



TECHNICAL ASSISTANCE REPORT

UKRAINE

National Revenue Strategy Implementation in Customs Administration

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Abbreviations and Acronyms

| | |
|--------|--|
| ACCS | Automated Customs Clearance System |
| ACI | Advance Cargo Information |
| AEO | Authorized Economic Operator |
| AI | Artificial Intelligence |
| ARMS | Automated Risk Management System |
| AWB | Airway Bill |
| B/L | Bill of Lading |
| CCD | Customs Competences Division |
| CD | Capacity Development |
| DTP | Digital Transformation Program |
| EAD | Electronic Advanced Data |
| EU | European Union |
| EU4PFM | EU Public Finance Management Support Programme for Ukraine |
| FAD | Fiscal Affairs Department |
| IMF | International Monetary Fund |
| IMO | International Maritime Organization |
| IT | Information Technology |
| KPI | Key Performance Indicator |
| MASP-C | (EU) Multi-Annual Strategic Plan for electronic Customs |
| MoF | Ministry of Finance |
| MRA | Mutual Recognition Agreements |
| NRS | National Revenue Strategy for 2024-2030 |
| NVOCC | Non-Vessel Operating Common Carriers |
| RP30 | (SCS) Reform Plan 2024-2030 |
| SAIS | Single Automated Information System of Customs Authorities |
| SCS | State Customs Service |
| SSSCIP | State Service of Special Communications and Information Protection |
| STS | State Tax Service |
| UCC | (EU) Common Customs Code |
| UCDF | Ukraine Capacity Development Fund |
| VAT | Value Added Tax |
| WCO | World Customs Organization |

Preface

An IMF Fiscal Affairs Department (FAD) mission took place in Vienna, Austria, from February 17 to 21, 2025, aimed at assisting the Ukrainian Ministry of Finance (MoF) and the State Customs Service (SCS) in implementing the National Revenue Strategy (NRS) of Ukraine.

The mission's purpose was to review the implementation of customs components of NRS. It also, on request, provided advice on: (i) change management, (ii) use of advance cargo information, random selection, and centers of excellence in risk management, and (iii) information technology development in SCS. It also discussed a plan for FAD capacity development (CD) on customs administration.

The mission was led by Mr. Tadatsugu Matsudaira (FAD), and comprised Mr. Mohammad Ehteshamul Hoque (FAD), Ms. Barbara Hebert, and Mr. Tadashi Yasui (FAD experts). They engaged in productive discussions with a Ukrainian delegation led by Mr. Oleksandr Moskalenko, Director of Customs Policy Department, MoF, and Mr. Vladyslav Suvorov, Deputy Head of the SCS. The delegation also featured key representatives from the SCS: Ms. Alina Brendak, Director of Department for Digital Development, Digital Transformations and Digitization; Ms. Valentyna Perepelytsia, Head of the Division, Customs Risks Profiling Department; Ms. Tetiana Rudolska, Chief State Inspector of the Information and Analytical Support Unit; and Ms. Iuliia Soldatova, National mid-term expert on customs legislation and customs business processes. At a hybrid session on IT Development, Mr. Oleh Nikolaichuk, Deputy Head of SCS on digital development, digital transformations, and digitalization, and Mr. Oleksandr Stoiev, Deputy Director of the Department for digital development, joined the discussion remotely from Kiev.

The team also virtually met with representatives from the European Union (EU) Public Finance Management Support Programme for Ukraine (EU4PFM), including Mr. Vytenis Ališauskas, Ms Kateryna Danilchanka and Mr. Dragan Jeremic and the staff of World Customs Organization, Andrea Hampton.

This note summarizes the mission team's observations and recommendations, with detailed outlines of the work provided in separate annexes.

Executive Summary

In 2024, Ukraine's customs revenue grew by 28.7 percent while the imports grew just 11 percent.

This impressive performance resulted from a combination of reforms in trade-related tax policy, customs administration, procedures, and compliance management. To promote economic recovery, the government introduced changes to trade-related duties and taxes, including the temporary exemption of value added tax (VAT) on key imports and the suspension of certain tariffs on critical goods until the end of martial law. Regarding customs reform and modernization, the State Customs Service (SCS) follows the National Revenue Strategy of Ukraine for 2024-2030 (NRS). The SCS and the Ministry of Finance (MoF) have committed to further improving revenue performance and compliance management by implementing the NRS.

The implementation of the NRS customs component has made firm progress in its first year while continued efforts to implement the NRS and improve Key Performance Indicators (KPIs) are advisable.

Customs law amendments modernizing the customs legal framework were submitted to Parliament. Several information technology (IT) systems were created/updated. The SCS Reform Plan 2024-2030 (RP30) with KPIs was adopted, following which the SCS NRS Steering Committee (SC) and reporting mechanism were developed and are in use. While many KPIs have been adopted, they predominantly focus on technical and supply-side indicators. To better serve senior decision makers, a set of high-level and outcome-oriented KPIs are needed.

Two topics were discussed related to the implementation of the NRS. First, the SCS is encouraged to pursue its intent to develop its first formal rotation policy to address anti-corruption and to facilitate re-assignment of good personnel to areas of need. Second, the Authorized Economic Operators (AEOs) program was discussed. The mission team advised that SCS needs to decide whether to increase the number of AEOs under the current program or to seek mutual recognition with foreign countries by making the criteria and conformity assessment more stringent. Regardless of the choice, a consultative mechanism dedicated to AEOs is needed.

The SCS is interested in improving the way it is managing its reform program and change management was discussed. SCS has identified that the potential resistance by stakeholders to its reform program represents a high risk for the organization. SCS will want to develop a stakeholder engagement strategy for both internal and external stakeholders to encourage understanding and acceptance of the reform plan and to mitigate opposition. SCS also intends to update its Communications Strategy to reflect the NRS and this strategy should include different approaches for communications and consultations for various audiences, each with targeted messaging.

Improvement in automated risk management and targeting is important for the SCS to enhance compliance and facilitate the international supply chain. SCS has benefitted from learning from others, particularly non-EU members, and, in this instance, Japan. The topics covered institutional risk management through a national targeting center, and the use of advance cargo information (ACI) in selectivity. The SCS learned from Japan's experience and challenges, which are common to the SCS, and solutions which can be applicable to the SCS once the airlines and maritime transport operators resume international cargo transportation.

The SCS, with support from the EU, has implemented the Customs IT Strategy. Meanwhile, the MoF has launched a Digital Transformation Program (DTP) seeking a collaborative mechanism with MoF, State Tax Service (STS), SCS, and other authorities whose activities are coordinated by MoF for consolidation of IT infrastructure and resources, development of a unified data warehouse, and modernization of core business systems in a coherent manner. The SCS conceptually supports the implementation of MOF's DTP and is providing the necessary information on its IT resources, current IT systems, and on-going projects, as well as future plans.

Recommendations

| Customs implementation of NRS | | |
|---|--|---------|
| 2.1 | Develop a set of high-level and outcome-oriented KPIs to track the implementation of the NRS as well as to undertake revenue trend analyses. | Q2 2025 |
| 2.2 | Consider carefully all key aspects of a formal rotation policy of the SCS officials and develop a multifunctional mechanism of support, including funding, and flexibility to meet the SCS's needs in this area going forth. | Q2 2026 |
| 2.3 | Rationalize the AEO program in terms of participation, requirements and conformity assessment. | Q4 2025 |
| Change management and stakeholder engagement | | |
| 3.1 | Develop and implement an internal and external engagement strategy to address the anticipated resistance to the reform agenda. | Q3 2025 |
| 3.2 | Update the Communications Strategy to develop and implement comprehensive approaches for targeted audiences with tailored messaging. | Q4 2025 |
| 3.3 | Identify, in the Communications Strategy, which activities lend themselves to communication and information approaches, and which ones would benefit from consultation and feedback. | Q4 2025 |
| Selected issues in customs risk management | | |
| 4.1 | Ensure operational procedures are established to deal with high-risk cargo identified through advance cargo information. | Q4 2026 |
| 4.2 | Ensure the planned roll-out of Automated Customs Clearance System (ACCS) "Center" according to schedule and further development of the unit for customs competencies with automated allocation of declarations. | Q4 2025 |
| 4.3 | Ensure the automated system sends a clear message mentioning the reasons and other details for physical examinations. | Q2 2026 |
| 4.4 | Consider the use of artificial intelligence and machine learning in strengthening selectivity-based targeting practices. | Q1 2027 |
| IT Development and MoF Digital Transformation Program | | |
| 5.1 | Compile a list of revenue related IT systems, including customs and tax administration data exchange, special regimes, and special duty exemptions in a group, and include this group in the grand design of SCS IT resources. | Q1 2025 |

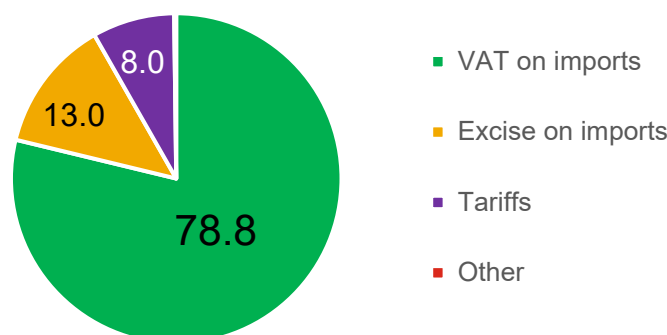
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| 5.2 | Improve the IT development process by enhancing teamwork and project management expertise with possible internal and external support. | Q3 2025 |
| 5.3 | Support drafting the MoF DTP by sharing SCS's information and lessons learned, ensuring alignment with SCS IT strategy, and ensuring DTP improves on-going SCS IT projects' planning, development, and implementation. | Q1 2025 |

I. Background

1. **Despite the challenging situation caused by the war, Ukraine demonstrated an import growth of approximately 11 percent in 2024 compared to the previous year.** This growth is reflected in the increased demand for essential goods. Ukraine's major imports included energy products (such as natural gas and oil), machinery, agricultural equipment, pharmaceuticals, and food products. The primary sources of these imports were diverse, with significant contributions from EU countries, particularly Poland, Germany, and Italy, as well as from the United States, Canada, and China.

2. **Although there were challenges such as border closures and exemptions on various products, customs revenue grew by 28.7 percent in 2024, outpacing the growth of imports.** Customs collections accounted for approximately 10.8 percent of GDP and 38.4 percent of total tax revenue. This impressive performance¹ resulted from a combination of reforms in trade-related tax policy, customs administration, procedures, and compliance management. Year-to-year analysis and quantifying each reform effort are challenging as policy continued changing. To promote economic recovery, the government introduced changes to trade-related duties and taxes, including the temporary exemption from VAT on key imports and the suspension of certain tariffs on critical goods such as energy resources and agricultural inputs until the end of the martial law. The foregone revenue in 2024 was equivalent to 39.0 percent of customs revenue. Regarding customs reform and modernization, the SCS, following the NRS, introduced streamlined customs procedures with risk-based targeting, enhanced IT, and a strengthened legal framework to modernize the institution. Details of these reforms are provided in subsequent sections of this report. The composition of customs revenue is indicated in Figure 1.

Figure 1. Customs revenue composition in 2024 (percent)



(Source. SCS)

3. **The SCS and the MoF have committed to further improving revenue performance and compliance management by implementing the NRS.** Many challenges remain including availability of staff and funding. Ongoing support from development partners will be important.

¹ Including 57.9 percent increase of tariffs, and close to 150 times increase in Excise on imports.

II. Customs Implementation of the NRS

A. Findings

4. **The implementation of the NRS through the SCS Reform Plan 2024-2030 (RP30) has made firm progress in its first year.** According to the SCS, 27 percent (42 of 156 measures) of the planned activities have been completed. These achievements primarily include the development of draft legislation and regulations, which have laid the groundwork for more challenging measures.

5. **In September 2024, the Parliament passed “the law on Customs Reform” (registered under number 6490-d, and Law Number 3977-IX),² hereinafter referred to as “the new law.”** This is seen as a significant step towards aligning customs legislation with EU standards and creating a transparent and customer-oriented regime. The next major challenge is to ensure the new law is fully compliant with the EU’s Union Customs Code (UCC)³ and regulations. Other important provisions in the new law include:

- Transparent process for recruitment of the Head of SCS with the help of an international panel of experts;
- Independence of the Head of SCS from political pressure and removal would only be possible after due process;
- Anti-corruption measures;
- Re-certification of customs officials; and
- Determination of the minimum salary of customs staff.⁴

6. **To monitor, evaluate, and guide the implementation of the NRS, a Steering Committee (SC) was established, chaired by the (acting) Head of the SCS.** In addition to representatives from the MoF, the SC includes ‘Reform Leaders’ from various units of the SCS. The primary mandate of the SC is to review implementation-related decisions made by the SCS based on the NRS and its subsequent revisions. For example, in its meetings started in September 2024, the SC adopted the Risk Register for the Non-Implementation of the RP30, KPIs for measuring progress in achieving the goals defined in the RP30, and revisions to RP30. The SC is basically organized quarterly.

KPIs

7. **The initial list of KPIs for the implementation of the NRS measures was approved in October 2024 and will be subject to ongoing review.** It is commendable that the SCS has already developed primary results for 2024 in a short period. Following FAD’s recommendation, the SCS is

² Prior to this law, “the law on Amendments to the Customs Code of Ukraine regarding the implementation of certain provisions of the Customs Code of the European Union” was also passed (Registered number 10411, August 2024, and Law number is 3926-IX).

³ [The Union Customs Code \(UCC\) – Introduction - European Commission](#)

⁴ Base salary is calculated as a multiple of the minimum wage.

reviewing the list of KPIs with the aim of improving them and developing selected high-level and outcome-oriented KPIs (Strategic KPIs), likely to be up to ten, some of which will be published.

Anti-corruption measures

8. Strengthening anti-corruption measures and enhancing trust in customs is identified as one of the key priorities in the NRS. The new law introduces several human resources conditions, such as professional certifications, integrity checks through polygraph tests, staff rotation to different work streams, creation of reserve personnel, and motivation and social guarantee schemes. Additionally, the use of body cameras during customs formalities is being pilot tested for multiple purposes, including anti-corruption.

AEO program

9. Significant progress has been made in the expansion and coverage of the AEO program. By the end of 2024, 77 companies had obtained AEO status, compared to 23 in 2023 and only two in 2020. In comparison with the EU AEO program, most Ukrainian AEOs are certified for Customs Compliance (AEO-C)⁵, with only three companies meeting the criteria for both compliance and security (AEO-F). The SCS aims to increase the number of AEOs and enhance the program to facilitate future Mutual Recognition Agreements (MRA) with foreign countries.

B. Advice

KPIs

10. In the KPIs review, guiding principles are needed. The KPIs should be clear, accurate, relevant, and measurable. They should be representative of the workstreams and avoid overlap (e.g., similar KPIs) because too many KPIs lead to information overload, making it difficult to focus on the most critical performance indicators. This can dilute attention and resources, reduce clarity, and complicate decision-making processes. Newer, well-chosen KPIs will help maintain focus on key objectives and ensure that efforts are aligned with strategic goals. Baseline performance information is important and should be used for comparison whenever possible.

11. KPIs have a hierarchical structure as do the structure of strategic objectives and actions. KPIs of lower hierarchy tend to be supply side, output oriented, e.g., the number of post clearance audits conducted. KPIs of higher hierarchy are for higher decision makers and should be few and outcome oriented. An example is indicated in Box 1, recognizing that this would not function properly if there were many changes in trade policy, taxation policy, logistics availability, disaster, and other distractions within a year. Some examples of KPIs for customs administration are available for reference.⁶

⁵ To meet the condition of AEO-C, companies must prove customs compliance, appropriate record keeping, and financial solvency. To obtain AEO-S, in addition to the requirements for AEO-C, businesses must also meet safety and security standards.

⁶ Matsudaira et al (2022). "Customs Matters: Strengthening Customs Administration in a Changing World". (IMF, 2024). Particularly, Appendix A: Examples of Customs Administration Key Performance Indicators.

Box 1. An example: outcome-oriented KPIs

$$P(\%) = \frac{\text{Annual growth rate of Customs revenue}}{\text{Annual growth rate of Imports}}$$

$$= \frac{[(\text{Customs revenue of year } X) - (\text{Customs revenue of Year } x - 1)]/(\text{Customs revenue of Year } x - 1)}{[(\text{Imports of year } X) - (\text{Imports of year } X - 1)]/(\text{Imports of year } X - 1)}$$

The ratio 'P' indicates overall customs revenue performance (including collection through post clearance audit (PCA), penalties).

The benchmark is the annual growth of imports (customs revenue base).

Defense-related imports should be removed from both imports and customs revenue.

The baseline depends on the country's trade policy, trade pattern, and compliance level. It may start with 100 percent and be tested.

(Source. FAD mission team)

Anti-corruption measures

12. The SCS is looking to develop a more robust and formal rotation policy and sought advice from the FAD mission team. Before deciding on specific tactics, there needs to be clarity on what SCS is trying to achieve with such a policy. The purpose may be to address concerns about corruption and integrity, operational capacity at key border crossings or offices, or to enhance skills and retention, or all the above. For example, situations where staff rotation may be effective include:

- Assignment of good managers and/or officers to other sites to help improve the performance of a lower-performing site;
- Mitigation of the perception or occurrence that officers staying in one location too long may participate in inappropriate conduct; and
- Standardization of operational procedures across the SCS so that traders have confidence and trust that procedures are consistent across all border crossings.

13. To address corruption, a rotation policy could be one part of a comprehensive suite of policies that is in place. At a minimum, these measures include an up-to-date Code of Conduct and Ethics, which is well understood by all and enforced by management through a transparent disciplinary process. In addition, performance management must be undertaken to ensure that staff have clear expectations of what is expected of them and are held accountable for the achievement or not of those expectations. Successful performance management requires the presence of capable and confident supervisors, and this may require some training or coaching to position supervisors to do this effectively.

14. In moving forward, it may be necessary to ensure clarity on career expectations for several parties. On the part of individual officers, a clear understanding of what to expect from a career as a customs official will facilitate the rollout of future assignments and relocations, including for

professional development purposes. Communication and/or consultation may also be required or be beneficial with staff representatives, such as staff associations or unionized labor.

15. The rotation policy should be adapted to the different positions within the customs administration. Some administrations choose to rotate their front-line customs officers at border crossings on a frequent basis (e.g., between 6 and 24 months). However, some specialized positions require extended periods in the job to develop fully the required skill levels; rotating staff out of these positions too early thwarts the investment made by the customs administration and the employee. Such positions include, for example, post-clearance auditors, intelligence officers, risk assessment officers, and customs investigators.⁷

16. A critical tool for successful implementation of a rotation policy is a human resources database or management system. This repository should contain profile data on each staff member, as well as information about the various assignments undertaken, performance assessments from those assignments, training and learning activities completed, demonstrated competencies, and career aspirations. Having this information at hand will more easily allow management to schedule and allocate staff for optimal benefit for both the customs administration and the staff member.

17. The following Box 2 summarizes some key points for consideration in designing and implementing a formal rotation policy for staff.

⁷ As specialists of center of excellence is located away from traders, they may be categorized in this group, too. Such treatment would further accumulate knowledge and know-how on transaction in their domain.

Box 2. Tips for Designing and Implementing a Staff Rotation Policy

- As a starting point, apply this to new recruits. Once this is in place, the principles can be rolled out to other officers.
- Ensure that the job offer, which constitutes the terms and conditions of employment (i.e., the “contract”), clearly specifies that rotation is part of officers’ future.
- Ensure any relevant other legal or other implicit employer obligations support the rotation policy. These may include the job description, employment contracts, and any institutional agreements between the employer and the official staff representatives (e.g., staff union or association).
- Have a generic job description for all similar positions (e.g., front-line customs officers) so that deployments to other locations would not constitute a change in duties.
- Consider a regional rotation area or, if distances are very large, a specified distance (e.g., within 200 kms.) within which deployments may be assigned.
- Ensure that appropriate support mechanisms are in place to assist officers assigned to remote or harsh locations (e.g., family housing, educational facilities, medical services, difference in cost of living, etc.).
- Allocate the necessary funds to properly implement these support mechanisms and the required management tools, such as a human resources management system.
- Upon recruiting new officers, specify that officers will not be deployed to the geographical where they were brought up or live. This is to mitigate any discomfort for the officer or perception more broadly that preferential treatment is being requested or offered to known persons or businesses.
- Adopt some flexibility in the rotation policy to consider compassionate circumstances. Such situations may include health or disability of the customs officer or his/her family, the family unit comprises young children with educational requirements, etc.
- Apply prudently a rotation policy to positions that require extended periods to fully develop expertise. Consider the interests of the customs administration and the availability of specialized staff to ensure skilled professionals are available to deal with complex and challenging customs issues. If the rotation policy would apply to specialized streams, a longer period between rotations should be considered (e.g., three years minimum).

(Source: FAD mission team)

18. Additionally, the SCS is actively working to enhance its internal control and internal audit systems as part of its anti-corruption initiatives. To support these efforts, the SCS has requested capacity building assistance from the FAD.

Authorized Economic Operator (AEO) program

19. The SCS needs to clarify the medium-term goal of its AEO program. The choice is either to improve the AEO program to facilitate negotiating mutual recognition arrangements with foreign countries or to increase the number of AEOs. Depending on the state of the AEO programs in Ukraine and its partners, the Ukrainian AEO program may need to enhance conditions and conformity assessments⁸, which could apply to current AEOs. This option might disincentivize new applicants and cause some current AEOs to withdraw. To increase the number of AEOs, promotion measures could include

⁸ For example, an AEO must create a mechanism to ensure compliance in its business partners and its monitoring.

improving benefits and relaxing conditions and conformity assessments. In many countries, a dedicated rapport with customs and other trade-related government agencies is regarded as an AEO benefit. Regardless of the choice, creation of a consultative mechanism dedicated to AEOs is advisable.

Recommendations

- 2.1** Develop a set of high-level and outcome-oriented KPIs to track the implementation of the NRS as well as to undertake revenue trend analyses.
- 2.2** Carefully consider all key aspects of a formal rotation policy of the SCS officials and develop a multifunctional mechanism of support including funding and flexibility to meet the SCS's needs in this area going forth.
- 2.3** Rationalize the AEO program in terms of participation, requirements and conformity assessment.

III. Change Management and Stakeholder Engagement

A. Findings

20. The SCS is interested in improving the way it is managing its reform program. It has undertaken detailed planning to support the NRS, has built a quarterly monitoring and reporting structure to the SC and the MoF, has internal monthly monitoring, and undertakes many outreach activities with various stakeholder groups. It does not have a structured change management plan to help institutionalize the reforms into the organization's business and culture. Having a more formal and documented change management plan is SCS' intention for the future and will lead to tangible outcomes.

21. The SCS states that its aim is to have maximum digitalization in Ukraine. Part of this plan includes improvements in risk management, increased automation that would allow for better workload management, and reduced direct interface between clients and customs officers processing customs clearance. This means improved efficiency and effectiveness, and decreased opportunities for the perception or the reality of corruption. These changes will impact both staff and clients and have significant implications for change management. Resistance can be expected. In fact, in the SCS' risk register approved in late 2024, the potential impact of resistance from stakeholders was identified as high.

22. The perception of how the SCS carries out its responsibilities is fundamental to being able to move forward with a modernization plan. The public wants customs to reform itself before authorizing new powers (e.g., for law enforcement purposes). Therefore, increasing public trust in the customs administration is a prerequisite to progress in this regard. A recent independent survey found that many participants (54 percent) believe transparency has improved; while this is encouraging, there is more work to do.

B. Advice

23. The SCS realizes that it has a gap in institutionalizing change management and in integrating it into the implementation of its reform agenda. It wants to have a structured and documented process. Such a process includes the roadmap for change at the strategic level, and SCS reform should be guided by one strategic document under the ministry responsible for customs administration, i.e., the MoF and the NRS. Parallel customs reform initiatives should be avoided and consolidated into the NRS. The strategic level road map is supported by more detailed operational and project plans, a stakeholder management strategy, and a communications and consultation strategy. The SCS has already addressed some pieces of this through the establishment of strategic and operational plans and the articulation of the role of the SC. More work can be done on the elaboration of a stakeholder management strategy and an updating of the communications strategy.

24. This process can be viewed through the lens of three key elements: leadership, business readiness, and communications and consultation.⁹

25. It is critical that strong and visible leadership plays a role in the management, promotion, and communication of the reform agenda. The senior leadership of the SC is of course fundamental. It is responsible for the overall execution of the reform plan, the allocation of appropriate resources, for securing higher level and horizontal support, and otherwise addressing obstacles to progress. In addition, leaders exist throughout the organization, and everyone needs to be on the same team advancing the modernization efforts. SCS holds virtual meetings with the heads of its 26 administrative regions to communicate information and it receives feedback. However, ensuring that management at all levels understand the vision, are engaged to accomplish it, and are ready to promote and communicate it will be extremely beneficial in answering questions from staff and clients and in mitigating the anticipated resistance to some of the reforms. Additional training and/or coaching may be required to prepare managers and supervisors to have these interactions, but this involvement often provides an opportunity to strengthen managerial skillsets.

26. The SCS' priority to implement the NRS was the legal foundation, particularly regarding the new Customs Code and various draft regulations. It felt that it was mandatory to have this in place to meet EU requirements and to otherwise modernize its processes. The SCS has shared information frequently with internal and external stakeholders on this work, particularly on specific products such as draft regulations. In addition, the SCS has prepared extensive plans, cascaded that process via workplans and project plans throughout the organization, implemented a rigorous monitoring and reporting process, undertaken communication events with a multitude of players and tools, and had surveys of staff and clients performed, all in the spirit of trying to ensure readiness for NRS implementation.

27. While the SCS has numerous interfaces with its stakeholders, a structured process where there are clear expectations about engagement would also be an asset. This would apply to both internal and external stakeholders. Internally, this could mean regularly scheduled briefings to staff about progress and to give them the opportunity to seek clarification. If there is an existing mechanism to engage with employee representatives, such as staff associations or labor unions, this avenue could also be included. Externally, this could mean using existing committee structures if appropriate or creating new ones. Advice is to meet regularly (may be quarterly or semi-annually depending on NRS implementation) to discuss progress, how the client community can or will engage in the changes, and what the impacts mean for them. If there are NRS implications for other government entities involved in the border process or otherwise (e.g., STS), discussions with them should also occur. Discussing the broad direction of the NRS in addition to detailed initiatives would ensure all stakeholders understand where the SCS is heading in the longer term.

28. The SCS intends to update its Communications Strategy to reflect the NRS. This is an important initiative as the SCS is facing an extensive communications workload over the coming years with some anticipated resistance to its work. This updated strategy should identify the various audiences, prepare for tailored messaging, use different tools (e.g., in person, video conferencing, website publications, social media) as the SCS already does well, and plan the sequencing and timing of

⁹ See VITARA

communication activities (e.g., internal audiences should be informed of changes at least no later than external audiences). The overall goal of communications is to provide clear and transparent messages, to explain the reasoning behind changes, what this means for the specific audience, and what the advantages are in moving forward. Messaging needs to be tailored for different audiences and needs to be presented in digestible quantities. It is possible that some training may be required if new or inexperienced communicators (e.g., managers) may be included in the delivery strategy. It is also highly likely that the communications strategy would be updated over time as events and experience dictates. The updating of the communications strategy in 2025 will be undertaken with the support of the EU Public Finance Management Support Programme for Ukraine (EU4PFM).

29. The communications strategy should distinguish between events to transmit information and those intended for consultation and input. Management is responsible for making decisions about moving the organization forward. Sometimes there will be an interest in providing information on decisions taken and sometimes there will be an interest in seeking input and feedback before finalization of a decision. It is important for the success of the event that clear expectations exist prior to its being held about management's goal. It is in management's interest to consult, where it can, to increase engagement and buy-in. Consultation must be undertaken in a transparent fashion where input is received with an open mind. However, there should be no misunderstanding on the part of the audience nor on management, that there is no obligation to action the input. The obligation is to be willing to hear and consider it.

30. The SCS wants to institutionalize its reform agenda. This has several aspects, including establishing the processes to plan, manage, monitor and govern the NRS which SCS has done. It also includes taking steps to ensure the new approaches or ways of doing business are anchored in organizational culture. This translates into creating better performance through productive behavior and strengthening management effectiveness. It is paramount that the connection between the expected new behaviors and organizational success be articulated. In short, the whole organization must think and behave in the new way. The challenge in managing change is to balance the "what" (systems, processes, etc.) and the "how" (people's behavior, culture and values), with greater attention on the latter.

31. Being able to demonstrate some short-term wins will facilitate acceptance and institutionalization of reforms. Management may have to plan for visible improvements of performance and should communicate these as evidence of progress. Of course, one should make sure that the improvement will be sustained as declaring success too early may produce the opposite of the intended result. In addition, recognizing and rewarding people who made those wins possible will be motivational for others, and builds faith in the effort, attracts support, and mitigates cynicism.

32. There are some steps that the SCS can take to address the potential resistance to some of its initiatives. Resistance is the normal and most frequent reaction to change and is not exceptional. However, organizations need to be proactive to manage it. This includes ensuring that enough time is spent on dealing with the people issues, ensuring that managers and supervisors have the tools to be able to discuss issues with staff and clients, and ensuring that consistent messages exist for all stakeholders so as not to feed doubt.

33. In summary, the SCS is implementing many good practices in managing the NRS reform agenda and can enhance its change management approach by adopting some additional ones. A summary of some lessons learned from implementing large-scale reforms is presented in Box 3.

Box 3. Some Lessons Learned in Implementing a Reform Agenda

- Clarity of vision
- Mandating a change and explaining why it is needed
- Creating a champion/advocate for the change initiative

- Not assuming people “know” what to do, how to do it, etc.
- Extensive communication and consultation – clear, simple and sincere
- Creating coalitions to get buy-in from leaders, staff and all stakeholders; stakeholder management plans to outline how to engage

- Removing the obstacles to implementation
- Systematically planning for and creating short-term wins
- Having the changes embedded in the organizational culture

- Leaders should be models of behavior
- Leaders are not only at the highest organizational level – they exist throughout it
- Clear roles and responsibilities

- Clear expectations of what each unit and person is supposed to do (plans)
- Continuous effort to measure progress/performance
- Recognize and reward people on their progress

- Hire, promote, and develop people who embrace the organization’s vision
- Invest in learning and technology

(Source. FAD mission)

Recommendations

3.1 Develop and implement an internal and external engagement strategy to address the anticipated resistance to the reform agenda

3.2 Update the Communications Strategy to develop and implement comprehensive approaches for targeted audiences with tailored messaging

3.3 Identify in the Communications Strategy which activities lend themselves to communication and information approaches, and which ones would benefit from consultation and feedback

IV. Selected Issues in Customs Risk Management

34. The SCS has developed the customs clearance ICT system, Automated Customs Clearance System (ACCS), with Automated Risk Management System (ARMS), which processes selectivity for 100 percent of cargo imported to Ukraine. Currently, 99 percent of goods declarations are filed electronically in ACCS. Accordingly, 100 percent of cargo imported to Ukraine was processed by ARMS. ARMS is an automated risk-based selectivity system and also has the function to select a no-risk cargo randomly to documentary examination or physical inspection for verification purposes.¹⁰ The SCS is interested in improving targeting, which is being implemented by targeting centers, and the use of advance cargo information (ACI) in selectivity. The SCS is gaining knowledge from other countries' practices, and this time, specifically requested information of a non-EU advanced country, Japan. The slides to explain Japan's experience are attached as Annex 1 (use of ACI in risk management) and Annex 2 (center of excellence).

35. Additionally, the SCS is centralizing the functions of ACCS. ACCS was developed originally as a decentralized system which means that multiple servers are in different regions, the information is created and processed at the regional level and subsequently sent to the central database, and making system maintenance and table management difficult. Accordingly, the SCS is in the process of replacing the decentralized ACCS (ACCS "Inspector") with the centralized ACCS (ACCS "Center"). The ACCS "Center" enables remote declaration processing for documentary verification or by the competence center for certain specified goods.

A. Advance Cargo Information (ACI)

36. Japan Customs' requirements for ACI data submission is based on the mode of transport. For maritime containers, a Master Bill of Lading (B/L) and House B/L must be submitted loading by shipping companies and Non-Vessel Operating Common Carriers (NVOCC). Air cargo and express cargo require the submission of an Air Waybill (AWB) and House Manifest three hours before arrival. Additionally, postal parcels require Electronic Advance Data (EAD) to be filed before arrival. Japan Customs emphasizes the importance of timely and accurate data submission to avoid operational delays and the potential for physical inspections if data is incomplete or non-compliant.

37. Japan Customs has a legal provision to order 'no-load' to the means of transport destined to Japan. Using this as a last resort, Japan Customs consults with the transport companies and NVOCC to submit revised ACI with accurate data before the deadlines. In reality, the cargo identified as high risk is generally allowed to discharge in Japan and moves to goods declaration where the high-risk information is retained, and the selectivity selects this cargo for physical inspection. Regarding postal parcels, shipments identified high risk are screened by X-ray scanners where image analysis is supported by artificial intelligence (AI).

¹⁰ The SCS uses this testing periodically to test the alignment of risk indicators and parameters with the reality.

38. The SCS identified many similarities and common challenges as well as possible solutions from Japan Customs' practices and experience in risk-based control on ACI. The similarities include targeting methodology and IT system for targeting, and the common challenges include the difficulty of improving the quality of ACI and effective use of AI for targeting. The SCS learned of a possible solution to obtain accurate ACI in a timely manner although it raises the operational cost of 24/7 operations.

39. The SCS was informed that there are multiple times that a customs administration interrupts the cargo based on the ACI risk management. (i) Before the ship departs from the exporting country, the importing country's customs can order 'no load' when the cargo is identified as high risk, or the adequate cargo information is not submitted to the customs in a timely manner. (ii) Before the ship discharges the cargo in the importing country, the ship cannot discharge the cargo without customs consent. This process is stipulated in the International Maritime Organization (IMO) general declaration and cargo declaration¹¹. (iii) When the cargo is discharged. (iv) When the cargo is under the goods declaration clearance process. Although it depends on the transport contract, the maritime transport operators usually prefer option (i) because if it carries the cargo but cannot discharge at the destination and must return to the shipping country, all the cost may have to be borne by the maritime transport company.

B. Centers of Excellence

40. In Japan, the National Intelligence and Targeting Center (NITC), plays a pivotal role in enhancing customs operations through advanced risk assessment and targeting methodologies. It leverages comprehensive data analysis and IT systems to evaluate cargo information, enabling effective identification of high-risk shipments. By employing a systematic approach to risk classification, the NITC categorizes cargo from low to high risk into 10 clusters and determines appropriate control actions, thereby facilitating efficient customs processing while maintaining security. The center's focus on continuous improvement and adaptation to emerging threats ensures that customs practices remain robust and effective in a dynamic global trade environment.

41. The SCS also operates units authorized to perform targeting centers, but it faces staffing challenges. They oversee (i) collection and analysis of information, (ii) risk identification, (iii) coordination and control of customs procedures which are specified based on the risk assessment results, and (iv) management of countermeasures. Like other section of the SCS, the centers face staffing challenges under the current war-time situation.

42. Additionally, the SCS established a Customs Competence Division (CCD) on a pilot basis. Officers of the CCD are expected to carry out specific customs formalities on declarations (e.g., checking the correctness of classification, determination of the country of origin and value, etc.) transferred by the customs clearance division via ARMS. After the review at CCD, the results are returned to the customs clearance division via ARMS. The pilot takes place at ten western regional customs offices and covers a few specific goods (used forklifts; other loaders; bulldozers; and buses designed to transport

¹¹ [The IMO Compendium on Facilitation and Electronic Business](#)

10 or more people). The SCS needs to further develop the CCD with appropriate staffing,¹² which can reach full functionality with ACCS “Center”.

Recommendations

- 4.1 Ensure operational procedures are established to deal with high-risk cargo identified through advance cargo information.
- 4.2 Ensure the planned roll-out of ACCS “Center” according to schedule and further development of the unit for customs competencies with automated allocation of declarations.
- 4.3 Ensure the automated system sends a clear message mentioning the reasons and other details for physical examinations.
- 4.4 Consider the use of artificial intelligence and machine learning in strengthening selectivity-based targeting practices.

¹² Due to wartime constraints, only five employees are currently filling the roles originally intended for 20 in the staffing table for CCD.

V. Information Technology Development and the Ministry of Finance Digital Transformation Program

A. Findings

43. The Customs IT Strategy was approved and issued as a MoF Order No. 63 on September 2, 2024. The formal title is “Long term national strategic plan for digital development, digital transformation and digitalization of the State Customs Service of Ukraine and its territorial units based on the EU eCustoms Multi Annual Strategic Plan (MASP-C)”. The MASP-C is a comprehensive management and planning tool developed by the European Commission in collaboration with EU Member States and considered as a guiding principle for EU membership in the area of customs. Following the MASP-C, the Customs IT Strategy contains the strategic framework, objectives, and milestones necessary for the implementation of electronic customs systems, ensuring efficient and coherent management of IT projects in the customs domain compatible with EU member states. In view of the new trends in the EU IT systems and the drafting of a new Customs Code of Ukraine, the IT Strategy for Customs shall be refined by the end of 2025.

44. The SCS, with support from EU4PFM, has firmly implemented the Customs IT Strategy. The SCS needs to create new IT systems and improve its existing IT systems along with the MASP-C, including building the interfaces of information exchange for 17 critical ICT systems specifically related to the EU’s UCC.¹³ Achievements in 2024 included launch of ACCS “Center” (see next Paragraph) with Border Check Point Log, customs decision system, EU compatible transit system (New Computerized Transit System (NCTS) phase V), cyber help desk, automated release of goods, application of artificial intelligence (AI) to support risk analysis and targeting, and automated exchange of pre-arrival goods information with certain countries. Working with pertinent line ministries and agencies, the SCS is improving a Single Window currently covering permits/certificates of 12 ministries/agencies. The SCS considers cybersecurity and data protection important, takes prevention and mitigation measures, and has been granted respective certificates for its IT systems by the State Service of Special Communications and Information Protection (SSSCIP). The Customs IT landscape is made of a Single Automated Information System of Customs Authorities (SAIS), indicating core components such as IT systems and major users/stakeholders, and linkages between the IT systems.

45. In parallel to the IT systems’ alignment with the EU’s, the SCS is also working to centralize the IT systems. For example, decentralized ACCS “Inspector” is gradually being replaced with a centralized ACCS “Center”. ACCS centralization will facilitate the improvement of the system and

¹³ 17 ICT systems are UCC Customs Decisions System, UCC Binding Tariff Information (BTI), UCC Authorised Economic Operators (AEO) and impacts of Mutual Recognition Agreements (MRA), UCC Automated Export System (AES), UCC Transit System including NCTS, UCC Registered Exporter System (REX), Counterfeit and Piracy Information System (COPIS), EU Single Window environment for customs, Classification Information System (CLASS), UCC Economic Operators Registration and Identification subsystem 2 (EORI2), Customs Risk Management System 2 (CRMS2), e-Commerce & Customs Procedures 42/63 (CP 42/63), Import of Cultural Goods, UCC Import Control System 2 (ICS2), UCC Special Procedures, UCC Proof of Union Status (PoUS), and UCC Clearance for Import (CCI).

development of remote customs clearance (clearance processing (documentation verification) can be conducted by an official who is physically remote from the site where the cargo is located, which will enable equalizing workload across the border posts/regions as well as better use of the center of excellence where specific expertise on particular types of goods is retained).

46. For future IT development, the SCS is considering taking an in-house option with external assistance regarding the MASP-C compatible IT development, but certain stakeholders prefer an outsourcing option. To date, SCS IT systems were mostly developed by in-house capacity with a few exceptions of outsourcing. The idea of a hybrid is to keep the SCS IT resources, complemented by the external experts. The SCS is seeking advice from this mission regarding IT development options.

47. Meanwhile, MoF is, with support from FAD¹⁴, developing a Digital Transformation Program (DTP). The DTP aims to consolidate the IT resources and services of both the STS and SCS. This will be realized through the following elements:

- **Consolidation of IT infrastructure:** Consolidation of not only the infrastructure but also human resources under the 'Open Public Finance' (OPF), which is a state-owned company, as an independent provider of the consolidated IT services, utilizing clouding technology, likely without changing existing services or functionality.
- **Development of unified data warehouse:**¹⁵ Creation of a comprehensive data warehouse that aggregates information from STS and SCS, treasury, and other public finance departments, to facilitate compliance risk management, performance management, fiscal analytics, business intelligence, and transparency, thereby fostering increased trust.
- **Modernization of core business systems:** Upgrade the core business systems across all institutions of the fiscal system, primarily the STS and the SCS, to ensure operational efficiency and provide high-quality services to taxpayers.

48. The SCS agrees with MOF's DTP concept and is sharing information on its IT resources, current IT systems, and on-going projects, as well as the future plans. The SCS is interested in the compatibility between the two MOF documents—Customs IT Strategy and DTP. It is also interested in details of who is doing what in IT design, development, and use as well as the scheduling thereof. In addition, it is important to ensure the proper administration of existing customs IT systems and to establish responsibility for the smooth operation of these systems which may need amendment of the Customs Code of Ukraine.

B. Advice

49. The SAIS is equipped to capture the customs IT landscape and should include revenue collection and revenue leakage-related IT systems. Such systems include revenue accounting and reporting information, a SCS and STS data exchange platform, special regime management (e.g., customs warehousing, bonded manufacturer/inward processing, temporary admission), and special

¹⁴ For example, Andja, et al (2025). ^{""}. IMF Technical Assistance Report (February 2025).

¹⁵ Currently, technical requirements for the creation of a private cloud of the public finance management system are currently being developed, this cloud will allow to combination the resources of the existing data centers of the MoF, the STS, the SCS, and the State Treasury Service of Ukraine.

purposed exemption functionality (conditional exemption, such as end-use) which needs an inventory log, reconciliation, and tracing.

50. IT development options, such as in-house and outsourcing, contain advantages and disadvantages. Their enabling elements are different, and the best option depends on the local context. The FAD CD missions to date are only offsite missions and lack knowledge of local context. This CD mission is not in the position to indicate the best option to the SCS local context. Instead, it presents general advantages and disadvantages of in-house and outsourcing (see Annex 3). Among the cons listed in the Annex 3, the importance of basic documentation of IT development is emphasized regardless of the options (e.g., technical requirements, terms of reference, technical specifications, acceptance test reports, etc.), which is needed for future IT system assessment, debugging, maintenance, improvements, updating, and replacement. From this perspective, the in-house option may have more issues than an outsourcing option. Such deficiency could be mitigated by recruiting temporary IT experts in the in-house IT development team, which functional responsibilities should primarily include business analysis and development of relevant technical documentation for the systems. Needless to point out, outsourcing option's advantages and disadvantages depend on the quality of contract and alignment of the company's act with the contract. Therefore, contract design and management as well as conformity assessment capacity is definitively needed in the SCS side. As described before, all options have advantages and disadvantages. The option that best fits the local context should be selected by assessing those advantages and disadvantages, fitting with the local environment, including the regulatory framework and policy direction, and having mitigation measures for the cons.

51. It is commendable that the MoF has initiated the DTP and that both STS and SCS agree to be on board. For success, collective efforts are needed to ensure that the DTP improves the productivity and user satisfaction of IT development. Better alignment is needed in the DTP with the Customs IT Strategy and on-going SCS ICT projects, including design, development, and use. DTP development should leverage existing IT development in the SCS in terms of timing, availability of resources, accessibility to the system, and data for its use, such as database query. The SCS is advanced in the area of IT, as for example, 99 percent of goods declarations were submitted electronically, and 100 percent were screened by risk-based selectivity. Another example is cybersecurity.¹⁶ The SCS should champion change management in developing and implementing the DTP and take joint ownership in this process. Such proactive engagement will safeguard its satisfaction in the IT design, development, and use under the DTP.

Recommendations

5.1 Compile a list of revenue related IT systems, including customs and tax administration data exchange, special regimes, and special duty exemptions in a group, and include this group in the grand design of SCS IT resources.

5.2 Improve the IT development process by enhancing teamwork and project management expertise with possible internal and external support.

¹⁶ From this perspective, concern is expressed against the timing of data migration and timing of centralization (ACCS is in the middle of phased centralization).

5.3 Support drafting the MoF DTP by sharing SCS's information and lessons learned, ensuring alignment with SCS IT strategy, and ensuring DTP improves on-going SCS's IT projects planning, development, and implementation.

VI. A Way Forward

Recommendations of earlier FAD missions

52. Regarding the recommendations of earlier FAD missions, the SCS and the MoF demonstrated excellent progress. Seventeen of 22 recommendations of earlier FAD missions have been fully achieved, four are assessed partially achieved (initiatives have started in the SCS but their outcomes have not yet been produced), and one is assessed as not yet started (waiting for the supporting law's legislative process). The assessment of remaining past recommendations is indicated in Annex 4.

Other development partners

53. Other development partners have been working with the SCS. The EU4PFM provided support for the SCS since 2019, including currently for NRS implementation. The focused areas include customs law revision for alignment with EU's Common Customs Code, IT development along MASP-C, human resource management (developing competence model), anti-corruption measures, and communication policy. The current phase will end in 2026. The World Customs Organization (WCO), using its Norwegian trust fund, has supported anti-corruption initiatives, notably, an independent survey. FAD will maintain communication with these development partners to seek maximum synergies in capacity development for Ukraine. Additionally, the SCS cooperates with other development partners including customs administrations of European countries on several themes.¹⁷ The scope of such cooperation includes: experience exchange of institutional development, organization of learning and training seminars (including the development of anti-corruption measures), support and development of IT capabilities, providing the SCS with technical knowledge and equipment of customs control; support for the fight against smuggling and violations of customs rules; adaptation of customs legislation to EU standards and norms; cooperation with business; and support in obtaining law enforcement status for the SCS.

Future CD plan

54. After discussion and review of progress with the recommendations of earlier FAD missions, as well as the work of other development partners, FAD and the authorities have agreed with the following CD activity for future intervention. This is subject to internal clearance by each side and funding availability.

- **HQ-led mission:** the timing, venue, and the scope of the next FAD customs administration HQ-led CD mission will be determined considering the schedule of an appointment of new Head of Customs (expected in June 2025).

55. Meanwhile, CD in the following areas has been requested:

¹⁷ The themes include: experience exchange of institutional development, organization of learning events, training seminars (including the development of anti-corruption measures), support and development of IT capabilities, providing the SCS with technical means of customs control; support for the fight against smuggling and violations of customs rules; adaptation of customs legislation to EU standards and norms; cooperation with business; support in obtaining law enforcement status for the SCS.

- **Strategic KPIs** – support through desk assessment or video conference [timing in relation to next SCS NRS Steering Committee (expected in May 2025)]
- **Customs rotation policy** [timing to be determined]
- **Internal control/ internal audit** [timing to be determined]

VII. Annexes

The following documents are available in the " [Annexes \[ENG\]](#)" folder (they are stored separately from this technical assistance report due to their file sizes):¹⁸

- [Annex I. Advance cargo information processing Japan Customs' practices and experience \[ENG\].pptx](#)
- [Annex II. National Intelligence and Targeting Center \(NITC\) \[ENG\].pptx](#)
- [Annex III. Advantages and Disadvantages of different options of IT development \[ENG\].docx](#)
- [Annex IV. Implementation Status of Earlier Recommendations \[ENG\].docx](#)

¹⁸ Please note that this folder has limited access; therefore, if you require access for additional users, please do not hesitate to reach out directly to FADR1AST@imf.org for assistance.