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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(2021) 382 final}

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1. INTRODUCTION

The first and second Annual Progress Reports[1] from the Commission on the implementation of the electronic systems of the Union Customs Code (UCC) and their accompanying Staff Working Documents[2] were published on 13 December 2019 and 14 December 2020 respectively. This year's annual report elaborates on the continuing progress in developing the electronic systems by the Commission and the Member States[3], 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)[4], 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, depending on the system architecture);
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 approach. 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 demonstrates that the remaining projects are mostly on track for completion in line with the planning schedule, though highlighting that some risks require urgent action. More details of the planning and status of each project are provided in a Commission **Staff Working Document**[5] published alongside this report.

2. BACKGROUND

The UCC entered into force on 1 May 2016 and following its amendment in 2019[6], 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, relevant 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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[1] 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

[2] Commission Staff Working Documents:
2019: https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1589134753023&uri=CELEX:52019SC0434
2020: https://eur-lex.europa.eu/legal-content/NL/ALL/?uri=CELEX:52020SC0339

[3] When mentioning in this report the "Member States", it is meant to refer to the national customs administrations of the Member States.

[4] 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).

[5] 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(2021) XXX final.

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

This annual report covers a reflection of the **progress status achieved on 30 June 2021** including a view on the **expected progress by December 2021** in order to have a full picture of the progress made in 2021.

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

The data collected were also compared with the 2020 data in order to detect any major changes. The survey asked the project managers to indicate any known delays in the planning of their electronic systems, the reasons for any such delays and the mitigating measures taken. 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 challenges faced, the anticipated risks and the estimated complexity of the projects.

3. PROJECT METHODOLOGY FOR THE UCC ELECTRONIC SYSTEMS

The work of developing electronic systems involves several steps:

- First, a business case is prepared, which provides the project justification and defines budgetary requirements. Typically, the business case includes the business context, problem description, project description/scope, alternative solutions, costs and a timescale;
- Next, a vision document is created, which provides more detailed information regarding the project definition in terms of architecture, cost, time, and risks, as well as information such as milestones, deliverables and project organisation;
- Subsequently, business process modelling takes place, whereby the business processes from the legislation are visually represented in process flows or process models to help develop the functional specifications for the systems. The benefit of visually depicting process models is to ensure a common understanding and analysis;
- In this context, the technical specifications are developed, to detail how the system will be constructed, the architecture to be used, the messages to be submitted by economic operators and customs offices, the interfaces to other systems, test plans, etc.
- The projects are then rolled out in different phases, from preparation and development to construction, conformance testing, migration and operations.

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 in **parallel** and through **close collaboration** from the start with experts from legal, business and IT, both from the Commission and the National Administrations, and in consultation with trade representatives. The Commission is 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 the Electronic Customs Coordination Group (ECCG)). In addition, the Commission systematically consults the trade community through the Trade Contact Group. 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 systems 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 before 2021

As of the end of 2021, the Commission can report the successful upgrade or deployment of eight out of the seventeen systems.

The eight completed trans-European systems (new systems or upgrades) are as follows:

- 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.

From the other nine projects, six concern trans-European systems from which three had first deployments in 2021 (see 4.2.1) though the projects were not yet completed in their totality. Similarly for the three projects relating to the national systems for which some Member States have started operations (see 4.2.2) though the projects were not yet completed in their totality (by all the Member States).

4.2 Ongoing projects

For the nine ongoing projects, this section of the report highlights the achievements and progress made by end 2021 and demonstrates the extensive collaboration between the Commission and the Member States.

4.2.1 Trans-European projects

Regarding the six trans-European projects, a series of IT project documents were prepared and agreed upon in 2021 as the basis for the systems' development work – see below the progress per project.

These trans-European projects with their specific architecture, sometimes requiring a combination of central and national components and one or more project phases, due by 31 December 2025 pursuant to Article 278(3) UCC, are described and are progressing as follows:

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.

   Progress: The business case for the *trans-European GUM* on the re-use of an existing system with the addition of specific requirements for GUM was approved in September 2020. The process models and functional specifications as well as the vision document were finalised in 2021.

In view of the legal milestones in the UCC WP, the technical specifications are to be completed by 30 September 2022 for Component 1 related to the *trans-European GUM* and 30 November 2024 for Component 2 related to the *National Guarantee Management system*.

Concerning the *National Guarantee Management system,* seven Member States reported the deployment of the national system and two other Member States are progressing on the technical specifications. This can be seen in Table 25 of the Staff Working Document.

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 the 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.

   (1) Release 1 covers the obligation on the relevant economic operators (postal operators and express carriers in air transport) to provide the minimum data i.e. Entry Summary Declaration (ENS) pre-loading dataset. The primary focus of customs in this first release is to risk assess, detect and mitigate risks of potential introduction of improvised explosive or incendiary device ('bomb-in-a-box') into the air cargo and air mail consignments, before goods are loaded onto an airplane in a third country. Customs thus provides via ICS2 a complementary layer of security to the existing civil aviation security regime applicable for transport of cargo and mail to the EU.

   (2) Release 2 covers the implementation of new ENS obligations and related business and risk management processes for all the goods entering the EU by air traffic (addition of new types of economic operators and ENS filings, linking for multiple filings and arrival notifications) and the Safety and Security Analytics capability.

   (3) Release 3 extends this to all goods entering the EU by maritime, inland waterways, road and rail traffic (including goods in postal consignments transported by these means of transport). With Release 3, all modes of transports are supported.

   Progress: The successful deployment by the Commission of the centrally developed components of ICS2 – Release 1, i.e. the Shared Trader Interface, Common Repository and Business Statistics & Monitoring tool, on 15 March 2021 is a significant achievement.

   As regards the readiness of Member States nationally developed components of ICS2 – Release 1, i.e. the national entry systems, it can be reported that all 27 Member States started operations in October 2021 as planned (Section 3.1.1 Staff Working Document) with the express couriers and postal operators.

   The first release is the largest business and IT project that DG TAXUD has ever undertaken, ensuring 24/7 availability to economic operators and Member States and processing the largest volume of business messages with a response time of only seconds. Furthermore, this is the first time that DG TAXUD is using digital certificates for system-to-system communication. ICS2 – Release 1 also delivers advanced monitoring and business statistics for the Member States.

   The Commission is working with the Member States and the Union Postal Union (UPU) to manage the impact of the lack of electronic data from third country operators on the entry formalities that EU postal operators need to comply with. A temporary and targeted derogation based on Article 6(4) of the Union Customs Code might be appropriate for this purpose.

   Further Releases:

   Development of Release 2, using Release 1 as the baseline, has started. Member States are preparing the national functional and technical specifications based on the common EU specifications provided by the Commission. The Commission has initiated coordination meetings to ensure smooth development of Release 2 and requested the National Customs

Administrations to provide the National Project Plans covering information on both the national entry systems and the relevant economic operator's systems.

For Release 3 the functional specifications were published in Q2 2021. With this release all modes of transport will be supported and ICS Phase 1 will be phased out.

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.

Progress: The vision and architecture overview documents of Phase 1 (T2L/F) were approved on 30 September 2020. Three separate external review packages containing technical documentation were launched in 2021. As soon as the technical documentation is approved (estimated around February 2022), Member States will be able to start development to connect to the central system. The functional specifications of Phase 2 (CGM) were accepted on 21 June 2021.

An agile-like development approach is being used for the project. The project is progressing according to the planning set by the UCC Work Programme. As in last year's report, those Member States that prefer to deploy a national system component reported having difficulty in predicting if their implementation will follow the timeline indicated in the Work Programme due to the early stage of the project.

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*, the business case, vision document, L4 BPMs, functional specifications and technical specifications have been approved and are in alignment with the MASP-C 2019 and the UCC WP. An updated package of the technical documentation was approved in 2021 under the change management procedure. The system development has started, with a planned deployment date for forerunner Member States in 2022. Eight Member States have reported the completion of their Phase 1 technical specifications while eleven others are in progress.

The business case for *CCI - Phase 2* was finalised in October 2019. The business processes and functional specifications for Phase 2 were also completed in 2020. A number of technical documents were approved internally in DG TAXUD in preparation for publication of a technical specifications package by 30 June 2022 ahead of the planned deployment date for starting 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. It is of critical importance to guarantee the business continuity of the NCTS operation during the upgrade of NCTS.

Progress: The NCTS – Phase 5 project is currently on track with the successful deployment by the first Member State in March 2021. The Member States also approved a new set of specifications which cover the quality, technical support, business continuity, security and capacity of the future NCTS-P5 operations (Service Management, Service Level Agreement, Terms of Reference, Crisis management, Capacity Plan, Security Plan). This is an important body of work which underpins the proper functioning and availability of this trans-European

System. In parallel, intensive testing with the Member States across the system, confirms the fitness for purpose and resilience of the specifications and central system. This further reduces the risks for the technical aspects of the transition in an agile way.

All Member States confirmed their planning to start operations for NCTS-Phase 5 during the deployment window from Q1 2021 until Q4 2023, in full alignment with the UCC WP. This is illustrated in Figure 1. The yellow bar indicates the recommended time-limit for the Member States to prepare the closure of the existing transit system and start operating the new ones in order to be ready for the legal deadline indicated by the red bar.

Fourteen[7] Member States have reported completing their technical specifications for NCTS-Phase 5 while eight others are in progress.

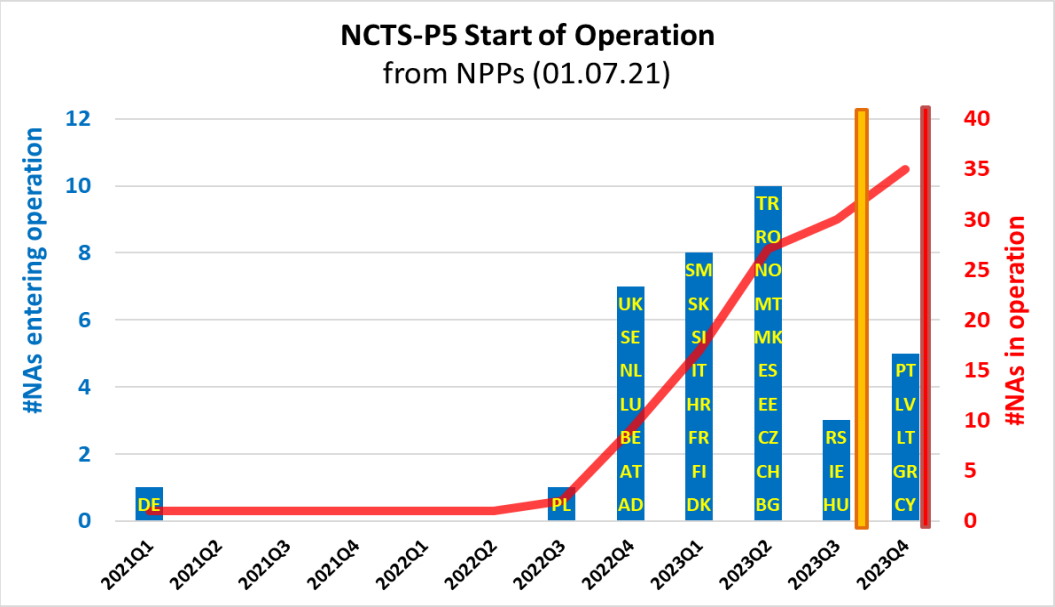


Figure 1 – NCTS – Phase 5 National Administrations entry into operations

For *NCTS - Phase 6*, the business case and the vision document have been finalised in parallel by the end of 2021. As Member States needed more information to make an informed decision a technical study has also being carried out.

6) **UCC Automated Export System** – *AES* (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. It is of critical importance to guarantee the business continuity of the export operations during the upgrade of AES.

Progress: The *trans-European AES* – Component 1 is currently on track with the successful deployment by the first Member State in March 2021. The Member States also approved a new set of specifications which cover the quality, technical support, business continuity, security and capacity of the future AES operations (Service Management, Service Level Agreement, Terms of Reference, Crisis management, Capacity Plan, Security Plan). This is an important body of work which underpins the proper functioning and availability of this

[7] Situation on 30 September 2021. (Table 41 Staff Working Document indicates twelve by end June)

trans-European System. Business guidance and eLearning material are also under preparation. In parallel, intensive testing with the Member States across the system, confirms the fitness for purpose and resilience of the specifications and central system. This further reduces the risks for the technical aspects of the transition in an agile way.

All Member States confirmed their planning to start operations for AES during the deployment window from Q1 2021 until Q4 2023, in full alignment with the UCC WP. This is illustrated in Figure 2. The yellow bar indicates the recommended time-limit for the Member States to prepare the closure of the existing export system and start operating the new ones in order to be ready for the legal deadline indicated by the red bar.

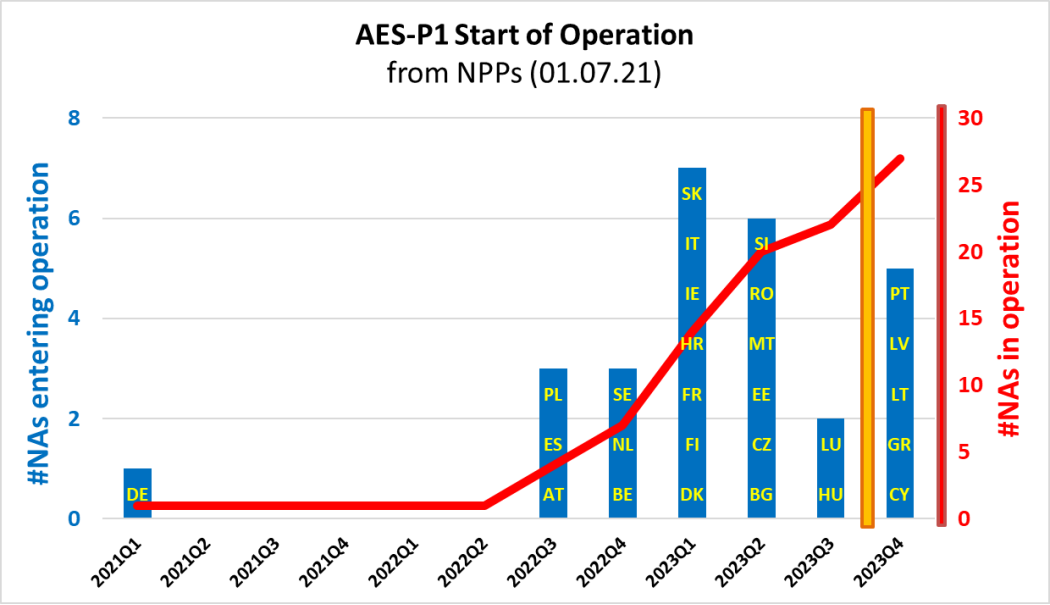


Figure 2 – AES – Phase 1 National Administrations entry into operations

To summarise the status of the six 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 Multi-Annual Strategic Plan for Customs (MASP-C) of 2019. The Member States are also mostly on track, however five Member States have indicated delays in deployment of some systems ranging from one month to more than two years in one case[8]. Two Member States have indicated that they will allow their traders a longer transition period after deployment to connect to their systems than what is legally defined – one by a month and the other by one year[9]. As the systems concerned are planned for 2023, 2024 and 2025 there is still time for mitigating actions to be undertaken to address the delays currently envisaged. The Commission will work closely with those Member States to this end.

Finally, it is important to highlight that in view of the implementation of the UCC WP, **the Commission will have performed approximately 84% of its activities by December 2021**. This represents an increase from 79% reported last year of the totality of its development work due by 2025. 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 in view of the progress and planning of DG TAXUD.

[8] Tables 25, 28, 32, 36 & 37 Staff Working Document.
[9] Tables 25, 36 & 37 Staff Working Document.

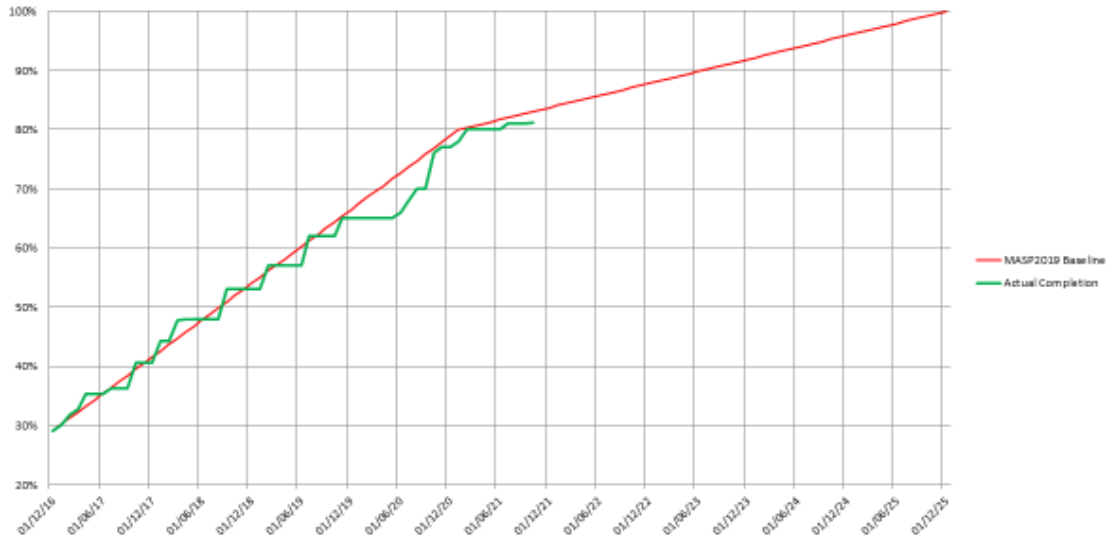


Figure 3 – Approximation of the percentage of completion of the Commission's development activities

4.2.2 National projects

Member States are due to complete the upgrade of their three national systems by 2022. This excludes the export component of the national Special Procedures system, for which the activity and planning is interlinked to the Automated Export System (AES), and the national guarantee component as part of the GUM project.

The three Member States' systems 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** (*NA, 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: BE has established a collaboration initiative with 12 other interested Member States in order to prepare the specifications. An expert team, funded by the Customs Programme, will continue collaborating to deliver the appropriate functional and technical documentation and test packages. ***NA, PN and TS* have been completed by one, six and four Member States, respectively**. Because of the nature of the development, some Member States have decided to make use of ICS2 – Release 2 to implement the requirements for the Notification of Arrival, ultimately leading to some planned dates being past the UCC WP deadline.

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: Fifteen Member States have completed their technical specifications. Two have not yet started and another Member State did not provide information. All Member States, with the exception of two, are on track to achieve the 2022 operations milestone.

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 first (export) component of the SP will be implemented in-line with and as part of the national UCC Automated Export System (AES) project (with a 2025 deployment deadline), while the second (import) component will be part of the upgrade of the UCC National Import Systems project (with a 2022 deployment deadline).

Progress: Nine Member States have completed their technical specifications for SP Component 1 while fourteen have completed them for Component 2. Interdependencies exist with AES and the National Import Systems Upgrade. So far, no delays have been reported by the Member States and **all the Member States are on track** with the first deadline being 2022.

To summarise for the national systems, **Member States are making strong efforts, sometimes through intense collaboration, to progress the implementation of the requirements for NA/PN/TS, the adjustments to the National Import Systems and the interrelated Special Procedures.** As the deployment deadline is approaching, 31 December 2022 for all three, Member States should pay careful attention to this matter, in particular the six Member States that could not confirm a timely deployment for NA, the four Member States for PN, the three Member States for TS and the two Member States for NIS as displayed in tables 14, 15, 16 and 18 of the Staff Working Document accompanying this report.

4.3 Risks for delays

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 have been reported which would lead to late deployment.

The **Member States are also advancing significantly** with the developments under their responsibility. However, as stated in section 4.2.2, **some Member States have reported some delay beyond the legal deadlines**. The tables in the accompanying Staff Working Document, where the reported delays by the Member States can be viewed, are mentioned for each project listed below.

- For the implementation of the **Notification of Arrival**, the following Member States have a planned operations date that is later than the deadline in the UCC Work Programme: BE, BG, EE, ES, NL and SE (Table 14). More specifically, three of these Member States (BG, EE and ES) have reported that they would use the NA integrated in ICS2 – Release 2 (planned deployment 01 March 2023). For BE and NL, the delay is limited to two months. DE and IE marked as not applicable and no planned date was provided by DK, MT and SK.
- For the implementation of the **Presentation Notification**, the following Member States have indicated a planned operations date for PN that is later than the deadline in the UCC Work Programme: BE, EE, NL and SE (Table 15). More specifically for BE and NL, the estimated delay is limited to two months. EE and SE plan to have a timely deployment of their national system but the migration of all economic operators would be gradual and ending beyond the deadline of 31 December 2022. No planned date was provided by PL, RO and SK.
- For the implementation of **Temporary Storage**, the following Member States have indicated a planned operations date that is two months later than the deadline in the UCC Work Programme: BE, EE and NL (Table 16). BE and NL reported a delay of 1 quarter; EE would have a timely deployment of their system but the migration of all economic operators would be gradual and ending beyond the deadline of 31 December 2022. No planned date was provided by DK, PL, RO or SK.
- For the implementation of the **National Import Systems Upgrade**, the following Member States have indicated a planned operations date that is later than the deadline in the UCC Work Programme: BE (limited to few days) and MT (2 quarters) (Table 18). No planned date was provided by DK, PL, RO or SK. Furthermore, GR and LT have reported not having started yet with the technical specifications which could also be problematic in terms of progress achieved in view of the deadline of 31 December 2022.

- For the implementation of **ICS2 – Release 2**, the following Member State has indicated a planned deployment date that is later than the deadline in the UCC Work Programme: MT (Table 28). No planned date was provided by BE, GR, IT, or RO.
- For the implementation of **PoUS – Phase 1**, the following Member States have indicated a planned deployment date that is later than the deadline in the UCC Work Programme: CZ and HU (Table 32). No planned date was provided by BE, DK, GR, IT, LT, MT, or PL.
- For the implementation of **CCI – Phase 1**, the following Member State has indicated a planned deployment and operations date that is later than the deadline in the UCC Work Programme: DE (Table 36). This planning is later in comparison to the 2020 report. DE has indicated that the current architecture and infrastructure of the national import system is not sufficient and requires a fundamental renewal and modernisation in order to meet the requirements of UCC CCI, see Section 4.7 of Staff Working Document. No planned date was provided by SE.
- For the implementation of **CCI – Phase 2**, the following Member State indicated a planned operations date which is later than the deadline in the Work Programme: DE (Table 37). DE's planned deployment date in that table is one month later than the target date set in the WP and they will be providing a migration period that runs to 30 June 2026. However, subsequent to the collection of the data in Table 37, DE has indicated that it intends to deploy Phase 2 within the deployment window of the UCC WP. DE explained that this project will be implemented in the major release of their national IT-System ATLAS (Release 10.3) for which the preparatory activities have not yet started. No planned date was provided by BE or SE.
- For the implementation o**f NCTS-P5 and AES-P1,** while Member States are making good progress and all Member States confirmed that they will be ready by 1 December 2023, there is growing evidence that several might face considerable difficulties to meet their commitments due to late starts, procurement difficulties, implementation delays, insufficient resources, COVID-19 and trade transition.

  Collectively, the Member States have reached 26% of the transition milestones, from 18% by end 2020 underlining the significant progress. However, it is short of the anticipated 36%. A significant number of Member States are facing difficulties to meet the legal obligations. The transition of the Member States has already shifted by more than one quarter since end 2020 and may slip further as 40% of the Member States are currently reviewing their national plans and others face significant difficulties to get the necessary resources. The Commission considers that half of the Member States plans present serious risks for the orderly and timely deployment of the AES-P1 and NCTS-P5 by the deadline of the 1 December 2023. This situation may expose the deadline if left without a dynamic and powerful response of the Member States. It is essential that all Member States are ready in time with proper contingency to enter into full operations on 1 December 2023.
- For the implementation of **NCTS-P6**, the Member States raised some concerns on the planning as the misalignment of the NCTS-P6 and ICS2 - Release 3 deployment dates as reflected in the MASP-C and the UCC Work Programme raises implementation difficulties. The Commission has taken the necessary actions to resolve the issue, whilst keeping the dates within the deadlines set in the UCC.
- For the implementation of the **GUM national component 2**, most Member States are scheduling a timely deployment and operation, except for FI and FR (approximately 1 month of delay) (Table 25). As this is one of the systems to be implemented only by 2025 and the delays reported are limited, there is still time to address this risk.

On the side of the **Member States**, a number of overall risks continue to be repeated year after year. A continuing source of difficulties is their lack of resources and the need for further integration of the UCC projects. They have also provided several mitigating actions to avoid a delay in the start of operations. It is to be noted that the risk by Member States was considered in combination with other external factors (see Tables 12, 13, 17, 34, 35 and 38 of the Staff Working Document accompanying this report).

Furthermore, in the 2020 Annual Progress Report, the Member States pointed already at the difficulties in meeting the **obligations on customs systems imposed by the VAT eCommerce package** adopted on 5 December 2017[10]. With the postponement of the new rules by six months (01/01/2021 to 01/07/2021), the Member States had more time to meet the legal deadlines for the national developments, though a few Member States reported collateral impact of the VAT eCommerce initiative on the UCC implementation. Five Member States reported the need for re-planning of some UCC activities and for upscaling platforms and supporting IT systems.

Concerning **the challenges brought about due to the COVID-19 pandemic**, the Commission reported again that for its own activities, no impact is to be noted. The Member States reported that there has been additional pressure on their national planning and on the number of human resources available internally and externally (IT contractors and economic operators).

In conclusion, the assessment of the main risks for the timely implementation of the UCC systems revealed that the **risks are situated mostly on the side of the Member States and linked to resource constraints, the complexity of the projects and their integration, procurement and contractual issues and some external factors such as the COVID-19 pandemic.** The Commission will continue to support the Member States to avoid that the risks materialise into late deployments of electronic systems as described in section 4.4 below.

4.4 Mitigation actions

Further to the mitigation actions started in 2020 to reduce the risk on the data instability, the Commission adopted the necessary amendments to UCC-DA[11] and UCC-IA[12] on 07 December 2020 and 08 February 2021 respectively and published in the Official Journal (OJ) on 23/02/2021, entering into force on 15 March 2021. With these amendments the Annex B data requirements are stabilised for further implementation in the electronic systems. An annual Annex B change management exercise was put in place during 2021 to handle possible further corrections.

To enable the timely IT implementation of the UCC and the MASP-C, the Commission put a new framework contract in place in 2021 for the external outsourcing of its IT development activities, incorporating an IT modernisation track based on innovation and agility. The IT modernisation process underway in DG TAXUD allows for quicker fixes, parallel work and a more balanced workload by splitting into digestible work packages and iterations. The mechanism for enhanced collaboration between all stakeholders from the outset of the projects continues to improve the quality of the preparatory activities and avoids difficulty in decision-taking and additional requirements at later stages.

In terms of monitoring the progress of the UCC WP implementation, several instruments were used by the Commission.

Firstly, the Multi-Annual Strategic Plan for Customs (MASP-C) dashboard continues to be used for progress tracking of all ongoing projects in order 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 to the Member States (Electronic Customs Coordination Group) and the trade community (Trade Contact Group) for information and steering purposes.

Secondly, the Commission established coordination and monitoring programmes for the decentralised trans-European systems.

For instance, for the implementation of the ICS2 programme, the Commission continued with the "ICS2 trans-European coordination activities"[13] to ensure the successful deployment of ICS2 – Release 1. The focus then shifted from ICS2 – Release 1 to the Releases 2 and 3. The Commission provided support to

[10] Council Implementing Regulation (EU) 2017/2459 of 5 December 2017 (OJ L 348, 29.12.2017, p. 32–33)

[11] Commission Delegated Regulation (EU) 2015/2446 of 28 July 2015 supplementing Regulation (EU) No 952/2013 of the European Parliament and of the Council in regard to the detailed rules concerning certain provisions of the Union Customs Code (OJ L 343, 29.12.2015, p. 1-557).

[12] Commission Implementing Regulation (EU) 2015/2447 of 24 November 2015 laying down detailed rules for implementing certain provisions of Regulation (EU) No 952/2013 of the European Parliament and of the Council laying down the Union Customs Code (OJ L 343, 29.12.2015, p. 1-558-893).

[13] ICS2 trans-European coordination activity strand, as integral element of the ICS2 programme, was launched in 2018.

the Member States and economic operators in their development activities via a set of activities that included:

- Organisation of webinars involving participants from Member States, economic operators and international organisations in addition to the provision of guidance material;
- Close and continuous monitoring, support to the coordination of conformance test activities and stimulating national administrations and economic operators to co-ordinate their individual projects;
- Online training sessions and training material, communication campaigns, including the creation of ICS2 content on the Europa website, a social media campaign and direct communication to stakeholders and multipliers;
- Bilateral meetings with those Member States that were delayed and missed the expected date to start operation as of 15 March 2021 in accordance with the UCC WP. The Commission and affected Member States discussed necessary mitigation actions and measures to ensure implementation of Release 1 as early as possible and prior to the end of the deployment window (1 October 2021) defined in the UCC WP. The deployment window from 15 March 2021 to 1 October 2021 could be granted to the economic operators to connect to ICS2 and start lodging ENS in ICS2.

Also for the trans-European systems NCTS-P5 and AES, the Commission continued with the "National Administration coordination and monitoring programme" using key performance indicators to regularly assess progress and raise alerts. The quarterly monitoring includes setting interim milestones per project (e.g. milestones by which all Member States should have completed the conformance testing). Such close monitoring is needed in order 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.

Additionally, in order to support the Member States in the development and deployment of their national components for the trans-European NCTS-P5 and AES systems, the Commission extended this coordination programme in 2021 with a personalised support and coaching for each of the Member State, to assist them to de-risk the national projects and to provide them with a seamless testing experience, speeding up their readiness and mitigating technical risks while deploying their national systems into the trans-European systems. An ambitious training programme has been put in place by the Commission. The Coordination Programme has proven instrumental to maintain a high level of transparency on the progress of the Member States and to report on the collective progress of the Member States. The results achieved during the years 2020 and 2021 can be found in the Staff Working Document, section 4.8.1. The output of these programmes brings valuable progress information and will continue to be used for the future Annual Progress Reports.

In its coordinating role, the Commission has highlighted the progress and the risks to the Member States and urged the Directors-General of the Member States' administrations to take the necessary actions to address these issues. The Member States that plan to enter into operation during the last two quarters of 2023 were invited to take all necessary steps to advance their plans and to de-risk them to avoid that they end up withholding the end of the transition planned for 1 December 2023 at the costs of the Member States which have invested to reap the full benefit of the UCC from this date.

Throughout 2021 the Commission also supported the Member States that expressed concerns about the timely implementation of their **national projects**. The Commission held bilateral meetings to discuss the individual Member States' concerns and needs including providing clarifications on legal issues relevant to their national developments, as well as providing support to respond to questions raised during the course of the business and IT analysis and of the development performed by the Member States. Some Member States were able to advance their planning and reduce the risk for delays. Others continued their intense collaboration work for the implementation of the project AN/PN/TS and to join forces in the Expert Team. The Commission continues with the funding from the Customs Programme for the Expert Team on new approaches to develop and operate Customs IT systems (ETCIT).

Furthermore, the Member States have mentioned the following types of mitigating actions: use of an Agile development methodology, outsourcing more development activities, 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.

The Commission has and will continue to regularly monitor the situation, through bilateral contacts to understand the problems, assist where possible and emphasise to the Member States concerned the need to mitigate the risk of delays.

The Directors-General of the National Administrations have been informed at the Customs Policy Group of the need for quarterly monitoring for all IT systems development, not just trans-European. This will augment the current twice yearly reporting of national planning information provided under Article 278a(4) UCC in the lead up to the critical period for the implementation of these changes to national systems. Ultimately, the timely implementation of the national components remains the responsibility of the Member States.

5. MANAGEMENT SUMMARY AND CONCLUSIONS

Tangible progress is being made in the implementation of the UCC WP. An increasing number of electronic systems were deployed and are now fully operational.

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 can be found in Figure 4 below.

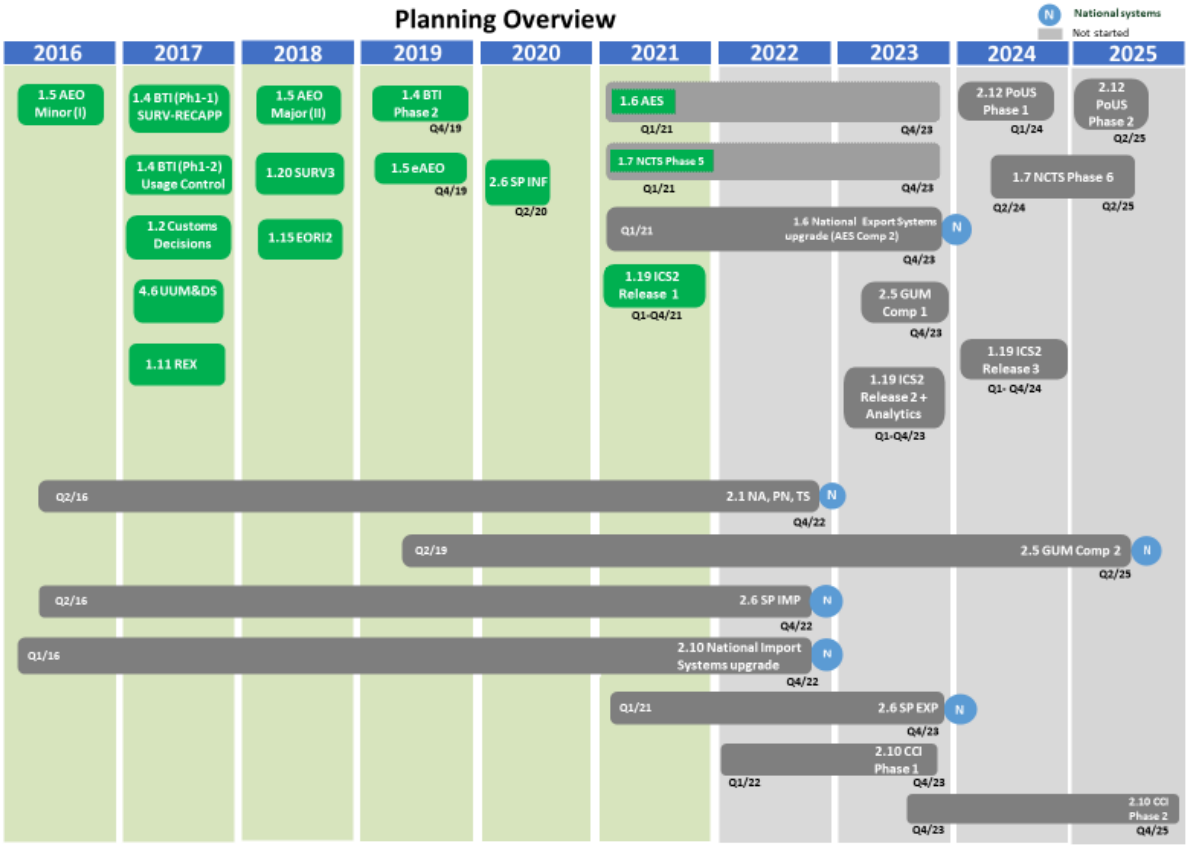


Figure 4 – Planning for the UCC Work Programme projects

In 2021, the following key elements for progress and risks were reported:

ICS2 – Release 1 was successfully deployed in 2021 by the Commission, all Member States and all postal operators and express couriers involved. The system is processing large amount of data with about 10 million ENS per month.

NCTS-P5 and AES were also successfully put in production this year with the entry in operation of its first Member State. Intensive collaborative testing de-risks the technicalities of the transition. Collective intelligence and agility with Member States and trade are the key asset fuelling these projects towards their targets. The projects are on track and the Member States started to publish their specifications for the traders.

However, the Commission considered that half of the national plans present serious **risks for the orderly and timely deployment of the NCTS-P5 and AES** by the legal deadline and invited the Member States **to take all necessary steps to advance their plan and de-risk them** to avoid compromising the end date of the deployment window, establishing the end of the transitional arrangements.

Similar warning for the **national projects where risks for delays** were reported by some Member States, in particular in the domain of entry of goods into the EU. The deployment date as well as the roll out and full operation with all economic operators should fall within the deployment windows set by the UCC WP.

Economic operators referred to the trans-European system for Centralised Clearance at import as one of the key projects contributing to the trade facilitation objective of the UCC. This system will have its first deployments in 2022. All Member States, except for one, reported to be able to implement this system within the deployment window of the UCC WP. However, in case serious delays occur on the national projects, there might also be an impact on this flagship project of the UCC. Close monitoring of the progress of the national activities will be important in the years to come.

The assessment of the progress and risks continues to indicate that the challenges to meet the legal deadlines are situated **primarily on the side of the Member States**. The Member States refer to resource issues, the impact of the COVID-19 pandemic, to many other obligations to be implemented via customs systems and to the complexity and interconnectivity of systems. As highlighted throughout the report, all Member States have expressed their willingness to define and undertake mitigating actions to ensure that they respect the planning deadlines set out in the UCC WP.

In conclusion, **the projects continue to be mostly on track and feasible for completion** in line with the planning of the projects defined in the UCC WP **as far as priority is given to address the risks by means of a strong engagement in urgent and concrete actions.** The Commission commits to continue to support, coordinate and carefully monitor the progress on the side of the Member States during the coming years and to undertake some specific actions to ensure a timely implementation of the national as well as trans-European systems.