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**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND  
THE COUNCIL**

**pursuant to Article 278(a) of the Union Customs Code, on progress in developing the  
electronic systems provided for under the Code**

{SWD(2023) 29 final}

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**Table of Contents**

<b>1. INTRODUCTION .....</b>	<b>2</b>
<b>2. BACKGROUND.....</b>	<b>2</b>
<b>3. PROJECT METHODOLOGY FOR THE UCC ELECTRONIC SYSTEMS .....</b>	<b>3</b>
<b>4. GLOBAL OVERVIEW OF PROGRESS WITH THE UCC ELECTRONIC SYSTEMS.....</b>	<b>4</b>
<b>4.1 Projects completed by 2022 .....</b>	<b>4</b>
<b>4.2 Ongoing projects.....</b>	<b>4</b>
<b>4.2.1 Trans-European projects.....</b>	<b>4</b>
<b>4.2.2 National projects.....</b>	<b>9</b>
<b>4.3 Risks for delays to the UCC IT implementation.....</b>	<b>9</b>
<b>4.4 Mitigation actions .....</b>	<b>12</b>
<b>5. MANAGEMENT SUMMARY AND CONCLUSIONS.....</b>	<b>14</b>

## 1. INTRODUCTION

This is the fourth report from the Commission pursuant to Article 278(a) of the Union Customs Code (UCC)<sup>1</sup> on progress in developing the electronic systems provided for under the UCC<sup>2</sup>. This year's report elaborates on the continuing progress in developing the electronic systems and describes the developments towards a fully digital customs environment since the UCC entered into force. For this purpose, it draws on the UCC Work Programme (UCC WP)<sup>3</sup>, which is considered as the baseline for reporting progress.

The projects listed in the UCC WP can be divided into three categories of systems:

- i) **Eleven central trans-European systems** to be developed or upgraded by the Commission (often also requiring developments or upgrades of the national systems by Member States);
- ii) **Three decentralised trans-European systems** that have to be developed or upgraded by the Commission but have a major national component to be implemented by the Member States; and
- iii) **Three national systems** that have to be developed or upgraded exclusively by the Member States.

This report analyses the tangible progress made for all three system types, outlining the objectives to be met by each project, the project architecture and the planning. On that basis, it highlights potential delays, where identified, as well as envisaged mitigating measures. The overall assessment of the progress of the implementation of the UCC WP is summarised in the conclusion of this report (section 5) and illustrates that while some of the remaining projects are on track for completion in line with the planning schedule, others (primarily national systems) are experiencing delays beyond the legal deadlines which required the Commission to grant derogations. More details of the planning and status of each project are provided in the Commission Staff Working Document<sup>4</sup> published alongside this report.

## 2. BACKGROUND

The UCC entered into force on 1 May 2016 and following its amendment in 2019<sup>5</sup>, it established the deadlines of 2020, 2022 and 2025 for the progressive completion of the projects in terms of IT transition and implementation. Article 278 of the UCC provides that existing electronic and paper-based systems can continue to be used for the completion of customs formalities (the so-called 'transitional measures') until the new or upgraded electronic systems envisaged under the UCC are operational. The transitional measures must cease once the relevant electronic systems are in place.

To support this complex electronic transition process towards a full digital customs environment, the UCC WP sets deadlines for each electronic system (and its possible phases) during the period of 2020 to 2025.

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<sup>1</sup> Regulation (EU) No 952/2013 of the European Parliament and of the Council of 9 October 2013 laying down the Union Customs Code (OJ L 269, 10.10.2013, p. 1–101).

<sup>2</sup> Reports from the Commission to the European Parliament and the Council:  
2019: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52019DC0629>  
2020: <https://eur-lex.europa.eu/legal-content/en/ALL/?uri=CELEX:52020DC0806>  
2021: <https://eur-lex.europa.eu/legal-content/GA/ALL/?uri=CELEX:52021DC0791>

<sup>3</sup> Commission Implementing Decision (EU) 2019/2151 of 13 December 2019 establishing the work programme relating to the development and deployment of the electronic systems provided for in the Union Customs Code (OJ L 325, 16.12.2019, p. 168–182).

<sup>4</sup> Commission Staff Working Document Accompanying the Report from the Commission to the European Parliament and the Council pursuant to Article 278a of the Union Customs Code, on progress in developing the electronic systems provided for under the Code, SWD(2023) 29 final.

<sup>5</sup> Regulation (EU) 2019/632 of the European Parliament and of the Council of 17 April 2019 amending Regulation (EU) No 952/2013 to prolong the transitional use of means other than the electronic data-processing techniques provided for in the Union Customs Code (OJ L 111, 25.4.2019, p. 54–58).

Article 278(a) requires the Commission to provide an annual report on the deployment progress of the outstanding electronic systems. For this purpose, the Commission collected relevant information through the following sources:

- (1) national plans that Member States are required to provide twice a year (January and June).
- (2) a survey circulated amongst its services and to the Member States to capture the progress.

Through the survey, information was collected from both the Member States and the Commission on the actual progress against the plans. The data yielded from the survey are both quantitative, in the form of deadlines and milestones met or missed, and qualitative in the form of detailed descriptions regarding the estimated complexity of the projects, the challenges faced, the anticipated risks, the delays and reasons for any such delays and the mitigating measures planned and/or taken.

- (3) a dedicated survey on the implementation of national projects.

The dedicated survey on the progress in the implementation of the national projects gave a broad perspective on the advancements made by the Member States related to Notification of Arrival, Presentation Notification, Temporary Storage, Special Procedures Component 2 and National Import Systems Upgrade in the light of the upcoming UCC deadline of 31 December 2022.

- (4) bilateral high-level meetings between the Commission's Directorate-General for Taxation and Customs Union (DG TAXUD) and the Member States Customs IT Directorates.

The outcome of the surveys gave the Commission a clear view on the status of each system. Though it was found important to gain up to date knowledge to have a full and accurate picture of the status of each of the UCC projects on the side of the Member States, to understand the issues they were facing and to provide ideas for improving problematic situations. Therefore, bilateral high-level meetings were organised with each Member State's Customs IT Directorate.

- (5) outputs from the trans-European coordination and monitoring programmes.

This report also contains an analysis based on more detailed information reported by the Member States in the framework of the coordination programmes in place since 2020 for the core decentralised trans-European systems in the area of transit and export.

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This annual report covers a reflection of the **progress achieved on 30 June 2022** including a view on the **expected progress by 31 December 2022** to have a full picture of the progress made in 2022.

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### **3. PROJECT METHODOLOGY FOR THE UCC ELECTRONIC SYSTEMS**

In recent developments of the UCC projects, the project methodology has been optimised. The business process modelling, data modelling and technical specifications have been developed more in parallel and through close collaboration from the start with experts from legal, business and IT, both from the Commission and the Member States. The Commission and the Member States are adopting more agile processes for the development of UCC electronic systems, providing incremental user functionality through swifter and more manageable software releases.

The Commission and the Member States meet regularly to define and agree these project documents for each trans-European system. In addition, the Commission systematically consults the trade community through the Trade Contact Group. Member States have the responsibility to be in direct contact with their traders about the national plans and trade documentation. A major challenge is to ensure that existing systems continue to function smoothly while the new systems are being developed. Once ready, it is then of utmost importance to ensure a smooth transition from the existing systems to the upgraded ones. This is vital to ensure that trade and customs operations are not impacted.

## 4. GLOBAL OVERVIEW OF PROGRESS WITH THE UCC ELECTRONIC SYSTEMS

The UCC WP contains seventeen projects leading to the deployment of the required electronic systems including fourteen trans-European projects for which the Commission, together with the Member States, are responsible and three falling under the sole responsibility of the Member States.

### 4.1 Projects completed by 2022

The Commission can report the successful deployment of the following new systems or upgrades:

- UCC Registered Exporter System – *REX* (new): Deployed in 2017.
- UCC Customs Decisions – *CDS* (new): Deployed in 2017.
- UCC Direct Trader Access to the European Information Systems – *UUM&DS* (Uniform User Management & Digital Signature) (new): Deployed in 2017.
- UCC Economic Operator Registration and Identification System 2 – *EORI2* (upgrade): Deployed in 2018.
- UCC Surveillance 3 – *SURV3* (upgrade): Deployed in 2018.
- UCC Binding Tariff Information – *BTI* (upgrade): Deployed in 2019.
- UCC Authorised Economic Operators – *AEO* (upgrade): Deployed in 2019.
- UCC Information Sheets for Special Procedures – *INF* (new): Deployed in 2020.
- UCC Import Control System 2 - Release 1 – *ICS2 - Release 1* (upgrade): Deployed in 2021.

### 4.2 Ongoing projects

For the ongoing projects, this report aims to highlight the achievements made in 2022 but also to identify the issues which have arisen with the implementation of the national projects.

The trans-European projects planned for deployment between 2023 and 2025 are outlined in Section 4.2.1. Four of these projects have deployment windows ending in 2023.

The focus of this report is put on the implementation of the three national projects mentioned in Section 4.2.2, namely Notification of Arrival, Presentation Notification and Temporary Storage, Special Procedures – Component 2 and National Import Systems Upgrade. These are planned to be operational by the 31<sup>st</sup> of December 2022, as defined in the UCC. However, many Member States have reported to the Commission an inability to meet the date provided for in the UCC further building upon the risk outlined in previous UCC Annual Progress Reports.

#### 4.2.1 Trans-European projects

Regarding the trans-European projects, a series of IT project documents were prepared and agreed upon in 2022 as the basis for the systems' development work.

These trans-European projects have a specific architecture, sometimes requiring a combination of central and national components and one or more project phases, due by 31 December 2025 at the latest, pursuant to Article 278(3) UCC. The description and progress for each project is presented below.

- 1) **UCC Guarantee Management** – *GUM* (new): aims to assure real time allocation and management of the different types of guarantees across the EU. The improved processing speed, traceability and monitoring of guarantees by electronic means between customs offices is expected to lead to a faster identification of cases where guarantees are deemed invalid or insufficient to cover the incurred or potential debt. The decentralized component

*GUM 2* is to be developed at national level, giving Member States the possibility to include functionalities<sup>6</sup> that are needed only at national level (for example, national guarantees).

**Progress:** In view of the legal milestones in the UCC WP, the Commission has completed the technical specifications by 30 September 2022 for Component 1 related to the *trans-European GUM* and the Member States should complete theirs by 30 November 2024 for Component 2 related to the *National Guarantee Management system*.

Concerning the *National Guarantee Management system*, Member States have indicated predominantly a low risk level on the on-time delivery of the project, with a medium/low complexity level. Four Member States have reported that their national component for the system is now deployed, having only two Member States with anticipated delays regarding the operations milestone.

- 2) **UCC Import Control System 2 – ICS2 (upgrade):** aims to strengthen the safety and security of the supply chain by means of improving data quality, data filing, data availability and data sharing in regard to pre-arrival notifications (“Entry Summary Declarations”) and related risk and control information. In particular, the project will facilitate collaboration amongst Member States in the process of risk analysis. The project will be delivered in three releases to allow a feasible transition per mode of transport.

**Progress:** The development of *Release 2*, using *Release 1* as the baseline, is ongoing. This second release includes new business models reflecting the business needs, rules and user interfaces, adding an increased complexity of timers, data quality, data consistency rules and linking for multiple filings and arrival notifications.

A challenge at the current moment is the migration from *Release 1* to *Release 2*, considering its different transition windows. The transition strategy was finalised and published in 2021 and the crisis management protocols and procedures 24/7/365 were agreed upon and distributed to all Member States. Currently, the Member States are preparing the national functional and technical specifications based on the common EU specifications provided by DG TAXUD. An increased complexity level has been indicated by Member States in their development progress, in particular concerning the increased number of third country trade stakeholders to be reached and their readiness for testing. This entails risks for timely readiness by Member States and trade.

The work on the ‘Operational guidance compendium’ for *Release 2* has been completed as of Q1 2022 and at the same time, the ‘Business continuity plan’ was updated to cover *Release 2* operations. The ‘End-to-End organisation document’ was published for Member States and economic operators in April 2022. To prepare Member States’ customs administrations for the ICS2 Conformance Testing training campaigns took place in Q2 2022. The Conformance Testing activities themselves started in Q3 2022.

Concerning the status reported on the development for ICS2, the Member States are currently focused on *Release 2*.

- 3) **UCC Proof of Union Status – PoUS (new):** will store, manage and retrieve all proofs to demonstrate that traders provide the Union status of their goods. This project can be deployed either centrally or nationally, but many Member States have explicitly conveyed their intention to use the central system developed by the Commission. In view of the dependency between the implementation of the UCC customs goods manifest as a proof of Union status and of the European Maritime Single Window, the project will be completed in two phases to avoid inconsistency and reduce risks.

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<sup>6</sup> Apart from the common functionalities for GUM Component 1.

**Progress:** For *PoUS – Phase 1* the Technical and System Specifications were completed in Q1 2022. An agile-like development approach is being used for this project, progressing according to the planning set by the UCC WP<sup>7</sup>.

At the time of writing, the construction phase is in progress and it is planned to end in November 2022. Conformance testing is envisaged to start still in 2022.

As regards *PoUS – Phase 2*, the Functional Specifications for the Customs Goods Manifest (“CGM”) were accepted by the Member States in Q2 2021, with Technical and System Specifications planned to start in Q1 2023. As a result of the work on the technical implementation and recent legal discussions, a change management activity was undertaken to align the functional specifications.

It was highlighted that the deployment date of the PoUS Phase 2 CGM (2 June 2025) is not fully aligned to the European Maritime Single Window environment (EMSWe) deployment date (15 August 2025). Considering that the *PoUS* system is envisaged to receive considerable volume of the CGM through the EMSWe and the gap between the dates would create unnecessary burden for Trade, it is envisaged to ensure the alignment of the deployment dates for these two projects.

- 4) **UCC Centralised Clearance for Import – CCI (new):** aims to allow goods to be placed under a customs procedure using centralised clearance, allowing economic operators to centralise their business from a customs viewpoint. The processing of the customs declaration and the physical release of the goods will be coordinated between the related customs offices. The system will be based on the new national import systems and enable an automated functioning of the centralised clearance process at the European level.

**Progress:** Regarding *CCI – Phase 1*, as of Q1 2022 pre-conformance test activities have started with “forerunner” Member States and one Member State envisaged to finish its testing activities by December 2022 and to deploy CCI with a standard declaration in Q1 2023.

In terms of assessing the level of completeness of the system, approximately 75% of the Member States reported that the system development is on target. However, there are several Member States that have indicated that at the current stage their deployment will be delayed beyond the deadline defined in the UCC WP. This may mean that some traders wishing to avail of centralised clearance for all their operations may be delayed in doing so for transactions in some Member States.

The Commission finalised the Technical Specifications for *CCI - Phase 2* by 30 June 2022, well ahead of the planned start of the deployment window in October 2023.

- 5) **UCC New Computerised Transit System – NCTS (upgrade):** The New Computerised Transit System aligns the existing Union and common transit system to the new UCC legal provisions including the alignment of information exchanges to UCC data requirements and the upgrade and development of interfaces with other systems.

**Progress:** Since the acceptance of the Technical Specifications, the national development part of *NCTS – Phase 5* has been struggling to get the necessary resources as the Member States’ focus was shifted to higher priority areas. The entry in operation experiences a significant shift to 2023 and in particular to Q4 of 2023, raising further the pressure on milestone of 1 December 2023. Overall, all Member States have progressed in the deployment of their systems. However, the slow progress achieved in the deployment of their national systems indicate a great risk for delays in the completion of NCTS - Phase 5. At the current moment, the level of completeness of the transition is currently at 48%, with the envisaged percentage initially being set for 72%. Despite this, the majority of Member States have reported to remain on-track for the “Big Bang” transition planned for 1 December 2023.

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<sup>7</sup> According to the UCC Work Programme, the component is anticipated to enter into production on 2 June 2025.

As regards NCTS – Phase 5, all Member States but three confirmed their planning to start operations during the deployment window from Q1 2021 until Q4 2023. This is illustrated in Figure 1. The yellow bar indicates the time-limit for the Member States to prepare the closure of the existing export and transit systems and start operating the new ones in order to be ready for the legal deadline indicated by the red bar.

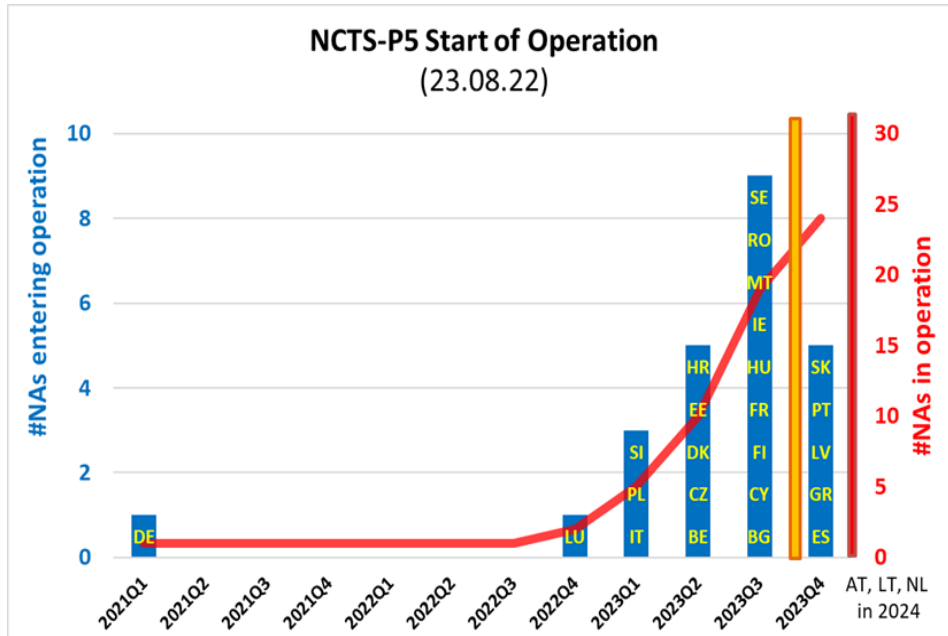


Figure 1– NCTS – Phase 5 National Administrations entry into operations

For NCTS - Phase 6 (interconnection with other systems), the Business Case and Vision Document were approved by the ITSC, ITCB and ECCG in Q4 2021. The functional and technical specifications are being elaborated in parallel, in iterations. Conformance Testing and Deployment may be affected by some Member States deploying the NCTS - Phase 5 later than planned.

- 6) **UCC Automated Export System – AES**, the upgrade of both the existing *trans-European system* (project *Component 1*) and the existing *National Export Systems* (project *Component 2*) aims to implement the UCC requirements for export and exit of goods. The project related to the *trans-European AES* entails implementing the UCC simplifications offered to trade to facilitate export of goods for European companies, such as centralised clearance for export, and the UCC obligations to better monitor goods that exit the EU customs territory, in order to prevent fraud.

**Progress:** The highlight of the 1<sup>st</sup> half of 2022 is the start of the international operation for *AES – Component 1*, with two Member States in April 2022. Another five will join the operation by end 2022, early 2023. A representative number of Member States have either progressed or completed their Technical Specifications, while four Member States have not yet initiated the activities related to them. The transition periods offered by the Member States to their trader communities are increasingly squeezed, if not downright suppressed, by imposing a “Big Bang” transition caused by lack of time. All Member States but three confirmed their planning to start operations during the deployment window from Q1 2021 until Q4 2023. This is illustrated in Figure 2.



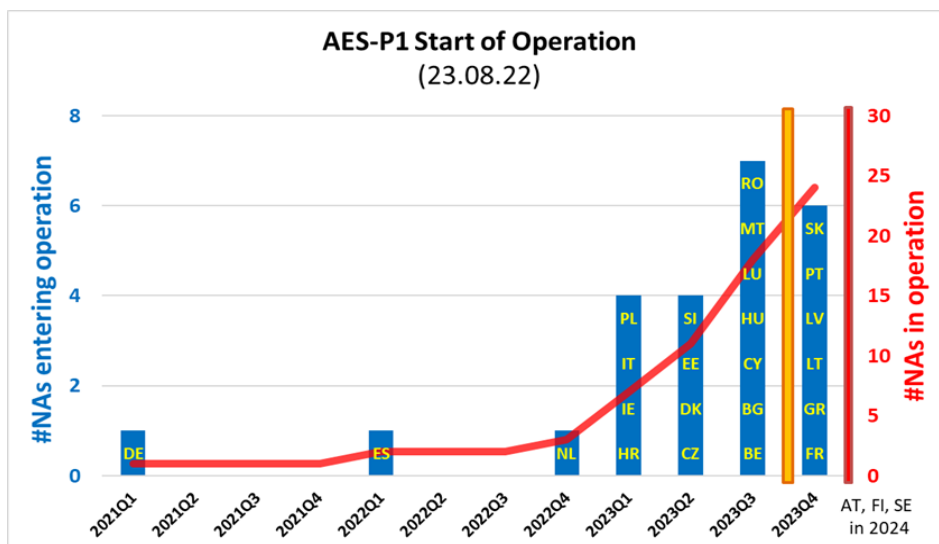


Figure 2– AES – Component 1 National Administrations entry into operations

For AES – Component 2, the *National Export Systems upgrade*, a representative number of Member States have either progressed or completed their Technical Specifications, while six Member States reported to have not yet initiated the activities related to them.

**To summarise** the status of the remaining trans-European projects, the Commission is on track to meet the legal deadlines agreed in the context of the UCC and UCC WP, and the project milestones set out in the MASP-C of 2019. As regards the Member States’ deployments of the national components of these trans-European systems, some risks for delays have been identified, in particular for ICS2 – Release 2, CCI - Phase 1, AES and NCTS – Phase 5 (see Section 4.3).

Finally, it is important to highlight that in view of the implementation of the UCC WP, the Commission will have performed approximately 87% of its activities by December 2022 (last year 84% of the totality of its development work was completed). This percentage is based on key performance indicators for the activities assigned only to the Commission and does not reflect the activities performed by the Member States. In the overview below one can find the prospects reflecting the progress and planning of DG TAXUD.

Timing	% Completed
By end 2022	87%
By end 2023	95%
By end 2024	97%
By end 2025	100%

Figure 3 – Approximation of the percentage of completion of the Commission’s development activities

Whilst for most of the Commission’s own project activities the roll-out is not dependent on the national progress, there is an impact for some type of activities performed in close collaboration by the Commission and the Member States such as the conformance testing of a national component of a trans-European system. Via this collateral impact, one can say that the delays by specific Member States on the implementation of their national components do have an impact on the overall achievements in the delivery of the UCC.

## 4.2.2 National projects

Member States are due to complete the upgrade of their **three fully national projects**<sup>8</sup>. The development activities are a national matter, with processes and data requirements for the external domain defined through Union legislation.

The three national projects that are due by 31 December 2022 pursuant to Article 278(2) UCC are as follows:

- 1) **UCC Notification of Arrival, Presentation Notification and Temporary Storage** (*AN, PN and TS*) – (upgrade): define the automation of processes at the national level in relation to Notifications of Arrival of means of transport, Presentation of goods and declarations for Temporary Storage, as described in the UCC. This project supports harmonisation across the Member States in regard to the data exchange between trade and customs.

**Progress:** The timely delivery of the required national systems by all Member States was already identified as at risk in last year's report. Additional delays in comparison with the UCC Annual Progress Report 2021 are noted. By end 2022, AN, PN and TS have been completed only by 4, 7 and 6 Member States, respectively – see section 3.1.2 of the Commission Staff Working Document accompanying this Report.

- 2) **UCC National Import Systems** – *NIS* (upgrade): aims to implement all process and data requirements deriving from the UCC that relate to imports. Member States must develop technical specifications at their level as a first step towards the completion of the systems.

**Progress:** Additional delays in comparison with the UCC Annual Progress Report 2021 are noted. By end 2022, NIS has been upgraded to the UCC requirements only by 10 Member States – see section 3.2.2 of the Commission Staff Working Document accompanying this Report.

- 3) **UCC Special Procedures** – *SP* (upgrade): aims to harmonise and facilitate special procedures (customs warehousing, end-use, temporary admission and inward and outward processing). Member States will have to implement all the required UCC changes for these special procedures in their national systems. The Import Component will be part of the upgrade of the UCC National Import Systems project, while the Export Component of the SP will be implemented in-line with and as part of the national UCC Automated Export System (AES) project.

**Progress:** Considering the existing interdependencies with the National Import Systems (upgrade), and other specific circumstances, several Member States are unable to meet the legal deadline for SP Import Component. 15 Member States envisaged completion of the development activities for SP Import Component by end 2022 – see section 3.3.2. of the Commission Staff Working Document accompanying this Report. However, some might not have met this milestone in view of the latest developments reported for their NIS upgrade. For SP Export Component with a deadline of 1 December 2023 the situation looks better with most Member States planning the deployment within the deadlines.

**To summarise**, despite the efforts made, many Member States experienced delays and will therefore not be able to meet the deadline provided by the UCC for national systems to be operational (31 December 2022).

## 4.3 Risks for delays to the UCC IT implementation

The Commission is progressing well on the developments under its responsibility and no delays beyond the legal deadlines have been identified or materialised. Moreover, no major risks which would lead to late deployment have been reported. However, though we have differentiated in this report the progress on the side of the Commission from the progress on the side of Member States, there is a degree of spill-

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<sup>8</sup>This timeline excludes the export component of the national Special Procedures system, for which the activity and planning is interlinked with the Automated Export System (AES).

over from the national delays on the progress of the trans-European systems such as ICS2, CCI, AES and NCTS, and consequently also in a limited way on the Commission activities. This occurs for instance in terms of longer resource investment for conformance testing, for trans-European coordination support and monitoring, in terms of providing assistance in alternative national development and deployment schemes, and even of the prolonged maintenance of central components put in place for the transition.

Looking at the **Member States' overall progress in implementation**, they are advancing gradually with the developments under their responsibility, but most of them more slowly than planned, which leads to the situation that **delays have been reported** for one or more projects beyond the legal deadlines.

The Member States presented a variety of reasons as justification for the delays reported. Most of the issues and risks have been observed year after year, impacting the progress of their activities and ultimately causing delays in their systems development. Key sources of difficulties and risks for delays indicated by the Member States are their **lack of financial and human resources**, the impact and re-planning due to the **VAT eCommerce package**<sup>9</sup>, specific working circumstances caused by the **COVID-19 pandemic**, competing priorities and the impact of **Brexit** and the **war in Ukraine** on customs. Member States also referred to **national IT infrastructures** not being able to cope with the needs of the projects, **contractors' capacity issues and dependencies with other stakeholders**, **transition and testing with the economic operators**, late or unsuccessful **calls for tenders** to outsource pieces of work, and **complex system integrations of the UCC projects**.

Considering that the UCC Work Programme was established in April 2019 and the Commission delivered its functional and technical specifications on time for the trans-European systems, it seems problematic from a governance perspective that there are still a few Member States where tenders have not yet been awarded (at the time of our assessment with the Member States) or where there are substantial problems in the national procurement process.

The Commission held bilateral meetings to discuss with all the individual Member States their issues, to reiterate that priority should be put on the UCC projects and to advise on possible follow-up actions and measures. In this context, **twenty-four Member States sent formal requests for derogations to the Commission** in accordance with Article 6(4) of the UCC concerning the delay of the national projects beyond the deadline of 31 December 2022. An overview of the derogations requested by Member States is provided below:

- For the implementation of the **Notification of Arrival**, the following Member States have requested a derogation: AT, BG, BE, CY, CZ, DK, EE, ES, FR, EL, HU, HR, LU, MT, NL, PL, PT, RO, SE, SI and SK. At the same time, AT, BG, CY, DE, EE, ES, FI, FR, HR, HU, LT, LV, NL, PL, RO, SE and SI have reported that they would use the AN integrated in ICS2 – Release 2 (planned deployment 1 March 2023). DE and IE marked Notification of Arrival as not applicable.
- For the implementation of the **Presentation Notification**, the following Member States have requested a derogation: AT, BE, CY, CZ, DK, EE, ES, FR, EL, HU, HR, LU, MT, NL, PL, PT, RO, SE, SI and SK.
- For the implementation of **Temporary Storage**, the following Member States have requested a derogation: AT, BE, CY, CZ, DK, EE, ES, FR, EL, HU, HR, LT, LU, MT, NL, PL, PT, RO, SE, SI and SK.
- For the implementation of the **National Import Systems Upgrade**, the following Member States have requested a derogation: AT, BE, CY, CZ, DK, ES, FR, EL, HU, LT, LU, MT, NL, PT, RO and SE. These delays will impact the trans-European CCI project and **Special**

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<sup>9</sup> [Council Implementing Regulation \(EU\) 2017/2459 of 5 December 2017](#) (OJ L 348, 29.12.2017, p. 32–33).

**Procedures – Component 2**, which follows the same timeline as the National Import System Upgrade.

The Commission carefully assessed the requests received by each Member State and the justifications provided by them in terms of specific circumstances and adopted **Implementing Decisions granting derogations** to the requesting Member State for a limited period of time, lasting until not later than 31 December 2023, for the Notification of Arrival, Presentation Notification, Temporary Storage, National Import System.. Furthermore, for the national entry project, an iterative approach will be allowed for the maritime transport mode in view of the alignment to the date set in the UCC Work Programme for ICS2 - Release 3.

Besides the information collected for this Annual Progress Report, and as reflected in the accompanying Staff Working Document, **several Member States have informed the Commission separately and in a formal manner (through derogation request) about delays on the other (mainly trans-European) projects:**

- For the implementation of **ICS2 – Release 2**, the following Member States have requested a derogation: AT, DK, EE, FR, EL, NL and RO. On the same note, CY, FI, FR, EL and NL have reported delays regarding **ICS2 – Release 3**. See section 4.3.1 and 4.3.2 of the accompanying document to this Report.
- For the implementation of **PoUS – Phase 1**, the following Member State has indicated a planned deployment date that is later than the deadline in the UCC Work Programme: EL. For **Phase 2** FI has reported delays in its system implementation. See section 4.4.2 of the accompanying document to this Report.
- For the implementation of **CCI – Phase 1**, the following Member States have indicated a planned operations date that is later than the deadline in the UCC Work Programme: DE, DK, FI, FR and EL. For **CCI – Phase 2**, EE and FI indicated a planned operations date which is later than the deadline in the Work Programme. See section 4.5.2 of the accompanying document to this Report.
- For **NCTS – Phase 5**, AT, LT and NL have indicated delays regarding the deployment of the system. See section 4.6.2 of the accompanying document to this Report.
- For the implementation of **AES – Component 1**, AT, FI and SE have indicated a planned operations date later than in the UCC Work Programme. See section 4.7.2 of the accompanying document to this Report.
- For the implementation of **GUM – Component 2**, the following Member States have indicated a planned operations date that is later than the deadline in the UCC Work Programme: FI and FR. See section 4.2.2 of the accompanying document to this Report.

The Commission is analysing and monitoring the situation very closely for the above projects and is taking measures to increase its support –(see Section 4.4. below).

In conclusion, **a majority of the Member States have not been able to mitigate properly the risks outlined in the previous Reports and delays did actually occur for the national entry and import projects with implementation date 31 December 2022**. The delays being experienced on these projects risk having a negative effect on the delivery of the national components of trans-European systems as the various deployments are further compacted in a shorter time window. Moreover, these delays hamper both Member States' and EU's capacity to collect relevant data and carry out critical data analysis, leading to undermining our collective effort to effectively tackle fraud. Finally, the benefits for trade as envisaged by the UCC from the full digitalisation of customs procedures and from trade facilitation projects such as CCI will only materialise at a later stage towards the end of the transition period.

#### 4.4 Mitigation actions

Regarding **the national projects**, the planning and progress info provided by the Member States shows that for AN/PN/TS, National Import Systems Upgrade and Special Procedures – Component 2 (NSP IMP) the situation has deteriorated in 2022 in comparison with the planning provisions made in 2021.

In view of the situation, **the Commission has been increasing the support to the Member States by means of several actions**. Closer supervision was carried by the Commission by means of collecting more frequent progress reporting from the Member States and of organising bilateral meetings at Director level with each Member State to discuss progress and planning. The UCC IT implementation has been maintained as a recurring subject on the agenda of most of the missions carried out by the Director General with his counterparts and on the agenda of the plenary meetings with the Directors General of the Member States. Member States were encouraged to take all the necessary mitigating measures and to submit requests for funding under the Recovery and Resilience Fund to help with customs IT work, however, not many of them have made use of this possibility.

The Commission **provided additional guidance to Member States** for the implementation of the national projects, for instance by issuing a documentation package on the reuse of CCI specifications for the National Import Systems and by establishing a helpdesk function in DG TAXUD for addressing questions on legal, procedural and technical issues.<sup>10</sup> The Commission also proposed **additional support to the Member States at each bilateral meeting held**. The reply by the Member States to such proposals was systematically that their situation is particular, the systems concerned are national systems with their national specificities, and therefore that support from the Commission is not really required. Trying to involve more stakeholders in the existing national projects might even create additional delays. The support that the Member States expect from the Commission is exclusively in the area of reviewing the relevant UCC target delivery dates, following their official requests for derogations. Despite this feedback, the Commission will continue to look during the period of 2023 to 2025 at the possibility of providing additional support to willing Member States, possibly making available advice via consulting experts in such areas as governance, project management, business processes change management, procurement, communication, etc. The Member States that might be interested in such advice or support are invited to send relevant requests to the Commission.

The Member States have mentioned that they are putting in place the following types of mitigating actions: the use of an Agile development methodology, outsourcing more development activities or running several activities in parallel, mobilising additional resources, breaking the projects up into several stages and prioritising a core scope and potentially changing the organisational set-up with their suppliers to achieve a more efficient development process. These actions were referred to for national and trans-European projects.

Regarding the projects related to **trans-European systems**, the Commission has continued and reinforced its support to the Member States by establishing innovative development and deployment mechanisms, by refining the governance approach and by providing trans-European coordination and monitoring programmes. This is described in more detail below.

In order to reduce the risk of delays, the Commission utilises an agile approach concerning the development and deployment of the UCC electronic systems, particularly during the software development phase of each project. This allows for prototyping, quicker fixes and a more balanced workload for the Commission and the Member States. This method was pioneered in the AES, NCTS – Phase 5 and ICS2 projects and has been welcomed by the Member States and traders. Furthermore, the Commission has established a mechanism for enhanced collaboration between all stakeholders from the outset of the projects, to improve the quality of the preparatory activities and to avoid difficulties in decision-taking and additional requirements at later stages in the projects.

A Multi-Annual Strategic Plan for Customs (MASP-C) dashboard continues to be used for tracking progress for the Commission to identify potential delays at an early stage. The baseline for the dashboard milestones is the MASP-C 2019 and the UCC WP 2019. The dashboard is presented on a quarterly basis

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<sup>10</sup> 21 February 2022, Ref. Ares (2022) 1297882.

to the Member States (Electronic Customs Coordination Group) and the trade community (Trade Contact Group) for information and steering purposes.

The Commission is not only monitoring progress against the main project milestones, as indicated in the UCC WP and MASP-C, but is also setting specific interim milestones per project (e.g. milestones by which all Member States should have completed the conformance testing). Such close monitoring is needed to make the deployment of the decentralised trans-European systems manageable and to avoid additional costs for operating old and new systems in case of an extended deployment window.

For the implementation of the **ICS2 programme**, after **the successful deployment of ICS2 – Release 1**, the focus shifted to ensuring the smooth development of Releases 2 and 3. Member States are now turning their efforts to the timely implementation of Release 2.

The Commission provided the following support to the national administrations and economic operators in their ICS2 Release 2 development activities:

- Creation of a dedicated forum and organisation of dedicated webinars, support via frequently asked questions and organisation of regular ICS2 trans-European coordination plenary meetings with participation of all Member States, individual economic operators, trade associations and international organisations.
- Close and continuous monitoring, planning of national and trade project plans to ensure their alignment with the Commission's central planning across relevant IT delivery milestones. Communication campaigns, with different activities implemented throughout the ICS2 programme implementation, including the creation of ICS2 programme specific content on DG TAXUD's webpage, a social media campaign and direct communication to stakeholders and multipliers.
- Online training sessions and training material.
- Publication of factsheets specifically prepared for third country economic operators, presentations at events organised by DG TAXUD or trade actors, having the ICS2 Release 2 documentation available in the public library on CIRCABC.

**For the trans-European systems NCTS – Phase 5 and AES**, the Commission continues with the “National Administration quarterly monitoring programme” using key performance indicators to regularly assess progress and raise alerts well in advance where problems might occur. Additionally, to support the Member States in the development and deployment of their national components for the trans-European systems, the Commission established a “National Administration coordination programme” the following activities:

- Dedicated helpdesk.
- Hundreds of virtual meetings took place with the experts and managers at operational, middle and senior management levels, so as to mitigate the risks of delays of the Member States. Individual support to each Member State with a view to provide them a seamless testing experience, to speed up their readiness and to mitigate their technical risks.
- Training programme with focus on the onboarding of the first wave of Member States which start the conformance tests in 2022.
- Information to trade on the progress and the plans of the Member States.
- The Commission has reported to the ECCG and CPG, the ongoing progress of the Member States and other Signatory Parties to the Common Transit Convention and the current report providing the KPIs overview of the aggregated national plans. The Commission has issued a quarterly consolidated progress report of the transition of both NCTS - Phase 5 and AES as from Q1 of 2021.

Regarding **CCI – Phase 1**, following the outcome of the recurring meetings organised by the Commission, the Member States are being encouraged to select their IT provider in time and to plan the internal resources in advance to allow sufficient time for development, testing and deployment. At the same time, the Commission recommends that the connectivity tests with CCN2 take place in parallel with or prior to the development, and for the pre-conformance tests to be executed concomitantly with development activities.

Most Member States are experiencing the renewal of their entire IT Customs systems, aligning them to the new Customs processes as mandated by the UCC. However, a majority of the Member States plan to remain on time for 1 December 2023 for the trans-European systems. Member States have progressed in their specification and development, some through their conformance tests and others in their connectivity with the central services. For CCI – Phase 1, AES and NCTS – Phase 5, most Member State are planning to enter into operation only during the last two quarters of 2023 (clear shift towards the end of the deployment window). From this perspective, **extraordinary efforts and a timely response will be required by Member States to recover the delays**. Member States are asked to be transparent with their National Project Plans, while raising the priority of these projects and having prepared a ‘plan B’ to secure their business continuity.

## 5. MANAGEMENT SUMMARY AND CONCLUSIONS

After carefully evaluating the progress of the UCC IT implementation, using various instruments (surveys, bilateral meetings, virtual calls, national planning etc.), it can be observed that the **Member States are facing delays and challenges in ensuring the deployment of the UCC electronic systems by the specified deadlines**. In 2022, the main focus was on the national projects of Notification of Arrival, Temporary Storage, Presentation Notification, of National Import Systems Upgrade and of Special Procedures – Component 2 for which the UCC legal deadline is set for the end of the reporting year.

In view of the risks identified in the previous report, the Commission has taken steps to monitor more closely the progress of the national projects and to provide support to the Member States in relation to the national import processes and systems. However, **a majority of the Member States have not been able to mitigate properly the risks outlined in the previous reports and delays did actually occur for the national entry and import projects with implementation date 31 December 2022**. Considering the setback in the implementation progress, many Member States have reported delays for these projects and submitted a formal derogation request to the Commission, in accordance with Article 6(4) of the UCC, asking for an extension of the systems’ deployment deadlines. Member States have reported that the resource constraints, the complexity of the projects and their integration, the numerous obligations to be implemented via customs systems, the contractual issues and some external factors such as the impact of the COVID-19 pandemic, Brexit and the war in Ukraine on customs, have been the most important reasons for these delays. The Commission carefully assessed the derogation requests and the justifications provided by each Member States in terms of specific circumstances. This resulted in the acceptance of a number (not all) of Member States derogation requests, as reflected in the corresponding Commission implementing decisions<sup>11</sup> for the national systems related to entry and/or import. The delays on the deployment of those national systems put the timely deployment of the

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<sup>11</sup> Commission Implementing Decision (EU) 2023/235 of 1 February 2023 granting a derogation requested by certain Member States pursuant to Regulation (EU) No 952/2013 of the European Parliament and of the Council to use means other than electronic data-processing techniques for the exchange and storage of information for the notification of arrival of a sea-going vessel or of an aircraft.

Commission Implementing Decision (EU) 2023/234 of 1 February 2023 granting a derogation requested by certain Member States pursuant to Regulation (EU) No 952/2013 of the European Parliament and of the Council to use means other than electronic data-processing techniques for the exchange and storage of information for the Presentation Notification related to goods brought into the customs territory of the Union.

Commission Implementing Decision (EU) 2023/236 of 1 February 2023 granting a derogation requested by certain Member States pursuant to Regulation (EU) No 952/2013 of the European Parliament and of the Council to use means other than electronic data-processing techniques for the exchange and storage of information for the Temporary Storage declaration related to non-Union goods presented to customs.

Commission Implementing Decision (EU) 2023/237 of 1 February 2023 granting a derogation requested by certain Member States to use means other than electronic data-processing techniques for the exchange and storage of information related to the customs declaration for goods brought into the customs territory of the Union laid down in Articles 158, 162, 163, 166, 167, 170 to 174, 201, 240, 250, 254 and 256 of Regulation (EU) No 952/2013 of the European Parliament and of the Council laying down the Union Customs Code.

remaining trans-European systems at risk as the various deployments are further compacted in a shorter time window and closer towards the final deadline.

In addition, compared to last year, **the trans-European systems are impacted as well**, with additional Member States reporting delays in their developments for ICS2 – Release 2, CCI – Phase 1, AES and NCTS – Phase 5. In this light, the transition periods offered by the Member States to their trader communities are threatened to be increasingly squeezed if not downright suppressed by imposing a “Big Bang” transition. It impacts the ongoing preparations of the trade community to implement the new systems and their interfaces to customs whilst the real benefits for trade obtained from this digital transformation of the UCC and from projects such as CCI will only materialise at a later stage towards the end of the overall UCC transition period. The longer transitional period will also negatively impact those Member States that are ready on time and those traders that operate in several Member States in view of the prolonged period of non-harmonisation.

**Member States will have to reassess their strategies, resources and governance approaches to avoid further spill-over of delays on other projects.**

More details of the planning and status of each project are provided in the Commission Staff Working Document published alongside this report. A summarised overview of the planning and progress, and the red flagged risks, can be found in Figure 4 below.

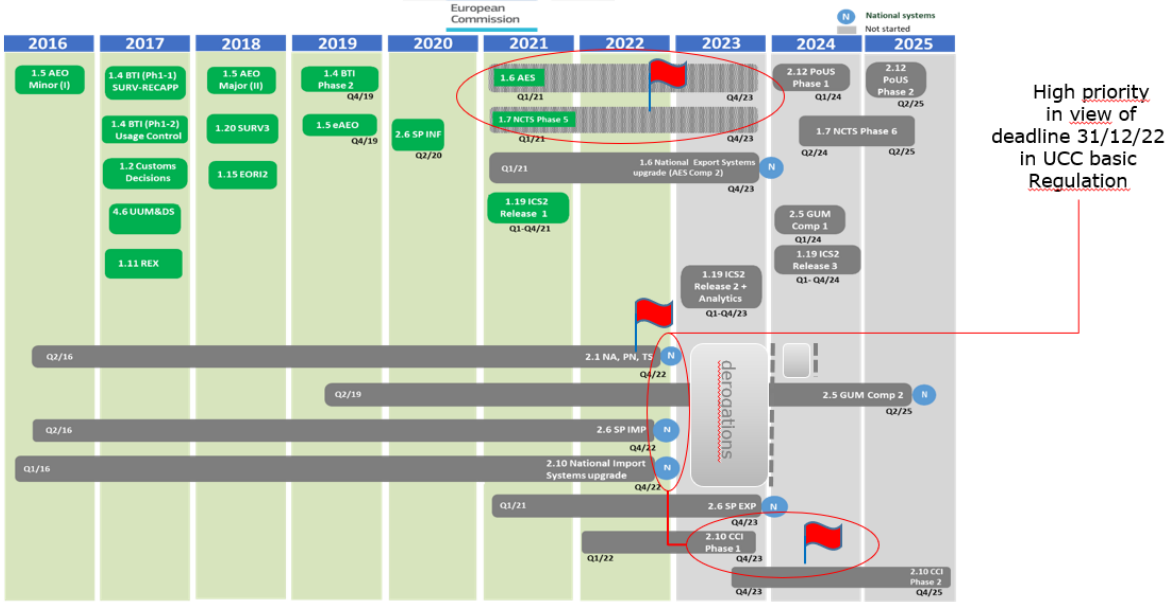


Figure 4 – Planning for the UCC Work Programme projects

The Member States and the Commission continue to work towards the legal deadlines, with both parties keeping each other, and trade, informed about their progress on a regular basis. It should be stated that despite of the delays encountered, the Member States are showing strong willingness and great efforts to undertake additional mitigating actions to address the challenges.

The Commission will continue to regularly monitor the situation, through the UCC reinforced reporting requirements, through the National Administrations quarterly monitoring and coordination programmes for the trans-European systems and through plenary and bilateral meetings with Member States, to steer the UCC IT implementation towards a successful completion by end 2025.

The Commission will also reflect upon other specific actions to reinforce its support to Member States during the upcoming years, for instance by offering technical assistance.