

INFORMATION

On Implementation of the “Single Window – Local Solution” Project in the Operations Area of the Pivdenna Customs House and Ports of Odessa Region

- Over a period of the last years, in the course of multiplying challenges of the world globalization and intensification of competitive struggle the facilitation of the international trade procedures has come out onto the foreground in the context of Ukraine’s integration in the European and world markets.

Ukraine needs improvement of regulative and information provision of international trade, one of the principal element of which is carrying goods over the borders.

In accordance with the Program of Economic Reforms for 2010-2014 “Prosperous Society, Competitive Economy, Efficient State”, facilitation, increase of efficiency and acceleration of the customs clearance process is the priority line of the customs procedures reformation.

- In pursuance of the Commission of the Government concerning creation of conditions for facilitation of the cargoes documental processing technology in Ukraine for the purpose of the international trade volume increase, which was initiated by the Ukrainian National Committee of the International Chamber of Commerce (ICC Ukraine), on **1 June 2011 in Odessa an international seminar was held** on the given issue under the aegis of the UN European Economic Commission (UN EEC), ICC Ukraine, National Institute of Strategic Research and with wide participation of the Ukrainian business representatives.

Jan Kubis, Executive Secretary of UN EEC, highly estimated the outcomes of the above seminar and applied to Prime-Minister of Ukraine with request to **support the initiative of ICC Ukraine concerning implementation of the pilot project “Single Window – Local Solution” in Ukraine.**

In pursuance of the corresponding commissions of Head of Government the **Interagency Working Group** for the issues of implementing the “Single Window – Local Solution” system in the operations area of the Pivdenna Customs House and ports of Odessa Region, was organized and commenced its activity in December 2011.

The said body functioning mechanism enabled, actually for the first time, the realization of the possibility of information exchange between goods consignors and consignees and state bodies and ports during sending and accepting cargoes by means of the unified information system, regional “Single Window”.

- The implementation of the “Single Window – Local Solution” project in the operations area of the Pivdenna Customs House and ports of Odessa Region provides for the **establishment of the unified Port Community Information System (PCIS) in the ports located in Odessa Region.**

PCIS is a technical organizational system, which makes possible for the port administration, governmental bodies and authorized persons administering the corresponding types of control at the border checkpoints, port operators, agency organisations (maritime agents), forwarders and other business entities conducting their transportation, handling or processing operations with goods, containers or transport facilities in a port to **use the technical and software tools in order to collect, verify, process, store and transfer in the electronic form the information and documents** required for the border, customs and other types of control, as well as for clearance of goods and transport facilities, and meet the requirements of the Ukrainian legislation concerning electronic documents circulation.

Introduction of PCIS first at the local level with the perspective of using the experience for the establishment of the national “single window” will approximate Ukraine to the European Union strategy of trade development where accepted has already been a development program for the network of national “single window” mechanisms, which will provide for information exchange based on the standards of UN and World Customs Organisation.

Creation of the systems similar as to their design in ports, airports and other large traffic centres, exchange of the harmonized information between the transportation process participants at the regional and international levels will result in substantial time saving and, consequently, in cutting the costs of passing goods through borders.

- At the previous stage of the project implementation the Odessa Port made the **analysis of all technological chains passed by cargoes during their handling in the port**. The conclusion was that the most intensive was the process of the containerized goods importation by the sea vessels with further removal of such goods by road transport to the consignees’ address in the territory of Ukraine and customs clearance directly in the point of destination.

That is why the first stage of PCIS introduction in the Odessa Port included the introduction and processing of electronic order involving most participants of transportation process, namely: forwarding organisations; maritime agents; port operators (stevedore companies); port administration; customs and border service.

It should be notes that the 1st state of PCIS operation includes practically all processes from the moment of the containerized goods importation until its removal from the port. Included were not only the processes of the customs documents issuance and market analysis, which in accordance with the standing legislation may exclusively be carried out in the closed information system of the customs.

- During the period from the project implementation commencement **have held been 11 meetings of the Interagency Working Group (IWG)** including two of them within the frames of international seminars under the aegis of UN EEC attended by the representatives of the following bodies:

- Ministry of Revenue and Duties of Ukraine;
- Ministry of Agrarian Policy and Foodstuffs of Ukraine;
- Ministry of Health of Ukraine;

Ministry of Ecology and Natural Resources of Ukraine;
Ministry of Infrastructure of Ukraine;
Ministry of Finance of Ukraine;
Ministry of Economic Development and Trade of Ukraine;
Ministry of Foreign Affairs of Ukraine;
Ministry of Internal Affairs of Ukraine;
Security Service of Ukraine; and
Administration of the State Border Service of Ukraine.

For the purpose of providing for the practical implementation of the IWG decisions and coordination of activities between the IWG meetings **Expert Group** was also organized and widely involved in its activity the transportation process participants. As the initiator of the project ICC Ukraine has undertaken the functions of IWG Secretariat.

- **The web-site of the project www.singlewindow.org has been established** with the view of detailed informing of all the interested parties.

LLC “PPL 33-35” has started the issuance of the regular **information bulletins** (<http://www.ppl33-35.com/bulleten.php>) in order to provide for interaction and distribute the information about the course of the project.

- With the view of **normative and legal support of the “Single Window – Local Solution” Project implementation:**

Standards binding the control bodies to exercise their functions with the use of “single window” technology were introduced in Customs Code of Ukraine;

Alterations concerning application of electronic document circulation when issuing the transportation documents (including order) and also possibility to make corrections in the said documents were entered in Order of the Ministry of Transport of Ukraine dated 13.12.2004 # 1098;

In pursuance to Resolution of the Cabinet of Ministers of Ukraine date 03.07.2013 # 553 changes were introduced in the Standard Process Scheme of the State Border Passing by Persons, Road, Water, Railway and Air Transportation Vehicles of Carriers and Goods Transported by them approved by Resolution of the Cabinet of Ministers of Ukraine # 451 dated 21.05.2012;

On 22.05.2012 SE “Odessa Commercial Sea Port” and the State Customs Service of Ukraine approved the Process Scheme of the 1st stage of PCIS operation, which had been made up on the basis of the existing groundwork of free pratique, electronic pass, automatic access control system and electronic planning and introduced a draft electronic order for containers release;

SE “Odessa Commercial Sea Port” and JSC PLASKE signed Memorandum of Cooperation on 11.05.2012;

SE “Illichivsk Commercial Sea Port”, JSC PLASKE and LLC “PPL 33-35” made Agreement of Cooperation on 05.11.2012.

- In the course of implementing the technical and technological parts of the project the following **practical steps** were taken:

On 08.10.2012 JSC PLASKE issued the first electronic order in PCIS;

Consultation for the customs bodies' workers were being given since 15.01.2013 until 18.01.2013;

A number of consultations with the clients were being carried out since 22.01.2013 until 04.02.2013, which involved 154 forwarding companies and 13 line agents;

Since 18.02.2013 until 21.02.2013 consultations were being carried out for the representatives of control services (State Sanitary and Epidemiological Service on Water Transport, State Ecological Inspection of the Black Sea North-West Region, Odessa Regional Service of State Veterinary and Sanitary Control and Supervision on the State Border and Transport, State Phytosanitary Inspection of Odessa Region and Odessa Border Unit);

On 02.04.2013 the Odessa Port commenced the introduction in operation the electronic and paper orders in parallel;

On 20.05.2013 the stage of container release from the checkpoint after clearance was begun;

A number of forwarding companies, line agents and container terminals (in the form of a separate working place) and subdivisions of control bodies have joined PCIS.

By 26.02.2013 SE "Administration of Sea Ports of Ukraine" **had concluded 416 agreements of information cooperation*** stipulated by Resolution of the Cabinet of Ministers of Ukraine dated 21.05.2012 # 451 (version of 03.07.2013 # 553); among them:

5 – with the state control bodies exercising their authorities at checkpoints: Odessa Border Unit, DU "Laboratory Centre of the State Sanitary and Epidemiological Inspection of Ukraine on Water Transport", State Ecological Inspection of Black Sea North-West Region, Odessa Regional Service of State Veterinary and Sanitary Control and Supervision on the State Border and Transport and State Phytosanitary Inspection of Odessa Region;

411 – with the business entities exercising their activities in sea ports:

6 – with maritime agents (status – "Maritime Agent");

7 – with road carriers (status – "Carrier"); and

398 – with cargo owners or their authorized persons (status – "Forwarder").

Besides, six business entities forwarding organisations have chosen the "Declarant" status, i.e. in accordance with the Agreement of Information Cooperation terminology they have not expressed any wish to obtain access to PCIS and submit paper documents to the port administration with further entering of electronic documents and the documents in the electronic form by PCIS corresponding sections' workers.

Correspondingly, the Data Processing Centre of LLC "PPL 33-35" (DPC) has made 368 service agreements of providing technical support and servicing PCIS.

** As of today the Pivdenna Customs House of the Ministry of Revenue and Duties had not made the Agreement of Information Cooperation with SE "ASPU" or Agreement with DPC of Providing Access to PCIS, which were sent for consideration and signing in the Letter of SE "ASPU" dated 29.11.2013 # 18A/1104. That was caused by the necessity in additional consideration of the said Agreements by the Ministry of Revenue and Duties of Ukraine (the Letter of the Pivdenna Customs House of the Ministry of Revenue and Duties of Ukraine dated 30.12.2013 # 3.1/1.1-8/13169). Secretariat of IWG applied with the above issue to the management of the Ministry of Revenue and Duties of Ukraine in*

the Letter dated 16.01.2014 # 7, but has not received any answer up to date, which impedes the further development of PCIS in the sea ports of Ukraine.

- In accordance with Order of SE “ASPU” dated 20.11.2013 # 247 beginning from **25.11.2013** the **paper and electronic orders are used in parallel** in the clearance of the containerized goods imported in Ukraine by sea transport and removed from the Odessa Sea Port as internal or passing transit goods by railway. Over that period PCIS received 1,104 electronic documents and those in the electronic form, under which submitted for clearance was the information about 5,231 containers removed from the Odessa Port by railway; the customs issued 1,085 electronic orders for the movement of 5,190 containers stuffed with goods.

The outcomes of the above experimental operation revealed a number of points requiring improvement and changes to be introduced in the corresponding Interim Procedure approved by Head of SE “ASPU” on 28.08.2013 (Letter of the Pivdenna Customs House of the Ministry of Revenue and Duties of Ukraine dated 25.01.2014 # 1185/15-70-51).

In accordance with Order of SE “ASPU” dated 18.02.2014 # 23, since **01.03.2014** the containerized goods imported in Ukraine by sea transport and removed from the Odessa Sea Port by railway transport **have exclusively been cleared with the use of the electronic order certified by EDS** without application of the order paper form.

At this stage the clearance process involves the Pivdenna Customs House subdivisions, which were previously not attracted during the clearance of the containerized goods removed by motor transport, namely:

Section of Customs Clearance # 5, Customs Checkpoint “Odessa-Port”, which carries out the clearance of the goods straight in the territory of the checkpoint and

Customs Checkpoint “Odessa-Specialised”, which clears the cars belonging to private persons.

As of today PCIS has enabled realizing the possibility for the cargo consignees or their authorized forwarding organisations to monitor the registration of their applications and process implemented in accordance with their submitted application; besides, they are able to obtain the information on the decisions made by the Customs in the electronic form. In addition to procedures facilitation the system is aimed at **preclusion of goods illegal importation in Ukraine**, which happened with the use of faked seals of control bodies on paper documents.

- The main **indicator of the project successful implementation** is the fact that since 08.10.2012 entered in PCIS has been the information for the clearance of **over 130,000 containers** (as at 28.02.2014): *see Annex 1 “Statistics of PCIS Usage by Forwarding Organisations”*.

- Growing volumes of the data processed in PCIS **require concentration of efforts** from its operators **in order to ensure proper functioning of the system**. In addition, in the course of the project implementation new aspects of the acquired technologies application are continuously being searched for; the problem issues are

being identified and settled; and the proposals of the project participants are being studied and worked through.

Thus, on their initiative fixed in Cl. 1 of the Minutes of the IWG Meeting dated 10.12.2013 # 11C, DPC of LLC “PPL 33-35” as the designer of the system provided for the development and technical support of the experimental application of the **module for managing the queue** of electronic orders accepted by the customs for consideration and processing (hereinafter – “QM”).

It should be noted that the issue of the **transparent public management of the electronic orders issuance queue** was raised more than once including the same by public organisations, which comprise the project participants companies. E. g. The Association of International Forwarders of Ukraine (AIFU) addressed the Ministry of Infrastructure of Ukraine, Secretariat of IWG etc. and noted that the customs officials regulate the time of endorsement of this or that forwarder’s orders practically at their own discretion. In view of preventing manifestations of corruption and conflict situations it was proposed to introduce queue management in PCIS and make up a special module with a convenient interface.

The developed algorithm of QM Module technically enables **the customs officers to choose concrete reasons for their decision on priority consideration of the documents on the list** (the so called “backup menu”) made up on the basis of concrete normative legal acts, which may further be altered or amended as required. At the same time it enables the **forwarders**, as early as when submitting the electronic order, **to indicate (state) in PCIS the reasons, which, in their opinion, necessitate the first priority of their documents issuance.**

At the council on 20.01.2014 in Odessa with participation of representatives of the Pivdenna Customs House of the Ministry of Revenue and Duties of Ukraine, SE “ASPU”, Odessa Branch of SE “ASPU”, LLC “PPL 33-35”, transportation forwarding organisations and carriers the positive comments on the results of practical application of QV Module were confirmed and decision on its further experimental research and improvement was made.

After processing the experimental data and analysis of efficiency of PCIS QM Module usage by forwarders and customs sections there arises the necessity to determine the list (classifier) of normative legal acts, which are the basis of priority consideration by the customs of the electronic documents orders accepted for issuance and compulsory presentation by means of PCIS of corresponding decisions, which is provided by the Interim Procedure of the stuffed containers clearance for their removal from the territory of the Odessa Sea Port with the use of the Port Community Information System, which Procedure was approved on 28.08.2013 by Head of SE “ASPU”.

The outcomes of analysis of the said Module application in February 2014 showed that up to 70 per cent of the submitted electronic documents total number were issued by the customs as top priority (out of turn) ones. At this, **the reasons** for such issuance in the majority of the cases were the ones which **were not justified by the corresponding normative legal acts.** That expressly confirmed the remarks of the AMFU member companies.

Thanks to interaction of DPC and corresponding customs officials in February (as at 28.02.2014) the number of out-of-turn processed electronic documents

decreased from 67% down to 21% of their total number (*see Annex 2, Tables “Statistics of Priority Issuance of Orders in February 2014” and “Statistics of Priority Clearance of Containers in February 2014”*). Besides, 80% of the priority orders are issued with reference to corresponding normative legal acts and in other cases – to the reasons connected with the need to carry out the appropriate forms of customs control at the port terminal (LLC “Euroterminal”) and reduction of transport facilities abundance in the territory of the checkpoint and port.

It is worthy of note that in the course of the PCIS operation improvement the proposal as to **binding the statistics** of the cargoes cleared by means of PCIS not to the quantity of the issued orders, each of which may include different quantities of containers, but to **actual quantity of the cleared containers**, which objectively reflects the state of affairs. The decision on such approach application beginning from 01.03.2014 was made.

In point of **determining the list of the officials authorized to make decisions on the priority consideration** of orders accepted by PCIS in the cases provided by the legislation, the said issue is also positively settled in accordance with the information stated by the Pivdenna Customs House of the Ministry of Revenue and Duties of Ukraine.

It will be observed that on 27.02.2014 mass media circulated “Resolution of Meeting of the Southern Region Forwarders”, which meeting took place a day before and determined a number of problem issues as to goods clearance in the sea ports of Odessa Region. Having supported the meeting participants’ aspiration for overcoming the corruption manifestations and establish the mechanism of the forwarders’ interests protection the operators of the project “Single Window – Local Solution” paid their attention to the fact that the questions of payment for orders issuance and determining the weighty indicators **may be settled by way of application of the state-private partnership principles** in consideration of interests of the investors who on their own were able to ensure the functioning of the systems aimed at the protection of the state and public interests.

- **The nearest promising step** to be taken for spreading PCIS in the sea ports of Ukraine is **introduction of “free pratique” in the YUZHNYI Sea Port**. To this effect the Data Processing Centre have developed a corresponding module; on 26-28.11.2013 corresponding consultations were carried out with the representatives of the control bodies (24 persons), Yuzhna Branch of SE “ASPU” (2 persons) and maritime agents (18 persons).

Today expected are the registration with the Central Authority of Ministry of Justice in Odessa Region of the Process Scheme of Passing the State Border of Ukraine at Checkpoint by Persons, Transportation Vehicles and Cargoes for International Maritime Cargo Communication in the Sea Commercial Port YUZHNYI, which has been prepared by the Odessa Border Unit and also the preparation of the corresponding procedure to be endorsed by the state control bodies’ representatives.

Besides, **introduction of PCIS in the Illichivsk Sea Port** has been prepared. The access procedure in the Port remains to be a problem issue as the electronic system for registration of access to the Port belongs to the operator of PE “Container

Terminal Illichivsk", while the same of leaving the Port – to Illichivsk Branch of SE "ASPU". Numerous councils, consultations and tests of the system have been carried out, and in accordance with their outcomes it was decided (Minutes of Council dated 17.02.2014) to initiate the experimentation operation of a module enabling electronic control over movement of transport facilities in and out of the Port with the customs positive notes directly by the Illichivsk Port Administration including corresponding information exchange with PCIS.

Another promising step for the purpose of securing the base for further circulation of the groundwork of the "Single Window – Local Solution" project in other branches of economy and regions of this country is making up proposals concerning **entering the information on the issuance by state bodies of the documents** provided by Cl. 4, Procedure of Preliminary Document Control in Checkpoints for Passing through the State Border of Ukraine, approved by Resolution of the Cabinet of Ministers of Ukraine dated 05.10.2010 # 1030, and also concerning **entering the information on the state control results in PCIS**.

- **Problem issues, which impede the process of electronic document circulation full-fledged introduction and require settlement:**

1. As of today the standing Instruction for Customs Control Organisation and Customs Clearance of Vessels and Goods Carried by them, which was approved by Order of the State Customs Service of Ukraine on 08.10.2004 (as amended) **contradicts the standing normative legal acts**, in particular, Customs Code of Ukraine, Standard Process Scheme of Passing through the State Border of Persons, Motor, Water, Railway and Air Transport Facilities of Carriers and Goods Transported by them, which were approved by Resolution of the Cabinet of Ministers of Ukraine dated 21.05.2012 # 451, particularly their parts concerning application of electronic document circulation in the course of performing control operations.

Thus, the Instruction establishes the procedure of providing the preliminary information by the carrier (maritime agent) to the customs before the goods arrival at the port of destination for the purpose of risks identification and advising the consignee about the forms of control to be carried out after goods importation in Ukraine. Actually, the mechanism does not work and does not give any possibility to unambiguously identify the goods, consignor, consignee, etc. in connection with out-of-date and limited list of information stipulated in the said Instruction.

Full and reliable information timely provided by the carrier to the customs in good time will allow a thorough risk analysis concerning the goods that are planned to be imported and the consignee will be able to declare goods without delay caused by the need to take additional control measures in the port of destination. In addition, the information should be accessible for other control bodies along with the customs. It is conditioned by the requirement of the analysis of risk factors relating to probable quarantine or environmental measures whose exhaustive list may be found at the corresponding executive bodies, but is absent at the customs before the goods enter the territory of Ukraine.

In view of the fact that the said Instruction is actually a determinative document, which establishes the sequence of actions of the customs officials during

control operations with goods and transport facilities, **the absence of an actualized instructive document holds back the process of the full-fledged introduction of electronic document circulation in the ports.**

2. It was provided by the joint Order of the State Customs Service of Ukraine, Administration of the State Border Service of Ukraine, Ministry of Transport Communication of Ukraine, Ministry of Health of Ukraine, Ministry of Agrarian Policy of Ukraine, Ministry of Nature of Ukraine, Ministry of Culture of Ukraine and State Aviation of Ukraine dated 28.11.2005 # 1167/886/824/643/655/424/858/900 “On Approval of Time Standards of Carrying out Control Operations by Officials who Control Persons, Goods and Transport Facilities in Checkpoints of Passing through the State Border of Ukraine” that total time of goods customs control in the checkpoints for sea (river) communication should not exceed **six hours**.

The volume of the goods cleared within the stated period (e.g. oil tanker with a cargo of 25,000 tons or one high-capacity container with goods or one box with a weight of 20 kg) is not determined at that.

At the same time Procedure of Goods Movement in Checkpoints for Passing through the State Border Located in the Territories of Sea Ports of Ukraine During Container Direct or Mixed Carriage, which was approved by Resolution of the Cabinet of Ministers of Ukraine dated 02.04.2009 # 320, determines that a customs control period for the containerized goods that are carried in transit through the customs territory of Ukraine, if their preliminary documentary control has been performed, should not exceed four hours of submitting the documents provided for by the legislation.

Besides, the above mentioned normative legal acts in addition to difference between the temporal standards (6 hours and 4 hours) provide for no duration of the customs control when the electronic documents or the documents in the electronic form are submitted, which substantially impedes the process of control procedures in the checkpoints.

Saving the stated above, in accordance with Part 2, Art. 320, Customs Code of Ukraine, at the request of the owner (its authorized agent) of the goods, concerning which the form and extension of customs control are determined, the bodies of revenue and duties shall notify of that within **one hour**, should any other term of notification be not provided by the said Code.

The mechanism and procedure of such notice delivery and the goods owner request submission are subject to no standard regulation.

3. Actualisation and harmonization of the standards established by Customs Code of Ukraine and other normative acts relating to the customs issues and standards provided by departmental normative legal acts (Ministry of Health, Ministry of Nature, Ministry of Agrarian Policy), in particular: concretization of actions and determination of **exhaustive list of documents** to be submitted to the state control bodies in border checkpoints in case the representatives of such bodies carry out the above mentioned kinds of control (save for performance of preliminary documentary control /PDC/ by the customs officers) including standard regulation of

possibility to submit permits, documents, information and records in the electronic form in accordance with the legislation concerning electronic document circulation in the form of electronic records. **Passing from transferring documents in the electronic form (e.g. those scanned in PDF) to transferring XML electronic records is required.**

Settlement of the above issues will require amending of:

Provision on Environmental Control in the State Border Checkpoints and in the Operations Area of Regional Customs Houses approved by Order of the Ministry of Environmental Protection and Nuclear Safety of Ukraine dated 08.09.1999 # 204 and registered with the Ministry of Justice of Ukraine on 15.11.1999 as # 787/4080;

Phytosanitary Rules of Importation from Abroad, Carriage within the Country, Transit, Export, Procedure of Processing and Sales of Materials Subject to Quarantine approved by the Ministry of Agrarian Policy of Ukraine on 23.08.2005 as # 414 and registered with the Ministry of Justice of Ukraine on 29.09.2005 as # 1121/11401;

Standard Provision on the Regional Service of the State Veterinary and Sanitary Control and Supervision on the State Border and Transport approved by Resolution of the Cabinet of Ministers of Ukraine dated 23.07.2009 # 801; and

Rules of Sanitary Protection of the Territory of Ukraine approved by Resolution of the Cabinet of Ministers of Ukraine dated 22.08.2011 # 893.

4. The need of obtaining by the control bodies **the return information on the outcomes of PDC carried out by the customs officials in the electronic form.**

5. Organisation of access to the information on moved goods by means of connecting to PCIS **at the stage of issuing permit for loading the goods on the transport facilities** for the purpose of their removal beyond the limits of the checkpoint in transit through the territory of Ukraine or bringing into the territory of Ukraine.