

## Problems and Challenges

- *Huge corruption and Tax evasion* on imported goods
- Total *smuggling* in Excise Tax
- Miscommunication between customs and tax departments, mismanagement of activities
- Total mismanagement of border control – many agencies were in charge of different functions, with low coordination and high corruption, even different agencies were competing for corruption
- Because of inefficiency in administration, the burden laid on the checkpoint causing huge queues for cargo and persons, including full inspections on cargo and personal luggage at customs checkpoints
- Only a few numbers of authorized brokers were allowed to process customs clearance, which were monopolized, lobbied and highly corrupted
- Too many heavy procedures, the procedure required from 2 to 4 days, sometimes up to 2 weeks – artificially stopping the clearance procedures was one of the primary sources of corruption
- Declaration of goods required a large amount of authentic documents
- Abundant amount of mandatory heavy procedures for exporting, delivering cargo to a licensed customs terminal, including presenting numerous documents along with the declaration to the authorities
- Weak institutional formation, corruption and demotivation of the professional staff, no institutional Human Resource management practices in place.

## Solution

- For achieving the long term results, the reforms have been sequenced and implemented as follows:
  - Institutional/Structural Reform
  - Legislative Reforms
  - Infrastructure Development
  - Human Resource Management
- Customs and tax departments have been united under a single agency, the State Revenue Service (RS) under the Ministry of Finance of Georgia
- Ministry of Finance took the lead role in organizing and managing processes and procedures at the customs - all functions have been delegated to the customs service other than passport control and emigration issues done by the police
- Fighting corruption – a customs control unit has been created, being in charge of issuing any type of licenses and permits and control their enforcement. Permits which were created only for corruption purposes and had no regulatory function have been abolished.
- Primary and secondary legislation have been improved through simplified rules and instructions
- All taxes, other than visa fee, have been abolished
- The amount of documents presented at the border have been reduced to a minimum - transit cargo only requires transport documentation to cross the border
- Importers are given the opportunity to conduct preliminary cargo declaration before entering the country – saving time for clearance
- A program for customs-trade collaboration has been created (a golden list) – giving certain benefits to its members, e.g. delay of customs fees for up to 30 days

- Allowing for later pay - customs fees are paid within 5 business days after declaration, more flexibility to large-scale importers, allowing to pay VAT after realization of goods
- Allowing exporter to declare cargo directly at customs authority
- Only 2 documents for declaration to export – 0 if exporting inexpensive goods
- All customs documents required for empty vehicles have been abolished - registered only in border crossing database
- Importers are given the opportunity to use the transferred goods without entering the terminal
- Self-compliance has been encouraged, honest importers are given the opportunity to transfer goods to their own authorized warehouses, and customs authorities conduct the procedure on the spot if needed
- Customs checkpoints have been equipped with tools for inspecting cargo and personal luggage (scanners, video surveillance systems) – significantly decreasing the inspection time
- A Human Resource Management System has been established which deals with staff reorganization and training.

## Digitalizing the system

- A multifunctional webpage has been created, allowing the payer to obtain information on new developments and access personal payer webpage in order to receive all services (both free and paid, via electronic payments) and conduct online operations
- Special software has been created; document management and work activity has become digital. Required authorizations and documents are generated online, no signatures or stamps required
- Automated customs software has been implemented, allowing electronic declaration of goods
- A risk control system has been implemented, allowing to run goods through virtual corridors and inspecting based on results
- Comfortable service centers, Customs Clearance Zones, have been created alongside the electronic services, where declarations are transparent and customs clearance is done by random sampling, following a risk based audit program

## Results

- Increased *Administration and Revenue Collection*
- Increased *Transparency and Rule of Law*
- Decreased corruption opportunities to lowest levels, possibility for a subjective decision has almost been eliminated
- Decreased cost of crossing the border, no queues and comfortable services – saving time and money
- Conveniences for people crossing the border, increased turnover of goods, increased volume of transit cargo
- *Efficiency and Effectiveness* as a result of increased coordination of activities and improved processes
- *One Stop Shop* principle for registering passengers and goods
- Time for cargo registration has decreased, labor resources have been saved



- **Export became encouraged, export procedures were simplified, the amount of export has grown**
- **Increased turnover of customs checkpoints**
- **No risk of leaving transit vehicles inside the custom zone**
- **Customs service has been given more time to identify smuggling and eliminate it**