

Customs work through the eyes of stakeholders

presentation of the results of the Public Monitoring of
Certain Aspects of the Work of Customs conducted during January - April 2021

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Project "Support to Public Initiative
"For fair and transparent customs"

Kyiv 2021

What are we going to talk about



PUBLIC MONITORING: presentation structure

- **purpose, partner organizations, cooperation**
- **tools**
- **assessment of changes in the business environment**
- **general assessment of the difficulty of passing different types of control**
- **assessment of innovations at customs:**
 - **NCTS and AEO**
 - **digital customs products**
- **Influence of law enforcement bodies and corruption**
- **assessment and expectations from reforms**
- **recommendations**

PUBLIC MONITORING: purpose, cooperation, tools



PUBLIC MONITORING: purpose, partner organizations, cooperation

The purpose of the Public Monitoring is to assess certain aspects of customs work and prepare recommendations aimed at improving the work of customs authorities

It provides **feedback** from stakeholders on customs change and reform

Public monitoring is the result of **IER** cooperation with **four** organizations :

- Association of Customs Brokers of Ukraine (Kyiv)
- NGO "Agency for International Cooperation" (Lutsk)
- NGO "Association of Regional Mass Media" (Chernihiv)
- NGO "SFERO" (Vinnytsia)

Active cooperation at each stage of monitoring has **increased the ability** of partner organizations to prepare analytical products :

- IER provided research tools that ensured the same high standards for all organizations
- IER experts advised organizations during the monitoring – this gave the organizations the opportunity to learn through practical application of their knowledge (learning by doing)
- IER experts commented on the analytical reports of organizations and involved them in writing the general report on the results of the Monitoring – this improved the analytical skills of the organizations, in particular in the analysis of primary and secondary data

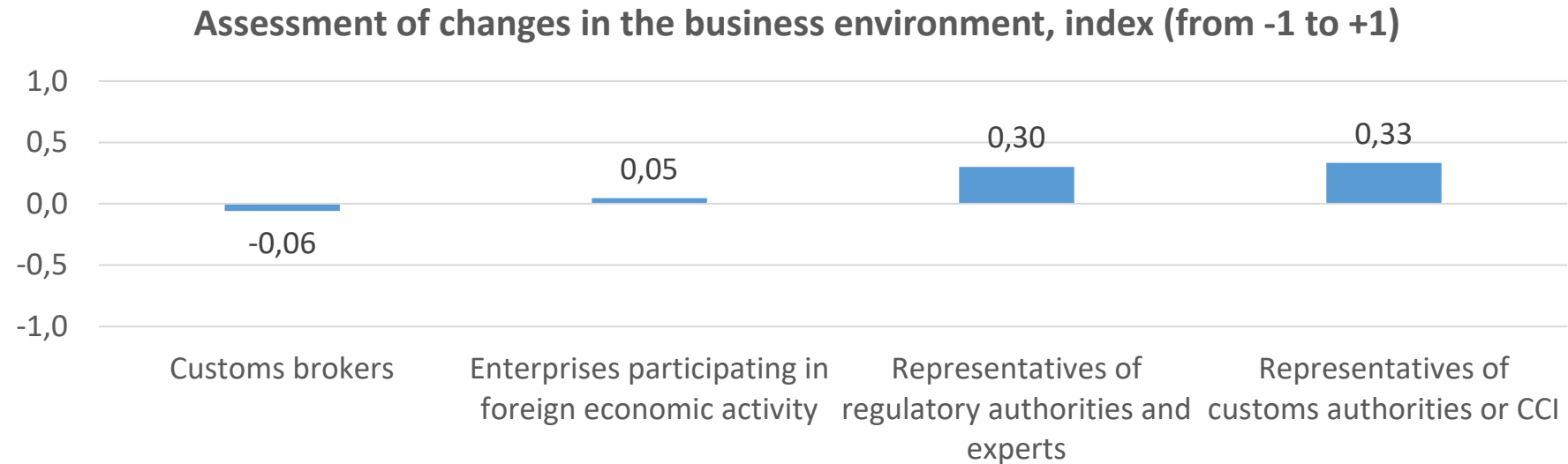
PUBLIC MONITORING: respondents, tools, period

- **117 respondents in 8 regions:** Vinnytsia, Volyn, Kyiv, Lviv, Odesa, Rivne and Chernihiv regions, as well as Kyiv city
- Toolkit: **in-depth interviews (+ questionnaires)** with stakeholders :
 - Enterprises participating in foreign economic activity (62.4%)
 - Customs brokers (17.9%)
 - Representatives of regulatory authorities (11.1%)
 - Representatives of customs authorities or CCI (8,5%)
- 71.6% of respondents are **men**, 28.4% are **women**. The average age is **42 years**.
- Dates: **January-April 2021**

ASSESSMENT OF THE BUSINESS ENVIRONMENT AND CUSTOMS PROCEDURES



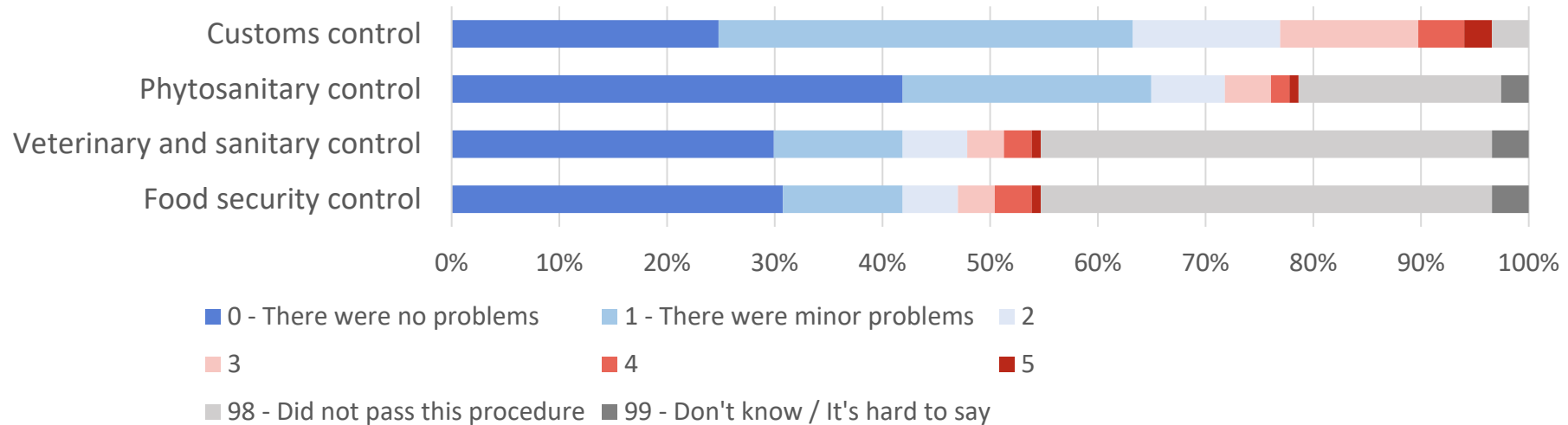
ASSESSMENT OF CHANGES IN BUSINESS CONDITIONS



- 41.4% of respondents believe that the regulatory conditions for doing business have **improved** over the last 2 years, while 34.3% believe that these conditions have **deteriorated**
- **The index of assessment of changes in the business environment** according to the estimates of all respondents is +0.07, in particular according to the estimates of representatives of enterprises participating in foreign economic activity this index is +0.05.
- **The worst** scores were given by customs brokers (-0.06), **the best**, by representatives of the customs authorities and CCIs (+0.33).

ASSESSMENT OF THE PROBLEMS OF DIFFERENT TYPES OF CONTROL BY ALL STAKEHOLDERS

Assessment of the problem of different types of control,%



- Customs control was assessed **by more respondents** than other types of control (phytosanitary, veterinary and food safety control)
- Respondents generally rate different types of controls as **not causing problems** or **causing minor problems**
- Customs control is considered relatively **more problematic**, but the problems are assessed as mostly **minor**

EVALUATION OF INNOVATIONS AT CUSTOMS



NCTS or common transit mode

- NCTS is the New Computerized Transit System or common transit mode
- According to the Convention on a common transit procedure, the NCTS is the basis for the movement of goods between 35 countries (EU, EFTA, Turkey, Northern Macedonia and Serbia)
- The NCTS is a technology: a new computerized transit system that is only available to members of the Convention. After acceding to the Convention, EU and Ukrainian customs will have one transit document in the system, which will allow customs authorities to control goods at each stage of transportation
- Ukraine is at the stage of national treatment of this technology, which is a necessary prerequisite for the full accession to it



NCTS or common transit regime: awareness, plans, benefits

- 59.8% of all respondents **know** about the NCTS
- In particular, 50.7% of **representatives of enterprises** participating in foreign economic activity know about NCTS
- 51.4% of enterprises participating in foreign economic activity **plan to use** the NCTS

Respondents named the following **key benefits** of the NCTS :

- simplified and accelerated border crossing, avoidance of downtime
- clearly defined mechanisms, procedures, range of participants
- reduction of corruption risks, reduction of the role of customs officers in decision-making
- greater control of consignments, transparency of transit
- guarantees for all cargoes that will be moved across the customs border
- reducing the cost of customs procedures

NCTS or common transit mode: difficulties

Respondents named such probable **difficulties** with the transition to the NCTS:

- fears about the need for double work, including simultaneous registration in the old and new systems
- additional time spent on training by customs and business
- resistance to change by customs
- errors in the work of technology

NCTS or common transit mode: what information is missing



Respondents **lack information:**

- about the benefits and opportunities of the NCTS
- on how enterprises with foreign trade and customs brokers will work in the NCTS
- about ways of guaranteeing cargoes within the NCTS
- about goods that will be covered by the warranty

AUTHORIZED ECONOMIC OPERATOR (AEO)

- AEO is a special status, which certifies a high degree of trust of the customs to the business entity and gives it the opportunity to enjoy the benefits and special simplifications in customs clearance, such as:
 - ✓ reducing the level of risk for moving goods
 - ✓ release of goods at the location of the enterprise
 - ✓ simplified declaration procedure, etc.

Recognition of the status of the AEO of Ukrainian companies by customs authorities of other countries, in particular, the EU (after mutual recognition)

- On the one hand, the introduction of the AEO allows to reduce time costs and simplify customs procedures for entities that have received the appropriate status, and on the other hand, its implementation will allow customs authorities to focus on riskier trade transactions
- As of June 1, 2021, one AEO certificate was issued in Ukraine

AUTHORIZED ECONOMIC OPERATOR (AEO)

- 64.7% of all respondents **know** about the AEO
- For a third of respondents (31.9%) from among customs brokers and representatives of enterprises, the procedure for obtaining the status of the AEO **is clear**
- For 45.7% of respondents, it is **not clear**
- 43.2% of enterprises participating in foreign economic activity would like **to obtain** the status of the AEO
- Another 5.4% (or 2 companies) are **in the process** of obtaining
- 13.5% of enterprises participating in foreign economic activity would like to receive this status, but **do not meet the requirements**

AUTHORIZED ECONOMIC OPERATOR (AEO): advantages, disadvantages, lack of information

Respondents named the following main **advantages** of the AEO :

- saving time
- simplified cargo inspection
- the possibility of independent implementation of certain customs procedures
- reduction of costs for customs services

Respondents mentioned the following main **shortcomings** related to obtaining the status of the AEO:

- high requirements, complex and long procedure for obtaining the status
- access of controlling bodies to the finances of enterprises, frequent inspections

Respondents **lack information** about:

- the features of the AEO for customs brokers and carriers
- simplified declaration procedure
- the amount of cash collateral
- control of the AEO activities
- determination of customs value for the AEO enterprises

DIGITAL CUSTOMS PRODUCTS: awareness, use

- More than 80% of respondents know about the Single Window for International Trade portal, less than 75% know about their personal account on this portal
- 52.9% of customs brokers and representatives of enterprises who know about the personal account on the portal "Single Window for International Trade" use it
- Respondents report the functionality of the portal "Single Window for International Trade" and personal account on this portal, its adaptability for mobile devices
- Among the disadvantages: "freezing" of the website, problems with entering the personal account, not all declarations are displayed

DIGITAL CUSTOMS PRODUCTS: awareness, use

- Less than 38% know about the Business Intelligence analytical module and only 23.8% of those who know use it. Some respondents are satisfied with its functionality, others point to its complexity and incomprehensibility
- More than 80% know about QD Professional and / or MD Declaration programs
- More than 66% know about the online map of the infrastructure of the State Customs Service

CUSTOMS INFRASTRUCTURE AND SERVICE ASSESSMENT



INFRASTRUCTURE AND SERVICE AT CUSTOMS: customs posts, roads, technical equipment

During the monitoring, the services and infrastructure of the investigated customs were assessed, namely: Volyn, Polissya, Odesa, Kyiv, Halych, Podil and Pivnichna customs of the State Customs Service. Respondents assessed each of the above customs according to the following criteria :

- the state of the infrastructure of customs posts
- quality of roads, convenience of entrances
- technical equipment of customs posts
- availability of scanners, scales
- operation of payment terminals
- sanitary conditions at customs posts
- quality of service at customs posts
- quality of mobile and internet communication

INFRASTRUCTURE AND SERVICE AT CUSTOMS: customs posts, roads, technical equipment

Infrastructure of customs posts:

- Respondents note the **improvement** of infrastructure in recent years, but point to the existing **shortcomings**: queues, lack of equipment, lack of service infrastructure for truckers, unsatisfactory general condition of customs posts
- Regionally, Rava-Ruska and Krakovets checkpoints are given **higher marks**, IAGP Yahodyn and checkpoints in Odesa oblast give **lower marks**.

Road quality:

Some respondents assess the quality of roads **positively**, noting the significant road **repairs** carried out in 2020. Others give **unsatisfactory** assessments, stressing the need to upgrade roads, especially entrances to checkpoints.

- Example: There are significant differences in the quality of roads in the western (European) and other areas: the best scores were given to the Rava-Ruska International Road Checkpoint and Krakovets of the Halych Customs and the Yagodyn IRC of the Volyn Customs. The situation with the Belarusian direction is much worse, both in Volyn (PE "Domanovo"), Rivne, and in Kyiv (PE Vilcha) and Chernihiv region "Senkivka-Novi Yurkovychi", "Gremyach-Pohar", the terminal in Kozelets - sphere of activity of the Northern customs). At the Odessa customs, respondents complain about the quality of entrances to the Starokozache IRC and the port of Illichivsk.

Technical equipment of customs posts and checkpoints:

- Respondents point out the **lack** of some equipment at some customs posts, as well as the **obsolescence** and malfunction of equipment, insufficient supply of **consumables**

INFRASTRUCTURE AND SERVICE AT CUSTOMS: terminals, sanitary conditions, service, communication

Operation of payment terminals:

- Respondents report:
- **limited access** to payment terminals at many Customs Car Checkpoint,
- **about the lack of alternatives** to IBOX payment terminals
- About the absence of terminals in general (at some checkpoints in Vinnytsia, Volyn and Odessa regions of payment terminals in general)

Sanitary conditions at customs posts:

- Respondents report **unsatisfactory sanitation** and **lack of toilets** at some checkpoints. They also talk about the lack of **equipped waiting places** for drivers, **rest areas** for brokers and appropriate **sanitary zones**, as well as the **lack of hot water**.

Quality of service at customs posts:

- According to the respondents, the quality of communication with customs inspectors has improved, but they are not always ready to provide information and answer questions. There was also a shortage of inspectors at some customs posts.

Quality of mobile and internet connection:

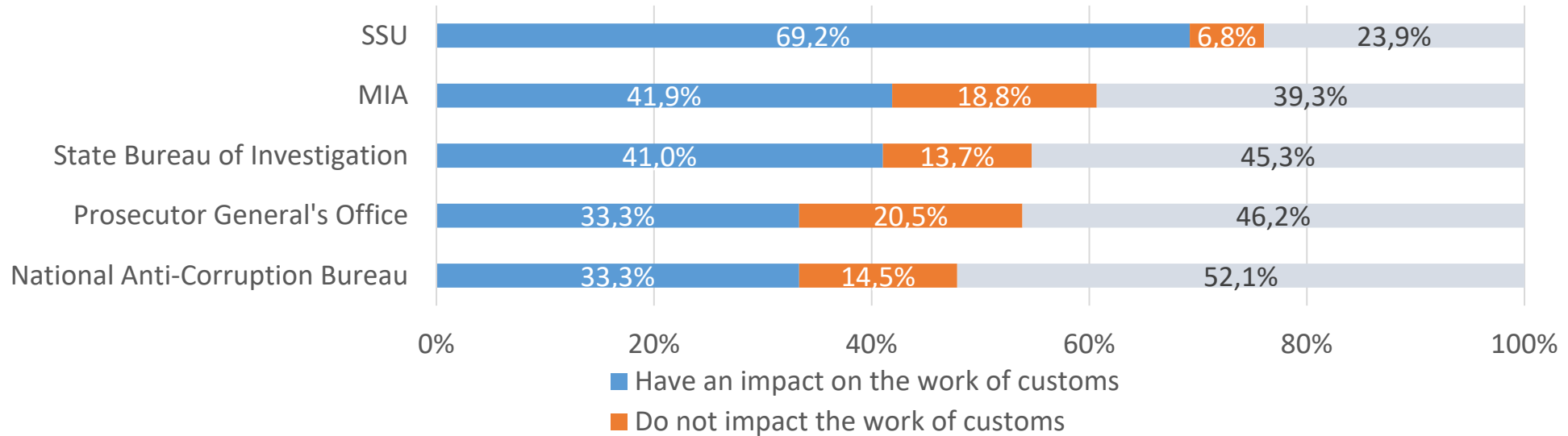
- There is weak connection and switching of mobile phones to foreign operators at some posts

INFLUENCE OF LAW ENFORCEMENT AUTHORITIES AND CORRUPTION



INFLUENCE OF LAW ENFORCEMENT AUTHORITIES ON THE WORK OF CUSTOMS

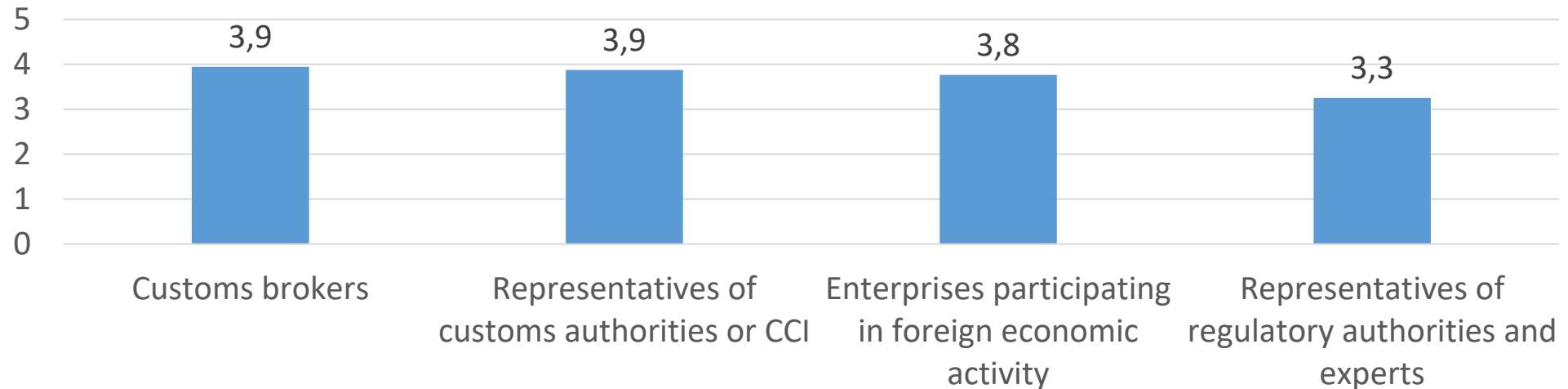
Assessment of the impact of law enforcement agencies on the work of customs,%



- Respondents most often named the **Security Service of Ukraine** among law enforcement agencies, which, in their opinion, have an impact on the work of customs (69.2%)
- According to the respondents, due to the involvement of the Security Service of Ukraine in customs control, there are **obstacles for official business**: increasing the time of customs procedures, cargo inspections, and "manual" control over transportation

CORRUPTION AT THE CUSTOMS: level, manifestations

Assessment of the level of corruption, points



- On a scale from 1 (high corruption) to 5 (low or no corruption), respondents rated corruption at customs from their own experience by an average of **3.7 points**
- Representatives of **regulatory authorities and experts** assessed the situation worse: by 3.3 points
- Among the **manifestations of corruption** at customs, respondents name bribes for speeding up the queue and customs clearance, to avoid artificial problems and for positions.
- Actions **leading to corruption**: unjustified increase in the customs value of goods and unjustified inspections of goods

CORRUPTION AT THE CUSTOMS: problem or solution, informal connections, trends

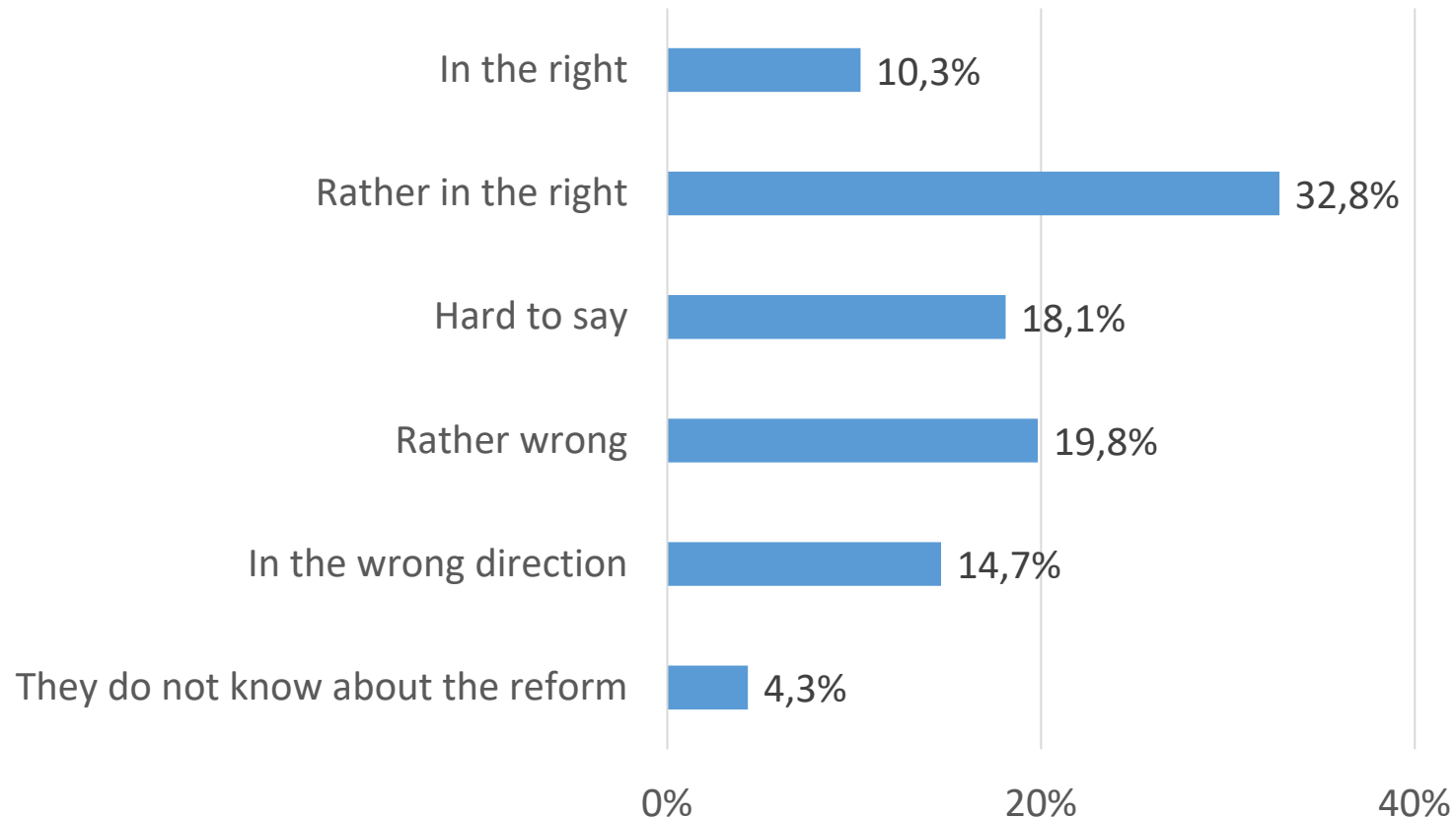
- Some respondents consider corruption to be exclusively a **problem for businesses**. Example: intentional delays of goods at customs, which pushes companies to pay bribes to speed up customs clearance
- Corruption as a way **to solve problems**, according to the respondents, works for dishonest businesses. Example: payment of bribes for the import of low-quality and uncertified goods or understatement of goods value
- Respondents differ on whether **informal relations with the authorities** are corruption. For some, it is a manifestation of corruption, which, however, **facilitates** doing business
- For others, an informal business relationship with the authorities is a **tradition** or a way to obtain **professional customs services** from qualified professionals.
- Some respondents noted a **reduction** in corruption at customs due to, in their opinion, automation, the transition to electronic document management and a reduction in the role of customs officers.
- Other respondents believe that the level of corruption at customs **has not changed**

CUSTOMS REFORMS



ARE CUSTOMS REFORMS GOING IN THE RIGHT DIRECTION?

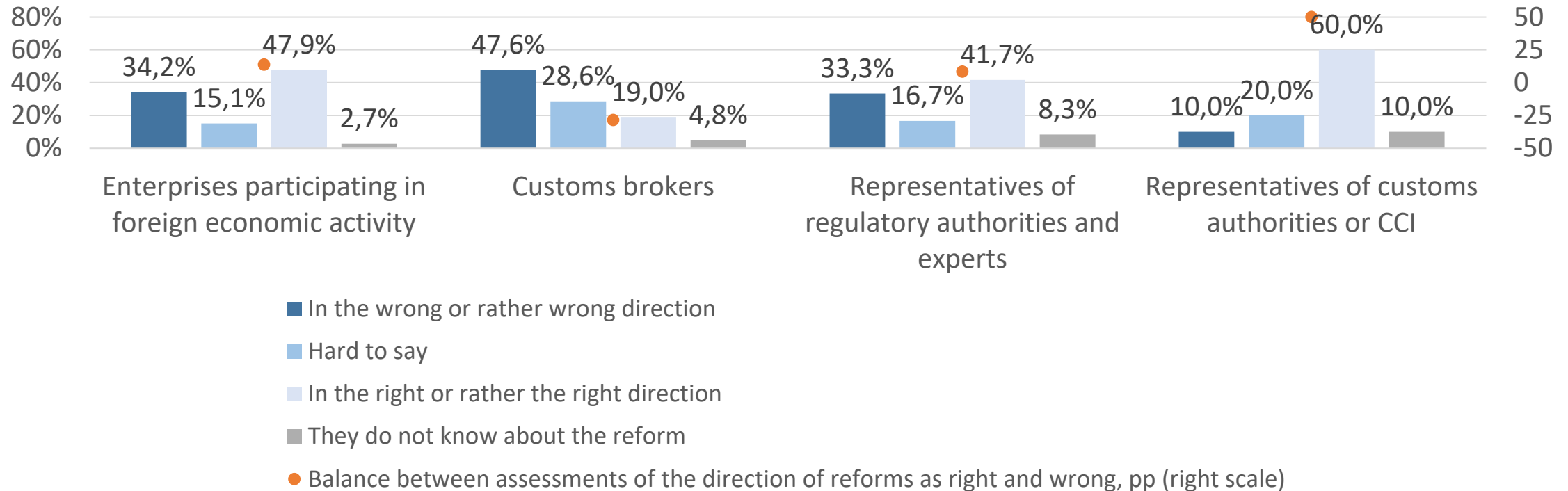
Assessment of the direction of customs reform,%



- More than 43% of respondents believe that customs reform is moving in **the right or rather right direction**
- Almost 35% believe that the direction of customs reforms is **wrong or rather wrong**

DIRECTION OF CUSTOMS REFORMS: stakeholder assessment

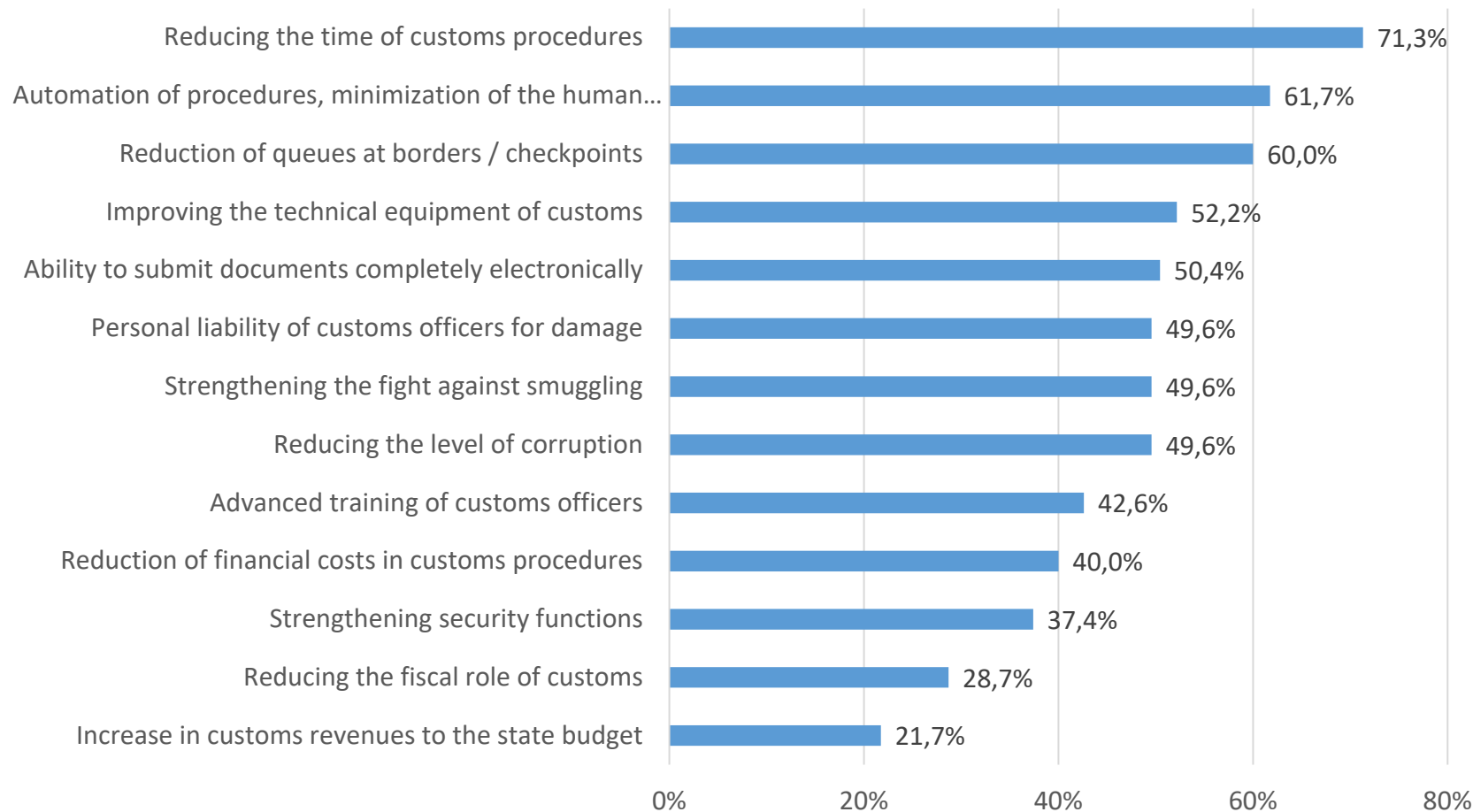
Assessment of the direction of customs reform by stakeholders,% and balance (pp)



- Representatives of customs authorities and CCIs assess the direction of reforms **the best** (the balance indicator is +50 percentage points), while customs brokers, **the worst** (-28.6 percentage points).

EXPECTED RESULTS FROM CUSTOMS REFORM

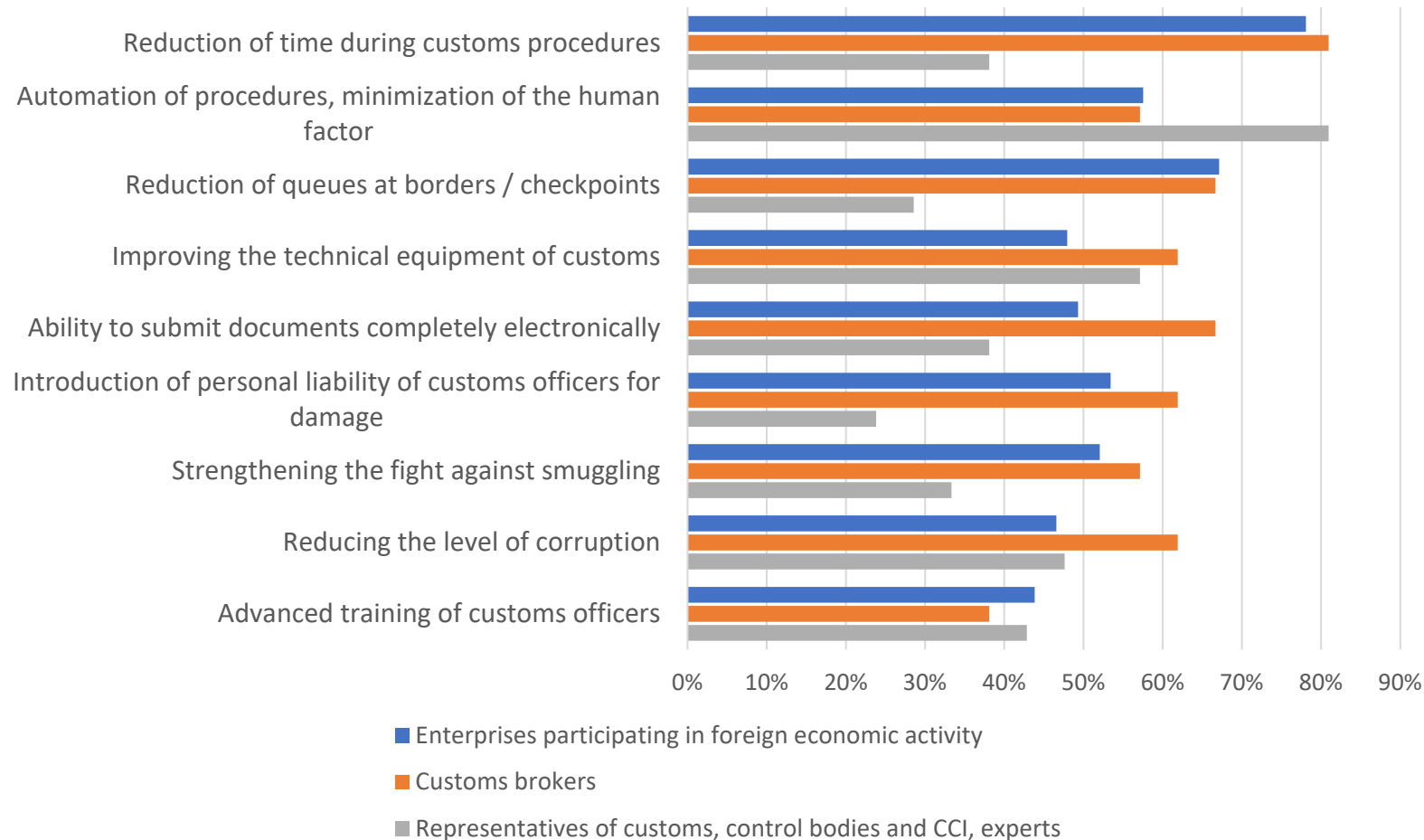
The main expected results from the customs reform, %



- The main results that respondents expect from customs reform are **reduction of time** during customs procedures, **automation of procedures** and **reduction of queues**
- Every tenth respondent (9.6%) **simultaneously** expects a **decrease in the fiscal role of customs** and an **increase in customs revenues to the state budget**. This means that respondents have different interpretations of what the “fiscal role of customs” should be and what results a change in this role can lead to

EXPECTED RESULTS FROM CUSTOMS REFORM: a view from various stakeholders

Main expected results from customs reform by various stakeholders, %



Representatives of customs, control bodies, CCIs and experts are less likely than business representatives and customs brokers to expect a **reduction in the time of customs procedures and queues**, as well as the introduction of **personal responsibility of customs officers and strengthening the fight against smuggling**

Instead, they are more likely to talk about the need to **automate procedures**

RECOMMENDATIONS



RECOMMENDATIONS FOR NCTS AND AEO

- ✓ intensify outreach on the **benefits and opportunities** of NCTS and AEO, as well as **practical aspects** of their application with a focus on entrepreneurs in the regions;
- ✓ to carry out additional explanatory work on the **criteria, requirements** and the **procedure** for obtaining the status of AEO for the interested enterprises;
- ✓ to study the possibility of **softening** certain criteria for obtaining the status of AEO by enterprises;
- ✓ accelerate the development and adoption of bylaws necessary for the full implementation of the institute of AEO and NCTS.

RECOMMENDATIONS FOR THE “SINGLE WINDOW FOR INTERNATIONAL TRADE” WEB PORTAL

- ✓ regularly update **data** and add **statistics** on the volume of goods and information on the **decisions** of the authorities issuing permits;
- ✓ expand functionality by adding opportunities for **electronic document management** between businesses, brokers, customs and regulatory authorities;
- ✓ enable the **storage of user information** for future entry in the declaration, increasing the number of **forms for printing** and providing for the **export of the extract** in MS Excel format;
- ✓ to supplement the **functionality** in accordance with the resolution of the Cabinet of Ministers of Ukraine № 971 of October 21, 2020;
- ✓ to solve technical problems related to the use of **electronic keys** in the personal account and **interruptions** in the work of the office.

RECOMMENDATIONS FOR THE BUSINESS INTELLIGENCE ANALYTICAL MODULE

- ✓ improve the interface by making it **easier** and more **user-friendly**
- ✓ add as detailed publicly available statistics as possible on the **customs value of goods** and **delays in goods** at the border
- ✓ to ensure **uninterrupted operation** of the Unified Automated Information System of the State Customs Service of Ukraine

RECOMMENDATIONS FOR THE DEVELOPMENT OF THE INFRASTRUCTURE OF CROSSING POINTS

- ✓ gradual transition to "**smart**" checkpoints, using digital technologies that **minimize personal participation** in relevant procedures, including the introduction of an electronic service for **planning the operation of checkpoints** (e. g., the use of "electronic queue"), etc.
- ✓ **integrate** customs information systems with other information systems and / or registers and implement **digital processing** of the received information
- ✓ increase the use of **technical customs control systems** (primarily weighing systems and scanning systems for heavy vehicles), integrated into customs information systems
- ✓ to introduce a "**smart checkpoint**" as an experiment at the Yahodyn International Road Checkpoint
- ✓ to study the expediency of revising the current system of **financing** the infrastructure of checkpoints

RECOMMENDATIONS FOR MINIMIZING THE INFLUENCE OF LAW ENFORCEMENT AGENCIES ON THE WORK OF CUSTOMS

- ✓ consider the possibility of **banning** the SSU's interference in the activities of customs authorities and the implementation of customs procedures
- ✓ consider the possibility of legally prohibiting the presence of **other law enforcement agencies** in customs control zones
- ✓ consider prohibiting law enforcement agencies from conducting any **investigative actions** at checkpoints, except in cases involving the transportation of weapons, drugs or other dangerous goods

RECOMMENDATIONS FOR OVERCOMING CORRUPTION AT CUSTOMS

- ✓ **automation** of processes at customs and reduction of **the human factor**;
- ✓ taking measures to increase **the prestige of the customs profession**, including cash benefits, pensions and social package;
- ✓ taking **preventive** measures: constant **rotation** of employees at different customs, updating the **staff** of customs, the use of **lifestyle** monitoring, the use of customs testing for **integrity**;
- ✓ ensuring **the inevitability of punishment** and the exclusion of the possibility of **reappointment** after the commission of acts of corruption;
- ✓ elimination of the possibility of **ambiguous interpretation** of the law by customs officers (unification of customs rates, elimination of ambiguous interpretation of the law).

THANK YOU FOR YOUR ATTENTION!



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Project "Support to the Public Initiative" For Fair and Transparent Customs "
Is implemented by the Institute for Economic Research and Policy Consulting
with financial support from
European Union, IF "Vidrodzhennia" and Atlas Network

