

**STRATEGY FOR IMPLEMENTAION OF COMMON TRANSIT SYSTEM
NCTS (NEW COMPUTERISED TRANSIT SYSTEM) FOR
THE REPUBLIC OF MACEDONIA**

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Reference Documents

Ref	Reference	Title	Version
R01	NCTS_CAFAO_HELPDESK	Helpdesk requirements and best practices	1.00
R02	TCE-TTSS-L1DOC-P32	Technical Transit System Specification for Phase 3.2	1.00
R04	DDNTA	Design Document for National Transit Application	8.10
R05	DDCOM	Design Document for Common Operations and Methods	
R06	TCE-STSS-L1DOC-P32	Security Transit system Specification for Phase 3.2	1.00
R07	TCE-SCP-L1DOC-P32	The Scope of NCTS Phase 3.2 & CDTA	1.80
R08	FTSS-NCTS Addendum	Functional Transit System Specifications 4.00 as amended with Corrigendum 1/2007	4.00
R09		Interoperability Implmentation Strategy of the Customs Administration of the Republic of Macedonia (March 2010)	1.0
R10		ICT STRATEGY OF THE CUSTOMS ADMINISTRATION OF THE REPUBLIC OF MACEDONIA (APRIL 2010)	1.0
R11	CRIS Number: 2007/19297	IPA Customs Project Fiche - Support to the implementation of the Customs Reform Strategy	
R12	CRIS Number: 2008/20-311	IPA Customs Project Fiche - Interoperability of the Customs Administration's IT system with the EU	
R13	GMR-002-2008-12	Assessment of the administrative capacity in the IT field and status of preparedness for interconnectivity and interoperability with the EU IT systems for customs and taxation	1.7

Table 1: Reference Documents

Abbreviations and Acronyms

Acronyms	Description
CARM	Customs Administration of the Republic of Macedonia
CCN/CSI	Common Communications Network / Common Systems Interface
CCN/TC	Common Communications Network – Technical Centre
CDCA	Centrally Developed Customs Application
CDPS	Customs Declaration Processing System
CDTA	Centrally Developed Transit Application
COL	Customs Office List
COM	EU Commission
CS	Central Services
CS/MIS	Central Services/ Management Information System
CS/RD	Central Services / Reference Data
DDNTA	Design Document for National Transit Application
ECS	Export Control System
ECG	Electronic Customs Group
ECN	EDI CSI Node
ECN+	EDI/CSI Node Plus
EDI	Electronic Data Interchange
EDIFACT	EDI for Administration, Commerce and Transport
FTSS	Functional Transit System Specification
IT	Information Technology
MRN	Movement Reference Number
MS/CC	Member State or Candidate Country (EU/EFTA/third state)
NCTS	New Computerised Transit System
NDTA	Nationally Developed Transit Application
OLAF	Office Européen de Lutte Anti-fraude / European Anti-fraud Office
SAD	Standard Administrative Document
STTA	Standard Transit Test Application
TIR	Transports Internationaux Routiers
TTA	Testing Transit Application
XML	Extended Mark-up Language

Table 2: Abbreviations and Acronyms

1. INTRODUCTION

This document aims to present the NCTS Strategy and National Project Plan for the implementation of the Common Transit System and NCTS in the Republic of Macedonia and the steps to be taken by the Customs Administration of the Republic of Macedonia (CARM) for successful implementation of NCTS and achieving full compliance with the Common Transit Procedure.

Republic of Macedonia is an observer country to the Common Transit Convention, and in the first quarter of 2011 will submit a request to become a contracting party and accede to the said Convention.

2. BACKGROUND

2.1 Result of Annual legislative evaluation

Under the Chapter 29: Customs Union there is a mandatory requirement for membership - to fully implement the Community Transit Procedures requirements including developing an automated transit system compatible to the New Computerised Transit System (NCTS). The interconnectivity to the NCTS systems operational in the European Union and the other Contracting Parties of the Convention on a Common Transit Procedure is an accession pre-requisite in the customs sector. **The candidate country has to be fully NCTS compatible at the latest one year prior to accession.** Also, for the Republic of Macedonia to join the Convention on a Common Transit Procedure before its accession to the EU, the same transit-related requirements (full and stable implementation of all Common/Community transit procedures and entirely operational NCTS system) apply.

The Stabilization and Association Agreement between the Republic of Macedonia on the one part and the European Communities and their Member States on the other part, in Article 88 on Customs, stipulates that the aim of cooperation is to guarantee compliance with all provisions scheduled for adoption in the area of trade and to achieve the approximation of the customs system of the Republic of Macedonia to that of the EU, thus helping to pave the way for liberalization measures planned under the Agreement. This Article stipulates "the simplification of inspections and formalities in respect of the carriage of goods and support for introduction of modern customs information systems", as well as the "possibility of interconnection between the transit system of the Community and the Republic of Macedonia".

In August 2007 the Government of the Republic of Macedonia has officially expressed the intention to accede to the Convention on a common Transit Procedure and the Convention on the simplification of formalities in trade in goods of May 1987. This intention has shown the interest in joining the common transit procedures as this represents a practical means of preparing for the adoption and implementation of the relevant Acquis.

The EC-EFTA Joint Committee agreed in December 2007 to grant the Republic of Macedonia observer status in the Joint Committee and the Working Groups of the Convention on a Common Transit Procedure.

A Project Team for implementation of the NCTS has been formed within CARM at the beginning of 2008. Members of this Project team are actively following the development and the activities of the Working Groups of the Convention on a Common Transit Procedure.

Besides this, a Study on Implementation of the NCTS and draft Guidelines on Common Transit System have been prepared.

2.2 EU Assistance to the Republic of Macedonia

During the implementation of CAFAO-MAC Programme, CARDS funded project until the end of 2007, some activities have taken place in order to raise awareness and to draft legislation on the EU transit procedures. Legislation compatible with EU transit legislation has been prepared. Considering the importance of the customs reform for the country's further progress in the fight against corruption and economic growth, and the EU's commitment to support this process, highlighted at the Stabilisation and Association Agreement and in the annual progress reports, continuity of the EC assistance to the CARM was to be ensured. In order to keep up with the momentum of progress and improvement further assistance has been considered.

Within the framework of the IPA 2007 Programming cycle Customs Administration, taking into the consideration the requirements to join the Common Transit Convention, has prepared a Project Fiche on "Support to the implementation of the Customs Reform Strategy" having an overall objective to achieve further alignment of the Acquis in the area of customs, and to strengthen the administrative capacity of the Customs Administration and its capacity to meet the EU requirements in this area. The objective of the programme is to assist and insure that CARM is in a position to meet with the EU obligations and at certain point function properly in the single market. The programme purpose is to contribute to a professional customs administration that is enabled to appropriately implement the reforms, taking due account of EU regulations and best practices. The programme comprises of three components – projects on:

1. *the harmonisation of Customs legislation with the Acquis* and best practice, as the prime component of the overall objective in order "to establish a sound and modern legal foundation for the Customs business";
2. *the reinforcement of the border controls* as an important component of the overall activity of "strengthening CARM's capacity in the fight against fraud, corruption and drug trafficking" through the revision of customs border operations, with specific focus towards the "EU external" borders, and the implementation of modern enforcement techniques.
3. *improving the Customs IT system* with the aim to increase the operational efficiency, decrease corruption and achieve full compliance, in particular interconnectivity, with the EU's standards.

2.3 Technical Evaluation

2.3.1 IT awareness mission 2007

An IT awareness mission from DG TAXUD was performed in May 2007, in order to explain the needs for interconnectivity in the various areas of customs operations. The mission described the main IT requirements for accession in the field of transit. Main conclusions of the mission for a follow up were to take a number of technical, functional and organisational decisions prior to the start of IT interconnectivity preparations such as:

- a) decision on the Customs Declaration Processing System (CDPS) to be used in the future. (especially in the area of interconnectivity obligations)
- b) allocation of adequate human resources to define, prepare and manage the accession essential projects, and
- c) to identify the Administration that will be responsible for the CCN gateway

The Technical and User Requirements for the CDPS have been realised through a CARDS funded technical assistance project. Technical and functional specifications have been produced and the tender launched in September 2008. Work commenced in January 2009 and it is expected that the new system will enter in production in mid 2010.

2.3.2 IT monitoring mission 2008

The IT monitoring mission on “Assessment of the administrative capacity in the IT field and status of preparedness for interconnectivity and interoperability with the EU IT systems for customs and taxation”, by the representatives of DG TAXUD, carried out in November 2008, aimed at determining the compliance with the Acquis requirements of the candidate countries, to be capable for interconnection with the European Communities customs and tax systems, has given the following observations and recommendations concerning the future development of the national CDPS and the NCTS, including the CCN/CSI connection:

A) Concerning the NCTS:

Observations:

- The SAD used through the ASYCUDA++ software is not yet aligned with the electronic SAD lodged in EU declarations. Accordingly, the Transit SAD are not aligned either.
- The Transit declarations will be submitted, checked and transmitted through the new CDPS. It is intended that the system is compatible with NCTS (Phase 4.0 or later according to the ToR).
- There are ongoing changes into the legislation, including aiming to align it to the EU one.

Recommendations:

- A clear issue which has to be resolved at this level is the privacy of data law, and ownership of the data and the conditions of access have to be clearly defined and applied.
- The project of NCTS development (under IPA 2008) has to be clearly delimited towards the CDPS, in terms of responsibility, coverage and assistance.

Security and safety measures in transit regime (allowing the alignment to NCTS V4.0) are forecasted as “desirable feature”, but their non realisation leads to an alignment of the CDPS on NCTS V3.2 which will not even be possible to be tested in Conformance tests. It is strongly recommended that these measures are changed into an “essential feature”

B) Concerning CCN/CSI

Observations:

- Currently CCN connection is of no need for the country, but an awareness of this need exists at the level of both Customs and TAX administrations.
- The CCN need will become of high importance only when a political decision will be taken concerning the membership to the Common Convention (and in the case where this will happen before the accession date).

Recommendations:

- Planning for the implementation of the CCN network connection (gateways) should be prepared and put in place according to the general planning of interconnectivity implementation.
- There is no need to install gateways prior to the moment of Conformance tests of applications in both Customs and PRO.
- However, the government should take a political decision concerning the hosting and operations of the CCN gateway by either the Customs or the Tax administration.

3. CURRENT STATE OF AFFAIRS

3.1 Transit module of CDPS

The Customs Declarations Processing System (CDPS) was identified as one of the tree pillars of the IT strategy and was endorsed as a priority during the DG TAXUD mission in May 2007. As an outcome of the analysis of the system in use (Asycuda ++), outdated system and technology, database problems, interconnection issues with Customs offices, etc, it was decided to implement a brand new application.

The main parts of the CDPS are the following:

1. Main Applications-Modules:
 - a) Transit
 - b) Export
 - c) Import.
2. Sub Applications:
 - a) Authorisations
 - b) Guarantee Management System
 - c) Risk Analysis and Risk Management System
 - d) TARIM (TARIC).

The key element of the CDPS is to set the necessary conditions for transit regimes on the basis of the specifications (functional and technical level) which are compatible and in line with EU commonly agreed specifications for transit regime (NCTS) where:

- the use of advanced computer systems and the electronic processing of data shall, amongst other things, ensure a more efficient management of the transit regimes than the paper-based system and should improve the efficiency of customs controls, particularly those relating to transit restrictions and to the transport of goods, and their effectiveness in the fight against fraud in these areas;
- new computerized procedures based on the use of modern information technology and electronic data interchange (EDI) are covered by adapted legal provisions to provide procedural, technical, legal certainty and for possible security-linked needs, if found necessary. With regard to the common and comprehensive use of such a system in the CARM, all system related procedures not directly impacting the trading community should be governed by guidelines;
- most of the products delivered and/or produced in the context of transit regime (NCTS) for the exchange of messages via the Common Domain (within EU-EFTA common transit procedure) shall be re-used after the accession of the Republic of Macedonia into the EU in order to limit the resources and the timescale acceptable for all participants involved; and
- the Republic of Macedonia shall be linked with the EU and EFTA countries via a common network in order to exchange NCTS standard messages, wherever possible in real time.

3.2 Technical Assistance under IPA 2008

As one of the strategic objectives, taken into account during the IPA 2008 Programming Cycle, in 2007, aware of the importance, complexity and the experience and best practices of the EU Member States (especially those from the latest two enlargements) as well as the EU Candidate Countries, Customs

Administration's Project Fiche on "Interoperability of the Customs Administration's IT system with the EU customs IT systems" was approved. This Project has an overall objective to support the country in the process of fulfilling the EU pre-accession requirements, concerning accessing the Convention on a Common Transit Procedure, including support to the implementation of the New Computerised Transit System (NCTS) and Common Communication Network and Common System Interface (CCN/CSI).

The purpose of the project is to strengthen the operational capacity of the Customs Administration in accordance with the EU standards in core Customs business areas of the European Community Customs transit control to ensure full compatibility and interoperability of the CARM Information and Communication Technology (ICT) system with the NCTS and to achieve full interconnectivity with the European Union/DG TAXUD systems, enabling data exchange by means of the Common Communication Network and Common System Interface (CCN/CSI) infrastructure.

The implementation of the Project foresees that the Republic of Macedonia will be enabled to fulfil the EU requirements for accession to the Common Transit Convention, thus establishing full interoperability of the NCTS. The preparation for the Project implementation is in advanced stage. The forecast for individual service contracts for the components 1 and 2 were published in mid December 2009. The call for proposals is under evaluation since mid April 2010. The Terms of Reference were drafted and adopted in March 2010.

Under the current organisation and structure, the Customs Administration has established a Department for Transit and Border Formalities. The staffing of this department is under way and will be completed soon. Also, IT staff is dedicated and involved in the support of the EU transit and NCTS implementation.

3.3 National ICT Strategy

The strategy provides an overview of the policy decisions and the goals to be achieved by the ICT to all interested parties. This document includes a description of future systems to be developed which mainly consists of systems required to satisfy the EU accession process. The first of these, chronologically, will be the NCTS developed and linked with the Transit module of new national CDPS. New national CDPS, compatible for connectivity with the EU systems, is being under implementation and will be fully implemented by the end of 2010.

In April 2009 the Macedonian Government has adopted the Decision for founding an interagency Steering Committee and Working Groups for harmonisation of the national customs procedures with the EU Acquis including the transit legislation, as well as for IT interconnection with the EU IT systems. Members of the Steering group are representatives of ministries and other state institutions that are to contribute to the establishment of the NCTS.

In July 2009 the Government of the Republic of Macedonia assigned the Customs Administration to run the set up and maintenance of a communication gateway with the European Commission and the EU Member States – Common Communication Network and Common System Interface (CCN/CSI), thus fulfilling one of the requirements for accession to the Common Transit Convention, interconnection of the electronic CDPS of the Republic of Macedonia with the relevant EU and EC systems, as well as interconnection with the NCTS of the EU. The European Commission services were informed of this decision accordingly.

In September 2009 the IT hardware and all needed licenses for the operational system(s) and the database system(s) software licenses, using national funds, have been procured by the CARM and the equipment has been installed and tested.

The ICT Strategy of the CARM is updated, the main objectives of which are future modernization of the operations and establishment of paperless environment (electronic declaration) and interoperability and interconnectivity with the European systems. Besides the recommendations given by the DG TAXUD experts, which have become an integral part of the Strategy, it also includes the current state of affairs, as

well as the changes in the MASP (Multi Annual Strategic Planning Document), and an Action Plan for the activities planned for the year of 2010. The updated national ICT Strategy was completed in mid April 2010 and it was sent to the European Commission, DG TAXUD, for comments.

3.4 National Interconnectivity and Interoperability Strategy (IIS)

The National Interconnectivity and Interoperability Strategy (IIS) reflects the contents of this Road Map document for NCTS and the gateway as the first component of the strategy and also describes the main characteristics of the Interoperability Programme, suggests a framework and specifies the requirements to achieve successful project implementations.

The specific objectives of this document are to:

- Propose the scope and objectives of the Interoperability Programme;
- Describe the organisation of the projects and a definition of the roles and responsibilities of the participants;
- Estimate timescales and resource requirements.

The updated national Inter-Connectivity and Interoperability Strategy was completed in mid April 2010 and it was sent to the European Commission, DG TAXUD, for comments.

4. GENERAL APPROACH

On the ground of the previous activities, as described in Chapter 3, the following (steps) are to be taken for the implementation of the Common Transit System in the Republic of Macedonia:

4.1. Harmonisation of national customs legislation with EU legislation

The relevant legislation in the area of customs are the Customs Code and the Implementing regulation of the Customs Code, which is in force since January 2006. The Macedonian customs legislation is well aligned with the acquis, however further alignment is necessary. The gap analyses will be followed by a set of draft legislation harmonised with the present EC legislation. Special priority and attention will be given to the legislation on the electronic lodgement of declarations to Customs as the standard procedure, in compliance with the Modernised Customs Code. Authorisation management system, including the simplified procedures concerning the national transit procedure is going to be harmonized. Internal procedures will be developed for the implementation of the computerised transit system, including internal procedures for the Guarantee management system as well as amendments and changes to the Transit Manual.

4.2. Development and Implementation of computerised system for national transit procedure (NTA)

One of the first modules of the CDPS that will be introduced and implemented is the transit module, i.e. the national transit application (NTA). The CDPS implementation arrangements include the development and implementation of the authorisation management system, as a sub-application in CDPS, enabling online and automatic identification of operators via their electronic signatures, as well as online and automatic monitoring of the simplified procedures of authorised consignor and authorised consignee. The guarantee management system for transit procedure being a sub-application of the CDPS will provide for IT support of the legislative changes, thus aligning the operational capacities with the present ones in the EU. The existing IT Help Desk will become a National CDPS Help Desk for smooth functioning and assistance, as logistics to everyday operations.

4.3. Implementation of the Common Transit System

The **Common transit system**, including development and implementation of NCTS, shall be realised through a sequence of activities in the areas of setting up a National Transit Application in conformity with the Convention on a Common Transit. This will assist the control and management of the movement of goods by the electronic exchange of transaction information between CTC Member countries. It will also put in place the necessary organizational and procedural changes in order to operate the systems effectively and efficiently. The CCN/CSI, or an alternative gateway solution, will be implemented and operational.

The expected results are:

- CARM is endowed with the necessary capacity:
 - To use and manage the NCTS and gateway application, including database administration;
 - To perform the Help Desk support and systems maintenance;
 - To provide advice to the trade community.
- The required modules and functionalities of NTA are adapted/developed in line with NCTS requirements and tested.
- The connection of CARM and Macedonian Public Revenue Office (PRO) Network with the gateway system is established and operational.

The measurable indicators are:

- The Customs Administration, business and IT staff trained, and subsequently competent, in using NCTS, measured through number of requests to the Help Desk for support;
- Operational IT-equipment installed, tested and operational;
- NCTS Phase 4 or later implemented excluding the Trader module;
- CCN/CSI, or alternative gateway infrastructure deployed;
- EU standards and formats for information exchange implemented;
- NCTS data integrated in the national control system.

5. TECHNICAL PREPARATION FOR NCTS

The Financial Agreement for implementation of the funds from IPA for 2008 was signed in February 2009. The Customs Administration, according to the Project Fiche 2008, for the Project Interoperability of the CARM IT System with the EU Customs IT Systems – NCTS and CCN/CSI will use the funds as support to the process of fulfilment of the EU requirements for accession to the Convention on a Common Transit Procedure, including support to the implementation of the New Computerized Transit System (NCTS) and interconnection with the Common Communication Network and the Common System Interface (CCN/CSI).

The Project consists of three components:

Component 1 - Management Support to the NCTS Implementation;

Component 2 - NCTS Implementation

- (a) Upgrade of the National Transit Application, and
- (b) Software development, and

Component 3 - Implementation of CCN/CSI.

5.1 Management Support to the NCTS Implementation

The overall objective of the Management Support to the NCTS Implementation will provide, support to the CARM in the areas of project management, quality assurance and quality control in conjunction with the development and implementation of the NCTS and CCN/CIS system. The support will include the management of all business and functional aspects of systems implementation surrounding the introduction of NCTS. In addition support will be provided to review and make recommendations on any changes required in legal and operational procedures to facilitate the operation of NCTS. Support will also be provided to assist in the production of terms of reference and technical specifications in respect of hardware, systems software and application software that might be required in conjunction with the NCTS implementation.

This support will encompass the management of all business and functional aspects of systems implementation surrounding the introduction of the new computerized system.

5.2 NCTS Implementation, Upgrade of the National Transit Application and Software development

The activities under this component will strengthen the operational capacity of the CARM in accordance with the EU standards to ensure full compatibility and interoperability of the CARM IT system with the NCTS and to achieve full interconnectivity with the European Union/DG TAXUD systems, enabling data exchange by means of the Common Communication Network and Common System Interface (CCN/CSI).

During this process the following activities will take place:

- Design and development changes in CDPS for NCTS – Phase 4 or later, tested, accepted and implemented;
- Design and development of a CDPS module for connection with and the management of NCTS messages with the communication platform CCN/CSI (Common Communication Network/Common System Interface) and interfaces with the other systems essential for NCTS – Phase 4 or later;
- Customs Transit System compliant with NCTS Phase 4.0 or later developed, tested, accepted and implemented.

5.3 Common Communication Network/Common System Interface (CCN/CSI)

The EU Commission requires the implementation of a common IT platform; Common Communication Network/Common System Interface (CCN/CSI), or alternative by all candidate countries before becoming a Member State or before becoming a new contracting party to the Convention on a common transit procedure.

The CARM will perform the following activities concerning the implementation of CCN/CSI:

- Setting up of the relevant interconnectivity project team;
- Technical assistance on the implementation of the IT systems to enable interoperability with the EC systems;
- Procurement of the necessary equipment;
- Coherent preparation of the deployment and of the integration of the gateway infrastructure and installation of gateway hardware and software equipment;
- Acceptance test activities associated with the gateway;

- Training on the operation of the gateway, maintenance and central help desk services; and
- Organization and execution, in conjunction with the implementing entity, of the inter-operability tests required for the NCTS – Phase 4.0 or later.

6. MILESTONES OF NCTS PHASE 4.0

The whole process of fulfilment of the necessary requirements will be guided by appropriate reference and applicable documents issued by the European Commission (DG TAXUD). The list of National and International Milestones, which are incorporated into the NCTS National Project Plan, will be followed within a defined timeframe. The success of the activities will rely on proper planning and timely execution.

The National Project Plan for NCTS phase 4 prepared by the CARM is enclosed to this document as the Annex. This plan, which contains the planned terms and actual information, is going to be regularly reviewed, updated and sent to the European Commission, DG TAXUD, every 3 months.