



REPUBLIC OF ALBANIA
GENERAL CUSTOMS DIRECTORATE

CEFTA
Multiannual Work Programme of
the Subcommittee on Customs
and Rules of Origin

2011 - 2014

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1. INTRODUCTION

1.1. Background:

The countries in South Eastern Europe have so far been committed to enhance their potential for intra-regional trade contributing to greater economic growth, investment generation and employment in the region as well as supporting their EU accession process.

Their objective for the development of a regional policy on trade has been strongly supported by the European Union in cooperation with the Stability pact for South Eastern Europe since 2001. Initially the SEE countries preferred to liberalise their bi-lateral trade through a network of bi-lateral free trade agreements in accordance with the Memorandum of Understanding on Trade Liberalisation and Facilitation signed in Brussels on 27 June 2001. In a later stage, that network of bilateral free trade agreements has evolved to CEFTA (Central European Free Trade Agreement), the original Parties of which successfully liberalised their trade policies through enhancing intra-regional trade and eventually joined the EU.

In 2006 the original CEFTA has been revised and upgraded through extending its scope not only elimination of tariffs but also stipulating, inter alia, far reaching provisions to liberalise in public procurement, agriculture and services trade, to discipline TBTs, and to enforce anti-trust and state aid rules, and IPR. Through the CEFTA 2006 its Parties are committed to ensure greater transparency for business, better harmonising trade rules and their easier administration across the region, and stronger discipline in implementing those rules in uniformity. The CEFTA Parties clearly recognise the Agreement as a proven route for their EU accession, the aim of which all Parties are united to succeed.

The CEFTA 2006 foresees diagonal cumulation of origin for preferential tariff not only for the region but also in its trade with the EU, EFTA, and Turkey. In the near future, the Pan-Euro-Med convention of origin would come to the agenda of the CEFTA Parties which are in the EU accession process. That's why the smooth implementation of cumulation of origin both in intra-region and inter-region trade have so far become the main issue since 2007, when the Agreement has entered into force.

The Agreement attaches a similar level of importance to simplifying customs procedure and reducing, as far as possible, the formalities imposed on trade as it does for the application of rules of origin.

The same emphasis on simplification of customs rules and formalities on trade has been reiterated by the Joint Committee Decision no. 3/2007 establishing the CEFTA Subcommittee on Customs and Rules of Origin.

1.2. Mandate and scope of the Subcommittee

The CEFTA Subcommittee on Customs and Rules of Origin has been established by the Joint Committee Decision No. 3/2007.

Its main mandate is to:

- a) Exchange and discuss information on a regular basis on measures to simplify and facilitate customs procedures in the region.
- b) Facilitate for customs authorities to cooperate in setting up integrated border management systems, single windows and data harmonisation in the region;
- c) Exchange information on measures to maintain the integrity and the efficiency of the respective customs services;
- d) Cooperate with on-going and future international programmes to ensure their full benefit
- e) Ensure harmonised implementation of common rules of origin with a view to inter alia enabling diagonal cumulation of origin
- f) Exchange information on a regular basis on the implementation of rules of origin;
- g) Monitor and discuss how the Parties implement provisions regarding rules of origin and administrative co-operation;
- h) Discuss measures to control and ensure the validity of certificates of origin;
- i) Further dialogue with appropriate business organisations so traders are informed of procedures involved in obtaining certificates of origin;

The senior civil servants responsible for customs issues from the CEFTA Parties hold one meeting per year, but can meet on an *ad hoc* basis if needed.

1.3. Justification

The Subcommittee has so far focused in its meetings on the tasks related with the implementation of rules of origin and verification of origin certificates (tasks e to g) rather than the ones related with trade facilitation.

The Subcommittee feels however the need to put in extra efforts to contemplate the means to facilitate and simplify customs procedures for the regional trade and to amplify cooperation from a regional perspective to complement the existing technical assistance efforts, particularly the ones aiming at the EU alignment.

In this regard, discussing the areas of regional cooperation and means to carry out complementary regional actions is situated at the core of that programming document which aims to provide an overview how the Subcommittee plans to fulfil its trade facilitation related tasks.

In the field of customs, the EU has been acting as the major donor in the region. As most of the CEFTA parties have an accession perspective, the role of the EU financial assistance is welcome. The CEFTA Parties have so far put in their maximum efforts to implement

those projects successfully. However, the Subcommittee considers that the value for money for both donors and the beneficiary side can further be increased if the donors and beneficiaries intensify their consultation and information exchange particularly in the appraisal stage of projects.

Another aspect that the Subcommittee deems advisable in order to contribute to the effectiveness and sustainability of the customs projects is inserting CEFTA perspective into multi-beneficiary customs projects having so far stronger national or bilateral emphasis than regional one.

The Subcommittee on Customs and Rules of Origin therefore believes in necessity of multiannual objectives for the region to carry out its mandate by taking into account all the deliverables of existing projects financed by the EU and other international donors. In this exercise, simplification of customs procedures and formalities on trade will be the main aim of the Subcommittee in full coordination with other CEFTA subcommittees, particularly the Subcommittee on NTBs and TBT.

1.4. Linked activities and their (expected) results:

i. WCO Columbus Programme Diagnostics

The WCO Region Europe covers 51 countries. 47 Customs administrations of Europe have committed to implement the SAFE FoS (the Framework of Standards to Secure and Facilitate Global Trade). 15 of them have requested WCO assistance and are supported through the WCO Columbus Programme. Among those 47 all CEFTA Parties except Bosnia and Herzegovina and UNMIK/Kosovo have committed to implement the SAFE. And there are 6 CEFTA Parties (Albania, Croatia, Macedonia, Montenegro, Moldova, and Serbia) among 15 administrations who requested the WCO assistance. The WCO have completed their diagnostics in all of these countries.

In five CEFTA Parties (Albania, Macedonia, Moldova, Montenegro and Serbia) the WCO has entered in the implementation phase of its Columbus programme.

Thus, almost all CEFTA Parties have sound comparative analysis in their hands with regard to the SAFE standards.

The Parties consider national diagnostics as a valuable tool for developing a regional strategic overview to regularise and institutionalise the ways of exchange data among themselves.

ii. Strengthening Integrated Border Management (IBM) in the Western Balkans and Turkey (2007)

The IBM project was financed by the EU and the Netherlands and implemented by the IOM. The project is to provide a couple of trainings on Border management and risk

analysis and to report the maintenance of existing bilateral electronic data exchange systems (SEED pilot actions) and efforts on establishment additional data exchange mechanisms.

iii. Regional Blueprints Exercise on Customs and Taxation (2009)

The purpose of this project is to support the beneficiaries in the Western Balkans and Turkey in their efforts to modernise and align with the Customs and Fiscal blueprints. Through this project individual assessment of each beneficiary regarding their alignment with the customs and fiscal blueprints has been performed.

iv. Taxation and Customs IT interconnectivity and operational capacity (2009)

The project aims to record the progress made by each beneficiary in the field of taxation and customs related operational capacity, IT interconnectivity with EU systems assessed, customised roadmaps for achieving interoperability with EU systems produced. Furthermore, the project will carry out activities supporting the beneficiaries to develop their IT systems and related business procedures used in the tax and customs fields for the exchange of information via IT infrastructure, including ad-hoc requests.

v. IT Taxation and Customs (2007)

The project aims to assist the beneficiaries in identifying the technical requirement of their national IT strategies and plans, ensuring their coherency with EU IT interconnectivity requirements. It is expected that beneficiaries be able to identify the IT requirements necessary to their administrations to exchange of information with the EU IT systems in view of their European perspective. The beneficiaries are also expected to develop coherent IT and Business Strategies consistent with the IT needs identified in line with the EU requirements. In this regard, each beneficiary is expected to develop and implement its own national IT development plans for EU Interconnectivity.

vi. CAFAO/TACTA (2007)

The EU launched its first CAFAO Programme in Bosnia and Herzegovina to enable the creation of a customs service in 1996. CAFAO missions were subsequently established in Albania, UNMIK/Kosovo, Macedonia, Montenegro, and Serbia. CAFAO/TACTA assistance lies within the scope of the multi-beneficiary 2007-2009 MIPD which defines two of the principal objectives of the EU assistance, namely tackling cross-border problems and obtaining efficiencies through a multi-beneficiary approach.

vii. Reducing Regulatory and Administrative Constraints Related to Trade Logistics and Harmonising Cross-border Clearance Systems and Services in the Western Balkans

The 'trade logistics' project is financed by the EU and will be implemented by the World Bank IFC. The purpose of the project is to simplify and harmonise trade related regulations and administrative procedures. In addition, the project aims at developing a

comprehensive regional approach to trade logistics and simplifying clearance procedures for cargo moving by inland water transport and air cargo. The project is expected to reduce the number of days and documents needed to import and export from and to across the beneficiary countries. The project will also help simplify and harmonize trade related regulations and administrative procedures along the supply chain throughout the beneficiaries. In addition, it is expected to reach reduction in the time and documents needed for border clearance and for transit cargo on inland waters or on the River of Danube, and on the major airports. The implementation of the project has not started yet.

viii. Multilateral Monitoring Framework (MMF) for Non Tariff Barriers

In 2010 the OECD Investment Compact has signed a grant agreement with the EU to assist the CEFTA Parties and the Secretariat in the implementation of that monitoring framework. The OECD has developed a matrix to classify and monitor NTBs under three main components. The third component, namely Administrative barriers to trade, is mainly related to customs measures and measuring how simplified customs measures are in place in the Parties. Under that component the project would monitor the alignment of the Parties with 9 different headings divided into 5 levels under each. Among those 9 headings some of them have national characteristics, and the alignment of the national legislation with the international best practices, particularly with the EU acquis and blueprints, would create trade facilitating impact. However, some others, such as last three criteria –formalities (documents and automation), customs procedures and processes, and domestic and cross-border/international agency coordination and cooperation- are the ones the trade facilitation impact of which can be maximised, if the relevant criteria are transformed into projects with a regional/multilateral perspective.

ix. SEMS / SEED (Systematic Electronic Exchange of Data) (Stage 2) (2010)

The project aims to build the capacity of beneficiary customs administrations by implementing a systematic solution for a common concept or regional standard in the exchange of customs data between themselves. At the same time, it will set a standard for structured data exchange with other interested parties (e.g. other state agencies and institutions, participants in the customs procedure as well a between individual departments or divisions) and initiatives (e.g. e-TIR, RacWeb etc).

Prior to SEED, SEMS (Secure Electronic Messaging System) was implemented. The SEMS project outputs are as follows:

1. Design of the SEED system
 - User requirements document
 - Functional specification document

(The documents describe the functions and characteristics of the system when fully implemented. They take into account the functional requirements set by the EC in the Pan-European system design (such as NCTS)

2. Implementation of three bilateral SEED pilot systems for electronic data exchange

- Pilot no 1: Customs administration of Macedonia and UNMIK/Kosovo customs
- Pilot no 2: Indirect Taxation Authority of Bosnia and Herzegovina – Customs Administration of Serbia
- Pilot no 3: Customs Administration of Albania –Montenegrin Customs Administration

The second phase of the SEED has two main objectives related to the improvement of systematic data exchange among customs administrations in the Western Balkan region.

- **“Risk assessment on pre-arrival data”**: risk analysis and other analytical activities using the information sent by the neighbouring administration, when the customs document is generated in the neighbour customs information system, received in “real time” at least several hours before the goods arrival.
- **“Matching of Customs Information Lists”**: automatic comparison of sets of data from the customs documents at the Customs office of exit with the data declared at the Customs office of entry (two neighbouring Customs offices on either side of the border).

The systematic exchange of information will take place at three different instances: pre-arrival (start of procedure inland), exit, and entry. In order to have reliable data matching, it is foreseen that information about all border crossings shall be exchanged through the system by all contracting parties. SEED Phase 2 shall provide data exchange for different procedures: Empty trucks, ATA, TIR, Transit, Import, Export, and simplified procedures.

The information to be exchanged will depend on the agreement made between two administrations in the Protocols. For the second phase there will be a need for new or updated protocols.

The project has listed three different issues as risks in a way of conditionality. Accordingly, all beneficiary parties will have to conclude protocols with their neighbouring participants to define which BCPs will be involved and what data will be exchanged. Secondly, all beneficiary parties are expected to install SEED in all BCPs. Lastly, they will take over the maintenance and development of SEED after the EU financial assistance is over.

2. MULTIANNUAL OBJECTIVES

The Subcommittee is committed to adjust its work for the period between 2011 and 2014 according to the following objectives :

2.1. Overall objective

The Subcommittee is fully committed itself to emphasize in its work the importance of simplification and facilitation of customs procedures and reduction, as far as possible, of the formalities imposed on trade and to submit its recommendations to the Joint

Committee regarding actions that might need to be taken by the Parties to further facilitate trade.

This endeavour by no means replaces the annual work programmes of the Subcommittee to be developed by its rotating chair nor the necessity to carry out its other tasks that have been assigned by the Joint Committee Decision No. 3/2007.

2.2. Key Priorities

2.2.1. *Coordination with the Subcommittee on NTBs and TBT through contributing to its work:*

The Multilateral Monitoring Framework for NTBs will provide very well defined structure on which areas the Subcommittee can contribute to the Subcommittee NTBs and TBT. In particular, the Subcommittee on Customs and Rules of Origin will provide its expertise and recommendation regarding the implementation of component 3 (administrative barriers to trade). In doing so, a particular importance is given to contemplate how the Parties collectively reach the highest levels (level 5) in each sub-criteria of component 3. The Subcommittee considers that the last three criteria of component 3 –formalities (documents and automation), customs procedures and processes, and domestic and cross-border/international agency coordination and cooperation- might create multiplier effect on facilitating regional trade if the intervention is planned from a regional perspective.

In addition, the Subcommittee declares its readiness to provide its support and assistance not only in the areas where the customs administrations have an exclusive rights and obligations but also in other fields where the customs administrations are best placed due to their peculiar role among other border agencies.

2.2.2. *Developing regional approach in the areas of electronic data exchange between the CEFTA Parties to complement the on-going projects with an aim to facilitating intra-regional trade by fully taking into account the requirements of the EU acquis.*

The EU has so far attached a large amount of money to assist the Parties to develop their IT strategies to ensure interconnectivity of their systems with those of the EU. Currently, the IT tools (SEED - gateways) on pilot BCPs in some CEFTA Parties are developed to exchange a set of data that the Parties agreed bi-laterally with their neighbouring participants.

The Subcommittee considers the need to develop SEED further from a regional perspective where a set of data to the maximum extent possible may be exchanged between the Parties multilaterally. It has been considered that the exchange of data regarding binding tariff information, binding origin information and general information on customs value would be helpful.

The Subcommittee regards multilateral exchange of data necessary to effectively implement diagonal cumulation. In addition, multilateral data exchange through using the tools developed by the SEED will allow parties to coordinate their risk assessment and develop, as far as possible, joint identification of risk profiles in the future.

By doing so, the Subcommittee does not underestimate the importance of developing single window in each party to facilitate trade where other governmental agencies are connected. In this consideration, the Subcommittee underlines the importance of benefiting from those IT gateways to be developed by the SEED to exchange data of other government agencies or national single windows.

2.2.3. Establishing transparent, efficient and effective procedures to ensure sustainable and reliable information exchange between customs and the regional trading community to simplify customs rules with a view to facilitating legal trade

The Subcommittee believes regional trade community and their representatives are an integrated part of its customs rules simplification process. Thus, the Subcommittee would seek the opportunities to exchange information in a sustainable and reliable way between customs and the regional trading community. In this effort, the Subcommittee will welcome to receiving the opinions and recommendations of the regional trading community and their representatives.

3. EXPECTED RESULTS

The Subcommittee expects to reach the following results in a sustainable way through contributions of all Parties in equal terms under each chair.

Results for priority 1:

- 1. The preparation time of final outputs/reports by the Subcommittee on NTBs and TBT is shortened and their content regarding the customs related matters are well substantiated.*
- 2. Information on all foreign trade procedures required to be completed before customs clearance is documented in full.*
- 3. The Subcommittee on Customs and Rules of Origin is regularly informed of the implementation of Multilateral Monitoring Framework for NTBs.*

Results for priority 2:

- 1. The scope of data to be exchanged multilaterally in a number of selected sectors is agreed.*
- 2. A network between the risk assessment and intelligence departments of CEFTA customs authorities is established with an aim to consider developing a common risk*

assessment on the basis of risk profiles to be identified jointly.

- 3. Feasibility is prepared for establishing or utilising single window applications in each party that might exchange data with its neighbouring application through available IT solutions.*

Results for priority 3:

- 1. The CEFTA Forum holds regular working group meetings on customs before each subcommittee meeting and reports its conclusions to the subcommittee.*
- 2. Feasibility is prepared for having a regionally recognised CEFTA authorised economic operator programme.*

4. CALENDAR OF EVENTS

The tentative calendar for the year 2011 is as follows:

MEETING/EVENT	DATE
Discussion of the draft multiannual programme by the Subcommittee on Customs and Rules of Origin	May (26-27)
Finalisation drafting the multiannual programme	June 2011
Submission of the programme to the approval of the Joint Committee	September 2011