



The Year 2004 was characterized by challenges, reforms and adjustments. The Customs Administration has continued the implementation of the Strategic Plan 2004-2008, and the customs officers gained new rights and authorizations coming from the new Law on Customs Administration. The questions and reply to the Questionnaire of the European Commission were most significant task for many customs officers. Last August, whole world turned its attention to Athens and the Summer Olympic Games, held again at its cradle. We are proud of our contribution given to the organization of these games.

Taking into consideration the long history of the existence of the Customs Services throughout the world, the basic and the classical definitions about the Customs appear as particular by their nature, in spite of the changes and supplements made during the time. These changes and supplements had impact on the estimation of the customs responsibilities, the activities, the approaches and the operations of the customs officers.

As result of the decrease of the customs duty rates and the liberalization of trade, the Customs gradually leaves the traditional responsibilities such collection of public revenues, registration and keeping records of the goods imported into or exported from the country, as well as implementation of trade policy measures, transforming its self into an institution offering services to the community in view of permanent development and protection.

The new responsibilities of the Customs could be classified in categories such as protection of the environment, keeping the peace and security of the community, aiming to confront with the destructive effects on the items constituting the ozone layer, control of the organized crime as trafficking in human beings, equipment and materials used for production of arms for massif destruction, illegal trafficking of drugs and narcotics, protection of endangered species of flora and fauna, as well protection of the humanity from all kinds of dangers.

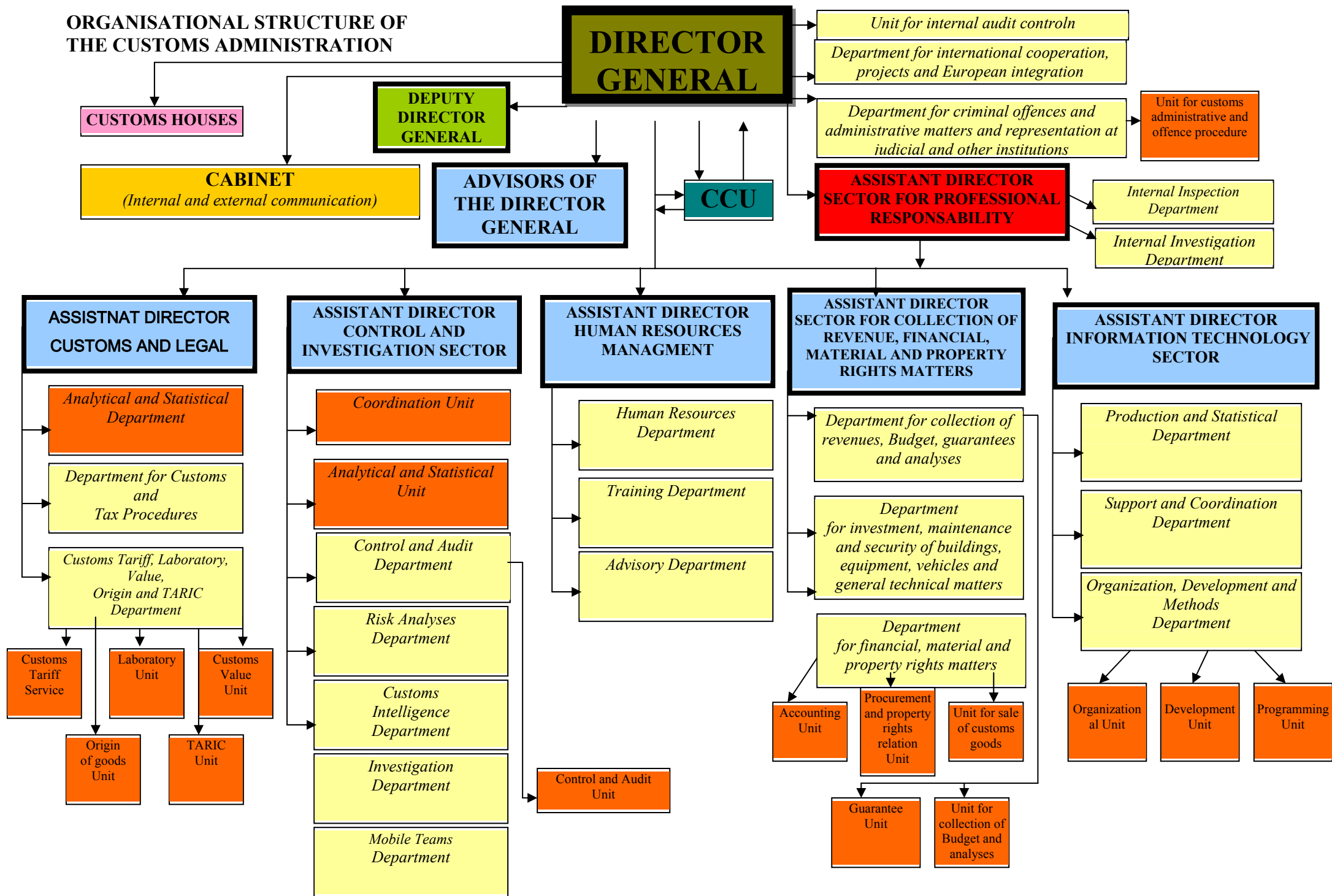
The contemporary and modern technology used to cope with the increasing volume of international trade, is being considered as one of the most important objectives of the Customs Administrations in the world. Actually, the extent of the commerce at global level amounts to billions dollars and no doubt, the customs officers have to be trained and equipped with most contemporary technology in order to meet the challenges and fulfil the public expectations.

The following years, the customs officers will face the challenge of execution of very important and sensitive functions, which imposes good preparation to tackle this challenge.

MISSION

The Macedonian Customs Administration's purpose is to fully and efficiently serve the Government and citizens of the Republic of Macedonia by ensuring timely collection of goods and preventing the trafficking of illegal goods into the country. This can be achieved via operations and systems which shall facilitate international trade exchange and contribute to the sustainable economic development by implementing efficient, fast and easy to understand procedures in an environment which ensures complete protection of the revenues and full implementation of the legal prohibitions and the laws in general.

ORGANISATIONAL STRUCTURE OF THE CUSTOMS ADMINISTRATION



Collection of customs revenues and fees

On April 1, 2004, the Stabilisation and Association Agreement between the Republic of Macedonia and the European Union came into force, stipulating reduction and suspension of customs duty rates of many industrial products, as well as of large group of agricultural and food products. The Year 2004 was characterized by significant decrease of the import customs duty rates for product originating from the European Union.

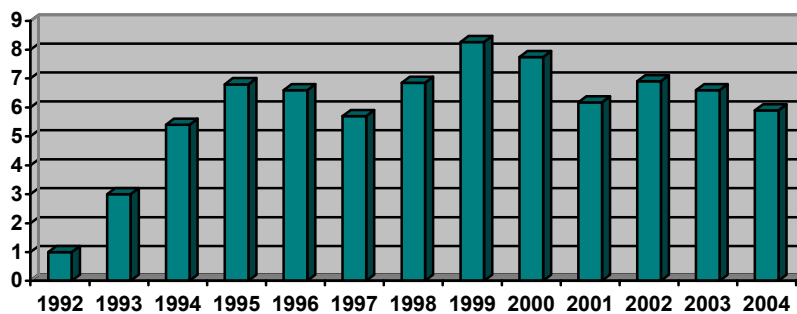
Following the enlargement of the European Union with 10 new member states, on May 1, 2004, and considering the traditional commercial between the Republic of Macedonia and the new member states, from May 2004, reduced customs duty rates for import are applied for the goods originating from EU.

During 2004 the foreign trade liberalization continued as result of the responsibilities undertaken according to the Protocol of accessing of the Republic of Macedonia to the World Trade Organization and the annual reduction of the customs duty rates defined in time tables of the Free Trade Agreements. **As part of the group of countries having preferential commerce with the Republic of Macedonia, from 2004, Moldova participates also.**

The preferential import (Serbia and Montenegro, Croatia, Bulgaria, Turkey, European Union, EFTA, Bosnia and Herzegovina, Albania, Romania and Ukraine) participated with 84% within the total import, as results of the signed Free Trade Agreements. Bearing in mind all these circumstances of the general lowering of customs tariff rates as results of the amendment of the Customs Tariff Law and the duty free preferential treatment, the Customs Administration of the Republic of Macedonia, in the year 2004, paid to the budget 5,9 billion denars as collected customs duty. The taxes and the excises participated in amount of 28,02 billion denars.

The achievement reflecting in the collection of customs duties in amount of 5,9 billion of denars, represents excellent success of the Customs Administration in 2004, in comparison with the planned revenues of 5,3 billion denars. The achievements show 11% increase exceeding the planned, due to the reforms undertaken in 2004, in order to improve the customs work and to increase the importation volume, in December 2004.

During 2004 the Customs Administration gave back 158 millions denars as draw-back of the customs duties after export.



Revenue collected by Customs within the period 1992-2004, in billions denars

It is important to point out that the total amount of duties collected during the customs procedures, contributes with almost a half of the State Budget. That is additional evidence for efficient work of the Customs Service during the last year.

CUSTOMS TARIFF

The Customs Tariff Service, in 2004, was engaged in many activities related to the Customs Law and the Customs Tariff Law. The Department was following the changes of decisions and other materials and documents of the Harmonized System Committee, as well the recommendations for classification of goods, according to the Explanatory Notes to the Combined Nomenclature of the EU.

The Customs Tariff Service intensified the application of the binding tariff information as key instrument and efficient means for uniform application of the Customs Tariff Law, as well as monitoring and analyses of the effects of the applied customs rates defined as obligation for membership of the Republic of Macedonia in the World Trade Organization.

During the last year, the activities of the Service were related to the monthly Work Plan, where the regular classification of the goods according to the customs tariff, was priority for the Customs Offices, particularly for the goods classified under several tariff numbers, regardless of character and the nature of the product. Throughout the whole 2004 year, the Customs Offices have requested adequate interpretations of the proper classification of specified goods, from the Customs Tariff Service.

In 2004, the Customs Tariff Service received 32 requests for Binding Tariff Information, from which 30 are already solved. The solved cases were processed according to the Article 3, paragraph 4 of the Book of regulations referring to the issuance and utilization of binding tariff information, published in Official Gazette No. 64/02 of the Republic of Macedonia.

CUSTOMS LABORATORY

In 2004, the Customs laboratory has performed the analysis using the services of the available laboratories of the Institutes and Production Laboratories, of the Dutch Customs laboratory, with consultations with experts in particular matters, and on base of the technical documentation for imported goods.

The last year, 572 samples were received for analysis. These samples resulted in reports on **322 changed tariff headings**, 240 confirmed headings and 10 returned cases because of not fulfilling the Instruction for obligatory guaranty for customs debt, in case of taking samples.

The issued reports were established on basis of **analysis of 235 samples**, and the verification and classification of the rest, according to the customs tariff, were performed on base of submitted certificates, organoleptic analysis, fast testing for identification, professional literature and data base of World Customs Organization and European Union, as well on base of the consultations with experts from certain domains.

A great number of analysed samples concerns the excised goods: oil derivatives and alcohol (undenaturated and denaturated), because of the differences in the duties, i.e. their exemption.

CUSTOMS VALUE

In 2004 the Customs Value Service submitted 257 requests for verification of the customs value, to countries abroad.

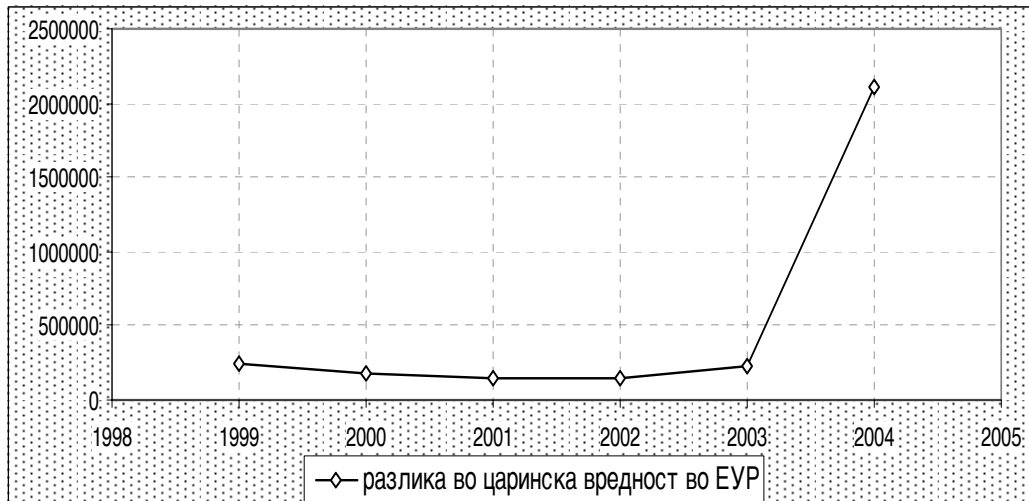
During the last year, the foreign Customs Services replied to 150 requests, part of them referring to requests sent during the previous years. The received replies are positive in 71, and negative in 30 cases, while 49 replies are information about ongoing investigations, request for additional information or explanation for incapacity to provide reply due to non-existence of Agreement for customs cooperation with the country to which the request was submitted.

The difference in customs value indicated by the replies amount to **2.111.509 Euro** or approximately 130 millions denars. The year 2004 was also characterized by initiation of procedure for subsequent collection of duties in cases of their undervaluation upon receipt, valuation, which previously has been confirmed by the received replies concerning the verification of the customs value.

Referring the requests sent by foreign Customs Services to our Customs Administration, asking verification of the customs value, there are 5 of them which are received and properly replied.

Year	Difference in customs values expressed in Euro
1999	243.902
2000	178.861
2001	140.300
2002	139.789
2003	222.705
2004	2.111.509

Differences in customs value



ORIGIN OF GOODS

The principal tasks of the Origin of goods Unit, were in accordance with the organization, analysing the occurred changes of the origin rules. On base of analysis of the posed problems, the Service proposed some measures in order to tackle them, comprising changes and appendixes to the sub acts and operative instructions, missing for regular and legal proceeding of the customs authorities during the performance of the customs procedures, with up dating and modernization. The Unit proposed directions and expertise for the needs of other Units of the Customs Administration, the Customs Houses and other natural and legal persons participating in the customs procedures. The representatives of the Unit attended several seminars and courses for professional formation and participated as trainers at seminars and courses organized by the Customs Administration for the needs of the customs officers and the trade community. The Unit contributed to the preparation of the materials and information advertised on the web site of the Customs Administration or announced at the Border Crossing Points and inland Customs Offices.

In 2004, the Unit participated in the activities of the Expert's Teams as part of Joint Commissions, Sub Commissions and Working Grups following up the Free Trade Agreement, signed between the Republic of Macedonia and Albania, Serbia and Montenegro, EFTA countries, Romania, European Union, Croatia, Bulgaria, Turkey and Slovenia.

As one of main activities of the Unit is the **post verification of evidences concerning the origin of goods, issued by foreign customs authorities** on basis of the request from the Customs Offices, the Control and Investigation Sector, or directly, by the Origin Unit. Summary of the situation of the last four years offers the following statistics:

Year	Number of requests for verification, submitted to foreign customs authorities	Number of replies recieved by foreign customs authorities	Subject of negative replies
1998	17	13	6
1999	34	31	10
2000	39	33	10
2001	125	63	29
2002	207	90	12
2003	470	82	21
2004	395	107	31

There were many activities in 2004, and this trend will continue in the risk analysis of the cases submitted for verification, in order to obtain better efficiency of the work and to increase the percentage of the detected negative cases.

For all negative cases it was initiated procedure for supplementary collection of customs debt, and the available information was transmitted to Risk Analysis Unit and Control and Investigation Sector which, by its side, initiated criminal procedure. Much verification **of evidences concerning the origin was made by the customs authorities of the Republic of Macedonia**, on request of foreign customs authorities. The increased number of Free Trade Agreements contributed to most frequent verifications of the evidences concerning the origin.

The distribution of customs quotes on the base of the principle "first come, first served" continued to be applied in 2004. The Unit charged of origin participated in the preparation of the lists of goods foreseeing the distribution of quotes for all countries **with which** the Republic of Macedonia has signed Free Trade Agreements. The reports on daily basis regarding the distribution of quotes could be seen on the Customs Internet web site and in the ASYCUDA program.

3336 requests for distribution of quotes were submitted and approved until 31.12.2004.

In addition to the distribution of quotes according to the Free Trade Agreements, the Unit distributed of quotas in the principle "first come, first served ", in cases of:

- Quantities of goods with preferential tariff treatment, on the basis of the Decisions passed by the Government of the Republic of Macedonia;
- Quantities of customs quotes for import of wheat from the Serbia and Montenegro according to the Free Trade Agreement signed between the Republic of Macedonia and Serbia and Montenegro, and the import of wheat originating from one of the countries members of the World Trade Organization, according to the Agreement for accession of the Republic of Macedonia to the World Trade Organization.

94 requests for distribution of goods with preferential tariff treatment were submitted and approved until 31.12.2004.

CUSTOMS ADMINISTRATION INTERNET WEB SITE

In 2004, the Customs Administration of the Republic of Macedonia, on Internet web site **WWW.CUSTOMS.GOV.MK**, introduced new contents and tools and became one of the leading institutions in the Republic of Macedonia showing the transparency of its functioning.

The new design was financed by the U.S. International Agency for development USAID (USA) and was referring to introduction of cameras at the Border Crossing Points, search tool for the customs tariff, open discussion forum with the citizens and customs procedure participants, electronic free newsletter, new items in the customs activities and creation of the box-Ask the Director.

The Customs Administration Internet web site contains large number of legal regulations, rules and instructions applied by the Customs Administration during its work. Everyday data regarding the quantities of the distribution of quotes, according to the system "first come, first served" are placed on the Internet web site.

During the year 2004, more than 120.000 visitors visited the Customs Administration Internet web site. More than 800 questions were asked and replied to the users of the services of electronic Customs.

AUTOMATIC DATA PROCESSING

During the year 2004 the Information Sector was engaged in the improvement of the technical base of MakCIS. In the frame of the TTFSE project, part of outdated equipment was replaced and new one was installed. The Sector actively participated solving the problems and extending local area networks of the Units of the Customs Administration, the technical preparation for use of the terminal at the Blace Customs Office (entrance and exit).

Training on the use of the new data base and Operational System was organized, **with putting in function** the selectivity method of verification at all Customs Offices and with preparations for payment by using bank guarantees.

The activities of the Information Sector, in 2004 were reflecting in:

- Finalization of the Module for recording of SAD, T1 and TIR;
- Development of an automatic application for empty trucks evidence.
- Preparation and introduction of the Project for work load. The preparation and introduction of the guidelines are already finished for all five Customs Houses: Skopje, Kumanovo, Stip, Gevgelija and Bitola;

- Administration, up-dating and introduced changes and supplements to the software system; maintenance and up-dating of the procedures providing function and use of the software system;
- System software and applicative software for function of the complete system and their performances;
- Finished migration from Makpak to VPN telecommunication system, respecting all standards and without interruption of the overall Makcis system functioning;
- Timely up-dating of data and its transmission to the other state agencies;
- Conducting consultations, prepared guidelines and started processing of D-warehouse;
- Camera and Internet connection at four Border Crossing Points;
- Centralization of the Border Customs Offices: Sveti Naum, Kafasan, Dojran and Medjiteljia, of one server of the Customs Administration. Analyse of the mistakes during the centralization, taking into consideration the possibility for improvement. Performed preparation for electronic confirmation of the transit procedures;
- Preparation of Annual Report for distribution of quotas for the year 2004;
- Preparation of tariff, excises and rules for revenues calculation in year 2005.

CUSTOMS PROCEDURES

In 2004, the Customs and Tax Procedures Department was performing its task according to the proscribed organization. It was following and analysing the application of the customs and tax regulations, as well the rules concerning the trade policy measures. On base of analysis of the posed problems, the Service proposed many measures in order to tackle them, and participated in giving directions and expertise to other organizational Units of the Customs Administration, the Customs Houses and other natural and legal customs procedures participants. Many proposals were prepared for adoption of new legal and sub legal acts, as well as changes and annexes to some of them. **Many proposed operative instructions were adopted, concerning the regular proceeding of the customs authorities. The Department participated in the elaboration of the materials and information available on the Customs Administration web page.**

As most important activities of the Department are:

-Draft bill of new Customs Law. This Law assures complete harmonization of our legislation with the European Union legislation, in line with the undertaken responsibilities foreseen with the Stabilization and Association Agreement between the Republic of Macedonia and European Communities and to the Program for approximation of the national legislation to the **European Acquis Communautaire**. This **proposal** represents improvement of the existing Customs Law which is partially harmonized with the EU Legislation and still contains non conformed terms used in different part of the law in non consistent manner, as result of unclear formulations, existing contradictions and modifications in the formulations of the European legislation, which changes the essential meaning. The new draft Law is prepared with technical

assistance of the Customs and Fiscal Assistance Office of the EU. During the preparation, the European Council Regulation n.2913/92 of 1992 as amended, establishing the Community Customs Code is used as a model. There is elaborated correspondent table with comments concerning the **harmonisation of every particular provision with the European provisions.**

-Draft bill of the Regulation for implementation of the Customs Law. The new Regulation for implementation of the Customs Law will replace the existing system consisting of by-laws set of rules and decisions regulating this area. The bringing in could start only after the preparatory activities for this Regulation. This Regulation would provide significant degree of harmonization of our sub legal acts with the EU Regulation concerning the implementation, which was not case so far.

-Draft bill of the Law concerning customs protective measures for intellectual property rights, is prepared and delivered to the Government of the Republic of Macedonia. This Law assures complete harmonisation of **our** Legislation with the EU Legislation and the TRIPS Agreement. Adoption of this law will be new engagement regarding the existing customs regulations and should introduce quality in the work of the customs authorities. The Draft bill was prepared with technical assistance of the Customs and Fiscal Assistance of EC (EU-CAFAO MAK). The draft bill was prepared by a Task Force consisting of representatives from several organizational Units of the Customs Administration among which two representatives from the Unit. The European Council Regulation n. 1383/2003 of 2003 served as model during the elaboration. **Correspondent table with comments** for harmonisation of any particular provision with the European provisions was also prepared.

The representatives of the Department attended several seminars and courses for professional **formation** and participated as trainers at seminars and courses, organized by the Customs Administration for **the needs of the customs officers or of the Trade Community.** The Department also contributed to the preparation of information, published to be exposed on the Customs Administration Internet web site, or at the Border Crossing Points and in Inland Customs Offices.

INTERNATIONAL CUSTOMS COOPERATION

One of the benefits for the Customs Administration is the continued implementation of the technical support Project on modernization and development of the Customs Service through CAFAO-MAK Mission in the Republic of Macedonia, financed by the European Commission. According to the terms of reference and the objectives to support the efforts to modernize and create a fully operational Service commensurate with the EU norm and minimum standards laid down in the EC BLUEPRINTS resulted with:

- Strategic Plan for development of the Customs Administration 2004-2008 and Action Plan for the year 2004 and 2005;
- Law for Customs administration;
- Draft bill of new Customs Law;
- Training and permanent cooperation with the Control and Investigation Sector, aiming to improve its work;
- Preparation of Training Strategy and Plan

The Integrated Border Management Project is one of more significant activities of the Customs Administration, financed by the CARDS Programme and realized in close cooperation with the Ministry of Interior and other competent public authorities. As result of this project, the Government of the Republic of Macedonia established and adopted the **National Strategy for Integrated Borders Management and Action Plan for its implementation**, introducing new approach in protection of the borders and coordinated strategy for management and control of persons and goods entering into, exiting from or transiting through the customs territory at all Border Crossing Points, and prevention of illicit traffic across the Macedonian borders. The Customs was involved in drawing technical specifications for red and green channel at the Airport-Skopje, and was one of the beneficiaries of funds approved from the **Programme for Integrated Border Management, PHARE 2000**, dedicated to equip the new Headquarter's building. The **TTFSE Project** represents a part of the Regional Project for Trade and Transport facilitation in South-Eastern Europe, and is realized and coordinated by the International Department of the Customs Administration.

The reforming component of the Project concentrated on the institutional reform of the Customs Administration, is being realised in cooperation with SECI Advisory Team consisting of eminent customs experts providing technical assistance, reflected in:

1. Introduced selectivity at Border Crossing Points for traffic of vehicles, anticipated by training of the customs officers working at most frequent places;
2. Additional training for the needs of the Sector of professional responsibilities;
3. Improved System for Risk Analysis and selectivity

The trade component of the project-development and support of the Trade is realizing in cooperation of the Chamber of Commerce where the national coordinator for facilitation of the commerce is located. This component is realizing through trainings and information of the importers, exporters, brokers and all other participants in the trade, with final aim to facilitate the trade and to reduce the costs. 15 seminars of all planned 18 were realized until September 2004.

The third component comprises procurement of IT equipment, training and construction of the new premises for Information Centre.

The fourth component is referring to the reconstruction of the buildings at Deve Bair and Cafasan Border Crossing Points, and construction of Tabanovce.

The Project for fight against the proliferation of arms (for massive destruction) and the Project for export control and border security, supported by the United States Government, in 2004, provided:

- Training for the customs officers working at the Border Crossing Points, and equipment for detection of smuggled goods and radiation;
- Study visit to USA of 11 customs officers, for new knowledge and skills in preventing illegal activities;

The TAIEX Programme realized through the Office for exchange of technical assistance of the European Commission in Brussels, was part of the international cooperation and its objective was to harmonise the national legislation with the EU legislation, with support of technical assistance consisting in seminars, Work Shops and study visits.

The TTFSE Project Regional Staring Committee meeting, held in April 2004, estimated the made improvement in the implementation of the project in any country in the Region, and the Customs Administration of the Republic of Macedonia was characterized as significantly successful in the engagement and contribution to the implementation of the Project. The cooperation with AIEA from Vienna was continuing in the frame of the Project **Building of capacities for detection and combating the illicit traffic of radioactive materials**. The month August marked the start of the pilot project for detection of radioactive materials. In the frame of this project, an regional meeting held in Budva, Republic of Serbia and Montenegro, in the period 14-18 June 2004.

The representatives of the Customs Administration participated in the Work Shop **Logistic exchange of information Macedonia- USA**, held from 27.09 to 01.10.2004, in Skopje, in organization of the Ministry of defence and Army of the Republic of Macedonia.

Technical cooperation of the Dutch Customs made a significant contribution to reach these three goals. In November 2003 cooperation between the Dutch and Macedonian Customs started with two study visits to the Netherlands by the officers, representatives of the Macedonian Customs. Presentations and demonstrations have been provided by the Dutch Customs in the fields of implementing EU regulations & procedures and the work of the Dutch Customs laboratory, respectively.

In February 2004, a follow up was provided through a fact finding mission by the Dutch Customs and Tax Administration. Nine new technical assistance projects were appraised and initiated.

In October 2004, the Management Team of Customs Region North **from Netherlands** visited their counterparts in Macedonia (Appraisal Mission I). During this visit, past cooperation was evaluated and possibilities for future cooperation were identified. This mission has made a large contribution to the institutionalization of the cooperation between the two customs administrations, and a counter visit of the Macedonian Director General to the Netherlands has been agreed upon. Also, the project portfolio has been discussed intensively. Six (already initiated) projects have been worked out in more detail (ready for execution) and 8 new projects have been prepared for 2005.



Nine projects have been executed in 2004 (see annex 3 for details):

- **Risk Analysis I:** a Macedonian Customs delegation followed a 4-day program in the Netherlands to see how risk analysis is implemented in the Netherlands. Risk analysis makes the Customs Administration more effective, by targeting limited resources on high risk transports. Examples provided during this program contributed to the implementation of a Macedonian system for risk analysis. In 2005 a follow up project is envisaged.
- **Implementation of EU Regulation II:** a large delegation of regional directors & chiefs of the Macedonian Customs followed a 3½-day program on a wide range of customs procedures in the Netherlands. This trip provided insight into the consequences of the upcoming reorganization of the Macedonian Customs, during which the Customs will adopt EU procedures.
- **Falsified Documents I:** training was provided to twenty customs officers to detect false documents (passports, trade documents, etc.). These trained officers can make a direct contribution to more effective law enforcement and an increase in the collection rate of customs duties. “The first group of ten Macedonian Customs Officers who successfully completed the course on falsified documents”
- **Falsified Documents II:** the eight best participants from the training ‘Falsified Document I’ were sent to the Netherlands for a two-week course on printing techniques at expert level. In 2005 two follow up projects are envisaged.
- **Laboratory II:** arrangements were made for disputed lab samples to be tested in the Dutch Customs Lab. Lab samples are tested in order to determine the amount of duties to be paid. Testing lab samples by an objective outsider will prevent (trade) disputes from lingering. Recently, the Dutch Customs Lab made its contribution to resolve a dispute

between the French oil-company TOTAL and the Macedonian Customs Administration (see newspaper clipping in Annex 5).

- **Mandatory Penalties I:** a two-day seminar has been provided on mandatory penalties. Mandatory penalties gives the Macedonian customs a tool to punish offenders of the customs law directly. The out of court settlement procedures will: (1) help to enforce customs laws; (2) increase the collection rate of customs duties; and (3) reduce the amount of lengthy and costly court procedures. In 2005, a follow up project is envisaged.
- **Single Customs Manual I:** assistance in setting up, usage and maintenance of a Macedonian Single Customs Manual was provided in a two-day workshop. Development of such a manual will provide easy access to all Macedonian customs laws, regulations and procedures.
- **Direct & Indirect Representation I:** a one-day seminar for 60 customs officers provided practical Dutch examples for the implementation of EU harmonized 'representation' procedures for importation of goods. It is important for the Macedonian Customs to comprehend these procedures, so they can maximize the collection rate of import duties with a minimum disruption of trade.
- **TARIC Numbers I:** a short training session for using TARIC numbers was held. The TARIC number is a classification, also used in the EU, for tax, customs and other purposes. In 2005, a follow up project is envisaged.

The cooperation between the Macedonian- and Dutch Customs has been significant in the past year. This was made possible by the efforts of all stakeholders: Macedonian Customs, especially at management level; Dutch Customs; and the Dutch Embassy in Skopje. All stakeholders have enthusiastically invested in this cooperation. For 2005 several projects have already been discussed.

The Customs Administration of the Republic of Macedonia organized and hosted the Regional Meeting of the regional directors and heads of the Investigation and Intelligence Sectors, held on December 16 2004 in Ohrid, and topic of the meeting was **Regional cooperation and exchange of intelligence information between the Customs Services combating the organized crime.**

From 6-9 July, one representative of the Customs Administration attended the celebration of the 125th anniversary from the creation of the **Customs Service of Bulgaria**. The third bilateral meeting was held with the **Customs of the Republic of Greece**, on 17 September, in Thessalonica-Greece.

In 2004 there was permanent cooperation with SECI Centre in Bucures combating the transborder criminal, through following up the activities, transmission of information to the relevant Sectors and giving unselfish support to the representative of the Customs Administration of the Republic of Macedonia in Bucurest. In coordination with this Centre, many successful regional activities were realised in the domain of combat against the illicit trade.

The technical assistance by the Republic of France provided Seminar on human resources, from 13-17 September 2004, and an study visit (6-10 December) realized in order to know the new experiences concerning the security of the customs officers. The visit of the French Customs attaché, Mme Gisele Clement, was used to define the future activities.

The embassy of **United Kingdom in Skopje** expressed its support by providing of a Bar Code Based Inventory Control System.

In the third quarter of 2004, the **Government of the Republic of Turkey** provided two dogs for drug detection and training of two dog handling instructors, from September 27 - December 24. The training was realized in the Police academy in the Ministry of Interior of Turkey, Ankara.

In 2004 many bilateral meetings were organized at highest level with the Customs of Greece and Serbia, in order to promote the future cooperation, particularly the facilitation of the transit for Olympic Games in Greece.

Participation in international Forums and Conferences

The Director General of the Customs Administration participated at the International Conference organized by the World bank on Poverty Reduction (May 2004, Shangaj, China), as representative of the Region, **where took participation in the discussion** on the topic: Improvement of investment climate.

In February, Greece was host country of the 1st Conference for transborder cooperation in South-eastern Europe with the Customs Administrations of the new countries members; aimed to observe the building of capacities, improve cooperation with neighbours countries.

The general Directors of the Customs in Europe and Customs members of WCO, in February 2004, attended the Regular Annual Meeting in Moscow, Russia, which was possibility to define the new activities and harmonization of the customs procedures, necessary for meeting the challenges imposed by the customs activities at European and global level.

AVERAGE BORDER TIME (Project of the World Bank for transport and trade facilitation in South-Eastern Europe)

Border Crossing Points	2000 November	2001 November	2002 November	2003 November	2004 June
Deve Bair - (entry)	308,7	386,3	175,2	34	35
Deve Bair - (exit)	15	7,2	16,1	5	8
Tabanovci - motorway (exit)	55,4	124,6	89,8	25	22
Tabanovci - motorway (exit)	6,4	/	19,4	10	6
lafasan (entry)	285,2	21,6	15,9	16	26
lafasan (exit)		12	13,2	11	10
Kumanovo - clearing of goods	361,4	243,8	244,8	143	129

*
The table shows that the average border waiting time by truck at entrance into the Republic of Macedonia, at Deve Bair BCP marks diminution from 386 (2001) to 35 minutes (2004).

WORK INDICATORS

Indicator	1999	2000	2001	2002	2003
Collected revenues/ employee (in 000 USD)	297	442	381	456	586
Fee for customs activities /declaration USD	19,82	16,44	16,75	39	21,42

The collected revenues are good indicator for the quality of the work of the Customs Administration. The average collected revenues by employee amount to 586 thousands USD in 2003, which is increase in comparison with 297 thousands in 1999. The same indicator shows collected revenues by employee in amount of 456 thousands USD, in 2002, that represents amelioration in comparison with 381 USD in 2001. Expressed in %, this increase is 20.

These results are achieved without new employment, or precisely with reduced number of employees came from the rationalization of the public administration.

SAVING OF FREE IN THE BORDER CROSSING TIME (Only at three pilot sites)

The reduced average waiting time of the trucks of 61 %, represents a saving of 1,7 millions USD for the Macedonian economy, resulting from the reduced waiting time, gain in auto days, and diminuend terminal taxes.

The calculation is made on base of the average costs of 12,5 USD/h by detaining of truck (in average 300 USD/h).

The Republic of Macedonia and its Customs Administration as principal user of the Project, is belonging to the must developed countries members, devoted to:

- The reforms in procedures
- Transparency
- Combating the smuggling and corruption
- Regional and interministerial cooperation

The reforms are reflecting in the ameliorated work indicators in surveillance by this Project, by reduced waiting time (52-90%) to increased collected customs revenues of 37 % (324-512 millions USD), envisaging the period of the last three years. The scope of the trade marks increase of 31%.

INVESTIGATION

The Control and Investigation Sector of the Customs Administration performed successfully the planed tasks, defined by the adopted Plan and Program, as well as other tasks and other necessary activities.

All employees have put maximum efforts in the performance of their every day tasks and duties, for obtaining more efficient, professional, legal and timely work. The year 2004

was characterized by great results in detection and prevention of crimes and infractions in customs matter, even in conditions of insufficient equipment.

Analytic and statistic Service

In 2004, the activities of this Service were comprising receipt, registration and filling of forms concerning submitted information to the Open customs telephone line, subsequent dissemination of this information to the other Units, preparation of the exits forms with data transmitted from the units, rapports to the competent public authorities, comparison, assessment, analysis, input and distribution of all relevant data, preparation of weekly plans and reports, semi annual reports concerning the activities of the Control and Investigation Sector, input of data on seizures in the data base, participation at seminars for analysts organized by the Ministry of interior, study visit to Slovenia concerning the preparation of the sub legal acts for application of the Law on Customs Administration, participation at seminar for non proliferation of the arms for massif destruction, as well as other investigation items.

In 2004, this Service introduced the data base of seizures offering statistics of the total seizures of excise goods in territory of the Republic of Macedonia, at any moment.

CUSTOMS COORDINATION UNIT

The Customs Administration settled successfully the reported cases of smuggling and corruption, received through the Customs open telephone line 197 providing the opportunity to the public to make free and anonymous telephone call to report for any problems regarding the customs clearing, the smuggling of drugs and arms, the illegal economy, bribe and corruption in Customs.

The Coordination Unit as part of the Control and Investigation Sector is providing permanent 24 hours support to the 197 telephone line and the public.

The information is collecting by 9 operators working in 12 hours shifts.

In 2004, the open telephone line processed 50289 calls, **out of** which 817 were transmitted to the Analytic and statistic Service, and 305 calls concerning corruption, to the Sector for Professional Responsibility. The Analytic and Statistic Service prepared and submitted 668 exit forms to the other Units of the Control and Investigation Sector.

**ДАЛИ ИМАТЕ НЕШТО ДА
ПРИЈАВИТЕ ?**

ПРИЈАВЕТЕ ШВЕРЦ И КОРУПЦИЈА НА ЦАРИНАТА

197

повикот е бесплатен и анонимен
ЦАРИНСКА УПРАВА

www.customs.gov.mk

According to the obligation for cooperation with other public authorities, information about 125 cases was transmitted to the Ministry of interior, 34 to the Public Revenue Office, 2 information to the Financial Police, 2 information to Anti-corruption Commission and 45 information to the State Market Inspection.

Public authority	Sent information	Feedback
Ministry of Economy Market Inspection	45	12
Public Revenue Office	34	3
Ministry of transport and communication	5	1
Ministry of Interior Criminal Police	99	6
Ministry of Interior Sector NTS	4	
Ministry of Interior Sector for professional standards	15	1
Ministry of Interior Police Service	7	
Ministry of Agriculture	6	4
Ministry of Labour	4	2
Ministry of Health	10	1
Ministry of Defence	2	
Anti-corruption Commission	2	
Other public authorities	12	2
Border Crossing Points	22	7

Control and Audit Unit

The Control and Audit Unit as part of the Control and Investigation Sector, with its Services at the Customs Houses in Skopje, Bitola and Kumanovo, prepared reports for performed controls carried out in 67 companies- importers and at 38 Customs Offices. The verifications resulted in additional collection of customs debt amounting to 37 millions denars. Criminal charges were initiated in 32 cases.

Intelligence Unit

During the year 2004, the new version of intelligence data base providing different levels of approach which assure better security of the system, was created. The additional available changes improved the system of data reports and analyses of the data and have another tool disposed by the Risk Analysis Unit, defining selectivity criteria. The storage of information was continuing in the base dedicated to persons, companies, forward agents, transport companies, transport means, goods suspected or proved as participating in the violation of the customs legislation.

MISER (Management Intelligence Statistical Electronic Reporting) is program used by the Mobil Teams. In close cooperation with CAFAO-MAK, two trainings were organized on its use.

CEN (Customs Enforcement Network)

The information concerning the seizures made by the customs officers in 2004, including all details (photos and methods of seizure), were introduced into the World Customs Organization data base, used for the intelligence purposes. The data base comprises data for all seizures of narcotics, cigarettes, arms, submitted by countries members of the WCO. The data base offered data for new methods of concealment, smuggling and other useful information for the customs officers. The Intelligence Unit obtained significant results in 2004 reflecting in 9 seizures of narcotics and 8 seizures of cigarettes shipments. The Unit were continued and deepened its cooperation with WCO Regional Intelligence Liaison Office (RILO).

Cooperation with SECI Regional Centre (Centre for combating transborder crime)

Following the creation of the National Focal Point at national level, the cooperation with SECI Centre in Bucharest appears as ameliorated, especially in the domain of exchange of information. The year 2004 indicates to 46 requests/replies for verification and 62 information regarding different seizures of drugs and cigarettes. SECI Centre coordinated many regional actions for combating illicit traffic of : human beings (May-June 2004), drugs (June 2004), stolen vehicles (August 2004) and cigarettes (September-December 2004).

BALKAN-INFO and ZKA

In 2004, the appointed contact points of this Unit continued the cooperation with these services in 2004 and exchanged 211 information concerning seizures of narcotics. Many projects were prepared: Drugs (2003), Cigarettes (2002-2003), Vehicle spore parts , Empty trucks and fictive export/transit Blace (2004).

The Intelligence Unit and the Mobile Teams participated in one week operation KULA, in cooperation with the Customs Service of Bulgaria. The action included all Common Border Crossing Points with Bulgaria, where the exchange of information on import/export was accompanied by common controls on both sides.

The following training activities were realized on:

- Utilization of the Analyst Notebook software
- Elementary intelligence training , in cooperation with the Customs Service of Montenegro
- Training for trainers 1 and 2 part;
- Proliferation of arms for mass destruction
- Primary and secondary control at the border crossings
- Recognizing and testing of drugs
- Training on transborder control and identification of dual use-goods

- International principal course for detection of counterfeits
- Regional cooperation and exchange of intelligence information between the Customs Services for combating the organized crime.

INVESTIGATION UNIT

In 2004, the Unit has undertaken the following activities:

- 62 submitted criminal charges, in accordance with the provisions of the Criminal Law on different criminal acts
- 19 submitted requests for committed offences, according to the Customs Law and other Laws
- 92 communications to the Control and Audit Unit, as reply to their requests for subsequent verification of invoices, Movement certificates EUR 1;
- 109 requests were submitted to the foreign Customs Services, requesting information concerning verification of invoices, verification of Movement Certificates EUR 1, proof of actually paid value of goods, as well as reply to request of foreign Customs Services
- 114 replies to different request of the Ministry of Interior
- 10 propositions for additional collection of customs and other duties, according to the article 175 paragraph, alinea 3 of the Customs law, amounting to 20.886.170 denars.
- Organization and realization of two controlled deliveries of synthetic drugs, in coordination with SECI centre in Bucharest, and two other in cooperation with the Sector for illicit traffic of the Ministry of interior.
- Organization and participation in the regional operation MIRAGE, as part of the fight against trafficking of human beings, in coordination with the SECI Centre in Bucharest
- Four courses on Risk Assessment, changes of the Criminal Law and the new responsibilities of the customs authorities, due to the changes, procedure following detection of criminal act or violation, and procedure of control at the data channel system (red and green).
- Replies to the EC Questionnaire on combating organized crime in Western Balkans
- Replies to the EC Questionnaire for accession of the Republic of Macedonia to the European Union.

CUSTOMS MOBILE TEAMS

In 2004 the Mobile Team carried out controls that resulted in 93 seizures, accompanied by reports on customs offences and criminal charges:

Offences		Value of goods (den)	Evaded duties (den)	Total
January	5	239.061	98.220	337.281
February	8	1.089.784	379.517	1.487.301
March	6	155.754	24.142	179.896
April	6	1.308.200	613.801	1.922.001
May	5	16.619.606	66.330	16.685.936
June	20	1.005.111	536.645	1.541.756
July	6	5.966.040	567.938	6.533.978
August	5	388.649	303.130	691.779
September	6	2.648.532	1.240.990	3.889.522
Oktober	4	614.232	334.441	948.673
Noember	12	22.422.523	14.753.115	37.157.638
December	10	5.189.688	4.349.385	9.539.073
TOTAL	93	57.647.180	23.267.654	80.914.834

The seizures in 93 cases amount to 80.914.834 denars, i.e. 1.315.688 Euro of evaded revenue to the national budget. On basis of 125 forfeitures in favour of the Republic of Macedonia, there were seizures of 384 boxes of cigarettes, 180 litres of alcohol beverages, 384 pieces of medicaments, 540 glasses, 2000 pieces of costume jewellery, 1500 pieces of textile products, in amount of 1.500.000 denars.



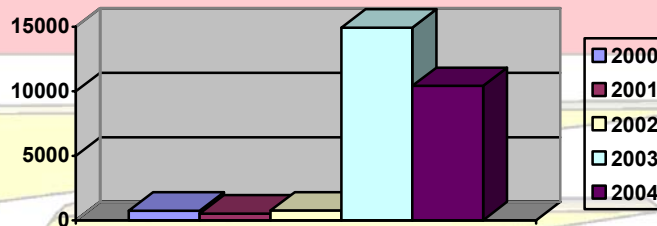
The seized goods comprise:

- Foreign currencies 159.400 Euro, 150.000 USD and 190.000 CHF;
- 8 kilos of gold
- 774,6 kilos of drugs seized by Mobil Team and in cooperation with other Units of the Customs Administration and Ministry of Interior
- 6.364 840 pieces of different brands of cigarettes, seized by Mobil Team and in cooperation with other Units of the Customs Administration
- 500 litres of different alcohol

In 2004, apart from the above mentioned activities and tasks, the Control and Investigation Sector performed additional activities including personal contacts with subject for exchanging information and services in the working scope of this Sector.

CIGARETTES SEIZURES

Year	Quantity
2000	743.200
2001	519.200
2002	750.600
2003	14.933.600
2004	10.411.600



DRUGS SEIZURES

Year	Total in kg
2001	73,82
2002	60,12
Total 2001-2002	133,94
2003	165,41
2004	850,47
Total 2003-2004	1.015,88

In the period 2003-2004, the seizures attained 1.015,88 kilos of narcotics, which is 8 times more than the quantity seized in the period 2000-2002.

SEIZED FOREIGN CURRENCIES

Year	Total in Euro
2001	117.630
2002	37.631
Total 2001-2002	155.423
2003	150.000
2004	601.000
Total 2003-2004	751.000

In the period 2003-2004, the seizures attained 751 thousands Euro, which is 5 times more than the seizure in the period 2000-2002.

CRIMINAL CHARGES

Year	Requests
1999	392
2000	408
2001	498
2002	474
2003	1738
2004	1492

In the period 2003-2004, the Customs Administration submitted 3230 criminal charges, which is 4 times more than the charges from the period 2000-2002, in number of 906.

CRIMINAL CHARGES

	2003	2004	Вкупно
Criminal charges submitted by the Control and Investigation Sector (smuggling of alcohol, cigarettes, dispersive materials, drugs and arms)	35	64	99
Criminal charges by the Department for criminal offences and administratives matters and representation at judicial and other institutions (evaded duties and counterfeited documents)	30	46	76
Total	65	110	175

In the period **2003-2004**, the Customs Administration submitted 175 criminal charges, which indicates significant change, taking into the consideration that in the previous year there was any criminal charge.

In the period **2003-2004**, the Customs Administration initiated 175 criminal charges, which indicates significant change, considering the period 1999-2001 where no criminal charges were initiated .

RISK ANALYSIS

The Risk Analysis Unit implemented the electronic selectivity in the Customs Offices for customs clearing of goods, respecting the foreseen dynamic, except the Customs office Airport Ohrid, Customs Office Poste-Bitola, Customs Office Refinery OKTA and the Customs Office Feni-Kavadarci.

The analysis done by the Unit, defined different profiles and elaborated 42 criteria in the system by Customs Offices. These criteria represent target parameters for selective control requiring an authorisation of the coordinator and director, and are introduced in the system by Customs Offices, with selectivity modul. The criteria are being analysed on monthly base being revised twice by year, that means closure of some criteria, i.e. their modification in regard to percentage, parameters and selectivity elements for obtaining better efficiency.

Monthly analysis of irregularities is being carried regularly at the Customs Offices in Deve Bair, Tabanovce, Cafasan, as required by the SECI TTFSE Advisory Team. Some irregularities resulted from the analysis were communicated to the Intelligence Unit and Control and Audit Unit.

The applied criteria for selectivity were comprising:

- random selection 5%
- expected selection on red canal 20%
- expected selection on yellow canal 40 %
- expected selection on green canal 40%

Test with simulation was conducted before the practical use of parameters, criteria and organisation by sections of the testing server. The function of the blue canal was tested too.

Besides the prepared acts, the Unit gave twice propositions for improved realization and implementation of the selectivity model. The previous year was characterized by many visits to the Customs Offices, observing the problems and underlining the importance of the transmission of information and regular filling of control acts for further processing, collection and possible analysis and definition of profiles.

HUMAN RESOURCES AND TRAININGS

On a proposal of the Director General of the Customs Administration, the Regulation for organization and work of the Customs Administration and the Regulation for systematization of working places in the Customs Administration, were prepared and

adopted by the Minister of Finances. The changes in the organisational structure aim to achievement of the strategic priorities of the Service.

As part of the new functions appear:

- Equiped and trained Sector for professional responsibility performing every day internal control of all functions in the Central Dorectorate and the regional Units, for enforcement of the laws, proscribed procedures, responsibility and work tasks. In this manner it participes in prevention, detection and elimination of bad behaviour, fraud, loss, abuse and wrong management in organisation of the Customs Service. The difrent envisaged cases are processed according to the Law of working relations, Customs Administration Law, Law for public employees and Colective Agreement for working relations in Customs Administration, and result in disciplinary measure.
- **Sector for human rressources management**, which according to the objectives, role and responsibility coming from the working strategy, is dealing within introduction of new systems conformed to the EU standards in the domain of recruitment, evaluation, administration of the performance, making career, training, cessation of employment, retirement, salary and rewards, as well as working conditions.
- **Unit for internal revision** subordonated directly to the Director General of the Customs Administration, is responsible for planning, organizing and performance of revisions and revisions politics of the Ministry of Finances, according to the requiremnets of the World Bank for appovement of PSAL (Public Sector Adjustment Loan) and PSMAL (Public Sector Management Adjustment Loan).

The changes in the Law for public servants, the uniformed persons and the person with particular responsibilities are excluded of application of this Law. For the first time, separate Customs Administration Law defines in transapent manner, the statut of this persons in the domains of the rights, responsibilities and obligations deriving from the working relations, with established differences in relation with other authorities and services (strained conditions of recrutment, evaluation of the work, system of protection at work, prolonged length of service, interdiction for supplementary activity carried out of the sevice, strict code of behaviour, motivation and rewards for succesful work, award and financing), where the Sector for management of human rressources had participated.

The sub acts of this Law permitted preparation of the Operative instruction for the work and activities which come in conflict with the respomnsability of the customs officers. This instruction was transmitted to all customs officers with registration of their familiarity with. Implementation of this instruction should fortify the integrity of the customs officers with aim to prevent corruption. The regulation on the form, the content and the manner of utilisation of the symbol of the Customs Administration, was also adopted.

The Sector for human rressources management took active participation in the ansewing of the EU Questionnair and in the activities included in the answers which assure conformity with the EU standards. The last year was also marked by the adoption of the Regulations concerning the criteria for giving rewords in the Customs Service, and by the

changed Collective Agreement on working relations in the Customs Administration of the Republic of Macedonia.

In 2004, the disciplinary procedures resulted in 8 decisions for cessation of employment, 3 decisions for suspension, 25 decisions for fines, 6 decisions for termination of the procedure, 14 decisions for rejected proposition for disciplinary responsibility. The Personnel Department continues to register the disciplinary procedures, i.e. the pronounced measures, and prepares an analysis following these records.

Training Department

Strategic objective of this department is oriented toward improvement of the performances of the employees and their development through trainings. In order to achieve the defined objectives, the Department began to develop the training system, i.e. high quality trainings provided by good trainers, assuring improved working performances and development of the employees which would contribute to overall development of the Service.

The Customs Administration aims make revision of the Working practice and to ameliorate the standards, and in case of necessity, to introduce new working procedure. The department started its activities for implementation of the Strategic Plan of the Customs Administration. In 2004, the trainings were developed in order to satisfy the specific needs of the personnel, support all persons participating in the management for definition of the training needs, evaluate the training programs and improve until obtaining the necessary quality, conduct a team of trainers which progress would be permanently followed and evaluated, offer trainings for better professional standards, and to encourage the personnel to take responsibility for self development.

As main activities in 2004, realized by the Training Department, appear:

1. Elementary training

- Preparation of training programme
- Preparation of plan for evaluation of the candidates
- Analysis and evaluation of the training

In January and February, the elementary training was attended by 19 customs officers (10 with university-level specialist's training and 9 with intermediate specialist's training).

2. Training for trainers

- Interview with external companies specialized in conducting trainings
- Selection of candidates for training through interview (41 interviewed candidates)
- File for every candidate
- Agreement to follow the progress of trainers and preparation of training modules

Last August and September, the training of trainers was successfully implemented with 29 participants of the Customs Administration. For the first time, this training provided trainers for the needs of the Customs Administration that are satisfying some higher standards and having not only knowledge, but also skills for

transmission of this knowledge. The Training Department and the trainers, deal on development of the national programs for internal trainings, individual and common training models, module of training at the work place applying different methods and techniques assuring products of high quality.

3. Primary and secondary control at Border Crossing Point:

- Preparation of training material
- Preparation of our trainers
- Evaluation and analysis of every realized training

In the frame of the Trade facilitation Project for South-Eastern Europe, the Advisory Team SECI/TTFSE, trained 4 trainers from the Customs Administration that delivered 6 trainings concerning the primary and secondary control at Border Crossing Points, to 172 participants. All customs officers from the Border Crossing Points were included in the training in order to provide faster flow of passengers.

Macedonian customs expert, trained by MAAE (International Atomic Energy Agency in Vienna) conducted 5 trainings on elementary knowledge of radioactivity, handing of instruments for measurement of the radioactivity and protection of radioactivity, to 91 participants. The customs officers learned the manner of using the radioactivity measuring devices located at the Border Crossing Points, the manner of proceeding in case of alarm and the kind of protection measures to be undertaken.

4. Training on radioactivity detection measurement devices

- Preparation of training materials
- Training and evacuation

5. Training on title "Computer Skills' for the customs officers in the Control and Investigation Sector

- Preparation of questioners and survey of the employees and determination of training needs
- Preparation of training program

The training was performed in three phases for four groups of participants, in May, June and October, for total number of 52 participants. The training introduced the characteristics and possibilities of the computer systems, regarding better utilisation to improve the investigation and control operations.

6. Training on "Instruments securing the payment of customs debt"

- Preparation of the training program

There were 5 trainings for 84 participants from the Customs Administration and 4 trainings for other participants in the customs procedure: importers, brokers and banks. The advantages of the implementation of these instruments securing the payment of the customs debt are: faster customs procedures; reduced costs for the Customs Administration and the importers, and participation in the modern flows of electronic

banking. The Customs Administration conducted 19 internal trainings for 509 participants.

7. Establishing system of records for trainings by title , date and place of holding, number of participants, project and trainers.

59 Other trainings were organized for 549 participants, within other projects (CAFAO MAK, SECI/TTFSE, TEMPUS, USAID, CARDS, TAIEX, as well as trainings as part of the cooperation with USA, Netherlands, France, Germany, Turkey etc.).

8. The trainings and seminars organized abroad are being realized by topic, place and time of holding, submitted reports and future activities that should be undertaken following the trainings.

There were 22 study visits to other countries, for 89 participants, and 7 participants took participation at 4 conferences and meetings.

According to the data and records of the Training Department, concerning the trainings, seminars, workshops and study visits, in 2004, 104 activities were undertaken, attended by 1154 participants.

PROFESSIONAL RSPONSABILITY

The **Sector for Professional Responsibility**, or more precisally, the Internal Inspection Department, has mission to prevent, detect and eliminate the non professional behaviour, fraud, losses, abuse, corruption and wrong management within the organisation, i.e. all misconduct cases quoted in the Article 123 of the Collectiv Agreement on working relations in Customs Administration of the republic of macedonia.

The Sector for professional responsibility , on base of the information on illegal procedeengs of the customs officers, recieved by the Open Customs line 197, and on base of the information from the Control and Investigation Sector, Ministry of Interior and own confidential sources, prepared Offical Information, Official notes and Reports to support the alleged committed customs infraction, taking into acount the moral integrity of the personality of the customs officers and respecting the human rights. The year 2004 was caracterized by 26 information, 83 Official notes and 20Reports. For the Sector, specialized training took place, organised by the SECI Advisory Team.