

Main results and recommendations of the Public Monitoring of Certain Aspects of Customs Operation, held in January-April 2021

In 2021, the IER and four partner NGOs selected in an open competition collected data and monitored the work of seven regional customs offices of the State Customs Service - Volyn, Polissya, Odessa, Kyiv, Halych, Vinnytsia and Pivnichna customs offices.

The Public Monitoring 2021 analyzed the assessments, expectations, opinions and attitudes of businesses, experts, representatives of business and professional associations on innovations at the customs (the joint transit regime, the Authorized Economic Operator), the new digital customs products (the portal Single Window for International Trade, the Personal account of the user on this portal, and the Business Intelligence analytical module), the state of border infrastructure and service at the customs, and the level of corruption, as well as prepared recommendations on the specific steps to improve the conditions of international trade.

The method of in-depth semi-structured interviews with the stakeholders: exporters, importers, customs brokers, representatives of customs and control bodies, as well as with the experts in the field of foreign trade was used to gather information during the Public Monitoring of Customs. Interviews were conducted by the regional partner organizations. For all interviews, the main topic of the questions was identified, which allowed, on the one hand, to compare the answers, and on the other – to summarize the information obtained.

RESULTS OF THE RESEARCH

- **Assessment of regulatory conditions:** In 2021, the value of the index of assessment of changes in the business environment by the representatives of all stakeholders is +0.07, including +0.05 by enterprises with foreign trade. 41.4% of all the respondents believe that the regulatory conditions for doing business have improved over the past two years, and 34.3% say that these conditions have deteriorated.

The assessment of regulatory conditions is different for different stakeholder groups. The most pessimistic are customs brokers, and the most optimistic are the representatives of customs authorities and CCI.

- **Assessment of the problem of different types of control:** Respondents mainly assess different types of control: customs, phytosanitary, veterinary and food safety control as those that do not cause problems or cause minor problems. Compared to other types of control, problems are most often reported in the case of customs control, but these problems are assessed as mostly minor. Going through different types of control is more problematic for importers than for exporters.
- **NCTS:** Most of the surveyed brokers and subjects of foreign economic activity are quite generally informed about NCTS (New Computerized Transit System) and do not understand the mechanism of its activity enough. They note the lack of information materials about her. This indicates the unwillingness of business representatives to use this system now and the need for more active information about it, in particular through outreach work in the regions.
- **AEO:** The vast majority of the respondents know about the introduction of the institution of the Authorized Economic Operators (AEO) in Ukraine. Most business representatives are interested in obtaining this status. But the criteria for obtaining the status of the AEO are not easy, and the requirements are serious, so a very limited number of companies will meet the defined criteria and eventually receive the status of AEO.
- **Evaluation of new digital customs products:** Most respondents know about the state information web portal Single Window for International Trade and about the single window on this portal, as well as

about the digital products such as QD Professional or MD Declaration and the online map of the infrastructure objects of the Customs Service. Fewer respondents know about the Business Intelligence analytical module. Representatives of enterprises participating in foreign economic activity are the least informed about digital products, compared to the rest of the respondents. According to the respondents, it is necessary to improve the functionality of digital products, ensure their smooth operation and more actively inform businesses about these products and their functions.

- **Infrastructure at the border:** Existing checkpoints are unable to provide a modern and fast level of service to citizens and goods crossing the border. There is no strategy for the development of border infrastructure in Ukraine. The development of border infrastructure, including checkpoints, is carried out unsystematically and often does not take into account the current situation and the near future. As a result, the state resources, which are already limited, are used inefficiently. This requires a systematic solution and the development of an appropriate strategic vision of the state and the definition of priority measures in the development of border infrastructure.
- **Influence of law enforcement agencies on customs authorities:** Two thirds of respondents believe that the Security Service of Ukraine (SSU) influences the work of the customs. Respondents point to the obstacles for official business that arise due to the involvement of the SSU in customs control, in particular, increasing the time of the customs procedures, inspections of the cargo and “manual” control over transportation. In view of this, it is important to limit the SBU's influence on the work of customs authorities and the direct implementation of the customs procedures.
- **Corruption:** On average, all respondents rated the level of corruption at 3.7 on a scale from 1 (high level of corruption) to 5 (low level or no corruption). Among the manifestations of corruption at customs, they name:
 - assignment of the codes of the Ukrainian classifier of goods of foreign economic activity to imported goods with a higher duty rate,
 - unreasonable increase of the customs value of goods,
 - unreasonable inspections of similar goods under identical contracts,
 - payment of bribes for appointments to positions at the State Customs Service,
 - payment of bribes for speeding up the queues at the border,
 - payment of bribes to speed up customs clearance and to avoid artificial problems.
- **Assessment of customs reform:** More than 43% of respondents believe that the customs reform is moving in the right or rather right direction, while almost 35% believe that the direction of customs reform is wrong or rather wrong. Representatives of the customs and CCIs gave the best assessment of the direction of reforms, while customs brokers gave the worst one.

The main results that respondents expect from customs reform are reduction of time expenditures, automation of procedures, and reduction of queues at borders.

RECOMMENDATIONS

- **Recommendations for NCTS and AEO:**
 - to intensify the outreach on the benefits and opportunities of NCTS and AEO, as well as the practical aspects of their application with a focus on entrepreneurs in the regions;
 - to carry out additional explanatory activities about the criteria, requirements and the procedure for obtaining the status of AEO for the interested enterprises;
 - to study the possibility of lowering certain criteria for obtaining the status of AEO by enterprises;
 - to 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:**
 - to regularly update the data and add statistics on the volume of goods and information on the decisions of the authorities that issue permits;
 - to expand the functionality by adding opportunities for electronic document exchange between enterprises, brokers, customs and regulatory authorities;
 - to provide the ability to store user information for future entries in the declaration, to increase the number of forms for printing and to allow exporting 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:**
 - to improve the interface, making it easier and more user-friendly;
 - to add as detailed as possible publicly available statistics on the customs value of goods and delays of goods at the border;
 - to ensure the uninterrupted operation of the Single Automated Information System of the State Customs Service of Ukraine.

- **Recommendations for the development of checkpoint infrastructure:**
 - to gradually move (during design and / or reconstruction) to “smart” checkpoints, using digital technologies that minimize human participation in relevant procedures, including the introduction of electronic services for planning the operation of checkpoints (e. g., the use of “electronic queue”) etc.;
 - to integrate information systems of customs authorities with other information systems and / or registers and to introduce digital processing of the received information;
 - to increase the use of technical systems of customs control (primarily weighing systems and scanning systems for heavy transport), integrated into the information systems of customs authorities;
 - to introduce a “smart checkpoint” as an experiment at the Yahodyn International Checkpoint;
 - to study the feasibility of developing a strategy for the development of border infrastructure;
 - to study the expediency of revising the current system of financing of the infrastructure of checkpoints.

- **Recommendations for minimizing the influence of law enforcement agencies on the work of customs:**
 - to consider the possibility of banning the SSU's interference in the activities of customs authorities and the implementation of customs procedures;
 - to consider the possibility of legally prohibiting the presence of other law enforcement agencies in customs control zones;
 - to consider banning law enforcement agencies from conducting any investigative actions at checkpoints, except when they involve the transportation of weapons, drugs or other dangerous goods.

- **Recommendations for combating corruption at customs:**
 - to take measures to automate processes at the customs and reduce the human factor; implement appropriate technologies, equipment and software, including post-customs audit and implementation of traceability of goods;
 - to take measures to increase the prestige of the customs profession, including monetary benefits, pensions and social package;

- to take preventive measures: constant rotation of employees at different customs, updating the staff of customs, the use of lifestyle monitoring, the use of customs testing of integrity, etc.;
- to strengthen accountability: ensure the principle of inevitability of punishment and exclude the possibility of being reappointed after committing acts of corruption;
- to eliminate the possibility of ambiguous interpretation of the law by customs officers (unify customs rates, analyze relevant procedures and eliminate ambiguous interpretation of the law).