



REPUBLIC OF MACEDONIA
MINISTRY OF FINANCE
CUSTOMS ADMINISTRATION

**ANNUAL REPORT
ON THE ACTIVITIES OF
THE CUSTOMS ADMINISTRATION IN 2007**

Skopje, March 2008



SUMMARY

The Customs Administration of the Republic of Macedonia is committed to establishing a customs system fully compatible with the European Union (EU) customs system as well as with the standards of the World Customs Organization (WCO). In 2007, the Customs Administration of the Republic of Macedonia (hereinafter: Customs Administration) has been engaged intensively in the realization of the National Plan for Adoption of the *Acquis Communautaire*, further harmonization of the legislation and accession to the international conventions. By the end of 2007, the Customs Administration of the Republic of Macedonia acquired a status of observer in the European Commission's Working Groups on the Common Transit Conventions.

The year 2007 has been marked by extensive activities for further strengthening of the institutional and administrative capacities of the Customs Administration, as well as for facilitation and speeding up the trade, while putting great emphasis on the achievement of concrete measurable results in eradication of corruption, prevention of illegal trade, import and transit of counterfeited and pirated goods and on the reduction of the costs of the economic operators. The foreign assistance on bilateral and multilateral basis has had significant contribution to strengthening the institutional and administrative capacity of the Customs Administration.

In the context of the afore-mentioned, a process for adoption of, and amendment to the by-laws which regulate the organization structure and working processes within the Customs Administration started in 2007, a comprehensive training programme for the employees was realized, the internal control mechanisms were reinforced, a great number of investigations and disciplinary procedures were initiated, resulting in great number of notices and penalties rendered, and at the same time activities have started for complete reconstruction of the information and communication support and introduction of the Single Window System for import and export procedures.

The significantly increased engagement in the law enforcement has resulted in detection and prevention of a lot of attempts for customs violations of all kinds, where great quantities of goods, narcotics, arms and counterfeits have been seized, thousands of criminal charges and thousands of offence charges initiated. Four Mobile X-ray Systems for inspection of large vehicles and containers have been procured, which together with the engagement of the customs experts from the European Union, represents a basis for achieving greater results in this segment within the forthcoming period.

To the end of reduction of the costs of the economic operators, upon the initiative of the Customs Administration, in 2007, a significant reduction and elimination of administrative taxes and fees was made for various customs services, a possibility for reduction and total elimination of the provision of the potential customs debt was introduced, and in cooperation with the business community, many operative and normative obstacles have been removed and the customs procedures simplified.

Compared to 2006, the Customs Administration has collected 28% more revenues than in 2007.

EUROINTEGRATION

For the purpose of harmonization with the amendments of the Customs Code of the European Union, published in the EU Regulation No. 648/05, during the first half of 2007, Amendments and Appendices to the Customs Code have been prepared, and adopted by the General



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Assembly of the Republic of Macedonia at the very beginning of 2008. These have provided a **legal framework for introduction of the Authorized Economic Operator concept.**

Taking into consideration the Recommendations of the European Commission pointing out that the administrative taxes payable for certain customs services are not in compliance with the European legislation, modifications and amendments to the Law on Administrative Taxes were adopted in the first half of 2007, by which **the taxes for obtaining various customs authorizations have been reduced from significant sums (which have reached MKD 60.000) to symbolic amounts (MKD 300 to MKD 500).**

To the end of further harmonization with the *Acquis Communautaire*, amendments have been made to the Book of Regulations on the Type and Amount of the customs fees for customs services rendered, thus **abolishing the 40 fee for Binding Tariff Information and the EUR 65 fee for laboratory testing.**

Pursuant the National Programme for adoption of the EU *Acquis Communautaire*, the Government of the Republic of Macedonia has adopted an Ordinance for implementation of the regulations of the European Commission for classification of certain goods in the Combined Nomenclature ("Official Gazette of the Republic of Macedonia" No. 76/2007). **This Ordinance enables direct application of the European decisions, regulations and further harmonization of the Macedonian legislation with the EU *Acquis Communautaire*.**

The Amendments to the Law on Administrative taxes, provide for elimination of the taxes for issuance of an authorization for opening a customs warehouse, authorization for customs procedure with economic effect, authorization for simplified transit procedure, authorization for simplified procedure of declaring goods or procedure of local customs clearance, as well as for simplification with regard to the proof of origin of the goods, for the use of a technique of electronic data processing, for the use of unaltered goods in the inward processing procedure, for the use of standardized system of exchange in the outward processing procedure, for carrying out the usual forms for handling in the customs warehouse, for storage of the domestic goods in the customs warehouse, for transfer of goods from one warehouse into another, as well as for a temporary taking the goods out of the customs warehouse, for transfer of rights and obligations arising from the customs procedure with economic effect from one person to another and, for approval of the proposed form of keeping records for the goods in the free economic zone or free warehouse, for issuance of a Decision for carrying out customs supervision in the free economic zone or free warehouse or of a building permit or authorization for adaptation in the free zone.

On grounds of the initiative of the Customs Administration to the Government of the Republic of Macedonia for accession to the Convention on a Common Transit Procedure between the European Economic Community and EFTA countries and the Convention for Simplification of the Formalities in Trade in Goods¹, **in December 2007, the Republic of Macedonia was granted a status of observer in the Working Committees of the European Commission.** As from the beginning of 2008, the Customs Administration started to participate at the meetings of the Working Committees. Further fulfilment of the conditions for accession to these international Conventions envisages harmonization of the national legislation with the legislation of the European Union in the field of transit and interconnectivity to the New Computerized Transit System of the EU (NCTS), which also means provision of new software

¹ Convention between the European Economic Community, Republic of Austria, Republic of Finland, Republic of Island, Kingdom of Norway, Kingdom of Sweden and the Swiss Confederation on common transit procedure dated 20 May 1987 and the Convention between the European Economic Community, Republic of Austria, Republic of Finland, Republic of Island, Kingdom of Norway, Kingdom of Sweden and the Swiss Confederation on Simplification of the Formalities in trade of goods, dated May 1987



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for customs declarations processing. For this purpose, in 2007, the following steps were undertaken:

- A Project Fiche has been prepared and expert support has been provided for harmonization of the national legislation with the EU legislation, funded by the IPA 2007 funds. The European Commission announced the tender at the beginning of 2008.
- In May 2007, experts from the Directorate General for duties and taxes of the European Commission conducted an IT Awareness Mission in the Customs Administration. As a main priority, the Mission identified the provision of a new national transit software solution which will support the basis of the national configured customs operations by fully accepting the EU legislation and standards, as well as by providing interconnectivity to the EU systems.
- In September 2007, the European Agency for Reconstruction (EAR) undertook an obligation to provide and finance technical assistance for development of a technical specification for development of new national software. At the beginning of 2008, EAR completed the procedure for selection of experts. The Customs Administration has available budget for funding the development of the national transit software solution.
- A Project Fiche has been prepared and expert support provided for preparation of technical specifications for development of a software solution for interconnection of the national transit software solution to the relevant EU systems, funded by the IPA 2007 funds. The tender for selection was announced by the European Commission at the beginning of 2008.
- A Project Fiche has been prepared and support provided by IPA 2008 funds for funding the development of a software solution for interconnecting of the national transit solution to the relevant EU systems.

Taking into consideration that by the end of 2007 the work and Technical Assistance of the CAFAO – MAK was to cease, in February 2007 the Customs Administration prepared and submitted a Proposal Project Fiche to the Delegation of the European Commission in the Republic of Macedonia for EU support (through the future IPA funds). The Project Fiche included three sub-projects: a) harmonization of the customs legislation in the Republic of Macedonia with the EU Legislation, b) commencement of computerisation of the Customs Service aiming to improve the efficiency of the customs operations and offering better services to the users, and c) strengthening of the capacities for fight against frauds, corruption and smuggling of drugs. All the projects have been accepted and their realization is underway.

Upon the initiative of the Customs Administration, reallocation of funds has been made within the CARDS programme by which the allocation for provision of a X-Ray Scanner for inspection of large vehicles and containers has been reallocated for provision of equipment for the customs laboratory² at the beginning of 2007, It also included equipment for partial video-surveillance at

With a purpose to develop the existing quite modest customs laboratory, on the request of the Customs Administration, and in organization of the CAFAO - MAK mission, a visit was realized in May 2007, by a Slovenian expert for customs laboratory, who made an assessment of the existing capacities, and presented proposals for interim re-adaptation of the existing customs laboratory and fully supported the initiative of the Customs Administration for construction of a completely new contemporary laboratory, in accordance with the European standards. Taking into consideration the importance of establishment of a modern and rightly profiled and dimensioned customs laboratory, the activities for providing appropriate premises are underway.

² In accordance with the mid-term plan of activities which arising from the National Programme for approximation to the legislation of the European Union, in 2007, the Customs Administration started the activities for establishment of a contemporary customs laboratory.



the border crossings, vehicles for the operational units of the Customs Administration and equipment for providing simultaneous interpretation.

On grounds of the negotiations held and the preparations carried out between the Customs Administration and the Directorate General for Taxation and Customs of the European Commission, within the frameworks of the Stabilization and Association Agreement between the Republic of Macedonia and the European Communities and their Member States, amendments in the provisions for cumulation from the Protocol regarding Origin have been agreed, by which, in addition to the materials originating in the Community and the Republic of Macedonia, materials originating in the countries included in the process of stabilization and association of the European Union, as well as materials from Turkey, referred to in the Decision No.1/95 of the Association Council between the EC and Turkey (for industrial products) have also been included. In October 2007, the European Commission passed a Decision to include the Republic of Macedonia in the Pan Euro-Mediterranean system of diagonal cumulation of origin of goods.

Upon the invitation of the Customs Administration, in June 2007 the WCO **carried out a Diagnostic Mission** regarding the harmonization of the Republic of Macedonia with the Framework of Standards to Secure and Facilitate Global Trade. A strategic evaluation was carried out, in terms of the capability of the Customs Administration to carry out reforms and modernization, for providing advice for application of the Framework of Standards to Secure and Facilitate Global Trade, and for providing strategic guidelines in carrying out future activities. As a result of the diagnostic mission carried out, the representatives of WCO (members of the diagnostic team) prepared a Report defining the strategic gap analysis of the current situation, and gave Recommendations for the future actions with regard to the implementation of the Framework of Standards to Secure and Facilitate Global Trade (First phase). In the course of the year 2008, the realization of the Second phase is expected, that is, expert support by the WCO for preparation of a detailed plan for realization of the Recommendations from the First phase.

In November 2007, the Customs Administration prepared an **Initiative for accession of the Republic of Macedonia to the Revised Kyoto Convention on Harmonisation and Simplification of Customs Procedures** with a detailed compliance analysis regarding each standard and measures proposed, deadlines and persons in charge for harmonization of the standards. The revised Kyoto Convention should provide transparency and predictability for the customs procedures for the participants, that is, for the importers, exporters, transporters and the freight forwarding agents.

INSTITUTIONAL CAPACITY

Legal framework

In order to provide proper application of the provisions from the Customs Code which provide for a possibility to reduce the amount of the guarantees that the holders of customs authorizations must submit to the Customs Administration in order to ensure the potential customs debt, the Regulation for implementation of the Customs Code ("Official Gazette of Republic of Macedonia" No. 40/2007) was amended and appended in the first half of 2007. **The amendments to the regulation provide for transparent criteria (including financial and tax background of the company, owners and the management) for reducing the amounts of the guarantees (even up to 0% of the potential customs debt)** which are proven by appropriate statements and documents that are to be submitted by the holders of



authorizations for inward processing and customs warehousing procedures. Simplifications and speeding up of the procedures for acceptance of the guarantees (the procedure for controlling the proofs is carried by the Customs Administration itself) are enabled, as well as elimination of the discretionary right of the Customs Administration to set the amount of the bank guarantee in a non-transparent way (instead of setting the amount of the bank guarantee, the amount of the potential debt is limited in relation to the received bank guarantee). At the same time, the possibility to claim the right for using reduced bank guarantee ensures reduction of the costs of the economic operators for providing bank guarantees (mortgages, banking commissions and alike).

In addition to the afore-mentioned introduction of the concept of Authorized Economic Operator, the amendments to the Customs Code prepared in 2007 (adopted by the General Assembly of the Republic of Macedonia at the very beginning of 2008) also include provisions which precisely define and simplify the **criteria for adoption, modification and abolition of Decisions passed by the Customs Administration. A definition has been introduced for a high-risk person (financial), and the provisions for customs offences have been harmonized with the national Law on Misdemeanours.** These amendments ensure a transparent and unambiguous procedure of the Customs Administration in cases of revoking the previously issued authorizations and licenses and complete taking over of the competencies from the courts with regard to the implementation of the procedures for committed customs offences (mandatory penalties and fines).

In order to provide uniform implementation of the Decision of the Government of the Republic of Macedonia which allows for new products to be subject to a preferential rate of 5%, instead of the previous rate of 18%, the Customs Administration amended the Instructions for implementation of the Law on Value Added Tax (VAT) during customs clearance of goods, by which new products, subject to a favourable rate of 5%, instead of the previous by 18% have been added.

To the end of simplification of the customs formalities and customs procedures, the Customs Administration amended its **Instructions for customs debt whereby the mandatory submission of the original form PP50 together with the customs declaration as a proof for duties and other fees paid, was abolished.** This contributes to faster and simplified customs clearance procedures, thus the importers do not waste time and money for procurement and presentation of a written document for the payment of import duties they have made, and as a proof of the import duties paid the customs officials are provided with such information through the electronic information system.

In September 2007, the Government of the Republic of Macedonia passed a Decision on a advanced application of the Protocol on to the Agreement on Stabilization and Association between the Republic of Macedonia, of the one part, and the European Communities and their Member States, of the other, regarding the provisions on cumulation of origin of goods, whereby the costs on the import duties and the increase of the competition of the Macedonian products produced from raw materials imported from Turkey, in particular the textile ones, when exported in EU, have been eliminated.

In order to speed up and facilitate the customs procedure at import, upon the initiative of the Customs Administration, **a Proposal has been prepared for amending the Law on Trade which provides for elimination of the mandatory control on marking the goods and technical instructions, being a condition for import customs clearance** (carried out by the State Market Inspectorate) and its transposition in the internal circulation, that is, following the procedure of import customs clearance. This proposal also provides for abolition of the obligation of the importers of electric devices to submit, prior the import procedure, a

certificate for technical conformity-attest (issued by the Institute for Standardization) to the customs authority. The amendments proposed provide for the control of goods, in terms of internal market safety aspect, to be carried out after the procedure of import customs clearance. The proposed amendments to the Law on Trade have been adopted by the Government of the Republic of Macedonia, and they are expected to be passed by the General Assembly of the Republic of Macedonia.

As from 01st January 2008, the Amendments to the Law on Public Roads, concerning the method of calculation and collecting the public road user charges, have started to be implemented. By these amendments, the procedure for collecting the road user charges has been simplified (as a phase for its total elimination) and they are collected by the customs authorities at the border crossings, at exit from the Republic of Macedonia. These charges refer to the public roads in the Republic of Macedonia, except for the public roads, subject to pay toll. To the end of uniform application of the Law on Public Roads, and upon the request of the Customs Administration, in December 2007 the Ministry of Transport and Communications, prepared Instructions for application of Article 8 of the Law on Amendment of the Law on Public Roads, thus explaining the method for calculation and collection of the public road user charges payable by foreign freight vehicles.

In 2007, Amendments and Appendices to the Law of Customs Administration and the Law on Customs Measures for Intellectual Property Rights were adopted, thus providing for their complete harmonization with the provision from the Law on Misdemeanours, in a way that the Customs Administration became competent for initiating offence proceedings on committed customs offences.

In December 2007, the Customs Administration adopted **Instructions for minimal conditions and the method for determination of the working environment where goods loaded on freight motor vehicles are to be placed for inspection by the customs authorities**, whereby, for the first time, the status of the private customs terminals is regulated and the economic operators are provided with unified minimal conditions for carrying out customs supervision. Prior to adoption of these Instructions, there have been extensive consultations with the business community, and in particular, with the existing customs terminals keepers.

ADMINISTRATIVE CAPACITY

To the end of increasing the administrative capacity of the Customs Administration, the Ministry of Finance signed an Agreement valid for two years (with a possibility to be extended for additional two years) with an internationally recognized consultant company **to engage EU customs experts** for further enhancement of the intelligence activities, the operation of the Customs Mobile teams, risk analysis, and application of modern tools and

The engagement of these customs experts provides for avoiding of overlapping the activities with the bilateral and multilateral foreign donors. In this context in 2007, the Customs Administration started to organize coordinative meetings with the donors so as to present the joint projects, progress and plans. There were two coordinative meetings of the donors organized in 2007.



procedures. These customs experts started their work with the Customs Administration at the end of 2007.



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In 2007, the Customs Administration signed an **Agreement** with the company “Nuctech” from China **for procurement of four Mobile X-ray systems for inspection of large vehicles and containers**. By the end of 2007, the first two mobile scanners were delivered and an intensive training started for the customs inspectors. These scanners should contribute to the increase of the collection of import duties, to more efficient smuggling prevention and import of illegal goods, as well as facilitation of the flow of goods.

In October 2007, the Customs Administration assumed the competencies from the courts for initiation/administration of the **offence proceedings**, imposing offence sanctions and special offence measures for committed customs violations. The aim is to provide faster and more efficient settlement of the offence proceedings in favour of reduction of the customs violations. A Unit for Offences has been established and partially equipped – Commission on Offence Procedures and Sanctions and by-laws have also been adopted on the manner and procedure to be followed by the customs authorities in case of detection of customs violations and issuance of an invitation to pay a fine and pay order. The form and content of the Customs Offence Report, the invitation to pay a fine and the pay order have also been determined. The Commission on Offence Procedures and Sanctions started its work in October 2007.

On grounds of the Strategy adopted, as well as the authorizations granted by the Government of the Republic of Macedonia, in 2007 the Customs Administration initiated the activities for introduction of a **Single Window System for import and export procedures**. In cooperation with the government authorities and institutions, the private sector and non-government organizations that have direct participation in the import-export procedures, a high level of harmonization and standardization has been reached in the documents used in the import, export and transit procedures, as well as in the relevant primary and secondary legislation. The Customs Administration has procured the information equipment required (for all state authorities and institutions) and the development of the software solution has reached its final stage. Training courses for the IT personnel and testing of the software are underway. Basic risks for its putting into operation in due time appear to be the adoption of amendments to the relevant laws and provision of sufficient telecommunication capacities.

On 31st December, the EU CAFAO MAK Mission finalised its work in the Republic of Macedonia in providing technical assistance to the Customs Administration aimed to modernization and enhancement of the customs activity in accordance with the EU standards. Prior to the completion of its work, the EU, acting through the CAFAO MAK donated computer equipment and digital audio and video equipment, as well as other IT equipment and five vehicles for the needs of the Customs Administration.

In order to provide minimum control of the transit and on the basis of the signed Agreements on Customs Cooperation and the Free Trade Agreements, **customs information lists (CIL) for excise goods are exchanged** among the countries of the region. Lists for all types of goods are exchanged with the Republic of Bulgaria, at the Border Crossing Point Deve Bair, and with the Republic of Serbia at the border-crossing Tabanovce. In August 2007, an Agreement for exchange of such messages was reached with the UNMIK Customs Service also, and in near future this kind of exchange of information lists for all kind of goods shall be also carried out with the Republic of Greece at the border-crossing Bogorodica. The next stage should be the introduction of an electronic form of exchange of these messages.

In 2007, in cooperation with CAFAO MAK, an Act was prepared for **proper treatment of person under arrest or person held in custody**. This act precisely defines all the actions that the customs officials should undertake at the border-crossings, in the inland customs offices, and the actions that should be undertaken by the inspectors from the Sector for Control and



Investigations. At the same time, a **Guide** has been prepared, on **proper application of the legislation in cases of detection of criminal acts and customs violations.**

In December 2007, the Macedonian version of the **TRACKER** system for control of dual use goods was installed, followed by training courses for the employees, whereby the preparation for starting the application of this system was completed.

In July 2007, the **US Government donated to the Customs Administration sophisticated equipment for detection and identification of radiation, special detectors for identification of smuggling, metal detectors, inspection mirrors and tools**, which will contribute to a higher efficiency in detecting illegal and dangerous goods. The purpose of this donation is to provide strengthening of the capacities and technical supply of the Customs Administration for protection of the state borders against possible terrorist threats, organized crime and illegal trade.

In 2007, the Customs Administration received from the European Commission an authorization for access to the **IILIAD** (subgroup of the European Customs Laboratories Group), being one of the conditions to enhance and facilitate the method of provision of standardized analytical methods in carrying out analysis for customs purposes.

Integrity

One of the strategic objectives for creation of highly professional and well trained personnel is effected through trainings and vocational qualification of the customs officials. Within 2007 various activities for advanced vocational training of the customs officials were carried out on regular

According to the Annual Training Program, in 2007 there were a total of 171 (135 in 2006) realised activities, in a form of training sessions, seminars, workshops, presentations. They were attended by a total number of 2.322 (1.509 in 2006) participants from the Customs Administration. Each employee has received an average of 27 hours general and vocational training, or each customs officer has spent an average of 4 working days in training.

More important realized training sessions in 2007:

- English Language course in accordance with the recommendations of the Council of Europe and provision of the conditions for following the European Union regulations,
- Training on basics of accounting and bookkeeping,
- Trainings on detection of drugs and X-ray scanning of the freight vehicles,
- Trainings on improvement of the integrity, the image of the customs officials and the fight against corruption,
- In cooperation with SNB React Association for cooperation with the holders of rights, the representatives and the competent institutions, training was organized on identification of the trade marks,
- Training on inward processing procedures
- Training in the customs value,
- A Workshop on protection of intellectual property,
- French Language course,
- Training in safety of the container transport,
- Training in radioactivity detection,
- Seminar for prevention of corruption,
- A workshop on introduction of an internal control system for strategic and annual planning,
- Seminar on control of the export of goods and dual use technologies,
- Training on recognition and detection of forged documents,
- Training on retraining of Drugs sniffing dogs,
- Training on simplified procedures for inward processing and conducting controls at the holders of authorisations' premisses.

basis.

In the context of the afore-mentioned, in March 2007, the Customs Administration passed a **Strategy on Training and professional development of the customs officials.** The Strategy establishes the basic principles of the training and professional development training policy, and the roles and responsibilities of all participants in the training process in relation to the European Integration Process are particularly emphasized. New manners and methods for performance of the trainings are suggested, such as the e-learning and trainings for targetted groups of participants by application of interactive methods of training.

On grounds of the Training Strategy, in April 2007, the Customs Administration adopted the **Program for the E-learning, as well as the Annual Training Program for 2007**. By the e-learning, a process of extended study or delivery of instruction possibilities for a wider use of the resources at locations which are different from the traditional classrooms, buildings or premises, to other classrooms, buildings or premises by using video, audio, computer or multimedia communication or a combination of these with other traditional methods of delivery is achieved.

In 2007 the Customs Administration began to carry out mentor based professional training of the newly recruited customs officials. In June 2007 precise programmes for basic training for the posts “senior customs official” and “customs official” are adopted. By these programmes, the schedule and the themes of the elementary trainings aimed to support the vocational training of the newly employed customs officials are established.

In co-operation and financial support of the USAID Project for Improvement of the Business Environment, in 2007 the Customs Administration significantly improved the documentation fund with manuals and publications of the WCO (World Customs Organisation), which were translated, published and distributed to each employee the following publications: Frameworks of Standards to Secure and Facilitate Global Trade, Brief Explanation of the Revised Kyoto Convention and the Glossary of International Customs Terms.

In February 2007 an **Internal Act on Assessment of the Working Capabilities and the Procedures for Hiring Personnel by Public Announcement at the Customs Administration** was adopted. Thus, the criteria from the Conventions and Recommendations of the International Labour Organization (ILO), The Revised Arusha Declaration of the Customs Cooperation Council, the Law on Customs Administration and the Law on Prevention of Corruption, regarding employment, as well as the EU standards were fulfilled. On grounds of this Act, the Customs Administration for the first time provides equal opportunities for all candidates, rule of law, integrity protection, eradication of the possibilities for corruption and reduction of the discretionary rights. The choice and the selection is made on grounds of previously set criteria and standards, by assessment of the performance capabilities, depending on the special conditions for the working post, that is carried out by a specially formed Commission. On grounds of this Act, in 2007, procedures for hiring of 200 customs officials were carried out.

In May 2007, the **Customs Administration** adopted an **Internal Act on Carrying out of an Internal Announcement for Filling Vacant Job Positions**. This way of filling the vacant job positions gives equal career promotion opportunities to all customs officers who meet the requirements for the respective job position. The procedure is carried out by a specially formed Commission. At the end of May 2007, the first internal announcement was published in accordance with the new rules.

The Faculty of Economics in Skopje and the Customs Administration in 2007 launched activities for establishment of a WCO (World Customs Organisation) **Regional Training Centre**. The Faculty of Economics in Skopje and the WCO have already signed a Memorandum on Cooperation, and with the support of the Government of the Republic of Macedonia the initiative was submitted to the WCO. A preparation of a Elaborate is under way, on grounds of which the WCO shall pass its final decision.





On grounds of the recommendations by the Diagnostic Mission of the WCO and the Strategy on Fight against Corruption, the Customs Administration in cooperation with the Embassy of the Kingdom of the Netherlands and the financial support by the Ministry of Finance of the Netherlands have made the promotional materials (in several languages: Macedonian, Albanian, English, Turkish and French) which consists of posters, leaflets and bulletin boards to the end of further promotion of the free customs hot-line 197 for declaring smuggling and corruption at Customs. At the same time, the Macedonian National Television broadcasted spots promoting the free customs hot-line (197), thus encouraging the calls by the general public.

In order to evaluate and promote the professional knowledge, **Operational Guidelines for the Evaluation System of the Operation of the Customs Officials** was adopted in October 2007.

Within the framework of the activities for establishment of a sustainable system for prevention of the corruption, in March 2007, in cooperation with the experts engaged by the CAFAO MAK a **Study on the position of the Customs Administration in the fight against corruption** and the misuse of official powers was elaborated.

In order to implement the strategic objectives for prevention of the corruption more efficiently, the Customs Administration adopted the **Revised Arusha Declaration** (a brochure published, distributed and presented to its employees) and adopted a **Strategy for Integrity and Fight Against Corruption** in the second half of 2007. Both were harmonized in the spirit and the objective of the **Revised Arusha Declaration**, as well as the **Action Plan with deadlines for the implementation of the objectives of the Strategy**.

In October 2007, the Customs Administration and the Trades Union signed a **Code of Conduct of the Customs Administration**. The Code determines the basic principles of conduct and operation during the execution of the working tasks: personal responsibility, compliance with the law, neutrality, public relations, presents, prizes and other kinds of profits, avoiding conflict of interests, political activities and professional conduct in money related matters, confidentiality and utilization of official information, use of professional equipment and official identification, working environment, duties and disciplinary liability

In 2007, 10 training sessions on anticorruption were realised, attended by 220 customs officials, and at the same time training of the trainers was carried out in the area of hampering corruption

Within the framework of the activities undertaken for systematic actions against corruption, **records on criminal cases against actual and former customs officials** was established in 2007, as well as **records on investigation and disciplinary procedures against customs officials**. At the same time, a practice is introduced (which shall be transformed into written procedures in 2008) of **investigation of the entire operation of the employees, where misuse the official powers has been determined, bringing criminal charges against employees who by misusing their official position have damaged the budget, bringing a Demand for compensation with a ban for disposal of property, against the employees who damaged the budget, informing the State Commission for prevention of Corruption about the employees who are to submit a questionnaire for declaration of their property, informing the Public Revenue Office about all doubts regarding the origins of the property of the employees and disclosure of names of those employees against whom irrevocable rulings were passed, but also those who have been rewarded for special results achieved in their work.**



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In order to strengthen the cooperation in the field of fight against corruption among the institutions, by the end of 2007 a **Memorandum on Cooperation with the State Commission for prevention of corruption, the State Public Prosecutor's Office, the Public Revenues Administration, State Audit Administration, the Court Council, the Financial Police, the Administration for Money Laundry Prevention and the MOI** was concluded.

Customs Houses	Official Reports	
	2007	2006
Customs Administration	2	
Customs House Skopje	10	16
Customs House Kumanovo	1	1
Customs House Stip	9	2
Customs House Bitola	6	2
Customs House Kumanovo	5	1
Total	33	22

The Department for Professional Responsibility carried out 33 internal investigations in 2007 (compared to the 22 in 2006) on grounds of which further procedures for removal of the irregularities and initiating procedures for determination of the liabilities of the customs officials.

with the 70 in 2006) internal investigations on grounds of obtained information and complaints regarding improper realization of customs procedures by customs officials and misuse of authority, whereby in 87 cases (compared with the 54 in 2006)

Customs Houses	2007	2006
Customs House Skopje	65	23
Customs House Kumanovo	29	17
Customs House Bitola	27	14
Customs House Gevgelija	62	10
Customs House Stip	57	7
Total	240	70

In 2007 the Department for Professional Responsibility carried out 240 (compared

Official Notes were prepared, in 61 cases (compared with 16 in 2006) Official Information was prepared, and in 92 cases information, determining the customs officials' liability was made.

cases resulted in financial penalties (8 cases in 2006), in 38 cases the imposed penalty was termination of employment (2 cases in 2006), and in 31 cases the procedures were stopped (4 cases in 2006). This year, there were 12 cases of the measure - suspension from work imposed (one in 2006), in 45 cases the customs officials were fined with reduction of their salary (7 cases in 2006).

In 2007, 89 disciplinary procedures were initiated (14 in 2006) out of which 20

In 2007 the Customs Administration submitted to the Ministry of Interior, 12 cases for providing evidence due to reasonable doubts for committed criminal acts –misuse of official position and authority, on grounds of which the MOI have submitted to the Public Prosecutor's Office 5 criminal cases against 6 customs officials. In 2007, the MOI brought criminal charges against 12 customs officials for taking bribe.

In cooperation with the Financial Police 4 cases of criminal charges brought were submitted against 5 customs officials to the Public Prosecutor's Office.

In December 2007 the Customs Administration submitted to the Public Prosecutor's Office 3 cases of criminal charges for reasonable doubts for criminal acts – misuse of official position and authority, in which 10 customs officials were involved.

For 39 customs officials who have left the Customs Authority, information is delivered to the State Commission for Prevention of the Corruption, in order for them to expect submission of a questionnaire on the customs officials property state, and the Customs Administration has submitted Requests for investigation of the origin of their property for 52 customs officials to the Public Revenue Office.

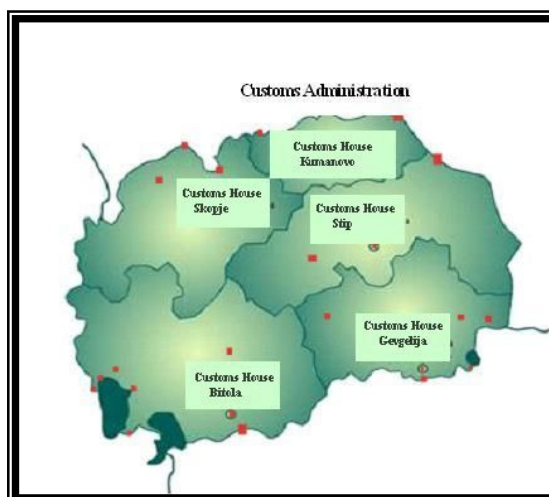
There is an Internal Audit Department within the Customs Administration that assesses the internal control systems, gives its independent and objective opinion and advice for the improvement of the operation, helps the realisation of the objectives by application of systematic and disciplinary approach at the evaluation and enhancement of the efficiency in the risks management process, the control and the management. The tasks of this Department are to strengthen the financial discipline and to protect the institution from the inefficient spending of the financial assets. The internal audit should discourage those procedures that lead to fraud, to promote good practices and to control whether the internal control mechanisms exist and function appropriately. In 2007, 9 audits were realised. For these final audit reports were made, as well as 31 recommendations for undertaking procedures given. Out of these, the total number of completed recommendations is 18, 7 were partly completed and 6 were not completed. The deadline for completion of the recommendations which were not completed is March 2008.

Organisation and System

In 2007 the Customs Administration performed its functions from the Central Administration in Skopje and the five Regional Customs Houses: Skopje, Kumanovo, Stip, Gevgelija and Bitola in which the customs policy, the laws, the regulations, directives and the procedures were implemented in a uniform manner through the inland and Border Customs Offices.

In March 2007 the Customs Administration transferred the import customs clearance from the private customs terminal in Gevgelija to the State terminal at Bogorodica, at the Border Crossing Point with the Republic of Greece, which was built many years ago, but so far not used at all. Thus, the customs procedures were facilitated, the expenses of the business community were reduced and the transit of uncleared goods through the Republic of Macedonia was decreased.

Besides this, in 2007 the Customs Administration stopped its operations at the inland customs terminals in Ohrid, Miladinovci and Feni. However, a Customs Office was opened at the newly established economic zone in Bunardzik, near Skopje.



By the end of 2007, with these changes, the functions of the Customs Administration are carried out in 37 Customs Offices, out of which 18 at the Border Crossings (Blace, Jazhince, Airport Skopje – passenger traffic, Medzitlija, Kafasan, Stenje, Blato, St.Naum, Airport Ohrid, Gevgelija (for goods and passengers), Bogorodica, Dojran, Tabanovce – Motorway, Tabanovce – railway station, Pelince, Deve Bair (for goods and passengers), and Delchevo, (for goods and passengers) and Novo Selo) and at 19 inland Customs Offices within the Republic of Macedonia (Skopje, Skopje- import, Skopje-export, Airport Skopje – for goods, Free Zone Skopje, Post Office Skopje, Volkovo, Trubarevo, Tetovo, Kumanovo, Bitola, Post Office Bitola, Prilep, Struga, Kavadarci, Strumica, Stip and Veles).

To the end of standardization and facilitation of the functioning of the Border Crossing Points, in November 2007, the Ministry of Finance and the Customs Administration prepared a detailed plan of activities, according to holders and draft amendments of the Law on Customs



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Administration, on grounds of which the Customs Administration shall assume from the Public Housing Enterprise the management of the facilities at the Border Crossings.

In 2007 a significant emphasis was given to the development of the application support of the processes at the Customs Administration:

- An application for warehouse operation is made that shall enable higher efficiency in the use and saving of materials.
 - A browser for media news was created, which enables obtaining relevant real-time information from national, regional and world media.
 - A detailed electronic database was established for data on criminal charges brought which the Customs Administration has submitted to the Public Prosecutor's Office.
 - A software recording the bank guarantees was adapted and a system to track the guarantees was introduced, that is, their charging and settlement of accounts.
 - The implementation of one component of the project "New Transit System for Exchange of e-messages NTSREP" was launched. Its testing was completed and the probation work was established at all border crossing customs offices.
 - Regarding the approximation to the EU Common Transit System standards, the national transit domain was developed, by migration of data registering each export of goods from the Republic of Macedonia in transit and the export procedures, from the old Informix database platform to a new Oracle central database platform.
 - In August 2007, the realisation of more activities started for the realisation of more activities connected with the reorganisation of the customs networks, through re-defining of the users access, especially those of the freight forwarding agents to the customs information system. The new design of the networks provides faster and safer transfer of data from the CIS.
- In a part of the information communication technologies, client-server oriented applications were made and implemented, and at their elaboration MS Access, MS SQL and MS Visual Basic for Application was used. The same servers are used for keeping records of the disciplinary procedures, records of the criminal charges brought, and records for seized assets and goods.
- In cooperation with the USAID, elaboration of managing system for the inward processing procedure has been started.
 - Within the framework of the cooperation with the Directorate for Prevention of Money Laundering, the Customs Administration started to develop a software for data exchange on effective foreign currencies declared at entry, that is, at exit from the Republic of Macedonia.

In addition to the activities stated above concerning this area, preparations are underway for software solutions, organization of an electronic data gathering, monitoring and analysis of: a) import duties collection (divided per organization units, types of revenues and tariff rates; b) quantitative data for the work of the customs services at the border-crossings and the internal organization units (traffic of loaded and empty freight motor vehicles, passengers vehicles, natural persons, detailed inspections carried out, violations detected etc.); c) quantitative data and photographic and video recording for confiscated and impounded goods and the procedural status; d) interconnection of the data bases for initiated criminal, offence and disciplinary charges against internal/external persons, being the basic grounds for risk analysis.

In order to increase the efficiency in the implementation of the procurement procedures, at the beginning of 2007, the Customs Administration adopted an **Instruction for supply of minor procurements.**



Transparency

In May 2007, the official web site of the Customs Administration was advanced by the newly introduced part, which includes announcements of the proposals for new instructions and directions, in order to encourage the broader public to present their own opinions and suggestions, prior to the adoption of the instructions and directions which regulate the method of implementation of the customs formalities in more detail.

Within the same month the web site of the Customs Administration was upgraded, thus making it available in Albanian language also, whereby the methods have been precisely defined for publication of the contents, in particular the part of the customs legislation.

To the end of increasing the internal transparency of its operations, in the year 2007, **an Intranet portal of the Customs Administration was developed and promoted**, which includes data and information of internal character.

In order to facilitate the implementation of the customs procedure, both for the customs employees and the other participants in the international trade, and for a proper determination of the customs duties and implementation of the not-tariff measures, the Customs Administration has prepared a **Guidelines for customs clearance of goods for the year 2008**, which has integrated the Law on Customs Tariff, the Decision on amendments to the Customs Tariff, the Decision for the Types of export and import, the preferential customs rates, in accordance with the Free Trade Agreements and the other non-tariff measures. This Guide is available, free of charge, on the web site of the Customs Administration.

In accordance with the measures of the Government of the Republic of Macedonia undertaken so as to increase the transparency of the public institutions, the Customs Administration has also prepared a **Service Charter defining all services, the method of obtaining the services and contact points from the Customs Administration. The Service Charter is to be published on the web site as services provided by the Government of the Republic of Macedonia.**



TRADE FACILITATION

In order to recognize the difficulties and to find solutions for trade facilitation, in 2007 the Customs Administration had intensive communications and consultations with the business community, prior to the adoption of any systematic Decisions under the competence of the Customs Administration.

The regular Customs – Freight Forwarding Agents’ Committee meetings, as well as the meetings with the Chambers of Commerce (especially with the textile cluster) included proposals of how to overcome certain issues and discussions to open questions regarding the uniform application of the customs procedures, the possibilities for extending customs clearance of goods of transport motor vehicles and technical goods, reduction of the work expenses, enhancing the administration of the bank guarantees, facilitation of the customs clearance etc. The bilateral contacts with the business community were also held on regular basis. All questions asked (on the internet site, in writing or by telephone) were always responded to. Presentations and Conferences were also held to the end of achieving closer co-operation with the business community.

In the first half of 2007, in accordance with the Customs Code, the Customs Administration passed a **Programme and organized training and professional examinations for the carrying out representation activities in the customs operations**. 38 candidates passed the professional exam and were issued a License.

Concerning the Recommendations of the European Commission, by the end of 2006, the project “Laufzettel” for measuring the duration of the procedures for border crossing was realized with the Customs Administration of the Republic of Serbia at the border crossing point Tabanovce with Serbia. During 2007 such Projects were also realized with the Customs Service of Greece at the border crossing point Bogorodica and the UNMIK Customs Service at the border crossing Blace. The results from the performed measurements indicate the places globally affecting the duration and they do not provide any precise operative directions for elimination of weaknesses. Other measurements are necessary to be carried out.

In July 2007, in cooperation with and supported by the US Trade and Development Agency, the Customs Administration started a Pilot Project for creation of a common regional information system for Customs Services of Macedonia, Serbia and Bulgaria for information exchange on facilitated traffic in goods through certain Border Crossing Points. The pilot project provides for participation of small and medium- size enterprises, Chambers of Commerce and other competent authorities that are present at the Border Crossing Points of the states participating in the Project.

In order to facilitate and simplify the formalities at the border and along the Corridor 8 (Mezzogiorno - Balkan Area Customs Project), a **Memorandum of Understanding was signed between the Ministry of Finance of the Republic of Macedonia and the Ministry of Economic Development of the Republic of Italy** (Albania and Bulgaria were also included in the Project). The realization is in progress.



The realization of the second **Project on Transport and Trade Facilitation in South-East Europe – TTFSE II** (between the World Bank and the Republic of Macedonia) started by the end of 2007. The Project envisages melioration of the terminal at the Border Crossing Point Blace by dislocation of the temporary facilities and construction of new permanent ones, as well as construction of additional road lanes. Besides the above-mentioned, improvement of the telecommunication system along the railways of the trans-European Corridor 10, as well as introduction of compatible software for processing of freight railway consignments, to be used by the Railways and Customs Services, have also been planned. This software will provide installation of a railway communication system and an electronic data exchange solution, thus unifying the data processing software between the Customs Administration and the Macedonian Railways, upgrading the hardware and software of the ICT systems in Customs and Railways.

In the course of 2007, the Customs Administration issued approvals to 22 companies to perform representation activities in the customs clearance operations. At the same time 20 holders of such approvals were notified of improper acting while performing the representation activities. Pursuant to the legal obligations, at the end of 2007 the Customs Administration established a Commission for decision making under proposals for revoking licenses and approvals for representation activities. The activities of the Commission is expected to be intensified in 2008.

The Customs Administration is also competent for issuance of approvals for economic effect procedures: inward processing, customs warehousing, temporary admission, processing under customs supervision and outward processing.

Following the 250 approvals for inward processing with suspension system issued in 2006, in 2007 the Customs Administration issued 226 additional approvals for import. At the same time, in 2007, the Customs Administration issued 6 (compared to 15 issued in 2006) approvals for inward processing with drawback system, 6 approvals for outward processing (compared to 2 issued in 2006), one approval for processing under customs supervision and 12 approvals for customs warehousing (compared to 55 issued in 2006).

In 2007, the Customs Administration continued to issue authorizations for simplified procedures, and it issued 8 authorizations for authorized consignee (compared to 6 issued in 2006), 27 authorizations for local customs clearance (compared to 18 issued in 2006) and 14 authorizations for simplified declaration (compared to 14 issued in 2006).

The Customs Administration Units for supervision of holders of the above-mentioned authorizations, conducted 316 controls at premises of the holders of authorizations for inward processing and customs warehousing, whereas it prepared 199 Customs Offence, out of which penalties were imposed in 50 cases. Further to the irregularities found, in 4 cases a measurement – revocation of the authorization for inward processing was imposed, and in 2 cases the authorizations for customs warehousing were revoked.



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In 2007, the Customs Administration issued 99 Binding Tariff Information (BTI), a number being more than twice increased than in 2006 when there were 42 BTI issued. A large number of BTI has been issued for computer equipment (because of the reduced VAT rate for certain products), for used special vehicles (because of homologation) as well as for juices and juice concentrates for industrial production (because of the difference in the customs rates).

By the end of 2007, the Customs Administration issued the first authorization for authorized exporter by means of which the exporters can fully use the advantages from the simplified export procedures. By means of this approval, the exporter can declare the origin on the invoice itself and for remittances with value over 6.000,00 euros, unlike the previous practice, to request issuance of movement certificate EUR.1.

In 2007, pursuant to the Law on Environment, fees were introduced which are charged at import of goods for wide consumption, packed in plastic packaging. This was done in order to decrease the use of this type of packaging.

Pursuant to the Montreal Protocol, prohibition for import of used refrigerators, freezers or other cooling and freezing devices, containing substances which deplete the ozone layer was introduced in 2007.

In 2007, 234 laboratory analyses were conducted, i.e. 100 analyses more, compared to 2006 when 134 laboratory were done. The laboratory analyses are carried out in proper laboratories and institutions in the Republic of Macedonia and abroad. Subject of analysis are mainly excise goods from the petrochemical industry, chemical industry, milk products, fats and oils and their mixtures, plastic mass foils etc.

In 2007, a total 420.08 thousand of customs clearance declarations were processed, which is for 11.89% more, compared to 2006. Within the total processed customs declarations, 248.94 thousand of import customs declarations were processed, which is by 17.87% more compared to 2006, when 211.02 thousand of customs declarations were processed. In 2007, 171.14 export customs declarations were processed, which is for 4.09% more compared to 2006.

Total number of Single Administrative Documents (SAD) processed					
Customs House	2007		2006		2007/2006
	SAD in 000	%	SAD In 000	%	%
Skopje	219.56	52.27	196.70	52.39	111.62
Kumanovo	28.68	6.83	27.35	7.28	104.86
Stip	55.53	13.22	50.73	13.51	109.46
Gevgelija	79.51	18.93	64.50	17.18	123.27
Bitola	36.80	8.76	36.15	9.63	101.80

The Customs House Skopje is a leader in processing customs declarations with 52.27%, followed by Customs House Gevgelija with 18.93%, Customs House Stip with 13.22%, Customs House Bitola with 8.78% and Customs House Kumanovo with 6.83%. The Customs House Skopje is also dominant in the

Total number of Import Customs Declarations (ICD) processed					
Customs House	2007		2006		2007/2006
	ICD in 000	%	ICD In 000	%	%
Skopje	141.51	56.85	117.67	55.76	120.26
Kumanovo	20.71	8.32	19.02	9.01	108.89
Stip	30.04	12.07	27.27	12.92	110.16
Gevgelija	37.32	14.99	29.72	14.08	125.57
Bitola	19.36	7.78	17.34	8.22	111.65



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import customs clearance with 58.85% of the total processed customs declarations, followed by Customs House Gevgelija with 14.99% and Customs House Stip with 12.07%. The Customs House Skopje participates less in the export customs clearance (45.61% of the total processed export customs declarations). It is followed by the Customs House Gevgelija with 24.65% and the Customs House Stip with 14.89%.

In 2007, the export and import in the road transport with 90.48 of the total processed customs declarations kept the same predominant part. There are also no essential changes in the processed declarations in the railway, post and air transport.

Transport	2007		2006		2007/2006
	ICD in 000	%	ICD In 000	%	%
Road transport	380.02	90.46	339.28	90.37	112.01
Railway transport	18.41	4.38	17.68	4.77	104.13
Postal transport	2.10	0.50	2.22	0.59	94.59
Air transport	19.55	4.65	16.25	4.33	120.31
Total	420.08		375.43		111.89

Within the framework of the international customs cooperation, in 2007, the Customs Administration sent 153 requests for verification value declared in the invoices and 220 requests for verification of proof of origin. In 2006, 83 requests were sent for verification value declared in the invoices and 217 requests for verification of proof of origin.

The structure of the import realized in 2007 was primarily marked by the following products: unrefined oil, nickel ore, hard coal, manganese ore, natural gas, dark coal, white sugar and raw sugar for manufacture, wheat flour. Concerning the export, it was highly represented by Portland cement, rolled iron and steel products, plaster boards, Ferronickel, apples, tubes, bricks, gas oils, zinc ore and concentrates, beverages, water melons, ferrosilicone manganese, lead ores.

In 2007, the borders of the Republic of Macedonia were crossed by 550 thousand of freight motor vehicles, which is for 11% more compared to 2006, when 496 thousand of freight motor vehicles crossed the borders.



LAW ENFORCEMENT

The customs control are carried out on grounds of gathered information, their classification, processing and analyzing, in order to get operational or strategic information, under which further activities for investigation and detection of illegal activities are undertaken.

In 2007, the Customs Administration continued its **upgrading of the risk analysis** system and development of criteria for selection by importer, exporter, type of goods, value, transport vehicle etc. Also, a risk profile for drug smuggling was developed which is applied at the Border Crossing Points. The upgrading of the selectivity system was also carried out by revision of the existing criteria for customs offices for clearance of goods. At the beginning of 2007, the Customs Administration also developed a risk for violations of intellectual property rights for the Border Crossing Points. Criteria for violations of intellectual property rights were also developed and implemented for the customs offices for clearance of goods, based upon country of origin, company importer and tariff heading related to the previously detected counterfeit goods.

The free customs hot-line (197) is one of the instruments for gathering information regarding any irregularities. It is considered to be one of the most advanced systems which provides recording and registration of each phone call. In 2007 there were over 80,000 calls, an average of about 219 phone calls a day. Of the total number of calls, about 421 were information with useful content, out of which 51 calls included information demanding immediate intervention by the Customs Offices or the Special Mobile Teams which were immediately responded to. 80 calls included information demanding further investigation by other Units of the Sector for Control and Investigation or other Departments of the Customs Administration, later forwarded to the Intelligence Department and the Investigations Department for additional processing. 32 calls referred to citizens' praises and suggestions and 290 calls related to citizens' complaints for corruptive or unprofessional conduct by the customs officials.

The number of calls declaring smuggling activities reaches 131 and shows a slight decline of 10%, which is mainly due to the decreased number of reporting of illicit trafficking at the border with Bulgaria, the i.e. introduction of the visa regime. The percentage of seizures made on grounds of declared illicit traffic is 17%, which is an increase of 2% compared to the previous year. A number of calls are still under processing and further action is being expected. In the area of reporting for corruptive and non-professional behaviour there is increase number of reports and a part of them were concluded with disciplinary measures imposed.

Part of the intelligent activities is establishing of co-operation with other prosecution and agencies in the Republic of Macedonia such as the 24 hours Operational Center at the Public Security Bureau of the MOI and the Traffic Police of the Republic of Macedonia. In terms of co-operation with the MOI, or more precisely – with the Border Police, in 2007 there were 510 requests for checks, compared to 2006, when there were 157 requests sent, the intensity of cooperation reached triple increased level.

In 2007, the Customs Administration maximally mobilized the capacities for detection of the radioactive sources. In 2007, the Customs Administration detected 9 cases of increased level of radioactive radiation, out of which in 5 cases there was direct danger for the health of people and for the environment and where, in coordination with the Directorate for Radiation Safety, measures to remove the harm consequences were undertaken. For the purpose of increasing the safety and on time registration of the radioactive sources at entrance, at the Border Crossing Blace, the Customs Administration set up a panel detector for detection of ionizing radiation.



In 2007, the Customs Administration purchased **Secure Emergency Management System (SEMS)** and started its testing. The system was installed at the Border Crossing Points Deve Bair, Tabanovce - Motorway, Airport Skopje and in the Coordination and Communication Department.

In 2007 the Customs Administration provided significant ICT support for the activities for prevention of illegal trade:

- introduced Border system for transit activities
- established electronic intelligence database
- established database for entry-exit of empty freight vehicles
- established database for recording entry-exit and transit of cigarettes
- introduced SEMS – system for messages in the South-East Europe, a software designed in order to be used for regional customs intelligence data (currently, it is in the testing phase for use at national level. The software is encrypted).
- introduced Miser-system providing managers control of the officers on local level
- established OPEN base to record calls on the open line 197
- established database on weapon and foreign currency

In 2007, the Customs Administration coordinated and organized at national level the international operations **SHADOW 2** - monitoring transport of cigarettes, Exercise for controlled drug delivery, International Operation **LOGO** - combat against synthetic drug trafficking, Operation **ATAMAN** - combat against drug trafficking in postal packages and **CONTAINMENT 6** - combat against heroin trafficking.

The Customs Administration prepared a strategic intelligence drug report which was distributed and published on the web site of the Customs Administration.

While conducting the controls, the customs officials use the equipment and tools received as a donation from the Customs and Fiscal Assistance Office to Macedonia (CAFAO-MAK), financed by the European Union, through the CARDS Programme of the Government of the United States of America (mobile X-ray devices, boosters and fiber scopes) and by other bilateral donators. The foregoing data clearly indicate that the utilization of the equipment has improved the efficiency while conducting the controls.



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In its activities for prevention of the illegal trade, the Customs Administration has close cooperation with the Border Police, MOI, the Financial Police, Directorate for Prevention of Money Laundering, Public Revenue Office, Veterinary Directorate, Food Directorate and the Directorate for Radiation Safety.

In 2007, the Customs Administration realized special training aimed towards strengthening of the capacity for combating organized crime, such as:

- methods for escorting and detention of persons;
- forging documents (realized in the Police Academy);
- basics of accountancy;
- training on organized crime and corruption (realized in the Academy for Public Prosecutors and Judges);
- training on container transport and container transportation security – cross-border cooperation in suppressing human trafficking, smuggling migrants and narcotics;
- training on safety when conducting controls;
- training on secret surveillance;
- training on use of Mobile X-ray vehicles and scanners
- training on detection narcotics and psychotropic substances
- training on proliferation of mass destruction weapons
- training on detection of dual-use goods.

Within this period, the regional Units for supervision of the holders of authorizations for procedures having economic effect, within the Customs Administration were particularly active. In addition to the activities for issuance of authorization, these Units made controls to the holders of authorization for keeping public customs warehouses, when they found many irregularities and submitted offense charges, collected customs debt for customs goods, which although should have been put in the customs warehouses, they were not there. They also revoked the authorization of a holder. In this period they also revoked one authorization for inward processing.

In order to provide inter-institutional and international logistics in the activities for prevention of illegal trade, in 2007, the Customs Administration established and enhanced the cooperation with many domestic and foreign institutions:

- Memorandum on Cooperation with the Financial Police;

- Protocol on cooperation in prevention of organized and other types of financial crime in the Republic of Macedonia, between the Customs Administration, Public Revenue Office, Financial Police and the Directorate for Prevention of Money Laundering and Financing Terrorism;

-Memorandum on Cooperation in detecting and prosecution of perpetrators of crimes in the domain of organized crime and corruption with the Public Prosecutor's Office, the MOI, Public Revenue Office, the Financial Police and the Directorate for Prevention of Money Laundering and Financing Terrorism;

The Third Regional Conference of the Enforcement Services was held on 22nd and 23rd November 2007, in Ohrid in organization of the Customs Administration of the Republic of Macedonia with participation of representatives from the customs administrations of Albania, Macedonia, Serbia, Slovenia, Croatia and UNMIK, as well as representatives from CAFAO-MAK Mission in the Republic of Macedonia. Two tobacco companies - Imperial Tobacco and British and American Tobacco took part at the conference with their presentations and representatives. The purpose of the conference was strengthening of the cooperation and data exchange at a regional level as a precondition for strengthening the combat against smuggling of goods and organized crime in the region.



- Memorandum on Cooperation with the Ministry of Environment and physical planning;
- Memorandum on Cooperation with the Ministry of Health – Food Department;
- Memorandum on Cooperation with the Directorate for Radiation Safety;
- Memorandum of Understanding with the Ministry of Agriculture, Forestry and Water Supply;
- Memorandum on Cooperation with Public Enterprise for airport services;
- Memorandum on Cooperation with Macedonian Air Transport;
- Memorandum on Cooperation with Croatia Airlines;
- Memorandum on Cooperation with tobacco producers and distributors such as Tobacco Company Skopje, which is a member of the Imperial Tobacco Group, Japan, Tobacco International, British American Tobacco;
- Agreement on Customs Cooperation between the Republic of Macedonia and the Republic of Slovakia;
- Agreement on Customs Cooperation between the Republic of Macedonia and Ukraine;
- Cooperation with OLAF – European Antifraud Office was intensified, especially with the Directorate for customs investigations and operative group for tobacco, increased exchange of information and data on import, export and transit of cigarettes;
- Cooperation with SEKI was intensified, especially in the domain of participation of all international operations and exchange of information on seizures as well as other intelligent information;
- Cooperation with RILO was intensified, within the World Customs Organization by entering data in the CEN database, such as the 260 cases of seizures of foreign currencies in 2007 and 60 cases in 2006. Based on this information, the Republic of Macedonia takes the seventh place in the world by the number of seizures of foreign currencies, according to the latest RILO's SEZAM. Active utilization of the CEN database was commenced for the purpose of determining risk trends. Strategic intelligence report on drugs was also prepared;
- Established cooperation with ZKA Balkan Info on data exchange on drug seizures and data on potential drug smuggling;
- Established systems for automatic data acquiring from the Central Register for legal entities as well as from the Central Depository – data on payments that are taken over by the software for collection;
- The project with the Directorate for Prevention of Money Laundering is in its final phase for acquiring data automatically for entry-exit of foreign currency, monetary gold, foreign currency offenses, as well as import-export procedures;
- Provided restricted access to the database for legal entities of the Public Revenue Office;
- Established information exchange with the 24 hours Operational Center of MOI on daily basis, and the data received from the Border Police can be measured on hourly basis;
- Established practices for informing the foreign customs and other offices of the results and international prosecution until full completion of cases;
- Established cooperation and regular meetings with the Bureau for Drugs and Public Prosecution.

The activities and measures for strengthening the capacity and the intensive engagement of the Customs Administration resulted in significant quantities of confiscated goods and criminal and offense charges.

Narcotics

549.15 kg narcotics, out of which:

486.7 kg of cocaine, seized at the border crossing Blace, concealed in paint pails loaded in a truck with Macedonian license plates in transit procedure, having Greece as final destination



46.65 kg of heroine, out of which 4.65 kg in a bus at the border crossing Bogorodica – with Greece, 9.5 kg in a freight motor vehicle at the border crossing Delcevo- to Bulgaria and 32.5 kg in a freight motor vehicle at the border crossing Deve Bair - to Bulgaria



15.8 kg of marihuana, seized in a joined action with the Police, concealed in factory made cavities of a passenger motor vehicle, and a small quantity in a DHL package



Weapons

95 pieces of pistols and rifles and 29.110 pieces of ammunition



Excise goods

21.7 million pieces of cigarettes, as well as smaller quantities of cigars, home processed tobacco and hand rolling tobacco



1.600 litres alcoholic beverages

37.5 tons petroleum, diesel fuel and motor oils



Foreign currencies in cash

EUR 900.000 in different foreign currencies



Medicines and medical materials

11.959 pieces of different medicines

102.000 pieces of surgical instruments

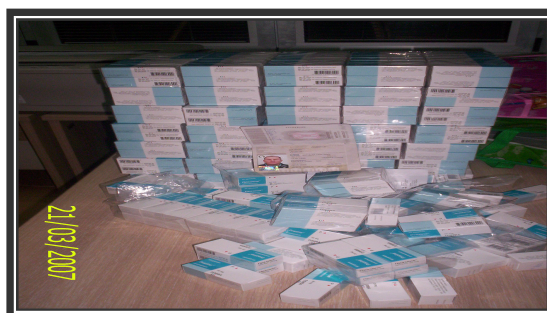
137.000 pieces of band aid tape

1.350 pieces of glucose measuring testers

7.200 pieces of thermometers

3.000 pieces Viagra

6.195 bottles of oil as medical supplement substance



Agricultural and food products

30.000 kg frozen beef
25.000 kg stewed fruits
23.500 kg onion
19.000 kg herbicides 470 kg pesticides
2.300 kg meat products
4.620 pieces seedlings
1.635 packages of freshly cut flowers
Different quantities of tea, spices, frozen fish,
instant coffee
Livestock (55 steers and 6 calves), 152
exotic birds, bees, etc.



Other goods

475.300 pieces of clothes
201.520 pieces of cosmetic products
120.000 pieces of technical goods
(electrical tools, different machines,
household appliances, etc.)
690 kg cement
384 pieces of shoe polishers
17.347 kg glue
535 camera films
2.386 pieces of tapes
65.000 plastic bags
4.623 pieces of kitchen sets
741 pieces of rubber hoses
562 pieces of construction carpentries
320m² wainscot and parquetry
73.000 shoes
60.000 pieces of perfumes and cologne water
89.000 pieces spare parts for mobile phones
2.800 pieces car and truck tires
5.960 gr. gold
330 gr. Silver
13.777 pieces of different bijouterie and jewelry
45 pieces of frescoes
1.200 tons of manganese ore
184 tons coke



In 2007, Customs Administration announced 5 auctions and 5 sales by invitations to bids for goods that were confiscated or abandoned to the state. Most of the goods sold were clothes and machines for textile industry.

During the same period, the Government of the Republic of Macedonia passed 62 Decisions on free consignment of the confiscated goods to government bodies or humanitarian organizations, of mainly clothes, shoes, technical goods, etc.



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The goods that cannot be sold or given away for free are destroyed, in accordance with the customs regulations. In 2007, there were 20 million pieces of cigarettes, 60 pieces bombshells, larger quantities of firecrackers, 1.300 liters alcoholic beverages and 3.700 kg different goods (cosmetics, food, medicines with expired dates) destroyed.

In 2007, the Customs Administration had submitted 167 cases of criminal charges brought for criminal acts to the Public Prosecutor's Office (in 2006, there were 86 cases of charges submitted) against 70 legal entities (in 2006, 28 legal entities) and 146 individuals (in 2006, 130 individuals), out of which:

Tax Evasion	7	10
Customs fraud	19	53
Smuggling	16	34
Forgery	3	6
Use of false documents		1
Excise goods trafficking	25	57
Illegal production and trade with narcotics	6	3
Illegal production, keeping and trading with weapons	2	1
Illegal trade		2
Illegal production and trade with hazardous substances	6	
Preventing officials in carrying out official duties	1	
Transport of excise goods from excise warehouse	1	

The avoided customs duties for the above stated criminal acts amount to MKD 107.7 million (MKD 288.2 million in 2006, out of which only in one case, in December 2006, about MKD 270 million).

The Mobile Teams Unit is an integral part of the Sector for Control and Investigation, and their main activity is the combat against the organized crime. The seat of these teams is in Skopje, but they cover the whole customs area in the Republic of Macedonia. In 2007, they carried out detailed control on 4.391 freight vehicles (compared to 1.119 in 2006) and 633 buses (672 in 2006) and 6.378 passenger motor vehicles (1.901 in 2006).

As aforesaid, in accordance with the Law on Misdemeanors and the Amendments and Appendices to the Law on Customs Administration made thereupon, in 2007, the Customs Administration took over the competences of the courts regarding the offense proceedings, sentencing criminal sanctions and special criminal measures for customs offense made. The aim thereof is faster and more efficient settlement of the offense proceedings in function of decreasing the customs offenses. There is a Offense Department established – Commission on Offence Procedures and Sanctions and certain internal acts on the manner and procedure of the customs bodies when detecting customs offenses and issuing summons for payment of fines and payment orders, as well as on the form and content of the minutes on the customs offense, summons for payment of fines and payment orders. In the period 01.10.2007 until 31.12.2007, the Customs Administration brought charges in 754 cases, out of which:



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- 116 cases of charges pressed by the MOI on illegal driving of motor vehicles with foreign license plates,
- 52 cases of charges pressed by the Control and Investigations Department,
- 531 cases of charges pressed by the customs offices,
- 40 cases of charges pressed by the units for supervision of holders of authorisations, and
- 15 cases of charges returned from the main courts, which upon decisions made have declared as property incompetent.

By the end of 2007, there were 176 files settled, out of which 40 files were settled in urgent proceedings and 136 files in regular proceedings, where the fines imposed are in a total amount of MKD 6 million.

In the course of 2007, there were 4.874 administrative files processed, out of which 4.724 were settled. Out of these files, 2.350 are under additional collection of import duties, in the total amount of about MKD 500 million.



PROTECTION OF INTELLECTUAL PROPERTY RIGHTS

In 2007, the Customs Administration intensified its activities on providing proper implementation of the trade policy measures related to the public ethics, security, protection of the human health, animals and plants, protection of the environment and nature, protection of the national treasure of artistic, historic or archeologic value and protection of the intellectual property rights.

In addition to the system solutions on protection of the intellectual property rights made in 2006, among other things, in 2007, Customs Administration prepared new risk criteria for inland customs offices – INTEL, which refers to the goods that breaches the intellectual property rights. The Customs Administration has located the importing companies where goods that violate the intellectual property rights have been found, as well as the type of goods confiscated and destroyed. The companies and the tariff codes were entered into the IPR list in the selection module of the ASYCUDA application. There was an application code designed and testing was made thereon in regards to the matching of declarations on the test server.

In the area of the activities on administrative capacity building for protection of the intellectual property rights, and in cooperation with the Customs Administration of France, in January 2007, a seminar was held on intellectual property rights.

In January 2007, there were 11 presentations carried out by renowned world brands and several seminars on protection of the intellectual property rights organized in cooperation with the Association of intellectual property rights holders and representatives – SNB REACT, as well as in cooperation with the Dutch Customs Administration.

On 26 January 2007, Customs Administration organized a Forum for the theme – Stop to the Counterfeiting and Piracy, on the occasion of the World Customs Day, where three plaques were awarded to the most active representatives.

By the end of 2007, and in cooperation with and by financial support of the Dutch Embassy, the Customs Administration started organizing a public media campaign on informing the public on the economic, social and health damages, imposed by the production, distribution and use of counterfeits and pirated goods, as well as on requiring support by the public for detection of attempts for trafficking of such products.

Some of the protected brands by the Customs Administration:

- L'Oreal
- Dolce & Gabbana
- Gianni Versace
- Hugo Boss
- Adidas
- Dior
- Diesel
- Nivea
- Nokia
- Chanel
- Puma
- Reeboc
- Gucci
- Lacoste
- Marlboro
- Kenzo
- Canon
- Estee Lauder
- Davidoff
- Zippo
- Epson
- Sony Ericcson
- Winston
- Sprite
- BIS

In 2007, 146 foreign and domestic companies have submitted requests to the Customs Administration on undertaking customs actions on protection of their intellectual property rights (in 2006 there were 43 requests).

In the course of 2007, Customs Administration prevented intellectual property rights infringement in 325 cases (compared to 46 in 2006), out of which 144 cases were reported when importing (28 in 2006), 177 cases when transiting (18 in 2006), 3 cases when exporting and 1 in a procedure for customs warehousing, where 1.6 million pieces of counterfeit goods were impounded (0,07 million pieces in 2006), as follows:

77.082 thousand of pieces of cosmetic products, or 4,8% of the total counterfeit goods confiscated



113.242 thousand of pieces of perfumes, eau de toilettes and deodorants, or 7.1% of the total counterfeit goods confiscated



47.316 thousand of pieces of mobile phone accessories, or 3% of the total counterfeit goods confiscated





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249.459 thousand of pieces of clothes, or 15.4% of the total counterfeit goods confiscated



3.572 thousand of pieces of sports equipment, or 0,2% of the total counterfeit goods confiscated



37.069 thousand of pieces of trainers, or 2.3% of the total counterfeit goods confiscated



21.488 thousand of pieces of sunglasses, or 1.3% of the total counterfeit goods confiscated



150.528 pieces of toothpaste, or 9.3% of the total counterfeit goods confiscated



126.286 pieces of automobile spare parts, or 7.8% of the total counterfeit goods confiscated



786.254 tons other goods, or 48.8% of the total counterfeit goods confiscated



According to the declaration documents, the origin of the majority of the counterfeit goods is from the United Arab Emirates (458.520 thousand pieces or 28.5% of the of the total counterfeit goods confiscated), China (over 229.383 thousand pieces or 14.2% of the total counterfeit goods confiscated), Taiwan (over 120.000 thousand pieces or 7.4% of the total counterfeit goods confiscated) and Turkey (75.859 thousand pieces or 4.7% of the total counterfeit goods confiscated).

The Customs Administration provides the inspection authorities and MOI with detailed information on all cases of forged goods confiscated including counterfeit goods, foreign and domestic legal entities and individuals involved, on the documented initial and final destination of the goods, as well as other relevant information and data thereon.

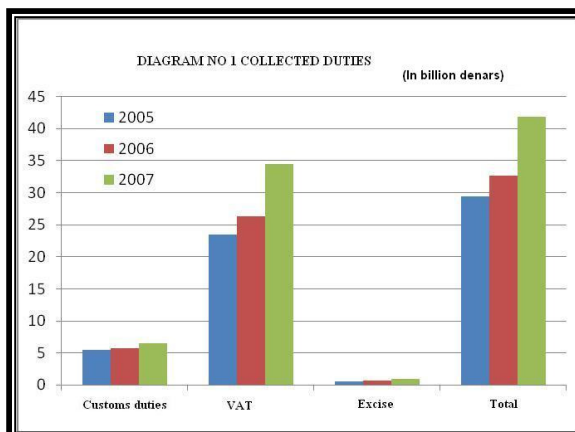
In accordance with the Law on Customs Measures for Protection of Intellectual Property Rights, and upon completion of the procedure for determining the forgery and intellectual property rights infringement, the Customs Administration assisted in realization of the procedures for destruction of the counterfeit goods. In 2007, 924.577 pieces and 855 kg of counterfeit goods were destroyed.



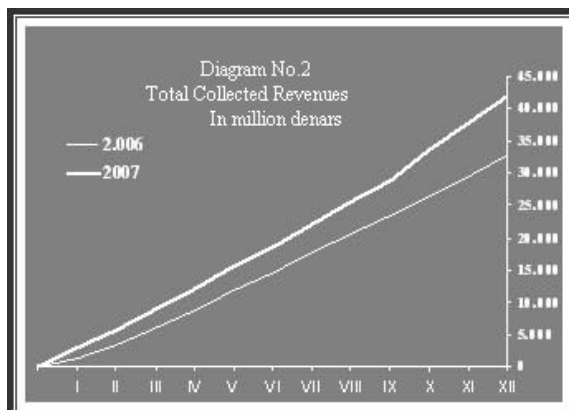
IMPORT DUTIES COLLECTED

The Customs Administration administers and collects customs, excise and VAT duties when goods are imported.

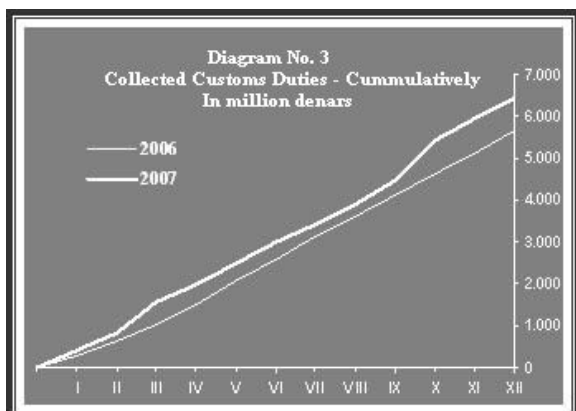
In 2007, Customs Administration continued the process of liberalization, in accordance with the obligations under the Protocol for Accession of the Republic of Macedonia to the World Trade Organization, where the customs clearance rates of the Republic of Macedonia were decreased for 1.05% (the average rate for 2007 is 9.29%) and the annual decrease of the customs clearance rates according to the temporary tables from the Free Trade Agreements (complete liberalization was established with most of the countries).



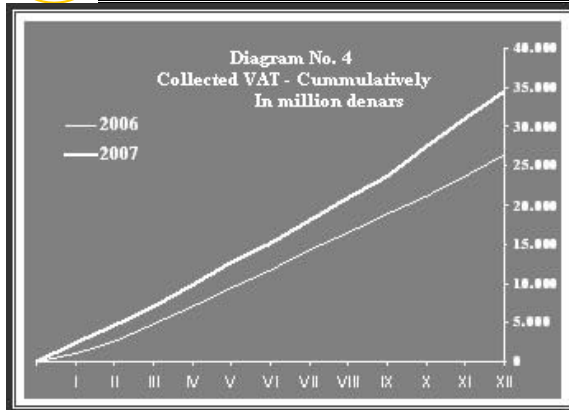
In 2007, the Stabilization and Association Agreement between the Republic of Macedonia and the European Union continued to be implemented, which also resulted in progressive decrease or abolishment of the customs rates for most of the industrial products and for a group of agricultural products.



In 2007, Customs Administration collected the total amount of MKD 41.79 billion as budget revenues, which is for MKD 9.09 billion or 28% more in regards to 2006 (Diagram No. 1). Compared to the projected income for 2007, which, according to the last revision of the Budget of the Republic of Macedonia, was in the amount of MKD 38.77 billion, the collected income is for 11% higher.



Out of the total budget income collected as customs clearance and other customs duties, MKD 6.4 billion were collected, which is for MKD 0.8 billion or 14.24% more than customs clearance and other customs duties collected in the same period in 2006 when MKD 5.6 billion were collected (Diagram No. 3).

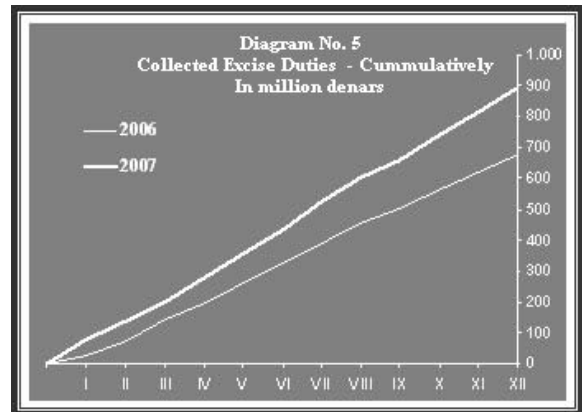


In the course of 2007, the Customs Administration collected MKD 34.5 billion under VAT duties, which is for MKD 8.1 billion or 31% more in regards to 2006 when MKD 26.4 billion were collected (Diagram No. 4).

In 2007, Customs Administration collected MKD 0.89 billion under excise duties, which is for MKD 0.21 billion or 31.5% more in regards to 2006 when

MKD 0.68 billion were collected (Diagram No. 5).

The revenues collected by the Customs Administration participated with 41.8% in the total budget income collected in 2007.



Other income

Apart from the customs clearance, excise and VAT duties for the import of goods, in 2007, the Customs Administration collected a total amount of MKD 67 million as own income, which compared to 2006 is an increase of 20% when a total amount of MKD 56 million was collected.

The largest participation in the structure of own income belongs to the participation of the income from the use of MAKCIS computer system and the income from the realized overtime work during non-working days and holidays, in order to accelerate the customs clearance procedure and to meet the requirements of the participants in the customs clearance procedure.