furnished with necessary number of telephones and PC's (with e-mail and internet access). There will be access to photocopying and fax machines. The operational costs will be covered from the IPA project budget.

ANNEXES TO PROJECT FICHE

1. The Simplified Logical framework matrix as per Annex C1a

Annex C1a : Simplified Logical Framework

	Description	Indicators (with relevant baseline and target data)	Sources of verification	Risks	Assumptions (external to project)
Overall Objective	Efficiency and capacity of ITA strengthened through implementation of best practices and legislation in line with EU acquis on indirect taxation	Progress made on alignment with the EU Acquis and EU standards and best practices in indirect taxation	DG Near Report	Lack of political support	
Specific (Project) Objective(s)	To improve overall performance of ITA by applying new laws, procedures and well developed effective systems of customs, VAT and excise controls.	Increase in revenue collected by ITA	ITA Annual report ITA website ITA Annual Report ERP		Long-term commitment of the ITA to modernization of the customs and tax system Sustainable human and financial resources assigned to those reforms

Mandatory results/outputs by components	Result 1: Performance improved and practices and procedures aligned with those of EU in the field of customs, VAT and excise duty	Existing legal acts not aligned with Acquis		ITA website ITA Annual Report ERP		
	Sub-result 1.1.Proposal of the Decision on the implementation of the new Customs Policy in BiH which has to be harmonized with the implementing regulations of the Union Customs Code (UCC) drafted	2022	2025	Project Final Report		
		0	1			
	Sub-result 1.2.Bylaws and instructions on different customs, excise, and VAT procedures updated or drafted	2022	2025			
		0	7			
	Result 2: Compliance Risk Management (CRM) process adopted at all levels of ITA	Level of maturity of risk management in ITA increased				
		2022	2025			
		2/3	4			
	Result 3: trainings and education in line with international standards for internal auditing for ITA internal auditors undertaken	2022	2025			
		20%	40%			

	Result 4: ITA staff trained in the field of controls of cash entering or leaving the country	2022 25%	2025 50%			