

SHADOW REPORT

ON UKRAINE'S PROGRESS IN ALIGNING WITH CHAPTER 29: CUSTOMS UNION

2026

This Shadow Report provides an independent assessment by civil society representatives of Ukraine's progress towards EU membership as a candidate country under Negotiation Chapter 29 "Customs Union".

The document analyses the current state of Ukraine's customs sector, with a particular focus on the alignment of legislation with EU standards, the development of the law enforcement function of the customs service, the implementation of digital information systems, simplification measures, institutional reform of the State Customs Service and compliance with anti-corruption policy.

The authors highlight the customs sector's key achievements and challenges in the process of European integration and have developed a set of proposals for stakeholders to address the question: to what extent is Ukrainian customs ready to operate as part of the EU's single customs area, and what needs to be done to achieve this?

This shadow report will be useful for:

- ✓ European Union institutions, particularly the European Commission and other bodies involved in the negotiation process and monitoring Ukraine's fulfilment of its European integration commitments;
- ✓ Ukrainian government bodies, particularly the Ministry of Finance of Ukraine, the State Customs Service of Ukraine, and other institutions responsible for shaping and implementing customs policy and the European integration agenda;
- ✓ international donors and technical assistance programmes;
- ✓ entities engaged in foreign economic activity;
- ✓ think tanks, civil society, and the academic community.



The methodology of the Shadow Report is available via the [link](#) and QR code:

The report provides an independent assessment of the progress and challenges in aligning Ukraine's customs legislation and practices with EU standards as of June 8, 2026.

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WE WOULD LIKE TO EXPRESS OUR GRATITUDE TO UKRAINE'S SECURITY AND DEFENSE FORCES!

LIST OF ABBREVIATIONS



AEO Authorised Economic Operator

ASMO "Centre" Automated Customs Clearance System "Centre"

BES Bureau of Economic Security of Ukraine

SAP State Anti-Corruption Programme

FEA Foreign Economic Activity

CMU Cabinet of Ministers of Ukraine

CC Customs Code

NACP National Agency on Corruption Prevention

RA Regulatory Act

NRS National Revenue Strategy until 2030

OSA Operative-Search Activities

VCR Violation of Customs Rules

BTI Binding Tariff Information

CDS.UA Customs Decision System

GMS.UA Guarantee Management System

KPI Key Performance Indicator

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European integration in the customs sphere has a particular role in the context of Ukraine's approximation to the EU. Chapter 29, "Customs Union", is one of a few chapters where Ukraine has achieved a high level of preparedness and, according to the European Commission's assessments, has demonstrated significant progress in recent years. This allows for the assumption that work under this chapter may be completed in the medium term, making it one of the first chapters ready for closure.

In 2025, amendments to the Customs Code of Ukraine entered into force. They introduced the concept of customs representation, extended the authorisation mechanism to customs brokers, warehouses and certain customs procedures, and revised the approach to post-clearance control. In parallel, the Government endorsed the draft new Customs Code of Ukraine, which, at the time of publication of this report, is being prepared for registration in the Verkhovna Rada of Ukraine. The AEO programme and NCTS also expanded: 33 additional companies joined the Authorised Economic Operator programme, while the number of transit declarations processed exceeded 142,000.

At the same time, the reporting period has also been marked by the beginning of substantial changes in the customs policy of the European Union. The reform within the bloc is aimed at deepening digitalisation and creating a centralised data-management architecture. Its key elements are the EU Customs Data Hub and the EU Customs Authority. The introduction of this instrument will change approaches to risk management and the control of cross-border flows of goods.

The rapid growth of e-commerce creates new challenges for both the EU and Ukraine. These include the need to strengthen control over customs value, the origin of goods, compliance with intellectual property rights, and product safety standards.

In the area of trade facilitation, a new institution of Trust and Check Traders will be established. It is intended to replace AEO for companies that provide comprehensive information on the movement of goods and, in return, receive simplifications in relation to customs obligations.

Under these conditions, the complexity of the regulatory and operational environment is growing faster than the institutional capacity of customs authorities to adapt to new requirements. This creates new challenges for Ukraine's further approximation to the EU acquis under Chapter 29.

Accordingly, the purpose of this Shadow Report is to assess not only the state of implementation of European integration steps in the customs sphere, but also the extent to which Ukraine's customs policy is adapting to new challenges. In addition, we have developed proposals for the customs administration aimed at strengthening institutional capacity, prioritising reforms, and ensuring effective adaptation to new EU requirements, in particular in the areas of digitalisation, risk management and integration into European customs systems.

EXECUTIVE SUMMARY



This section presents a consolidated assessment of Ukraine's progress in approximation to the EU acquis under Chapter 29, "Customs Union". The analysis is based on legislative changes and the actual implementation of reforms, while also taking into account the assessments set out in the European Commission's report.

European Commission 2025 Enlargement Report on Ukraine:

"As regards customs legislation, a new law which substantially aligns Ukrainian Customs Code with the Union Customs Code, entered into force in 2025. The key novelties relate to customs representation, authorisations, placing goods under a customs procedure, presentation of goods, temporary storage, customs control (including post-clearance control), etc."



Despite the European Commission's positive assessment that the Customs Code of Ukraine has been substantially approximated to the EU Customs Code, the practical implementation of these changes has revealed a number of problems.

The process of providing clarifications before the new rules entered into force was episodic and fragmented. Businesses and customs officers were insufficiently informed at the start of the reform's implementation. This created risks for legal certainty and the uniform application of rules. Insufficient automation, combined with the mass submission of documents towards the end of the transitional period, placed a heavy workload on the relevant department of the State Customs Service.

In terms of practical consequences, the authorisation process shows that 53% of applications submitted by customs brokers in 2025 were rejected by the State Customs Service already at the preliminary review stage due to inaccuracies and formal errors in the documents submitted. At the same time, no refusals were recorded at the compliance assessment stage. A separate problem emerged with customs warehouses: 139 customs warehouses and 107 temporary storage facilities failed to complete the authorisation procedure on time. As a result, almost 10,000 tonnes of goods were left in limbo.

As regards the draft new Customs Code of Ukraine, the working group designated by the Ministry of Finance completed the consultation process in March 2026, and in April the Steering Committee formally approved the revised text, taking into account the European Commission's final comments. However, even after the Cabinet of Ministers approved, registered Law No. [15295](#) of 3 June 2026 and the text of the Code had been published, the European Commission's comments on the initial draft had still not been published as of 8 June 2026. This makes not only the content of the final decision opaque, but also the very process of its preparation. It reproduces the same problem that had already appeared during the development of Law No. 3926-IX: key decisions are taken without proper publicity, without access to supporting materials, and without any possibility to verify how exactly the consultations affected the final result.

European Commission 2025 Enlargement Report on Ukraine:

"In August 2025, the Cabinet of Ministers approved the new Mid-term Plan of measures to achieve the objectives of customs reform within the framework of the National Revenue Strategy for 2024-2030. The Plan covers key areas including alignment of Ukraine's customs legislation with the EU, strengthening law enforcement and anti-corruption measures, institutional and IT development, international cooperation, and support for business. Overall, it reflects EU recommendations identified over the past year."

- Actual progress in implementing the Mid-Term Plan remains fragmented, with achievements in certain digital and infrastructure solutions being offset by the absence of systemic institutional change.

Despite the development of the Help Desk service, the update of the remuneration system, and the partial technical re-equipment of customs offices with scanning systems, key anti-corruption and enforcement objectives have not been achieved. The inability of customs authorities to counter smuggling effectively remains a critical problem due to the absence of powers to conduct operative-search activities.

Legislative initiatives on the introduction of KPIs and the reform of administrative liability for violations of customs rules remain in a state of uncertainty because draft regulatory legal acts have not been properly aligned and the deadlines for their adoption have been postponed.

Taken together, this shows that the reform retains a declarative character in the area of institutional transformation. Digitalisation of individual services does not replace the need for a deeper review of the enforcement function and the completion of harmonisation of liability requirements with EU standards.

European Commission 2025 Enlargement Report on Ukraine:

"The use of the common transit procedure was further expanded. Ukraine continues to be an active Contracting Party of the Common Transit Convention and has made good progress in updating the IT system to the latest NCTS6 phase. In the Q2 of 2025, the SCS processed nearly 34 000 transit declarations under the NCTS, compared to 25 500 in the Q2 of 2024. The number of authorised economic operators (AEO) increased to 100 by 31 August 2025 from 50 in the same period of 2024, with 5 operators granted both the AEO Security and Safety status and the Customs Simplification status. Further progress is required at the national level to start proceeding with the negotiation on mutual recognition of AEO with the EU."

- Ukraine remains primarily a country of departure rather than a fully-fledged transit hub: the volume of customs clearance at the customs office of destination is 2–3 times lower than at the customs office of departure. The implementation of NCTS Phase 6 was postponed, in synchronisation with a number of EU Member States, until 1 June 2026.

Similarly, the increase in the number of AEOs is more nominal than institutionally significant. As of 2025, these companies accounted for around 0.25% of all foreign economic operators and covered only 4–5% of imports and around 6% of exports. It significantly limits this tool's ability to reallocate customs resources to focus on high-risk transactions.

The high refusal rate at the preliminary review stage, amounting to almost half of applications, points to informational and procedural barriers for business. At the same time, the absence of practical incentives, in particular a priority border-crossing lane, reduces motivation to participate in the programme. A limited number of companies with AEO-S status, six companies as of April 2026, makes it impossible to begin negotiations on mutual recognition of AEOs with the EU.

European Commission 2025 Enlargement Report on Ukraine:

"On customs digitalisation, the technical specifications for the new Customs Clearance System were developed to align with EU standards. They also include enhanced functionalities such as export and import systems, centralised clearance, and a new risk management system compliant with EU requirements. A new automated customs clearance system for national use was deployed at all road border crossing points. A customs decision system, equivalent to the European customs decisions system, was introduced to process applications on AEO authorisations and authorisations for simplifications, including transit. However, the processes are not supported with adequate human and IT resources."



The ASMO "Centre" system demonstrates a positive impact on the speed of customs clearance, in particular through the automated release of declarations. At the same time, the potential of this tool is not being fully used: limiting the right to use it only to AEOs contradicts EU approaches and is ineffective given their minor share in trade turnover.

Similarly, the CDS.UA customs decision system is operational and is gradually covering new types of authorisations. However, its introduction has not yet been accompanied by a proper transformation of the underlying business processes. In practice, the system mainly digitalises the submission of applications and the recording of decisions, while key processing stages, including the preliminary review of documents, remain manual. This, rather than the absence of an electronic interface, creates the main bottlenecks. With proper integration with state registers, automated verification of basic data, and even elements of AI for the initial detection of incomplete information or obvious inconsistencies, this stage could be partially automated, similarly to what has already happened with the automated release of declarations. Without this, CDS risks remaining not a simplification tool, but merely an electronic layer placed on top of the same bureaucratic procedure.

A similar gap between formal implementation and practical usefulness can also be observed in the system of Binding Tariff Information decisions. In the area of tariff information, this instrument has become neither widely used nor genuinely valuable for business in terms of predictability of customs actions. It gives its implementation the features of formal compliance with acquis requirements rather than substantive integration. The situation is further complicated by the fact that the draft new Customs Code of Ukraine does not contain even a reference to the introduction of Binding Tariff Information on customs value, although such an instrument is already provided for in the

current EU customs acquis. This means not only falling behind the current model of EU law, but also a missed opportunity to influence one of the most conflict-prone areas of interaction between business and customs: customs value control.

Overall, it indicates that the integration of IT solutions into business processes and the achievement of functional compliance with EU practices remain significant tasks for the customs.

European Commission 2025 Enlargement Report on Ukraine:

"On administrative capacity building, in line with the provisions of the National Revenue Strategy for 2024-2030, the law reforming the SCS, which introduces a new procedure for the selection of its head, a re-certification of customs employees and an annual performance audit, was adopted in September 2024. However, its implementation has experienced delays. After such delays, the selection process for the Head of the SCS has started, following the Cabinet of Ministers' approval of the Advisory Group of Experts tasked with conducting the procedure."

- The selection of the Head of the State Customs Service with the involvement of an independent competition commission took place with a substantial delay on the part of the Cabinet of Ministers of Ukraine. The commission was formed only more than nine months after the law had entered into force.

The competition itself was characterised by the absence of recorded cases of external interference. At the same time, a significant number of candidates came from within the customs system, which narrowed the possibility of attracting managers with an alternative vision for the institution's development.

Even after the competition was completed, the appointment of the head took place within the maximum permitted timeframe, which indicates that political and administrative factors continue to exert influence here.

As a result, such a situation creates risks for the further implementation of the reform, in particular as regards team formation, re-attestation, and overcoming possible resistance within the system.

European Commission 2025 Enlargement Report on Ukraine:

"Ukraine needs to scale up efforts to address corruption within the customs administration. The number of disciplinary actions against customs officers increased in 2024, however their uneven geographic distribution shows a large disparity in enforcement efforts. The customs authority should be granted at the national level with adequate enforcement powers and have a capacity to be directly engaged in intelligence gathering activities and contribute to pre-trial investigation in cases of smuggling of goods."

→ Despite the increase in the number of disciplinary measures and reports of violations, their practical effectiveness remains limited. In particular, in 2025, 126 reports of possible corruption violations were recorded, one third more than in 2024. However, this resulted in only 6 disciplinary proceedings and 6 internal inspections, while 25 reports were transferred to law enforcement authorities, twice fewer than in the previous year. It points to a substantial gap between the detection of violations and the actual response to them.

The problem is further aggravated by low trust in anti-corruption mechanisms. According to the CIPS survey, only 55% of customs officers consider it safe to report violations, compared with 68% previously, while around 20% report cases of threats.

Thus, despite the formal expansion of anti-corruption tools, the system remains predominantly reactive and does not ensure a systematic reduction in corruption.

As for the customs service's law enforcement function, it still does not have such authority. It substantially reduces the effectiveness of combating offences: in 2025, only 140 criminal proceedings concerning smuggling were registered, with proceedings against "unidentified persons" dominating. Notices of suspicion were served in only 30 cases, or 20%, and 26 cases were sent to court. In total, 18 convictions have been issued since the offense was criminalised, the vast majority of which were reached through plea agreements. It indicates low effectiveness in identifying the organisers of schemes and bringing them to justice.

Without granting customs authorities full-fledged enforcement tools and integrating them into the criminal justice framework, the current model for countering smuggling remains only moderately effective in relation to large criminal schemes and organisations.

The State Customs Service and the Ministry of Finance have consistently removed any specific customs KPIs from high-level documents, even though such KPIs should show whether the reform is producing real results. Clearly defined performance indicators were removed from draft law No. 12360, while indicators concerning customs value control, tariff classification, clearance delays, and the effectiveness of technical control equipment were removed from the draft Anti-Corruption Strategy. In both cases, the explanation was that the indicators would supposedly appear in another document. Against the background of customs losing 95% of disputes concerning customs value, Ukraine's significant lag behind the EU in the speed of import clearance, and the lack of transparency regarding the effectiveness of scanning systems, this policy looks like a deliberate avoidance of accountability for actual performance. Without objective KPIs, the customs service cannot demonstrate either the effectiveness of how it exercises its existing powers or its institutional readiness to assume new ones, including the investigation of smuggling.





CHAPTER 1.

HARMONISATION OF UKRAINIAN
LEGISLATION WITH THE EU ACQUIS

1.1. Conclusions from the Adopted and Implemented Law of Ukraine No. 3926-IX



Law No. [3926-IX](#) of 22 August 2024 introduced extensive changes to the regulation of customs brokers, temporary storage facilities, customs warehouses and certain customs procedures. The transition period to the new rules lasted one year and ended on 20 April 2026.

In the [monitoring report on coordination in the customs sphere](#), we had already highlighted the critical issues that prevented these changes from being implemented in a more planned and effective manner. Because of the rushed preparation of the implementing regulatory framework and the lack of feedback, not only businesses but also [customs officers](#) themselves were initially insufficiently aware of the finer details of the changes. Consultations held through territorial units only a few days before [the Law](#) fully entered into force produced different interpretations and did not lead to positive results.

Authorisations for customs brokers

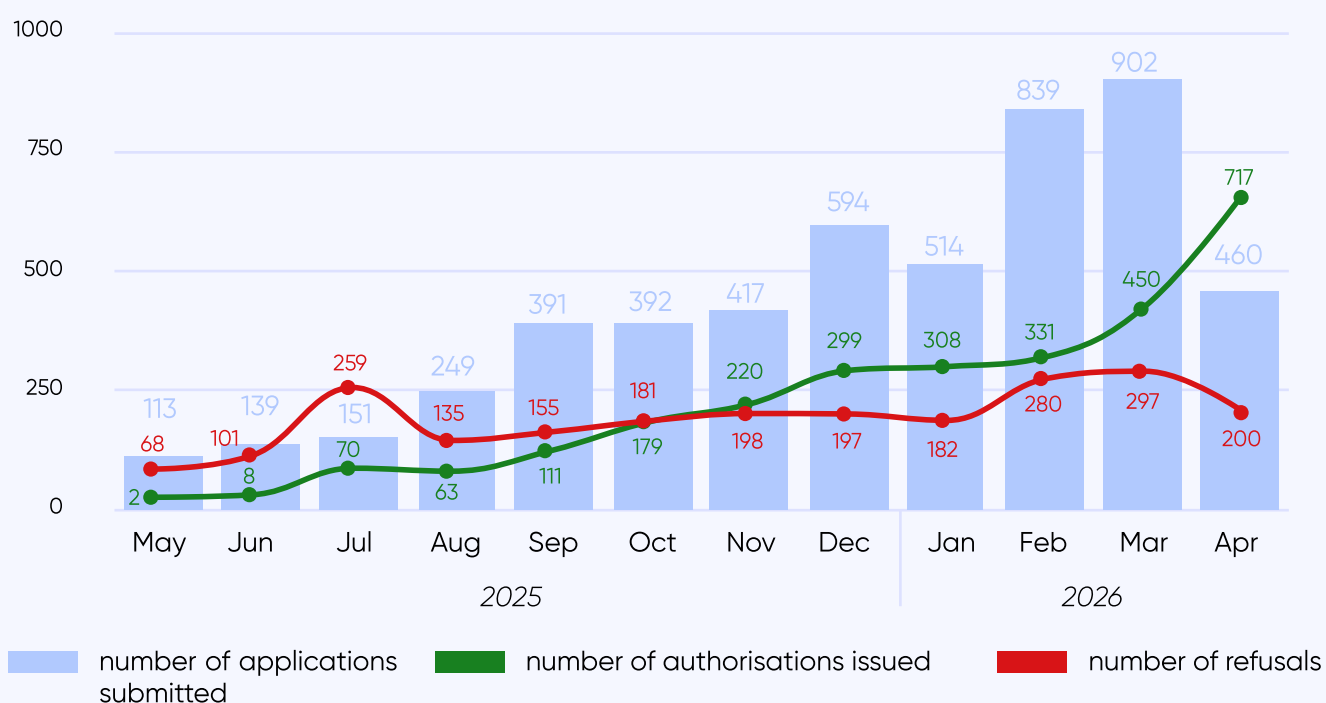


Diagram 1. Granting of authorisations for customs brokerage activities during the transition period, May 2025 – April 2026.

Source: developed by the author based on information from the State Customs Service.

The State Customs Service authorised the first company more than one month after the Law entered into force. It should be noted that this company already had similar experience of undergoing an assessment to obtain Authorised Economic Operator status, hereinafter AEO. During the [first four months](#) of the transition period, only 100 entities received authorisations, which was slightly more than 1% of the old Register of Customs Brokers. By contrast, the share of companies that received refusals during this period was critical and ranged between 71% and 57%.

Taking into account the experience of businesses, the State Customs Service and the Public Council initiated and held a number of online seminars, while the authority also began publishing practical clarifications on its website.

More comprehensive and in-depth consultations began to yield results, both in terms of the number of applications submitted and the increase in the number of authorised operators. At the same time, based on the results of 2025, more than half of applicants, 53%, received refusals at the preliminary review stage, which is a high number. Moreover, none of the applicants received a refusal at the compliance assessment stage. This points to at least two issues:

- 1 procedural difficulties encountered by applicants while preparing their documentation (in some cases, a company's application was rejected 5–6 times);
- 2 high level of compliance on the part of businesses during the substantive assessment phase—verifying that the foreign economic activity entity meets the stated requirements for obtaining authorisation.

Towards the end of the transition period, the number of applications for authorisation became critical for the State Customs Service's processing capacity. In December 2025, almost 600 applications were submitted, while in February and March 2026, 839 and 902 applications were recorded respectively. Due to insufficient automation of the overall process and the significant workload, customs was forced to temporarily increase the number of officials responsible for checking the submitted documents

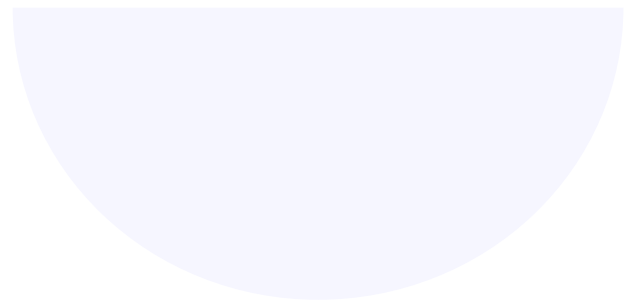
Authorisations for customs warehouses and temporary storage facilities

The situation regarding customs warehouses and temporary storage facilities proved to be the most critical in terms of effectiveness. As of 20 April 2026, 139 customs warehouses and 107 temporary storage facilities had failed to complete the authorisation procedure on time. As a result, almost 10,000 tonnes of goods were effectively left in limbo under customs control. These goods then required urgent re-clearance, movement to authorised warehouses, or renewed customs control arrangements. It entailed additional logistics costs for businesses, risks of delays in supply chains, and significant financial losses for participants in foreign economic activity.

Indeed, the implementation of the provisions of Law of Ukraine No. 3926-IX highlights the challenges that will require special attention from stakeholders in the coming period, particularly the finalisation and adoption of a new version of the Customs Code of Ukraine:

- ✓ a mismatch between the deadlines set for changes and the realities on the ground. When deadlines are tight, the focus is on formal compliance rather than on how the document will actually work. The failure to adapt regulations, combined with vague explanations, does more harm than good to stakeholders;
- ✓ the risk of incorrect or expansive implementation of EU rules. The introduction of authorisations, which fall within the [discretion of the national legislation](#), as a replacement for permits created an additional burden on both business and customs authorities. The purpose of introducing these authorisations, and the problem they were supposed to solve, therefore remain unclear;
- ✓ insufficient coordination. European [better regulation practice](#) shows that stakeholders should be involved as early as possible, rather than only at the stage of a finalised text. Existing instruments, such as the Public Council and business associations, should therefore be used to analyse proposed changes and identify risks;

- ❏ lack of practical guidance. Although customs published clarifications in response to typical mistakes and business questions, this format was situational and reactive. Materials appeared only after businesses had already encountered difficulties in practice, which made it harder for them to adapt to the new requirements in a timely manner. In future, the State Customs Service and the Ministry of Finance should provide businesses with more detailed guidance, including typical case studies and step-by-step instructions.



1.2. Comments on the Draft New Customs Code of Ukraine, fully harmonised with the EU Customs Code



Although consultations on the draft new Customs Code of Ukraine became more intensive and substantive in 2025–2026, the way they are organized raises questions about procedural clarity and the public oversight of the process. The problem lies not in the work of the working group established by the Ministry of Finance of Ukraine, which carried out a substantial amount of professional work on the text, but in the fact that the Ministry of Finance did not organise public consultations in the generally prescribed manner.

Under the [Procedure for Conducting Public Consultations](#), a working group is not one of the defined forms of consultation. In addition, the publicly available information does not make it possible to establish under which specific procedure the working group created by the Ministry of Finance operated, what criteria were used to select its participants, how open access to consultations was ensured for other interested parties, or whether the publication requirements were observed. The manual selection of participants by the Ministry of Finance, the absence of advance and systematic public communication regarding meetings, the closed nature of a significant part of discussions, and the absence, at the time of preparation of this report, of a final consultation report published by the Ministry of Finance create the impression that the process was substantively useful, but procedurally insufficiently convincing.

It creates a vulnerability that is primarily theoretical, but not impossible. If compliance with consultation requirements were challenged, the Ministry of Finance's position might prove insufficiently persuasive in defending the design of the working group's work. This could potentially weaken the legitimacy of the future Code even before its submission to Parliament.

It is notable that this is not the first case in which questions have arisen regarding the Ministry of Finance's engagement of stakeholders in customs-related changes. In the previous [Shadow Report](#), these problems were already recorded in the context of the implementation of Law No. 3926-IX. The situation with the draft new Customs Code of Ukraine therefore appears to continue the same governance model: substantive work is partly being carried out, but the procedure for organising it remains insufficiently transparent and publicly defensible, creating both legal risks and practical problems for implementation.

The shortage of official reporting and public explanations from the Ministry of Finance is only partly compensated for by the [report of the head of the working group](#), Tetiana Ostrikova-Chmeruk. However, it cannot replace the Ministry of Finance's proper fulfilment of its own responsibilities regarding the organisation, documentation, and reporting of the consultation process.

The deficit of public communication became particularly visible at the final stage of revising the draft. Although the European Commission's assessment had already been received at the beginning of 2026, the public was not given access to its text. In response to a request for access to public information, the Ministry of Finance referred to the restricted status of the document and the need to obtain approval for its disclosure, while members of the working group also did not receive access to it. Under these

circumstances, it is impossible to verify the process: there is no way to find out what the European Commission's comments and recommendations were or how they were taken into account in substance. The situation is further aggravated by the fact that, after the revised draft new Customs Code was approved on 17 April 2026, the text of the draft itself was also not presented to the public.

Combined with the absence of an officially published report on the results of consultations, this approach is flawed not only from the standpoint of transparency. It deprives the Ministry of Finance itself of the main benefit of open discussion—the opportunity to identify problem areas before a law is adopted, improve the quality of the legislative text, and prevent these shortcomings from being replicated in sub-legislative regulations.

It is notable that the benefits of broader professional engagement are already visible even from the changes that became known through the report of the head of the working group. In particular, in the area of interaction between customs authorities and declarants during customs value verification, the draft was revised in a way that should at least partially prevent the reproduction of distorted practices from the early 2000s. This result became possible through the combined efforts of working group members and external experts, including those whom the Ministry of Finance did not include in the working group.

At the same time, the report of the head of the working group notes that some provisions of the draft Customs Code still require further revision. This confirms that the participation of the public and the professional community is a condition for the substantive quality of law-making, even where the issue is alignment of legislation with the *acquis*. Openness is an instrument that primarily serves the interests of the Ministry of Finance itself, helping it prepare better and more resilient regulation.



1.3. Progress in Implementing the Mid-Term Plan of Measures to Achieve the Objectives of Customs Reform under the National Revenue Strategy



As part of the initiative “Strengthening Anti-Corruption Measures and Building Trust in Customs Authorities”, the State Customs Service of Ukraine continued to implement its Anti-Corruption Program. During the year, the procedure for [polygraph](#) testing of customs officers was approved, the use of [body cameras](#) was regulated, and provisions were adopted on [rotation](#), attestation, [integrity](#) assessment and professional competence assessment. At the same time, customs authorities still have not been granted powers to conduct operative-search activities (OSA).

Support and cooperation with business

continued developing the AEO programme and customs simplifications, conducted [an anonymous survey and public discussion](#) of corruption risks, and carried out centralised customs clearance of a declaration through the customs competence unit for the first time, as another step towards automation and simplification of procedures for compliant business. At the same time, the mobile anti-corruption centre has still not been launched.

Institutional development of customs authorities

To increase the remuneration of customs officers, Resolution No. [618](#) of the Cabinet of Ministers of Ukraine was adopted on 23 May 2025. The new approach provides that the amount of the official salary depends on the level of professional knowledge, experience, complexity of the work performed and the area of activity, such as management, audit, control, IT and others. Accordingly, the higher the competency requirements and the complexity of the tasks, the higher the level of remuneration.

In July 2025, a new [Human Resources Management Strategy](#) of the State Customs Service was approved. It provides for the development of an inclusive and barrier-free working environment, improvement of corporate culture, and digitalisation of HR processes. A separate emphasis is placed on developing the professional competencies of customs officers.

As regards the introduction of a new system of key performance indicators (KPIs) for the State Customs Service and an IT solution to automate monitoring of their implementation, on 17 December 2024 the Verkhovna Rada of Ukraine adopted draft law No. [12360](#) in the first reading. The draft law provides for amendments to the Customs Code of Ukraine in order to regulate the procedure for assessing the efficiency and effectiveness of customs authorities. However, no further progress in this area was observed in 2025. At the second-reading stage in May 2026, Parliament decided to set out only the areas of KPIs, while proposing that the specific indicators be defined by the Ministry of Finance.

IT development and provision of technical means of customs control

The IT solution used for the protection of intellectual property rights is at the stage of finalising technical requirements and moving towards software implementation.

In 2025, partial progress was achieved in equipping customs authorities with technical means of control. Five Rapiscan Eagle M60 mobile scanning systems were transferred to customs offices, two stationary scanning systems for railway rolling stock and containers were supplied, and weighing systems were provided for the Reni border crossing point.

Tax relief on imports

In the area of tax relief, the Strategy provides for harmonisation of legislation with EU requirements, including exemptions from import duty and the reduction of tax-free thresholds for the import and consignment of goods. At present, the relevant committee of the Verkhovna Rada has recommended adoption of draft law No. [15112-d](#) on VAT taxation of e-commerce transactions, but progress in this area remains at an early stage. At the same time, customs audit, another task under this area of the Strategy, was resumed in 2024.

Development of the enforcement function of customs authorities

Customs authorities are not authorised to conduct operative-search activities under the relevant law and are not pre-trial investigation bodies under the Criminal Procedure Code of Ukraine. The only authority empowered to investigate goods smuggling cases is the Bureau of Economic Security (BES).

During 2025, only 140 instances of goods smuggling were registered, including 62 cases involving excisable goods and 78 proceedings concerning smuggling of other goods. Of this total, charges were filed against a specific individual in only 30 cases (20% of the total), and 26 cases were referred to court with an indictment. This indicates that the vast majority of "goods smuggling" proceedings are registered against "unidentified persons", while bringing specific organisers of smuggling schemes to justice remains difficult, if possible at all. Since the criminalisation of smuggling, only around two dozen convictions have been issued, a significant number of them following plea agreements. The current effectiveness of criminal prosecution of goods smuggling therefore raises serious questions.

In the area of administrative liability for violations of customs rules (VCR), Parliament adopted Law No. [4323-IX](#) of 25 March 2025. It introduced ranges of fines for certain articles, exemption from liability for the movement of vehicles for use by the Defence Forces, and other changes.

At the same time, as of May 2026, two parallel draft regulatory acts are under consideration that amend both the system of VCR offences and the procedure for proceedings in such cases. These are the draft Code of Administrative Offences, draft law No. [11386](#) of 28 June 2024, and the draft new Customs Code of Ukraine.

The provisions of these two drafts differ significantly and require alignment. This should be done taking into account the current problems of law enforcement in this area. These include, for example, the need to rethink outdated concepts such as "movement across the customs border with concealment from customs control" or "outside customs control", as well as the fact that issues of administrative liability for VCR should be transferred from the Customs Code to the future Code of Administrative Offences.

1.4. Expansion of Participation in the AEO Programme and Transition to NCTS Phase 6



Progress in the development of the AEO programme in Ukraine

In February 2026, the Government adopted a new [Strategy for Reforming the Public Finance Management System for 2026–2030](#). According to the Strategy, the number of companies with AEO status should reach at least 180 by the end of 2030. This represents only a very small share of active businesses. At this projected pace of participation in the programme, the workload on customs is therefore unlikely to decrease quickly.

In 2025, 94 applications for AEO status were submitted. Almost half of them, 42 applications, were rejected by customs at the preliminary review stage, while only three were refused following assessment against the relevant criteria. This fourteen-fold difference points to an information and competence gap [faced by businesses](#). It would therefore be appropriate to work on simplifying the requirements for completing applications, developing practical instructions and clarifications, and increasing business awareness through advisory support from customs.

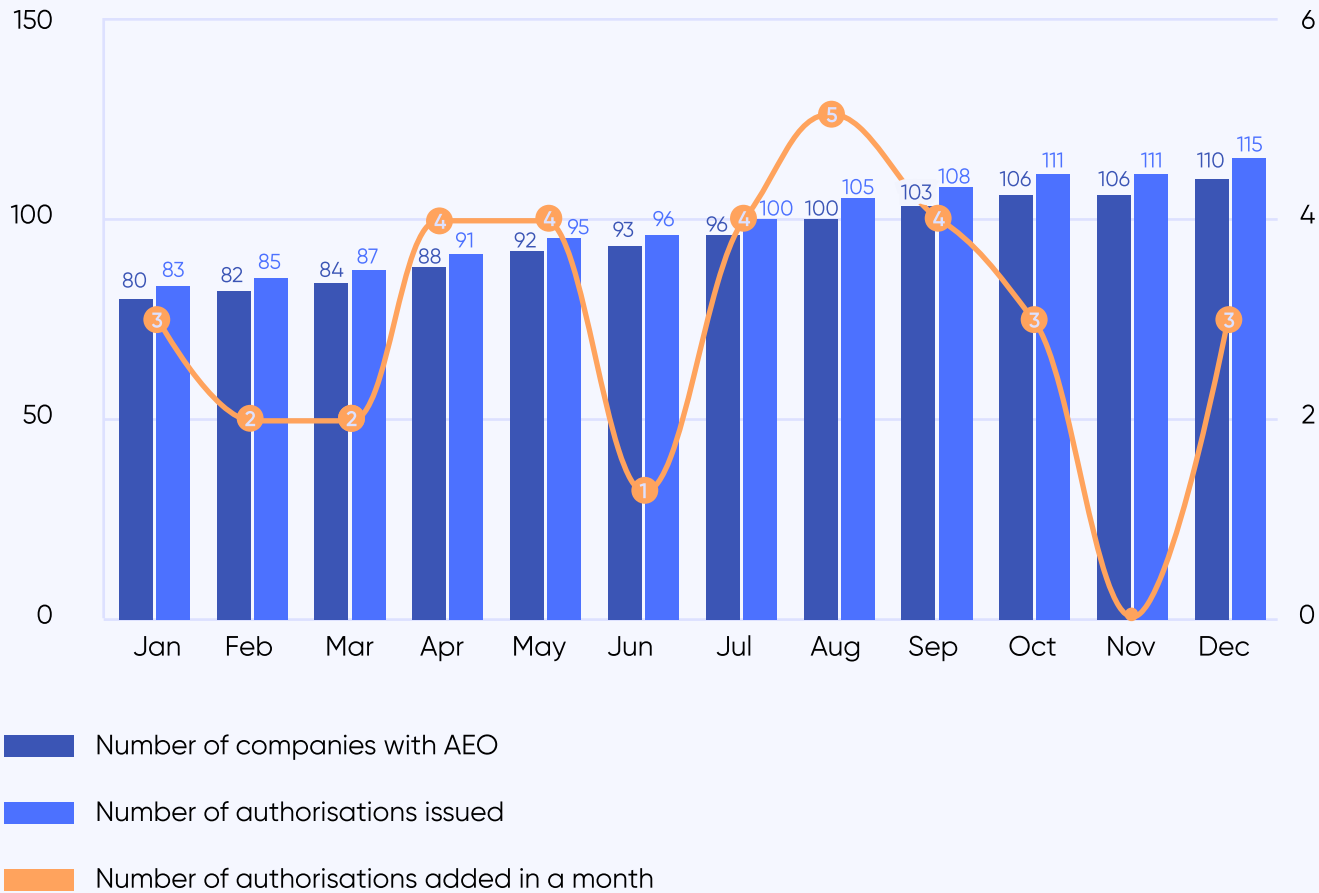


Diagram 2. Expansion of the AEO programme in Ukraine in 2025, by month.
Source: developed by the author based on the information from the State Customs Service.

In 2025, the AEO programme expanded to 110 companies. This accounted for only 0.25% of the total number of businesses engaged in foreign trade in 2025. One of the key objectives of expanding the programme is the mutual recognition of this status with EU countries. To launch a pilot project, at least 10 businesses must hold AEO-B authorisation. In 2025, two companies confirmed their AEO-B status, and in April 2026 one more company was added to the list. As a result, the total number of AEO-B companies is now six.

Half of all AEOs in 2025 were large companies, another 37% were medium-sized companies, while small and micro-enterprises accounted for only 13% of the 110 companies. This correlates with a problem [also visible in the EU](#), where this status is likewise held mainly by large and medium-sized companies, while small and medium-sized businesses are practically absent from the programme.

Around half of the companies belonged to the manufacturing sector, and another quarter to trade. A further 14% were transport and other logistics companies. The extractive industry and the agricultural sector together were represented by only seven business entities.

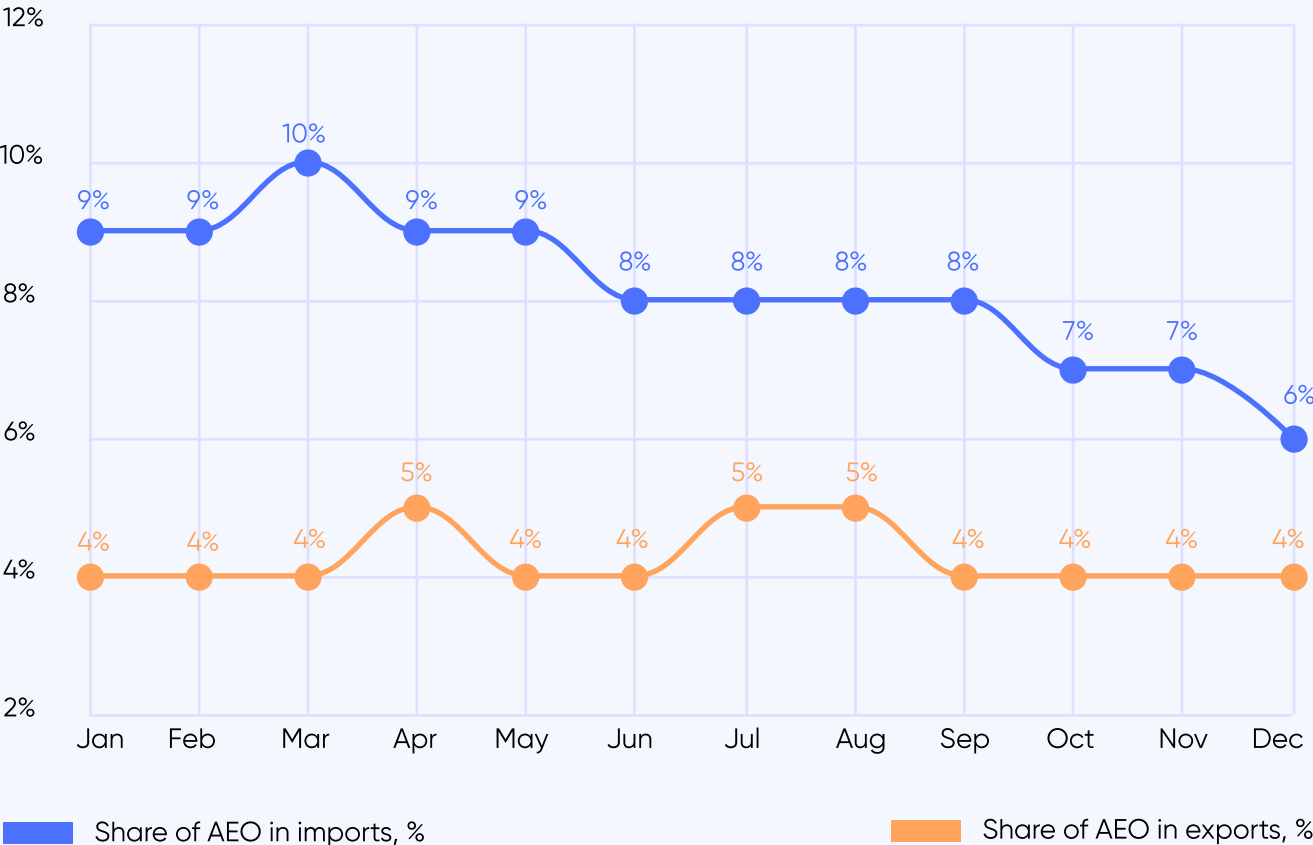


Diagram 3. Share of AEOs in Ukraine's trade turnover during 2025.
Source: developed by the author based on the information from the [Interactive Dashboard of Key Performance Indicators](#), created by the NGO Technologies of Progress using data from the State Customs Service.

The share of companies with AEO status in Ukraine's trade turnover remains insignificant. In imports, AEOs accounted for 4–5% of the total volume during 2025, while in exports their share actually declined, from 9–10% at the beginning of the year to 6% in December. In view of this, customs does not yet have the ability to concentrate its own efforts on preventing and countering customs risks among companies outside the register.

! Important! According to the [YouControl](#) analytical system, as of 2026, five companies with AEO-C status had links to Russia: they either cooperated with entities registered there or had ultimate beneficial owners who were citizens of the aggressor state. This is an alarming signal regarding the possible interference of the aggressor state in the Ukrainian market.

The problem is that the criteria of the EU Customs Code for granting AEO status do not contain restrictions related to [links with Russia or Belarus](#). At the same time, Ukrainian legislation generally does not allow relations with these countries. However, as part of harmonisation with EU rules, Ukraine will not be able to introduce additional restrictions or refuse status to companies that formally meet the EU criteria.

Thus, AEO currently operates as an instrument for institutionally capable players, rather than for a broad range of businesses, as experts already emphasised in the previous [Shadow Report](#).

At the same time, individual simplifications were used by a significantly larger number of companies, 357 in total. This popularity is linked to the easier process for obtaining simplifications.

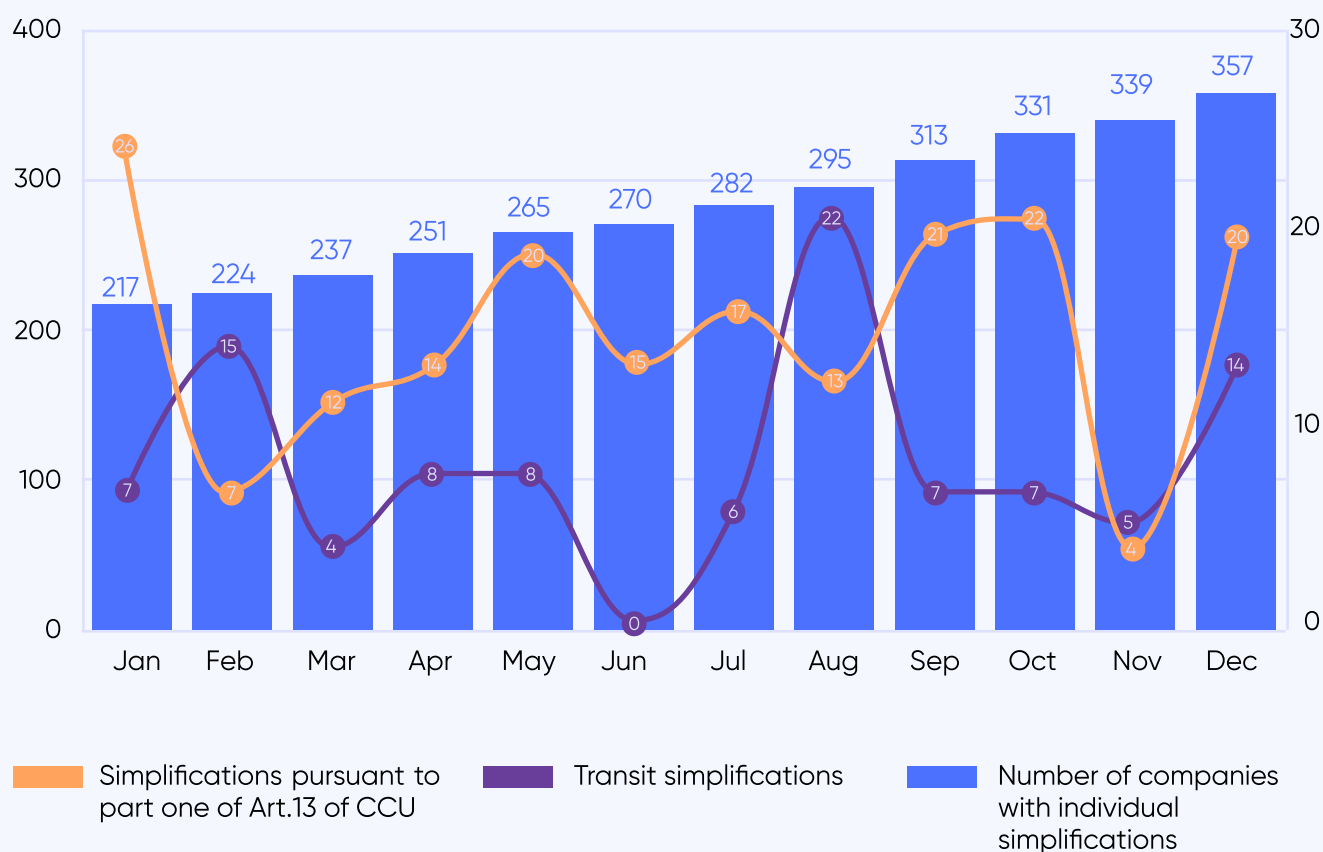


Diagram 4. Dynamics of companies obtaining individual simplifications during 2025.

Source: developed by the author based on the information from the [Interactive Dashboard of Key Performance Indicators](#), created by the NGO Technologies of Progress using data from the State Customs Service.

The measurable benefits of AEO implementation remain in question: the lack of data does not allow for a full cost-benefit analysis for companies.

At the same time, companies have stated¹ that the procedure is costly both financially and in terms of time, with some requiring 10 months to complete it even when they had the necessary staff in place.

In addition, the announced benefit of a priority border-crossing lane for AEO and NCTS users through the e-Queue system has still not been implemented. The final preparatory steps remain with the [Ministry for Development of Communities and Territories of Ukraine](#). The absence of real incentives therefore weakens business trust in the state and reduces motivation to participate in the AEO programme.

NCTS Phase 6

Ukraine is a source of cargo flows, rather than a fully-fledged transit hub in European supply chains. The number of movements processed with Ukraine as the customs office of destination is two, and sometimes three, times lower than the number of declarations processed with Ukraine as the customs office of departure.

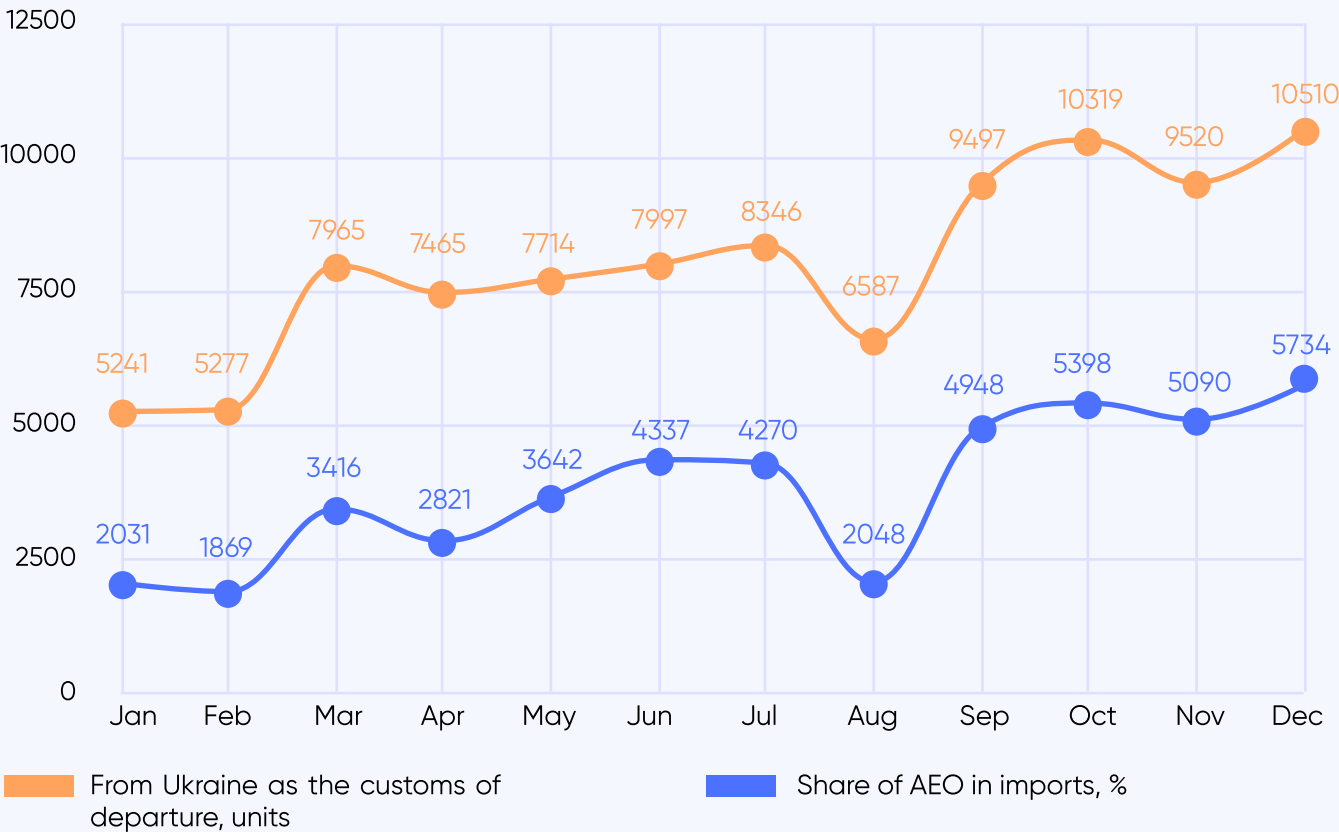


Diagram 5. Dynamics of T1 transit declarations processed during 2025, by month.
Source: developed by the author based on the information from the State Customs Service.

In 2025, the State Customs Service processed 142,000 T1 declarations, 51% more than 94,300 processed in the previous year. The heaviest workload as customs offices of departure fell on the Zakarpattia, Lviv and [Ternopil](#) units. At the same time, Lviv and Ternopil, together with Kyiv and Rivne customs offices, were the most active customs offices of destination.

¹ [Video](#) "Panel 1. AEO in Practice: EU Authorisations as a Key Element of Customs Reform" – "Customs Platform 2026. The Authorised Economic Operator (AEO) Scheme and the NCTS as Tools for European Integration"

The most active [cargo movement](#) took place with Poland and Germany, with more than 56,400 and 15,100 completed operations respectively. A significant number of transit movements from Ukraine were made to Czechia, 6,600, while movements into Ukraine included 3,700 from Georgia.

The NCTS system is also being used more actively for internal transit. In 2025, 2.5 times more T2 cargo declarations were processed than a year earlier: 24,500 compared with 10,000 in 2024.

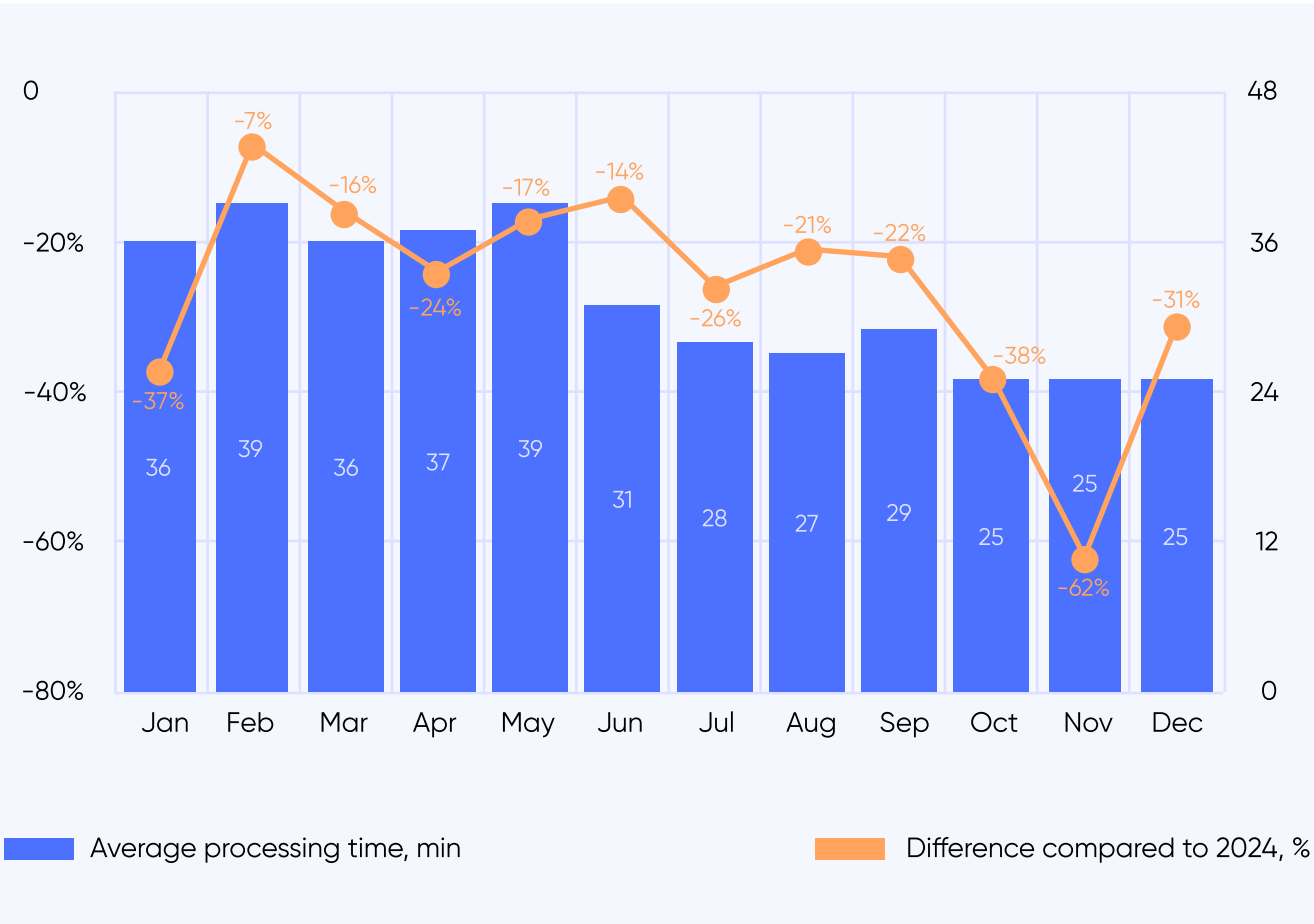


Diagram 6. Average time for processing transit declarations and its reduction compared with the previous period, by month in 2025.
Source: developed by the author based on the information from the State Customs Service.

The time required to process transit declarations decreased year over year, by between 7% and 62% depending on the month. It signals substantial progress in the development of the State Customs Service's IT infrastructure, including the NCTS Phase 5 system.

As of the end of 2025, active preparations were underway for the implementation of NCTS Phase 6. During the year, the State Customs Service carried out a number of organisational steps:

- ✓ in July, an agreement was concluded for the development of an IT solution compatible with NCTS Phase 6;
- ✓ in December, the Supervisory Board for the implementation and operation of NCTS and the Help Desk system approved the Project Management Plan for the development of the relevant IT solution.

In addition, DG TAXUD allowed Ukraine, together with a number of EU countries, to postpone implementation of the new phase of the system to 1 June 2026 instead of 1 September 2025. These countries included Poland, Slovakia and Romania. Such step was driven by several factors:

- ✓ absence of a compatible IT solution;
- ✓ high risks of disruptions in transit if the system is launched earlier;
- ✓ the need for Ukrainian companies to have additional time to adapt to the changes.

In parallel, the Help Desk business support service was developed during 2025. In August, the State Customs Service [signed](#) a contract for the development of a single contact centre, and one month later approved the [Temporary Rules](#) for organising its work. By early March 2026, the development of the dedicated IT solution [had been completed](#). This indicates a shift from basic IT support towards a full-service model for interaction with users. The Help Desk service should subsequently be extended to other areas.

Guarantee Management System

As we noted in last year's [Shadow Report](#), the GMS.UA guarantee management system is already functioning as part of customs clearance. In 2025, guarantors were given the possibility to integrate their own IT systems through the Single Window and API mechanisms using a qualified electronic signature, which secures automated data exchange.

However, in Ukraine, the mechanism for guaranteeing customs payments remains tied to tax debt. As a result, their recovery is effectively shifted into the fiscal domain instead of functioning as a separate customs instrument. Ignoring the concept of customs debt, despite the significant amount of arrears, UAH 1.23 billion in 2025, therefore blocks the full operation of GMS.UA.





CHAPTER 2.

IMPLEMENTATION OF DIGITAL SYSTEMS
AND GRANTING OF SIMPLIFICATIONS

2.1. State of Implementation of the State Customs Service's Long-Term Digitalisation Strategy for 2024–2026



Scheduled Deployment of the central automated customs clearance system (ASMO "Centre")

ASMO "Centre" remains the backbone of the new customs clearance architecture, and in 2025 the State Customs Service continued its phased deployment. It is notable that one of its functions, the automatic completion of customs clearance, which importance we emphasised following the 2020–2023 pilot, is already demonstrating a measurable effect on broader data after its return to practice. The chart below shows a clear positive correlation between automation and faster customs clearance.

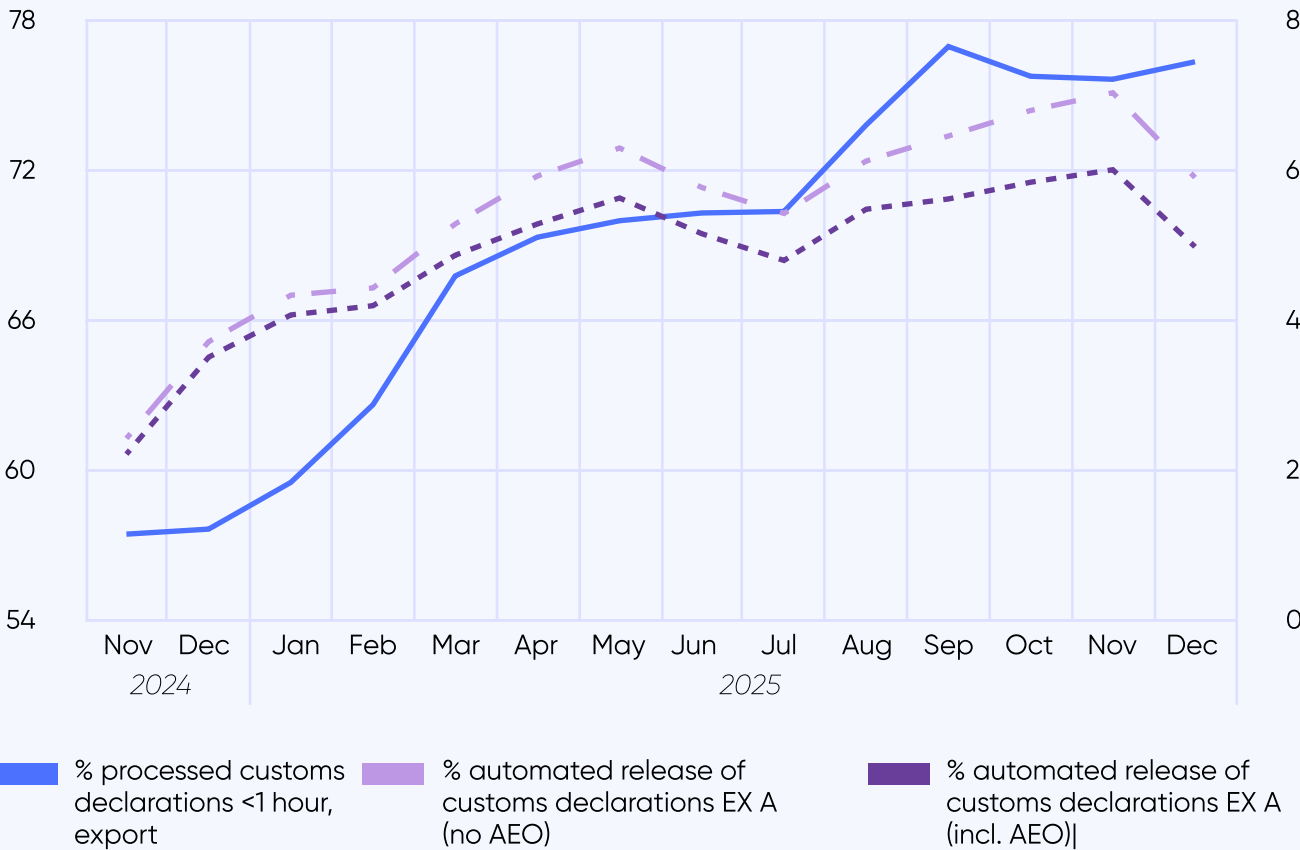


Diagram 7. Share of automatically cleared customs declarations and share of customs declarations completed in less than one hour.

Source: developed by the author based on the information from the State Customs Service.

The logical next step would be to extend this mechanism to import declarations, which on average take approximately twice as long to clear. Instead, the State Customs Service plans to introduce automated release for imports only for AEOs, which is not consistent with the EU Customs Code and is unlikely to produce a noticeable practical effect. AEOs' contribution to the total volume of automated release is minimal, primarily due to the business community's lack of acceptance.

Moreover, if the dynamics of the growing share of AEOs in trade are compared with customs clearance times, no convincing link can be identified between participation in the AEO programme and faster customs procedures, even during periods when the AEO share reached statistically significant levels. Under these conditions, limiting automated import clearance exclusively to AEOs would merely preserve the current state of affairs, rather than produce a systemic effect for the customs service and business as a whole.

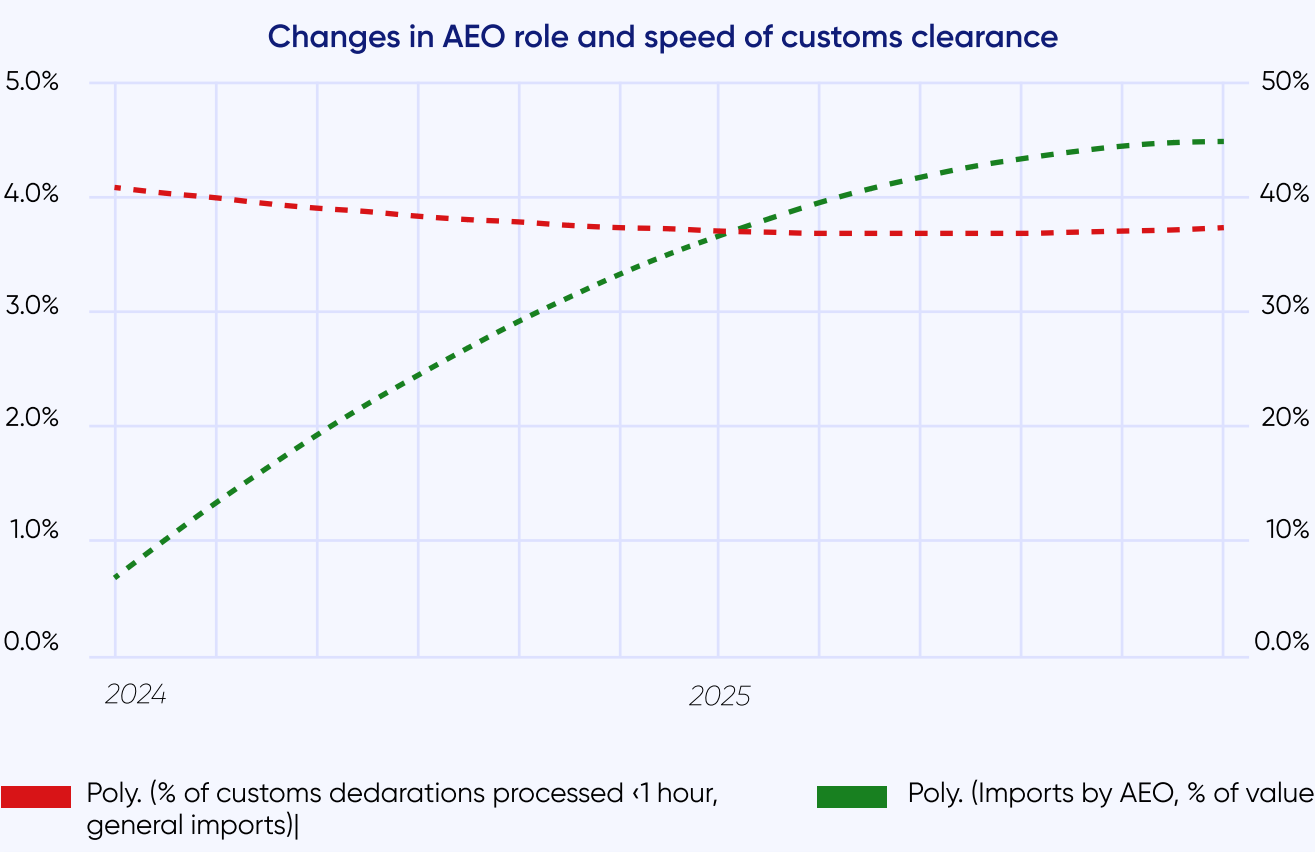
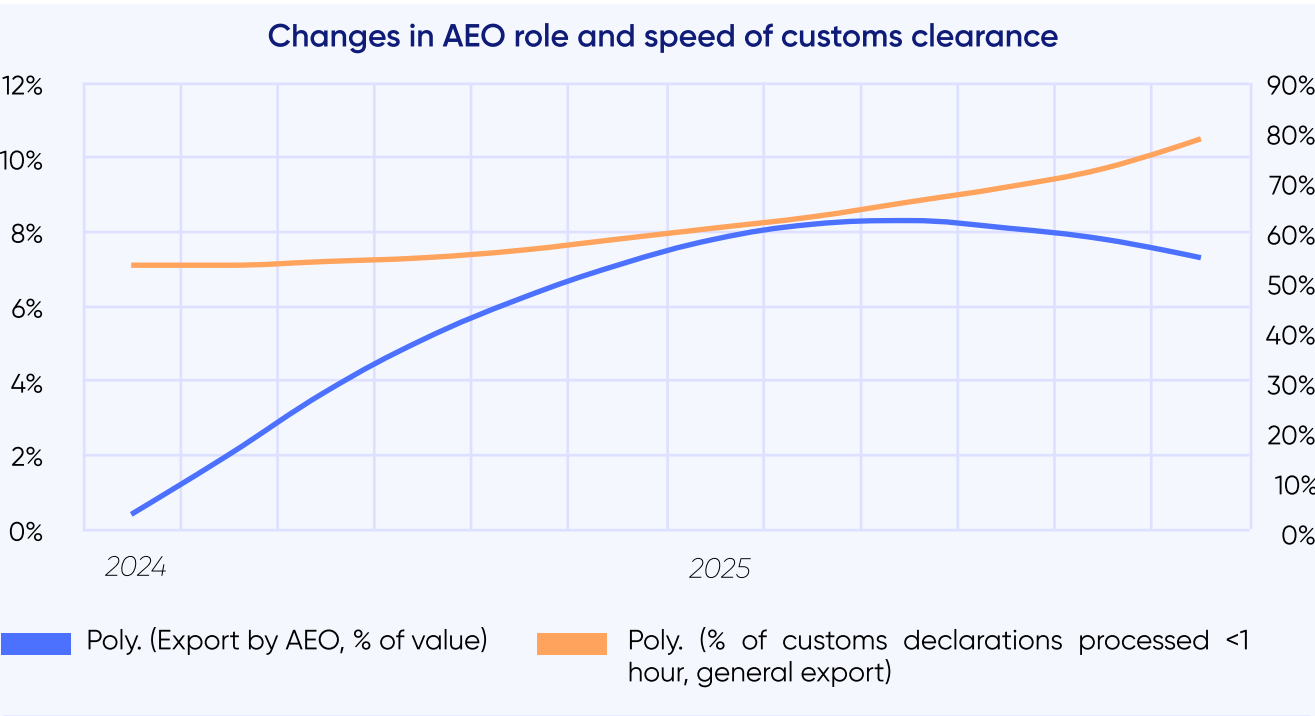


Diagram 8. Share of AEOs in foreign trade volumes and share of customs declarations completed in less than one hour.
Source: developed by the author based on the information from the State Customs Service on selected indicators of customs clearance duration; [Interactive Dashboard of Key Performance Indicators](#), created by the NGO Technologies of Progress and based on data from the State Customs Service.

CDS.UA customs decisions system

The system is becoming a digital shell for a broader range of customs decisions, mainly in the area of authorisations. At the same time, CDS is developing as a digital layer over the national authorisation model, which in certain respects does not fully correspond to the provisions of the EU Customs Code. The main bottleneck, manual preliminary processing of documents by authorised officials, remains untouched by digitalisation. This is most clearly visible in the cases of customs brokers and customs warehouses (discussed in more detail in section 1.1 of this report). Under these conditions, the current model, which relies mainly on manual processing, may quickly run up against staffing and time constraints. That is precisely why the further development of the CDS should be linked to the actual automation of the preliminary review of applications through integration with government registries, automatic verification of data and documents, and the use of AI tools to initially identify risks, omissions, or obvious discrepancies.

Decisions on binding information

The relevant software and information system was created in 2024. It operates as part of the Single Window web portal and ASMO "Centre" and is intended to support the implementation of decisions on tariff classification of goods and determination of country of origin. Its proper introduction is important both for European integration, since Ukrainian decisions should in future be compatible with the European EBTI system, and for business, which should be able to use this instrument as a source of legal certainty and as guidance that reduces the risk of errors in goods classification.

At the same time, the practical result of introducing BTI remains extremely limited. Implementation is formal: as of April 2026, fewer than one hundred BTI decisions had been registered in the system. This alone shows that the instrument has not become a real mechanism of legal certainty for business.

Even more revealing is the content of the registry. The public part of the Ukrainian system performs almost none of the reference and guidance function that EBTI performs in the EU. In European practice, such decisions contain a sufficiently specific description of the goods and make it possible to understand the logic of classification. In the Ukrainian register, by contrast, no entry contains publicly available reasoning or references to the applicable rules. In addition, a significant share of product descriptions is either repetitive or so general and fragmentary that it has no practical value for other importers or customs representatives. For example: "Single-phase power autotransformer" – 16 decisions; "Sandwich panel" – 3 decisions; "Self-propelled robotic complex" – 5 decisions. In total, 24 decisions, or more than 28% of all available decisions, describe only three items.



Критерій пошуку

Тип рішення: Рішення ВТІ (класифікація)

Дата надання з: 10.02.2023

Дата надання до: 17.02.2026

Митний орган: X

Номер рішення: Код товару: Фрагмент назви:

Шукати Очистити Знайдено 54 записи Завантажити список в Excel

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Other examples of descriptions include:

- ✓ granulation, compound feed, spraying, feed;
- ✓ automatic machine, tape, dust, metal;
- ✓ flour, blood, chic.

Under this approach, the system formally exists, but it creates neither predictability nor legal certainty, nor a body of guidelines for the market.



CHAPTER 3.

STRENGTHENING THE ADMINISTRATIVE CAPACITY
OF THE CUSTOMS SERVICE UNDER THE NATIONAL
REVENUE STRATEGY

3.1. Status of Strengthening the Administrative and Institutional Capacity of the State Customs Service



3.1.1. Instruments for Ensuring Transparency, Preventing Corruption and Increasing Trust in the Civil Service Introduced by Law of Ukraine No. 3977-IX

Introduction of a transparent and competitive selection procedure for the Head of the State Customs Service

One of the key instruments introduced by Law No. [3977-IX](#) was the establishment of a transparent and competitive procedure for selecting the Head of the State Customs Service, involving an independent selection commission with international experts.

Although the Law clearly set the timeframe for launching the selection procedure, its actual start was significantly delayed. The Law entered into force on 31 October 2024, while the selection commission was formed only on 4 August 2025. This delay once again demonstrates that even a properly designed legal mechanism does not guarantee timely implementation without sufficient political will.

After the selection commission was formed and held its first meeting, the procedure developed relatively dynamically and without visible disruptions.

The competition did not produce a significant inflow of candidates from civil society organisations, the business community or adjacent areas of public administration. The pool of candidates was rather narrow and concentrated around the customs service itself: from the outset, one third of the candidates were serving customs officials. This narrowed the potential of the competition as a tool for genuine renewal of personnel.

At the same time, the competition revealed a number of aspects that should be taken into account when organising similar procedures in the future. Above all, this concerns the need for a clearer balance between ranking results, integrity assessment, professional expertise, strategic vision and managerial capacity of candidates, possibly through more detailed regulation of the relationship between these elements in the competition rules or methodology.

The public did not receive a convincing answer as to how well-grounded and properly verified the explanations of certain candidates were regarding the origin of acquired assets, especially where such assets had no obvious link to activities outside public administration.

Certain competition tasks may have created less favourable conditions for candidates who did not come directly from the customs system, as they were highly specialised. In particular, tariff classification is a technically complex matter, and even within the practical task the customs authority itself made an error.

Under these conditions, as noted by the chair of the selection commission, Dr Kunio Mikuriya, integrity is currently of primary importance for Ukrainian customs. Accordingly, some of the tasks could have been oriented more towards identifying the candidate's managerial approach, ethical benchmarks, strategic thinking and ability to act in the face of complex institutional challenges.

The final stage of appointing the Head of the State Customs Service also took the entire maximum period available to the Government. It was particularly symbolic given Ukraine's international obligations, particularly to the IMF.

Against this background, further progress of the reform may remain exposed to implementation risks, particularly where key steps depend on timely institutional and financial support. In particular, no funding was allocated for the attestation process, effectively leaving the State Customs Service alone with one of the core reform tasks. It is equally significant that the State Customs Service itself was forced to organise a donor conference to find solutions to the urgent needs of the reform, whereas such issues would normally be addressed within the regular system of political coordination, where the Ministry of Finance would have a much greater stake in ensuring effective progress.

A possible internal institutional resistance remains an additional risk factor, given that the customs service is once again headed by a leader who came from outside the system.

Introduction of an integrity control system for customs officials

The Government formally fulfilled the obligation set out in Law of Ukraine No. 3977-IX by approving, through Cabinet of Ministers Resolution No. [487](#) of 29 April 2025, the Procedure for Integrity Checks and Lifestyle Monitoring of Customs Officials.

The document contains a number of positive elements consistent with the principles of good governance. It includes the official's right to provide explanations, introduces planned schedules for checks, and provides for the possibility of initiating checks upon receipt of reports of corruption.

At the same time, the final version of the Procedure preserved a number of conceptual shortcomings. In particular:

- ✓ there are no clearly defined integrity criteria;
- ✓ the procedures for checks are not sufficiently algorithmized;
- ✓ integrity checks and lifestyle monitoring are not clearly distinguished as instruments that differ in their nature;
- ✓ standards for the use and processing of data, as well as safeguards against potential misuse of check results, are not regulated.

As a result, despite the creation of a basic institutional framework, the integrity control system retains a high level of discretion and risks of selective application. Its effectiveness remains limited and requires further regulatory refinement in line with the principles of legal certainty, proportionality and accountability.

Introduction of psychophysiological interviews using a polygraph

Law of Ukraine No. 3977-IX supplemented the Customs Code of Ukraine with a new Article 572-1, "Conducting a psychophysiological interview using a polygraph". For its part, on 1 April 2025 the Cabinet of Ministers adopted Resolution No. [366](#), approving the Procedure for conducting psychophysiological interviews of candidates and serving customs officers using a polygraph.

The documents establish that the results of a polygraph may not serve as grounds for initiating criminal, disciplinary or administrative offence proceedings, or for deciding to refuse a person appointment to a position. Under these conditions, the purpose of using the polygraph remains unclear.

Overview of the Results of Smuggling Criminalisation

Criminalisation of goods smuggling was introduced as one of the key instruments for strengthening the enforcement component of state policy in the area of customs security.

At the same time, the analysis of enforcement practice in 2024–2025 shows that criminalisation has had only a limited impact on achieving these objectives. The reasons appear to include a lack of political will, insufficient institutional capacity of customs and law-enforcement authorities, and the absence of well-established judicial practice in this category of cases.

According to the information from the Office of the Prosecutor General, in 2025, 127 instances of goods smuggling were registered, including 54 cases involving excisable goods and 73 proceedings concerning smuggling of other goods. At the same time, notices of suspicion were served in only 28 proceedings, or 22% of the total. Twenty-five proceedings were sent to court with an indictment, while no decision to complete or suspend the proceedings was taken in 102 cases.

Only one proceeding concerned smuggling committed by a group of persons.

During 2024–2025, 22 convictions were issued, which does not correspond to the scale of the phenomenon and does not indicate the systematic exposure of organised schemes.

THE ANALYSIS IDENTIFIES THE FOLLOWING KEY TRENDS:

01 Use of procedurally simple instruments

In 16 out of 22 cases, the courts approved plea agreements. Some judgments largely reproduce the content of the indictment and the plea agreement, which indicates a formalised approach to the consideration of cases.

The absence of acquittals further points to limited adversarial proceedings and the selective nature of the cases that reach the trial stage.

02 Artificial formation of the value threshold for criminal liability

Classification of an act as a criminal offence depends on the value of the goods involved.

Analysis of the court practice indicates that the aggregation of several episodes into a single offence is frequently applied in situations where the value of each individual episode would not, in itself, be sufficient to meet the statutory threshold for criminal liability.

Ukrainian criminal law permits the qualification of several identical episodes as a single offence where such acts are linked by a common criminal intent, purpose and modus operandi. Such an approach appears justified where separate movements objectively constitute elements of a single criminal scheme.

At the same time, a number of analysed cases demonstrated repetitive conduct carried out within the framework of routine unlawful activity involving the movement of goods across the customs border with concealment from customs control.

The Sheptytskyi City Court of Lviv Oblast established that, during the period from 2 July 2024 to 3 June 2025, the defendant repeatedly moved goods outside customs control, while the aggregated value of the goods amounted to UAH 7,978,164.99.

A similar approach was identified in 6 out of 12 analysed cases concerning large-scale goods smuggling, as well as in 7 out of 10 analysed cases involving excisable goods smuggling.

In several analysed cases, the aggregated value of the goods exceeded the minimum criminalization threshold only marginally. This may indicate a tendency towards formalistic criminal-law qualification and the use of episode aggregation as a mechanism for reaching the statutory threshold required for criminal prosecution.

03 Shift of focus towards offences with a lower level of public danger

A significant share of convictions, especially in proceedings concerning excisable goods, 6 out of 10 cases, relate to smuggling of passenger cars. Although cars fall within a category of goods subject to a higher level of state regulation, their smuggling does not create a high level of public danger.

This indicates a shift in enforcement towards simpler cases, while more complex and higher-risk categories of smuggling remain insufficiently addressed.

04 Mitigation of penalties

In most cases, mechanisms for mitigating punishment are applied, including release from serving a sentence with probation. Of the five convictions involving imprisonment, probation was applied in four.

This practice creates a gap between the formal severity of sanctions and their actual application, reducing the deterrent effect of punishment and creating a level of legal risk that may be acceptable to potential offenders.

In summary, criminalisation of smuggling has led to a formal expansion of the enforcement policy toolkit, but has not improved the effectiveness of countering organised forms of smuggling. The current model is characterised by a focus on procedurally simple cases, the use of simplified procedures, and a limited degree of substantive examination of the circumstances of offences.

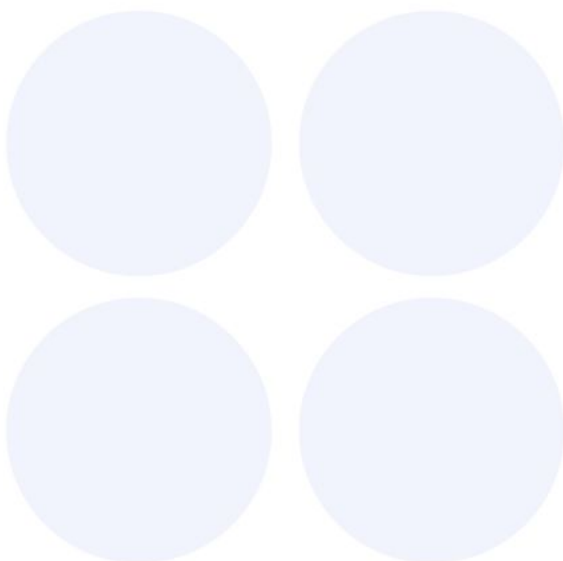
Progress in granting the State Customs Service an enforcement function

Granting the State Customs Service powers in the area of operational-search activities and pre-trial investigation is seen as a logical continuation of criminalisation of smuggling and as a tool for closing the institutional gap between the detection of offences and their procedural follow-up.

This is not ensured by the presence in the draft new Customs Code of Ukraine of provisions such as Article 788, which provides for the possibility of creating a specialised unit, since the powers of such a body must be defined by the Criminal Procedure Code and legislation on operational-search activities.

In the context of reforming Ukraine's law enforcement bodies, the State Customs Service has been classified as a law enforcement body by Presidential Decree No. [273/2023](#) of 11 May 2023. According to Cabinet of Ministers Order No. [792-r](#) of 23 August 2024, the draft law on law enforcement bodies of Ukraine, under which the State Customs Service would form part of the national law enforcement system, was to be submitted in the second quarter of 2025. However, no information on the submission of this draft law is publicly available. Similarly, as of May 2026, the draft law "On Criminal Intelligence", which is to replace the current law on operational-search activities and grant the State Customs Service operational powers, has still not been submitted to Parliament.

Therefore, despite some progress at the level of recognising the problem and making political statements, there is currently no final decision to grant customs an enforcement function.



3.2. Anti-Corruption Management



Overall, corruption in Ukraine is a cross-cutting problem affecting all areas of public life, including customs. According to the [NACP](#), the corruption risk score in customs reached 7.34 points in 2025, making it one of the three most problematic areas and indicating a deterioration compared with 2024, when the score was 6.99 according to business respondents and 5.96 according to citizens.

Business experience is an important indicator of the prevalence of corruption. For example, among [surveyed businesses](#) engaged in foreign trade in the areas covered by Lviv, Ternopil and Volyn customs offices, 39% reported having encountered corrupt practices, and around half of them suffered direct financial losses. The consequences include procedural delays, changes in logistics routes, and changes in the customs offices used for clearance.

The regular CIPS survey [revealed a perceived gap](#) between words and actions across all key factors: anti-corruption mechanisms are acknowledged as existing, but they are not always used, nor are they always perceived as working or being applied in practice.

Customs officials now feel less [confidence](#) in the mechanism for reporting integrity violations than in the previous wave of the survey. The share of customs officers who fully agree with the statement "I feel sufficiently safe to report integrity violations" fell from 68% to 55%. Their perception of the effectiveness of responses to such reports also declined, from 75% to 60%. Whistleblower safety is critical: around 20% of customs officers report cases of threats.

At the same time, the coverage of corruption-prevention measures has increased. During 2025, 10,200 customs officers received training on compliance with ethical standards in customs, 13% more than in 2024, although the number of training events themselves was slightly lower, 530 compared with 573 in 2024. Separate consultations on ethical conduct in service were also provided 2,985 times during the year, which is 42% higher than the previous year.

The practice of reporting possible corruption offences became more widespread, but this was not accompanied by a proportionate increase in response. During 2025, 126 reports were received, almost one third more than in 2024. The State Customs Service initiated 6 disciplinary proceedings, launched 6 internal inspections, carried out 24 general preventive measures and held 4 individual preventive conversations.

Twenty-five reports were referred to law enforcement authorities, twice fewer than in 2024, when 47 such reports were referred. In addition, 107 reports concerning the failure to submit asset declarations or their late submission were sent to the NACP, and 4 officials were held administratively liable. Three persons were entered into the [Register of Offenders](#)²: two for breaches of ethical conduct and one for violating asset declaration rules.

² Unified State Register of Persons Who Have Committed Corruption or Corruption-Related Offenses

In 2025, no dismissals or reprimands were recorded as a result of disciplinary proceedings, while the number of warnings and disciplinary notices almost halved. This does not indicate a reduction in violations, but rather suggests softer or selective sanctions. [Assessments of the transparency of disciplinary procedures](#) are moderately positive: 59% of employees consider them satisfactory, while another 31% assess them as high.

At the regional level, the number of cases at Zakarpattia Customs increased from 2 to 9 compared with 2024, while in other regions, including Poltava, Odesa and Chernivtsi, only isolated cases of disciplinary sanctions were recorded.

Thus, despite the expansion of preventive measures and the increase in the number of whistleblower reports, the actual effectiveness of the response remains limited and does not correspond to the scale of the detected cases.

In addition, [structural weaknesses in personnel policy](#), above all the relatively [low level of remuneration](#) and institutional instability, remain factors that generate corruption risks.

As a result, corruption in the customs sphere is reproduced through a combination of personnel, organisational and behavioural factors. Addressing it requires the systemic implementation of policies, stronger managerial accountability and the restoration of trust in institutions.

Analysis of Anti-Corruption Implementation Documents

The key documents governing the State Customs Service's anti-corruption activities in 2025 were the State Anti-Corruption Programme, in the area of "Customs and Taxation", and the institutional anti-corruption programme for 2023–2025.

3.2.1. State Anti-Corruption Programme in the Area of "Customs and Taxation": Assessment of Implementation in 2023–2025

To address the problems identified in the Anti-Corruption Strategy for 2021–2025, the Cabinet of Ministers approved the State Anti-Corruption Programme for 2023–2025, hereinafter the SAP, by Resolution No. [220](#) of 4 March 2023.

The SAP contains 38 measures related to customs³. [We analysed](#) whether these measures comply with the SMART criteria. Sixty-one per cent of the measures meet all five SMART criteria. As regards the [status of implementation](#) of the programme, according to the [NACP web portal](#), as of May 2026, 32 out of 38 measures, or 84%, had been fully or partially implemented, some of them with delays.

Unimplemented tasks include:

01 Amendments to regulations on the registration of intellectual property rights items and the protection of those rights.

The previous version of the order, after public discussion, was revised, and a new draft was published on the Ministry of Finance website on 30 December 2025. As of mid-May 2026, no new report was published, and the order did not pass state registration.

³ This section of the study refers to Section 2.3, "Customs and Taxation," of the 2023–2025 State Action Plan. However, it should be noted that only the portion directly covering the customs sector and the activities of the State Customs Service was selected for analysis, while the tax sector was not taken into account.

02 Annual publication of the information on the results of involving anti-corruption civil society organisations and business representatives.

The State Customs Service provided only generalised information on activities carried out during the period of the SAP. However, the NACP should have received specific and detailed information, namely separate lists of:

- ✓ public proposals to the anti-corruption programme, with information on whether they were taken into account or rejected, including the reasoning;
- ✓ results of activities carried out during the implementation of the anti-corruption programme with the participation of the public and business representatives.

03 Ensuring that the Public Council under the State Customs Service conducts an annual independent anonymous survey of customs officers.

No such survey was conducted in 2024. In 2025, it was conducted, but with violations:

- ✓ instead of the Public Council, the survey was conducted by the State Customs Service itself;
- ✓ the survey results were not published;
- ✓ the survey was not representative, as it concerned only selected aspects of customs officers' engagement, taking into account the specific features of work under martial law.

04 Development and submission to the Cabinet of Ministers of a draft law on a public oversight body for the current activities of the State Customs Service.

The draft passed through the stages of public discussion and expert assessment of compliance with EU principles. As of mid-May 2026, the measure had still not been implemented, as a result of which two other measures cannot be implemented:

- ✓ development of the draft regulation on the relevant body;
- ✓ public discussion, revision and approval of that regulation.

Eight measures remained partially implemented. The main reasons for this status are the following:

- ✓ lack of access to information on the results of the State Customs Service's work in certain areas: information on other measures requiring mandatory public involvement has not been published, nor has the report on annual monitoring of NCTS application;
- ✓ delays in public discussions, submission and approval of draft regulations;
- ✓ postponement of the development and roll-out of NCTS Phase 6 until 1 June 2026.

We also identified incomplete implementation of certain measures. For example, as of mid-May 2026, the State Customs Service website did not contain information on the [results of the work of disciplinary commissions](#) for the fourth quarter of 2025, measure 2.3.3.2.2 of the SAP.

The institutional programme identifies 19 [corruption risks](#). Customs reports indicate that the relevant measures were implemented, except for two measures concerning selective control inspections in the first half of 2024.

The results of implementation of the measures in 2025 show several challenges:

- ✓ persistence of systematic and widespread errors. The reports, especially those of Lviv Customs, contain dozens of similar violations: exceeding time limits, references to invalid regulations in 46% of refusal cards, and failure to comply with the requirements of the automated risk management system;
- ✓ formalistic approach to preventive measures. Checks aimed at preventing and detecting corruption were not carried out because there was “no need”, or because they had already been carried out in 2023. It undermines the principle of continuous control and integrity support;
- ✓ erosion of the risk-based approach. Numerous cases were recorded of formal compliance with, or disregard for, the requirements of the automated risk management system, including the entry of inaccurate information and failure to follow targeting instructions.

Accordingly, the analysis of the State Customs Service report shows that, because of the formal implementation of measures, corruption risks were not actually eliminated. The system does not address root causes, the main one being low implementation discipline, which continues to leave room for abuse.

Only 67% of the [measures](#) for implementing the principles of anti-corruption policy are measurable under the SMART methodology.

For example, the vaguely formulated measure “Involvement of public representatives in the assessment of corruption risks in the activities of the State Customs Service” is accompanied by an equally vague indicator:

“Measures have been taken to involve public representatives in the assessment of corruption risks.”

The key details are missing: what specific measures are required and how many, which groups of the public should be represented, what minimum number of participants is expected, and so on. As a result, almost any event in this area can formally be treated as implementation of the task.

The report on implementation of the Anti-Corruption Programme shows that the **State Customs Service completed 28 out of 30 planned activities**. The unimplemented tasks turned out to be irrelevant, since the current regulations already provide the necessary regulation. Therefore, the prior study of the regulatory framework prior to the creation of the plan was not thorough enough.

3.2.3. Assessment of the "Customs" Subsection of the Draft Anti-Corruption Strategy for 2026–2030

In early April 2026, the NACP submitted the [draft Anti-Corruption Strategy](#) for 2026–2030 to the Cabinet of Ministers for consideration. A significant part of the problems in the "Customs" subsection was carried over from the previous Strategy for 2021–2025, as key measures had only been partially implemented, while in some areas the approach itself required adjustment.

WE IDENTIFIED A NUMBER OF DISCREPANCIES BETWEEN THE ANALYTICAL DOCUMENT ON WHICH THE SUBSECTION WAS BASED AND THE DRAFT STRATEGY ITSELF:

01 The problem of discretion and procedural neutrality:

- ✓ the institution of collegial administrative review involving external experts and business associations was rejected;
- ✓ decisions on Binding Valuation Information (BVI) were changed: instead of introducing the instrument, the draft provides only for assessing the feasibility of its introduction. This contradicts the EU Customs Code, as well as [Regulation \(EU\) 2024/1071](#) and [Regulation \(EU\) 2024/1072](#).

02 The problem of automation of customs procedures:

- ✓ the idea of strengthening post-clearance control was rejected, although the analysis supported the appropriateness of this measure.

03 The problem of objective customs control:

- ✓ the public was excluded from monitoring the implementation of the Strategy. The draft provides only for public reporting on matters of technical equipment.

04 The problem of capacity to counter smuggling:

- ✓ despite the recommendations of international experts and the best practices of other countries, the draft contains no steps to grant customs an enforcement status. Instead, these points were replaced by references to preserving the achievements of the reform, safeguarding the institutional independence of the authority, and delineating powers between customs, the BES and the Security Service of Ukraine.

The final problem, concerning KPIs and accountability, was not identified in the [Analysis](#) and was added only in the draft agreed with stakeholders. As can be seen, the preparation of the Strategy involved a noticeable departure from the proposals of the working group.

At the same time, it is important that the draft contains a deeper understanding of the issues. While the previous Strategy focused on operational shortcomings, the future Strategy defines them as systemic weaknesses requiring comprehensive solutions.

For example, excessive discretion (3.3.1) and lack of transparency in classification and customs value (3.3.2) were transformed into problems of insufficient uniformity of law enforcement practice (2.11.1) and lack of automation, which maintains a high level of contact and discretion (2.11.2). The emphasis shifted towards the absence of algorithms, an effective risk management system and automated clearance.

Alongside the old problems, new ones have appeared that reflect the European integration context: the personnel system's lack of readiness for EU standards (2.11.4), obsolete technical control equipment (2.11.3), and the absence of a special law on the customs service (2.11.4–2.11.5).

However, there are no causal links between the problem blocks indicating which problem is primary and which is derivative. For example, personnel dysfunction (2.11.4) directly affects the quality of law enforcement practice (2.11.1), but these two blocks exist in parallel.

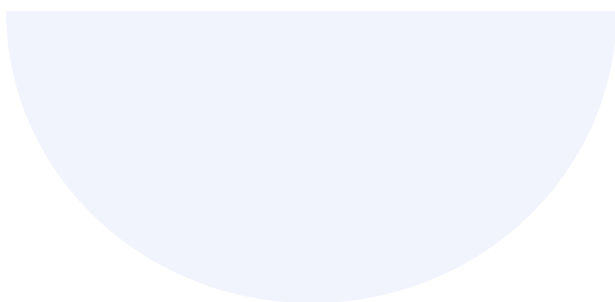
It is particularly striking that the State Customs Service and the Ministry of Finance have consistently sought to remove performance indicators from high-level documents. Draft law No. [12360](#) is illustrative in this regard: in its original version, it contained a clear list of KPIs for assessing the performance of the customs service. During parliamentary consideration, this design was reduced to a framework provision stating that the performance indicators would later be defined by the Ministry of Finance.

A similar approach was applied during the approval of the draft Anti-Corruption Strategy for 2026–2030. At least three specific indicators were removed from the document by the Ministry of Finance and the State Customs Service. They were to address the effectiveness of customs value verification and commodity classification, the causes and duration of delays in customs clearance, and the effectiveness of the use of technical control measures. The justification for excluding them was that these KPIs would be included in Law No. [12360](#). In the end, this did not happen, also due to the position of the State Customs Service and the Ministry of Finance. It creates the impression of blocking attempts to establish objective indicators that would make it possible to assess the real, rather than declarative, effectiveness of customs.

In addition, this position looks particularly odd against the background of performance problems. In 2025, customs lost 95% of [court disputes](#) concerning customs value. Only around 40% of import declarations in Ukraine are cleared in less than one hour, while in the EU, according to [Customs Union Facts and Figures](#), this figure reaches 95%. Data on the effectiveness of technical control equipment, in particular stationary scanning systems, are not disclosed at all. Moreover, these scanners have still not been formally put into operation, six years after the State Customs Service was separated into an independent central executive authority and eight years after their procurement.

The rejection of objective KPIs removes the ability to demonstrate customs' institutional readiness for expanded powers, while the [European Commission insists](#) on continuing customs reform and, in its comments on the draft Strategy, notes that granting customs enforcement powers is possible only after the reform has been completed and within separate strategies for countering smuggling. Without clear indicators, it is impossible to show the baseline, progress, or the results of using the instruments already available.

In summary, the implementation of the future Strategy will depend on the timely adoption of legislative changes, the existence of [institutional will](#) to implement reforms in customs authorities, and independent monitoring of results. It is important not to repeat the scenario of the previous cycle: formal completion of tasks without real progress in reducing corruption.



CONCLUSIONS



Customs reform retains the potential to close negotiating Chapter 29, "Customs Union", in the medium term. Legislation that is already largely approximated to the EU acquis, visible progress in the roll-out of IT infrastructure, and the ability to maintain the pace of change under conditions of full-scale war are institutional achievements of this stage.

However, a detailed analysis of reform implementation points to a divergence between the regulatory and operational dimensions of customs modernisation.

The legislative architecture is currently being built faster than customs practices are able to adjust. The consultation process is conducted either too late or with procedural shortcomings and insufficient transparency. This raises legitimate questions about the effectiveness of this format.

New digital systems are being introduced without re-engineering internal processes, creating a shell rather than a solution. As a result, the workload is transferred, and in some cases increased, from the paper environment to the digital one. The key stages that determine the speed and quality of customs clearance remain largely manual.

Criminalisation of goods smuggling has also failed to produce substantial practical change, as previously identified risks have not been addressed. This offence remains a relatively low-risk business for its organisers, while customs remains an observer within an enforcement framework into which it has not been integrated.

Increased efforts to prevent corruption offenses do not dismantle existing schemes or facilitate the effective investigation of such cases. The new Anti-Corruption Strategy for 2026–2030 contains a more systemic understanding of corruption-related problems, but its success will depend heavily on the establishment of clear and measurable results, as well as on the ability to monitor their achievement independently.

The next stage of European integration in customs policy requires a shift from "harmonisation on paper" to systemic operational interoperability with the future EU architecture. Without this, formal progress will not ensure the real readiness of Ukrainian customs for the Union's single customs area.



To address the challenges identified in this report, a set of recommendations has been developed for the State Customs Service, the Ministry of Finance of Ukraine and the Verkhovna Rada of Ukraine. The recommendations are grouped under the three areas covered by this Shadow Report.

HARMONISATION OF UKRAINIAN LEGISLATION WITH THE EU ACQUIS

- 01** Ensure transparency in the review of the draft new Customs Code by publishing the European Commission's conclusions, versions of the draft, and the working group's report explaining how proposals were taken into account, and by conducting public consultations in accordance with the Procedure for Conducting Public Consultations.
- 02** Provide in the new Customs Code and secondary legislation for synchronisation with the EU and a gradual transition from AEO status to the Trust and Check Traders model, while also strengthening security criteria to take into account risks related to links with aggressor states.
- 03** Ensure alignment between the provisions of the new Customs Code and the draft Code of Administrative Offences, in particular by reviewing outdated concepts such as "movement outside customs control" and transferring the relevant provisions into a single legislative act.
- 04** Expand the work of the Help Desk contact centre to other areas of customs clearance.
- 05** Develop target indicators in strategic documents through the lens of SMART criteria.
- 06** Resolve the legal status of customs debt in accordance with EU customs legislation.
- 07** Remove information and procedural barriers for businesses at the preliminary review stage of applications for authorisations.
- 08** Develop and introduce real incentives for Authorised Economic Operators, including the right to use a priority lane when crossing the border.
- 09** Introduce systematic and regular communication, as well as advance methodological guidance, on new regulatory rules for businesses and customs officers before those rules enter into force.
- 10** Improve the quality of policy-making through early engagement and consultations with business and the public, accompanied by public feedback.

CUSTOMS DIGITALISATION

- 01** Introduce automation of the review of authorisation applications by developing the CDS functionality, integrating it with state registers, enabling automatic verification of basic data, and using artificial intelligence tools for the initial detection of risks, incomplete information or obvious inconsistencies.
- 02** Ensure the full operation of the Binding Tariff Information (BTI) decision system as a legal certainty tool for business that is compatible with the European EBTI system. Introduce a requirement for each decision to include mandatory public reasoning with references to the applicable classification rules, ensure that the register is populated with diverse and practically relevant cases, and develop methodological guidance for customs officers on preparing substantive product descriptions in line with EBTI standards.
- 03** Complete the technical implementation of the IT solution for the protection of intellectual property rights and ensure its integration into customs processes in accordance with EU legal requirements.
- 04** Extend automatic release of declarations to import operations for all compliant businesses engaged in foreign trade.
- 05** Ensure the timely implementation of NCTS Phase 6.

STRENGTHENING ADMINISTRATIVE CAPACITY AND COUNTERING CORRUPTION

- 01** Accelerate the legislative and institutional implementation of the State Customs Service's enforcement function by adopting the necessary draft laws, removing dependence on broader national law enforcement reforms, and clearly delineating powers with the Bureau of Economic Security and the Security Service of Ukraine:
 - ✓ ensure the adoption of the draft laws "On Criminal Intelligence" and on law enforcement bodies;
 - ✓ align the provisions of the new Customs Code with the Criminal Procedure Code and legislation on operational-search activities;
 - ✓ at government level, define an institutional transition plan for the State Customs Service to assume an enforcement function, taking into account staffing, technical and infrastructure needs.
- 02** Ensure a proportionate response to reports of corruption offences, with a mechanism for mandatory recording of the outcome and the grounds for the decision taken.
- 03** Complete the formation of the full composition of the Disciplinary Committee under the State Customs Service and ensure transparency in the procedure for selecting members from civil society organisations and donor organisations.
- 04** Introduce a system of measurable KPIs to assess the effectiveness of customs.

- 05** Publish information on engagement with the public within anti-corruption programmes. This should be done through separate lists of proposals, indicating the authority's position on each proposal, and by recording the results of activities involving the public and business.
- 06** Ensure that the Procedure for Integrity Checks and Lifestyle Monitoring of Customs Officials is revised by addressing its conceptual flaws in accordance with the principles of legal certainty, proportionality, and accountability. Clear integrity criteria should be defined, procedures should be properly systematized, integrity checks and lifestyle monitoring should be distinguished as instruments of different nature, and standards for data processing and safeguards against abuse should be established.

