

On the Way to the EU: Reform of the State Customs Service through the Prism of International Standards



The reform of the State Customs Service of Ukraine is an important step to ensure economic stability, develop the domestic market and attract foreign investment. Creating a transparent, efficient, and modern customs system is a challenge facing Ukraine against the background of the full-scale war.

International partners consider the reform of the State Customs Service of Ukraine as one of the key elements of the European integration process. Given the country's strategic course towards membership in the European Union, customs policy need to be brought in line with international standards enshrined in numerous agreements and treaties to which Ukraine has acceded.

Where is the demand for reform of the State Customs Service mentioned?



Ukraine's plan under the EU's Ukraine Facility



National Revenue Strategy for 2024-2030



IMF Extended Fund Facility programme



The US list of reforms ('Pyle's List')

Problems and challenges in reforming the State Customs Service

For a long time, there were structural and personnel problems in the Ukrainian State Customs Service operations, resulting in low efficiency.

The main problems are:

- **Corruption.** The Customs Service is often considered one of the most corrupt state bodies in Ukraine due to extortion and fraud with import-export operations, evading responsibility for violation of customs rules, fraudulent resolving "problematic" issues of customs value or classification of goods.
- **Frequent changes and rotations of customs management.** Stagnation in customs management caused by numerous personnel dismissals, reassignments and frequent use of the 'acting head' status has led to the lack of a comprehensive sustainable and goal-oriented management policy.
- **Inefficient personnel policy on the ground.** The lack of proper motivation among employees and abuse of power led to a decrease in the efficiency of the body.

What does the 6490-d draft law provide?


Reboot of the customs staff

 **reboot based on the BES model**
agreed with international partners

 **transparent competition for the Head of the State Customs Service** with the participation of international organisations

 **political independence of the Head of the State Customs Service:** dismissal based on the audit conclusion

 **certification of customs officials**

 **half of the members of the appraisal commissions for senior positions are selected** by internationals based on proposals from the business community

 **increase of customs officers' salaries** at the level of the law

 **introduction of a KPI system for objective** assessment of customs officers' work

Reboot of personnel policy

The key idea of the draft law is to reboot personnel policy of the State Customs Service of Ukraine, in order to:

- Dismiss those officials who do not meet the functional requirements in their own positions;
- Ensure recruitment of individuals of high professional qualities who have not been involved in abuses.

Anti-corruption measures

It will also help strengthen anti-corruption measures. According to the draft law:

- All customs officers will be thoroughly vetted for compliance with anti-corruption standards;
- A system of independent monitoring and control of the customs service will be created.

Strengthening international cooperation

- Ukraine strives for a closer cooperation with the European Union in the customs sphere. The draft law provides for the harmonization of Ukrainian customs legislation with the European standards, which will facilitate international trade and integration into the European customs system.

Since the draft law 6490-d mainly focuses on the personnel reboot of the customs service, it covers only one structural part of the reform, that is the work with personnel.

What else should the customs reform include?

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IAIA Institute of Analytics and Advocacy

FP TECHNOLOGY OF PROGRESS

- 01** Renovation of customs infrastructure, in particular at customs checkpoints
- 02** improving post-audit control, in particular import control
- 03** implementation of data exchange and synchronisation mechanisms
- 04** simplification and digitalisation of customs procedures
- 05** expanding the practice of granting AEO status, using NCTS
- 06** improving the approach to determining the customs value and classification of goods
- 07** development and implementation of customs IT systems based on the Multi-Year Strategic Plan for the Development of Electronic Customs MASP-C
- 08** risk-oriented approach to the verification of customs declarations

Despite the ambition of draft law 6490-d, the implementation of the reform may face a number of challenges:

- **Resistance from the system.** Personnel reboot may cause resistance from certain officials interested in maintaining the status quo.
- **Proper implementation of laws.** An important aspect will be to ensure the actual implementation of changes as opposed to their formal approval.
- **Financing.** Modernization of the customs service will require additional financial resources, and the success of the reform depends on how effectively these resources will be used.

Expected results of the reform

In general, the reform of the State Customs Service of Ukraine should result in the following outcomes:

- **Reduced corruption.** Personnel reboot and strengthening of anti-corruption measures are expected to reduce corruption in the customs service.
- **Increased efficiency.** Modernization of processes and introduction of modern technologies will contribute to a more efficient work of customs, speed up procedures and improve the business climate.

- **Transparency and accountability.** Open databases, transparent procedures for certification, appointment and dismissal of officials will contribute to strengthened accountability of the customs service.
- **EU integration.** Harmonization with the European customs standards will allow Ukraine to better adapt to the requirements of the European Economic Area and promote the development of foreign trade.

Thus, the reform of the State Customs Service of Ukraine is an important component of improving the efficiency of public administration in the economic sphere. In the context of the European integration and the requirements of modern economic management, this reform is aimed at overcoming chronic problems such as corruption, lack of professionalism of personnel and low efficiency in performing customs functions.

It also lays grounds for Ukraine's further integration into the European customs and economic zone, contributes to a better business and investment climate. Successful implementation of these changes is crucial for the effective functioning of the state institution.

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