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### **Developing of performance measurement problems for Russian customs service**

#### **Abstract**

Evaluation of customs performance and various indicators of such a measurement are considered; contradiction and restriction of this system are described in the article. The problems that no uniform sight of results of customs performance exists and that indicators of customs performance do not reflect its essence are discussed. The directions as to the further development of indicators are determined.

**Keywords:** customs activity, results, estimation, performance

### Introduction

Measuring customs performance has great value in determination of role of this state service in Russia. It has significant importance for science and practice from the point of view of national security, usage of limited public resources, developing national economy and supplying foreign trade.

Now the list of indicators of performance for Federal customs service (FCS) of Russia looks as follows [1]:

1. The customs payments transferred into federal budget of Russia.
2. Share of the customs payments actually paid or collected under decisions on updating of customs cost of the goods which have been cancelled subsequently, in a total sum of the customs payments actually paid or collected under decisions on updating customs valuation of goods.
3. Share of the customs payments actually paid or collected as a result of updating of customs cost of goods, in a total sum of customs payments, calculated by results of updating of customs cost of goods.
4. Share of the arisen sum of debts on payment of customs payments and fines in a total sum of the money transferred into federal budget of Russia.
5. Reduction of divergences between quantity indicators of import of deficiency goods to Russia from China and indicators of their export from China to Russia – increase in quantity of the controlled goods.
6. Reduction of divergences between indicators of import of proficiency goods to Russia from China and indicators of their export from China to Russia.
7. Efficiency of activity of customs authorities under the control of customs cost within the limits of a control system of risks.
8. Quantity of the revealed counterfeit goods.
9. Control of compliance with interdictions and restrictions.

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10. Efficiency of the checks of compliance with the currency legislation of the Russian Federation and documents of bodies of currency regulations authorities made by customs concerning participants of foreign trade activities.

11. The revealed infringements of the currency laws of Russian Federation in cost expression.

12. Controlling of an order of transfer of customs declaration' electronic copies in the central database of the Unified automated information system of FCS.

13. Quantity of the customs bodies having sufficient technical equipment for application of the electronic form of declaring.

14. Change of a share of the customs declarations, issued (released) in electronic form.

15. Share of the Customs Declaration released in one day in total number of customs declarations.

16. Time for performance of customs procedures in automobile check points through frontier of the Russian Federation under the customs procedure of internal customs transit.

17. Time for performance of customs procedures in automobile check points through frontier of the Russian Federation for the goods transported under customs procedure of transit.

18. Share of claims (statements) to customs authorities on which courts make decisions not in favor of customs authorities, in the general number of claims (statements) to the customs authorities, considered by courts.

19. Share of actions of proceeding with participation of customs authorities on which courts make decisions not in favor of customs authorities, in the general number of the affairs considered by courts with participation of customs authorities.

20. Share of decisions of customs authorities about bringing to the administrative responsibility, cancelled by courts, in the general number of the decisions of customs authorities considered by courts about attraction to administrative responsibility.

21. Quantity of the repeated justified complaints considered by customs authorities.

22. Average time of primary reaction on the facts of revealing of signs of illegal moving through customs border of the Russian Federation of fissionable and radioactive materials and the goods with the raised level of an ionizing radiation.

23. Efficiency of carrying out by customs authorities of customs inspections of the goods at application of a control system by risks.

24. Efficiency of carrying out by customs authorities of customs inspections of the goods on the basis of separate profiles of risks.

25. Efficiency of application of measures on minimization of the risks containing in urgent profiles of risks, confirmed by independently regional customs offices and customs directly subordinated to FCS of Russia.

26. Efficiency of carrying out of customs inspections of goods by customs authorities on the basis of regional and zone profiles of the risks confirmed by independently regional customs offices and customs, directly subordinated to FSC of Russia.

27. Efficiency of customs inspections for customs control of certain goods.

28. Efficiency of customs check of the exported forest products classified in commodity positions 4403, 4407 according to commodity nomenclature of trade activities of Russia (Russian HS).

29. Share of affairs about administrative offences on which decisions about appointment of punishment are taken out and proceeding is not stopped in connection with the appeal or protest, in the general number of the accepted decisions on affairs about administrative offences.

30. Share of the criminal cases stopped on rehabilitating grounds, in the general number of the ended criminal cases.

31. Efficiency of activities of customs authorities at carrying out of customs checks in the form of customs inspection of goods and vehicles with use of an inspectional examinational complex in check points through frontier of the Russian

Federation.

32. Share of customs registration of excise goods in total number of the released goods.

Among the control indicators established FCS of Russia for customs authorities there are analytical indicators: № 2 «Reduction of divergences between quantity indicators of import to Russia from China and indicators of export from China to Russia of the goods of deficiency – increase in quantity of the controlled goods», № 9.3 "Change of a share of customs declarations, released in electronic form» and some others. Analytical indicators are controlled the same as other indicators and the analysis of their performance is made. But their estimation does not influence total evaluation of efficiency of activity of customs authorities. Absence of the estimations exposed on ball system for analytical indicators is caused by the reason that it is not always possible to estimate them objectively in connection with influence of various uncontrolled factors on them.

### **Problem statement**

The overview of these indicators shows that most of them are connected with the collecting of customs revenue. It is necessary to notice that the indicator itself without belittling value of fiscal incomes does not reflect customs performance but often only shows the external economic conjuncture.

That's why at the present moment carrying out of an adequate estimation of customs performance, in our opinion, is impossible. It is a general problem which, in its turn, is caused by a number of particular problems.

### **Research results**

First problem is that among scientists and experts in the field of customs does not exist the uniform understanding of what customs activity is. It is caused by absence of unity in definition of priorities of the given kind of activity. It is obvious from the point of view of the supporter of liberalization of foreign trade. At the same

time autarchy supporter results of customs performance look different. Reduction of time for carrying out customs formalities, decrease in customs control procedures on the one hand and international trade increase on the other hand are likely to have a positive result that will cause maximum facilitation of foreign trade.

In our opinion it is not so important what is happening to foreign trade, how many customs payments have delivered in the federal budget. The main concern is how effectively customs service promotes economic development of the country. The last is the complex phenomenon covering economic growth, structural shifts in the economy, perfection of conditions and quality of a life of the population.

For example, every year the FSC of Russia prepares the report on results and the basic lines of activity.

In this Report the customs service's strategic targets are determined [2]. Strategic target №1 is to increase the level of compliance with the customs legislation of the Russian Federation, completeness and timeliness of payment of the customs duties, taxes and customs charges. The Report underlines importance of the main purpose that stable execution of a profitable part of the federal budget depends on completeness and timeliness of payment of customs payments in the federal budget with simultaneous increase of level of compliance with the customs legislation of the Russian Federation and customs administration. The increase in profitable part of the federal budget allows to solve problems of macroeconomic stability and integration of the Russian economy in international economic space.

In the Report the given strategic targets are connected with the purposes of social and economic development of the state. So, for example, the strategic target №1 is connected with maintenance of macroeconomic stability, increase of competitiveness of the Russian enterprises, development of the international economic cooperation.

In our opinion, stable execution of a profitable part of the federal budget really depends on the level of compliance with the customs legislation, completeness and timeliness of payment of customs payments, The part of oil and gas incomes in the

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form of the export customs duties is imposed by customs bodies and used for repayment of deficiency of the federal budget and formation of Reserve fund of the Russian Federation. But efforts of customs bodies to guarantee the compliance with the customs legislation are minimal. Export of oil, natural gas and oil products rather is controlled without difficulty: the prices for them are known and cannot be underestimated; the limited circle of the companies is engaged in export.

According to the Report, stable execution of a profitable part of the federal budget will allow the state to create and use financial mechanisms of increase of competitiveness of the Russian enterprises, such as by the means of creation of conditions for their innovative development and use of measures of a protectionist customs-tariff policy. However the mentioned position contains the contradiction. By the means of the protectionist customs-tariff policy it is difficult to form incomes of the federal budget as it assumes the use of protecting rates of the customs duties. Furthermore financial anti-recessionary mechanisms of support of the domestic enterprises currently function, but not for all enterprises. Therefore they are not capable to provide competitiveness.

In our opinion non-compliance with the customs legislation has a number of negative consequences for economy:

1. Efficiency of customs regulation will be lowered. For example, the necessary rate of the customs duties of 10 % has been calculated, and only 5 % from customs value of goods have actually been paid. The main reasons may be both swindle of participants of foreign trade and reduction of price by suppliers if Russia is a so-called large market for them. Consequently more import goods will occur at home market due to their low price.

2. Home producers of the similar competing goods will have losses as after establishing protective tariffs it is supposed that the price of the imported goods will be higher. As a consequence they won't be able to stand competitive struggle and will lose the share in the domestic market.

3. If decrease in the sum of customs payments was evasion from their payment, legal importers will suffer. They pay the full sum of customs payments, and, accordingly, their goods will turn out to be more expensive and less competitive.

Thus, deficiency of the federal budget, reduction of a domestic production and foreign trade activities criminalization will be consequences of incomplete payment of customs payments.

The authors of the report name the strategic target №2 as improvement of quality of granting of services by customs bodies, reduction of costs of participants of foreign trade activities and the state, connected with customs registration and customs control. Optimization and transparency of customs procedures, expansion of practice of informing and consultation of participants of foreign trade activities, development of a customs infrastructure, increase in throughput, technical equipment of check points promote creation of favorable conditions of foreign trade activities, improvement of quality of granting of customs services. According to the Report the population standard of well-being influences rates of increase of economic development, activity in business sphere.

As a whole it would be possible to agree with the given purpose, but foreign trade influence on national economy is not considered. For example, some states limit quantity of check points or resolve declaring of separate categories of the goods on special check points. It creates a natural nontariff barrier on a way of certain categories of the goods.

Strategic target №3 is revealing and suppression of smuggling of weapons, drugs, counterfeit production and other goods forbidden to import to the Russian Federation and also the goods, subjects and the values which export is forbidden by the Russian Federation. According to the Report, importance of the purpose is defined by necessity of maintenance of economic safety of the state. Under the conditions of existing degree of criminalization of foreign trade activities, difficult operative and criminal conditions in frontier regions such phenomenon as contraband represents not only considerable threat to interests of economic safety, but also



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creates preconditions for activity of the international criminality connected with international terrorism and drug business.

The Report has formulated a number of indicators of achievement of strategic targets. So degree of achievement of the first strategic target of FCS of Russia is characterized by following indicators:

1. A share of claims (statements) to customs authorities that are taken into account when courts make decisions not in favor of customs authorities, that happens in the general number of the claims (statements) considered by courts.

2. Execution of the federal law on the federal budget in a part of customs payments.

3. A share of the customs payments transferred by participants of foreign trade activities with infringement of the terms established by standard documents, in a total sum of the listed customs payments in the federal budget.

However the given indicators are not maintained by critics as the strategic target is defined incorrectly. It turns out that the more affairs customs officers win against participants of foreign trade activities in court, the better result is. Also the use of an indicator execution of the law on the federal budget is doubtful. Customs authorities are obliged to execute this indicator otherwise it sanctions concerning their management will be implied. But there is also an underside. Due to errors in planning of budget incomes, officials of customs authorities will be compelled to try to collect them at any cost. Besides, heads of customs authorities usually purposely do not support an essential over fulfillment of the given indicator as in this case the next year the planned target on customs payments could be increased.

Value of an indicator is counted as:

$$I = \frac{P_{\text{fact}}}{P_{\text{plan}}} \times 100$$

Where:  $P_{\text{fact}}$  - sum of the customs and other payments transferred to the federal budget by the accruing result from the beginning of year (it is defined on the basis of the

information on transfer of customs and other payments in the income of federal budget of extracts of the personal accounts, opened for customs authorities in Federal exchequer)

Value of an indicator, according to the Report, should be not below 100 % that is caused by necessity of timely and strict performance of control indicators on collection and transfer of customs payments in a profitable part of the federal budget.

However in parallel to payments indicators of foreign trade which are not direct results of customs activity increase. Moreover, to estimate results of activity only as absolute indicators seems to be short-sighted. The given approach has two serious demerits. First, it is not clear what degree the result will reach from the point of view of realization of potential possibilities on its formation. There is also a question whether there could be a received indicator above. Secondly, the resources directed on achievement of result are ignored. The sum of received customs payments itself does not reflect anything. The main emphasis is placed at an estimation of activity of customs authorities that this sum should be more than for the similar previous period.

But it is the most difficult to develop indicators of law-enforcement activity. For example, as the first indicator of realization of a strategic target №3 is the share of imported goods to which customs authorities apply elimination of infringements of the legislation in total of the imported goods. Value of an indicator is defined under the formula:

$$D = \frac{S_{det\_gds} + S_{upd\_gds} + S_{hs\_IPP\_gds} + S_{curr\_gds}}{S_{dom.cons\_gds}} \times 100$$

Where:  $S_{det\_gds}$  - a total value of detained goods during implementation of law-enforcement activity of customs authorities;

$S_{upd\_gds}$  - value of the goods as a result of their updating;

$S_{hs\_IPP\_gds}$  - the value of the goods established as a result of carrying out of actions under the control over correctness of defining of country of origin of the

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goods, classifications of the goods according to commodities nomenclature of foreign trade activities (HS), over compliance with interdictions and the restrictions established according to the legislation of the Russian Federation and over intellectual property protection;

Scurr\_gds - a total value of the goods imported in Russian Federation with infringements of requirements of the currency legislation of the Russian Federation;

Sdom.cons\_gds - a total value of the goods released under customs regime of domestic consumption.

The increase in value of an indicator should be planned not less than 1.6% at the expense of carrying out of the preventive actions directed on decrease of latent criminality in a customs field of activity.

In our opinion, the given indicator is incorrect. It should be directed on prevention of crimes, instead of on their revealing after commitment. Besides, the given indicator established for customs authority's states that not less than 1.6 % of cost volume of goods should be imported with infringements. If as a result of preventive actions the volume of infringements would be reduced less than that certain value, in our opinion, it doesn't reflect the unsatisfactory work of customs authorities.

In our opinion the most difficult part is to measure the performance of such purpose. The customs service reveals offences in the external economic sphere and subjects participants of foreign trade activities to various sanctions for it. The basic indicator of law-enforcement work of Russian customs is the sum of penalties. Paradoxical situation – the worse the compliance with the customs legislation is, the more criminal cases are revealed and penalties are paid, the better the results of such activities are.

Another particular problem of an estimation of economic results of customs business is absence of well-founded system of indicators for their measurement.

### **Conclusions from the research**

Thus, it is difficult to measure customs performance today because:

1. There is no uniform sight of results of customs performance.

2. Applied criteria and indicators of an estimation of customs performance do not reflect its essence.

The characteristic of the problems set forth above gives the chance to plan ways of their decision:

1. It is necessary to define categories of results of customs activity.

3. It is necessary to formulate the purposes of customs service.

3. Creation of indicators which adequately would reflect results of customs activity is required.

Therefore the development of objective and complex system of the indicators reflecting performance of official duties and degree of achievement of objects in view becomes key aspect of increase of customs performance. The indicators of performance should satisfy the basic criteria «4C»: clearness, completeness, complexity, consistency.

Also productivity indicators should correspond to the concept «SMART» and to possess five following properties: specific, measurable, achievable, relevant, time certain [3]. The estimation of customs performance from the point of view of used resources should be developed. We need to focus not only on outputs but on outcomes as well. For example, the weight and cost of the detained drugs doesn't show much but the general tendency on decrease of their import is more important.

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