

List of ACRONYMS

AusAID	Australian Agency for International Development
BCR	Border Currency Reporting
CEN	Customs Enforcement Network
CHARM	Customs Heads of Administration Regional Meeting
CITES	Convention on International Trade in Endangered Species
CRIN	Customs Regional Intelligence Network
CWC	Chemical Weapons Convention
FEMM	Forum Economic Ministers Meeting
FoS	Framework of Standards
FRSC	Forum Regional Security Committee
IFAW	International Fund for Animal Welfare
IPR	Intellectual Property Rights
NZAID	New Zealand Agency for International Development
NZCS	New Zealand Customs Service
OCO	Oceania Customs Organisation
ODS	Ozone Depleting Substances
OPCW	Organisation for the Prohibition of Chemical Weapons
PICP	Pacific Islands Chiefs of Police
PIDC	Pacific Immigration Directors Conference
PIFS	Pacific Islands Forum Secretariat
POPs	Persistent Organic Pollutants
PRIIP	Pacific Regional Immigration Identity Programme
PTCCC	Pacific Transnational Crime Coordination Centre
RILO	Regional Intelligence Liaison Office
RKC	Revised Kyoto Convention
ROCB	Regional Office of Capacity Building
RTFP	Regional Trade Facilitation Programme
SIS	Small Island States
SPC	Secretariat of the Pacific Community
SPREP	Secretariat of the Pacific Regional Environment Programme
UNEP	United Nations Environmental Programme
UNODC	United Nations Office of Drugs and Crime
WCO	World Customs Organisation
WEG	New Zealand Wildlife Enforcement Group

ANNEX I: DESCRIPTION OF THE ACTION

1. PROJECT CONTEXT

The Trade Facilitation in Customs Cooperation (TFCC) is a component of the Strengthening Partnership Economic Integration through Trade (SPEIT) Program. SPEITT aims to pursue the objectives set out under the Aid for Trade Strategy, strongly supported by Pacific African Caribbean Pacific (PACP) ² Trade Ministers, in June 2009. The Strategy identified four focal areas that speak to the economic growth objectives of the Pacific Plan, and which also map to the OECD/DAC definition of Aid for Trade, namely:

- a) improving institutional capacity for trade policy and regulations;
- b) developing the productive capacity for trade;
- c) improving trade-related infrastructure; and
- d) promoting trade-related adjustment.

Trade Facilitation in Customs Cooperation (TFCC) will therefore pursue the broader policy objectives particularly (c) and (d) and build on from the activities implemented by its predecessor the Pacific Regional Economic Integration Programme (PACREIP) Program, funded from the 9th EDF, which has ended in 2010.

2. PROBLEM ANALYSIS

Customs are an essential part of the implementation of any trade agreement. The lead agency for Customs implementation in the Pacific Region is the Oceania Customs Organization (OCO). It has been working with trade-related issues through the EDF-9 funded PACREIP and, as part of this work, has undertaken regional stock takes in progress towards legislative and customs reforms of individual countries. The 2008 OCO stocktaking survey identified the following common critical gaps:

- Outdated national customs legislation;
- A lack of compliance of systems and practices with international standards and conventions, in particularly the Revised Kyoto Convention, Revised Arusha Declaration and International Harmonised Coding System 2007 Version;
- A lack of robust automated systems that enable efficient data collection & evaluations, risk profiling, border management, etc.;
- Non-WCO compliant risk management principles, if at all present;
- Inefficient auditing capability and capacity, if at all present;
- Insufficient and ineffective collection and consolidation of raw trade statistical data to assist national and regional authorities in formulating trade policies;
- No proper integrity measures (Code of Conduct) in place, or poorly enforced where they exist;
- An absence of internationally compliant procedures for addressing valuation problems, which may lead to under-valuation and corruption;
- No updated HCS procedures for classifications of commodities, which may result in commodity misclassification, and is open to misinterpretation and abuse leading to avoidance of higher duty rates, enable trading of prohibited and restricted commodities, or inducing corrupt practices.

These issues undermine the implementation of any trade agreement, stop countries benefitting more fully from trade, and mean that government revenues derived from trade do not reach their full potential.

² The fifteen PACP Countries under the 10th EDF are: Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Nauru, Niue, Palau, Papua New Guinea, Republic of Marshall Islands, Samoa, Solomon Islands, Timor Leste, Tonga, Tuvalu and Vanuatu.

The survey established that there is a strong political commitment from OCO member countries to continue with customs reforms and modernization, which includes addressing these gaps to ensure that PACPs comply with internationally recognized standards and best practices to meet the requirements of trading partners. But PACPS lack the resources and technical knowledge to implement reforms without significant assistance. The small size of countries means that a regional resource like OCO is the only effective way to ensure PACPS are able to access the skills needed to improve their management systems.

OCO has built a strong base of support among its member countries and has successfully developed strong coordination systems between trade officials, customs officials and the private sector. While small, they are growing rapidly and have significantly increased both the size of their operations and their level of service to members over the last two years. As regional experts on customs issues, they have become indispensable to the trade negotiations currently being undertaken and implemented throughout the region. OCO's forward work program has been developed to directly address these common gaps and ensure PACPS are able to successfully implement new trade agreements.

Once implemented, the private sector needs to be able to take advantage of new market opportunities if countries are to fully benefit from trade agreements. In the Pacific, revenues are derived primarily from natural resources, agriculture and tourism. These sectors are the economic mainstay of many PACP countries and provide income to much of the population of the region. The agricultural sector is of critical importance to ensuring food security through subsistence farming and rural income generation, as well as earning substantial foreign exchange earnings through produce exports. But, despite the attention given to sustainable natural resources management and long term support of the rural sector by major regional donors and organisations, average annual agricultural growth rates over the last decade have generally been poor.

The **TFCC component** will help develop modern and competent customs services in PACPs that adhere to high standards and ensure compliance with international protocols. This includes the implementation of practical options for further regional approaches including in the areas of training model legislation, and post-clearance audit, as well as further improvement on the integration of information communication technology particularly the valuation database, harmonized coding system (2012 version) to provide relevant and appropriate information to enhance international trade within the region in terms of international market access under the Free Trade Agreements (FTA's). In doing so, the project will contribute to achieving economic growth in the PACP region through sustainable investment and trade in goods and services.

The TFCC component (Euro 7,572,880) will enable OCO to provide a tailored support to help individual countries address specific legal and policy constraints, and upgrade their computer systems and software to an internationally-compliant level, and enable the design and delivery of specific training in their use. It will also support capacity building of the OCO Secretariat to strengthen its advisory and coordinating role for its member countries, and enable it to continue the delivery of these services after the completion of the project. The contracting of long and short term specialists, as well as support staff under the TFCC is critical in ensuring the timely implementation of the project. The sustainability of the OCO capacity building outcomes will be promoted through the development of the OCO Secretariat Corporate Plan and Human Resource Development Strategy during the first 6 months of the project, which will see the progressive incorporation of specialist skills and advisory services into the OCO Secretariat as part of an exit strategy.

3. COMPLEMENTARY ACTIONS

OCO receives funding support from donors for its core budget and project activities. In 2009, members contributions amounted to F\$ 293,273. In addition, the New Zealand Government, through NZAID, provides an amount of F\$ 780,000 to cover for the organization's operations, and has further advised that it is considering an eight year support package of NZD\$500,000 per annum as untied core funding to OCO. The Fiji Government contributes F\$ 238,766 annually. Under the PACER programme, OCO received F\$ 680,000 in funds in 2009. Australia, through AusAID and the World Trade Organization (WTO), provided funds for the implementation of the WTO Needs Assessment in WTO member countries. Australia recently agreed to continue its support, and will provide AUD 2.4million (AUD 2m as core funds to the OCO, and AUD 0.1m for project activities) over a period of 4 years, commencing in April 2010.

In 2009-2010 a total of Euro 120,000 was provided through PACREIP for the implementation of three assessments which have helped determine the most critical areas of customs modernization, (a) National Harmonised System Codes; (b) National Customs Legislation Review; and (c) Electronic Scoping Study. In addition to financial support, OCO also received Technical Assistance from a range of organizations that has

helped with the delivery of training and awareness on wildlife protection, Intellectual Property Rights, money laundering, environment protection from ozone depleting substances, integrity, and small craft. These activities give support to the efficient implementation of specific tasks and effective enforcement of the responsibilities of national customs organizations.

4. DESCRIPTION

4.1 Objective

To strengthen PACP customs services to internationally compliant standards, increase private sector competitiveness and increase international market access

Project Purpose is to improve trade facilitation through improved customs management and efficient systems.

4.2 Expected results

Three main results are :

Result 1 Improved and sustainable institutional capacity of the OCO Secretariat

Result 2 Internationally-compliant customs legislation developed, adopted and enacted by PACPs

Result 3 Internationally Compliant Customs Processes and Systems in use in PACPs

The expected results and activities are also indicated in the Project Logical Framework

Result 1: Improved and sustainable institutional capacity of the OCO Secretariat

Activity 1.1: Contract long and short term project staff

Eight international and national experts will be recruited in line with EU procurement and contracting procedures, to assist the OCO Secretariat with project implementation and conduct training activities aimed at strengthening in-house Secretariat skills and those of PACP OCO members. Skilled experts are available in the region and OCO can quickly access these experts through their extensive regional networks. Staff will be recruited over a period of 18 months and their expertise will ensure they “hit the ground running.”

Implementation period: Month 3-44 (incremental approach)

Activity 1.2: Prepare OCO 10-year Corporate Plan

A long term development and organizational plan will help ensure the sustainability of project outcomes and indicate areas in which OCO Secretariat and its members will require further expansion and development. The OCO Secretariat with assistance from the TA team will in the first 6 months of project implementation develop the OCO 10-year corporate plan for consideration and endorsement by the annual OCO meeting. The plan will address issues of phase-out and sustainability to ensure capacity can be maintained beyond the end of the project.

Implementation period: Month 1-6

Activity 1.3: Develop and initiate implementation of OCO Secretariat long term Human Resources Development Plan

The OCO Secretariat with assistance from the TA team will in the first 18 months of project implementation develop the long term HR plan for consideration and endorsement by the annual OCO meeting, and commence its implementation.

Implementation period: Month 7-18

Activity 1.4: Establish and further develop appropriate financial and project reporting systems within the OCO Secretariat

Appropriate financial management and project reporting systems will be established within 6 months following project commencement. Systems will be based on those of counterpart agencies PIFS and SPC, and will draw on regional best practice to ensure the timely development of quality systems.

Implementation period: Month 1-6

Activity 1.5: Strengthen the OCO Secretariat communication network with and amongst its members

Once key corporate strengthening activities have been undertaken, establishing an efficient as well as an effective network that enables the OCO Secretariat to communicate with its members will be critical component to the success of the project, and its sustainability. Specific attention will be given to ensure that women entrepreneurs will receive at least equal access to information relating to customs issues. Consideration will be given to email networks and list servers, as well as other web-based technologies. Systems will be developed over a period of two years in response to user testing and feedback.

Implementation period: Month 6-24

Activity 1.6: Implement formal and informal training for OCO Secretariat staff

As a critical activity to support the capacity building and the implementation of new systems, training for OCO staff will be provided throughout the project via workshops, seminars, on-the-job training as well as attendance to regional and international meetings, workshops and conferences as appropriate. In addition, formal training may be required as appropriate. By the end of the project in 2014, OCO Secretariat staff will be fully competent to provide support to member countries in all aspects of customs procedures and application, including technical aspects.

Implementation period: Month 6-44

Result 2: Internationally-compliant customs legislation developed, adopted and enacted by PACPs

Activity 2.1: Review customs legislation in all PACPs and identify legal gaps in achieving internationally acceptable customs standards.

A review of national customs legislation and regulations will be implemented during the first 2 years of the project to identify legal gaps and to determine appropriate assistance to each country.

Implementation period: Month 4-24 months

Activity 2.2: Consult with and support customs administrations and relevant government authorities in PACPs to address gaps and ensure compliance to international legal standards and enable regional legal harmonization.

Countries will be assisted to address compliance to regional and international trade agreements, by ensuring regional harmonization and addressing gaps in legislation and regulations. This will include the drafting and/or updating of Customs Laws and Regulations, as well as legislation relating to Rules of Origin (ROO); World Trade Organization Valuation Agreement (WTOVA); Risk Management; and the Revised Kyoto Convention (RKC) and Frameworks of Standards to Secure and Facilitate Global Trade (SAFE FoS). The project expects to achieve compliance of Customs Laws and Regulations in at least 5 PACPs for each of the WTOVA, RKC, SAFE FoS, and ROO protocols and agreements by 2014.

Implementation period: Month 4-44

Activity 2.3: Assist PACPs customs administrations with the development of customs legal and operational manuals

PACPs lacking appropriate and updated customs legal and operation manuals will receive assistance for their development in compliance with international standards. Training target groups in their use is provided under Activity 2.5.

Implementation period: Month 4-44

Activity 2.4: Train Customs officials and key stakeholders in the implementation of customs legislation.

National customs staff, trade officials as well as private sector representatives will be trained on the application of regulations resulting from legislation developed under activity 2.1

Implementation period: Month 12-44

Activity 2.5: Assist PACPs customs administrations with customs and trade legislation related awareness activities

Creating awareness among the private sector, particularly importers and exporters and their agents, during the process of development and initial implementation of new customs legislation and regulations is important to ensure their smooth adoption and operation. The project will assist countries in this aspect by supporting stakeholder consultations and other relevant awareness activities.

Implementation period: Month 12-44

Activity 2.6: Develop, adopt and implement at the national level the 'Code of Conduct' based on the

WCO standards of the Revised Arusha Declaration

The adoption of a 'Code of Conduct' by national Customs services is essential in promoting its integrity and securing the public's respect and appreciation, and is emphasized in the Revised Arusha Declaration. The project will develop a 'Code of Conduct' that will provide details on the internationally professional ethical standards that national services must adopt and adhere to, and which will be provided to all PACPs. This will form the basis for the subsequent development by 2012 of an Integrity Action Plan that is expected to be implemented in 8 PACPs by 2013 and in at least 12 PACPs by 2014.

Implementation period: Month 4-24 months

Results 3: Internationally Compliant Customs Processes and Systems in use in PACPs

Activity 3.1: Conduct national and regional gap analysis/needs assessments in PACPs to determine progress in adopting internationally compliant customs systems and standards

A review of national customs services and procedures will be implemented at the commencement of the project to determine progress in adoption of relevant customs systems and procedures, based on legislative and regulatory requirements. This will assist the project in developing appropriate training and support packages for each individual country.

Implementation period: Month 4-18 months

Activity 3.2: Implement feasibility studies on appropriate design, establishment and management of (a) trade statistics databases; (b) customs databases, (c) risk management systems, (d) Harmonised Systems, and (e) Automated Customs Activities and Systems and (f) WTO valuation system

The project will implement studies to determine the appropriate design of customs databases and management systems, as well as means for their introduction and establishment and the development of appropriate training programmes. It is anticipated that these studies are completed by Month 18.

Implementation period: Month 1-18

Activity 3.3: Upgrade PACP ASYCUDA systems where required, and install other systems in countries where ASYCUDA is deemed less appropriate

ASYCUDA is the most commonly used customs software programme, and is used by most PACPs. Where required, the existing ASYCUDA systems will be upgraded to assist countries achieve compliance with international standards. ASYCUDA however is less suitable for small island countries in particular – these countries will be assisted to select, acquire, install and use the most appropriate systems to their needs, whilst ensuring compliance with international standards and protocols. This activity will assist these countries by providing up-to-date systems throughout the project's lifetime. This assistance will be delivered to 4 PACPs by 2013 and to at least 6 PACPs by 2014.

Implementation period: Month 6-44

Activity 3.4: Design and provide country-specific equipment, TA advisory, backstopping and training support programs

Equipment, TA support and training needs will be addressed for each individual PACP through the design and implementation of country specific training programs and equipment purchases. This assistance will be delivered to 4 PACPs by 2013 and to at least 12 PACPs by 2014.

Implementation period: Month 12-44

Activity 3.5: Introduce or strengthen appropriate trade statistics databases, risk management systems, and Harmonised Systems in PACPs

Appropriate structures determined under activity 3.2 will be purchased and provided to 4 PACPs by 2013 and to at least 12 PACPs by 2014.

Implementation period: Month 12-44

Activity 3.6: Develop operational management guidelines and self assessment tools for customs managers.

Customs managers often lack tools and skills to monitor performance of their departments and staff. Development of these tools will assist the managers not only to set and apply productivity targets, but also to determine progress towards their achievement. It will further help eliminate corrupt practices, and lead to a more efficient customs service. The guidelines and self assessment tools will be provided to all PACPs, including Timor Leste.

Implementation period: Month 12-24

Activity 3.7: Develop and implement systems for electronic submission and processing of Export Manifests where required

Preparation and submission of Export Manifests in hard copy is often time consuming and can result in processing delays by customs services. Electronic submission will to a significant extent address these constraints, and will reduce time and labour inputs of both the exporter or the agent, and the customs service. Such systems will be established in at least 4 PACPs by 2013 and in at least 12 PACPs by 2014.

Implementation period: Month 4-44

Activity 3.8: Design and establish OCO website and online database to share primary trade statistics with members and other key stakeholders

The establishment of a website will enable target groups as well as the public to access relevant information and services provided by OCO and the project. An online database will be included to provide updated information on activities, implementation schedules as well as project reports and studies.

Implementation period: Month 4-24 months

Activity 3.9: Promote the adoption of RKC and SAFE framework of standards to modernize national customs processes and procedures

Adoption of RKC and SAFE framework of standards will enhance PACP compliance with international protocols and further facilitate trade. The project will seek their adoption in at least 5 PACPs by 2014.

Implementation period: Month 12-44

Activity 3.10: Strengthen Post Clearance audit, investigation and intelligence capacities

Inspection and monitoring of customs processes through audits, investigation and intelligence will support developing and maintaining a high standard customs service. Capacities to conduct such processes will be developed through training as well as backstopping support throughout the project in all PACPs as well as Timor Leste.

Implementation period: Month 4-44

Activity 3.11: Promote PACPs compliance with Rules of Origin (ROO) requirements

Ensuring compliance with ROO requirements will facilitate trade among PACPs and with other countries, particularly in manufactured goods, and helps maintain certain trade privileges and benefits. Training and backstopping support will be provided to PACPs where appropriate.

Implementation period: Month 4-44

Activity 3.12: Provide short term attachment training opportunities for customs staff

To help ensure sustainability of project outcomes, national customs staff may require further training to improve their skills. The project intends to provide such training to customs staff of in particular the smaller PACP countries. Countries where such training may be provided include the larger OCO member countries such as Australia, New Zealand, PNG and Fiji.

Implementation period: Month 12-44

Activity 3.13: Assist all PACP member countries, including Timor Leste, to prepare and institute customs internal audit systems

Internal audit in customs administration is a key area of building up strong customs organizations, and closely relates to the issue of good governance. Audit of systems and businesses processing (quality management, risk management, internal control system) must comply with the international standards for the practice of internal auditing. Aspects that will be considered here are the need to develop a legal basis for internal audits, the existence of a code of ethics (already addressed in this project), the existence of an audit strategy, and the organizational and operational aspects of the audit activities.

Implementation period: Month 13-44

Activity 3.14: Assist all PACP member countries, including Timor Leste, as needed through TA, advisory and backstopping support

The provision of continuous as well as ad hoc support is critical to the success of the project as it allows urgent advice and backstopping to customs services in the region. The project will continue to provide this to customs services in all PACPs, including Timor Leste.

Implementation period: Month 4-44

5. LOCATION AND DURATION

5.1 Location

The TFCC component will be coordinated and managed by the OCO Secretariat from its office in Suva, Fiji.

5.2 Duration

The operational implementation phase of the grant agreement will have duration of 36 months until 01.02.2015 after the last signature of this agreement. During this phase, all project activities will be carried out. All project activities must be finished by the end of the operational phase. The final report of TFCC project will be submitted according to the provisions in the grant agreement.

6. IMPLEMENTATION

6.1 Organisational setup and Responsibilities

A Financing Agreement for the broader SPEITT Programme has been signed between the European Union Commission and Regional Authorizing Officer (RAO), who represented the Secretariat of the Pacific Community (SPC), South Pacific Tourism Promotion Authority (SPTO) and Oceania Customs Organization (OCO).

For the TFCC Project, a Grant Contract is signed between the Secretary General (RAO) of the Pacific Islands Forum Secretariat (PIFS), which is the Contracting Authority of EDF funds, and Head of the Secretariat of the Oceania Customs Organization, who is the beneficiary of the Grants.

The Director Economic Governance of Pacific Islands Forum Secretariat (PIFS) will provide oversight in the overall coordination of the SPEITT Programme.

6.2 Direct Implementation or Delegation of Tasks

The Grant Agreement encompassing the TFCC project component will be signed between the Regional Authorising Officer (RAO) and Oceania Customs Organisation. The project will be implemented as follows:

The TFCC project will be implemented through **Partly Decentralised Management** through a Grant Agreement between the RAO and OCO Secretariat.

The overall coordination of the TFCC project will be PIFS' responsibility under the SPEITT Programme. It will therefore ensure that semi-annual and annual reports are received in a timely manner in order to monitor and evaluate the progress made of the annual work plan activities and its contribution to the Aid for Trade Strategy in general.

For the TFCC Project, PIFS will ensure that annual work programmes, financial audits and reporting are done in a timely manner and conform to EDF rules and regulations. As Grant Agreements will be signed it is expected that annual Work Plans are used to control the flow of payments for this project components.

The implementation of the TFCC project will be supervised by the Head of OCO Secretariat.

A SPEITT Programme Steering Committee (PSC) will be convened annually with dedicated sessions of each component of the components of the programme.

The SPEITT PSC shall at least comprise of

-Representative of the Regional Authorizing Officer (RAO)

-A representative of each of the implementing organisations (SPC, PIFS, OCO and SPTO)

-Representative of relevant PACP national organisations.

-A representative of the European Union for the Pacific (with observer status)

For the TFCC component, a Component Steering Committee (CSC) shall be set up to oversee and validate the overall direction and policy of the project. The CSC shall meet once a year prior to the PSC meeting in order to report on the progress report.

The TFCC CSC shall be made up of;

-Representatives of the 15 PACP Customs Administration

-Head of OCO Secretariat (Project Supervisor and Chairman)

-Project Manager of TFCC (Secretary) and all divisional heads of OCO

-Representative of Regional Authorizing officer (RAO)

-Representative of Pacific Islands Private Sector Organisation (PIPSO)

-Representative of European Union Delegation for the Pacific (observer status).

In addition to the above, representative of private sector organisations, project implementation partners, Board of Governors of Governing Councils and other interested donors can be invited to the meeting.

To ensure internal control that projects progress as planned, each component will hold quarterly Project Management Committee (PMC) meetings. PIFS and a representative of the EU Delegation may attend these meetings if required, but will receive the minutes of these meetings. The Grant Agreement will also comply with management guidelines according to EC systems.

6.3 Reporting

The reporting will be carried out pursuant to the rules and procedures set out in the special and general conditions of Grant Agreement

Specific reporting plans will be designed for and integrated in each grant agreement (OCO in consultation with the RAO).

The Commission reserves the right to request the Beneficiary and/or the implementing agency to submit specific reports at any time.

6.4. Budget

Project Budget (In Euro) See Annex III for detailed budget.

Budget	Year 1	Year 2	Year 3	Total
Human Resources (TA)	933,333	1,000,000	866,667	2,800,000
Equipment, Travel, Operations	1,448,000	2,000,000	756,000	4,204,000
Visibility	20,000	20,000	40,000	80,000
Total Direct Costs	2,401,333	3,020,000	1,662,667	7,004,000
Eligible indirect	162,960	162,960	169,960	488,880
Subtotal Total	2,564,293.	3,182,960	1,832,627	7,572,880
OCO Contribution	631,073.33	631,073.33	631,073.33	1,893,220
	3,195,366.33	3, 814,033.33	2,463,700.33	9,466,100

The Budget of Human Resources covers other benefits as stipulated in the OCO Finance and Administration Policies.

6.5 Project Positions

There are eight (8) positions identified in this project agreement to implement the activities identified in the SPEITT Financing Agreement. The eight positions include the Project Manager, Legal Drafter, Automated Systems Analyst, Project Technical Officer, Information Technology Assistant, Trade Statistics Officer, Project Accountant, Project Assistant. Salaries of each project position are consistent with OCO's staff remuneration package, and are based on prevailing market rates in the Pacific. Other benefits of the positions stipulated in the approved 2010 OCO Administration and Finance Policies and procedures are also applicable for these positions.

The job descriptions for the positions are attached in a separate annex to this agreement.

6.6. Mobilization of the Project/Programme Budget (if necessary)

6.6.1 Degree of Decentralisation

The TFCC project will be implemented through grant contracts:

All contracts implementing the grant agreement must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

The Grant Agreement is granting the derogation from the rules of origin and nationality established and published by the Commission regarding the award of contracts in the context of cooperation with third countries. For any other derogation the Contracting Authority must receive the prior written approval of the Commission

6.6.2 Exceptions to decentralised contracts

Contracts relating to monitoring, external evaluation and audit shall be concluded by the Commission on behalf of the Beneficiary, excluding the ones expressly foreseen in the grant agreement signed under the present FA.

6.6.3 Financial Modalities

Financial modalities will be established within the grant contract.

7. MONITORING, EVALUATION AND AUDITS

7.1 Monitoring

For the TFCC project the following is applicable in relation to the monitoring of the action.

Day-to-day technical and financial monitoring will be a continuous process as part of the Beneficiaries' responsibilities. To this aim, the Beneficiaries shall establish a permanent internal, technical and financial, monitoring system to the project, which will be used to elaborate the progress reports.

Independent consultants recruited directly by the Commission on specifically established terms of reference will carry out external monitoring ROM missions, which in principle will start from the sixth month of project activities, and will be finalized at the latest 6 months before the end of the operational implementation phase.

7.2 Evaluation

For the TFCC project the following is applicable.

Independent consultants may be recruited directly by the Commission on specifically established terms of reference to carry out external evaluations.

The Beneficiary and the Commission shall analyze the conclusions and recommendations of these evaluations and jointly decide on the follow-up action to be taken and any adjustments necessary, including, if indicated, the reorientation of the project. The reports of the other evaluation and monitoring missions will be given to the Beneficiary, in order to take into account any recommendations that may result from such missions.

The Commission shall inform the Beneficiary at least 21 days in advance of the dates foreseen for the external missions. The Beneficiary shall collaborate efficiently and effectively with the monitoring and/or evaluation experts, and *inter alia* provide them with all necessary information and documentation, as well as access to the project premises and activities.

Key Performance Indicators for evaluation are outlined in the project Logical Framework which is attached in this Grant Agreement

7.3 Audit and Internal Control

The Head of the OCO Secretariat will ensure internal control of its management operations. Annual audit of expenditure will be carried by external and independent auditors recruited by the beneficiaries.

In the case where the audits carried out identify non-eligible expenditure, the following procedure is applicable:

- i. The Commission shall send the Beneficiary a report concerning the non-eligible expenses;
- ii. The Beneficiary shall submit its comments to the Commission within one month following its reception of the report;
- iii. The Commission will communicate its final decision concerning the non-eligible expenses to the Beneficiary;

The Beneficiary shall transfer back to the Commission the non-eligible amount to the project account within 45 days following communication of the EC final decision. In the case that this deadline is not respected, the Commission may withhold this amount from future payments to the project account.

A final audit of the TFCC Project may be requested by the Commission.

Financing provisions are made under the Financing Agreement for these purposes. These amounts will not be included in the grant agreement. Any costs incurred by the beneficiary for its own evaluations and audits will be considered as operational costs under the grant contracts.

8. COMMUNICATION AND VISIBILITY

1% of total project costs are provided for action to promote project visibility. EU financial support will be highlighted in all activities, reports and media releases. EU promotional material will also be produced and distributed .

9. ATTACHMENTS

- Logical Framework and Performance Indicators

Logical Framework TFCC

Project Description	Objectively Verifiable Indicators	Sources of Verification	Assumptions
Overall Objectives To strengthen PACP customs services to internationally compliant standards, increase private sector competitiveness and increase international market access	Export markets supported by the components increase 5% by value against 2009 baseline; Export markets supported by the components are diversified 5% by product against 2009 baseline.	Trade statistics	Data will be accurate, up-to-date and available
Project Purpose Improved trade facilitation through improved customs management and efficient systems	<ul style="list-style-type: none"> At least 5 PACPs have adopted and are using WCO compliant Customs management programs by 2014 At least 10 PACP Customs administrations are compliant to at least one of the following international standards by 2014: (a) Revised Kyoto Convention (RKC) , (b) SAFE Framework of Standards (FoS), (c) Risk Management System, (d)World Trade Organisation Valuation Agreement (WTOVA), (e) Harmonised Coding System (HCS), (f) Revised Arusha Declaration (RAD) and (h) Authorized Economic Operators (AEO) Customs import and export clearance times reduced by >25% by 2014 over 2010 baseline Customer compliance level increases by 25% by 2014 over 2010 baseline Customer satisfaction increases by 30% by 2014 over 2010 baseline 	<ul style="list-style-type: none"> Country and project reports National accounts Trade statistics Customs, Customer and User surveys 	OCO member countries willing to adopt WCO compliant systems and update or adopt relevant legislation Accurate and updated customs data available
Results R1 Improve sustainable insituational capacity of the OCO Secretariat R2: Develop, adopt and enact iinternationally-compliant customs legislation for/by PACPs R3: Internationally compliant customs processes and systems in use in PACPs		Means: HR Equipment, Training , Travel and Operations Visibility Eligible indirect Contingency Subtotal OCO (Co-financing) Overall Total	Costs: 2,800,000 4,204,000 80,000 488,880 0.00 7,572,880 1,893,220 9,466,100

<p>Activities</p> <p>R1-Improve sustainable institutional capacity of the OCO Secretariat</p> <p>Activity 1.1: Contract long and short term project staff</p> <p>Activity1.2: Prepare OCO 10-year Corporate Plan</p> <p>Activity 1.3:Develop and initiate implementation of OCO Secretariat long term Human Resources Development Plan</p> <p>Activity1.4: Establish and further develop appropriate financial and project reporting systems within the OCO Secretariat</p> <p>Activity 1.5: Strengthen the OCO Secretariat communication network with and amongst its members</p> <p>Activity 1.6: Implement formal and informal training for OCO Secretariat staff</p> <p>R2: Develop, adopt and enact internationally-compliant customs legislation for/by PACPs</p> <p>Activity 2.1: Review customs legislation in all PACPs and identify legal gaps in achieving internationally acceptable customs standards.</p> <p>Activity 2.2: Consult with and support customs administrations and relevant government authorities in PACPs to address gaps and ensure compliance to international legal standards and enable regional legal harmonization.</p> <p>Activity 2.3: Assist PACPs customs administrations with the development of customs legal and operational manuals</p> <p>Activity 2.4: Train Customs officials and key stakeholders in the implementation of customs legislation.</p> <p>Activity 2.5: Assist PACPs customs administrations with customs and trade legislation related awareness activities</p> <p>Activity 2.6: Develop, adopt and implement at the national level the ‘Code of Conduct’ based on the WCO standards of the Revised Arusha Declaration</p> <p>R3: Internationally compliant customs processes and systems in use in PACPs</p> <p>Activity 3.1: Conduct national and regional gap analysis/needs assessments in PACPs to determine progress in adopting internationally compliant customs systems and standards</p> <p>Activity 3.2: Implement feasibility studies on appropriate design, establishment and management of (a) trade statistics databases; (b) customs databases, (c) risk management systems, (d) Harmonised Systems, and (e) Automated Customs</p>		

<p>Activities and Systems and (f) WTO valuation system</p> <p>Activity 3.3: Upgrade PACP ASYCUDA systems where required, and install other systems in countries where ASYCUDA is deemed less appropriate</p> <p>Activity 3.4: Design and provide country-specific equipment, TA advisory, backstopping and training support programs</p> <p>Activity 3.5: Introduce or strengthen appropriate trade statistics databases, risk management systems, and Harmonised Systems in PACPs</p> <p>Activity 3.6: Develop operational management guidelines and self assessment tools for customs managers.</p> <p>Activity 3.7: Develop and implement systems for electronic submission and processing of Export Manifests where required</p> <p>Activity 3.8: Design and establish OCO website and online database to share primary trade statistics with members and other key stakeholders</p> <p>Activity 3.9: Promote the adoption of RKC and SAFE framework of standards to modernize national customs processes and procedures</p> <p>Activity 3.10: Strengthen Post Clearance audit, investigation and intelligence capacities</p> <p>Activity 3.11: Promote PACPs compliance with Rules of Origin (ROO) requirements</p> <p>Activity 3.12: Provide short term attachment training opportunities for customs staff</p> <p>Activity 3.13: Assist all PACP member countries, including Timor Leste, to prepare and institute customs internal audit systems</p> <p>Activity 3.14: Assist all PACP member countries, including Timor Leste, as needed through TA, advisory and backstopping support</p>		
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Key Performance Indicators

Indicator	Baseline (2010)	Target	Without Project
<p>Result: Improved efficiency of PACP Customs Administrations</p>	<p>No PACP incl Timor Leste is compliant to any of the WCO Customs management systems</p>	<p>(1) At least 5 PACPs have adopted and are using fully WCO compliant Customs management systems by 2014; (2) At least 10 PACP Customs administrations are compliant to at least one of the WCO standards by 2014.</p>	<p>At worst, no change to baseline, at best only 1, perhaps 2 countries have become fully compliant, with perhaps a few more countries compliant to at least one of the WCO standards by 2014</p>

Result: Processing time of exports and	Between 29 days (Palau) and 19 days (Tonga)	Import and export processing times decreased on average by >25% by 2014	No change or possibly even longer processing time required.
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