



Council of the  
European Union

Brussels, 11 July 2017  
(OR. en)

11204/17

LIMITE

UD 182

**NOTE**

---

From:	General Secretariat of the Council
On:	20 July 2017
To:	Working Party on Customs Union
Subject:	Presidency Non-Paper: Follow-up on the Council Conclusions on the Governance Reform of the Customs Union

---

Delegations will find in the annex the above document, transmitted by the Presidency.

**Presidency Non-Paper****Follow-up on the Council Conclusions on the Governance Reform of  
the Customs Union****1. Objectives**

The objective of this non - paper is to initiate a discussion at the Customs Union Working Party (CUWP) on the topic of customs IT with a view of assessing the progress made to date, and tackling problems identified after the entry into force of the Union Customs Code (UCC).

The outcome of this discussion will be presented for a debate at the informal meeting of the Ministers of Finance and the High-Level Working Party of Directors-General for Customs. The outcome, if appropriate, will be addressed to Member States and the Commission in the form of Council Conclusions.

**2. Background**

One of the crucial tasks of the Customs Union is to ensure the correct, effective and timely implementation of the Union Customs Code (UCC) and its IT Work Programme. In its Conclusions on the follow up of the Union Customs Code<sup>1</sup> and on customs funding<sup>2</sup> the Council

- stressed “*the importance that further work in this transitional period, in particular on IT-systems, is based on realistic costs and time planning, and explores ways to keep costs for customs and trade at a minimum, e.g. by adopting common IT solutions*”;

---

<sup>1</sup> Draft Council Conclusions on the Follow up of the Union Customs Code (doc. 8441/2/16 REV 2)

<sup>2</sup> Council Conclusions on Customs Funding (doc. 7586/17)

- invited *“the Commission by the end of 2017 to develop a strategy for the architecture, development, management, and funding of Customs IT-systems taking into account the responsibilities between the Commission and the Member States for the development of IT systems required for the implementation of the EU legislation”*
- invited Member States and the Commission to *“continue the work in keeping the ‘UCC package’ up to date, that is, modern, agile and able to cope with challenges for customs”;*

*“improve transparency in the development of IT systems, in particular in relation to planning, by finding flexible approaches, funding, and cost-efficiency” and*

*“work together to assess by the end of 2017 existing programmes and instruments of EU- funding for customs, available for financing of technical equipment for the controls of goods crossing the EU external border and Customs IT infrastructure”.*

At the same time, the Council, recognising the challenges for Customs in the area of IT development, and the commitment by the EU Customs Authorities to address these issues effectively, efficiently, consistently, and coherently, invited<sup>3</sup> Member States and the Commission to:

- *“develop a comprehensive mid- and long-term strategy for customs IT systems to enable effective implementation of the UCC and to develop fully digital customs based on the added value of the individual systems, including considering the use of a permanent structure to manage the IT infrastructure, while taking into consideration the already developed or deployed IT systems”,* and invited the Commission to

---

<sup>3</sup> Council Conclusions on Developing the EU Customs Union and its Governance (doc. 7585/1/17 REV 1)

- *“consider and evaluate the value added and long-term benefits of a permanent structure to manage IT-infrastructure, as well as possible synergies with existing agencies and report by the end of 2017 on the progress made.”*

### **3. State of play**

The delegates to the High Level Working Party of Directors-General for Customs, to the Customs Policy Group (CPG), and to the CUWP have raised their concerns over an excessive level of ambition in respect of the commitments undertaken with the UCC, and have drawn attention to the different priorities of the stakeholders as well as to the insufficient funding and resources.

The problems related to the prioritisation, the financing, and the resources have slowed down the development of the IT systems for customs (ICS2). Such problems have an impact on other policy areas (for example, the implementation of the VAT-package). Among other issues, the idea of common systems is losing focus on its main objective, i.e., the decreasing of the costs for customs administrations and trade. The latter jeopardises the wider use of common systems in the customs area.

Taking into account the difficulties related to the organisational and financial issues, the prioritisation, the intense timetable, and the complications associated with the scoping and the phasing of projects, the Commission proposed a realistic plan (the Multi-Annual Strategic Plan 2017 (MASP 2017) for the implementation of the UCC. The proposal was accepted by the Customs Policy Group with some minor comments.

The Council has invited the Member States and the Commission to develop a long-term IT strategy for the architecture, development, management, and funding of customs IT systems. The Commission indicated however that there is a need for a common vision on how and when to use common systems (EU wide pooling of resources, central systems), which are considered to be one of the cornerstones of future customs IT to provide a solution against unnecessary investments and use of resources. From a financial point of view, the current division of responsibilities between Member States and the Commission has led to a duplication of effort and expenditure (a sub-optimal use of EU-funds).

## **4. Way forward**

### *4.1 Implementation of Union Customs Code*

Without underestimating the efforts of the Member States and the Commission, nor questioning the full implementation of the UCC package as the main priority for the Customs Union, the CPG accepted the Commission proposal to amend the MASP. A key change from the previous version was the understanding that six UCC systems shall not be fully operational by the end of 2020. These are ICS 2, NCTS, AES, Centralised Clearance for import, Proof of Union Status, and Guarantee Management.

Since the operational planning (with a final deployment deadline of 2025) was accepted, there is an obvious need to evaluate the impact of this decision on the legal framework.

The most important aspects which need to be addressed are:

- the extension of the transitional period (Article 278 of the UCC)
- the inclusion of new deadlines in the implementing decision on the IT programme.

In order to examine the situation, the Presidency intends to ask the Commission to present an oral report on the state of play. If Member States agree, the Presidency will also open a debate on whether to invite the Commission to propose an amendment to the UCC, setting-up a transitional period until the electronic systems are operational.

#### 4.2 *Development of customs IT after UCC*

The situation of the UCC's implementation clearly indicates that the development of the customs IT systems requires serious reforming. The decentralised implementation of the common customs law has repeatedly proven to be not only ineffective, but even an obstacle to the achievement of the objective that the 28 national customs administrations of the EU should act as though they were one (the safety and security amendments, the Modernised Customs Code, the UCC). The current approach also disregards the fact that the need for traders to comply with the technical rules of 28 interfaces has a strong negative impact on their finances and competitiveness.

In general, the expectations for future customs IT systems are clear: full interoperability and inter-connectivity of the systems, and harmonised procedures and data requirements. This can all be achieved through the use of common IT systems.

In order to enable the Customs Union to reach its full potential, it is essential **to reach an agreement between the Member States that, from 2025 the next generation information systems necessary for the implementation of the Union customs law should be, as far as possible, centrally developed.**

Since the development and maintenance of the common systems will significantly raise the workload of the Commission's IT services (currently responsible for central solutions), **the use of other permanent structures should be considered as the solution for a long term strategy.**

As part of this agreement it is important to carry out a review of responsibilities shared between the Member States, the Commission, and the permanent structure responsible for the development and the maintenance of the future IT-systems, and especially the legal basis for the development of the central components and the mutual cooperation (UCC articles 16, 17, the UCC Work Programme, and the e-Customs Decision). It is necessary to examine the change of some activities, from national components of EU connected systems to Union components. It should be duly noted that all the central components should be financed from the EU budget.

The use of a permanent structure can also resolve the future challenges with the maintenance (including updating) of the UCC IT projects which are developed centrally by the Commission or in collaboration among Member States.

As part of the preparation to create a permanent structure, it could be beneficial to launch a “learning by doing” pilot project in view of testing the development, production, change-management, and technical maintenance of central information systems. A possible pilot could be the development of an IT system from the current UCC IT working plan.

#### *4.3 Budget and financing of future IT-systems*

The cost of developing (without the maintenance) the future IT systems in 28 Member States will reach billions of euros. The implementation of the UCC provides a unique opportunity to evaluate to some extent the cost of the full customs IT. As Member States are still unaware of the exact amount of investment necessary for the development of the national components, the size of a Member State’s customs administration reflects the needs and scope of its responsibilities, and the cost of its IT development. On this basis, it could be expected that the development of the UCC IT systems in 28 Member States to be funded by the Member States, which would take approximately 1,5-2 billion euro from their budget.

Based on the Commission's estimates in the Customs Decisions project, it is clear that the central solution could be estimated as 50% more favourable than developing a hybrid or 28 national systems.<sup>4</sup>

An agreement between Member States on the allocation of development expenses could be a solution to the financing of the development and the maintenance of the IT systems. The mechanism of this allocation (proportionally based on objective, quantifiable, and variable criteria) should be agreed, keeping in mind that the Union components should be paid from the Union budget. If Member States agree, by the end of Q1 of 2018 the Commission should propose a Recommendation for a Cost Allocation Mechanism to the Council. The Commission should contribute to the Mechanism by making financial resources available in the next MFF for Customs modernisation purposes.

---

<sup>4</sup> Ref. Ares(2012)1192563 - 10/10/2012 IT implementation Strategy. Way forward for Customs Decisions



## A Possible 10-Year Plan towards Common Customs IT

2017 - 2025	implementation of UCC systems as provided in IT WP and MASP
2017 II half	preliminary agreement between Member States on using common systems for future customs IT
2017 II half	assignment in the form of Council Conclusions to the Commission to analyse <ul style="list-style-type: none"> <li>a) possible changes in stakeholders' responsibilities and roles</li> <li>b) necessary amendments to the legal basis of customs IT</li> <li>c) financing of common IT systems (allocation mechanism), including impact to MFF</li> </ul>
2017 end	Commission analysis on evaluation of value added and long-term benefits of existing permanent structures
2018	Start of preparation based on the analysis made by Commission
2018	Start of preparation on the base of Conclusion to be adopted
2019-2020	Discussion of package prepared by Commission in working group
2023-2025	possible start of pilot project
2025	If possible, central development and maintenance of customs IT-systems.

---