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## **THE PROBLEMS OF THE RUSSIAN FEDERATION CUSTOMS ACTIVITY MANAGEMENT NOWADAYS**

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### ***Abstract***

*This article is devoted to the main aspects of the Russian Federation customs management. Methods of the customs system management model optimization, its functions which provide with the increasing of the Russian Federation customs system activity economic effectiveness are described in this article.*

*Key words: management, customs management system, Russian Federation customs activity economic effectiveness, improvement of customs management system.*

### **Introduction**

For 10 last years there have been many works which are devoted to the aspects of management system modernization, improvement of customs activity management, searching for new management technologies, management processes automation, which reflect modern trends of the state service management concepts development.

Analyzing of external factors influence on the Russian customs and in the framework of the Russian Federation integration into the international economic space which both influence on customs tasks and functions, necessary of customs management system improvement, searching for reasonable model of customs organizational structure, optimization of its functions and management methods acquire great meaning. Researching of these questions is the important direction of scientific analyze of management aspects in this sphere. The problem of the effective management is one of the most urgent and practically important problems in the complex of interconnected aspects of customs service development.

Nowadays it's obvious that in the framework of the administrative reform the problem of the Russian Federation customs management system reformation becomes the most important problem. Necessary of reconsideration of its model, organizational reconstruction, human resources renewal is stipulated with more effective realization of the Russian Federation customs functions, providing of their effective functioning, unity and integrity.

From the practical experience we can draw the following conclusion that the aim of the Russian Federation customs reformation was pragmatic changes of the separate procedures. During this process it was given a great attention to the most important problems, but wasn't focused on strategic directions of customs activity. It was required great quality of resources for reformation, and the main purpose of the reformation process was supplementing of the federal budget. But if changes don't deal with all aspects of customs practical work, we can't reach waiting results.<sup>38</sup>

Such reforms resulted to limitation of permanent increasing possibilities of customs functions fulfilling quality. This is contradiction between required and existing levels of the Russian Federal Customs Service (FCS) activity. Rise of its effectiveness is the urgent administrative task.

Nowadays Russian customs isn't ready to provide its work on the international standards level completely, because many key, system problems aren't solved. Without their solution it's impossible to improve customs activity. It's necessary to find new ways of outdated problems solution and define their realization staging. But before the beginning of consideration of the Russian customs system activity management problems it's necessary to say some words about the conception "management", particularly about the customs management, modern status of customs management activity.

It's necessary to know the main terms, explaining management essence and content to organize the Russian Federation customs tasks and functions optimal fulfilling. There are many definitions of the concept "management", including social-economic systems management. Customs system has attitude to the social-economic systems.

Management is influence on a manageable object to save its quality identity and to reach the aim.

Management is the element, function of different organized systems, which supply conservation of their structure, maintenance of activity regime, realization of their programs and purposes.

Management is the aggregate of person, group of people or automatic device actions, which direct at the defined aim reaching.

Generalizing different formulations taking into account customs management signs one can give the following definition of this concept.

Management is a continuous process of influence on customs system which provides its focused operation under changing external and internal conditions by means of taking and realization management solutions.<sup>39</sup>

Nowadays Russian customs management system allows reaching a goal of the Russian FCS activity, but it isn't flexible and adaptive enough. Organizational and administrative and also legal management methods dominate as a way of reaching the main goals and tasks in the customs administration. Regulation, rating and methodical instruction are based on compliance with the rules and procedures. Customs divisions'

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<sup>38</sup> Chernysh A.Ya. "Theoretical aspects of the customs institute development as a form of the customs activity organization" // Messenger of the Russian Customs Academy. M., 2007 № 1.

<sup>39</sup> Andreev A. F. "The basis of the administrative theory". Lectures: RIO RCA, 2009.



activity valuation depends on precise complying with the procedures. Such approach doesn't allow to value customs service activity performance that is the degree of goals eaching which are setting by the Russian Federation Government.

A new management model should orientate on strategic goals, value the level of their reaching, monitor costs and results and also focus on customs activity quality.

The modern management model in customs should work in the direction of continuous improvement of the balance between plans and results of activity and should reconcile the direction of moving.

Nowadays customs management problems in the Russian Federation have become the most urgent.

Firstly, customs management is characterized with the high degree of centralization, which is the necessary basis of customs existing and activity.

Secondly, customs controlled system is very dynamic. Customs should be flexible and improve its organizational structure operatively to meet the changing conditions which the problem of economic security providing and country economic interests protection is solved under.

Thirdly, customs management is characterized with the high degree of socio-political responsibility. Administrative bodies and their heads are responsible for the taken decisions, for the "administrative act".

Mistakes, made in customs management, may result to the serious economic and political consequences.

Fourthly, the feature of customs management is the following fact that the criminal structures influence on customs officers constantly. They have to be very stressful spiritually and physically. That's why it's necessary to build high personnel moral and psychological qualities of the customs officers.

The problem of customs activity management is that using of the methods and instruments in the customs practical activity isn't systematically because of there isn't their integration. That's why it's very difficult to move from a traditional to innovative administrative model. Nowadays these types of models are mixed in the customs service.<sup>40</sup>

The characteristic of the modern customs functioning stage is dynamic changes of the external environment resulted to the changes of the internal environment. There are new administrative problems, which require research and scientific-practical recommendations of their solving. The most important problems are in the figure 1.

It's necessary to have appropriate scientific and methodical base for effective customs activities management. The problem of its creation and development is the subject of many foreign and Russian scientists' researches.

Efficiency increase depends on quality management directly.

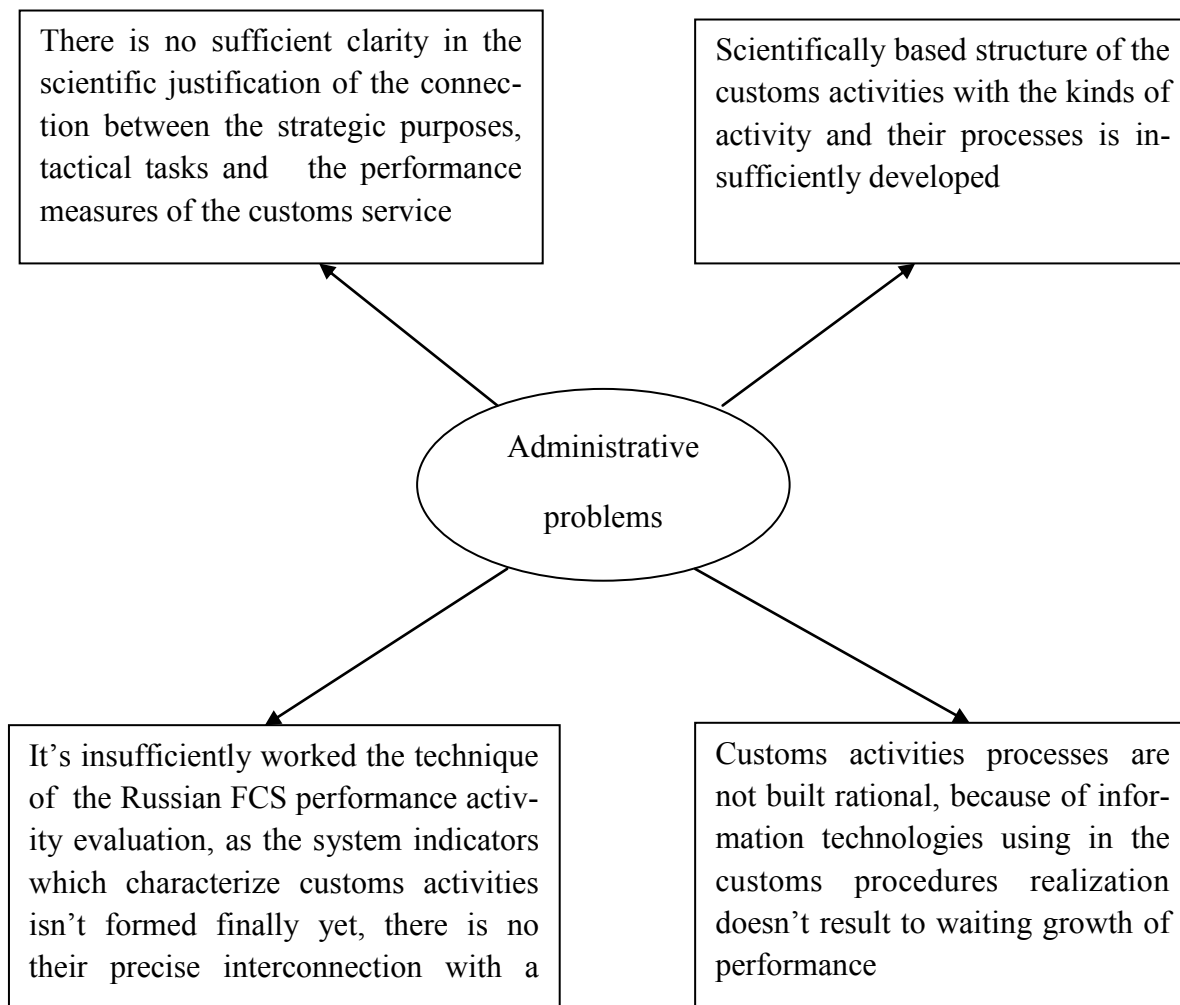
Modern performance theory considers efficiency as property actions to give effect. But efficiency is not only ability to give effect, but also it is effect as performance which relates with all types of resources costs (material, human, time resources etc.)

Management system performance is a complex property which characterizes

<sup>40</sup> Andreev A. F., Makrusev V. V. "The basis of the administrative theory". Lectures on specialty «Customs business»; RCA. – M.: RCA, 2009.

adaptation of the functioning process to the management system goal achievement.

**Figure 1: Problems in the Russian Federation customs activities management**



Any dynamic system performance including customs authorities may be described in the following view:

$$\mathbf{W} = \mathbf{f}(\mathbf{x}_1(\mathbf{t}), \dots, \mathbf{x}_m(\mathbf{t}); \mathbf{y}_1(\mathbf{t}), \dots, \mathbf{y}_n(\mathbf{t})), \quad (1)$$

$$\mathbf{G}_k(\mathbf{x}_1(\mathbf{t}), \dots, \mathbf{x}_m(\mathbf{t}), \dots; \mathbf{y}_1(\mathbf{t}), \dots, \mathbf{y}_n(\mathbf{t})) = \mathbf{0}$$

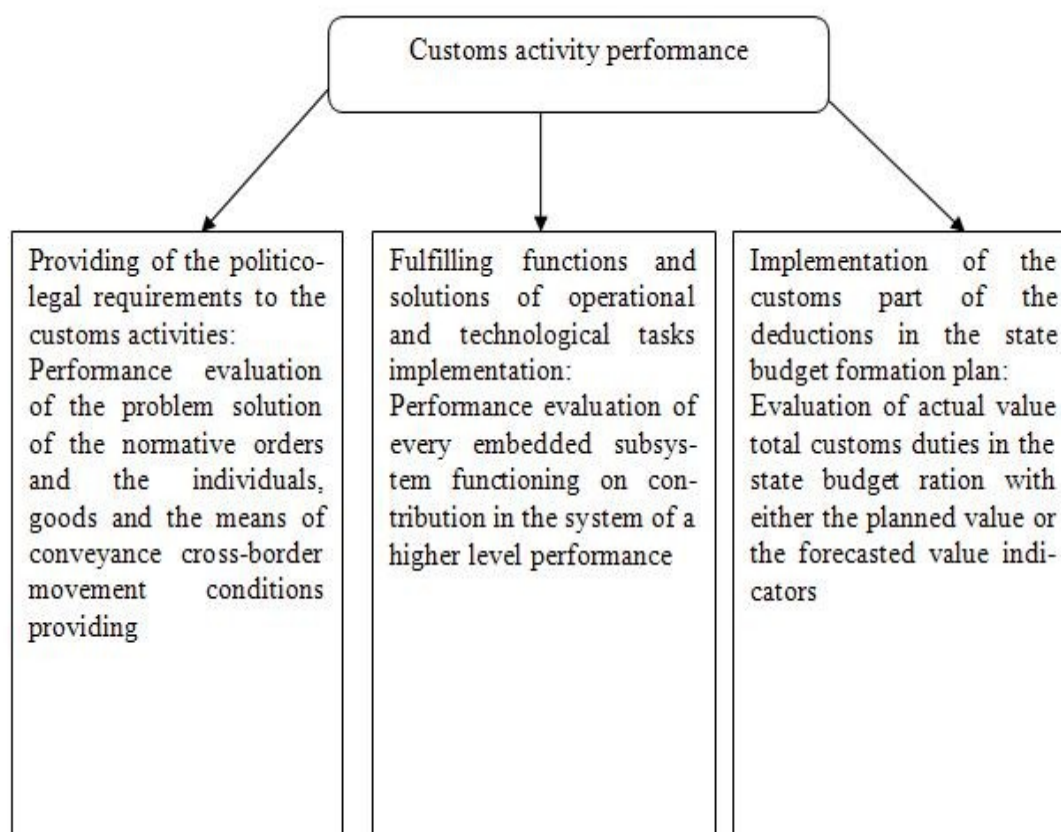
Where  $\mathbf{W}$  – evaluation criterion or performance indicators;  
 $\mathbf{x}_1, \dots, \mathbf{x}_m$  – adjustable parameters: structure (composition, connection, relations), functions (activities);

$y_1, \dots, y_n$  - unmanaged options;

$G_k$  - functions, which express restrictions (available resources) <sup>41</sup>.

What is customs activity performance? Customs activity performance is complex property which characterizes adaption or suitability of the customs activity to goal achievement which is realized with the single system of customs authorities. Nowadays there is the system of customs activity performance indicators which is presented in the figure 2.

**Figure 2. Interconnection of the customs activities performance evaluation main concepts**



Coming from the concept of the customs authorities management performance go to the concept “economic efficiency”. In the general case economic efficiency is production efficiency, ratio between economic activity results and the labor costs. Private

<sup>41</sup> Andreev A. F. ”The basis of the administrative theory”. Lectures: RIO RCA, 2009.

indicators of the production economic efficiency are productivity, capital productivity and the material intensity of products. The scale of society economic efficiency is a share of the national income in the produced total social product.<sup>42</sup>

Economic efficiency is the performance of the economic activity, economic programs and activities, which is characterized by the ratio of the economic effect, result to the costs of factors, resources which caused of getting this result; achievement of the greatest volume of production with the using of defining value resources.

As the total index of the administrative system and the customs administrative system performance is a vector (link) in particular:

$$\mathbf{W}(t) = \{\mathbf{R}(t), \mathbf{T}, \mathbf{Q}(t)\},$$

where  $\mathbf{R}(t)$  – performance management;

$\mathbf{T}$  – efficiency (time of the control loop);

$\mathbf{Q}(t)$  – resource consumption.<sup>43</sup>

In this case we're interested in the index of profitability or customs administrative system contribution in this index, which is characterized by performance and resource consumption, that is:

$$\mathbf{f}(t) = \mathbf{f}(\mathbf{R}(t), \mathbf{Q}(t))$$
<sup>44</sup>

Profitability is also complex index, that's why in our case we'll characterize the change of the customs authorities' activity economic efficiency by the quantity of the customs payments that is:

$$\frac{S_{r.n.}(CY_n) - S_{r.n.}(CY_0)}{\Delta_{\text{ф.с.г.о.}} = S_{r.n.}(CY_n)},$$

where  $S_{r.n.}(CY_0)$  – customs payments in the previous (usual) administrative system;

$S_{r.n.}(CY_n)$  – customs payments in a new (modernized) administrative system.<sup>45</sup>

So in this case customs payments are one of the customs activity and its administrative system economic efficiency indexes.

If  $S_{r.n.}(CY_n) > S_{r.n.}(CY_0)$  - then effect of modernization is positive.

As in the general case customs business is the unity of customs activity and the single customs authorities system that the total result of the customs activity depends on as the single customs authorities' system activity well as their structure that is composition, relations and connections, appointed functions.

<sup>42</sup> Andreev A.F. "Messenger of the Russian Customs Academy." M., 2008. №2(3).

<sup>43</sup> Andreev A. F., Makrusev V. V. "The basis of the administrative theory". Lectures on specialty «Customs business»; RCA. – M.: RCA, 2009.

<sup>44</sup> Andreev A. F. "The basis of the administrative theory". Lectures: RIO RCA, 2009.

<sup>45</sup> Andreev A. F. "The basis of the administrative theory". Lectures: RIO RCA, 2009.



Let's consider the operation which consists of  $m$  steps (stages). Let the efficiency of operation is characterized by the index  $W$ . Let's assume that the efficiency  $W$  of all operation consists of efficiencies  $w$  on the separate stages

$$W = \sum_{I=1}^m w_i$$

where  $w_i$  is efficiency on  $i$ -step<sup>46</sup>.

If the total efficiency of all stages consists of efficiencies of every stage then such index is called "additive index". An operation, as a rule, is a controlled process that is we can choose some parameters which influence on its progress and result, and it is chosen some solution on every step which efficiency on this step and efficiency of all operation depend on. We'll call this solution "step management".

Aggregate of all step management is the control of the whole operation. It is required to find such management  $x^*$ , where the efficiency  $W$  is maximum that is  $W \rightarrow \max$  (min).

Then management  $x^*$  - , where this maximum is reached, we'll call optimal management. It consists of the aggregate of optimal step management:

$$x^* = (x_1, x_2, \dots, x_m)$$
<sup>47</sup>

On the basis of this, one of the customs authorities functioning efficiency increase directions is improvement of management during which the level of optimal management is reached.

The problems of the administrative systems functioning efficiency increase are traditionally urgent in the economics and practice. During reorganization of social, juridical, political relations these problems are especially urgent and difficult.

Besides the expression (1), this reflects the total performance of the customs authority including of the customs authorities management system, performance of the customs authorities' management can be described with the help of the following dependence. It reveals the role of the system factors which the total index of customs authorities' administrative system performance depends on:

$$W(t) = F(S_{c.y.}, F_{c.y.}, A_{\phi.c.y.}) \quad (2)$$

Where:  $S_{c.y.}$  – structure of the administrative system;

$F_{c.y.}$  – functions of the administrative system;

$A_{\phi.c.y.}$  – algorithm of the administrative system functioning<sup>48</sup>.

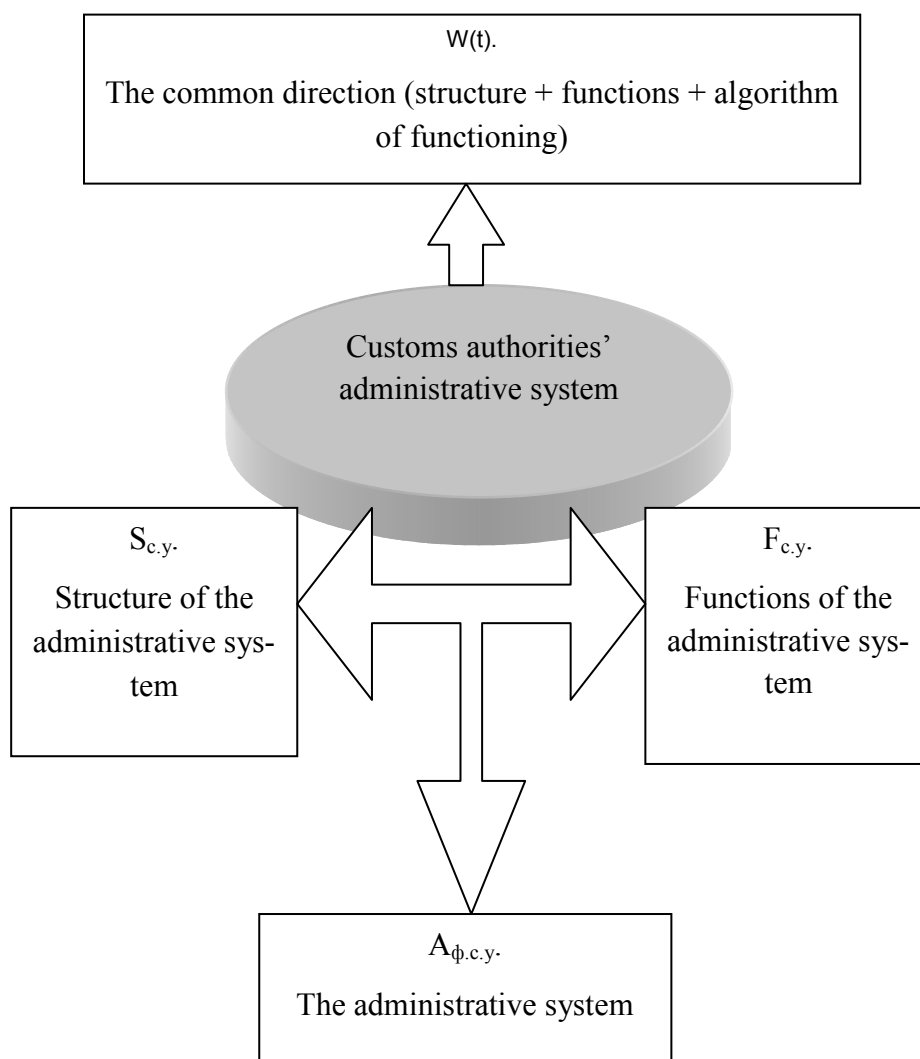
<sup>46</sup> Andreev A. F., Makrusev V. V. The basis of the administrative theory. Lectures on specialty «Customs business»; RCA. – M.: RCA, 2009.

<sup>47</sup> Andreev A. F., Makrusev V. V. "The basis of the administrative theory". Lectures on specialty «Customs business»; RCA. – M.: RCA, 2009.

<sup>48</sup> Andreev A. F. "The basis of the administrative theory". Lectures: RIO RCA, 2009.

From here we can get different combinations of the main improvement directions, which contribute performance of the customs authorities' management

**Figure 3. Directions of the Russian Federation customs authorities' management improvement**



If we suppose that  $S_{c.y.}$ ,  $F_{c.y.}$  – unchangeable parameters, then  $W(t) = A_{\phi.c.y.}$ . If  $F_{c.y.}$ ,  $A_{\phi.c.y.}$  – unchangeable parameters, then  $W(t) = S_{c.y.}$ , if  $S_{c.y.}$ ,  $A_{\phi.c.y.}$  – unchangeable parameters, then  $W(t) = F_{c.y.}$





## Problem statement

Nowadays analyzing of external factors influence on the Russian customs and in the framework of the Russian Federation integration into the international economic space which both influence on customs tasks and functions the problem of the Russian Federation customs management system reformation becomes the most important problem. Necessary of reconsideration of its model, organizational reconstruction, human resources renewal is stipulated with more effective realization of the Russian Federation customs functions, providing of their effective functioning, unity and integrity.

## Summary

After considering the main directions of the Russian Federation customs authorities' management improvement we'll distinguish the following solutions of the Russian Federation customs authorities' management problems:

1. Modernization of the organizational administrative structures:
  - optimization in hierarchical administrative structure;
  - improvement customs system organization and reduction bonds;
  - simplification of the complex administrative structures and increase their flexibility;
  - elimination of duplication in the organizational administrative structures;
  - ensuring of typing maximum degree.
2. Improvement of the administrative methods:
  - relatively uniform load on every customs division;
  - clear distinction of functions, rights and responsibilities between the heads and staff;
  - effective control of decision execution.
3. Increasing of the scientific level in management through the development of scientifically based program-targeted development of the customs system.
4. Development of the informational base:
  - strengthening informational communication between the Russian FCS, regional customs governances, customs and customs points;
  - creation of the international informational programs and exchange of information (for example, «TEDIM» is organization of information links on the basis of the electronic information transfer systems to support traffic flows between EU and RF).
5. Information technology development and computerization in the administrative system:
  - development of the Customs single automated informative system and regional customs automated informative systems, corporative network Internet, local informative networks and automated working places;
  - development of the new organizational and administrative concept in customs business on the information base.<sup>49</sup>

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<sup>49</sup> "Working out of the Russian Federation customs authorities' development theoretical concepts on the basis of institutional approach: thesis". Moscow, 2008.

## Summary and concluding remarks

So, on the basis of the material this was described before we may conclude that one can't distinguish the main and the most significant problem among different administrative problems as they are interdependent and flow out from each other. In this connection there isn't also universal way to solve such problems. It's necessary to use these ways in total to improve administrative activity of the customs authorities.

The purpose of the effective autonomic, systematically updated systems management of the organizational activity is goals achievement in particular effective customs activity management is characterized by suitability of the customs activity to the goals achievement which is realized with the single customs authorities system.

After considering the total index of the customs management system performance we may distinguish the main vectors of the Russian Federation customs management improvement which were above as the state economic security depends on the customs authorities' management system performance.

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