#eu4digital

EU4Digital
R.3.4-3 Analysis and selection of Eastern partner countries to pilot mechanisms of exchange of information

EU4Digital: supporting digital economy and society in the Eastern Partnership

Contract number: ENI/2018/396-727

EaP | Eastern Partnership

Document versions

Version	Date	Editor	Summary of changes
1.0	2019-12-20	Contractor	

Table of contents

1. List of Acronyms & Abbreviations

Abbreviations	Definition
AM	Armenia
AZ	Azerbaijan
BCP	Border crossing point
BY	Belarus
EaP	Eastern Partnership
eCustoms activity	Activity 3.4: Pilot mechanisms of exchange of information, including pre-arrival information and information from export declarations for goods, among the Eastern partner countries and with EU
EEU	Eurasian Economic Union
EU MSs	European Union Member States
GE	Georgia
MD	Republic of Moldova
NCTS	New Computerised Transit System
PL	Poland
PRINEX	Electronic System of pre-arrival information exchange (used between UA and MD)
TIR	International Road Transport document
UA	Ukraine
VAT	Value added tax
WCO	World Customs organisation

2. Introduction

Assessment of the existing technological solutions/pilot implementation cases were identified in the prepared 'Analysis of alternatives for eCustoms pre-arrival information exchange'. This document also contains the evaluation of the solutions in the sense of applicability and extent to which these models and practices could be re-used or adapted to pilot mechanisms of exchange of information among EU and Eastern partner countries as well as among Eastern partner countries. It was concluded that priority solution to be piloted is SEED (Systematic Electronic Exchange of Data). Its implementation was financed by EU and it is used in practice by the Western Balkan countries (Customs Administrations) of Albania, Bosnia and Herzegovina, Kosovo, North Macedonia, Montenegro and Serbia.

During SEED solution site visit in Montenegro (border crossing point (hereinafter – BCP) Bozhai) on 2-3 July 2019 and recap meeting in Minsk, Belarus on 21 August 2019, representatives of Eastern partner countries acknowledged that the SEED solution would provide multiple benefits for cross-border data exchange - it is flexible, easily adjustable to heterogenous customs IT systems, allows to customise data sets and provides additional functionalities according to particular national interests of the partner countries. Practice of customs information exchange with neighbouring countries exists in Eastern partner countries, however the solutions used are fragmented. Nevertheless, Eastern partner countries identified the potential to advantage from core and additional features and functionalities of SEED solution (e.g. automated data matching of full flow, possibility to share supporting documents, etc.).

Eastern partner countries customs representatives confirmed the strong need for electronic automated real-time customs information exchange with EU Customs administrations in facilitating legitimate trade and undertaking efficient Customs controls.

Therefore, since Eastern partner countries accept the preliminary selected solution, there are no restrictions to select any of the six Eastern partner countries for piloting.

Additionally, it is important to note, that some Eastern partner countries are aiming to become contracting parties to the Common Transit Convention in the future. Current status in the Eastern partner countries is as follows:

- Armenia – the status is unknown;
- Azerbaijan – NCTS is in progress. Technical assistance by EU financed Twinning project;
- Belarus – the status is unknown;
- Georgia – NCTS is in progress. Technical assistance by EU financed Twinning project;
- Moldova – NCTS is in progress. Technical assistance by EU financed Twinning project. Obligation according to CEFTA agreement;
- Ukraine – NCTS is in progress. EU financed project. Obligation according to EU Association agreement.

The possible future accession to the mentioned Convention does not restrict any of the Eastern partner countries from SEED solution piloting. Moreover, the full interconnectivity and interoperability between the NCTS and SEED should be highlighted in the sense that NCTS is the supplementary source of data (in addition to the national customs declaration processing systems) for the SEED system. Successful functioning of SEED

in Serbia and North Macedonia (which are members of the Common Transit Convention) proves the effectiveness of solution. Bosnia and Herzegovina as well as Montenegro are currently developing NCTS phase five with integration scenarios to be implemented between NCTS and SEED.

Moreover SEED solution could provide more possibilities and integration scenarios. For instance, countries that become NCTS members by using SEED can exchange information with non-NCTS members and use SEED for exchange of information that is not related to transit, but to import, export, empty trucks and use other additional functionalities provided by SEED (e.g. cross-border cash flow functionality, VAT module, carnet ATA module, Intellectual Property rights module – INES+ compatible with COPIS, border crossing time measurement, cooperation and exchange with other border Agencies, etc.).

Finally, as-is analysis of the countries indicated that Ukraine and Belarus use automated solution for pre-arrival information exchange – PRINEX. The implementation of the solution was financed by EU and it is operating since 2015. The usage of PRINEX does not restrict Belarus and Ukraine from SEED solution piloting because the solution has a wider set of functionalities and:

- it is based on safe and secure electronic data-processing techniques;
- has common data structure based on international standards: ICTS, WCO data model;
- has automatic data matching from all customs declarations in the single consignment and processing of the data without unnecessary human intervention.

In sum, piloting selected solution is oriented towards automated, advanced ways of information exchange among bordering countries which could facilitate rapidly increasing trade flows by targeting of high-risk consignments and by facilitation of cargo deemed to be low-risk thus simplifying customs controls and speeding-up border-crossing time for goods carriers. It is also important to note, that neither the current status of NCTS in the Eastern partner countries nor the existence of other customs exchange systems (e.g. PRINEX) does not limit the country selection for the piloting activity. Country selection criteria, methodology and suggested countries for the eCustoms pilot are presented in the following chapters.

The final decision regarding the piloting countries will be made by the EC.

3. Eastern partner countries 'as-is' analysis

This section provides information about current status and existing customs information exchange practice among Eastern partner countries. Exchange of customs related information with EU MS currently exists only in the context of mutual administrative assistance agreements that cover exchange of information on request and in case of evidence or suspicion of irregularities. None of the countries use real-time cross border collaboration and automated, advanced ways of information exchange with EU bordering countries that could facilitate rapidly increasing trade volumes by targeting of high-risk consignments and by facilitation of cargo deemed to be low-risk thus simplifying customs controls and speeding-up border-crossing time for goods carriers.

 The following insights were identified during the Eastern partner countries 'as-is' analysis:
- Data exchange process is unstructured and there are a lot of information exchange restrictions having consequences for business (as regards EU-Eastern partner countries exchange).
- Fragmented solutions are being used.
- There are many agreements between countries, but there's no easily adaptable and EU acknowledged practical solution – no adequate electronic data-processing techniques.
- Most of the Eastern partner countries use or develop electronic means for pre-arrival information exchange with bordering countries and look forward to the possible advanced solutions, allowing to exchange information with bordering EU countries.

Table 1. As-is situation of Eastern partner countries in the area of customs information exchange

Eastern partner country	Existing customs information exchange practice with neighbouring countries	Volume of existing information exchange/Other remarks	Advantageous features of SEED
Azerbaijan	**Georgia** Single Management system for electronic data exchange. On the basis of bilateral protocol. **Ukraine** Data exchange based on export declaration. On the basis of bilateral protocol. **Belarus** Protocol signed, technical document is in progress.	• Full data set from export and transit declaration (xml format). • Information about transport means and drivers. Mainly it is used during registration of transport means (Georgia). • No data matching function.	• Automatic matching. • useful to exchange attached additional documents. • Next day planning.

Eastern partner country	Existing customs information exchange practice with neighbouring countries	Volume of existing information exchange/Other remarks	Advantageous features of SEED
Georgia	**Azerbaijan** Single Management system for electronic data exchange. **Ukraine** Exchanging advanced information on export declarations. **Belarus** Implementation of information exchange process is in progress. **Moldova** Implementation of information exchange process is in progress. **Armenia** Implementation of information exchange process is in progress. **Turkey** Electronic data exchange is in progress.	• AZ to GE – full data set from export and transit declaration (xml). • The xml data set received from AZ is used to fill in the GE transit declaration. • Data comparison – only manual, for risk management. • No data matching function. • Receives data from Azerbaijan, Turkey that is used to fill T1 form in own risk management systems as a risk criterion.	• Possibility to get attached documents. • Possibility to see declaration from exporting country, not only neighbouring. • Next day planning. • Possibility of SEED to send messages to local customs IT solutions. • Information about empty trucks. • Automatic data matching and alarm module on pre-arrival data.
Armenia	**Belarus, Russia, Kazakhstan, Kyrgyzstan** Agreements on data exchange between Eurasian Economic Union, (EEU) members. **Georgia** Implementation of information exchange process is in progress. **Iran**	• Preliminary cargo information, with Iran (planning). • Preliminary cargo information with EEU: single administrative document; exchange of full import/export & transit declaration data set; arrival status notification.	• Automatic data matching and alarm module on pre-arrival data. • Possibility to exchange data with non-EEU countries. • Information about empty trucks. • Exchange of supporting documents (invoice, transport documents etc.). • Next day planning.

Eastern partner country	Existing customs information exchange practice with neighbouring countries	Volume of existing information exchange/Other remarks	Advantageous features of SEED
	Protocol for data exchange is signed.		
Moldova	**Ukraine** Bilateral information exchange protocol with Ukraine Customs on export declarations and confirmation of border crossings.	• Real time exchange. • Information exchange based on export declaration. • Confirmation of exits/entries.	• Possibility to share attached documents (invoices, packing lists etc.). • Automatic data matching.
Belarus	**Ukraine** PRINEX[1] (Electronic System of Pre-arrival Information Exchange) based on 'Protocol on information exchange between the State Customs Committee of the Republic of Belarus and the State Customs Service of Ukraine with regard to goods and vehicles crossing the customs border of the Republic of Belarus and Ukraine', which entered into force on 12 September 2004. **Information exchange with EEU members**	• Ukraine: information on goods and vehicles, including empty ones, transported across the border by motor and railway transport, the exchange of which is carried out in real time; • Transit declaration. • Export declaration (consignor, consignee, value, weight, attached documents). • Confirmation of exit. • Registration of the temporary entry of transport means (the registration is needed for both empty/loaded trucks/cars). • Purposes: risk analysis, targeted customs control. • Xml format data, real time exchange.	• Automatic data matching and alarm module on pre-arrival data. • Additional information corridor. • Real time customs-to-customs information exchange facilitating trade. • Possibility to get attached documents. • Information about empty trucks. • Possibility to exchange data with non-EEU countries; • cash flow information exchange. • Reduced time for completion of customs control operation, facilitation of the exit/entry technological process – possibility to target the control in advance. • Facilitation for business – no need for additional proof of declared customs data, reduction of queues on border (BCP), acceleration of border crossing (bilateral effect). • Time measurement (objective) – possible functionality in SEED. • Possibility to exchange data on control results and forms of performed customs control. • Exchange of X-ray scanner results on the basis of unified format.

---

[1] Video about the PRINEX system: https://www.youtube.com/watch?v=6UfGRw2fPKA

Eastern partner country	Existing customs information exchange practice with neighbouring countries	Volume of existing information exchange/Other remarks	Advantageous features of SEED
Ukraine	**Belarus** PRINEX (Electronic System of Pre-arrival Information Exchange). **Moldova, Azerbaijan, Hungary, Poland** Information is being exchanged based on bilateral protocols.	• Moldova – export, transit declaration (full data set). Automatic matching. • Belarus – export, transit/entry summary real time exchange in xml format. Automatic matching. • Azerbaijan – export, transit declaration (full data set). Automatic matching. • Hungary – export, transit declaration (consignment ID number, date and time of exit, vehicle registration number, customs tariff number, description and weight of the consignment). Real time exchange in xml format. • Poland – pilot project at border crossing point Hrebene (PL) - Rava Russka (UA). Automatic real-time exchange of data on transport means (registration number of transport, weight, sign: empty/full). Data direction only from PL to UA.	• Law enforcement and trade facilitation measure. • Automatic matching of full flow. • Tested and approved by EU and suitable with EU requirements information exchange channel. • Exchange of official information, checked by customs authority of neighbouring country, not information, submitted by carrier or economic operator. • Flexible approach to volume of exchanged information. • Possibility to use SEED data of a neighbouring country in national risk analysis system and in interface of national customs clearance IT system. • Possibility to attach supporting documents. • Using momentum to push forward information exchange between Ukraine and Poland (on first stage) with possibility to extend information exchange with other neighbouring EU countries within the next steps. • Combat against VAT refund based on fraudulent documents in exporting countries.

4. Analysis of countries suitability to pilot information exchange

4.1. Methodology

In order to pilot the Activity 3.4 in **EU-EaP** and **EaP-EaP** framework, Eastern partner countries and EU country have to be identified.

In the scope of Activity: 3.4.3 Analysis and selection of Eastern partner countries to pilot mechanisms of exchange of information, **questionnaire for the selection** of Eastern partner and EU countries for piloting exchange of information between the selected cross-border customs offices was launched.

The data was collected from Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. Eastern partner countries expressed their expectations to engage in the piloting with relevant countries (indicated the priority country).

Information collected in the questionnaires along with the discussions and interviews with the representatives from Eastern partner countries customs authorities, facilitated the selection of recommended Eastern partner and EU countries for the piloting of the eCustoms activity.

4.2. Selection criteria

In order to achieve the objectives of the pilot, namely, to facilitate customs-to-customs timely data exchange and demonstrate the outputs, specifically, **improvement in release time of goods**, the piloting activity should be concentrated on the cross-border customs offices of the two neighbouring countries with the highest relevance for the trade. Therefore, the selection criteria are concentrated on:
1. the length of common **external land border** with the neighbouring country and quantity of border crossing points (BCPs for commercial traffic);
2. volume of **cross-border commercial traffic flows** on the selected land BCPs with neighbour countries;
3. **volume of transit** and transhipment operations;
4. existence of any practice of **electronic/automated information exchange** with neighbouring countries;
5. existence or progress on establishment of trade and customs **cooperation agreements** with EU and/or other Eastern partner country;
6. types of customs-related **information that could be exchanged** in the context of EaP-EaP and EaP-EU countries data exchange (data set).

Additional supporting arguments for country selection/criteria:
1. **readiness to sign** Memorandum of Understanding to participate in pilot;
2. **reciprocal interest** of partner countries (selected by Eastern Partner country as priority for exchange) to involve in the pilot;
3. willingness of partner countries to **participate in pilot.**

Possible sets of partner countries are proposed according to the priorities, indicated in the Questionnaires by the Eastern Partner countries customs representatives.

5. Conclusions

5.1. Proposed partners for EU-EaP cross-border customs information exchange piloting

Possible sets of partner countries are proposed according to the priorities, indicated in the Questionnaires filled by Eastern partner countries representatives.

Lithuania and Belarus are proposed to be chosen as piloting countries in the framework of EU-EaP piloting customs information exchange:

- Bilateral (Lithuania-Belarus) customs to customs cooperation on national and operational level is advanced and creates good preconditions to test a technical solution for information exchange.
- Prevailing need for developing practical and modern solution for customs information exchange was acknowledged in the Action Plan for EU-Belarus Customs dialogue for 2016-2019 where one of the cooperation priorities is Trade Facilitation and Exchange of customs pre-arrival information.
- External land border of Lithuania and Belarus is 679 km. Only four BCPs for commercial traffic are available and they do not correspond to actual trade needs.
- Regional situation: high volume cargo transit by land BCPs (from all over EU to Eurasian Economic Union), long queues on entry from Belarus to Lithuania – highest in the region commercial traffic flows on entry to EU.
- State Customs Committee of the Republic of Belarus has experience in practicing electronic/automated information exchange with neighbouring countries (e.g. with Ukraine – PRINEX).
- Advantages of piloting on Lithuania-Belarus border could be measured by indicators like: waiting time at the border (SEED has this functionality) which could be measured before and after piloting.
- Agreement between the Republic of Belarus and the European Commission on cooperation and mutual administrative assistance in customs matters is in progress.
- Agreement between the Government of the Republic of Lithuania and the Government of the Republic of Belarus on cooperation for fighting against customs fraud.

5.2. Proposed partners for EaP-EaP cross-border customs information exchange piloting

Azerbaijan and Georgia are proposed to be chosen as piloting countries in the framework of EaP-EaP piloting customs information exchange:

- Willingness of Eastern partner countries to get involved into exchange of customs pre-arrival information is high.
- External land border between Azerbaijan and Georgia is 480 km long, consisting of two BCPs for commercial vehicle road traffic.
- Volumes of commercial traffic are substantial.
- Bilateral cooperation is in place.
- Bilateral cooperation agreements support information exchange and mutual assistance in customs matters.