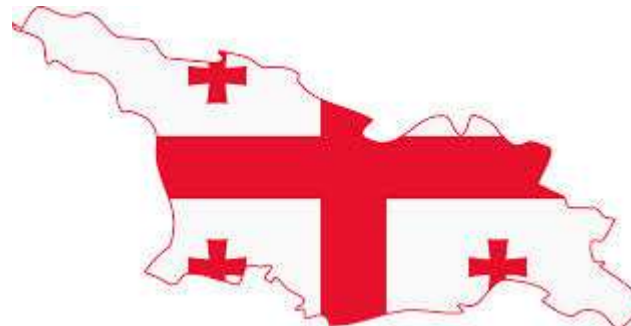Strengthening the Capacities of Developing Countries and Countries with Economies in Transition to Facilitate Legitimate Border Crossing, Regional Cooperation and Integration

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

Georgia Report

Subject of Examination

- Availability of a legal background to allow for C2C exchanges or allow the use of data received from other customs administrations;

- Availability of technical infrastructure to allow for such exchanges;

- Availability and capacity of technical human resources to implement the project;

- Availability and completeness of the data required for risk analysis in the IT systems of potential partner countries.

Trading Flows

** Bubbles are sized according to destination volumes
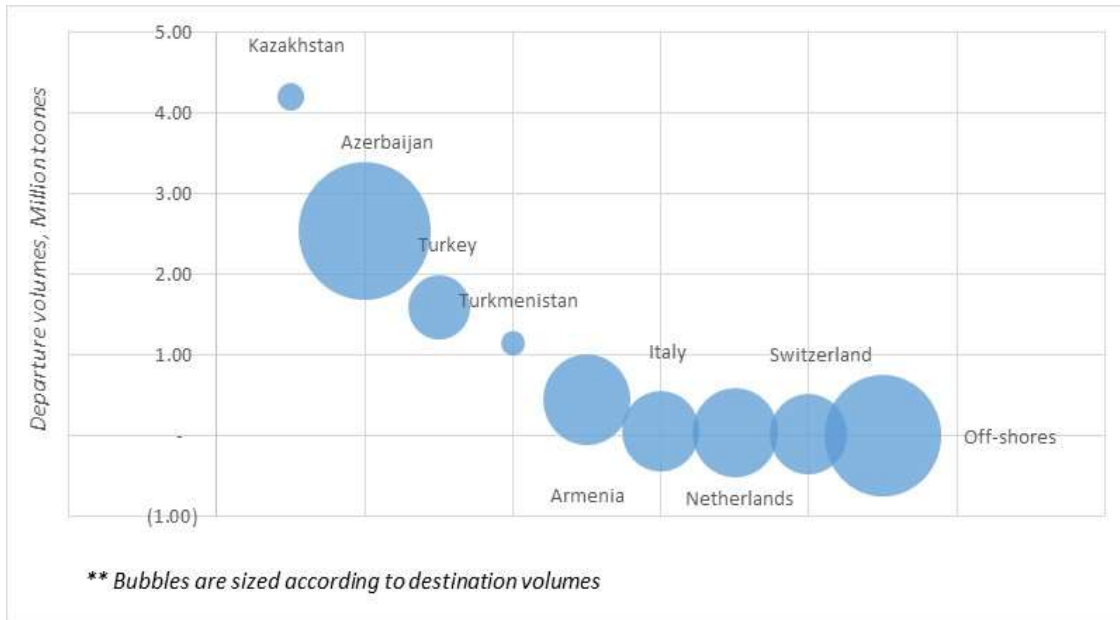
More than 14.1 million tons of goods were transported through Georgia in 2013.

DEPARTURE	DESTINATION
• **Kazakhstan (30%)**	• Azerbaijan (22%)
• Azerbaijan (18%)	• Armenia (10%)
• Turkey (11%)	• **Offshores(> 17%)**

Imports in Georgia averaged USD 264.5 million from 1995 until 2014, reaching an previous-time high of USD 811.5 million in December 2013

The largest share (17%) of imports into Georgia came from **Turkey**

Azerbaijan imported more than 24% of Georgia's exports
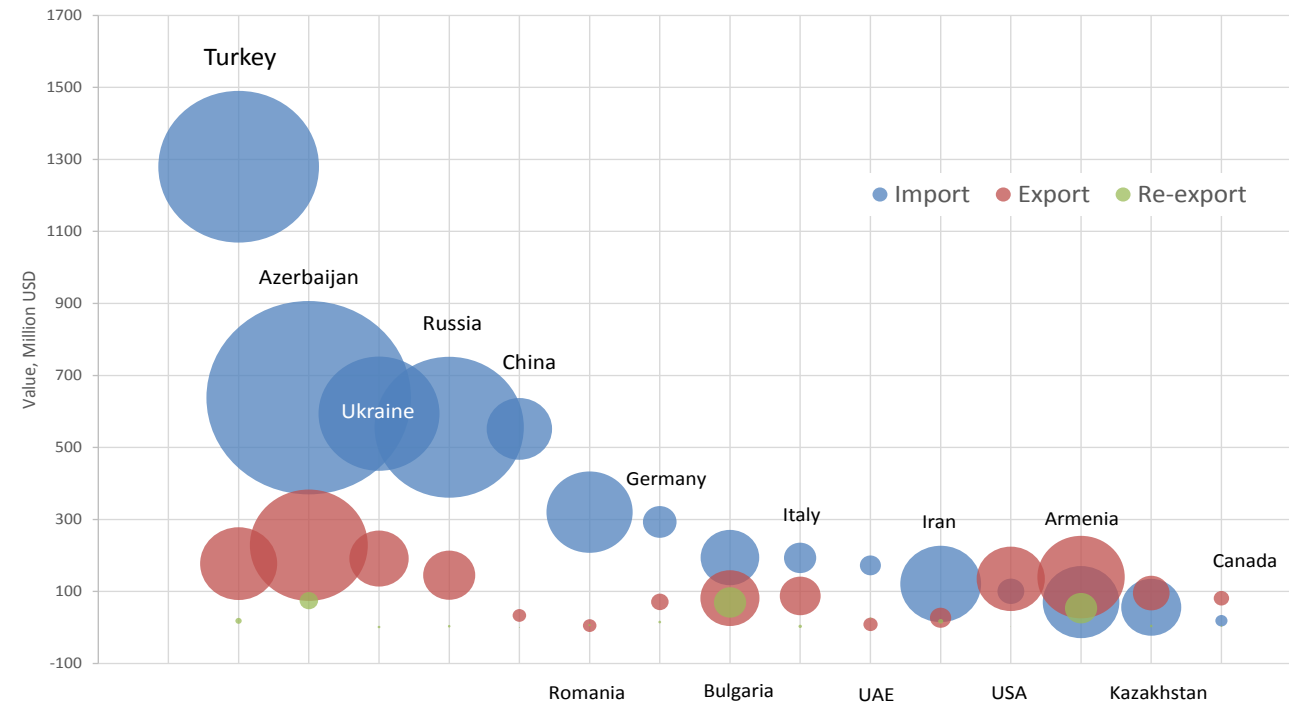
* Bubbles are sized according to total voumes of goods traded (gross weight in kg)

Transportation Modes

Share of countries in operations carried out by different transport modes (2012*/ 2013)

	Destination		Departure		Total	
	Trade To	Transit To*	Trade From	Transit From*	Trade	Transit
Road 🚌					**30%**	**12* - 18%**
Turkey	**22%**	**3%**	**57%**	**51%**		
Azerbaijan	**21%**	**59%**	**2%**	**4%**		
Armenia	**24%**	**24%**	**4%**	**6%**		
Ukraine	3%	-	3%	2%		
Russia	13%	5%	7%	4%		
Kazakhstan	2%	-	-	-		
Railway 🚆					**30%**	**81 – 88*%**
Turkey	-	3%	-	2%		
Azerbaijan	**58%**	**9%**	**50%**	**22%**		
Armenia	**30%**	**6%**	**20%**	**2%**		
Ukraine	-	-	2%	1%		
Russia	5%	-	2%	3%		
Kazakhstan	**5%**	-	**16%**	**34%**		
Maritime 🚢					**40%**	**-**
Turkey	17%	-	10%	-		
Azerbaijan	-	-	-	-		
Armenia	-	-	-	-		
Ukraine	8%	-	17%	-		
Russia	2%	-	25%	-		
Kazakhstan	-	-	-	-		

Modes of transport used for trade and transit operations by countries (2012*/13)

	Trade	Transit To *	Transit From *
Turkey			
🚌	68%	14%	**77%**
🚆	-	**86%**	23%
Azerbaijan			
🚌	5%	**47%**	3%
🚆	**41%**	**52%**	**97%**
Armenia			
🚌	26%	34%	31%
🚆	73%	65%	69%
Ukraine			
🚌	7%	84%	15%
🚆	3%	16%	85%
Russia			
🚌	15%	86%	17%
🚆	6%	14%	82%
Kazakhstan			
🚌	5%	22%	-
🚆	92%	77%	100%

International Agreements

International Cooperation Agreement	Accession by Georgia
Nairobi Convention (1977)	2009
Geneva Convention (1982)	1999
TIR Convention (1975)	1994
HS Convention (1996)	2009/ 2011
Istanbul Convention (1990)	2010

Important Consideration

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; signed on June 27, 2014

- Includes the establishment of a deep and comprehensive free trade area (**DCFTA**)

- The perspective of accession of Georgia to the **Convention on a Common Transit Procedure** and joining **NCTS** community as an obligatory requirement is considered as a medium-term initiative and must be ensured within following four years.

Existing Practice: C2C Data Exchange

TURKEY
(in production since April 2014)

- Agreement between the Government of Georgia and the Government of Republic of Turkey on the Joint Use of Land Crossing Points

- Real-time data exchange

- Used for operational purposes

- Data is exchanged through a secure VPN channel

- No particular standards are adopted

UKRAINE
(in production since 2012)

- Protocol on Organizing the Exchange of Preliminary Information on Goods and Vehicles Transiting across the State Borders of Georgia and Ukraine

- Periodic batch data exchange

- Used for analytical and RM purposes

- Data is exchanged through a secure VPN channel

- No particular standards are adopted

Prospects and Challenges: Data Exchange

Country / Association	Coverage	Status
GUAM 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	• Exchange of advanced information for risk management and procedure simplification purposes	Under ratification
Armenia Agreement between the Government of Georgia and the Government of Republic of Armenia on the Joint Use of Land Customs Crossing Points	• Real-time provision of electronic information	Technical protocols are under negotiation
Azerbaijan Agreement on the Joint Use of Land Crossing Points	• Real-time provision of electronic information	Under negotiation
Russia Basic Principles for a Mechanism of Customs Administration and Monitoring of Trade in Goods	• Periodic batch data exchange	In force, but no real steps undertaken
IRU MoU between the Customs Department, Georgian International Road Carriers Association and IRU for the Capture, Transmission, Management and Dissemination of Data for the Termination of the TIR Carnet Operations at Customs Offices of Destination	• Information exchange through TIRCuteWeb and CUTEWISE applications	ASYCUDA/TIR module under implementation No integrated data exchange

Assessment Methodology

Dimensions	Dissemination of Electronic Information	Reception of Electronic Information	Processing of Information
LEGAL ENVIRONMENT	Information is allowed to be disseminated	Electronic information is recognized	Information is required/allowed to be stored / processed
TECHNICAL INFRASTRUCTURE	Real-time provision of data is enabled	Consumption of real-time data is enabled	Collection, storing and processing of data structured according to international standards is ensured
EXPERIENCE AND CAPACITY	Ability to ensure provision of real-time data is observed	Ability to ensure consumption of real-time data is observed	Collection and processing of required information on regular basis is observed

Evaluation

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.

Overview of Results
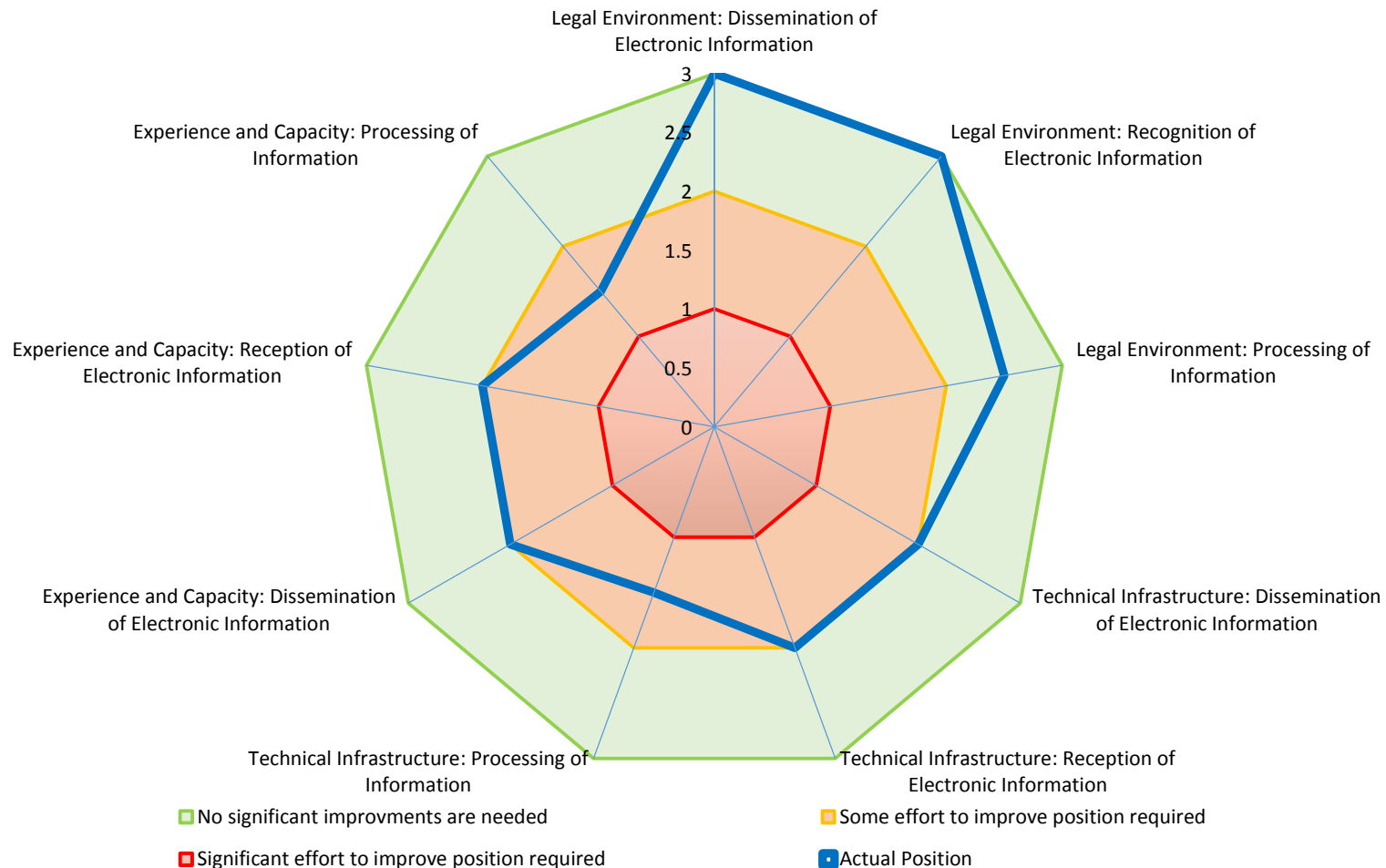
LEGAL ENVIRONMENT
- No particular gaps;
- Only small improvements on the level of operational regulations <u>might</u> be required

TECHNICAL INFRASTRUCTURE
- Lack of systematic approaches for implementing data exchange services and standards
- Some effort to ensure systematization of data and technology will be required

EXPERIENCE AND CAPACITY
- Incompleteness of data entered/processed
- Some regulatory and operational effort will be required to ensure proper collection and processing

Legal Environment

PROTECTION OF INFORMATION

- Personal information can be disseminated if corresponding agreement between parties exists
- Exchange of secret information between state authorities is allowed based on written request
- Foreign tax authorities are authorized via mutual international agreements to share and disseminate secret information

ELECTRONIC INFORMATION

- Electronic signatures of any form, when defined by a mutual agreement between two or more parties, have the same enforceability as a written signature
- Tax legislation recognize information submitted electronically and consider the submission of declarations (including customs declarations) electronically as equals to paper documents in terms of enforceability

Legal Environment

- The primary legislation 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 if there is an existing multilateral or bilateral agreement, leaving significant 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.

The project's implementation may require changes and/or amendments in secondary legislation and some procedural regulations to ensure collections, processing, provision and recognition of particular data sets.

Technical Environment: Automation

- **ASYCUDA World (eCustoms)**
- **"ORACLE"** Web based, in-house developed information system based on the Oracle® Database 10g platform

Operations	Automation Status	
Import/Export	eCustoms, ORACLE; automated	
Filings (Declarations)	eCustoms, ORACLE; electronic declaration available through eCustoms interfaces; electronic advanced available;	
Non-tariff Operations	eCustoms; Internal Transit Documents (T1 Form) electronic filling and processing are ensured	
TIR Operations	Are not integrated; processed through different IRU's applications; several attempts to implement ASYCUDA's TIR module (on-going)	
Risk Management (Tariff Risks)	eCustoms, automated	Gathering of information from external systems, as well as paper documents exchange are still in place
Risk Management (Non-Tariff Risks)	ORACLE, automated	

Technical Environment: Data Exchange

- Common practice: direct links between the DBs through secure VPN channels

- **WEB SERVICES** using the secured SOAP/HTTP, JMS, FTP, SMTP protocols
  - In the majority of cases, the connection is ensured through secure VPN channels, and open internet channels are rarely used
  - No particular standards are adopted
  - Both "call" and "push" methods are adopted
  - Both real-time and batch data exchange are adopted
  - Counterparties: foreign customs authorities, commercial banks, state authorities, economic operators

Technical Environment and Technical Capacity

- Georgian customs has enough technical capabilities, capacity and expertise to ensure the exchange of electronic information.

- Georgian customs has successfully implemented several data exchange projects, including real-time and batch information exchange with customs authorities through web services. Both "push" and "pull" methods, exchange of real time or batch data, have been used successfully.

- 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

- Lack of practice with regard to the use of digital signatures for authentication and security purposes.

Operational Context

- Some portion of transit information is not always complete and consistent

- Requires special attention and might need
  - **Revisions of codification of information**;
  - Revision of operational regulations (obligatory status of information);
  - Introduction of additional operational control mechanisms to ensure completeness and validity of information;
  - Capacity development activities to address this issue

Data	Adopted Standards / Recommendations
Goods	HS compatible
Countries	ISO 3166-1 numeric-3, ISO 3166-1 alpha-3
Currencies	ISO 4217; alphabetic-3, numeric-3
Customs Operations	Domestic
Customs Control Zones	Domestic
Delivery Conditions	INCOTERMS
Commercial Transactions	Domestic
Customs Tariffs	Domestic
Transport Modes	UN/CEFACT Recommendation No. 19
Packaging	UN/CEFACT Recommendation No. 21
Violation, etc.	Domestic

Human Capacity

- **Technical staff**
    - The IT team is capable of implementing a variety of different projects quickly and of a high quality.
    - However, 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.

- **Operational staff**
    - The operational staff processing transit information have not always provided regular and valid information. Information that is not considered to be critical by regulations is not always processed properly (e.g. code of means of transport, countries of origin, departure and destination).

External Environment: Turkey and Azerbaijan

- There are no expectations for obstacles from Turkey and Azerbaijan, neither technical, nor on the level of availability of data sets;

- The legislation environment of the countries provides a sufficient framework for implementing the data exchange: most of the legal issues can be resolved at the level of mutual agreements;

- It is anticipated that the existence of particular security standards for processing of electronic information (not adopted by Georgia customs) 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-codded information may be a resolution to this issue.

Conclusions

- Based on analysis of the existing legal environment, Georgian customs is judged to be **ready and able (legally and technically) to participate in the pilot implementation** of C2C real-time electronic exchange of transit data.

- However, Georgian customs will **require some additional support** to ensure the systematization of technical and operational approaches.

- There are no expectations for significant technical and legal obstacles coming from neighboring countries (Turkey and Azerbaijan), but information security standards, adopted by neighbors, could potentially require additional attention from Georgian customs.

Recommendations

- **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.

- **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).

Recommendations

- **Increase measures (both on the regulatory level and in actual practice) to ensure completeness of transit information**
  - Mechanisms (technical, regulatory, human capacity development) for controlling the collection of full sets of transit information, including TIR information should 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.

Recommendations

- **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;
  - Special attention should be paid to enhancing the team's capacities, particularly in relation to their capacities to effectively manage the eCustoms system.
- **Initiate the implementation of a unified approach for electronic data exchange practice**
  - Security standards, integration infrastructure, messaging standards, etc.

Special Considerations

- Georgia is obliged to accede to the **NCTS** community during the following years and, consequently, to enable electronic exchange of transit information with community countries through the NCTS system.

- Additional attention should be paid to **Kazakhstan**, as the country is a significant node for transit routes between Central Asia and Europe.

- Large portion of cargos, transported through Georgia, are originally destined to **off-shores**. These routes are potential subjects of re-routing.

Thank You for Attention!

Questions?