



PUBLIC MONITORING OF CUSTOMS AUTHORITIES PERFORMANCE: CONCLUSIONS AND RECOMMENDATIONS

Analytical Report

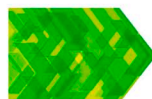
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Terms and Definitions

'AEO' means an authorised economic operator

'PO' means a public organisation

'SFS' means the State Fiscal Service of Ukraine

'EU' means the European Union

'FT' means foreign trade

'NGOs' means non-governmental organisations

'UCGFT' means the Ukrainian Classification of Goods in Foreign Trade

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Introduction

International trade opens new markets and offers new opportunities for Ukrainian businesses development whereby promoting the growth of the national economy. However, in their foreign trade activities Ukrainian enterprises face not only competition from foreign manufacturers but also obstacles related to the movement of goods over the customs border. Such movement is governed by customs procedures and depends on how the operations of customs offices and controlling services (the Food Safety and Customer Protection Service of Ukraine and the State Environmental Inspectorate of Ukraine) are organized. The complexity and the cost of such procedures determine the competitiveness of conditions of supplying Ukrainian products to foreign markets. Simplified trade procedures improve the efficiency of foreign trade activities of businesses and are considered as a mainstream in foreign trade facilitation.

Civil society organisations play an important and active role in easing trade procedures. These primarily are business organisations and public associations of entrepreneurs, including regional ones. Smooth dialogue between businesses, civil society organisations, and government authorities is critical to the development of trade procedures.

The establishment of such a dialogue is the primary goal of the Trade Facilitation Dialogue project as implemented by the Institute for Economic Research and Policy Consulting, a public organization (the 'IER') with financial support from the European Union, and co-funded by the International Renaissance Foundation.

The Report sets out the findings of the public monitoring of activities of regional customs authorities over the period from June to September 2018. The monitoring was conducted in six regions of Ukraine by public organisations in the form of in-depth interviews held with representatives of key stakeholders in each of those six regions. Public monitoring is a component of advocacy campaigns run by public organisations — winners of the grants competition as part of the Trade Facilitation Dialogue project.

The Report contains:

- evaluation of the business environment;
- evaluation of performance of customs formalities;
- a list of essential obstacles to the performance of customs formalities at regional and national levels; and
- recommendations regarding necessary measures to promote trade procedures facilitation.

Such public monitoring of operation of regional customs authorities can serve as an instrument to assess real changes in the national customs policy at regional level.

Structure of the Report:

- A. About the project.
- B. Public monitoring methodology.
- C. Monitoring findings.
- D. Recommendations.

I. Regional aspects of trade facilitation

Since 2014, the IER has been implementing the Trade Facilitation Dialogue project that aims to identify obstacles, which prevent businesses from performing customs formalities through the establishment of a stable and constructive dialogue between the business community and the government to ease trade procedures. The

project is composed of research, monitoring, and advocacy components. Public associations, including business associations, are of critical importance for such a dialogue. These associations may identify problems occurring during the performance of trade formalities and negotiate possible solutions with authorised representatives of government authorities. This is how the public influences the national policy.

Subject to the goal of the Trade Facilitation Dialogue project, which goal is to build-up capacity of business associations and NGOs to determine and implement trade-facilitation policy measures,¹ the IER announced a number of spates of an open grants competition in 2017 and 2018. Following the 2018 competition, partner organisations that implemented trade facilitation projects in the regions² were selected.

The winners of the 2018 competition became six organisations from the Vinnytsia, Volyn, Luhansk, Ternopil, Khmelnytskyi, and Chernihiv Regions. Six projects providing for the public monitoring of activities of customs authorities, identifying problematic issues and possible solutions, and carrying out advocacy campaigns involving the public discussion of monitoring findings and solutions to improve customs formalities and customs authorities operation were implemented in these regions.

Regional advocacy campaigns make part of the Trade Facilitation Dialogue project being implemented both at national and regional levels. Over the period of the project implementation, the IER conducted three spates of the national survey of experts and importers and commenced spate four in 2018. Following these surveys, discussions were held in Kyiv, with the participation of experts and government authorities, and in regions where the project's experts presented the results as part of discussions and training activities. IER's experts also conducted the monitoring and analysis of trade law and issued recommendations on the simplification of customs procedures through the preparation of consultative works and participation in working groups responsible for formulating policies of the Ukrainian Ministry of Finance.

Expert and grant support the IER provided to the partner organisations allowed them to perform a uniform public assessment of operations of regional customs offices, to identify problematic issues, and to work out recommendations regarding the improvement of customs formalities, and to perform advocacy for the deliverables. Due to the public monitoring methodology provided, the IER improved the organizational capacity of the selected regional NGOs that obtained a toolkit for the conduct of the survey and gained experience of cooperating with businesses and looking into the matters of quality of business environment in the country.

A key distinctive feature of the public monitoring was that it was performed by regional partner organisations that possess good understanding of special aspects of doing business in their regions and have expertise of local work, better know the representatives of all the stakeholders, and are in position to conveniently select respondents and to come into contact with them, which is important for an effective conversation where the respondents share their own views. In addition, the fact that the project is implemented by regional organisations increases confidence in its deliverables and adds value to its recommendations in the minds of local communities and regional government authorities because they reflect the views of the civil society of a relevant region.

The partner organisations that won the grants competition and implemented the regional projects in 2018 were:

- International Cooperation Agency, a public organization, Lutsk;
- Regional Media Association, a public organization, Chernihiv;
- Stina Entrepreneurs Association Vinnystia Region organisation, a public association, Vinnytsia;
- New Economic Policy Civil Society Movement, a public organization, Khmelnytskyi;

¹ Trade Facilitation Dialogue project http://www.ier.com.ua/ua/trade_facilitation

² Grants competition (spate 3). Advocacy for measures to promote trade and facilitate trade procedures as part of the Trade Facilitation Dialog project <http://tfd.ier.com.ua/wordpress/uk/2018/01/30/1516/>

- Slobozhanshchina Luhansk Region Community and Regional Development Agency, a public organization, Luhansk; and
- Strategic Development and Research Centre, a public organization, Ternopil.

II. Public monitoring methodology

2.1 Methodology toolkit

For public monitoring purposes, the IER developed a toolkit that allowed all the regions to obtain uniform information about specific issues at the customs and recommendations on how to address them. Public monitoring is a component of the National Monitoring Tool used to facilitate trade procedures. The methodology is described in detail in an Analytical Report entitled 'Trade Facilitation in Ukraine. Evaluations and Expectations of Business Community.'³ Public monitoring supplies specific local information on customs activities to the National Tool.

The monitoring survey was conducted using half-structured in depth interviews. This is a qualitative research that – compared to a quantitative one –allows for studying respondents' views in more detail and obtaining granular information about their opinions and positions, including their personal experience. A half-structured interview involves the use of a questionnaire containing key questions that each respondent must be asked. However, the interviewer is free to ask any such clarification questions as he or she thinks fit and to ask respondents to give examples or to explain their answers.

The IER provided the partner organisations with the questionnaire designed for the conduct of in depth interviews and agreed it with them. The questionnaire contained questions that would permit to find out whether local businesses engaged in foreign trade perform customs formalities at their local customs office, and to evaluate the performance of customs and other controlling authorities, and to prepare recommendations aiming to improve their work. In particular, the interview contemplated questions related to the following issues:

- what is the customs office at which a declaring entity passes customs controls;
- key aspects of success of a local customs office (or advantages identified in the operation of another regional customs office compared to the local one)
- deficiencies encountered in the operation of the local customs office;
- specific proposals of the respondents regarding the improvement of operation of the local customs office;
- evaluation of performance of the 'one stop shop' mechanism at the customs;
- evaluation of awareness of foreign trade entities about novelties introduced at the customs.

As part of the in depth interviews, the respondents also completed short forms developed by the IER. The forms contained closed-ended questions relating to changes in the business environment and evaluation of performance of customs and other controlling authorities. The forms that were designed for foreign trade entities and customs brokers contained questions about passing customs controls under the 'one stop shop' principle and a customs office where customs clearance takes place. The closed-ended questions permit to identify general trends in the answers of the respondents from all the regions covered by the public monitoring and to compare answers of the representatives of different stakeholders. Unlike the nationwide survey of foreign trade entities as conducted by the IER, the results of this research do not represent the opinion of exporters and importers at national level, but allow for obtaining a correlation of evaluations specifically among those who took part in the surveys conducted by the partner organisations.

The organisations selected following the grants competition received the public monitoring toolkit (questionnaires) from the IER. The toolkit was agreed on with the organisations. Accordingly, the public monitoring

³ Analytical report on the findings of spate three of the survey of Ukrainian importers and exporters entitled 'Trade Facilitation in Ukraine. Evaluations and Expectations of Business Community', Kyiv 2018 <https://bit.ly/2PY9kXh>

was carried out using the same methodology in all six regions. The use of the same toolkit by all the partner organisations ensured the asking of the same questions as part of all the in depth interviews, which allowed for obtaining uniform information about different aspects of customs control passing.

2.2 What did the partner organisations do?

Each partner organisation of the IER assessed the performance of at least one regional customs office, identifying both strengths and weaknesses of its work using the in depth interview methodology. To ensure a balanced and unbiased reflection of views of different stakeholders, the survey sample included local enterprises engaged in foreign trade, customs brokers, representatives of chambers of commerce and industry and customs and controlling authorities. Further, the use of the IER's survey toolkit improved the expertise of the involved organisations in the carrying out of monitoring of performance of regional customs offices because this toolkit was developed in accordance with scientific standards of qualitative research.

Following the in depth interviews, the partner organisations worked out recommendations regarding the improvement of the situation in their regions in the form of position papers. The results of the monitoring survey and the recommendations were discussed with the representatives of local business communities and local authorities, including customs offices, as part of round-table discussions held in each of the regions. Following the discussions, the partner organisations elaborated the position papers to take into accounts views and comments submitted by stakeholders.

After that, the partner organisations sent the position papers to the regional customs offices, relevant departments of the regional state administrations and other authorities. Some of the authorities expressed their intention to use in their work recommendations they received from the partner organisations as part of the advocacy campaign. The communication component was an important aspect of the advocacy campaign — information about progress in and results of these measures was distributed to key stakeholders via the media and own media channels of the partner organisations.

The consistency of the questions as ensured by the design of the half-structured interviews in combination with a small scale of the interview as a qualitative research allowed the survey to cover different target groups. For example, in each region in depth interviews were held with 16 representatives of businesses engaged in foreign trade, three representatives of customs authorities (both at central and local level), three representatives of controlling authorities (sanitary and epidemiological control and phytosanitary control), one representative of a regional chamber of commerce and industry and two customs brokers. Eventually, at least 25 in depth interviews were held in each region as part of the public monitoring. That survey sample was generated in an attempt to get the fullest and the most comprehensive possible understanding of performance of the customs offices, and to obtain information on key issues from different stakeholders.

2.3 Generalisation of the public monitoring results

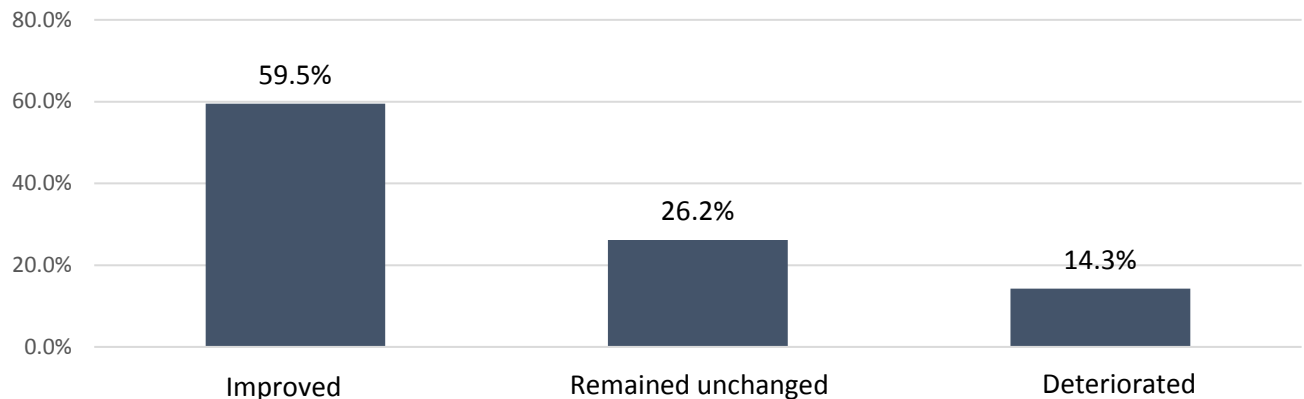
The IER has analysed and generalized the results of the public monitoring of performance of the customs offices as carried out by the partner organisations in six regions of Ukraine. Based on this generalized data, the IER has identified key national and regional problems of the customs offices and prepared key recommendations regarding the improvement of customs formalities and the facilitation of foreign trade that are also incorporated in this paper.

III. Assessment of business environment and customs formalities

Assessment of changes in the business environment

The surveyed representatives of businesses were optimistic about the 2018 business environment compared to that observed in 2016. Nearly 60% of all the representatives of businesses were of the opinion that the business environment improved over past two years, 14.3% of them found the business environment to be less favourable, and the remaining 26.2% reported that they observed no changes in the business environment over past two years.

Fig. 1. Changes in the 2018 business environment compared to that observed in 2016 as assessed by foreign trade entities in six regions.



It should be noted that all the representatives of the stakeholders that underwent the in depth interviews as part of the advocacy campaigns were asked the question about what changes occurred in the business environment over past two years. Only the answers of the representatives of foreign trade entities, which constituted the majority of the survey sample and which total number (96 businesses) in all six regions allows for performing relevant calculations and comparisons being supplementary to the conclusions of the qualitative research, were taken into account to generalise the survey's results in respect of this question.

Box 1. To reflect the balance between positive and negative evaluations of changes in the business environment with a single indicator, the IER uses an index the values of which ranges from -1 to +1. The value '-1' means 'very bad,' while the value '+1' means 'very good.' We record an answer as '+1' if a respondent reported that the business environment improved, we assign '0' if a respondent reported that the business environment remained unchanged, and '-1' where he or she is of the opinion that the business environment deteriorated. By calculating an average value for the answers of all the respondents, we obtain the index of the business environment change. If the value of the index is negative, this means that negative evaluations outweigh positive ones. If the value of the index is positive, it should be construed as positive evaluations dominate over negative ones.⁴

On a scale of -1 to +1, the index of changes in the business environment amounts to +0.45 reflecting the prevalence of positive evaluations.

An analysis of the in depth interviews shows that the evaluations of changes in the business environment are different depending on a given region. The highest score was registered in the Volyn Region, where the relevant index reached +0.81. Quite many positive evaluations of changes in the business environment were registered in the Vinnytsia and Cherkasy Regions with the index values of +0.61 and +0.60 respectively. The

⁴ To learn more about the index calculation methodology, please read *Business Environment Index. Determination and Composition. Annual Assessment of the Business Environment in Ukraine: 2016*. An analytical report prepared following the national survey of small and medium-sized businesses <https://bit.ly/2PAgy3B>

lowest index value was registered in the Luhansk region where it proved to be equal to zero. This means that the share of businesses of the region that are of the opinion that the business environment improved is the same as the share of businesses that believe that the business environment deteriorated.

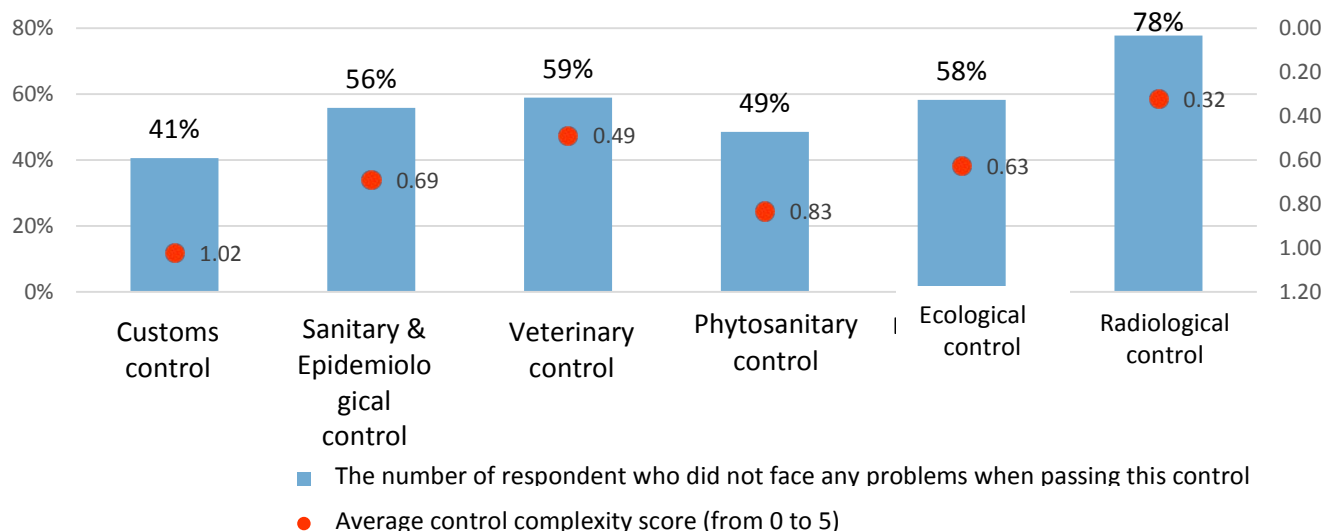
Assessment of customs formalities

The respondents were asked to assess the extent of problems associated with undergoing different controls in foreign trade on a scale from 0 to 5, where '0' means that there were no problems; '1' means that there were minor problems, while '5' means that they faced major problems when undergoing a given control. Accordingly, the higher the average score is, the more problematic is a relevant procedure according to the respondents.

Only evaluations made by foreign trade entities were taken into account for the purpose of analysis of these answers, too. Only the answers of businesses that underwent relevant procedures were taken into account. Different number of businesses faced different controls. All the interviewed businesses underwent customs control, but 80% of them underwent sanitary and epidemiological control, 75% of the businesses were subject to phytosanitary or ecological or radiological control, while only 41% of them passed veterinary control.

According to the businesses, the problems encountered when undergoing almost all of the abovementioned procedures are low: more than a half of the businesses faced no obstacles when passing veterinary, ecological and sanitary and epidemiological controls. Even higher score was registered for radiological control — 78% of the businesses did not face any problem. This procedure demonstrated the lowest average score of 0.32 in terms of the presence of problems compared to the other procedures.

Fig. 1. Assessment of problems faced by foreign trade entities in six regions when passing different controls



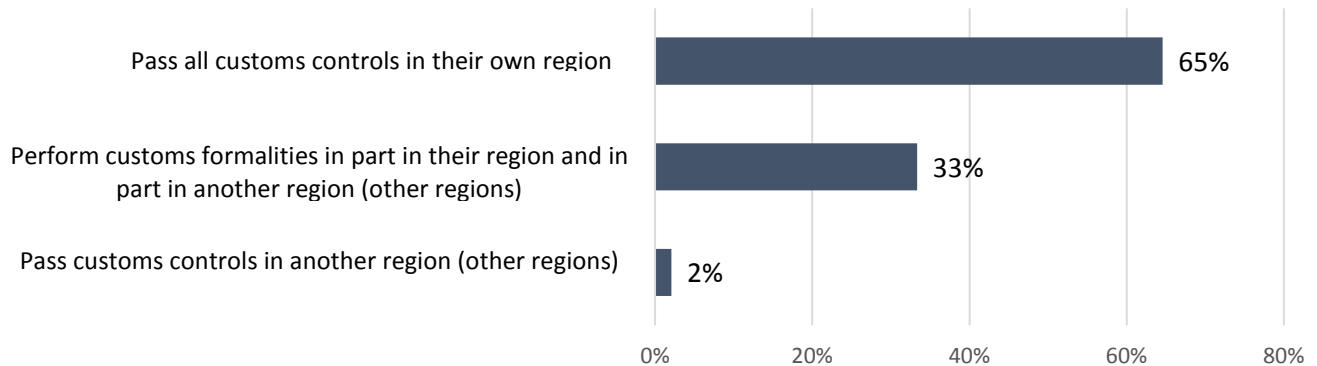
However, customs and phytosanitary control formalities are, to a certain extent, an exception to this. The respondents who did not face any problems when undergoing these controls constitute the minority group or a half (41% in the case of customs control and 49% for phytosanitary control), while average score reflecting the presence of problems in these procedures are higher compared to the other procedures: 1.02 for customs control and 0.83 for phytosanitary control. Therefore, according to the businesses in six regions covered by the public monitoring, customs and phytosanitary controls are the most problematic procedures.

IV. What are the most 'preferred' customs offices?

As part of the in depth interviews, the businesses reported customs offices where they pass customs controls — in their region or in any other region. This information is important to understand the prevalence of undergoing customs procedures at customs offices of other regions. However, this permits to separate the evaluation of the 'native' customs office from the evaluation of customs offices operating in other regions.

Accordingly, nearly two thirds of the businesses (65%) pass customs controls in their regions, while another third (33%) underwent customs clearance in part in their regions and in part in other regions. A negligible share of the businesses (2%) reported that they undergo customs formalities in other regions (Fig. 3). In view of the above, it follows that the surveyed businesses primarily pass customs controls at their regional customs offices.

Fig. 2. Places where foreign trade entities from six regions pass customs controls



Positive aspects of regional customs operation

The businesses that undertook in depth interviews reported positive and negative aspects of regional customs operations. According to the respondents, the majority of positive aspects were those that allowed them to save time and money. This is about the introduction of electronic document flow and 'one stop shop' principle. On the other hand, the respondents reported the absence of abusive practices such as wilfully delayed customs clearance.

The respondents reported the following positive aspects of regional customs work:

- *Facilitation:*
 - improvement and reduction of formalities; reduced clearance time;
 - 'one stop shop' operation and electronic document flow introduced;
 - automated risk assessment system implemented;
 - procedures for making preliminary decisions on commodity classifying and coding;
 - absence of any problems at the customs provided that all necessary documents are available and customs rules are complied with;
 - partial harmonization of documents as a result of the signing of the EU Association Agreement;
 - possibility to pass customs control without entering a customs terminal.
- *Transparency and partnership*
 - staff competence;
 - possibility to correct errors in documents without mandatory suspension of the clearance process;
 - prompt and quick operation of customs offices;
 - no wilfully delayed clearance; no discriminatory attitude towards businesses;
 - improved service and kind attitude towards foreign trade entities; partnership relations with customs authorities.
- *Communication:*

- good communication with officers of customs authorities; possibility to get advice;
- a regional customs office's website containing information about new import and export rules, necessary documents, duty and tax rates, classifying or costing rules, and laws and restrictions applicable to foreign trade.

Regional obstacles

As part of their in-depth interviews, the respondents reported some merely regional obstacles foreign trade entities encounter during export and import operations, including:

- absence of a customs terminal in Chernihiv (for years, there was only one terminal operating in the village of Kozelets located at a distance of 70 km from Chernihiv. In addition to special transport and time expenditures, the respondents also pointed to insufficient infrastructure of the terminal itself. (The issue was to some extent addressed with the opening of a new terminal in the village of Rivnopillia near Chernihiv);
- the regional customs office of the State Fiscal Service Headquarters in the Volyn Region is located far away from the central city of the Volyn Region —Lutsk (160 km);
- In the Luhansk Region, EUR1 certificates are issued only in Starobilsk.

The authors of the survey investigated into key **reasons that make entrepreneurs to undergo certain customs formalities in other regions:**

- logistical convenience for a certain trade operation;
- more convenient working hours of the customs office operating in another region (open on non-working days)
- availability of customs brokers who are aware of the specifics of goods and operate in another region;
- passing of customs controls based on a contract price (in contrast to the local customs office);
- a shorter time required for customs clearance/less quarrelsome control at another customs office;
- availability of free customs terminals;
- No energy customs office available in the respondent's region.

According to the respondents, common problems associated with performance of customs and related authorities included insufficient confidence of customs officers in foreign trade entities; dissatisfaction with the need to pay extra fee for customs officers working out of the working hours — after 6 pm or on non-working days (for internal customs offices). The respondents brought special attention to non-transparent consideration of complaints filed by foreign trade entities — complaints are handled by same organisational units, the acts or omissions of which are challenged.

In view of the above, the following recommendations were worked out to **improve customs formalities at regional level:**

1. To revise the working regime of customs stations of internal customs offices;
2. To establish (harmonize) cooperation between customs authorities and related services at regional level;
3. To improve professional competence of specialists of government authorities involved in the customs clearance process;
4. To delegate powers to customs stations to issue EUR1 certificates;
5. To improve software and hardware of customs offices and related local authorities;
6. To hold regular training workshops and online consultations with representatives of small and medium-sized foreign trade entities;

7. To look into possibility and feasibility of displacing the regional customs office of the State Fiscal Service Headquarters in the Volyn Region to Lutsk or opening its branch (technical office) in the regional centre;
8. To look into possibility and feasibility of opening a customs terminal in Chernihiv;
9. To look into possibility and feasibility of issuing EUR1 certificates not only in Starobilsk, but also in Severodonetsk of the Luhansk Region.
10. To establish coordination councils on foreign trade at regional state administration with the involvement of all stakeholders.

V. Assessment of performance of 'one stop shop' customs mechanism

The results of the public monitoring show that all the exporters and importers that underwent in depth interviews had an opportunity to pass customs controls using the 'one stop shop' mechanism in summer 2018. All of the surveyed businesses that undergo customs clearance on their own (without engaging a customs broker) specified that they have experience of passing customs controls via the 'one stop shop.' This is a positive change compared to the beginning of the year when only some of foreign trade entities had such experience.

Box 2. Slightly more than a half (54%) of exporters and importers, which were surveyed by the IER as part of spate three of the national survey carried out from late 2017 to early 2018 and underwent customs clearance on their own, reported that they have had experience of passing customs controls using the 'one stop shop' mechanism.

Businesses operating in six regions covered by the public monitoring report positive developments following the introduction of the 'one stop shop' principle at the customs, including reduced clearance time and electronic document flow.

Box 3. The use of the 'One Stop Shop' information system became actually mandatory from 1 February 2018 with the Cabinet's approval of its Resolution No. 878 on Certain Aspects of Introduction of the 'One Stop Shop' Principle for the Passing of Customs, Sanitary, Epidemiological, Veterinary and Sanitary, Ecological, Radiological and Other State Controls, dated 22 November 2017.

However, the surveyed businesses formulated their proposals as to how to improve the operation of the 'one stop shop' mechanism. In particular, they recommend:

- improving the infrastructure of customs offices in terms of the 'one stop shop' operation, particularly, to install high capacity servers, to update computer hardware, and to elaborate software used;
- establishing a better cooperation between customs authorities and related services;
- changing the operational logic so that related services be able to carry out inspections in parallel with customs authorities;
- enhancing information exchange between different customs offices and businesses (customs brokers) using electronic systems;
- enabling the filing of additional documents with the 'one stop shop' and the exchanging of messages between inspectors and brokers;
- enabling the taking of samples per different product categories and the filing of reports through the 'one stop shop';
- increasing the number of personnel operating electronic control systems.

Operation of related services (sanitary, epidemiological, veterinary and phytosanitary control services) using the 'one stop shop' mechanism requires legislative amendments. The representatives of the businesses pointed that measures should be taken to fill relevant legal gaps. However, a major part of inconsistencies raised during the public monitoring have been already addressed by recently adopted Ukrainian Act No. 2530 of 6 September 2018 introducing amendments to the Ukrainian Customs Code and certain legislative instruments of Ukraine regarding the implementation of the 'one stop shop' mechanism and the enhancement of controls applicable to movements of goods over the customs border of Ukraine.

It should separately be noted that some entrepreneurs reported an added complexity of customs procedures in connection with the introduction of the 'one stop shop' mechanism. In particular, they informed that electronic execution of documents took more time than before where the software used was of poor quality. The representatives of the businesses also provided recommendations that correlate with their recommendations on the enhancement of customs operations in general. They expect a reduction in the number of documents required for customs clearance using the 'one stop shop,' especially when it comes to imports, and increased working hours of customs stations.

VI. Key obstacles foreign trade entities face when passing customs controls

As part of their in depth interviews, the entrepreneurs were asked to specify what were the most common issues they encountered. They were clear enough about problematic issues they faced. It should be noted that a fair amount of the obstacles were the same for the entrepreneurs in all the regions covered by the survey. Actually, the businesses raised the same concerns. What is more is that a major part of the obstacles is in line with the problems set out in the IER's report based on the results of spate three of the survey of Ukrainian exporters and importers⁵. It should, however, be noted that certain issues are of quite specific, technical nature.

In particular, almost all the entrepreneurs surveyed pointed to the following problematic issues they faced in their export and import operations:

- unstable (unsatisfactory) functioning of the 'International Trade One Stop Shop' web portal
- non-transparent and discriminatory **customs costing** of imports (the entrepreneurs surveyed report the use of different customs costing approaches by different customs offices. Notwithstanding the uniform regulatory basis, different customs costing methods can be applied to the same product in different regions);
- non-transparent UCGFT-code assignment procedures (there are proposals that fines charged for erroneously determined (by declaring entities) UCGFT codes be cancelled);
- time consuming control of intellectual property rights;
- inadequate working hours of customs offices on Fridays and non-working days (internal customs stations are not open round-the-clock);
- absence of an effective authorized economic operator institute;
- absence of an adequate post-customs audit mechanism;
- corruption;

⁵ Analytical report based on the findings of spate three of the survey of Ukrainian importers and exporters entitled 'Trade Facilitation in Ukraine. Evaluations and Expectations of the Business Community in 2017/2018' <https://bit.ly/2PY9kXh>

- difference between working hours of customs authorities and related services and poor coordinated operation of these services;
- inadequate professional qualification of customs and related service officers;
- queues at customs stations;
- non-transparent handling of complaints filed by foreign trade entities, which complaints quite often are considered by the same units which actions are challenged.

VII. Recommendations

Recommendations and measures that will improve the passing of customs controls and facilitate international trade have been developed with due regard for the obstacles encountered by the surveyed foreign trade entities when undergoing customs clearance. These recommendations have been worked out on the basis of proposals and opinions expressed by the representatives of local customs authorities, other government authorities, chambers of trade and industry, entrepreneurs engaged in foreign trade and customs brokers during in depth interviews.

1. Further improvement of customs clearance with the ‘one stop shop’ mechanism subject to suggestions expressed by users of the system.

The in depth interviews were held from July to September 2018 before the enactment of Ukrainian Act No. 2530 of 6 September 2018 introducing amendments to the Ukrainian Customs Code and certain legislative instruments of Ukraine regarding the implementation of the ‘one stop shop’ mechanism and the enhancement of controls applicable to movements of goods over the customs border of Ukraine. The Act has improved and harmonized a number of procedures associated with the use of the ‘one stop shop’ mechanism at the customs. However, the respondents expect that government authorities will continuously improve customs procedures in close cooperation with the representatives of businesses and experts to enhance practical aspects of the abovementioned procedures functioning.

2. Expansion of use of different scanning systems that would allow for the inspection of goods without mandatorily unloading them

The respondents that underwent the in depth interviews propose that the use of different scanning systems should be expanded at customs offices and expect that this will be done. According to the respondents, such systems would improve the passing of customs controls and facilitate customs clearance for both foreign trade entities and customs officers. These expectations reflect the need for a wider use of innovative technologies in the performance of customs formalities.

3. Introduction of the authorized economic operator institute (Ukrainian Parliament’s adoption of Ukrainian Bill No. 7473 of 29 December 2017 amending the Ukrainian Customs Code (re certain issues of implementing Chapter 5 of Section IV of the Association Agreement between Ukraine, of the One Part, and the European Union, the European Atomic Energy Community and their Member States, of the Other Part)).

The respondents from virtually all the regions covered by the survey pointed to the need to introduce the authorized economic operator institute. Notwithstanding certain limitations associated with the use of the AEO status, many respondent entrepreneurs expect that it will be implemented. However, the representatives of controlling authorities also suggested that the relevant regulatory framework be adopted within the shortest possible time.

4. Development of, and compliance with, clearly formulated and transparent customs costing procedures.

5. Providing public access to depersonalized customs database on exports and imports.

6. **Providing clear procedures for assigning UCGFT codes.**
7. **Stepping up measures to ensure exchange of information about customs value of goods in export and import operations between Ukrainian customs authorities and authorized bodies of exporting countries.**

A number of import-related recommendations were combined given that they are interrelated and aim to solve similar problems that raise concerns among entrepreneurs.

Taking into account significant problems associated with customs costing, the respondents propose that a regulation providing for clearly formulated and transparent customs costing procedures be adopted. In addition, a number of other measures are proposed in this regard to minimize possible manipulations with the customs value of products. These measures include, *inter alia*, providing public access to the database on export and import operations that would allow for a reduced abusive use of customs values; stepping up international efforts to exchange customs statistics; harmonizing customs costing procedures, etc. Other proposals included cancelling fines for erroneously assigned UCGFT codes in respect of goods moved over the customs border of Ukraine.

8. **Customs reform that would provide for, among other things, increased salaries for customs staff; implementation of measures aiming to improve the value of the customs job status; introduction of personal liability for customs officers for their illegal acts; strengthening public control over the activities of customs authorities; the introduction of new technologies at the customs, etc.**

The stakeholder representatives who underwent in depth interviews show understanding of the need for the customs reform which must provide for introducing personal liability of customs officers for their illegal acts; increased salaries for customs staff; and strengthened public and institutional controls.

9. **Introduction of effective post-customs audit procedures and mechanisms**

The absence of an adequate post-customs audit, which to some extent prevents abusive practice by unfair importers and makes customs authorities to focus their inspections on goods when they are crossing the customs border, adversely affects the entire customs control processes. The introduction of an adequate post-customs audit is an important component of a set of measures to improve the efficiency of customs controls.

10. **Establishment of special units responsible for handling complaints at the customs.**

The respondents expect changes in the organizational structure of customs authorities that would provide an effective mechanism to challenge decisions of customs offices without taking legal action. To achieve this, it is proposed that special units responsible for handling complaints filed by foreign trade entities to challenge actions or omissions of customs officers be established.

11. **Enhancement of operation of the Customs Register of Intellectual Property Rights**

12. **Updating software and infrastructure of customs authorities and related services while providing adequate communication channel capacity to ensure effective customs clearance.**

One of major obstacles that prevents declaring entities from taking advantages offered by many electronic and software innovations relates to the use of obsolete equipment and unreliable Internet access.

13. **If the automated customs clearance system does not provide for compulsory performance of customs formalities by a customs officer, a decision regarding the performance of such formalities should be made automatically.**