

Standard Summary Project Fiche

Project Number 2002/000.601.03.01

1. Basic information

1.1 **CRIS-number:** 2002/000.601.03.01

1.2 **Title:**

Improving and Strengthening Control and Anti-fraud Capacities and Ensuring Correct and Efficient Revenue Collection by the Lithuanian Customs

1.3 **Sector:** Internal Market

1.4 **Location:** Customs Department under the Ministry of Finance of Lithuania

2. Objectives

2.1 Overall objective

The overall objective of this **2.0 MEUR** institution building and investment project, of which **0.40 MEUR** is provided from national co-financing, is to strengthen the future EU border through improved control capacities to ensure correct and efficient revenue collection and to protect the internal market against illegal trafficking of goods.

2.2 Project purpose

The following project purposes are identified:

- to strengthen the capacity of the Customs Criminal Service by training, advisory services and introducing modern customs control technologies and techniques;
- to strengthen the function of the Post Clearance Control Service by training and introducing modern post clearance control techniques;
- to improve the capacity of the Internal Audit Service by introducing modern means for risk evaluation and assessment of the effectiveness of management and improve the capacities of the Lithuanian Customs to fight the corruption;
- to ensure efficient and effective import and export controls on agricultural goods in line with best practices in the EU.

2.3 Accession partnership and NPAA priority

The priorities defined in the chapter "Customs Union" of the Accession Partnership 2001, include: completion the process of restructuring of regional customs offices, reinforcement customs activities at the border.

Strengthening of Customs Criminal Service and its regional units has been included in the NPAA as a priority task for the customs sector (measure code 3.25-S13).

The NPAA 2002-2003 includes, among others, the measures intended to provide the assistance for the development of the methodologies for the inspection of enterprises (measure code 3.25-D2), to

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strengthen the territorial customs offices in the field of the customs control of economic-commercial activities of enterprises (measure code 3.25-S5) and to improve the work of the post clearance control service (measure code 3.25-S8).

The NPAA 2002 envisages setting up a unit in the Customs Department that would be in charge of the EU trade policy and the EU common agricultural policy by expanding the functions of the appropriate division in the Customs Department. Such units would be established in regional customs houses, too. Furthermore, in this relation the NPAA 2002 (measure code 3.7.1-S6) specifies a new task for the Customs Laboratory, namely to introduce the methods for analysis ensuring the implementation of the EC Regulation 3035/80 (766/94), that should be conducted in close co-operation with all the bodies concerned.

Finally, the draft NPAA 2003 (measure code 3.7.1-S6) foresees strengthening of the Internal Audit Service of the Customs Department.

3. Description

3.1 Background and justification

In the EU Common Position document it is noted that the EU recognise Lithuania's effort with respect to the fight against customs fraud, corruption, economic and organised crime, the use of risk-analysis methods, the protection of intellectual and industrial property rights and training. Furthermore, the EU encourages Lithuania to reinforce the Fraud Prevention and Investigation Service of the Customs Department.

The Regular Report 2001 underlines the need to improve enforcement measures, especially as regards the fight against customs fraud; greater efficiency is needed to avoid unreasonable waiting times at borders, without undermining the quality of control. Active co-operation with other services (e.g. Border Guard, veterinary and phytosanitary inspectors etc.) must continue to be strengthened.

The Customs Blueprint on 'Investigation and Enforcement' defines one of the strategic objectives as 'Provision of suitable facilities, equipment and computerisation which support the Investigation and Enforcement function'. The gap analysis has been carried out by the Customs Administration in order to assess the compliance with the standards defined in the Customs Blueprints and the gaps to be filled in order to improve the capacity of the Customs Service.

In May 1999 the Lithuanian Customs authorities regained the necessary powers to perform operational investigation. This has assisted in reinforcing the fight against smuggling and corruption.

By the Resolution of the Government of Lithuania No. 1205 of 9 October 2000 Customs acquired all necessary powers to carry out operational activities within its competence with regard to investigation and prevention of smuggling (including drug smuggling) and related crimes. The powers include the right of secret search of living and commercial premises, taking substances and/or documents necessary for investigation, interception of postal items and communication links by using special means, use of simulated models of criminal acts, undercover surveillance, controlled delivery.

With the view to performing a more effective fight against smuggling the Lithuanian Customs co-operates closely with other border control institutions, in particular the State Border Guard Service. A number of agreements on co-operation, joint control operations can serve as an example for a good co-operation.

With regard to Customs Post-Clearance Control function, the Customs Blueprint on "Border and Inland Control" defines, among others, the following key elements: 1) customs controls for clearance of goods to be carried out at 3 basic levels: pre-clearance, clearance and post-clearance, the findings at each level,

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to be combined with analysis of risk, determining the extent of further control, 2) customs controls to encompass questioning, physical examination, sampling, analysis, documentary checks and audit of commercial systems and records, 3) customs controls to be exercised at the frontier and inland, and 4) customs controls to provide for determination of nature, origin and value of goods. The gap analysis has been carried out by the Customs Administration in order to assess the compliance with the standards defined in the Customs Blueprints and the gaps to be filled in order to improve the capacity of the Customs Post-Clearance Service.

In the context of CAP policy, the Customs Blueprint on "Border and Inland Control" defines joint contingency plans that need to be established for dealing with unusual cases (e.g. live animals, etc). The relevant gap analysis has been carried out by the Customs Administration with a result found that there is lack of systems compatibility.

Thus, the proposed project with a major investment element, including a relevant training input, is timely and relevant and will properly support a development of the enforcement function of the Lithuanian Customs as well as significantly strengthen Internal Audit and Post Clearance Control services and prepare the Lithuanian Customs for the application of CAP.

Customs Criminal Service

Customs Criminal Service (CCS) has been functioning since 1 January 2002. The CCS was reorganised from the previous Fraud Prevention and Investigation Service with the aim to strengthen customs enforcement activities by ensuring more effective management structures and providing more human and other resources which would enable to perform properly the tasks assigned to the CCS.

The establishment of the CCS is in line with the main goals determined in the Business Strategy of the Lithuanian Customs approved by the Minister of Finance in July 1999, which will be revised and updated in 2002:

- To seek that the Customs Department would be granted wider authorisations to prevent law violations and to carry out investigations;
- To strengthen the control on the future external frontier of the EU.

The main functions and structure of the CCS is presented in the section 4 (Institutional Framework) of the Fiche.

In order to apply methods and techniques of operational and investigative nature the Customs Criminal Service needs specialised equipment supported by relevant training on its effective usage as well as input from foreign customs experts in passing on the best practices of the EU in the field of fight against smuggling and other customs frauds, investigative techniques, use of mobile control groups, performance of enforcement operations of controlled delivery.

With the view to Lithuania being used as a transit country for cigarettes smuggling into the Western European countries, and having in mind that upon Lithuania's EU accession it will become the Eastern EU border, one of the top priorities within customs enforcement area will be combat tobacco smuggling. Acknowledging this problem, the Lithuanian Government has already invested some funds into modern customs control equipment, however, it is not sufficient in order to effectively fulfil the enforcement tasks. In May 2001 the Lithuanian Customs obtained a mobile X-ray control system. Operation of the system brought obvious results in significant increase of seizures of smuggled cigarettes. In year 2001 over 41 million pieces of cigarettes were seized, while in year 2000 the amount of seized cigarettes was about 10 million, which proved increase in efficiency more than 4 times in a short time span. Obtaining more units of mobile X-ray control equipment will enable to carry out more controls at the land and sea border posts located at the most risky smuggling routes. Special equipment to be used by enforcement officers for physical examination of goods (consignments, trucks) based on customs intelligence will be also necessary to effectively prevent and combat smuggling.

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Another priority in customs enforcement field is prevention and control of illegal trafficking of drugs. The Lithuanian Customs considers this as a priority area for its business strategy. Within the CCS the Narcotic Substances Control Division has been set up, the main tasks of which include co-ordination and employment of preventive and operational activities in the field of combat drug smuggling, national and international co-operation in the said area, participation in the international (joint) operations aimed to control illegal drug trafficking. In order to carry out the tasks assigned for this division, drug enforcement officers will require special equipment for detection and identification of drugs. In addition, training will be necessary for officials of the Customs Criminal Service and customs inspectors working in customs border posts in the field of drug detection and identification. The training should be co-ordinated with the Regional Drug Enforcement Project 2001 implemented by Eurocustoms that includes similar training needs.

Post Clearance Control

Presently, the Lithuanian Customs organises controls in companies pursuant to the provisions of the Lithuanian Customs Code as well as other legal acts with a view to ensuring reliability and accuracy of the information provided in customs declarations after the release of goods. There is a need, however, to strengthen Post Clearance Control capacity in order to increase the tax revenue collection into the budget by recovering the fraudulently reduced customs duties and taxes. A well functioning and efficient post clearance control service is also essential for the application of simplified procedures, which has been provided for in the provisions concerning the Declaration of Goods and Customs Examination, drafted in accordance with the approved provisions implementing the Community Customs Code as well as the rules on customs valuation, origin and duty relieves. In addition, strengthening of the above function would ensure that the competition among different enterprises is of the same level and with the same perspectives.

Internal audit

The implementation of the above-mentioned decree No 127 of the Government of the Republic of Lithuania of February 7, 2000 was started in April 2000 by creating the internal audit service in the Customs Department and later in regional customs offices.

The Internal Audit Division in the Customs Department and internal auditors in regional customs offices are to be considered as an independent audit services responsible directly to head managers. However, internal auditors in regional customs offices are obliged to follow up with the annual audit plans prepared by the Internal Audit Division in the Customs Department and submit audit reports to the head of Internal Audit Division in the Customs Department. 4 regional customs offices have no internal auditors and are supervised by the central Internal Audit Division. The current structure is under discussion with the intention to be altered following the planned reorganisation of the Lithuanian Customs.

The Lithuanian Customs Administration wants to see the internal audit within this institution as an independent consulting body that would provide an objective assessment of the activities and management of the structural units within the Lithuanian Customs Administration by coming up with recommendations and solutions intended to improve the overall management, control and other processes.

Fight against Corruption. The functions of the fight against corruption are performed, in general, by the Internal Investigations Service of the Customs Department which will be strengthened and enlarged in future, also regionally. The anti-corruption strategy and its implementation measures will be developed under the ongoing Phare 2000 project but the relevant training under the proposed Phare project in this field would ensure the continuity and coherence within the context of the two Phare projects and, in a broader sense, thus strengthening the fight against law infringements within the Lithuanian Customs.

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Control of CAP goods

Until present there is no special unit in the Lithuanian Customs Administration that would be in charge of the control of agricultural goods (The above function lies within the competence of the Control and Surveillance Division). However, setting up such a specialised unit is foreseen in 2002 by expanding functions of one of the divisions in the Customs Department and relevant units in regional customs offices since it is a vital function the implementation of which in the Lithuanian Customs needs to be ensured upon accession to the EU both at a regional level, and at a central level, including the Customs Laboratory. The preparation of the strategy upon starting to apply the Common Agricultural Policy and training in the above fields should be closely linked to the special training that needs to be delivered within this Phare Project to the Customs Laboratory which will be in charge of the implementation of the provisions of the EC Regulation 3035/80 (766/94) in the field of CAP. This project would essentially contribute to the capacity of the Lithuanian Customs Administration to perform physical controls related to export and import of agricultural goods, therewith decreasing the risk of fraud in this field.

3.2 Linked activities:

- Phare LI0003 "Strengthening Customs Procedures and Operations in the Lithuanian Customs Department and Regional Customs Administrations". The contract with Eurocustoms was signed on 10 August, 2000. The expiry of the project is end September 2003. The above project is broad in terms of scope and includes activities on harmonisation of customs legislation, training in the enforcement field and strengthening operational capacity of the CCS, fight against customs fraud, organisation and management, external co-operation and communication as well as procurement of simple inspection equipment for day-to-day use. Minor input in the CAP field is also foreseen. In addition, a seminar on customs post-clearance control has already been arranged in the framework of this project. Therefore, the inputs under the proposed project will not only continue strengthening the above areas but also expand to other sensitive fields that are very much related to the above ones which ensures the continuity of the ongoing project activities without overlapping with each other.
- PHARE 98-0359.00 project "Customs Information and Intelligence" within the PHARE Multilateral Transit Facilitation and Customs Modernisation programme. The contract was awarded to European Consultants SA on 15 September 1998. The project activities were concluded by 15 February 2000 though the project expired by 15 May 2000. This multilateral project covered the intelligence field, by focusing on the development of EU-compatible "Intelligence" approach, design of a Standard Intelligence system, creation and improvement of national intelligence teams and programmes as well as introduction of modern intelligence tools and techniques.
- PHARE Programme MCP II bis project. The contract with Eurocustoms was signed on 30 September 1998. The project to have encompassed intelligence training expired end September 1999. Among other things, the project also contained activities which were aimed at strengthening the customs enforcement, namely the development of a competent intelligence function within Customs, and included in-door activities as well as practical training.
- Phare MCP Drugs Programme. Under this Phare multi-country customs programme missions were carried out to deliver training in the field of enforcement for the purposes of strengthening the fight against drug (precursors) trafficking in the Lithuanian Customs through 1996 and 1997.
- PHARE Regional Drug Law Enforcement Project (2001). The project was intended for strengthening controls, in particular, on land border crossings on the future EU external borders, developing systems for information gathering, analysis, dissemination to support regional and cross border criminal investigations and strengthening capacity for cross-border drug related controlled deliveries throughout the region.

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- Netherlands Management Co-operation Programme which was run in the beginning of 2002 (10 working days) was aimed at the delivery of post clearance control skills; however, the project was limited in time and scope of input which calls for a need of a much more comprehensive knowledge exchange in this field.
- 1999 Phare Twinning project within the MoF on internal audit where the basic principles of internal audit for customs officials were presented in a couple of seminars. The above Phare support was intended to follow-up the resolution of the Lithuanian Government to set up internal audit services within governmental institutions by introducing the procedures, working methods and objectives of the Internal Audit. The assistance was rather limited in scope. In addition, only a couple of participants from Customs were allowed to take part in the above two seminars. Therefore, to continue with strengthening the Internal Audit function the proposed project is of importance in this regard.
- Bilateral assistance from the Danish Central Customs and Tax Administration in the framework of the project "Support to Post Clearance Customs Control at the Customs Department and Regional Customs Houses, Republic of Lithuania". The one-year project is valued at 582.467 DKK and lays focus on the support to Lithuania to build administrative capacity within their customs administration in order to strengthen customs post clearance control procedures, emphasising the use of risk analysis when selecting enterprises for control and modern methodologies. Customs Department will ensure the continuity of this project: after the completion of this bilateral assistance, the proposed project will further build up the capacity of the Customs Post Clearance Control within the Lithuanian Customs.

3.3 Results:

By the end of the project the following results are expected to be achieved:

Customs Criminal Service

- The administrative capacity of Customs Criminal Service strengthened.
- Needs analysis for equipment made.
- Necessary equipment purchased, installed and fully operational.
- Customs operational staff trained in the correct and efficient use of the new equipment and intelligence, surveillance and control techniques (approx. 100 persons).

Post Clearance Control

- Post Clearance Control system strengthened (staff trained in control methods and techniques and in the field of financial accountancy (approx. 80 persons)).
- Recommendations, manuals and instructions for auditors performing post clearance controls developed taking into consideration the latest amendments of the relevant primary and secondary legislation of the Republic of Lithuania.
- Consultations concerning the use of automated enterprises' selection system provided and its technical specifications developed or the automated enterprises' selection system developed and introduced.
- Computer equipment supplied (15 laptops).

Internal Audit

- Recommendations on the new Internal Audit service structure developed.
- Strategy reviewed and clarified/amended as a result of the newly established structure.
- Internal Audit system strengthened (approx. 20 persons trained).
- Customs officials trained in the field of fight against corruption and, consequently, the anti-corruption function in the Lithuanian Customs strengthened (approx. 10 persons).

Control of CAP goods

- Draft strategy for the preparation of the Lithuanian Customs Administration for the tasks resulting from the Common Agricultural Policy developed.
- Administrative capacity to deal with CAP issues strengthened (Training in the field of the documents used within this system, handling of licenses and authorisations used in the export-import traffic of agricultural products, operation of customs control system under export refund within the CAP and with respect to all the bodies involved, practical organisation and types of controls applied in EU member states in the framework of CAP regulations, methods for taking samples of agricultural goods and implementation of physical inspections, substitution and other checks delivered (approx. 30 persons)).
- Recommendations concerning the methods for chemical analysis, related formalities and accreditation of the Customs Laboratory developed.
- Manual prepared on how to perform CAP controls (taking of samples etc.).
- Needs analysis of the necessary testing equipment for the Customs Laboratory made.

The achieved results within the four sub-projects will allow for better prevention and more effective and speedy detection of smuggling and other customs frauds carried out by the enforcement staff of the Lithuanian Customs. Moreover, it will add to the capacity of the Lithuanian Customs Administration to collect the tax revenue up to the maximum by ensuring the equal competition of economic entities. In addition, it will increase the efficiency in the field of managing the activities of the Lithuanian Customs Administration as well as assist in preparation for the adequate application and implementation of the Common Agricultural Policy upon the accession to the EU. In general, the overall co-ordination between the Lithuanian Customs' different services will be enhanced in the field of customs control, inter alia, fight against customs frauds.

3.4 Activities

The project will be carried out with the help of (A) one Technical Assistance contract and (B) one Supply contract.

3.4.1. Technical Assistance (A)

Customs Criminal Service

For the Customs Criminal Service which will be expanding its human resources and strengthening administrative capacities, advice and training will be needed in the following areas:

- Best practices of the EU customs administrations on the structure of such service and its effective operation and control methods, including surveillance and use of mobile X-ray control systems.
- Carrying out enforcement operations of controlled delivery (provision of information, preparation, implementation, co-ordination, ensuring secrecy).
- Effective use of mobile control (physical examination) groups.
- On the basis of recommendations drawn up, in the Phare 2000 project, on structure and management of the Customs Criminal Service, further improvement of the organisation of the CCS and implementation of recommendations.
- Training in the field of drug identification, control and fight.
- Needs assessment for the purchase of equipment and preparation of technical specifications.

Several advisers will be required for carrying out above-mentioned activities working closely with the Lithuanian counterparts from the Customs Criminal Service.

Post Clearance Control

- Training for Post Clearance Control staff in the field of controls of activities and financing accountancy of the companies accomplishing simplified customs procedures.
- Development of recommendations and manuals taking into consideration the latest amendments of the relevant primary and secondary legislation of the Republic of Lithuania in force.

- Provision of consultations concerning the automated enterprises' selection system and development of its technical specifications or development and introduction of the automated enterprises' selection system. The above assistance will be based on risk analysis and recommendations how to better use the data available in data bases for the post clearance control purposes.
- Needs analysis for computer equipment and preparation of technical specifications.

The function of the Post Clearance Control will be strengthened in future by expanding it in terms of human resources. Therefore, special training will be necessary both to the current staff and to newly employed ones. The training should be focused in the field of the control of financial and commercial activities of enterprises with a view of preparing the Post Clearance Control function for the full application of all simplified procedures, customs valuation, origin and duty relieves in line with the EU systems and best practice. To this end, the amendments of the relevant Lithuanian legislation should be considered by developing the necessary post clearance control manuals or revising the available ones as well as proposing the recommendations.

Internal Audit

- Review of the structure and functions of the Internal Audit service.
- Preparation of a training programme.
- Implementation of training, including the fields of implemented financial systems, customs procedures, procedures and techniques for the prevention of customs fraud, and effective and efficient management techniques (specific training for auditors which cannot be covered by a classic training course already existing).
- Introduction of such international audit studies as COSO, COCO, Cadbury Code, etc.
- Training of internal audit specialists on best practices in the EU.
- Training of customs officials in the field of fight against corruption.

Control of CAP goods

- Development of the draft strategy for the preparation of the Lithuanian Customs Administration for the tasks resulting from the Common Agricultural Policy.
- Training in the field of the documents used within this system, handling of licenses and authorisations used in the export-import traffic of agricultural products, operation of customs control system under export refund within the CAP and with respect to all the bodies involved, practical organisation and types of controls applied in EU member states in the framework of CAP regulations, methods for taking samples of agricultural goods and implementation of physical inspections, substitution and other checks.
- Development of the recommendations concerning the methods for chemical analysis, related formalities and accreditation of the Customs Laboratory and delivery of appropriate training
- Preparation of a manual for controls of agricultural goods.

Profile of the experts

The experts should have proven theoretical knowledge and practical experience in the fields of fight against smuggling and other customs frauds, investigation techniques, use of special equipment as specified in the proposed project, post clearance control and internal audit as well as control of CAP goods. More detailed requirements and required inputs from experts under the proposed project will be specified in the Terms of Reference.

3.4.2. Supplies (B)

The equipment to be purchased under this project represents special devices and control systems that are required by the operational anti-smuggling staff, investigators, other enforcement staff in the course of the investigation activities and for the prevention of customs fraud. The detailed description and purpose of the equipment listed in the table below is provided in the Annex 4.

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INDICATIVE LIST AND BUDGET BREAKDOWN OF EQUIPMENT (MEUR)

Description of equipment	Amount in MEUR
One mobile X-ray system for trucks	0.6
Special equipment for physical examination of goods with the aim to detect hiding spaces in means of transport	0.3
Special equipment for detection and identification of drugs	0.2
Vehicles equipped with special devices to carry out operative activities in fraud investigation	0.4
15 laptops for the Post Clearance Control Service	0.05
Total:	1.55

The total estimate for the equipment needed is about 1.55 million EUR.

The needs assessment and technical specifications (tender documentation) for the supply component will be done within the proposed Phare 2002 project in close co-ordination with the relevant activities for the purposes of needs assessment and development of technical specifications of the inspection equipment which were done by experts employed by Eurocustoms under the ongoing Phare 2000 project. Such interaction of the two Phare projects would ensure the continuity of the overall co-ordination and coherence of the activities within these projects. Then, on the basis of the technical specifications, a supply tender will be launched, and the successful tenderer will supply and install the equipment as well as provide training on its operation.

3.5 Lessons learned

The experience gained from the implementation of previous Phare assistance programmes has been used while preparing this Project fiche. In this relation, significant attention was focused on the co-ordination of separate project components, in particular in terms of the assistance to be rendered, and their timely and efficient implementation taking account of the ongoing field-related Phare assistance projects. In this regard, the proposed project forms an extension of assistance provided under Phare 2000 project though any possible overlap between associated projects has been eliminated already at the project design stage and co-ordination between the proposed project and the ongoing Phare 2000 project has been ensured.

It is very important that the assistance requested under this project can start in time and is prepared and delivered in an efficient way. In this relation and taking account of the significant pack of training to be delivered under the proposed project, conclusions and recommendations of the OMAS Report of 1999 (Report No. R/L/CUS/99056) were taken into account - to the effect that direct contract procedures should be considered instead of Twinning. In addition, due to the fact that no Twinning partners were found for Phare 2000 project, transformation of the project from Twinning into TA created a lot of difficulties resulting 1 year delay. It is therefore suggested to implement the technical assistance contract under the proposed project through a direct agreement with Eurocustoms. This would ensure best co-ordination and follow-up of the currently ongoing Phare 2000 project and allow at the same time for a timely start of the project and optimise the use of resources.

4. Institutional Framework

Currently the Lithuanian Customs comprise: the Customs Department (the scheme with the structural units of the Customs Department is attached in Annex 6), the Territorial Customs Houses of Alytus, Kaunas, Klaipėda, Marijampolė, Panevėžys, Šiauliai, Tauragė, Mažeikiai (Telšiai district), Utena and Vilnius, the Customs Criminal Service, the Customs Training Centre, Customs Information Systems Centre and the Customs Laboratory.

The Customs Department implements within its competence the policy in the fields of foreign trade regulation and the measures for the protection of internal market; ensures the enforcement of customs laws and other legal acts related with import, export and transit; organises and controls the application of the customs tariff, collection of customs duties and other taxes and charges in set time, also the application of economic and administrative sanctions provided for by the laws; controls the application of import, export and transit prohibitions and restrictions; organises and carries out the prevention of the violations of legal acts which the Customs are responsible for enforcing; develops and supervises the integrated customs information system, customs computer data transmission and communication network; ensures the compliance with the obligations assumed by the international agreements of the Republic of Lithuania in customs matters.

Customs Criminal Service

The execution of the functions of fight against smuggling and other customs fraud lies within the responsibility of the Customs Criminal Service. The CCS forms a separate structural customs office, which is subordinate to the Customs Department and is headed by the Director of the Customs Criminal Service. The management scheme is centralised, i.e. Heads of regional units of the service are directly subordinate to the Director of the CCS. The current structure of the service comprises the following divisions: Anti-Smuggling, Customs Intelligence, Investigation, Narcotic Substances Control, Organization and Management, Legal and Personnel, Finance and Accountancy, Household Divisions, and Confidential Documents Group. There are 7 regional units of the CCS and 90 persons employed in the CCS (the number of staff to be increased up to 180 persons by the end of this year).

The following are the main functions of the Customs Criminal Service:

- identification and detection of smuggling and other customs fraud,
- investigation of smuggling cases,
- preliminary investigation within the customs competence in the criminal cases related to smuggling and other customs fraud,
- collection, processing and analysis of customs intelligence data,
- fulfilment of the obligations in the framework of international agreements.

The equipment obtained for the purposes of the Customs Criminal Service will be installed and operated by the enforcement staff at central as well as regional levels in accordance with the specifically planned and managed schemes.

The day to day implementation of the sub-project will be co-ordinated by Deputy Head of the Management and Organisation Division of the Customs Criminal Service.

Post Clearance Control

There are 44 customs officials working in the auditing groups at the Procedures Control Divisions of the Regional Customs Houses who are responsible for performing the direct controls of the economic and commercial activities relating to customs procedures being discharged by economic entities and 4 officials working in the Post Clearance Control Division of the Customs Department. (it has been envisaged to establish separate post clearance control divisions and increase the present number of officials by additionally employing 40 persons. For the purposes of the Post Clearance Control, the following lies within the competence of the Economic Operators Control Division of the Customs Department:

- performance of direct controls of the economic and commercial activities relating to customs procedures being discharged by economic entities,
- examination of the control material received from regional customs houses,
- development of manuals and proposals concerning draft legal acts, etc.

Computer equipment obtained for the purposes of the post clearance control will be used by Post Clearance Control staff in carrying the control of the commercial and economic activities of enterprises.

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The day to day implementation of the sub-project will be co-ordinated by Head of the Economic Operators Control Division (Post Clearance Control Function) of the Customs Department.

Internal Audit

Currently, 8 auditors are working in the Customs Department and 8 auditors in regional customs offices. The Internal Audit functions are comprised of the following:

- evaluation of the accuracy of accounting and related procedures and practices,
- assessment of the economy, efficiency and effectiveness of the activities, programmes and structural units within by the Lithuanian Customs Administration,
- evaluation of the organisation of the activities of a body to be implemented following relevant policies, plans, procedures, laws, regulations and contracts,
- evaluation of the cash flows within the EC projects to be utilised in accordance with the project rules and other requirements,
- investigation of actual matters and activities in the Lithuanian Customs following the orders of Director of the Customs Department.

The day to day implementation of the sub-project will be co-ordinated by the Head of the Internal Audit Division of the Customs Department and in close co-operation with the Head of the Internal Investigations Division where the activities would relate to anti-corruption matters.

Control of CAP goods

In 2002 a unit responsible for the implementation of CAP will be established in one of the divisions within the Customs Department by expanding its functions needed to ensure that the control of CAP goods is applied in due manner.

The day to day implementation of the sub-project will be co-ordinated by the Head of the Control and Supervision Division of the Customs Department in co-operation with the Head of the Customs Laboratory.

Overall Project Management and Co-ordination

The overall project management will be ensured by Mr. Valerijonas Valickas, Director of the Customs Department, the SPO (Senior Programme Officer) bearing the overall responsibility for project implementation. The Deputy Director of the Customs Department and the appointed staff within the Integration and International Division will be responsible for co-ordinating activities of the project implementation.

The Steering Committee composed of senior management of the Customs Department will be set up for the monitoring of the overall project and for the assurance that the results are achieved within the project which will also act as a decision making body.

5. Budget (in Euro million)

Project Components	Investment Support	Institution Building	Total Phare (=I+IB)	National Cofinancing	IFI	TOTAL
Technical Assistance		0.45	0.45			0.45
Equipment procurement	1.15		1.15	0.40		1.55
TOTAL	1.15	0.45	1.60	0.40		2.00

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The Phare amount is binding as a maximum amount available for the project. The ratio between the Phare and national co-finance amounts is also binding and has to be applied to the final contract price. The national co-financing commitment is tax-excluded net amount.

6. Implementation Arrangements

6.1 Implementing Agency

PAO: Zilvinas Pajarskas, Director of the CFCU
Address: J. Tumo Vaizganto 8A/2 Telephone: + 370 2 22 66 21
2600 Vilnius Fax: + 370 2 22 53 35
Lithuania E-mail: Info@cfcu.lt

6.2 Twinning

There will be no Twinning arrangements in the project.

6.3 Non-standard aspects

It is foreseen that implementation of this project should be done via direct agreement with Eurocustoms. According to the previous projects implementation experience it is the only organisation that can provide requested customs expertise. This would also ensure best co-ordination and follow-up of the currently ongoing Phare 2000 project and allow a timely start of the project and optimise the use of resources.

6.4 Contracts

There will be two contracts in this project with the following values:

- Value of Technical Assistance 0.45 MEUR
- Value of Supplies Contract 1.55 MEUR, of which 0.40 MEUR is national co-financing

7. Implementation Schedule

Component	Start of Tendering	Start of Project Activity	Project Completion
Technical Assistance	4Q/02	1Q/03	4Q/03
Supply	2Q/03	4Q/03	1Q/04

8. Equal Opportunity

The Constitution of Lithuania, the Law on Equal Opportunity between Men and Women, and other legal acts explicitly forbid the discrimination on the basis of sex, nationality, and religion. A Controller on equal opportunities between men and women is appointed by the Seimas (the Parliament). The institution involved in the project execution will observe equal opportunity of men and women in its recruitment and human resources development. Vacancies are equally open to both genders. The Customs Department under the Ministry of Finance will also ensure equal access of men and women to the project activities and results.

9. Environment

The investment component of this Project relates to Institution Building activities.

10. Rates of Return

The investment component of this Project relates to Institution Building activities.

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11. Investment Criteria

The investment component of this Project all relates to Institution Building activities.

12. Conditionality and Sequencing

The Project is conditional on co-financing being available for the investment component of the project.

The key milestones in the project are:

- TA contract signed, Supply tender launched and contract signed;
- Equipment delivered, installed, the necessary post guarantee maintenance services agreed; operational staff trained;
- Customs Criminal Service, Post Clearance Control, Internal Audit and other staff trained and advisory services delivered, training on CAP issues delivered.

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Annexes to Project Fiche

1. Logframe Matrix
2. Detailed Implementation Chart
3. Cumulative Contracting and Disbursement Schedule for the Project
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6. Structure of the Customs Department since 1 January 2002
7. The map "Priority Border Posts where X-ray mobile control system will be used"

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Annex 1

LOGFRAME PLANNING MATRIX FOR

Project: Improving and Strengthening Control and Anti-fraud Capacities and Ensuring Correct and Efficient Revenue Collection by the Lithuanian Customs

<p>Overall Objective Strengthening the future EU border through improved control capacities and protecting to ensure correct and efficient revenue collection and to protect the Lithuanian internal market against illegal trafficking of goods</p>		<p>Objectively Verifiable Indicators Decreased smuggling rate on future EU border</p>		<p>Programme Name and Number: Contracting Period Expires: 3Q/2004 Total Budget: 2.0 MEUR</p>	<p>LI 2002-X-XX Disbursement Period Expires: 3Q/2005 Phare Budget: 1.60 MEUR</p>
<p>Project Purposes:</p> <ul style="list-style-type: none"> to strengthen the capacity of the Customs Criminal Service by training, advisory services and introducing modern customs control technologies; to strengthen the function of the Post Clearance Control (pursued by the Economic Entities Control Division of the Customs Department) by introducing modern post clearance control techniques; to improve the capacity of the Internal Audit Service by introducing modern means for risk evaluation and assessment of the effectiveness of management and improve the capacities of the Lithuanian Customs to fight the corruption; to ensure efficient and effective import and export controls on agricultural goods in line with best practices in the EU. 		<p>Objectively Verifiable Indicators Increased ratio of smuggling detection on the border Increased number of customs processed traffic through the border Increased number of investigated cases on smuggling and other customs fraud</p>		<p>Source of Verification Files on checks on the borders Customs regular reports</p>	<p>Assumptions Political and financial support from the Government Provided equipment effectively used by the staff</p>
<p>Results</p> <p><u>Customs Criminal Service</u></p> <ul style="list-style-type: none"> Administrative capacity of Customs Criminal Service strengthened. Needs analysis for equipment made. Necessary equipment purchased, installed and fully operational. <p><u>Post Clearance Control</u></p> <ul style="list-style-type: none"> Post Clearance Control system strengthened. Recommendations, manuals and instructions developed. Technical specifications for the automated enterprises' selection system developed or the automated enterprises' selection system developed and introduced. Needs analysis for computer equipment made. Computer equipment supplied (15 laptops). <p><u>Internal Audit</u></p> <ul style="list-style-type: none"> Internal Audit in Lithuanian Customs Department strengthened. Anti-corruption function in Lithuanian Customs Department strengthened. <p><u>Control of CAP goods</u></p> <ul style="list-style-type: none"> Administrative capacity of Lithuanian Customs Department to deal with CAP issues strengthened Recommendations concerning the methods for chemical analysis, related 		<p>Objectively Verifiable Indicators <u>Customs Criminal Service</u> 100 officers trained New equipment purchased and installed <u>Post Clearance control</u> 80 officers trained 15 laptops supplied Recommendations, manuals and instructions drafted <u>Internal Audit</u> 30 officers trained Recommendations on a new system developed Strategy reviewed and clarified/amended <u>Control of CAP goods</u> 30 officers trained Recommendations, manual and strategy drafted</p>		<p>Source of Verification Project reports Equipment delivery documents</p>	<p>Assumptions Adequate provision from state budget</p>

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<p>formalities and accreditation of the Customs Laboratory developed.</p> <p>Activities</p> <p><u>Customs Criminal service</u></p> <ul style="list-style-type: none"> • Training in best practices of the EU customs administrations on the structure of such service and its effective operation and control methods including surveillance and use of mobile X-ray control systems and in carrying out enforcement operations of controlled delivery (provision of information, preparation, implementation, co-ordination, ensuring secrecy); • Training in effective use of mobile control (physical examination) groups; • Further improvement of the organisation of the CCS. • Needs analysis for the purchase of equipment and preparation of technical specifications. <p><u>Post Clearance Control</u></p> <ul style="list-style-type: none"> • Training for Post Clearance Control staff in the field of the controls of the activities and financing accountability of the companies accomplishing simplified customs procedures. • Development of recommendations and manuals taking into consideration the latest amendments of the relevant primary and secondary legislation of the Republic of Lithuania in force. • Provision of consultations concerning the automated enterprises' selection system and development of its technical specifications or development and introduction of the automated enterprises' selection system. • Needs analysis for the purchase of computer equipment and preparation of technical specifications- <p><u>Internal Audit</u></p> <ul style="list-style-type: none"> • Review of the structure and functions of the Internal Audit service. • Preparation of a training programme. • Implementation of training in the fields of implemented financial systems, customs procedures, procedures and techniques for the prevention of customs fraud, and effective and efficient management techniques (specific training for auditors which cannot be covered by a classic training course already existing). • Introduction of such international audit studies as COSO, COCO, Cadbury Code, etc. • Training of internal audit specialists on best practices in the EU. • Training of customs officials in the field of fight against corruption. <p><u>Control of CAP goods</u></p> <ul style="list-style-type: none"> • Development of the draft strategy for the preparation of the Lithuanian Customs Administration for the tasks resulting from the Common Agricultural Policy. • Training in the field of the documents used within this system, handling of licenses and authorisations used in the export-import traffic of agricultural 	<p>Means</p> <p>(A) One Technical Assistance contract (B) One Supplies contract</p>	<p>Assumptions</p> <p>Successful start and smooth implementation of the project</p>
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<p>products, operation of customs control system under export refund within the CAP and with respect to all the bodies involved, practical organisation and types of controls applied in EU member states in the framework of CAP regulations, methods for taking samples of agricultural goods and implementation of physical inspections, substitution and other checks.</p> <ul style="list-style-type: none">• Development of the recommendations concerning the methods for chemical analysis, related formalities and accreditation of the Customs Laboratory, needs assessment of the necessary equipment.• Preparation of a manual for controls of agricultural goods.			
			Preconditions Co-financing available

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Annex 2

Detailed Implementation Chart for the Project

Year	2002												2003												2004												2005																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																										
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design
tendering
implementation



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CUMULATIVE CONTRACTING AND DISBURSEMENT SCHEDULE (€ 1.6 Million, PHARE Contribution)

	2002												2003				2004				2005	
	30/06	30/09	31/12	31/03	30/06	30/09	31/12	31/03	30/06	30/09	31/12	31/03	30/06	30/09	31/12	31/03	30/06	30/09	31/12	31/03	30/06	30/09
Contracting																						
• Technical Assistance							0.45															
• Supply											1.15											
Total contracting (cumulative)							0.45				0.45											
Disbursement																						
• Technical Assistance				0.135	0.225	0.315	0.405	0.45	0.45													
• Supply							0.69	0.69	1.15													
Total disbursement (cumulative)				0.135	0.225	0.315	1.095	1.14	1.60													

Reference to feasibility / pre-feasibility studies

This indicative list of the equipment to be obtained in the framework of the proposed project has been developed on the basis of the studies conducted by local specialists. The needs assessment of the equipment to be purchased under the proposed project will be done within the proposed Phare 2002 project in close co-operation with Eurocustoms whose experts have performed the needs analysis of inspection equipment for physical examination and drug detection to be obtained for the Lithuanian Customs under the ongoing Phare 2000 project.

INDICATIVE LIST AND BUDGET BREAKDOWN OF EQUIPMENT (MEUR)

Description of equipment	Amount in MEUR
One mobile X-ray system for trucks	0.6
Special equipment for physical examination of goods with the aim to detect hiding spaces in means of transport	0.3
Special equipment for detection and identification of drugs	0.2
Vehicles equipped with special devices to carry out operative activities in fraud investigation	0.4
15 laptops for the Post Clearance Control Service	0.05
Total:	1.55

1. Mobile X-ray control system

Lithuanian Customs while meeting its obligations regarding Lithuania's accession to the EU has to achieve compliance with the European standards and customs procedures with the aim to reducing customs clearance time at the border posts. The aim of obtaining the mentioned system is to implement effective customs control means in detecting smuggling cases and other customs fraud, as well as using the system for prevention purposes.

In May 2001 the Lithuanian Customs obtained a mobile X-ray control system "SilhouetteScan" manufactured by the German company "Heimann Systems GmbH". Operation of the system brought obvious results in significant increase of seizures of smuggled cigarettes. In year 2001 over 41 million pieces of cigarettes were seized, while in year 2000 the amount of seized cigarettes was about 10 million.

Having acquired experience in operating X-ray mobile system and evaluated effectiveness of such systems, the Lithuanian Customs is planning in the second half of 2002 to purchase two more of mobile X-ray control systems "SilhouetteScan" using national funds. They will be operating at the Byelorussian and Russian (Kaliningrad region) borders.

The Lithuanian Customs' strategy in control of large scale consignments includes obtaining five X-ray mobile control systems. The mentioned number of such equipment would ensure effective control and fraud prevention of border posts in Klaipeda sea port, border with Kaliningrad and Byelorussia (see the map enclosed in Annex 7), i.e. future EU border.

The mobile X-ray control system planned to obtain through Phare funds would be operating in Klaipeda sea port customs posts. Thus, the mentioned control means which already justified their effectiveness would ensure control of the main flows of goods transported through/into Lithuania.

Taking into account the operating costs of the existing X-ray control system and with the view to insufficiently developed border infrastructure (little space for examining and manoeuvring of trucks, limited electricity power sources) the conclusion has been drawn up that the most reasonable choice is to operate mobile X-ray control systems with generating power of 300-450 keV. To the information obtained the estimate cost of such system is approximately 600 000 EUR.

2. Special equipment for physical examination of goods

Special equipment for physical examination of goods will be used by the enforcement officers working in the regional units of the Customs Criminal Service. The mentioned equipment can be specified as follows:

- | | |
|---|---------|
| - videoscope (for examination of hardly accessible areas, fuel tanks) | 5 items |
| - contraband detector (microwave, mobile) | 4 items |
| - suitcase containing set of mirrors and light source | 6 items |
| - special infra-red beams telescopic camera | 5 items |
| - metal detector | 6 items |
| - set of tools for physical examination of vehicles | 6 items |

The estimate cost of the above specified equipment amounts to 300 000 EUR.

The function of physical examination of goods is assigned to the regional units of Customs Criminal Service, in total there are 7 of them. Organisation and co-ordination role of this function is under responsibility of Fight Against Smuggling Division of the Customs Criminal Service. Although structurally there are no mobile groups set up within the said Service, however, functionally mobile groups' tasks of the physical examination of goods are performed by the above mentioned regional units of the Customs Criminal Service.

3. Special equipment for detection and identification of drugs

The more detailed specification and the use of the equipment is presented below:

- Mobile detector for detection of narcotic substances 3 items.
The device can operate in two ways: to perform analysis of a sample (collected dust from baggage or goods by piece of soft paper), and analysis of air (air fractions are analysed by switching on "smelling" mechanism). The result shall be displayed in a liquid crystals screen.
Currently for combat illegal trafficking of drugs the drug detection dogs are employed. The planned new modern technology equipment would enforce prevention and fight against drugs smuggling and would be used for detailed examination of vehicles, baggage and persons in Vilnius, Kaunas and Klaipeda regions.
Estimated cost of one device is 47 000 EUR. Analogue equipment of such kind can be model "VaporTracer" produced by company "Ion Track Instruments" or model "Sabre2000" produced by "Baringer Technologies Inc".
- in Vilnius International Airport it is foreseen to install one stationary detector for detection of narcotic substances. This device can operate by two principles: measurement of ions movement and as gas chromatograph. This device is able to produce more accurate results and can be used for carrying out expertise in the field. Estimate price of the equipment is about 59 000 EUR. Analogue

equipment of such kind can be model "Itemiser" produced by company "Ion Track Instruments" or model "GC-Ionscan" produced by "Baringer Technologies Inc".

4. Specially equipped vehicles

In order for the Customs Criminal Service to be able to effectively carry out investigations on smuggling and other customs violations, operational activities involve special observations and undercover activities. To this aim it is necessary that the enforcement staff empowered to carry out such operations will be equipped with the modern technical means and provided with the relevant training. This priority is fully in line with the Business Strategy of the Lithuanian Customs, where one of the strategic objectives reads as follows:

- to introduce advanced control technologies, based on sufficient prevention of law violations and authorizations to carry out investigations, application of risk analysis, use of information and intelligence, and modern technical equipment.

Three vehicles of special purpose (on the basis of a minibus) will be used for special investigative purposes while carrying out operational activities. They will be assigned to Vilnius, Kaunas and Klaipeda regions. The vehicles should be mounted with the systems of mobile phone and fax communication, radio communication, computer communication and GPS (Global Positioning System, meant for determining location of an object). A computer work place should be installed which could maintain communication with the external data bases, work table for 3 persons. Additionally, the vehicles should be provided with devices for video and audio recording, photographing, observing the targets in day and night time, equipment for identification of forged documents, other special devices necessary for operational actions.

Estimated cost of one specially equipped vehicle with all above mentioned equipment amounts to approximately 130 000 EUR.

5. Laptops

15 portable computers (laptops) would be purchased under the proposed project for carrying post clearance control activities by collecting, storing and inspecting the data available at the enterprises the commercial and economic activities of which are to be controlled. Such equipment was not foreseen under the ongoing Phare 2000 project or any other multilateral or bilateral assistance projects and is in particular necessary for the proper functioning of the Post Clearance Control Service, lacking this kind of equipment, and effective and efficient control activities for the purposes of recovering fraudulently reduced customs duties and taxes as well as preventing the future customs frauds after the accomplishing of customs formalities.

The total estimate for the above specified equipment is about 1.55 million EUR.

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Gap Analysis on the Blueprints 'Border and Inland Control' and 'Investigation and Enforcement'

7. BORDER AND INLAND CONTROL

Blueprint Key Indicators	Detailed Description of Current Situation	Technical Shortfalls	Behavioural Shortfalls
7.3.1. Legal Basis			
a) National customs legislation provides adequate powers of questioning, examination and search in respect of persons, goods, means of transport, documents and commercial records.	Article 134 of the Criminal Code determines the Customs service as a body of investigation in smuggling cases. The investigation function has also been provided for in Articles 12 and 13 of the Customs Code. On 25 May 1999 Law on Operational Activity was amended, including the Customs Department into the list of bodies possessing a status to carry out operational activities. By this customs has got the powers to apply also actions of secret nature.	Not sufficient powers allocated to perform functions specified in the Law on Operational Activity. Having changed provisions of regulations, providing to Customs greater powers (e.g. undercover surveillance), there are financial problems to implement those powers.	In the case of lack of powers the possibility to make unlawful decisions arises.
b) National customs legislation observes the conditions set out in the Legislation Blueprint	Provisions of the Customs Code observe the conditions set out in the Legislation Blueprint	Lack of legal acts governing implementation of Customs Code.	None
7.3.2 Risk Analysis and Selectivity			
a) Intelligence and information systems to support the Border and Inland Control function are	There is currently a general database, a register on violators of customs legislation in the Information centre of the Customs Department which are regularly supplemented and updated. In co-operation	Lack of computer software for analytical purposes.	None

established, developed, utilised and regularly reviewed.	with the PHARE project "Information and Intelligence" the computerised intelligence information system has been developed. The system is not fully operational because adequate structural units are not yet fully staffed. The intelligence requirement and structure has been determined at both the Departmental and regional levels. A training programme for intelligence staff has been designed and approved by Eurocustoms for delivery. "Train-the-trainer" course was delivered to the specialists in central administration, the same course will be delivered in the regions.	Lack of financing. Lack of financing to fully implement the system in all customs posts.	In the regions there are no officers having intelligence skills.
b) Risk profiles, which particularly take account of the economic situation in the region concerned, for each location at which customs control is exercised are established, developed, utilised and regularly reviewed.	The methodology has been approved on risk profiling and selection criteria. Work has started on developing Risk Profiles	Currently there is no systematic risk assessment in Lithuanian Customs.	There is shortage of expertise in this area.
c) Selection for customs examination is based upon a proper analysis of the risk involved.	Currently customs examination is carried out on a random basis or on the basis of information, local analysis has been carried out. The development of ASYCUDA will make provision for risk-based, intelligence informed selection via the selectivity module. Implementation of the system in three pilot sites has been completed.	None	None
d) Legitimate passengers and traders are subjected to controls which strike a proper balance between the need for free circulation within the EU and the need	The development of our intelligence system and risk-based controls will balance facilitation and control.	None	None

to combat fraud effectively.				
7.3.3. Systematic, Comprehensive and Flexible Controls				
a) Customs controls are exercised to allow facilitation of legitimate trade and passengers	The development of our intelligence system and risk-based controls will balance facilitation and control. System of a register of approved companies for simplified procedures is under development.	None	Lack of secondary legislation regulating application of simplified procedures.	Lack of experience
b) Customs controls are exercised at the frontier and inland.	Customs control is legitimated by legal acts enabling an establishment of customs posts at the frontier, as well as inland and allowing the exercise of customs control. In order to increase effectiveness of customs control the plan on centralisation of inland custom posts is under preparation.		Infrastructure of most inland and border customs posts is not sufficiently developed, absence of proper facilities to carry out detailed cargo examination. Insufficient finance.	Lack of experience and awareness of best practises in application of simplified procedures. Customs officers face difficult inappropriate work conditions.
c) Customs controls cover imports, exports and goods in transit.	Such customs control is in place. The guarantee system is applied, post clearance audits are carried out and lists of reliable economic entities supports simplified customs procedures.		Lack of second level legislation governing the procedure of post clearance audit.	Lack of knowledge and skill in the audit field.
d) Customs controls cover prohibitions and restrictions.	Yes			None
e) Customs fiscal controls are based upon an EU-compatible customs tariff.	The Customs Tariff structure is compatible with the EU Tariff structure. Approved by the Decree of the Government of Lithuania No. 1367 of 30 12 1994.	None		None
		None		None

f) Customs controls provide for determination of nature, origin and value of goods.	Provided on the basis of the appropriate Government decrees and orders of the Customs Department.	None	Lack of knowledge in audit field.
g) Customs controls encompass questioning, physical examination, sampling, analysis, documentary checks and audit of commercial systems and records.	Current national customs legislation enables us to perform such activity.	None	None
h) Customs controls provide for duty suspension and relief regimes where this is consistent with revenue risk.	There is a provision in the Customs Code for applying drawback system, however, it is not yet applied in practice.	Absence of implementing regulations and provisions on the application of the system.	None
i) Customs controls utilise available customs resources flexibly.	Regional Customs Offices every quarter adjust their plan for material needs, make appropriate allocation of available resources, present their comments on the use and effectiveness of customs control equipment. Draft Statute of Service in the Lithuanian Customs which has been prepared enables staff rotation principle.	Problems of reaching an agreement concerning new legislation. Absence of uniform analytical system.	Lack of knowledge in audit field. Customs officers have not yet acquired skills to use the new system on risk assessment and selection criteria.
j) Customs controls for clearance of goods are carried out at 3 basic levels: pre-clearance, clearance and post-clearance, the findings at each level, combined with analysis of risk, determining the extent of further control.	Such Customs control is exercised at all customs posts, according to their purpose and infrastructure available. Procedures Control divisions at regional Customs Houses and mobile groups perform post clearance control, audit. Results of control are analysed, reports submitted to the central administration. Presently developed risk assessment system will determine properly the ways and scope of control. Procedure on performing investigations has been drafted.	Problems of reaching an agreement on drafted legislation. None	None
	Two channel (green and red) system is applied. Customs passenger control	None	None

<p>k) Customs passenger controls are based upon a "Clearway" system</p> <p>l) Customs passenger controls encompass interception, questioning and search of persons and accompanied baggage</p>	<p>encompasses examination of persons, goods (effects) and documents in order to ensure that the type, amount, state, origin, value of goods (effects) is relevant in the the information presented in the customs declaration.</p> <p>The major part of customs control is transaction based, the system based control is at the beginning stage.</p>	<p>Absence of analytical risk-assessment system.</p>	<p>Officers do understand the benefits the system will bring, however, new things are acknowledged with some difficulties. None</p>
<p>m) Customs controls are capable of being both transaction and system-based and of being exercised at random.</p>	<p>Customs controls are continually revised on the basis of updated information derived from earlier controls and results, however, the overall system is not yet fully developed (it is intended to be developed).</p>	<p>None</p>	<p>None</p>
<p>n) Customs controls are continually revised on the basis of updated information derived from earlier controls and the results of investigation/enforcement activity.</p>	<p>Yes</p>	<p>Procedure for temporary importation prepared according to the Istanbul Convention, has been submitted to the Ministry of Economy for the comments. Procedure is not yet approved.</p>	<p>None</p>
<p>o) Customs controls are consistent across the organisation.</p>	<p>Lithuania acceded the TIR Convention in 26 08 1993, the TIR system is functioning; the Istanbul Convention in 26 05 1998, however, ATA system is not functioning in practice. It is planned to introduce the system from second half of 2000. Officials from the Central administration take part in seminars on implementation of requirements of Schengen Convention.</p>		
<p>p) Customs controls take account of relevant international conventions (e.g. Schengen) and trade/customs agreements.</p>			
<p>7.3.4. Co-operation</p>			

<p>a) Clearly defined roles are established for each agency concerned with border and inland control without duplication of activity.</p>	<p>Common order of Customs Department and State Veterinary Service on working practice has been signed. An Agreement between the Customs Department, Police Department and Tax Police department signed. An Agreement between the Customs Department, Border Police Department and Police Department drafted.</p>	<p>Insufficient exchange of information on activities between agencies.</p>	<p>Employees from different agencies lack experience in joint working.</p>
<p>b) Where appropriate joint and co-ordinated controls are applied.</p>	<p>Special common actions are carried out with the units from Ministry of Interior (tax police), Tax Inspection.</p>	<p>None</p>	<p>None</p>
<p>c) Regular meetings are held to improve co-operation between different agencies.</p>	<p>Meetings are held, but not regularly.</p>	<p>None</p>	<p>Employees of different agencies have little experience of working together.</p>
<p>d) Relevant information is routinely shared between agencies.</p>	<p>Information is shared, but not regularly.</p>	<p>Common communications systems are not in place.</p>	<p>Above</p>
<p>e) Co-ordinated opening hours and traffic management is introduced on both sides of land borders.</p>	<p>The intergovernmental agreements are concluded between with all neighbouring countries on state border crossing points and their status (international, bilateral and simplified). The agreements provide for that the changes of opening hours have to be agreed between the two states.</p>	<p>None</p>	<p>None</p>
<p>f) Harmonised working practices and associated training are developed by</p>	<p>13 international border posts operate with the co-ordinated opening hours introduced on both sides. Those issues are discussed during inter-departmental meetings with representatives of corresponding agencies of neighbouring countries.</p>	<p>None</p>	<p>None</p>

different customs services on both sides of the same border. g) Joint contingency plans are established for dealing with unusual cases (e.g. nuclear material, live animals, hazardous chemicals).	Efforts are made to ensure 24 hours working of border crossings. Common working scheme with Latvia (Salociai border post) and Poland (Lazdijai border post) is agreed. The project with Byelorussia is under preparation. Training on appropriate subject according to an approved training plan is delivered. Not in place.	Lack of systems compatibility.	None
7.3.5. Relations with Trade			
a) Memoranda of Understanding are signed with major trade and transport bodies (eg airlines, shipping agents and freight forwarders).	Co-operation Agreements have been concluded with state enterprise 'Lietuvos pastas' (Lithuanian Post), the Carriers Association and the stock company 'Lietuvos gelezinkeliai' (Lithuanian Railways), "DHL International Lietuva". Draft Agreements have been concluded with Association of Light Industry Enterprises, Airlines, Association of Freight Forwarders in Klaipeda sea port, with the Chamber of Commerce and Handicrafts.	Problems on the approval (agreement) of drafted agreements.	Insufficient understanding of importance and usefulness of concluding MoU's by both sides.
b) Regular and close customs co-operation with trade organisations (e.g. Chambers of Commerce) is in place.	Meetings with traders associations are being held regularly. Co-operation with Chamber of Commerce and Craft is exercised on the origin issues, working groups of	None	None

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<p>c) Agreements are developed and implemented for access to trade information for risk assessment purposes.</p> <p>d) Where possible electronic links (e.g. EDI or DDI) are established with the trade.</p> <p>e) Regular and updated information (e.g. public notices, internet publications, leaflets) about customs legislation and procedures is provided to traders.</p>	<p>representatives from state agencies and traders established on customs valuation issues.</p> <p>Possibilities have been discussed to conclude a MoU with an Association of Trade Enterprises.</p> <p>The Customs Department has concluded one agreement on data provision with the Lithuanian Carriers Association.</p> <p>Traders have a possibility to be introduced to customs information in official state publication "Valstybės žinios" other publications, and through internet.</p>	<p>None</p> <p>Due to insufficient funds, there is a shortage of publications and leaflets.</p>	<p>None</p> <p>None</p>
<p>7.3.6. Relations with the Public</p>			
<p>a) Regular, eye-catching and updated information (e.g. public notices, internet publications, leaflets) about customs legislation and procedures is provided to the public.</p> <p>b) Regular efforts (e.g. campaigns against drug smuggling, pornography, weapons, etc.) are made to improve public perception of customs' role in the protection of society.</p> <p>c) Facilities for the receipt of relevant information</p>	<p>A group on relations with the public has been established in the Customs Department. It provides press media with information (customs page in newspaper "Mokėsiu pinigų" (Tax News)).</p> <p>Customs role in protecting economic borders of the state, combating fraud, is regularly explained by the public relations representatives. Awareness of the problem from Government exists, possibilities are considered to allocate finance in order to strengthen services of customs control.</p>	<p>None</p> <p>None</p> <p>The shortage of funds to introduce a "Freephone" system. Lack of staff in regions to verify anonymous information.</p>	<p>Mass media allows for very flexible interpretation of information.</p> <p>Sceptical view on customs as collector of revenue by some layers of the society.</p> <p>Mostly anonymous calls are</p>

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(e.g. 'Hotlines') from the Public is established and working.	A public phone (Hotline) is in place for receipt information on customs frauds (including anonymous calls).	received, because people are not willing to identify themselves. A guarantee of confidentiality will be required.
7.3.7. Management, Personnel and Training		
a) An overall Border and Inland Control policy is established for the administration, published to all Border and Inland Control staff and its application monitored by management.	Business Strategy of the Lithuanian Customs is prepared, and following it a strategy implementation plan has been produced. Currently an action plan on development of border customs posts in under preparation. Draft legislation on simplified procedure of customs control is under preparation. Service of fraud prevention has been established with the powers to carry out special actions (operative actions, investigation), and other control measures. Special focus for those services is attached on the control of the eastern borders. The main principles are reflected.	None Lack of experience
b) Management, personnel and training systems reflect the principles set out in the relevant Blueprints.		None
7.3.8. Facilities, Equipment and Computerisation		
a) Good quality equipment and examination	At customs posts customs officers use different equipment	There is a shortage of

<p>facilities are provided for all traffic leading to a greater number of risk-based examinations and consequent detection of offences.</p> <p>b) Control and examination facilities allow for proper segregation of vehicle traffic and foot passengers, and provide a safe and user-friendly working environment</p> <p>c) Radio and telecommunications facilities which support and enhance operational effectiveness have been introduced.</p> <p>d) Tools and equipment which enable a higher level of vehicle and cargo examinations (e.g. tool kits, vehicle lifts, fork-lift trucks, etc.) are in regular use.</p> <p>e) Specialist equipment (e.g. X-ray vans, detector dogs, etc.) to aid the detection of concealed illegal goods (e.g. nuclear material, drugs, etc.) is in regular use.</p>	<p>available for examination purposes (weighing equipment, X-ray, video systems).</p> <p>In modern customs posts control facilities allow for separate customs control of vehicles and passengers. Excellent working facilities are provided for staff in the new posts.</p> <p>In some posts these facilities are in use.</p> <p>In some posts such equipment is used and indoor facilities are available for vehicle and goods examination.</p> <p>17 drug detection dogs are in regular use. A mobile X-ray unit is operated by the Vilnius Regional Customs House (presented by Swedish Customs) and in several road border posts stationary weighing equipment is installed.</p> <p>This equipment is used by the Border Police Department.</p>	<p>weighing equipment, X-ray etc) because of lack of finance</p> <p>Insufficient funding to modernise the required number of posts.</p> <p>Shortage of such equipment</p> <p>Shortage of equipment and facilities except at the newer posts.</p> <p>A shortage of funding precludes us from obtaining more of such equipment.</p> <p>No funds to purchase this equipment.</p> <p>Shortage of personnel for developing and installing software.</p>	<p>experience in the selection consignments for detailed examination and in the effective use of equipment.</p> <p>None</p> <p>None</p> <p>None</p> <p>None</p> <p>None</p> <p>Shortage of specialist</p>
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<p>f) Where appropriate, night vision and heat detection equipment for surveillance of the border is in use</p> <p>g) Customs control systems and procedures are computerised wherever there are clear benefits for both customs and the public (including the trading public) to be gained by doing so</p> <p>h) Computerisation is governed by the principles set out in the Computerisation Blueprint</p>	<p>Customs do not have it.</p> <p>Gradual process of connecting the system of handling declarations by customs brokers and customs controls system. ASYCUDA++ system is under implementation.</p> <p>A computerised intelligence system is under development in co-operation with the EU "Customs Information and Intelligence" programme.</p> <p>Yes</p>	<p>None</p> <p>None</p>	<p>knowledge and skills.</p>
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8. INVESTIGATION AND ENFORCEMENT

Blueprint Key Indicators	Detailed Description of Current Situation	Technical Shortfalls	Behavioural Shortfalls
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<p>8.3.1. Legal Basis</p> <p>a) National customs legislation provides adequate powers of questioning, examination, detention, arrest, seizure and search in respect of persons, goods, means of transport, documents and commercial records</p> <p>b) National customs legislation observes the conditions set out in the Legislation Blueprint</p>	<p>Article 134 of the Criminal Code determines the Customs service as a body of investigation in smuggling cases. The investigation function has also been provided for in Articles 12 and 13 of the Customs Code. On 25 May 1999 Law on Operational Activity was amended, including the Customs Department into the list of bodies possessing a status to carry out operational activities. By this customs has got the powers to apply also actions of secret nature.</p> <p>The Customs Code of Lithuania corresponds to the provisions set up in the EU Customs Code.</p>	<p>Not sufficient powers allocated to perform functions specified in the Law on Operational Activity. Having changed provisions of regulations, providing to Customs greater powers (e.g. undercover surveillance), there are financial problems to implement those powers.</p> <p>Lack of legal acts governing implementation of Customs Code.</p>	<p>In the case of lack of powers the possibility to make unlawful decisions arises.</p> <p>Lack of expertise in drafting secondary legislation.</p>
<p>8.3.2. Working Methods</p> <p>a) A comprehensive intelligence and information system in support of Investigation and Enforcement staff is established, developed and regularly updated</p> <p>b) Intelligence teams are established with responsibility for collection and analysis of information and dissemination of up to date information and trend data to Investigation and</p>	<p>There is currently a general database, a register on violators of customs legislation in the Information centre of the Customs Department which are regularly supplemented and updated. In co-operation with the PHARE project "Information and Intelligence" the computerised intelligence information system has been developed.</p> <p>The intelligence requirement and structure has been determined at both the Departmental and regional levels. A training programme for intelligence staff has been designed and approved by Eurocustoms for delivery. "Train-the-trainer" course was delivered to the</p>	<p>Because of technical problems the system is not fully functioning.</p> <p>Absence of intelligence units in the regions. No financing.</p>	<p>The training on how to work with the database should be organised for intelligence officials. Lack of specialists.</p> <p>In the regions there are no officers having intelligence skills.</p>

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Enforcement staff	specialists in central administration, the same course will be delivered in the regions.		
c) Specialist teams are in place to conclude enforcement action	Customs fraud investigations are carried out by appropriate units from Anti-Smuggling and Internal Control Service of the Customs Department, responsible officers from regional customs houses, mobile groups, officers responsible for procedures control, audit units.	Those units are not fully staffed in the regions.	None
d) Facilities (e.g. Internet, e-mail, CIS/SCENT) for the receipt of information and intelligence are in place and working	Co-operation with the structures of the Ministry of Interior takes place by exchanging information on investigation or control cases. 'Information phone line' is operating by which messages (anonymous included) on customs fraud can be received. Computerised intelligence system has been developed. The technical means to exchange information (INTERNET, e-mail) has been created. The WCO RILO system is being re-instated. MAR INFO data base system is under development.	Absence of intelligence units in the regions. Lack of financing.	Importance of Customs intelligence system is not properly acknowledged in all levels.
8.3.3. Co-operation			
a) Agreements and protocols on mutual assistance are agreed with neighboring states' customs services and other foreign government authorities to improve cooperation	17 inter-governmental agreements on co-operation in customs matters and 5 inter-departmental agreements (Customs to Customs) have been signed. Further agreements are being negotiated. Protocol 5 of the EU Free Trade Agreement provides a basis for mutual assistance with EU countries.	None	None
b) Close working relationships,	An Agreement between the Customs Department,		

including regular meetings, with the prosecution services the courts and other national law enforcement agencies are introduced	Police Department and Tax Police department signed. An Agreement between the Customs Department, Border Police Department and Police Department drafted. Regular meetings to discuss problems of work while carrying out joint operations and ensuring effective control. Special common actions are carried out with the units from Ministry of Interior (tax police), Tax Inspection.	There is a shortage of common working procedures which would exactly define the services and persons exchanging information and the ways they should do it	None
c) Regular exchanges of information occur between national and international authorities.	Exchange of information takes place. In particular effective communication is held through liaison officers of foreign countries.	There is a shortage of information exchange systems but exchange is developing and increasing.	None
d) Memoranda of Understanding have been signed with major trade companies and associations.	Co-operation agreements with the 'Lithuanian Postal Service' (Lietuvos pastas), 'Lithuanian Railways' and International Carriers Association "Linava", "DHL International Lietuva" have been concluded. Draft Agreements have been concluded with Association of Light Industry Enterprises, Airlines, Association of Freight Forwarders in Klaipeda sea port, with the Chamber of Commerce and Handicrafts.	Problems of approval (agreement) of the drafted MoU's.	Insufficient understanding of importance and usefulness of conclusion the MoU's from both sides.
e) Inter-departmental communication and cooperation between the Investigation and Enforcement functions and other relevant functions (eg through meetings and joint-working) is taking place on a regular basis	Communication and cooperation between the agencies and units responsible for Investigation & Enforcement function is taking place. This is regulated by the legislation governing activities of those institutions.	None	None
8.3.4. Relations with the Public			
a) Regular and updated information (eg	The group for public relations which provides information to mass media (the customs page in the	Shortage of funds does not allow us to develop this	Mass media of Lithuania allows itself to interpret

<p>public notices, internet publications, leaflets) about customs legislation and procedures is provided to the public</p> <p>b) Regular efforts (e.g. campaigns against drug smuggling, pornography, weapons, etc.) are made to improve public perception of customs' role in the protection of society</p> <p>c) Facilities for the receipt of relevant information (e.g. 'Hotlines' and informants) from the public are established and working</p>	<p>publication "Mokesciu zinios") has been created in the Customs Department. Information booklets, leaflets etc. are published, Internet home page is prepared.</p> <p>Customs role in protecting economic borders of the state, combating fraud, is regularly explained by the public relations representatives. Awareness of the problem from Government exists, possibilities are considered to allocate finance in order to strengthen services of customs control.</p> <p>A public phone (Hotline) is in place for receipt information on customs frauds (including anonymous calls).</p>	<p>activity further.</p> <p>Shortage of funds.</p> <p>The shortage of funds to introduce a "Freephone" system.</p>	<p>information freely.</p> <p>The information received is mostly anonymous, some information is given against competitors. A guarantee of confidentiality is required to be introduced.</p>
<p>8.3.5. Management, Personnel and Training</p>			
<p>a) An overall Investigation and Enforcement policy is established for the administration, published to all Investigation and Enforcement staff and its application monitored by management</p>	<p>Business Strategy of the Lithuanian Customs is prepared, and following it a strategy implementation plan has been produced. Currently an action plan on development of border customs posts in under preparation. Draft legislation on simplified procedure of customs control is under preparation.</p> <p>Service of fraud prevention has been established with the powers to carry out special actions (operative actions, investigation), and other control measures. Special focus for those services is attached on the</p>	<p>Lack of funds to expand these activities in the regions.</p> <p>Absence of strategy of enforcement service.</p>	<p>Shortage of specialists in audit, customs valuation, intelligence spheres.</p> <p>Lack of experience.</p>

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b) Management, personnel and training systems reflect the principles set out in the relevant Blueprints	control of the eastern borders. The main principles are reflected.	None	None
8.3.6. Facilities, Equipment and Computerization			
a) Radio and telecommunications facilities, together with surveillance and search equipment, which support and enhance operational effectiveness have been introduced	While carrying customs examination, the officials of the posts use technical means of inspection (weighing equipment, X-ray, test kits, video systems).	Shortage of inspection equipment (e.g. weigh-bridges, x-ray apparatus etc.), lack of funds.	There is a shortage of experience in how to carry out the selection of cargo for detailed examination and how to use technical means effectively.
b) Investigation and Enforcement systems and procedures are computerised wherever there are clear benefits for both customs and public (including the trading public) to be gained by doing so	Gradual process of connecting the system of handling declarations by customs brokers and customs controls system. ASYCUDA++ system is under implementation and at the test stage. A computerised intelligence system has been developed in co-operation with the PHARE "Customs Information and Intelligence" project.	Shortage of personnel for developing and installing software.	Shortage of specialist knowledge and skills.
c) Computerisation is governed by the principles set out in the Computerisation Blueprint	Yes	None	None

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