Distr.: General
28 October 2014

English only

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**Inter-regional Expert Group Meeting
on the Unite Nations Development Accounts Project 1213AA -
Strengthening the capacities of developing countries
and countries with economies in transition
to facilitate legitimate border crossing,
regional cooperation and integration**

**First session**
Item 4 (a) of the provisional agenda
**Regional sub-projects:
Economic Commission for Europe**

## Gap Analysis of Current Legal and Technical Framework for Electronic C2C Exchange of Transit Information between Georgia and Neighboring Countries

**Transmitted by the United Nations Economic Commission for Europe**

**Strengthening the Capacities of Developing Countries and Countries with Economies in Transition to Facilitate Legitimate Border Crossing, Regional Cooperation and Integration**


**Report**

**Gap Analysis of Current Legal and Technical Framework for Electronic C2C Exchange of Transit Information between Georgia and Neighboring Countries**

July 2014

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# 1 Executive Summary

In December 2011, the General Assembly approved the project "Strengthening the capacities of developing countries and countries with economies in transition to facilitate legitimate border crossing, regional cooperation and integration". In December 2012, the Review Group met under the auspices of the Department of Economic and Social Affairs and approved the final version of the project document.

Today, only a few international conventions provide a legal basis for the exchange of information related to the international transport of goods. Among them, the Customs Convention on the International Transport of Goods under Cover of TIR Carnets (TIR Convention) has the broadest geographical scope (67 countries worldwide). The exchange of electronic information is being addressed in the framework of the so-called eTIR project, which has been administered by UNECE since 2002. The eTIR project aims at full computerization of the TIR procedure and will eventually replace customs paper documents with the exchange of electronic messages. The requirements of the necessary electronic systems have already been determined, including the establishment of a centralized C2C (Customs to Customs) information network.

Based on the work already completed by the eTIR project and other further innovations to the systems it created, the proposed project aims at implementing and strengthening the capacity to use a versatile C2C information network in up to five pilot developing countries and countries with economies in transition with their neighboring countries and trading partners. This will ensure a secure exchange of information related to goods in transit, inter alia those under cover of the TIR procedure. In the long term, the network will be designed to facilitate the exchange of C2C and Business-to-Customs (B2C) information globally. The sustainability of such a network could easily be ensured by means of a minimal fee-for-use that would provide the necessary funds to maintain the system. Secure electronic exchange of C2C information will lead to increased security and reduced border-crossing delays.

Given this background, Georgia is being considered as a potential candidate country for the implementation of the pilot project. The present reports identifies the legal and technical gaps that may prevent C2C information exchange of transit data, in particular about TIR transports from/to/through Georgia.

The gap analysis assesses the legal and technical requirements Georgia needs to address to start or extend the exchange of electronic C2C transit information with other potential partner countries and with neighboring countries or trade partners. Ultimately, the gap analysis will serve, together with gap analyses undertaken in the other regions, as background material at an international expert group meeting. During the meeting, the expert group will select a number of pilot countries among the candidate countries to either offer targeted technical assistance to implement electronic C2C exchange of transit information, or to devise an action plan laying out the steps needed to start such information exchange.

This document identifies the legal and technical experience required and the capacity gaps to fill prior to enabling C2C information exchange in Georgia. The document examines the availability of a legal background to allow for C2C exchanges or allow the use of data received from other customs administrations, the availability of technical infrastructure to allow for such exchanges, the availability and completeness of the data required for risk analysis in the IT systems of potential partner countries, and the availability and capacity of technical human resources to implement the project.

Based on analysis of the existing legal environment, Georgian customs is judged to be ready and able to participate in the pilot implementation of C2C real-time electronic exchange of transit data, but they will require some additional support to ensure the systematization of technical and operational approaches.

Some steps to improve and systemize the overall approach of collecting, processing and disseminating transit information may be completed independently from any particular context of the C2C transit data exchange initiative. These steps are:

1. Accelerate (where possible) the adoption of built-in capabilities of the eCustoms (ASYCUDA World) system for exchanging electronic information. The IT team may require additional assistance to enhance human capacity in order to increase its awareness and knowledge of the system's full capabilities.

2. Initiate the adoption of the WCO data model, as well corresponding standards for structuring information, including acceleration of utilization of the built-in functionalities of the eCustoms system that would allow the implementation of web services based on WCO standards. This approach should also be adopted for structuring data in the "Oracle" system and in the implementation of external web services.

3. Initiate the implementation of a unified approach for electronic data exchange practice (security standards, integration infrastructure, messaging standards, etc.).

4. Accelerate the implementation of the ASYCUDA/TIR module. Otherwise, consider dedication and stricter structuring of TIR-related information in existing modules. In particular, attention should be paid to the management of the Internal Transit Document (T1 Form).

5. Increase measures (both on the regulatory level and in actual practice) to ensure completeness of transit information by revision/improvement of classification. Mechanisms (automated or procedural) for controlling the collection of full sets of transit information, including TIR information should also be introduced. Harmonizing some domestic classifiers with international standards and recommendations might be also initiated in advance in order to avoid expending additional effort during the project's implementation.

Turkey, Azerbaijan and Georgia are significant transport route nodes between Europe and Central Asia, especially in terms of land transportation. Correspondingly, it is at the very least important, if not critical that these countries participate in the pilot implementation of this project. At this point, there are not any significant obstacles (neither legislative nor technical) anticipated that would hinder the project's implementation in Turkey. It is anticipated that Azerbaijan's participation will require some additional considerations, mainly concerning language provision and readiness of the customs authority to integrate information into risk management operations.

It is recommended to pay additional attention to Kazakhstan, which is a significant node of transit routes between Europe and Central Asia. Despite the fact that the majority of transportation to and from the country is occurs via the railway, the availability of advance information from Kazakh sources is anticipated to contribute significantly to the overall value of the project's outputs.

# 2 Introduction

## 2.1 Background

In December 2011, the General Assembly approved the project "Strengthening the capacities of developing countries and countries with economies in transition to facilitate legitimate border crossing, regional cooperation and integration". In December 2012, a Review Group that met under the auspices of the Department of Economic and Social Affairs approved the final version of the project document.

Crossing borders has always been a problem in international transport and trade. Despite recent improvements, international transport still faces obstacles, costs and difficulties at borders. Border crossing problems most severely affect landlocked developing countries, as they seriously impede access of those countries to the global market and lead to substantial losses for their national economies. The competitiveness of those countries is undermined by cumbersome customs and other control procedures. Overall, limitations to trade and transport facilitation are detrimental to economic growth, regional cooperation and integration.

Control authorities at borders face security challenges related to smuggling, terrorism, illegal trade and immigration. In view of the large volume of cross-border transport operations nowadays, customs authorities are no longer in a position to control every vehicle or container. Instead, they have to apply risk management techniques and identify high risk consignments on the basis of available data. However, the data provided for risk analysis in a given country could potentially be falsified or intended to mislead customs officials. Often, the most reliable data on the transported goods is available at the customs offices of departure at the origin of a transit movement following an export procedure. To the extent possible, these data should be captured and then made available to the customs authorities of transit and destination countries through a common Electronic Data Interchange (EDI) system, prior to the arrival of the goods. The availability of advance electronic cargo information and the establishment of C2C network arrangements have been identified as cornerstones of the global supply chain security by the World Customs Organization (WCO).

Today, only a few international conventions provide a legal basis for the exchange of information related to the international transport of goods. Among those, the Customs Convention on the International Transport of Goods under Cover of TIR Carnets (TIR Convention) has the broadest geographical scope (67 countries worldwide). The exchange of electronic information is being addressed in the framework of the so-called eTIR project, which has been administered by UNECE since 2002. The eTIR project aims at full computerization of the TIR procedure and will eventually replace customs paper documents with the exchange of electronic messages. The requirements of the necessary electronic systems have already been determined, including the establishment of a centralized C2C information network.

Based on the work already completed by the eTIR project and other further innovations to the systems it created, the proposed project aims at implementing and strengthening the capacity to use a versatile C2C information network in up to five pilot developing countries and countries with economies in transition with their neighboring countries and trading partners. This will ensure a secure exchange of information related to goods in transit, inter alia those under cover of the TIR procedure. In the long term, the network will be designed to facilitate the exchange of C2C and Business-to-Customs (B2C) information globally. The sustainability of such a network could easily be ensured by means of a minimal fee-for-use that would provide the necessary funds to maintain the system. Secure electronic exchange of C2C information will lead to increased security and reduced border-crossing delays.

Given this background, Georgia can be considered as a potential candidate country for implementation of the pilot project. The present report identifies the legal and technical gaps that may prevent C2C information exchange of transit data, particularly gaps concerning TIR transports from/to/through Georgia.

## 2.2   Objectives of the Analysis

The gap analysis assesses the legal and technical requirements Georgia must meet in order to start or extend the exchange of electronic C2C transit information with other potential partner countries and with neighboring countries or trade partners.

Ultimately, the gap analysis will serve, together with gap analyses undertaken in the other regions[1], as background material at an international expert group meeting. The expert group will select a number of pilot countries among the candidate countries to either offer targeted technical assistance to implement electronic C2C exchange of transit information, or devise an action plan that lays out the steps needed to start such information exchange. The gap analyses should provide experts with enough information on the candidate countries to allow them to objectively select pilot countries for the project and assess if the implementation of such information exchange is realistic within the timeframe of the project while also taking into account the resources available.

## 2.3   Content of the Document

The document assesses the current legal and technical framework, as well as existing experience, practice and capacity for implementing electronic information exchange from the private sector to customs as well as to and from other customs administrations, in the context of international transit to, from and through the territory of Georgia.

The legal assessment examines national laws and secondary legislation relevant to the exchange of electronic information as well as bilateral and/or multilateral agreements that would have an impact on the C2C electronic exchange of transit information.

The technical assessment includes a summary description of the IT systems used by customs to process transit data, a description of the transit data stored in the IT systems, a description of the data used for risk analysis, availability of infrastructure allowing the exchange of electronic messages (EDI or XML), as well as adoption of the national, regional and international standards used by customs in electronic information exchanges related to transit, both for C2C and B2C messaging in the candidate country.

Finally, the document identifies the legal and technical experience and capacity gaps to enable C2C information exchange in Georgia by analyzing the availability of a legal background to allow for such exchanges or allow the use of data received from other customs administrations, the availability of technical infrastructure to allow for such exchanges, the availability and completeness of the data required for risk analysis in the IT systems of potential partner countries, and the availability and capacity of technical human resources to implement the project.

## 2.4   Assessment Methodology and Performed Activities

The assessment was conducted through questionnaires and in-depth interviews with Georgian customs representatives. A number of interviews with management, IT, legal, risk

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[1] ESCAP, ESCWA, ECA and ECLAC

management and methodology staff were conducted. Additional information (neighboring countries, IRU representative) was gathered using questionnaires.

A desk review of the primary and secondary legislation, as well as relevant bilateral and multilateral agreements, including technical protocols and amendments, was conducted.

The structure, completeness and validity of information were assessed through analysis of procedural and technical documentation, in-depth interviews with staff, as well as through gathering statistical and pivot information from customs databases.

# 3 Major Trade and Transport Flows from, to and through Georgia

## 3.1 International Trade

According to statistics sourced by the Georgia Revenue Service and provided by the National Statistics Office of Georgia[2], imports in Georgia averaged $ 264.5 million from 1995 until 2014, reaching an all-time high of $ 811.5 million in December 2013. The country's main imports are oil, automobiles, pharmaceutical products, wheat, sugar and electrical equipment. Georgia's exports rely on low value-added agriculture and mineral products. Georgia's main exports are metals, automobiles, nuts, fertilizers, wine and mineral water.

As shown in Figure 1[3], Georgia's main import partners are Turkey, Ukraine, Azerbaijan, Germany, Russia, and China. Georgia's main export partners are Turkey, Azerbaijan, Armenia, Ukraine, Russia, Bulgaria and the United States.

In 2013, **Turkey** and **Azerbaijan** were Georgia's largest trading partners. On the one side, the largest share (17%) of imports into Georgia came from Turkey and 6% of exports went to Turkey. On the other side, Azerbaijan imported more than 24% of Georgia's exports and shared about 8% of Georgia's imports. The shares of Ukraine, Russia, China and Germany in total imports vary between 6-8% and are represented respectively at 7.6%, 7.5%, 7.2% and 5.7% in 2013.

Armenia is the second largest importer of Georgian goods, taking 11% of the country's total volume of exports. Russia and Ukraine each import 7% of Georgia's exports and are followed by Bulgaria and the United States, with each of which importing about 5% of Georgia's exports.

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[2] www.geostat.ge
[3] Based on total foreign trade figures for 2013

*Figure 1. Georgia's External Trades by 15 Largest Trading Partners (2013's Figures)*
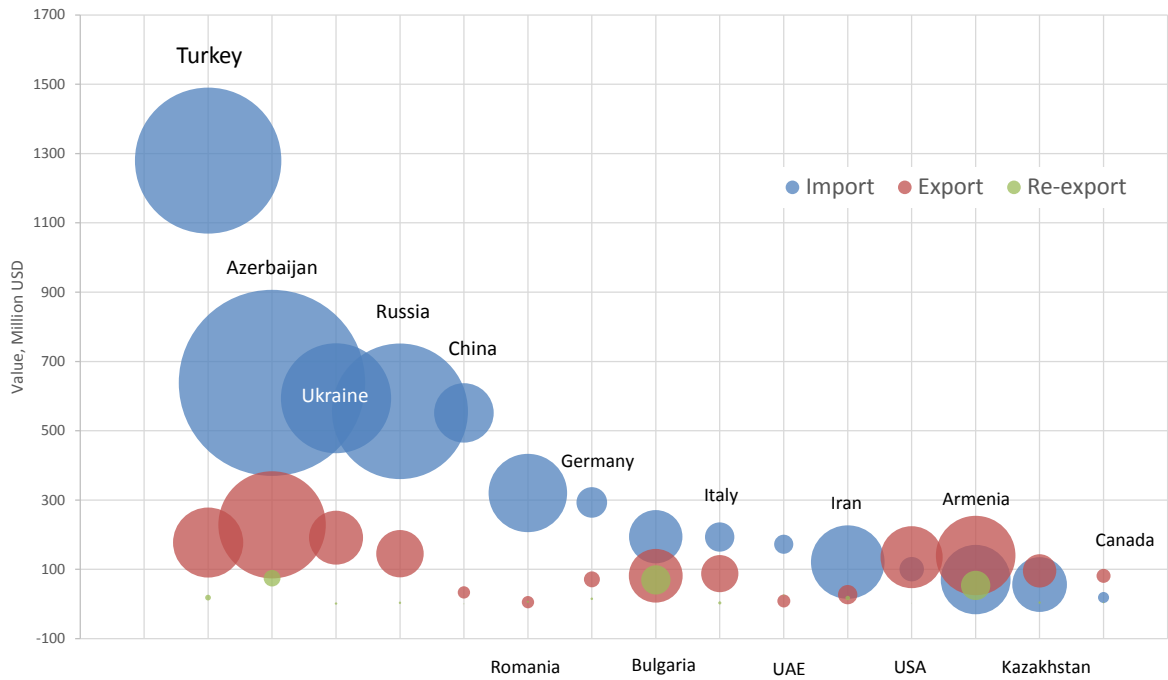


*\* Bubbles are sized according to total voumes of goods traded (gross weight in kg)*

Figure 2 shows that, in 2013, the **EU** and **CIS** (Commonwealth of Independent State) countries together provide more than 56% of Georgia's imports (respectively 29% and 27%). However, CIS countries alone import more than 56% of Georgian exports.
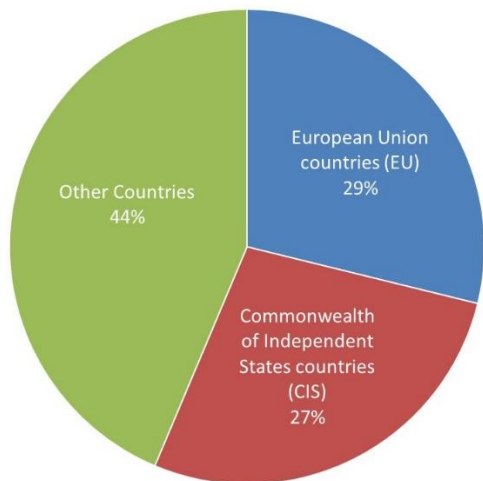
*Figure 2. Georgia's Imports by Country Groups*          *Figure 3. Georgia's Exports by Country Groups*
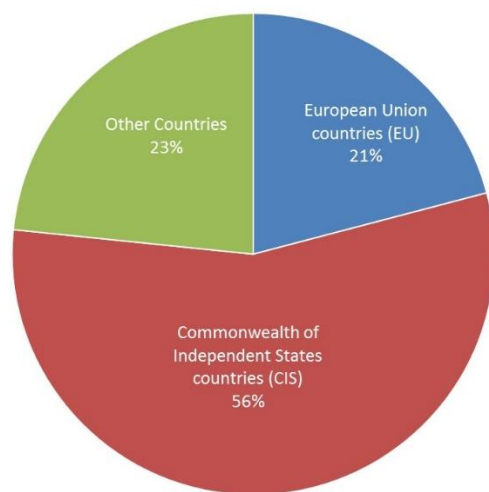


It should also be mentioned that more than a half of the trade with CIS countries takes place with **GUAM** countries, which represent up to 16% of total imports and more than 30% of Georgia's exports.

## 3.2 Through Transit

According to the statistics from the Georgia Revenue Service, more than 14.1[4] million tons of goods were transported through Georgia in 2013.

The largest portion of goods in transit through Georgia (more than 67%) arrives from **Kazakhstan** (30%), **Azerbaijan** (18%), **Turkey** (11%) or **Turkmenistan** (8%). Goods in transit through Georgia are mainly destined to **Azerbaijan** (22%), **Armenia** (10%) and other offshore destinations (more than 17%). The **Netherlands**, **Italy** and **Switzerland** (with 8-9% each) are the major European destinations for goods transported through Georgia.

*Figure 4. The Top Departure/Destination Counries by Volumes Transited through Georgia (2013's figures)*
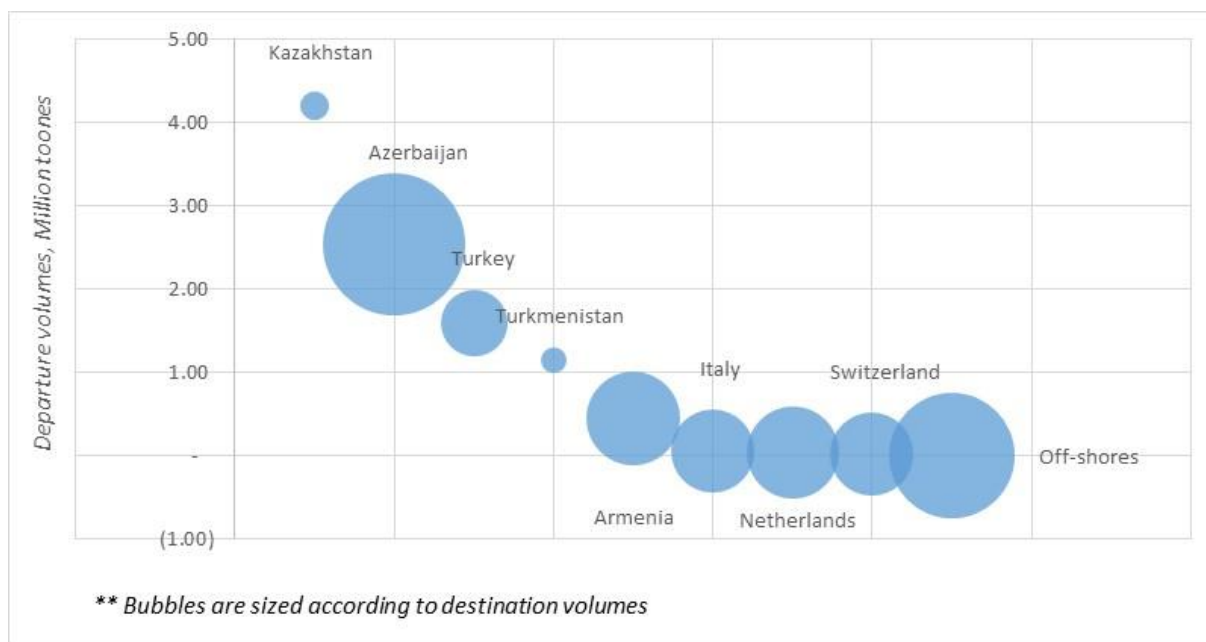


According to available figures, the Russian Federation and Ukraine, though having important shares of import-export operations with Georgia, are not significantly involved in transit operations through Georgia, neither as countries of departure (4%, respectively 2.5%) nor as countries of destination (1.25%, respectively 0.05%). Georgia is also not a significant transit country for trade to and from Iran (as the volumes are close to 0%).

## 3.3 Transportation Modes[5]

More than 40% of the traded goods[6] were transported to and from Georgia by sea, with the same figures for inland modes, equally distributed between railway and land roads. Railway appears to be the main channel of cargo transit through Georgia, along with land road transportation, together providing 99% (respectively sharing 81.4% and 17.7%) of transit carriage.

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[4] Numbers used in this section have been provided by the Georgia Revenue Service for assessment needs and consequently do not represent official statistics.

[5] Numbers used in this section have been provided by the Georgia Revenue Service for assessment needs and consequently do not represent official statistics. Additionally, figures on transit transportation modes by countries appeared to be incomplete and unclear. Correspondingly, only figures for import/export operations are provided for identified both key traders and key transit counterparties in order to ensure provision of insights of anticipated trends and adopted practice.

[6] The shares of operations for this point and hereafter in the section are calculated as a portion of gross weight of goods transported by the country/means of transport.

Turkey is Georgia's largest trading partner in terms of cargo transported by roads. Almost 60% of all goods transported by roads go to Turkey. Russia and Ukraine are Georgia's largest maritime transport (which occurs via ferries in most cases) trading partners. More than 50% of all goods transported by sea come from or are destined to Russia, Ukraine or Turkey. More than 75% of goods transported by rail originate in or are destined to Azerbaijan, Armenia and Kazakhstan. The table below (*Table 1*) provides more insights regarding key trading partners and the use of different modes of transport.

*Table 1. Share of main trading partners for trade carried out by different transport modes*

|  | Total | Export | Import |
|---|---|---|---|
| **Road Transport** | | | |
| Turkey | 49.4% | 22.3% | 56.9% |
| Iran | 15.9% | 4.9% | 19.0% |
| Armenia | 8.6% | 24.3% | 4.2% |
| Russia | 8.2% | 12.9% | 6.9% |
| Azerbaijan | 6.1% | 20.5% | 2.1% |
| **Maritime Transport** | | | |
| Russia | 18.8% | 1.9% | 25.0% |
| Ukraine | 14.7% | 7.7% | 17.3% |
| Turkey | 11.7% | 16.9% | 9.7% |
| Bulgaria | 8.1% | 15.7% | 5.3% |
| Romania | 7.4% | 0.8% | 9.8% |
| USA | 6.1% | 19.7% | 1.1% |
| China | 5.1% | 0.8% | 6.7% |
| **Railway Transport** | | | |
| Azerbaijan | 54.2% | 58.0% | 50.4% |
| Armenia | 24.8% | 29.9% | 19.8% |
| Kazakhstan | 10.8% | 5.4% | 16.1% |
| Russia | 3.5% | 5.0% | 2.0% |

About 68% of goods traded between Georgia and Turkey are transported by road. The share reached 76% for imported goods. The rest of the transports are carried out by sea. The transport corridors with Azerbaijan, Armenia, Kazakhstan and Turkmenistan rely fundamentally on railways, along with a relatively small share of road transport. Trading channels with Ukraine heavily depend on ferry transportation (about 90% of goods as transported on ferries), while transport to/from Russia occurs via land roads and by sea. Most European countries rely on maritime transport to carry goods to and from Georgia. However, Germany, Netherlands and Italy – the largest European trading partners of Georgia – also widely use road transport.

The table below (*Table 2*) provides more insights on the use of different modes of transport for trade with key trading partners.

*Table 2. Modes of transport used for Import/Export operations by the major trading partners*

|  | Total | Export | Import |
|---|---|---|---|

| | Total | Export | Import |
|---|---|---|---|
| **Turkey** | | | |
| Land Transport | 68% | 36% | 76% |
| Maritime Transport | 31% | 64% | 23% |
| **Azerbaijan** | | | |
| Railway | 41% | 86% | 26% |
| Land Transport | 5% | 14% | 2% |
| **Armenia** | | | |
| Railway | 73% | 73% | 72% |
| Land Transport | 26% | 27% | 25% |
| **Ukraine** | | | |
| Maritime Transport | 90% | 92% | 90% |
| Land Transport | 7% | 7% | 6% |
| Railway | 3% | 1% | 3% |
| **Kazakhstan** | | | |
| Railway | 92% | 84% | 95% |
| Land Transport | 5% | 16% | 1% |
| Maritime Transport | 2% | 0% | 3% |
| **Turkmenistan** | | | |
| Railway | 92% | 81% | 94% |
| Maritime Transport | 5% | 0% | 5% |
| Land Transport | 3% | 19% | 1% |
| **Russia** | | | |
| Maritime Transport | 69% | 15% | 76% |
| Land Transport | 28% | 46% | 26% |
| Railway | 6% | 39% | 2% |
| **China** | | | |
| Maritime Transport | 96% | 96% | 96% |
| **Bulgaria** | | | |
| Maritime Transport | 98% | 100% | 95% |
| **Germany** | | | |
| Maritime Transport | 54% | 26% | 62% |
| Land Transport | 45% | 73% | 37% |
| **Italy** | | | |
| Maritime Transport | 85% | 92% | 73% |
| Land Transport | 15% | 8% | 27% |
| **Iran** | | | |
| Land Transport | 99.7% | 100% | 99.9% |
| **Netherlands** | | | |
| Maritime Transport | 73% | 85% | 68% |

| | Total | Export | Import |
|---|---|---|---|
|     Land Transport | 24% | 14% | 28% |
| **Switzerland** | | | |
|     Maritime Transport | 94% | 93% | 95% |
|     Land Transport | 5% | 7% | 5% |
| **USA** | | | |
|     Maritime Transport | 99% | 100% | 95% |

## 3.4 TIR Transportation

Trends show that involvement of Georgian traders in TIR operations has been gradually increasing in recent years.

*Table 3. Number of TIR Carnets issued in Georgia[7]*

| 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|
| 4,743 | 6,376 | 7,727 | 9,103 |

However, the number of TIR operations terminated on Georgian territory significantly exceeds the number of Carnets issued locally. This shows that Georgia has a significant role in transit.

In 2013, more than 65,000 means of transport entered Georgia under the TIR regime, among which Turkey alone accounted for more than half of them (35,000)[8]; 14,000 came from Iran and 5,000 from the European Union.

## 3.5 Advance Declaration of Goods

Georgian tax/customs legislation provides significant procedural preferences to clearance of goods declared in advance, thus motivating the submission of advance declaration. The numbers provided by the Georgia Revenue Service indicate an increase in the share of operations processed based on advance information:

*Figure 5. The Share of Advance Declaration in Total Figures of Import Operations[9]*



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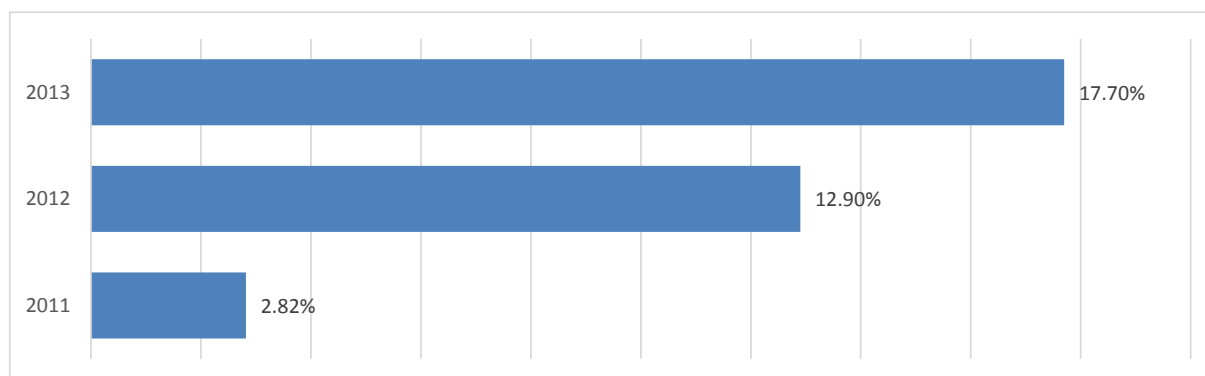
[7] Source: GIRCA
[8] Source: Georgia Revenue Service, based on IRU statistics
[9] Source: Georgia Revenue Service

# 4 Legal Environment

## 4.1 Organizational and Regulatory Environment of Customs Operations

1. The Legal Entity of Public Law (LEPL) Georgia Revenue Service (RS), which operates under the supervision of the Ministry of Finance of Georgia, is responsible for customs operations. The Customs Department is directly responsible for running customs operations in Georgia. Additionally, the recently established Department for Administration of the Georgia Revenue Service[10] consolidated several audit and risk management functions and currently is responsible, inter alia for all risk related analysis in customs and tax matters as well as in a debt management.

2. Technical support for customs operations is provided by the Information Technology Center ("IT Center" hereafter). The IT Center is a structural unit of the RS. It serves information technologies needs for all RS subdivisions.

3. Technical (server) infrastructure, which is owned by the Ministry of Finance of Georgia, hosts information systems that are managed by the IT Center. The LEPL Financial Analytical Service (FAS) is responsible for maintaining the data center. FAS is responsible for providing technical capacity, information security measures, disaster recovery, and a technical aspect of business continuity of operations. FAS is also responsible for establishing and maintaining communication channels, and ensuring the security of the above-mentioned channels.

4. Customs activities are regulated by the Constitution of Georgia, relevant international agreements, **Tax Code of Georgia**, **Law of Georgia on Revenue Service**, regulations from the Ministry of Finance of Georgia, orders from the Minister of Finance of Georgia, individual administrative and legal acts issued by the Director General of the Georgia Revenue Service, other legislative and statutory standard acts. . Additionally, the **General Administrative Code of Georgia** regulates the general procedures of public entities.

5. The following secondary customs legislation regulates the initiation, conditions and rules of customs operations (relevant to the subject of assessment), including submission and electronic processing of information. This legislation contains core information and rules, which may become a subject of review/update if any changes in customs procedures are considered:

   a. **Instruction on Movement and Clearance of Goods across the Customs Territory of Georgia**, approved by Order No. 290 of 26 July 2012 of the Minister of Finance of Georgia. The Instruction defines the functioning of core customs operations and basic rules, restrictions and requirements for processing operations, including requirements for operations under transit and TIR regimes. Additionally, the document outlines the framework for

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[10] On 18 March 2014, amendments were introduced to Order No. 2742 of the Director General of the Georgia Revenue Service dated 2 June 2011 on the "Approval of the Statute of Structural Units of the Legal Entity of Public Law – Georgia Revenue Service". Following from recent amendments, the institutional structure of the Georgia Revenue Service underwent several changes. In particular, the new Department for Administration of the Georgia Revenue Service was established in order to streamline and strengthen the administration and collection of taxes and duties. The functions of this department have been transferred from different departments, such as the audit, tax monitoring, customs, and dispute and international departments. Among its divisions, the Customs Risk Management Division has moved from the Customs Department to the Department for Administration.

processing information and carrying out operations electronically through information systems;

    b. **Instruction for Implementation of Procedures Related to Entering Goods into the Customs Territory of Georgia / Leaving the Customs Territory of Georgia and Declaration**, approved by Order No. 12858 of 1 August 2012 of the Director General of the Georgia Revenue Service. The document defines details for submitting and processing information, data sets, and information classification. It outlines detailed rules for the submission of different customs documents (declarations, internal transit documents), as well as data processing.

## 4.2 International Cooperation Agreements

6. In addition to domestic legislation, the operations of Georgian customs are regulated in accordance with several multilateral international conventions and agreements, which are:

    a. The **International Convention on Mutual Administrative Assistance for the Prevention, Investigation and Repression of Customs Offences**, Nairobi 1977 (Nairobi Convention). Georgia acceded to the convention in 2009;

    b. The **International Convention on Harmonization of Frontier Controls of Goods**, Geneva 1982 (Harmonization Convention). Georgia acceded to the convention in 1999;

    c. The **Customs Convention of the International Transport of Goods Under Cover of TIR Carnets** (TIR Convention), 1975. Georgia acceded to the convention in 1994;

    d. The **International Convention on the Harmonized Commodity Description and Coding System** (HS Convention), 1996. Georgia acceded to the convention in 2009 and reported complete adoption of the HS classification in its operations in 2011;

    e. **Convention on Temporary Admission**, Istanbul, 26 June 1990. Georgia acceded to the convention in 2010.

7. With respect to HS classification, Georgia acceded to the **International Convention on the Harmonized Commodity Description and Coding System** (HS Convention) in 2009 and reported complete adoption of the HS classification in its operations in 2011. The latest version of the WCO Harmonized System Nomenclature, which entered into force on 1 January 2012, has been adopted and the Foreign Economic Activity National Commodity Nomenclature (FEANCN) has been fully harmonized at the six-digit level and has been operable since July 2012[11]. FEANCN extends the HS coding system to the eleven-digit level. The harmonized codes are uniquely utilized for identifying goods in all customs operations. Currently, Georgian customs regulations require identification of goods using the eleven-digit nomenclature in tariff operations, while non-tariff operations, including transit, use two-digit codes (four- and eight-digit codes are required for identifying special (requiring license, permission, certificate) and excise goods).

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[11] Order No. 241 of 11 July 2012 of the Minister of Finance of Georgia Approving The Foreign Economic Activity National Commodity Nomenclature (FEANCN).

Correspondingly, this information is stored in a database and is referred to in all currently adopted electronic data exchange processes.

8. "**Association Agreement between the European Union and the European Atomic Energy Community and their Member States, of the one part, and Georgia, of the other part**" was initialed in 2013. Georgia and the European Union signed the Association Agreement, which included the establishment of a deep and comprehensive free trade area (DCFTA), on June 27, 2014 in the margins of the European Council meeting in Brussels. Under the umbrella of the agreement, the perspective of accession of Georgia to the **Convention on a Common Transit Procedure** as an obligatory requirement is considered as a medium-term initiative and must be ensured within following four years after the Association Agreement comes into legal force.

9. Additionally, Georgia is a Member State of the Organization for Democracy and Economic Development GUAM (Georgia, Ukraine, Azerbaijan, and Moldova). Establishment of a free trade area between the GUAM Member States, harmonization, acceleration and simplification of cross-border trading and movement procedures represents one of the core directions of activities of the organization. A number of agreements, protocols, memorandums and concept documents intended to ensure harmonization and simplification of the cross-border trading procedures have been prepared and implemented under the umbrella of the GUAM Trade and Transport Facilitation initiative.

10. On December 12-13, 2013, the 19th Meeting of the GUAM Trade and Transport Facilitation Project Steering Committee approved the text of the "**Protocol between the Customs Administrations of GUAM Member-States on Organizing the Exchange of Preliminary Information on Goods and Vehicles Transiting across the State Borders of GUAM member states**". The Protocol is expected to be officially signed and ratified by member states in 2014. According to the approved draft of the Protocol, member states agree to exchange advance information received by parties through handling customs procedures with goods leaving one member state's territory and moving toward another member state's territory for transit or discharge purposes. The parties will use advance information for risk management and procedure simplification purposes. The parties agree to inform each other if any discrepancy in advance and actual (either declared for import or observed during a physical check) information is identified. All technical details, including technical specifications, data sets, classifiers and communication channels, information security will be also be defined. The draft Protocol was prepared based on a similar bilateral protocol between Georgia and Ukraine, also a member of GUAM. The previously mentioned protocol is not expected to lose its legal force upon ratification of the GUAM joint protocol.

11. A bilateral protocol between Georgia and Ukraine became effective in 2009 (**Protocol between the Revenue Service of the Ministry of Finance of Georgia and the State Customs Service of Ukraine (SCSU) on Organizing the Exchange of Preliminary Information on Goods and Vehicles Transiting across the State Borders of Georgia and Ukraine**). As of today, significant steps to ensure regular exchange of information are being undertaken: technical details are officially approved, the project has been launched, and data is exchanged on a regular basis (refer to the section below for more details). The involved parties agree to exchange advance information of goods moving to the contracting party's territory for transit or discharge purposes. Currently, parties use advance information solely for risk management purposes. Parties agree to inform each other if any discrepancy in advance and actual (either declared for import or observed

during a physical check) information is identified. All technical details are specified in the Technical Specification Document[12].

12. Two agreements between the Government of Georgia and the Governments of the Republic of Turkey (**Agreement between the Government of Georgia and the Government of Republic of Turkey on the Joint Use of Land Crossing Points of "Sarpi - Sarp", "Kartsakhi – Cildir/Aktas" and "Akhaltsikhe – Posof/Turkgozu"**, 2010) and Armenia (**Agreement between the Government of Georgia and the Government of Republic of Armenia on the Joint Use of Land Customs Crossing Points of "Sadakhlo – Bagratashen", "Sadakhlo – Airum", "Guguti – Gogovan" and "Ninotsminda – Bavra"**, 2013) are assumed to legalize and ensure regular exchange of information between the involved parties.

13. The negotiation of a similar agreement with Azerbaijan is in progress. In addition, recently, the RS and the State Customs Committee of the Republic of Azerbaijan signed the **Administrative Agreement on Mutual Assistance in Customs Matters**, which was based on the model WCO agreement. The agreement was signed at the WCO Europe Regional Conference of Customs Heads on 17 March 2014, in Tbilisi (Georgia). The conclusion of the administrative agreement will create a sound legal platform for information exchange between the two countries. Such cooperation could also result in conclusion of a similar agreement on the joint use of borders as with the Republic of Turkey in the near future. Negotiations pertaining to the proposed agreement are ongoing.

14. Agreements on joint use of land crossing points are aimed at ensuring the facilitation of border crossing and customs procedures by avoiding any duplication in operation and data entry through real-time provision of electronic information (declarations regarding passengers, vehicles and goods) from the country of exit to the country of entry. Customs procedures related to inspection and verification of information are assumed to be made only by the country of entry. Information provided by the customs authority of the country of exit automatically becomes legally enforceable upon completing registration in the recipient's (country of entry) information system to confirm the status of the information.

15. The procedures described in the agreement with Turkey have already been adopted. The agreement is accompanied by a number of technical protocols, defining technical details of exchange of information. Exchange of real-time information in pilot mode is ensured. The procedures are expected to be fully implemented in the beginning of 2014.

16. The status of implementation of an agreement with Armenia is still under negotiation stage. In particular, parties are still in the process of negotiating technical protocols and specifications. Negotiations on the agreement are also ongoing. At this point, working groups are being established. The working groups would be responsible for handling negotiations pertaining to the adoption of technical protocols and specifications.

17. An agreement between the Government of Georgia and the Government of the Russian Federation on the **Basic Principles for a Mechanism of Customs Administration and Monitoring of Trade in Goods** has been in effect since 2011. The agreement defines the framework (conditions, data sets) of exchange of electronic information on goods that enter or exit the predefined trade corridor. According to the agreement, the involved parties are required to provide automated electronic information to a selected private

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[12] Technical Specification for Organizing the Exchange of Preliminary Information on Goods and Vehicles Transiting across the State Borders of Georgia and Ukraine, version 1.0.

company (service provider) in order to ensure submission of aggregated information to the WTO Integrated Data Base (IDB). Due to political issues, the agreement implicitly excludes exchange of information directly between the contracting parties. Despite the fact that the agreement has been in effect since 2011, no real steps (besides selecting the service provider[13]) have been undertaken thus far.

18. A memorandum of understanding between the Customs Department of Georgia, Georgian International Road Carriers Association and the International Road Transport Union (IRU) for the **Capture, Transmission, Management and Dissemination of Data for the Termination of the TIR Carnet Operations at Customs Offices of Destination** was signed in 2000, and updated on June 17, 2011. In the first version of the memorandum, the involved parties declared readiness to ensure proper and consistent provision of TIR data (about the termination of TIR operations at offices of destination) to the IRU SafeTIR database. The IRU also provides information on TIR Carnets for validation purposes through the CUTEWISE application. The objective of the second memorandum was to define the terms of implementation and use of the Real-Time SafeTIR (RTS) and TIR-EPD systems implemented in the ASYCUDA World system being used by the customs administration, as well as the data exchanged in the framework of these systems.

## 4.3   Protection of Information

19. The **Law of Georgia on "Protection of Personal Data"** (adopted in 2011, in effect since 2012) establishes standards for the protection of personal information. Most importantly, the law defines the notion of processing personal information in a very broad way, and discusses: alteration, gathering, using, combining, and storing personal information. It is very important to note that the law applies to both the public and private sectors, whereas previously only the **General Administrative Code of Georgia**, applicable only to public institutions, protected personal information. The law states that gathering information is permissible only for explicitly stated legal reasons and is permitted to the extent necessary for reaching the stated legal aim. The law regulates in detail the rights and obligations of the party processing the information and the rights and obligations of the authorized person (whose data is being processed).

20. The law places personal information connected to any economic and professional activities of natural persons[14], as well as biometric information, under protection. However, personal information submitted to the state authority by a natural person may be distributed to address the requirements of relevant state procedures (5th and 6th clauses). Correspondingly, the law allows processing and dissemination any personal information that is submitted to customs in the form of declarations, according to the needs of the customs procedures.

21. The law legally allows for the utilization of biometric information by state authorities for any needs during border crossing procedures (9th clause).

22. The law also establishes rules for disseminating personal information to foreign state authorities and international organizations (41st and 42nd clauses). According to the law, information can be disseminated if it falls under the law's general terms, and the protection of information (legal and physical) is ensured by a third party (foreign state authority or international organization) if a corresponding agreement between parties

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[13]  SGS (www.sgs.com) is selected and contracted to ensure dissemination of data.

[14] The Law protects only personal information. The Tax Code protects commercial information of legal entities.

exists. Correspondingly, the law delegates the definition of detailed rules for dissemination of personal information outside of Georgia, including its protection, to multilateral/bilateral international agreements.

23. The **General Administrative Code of Georgia** ensures protection of personal, commercial, professional and state secret information in the context of collection, processing and dissemination of such information by public authorities. The 27<sup>th</sup> clause of the General Administrative Code allows any party providing commercial information to a state authority to request additional protection of information, even if this information is not classified as a commercial secret. Public information (and any other relevant information not classified as a commercial secret) is available to any requesting party without any restrictions (28<sup>th</sup>, 37<sup>th</sup>, and 40<sup>th</sup> clauses). The 37<sup>th</sup> clause of the General Administrative Code defines procedures and allows for the exchange of secret information (including commercial secrets) between state authorities based on written request. However, the law does not provide any additional insights on regular dissemination of such information to foreign state authorities, implicitly delegating this authority to other legislative acts.

24. The **39<sup>th</sup> Clause of the Tax Code of Georgia** defines the rules for protection and disclosure of commercial information of legal entities, which is administrated by the RS. According to the Tax Code, any information on a taxpayer available to the tax authority, except public information (taxpayer's status, name, identification number and other information, registered in the business register), is classified as a tax secret.

25. According to the Tax Code, tax authorities of other states are authorized via mutual international agreements with Georgia to share and disseminate secret information, which is managed by the Georgian tax administration. Additionally, the Tax Code delegates the definition of the level of protection and specification of dissemination of secret information to foreign tax authorities acting in accordance with international agreements. For example, the Protocol with Ukraine (as well as agreement with the Republic of Turkey) contains provisions about protection of confidential information. The GUAM Protocol is expected to include similar provisions.

26. Additionally, the Tax Code strictly defines the circle of persons and official entities that can access secured information. The Code refers to the general legislation regarding matters of personal responsibility and legal enforcement.

## 4.4   Recognition of Electronic Information

### 4.4.1   Electronic Documents and Recognition of Electronic Information

27. The **Law of Georgia on "Electronic Signature and Electronic Document"** (in effect since 2008) defines the general framework for the legal recognition of electronic documents and electronic signatures. The law creates the regulatory basis for the flow and legitimacy of electronic documents, as well as introduces and legitimizes electronic signatures in both public administration (government) and civil relations. The law creates the overall framework for recognizing electronic information, but leaves significant freedom for clarifying and adjusting legal forces and procedures on the level of both special legislation/regulations and mutual agreements between any contracting parties, including relations between government bodies, between government and civil entities, as well as between representatives of civil society.

28. The law treats management of an electronic documents system and the basis of electronic signatures use in this system. The 16<sup>th</sup> clause of the law establishes that the electronic document received from any information system has legal power if the system ensures automatic confirmation of the document. However, some aspects of the definitions serving as a basis for treatments of the law are unclear.

29. The law defines an electronic document as "written information" created, transmitted and stored using electronic/optical resources. It is not clear whether information that is created and stored in the information system (database), as well as transmitted through electronic channels (e.g. web services) can be treated as electronic documents and, correspondingly, is under the force of the law.

30. The law does not distinguish (or even mention) between domestic and international sources of information (information systems), and does not clarify any details pertaining to "automatic confirmation of the electronic document".

31. The above-mentioned definitions leave significant freedom for interpreting the corresponding clauses of the law, which creates particular pitfalls when creating and using electronic communications. In order to avoid misunderstanding of the general definitions and clauses of the law, a practice of defining frameworks for recognition of electronic information on the level of secondary legislation and mutual agreements has been adopted. In the context of customs operations, the Tax Code, by subordinated operational instructions, and by several mutual agreements (as in the cases of Turkey and Armenia Agreements) define the notion of electronic information, the channels of electronic submission, processing and transmission, as well as the legal enforceability of electronic information. In the context of the customs operations:

    a. The 44<sup>th</sup> and 45<sup>th</sup> clauses of the Tax Code recognize information submitted electronically;

    b. Order No. 290 of 26 July 2012 by the Minister of Finance of Georgia considers the submission of customs declarations electronically as equals to paper documents in terms of enforceability;

    c. Order No. 12858 of 1 August 2012 by the Director General of the Georgia Revenue Service defines the details and procedures for submitting electronic information (customs declarations, internal transit documents);

    d. Order No. 996 of December 31 2010 of the Minister of Finance of Georgia on "Taxes Administration" defines that communications between the Revenue Service and the taxpayer may be carried out electronically, using an online form at the Revenue Service's official webpage (www.rs.ge).

### 4.4.2 Electronic Signatures and Security Requirements

32. The **Law of Georgia on "Electronic Signature and Electronic Document"** introduces concepts for electronic signatures, digital signatures, digital signature certificates, certification body) etc., and discusses some basic issues pertaining to the enforceability of electronic documents signed electronically.

33. According to the 3<sup>rd</sup> clause of the law, electronic signatures are legally admissible in court (and that a court is not allowed to reject electronic documents only due to their non-material format) as evidence of the legal status of the signed document, but the law does not assign electronic signatures the same enforceability as written signatures on a general

level. However, the law treats electronic signatures of any form, when defined by a mutual agreement between two or more parties, as having the same enforceability as a written signature, therefore delegating a significant portion of definition of the enforceability of electronic communication to the involved parties.

34. Additionally, the 3rd clause of the law also treats authenticated digital signatures (electronic signatures that are based on an asymmetric cryptosystem utilizing private and public key pairs, and are created based on a certificate issued by an accredited certification body) and written signatures equally. There are some exceptions (e.g. acknowledgment of the existence of a debt, real estate, act of a will) for when a digital signature has restricted enforceability[15].

35. According to the law, the Government of Georgia ensures the realization of electronic signatures security policy and is directly responsible for developing tools for ensuring the security of electronic signatures policy. **"The Rules on Establishment and Approval of the Technical Regalement for Digital Signature Certificate and Issuance of the Digital Signature Certificate"**, approved by Resolution of the Government of Georgia No. 117 of May 7th 2008, specifies the institutions that must develop the regulations for and deadlines by which the tools have to be developed.

36. Additionally, the 18th clause of the law recognizes certificates issued by a foreign certification body if: (a) the certification body is registered in the country which signed the agreement with Georgia, or (b) the certification body is registered in the country, the technical standards of which are recognized by Georgia[16], or (c) a certification body registered in Georgia is acting as a guarantor of the foreign certification body.

37. However, until very recently, no further practical steps have been made and the following organizational and technical issues, including security standards, are still present:

    a. No particular security standards have been defined and adopted on the national level, nor within the competence of the Georgian tax authority;

    b. There is no accredited certification body registered in Georgia (neither local, nor international).

38. The practice of introducing security standards and/or recognizing certificates on the level of particular projects, applications and agreements is in place.

39. The only digital signature issued by the LEPL Public Service Development Agency under the Ministry of Justice of Georgia, which is incorporated in the electronic ID card, is officially recognized on a national level[17]. However, the signature is not recognized outside of Georgia thus far. The Public Service Development Agency is preparing for the international accreditation process, but particular deadlines have not yet been outlined.

# 5 Automation of Operations

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[15] The Law on Electronic Signature and Electronic Document refers to articles 341, 892, 942 and 1357 of the General Administrative Code of Georgia.

[16] In this case, an agreement between countries is not required – the Georgian standardization authority can register (actually recognize) standards without agreements between countries.

[17] Order No. 216 of July 5, 2010 by the Minister of Justice of Georgia on "Establishment of Characteristic Features on Electronic ID and Residence (temporary and permanent) Card of Citizen of Georgia".

40. The automation of customs operations is organized through two independent information systems: ASYCUDA World, recently updated to its newest version, which has been named eCustoms (eCustoms hereafter), customized off-the-shelf software, and an in-house developed information system based on the Oracle® Database 10g platform ("Oracle" system hereafter). While the eCustoms system is dedicated fully to supporting customs operations, the "Oracle" system represents a unified integrated platform, which handles all revenue collection related operations.

41. Currently, all tariff operations (import/export procedures, including processing of declarations and tariff risk management) are fully automated. eCustoms ensures processing of most of the above-mentioned operations, data and documents. The "Oracle" system enhances the capability of the eCustoms system if the latter does not support additional domestic requirements. The "Oracle" system also ensures communication between web services and eCustoms.

42. The significant and most critical portion of non-tariff operations (mainly, movement of goods under the customs control), including non-tariff risk management and border-crossing control, is also automated. The eCustoms system ensures electronic processing and tracking of in-country routing. The "Oracle" system enhances the capability of eCustoms mainly in the context of management of non-tariff risks and border-crossing control. Border-crossing control is organized through integration with the Patrol Police's "Personal Identification and Registration System" (PIRS).

43. TIR operations are partially automated through the use of electronic tools provided by IRU. Verification of TIR Carnet validity, as well as reporting of termination of TIR operations, is organized via stand-alone web applications provided by IRU. These activities are not integrated with the eCustoms and "Oracle" systems. Only a restricted portion of TIR-related information (TIR carnet identification, validity dates) is stored and processed in the internal systems.

44. Several web applications and data exchange web services, mainly backed by the "Oracle" system, ensure exchange of information with external stakeholders, such as taxpayers (through the Taxpayer's Portal, www.rs.ge), commercial banks, state organizations (e.g. the Ministry of Internal Affairs, Ministry of Agriculture, Ministry of Justice, etc.), and, finally, with foreign customs authorities (Ukraine and Turkey currently). Communication with external stakeholders in the majority of cases is automated and paper documents have been eliminated from the communication process.

45. Some other insignificant and non-critical (in context of the present assessment) parts of operations are not currently automated or are only partially automated. For example, operations connected to maritime port operations, such as vessel manifest submission, discharge confirmations, allowance of entry of the transport means to the customs control zone (e.g., port terminal), as well as the submission of special complementary forms, mainly related to the customs control's internal operations (e.g. temporary storage, change of customs regime, etc.) still require automation.

## 5.1 Electronic Documents and Paper Documents Turnover

46. Currently, Georgian legislation completely supports the issuance, utilization and recognition of electronic documents. Technically and legally, customs foresees no obstacles substituting any paper documents with electronic ones if the source of

information is recognized as trusted, and there are no third parties or regulatory requirements[18] to keep paper documents in place.

47. However, despite the fact that the legislation fully supports recognition of electronic information on the general framework level, and that electronic information hosted by Georgian state authorities is legally recognized, there are no strictly defined requirements for the legal recognition of foreign sources of information. Correspondingly, there is a practice of additional provisions regarding the legal status of electronic information on the level of particular administrative acts or agreements[19].

48. Today, in parallel to electronic documents, some paper documents are still handled by customs. In most cases, Order No. 209 and Order No. 12858 define the flow of paper documents, require the provision of both electronic and paper-based information, as well as allow and recognize the substitution of paper documents with electronic ones. Some documents and information, currently handled fully in electronic format, can still be submitted on paper.

49. The existence of paper documents is mainly due to requirements or outdated provisions of regulatory acts, lack of access to trusted sources of information, international trade procedures/practices, international agreements, or domestic requirements of the neighboring countries, which entail the existence of stamped and signed paper documents. In some exceptional cases, the flow of paper documents is still in place due to a lack of automated support. Documents, such as original copies of commercial invoices and certificates issued by foreign authorities, international consignment notes, TIR Carnets and other types of waybills and transport documents, are still in circulation.

50. However, Georgian customs is in the process of gradually removing paper documents wherever possible. For example, the practice of recognizing and utilizing special permits, licenses and certificates, issued electronically by local state authorities, as well as electronic confirmation of permits by local authorities instead of written confirmation is in place. Documents issued or confirmed electronically by local official bodies are fully recognized and have the same legal enforceability as paper documents. However, the practice of recognizing/exchanging similar information with external (foreign) authorities (in the context of permits, licenses, and certificates) has not yet been adopted.

51. In order to simplify procedures, which assume the existence of paper documents, customs allows scanned submission of scanned copies of original documents. The original documents must be presented at customs' request if any doubts are raised during the checking procedure.

## 5.2 Customs Declarations

52. Order No. 209 and Order No. 12858 regulate types and contents of declarations, as well as submission and handling procedures. The eCustoms system, together with external user interfaces available to declarants, ensures full automation of the declaration submission and handling process. Information is strictly structured, stored in a database, and uniquely identified.

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[18] For example, the Tax Code requires that all original documents relevant to taxation be kept for a 6-year period.
[19] For example, the legal status of information received from Turkish Customs within the Agreement on the Joint Use of Land Crossing Points, receives its legal status from the agreement and can be accepted by Georgian customs as confirmation (as submitted in the declaration). On the other hand, data received from the Ukrainian side within the corresponding Protocol has informative purposes, and can be used for risk management and analysis purposes only.

53. Regulations define the existence of the following declarations:

    a. <u>Entry Summary Declaration</u>, which is assumed to be presented before or upon crossing any Georgian border and is applicable to both import and transit regimes[20]; the declaration has a form or general announcement of entering goods to Georgian territory and does not require strict submission and information processing. In most cases, the provided information is entered into the system by customs officers or large authorized economic operators and is used for the issuance of an Internal Transit Document (T1 Form)[21];

    b. <u>Advance Import Declaration</u> is optional, but, if submitted, it is treated as having the same legal status as an Import Declaration, and can be used for customs clearance purposes and serves as a basis for management of tariff risks and simplified customs procedures;

    c. <u>Customs Declaration of Goods</u> includes import, export, re-export, transit, temporal storage and other declarations of operations under customs control.

54. Processing of all types of customs declarations is fully automated. A major part of information in declarations is structured to fit within the WCO data model. All declarations are uniquely identified and stored in the eCustoms system. A significant portion of information is strictly coded. The classifications, compatible with international practice, are utilized for most structured information. The goods are classified according to the Foreign Economic Activity National Commodity Nomenclature, using the eleven-digit nomenclature (except the transit declaration, requiring a general indication of only two-digit codes).

55. A portion of additional operational information (including TIR-related information) is stored and processed as a non-structured free text used for descriptive purposes, and is not structured, nor traceable.

56. Declarations can be submitted either electronically or on paper. However, the turnover of paper documents has almost been entirely eliminated. Authorized economic operators are able to submit declaration on their own behalf or on behalf of their clients through the eCustoms interface. Information submitted through the eCustoms system has a legal force equivalent to a signed paper declaration and the system's authentication is recognized as equivalent to written signatures. No special digital signatures are required.

57. Non-authorized participants of trade operations usually submit declarations through the Taxpayer's Portal ("Portal" hereafter) via the official website of the RS – www.rs.ge. All registered legal entities or taxpaying natural persons are authorized to use the above-mentioned portal. The application provides initial input for declarations, and supposes that customs representatives will take care of registration and information processing. Authentication on the Taxpayer's Portal is recognized as equivalent to written signatures and declarations submitted through the portal have full legal force.

58. Import operations for which advance information is provided are exempt from submitting a summary declaration and are subjected to simplified customs procedures.

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[20] Cargo manifests, waybills, TIR Carnets and other relevant information is considered as a substitute for a general (summary) declaration.

[21] Information provided by the relevant Turkish authorities under the Agreement on the Joint Use of Land Crossing Points has a legal status equivalent to the submission of a summary declaration. The same approach is expected to be utilized through similar agreements with Armenia (in force).

## 5.3 Transit

59. Transit operations are automated and monitored through the eCustoms system, while management of non-tariff risks (which are most applicable for transit operations) are processed using the "Oracle" system.

60. Transit information is structured, stored, processed and gathered by means of two types of electronic documents:

    a. Internal Transit Documents (T1 form), which are mandatory for crossing Georgian territory under customs control. Documents are usually issued based on information provided in the entry summary declaration;

    b. Transit Declarations, which are not generally required. The declaration is mandatory only in select cases (e.g. transit operation is initiated after processing of other customs operation).

61. Both documents are uniquely identified and their status of movement is monitored through the eCustoms interface. Information is structured according to the requirements of the WCO data set and data model. However, similar to declarations of goods, a portion of additional operational information, which is not included in the standard data sets, is stored and processed as a non-structured free text for additional descriptive purposes. Such information is usually not traceable.

62. It must be specially mentioned that information identifying TIR operation (e.g. TIR Carnet number) is processed in the form mentioned above, and is not a part of a strict structure of transit documents. Correspondingly, despite the fact that TIR information is currently stored in the database, it is not strictly traceable.

63. Both documents assume the submission of general information (importer/exporter, carrier, country of entry and destination), require the submission of detailed information regarding means of transport (as well as the personal information of the driver in the case of road transportation), require identification of goods on a 2-digit level, require strict indication of dimensional information (weights, packages, type of equipment), and also require identification of the container (if applicable) and seals.

64. In the case of entering Georgian territory from Turkey through a land crossing point, information provided by the relevant Turkish authorities under the **Agreement on the Joint Use of Land Crossing Points**, is assumed to have the same legal force as an entry summary declaration (is considered as a substitute for a summary declaration) and is used as a basis for issuing an Internal Transit Document. No other advance information is currently required.

## 5.4 Automation of TIR Operations

65. Currently, the processing of TIR operations is mainly paper-based. Order No. 290 and Order No. 12858 define the processing of TIR operations. Despite the fact that the orders require electronic processing of basic TIR information in different customs documents, including the Internal Transit Document (T1 Form), only select information is currently processed. As mentioned above, TIR related information is not strictly structured, and is stored in the free text field and cannot be strictly traced.

66. TIR movements are primarily monitored through manual examination of TIR Carnets and the stand-alone interface of the CUTEWISE application, which is dedicated to verifying the status of TIR Carnets. The information is not incorporated in internal systems (neither eCustoms, nor "Oracle").

67. Based on the Recommendation to the TIR Convention adopted on October 20, 1995, IRU established the SafeTIR system and customs authorities were advised to transmit SafeTIR data, including details of TIR operation termination in the country, to the IRU SafeTIR system. In order to meet these requirements, IRU signed a MoU with customs and GIRCA in 2000 defining the transmission of SafeTIR data via the CUTE application. However, no transmissions have been ever received by IRU from Georgian customs through the CUTE application.

68. In 2006, the 1995 recommendation became obligatory through the adoption of Annex 10 to the TIR Convention, according to which, the transmission of SafeTIR data became compulsory for customs authorities. To assist the customs authorities that were using the ASYCUDA system to meet the new requirements of the TIR Convention, a special TIR module (for the ASYCUDA World system) was developed by UNCTAD with the financial support of IRU. The MoU was signed in June 2011 with customs and GIRCA defining the implementation of Real-Time SafeTIR (RTS) and TIR-EPD (advance cargo information) into the ASYCUDA system in Georgia.

69. In October-November 2011, the RTS/TIR-EPD was implemented and SafeTIR data transmission was established. After November 2011, due to technical problems in Georgian customs, this transmission was interrupted and it became necessary to upgrade ASYCUDA in order to re-establish SafeTIR transmission. As the upgrade of ASYCUDA was a time-consuming project and it was necessary to resume transmission of SafeTIR data in line with Annex 10 to the TIR Convention, IRU proposed using TIRCuteWeb as a provisional and temporary solution (instead of RTS). This has allowed Georgian customs to provide SafeTIR data on a daily basis since April 2013.

70. Currently, two applications provided by IRU are used by Georgian customs:

    a. **TIRCuteWeb** as a temporary solution (instead of RTS), which ensures the provision of SafeTIR data on a daily basis;

    b. The **CUTEWISE** application, which is strictly dedicated for consultation on TIR Carnets' statuses, validity dates, etc.

71. Once the eCustoms was updated in 2013, Georgian customs tried to resume the transmission of SafeTIR data (TIR operation termination data in Georgia) through the updated ASYCUDA/TIR module. It should be mentioned that updated version allowed customs to additionally receive advance cargo information through the TIR-EPD system, which was also included in ASYCUDA/TIR module in parallel with RTS. However, all attempts to launch the module were unsuccessful due to technical bugs in the ASYCUDA/TIR module. Parties involved in the process (Georgian customs, IRU and the ASYCUDA World vendor (UNCTAD)) are still working on the problem.

72. Launching the ASYCUDA/TIR module and thus restoring the RTS/TIR-EPD systems is a top priority for parties involved in the process. Georgian customs currently continue to use the TIRCuteWeb and CUTEWISE applications as a provisional solution. Additionally, IRU plans to launch a new web-based application, which will combine the functional capacities of both the TIRCuteWeb and CUTEWISE applications, thereby

enabling Georgian customs to use both applications. However, the use of TIRCuteWeb and CUTEWISE does not result in up-to-the-mark performance, as shown by statistics for the 1st quarter of 2014[22]. Besides, the limited use of applications for TIRCuteWeb and CUTEWISE does not allow Georgian customs to receive advance cargo information for TIR movements to or through Georgia, which is one of the core elements of the WCO Safe Framework of Standards. Furthermore, in accordance with the UNECE-IRU eTIR vision[23], the TIR-EPD system will be also an important component of the paperless eTIR project, which aims to fully computerize the TIR procedure.

## 5.5 Risk Management

73. The management of customs operational risks is mostly automated. Both the eCustoms and "Oracle" systems support the automation of risk management procedures. All tariff risks (import and export operations) are fully supported by the eCustoms system, while the "Oracle" system provides support for management of non-tariff risks related primarily to border-crossing and transit operations.

74. Both systems are capable of managing the relevant risk profiles. Risk profiles are built on a wide spectrum of data stored in and collected from different sources (eCustoms, "Oracle" system, as well as external information systems and databases). The prevailing portion of data (operational inputs), is collected, exchanged and processed in real time. However, some of the information, primarily information concerning the management of risk profiles (risk group lists, analysis of suspicious transit routes, enforcement cases etc.), is collected, traced, and analyzed manually.

75. In addition to managing risk profiles, customs maintain a database of qualified traders (a so-called "Golden List"). Companies included in the list are granted allowed to process consignments through simplified procedures. The "Golden List" is a part of the eCustoms system and is mainly used for processing import operations.

### 5.5.1 Tariff Risks

76. Import and export operation risk management are organized through a built-in eCustoms module. The data accumulated in different customs declarations, including advance import declaration (if available), serves as a basis for processing risk assessments.

77. Based on the Order No. 290 of the Minister of Finance of Georgia, the RS carries out customs control on goods through the application of the ASYCUDA system (upgraded eCustoms), which is based on a risk management system. In particular, during customs control, declarations are routed through different channels:

   – Green Channel: goods go without examination and are immediately released;
   – Blue Channel: goods are examined a later stage after already being released;
   – Yellow Channel: a documentation check is performed but the goods themselves are not physically examined;
   – Red Channel: goods are physically examined and go through a documentation check.

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[22] 39% of SafeTIR data is transmitted within 24 hours with an average transmission period of 9.3 days (compared to 81% and 1.5 days as global average for all 57 TIR Contacting Parties) *(Source: IRU)*.
[23] UNECE-IRU eTIR vision and pilot, March 26, 2014

78. The eCustoms risk management module allows for the maintenance of different special risk profiles, which are created based on trader information of those who have been previously suspected of violating or have already violated customs legislation pertaining to specific goods, routes, etc.

79. A selective examination approach is used for all traders (all declarations) regardless of their status. Selective examination algorithms, which are directly connected to risk profiles, are incorporated in the eCustoms risk management module. This selective approach lessens the possibility of arbitrary and unjustified discrimination against specific traders. In particular, the criteria for risk analysis are determined inter alia HS codes, the nature and description of the goods, the country of origin, the country from which the goods were shipped, the value of the goods, the compliance record of traders and the type of means of transport.

80. The eCustoms risk management module is flexible enough to create corresponding risk profiles. All cases of physical examinations, as well as corresponding results, are stored in the eCustoms database. However, the details of the followed enforcement are not available on electronic databases and are usually processed manually.

### 5.5.2   Non-Tariff and Transit Risks

81. The management of non-tariff and transit risks is organized through an in-house developed module, which operates as a part of the "Oracle" system. In addition to internal information (risk profiles, historical data), the risk management module consumes information obtained from the "PIRS" system, which is operated by the Patrol Police, as well as data processed in the eCustoms system. Information registered in the Internal Transit Document (T1 Form) serves as a basis for processing risk profiles. Risks connected to TIR operations are not incorporated in the risk management module and verification of TIR Carnets is handled manually through information provided by the CUTEWISE interface.

82. Risks related to persons and means of transport crossing the borders are processed in the PIRS system. Once the personal/means of transport information is registered, the system processes information and notifies the customs system ("Oracle" system) about the results of the assessment. Once the border crossing status is confirmed by the PIRS system, the in-route transit document can be registered in the system (eCustoms). Registration of the document triggers the risk assessment procedure, which is fully automated in the "Oracle" module. Selective examination algorithms are incorporated in the "Oracle" risk management module. These algorithms are directly connected to the risk profiles. Using the algorithms and profiles, the module automatically selects objects for physical examination.

83. This procedure is applicable for all consignments entering Georgian territory (transit, import, temporal storage).

## 5.6   Data Sets and Codification of Data

84. As mentioned above, data processed in the eCustoms module is structured in accordance with the WCO data model. However, until very recently, TIR-related information was not strictly structured. Instead, it was stored in a free text field, which could not be strictly traced.

85. The set of data from the Internal Transit Document is used for transit risk management purposes (see Annex 11.4).

86. The following qualitative information is strictly coded in the databases and is harmonized on an international or national level:

*Table 4. Classification of information*

| Data | Adopted Standards / Recommendations |
|---|---|
| **Goods** | *Declarations (except transit):* Classified by the eleven-digit FEANCN nomenclature, harmonized with HS codes on the six-digit level. <br><br> *Internal Transit Document (T1) / Transit Declaration*: Classified by the two-digit FEANCN nomenclature, fully compatible with HS. Four- or eight-digit codes are used in select cases (e.g. excise goods and goods requiring special licenses or permits). |
| **Countries** | Classified according to UN numeric code (ISO 3166-1 numeric-3) according to UN/CEFACT Recommendation No. 3, compatible with the WCO data model. ISO 3166-1 alpha-3 is available and is utilized upon request. |
| **Currencies** | Classified according to ISO 4217; both alphabetic-3 and numeric-3 codes are adopted; compatible with the WCO data model. |
| **Customs Operations (Procedure Codes)** | 40 – Import; <br> 44 - Import for "Golden List" participants; <br> 10 – Export; <br> 11- Re-export; <br> 80 –Transit; <br> 74 – Warehouse; <br> 71 - Free Zone; <br> 34 - Temporary Admission; <br> 51 - Inward Processing; <br> 61 - Outward Processing. |
| **Customs Offices and Zones under the Customs Control** | Domestic codes |
| **Delivery Conditions** | Classified according to INCOTERMS abbreviation (UN/CEFACT Recommendation #5), compatible with the WCO data model |
| **Commercial Transactions** | Domestic codes |
| **Customs Tariffs** | Domestic codes |
| **Transport Modes** | Structured according to UN/CEFACT Recommendation No. 19, compatible with the WTO data model |

| Packaging | Structured in compliance with UN/CEFACT Recommendation No. 21, compatible with the WTO data model |
| --- | --- |
| **Violation, Enforcement Activities and Prescriptions** | Domestic codes |

## 5.7 Language Provisions

87. According to domestic regulations, core information must be submitted in the Georgian language[24]. However, customs regulations leave room for the submission of non-critical information, as well as accompanying documents, in other languages. In the latter case, customs representatives have the authority to request re-submission of information in the Georgian language and/or officially authorized translation of documents if they consider it necessary. Declarations are submitted in the Georgian language in most cases.

88. Most real-time information dedicated to electronic exchange is coded (as adopted with Turkey and Ukraine, and is planned to be adopted with Armenia and Azerbaijan). Corresponding technical protocols (both existing and under consideration) have established a common understanding of coded information. Consequently, the issue of language is not relevant in the case of coded information.

89. Non-coded data is mainly used to identify parties (importer, exporter, carrier, and personal information). For the international exchange of such information, the sending party uses a transliteration algorithm to convert the information into the relevant alphabet. It is expected that data exchanges with Armenia and Azerbaijan will use the same approach.

# 6 Technical Framework

## 6.1 Core Information Systems and Electronic Services

90. As mentioned above (refer to par. 40), the automation of customs operations is organized through two independent and fragmentally integrated information systems: eCustoms (built on ASYCUDA World) and "Oracle". While the eCustoms system is dedicated entirely to support customs operations, the "Oracle" system represents a unified integrated platform that processes all revenue collection-related data and operations. Both the eCustoms and "Oracle" systems are web-based applications, providing interfaces for external users using secure communication channels. The systems are integrated through direct links between databases.

### 6.1.1 eCustoms

91. Customs has been operating ASYCUDA World since 2007. Initially launched in pilot mode, ASYCUDA World fully replaced ASYCUDA++ in 2010. Currently, customs is in the process of upgrading of the system to the most recent release. The new system, named eCustoms is currently in operational mode.

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[24] Clause 207'-th of Tax Code of Georgia, Order No. 209

92. eCustoms is a scalable and fully internet client-server n-tier, 100% web-based system with built-in security features. The Oracle®11g is utilized as a RDBMS (relational database management system). eCustoms is an open system with flexible data exchange capabilities. The system fully supports the exchange of both EDIFACT and XML messages. Database access (processing data) is organized through built-in Java classes. The data model and data sets of eCustoms are fully compatible with the WCO data model and data sets.

93. eCustoms provides a web-based user interface for both internal staff and external users (authorized economic operators). User authentication utilizes user groups, user names and passwords. Asymmetrical encryption (several levels and types of encryption algorithms are available) and built-in security features (PKI), electronic signatures, etc. are available to ensure a high level of security.

### 6.1.2  "Oracle" System

94. The "Oracle" system is a fully in-house developed web-based system, built on the Oracle®10g platform. The system, serving needs of both customs and tax authorities, represents a set of different modules communicating with each other through direct access to a single consolidated database.

95. The "Oracle" system has a two-tier client-server architecture. The business logic of the system is realized on the level of database procedures. The client end of the system is built on the Oracle® Form 10g component. The Oracle® Database 10g built-in authentication mechanisms are utilized for authorization of both internal and external users of the system.

96. The "Oracle" system is fully open and is flexible enough to support the exchange of electronic information. The system provides the backend execution of all currently available data exchange services, utilization of external data sources, as well as provision of electronic services, dedicated for both business customers and external authorities. Additionally, the "Oracle" system provides a restricted web-based user interface for authorized external users (authorized economic operators).

### 6.1.3  Allocation of Functionality

97. As of today, the automation of internal procedures is allocated between systems as follows:

*Table 5. Allocation of Functionality between eCustoms and "Oracle" Systems*

| eCustoms | "Oracle" |
|---|---|
| – Processing of customs declarations[25]; <br> – Issuance of Internal Transit Document (T1 Form) documents; <br> – Processing of TIR information (not currently in use) <br> – Control of in-country routing to the approved customs offices; | – Control of border crossing operations; <br> – Automation of complementary domestic procedures not covered by the ASYCUDA system (e.g. handling car import procedures, automation of operations of the customs clearance zones); |

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[25] Currently, eCustoms does not process TIR operations. TIR operations are expected to be included to the system.

| eCustoms | "Oracle" |
|---|---|
| – Management of tariff risks (import/export), including selective examination practice;<br>– External interfaces for authorized economic operators. | – Management of non-tariff (transit, border crossing) risks;<br>– Maintenance of the risk group lists, as well as the list of qualified traders (the "Golden List");<br>– Access to external data sources;<br>– Dissemination of data, orchestration of electronic services. |

### 6.1.4 Data Structures and Allocation of Data between Systems

*Table 6. Structure and Allocation of Data between eCustoms and "Oracle" Systems*

| eCustoms | "Oracle" |
|---|---|
| Data structure and data model is compatible with WCO standards. | No standards for data structure and data model in place. |
| Identifiers of issued/registered customs documents (declarations, in-transit transport documents); content of corresponding documents.<br><br>Tariff risk profiles | Some information from customs documents, complementary detailed information, personal data (drivers, passengers), non-tariff risk profiles, enforcements, interim information (obtained from external sources), media files (e.g. scanned paper documents), the "Golden List". |

98. The eCustoms system stores and processes information, which mainly includes content from the declaration and/or in-transit transport documents. The information is mainly cargo/goods oriented, contains both tariff and non-tariff information, and tracks the status of cargo and in-country route details, enforcement activities, etc.

99. The "Oracle" system contains additional information, the processing of which is required by different domestic procedures. The system stores and processes personal data (drivers, passengers), means of transport, as well as detailed information on some particular types of cargo (e.g. detailed information on imported cars). The "Oracle" system also stores additional information necessary to process risk profiles, as well as interim data, obtained from different sources (e.g. submitted/provided through electronic services interfaces), which is finally processed by eCustoms.

100. The structure and models of eCustoms data are fully compatible with WCO requirements, when the structure of the "Oracle" database and adopted data models are not based on any particular standards. "Oracle" data is usually structured on a case-by-case basis, based on the requirements and needs of particular situations in which data needs to be exchanged, stored, etc.

### 6.1.5 Integration of Systems

101. The eCustoms and "Oracle" systems are currently linked through direct connections between databases. The Oracle® database authorization is used to ensure secure access to information. The practice of utilizing messaging when exchanging information between

the internal systems has not been adopted. A direct database connection is being currently utilized mainly because the previous versions of the ASYCUDA system had limited flexibility in terms of developing a customized messaging mechanism. Additionally, the ASYCUDA system lacks unified data structures and processing approaches. Customs expects that an updated version of ASYCUDA will provide more flexibility for integration of the systems.

102. The "Oracle" system utilizes data, stored in the eCustoms system for both internal processing (e.g. risk management, domestic procedures) and providing data in response to external requests (e.g. the consumers of data exchange services). The practice of replicating eCustoms data in the "Oracle" database structure before processing is widely utilized.

103. The eCustoms consumes data stored in the "Oracle" database mainly for two purposes: (1) to verify the non-tariff risk status (mainly for border-crossing control) of the consignment before issuing customs documents; and (2) to import information obtained from external sources (refer to 6.2 for more details). In the latter case, the "Oracle" system ensures both formation of a data structure compatible with the eCustoms data model and allocation of information in an environment that can be accessed by eCustoms (database, file server), from which the data is subsequently imported into eCustoms[26].

## 6.1.6 Electronic Services

104. Currently, customs offers a number of electronic services to external parties. Such services include: electronic filing of customs declarations, electronic registration of the Internal Transit Document (T1 Form) and other related operations, electronic verification of Certificates of Origin and other special permissions and licenses, electronic clearance of parcels, exchange of information with commercial banks, etc.

105. Various domestic governmental bodies, authorized economic operators, taxpayers, and commercial banks utilize electronic services. The provision of electronic services to external parties is organized through:

    a. The eCustoms and "Oracle" web interfaces: services for authorized economic operators;

    b. The Taxpayer's Portal interfaces: services for authorized taxpayers;

    c. Web Services: web services for exchange of information with state bodies, commercial banks, as well as foreign customs authorities and other international partners. Access to services is organized through either secure internet protocols or using secure VPN connections.

## 6.2 Electronic Message Exchange Infrastructure and Practice

106. As of today, the exchange of information with external information systems and databases is organized using one of the following approaches:

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[26] It means that data from external systems is usually received by "Oracle", which processes information and structures it in forms compatible with the eCustoms system. Then the processed (formed) data is stored either in "Oracle" database tables, to which eCustoms is connected through a DB-link, or is located on the file server in the form of XML files that can be imported by the eCustoms system.

a. Some information is exchanged using direct links between the databases through secure VPN channels between systems, using the built-in database authentication system;

b. Information is exchanged via web services using the SOAP/HTTP, JMS, FTP and SMTP protocols. In the majority of cases, the connection is ensured through secure VPN channels, and open internet channels are rarely used.

c. User authentication is organized through encrypted plain text mechanisms. The practice of utilizing digital signatures for authentication purposes has also been adopted, but is rarely used.

107. The first approach (direct links) is used for exchanging information with selected domestic authorities (e.g. Patrol Police) and selected authorized economic operators (e.g. maritime port terminals). This approach is utilized only in cases when access to a portion of information is strictly authorized on the level of database authentication mechanisms. Information security issues are ensured additionally on the transport level.

108. The second approach is adopted for exchanging information with foreign customs authorities, as well as with commercial banks and select domestic state authorities and authorized economic operators.

109. Despite the fact that the practice of utilizing web services for both providing and consuming information has been widely adopted by customs, there is no unified approach in place. Customs does not have an integrated data exchange platform implemented to this end. Exchange of electronic messages is fully customized for each particular need; services are simply published in the demilitarized zone. A simple approach that uses external services directly from the internal modules is currently being used.

110. The infrastructure of web services is built on the Windows Server 2012 r2 platform.

111. Although the majority of existing data exchange services are provided/consumed based on the "call" method, customs also utilizes the "push" approach of information dissemination and consumption. The latter method is used to exchange information with both Ukraine and Turkey. In the Ukrainian case, the provision of information is based on the pre-agreed periodicity of posts, whereas "pushing" real-time information is used to exchange information with Turkey.

112. Currently, customs exchanges real-time information with the Patrol Police, Georgia Revenue Service and Turkish customs under the Joint Use of Land Crossing Points agreement. As mentioned above, direct database links are used with the Patrol Police and the Georgia Revenue Service. Thus far, real-time information exchange via web services is only used with Turkish customs.

113. Customs exchanges all information using XML messages and SOAP/HTTP protocols. The structure, format and content of messages are established according to particular needs and agreements. Correspondingly, no particular standards for the structure of XML messages have been adopted thus far. ebXML, based on standards sponsored by UN/CEFAC and incorporated into the WCO data model, has not been adopted. Until now, EDIFACT messaging has not been utilized for information exchange.

114. The orchestration of web services is organized in most cases through the "Oracle" system, which provides more freedom for development. Despite the stated openness, eCustoms has restricted capability to process data; the processing of information is

organized through utilizing built-in Java classes. However, currently, the practice of utilizing these built-in classes has not been fully adopted and not all of the system's existing capabilities are being fully utilized. As a result, the system is not currently utilized by customs for orchestrating web services. Moreover, no external web services are consumed directly by eCustoms. The current practice is to call external services and initially process information in the "Oracle" database or flat files, then semi-manually import them in to the eCustoms database through a direct database link connection or by importing flat files.

115. The "Oracle" system fully enables both publishing and consumption of web services. The system deals with the majority of the existing data exchange interfaces and provides sufficient capacity to send, receive and process data in real time.

116. User authentication, both internal and external, is in most cases organized using an encrypted plain text password. However, additional secure authentication involving the use of an electronic identification system (electronic ID cards) has also been adopted and is optionally available.

117. While different simple forms for electronic signatures are widely used for authenticating electronic information, customs has limited experience using digital signatures that are based on an asymmetric cryptosystem utilizing private and public key pairs. The only application where an asymmetric cryptosystem is used for authentication purposes is a movable fiscal memory chip, which carries out the private key of the signature issued by the Revenue Service in order to authorize the cash register in the central database.

118. The use of a digital signature is also foreseen in the technical protocol defining the technical details of exchange of electronic data between both Georgia and Turkey. However, at the moment, other authentication mechanisms are used instead.

119. As mentioned in the sections above, there are no strict security requirements regarding the utilization of cryptography methods and algorithms.

# 7 Electronic Message Exchange Experience and Practice

120. Currently, Georgian customs exchanges electronic information with the customs authorities of two countries: the Republic of Turkey and Ukraine. In both cases, the exchange of electronic information is determined by bilateral agreements between the countries and all legal and technical issues of electronic information exchange are regulated by technical amendments to the agreements.

## 7.1 Exchange of Electronic Data between Georgia and Republic of Turkey

121. As mentioned above, the exchange of electronic data with Turkey has been initiated under the **Agreement between the Government of Georgia and the Government of Republic of Turkey on the Joint Use of Land Crossing Points of "Sarpi - Sarp", "Kartsakhi – Cildir/Aktas" and "Akhaltsikhe – Posof/Turkgozu"** in 2010. The agreement is based on the **Agreement between the Government of Georgia and the Government of Republic of Turkey on Cooperation and Mutual Assistance in the Field of Customs Affairs**, signed on January 13, 1994 and **Memorandum of Understanding between the Government of Georgia and the Government of Republic of Turkey on the Joint Use of the Customs Crossing Points**, signed on June 11, 2010.

122. The Agreement is accompanied by the **Protocol on Details for Electronic Data Exchange Regarding the International Passengers, Vehicles and Goods**, and the technical provisional document "Data Exchange System", which defines the technical specifications for data exchange procedures. The exchange of electronic information was launched in test mode in 2013 and has been put in a production mode since April 2014. 2014.

123. Data is exchanged through a secure VPN channel. A digital signature generated via the cryptosystem utilizing private and public key pairs is utilized according to technical protocols. However, the use of digital signatures for authentication purposes is currently (temporarily) being substituted with built-in VPN authentication mechanisms.

124. Communication is carried out in real time. Data is submitted via SOAP Web Services. The "push" ("Accept Message") method is used to submit information, and the "Acceptance of Message" confirms receipt of the message.

125. The data set includes consignor/exporter information, references to the original document (e.g. the export declaration) as assigned by the sender's system, consignee information, country of dispatch/export (which is mandatory for TIR operations), country of destination, identity and nationality of transporter, means of transport, mode of transport on the border, a description of the good(s) that includes up to six-digit HS codes and two-digit HS codes for transit, the number and kind of packages, other marks and numbers, gross mass, TIR Carnet number, and seal number (if applicable). Additionally, detailed information about the driver and the means of transport are included in the message.

126. XML 1.0 schema is used as a standard and information is encoded in UTF-8. No other standards (e.g. the WCO data model) are used for structuring XML messages. The structure of the message is fully customized for the purposes of the project.

127. Agreed classifiers are used for customs offices, countries and territories, codes of goods, measurement units, means of transport, currencies and customs regimes. A transliteration method is used for the exchange of non-coded information, which is provided in different national languages.

128. On the Georgian side, information exchange is supported by the "Oracle" system, which communicates with the eCustoms system through exporting and importing flat files. The mechanism for publishing and consuming of services is expected to be reviewed and updated based on the capabilities of the new version of the eCustoms system.

## 7.2 Exchange of Electronic Data between Georgia and Republic of Ukraine

129. As mentioned above, the channel for exchanging electronic data between the customs authorities of Georgia and Ukraine has been established and is stable. Data is exchanged under the **Protocol between the Revenue Service of the Ministry of Finance on Georgia and the State Customs Service of Ukraine (SCSU) on Organizing the Exchange of Preliminary Information on Goods and Vehicles Transiting across the State Borders of Georgia and Ukraine**. The agreement was signed under the umbrella of the GUAM Trade and Transport Facilitation Project.

130. The agreement is accompanied by the Technical Specifications for Organizing the Exchange of Preliminary Information on Goods and Vehicles Transiting across the State

Borders of GUAM member states document, which fully defines the technical details of data exchange.

131. The transport subsystem is built on the IBM WebSphere MQ Series for Windows v 6.0. A secure VPN connection is used to support communication between the systems.

132. Like with Turkey, the "push" method (sending the "Information" message) is used. Receipt of information must be confirmed via a confirmation message, assuming that either a positive (Information has been received) or negative ("Information" has not been received) notification returns.

133. The message assumes that the exchange of detailed sets of information is compatible with the WCO data set. The data set covers information, usually available in customs declarations of goods, including restricted commercial information (the factual value of the contract). The completeness of information depends on the nature of the sources document. Agreed classifiers are used for customs offices, countries and territories, codes of goods, measurement units, means of transport, currencies and customs regimes.

134. No particular XML standard (e.g. the WCO data model) is used for structuring XML messages. The structure of the message is customized according to the needs/purpose of a project.

135. Like with Turkey, Georgia uses the "Oracle" system for information exchange. The "Oracle" system communicates with eCustoms through exporting and importing flat files.

136. Unlike information exchange with Turkey, information exchanged with Ukraine is not used for operational purposes. Instead, it is mainly used to compare original information as well as for risk management purposes. Therefore, there are no plans to move the orchestration of data exchange to the eCustoms system. Additionally, only a restricted portion of the functionalities defined in the technical specifications document has been implemented. Plans to improve existing practices are being considered.

137. The "XML-Signature Syntax and Processing. W3C Recommendations"[27] syntax is being used as a prototype for the authentication system. Enveloping authentication tags are utilized. The technical specification does not suppose the existence and use of detached signatures.

## 7.3 Exchange of TIR Information with IRU

138. As already mentioned in sections above, an attempt to integrate exchange of TIR information with IRU through the implementation of a TIR module in the ASYCUDA system was made in 2011, which was successful. However, shortly thereafter, the transmission of information was interrupted due to technical problems. The source of problems was not clear, but it appeared that it was necessary to upgrade the ASYCUDA system to re-establish SafeTIR transmission.

139. Once ASYCUDA was updated in 2013 (and the eCustoms system was deployed), Georgian customs tried to resume the transmission of SafeTIR data (TIR operation termination data in Georgia) through an updated ASYCUDA/TIR module. However, all attempts to launch the module were unsuccessful. Currently, parties are working on identifying and eliminating the problem. Launching the updated ASYCUDA/TIR module is a high priority objective.

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[27] http://www.w3.org/TR/xmldsig-core/

# 8  External Environment (Neighboring Countries)[28]

140. As identified in the section above (Section *3. Major Trade and Transport Flows from, to and through Georgia*), Turkey and Azerbaijan represent two of Georgia's major trading partners. Both countries also regularly use Georgian territory for the transit of their imports and exports.

141. The **Rule of the Republic of Azerbaijan on Electronic Signature and Electronic Documents** defines, regulates and treats core aspects pertaining to the enforcement of electronic documents and electronic signatures. Except when the notarization is required by legislation, electronic and paper documents are considered to have the same legal force. In a customs area, additional provisions regarding the recognition and enforceability of electronic documents are included in mutual agreements signed with the customs administrations of foreign countries.

142. The **Electronic Signature Code No. 5070 of the Republic of Turkey** sets standards for the enforceability of electronic documents and electronic signatures through its individual bilateral and multilateral agreements with other countries.

143. The Code considers that safe electronic signatures are equivalent to handwritten signatures.

144. Both Turkey and Azerbaijan have adopted binding security standards and requirements to ensure the enforceability of electronic documents and electronic signatures.

145. The **Law of the Republic of Azerbaijan on Commercial Secrets** regulates the protection of commercial information in Azerbaijan. Additionally, the appropriate articles of the Customs Code of Azerbaijan regulate exchange and protection of customs-related data, with provisions requiring additional contractual obligations with foreign parties to ensure proper utilization of the information.

146. The Turkish Customs Code, Electronic Signature Code and Turkish Commercial Code are binding standards for the protection of private information. Within the framework of Turkey's domestic legislation, the communication of confidential information with foreign customs authorities is allowed only if superseded by the stipulations of international agreements.

147. The customs legislation of both Azerbaijan and Turkey allows for the dissemination of information contained in declarations concerning goods passing through border crossing points of the countries under export or transit regimes and entering the territory of the other state by means of mutual agreements. Additionally, there are no particular restrictions prohibiting the dissemination of preliminary transit information to foreign authorities before the physical presentation of the goods at a customs office. Finally, both Azerbaijani and Turkish authorities have indicated that they are technically capable of exchanging the above-mentioned information upon request and/or systematically.

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[28] Information described in this section is based on questionnaire results received from the customs authorities of Azerbaijan and Turkey. No official information was received from other neighbor countries (Armenia and Ukraine). Correspondingly, available data on the situation in Armenia and Ukraine is mainly based on information and opinion provided by third parties, and is not included in the present report to avoid misunderstanding and inaccuracy.

148. Within the scope of information exchange in transit operations, the legislation of Turkey allows for the submission of declarations in languages other than Turkish under the Common Transit Convention as well as other international agreements.

149. Unlike Turkey, the legislation of Azerbaijan requires the use of the Azeri language for filling out customs cargo declarations.

150. The Single Automated Management System of the Customs Service of the Republic of Azerbaijan ensures the automated processing of customs and transit procedures. Exchanging information on TIR operations, including communication with IRU, is carried out automatically. The WCO data sets and data model (v. 3.0), ebXML and UN/EDIFACT have been adopted.

151. All customs procedures and operations, including TIR/transit procedures in Turkey are currently carried out automatically. NCTS (the EU-EFTA Common Transit Convention system) and BİLGE (Computerized Customs Activities) are used by the Customs Department. All systems have been integrated. The BILGE managing system was initially based on the UN/EDIFACT system; it was later changed to XML.

152. Turkey exchanges declaration and transit information with Russia and Georgia, as well as common transit information with all countries (EU-EFTA) that take part in the Common Transit Convention.

153. Azerbaijan does not exchange electronic transit/declaration information with foreign authorities. However, the Azerbaijan customs authority sends real-time Safe TIR information to IRU.

154. Azerbaijan and Turkey customs authorities widely use web services to exchange information.

155. Both Turkey and Azerbaijan indicated that they store all information concerning transit and TIR operations (including information, provided in the TIR carnets) in their databases. Additionally, Turkey stores truck entry and exit data sets in order to coordinate with the ECMT (European Conference of Ministers of Transport) system[29].

156. Azerbaijan customs did not confirm that it uses any type of automated risk management module. The customs authority did declare that it intends to make improvements to the structure of the customs services and business processes as it begins to adopt a new Customs Code.

157. Unlike Azerbaijan, Turkey has created a full-scale structure for risk management. The Risk Management and Strategic Evaluation Unit was established in 2008 to carry out risk analysis. In 2011, this unit was reorganized, and became the General Directorate of Risk Management and Control. A risk management function is included in their ICT system. Customs transactions are primarily carried out electronically in the BİLGE system. All information on the BİLGE-system is stored in a GÜVAS-Customs Data Warehouse system, which is primarily used for risk analysis and targeting purposes. Other programs used for risk analysis (the Anti-Smuggling Databank, Firm File Track Program, Additional Accrual Track Program, Vehicle Track Program, etc.) are also integrated into

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[29] The European Conference of Ministers of Transport (ECMT) is an intergovernmental organization that was established by a Protocol signed in Brussels on 17 October 1953. ECMT multilateral permits are used for road transportation between member countries, including transit journeys (laden or empty). Information on permits, as well as their utilization (journeys) is stored and exchanged in coordination with the ECMT information system.

BİLGE and use GÜVAS. Being a transit country, transit via land borders is very common in Turkey. For this reason, the entry and exit procedures at the land border gates are analyzed for fiscal safety & security risk purposes. For the detected risks coming from this analysis, the Risk Analysis Program processes central and regional risk profiles. Customs examinations are carried out based on these risk analysis profiles. Different data sets related to transit can be processed by the risk management module. As such, NCTS data, TIR Carnet and transit declarations are currently assessed in this regard. The existing risk management module operates nationally. It is used for internal risk management purposes. Therefore, it does not currently send information to external information systems and/or receive information from any external information systems.

# 9   Gaps and Opportunities

## 9.1   Targets and Criteria

Given the background of the assessment, this chapter discusses the legal and technical gaps that have the potential to prevent C2C information exchange of transit data. In particular, this chapter will focus on TIR transport in Georgia, as well as in Georgia's neighboring countries. Furthermore, this chapter highlights the strengths and progression of Georgia in relation to the topic, as well as the improvements in transit information exchange from which Georgia anticipates it will benefit.

The report analyses gaps and opportunities in three major areas: the legal environment, technical infrastructure as well as the experience and capacity of customs authorities. It further analyses the ability of Georgian customs to send (disclose) information systematically and legally recognize electronic information coming from foreign administrations, as well as the availability of information and the data processing environment. Both internal and external factors influencing Georgia's ability to exchange electronic information with foreign customs authorities are considered.

For each of the dimensions mentioned above, the following table presents targets that would ensure a seamless real-time exchange of transit information with potential partner countries.

*Table 7. Target*

|  | **Dissemination of Electronic Information** | **Reception of Electronic Information** | **Processing of Information** |
|---|---|---|---|
| **Legal Environment** | There are no legislative limitations (direct or indirect) creating critical obstacles for dissemination of protected information to foreign customs authorities; and/or<br><br>there is a niche in legislation that allows the transfer of protected information to foreign authorities based on bilateral and multilateral international agreements. | Electronic information is treated by legislation as having the same enforceability as signed paper documents under clearly stated conditions; and/or<br><br>there is a niche in legislation that allows the recognition of electronic information provided through either official channels (domestic or foreign), or private sources as having the same | Legislation ensures (requires or allows) gathering and storing of transit electronic data, which is required for risk analysis in potential partner countries, as well as for operational needs (e.g. handling of transit or TIR operations) of potential partners. |

| | | | |
|---|---|---|---|
| | | enforceability as signed paper documents. | |
| **Technical Infrastructure** | IT infrastructure is established to enable real-time provision of data to external information systems through web services using secure communication channels. | IT infrastructure is established to enable real-time consumption of data from external information systems through web services using secure communication channels. | IT infrastructure ensures collection, storage and accessibility of transit data, structured according to international standards, which is required for risk analysis in potential partner countries, as well as for the operational needs (e.g. handling of transit or TIR operations) of potential partners. |
| **Experience and Capacity** | Customs has sound experience (legal, technical) and has practices it uses to disseminate protected customs information (especially real-time transit data) to external consumers of information (either state authorities or private organizations, domestic or foreign) through web services using secure communication channels. | Customs has sound experience consuming and legally recognizing information provided electronically by external parties (either state authorities or private organizations, domestic or foreign) through web services using secure communication channels. | Data required for risk analysis in the potential partner countries, as well as for operational needs (e.g. handling of transit or TIR operations) of potential partners is collected on a regular basis, is complete and available in a structured format. |
| | | Customs has a sound and established practice for exchanging and legally handling recognized protected real-time transit information with foreign customs authorities, through web services, using either "push" or "pull" methods.<br><br>The technical human capacity is sufficient to enable the implementation of exchange of real-time transit data with foreign customs administrations. | |

In order to evaluate of the position of Georgian customs with regard to the project's objectives, the following evaluation criteria are used:

*Table 8. Evaluation Criteria*

| Rank | Description |
|---|---|
| 2.5 - 3 | The current environment can already ensure seamless systematic electronic data exchange. |
| 1.5 - 2 | The implementation of systematic data exchange requires minor improvements, which can be achieved relatively rapidly through clearly defined steps. |
| 0.5 – 1 | The implementation of systematic data exchange requires significantly improvements to the current environment, possibly by means of an action plan. |
| 0 | The current environment does not provide any support for systematic data exchange. Radical changes would be required to enable systematic data exchange. |

## 9.2 Summary of Findings

The current state and readiness of Georgian customs to enable systematic exchange of real-time transit information with potential partners is evaluated against the targets described in the previous section.

The overall readiness of Georgian customs to be actively involved in the implementation of a pilot aimed at systematic real-time exchange of transit information of may be judged as acceptable, but will require some effort to improve some technical and operational issues and to enhance human capacity in relation to some technical areas.

The table below provides an overall qualitative evaluation of Georgia's position relative to the stated targets. A detailed evaluation for each target is provided in the following sections.
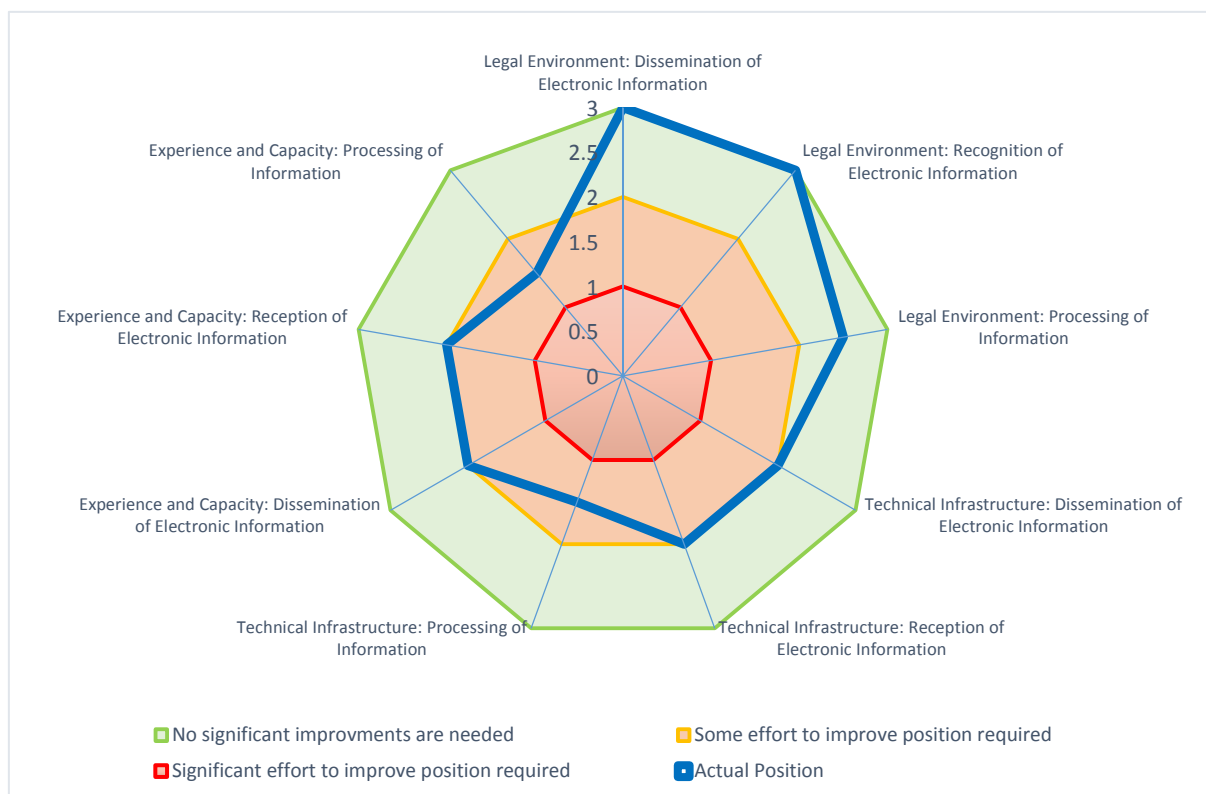
*Table 9. Summary of Findings*

| | **Dissemination of Electronic Information** | **Reception of Electronic Information** | **Processing of Information** |
|---|---|---|---|
| **Legal Environment** | Georgia's primary and secondary legislation of allows for the disclosure of protected information to foreign authorities by means of delegating rights to agreements between involved parties that will define the conditions of disclosing protected information. Information exchange with foreign customs authorities is allowed only if there is a multilateral or bilateral agreement. If anyone transmits information without the necessary agreement in place, it would result in a violation of clause 41 of the Law Georgia on Protection of the Personal Data. No changes in primary legislation are anticipated to be required to allow sending transit-related information. | Primary legislation, which regulates the legal recognition of electronic information, states that there are no particular restrictions on delegating rights to mutual agreements between involved parties that will define the conditions for the legal recognition of sending/exchanging real-time information. Some specific amendments to secondary legislation (operational instructions) may be required (but are not critically necessary) to highlight that electronic information provided by authorized third parties can be used. | Amendments to secondary legislation (operational instructions) may need to be introduced in order to ensure strict obligatory status for electronic processing of full sets of transit information (especially relevant to TIR operations, as well as additional information if required), including the harmonization of coded information, which is not a subject in any internationally recognized standards. |
| **Technical Infrastructure** | Customs have created acceptable IT infrastructure, which enables real-time provision of data to external systems through web services, and also allows external systems to consume real-time information. The hardware infrastructure has sufficient capacity to ensure secure exchanges of information. The software, utilized for information processing, allows real-time information to be both published and consumed, and is structured according to WCO standards. However, there is no systematic approach for using web | | While processing common transit information is ensured via structured data sets, integrated processing of TIR operations need to be secure. If the implementation of the ASYCUDA/TIR module (currently under implementation) does not succeed, the issue of |

| | | |
|---|---|---|
| | services (there is no integration platform in place), nor are there unified standards and requirements (e.g. structure of XML messages, security standards, communication channels) regarding the exchange of electronic information with third parties.<br><br>Customs has adopted an approach that has established an ad-hoc technical environment, adaptable to each particular case. Additionally, the existing technical environment has a limited ability to utilize digitally signed information.<br><br>The implementation of some systemic steps to establish a stable standardized and unified environment for information exchange taken into consideration. | collection, processing and traceability of TIR data will remain under question. In the case that ASYCUDA/TIR module fails to be implemented, structuring TIR information within the existing module (processing of Internal Transit Document (T1 Form)) will need to be ensured. Additionally, classification, which currently falls under domestic rules, may require harmonization under the scope of the data exchange project. |
| **Experience and Capacity** | Currently, Georgian customs has successfully implemented several data exchange initiatives. Although direct database links have been widely adopted and are considered to be preferable for exchanging information with domestic state authorities, SOAP web services are also widely used, especially for exchanging information with foreign authorities and the domestic private sector.<br><br>Both "push" and "pull" technologies have been adopted and successfully used. In the framework of the Agreement with Turkey, information is exchanged in real time.<br><br>However, an approach to develop point-to-point web services based on ad-hoc requirements is used. No particular standards have been adopted. The built-in functionalities of the eCustoms system that would allow the implementation of web services based on WCO standards (ebXML, EDIFACT) are not currently in use.<br><br>Digital signatures are not used for electronic exchange of customs-related information. Instead, information security and integrity is usually ensured by means of VPN channels.<br><br>The fact that web services are currently not used should not affect the feasibility the project, but may slow down the deployment of particular steps. Capacity building may also be necessary. | In order to accelerate and simplify transit operations, border customs checkpoints generally avoid strict identification of information where possible (as it is not strictly controlled) by internal regulations. In many cases, this causes data sets to be incomplete.<br><br>Despite various attempts using the IRU EPD and RTS systems, regular processing of real-time TIR information is not a regular practice.<br><br>To ensure completeness of information sets, which could be required within the scope of the C2C transit information exchange project, additional procedural and operational effort (including human capacity development and establishment of data entry control mechanisms) may be necessary. |

The diagram below provides an overall picture of the current position of Georgian customs relative to certain thresholds. The diagram indicates where no significant improvements are needed, as well as where some steps to improve the current position in the context of cross-customs data exchange project may be required.

*Figure 6. Gap Analysis: Position of Georgian customs against the Stated Targets*



## 9.3 Important Insights and Details

This section contains a detailed evaluation that supports the summary findings presented in the previous chapter.

### 9.3.1 Legal Environment

There are no significant obstacles in Georgian legislation holding back the project's implementation. The primary legislation (Tax Code, General Administrative Code, Law on Electronic Signature and Electronic Document, Law on Protection of Personal Data) provides no particular restrictions for the dissemination of protected information, as well as the recognition of electronic information.

The exchange of personal and commercial information with foreign customs authorities is allowed only if there is an existing multilateral or bilateral agreement. The transmission of information not covered by such agreements would result in a violation of 41st Clause of the **Law of Georgia on Protection of Personal Data** and, correspondingly, the 39th clause of the Tax Code of Georgia.

The current legislation leaves room for establishing detailed provisions in specific agreements. In particular, existing legislation has no special security requirements, which would allow for the establishment of agreement level security standards. This could lead to difficulties in case a nationwide standard different from those adopted in the project were to be adopted.

Nevertheless, the project's implementation may require changes and/or amendments in secondary legislation and some procedural regulations (e.g. Order No. 290 and Order No. 12858). Such changes in secondary legislation would nevertheless not require significant effort and would not be delayed by complicated procedures.

### 9.3.2  Technical Environment

Currently, Georgian customs has successfully implemented several data exchange projects, including real-time (with Turkey[30]) and batch (Ukraine) information exchange with customs authorities through web services. Both "push" and "pull" methods have been used successfully.

From the viewpoint of technical environment readiness, Georgian customs has enough capabilities, capacity and expertise to ensure the exchange of electronic information. Some improvements could be considered in the context of efficiency of existing practices, but even without those improvements, customs is already capable of successfully implementing the project. However, the lack of systematic approaches for implementing data exchange services, including the absence of unified standards, restricted awareness and lack of utilization of existing built-in capabilities of the eCustoms (ASYCUDA World) system (which then requires data to be double-checked), the absence of a single integration platform and strictly defined security standards, may affect the efficiency of the effort.

Customs lacks practice with regard to the use of digital signatures for authentication and security purposes. In light of the above and to ensure proper security, secure VPN channels are widely used and are considered to be a preferred option.

Although the project's objectives can be achieved from the viewpoint of the technical environment, the issues mentioned above may be result in slightly longer development or deployment periods.

### 9.3.3  eTIR Context

The weakest area, which needs particular attention, is the automation and integration of TIR procedures that have already been computerized. In light of several unsuccessful attempts to implement the ASYCUDA/TIR module and the prospect of continuing to use the stand-alone applications provided by IRU, the issue of real-time exchange of TIR data remains unclear and requires attention and acceleration.

Additionally, as mentioned above, TIR data is not strictly structured in the existing database and is stored in free text form, but the practice of exchanging structured TIR data exists (Turkey, Ukraine). However, in both cases, no special extraction and/or transformation of non-structured TIR information to a predefined format for electronic messages is used on the level of orchestrating web services: the flat TIR text information, as entered by the operator, is put into a structured message format. Consequently, no special automated control for validating the information is in place.

Georgian customs currently continue to use TIRCuteWeb and CUTEWISE applications as a provisional solution to the issue with the ASYCUDA/TIR module. However, the use of TIRCuteWeb and CUTEWISE does not result in up-to-the-mark performance. Besides, the use of TIRCuteWeb and CUTEWISE does not allow Georgian Customs to receive advance cargo information for TIR movements to or through Georgia, which is one of the core elements of WCO Safe Framework of Standards and of the UNECE-IRU eTIR vision.

Therefore, all these issues point out to the necessity of restoring the ASYCUDA/TIR module, and ensuring connection to the IRU system, which would allow Georgian customs to meet the requirements of the current TIR Convention and to prepare the ground for future paperless solutions. Acceleration of the implementation ASYCUDA/TIR module must be considered as

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[30] With respect to Turkey, the test regime for exchanging real-time information has recently been completed.

an objective of the highest priority. Alternatively, the inclusion of structured TIR information in existing systems should also be given serious consideration.

Against this background, currently the Georgian customs in cooperation with IRU are working on a resolution of technical problems related to exchange of TIR-related information on a systematic basis. Additional effort, both technical and operational, may be required to enable such exchange. In any case, this will not significantly impede the implementation of transit data exchange, as well as the provision of dedicated TIR-related information accompanying transit information.

### 9.3.4 NCTS Context

As mentioned above, Georgia is obliged to accede to the Convention on a Common Transit Procedure (and, consequently, to the NCTS community[31]) four years after the Association Agreement with the European Union comes into force. Consequently, enabling electronic exchange of transit information with community countries through the NCTS system is being considered as an option. However, neither the procedural nor technical aspects of this integration have been clarified thus far. It is also uncertain how the incorporation of NCTS in the operation of Georgian customs can benefit the current project. The exchange of transit information with NCTS community member countries might be simplified, but how it can benefit exchange of information with non-member countries is unclear.

### 9.3.5 Data Sets and Standards

The lack of utilization and adoption of standards for both structure of information and information exchange is another area in which the technical capabilities of Georgian customs require further development.

Despite the fact that existing the eCustoms system (ASYCUDA World) has a stated full compatibility with WCO standards, including data sets, data model and structure of built-in data exchange capabilities (ebXML, EDIFACT), this function of the system is not currently in use.

Customs uses the "Oracle" system's capabilities to implement web services (orchestration, consumption) and no standards have been adopted and used. Information exchange is organized based on an ad-hoc approach, adaptable to each particular case (service, project). Despite the sound capacity of the IT team to implement comprehensive data exchange projects, a lack of using standard data models and messages may potentially require additional effort from the Georgian side.

Additionally, despite the fact that the key codifications have been harmonized with international practice and recommendations, a portion of information remains coded at the domestic level. Some effort to harmonize information especially important in the context of the project (e.g. customs offices and customs control zone, extended classification of means of transport) may be necessary.

### 9.3.6 Operational Context

Analysis of transit data stored and processed in some of the information systems and databases have incomplete transit information. However, the observed incompleteness of information is infrequent and should not be considered as a gap that could potentially harm

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[31] Countries, exchanging information through the NCTS system.

the results of the current project. Nevertheless, this issue requires special attention and can be easily resolved by revising the corresponding codification and operational regulations (obligatory status of information), as well as by introducing additional operational control mechanisms to ensure completeness and validity of information. Some capacity development efforts should be undertaken to address this issue.

### 9.3.7 Human Capacity Development

As mentioned above, an experienced team manages customs IT infrastructure. They are capable of implementing a variety of different projects quickly and of a high quality. However, it should be mentioned that the team is not currently fully aware of all capabilities of the eCustoms system and, as a result, limited built-in capabilities are in use. Special attention should be paid to enhancing the team's capacities, particularly in relation to their capacities to effectively manage the eCustoms system.

Additionally, as mentioned above, the relevant staff members processing transit information have, in some cases, not always provided regular and valid information. Information that is not considered to be critical is not always processed properly (e.g. code of means of transport, countries of origin, departure and destination). Some efforts should be taken to ensure that the relevant staff members completely and properly fill out transit information forms.

## 9.4 Additional Considerations

It must be mentioned that Georgian customs was very willing and interested in implementing the project. Both officials and executors of operations noted this interest during the assessment. Georgian Customs consider real-time exchange of the transit information as an initiative of critical importance to effectively managing transit risks.

The willingness of managerial and technical teams to accelerate adoption of WCO standards and perform particular steps to harmonize the rest of coded information has been stated. Additionally, the technical team expressed its readiness to make special efforts to adopt the built-in capabilities of the eCustoms system that deploy data exchange initiatives. However, utilizing these capabilities may require additional assistance.

Additionally, Customs' risk management team highlighted some aspects of the transit data exchange initiative, which may benefit risk management operations and potentially increase the effectiveness of Georgian customs' risk management procedures. The following opportunities were highlighted and should be considered during the design of the data exchange procedures:

1. Consider including accumulated routing information in the data package. Entry customs (transit or discharge) must be informed in advance about all en-route movements. For example, a package of information provided by the customs agency of the country the good(s) is entering must contain accumulated information about the actual transportation route.

2. Consider the option of disseminating advance information regarding announced (fixed in in-country transit documents) plans to move toward the partner country (may be identified through the indicated border crossing point). Although this information cannot be considered as confirmed and having legal force before announcement of the cargo at the border crossing point, this portion of information is useful for risk management purposes.

3. Consider exchanging four- or six- digit HS codes in the transit data sets (instead of two-digit HS codes), which will potentially increase the efficiency of risk management procedures. However, implementing of this option seems less likely due the fact that a common practice of countries (including Georgia) is to use two-digit HS codes in transit operations. However, the availability of this information may be enabled if included in the package provided by the country of departure.

4. Make the availability of information from the country of departure and country of destination necessary. Availability of advance information:

   a. Will allow for the availability of adjusted commodity information (6-digit HS code);

   b. Will be useful for transit customs to track non-tariff information (e.g. weight control, seals control, routes) information;

   c. Will be useful for departure and destination customs to manage tariff risks through comparison of initial and finally submitted information.

## 9.5  External Factors

According to information provided by the relevant Turkish and Azerbaijan authorities, there are no expectations for obstacles from their side regarding implementation of the project. The legislation environment of the countries provides a sufficient framework for implementing the project. Most of the legal issues can be resolved at the level of mutual agreements. However, it is anticipated that the existence of particular security standards for processing of electronic information will require additional considerations and agreements.

The language provisions (required utilization of a national language) may create some obstacles for implementing the project in Azerbaijan. However, the practice of transliteration of non-classified information may be a resolution to this issue.

# 10 Summary of Results and Conclusions

Georgian customs is mostly ready to participate in the pilot implementation of C2C real-time electronic exchange of transit data, but will require some additional effort to ensure the systematization of technical and operational approaches.

Some steps to improve and systemize the overall approach to collect, process and disseminate transit information may be completed independent of any particular context of the C2C transit data exchange initiative. Those steps are:

1. Accelerate the adoption of built-in capabilities of the eCustoms (ASYCUDA World) system for exchanging electronic information where possible. The IT team may require additional assistance to enhance its human capacity in order to increase its awareness and knowledge of the system's full capabilities.

2. Initiate the adoption of the WCO data model, as well corresponding standards for structuring information, including acceleration of utilization of the built-in functionalities of the eCustoms system that would allow the implementation of web services based on WCO standards. This approach should also be adopted for

structuring data in the "Oracle" system and in the implementation of external web services.

3.  Initiate the implementation of a unified approach regarding electronic data exchange practice (security standards, integration infrastructure, messaging standards, etc.).

4.  Accelerate the implementation of the ASYCUDA/TIR module. Otherwise, consider dedication and stricter structuring of TIR-related information in existing modules, primarily in the management of the Internal Transit Document.

5.  Increase measures (both on the regulatory level and in actual practice) to ensure completeness of transit information by revision/improvement of classification, as well as by introducing mechanisms (automated or procedural) for controlling the collection of complete transit information, including TIR information. Harmonizing some domestic classifiers with international standards and recommendations might be also initiated in advance to avoid additional effort during implementation of the project.

Once the C2C transit data exchange project has been initiated and basic frames (primary, data sets, including coded information) have been outlined, Customs may need to review procedures (Order No. 290 and Order No. 12858) pertaining to incorporating corresponding changes into documents. This may potentially be reflected in restructuring coded information, assignment of obligatory status to some additional portions of information, as well as highlighting the enforceability of a third party's information (if necessary). Corresponding efforts to ensure completeness and structuring of information in internal databases may be necessary (but are not expected to be significant) based on the project's requirements[32].

Turkey, Azerbaijan and Georgia represent significant nodes of the transport routes between the Europe and the Central Asia, especially in the context of land transportation. Correspondingly, the participation of these countries in the pilot implementations is an important, if not a critical factor to the project's success. There are not any significant obstacles (neither legislative nor technical) anticipated from implementation of the project in Turkey. Azerbaijan's participation is anticipated to require additional considerations, mainly concerning language provision and readiness of the customs authority to integrate the information into risk management operations.

Additional attention should be paid to Kazakhstan, as the country is a significant node for transit routes between Europe and Central Asia. Despite the fact that the majority of transportation from and to the country occurs by railway, the availability of advance information from Kazakh sources should contribute significantly to the overall value of the project's outputs.

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[32] When the C2C transit data set will be identified, Georgian customs most likely will have to systemize some data structures.

# 11 Annexes

## 11.1 List of References

| Short Reference | Document |
|---|---|
| Administrative Code | General Administrative Code of Georgia |
| Tax Code | Tax Code of Georgia |
| Law on Electronic Signature and Electronic Document | The Law of Georgia on Electronic Signature and Electronic Document |
| Law on Protection of the Personal Data | Law of Georgia on Protection of the Personal Data |
| Law on Information Security | Law of Georgia on Information Security |
| Order No. 290 | Instruction on Movement and Clearance of Goods across the Customs Territory of Georgia, approved by Order No. 290 of 26 July 2012 of the Mister of Finance of Georgia; |
| Order No. 12858 | Instruction for Implementation of Procedures Related to Entering Goods the Customs Territory of Georgia / Leaving the Customs Territory of Georgia and Declaration, approved by Order No. 12858 of 1 August 2012 of the Director General of the Georgia Revenue Service. |
| Order No. 996 | Order No. 996 of December 31 2010 of the Minister of Finances of Georgia on "Taxes Administration" |
| Resolution No. 117 | The Rules on Establishment and Approval of the Technical Regalement for Digital Signature Certificate and Issuance of the Digital Signature Certificate, approved by Resolution of the Government of Georgia No. 117 of May 7th 2008 |
| HS Convention | The International Convention on the Harmonized Commodity Description and Coding System |
| Convention on Temporary Admission | Convention on Temporary Admission, Istanbul, 1990 |
| Nairobi Convention | International Convention on Mutual Administrative Assistance for the Prevention, Investigation and Repression of Customs Offences, Nairobi, 1982 |
| Harmonization Convention | International Convention on Harmonization of Frontier Controls of Goods, Geneva, 1977 |
| TIR Convention | Customs Convention of the International Transport of Goods |

| | Under Cover of TIR Carnets, 1975 |
|---|---|
| Common Transit Convention | Convention on a Common Transit Procedure, 1987 |
| EU-Georgia Association Agreement | Association Agreement between the European Union and the European Atomic Energy Community and their Member States, of the one part, and Georgia, of the other part, initialed in 2013. |
| GUAM Protocol | Protocol between the Customs Administrations of GUAM Member-States on Organizing the Exchange of Preliminary Information on Goods and Vehicles Transiting across the State Borders of GUAM member states (draft document) |
| Ukraine Protocol | Protocol between the Revenue Service of the Ministry of Finance of Georgia and the State Customs Service of Ukraine (SCSU) on Organizing the Exchange of Preliminary Information on Goods and Vehicles Transiting across the State Borders of GUAM member states, 2009 |
| | Technical Specifications for Organizing the Exchange of Preliminary Information on Goods and Vehicles Transiting across the State Borders of GUAM member states, version 1.0 |
| Turkey Agreement | Agreement between the Government of Georgia and the Government of Republic of Turkey on the Joint Use of Land Crossing Points of "Sarpi - Sarp", "Kartsakhi – Cildir/Aktas" and "Akhaltsikhe – Posof/Turkgozu", 2010 |
| | Protocol on Details for Electronic Data Exchange Regarding the international Movement of Passengers, Vehicles and Goods |
| | The Technical Provision Document On "Data Exchange System" |
| Armenia Agreement | Agreement between the Government of Georgia and the Government of Republic of Armenia on the Joint Use of Land Customs Crossing Points of "Sadakhlo – Bagratashen", "Sadakhlo – Airum", "Guguti – Gogovan" and "Ninotsminda – Bavra", 2013 |
| Russia Agreement | Agreement between the Government of Georgia and the Government of the Russian Federation on the basic principles for a mechanism of Customs Administration and Monitoring of Trade in Goods |
| SafeTIR MoU | Memorandum of Understanding between the Customs Department of Georgia, Georgian International Road Carriers Association and the International Road Transport Union (IRU) for the Capture, Transmission, Management and Dissemination of Data for the Termination of the TIR Carnet Operations at Customs Offices of Destination |
| UNECE-IRU eTIR | UNECE-IRU eTIR Vision and Pilot, Note by the secretariat and |

| | |
|---|---|
| Vision and Pilot | the International Road Transport Union (IRU), Geneva, March 26, 2014 |
| Rule on Electronic Signature | Rule of the Republic of Azerbaijan on Electronic Signature and Electronic Documents |
| Law on Commercial Secrets | Law of the Republic of Azerbaijan on Commercial Secrets |
| Electronic Signature Code | Electronic Signature Code No. 5070 of the Republic of Turkey |

## 11.2 Meetings and Interviews

The report is prepared based on interviews with representatives of the Revenue Service of Georgia (the list is provided below), as well as on information, provided by Mr. Vakhtang Zarandia, Head of TIR Guarantee Chain Management, International Road Transport Union (IRU).

*Table 10. List of Interviews*

| | |
|---|---|
| Samson Uridia | Head of Department for International Relations |
| Vakhtang Lashkaradze | Deputy Director General of the Georgia Revenue Service |
| Nodar Kakriashvili | Head of Information Technology Center |
| Khvaramze Gelashvili | Head of the Service Division of the Customs Clearance Zone "Tbilisi 2" of the Main Division of the Customs Clearance of the Customs Department |
| David Shevardenidze | Senior Analyst of Customs Risks Management Division of the Department for Administration |
| Lela Metreveli | Senior Analyst of Customs Risks Management Division of the Department for Administration |
| Irakli Gegeshidze | Senior Analyst of Customs Risks Management Division of the Department for Administration |
| Maia Jangirashvili | Senior Officer of Methodology Division of Customs Department |
| Ana Gogorishvili | Deputy Head of the Customs Control Administration Division of the Customs Department |

## 11.3 Abbreviation and Acronyms

| | |
|---|---|
| CIS | Commonwealth of Independent State |
| HS | Harmonized Commodity Description and Coding System |
| FEANCN | Foreign Economic Activity National Commodity Nomenclature |
| GIRCA | Georgian International Road Carriers Association |
| GUAM | GUAM (abbreviation for Georgia, Ukraine, Azerbaijan, and Moldova) Organization for Democracy and Economic Development |
| IRU | International Road Transport Union |
| NCTS | New Computerized Transit System |
| PIRS | Personal Identification and Registration System |
| RS | Revenue Service of Georgia |
| SOAP | Simple Object Access Protocol |
| WCO | World Customs Organization |
| WTO | World Trade Organization |

## 11.4 Data Set of the Internal Transit Document (T1 Form)

*Table 11 Data Set of the Customs Transport Document (T1 Form)*

| Field | Type | Classified (Yes/No) | Description | Obligatory Status (M-mandatory) |
|---|---|---|---|---|
| PTY_NBR_ITM | NUMBER (10) | | Total Number of Item | M |
| PTY_NBR_PCK | NUMBER (10) | | Total Number of packages | M |
| IDE_CUO_DPA_COD | VARCHAR2 (5 Char) | Y | Departure Office Code | M |
| IDE_CUO_DES_COD | VARCHAR2 (5 Char) | Y | Destination office Code | M |
| CMP_EXP_COD | VARCHAR2 (17 Char) | Y | Exporter Code | |
| CMP_EXP_NAM | CLOB | | Exporter Name | |
| CMP_CON_COD | VARCHAR2 (17 Char) | Y | Consignee Code | |
| CMP_CON_NAM | CLOB | | Consignee Name | |
| GEN_CTY_EPT_COD | VARCHAR2 (3 Char) | Y | Country of Export Code | M |
| GEN_CTY_EPT_NAM | VARCHAR2 (35 Char) | Y | Country of Export Name | M |
| GEN_CTY_DES_COD | VARCHAR2 (3 Char) | Y | Destination Country Code | M |
| GEN_CTY_DES_NAM | VARCHAR2 (35 Char) | Y | Destination Country Name | M |
| TPT_MOT_DPA_NAM | VARCHAR2 (27 Char) | | Identity of Means at departure | M |

| | | | | |
|---|---|---|---|---|
| TPT_MOT_DPA_CTY | VARCHAR2 (3 Char) | Y | Nationality of Means at departure | M |
| TPT_MOT_BRD_NAM | VARCHAR2 (27 Char) | | Identity of Means at borders | M |
| TPT_MOT_BRD_CTY | VARCHAR2 (3 Char) | Y | Nationality of Means at borders | M |
| TPT_MOT_BRD_COD | VARCHAR2 (3 Char) | Y | Mode of transport at borders | M |
| TPT_CTF | NUMBER (1) | | Container Flag | M |
| TRS_RSP_COD | VARCHAR2 (17 Char) | Y | Principal Responsible Code | M |
| TRS_RSP_NAM | CLOB | Y | Principal Responsible Name | M |
| TRS_RSP_REP | VARCHAR2 (35 Char) | | Representative of Principal Resp. | M |
| DEC_NAM | CLOB | Y | Declarant name | |
| DEC_REF_YER | NUMBER (10) | | Declarant reference year | M |
| DEC_REF_NBR | VARCHAR2 (15 Char) | | Declarant reference number | M |
| DEC_REP | VARCHAR2 (80 Char) | | Declarant representative Name | M |
| TRS_SGT_PLC | VARCHAR2 (17 Char) | | Place of signature | M |
| TRS_SGT_DAT | DATE | | Date of signature | M |
| FIN_GAR_COD | VARCHAR2 (35 Char) | | Guarantee Code | |
| FIN_GAR_AMT | NUMBER | | Guarantee Number | |
| FIN_GAR_CTY | VARCHAR2 (35 Char) | | Guarantee Country | |
| ITM_NBR(P.Key) | NUMBER (10) | | Item Number | M |
| PCK_NBR | NUMBER (10) | | Number of Packages | M |
| PCK_MRK | CLOB | | Marks of packages | M |
| PCK_TYP_COD | VARCHAR2 (17 Char) | | Kind of package code | M |
| PCK_TYP_NAM | VARCHAR2 (35 Char) | | Kind of package name | M |
| ITM_TAR_HSC_NB1 | VARCHAR2 (10 Char) | Y | Harmonized System | M |
| ATT_AT1_COD | VARCHAR2 (4 Char) | | Attached Document(1) Ref | |
| ATT_AT1_REF | VARCHAR2 (70 Char) | | Attached Document(1) Code | |
| ATT_AT1_DAT | DATE | | Attached Document(1) Date | |
| ATT_AT2_COD | VARCHAR2 (4 Char) | | Attached Document(2) Ref | |
| ATT_AT2_REF | VARCHAR2 (70 Char) | | Attached Document(2) Code | |
| ATT_AT2_DAT | DATE | | Attached Document(2) Date | |
| ATT_AT3_COD | VARCHAR2 (4 Char) | | Attached Document(3) Ref | |
| ATT_AT3_REF | VARCHAR2 (70 Char) | | Attached Document(3) Code | |
| ATT_AT3_DAT | DATE | | Attached Document(3) Date | |
| ATT_AT4_COD | VARCHAR2 (4 Char) | | Attached Document(4) Ref | |
| ATT_AT4_REF | VARCHAR2 (70 Char) | | Attached Document(4) Code | |
| ATT_AT4_DAT | DATE | | Attached Document(4) Date | |

| VIT_WGT_GRS | NUMBER | | Gross weight | M |
|---|---|---|---|---|
| VIT_WGT_NET | NUMBER | | Net weight | M |
| GDS_DSC | CLOB | | Goods description | M |

## 11.5 List of Figures

Figure 1. Georgia's External Trades by 15 Largest Trading Partners (2013's Figures)

Figure 2. Georgia's Imports by Country Groups

Figure 3. Georgia's Exports by Country Groups

Figure 4. The Top Departure/Destination Counries by Volumes Transited through Georgia (2013's figures)

Figure 5. The Share of Advance Declaration in Total Figures of Import Operations

Figure 6. Gap Analysis: Position of Georgian customs against the Stated Targets

## 11.6 List of Tables

# 12 Attachments

## 12.1 Information, Provided by Turkey

**Gap Analysis of Current Legal and Technical Framework for Electronic C2C Exchange of Transit Information between Georgia and Neighboring Countries**

# Questionnaire (Turkey)

## 1 Legal/Technical Environment

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|---|---|
| **1** | **To what extent and under what requirements does the national Customs Authority recognize electronic documents/information, issued by foreign official bodies (e.g. Customs Administrations)?**<br><br>**To what extent does National Court recognize electronic documents/information, issued by foreign official bodies?**<br><br>*Please, indicate whether electronic documents are recognized on the level of general/Customs legislation, or recognition is regulated/extended on the level of bilateral/multilateral agreements. Please, provide references to both legislative acts and bilateral/multilateral agreements. What practice of a legal recognition of electronic documents within agreements does currently exist (on the level of Customs operations)?* |
| | The relevant provisions of Electronic Signature Code No.5070 regulates the issue by means of signing bilateral and multilateral agreements with the concerning countries for sharing information mutually. |
| **2** | **To what extent does national legislation define, differentiate and recognize electronic and digital signatures?**<br><br>**Does electronic/digital signature represents a mandatory requirement for legal recognition of an electronic documents/information?**<br><br>*Please, indicate under what conditions (if any) electronic documents, authorized by digital or electronic signatures are recognized as equal to signed/stamped paper documents.*<br>*How electronic/digital signature extents the force of not-signed electronic documents?*<br>*Please, provide references to both legislative acts and bilateral/multilateral agreements. What practice of utilization of electronic/digital signatures does currently exist (on the level of Customs operations)?* |
| | Electronic Signature Code No.5070 commits the safe e-signature equivalent to the handwritten signature. |

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| 3 | **Does national legislation require accreditation of foreign certification bodies as a mandatory condition for recognition of electronic signatures?**<br><br>**If accreditation is required, can contractual agreement between parties substitute official accreditation requirement?**<br><br>*Please, provide references to both legislative acts and bilateral/multilateral agreements, What practice of recognition of electronic/digital signatures issued by not accredited certification bodies does currently exist (on the level of Customs operations)?* | |
| | TUBİTAK (The Scientific and Technological Research Council of Turkey) Certificates are used in implementation of customs declarations. | |
| 4 | **Are there any information security standards {security level, encryption requirements, information protection, data leakage protection, communication channels}, which are mandatorily required by the national legislation for legal recognition of electronic documents?**<br><br>*Please, provide references to corresponding legislative acts (on general of Customs legislation/regulation level)* | |
| | Turkish Customs Code No.4458, Electronic Signature Code No.5070 and Turkish Commercial Code No.6102 have binding standards for protecting the private information. | |
| 5 | **To what extent does national legislation protect information (business secrecy, privacy of physical persons, and governmental data]?**<br><br>*Please, provide references to corresponding legislative acts* | |
| | The relevant provisions concerning data protection are set out in Article 10/A and 12/1 of Turkish Customs Code No 4458, as last amended by Law No 5911:<br><br>"Without prejudice to the provisions of Article 12, communication of confidential data to the customs authorities and other bodies of third countries shall be allowed only in the framework of an international agreement. The customs administrations and other authorized institutions shall keep all information which is by nature confidential or which is provided on a confidential basis. This information shall not be disclosed without the explicit permission of the person or authority who provided it. Customs authorities shall submit such information to the related authorities in accordance with legal provisions in relation to data protection or judicial decisions. | |
| 6 | **Do Customs legislation/regulations allow or restrict dissemination of commercial information, submitted to the national Customs authority, to external official bodies (foreign Customs authorities)?**<br><br>**Does legislation require additional contractual commitments with the foreign parties in order to ensure proper utilization of the information?**<br><br>**Do Customs legislation/regulations allow or restrict dissemination of commercial information, submitted to the national Customs authority, to authorized private sector representatives?**<br><br>*Please, clarify what would it take to allow the country to be in a position to share data that is* | |

| | |
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| | *protected. Would an authorization of the person submitting the information (e.g. " I authorize Customs to share the information I submitted with the customs of administrations of the other countries along the itinerary of my transport "} be sufficient/necessary to share those data. Does submission of the declaration (or any other Information) to the Customs authority automatically means that the last has a right to disseminate this information to other official bodies without additional agreement? Is there any practice (agreements, projects) of provision of commercial information to the authorized third parties?* |
| | Information sharing is merely allowed on the basis of the international agreements mutually signed among the concerning countries as regulated by the Turkish Customs Code No. 4458 and Custom Decree.<br><br>The relevant provisions concerning data protection are set out in Article 10/A and 12/1 of Turkish Customs Code No 4458, written above also regulates the issue. |
| **7** | **Is it legally and technically allowed {not restricted) to disseminate all information, contained in the declaration (Import, export, advance cargo, etc), to foreign Customs authorities (e.g. Customs authorities of country of destination or country of departure)?**<br><br>**What portion of information (and to what parties) is allowed to be re-disseminated?**<br>**Is it allowed to provide information {or any portion of information) to the Customs authority of the country of transit?**<br><br>**Can this information be sent systematically/automatically or upon request only?**<br><br>*Please, Indicate how dissemination of declaration's information is regulated. Does any practice of exchange of declaration information with foreign official bodies exist? Please, provide more details regarding existing practice.*<br>*Please, highlight whether dissemination of information, contained in the import/export declarations can be technically disseminated? Please, indicate to what extent is the existing Information system capable to send and receive declaration's information? Is the system ready to receive information automatically? With which counterparties, systems, under what projects/agreements, for what purposes and what data sets are already exchanged? What portion is exchanged in the real-time mode?* |
| | If agreed mutually, it is technically allowed to disseminate all information in any proportion. We have Turkey-Russia Simplified Customs Corridor, Joint Use of Border Gates Project with Georgia, EU-EFTA Common Transit Convention (NCTS-New Computerized Transit System) applications at present. |
| **8** | **Is it technically and legally possible to share information, provided in the in-transit transport document, prior physical arrival of the transport mean to the exit point at the border?**<br><br>*For example: The Sarp's Customs office is indicated in the transport document as a destination point of the in-transit route. This does not necessarily mean that the transport will exit Turkish territory at the Sarp border crossing point, but this information could be potentially useful for the Georgian Customs for the risk management purposes. Is it legally and technically possible to provide such kind of preliminary information? Does Turkey has any practice of exchange of suc information with foreign authorities?* |
| | It is technically and legally possible to share some preliminary information. We have advanced declaration with EU-EFTA countries via NCTS system and transit information exchange with Georgia. |

| 9 | According to regulatory/legal provisions, what portion of derived information, {as produced by the RM module, e.g. credibility of traders and transport operators) is allowed to be shared with third parties (e.g. foreign Customs authorities)? |
|---|---|
| | It is just allowed if there is a mutually signed agreement between the relevant countries. |
| 10 | According to national Customs legislation, how submission of declaration (e.g. export, advance cargo) in languages other than national is restricted/allowed? To what extent does national Customs legislation legally recognize electronic information received in foreign language? |
| | Regarding the information exchange in transit operations, it is allowed to submit declaration forms in foreign languages if it is under NCTS system or under cover of an international agreement. |

## 2 Technical Environment

| 1 | What portion of Customs procedures/operations is currently automated? Do transit procedures are automated? What portion of TIR operations Is currently automated? | 100 % of customs procedures/operations is currently automated; 100 % of TIR/transit procedures are being currently carried out automatically. |
|---|---|---|
| 2 | What information system(s) is (are) currently used by the Customs Department? How these systems/modules are integrated? | NCTS (EU-EFTA Common Transit Convention system) and BİLGE (Computerized Customs Activities) are used by the Customs Department and these systems are integrated. Oracle, .net, web service, rule engine, xml firewall technologies are used under BİLGE module. |
| 3 | What standards for data sets and data models (and to what extent) are already adopted, planned to be adopted, or is not considered to be adopted? <br> - WCO data set and data model <br> - UNTED/ISO7372 <br> - UNeDocs <br> - ebXML <br> - UN/EDIFACT <br> - Other (clarify) | Bilge messaging system was based on UN/EDIFACT system, and then changed to XML. |
| 4 | To what extent does national Customs authority exchange electronic information with foreign Customs authorities (C2C information exchange)? Please, provide brief overview of existing practice | We have declaration and transit information exchange with Russia and Georgia and also common transit information with all countries (EU-EFTA) of Common Transit Convention. |
| 5 | To what extent has Customs adopted the practice to use web services for exchange of information? | Web services are frequently used for exchange of information. |
| 6 | Which secure communication channels/methods are used for exchange of electronic information? | SSL (Secure Sockets Layer) is used as secure communication channel. |
| 7 | Does Customs have any security standards adopted for exchange of information with external/foreign IT | We use XML Firewall and adopt XML Firewall standards. |

| | systems? | |
|---|---|---|
| 8 | **Which methods/technologies of authentication are currently adopted (are planned to be adopted)?** | Windows Domain Server is used. |
| 9 | **What data sets, related to transit operations are stored in the information systems?** | Every date related to TIR Carnets are stored. |
| 10 | **In addition to general transit data, what data sets, particularly related to TIR operations (including TIR Carnet content) is stored in the information systems?** | *Entry and exit data sets of the trucks in coordination with ECMT* (European Conference of Ministers of Transport) system is stored. |
| 11 | **To what extent is the transit data (including TIR operations/TIR carnet) exchanged electronically with external parties. What portion of data, not exchanged currently, can be provided to external systems? What data form external systems is desired to be received? What portion can be /desired to be provided/received in the real time mode?** | We have Joint Use of Border Gates Project with Georgia and also common transit information with all countries (EU-EFTA) of Common Transit Convention. |
| 12 | **Is there any automated Risk Management functionality available in the ICT system?** | Risk Management and Strategic Evaluation Unit were established to carry out the risk analysis issues in 2008. In 2011, this unit was reorganized as the General Directorate of Risk Management and Control.<br><br>There is automated Risk Management functionality available in the ICT system. Customs transactions are substantially carried out electronically by the system based database, BİLGE system. All Information on the BİLGE-system is stored in GÜVAS-Customs Data Warehouse System which is used for risk analysis and targeting purposes primarily. Other programs used for risk analysis (Anti-Smuggling Databank, Firm File Track Programme, Additional Accrual Track Program, Vehicle Track Programme etc.) integrated to BİLGE, and are also stored in GUVAS. |
| 13 | **To what extent are transit operations (including TIR operations) currently assessed in the Risk Management module?** | Being a transit country, transit procedure via land borders is very common in Turkey. For this reason the entry and exit procedures at the land border gates are analyzed for fiscal safety & security risk purposes. For the detected risks coming from this analysis, central and regional risk profiles are created on the Risk Analysis Program. The customs examinations are carried out based |

| | | on these risk analysis profiles. |
|---|---|---|
| 14 | **What data set is processed in the RM module? What data set is produced by the RM module?** | Different data sets related to transit transport can be processed in the RM module. So, any data of NCTS, TIR Carnet and transit declarations are currently assessed in this regard. |
| 14 | **Can existing RM module send information to external IT systems and/or receive information from external IT system?**<br>**To what extent information, processed in the RM module is exchanged with external/foreign IT systems?** | Existing RM module operates nationally. It is used for internal risk management purposes. So, currently it does not send info to external IT systems and/or receive information from external IT system. |

## 12.2 Information, Provided by Azerbaijan

1. **To what extent and under what requirements does the national Customs Authority recognize electronic documents/information, issued by foreign official bodies (e.g. Customs Administrations)?**

   **To what extent does National Court recognize electronic documents/information, issued by foreign official bodies?**

   The use of electronic documents is regulated by the Rule of the Republic of Azerbaijan on "Electronic Signature and electronic documents". In addition, electronic documents are used based on the agreements concluded among the parties. In customs area, the use of electronic documents has been reflected in mutual agreements concluded between customs administrations of other countries.

2. **To what extent does national legislation define, differentiate and recognize electronic and digital signatures?**

   **Does electronic/digital signature represents a mandatory requirement for legal recognition of an electronic documents/information?**

   The Rule of the Republic of Azerbaijan on "Electronic Signature and electronic documents" defines the use of electronic signatures.

   According to the domestic legislation, in order to certify the electronic signature and electronic document and identify the holder of the signature the verification of the signature is carried out.

   Except for the cases in which the notarization is required for the documents according to the legislation of the Republic of Azerbaijan, electronic documents and paper documents are considered equal and they have the same legal force.

3. **Does national legislation require accreditation of foreign certification bodies as a mandatory condition for recognition of electronic signatures?**

   **If accreditation is required, can contractual agreement between parties substitute official accreditation requirement?**

The certificates issued abroad should have legal force in the Republic of Azerbaijan if they comply with the following conditions:

- If the foreign certification body has been accredited in the Republic of Azerbaijan,
- If the certificate is compliant with the security requirements specified by this Law and other related normative legal acts of the Republic of Azerbaijan,
- If the certificate has been guaranteed by the certification bodies accredited in the Republic of Azerbaijan or by a relevant executive authority,
- If the certificate has been issued by the certification bodies included in the intergovernmental agreements which the Republic of Azerbaijan acceded to.

**4. Are there any information security standards (security level, encryption requirements, information protection, data leakage protection, communication channels), which are mandatorily required by the national legislation for legal recognition of electronic documents?**

*Please, provide references to corresponding legislative acts (on general of Customs legislation/regulation level)*

According to the domestic legislation of the Republic of Azerbaijan, the certification bodies are to comply with the following standards and technical documents at their activities:

Standards and Technical documents

| 1 | 2 |
|---|---|
| Overall organization of the activities of the certified body | ETSI TS 101 456, CEN/ISSS CWA 14167-1 |
| Qualified certificates | ETSI TS 101 862, ITU-T Rec.X-509 v.3. |
| The format of the request for issuance of the certificate | PKCS#10 |
| "Certificate policy" and "Rules for application of the certificate" | RFC 3647 |
| The standard for the audit and | ISO 15408 or any national standard compliant to it |

| examination of the information system security | |
|---|---|
| Establishment, storage and use of data for creating signature | (Common Criteria), compliant to ISO 15408-EAL3 or the security level higher than this |
| Enhanced data for creating electronic signature | Compliance to CWA 14169 and TS ISO/IEC 15408 (-1,-2,-3) or ISO/IEC 15408 (-1,-2,-3), at least EAL4+ |
| Verification of electronic signature | CEN/ISSS CWA 14167-1 |
| Protocol for verification of certificate status in real-time manner | RFC 2560 |
| Algorithms and parameters | ETSI SR 002 176 |
| Information of signature holder for the creation and verification of signature | For RSA at least 1024 bit or For DSA at least 1024 bit or For DSA elliptic curve at least 160 bit Hash function: RIPEMD - 160; or SHA - 1 |
| Data of the certified body regarding the creation and examination of signature | RSA – at least 2048 bit or DSA – at least 2048 bit or DSA elliptic curve at least 256 bit Hash function: RIPEMD - 160; və ya SHA - 1 |
| Security criteria | CEN/ISSS CWA 14167-1 |
| | ETSI TS 101 456 TS ISO/IEC 17799 və ya ISO/IEC 17799 |
| Time indications and services | ETSI TS 101 861 CEN/ISSS CWA 14167-1 |
| The rule of pointing out time indicators | ETSI TS 102 023 |
| Procedure for creating and examining the signature | ГОСТ 34.310-95 Information technologies. Cryptographic protection of Information. Procedures for creating and examining electronic and digital signature based on asymmetric cryptographic algorithm. |

| Hash function | ГОСТ 34.311-95 Information technologies. Cryptographic protection of Information. Hashing Function. |
|---|---|

5. **To what extent does national legislation protect information (business secrecy, privacy of physical persons, and governmental data)?**

The protection of the information with the nature of state secret and commercial secret has been regulated by the Laws of the Republic of Azerbaijan, dated 7 September 2004 on State Secrets and 4 December 2001 on Commercial Secrets, respectively.

6. **Do Customs legislation/regulations allow or restrict dissemination of commercial information, submitted to the national Customs authority, to external official bodies (foreign Customs authorities)?**

**Does legislation require additional contractual commitments with the foreign parties in order to ensure proper utilization of the information?**

**Do Customs legislation/regulations allow or restrict dissemination of commercial information, submitted to the national Customs authority, to authorized private sector representatives?**

Exchange and protection of customs-related data have been regulated by the appropriate articles of 7th Chapter of "The Customs Code of the Republic of Azerbaijan" which has been certified by the Decree of the President of the Republic of Azerbaijan, dated 15 September 2011.

With a view to ensure the proper usage of the information, the domestic legislation requires additional contractual obligations with foreign parties.

7. Is it **legally** and **technically** allowed (not restricted) to disseminate all information, contained in the declaration (import, export, advance cargo, etc), to foreign Customs authorities *(*e.g. Customs authorities of country of destination or country of departure*)*?

What portion of information (and to what parties) is allowed to be re-disseminated? Is it allowed to provide information (or any portion of information) to the Customs authority of the country of transit?

Can this information be sent systematically/automatically or upon request only?

The information indicated on the declarations concerning the goods pass through the border crossing points of the Republic of Azerbaijan under export or transit regime and enter the territory of the other state under export or transit regime, might be sent to the mentioned state and the analogical data could be received from that state based on the mutually concluded contracts. The information system of the State Customs Committee has the capacity to exchange that sort of data automatically.

8. Is it **technically** and **legally** possible to share information, provided in the in-transit transport document, prior physical arrival of the transport mean to the exit point at the border?

Providing that sort of preliminary information is technically and legally possible.

9. According to regulatory/legal provisions, what portion of **derived** information, (as produced by the RM module, e.g. credibility of traders and transport operators) is allowed to be shared with third parties (e.g. foreign Customs authorities)?

Any information necessary for conducting risk management could be exchanged with third parties (For instance, customs administrations of foreign countries) based on intergovernmental agreements.

10. **According to national Customs legislation, how submission of declaration (e.g. export, advance cargo) in languages other than national is restricted/allowed? To what extent does national Customs legislation legally recognize electronic information received in foreign language?**

According to the Rules with regard to filling the customs cargo declarations, the declarations must be filled-in in the Azerbaijani language only.

2. Technical Environment

**What portion of Customs procedures/operations is currently automated? Do transit procedures are automated? What portion of TIR operations is currently automated?**

The Single Automated Management System of the Customs Service of the Republic of Azerbaijan provides an opportunity to conduct customs procedures, as well as transit procedures in automated manner. Exchanging information on TIR operations (as well as with IRU) has been carried out in automated manner.

**What information system(s) is (are) currently used by the Customs Department? How these systems/modules are integrated?**

The Single Automated Management System of the Customs Service of the Republic of Azerbaijan is used. Other additional systems and modules used are integrated to the Single Automated Management System and they operate as a n integral part of the mentioned system.

**What standards for data sets and data models (and to what extent) are already adopted, planned to be adopted, or is not considered to be adopted?**

The recommendations identified in accordance with the following standards have been duly considered and the application thereof is being extended:

- WCO Data set and data model (version 3.0)
- ebXML
- UN/EDIFACT

**To what extent has Customs adopted the practice to use web services for exchange of information?**

Exchange of information with governmental agencies and business entities is mainly carried out based web services.

**Which secure communication channels/methods are used for exchange of electronic information?**

IPSEC VPN, HTTPS, electronic certificate

**Does Customs have any security standards adopted for exchange of information with external/foreign IT systems?**

Yes, it does. Please see the first part, question 4).

**Which methods/technologies of authentication are currently adopted (are planned to be adopted)?**

Electronic key, electronic certificates

**What data sets, related to transit operations are stored in the information systems?**

All the information on transit operations included in the customs declarations and TIR booklets have been preserved in the information system.

**In addition to general transit data, what data sets, particularly related to TIR operations (including TIR Carnet content) is stored in the information systems?**

Registration of the cases of customs offences regarding transit operations have been preserved as well.

**To what extent is the transit data (including TIR operations/TIR carnet) exchanged electronically with external parties. What portion of data, not exchanged currently, can be provided to external systems? What data form external systems is desired to be received? What portion can be /desired to be provided/received in the real time mode?**

With regard to TIR, Real-Time Safe TIR system has been properly implemented and information exchange with IRU is currently conducted in an online regime.

**Is there any automated Risk Management functionality available in the ICT system?**

Following the adoption of the new Customs Code, related improvements have been conducted at the structure of the customs service and business processes.