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**COMMISSION STAFF WORKING DOCUMENT**

**IMPACT ASSESSMENT**

*Accompanying the document*

**Proposal for a  
REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL  
establishing the 'Customs' programme for cooperation in the field of customs**

{COM(2018) 442 final} - {SEC(2018) 295 final} - {SWD(2018) 322 final}

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## Glossary

<i>Term or acronym</i>	<i>Meaning or definition</i>
ACB	Administrative Capacity Building
ART	Activity Reporting Tool
BCP	Border Crossing Point
C2020	Customs 2020 programme, as established by Regulation (EU) No 1294/2013
CCN	Common Communication Network
CELBET	Customs Eastern and South-Eastern Land Border Expert Team, an expert team established under the C2020 programme and aimed, among others, at taking stock of the situation at the EU external land frontier and mapping it in terms of presence of customs officers and available equipment for all BCPs
ECA	European Court of Auditors
ECOFIN	Economic and Financial Affairs (Council)
EP	European Parliament
EPPO	European Public Prosecutor Office
ESTAT	Eurostat
Europol	European Union Agency for Law Enforcement Cooperation
F2020 or Fiscalis	Fiscalis 2020 programme, as established by Regulation (EU) No 1286/2013
Hercule	Hercule III programme, as established by Regulation (EU) No 250/2014 that protects the EU's financial interests by supporting action to combat irregularities, fraud and corruption affecting the EU budget
HOME	Directorate-General for Migration and Home Affairs, the Commission service in charge of asylum, migration, security (police) and border-visa policies
ICS/ICS2	Import Control System – See <a href="http://ec.europa.eu/ecip/help/faq/ens7_en.htm">http://ec.europa.eu/ecip/help/faq/ens7_en.htm</a> for more information
IT	Information Technology
JRC	Joint Research Centre
MASP	Electronic Customs Multi-Annual Strategic Plan – See <a href="https://ec.europa.eu/taxation_customs/general-information-customs/electronic-customs_en">https://ec.europa.eu/taxation_customs/general-information-customs/electronic-customs_en</a> for more information
MFF	Multiannual Financial Framework
NGO	Non-governmental organisation
OECD	Organisation for Economic Cooperation and Development
OLAF	European Anti-Fraud Office, the Commission service in charge of the protection of EU financial interests
OPEX	Operational expenditure
Participating countries	Member States and Third Countries associated to the Programme in accordance with the provisions of Article 5 of the proposed Regulation

PICS	Programme Information and Collaboration Space online collaboration
PMF	Performance Measurement Framework, put in place to implement Article 17 of Regulation (EU) No 1294/2013
SRSS	Structural Reform Support Service, the Commission service in charge of helping EU countries to design and carry out structural reforms as part of their efforts to support job creation and sustainable growth
TAXUD	Directorate-General for Taxation and Customs Union, the Commission service in charge of taxation and customs policy
TFEU	Treaty on the Functioning of the European Union
UCC	Union Customs Code, as established by Regulation (EU) No 952/2013
VAT	Value Added Tax
WCO	World Customs Organisation
WTO	World Trade Organisation

## 1. INTRODUCTION: POLITICAL AND LEGAL CONTEXT

### 1.1. Scope and context

**On 2 May 2018, the European Commission adopted its proposals for a new Multiannual Financial Framework (MFF) for 2021-2027. Under these proposals, the Customs programme will have a budget of EUR 950 million (in current prices) over this period. This impact assessment report reflects the decisions of the MFF proposals and focuses on the changes and policy choices which are specific to this programme.**

For 50 years, the **customs union, implemented by national customs authorities**, has been a significant example of successful integration in the EU. The customs union covers all trade in goods. It has enabled the EU not only to remove internal borders but also to compete with the rest of the world. The EU's single market, which allows any business established in the EU to sell its goods and invest throughout the EU without any internal borders, would be impossible without the tariff-free environment provided by the Customs Union and the role the latter plays in overseeing imports and exports.

Internationally, the EU is now the largest trading block in the world, accounting for 15 % of world **trade**<sup>1</sup>, and thus has a far stronger position in trade negotiations with third countries than would any Member State negotiating alone. In implementing the EU commercial policy, customs handle an enormous volume of trade on a daily basis: the total statistical value<sup>2</sup> of EU-28 trade flow was €3.46 trillion in 2016 (€1.75 trillion for export and €1.71 trillion for import) or €9.5 billion a day. 4.3 million businesses are registered by customs to trade goods in and out of the EU. The total number of customs declarations<sup>3</sup> has been constantly growing over the last five years reaching the level of 313 million in 2016 or 10 declarations per second, with 98 % of customs declarations being made electronically.

The **fast, secure and cost-effective** operation and performance of the EU external trade is critical for the predictable and competitive operation of EU enterprises and economies. OECD and World Bank trade policy studies<sup>4</sup> have estimated that typically a 10 % reduction in processing time of external trade allows about 2.5 to 3.5 percent growth of trade.

The customs union helps safeguarding the **financial interests** of the Union and of the Member States. Customs duties represent about 15.2 % of the EU budget (€20 billion in 2016). Customs also collect the VAT on imported goods. They are responsible for tracking illegal cross-border flows of goods and fighting fraud schemes with a significant financial impact on national and EU budgets (e.g. targeting the undervaluation of imported textiles from the Far East).

Moreover, customs authorities have been given an increasing number of tasks in their role as guardians of the external EU border (land, water and air) regarding goods and now they also protect the public against terrorist, health, environmental and other threats, and protect nature and the environment itself. Customs authorities apply a list of more than **60 non-customs legislations** relating to, among others, dual use goods, firearms, drug precursors, movement of cash, intellectual property rights, public health, product safety and consumer protection, the protection of wildlife and of the environment. Customs authorities play a critical role in securing

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<sup>1</sup> The total statistical value of EU-28 trade flow was €3.5 trillion in 2016 or €9.5 billion a day (source: Eurostat).

<sup>2</sup> Source: Eurostat

<sup>3</sup> Source: DG TAXUD

<sup>4</sup> OECD Trade Policy Papers 21, 42, 118, 144 and 150 and 157 and Djankov, Simeon; Freund, Caroline & Pham, Cong S.: "Trading on Time", World Bank / Doing Business, (2006 and 2008) : Report (2008, modified in 2010)

the integrity of the supply chain and preventing terrorist and crime organisations from freely moving their funds. This increasing role in the **security** area is recognised in the Commission Action Plan for strengthening the fight against terrorist financing<sup>5</sup> and the EU Strategy and Action Plan for customs risk management: tackling risks, strengthening supply chain security and facilitating trade<sup>6</sup>.

The Customs Union has therefore evolved considerably over the last fifty years and customs authorities now successfully perform a wide variety of tasks at borders. The responsibilities of Member States' customs authorities have extended beyond their traditional role in supervising and facilitating EU trade and its economic interest by taking on an increasing number of responsibilities in the field of safety and security with a view to protecting the public against terrorist, health, environmental and other threats. Given this broad mandate, customs is now effectively the lead authority for the control of goods at the EU's external borders. In particular, customs have assumed a front line position in the fight against terrorism and organised crime, with the introduction of an EU-wide Common Risk Management Framework and customs control movements of large amounts of cash to combat money laundering and terrorist financing. In order to play their role efficiently and effectively, customs need to be able to count on state-of-the-art technology and efficient European electronic systems.

However, there are many **new challenges** ahead. New trends and technologies - digitalisation, connectedness, the internet of things, data analytics, artificial intelligence and blockchain technology – present both opportunities and threats. New business models such as e-commerce and supply chain optimisation are emerging and must be framed and properly checked. At the same time, public finances are under pressure, the volumes of world trade are increasing, fraud and smuggling are a constant and growing concern and there are persistent transnational crime and security threats. Strategies adopted in other policy areas impact on and expand customs tasks. Resources and funding are needed, in particular to develop and maintain the European electronic systems that are now crucial to the operation of the Customs Union. Meanwhile, work on the many customs-related implications of the withdrawal of the United Kingdom from the EU must be prioritised. All of this is putting EU customs authorities under increasing pressure and requires an even closer cooperation.

Since 2016, the **Union Customs Code (UCC)** is the new legal customs framework. The UCC is meant as a natural evolution towards a modern customs environment for which the results and benefits will be grasped only when it will be implemented in its full capacity by the end of 2025.

The objectives of the UCC are to streamline customs legislation and procedures, offer greater legal certainty and uniformity to businesses, increase clarity for customs officials throughout the EU, simplify customs rules and procedures, facilitate more efficient customs transactions in line with modern-day needs, reinforce swifter customs procedures for compliant and trustworthy economic operators (AEO) and complete the shift by customs to a paperless and fully electronic and interoperable environment. In practice, the major goals of the UCC aim to extend the use of common instruments such as EU authorizations, to end paper-based procedures as well as to reinforce risk management for safety and security with a view to advance cargo information.

These objectives cannot be reached without IT solutions, central connections and common development. Substantial and ongoing investment in European electronic systems is therefore needed:

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<sup>5</sup> COM(2016) 50 final

<sup>6</sup> COM(2014) 527 final

- The UCC has triggered a massive digitalisation project with 17 different electronic systems, building on the currently available network of electronic systems. These systems touch upon all customs procedures and will therefore be at the heart of the functioning of the customs union. Responsibility for these IT projects is shared between national customs authorities and the Commission.
- Also, as acknowledged in the Reflection Paper on Harnessing Globalisation<sup>7</sup>, further investments could be made in EU customs risk management in order to facilitate and accelerate legitimate EU trade, while ensuring the safety and security of citizens by stopping harmful or dangerous goods permeating EU borders and protecting the financial and economic interests of the Union and the Member States.

When fully implemented, the UCC will enhance the **competitiveness** of European businesses and rebalance the important equilibrium between customs controls and facilitation of the legitimate flow of goods transiting or moving in and out of the Union, without sacrificing the important public goods (security, health protection, financial interests, IPR, ...) mentioned before.

**The customs union remains a foundation of the Union and a fundamental enabler of the Internal Market and the other EU political priorities. It has a key function not only in view of its traditional role in duty collection for the Union budget but also because customs authorities hold a key role in ensuring external border and supply chain security, contributing to the security of the European Union. In order to make the customs union work in practise, the Commission and the customs administrations of the Member States need to design common solutions to common problems. They need to be able to count on efficient European electronic systems with central connections and a common development in order to reduce costs for all.**

The upcoming withdrawal of the United Kingdom from the EU implies disentangling the United Kingdom as a Member State from all existing customs electronic systems financed by Customs 2020. These implications and costs however cannot be precisely estimated and are therefore not covered in this paper as they are still largely unknown at this stage of the ongoing negotiations between the EU and the United Kingdom.

The key role of customs for the Union is widely acknowledged at political level.

As underlined in the Reflection Paper on the Future of EU Finances<sup>8</sup>, even in a scenario where the trend and volume of EU action would be significantly reduced (so called "scenario 2 - Doing less together" in the Reflection Paper), customs would need to be maintained as part of the core single market programmes. Moreover, recognising that a strong and well-managed customs union can enable the EU to prosper and develop competitive businesses, to safeguard its revenue sources and protect the public against terrorist, health, environmental and other threats, the Commission adopted in December 2016 a Communication<sup>9</sup> on "Developing the EU Customs Union and Its Governance", which detailed a number of solutions for a more cohesive and uniform application of the common customs rules, a better cooperation of customs with other border management and security authorities, and a more comprehensive long-term strategy for the development and maintenance of customs electronic systems.

The **Council** also repeatedly insisted on the crucial role that the Customs Union plays in contributing to the EU prosperity and competitiveness as well as the security and safety of EU

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<sup>7</sup> COM(2017) 240 final

<sup>8</sup> COM(2017) 358 final

<sup>9</sup> COM(2016) 813 final



residents by enabling and protecting the EU Single Market. In March 2017, ECOFIN adopted specific Council conclusions<sup>10</sup> both on customs funding and on developing the EU customs union and its governance acknowledging that the EU customs authorities and their role in the management of the external border have undergone a number of changes since the establishment of the customs union and that those changes and responsibilities create challenges that require up-to date customs IT support. In this respect, ECOFIN recognised the need for *"high quality electronic customs systems which are essential tools to facilitate and accelerate legitimate trade and to enhance the economic development and competitiveness of the EU, whilst carrying out the necessary controls and contributing to the security of goods moving across the external EU borders"*. ECOFIN also underlined the need *"to ensure correct, effective and timely implementation of the UCC and its IT Work Programme"* and *"to ensure resources for the continued successful operation of the Customs Union"*.

In several resolutions<sup>11</sup>, the **European Parliament** also considered that *"the Customs Union is a cornerstone of the European Union as one of the largest trading blocks in the world, and whereas it is essential for the proper functioning of the single market for the benefit of both EU businesses and citizens"*. Therefore, it also called *"to come up with a clear, coherent and ambitious strategy and timeline to ensure that any elements that are necessary for the enforcement of the EU customs systems are covered by appropriate proposals that are aligned with and fit for purpose for the current evolution of global trade and the implementation of the EU trade policy agenda"*. In particular, it suggested *"to take a proactive approach in this respect, in particular through a co-financing arrangement to ensure the development of interoperable IT systems and to guarantee interoperability with other IT systems for health and animal health certificates"*.

Last but certainly not least, the Union has also – beyond its internal political ambitions – to comply and deliver on its **international obligations** under the WTO and, in particular, to ensure that EU customs acts as one.

**Against this backdrop, this impact assessment supports policy decision-making on the post-2020 MFF in the field of customs. It meets the requirements of the financial regulation in respect of preparing an ex-ante evaluation.**

This impact assessment should be read in conjunction with other proposed EU action programmes and funds that pursue similar objectives in related fields of competence and especially:

- The Fiscalis programme<sup>12</sup>, that supports cooperation in the field of taxation;
- The EU Anti-Fraud programme<sup>13</sup> (formerly: "Hercule III"), that combats fraud and other illegal activities affecting the financial interests of the Union;
- The Single Market Programme<sup>14</sup>, which supports EU actions for achieving a better functioning of the internal market;
- The Internal Security Fund<sup>15</sup> and Integrated Border Management Fund<sup>16</sup> (with its 2 components about border and visa policy as well as customs control equipment), which

<sup>10</sup> Outcome of the Council Meeting – 3543rd Council meeting (Economic and Financial Affairs) – Brussels, 23 May 2017 (Document 9581/17: <https://www.consilium.europa.eu/media/22301/st09581en17-vf.pdf>)

<sup>11</sup> See for example: European Parliament resolution on tackling the challenges of the Union Customs Code implementation (2016/3024(RSP))

<sup>12</sup> COM(2018) 443

<sup>13</sup> COM(2018) 386

<sup>14</sup> COM(2018) 441

<sup>15</sup> Proposal for a Regulation of the European Parliament and of the Council establishing the Internal Security Fund

promote the implementation of the Internal Security Strategy and support law enforcement cooperation and the management of the Union's external borders;

- The Reform Support programme<sup>17</sup> that provides tailor-made technical support to EU countries; and
- The Digital Europe Programme<sup>18</sup>.

## 1.2. Lessons learned from previous programmes

### 1.2.1. The Customs programme

Although the customs union is an area of exclusive competence with a high degree of harmonised EU legislation, the implementation of this legislation remains entirely with the individual Member States. The main added value of the customs cooperation programmes, since early 90s, is to provide the **framework, mechanisms and budget for cooperation** between national customs administrations themselves, between them and the Commission, traders and other players involved in the management of the external border in order to reach a deeper operational integration. Such deeper operational cooperation between the national customs administrations is crucial to face global and trans-European challenges such as terrorism, globalisation and e-commerce in an efficient and coherent way across Europe as the customs union can only be as strong as its weakest link.

The programmes are traditionally construed around **two strands of activities**:

- Activities which stem directly from Union legislation as regards the functioning of the customs union, i.e. ensuring the implementation of the Union legislation in a harmonised way and developing European electronic systems in accordance with obligations in the EU legislation;
- Activities which aim at improving the administrative capacity of the customs administrations of the participating countries, i.e. lifting the quality of the individual administrations and their components up to a higher level:
  - o Enhancing systems, tools, processes, procedures and techniques for administering customs duties;
  - o Improving the structure and policy of customs administrations so as to fulfil all their core duties;
  - o Developing skills and knowledge of human resources.

The second strand of activities, **administrative capacity building** (ACB) activities, has deepened significantly over the years:

- Initially the ACB activities were focussing on putting in place approaches and processes that were starting from the assumption that customs administrations had the same needs. As such, the activities proposed a "one size fits all" approach involving all participating countries. Over the years, it became clearer that there are substantial differences in the needs of the administrations and that ACB activities should consider this. Gradually more tailor made activities were initiated taking on board regional and individual country needs aiming through administrative capacity building at bringing them at a common higher standard.
- More recently, expert teams were created to foster operational cooperation between Member States. A good example of this is "CELBET" where 11 Member States work together in the management of the land border in respect of 6 specific strands: risk management,

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<sup>16</sup> Proposal for a Regulation of the European Parliament and of the Council establishing, as part of the Integrated Border Management Fund, the instrument for financial support for customs control equipment

<sup>17</sup> COM(2018) 391

<sup>18</sup> COM(2018) 434

operational controls, equipment and procurement, training, evaluation and performance, cooperation;

- The number of working visits is increasing significantly over time although a drop can be noticed in some countries likely due to cuts in human resources;
- The number and variety of ACB activities embedded in European electronic systems is also increasing with e.g. the definition and development of a new joint risk management tool (ICS2).

This evolution towards enhanced administrative capacity is also in line with the **Treaties**. Article 3 of the TFEU, under the principle of sincere cooperation, calls for the Union and the Member States to assist each other in carrying out tasks that flow from the Treaties. Article 33 TFEU foresees specifically customs cooperation while 197 TFEU stipulates that effective implementation of Union law by the Member States shall be regarded as a matter of common interest. Effective implementation of the customs union in the EU should thus be seen as a 'collaborative project', not only because Member States benefit when others correctly implement common rules but also because they learn from the experiences of other Member States, and the programmes are an excellent tool in this respect. They also enable the Commission to fulfil its part of the sincere cooperation.

**The programme evolved over time from a targeted support to the customs union legislation towards a comprehensive policy framework that contributes to the European integration of the operational implementation of the customs policy. There was a step up from working first only on harmonisation issues stemming from Community legislation (common understanding, developing European electronic systems) towards furthering integration at implementation level. In addition, the customs programme has provided over time more support to customs with its enlarged responsibilities in the areas of safety and security and the implementation of non-customs legislation on top of the initial pure fiscal competences for protecting the financial and economic interests of the Union and its Member States. Activities tend thus to enter more and more into the domain of operational core duties of customs administrations and the programme paves thereby the way towards a common administrative culture and operational implementation.**

### *1.2.2. Evaluation activities*

The **final evaluation<sup>19</sup> of the Customs 2013 programme** reported a strong EU added value, particularly regarding its role in supporting the implementation of EU customs legislation at national level. The national administrations expressed the view that the electronic systems funded through the programme were highly complementary to national initiatives. This led to reductions in costs, which would not have been possible if each Member State had to develop similar electronic systems on its own. It also helped to implement EU legislation more quickly and at a lower cost. This added value is most present in the area of IT where the programme allows developing and running a series of European electronic systems. Without the programmes, Member States would have to go for bilateral and multilateral approaches, which would have been much more costly and slower without a guarantee for having ultimately a common IT approach. In this sense, one Euro spent at EU level for the development of a common IT part equals 5 Euros invested at national level.

At the same time, the final evaluation of the Customs 2013 programme identified a specific issue in relation to insufficient national investments, which may delay the EU-wide deployment of customs electronic systems. The programme financed the EU specifications of European

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<sup>19</sup> <https://publications.europa.eu/s/fKSa>

electronic systems and Member States bore the costs of making national systems compatible with the EU specifications. The evaluation notes that, according to Member States' officials, the costs to national administrations are of a similar degree as those borne by the Commission and that implementation and upgrades of European electronic systems can be especially expensive for Member States if national systems are complex and if there is a lack of integration of national systems. As national components of the European electronic systems are not financed by Customs 2020 but are borne by Member States, national budget constraints can thus jeopardize the correct implementation of European electronic systems.

A **mid-term evaluation of Customs 2020** is on-going and its final report is due by 30 June 2018. The (draft) recommendations indicate that the programme is providing strong EU added value, building trust and leading to convergence between Member States and also with other participating countries (candidate countries and potential candidates). The programme also eases the implementation of EU legislation, while allowing efficiency gains (through pooling of resources) especially in the area of European electronic systems (where EU intervention is resulting in economies of scale and reduced development costs) and training modules (where EU intervention is reported as saving time and money for some administrations). Participants have also reported a high and growing interest in joint actions (particularly working visits, seminars and workshops) as an effective tool that contributes to cooperation and to improve the exchange of information between customs authorities. The introduction of Expert Teams is seen as a powerful vehicle to drive a deeper cooperation (on a regional or thematic basis) given its specific funding arrangements and operational setup. Some participants pointed out the possibility of increasing the current distribution of funds in favour of this administrative capacity building activity. Finally, the current monitoring system has been found to create substantial burdens on administrations and the Commission. This seemed partially due to the high number of indicators, which were difficult to manage and were not always fed into decision-making.

Besides these periodic evaluations of the programme, the Customs 2020 Regulation requires the Commission to monitor the programme and the actions under it in partnership with the participating countries. For this purpose, the Commission has set up a comprehensive **Performance Management Framework** (PMF) containing indicators and data collection processes for the various programme actions. Three progress reports<sup>20</sup> on monitoring results were published so far, covering the years 2014, 2015 and 2016. The indicators give an overall positive assessment and suggest that the Customs 2020 programme is on course to fulfilling its objectives and that it plays an important role in facilitating the implementation and development of EU customs policy. As such, it contributes actively to having skilled, interconnected and responsive customs administrations in order to ensure the financial and physical protection of the EU's interests at the border.

In addition to these evaluation and monitoring activities, the **European Court of Auditors** carried out recently an audit<sup>21</sup> on EU import procedures. It observed that *"EU action programmes have boosted knowledge-sharing and cooperation between Member States but they have not been effective in ensuring that all customs administrations act as if they were one"*. Beyond the programme, the Court identified that *"shortcomings in the legal framework and an ineffective implementation impact the financial interests of the EU"*. Against this background, it issued several recommendations that the programme could help implement. It recommended, among other, to:

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<sup>20</sup> [https://ec.europa.eu/taxation\\_customs/business/customs-cooperation-programmes/reference-documents\\_en](https://ec.europa.eu/taxation_customs/business/customs-cooperation-programmes/reference-documents_en)

<sup>21</sup> European Court of Auditors, Special report - *Import procedures: shortcomings in the legal framework and an ineffective implementation impact the financial interests of the EU*, approved on 7 November 2017, available on-line [https://www.eca.europa.eu/Lists/ECADocuments/SR17\\_19/SR\\_CUSTOMS\\_EN.pdf](https://www.eca.europa.eu/Lists/ECADocuments/SR17_19/SR_CUSTOMS_EN.pdf), pages 11-12.

- *“consider all available options to strengthen support for national customs services in their important EU role in the new Multiannual Financial Framework”;*
- *“in the next Multiannual Financial Framework propose that the next EU action programmes, which support the Customs union, should be used to contribute to financial sustainability to the customs European Information Systems”.*

### 1.2.3. Consultation activities

Although the next programme may benefit from adjustments identified from past experience and aim at getting even more impact and added value, it needs first and foremost to be in a position to reply to the challenges over the period 2021-2027 and to pave the way for the periods beyond that multi-annual financial framework.

The Commission commissioned an **external study** to support this impact assessment by providing quantitative and qualitative information. The objective of this assignment was to identify the key drivers setting the customs scene in a post 2020 context, the problems to be faced by the customs union and the Member States' customs administrations and the objectives for an EU-level intervention based on the identified drivers and problems (Task 1); identify the possible EU policy options to achieve the objectives and deploy a future EU financing intervention and assess the identified options' expected economic, social and environmental impacts (Task 2); and compare the options according to the set criteria (such as efficiency, effectiveness, relevance, coherence) and rank them with reasoned arguments (Task 3).

The study included dedicated **consultation activities** to gather more broadly the view from all stakeholders. Considering the particular scope of the programme (customs administrations are the only direct beneficiaries), these consultations concentrated on customs administrations by means of discussions in a project group, country visits/case studies and dedicated surveys. Interviews with business associations, NGOs and academics as well as with Customs 2020 participants, consultants and international organisations (e.g. WCO) complemented these activities.

The external study and the related consultation activities confirmed the challenging times ahead of customs administrations and the **need for an ambitious programme** around 2 key dimensions: on the one hand, continuity and reinforcement of (IT and human) capacity building and cooperation actions for an equal interpretation and implementation of the customs union and, on the other hand, more enhanced operational cooperation and better addressing innovation.

Last but not least, an **open public consultation** on "EU funds in the area of investment, research & innovation, SMEs and single market" was launched aiming at gathering the views of citizens on, among others, policy challenges and needs for EU intervention as regards the customs union. 4052 respondents provided feedback out of which only 13 reported that they have experience with the Customs 2020 programme, representing 0.32 % of the total number of respondents. Also, only 7 comments referred to customs. This very limited number of instances relating to customs confirms the limited overall interest of the public at large and the relevance of the programme objectives – and focus of stakeholders' consultations – on customs administrations.

**The conclusions drawn from experience by the evaluation and monitoring activities indicate that the programme is a strong basis for improving further the customs union, replying to the needs of customs administrations, while some adjustments would allow reaping even more benefits. In addition, the external study identified precisely the many and significant challenges ahead of the customs union and – indirectly – the programme.**



## 2. THE OBJECTIVES

### 2.1. Challenges for the programmes of the next MFF

The **functioning of the customs union** and the **further integration** of the operational implementation by the national customs administrations that run it remain entirely dependent on the Customs programme, which offers a flexible and simple framework for enabling customs cooperation and integration with a huge EU added value and impact despite its limited size (0.05 % of total EU budget over period 2014-2020).

Concretely, the **on-going Customs 2020 programme** provides an operational, organisational, methodological and budgetary framework to implement EU customs policy objectives and activities through the following actions:

Actions	Annual average amounts of the C2020 budget in nominal terms
<i>IT capacity building</i> , which consist in developing, maintaining and operating European electronic systems relating to export, import and transit of goods and which allow the evolution from paper-based to electronic customs	€63.0 m
<i>Joint actions</i> , which consist in cooperation mechanisms – such as workshops, project groups, working visits – enabling officials to carry out joint operational activities under their core responsibilities, share experience and join efforts to deliver on customs policy	€9.7 m
<i>Human competency building</i> , which consists in developing a human competency framework and training content made available through e-learning modules or otherwise, all supporting the professional skills of customs officials and empowering them to fulfil their role on a uniform basis	€2.0 m
<b>Total</b>	<b>€74.7 m</b>

Table 1: Annual average budget of the Customs 2020 programme

The **modernisation of the customs union under the UCC** requires upscaling significantly this framework under the next MFF:

- The UCC introduces a set of major changes in the way customs functions in the EU, modernising, simplifying and digitalising many aspects of this work: the UCC provides that all exchange of information between customs authorities and between economic operators and customs authorities and storage of such information is to be made using electronic data processing techniques. The Work Programme relating to the development and deployment of the electronic systems provided for in the UCC therefore sets out an extensive plan for the development of these systems in order to ensure the correct application of the Code. In total, there are 17 core systems in the Work Programme, of which 14 are trans-European systems (developed by the Commission, in cooperation with the Member States) and three are strictly national (prepared and developed by the Member States). These core systems are moreover complemented by a range of other existing or to be developed electronic systems in the customs field.
- The UCC requirements also involve ambitious improvements to the existing import control system (ICS). ICS provides advance cargo information and was proposed as a security amendment to the Customs Code following the 9/11 terrorist attacks. It was agreed in 2005 and became operational in 2009-11. However, even before ICS became fully operational, the 2010 Yemen terrorist incident and an in-depth evaluation in 2011-12 had identified critical weaknesses and gaps in the initial system. The Risk Management Strategy and Action

Plan<sup>22</sup> therefore involves a further set of actions to combat weaknesses in the security of the supply chain, one of which is the major evolution of the ICS (ICS2).

Because of the complexity of all these European electronic systems, the overall budget – in terms of both development and, later on, operation and maintenance – is very substantial. In particular, ICS2 dwarfs the other customs IT developments in terms of size and scale: the successive layering of more rigorous (and politically justified) risk management requirements has resulted in an almost exponential increase in the levels of ambition and complexity of the project as compared to its predecessor, the existing ICS. As a consequence, the historical financial envelope allocated to the programme for IT capacity building will clearly be insufficient in the next MFF. Over the whole period 2021-2027, **€855.5 million will be necessary only to run existing European electronic systems and develop, deploy and operate the ones foreseen by the EU customs legislation already adopted as of now** – with thus strictly no margin in this amount for any other IT system that customs policy would require beyond the obligations established by the UCC.

**Explanation as to the requested increase of the programme's budget**

*European electronic systems play a key role in the implementation of the EU customs policy and the major part of the funding under the programme is dedicated to these systems.*

*The Union Customs Code (UCC) project to modernise and computerise customs processes across the EU is critical to strengthen the Customs Union, the security of the EU and to facilitate trade. The new law applies since May 2016 and work is ongoing to upgrade existing European electronic systems.*

*A major goal of the UCC project is the shift to a complete use of electronic systems for interactions between trade and customs and the end of paper based procedures. This implies to have fully connected customs processes working across the EU with all national administrations able to interact together seamlessly. The full benefits of the modernisation programme under the UCC can only be obtained when all UCC electronic systems, and in particular those of the Member States and traders, are working. Until then some transitional measures apply, providing essentially for the continuation of existing IT and paper based systems until specific new electronic systems are in place.*

*This IT programme consists of 17 major projects. The projects include entirely new ones (such as centralised clearance) as well as many upgrades of existing electronic systems (such as the NCTS transit system) and implies thus a complex set of changes and additions to an already functioning network of electronic systems. These projects involve both the Commission and Member States.*

*In discussions with both Member States and trade in 2016 and 2017 it has become increasingly clear that for technical and budgetary reasons it is not possible to set up all the electronic systems under the current MFF. While the major part will be ready by 2020, in particular the core of the complex Import Control System (ICS 2 and related modules) which will allow strengthening customs controls based on a sophisticated risk analysis and which is an ambitious customs contribution to the EU security agenda will need to be developed under the next MFF. It is the financing of this system(s) that is the main reason for the increase in funding in the next programming period.*

**Capacity of organisation to absorb increase in funding and agency**

*As mentioned above, the increase in funding will mainly serve to develop and operate European electronic systems. These activities are carried out through public procurement and closely monitored with a network of external contractors and collaboration agreements with Member States. The current Commission model is mature and heavily capitalising on the management of teams of external contractors.*

*In order to face the increased IT activity TAXUD has aligned its organisational structure to allow exploiting synergies internally and with other services and has submitted to the European Parliament and the Council a report on IT strategy (COM (2018)178 final) setting out various options for the mid-to long-term IT strategy: Shared IT supplier, a structure (agency) operating at EU level or other collaboration solutions for the Member States. As indicated in this strategy, the option of a new agency has been raised in Member State discussions. At this stage in the development of thinking the Member States have not agreed on a clear orientation on the use of a new structure/agency to take over some of the development*

<sup>22</sup>

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and/or operation/maintenance of customs electronic systems. Member States are very much concentrated on delivery of the complex web of projects that are provided for in the UCC and see little chance of major changes in the way they carry out their activities for this purpose. This, however, does not exclude to explore this option further for the mid-to long-term future as set out in Annex 2 ("Tentative timeline") of the IT strategy.

**Capacity to absorb the budget increase and risk for the implementation and success of the programme**

The increase of the budget represents a true challenge for TAXUD. As explained above, TAXUD will however be able to build on the recognised maturity of its IT organisation and ecosystem. Moreover, changes have already been implemented in order to place TAXUD in the position to reply to this challenge.

In addition, in order to ensure coherence and coordination between the programme and the MASP, the relevant provisions of the Decision 70/2008/EC of the European Parliament and of the Council of 15 January 2008 on a paperless environment for customs and trade will be included in the programme. This Decision indeed requests the Commission to draw up, in close cooperation with the Member States, a multi-annual strategic plan for customs for creating a coherent and interoperable electronic customs environment for the Union. However, the development and operation of the European electronic systems included in this MASP are mainly funded by the Programme and its integration in the programme would provide more coherence and coordination. As all relevant provisions of the Decision are now taken over either by Regulation (EU) 952/2013 or this Programme, Decision 70/2008/EC should be repealed.

Moreover, as identified by the external study and the various consultation activities, customs performance has been influenced over the recent years by **significant new trends** such as globalisation inducing exponentially growing volumes of goods – and corresponding data – and ever-increasing security threats and transnational crime. In addition, new challenges arise through rapidly changing technologies (digitalisation, connected-ness, Internet of things, blockchain), business models (e-commerce, supply chain optimisation), modes of transport (rail cargo notably from East Asia as an alternative to maritime trade) and reduced public financial and human means.

All these trends constantly increase the pressure to improve the performance of the customs union and enlarge the scope of the tasks to be performed by customs administrations, which in turn triggers **problems of insufficient uniformity and efficiency** underpinning the functioning of the customs union. The drivers at the root of this problem are three-fold:

- unequal capacity of customs administrations: *unequal skills*, which entails that some may be more advanced / agile than others to respond to the identified trends; *unequal functioning*, which entails inconsistencies in the quality of processes and operations, with some being more performing than others; *unequal electronic systems*, which entails that some may be better equipped with electronic systems than others;
- uneven interpretation and implementation of legislation (UCC and other);
- limited data visibility for customs data analysis carried out at national level;
- obstacles for cooperation between customs administrations and other stakeholders: *strategic obstacles* (divergence in terms of priorities and strategic objectives, competition, etc.), *geographical obstacles* (relations among Member States and with third countries), *legal obstacles* (absence or inadequacy of legal cooperation framework, uneven interpretation of customs rules, etc.) and *administrative obstacles* (different processes, interoperability, etc.).

The **effect of this performance problem** is that the customs union is unable to reach its full potential, which in turn jeopardises the functioning of the internal market and the four freedoms, wrecks social fairness and undermines EU competitiveness because of its indirect effects:

- financial interests of the EU and budget at risk;
- illicit trade in restricted and prohibited goods, which impact on the EU environment, security, health and safety;

- illicit trade and fraud in customs transactions;
- red tape and more burdensome customs handling for business and citizens, limiting the full deployment of the EU single market and the EU competitiveness.

In view of this changing environment and with the entry into force of the UCC and progressive deployment of related electronic systems, the Union has reached an important milestone in terms of potential **furthering European integration** and accompanying the national customs administrations on their way to becoming modern administrations and interacting as though they were one. Deepening this integration is the next logical step to enable customs to respond efficiently to the current and upcoming challenges. As indicated above, stakeholders' consultations suggested considering in particular more enhanced operational cooperation and tackling better innovation.

As part of the preparation of the new MFF, the Commission also paid particular attention to **crosscutting objectives**, such as flexibility, programme's performance, coherence and synergies as well as simplification. As the programme and customs policy delivery are heavily nested and considering the operational nature of actions under the programme, the critical crosscutting objective of the next MFF – as duly identified in the EP resolutions, Council conclusions and ECA recommendations – is obviously predictability, i.e. the sufficient and timely availability of financial resources for delivering on policy objectives.

There is also a strong and increasing call for **deeper operational cooperation and possible centralisation in specific areas, such as IT**, as also underlined in the recent EP resolutions, Council conclusions and ECA recommendations. The programme does currently not work on these dimensions, but it would be legitimate to aspire by 2030 to having significantly deepened the integration of the customs union, driven not through more legislation – this is already in place – but through a deepening of the connective tissue: adequately resourced joint IT developments providing a stronger backbone, deeper cross-border agency cooperation underpinned by more visible Union financial support for equipment providing more integrated operational limbs, reaping synergies in data analysis at Union level, a functioning single window environment and robust comparable performance indicators (and state-of-the-art data analytics) providing a more visible face, possibly all held together by a dedicated body, and benefiting from the fact that customs is an area where Member States do actually want to work more closely together.

Against this backdrop, there is a strong case for a **more centralised provision of IT solutions** for customs instead of the current delivery model (part Commission, part national, and part hybrid). That would also offer the basis for deepening operational cooperation in the area of data analysis. The current set of IT developments will inevitably have to be delivered under the existing division of responsibilities, because they are already underway. However, now is the time to be planning to be in a position to do better when the next round of IT upgrades will be needed after 2025. Discussions on this have already started, including at ministerial level at the informal ECOFIN<sup>23</sup> in Tallinn, and more preparatory work is required. The next Customs programme needs to be geared to help us to support a progressive evolution, through the lifetime of the programme, towards a deeper integration in this area. Without prejudging the outcome which would require appropriate legal analysis and cost/benefit exercises, there remains a case to explore further the medium/long-term possibility of creating an EU Customs IT Agency. The size, scale and permanence of the challenges would justify such a reflection. It could also provide the embryo for a further deepening of operational integration between EU customs authorities in a subsequent future step. Such a move towards establishing a completely

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<sup>23</sup> <https://www.eu2017.ee/political-meetings/ECOFIN>

integrated border management would ensure the homogeneity of reactions towards external partners and would allow tackling fully and efficiently the future challenges such as e-commerce.

This is a challenging proposition but the issue is both important and topical – as recent discussions demonstrated. The Commission has now issued a report on the IT strategy<sup>24</sup> for customs, outlining its vision to underpin the IT strategy, the strategic options and aspects to be further considered. The next multi-annual financial framework exercise provides a "window of opportunity" to explore this idea further, and all stakeholders should seriously consider seizing it.

Finally, **funding customs control equipment** is a long-standing political issue that gained even more prominence recently with dedicated Council conclusions<sup>25</sup>. The current programme regulation does not allow such financing, but an efficient and secured Customs Union thanks to proper control equipment can be considered without doubt a European public good. To this end, a specific Customs Control Equipment component will be created under the new Integrated Border Management fund that will favour inter-service cooperation and allow synergies between the Commission DGs and the national departments in charge of the control of goods and persons in accordance with the promotion of an integrated border management control approach. A specific impact assessment<sup>26</sup> is presented to this respect.

## 2.2. Objectives of the programmes of the next MFF

Against this backdrop, the Programme has the **general objective** to support the customs union and customs authorities to protect the financial and economic interests of the Union and its Member States, to ensure security and safety within the Union and to protect the Union from unfair and illegal trade while facilitating legitimate business activity.

The Programme has the **specific objective** to support the preparation and uniform implementation of customs legislation and policy as well as customs cooperation and administrative capacity building, including human competency and the development and operation of the European electronic systems for customs.

Given the particular challenges and mission of customs, the specific objectives of the new programme will be mainly addressed at the level of the programme structure and priorities. Traditional delivery mechanisms will remain in place as direct management through mainly grants and procurement proved to be effective and the identity of beneficiaries – customs administrations – prevent using certain instruments such as equity or quasi-equity investments, loans or guarantees, or other risk-sharing instruments.

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<sup>24</sup> Report (COM(2018) 178 final) from the Commission to the European Parliament and the Council on the IT strategy for customs

<sup>25</sup> Outcome of the Council Meeting 9581/17, adopting adopted conclusions on customs funding ([7586/17](#))

<sup>26</sup> Commission Staff Working Document – Impact assessment accompanying the documents: Proposal for a Regulation establishing the Asylum and Migration Fund; Proposal for a Regulation establishing the Internal Security Fund; Proposal for a Regulation establishing, as part of the Integrated Border Management Fund, the instrument for financial support for border management and visa; Proposal for a Regulation establishing, as part of the Integrated Border Management Fund, the instrument for financial support for customs control equipment.

### 3. PROGRAMME STRUCTURE AND PRIORITIES

To reach the set objectives a **combination of action types** will be required as for previous and on-going programmes. The evaluation and monitoring activities of the programmes and the external study and related stakeholder consultations identified a set of five complementary actions<sup>27</sup>, i.e. two more actions than under the current programme:

- IT capacity building;
- Joint actions;
- Human capacity building;
- Support for centralisation (**new**);
- Customs control equipment funding (**new**).

Given its particular nature and its strong connection to security, the issue of customs control equipment funding is subject to a specific impact assessment<sup>26</sup> as part of the new Integrated Border Management Fund. It is therefore not considered in this document.

In light of the changes to customs controls brought about by the UCC, it would also be important to devote sufficient resources to supporting Member States to put in place the required control systems and processes (e.g. audits) to implement an effective customs framework. Support for the transition to these systemic changes, including their interconnectedness across Member States, should be prioritised.

Depending on the level of ambition in terms of support and contribution of the future programme to customs policy, each of the 4 remaining actions may either be **stopped** or cover a **reduced or extended scope**, as shown in the table below:

ACTIONS	SCOPE				
IT capacity building	0-None	1-Legacy 2020	2-Legally committed UCC systems	3-Future projects	4-Innovation
Joint actions	0-None	1-Limited basic joint actions	2-All basic joint actions		3-Enhanced operational cooperation
Human capacity building (incl. support)	0-None	1-Focused training	2-All basic human capacity actions		3-Enhanced human capacity building
Centralisation	0-None	1-Voluntary structural cooperation		2-Centralisation	

Table 2: Possible actions and their scope for the customs programme

The scope of each action under the on-going Customs 2020 programme is highlighted in green.

Building on these various actions and their possible scope, a **large number of modulations** is possible. For example, it goes without saying that the afore-mentioned need to progressively deepen operational cooperation across the customs union (see section 1.2) is not limited to the implementation of any one of the following options; there may also be intermediate steps taken

<sup>27</sup> The Customs 2020 programme currently includes a small support line (€100 000/yr). Although marginal in amount, this support line is of critical importance for the proper implementation of the programme. Although not discussed in this impact assessment, it is proposed to keep this support line and even increase slightly its amount in the post-2020 programme in view of its increasing use.

by interested Member States on a voluntary basis, as indeed is already the case for example in the CELBET format. In line with the feedback gathered from evaluation and monitoring activities as well as stakeholder's consultations and as shown on the figure on next page, this impact assessment analyses **four options** clearly differentiated in terms of structure and priorities.

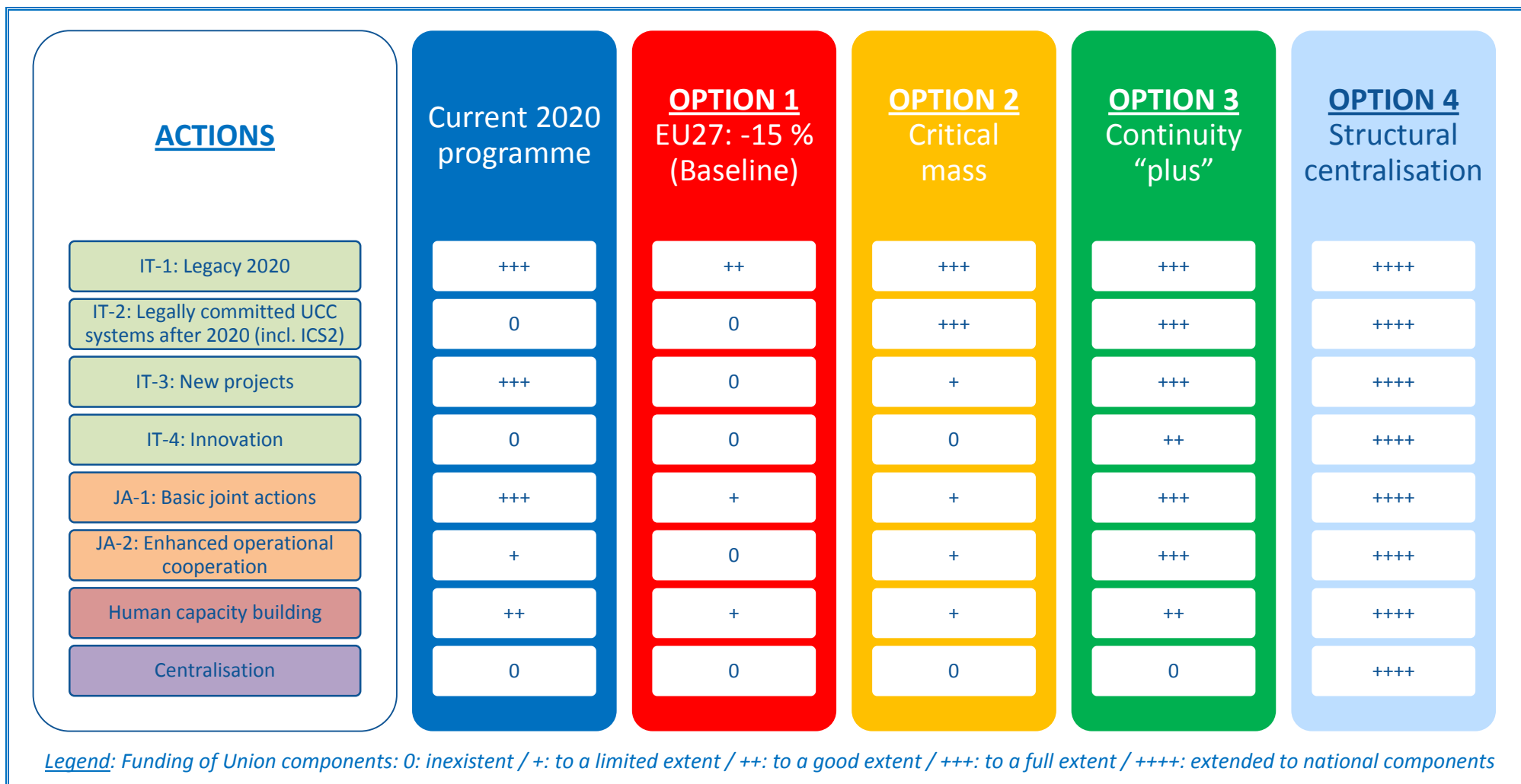


Figure 1: Key features of current customs 2020 programme and options for future programme

### 3.1. Option 1: EU27 - baseline

This scenario envisages **maintaining the objectives and fundamental arrangements** of the current Customs 2020 programme to support the functioning and modernisation of the customs union. It would however account for the withdrawal of the United Kingdom from the EU and would thus correspond to a customs union budget limited to an average €62.3 m per year (against €74.7 m currently).

It would **strive for maintaining the essential**, but this would come at a cost:

- IT capacity building would be significantly impaired as only one of the four threads could be (hardly) implemented: the continuity of (UCC) legacy 2020. No new customs IT projects could be launched, the development of the new risk management system (ICS2) would have to be stopped – leading to a write off of €62 m of investment and operational costs incurred under the C2020 programme – and innovation would not be possible.
- Cooperation could no longer support customs implementation as a whole: the cooperation budget would be devoted exclusively to joint actions supporting the IT capacity building and to a much lesser extent to some relating human capacity building.

This scenario would impose a **thorough reconsideration of laws and operations** in the customs field, as regards both the traditional role of customs (protection of EU financial interests through the collection of customs duties and trade facilitation) and their involvement in security and safety actions at the EU border. The current acquis and relevant legislation in place would have to be reviewed, as the budget for the programme would not allow financing all its implementation requirements. Important accompanying measures for the correct implementation of legal initiatives and electronic systems could not be prepared and discussed with Member States.

The development/operation of the legally committed UCC electronic systems, in particular the much needed ICS2 systems for stepping-up customs risks management in the EU for security purposes, would not be possible at EU level. **Member States would have to take over**, but the advantages of a central system would be lost. National systems would also not come without significant inefficiencies as every euro spent currently at EU level generates an estimated cost-reduction by 5 euro for Member States.

The Union would thereby be giving a negative signal to the Member States and the national customs administrations that are committed to achieving the implementation of the UCC. The weakening of the customs union would in turn result in a **weakening of the internal market**. The capacity of customs to deliver on other EU policy goals, such as the security agenda, would also be severely hampered. The impacts would moreover extend to other DGs relying on TAXUD managed electronic systems, such as the European Anti-Fraud Office (OLAF) and the Directorate-General for Statistics (ESTAT) or, in the future, the new European Public Prosecutor Office (EPPO).

**A scenario of 15 % reduction would hardly allow just maintaining the customs union at its level of 2020. In the absence of budget for developing, by 2025, the remaining electronic systems required by the UCC, the Union would have to review its customs legislation and repeal a significant part of the enhancements brought to customs operations by the adoption of the new UCC in 2016. As a result, this could impact the EU's international commitments at the World Trade Organisation under which the customs administrations of Member States should work and operate as if they were one single entity. This would also compromise other EU policy objectives, in particular the security agenda.**

### 3.2. Option 2: critical mass

This scenario would aim at delivering on the **obligations established by the legislation to date and by legislation currently in the legislative pipeline**, i.e. ensure the complete and reliable operation of the existing electronic systems as well as the development / operation of the electronic systems legally committed in the UCC legislation in application since May 2016 or legally foreseeable in view of existing legislative proposals in discussion. Thereby, it would aim at achieving the customs modernisation as foreseen under the UCC in 2016 towards more effective, efficient and secure customs procedures and deliver on a limited set of other concrete proposals<sup>28</sup>.

Concretely, it would **focus on developing and deploying all foreseen and foreseeable European electronic systems**:

- In addition to running European electronic systems existing at the end of 2020 as per option 1, completing the remaining legally committed UCC electronic systems by 2025 would be possible under this scenario thanks to budget allocations in line with the Multi-Annual Strategic Plan<sup>29</sup> (MASP) agreed with Member States. Also, some limited resources are foreseen to deliver on recent proposals. However, no other new customs IT projects than those already identified would be possible and there would be no margin of manoeuvre for innovation.
- Cooperation would also not support customs implementation as a whole: cooperation would be devoted mainly to joint actions supporting the IT capacity building and to some relating human capacity building.

Efforts would concentrate on completing the legally committed UCC electronic systems – namely import, export and transit – and targeting full implementation of all movement systems. The ability to achieve the full implementation of the UCC – and thus European customs administrations being able to face the challenges of digitalisation in a globalised and increasingly unsecure world – would depend on a significant increase in the resources allocated under the next MFF. Amongst the UCC electronic systems, a particular system needs to be highlighted: the Import Control System 2 (ICS2) for customs risk management. This system will allow customs authorities to deal with security threats in a much-improved way. Despite its importance and relevance, it will only be developed by 2025 as recently agreed with Member States in view of its complexity and budgetary implications. Achieving the full implementation of the UCC and continuing the started public administration modernisation would enable European customs administrations to face the current, but not future, challenges of globalisation, security threats, drastic and exponential development of e-commerce, *inter alia*.

The main increase in expenditure will come from the additional electronic systems in operation (largely increased OPEX), scaling-up and further development of the risk management systems (Import Control System 2), indispensable to ensure security and safety of the entirety of the EU. Based on the latest MASP version, the minimal budget required under this scenario would amount to €999.9 m:

ACTIONS	SCOPE	AMOUNT
IT capacity building	1-Legacy 2020	€445.3 m
	2-Committed UCC systems	€410.1 m

<sup>28</sup> E.g. Commission Proposal COM(2016) 825 for a Regulation on controls on cash entering or leaving the Union and Commission Proposal COM(2017) 375 for a Regulation on the import of cultural goods.

<sup>29</sup> [https://ec.europa.eu/taxation\\_customs/general-information-customs/electronic-customs\\_en](https://ec.europa.eu/taxation_customs/general-information-customs/electronic-customs_en)



	3-Foreseeable other electronic systems	€89.6 m
Joint actions	1-Limited basic joint actions	€47.7 m
Human capacity building (incl. support)	1-Focused training	€7.1 m
<b>Total at current (nominal) prices</b>		<b>€999.9 m</b>
Total at constant (2017) prices		€868.9 m

Table 3: Minimal budget of the post-2020 customs programme ("Critical mass")

With no other ambition than achieving the UCC implementation and already proposed legislation, this scenario would however impose a **thorough reconsideration of ambition** in the customs field.

With basically **no further IT development after UCC implementation**, the capacity of the customs union to face upcoming challenges would be seriously impaired. Customs administrations need to adjust to the constantly changing and increasingly sophisticated trade patterns, business requirements and fraud environment. As a part of the public administration and keeping abreast with the digital economy development, customs must also continue in its quest to interconnect with other public authorities, making the most of the data available and cutting the red tape. Stopping investments and developments would equal going backwards.

In addition, in the absence of means to continue joint actions and human capacity building at the current level of EU intervention, continuing with the initiated deeper operational cooperation and integration of national customs administrations would be substantially slowed down and reduced. The Commission would therefore have no other choice but to **review the new customs strategy and governance** as set out in its Communication COM(2016)813 final of 21.12.2016 with a view to substantially decreasing its level of ambitions.

Finally, there would be basically no means to support an integrated approach of the proposed Customs Control Equipment component with this programme. This situation would prevent reaping all the benefits of that new Union initiative. Although a crucial element on its own and with strong links with border management, customs control equipment can indeed not deliver its full added value without a strong connection with and support from all other customs actions under this programme. Equipment is indeed only one element of a comprehensive customs framework: equipment is of limited use if not properly coordinated and integrated with exchange of information, risk management, sharing of best practices as regards controls *inter alia* and will entail training activities for ensuring proper use. The future customs programme need to encompass these aspects.

**Although this option would allow securing all foreseen UCC electronic systems (including ICS2) and proposals currently in discussion, no other development would be possible after their implementation and cooperation would be limited to supporting the implementation of the UCC. This would be in essence a regression in terms of IT and overall customs operations. In view of the challenges facing the customs union, it would not take long before the EU would lose significantly in terms of competitiveness and be more vulnerable to security and safety threats. The limited resources would also impair the added value of the new customs control equipment.**

### 3.3. Option 3: continuity "plus"

The scenario 3 proposes to **effectively address the present and upcoming challenges** of the customs union. It aims to make possible those actions necessary to strengthen the performance of customs administrations everywhere in the EU. Highly performing customs administrations

that act as one for an effective customs union will in turn contribute to a well-functioning EU internal market, protect the financial and economic interests of the Union and Member States and support other EU objectives, in particular the security agenda.

Concretely, this option would propose a comprehensive framework to **address coherently the challenges identified above**:

- On top of ensuring the continuity of the existing and foreseeable electronic systems and the landing and operation of the UCC-committed ones, IT capacity building would aim at ensuring that new (non-UCC) customs IT projects can be on-boarded and innovation is possible, i.e. some budget is also available for working on new technologies, cyber-security and the likes.
- Cooperation would be substantially increased in order to reinforce the capacities of the customs administrations to engage with other authorities (including tax authorities for VAT and excise purposes), to ensure compliance, fight fraud and increase security, to work more in clusters on a thematic or geographic basis on concrete operational problems (expert teams) and to accompany the deeper integration brought about by the new IT environment.
- Execute better performance management and measurement to ensure that customs services across the customs union increasingly "act as one".

As in option 2, important efforts will thus concentrate on **completing the core UCC electronic systems** by 2025.

Resources would also be available to continue IT developments beyond the UCC and therefore ensure the **evolution of IT capacity, including analytical capacity, with EU customs policy over time**. Moreover, there would be a limited margin of manoeuvre for facing new risks (e.g. cyber-attacks) or integrating innovation, which may be required given the pace at which technology evolves. In the emerging digital environment, customs authorities and their counterparts need to be able to **keep pace with drastically evolving technological solutions and trade models** – such as the upcoming blockchain approach already tested in a number of public and private domains.

However, the implementation of the UCC and development of electronic systems is not the final goal but only the starting point for a demanding process whereby European customs administrations are **evolving towards modern administrations** able to deal with the increased number of core tasks incumbent on them due to external factors (e.g. digitalisation, security threats). The growth of e-commerce, especially from Asia, poses a complete set of new challenges for customs administrations for which comprehensive policy responses are still being developed, and their implementation cannot be postponed until 2030.

More effective and efficient customs administrations are needed and would be possible through **deeper co-ordination** of, and co-operation between, operational services on the ground. Current pilot projects already give very good and promising results for closer practical cooperation (from simple things as sharing X-ray scans to joint risk and data analytics to detect fraud patterns). In the area of IT, increased cooperation is also required between the Member states to reduce overall costs, in order to avoid the development, maintenance and operation of similar electronic systems. In addition, the programme would also allow supporting under this option the deep integration and powerful combination of the new Customs Control Equipment component with this programme, thereby leveraging exponentially the total added value of these two Union actions.

A **single window** for the economic operators and trade interacting with EU customs for customs and non-customs legislation would perfectly fit in this priority; it would provide a way for traders moving goods into and around the Union to avoid being trapped in the verticality of our

policy silos and enable them to operate through a horizontally integrated single interface which both government and business could use to fulfil and verify regulatory requirement.

Synergies will be created with the Customs Control Equipment instrument (CCE) of the Integrated Border Management Fund insofar. Indeed, while the CCE will be used only for purchase, maintenance and upgrade of equipment, the Customs programme will be used for facilitating cooperation between Member states (assessment of needs and exchange of experiences, *inter alia*) and the training of officials for the use of such equipment.

All these elements put together will permit to **strengthen the performance of customs administrations everywhere in the EU**, and thus the customs union, through innovative and shared solutions. In addition, by fostering **cooperation with other services and authorities**, this scenario would allow customs administrations to continue adequately implementing 60+ EU non-customs legislations (health, agriculture...) that are delegated to them.

It is worth highlighting here that, given the particular nature of the suggested enhanced activities here (enhanced operational cooperation and focused innovation), the amounts at stake remains extremely limited, while their impact will be exponential as they will also reinforce significantly the existing actions.

**This scenario of “continuity plus” is both the necessary minimum for the customs union – to continue to function and deliver – and the next logical step – after the adoption of the UCC –. Without significant additional funds for ensuring IT development required by the legislation and an extremely limited increase for enhanced operational cooperation and innovation, the programme cannot support the functioning of the customs union and thereby its contribution to the single market and many other EU objectives, including the security agenda. Customs need to adjust to the constantly changing and increasingly sophisticated business and fraud environment. Stopping investments and developments would equal going backwards and imply writing off significant investments already made.**

**Current cooperation mechanisms and tools must be further optimised if the maximum benefits of the customs union and the internal market are to be obtained: in line with EU international commitments at the World Trade Organisation, the customs administrations of Member States should work and operate as if they were one single entity. This would be aligned with the political messages in the recent Commission Communication on developing the EU customs union and its governance. Achieving all this in times of increased expectations towards the Union delivering on its fundamentals – of which the customs union is a part – is therefore politically and economically vital.**

### **3.4. Option 4: structural centralisation**

There is an increasing and strong need for stronger homogeneity in the operational implementation of customs policy with a view to ensuring a level playing field between all Member States.

Whereas the design of the customs policy (legislation and all other political and policy orientations) should remain at the level of the EU, a structured centralised approach in the form of an agency or another type of entity for the implementation of the operational aspects of customs policy would ensure that customs policy is applied uniformly throughout the EU. It would also favour a uniform attitude towards third countries. It would facilitate dealing with the increasing challenges customs are faced with (e.g. e-commerce, emerging IT models). It would finally deepen the operational integration between customs authorities and with other law enforcement bodies within the EU in a subsequent future step with a view to having a complete

integrated border management. At the end, it would contribute to Member States acting as if they were one.

As discussed in section 2.1 above, the idea of creating an EU customs IT agency could provide a response.

However, the current priority, as agreed with Member States, is to deliver the complete set of **complex UCC-committed electronic systems. This presents a real challenge** for both the Commission and Member States. Given that success will be possible only if all stakeholders mobilise all resources available on the MASP execution and ensure sufficient focus until 2025, a **transitional phase** towards any longer-term solution is needed. The future programme should therefore be seen as a transition programme, facilitating the preparation of and progressive evolution towards such possible deeper customs integration. Deeper IT and a possible agency should be seen as a driver in this respect.

Such a transitional phase under the next MFF could if needed bring together only the Member States wishing to take part in a more centralised approach on a voluntary basis in the domain of IT, before leading to a more structural approach that could potentially concern all Member States and domains of operational implementation of customs policy under the following MFF.

**Centralisation – whether transitional or directly fully structural – is another option to strengthen the performance of customs administrations in the EU and deliver on the programme’s objectives. It would however represent a change of operating model, which requires preparation and is therefore largely unrealistic for the next MFF in view of the legal and IT challenges in the immediate term.**

### **3.5. Subsidiarity, proportionality and intended legal basis**

Although the customs union is an area of exclusive competence with a high degree of harmonised EU legislation, the implementation of this legislation remains entirely with the individual Member States. The customs union can therefore only be as strong as its weakest link. Strong cooperation is essential to reach a **deeper operational integration** and to enable customs authorities in the different Member States to act as if they were one, as well as to ensure correct collection of customs duties (15 % of the EU budget, i.e. €20 billion in 2016) as well as import Value Added Tax and excise duties. The European Court of Auditors recently identified weaknesses in the implementation and, depending on its structure and priorities, the future programme could help addressing them.

As the activities in the customs area are of a cross-border nature, facing global and trans-European challenges such as terrorism, globalisation and e-commerce in an efficient and coherent way across Europe cannot be achieved by the EU or Member States individually. Cooperation and operational integration between national customs administrations are needed to enable participating countries to jointly work out **common solutions and best practices** at operational level to deliver on these objectives and face all related challenges.

Such a high degree of cooperation and coordination can only be achieved with a **centralised approach, ideally at Union level**. The Customs programme offers a **Union framework for cooperation** among national customs administrations, including on matters. Customs cooperation is founded a highly secured, dedicated communication network and a multitude of interconnected and interoperable European electronic systems which national customs authorities use to carry out their activities jointly and individually, including with economic operators. The resulting set-up is substantially more cost efficient than if each Member State were to set up its individual cooperation framework on a bilateral or multilateral basis.

Without the programme, participating countries would have to go for bilateral and multilateral approaches, which would be much more costly and slower without a guarantee for having ultimately a common EU approach. This **EU added value** is most present in the area of IT where the programme allows developing and running a series of European electronic systems.

Articles 33, 114 and 207 TFEU provide the **legal basis for EU intervention** as regards respectively customs cooperation, the establishment and functioning of the internal market and commercial policy. EU action is also required because of obligations stemming from international agreements, in particular under the remit of the World Trade Organisation.

## 4. DELIVERY MECHANISMS OF THE INTENDED FUNDING

### 4.1. Overall delivery mechanisms

#### Management mode

The programme is implemented through **direct management**. Concretely, the Commission services have to review and accept every single action in view of: the objectives and conditions embedded in the regulation; the adopted annual work programme; and the eligibility criteria contained in the financing decision/grant agreements.

It is proposed to keep this management mode as, given the nature of the programme's activities, its focus on customs administrations as beneficiaries and the EU's exclusive competence for the customs union, it provides for the most efficient allocation of financial resources and greatest impact possible. Indeed, it offers both flexibility and steering power to the Commission for allocating yearly through its financing decision the appropriate funds according to priorities agreed with Member States through comitology, including emerging needs.

#### Intervention logic

As established by the various evaluations, the intervention logic of the programme (see Annex 4) appears to bring the expected added value. It is therefore not proposed to change it but only to adapt it to the option retained.

#### Types of intervention

About 90 % of programme's expenditures relates to IT capacity building and is made directly by the Commission through **procurement**. As regards joint actions, the beneficiaries are exclusively public authorities and **grants** fulfil all identified needs. Therefore, no opportunity or need in terms of types of intervention was identified other than the current public procurement contracts, grants and to a minor extent reimbursement of external expert costs.

**Financial instruments**<sup>30</sup> are not suitable financing instruments, as they aim at addressing market failures in the provision of external financing and are therefore unfit for the objectives and the beneficiaries (Member States & Candidate Countries) of the programme.

#### Eligibility rules & co-financing rates

In order to keep the programme simple and flexible for all actors – whether Commission services as central management team or participating countries as beneficiaries –, eligibility rules are fundamentally limited to a list of eligible action types, without complex conditions or criteria. They may also cover other expenses specified in the regulation, including some technical and administrative assistance expenses.

Co-financing rates are up to 100 % in certain cases. They are set out in the annual work programmes in the cases where actions require the awarding of grants.

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<sup>30</sup> Financial instruments are "Union measures of financial support provided on a complementary basis from the budget in order to address one or more specific policy objectives of the Union. Such instruments may take the form of equity or quasi-equity investments, loans or guarantees, or other risk-sharing instruments, and may, where appropriate, be combined with grants" (see Article 2(p) of the Financial Regulation).

### Conditionality

The programme aims at fostering (voluntary) cooperation between Member States. Against this background, it would be counterproductive to subject participation in activities to any particular condition, except the appropriate profile and qualifications, including language skills, of participants in activities.

EU funding of customs control equipment – addressed in a separate impact assessment<sup>26</sup> - may on the contrary be subject to external conditionality in relation to this programme. In those cases, funding of EU customs control equipment would be possible only if the benefitting authority has participated to certain joint actions or human capacity building activities and has thereby demonstrated the needs for and necessary capacity to use that equipment.

### Work programmes and comitology

The Commission shall adopt work programmes by means of implementing acts adopted through comitology, i.e. the Commission is assisted by a committee that has to provide a positive opinion at qualified majority before the annual work programme is adopted as an implementing act. This allows for adjustments during the programme duration and gives appropriate flexibility to implement the objectives of the programme in accordance with the most up-to-date needs and challenges identified in a collaborative way by the Commission and participating countries. The strong involvement of Member States in the comitology procedure demonstrates the importance they give to the programme. In view of the long-term objective of the programme, multi-annual instead of annual work programmes would reduce the administrative and legislative burdens for all parties involved.

### Prevention of errors, irregularities or fraud (audit, controls)

The programme presents a low risk profile in view of the identity of beneficiaries, i.e. Member States and other participating countries. Standard provisions on the protection of the financial interests of the Union as foreseen in the Financial Regulation<sup>31</sup> are therefore deemed sufficient.

### Simplification & flexibility

As explained above, the programme is already very simple with a strong focus on outputs and results. The on-going programme already applies all simplifications identified in past evaluations. The main additional simplification identified would consist in an extended use of lump sums / unit costs and the possibility to adopt multi-annual work programmes to avoid the annual administrative burden.

Whereas flexibility is usually a key consideration when establishing EU action programmes in order to ensure that a programme and its objectives are able to address new policy needs and priorities over its period of execution, predictability is the key concern in the case of the customs programme. Over the last 25 years, the programme has indeed evolved from a mechanical support approach to an ambitious policy framework that fulfils an important element of the customs policy itself. It reached a stage of maturity and became indispensable with regard to the functioning of the customs union and the customs administrations themselves, not least because of the operational focus and the IT capacity built over the years. Against this background and in view of the broad scope of intervention that allow encompassing almost all aspects of customs cooperation and activities, predictability– and not flexibility – is the key concern for the operations of future programmes.

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<sup>31</sup> [http://ec.europa.eu/budget/biblio/documents/regulations/regulations\\_en.cfm](http://ec.europa.eu/budget/biblio/documents/regulations/regulations_en.cfm)

Still, as explained above, the programme has been intrinsically designed, both in terms of its overall structure and its implementation modalities, to provide the required level of flexibility. Concretely, all actions are covered by one single budget line and implementation modalities are determined by work programmes adopted via comitology. As all actions fall under one budget line, there is no need to determine in the basic act their respective share within the total budget line: the allocation between actions and the delivery mode (grant or procurement) of each of them are established when preparing the work programme and corresponding annual financing decision. This gives both the much needed overall predictability of the programme and the required flexibility for its execution. In addition, all actions subject to the award of a grant are included in one single grant agreement<sup>32</sup>. Individual proposals for activities are then approved by TAXUD over the year if they fulfil the objectives of the work programme and meet the priorities and eligibility criteria of the grant agreement. Finally, if credits remain available by year-end, procurement identified in relation to the subsequent year is anticipated – where possible - in order to ensure the highest possible level of execution of the budget.

## **4.2. Synergies & complementarities with other EU action programmes and funds**

DG TAXUD assessed the option to merge the programme with a programme that addresses EU taxation (Fiscalis), as well other ways to bring it closer to other programmes.

### Fiscalis programme

Significant synergies exist already at operational level with Fiscalis<sup>33</sup>, the other TAXUD programme for taxation. In the field of IT, there is cross-fertilisation and joint funding of common components such as the secured network (Common Communication Network). Identical IT management approaches and common horizontal support mechanisms are also in place. Moreover, the same type of actions is used and a similar approach for human capacity building and training is followed. The programme management, in terms of proposal management, action management, implementing acts, performance monitoring, is fully streamlined. In addition, there is an emerging and growing need for joint activities between taxation and customs, in particular in the domain of e-commerce and the customs control of excise products.

On the one hand, merging the two programmes might present some benefits. A unique programme for both tax and customs officers would promote the cooperation between these two bodies at national level and EU level and would better respond to the need of cross-border cooperation between the two different bodies. National customs and tax administrations could thus cooperate and participate in different activities together. This might lead to efficiency gains and the development of common approaches.

Nonetheless, on the other hand, there are four main reasons that led to decide not to consider the merge as a relevant policy option.

First, the two programmes support the implementation of different policies lying on different legal Treaty bases. Customs policy is an area of exclusive EU competence, where the ultimate objective is that customs administrations act as if they were one. Subject to unanimity rules, taxation policy remains an area of national sovereignty and competence where the EU is only entitled to take measures for ensuring the proper functioning of the Internal Market. This

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<sup>32</sup> In the current programme, about 5 “expert teams” per year are subject to individual grants because of the amounts involved. In order to simplify even further the overall management of the programme, it is envisaged to move away from these exceptions and to adapt the procedures in order to embed the necessary controls directly within the grants.

<sup>33</sup> COM(2018) 443



distinction is reflected at the level of the programmes: Customs is based on Article 33 TFEU and aims at supporting the functioning and modernisation of the customs union while Fiscalis is based on Article 114 and 197 TFEU and aims at improving the proper functioning of the taxation systems in the internal market.

Second, the two programmes support different policies with different objectives.

- Specific objectives are different. Customs aims at contributing to protect the financial and economic interests of the Union and Member States, to increase safety and security. Fiscalis contributes to the fight against tax fraud, tax evasion and aggressive tax planning and the implementation of Union law.
- The two programmes share to some extent similar operational objectives. However, the Customs programme supports the coherent application and effective implementation of Union law and policy in the field of customs. This operational objective of Customs aims to create the same customs experience across the different participating countries. The equivalent operational objective in Fiscalis does not exist, as this programme does not seek the uniformity of tax legislation. In addition, as far as the general objectives are concerned, the programmes differ significantly. The Customs programme is a supporting tool that aims at contributing to ensure that Customs administrations act as one, thus contributing to the achievement of the full potential of the Customs Union, while Fiscalis targets the improvement the proper functioning of the taxation systems in the internal market by enhancing cooperation between participating countries. The two programmes differ substantially in terms of ambition.

Third, the merge of the two programmes would only bring benefits to some extent. The two programmes already have a common management and shared processes. In addition, the two programmes already present almost the same type of eligible actions, which facilitates considerably their management at both EU and national level as in many Member States the two programmes are managed by the same entity. This mirroring of actions also facilitates cross-fertilisation between customs and tax administrations already today. Therefore, as the organisational and management synergies already exist between the two programmes, it is unlikely that the merge would bring significant economies of scale from this point of view.

Fourth, although a unique programme could be perceived as a promising tool to improve the cooperation between tax and customs officers, it could also neglect the specific needs of each body. In addition, a single programme could also hamper the visibility of one body compared to the other. It could be possible that in some cases one of the two is considered more significant than the other according to the strategic priorities of the country. This scenario is currently avoided as the two programmes are set up to respond to the specific needs of each body, and ensure their respective visibility.

The combination of these reasons indicates that the merge is not a foreseeable option and has therefore been discarded.

### Single Market Programme

Although the customs union is a precondition and a fundamental enabler of the Single Market and related policies, the customs (and tax) programmes remained stand-alone programmes under the Single Market budget heading in view of their own specific and highly integrated features and were not incorporated in the Single Market Programme<sup>34</sup>.

However, links exist with the Single Market Programme, which contemplates a series of budget lines for supporting the delivery of the Single Market in the wider sense as an important contribution to empower citizens, consumers, businesses and administrations. They are included in the scope of the Single Market Programme to ensure their uninterrupted delivery.

In particular, the Single Market Programme comprises the customs and tax policy development support budget line. This budget line finances a series of punctual activities – mainly studies - which support the Commission in its policy developing role in the area of EU customs and tax policy, an important framework condition for the Single Market. This approach will allow links (e.g. through common framework contracts) with other Union actions under this programme.

### Internal Security Fund and Instrument for Border Management and Visa

Customs cooperation, as supported by the programme, has also many relations with the Internal Security fund<sup>35</sup>, which supports actions as regards the prevention, detection and investigation of criminal offences by police and other law enforcement authorities (Art. 87 TFEU), and the instrument for Border Management and Visa<sup>36</sup>, a part of Integrated Border Management Fund, which finances actions as regards migration and border management (Art. 77+81 TFEU). As mentioned, customs authorities have indeed an important role for protecting EU citizens e.g. by reinforcing at the external borders the control of items that can be used to perform terrorist acts (firearms, chemicals, explosives, radioactive materials) or finance terrorist activities (cash or cultural goods).

However, no merger would make sense as the respective legal bases, programmes' objectives and intervention logics are widely different.

Still, the interlinks between customs cooperation and other policy areas related to security and border control call for a more joined-up and cross-sectorial approach at operational level, including through better use of and interoperability between electronic systems (e.g. access by the future European Public Prosecutor Office to customs data held by TAXUD) or development of synergies and technologies for joint operations and controls. Therefore, rather than a merger of the programmes, a better operational collaboration across Commission services and relevant national authorities would allow exploiting the full potential of closer cooperation between customs authorities and other agencies and authorities, including law enforcement authorities.

### EU anti-fraud programme<sup>37</sup>

As the customs programme aims at supporting the customs authorities in protecting the EU financial interests, it has connections with the activities carried out by OLAF as regards combating fraud for the protection of Union financial interests in accordance with Art. 325 TFEU. Currently, various cooperation mechanisms are in place between TAXUD and OLAF but

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<sup>34</sup> COM(2018) 441

<sup>35</sup> Proposal for a Regulation of the European Parliament and of the Council establishing the Internal Security Fund

<sup>36</sup> Proposal for a Regulation of the European Parliament and of the Council establishing, as part of the Integrated Border Management Fund, the instrument for financial support for border management and visa

<sup>37</sup> COM(2018) 386

this takes place outside the customs programme. Given the particular mandate of OLAF, no additional synergies could be identified.

#### Reform Support programme<sup>38</sup>

The SRSS coordinates and provides tailor-made technical support to individual EU countries, in cooperation with the relevant Commission services. The support is notably provided through the Reform Support Programme. The objective is to help specific EU countries build more effective institutions, stronger governance frameworks and efficient public administrations. Such support reinforces the capacity of EU countries to design and implement policies to support job creation and sustainable growth. Inter alia, areas of support include governance and public administration, revenue administration and public financial management, rule of law, anti-corruption, anti-money-laundering and anti-fraud activities, migration and border control.

In recent years, bridges were built between the Customs 2020 programme and Reform Support Programme to complement the structural reform process set up for Greece by SRSS. Specialised customs support and expertise is available and has been mobilised for the sake of the reform of the customs administration in Greece. This complementarity whereby the dedicated customs programme is primarily dealing with ensuring the implementation of EU customs policy across all countries while the interventions of SRSS and its relevant programmes focus on providing tailor made assistance through dedicated projects to individual Member States should be maintained.

#### Digital Europe Programme<sup>39</sup> and other IT synergies

Finally, there are possibly synergies to exploit in the area of IT with all programmes that run (significant) electronic systems. This is certainly true for the business agnostic part (e.g. data centres) while the situation for business specific parts is rather different.

The revision of the UCC deployment beyond 2020 – accomplished in 2017 and resulting a.o. in the revised MASP – and increasing Member State demands for support in reducing their IT burden raise the issue of both the TAXUD delivery model and possible synergies and the long-term operation of customs electronic systems in the EU.

Discussions across Commission services at senior management level and with Member States allowed choosing between various options and defining a proper strategy, which has been set out in the recent communication/report<sup>24</sup> on IT strategy. The preferred strategy is to continue TAXUD operations while:

- *at short term*: fine-tuning the internal organisation and continuing to build on the relationship with DIGIT, particularly as regards data centre management;
- *for the medium term (2020)*: building on collaboration initiatives with Member States designed to foster a possible movement towards external shared IT suppliers to reduce IT;
- *in the long term (2025)*: exploring potential synergies with existing agencies or other multi-DG solutions (as they too develop).

More generally speaking, actions carried out in relation to the development, operation and maintenance of European electronic systems will consider as far as possible the reuse of the building blocks<sup>40</sup> of the Connecting Europe Facility (CEF) as they promote compliance to the eIDAS regulation, support the implementation of the Tallinn Declaration and enable EU-wide

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<sup>38</sup> COM(2018) 391

<sup>39</sup> COM(2018) 434

<sup>40</sup> <https://ec.europa.eu/cefdigital/wiki/display/CEFDIGITAL/CEF+Digital+Home>

interoperability. Where relevant, they will also consider the European Interoperability Framework<sup>41</sup>, which gives specific guidance on how to set up interoperable digital public services, and the Rolling Plan for ICT standardisation<sup>42</sup>, which aims at facilitating the identification and development of necessary ICT standards. Where applicable, coordination and synergies will also be searched with other relevant initiatives concerns about fraud and cybersecurity risks as well as in the field of FinTech and blockchain, such as the European Commission action plan on FinTech<sup>43</sup> adopted in March 2018 or the work of the EU Blockchain Observatory and Forum<sup>44</sup>.

## Conclusion

In terms of structure and positioning of the programme, the Commission services explored a variety of options to reap more benefits from mergers or at least synergies. There is however no simple answer: all options have advantages and drawbacks and none shows obvious efficiencies or savings. On balance, there is at this stage a reasonably strong case to continue with the current setting.

## **5. HOW WILL PERFORMANCE BE MONITORED AND EVALUATED?**

### **5.1. Monitoring strategy of the performance**

The impact of the Customs programme is to be assessed through interim and final evaluations as well as by monitoring on an ongoing basis a set of high-level key performance indicators.

The results and outputs of the Customs programme will be also regularly subject to assessment through a comprehensive monitoring system, based on defined indicators, in line with the Commission's commitment to monitor the EU budget and ensure the accountability for value for money.

The Customs legal act will provide for an interim and a final evaluation of the programme, in line with the requirements of the Better Regulation Guidelines. The Commission will monitor the programme and the actions under it in cooperation with the participating countries.

On a yearly basis, a programme progress report containing a summary of performance over the course of the previous year in relation to the programme' objectives and the related output and result indicators. The report will also be presented in the Programme's Committee.

### **5.2. Data for the monitoring**

Data for measuring performance will be drawn from various data collection tools. The main tools envisaged at present are action follow-up forms, event assessment forms and a regular poll of customs officials.

Throughout the programme, depending on the future opportunities to collect data at more disaggregated level, there will be an attempt to make use of new tools.

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<sup>41</sup> Communication (COM(2017)134) from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on a "European Interoperability Framework – Implementation Strategy",

<sup>42</sup> [https://ec.europa.eu/growth/industry/policy/ict-standardisation\\_en](https://ec.europa.eu/growth/industry/policy/ict-standardisation_en)

<sup>43</sup> [https://ec.europa.eu/info/business-economy-euro/banking-and-finance/fintech\\_en#action-plan](https://ec.europa.eu/info/business-economy-euro/banking-and-finance/fintech_en#action-plan)

<sup>44</sup> <https://ec.europa.eu/digital-single-market/en/news/european-commission-launches-eu-blockchain-observatory-and-forum>

In addition to the data collected via the tools described above, data to feed into the indicators comes from a variety of sources, namely:

- IT statistics;
- Data analytics
- Studies and surveys
- Customs Union Performance Measurement;
- DG TAXUD business units own statistics gathered via questionnaires and surveys specific for their area of work and relevant for the programme
- Other bodies

### 5.3. Customs programme core indicators

The monitoring system of the programme builds on the experience developed under the previous programme. It is structured in three different levels addressing different political priorities:

- Level 1 as regards the policy cluster (for the communication on political priorities of the “Single Market, Innovation and Digital” heading as a whole – not treated as such in this document),
- Level 2 as regards the programme (for the key performance reporting of this “Customs Programme”) and
- Level 3 as regards complementary performance information (for the broader performance management of the programme).

The most meaningful indicators for the next generation of the programme are Level 2 indicators. They are presented in the table below, following contributions from the Mid-term Evaluation of the Customs 2020 Programme, advice from JRC and recommendations from the ECA. Since the programme plays a supporting role, helping participating country administrations to share information and boost their capacity, the monitoring system focuses on following the progress of the programme’ activities in terms of indicators at outputs (e.g. number of guidelines produced) and results (e.g. actual use of such guidelines) levels. These are the aspects where available data can be linked to the performance of the programme in concrete ways.

Whenever possible, it also follows indicators in areas related to the programme’s high-level objectives (e.g. customs union performance). Because change in these indicators is affected by many factors, a causal relationship cannot be established to attribute change directly to programme performance. In other words, a causal relationship cannot be established. For this reason, rather than devoting substantial resources to collecting impact-level indicators expressly for monitoring the programme, it is proposed to track a limited number of indicators that are already being collected for various policy-related purposes. These will help gauge the direction of travel and ensure that the programme targets issues across its main activity areas that are most urgent for its stakeholders.

The following core indicators<sup>45</sup> have been identified as relevant for measuring the performance of the programme’s specific objective:

Specific objective
Support the preparation and uniform implementation of customs legislation and policy as well as customs cooperation and administrative capacity building, including human competency and the development and operation of the European electronic systems for customs.

<sup>45</sup> Availability and reliability of data were key considerations for selecting these core indicators.

<b>Indicators</b>	
(1)	Indicator 1: Union Law and Policy Application and Implementation Index (Number of actions under the Programme organised in this area and recommendations issued following those actions)
(2)	Indicator 2: Best Practices and Guideline Index (number of actions under the Programme organised in this area; percentage of participants that made use of a working practice/guideline developed with the support of the Programme)
(3)	Indicator 3: Learning Index (Learning modules used; number of officials trained; quality score by participants)
(4)	Indicator 4: Collaboration Robustness Index (degree of networking generated, number of face-to-face meetings, number of on-line collaboration groups)
(5)	Indicator 5: Availability of European electronic systems (in time percentage terms)
(6)	Indicator 6: Availability of the Common Communication Network (in time percentage terms)
(7)	Indicator 7: Use of key European electronic systems aimed at increasing interconnectivity and moving to a paper-free Customs Union (number of messages exchanged and consultations carried out)
(8)	Indicator 8: UCC completion rate (percentage of milestones reached for implementing UCC systems)

*Table 4: Core indicators of the new customs programme*

As regards Level 3 indicators, the experience of the Customs 2020 programme suggested (based on the mid-term evaluation) that its monitoring system placed substantial burdens on administrations and DG TAXUD, without leading to big improvements in the programme's design and management. In part, this seemed due to the sheer number of indicators, which were difficult to manage and feed into decision-making. For this reason, DG TAXUD will consider the possibility to simplify the monitoring system and make it more purposeful and result-oriented. This planned simplification will follow the conclusions of the Mid-Term Evaluation of Customs 2020 (currently on-going). It will also include indicators as regards the completion / integration of the EU-wide customs IT system as this is the main spending area.

#### **5.4. Evaluations**

An interim evaluation (3.5 years after the adoption of the programme's Regulation) will be submitted to the European Parliament and to the Council, assessing the functioning of the programmes and identifying potential obstacles to the achievement of its objectives.

A final evaluation report of the Programme will also be submitted to the European Parliament and the Council, assessing the long-term impact and sustainability of the effects of the Programme.

# Annex 1: Procedural information

## 1. LEAD DG(s), DECIDE PLANNING/CWP REFERENCES

The lead Directorate-General is the Directorate-General for Taxation and the Customs Union (DG TAXUD).

This initiative got the following political agreements:

- Commission Work Programme: 2018 Annex I, initiative 2
- Agenda Planning: not applicable
- Inception Impact Assessment: not applicable

## 2. ORGANISATION AND TIMING

The works for this initiative started in May 2017 with a spending review of on-going EU action programmes and funds and continued until May 2018 with the preparation of impact assessments and corresponding legislative proposals.

The following Directorates-General were invited to the Inter-Service Steering Group (ISSG): AGRI, BUDG, COMP, DGT, ECFIN, ENV, FISMA, GROW, HOME, MARE, MOVE, NEAR, OLAF, SG (incl. SRSS), SJ, TRADE.

The Inter-Service Steering Group was chaired by the Secretariat General. It met three times to discuss the file. The last meeting of the steering group took place on 22 November 2018.

## 3. CONSULTATION OF THE RSB

The Regulatory Scrutiny Board on 25.4.2018 examined the Impact Assessment report.

The Board issued a positive opinion with reservations on 27.4.2018. According to the opinion: *"The Board notes the evolving role of EU customs. It understands that the policy intention is to scale up the current Customs programme in line with earlier policy decisions. The Board gives a **positive opinion**, with a recommendation to further improve the report with respect to the following key aspects:*

- 1. The report does not provide enough elements on the IT projects that would justify the doubling of the overall budget under the new MFF, especially as 80% of the IT developments are to be completed by 2020. It also does not demonstrate that the current administrative capacity and sharing of responsibilities between the Commission and the Member States are adequate with such an increase in the budget.*
- 2. Although stakeholders and the evaluation have identified the current monitoring system as burdensome, the report does not elaborate on the simplification of monitoring arrangements and indicators going beyond the legal base indicators."*

Sections 2.1, 4.1 and 5.2 of the report have been amended accordingly.

## 4. EVIDENCE, SOURCES AND QUALITY

Information on evidence gathered, sources consulted and quality is contained in the relevant sections of the report and in Annex 2.

## Annex 2: Stakeholder consultation

### INTRODUCTION

The consultation strategy consisted of the following key activities:

1. Workshop with customs administrations of Member States and Candidate Countries
2. Survey addressing customs administrations of Member States and Candidate Countries
3. Case studies in selected countries
4. Project group with Member States' and Candidate Countries' selected representatives
5. Open Public Consultation

This annex presents in detail each of these activities and thereafter the conclusions reached.

### CONSULTATION ACTIVITIES CARRIED OUT

#### **1. Workshops with customs administrations of Member States and Candidate Countries**

The external stakeholder consultation was launched by a 3 days' **workshop in June 2016** (Customs 2020 workshop in Dubrovnik, 21-23 June 2016). In the workshop, the Customs 2020 programme committee members and policy representatives from the programme participating countries were requested to contribute to the identification of the **key challenges in customs policy in the next decade**. The representatives of the administrations were also invited to elaborate on possible solutions and pinpoint those elements that could be addressed by the support of a future EU intervention programme.

A second **workshop was held in September 2017** (Customs 2020 workshop in Paris, 27-29 September 2017). In this workshop, the Customs 2020 programme committee members and policy representatives from the participating countries were updated on the state of play of the preparation of the next programme and exchanged views on the features it should have to respond to the actual needs.

#### **2. Survey addressing customs administrations of Member States and Candidate Countries**

A **survey** of 25 questions was addressed to the Customs 2020 participating countries aiming at **gathering customs administrations' views on the implementation of the current programme and insights for future cooperation supported by the programme**. The questions addressed:

- information on the functioning of the Customs 2020 Programme, and particularly the impact of its different activities on your administration, as well as the level of satisfaction of your organisation with such activities
- general and specific trends influencing the functioning of the customs union and the work of the customs administrations in it
- problem points and areas of the customs administrations

The survey was launched in December 2017 and the administrations were requested to reply by 18 January 2018. By the given deadline, 25 countries provided their feedback.

#### **3. Case studies in selected countries**

**In-depth interviews** were conducted with a set of relevant stakeholders in 9 Member States selected for the **case studies**. Such stakeholders included:

- **Customs Administrations:** to collect information to refine the problem assessment and in-depth information on specific customs policy areas;



- **Business organisations:** These associations provided insights on the key drivers and problems in the field of customs policy in general with regard to the case study identified.
- **A sample of economic operators in each Member State:** These associations provided insights on the key drivers and problems in the field of customs policy in general and with regard to the case study identified.

	COUNTRIES ADDRESSED								
CASE STUDY TOPIC	BE	HR	CZ	DK	EE	FR	IT	MT	PL
Data and information	X	X	X	X	X	X			
Trade facilitation and single window	X	X				X		X	X
eCommerce and digital trade			X	X	X	X	X		X
External border protection (land)		X			X				X
External border protection (sea)	X			X		X	X	X	
External border protection (air)	X		X			X	X	X	

Table 5: Overview of case studies

The selection of the case studies started from acknowledging the fact that different Member States face different thematic and geographical challenges in the future and have different needs in terms of customs collaboration, depending on their diverse characteristics (e.g. location, organisational structure of the Customs administration, characteristics of businesses and characteristics of trade flows).

The case studies were designed to provide concrete insights on Member States **current and future problems or challenges** that the programme is already helping to address or could help address in the future. These problems/challenges can be derived from both the general and specific trends identified in the preliminary problem tree or from more permanent features such as the geographical location of the Member States.

While the case studies were selected starting from concrete (current and future) problems and challenges, **they also covered other important aspects, such as the possible solutions and activities a new programme could promote**. Each case study addressed three main elements:

- What is the current trend/situation with regard to the topic object of the case study? (e.g. current trend/situation with regard to e-commerce)
- How does this topic affect customs authorities? (e.g. emergence of new challenges for customs authorities dealing with increase in amount of low value shipments);
- What could the programme do to help Customs administrations? (e.g. which solutions or tools the future programme could put in place to address the challenges and impact related to e-Commerce?)

In addition, a set of cross-dimensional elements were addressed in all case studies, such as:

- **Interaction and cooperation** between EU customs administrations and possible improvement of the current EU organisational and cooperative models amongst the national customs administrations, with third countries, trade and other national authorities, including tax authorities and international organisations.
- **Administrative capacity building** and potential improvement in the areas of:
  - o **equipment and infrastructure** (European electronic systems – common and national components), customs detection technology, functional assets (such as buildings, border management facilities, communication tools);

- **human resources;**
- customs administration **processes and procedures**

The case studies embraced also the angle of forward-looking and innovative solutions in all those aspects.

#### **4. Project group with Member States' and Candidate Countries' selected representatives**

The Commission created a **dedicated project group** to provide detailed input for the study contributing to an Impact Assessment concerning a possible legislative proposal for an EU action programme for Customs for the period post-2020. More specifically, the group was mobilized to:

- discuss about their experience/interaction with the current Customs 2020 programme;
- examine and validate the present and future trends identified by the study team and their effects on customs;
- explore the current and coming needs, and the expected contribution of the programme;
- review and validate the main elements of the building blocks to take into consideration for the policy options on the future of the Customs programme; and to
- provide input to the analysis of the impacts of the identified draft policy options.

The Project Group consisted of the representatives of the countries who responded positively to the call for participation: of Austria, Belgium, Czech Republic, Estonia, Finland, France, Germany, Lithuania, the Netherlands, Poland, Slovenia, Spain, Sweden, Turkey. The group convened 2 live meetings in July and October 2017 and collaborated by electronic means in between the meetings.

#### **5. Open Public Consultation**

A **centralised multi-programme Open Public Consultation** is being led and managed by the Secretariat General. This consultation contributes to the evaluations of existing EU financial programmes covering several policy areas and the Impact Assessment in preparation of the sectoral programmes. The public consultations on the MFF clusters were carried out on EU Survey between 10 January 2018 – and 9 March 2018.

### **CONSULTATION RESULTS**

#### **1. Workshops with customs administrations of Member States and Candidate Countries**

- 1.1. The 2016 workshop consisted in identifying all challenges that Customs administrations are likely to face in the 10/15 coming years, in classifying them in the following clusters and in considering how the future customs programme could contribute to replying to these – or part of these- clusters of challenges.

The workshop concluded the following points:

1. **Need for a clear customs policy strategy in all domains.** In particular, participants insisted on the need to issue without delay the Customs Governance Communication and expressed their wish to update the 2008 Commission Communication on the Strategy for the Evolution of the Customs Union (COM(2008) 169 final) as new trends and threats have emerged which require adaptations and evolutions of this strategy. They underlined that the implementation plan announced by this communication had not been implemented. The notion of Customs Agency was also mentioned as a way forward deserving further reflections.

2. In this context, particular emphasis was put on the absolute necessity to **design of a strategic framework for IT**. In particular, participants insisted on the need to define the level of commitment at EU level by identifying the Member States which are ready to be engaged and to which level of commitment. They also insisted on the necessity to identify the structure of collaboration between Member States and the Commission.
  - In this context "**IT collaboration**" was mentioned as being a way forward to further explore. Collaboration in general is characterised by a common objective, pooled resources in a formal structure and balanced ownership.
  - In the context of "IT Collaboration" the overall objective is the implementation of electronic systems. This can be development of IT Software, IT solutions (design, specifications etc.), IT components (architecture, platforms etc.) or other elements that support an IT solution (e.g. testing).
  - Taking also into account the budget constraints faced by public administrations, opinions are converging to a consensus that the traditional way of developing similar functionalities 28 times is a waste of public funds.
  - Working in a more synchronised, coordinated and/or collaborative way allows Member States not only to save money and time but also to increase the quality of their IT solutions. Indeed, IT Collaboration further promotes reusability and interoperability of electronic systems.
  - Investing in developing IT projects in a more coordinated and collaborative way is expected to reduce the cost, complexity and time needed to develop and maintain Member States' electronic systems.
3. **Enhanced operational cooperation through a wide use of expert teams** to be further explored as a means to allow geographical or thematic deep cooperation between MS was mentioned as being a way forward for better integration, efficiency and effectiveness of the functioning of the customs union.
4. The **customs programme is the main instrument to implement customs policy** and to achieve its objectives. To this end, participants highlighted the necessity to identify first the strategic objectives of the customs policy, including IT, before designing the next generation of programmes that needs to be **tailor-made**.
5. A **sound communication strategy** aimed at decision makers and the public at large is needed to **enhance the visibility** and to **shed light on the evolving role of customs towards security and safety**. Indeed, all participants underlined the lack of recognition of the customs role. Compared to taxation, customs administrations are ignored by decision makers and the public which do not understand why there are still customs services in the EU as internal borders have been eliminated. The roles and missions of customs are unknown, which makes also difficult to attract new skilled staff to replace the ever aging population of customs officials and the subsequent loss of knowledge and competences in all countries. Therefore, a clear need for a communication strategy to be initiated by the Commission has been identified. Such communication should address first the public at large with simple and easy messages using the modern tools (Facebook, Twitter) and should highlight the protecting role of customs for citizens. Attracting the attention of the public would subsequently make customs more attractive for decision makers at the highest level.
6. As to **human resources**, a customs "Public Relations Agency" was mentioned for attracting skilled new staff. The customs competency framework should be further

implemented while an EU training centre (even virtual) could support specialised training needs.

7. For what concerns **equipment and infrastructure**, the challenge will be to obtain (EU) funds for obtaining necessary (EU) funds for necessary national investments. The possible solutions identified are to have a dedicated customs fund for financing, to develop a joint usage of equipment and infrastructure and to support MS to benefit from non-customs EU funds.
8. **Cooperation/Coordination needs to be enhanced at all levels:** within the Commission, between MS departments, between MS and with third parties (including Candidate countries) and between programmes. To achieve this objective and *inter alia*, it is necessary to identify the need for possible legal changes, to explore the promotion of EU data model and to make an inventory of areas where cooperation and collaboration is needed, relevant and feasible (bringing real added value).
9. **The Commission can bring facilitation, guidance and support to MS for better implementing EU customs law** by developing a methodology for monitoring and evaluation for the implementation of legislation, by setting up a centre of excellence or an expert team for the interpretation of legislation, by establishing a help system at EU level and between Member States, by creating a list of contact persons responsible for various areas in the Member States.
10. To this end, **monitoring of the implementation of EU law can bring added value.** Modalities should be further explored on how to bring support to MS at best (e.g.: peer reviews). Monitoring should be understood in a positive way (help and support to MS by the Commission and/or other MS) and not negatively (identification of potential lack of implementation for further infringements procedures).

During the **workshop**, the participants also expressed the following suggestions:

- **Objectives:** Upgrade the objectives of Customs 2020 to encompass harmonised functioning, innovation and modernisation - as a general objective. As to specific objectives, keep the current ones plus visibility (support for recognition of customs), digital environment, customer compliance, cooperation, enforcement, safety and security. The legal basis should be extended to Article 87 TFUE;
- **Participants/ Beneficiaries:** Primarily Member States customs authorities, but allow for more involvement of trade representatives, more activities for operational level officers; involve more easily partner organisations, authorities and bodies, as well as international organisations;
- **Eligible actions:** The current ones should be kept. New ones should be added especially as regards new cooperation methods (webinars, video conferences, virtual collaboration), crisis management/swift reaction teams, enhanced collaboration for IT, think thanks and benchmarking, joint cross border activities, peer to peer reviews, and in a nutshell, all types of activities without limitations or specifications.
- **Implementation framework and management mode:** The current management of direct management is the preferred one but more autonomy could be granted to expert teams. Annual Work Programmes is the preferred approach but the multi annual dimension of certain actions (such as e-Commerce) should be borne in mind when elaborating them.

- **Financial framework:** Maintain the grants and procurement as financial intervention types. For equipment, some options should be explored: using more directly other financial instruments, having a separate customs fund and/or simplifying financial management.

The stakeholder consultation provided insight in the future policies and needs of the customs policy anticipated in the next decade:

Cluster	General Description	Detailed description
Functioning of the customs union	<p>MS pointed that new trends and threats have emerged requiring adaptations and evolutions of the EU customs strategy. The EU is faced with having to balance the interests of the MS with diverse administrative cultures while the implementation of the UCC has to be achieved in a coherent and efficient manner, with the disintegration possibility, and dealing with crises such as migration. This is why, MS insisted on the need to issue without delay the Customs Governance Communication and expressed their wish to update the 2008 Commission Communication on the Strategy for the Evolution of the Customs Union (COM(2008) 169 final).</p> <p>They underlined that the implementation plan announced by this communication had not been implemented. The notion of Customs Agency was also mentioned as a way forward deserving further reflections.</p>	<ul style="list-style-type: none"> <li>- Deepening EU Customs Union</li> <li>- How to respond properly and efficiently to all requirements (UCC implementation; electronic systems ...); Customs Union Performance (including KPI's); Protecting the interests of the EU; Governance reform; Customs agency(ies)?!</li> <li>- Customs agency?</li> <li>- Possibility of disintegration (?exit)</li> <li>- Diversity of MS</li> <li>- National vs EU priorities</li> <li>- Strategy of customs union</li> <li>- Exchange of information</li> <li>- UCC implementation, also post 2020</li> <li>- Rigid legislation and bureaucracy in BXL (multiple working groups, etc.)</li> <li>- Competence gaps</li> <li>- Candidate countries</li> <li>- Customs Governance. Many decisions should be taken at the right level without undue delay, balancing the interests of MS.</li> </ul>
		<i>Quality of Administration</i> <ul style="list-style-type: none"> <li>- Crosscutting</li> <li>- Diverse administrations/common rules</li> <li>- Undermining purpose of common rules</li> </ul>
		<i>Convergence / uniformity</i>
		<i>Keeping European Customs Union together</i> <i>Maintain the integrity of Customs Union across all crises. Customs Union is a pillar of the EU and for International trade and the welfare of its members.</i>
		<i>Transparency</i> <ul style="list-style-type: none"> <li>- Crosscutting</li> <li>- Demand for more transparency</li> <li>- Make use of it</li> <li>- Cost of transparency</li> </ul>
		<i>Governance of the Customs Union</i> <ul style="list-style-type: none"> <li>- Customs</li> <li>- Management/organisation of customs union – operational management body</li> <li>- Political/policy and competency challenge</li> </ul>
		<i>Border/internal market management</i> <i>Description of the challenge:</i> <ul style="list-style-type: none"> <li>- Crosscutting</li> <li>- Application of common law to diverse member states</li> <li>- Managing an integrated union in a global world</li> </ul>
Change management	<p>The globalisation and the digitalisation bring along new business models and technological developments. The customs need to adapt rapidly to these changes and implement working methods which allow</p>	<ul style="list-style-type: none"> <li>- Adapting to new technological developments (3D printing; new transport means – drones,...)</li> <li>- New working methods (video-conferences; social media)</li> <li>- Need for swift reaction of customs to new challenges. Ongoing monitoring is essential</li> <li>- Fast reaction to new crisis</li> </ul>

Cluster	General Description	Detailed description
	customs coping effectively to these trends.	<p><i>Evolution of business models VS current taxing rights and processes (including customs)</i>  <i>Description of the challenge:</i></p> <ul style="list-style-type: none"> <li>- Crosscutting</li> <li>- Globalisation</li> <li>- Digitalisation</li> <li>- IP based economy</li> </ul> <p><i>Simplify complexity</i>  <i>Description of the challenge:</i></p> <ul style="list-style-type: none"> <li>- Crosscutting</li> <li>- Adaptation of tax and customs rules to evolving business models</li> <li>- Risk of uncoordinated approaches</li> <li>- Loopholes</li> <li>- Double taxation</li> </ul>
Cooperation	MS pointed that ensuring cooperation within the Commission, among MS departments, between MS and third parties (including CC) and programmes is one of the challenges of the next decade. To achieve this it is necessary to identify the need for possible legal changes, to explore the promotion of EU data model and to make an inventory of areas where cooperation and collaboration is needed, relevant and feasible (bringing real added value).	<ul style="list-style-type: none"> <li>- Enhanced cooperation with 3rd countries (exchange of information; joint border crossings; support and technical assistance; promotion of EU data model; Customs Blueprints)</li> <li>- Cooperation is important at all levels</li> <li>- EU MS, candidate countries, 3rd countries, international organisations, intra-commission and intra-DG cooperation and coordination (DG TAXUD, DG Home and OLAF)</li> <li>- Non-customs agencies</li> <li>- Limited legal bases</li> <li>- Cooperation with other authorities</li> <li>- Collaboration with tax administration</li> <li>- Cooperation with other involved agencies in case of crisis</li> <li>- Defined roles of stakeholders and shared resources in crisis</li> <li>- Customs is not sufficiently involved in FTA negotiations and implementation. Risk of unrealistic customs provisions may (and do) appear in FTAs</li> <li>- Exchanges of information with customs of neighbouring countries (scope needs to be defined and agreed)</li> <li>- Cooperation between all involved stakeholders</li> <li>- Partnership and trust</li> </ul> <p><i>Joined up government</i>  <i>Description of the challenge:</i></p> <ul style="list-style-type: none"> <li>- Crosscutting</li> <li>- Feeding in other policy considerations into tax and customs law</li> <li>- Effective support of other policies</li> <li>- More holistic approach to government</li> </ul>
IT capacity building & IT strategy	MS pointed out that they are facing budgetary restrictions while having to implement the UCC electronic systems (existing or new), ensure their compatibility and manage increasing volumes of data. Therefore, with a view to the IT development and support and the related financing of electronic systems for the UCC implementation, MS insisted on the need to define the level of	<ul style="list-style-type: none"> <li>- IT development &amp; support &amp; development and financing of new electronic systems</li> <li>- Implementation of new electronic systems. This includes creation of common data base, maintenance, costly expertise. Financing is a challenge for customs authorities. Basic issue is to what extent should we elaborate joint electronic systems (to work together)</li> <li>- IT funding</li> <li>- UCC electronic -systems</li> <li>- Compatibility between different electronic systems</li> <li>- Managing big data</li> </ul>

Cluster	General Description	Detailed description
	commitment at EU level by identifying the Member States which are ready to be engaged and to which level of commitment. They also insisted on the necessity to identify the structure of collaboration between Member States and the Commission, including the need to set-up an IT strategy.	<ul style="list-style-type: none"> <li>- Data mining</li> <li>- Data protection, Data security</li> <li>- Cybercrime</li> <li>- Cyber attacks</li> </ul> <p><i>Future IT implementation</i>  <i>Description of the challenge:</i>  <ul style="list-style-type: none"> <li>- Crosscutting with taxation</li> <li>- Too big for individual player (MS and/or COM)</li> <li>- Huge operational requirements (availability, security,...)</li> <li>- High costs for creation and operations</li> </ul> </p>
Implementation of EU policy and law	The implementation of customs policy in a coordinated and strategic way. Member States highlighted the need for the Commission – TAXUD – to accompany them in facilitating such implementation, by allowing the establishment of guidance on all types of legislation or other measures. With the customs programme being the main instrument to implement customs policy and to achieve its objectives, MS highlighted the necessity to identify first the strategic objectives of the customs policy, before designing the next generation of programmes that needs to be tailor-made.	<ul style="list-style-type: none"> <li>- UCC implementation in practice</li> <li>- Equal treatment of clients</li> <li>- Infringements and sanctions (harmonising minor infringements, compliance, equal treatment)</li> <li>- Common key performance indicators</li> <li>- UCC implementation things to be completed: Centralized clearance, etc,</li> <li>- Monitoring of implementation of UCC (IT, procedural aspects, etc)</li> <li>- Support for implementation (and alignment with EU standards and legislation procedures and practice for candidate countries)</li> </ul> <p><i>Leading internationally</i>  <i>Description of the challenge:</i>  <ul style="list-style-type: none"> <li>- Customs: expend the transit convention, the custom union, new FTAs.</li> <li>- Need to address the decreasing revenue collection.</li> </ul> </p> <p><i>Simplify customs = short, simple and clear legislation, no need for guidance etc.</i>  <i>Description of the challenge:</i>  <ul style="list-style-type: none"> <li>- Partly Crosscutting</li> <li>- The intention of the legislation is often not clear, not a clear understanding of the intention</li> </ul> </p>
Role of customs & Visibility	MS underlined the lack of recognition of the customs role. Compared to taxation, customs administrations are ignored by decision makers and the public which do not understand why there are still customs services in the EU as internal borders have been eliminated. The roles and missions of customs are unknown, which makes also difficult to attract new skilled staff to replace the ever aging population of customs officials and the subsequent loss of knowledge and competences in all countries. The evolving role of customs towards security and safety remains obscure to the public and decision makers.	<ul style="list-style-type: none"> <li>- New role of customs</li> <li>- Safety and security</li> <li>- Recognising as important for political level and public</li> <li>- Political will and support (national and international level)</li> <li>- Increase compliance</li> <li>- Attractiveness to work for customs</li> <li>- More communication and advertising is needed. (PR strategy needed explaining the role and importance of customs)</li> <li>- Role of customs on national and EU level – collection of duties; safety and security; visibility;</li> </ul> <p><i>added value / communication (In/out &amp; Out/in)</i></p> <p><i>Communicate/add the Social Protection dimension of the Customs Union to regain citizen trust</i>  <i>Customs: Compromise globalisation/Trade Facilitation with social protection. Recognize that social Protection is already in part addressed by current customs processes (counterfeit, Special Procedures, product safety,...). It will address Euro-scepticism.</i></p> <p><i>Visibility of customs</i>  <i>Description of the challenge:</i>  <ul style="list-style-type: none"> <li>- Customs</li> <li>- Strong voice missing</li> </ul> </p>

Cluster	General Description	Detailed description
		- <i>Relevance of customs unknown to governments/citizens</i>
<b>Resources - Human resources</b>	As to human resources, trends point to the challenge of aging of the customs staff and the need of ensuring effective training and transfer of knowledge as customs need to respond to increasing demands with reduced resources.	<ul style="list-style-type: none"> <li>- Lack of resources (aging customs staff; equipment; infrastructure; training)</li> <li>- New skills</li> <li>- New tasks</li> <li>- Training and transfer of knowledge</li> <li>- Modern working methods</li> <li>- Funding</li> <li>- Limited, delayed availability of translated documents and materials to be improved. (MFF)</li> <li>- Renewal of customs HR (aging customs staff- a challenge for all EU customs services)</li> </ul>
<b>Resources - Equipment and infrastructure</b>	Being faced with globalisation, security threats and possibly (economic) migration issues, EU needs a customs policy to support common or at least coordinated operational border management to effectively adapt to these trends. Given the general lack of national resources to deal with new ways and areas of control, for what concerns the required equipment and infrastructure necessary for customs to perform their core duties, the challenge will be to obtain (EU) funds for necessary national investments.	<ul style="list-style-type: none"> <li>- Lack of resources (aging customs staff; equipment; infrastructure; training)</li> <li>- Financing national programmes/priorities with EU funds - Obtaining necessary EU funds for national customs investments (priorities for EU funds are set nationally where customs is not necessary the first priority)</li> <li>- Growing demands with reduced resources</li> <li>- Budgeting</li> <li>- Protection of customs officers: dangerous goods</li> <li>- equipment needed</li> <li>- Limited financial resources</li> <li>- Infrastructure and equipment</li> <li>- Common EU resources</li> <li>- New ways of controls (detections)</li> <li>- Resources needed for specific (basic) and important customs functions</li> <li>- More attention needed on EU internal border in the context of customs role (including budgetary provisions for customs)</li> <li>- External Borders: Lack of common and minimum standards for customs offices (equipment, organisation, logistics); Adapted to port, airport, rail, land border;</li> <li>- Role of customs more strengthened; Funding;</li> </ul> <p><i>Financing of Customs Union</i>  <i>Description of the challenge:</i></p> <ul style="list-style-type: none"> <li>- Customs</li> <li>- National vs./and EU</li> <li>- Both revenue and costs to be looked at</li> <li>- Not strong/important enough to get resources</li> </ul>
		<p><i>Capacity building</i>  <i>Description of the challenge:</i></p> <ul style="list-style-type: none"> <li>- Cross cutting</li> <li>- Need of specialised equipment</li> <li>- Need for expertise</li> </ul> <p><i>Keep the Customs Union efficient and affordable. Customs: consolidate IT/Laboratories/Equipment's costs by shared investment and operation. Maintaining skilled workforce. Keeping up with technology.</i></p>
<b>Trade facilitation and evolution</b>	The challenge for customs is to ensure the protection of the financial and economic interest of the EU, contribute to safety and security in a manner which does not interfere with the flow of legitimate trade. The Member States highlighted that	<p><b>Trade facilitation</b></p> <ul style="list-style-type: none"> <li>- Trade facilitation (e-commerce, single window; mutual AEO recognition with 3rd countries; SBA; cooperation with trade; SSTL; e-services for customers)</li> <li>- Impact of the implementation of the FTAs concluded by the EU with third countries</li> <li>- E-commerce (changes of business models)</li> </ul>



Cluster	General Description	Detailed description
	<p>the pressure on customs in the national, EU and global context to support and facilitate legitimate trade has been and is increasing. In light of the changing trade environment underpinned by tendencies of globalisation and e-commerce, customs authorities face constant new challenges and ever increasing demand for improved services. Member States also emphasised that the free trade agreements and similar international associations make the collection of customs duties insignificant and the role of customs administrations soon will be completely redirected towards safety-security related purposes. As such, national administrations struggle to provide expected revenue to national treasuries, for which they are often strongly criticized.</p>	<ul style="list-style-type: none"> <li>- Trade facilitation (Self-assessment, single window, centralised clearance, reduction of burdens for economic operators)</li> <li>- Accessibility of electronic systems</li> <li>- Single Window: need to work together, sharing information with other services involved (how to reasonably improve). Leading role of customs needed.</li> <li>- Principle should be to avoid/ minimise the burden for legitimate traders but also for customs authorities.</li> <li>- Higher standards of modernization are needed (eg: SBA. Compliance in the SBA context)</li> </ul> <p><b>Trade evolution</b></p> <ul style="list-style-type: none"> <li>- Facing tensions in global trade (ability to act rapidly; new FTAs; sanctions) – reduction of trade barriers, ASEM</li> <li>- Globalisation: New markets; Changing trade lines; implementation of the Trade facilitation Agreement and of any future bilateral trade agreement (FTA) concluded between the EU and third countries; Changing Risk analysis; New economic areas</li> <li>- Growing of e-commerce: Change of structure of customs clients; Protection of financial interests, under valuation; Capacity to control; Prohibitions and restrictions; Health protection, IPR, Product safety</li> <li>- E-commerce: new solutions are needed &amp; Multiple challenges: fiscal (de minimis principle), security, health, handling of small (postal) consignments, risk management. How to communicate to the public what are the threats related with Internet shopping.</li> </ul>
Security	<p>Over the last two decades the role of customs has significantly transformed. Customs is no longer seen as a body to collect customs duties and related taxes but as the guardian of the external borders of the EU with the responsibility to stop all goods and prevent all activities which could have a negative impact on the safety and security of the EU citizens, nature and the environment and culture, or which damages the financial and economic interest of the EU. This role requires operational methodologies which enable customs officers to efficiently identify harmful consignments/goods. It is only possible with reinforced EU risk management and competent, skilled staff. Member States acknowledged that these efforts require strong collaboration at the EU level and also with other (non-customs) agencies/authorities and expressed their concern about</p>	<p><b>Security</b></p> <ul style="list-style-type: none"> <li>- Security (dual use-goods; fight against terrorism; ICS 2.0; use of APNR; role of customs in this area)</li> <li>- Protection of society (IPR, medicines; cultural goods, drugs )</li> <li>- Fight against terrorism: legal basis, cooperation with all involved agencies and services, financing, exchange of information, skills</li> <li>- Terrorism: Cultural heritage, Terrorism financing, Smuggling of weapons, firearms, Money laundering</li> <li>- Migration</li> <li>- Crisis management</li> <li>- Environmental protection</li> <li>- Supply chain security</li> <li>- Diversity of customs control standards</li> <li>- Risk management</li> <li>- Involvement of customs in other related areas, such as migration, terrorism, taxation.</li> <li>- Increased globalization (of tourism): causing potential smuggling threat. Need to monitor and control. Resources might be necessary.</li> <li>- Combating terrorism and crime to be balanced with traditional customs tasks (budget priority for EU and governments)</li> <li>- Fight against terrorism (equipment, control at internal borders, collaboration with other services, human resources.</li> </ul>

Cluster	General Description	Detailed description
	the availability of resources (human and budgetary) to fulfil the increasing and more and more versatile control tasks.	

*Table 6: Insight in the future policies and needs of the customs policy anticipated in the next decade as resulting from stakeholders' consultations*

## 1.2. The 2017 workshop allowed the participants to reflect on the proposed building blocks and their impact on the future programme

The participants reflected on the proposed building blocks and their impact on the future programme as such enriching the impact assessment study. The participants generally felt that the list of identified building blocks was complete and accurate. Participants addressed each of the building blocks and reported that:

- **Vision** – The programme should allow for setting up permanent/semi-permanent cooperation structures, including for IT and human competency building and be prepared to assist crisis management. A more uniform and harmonised implementation within the customs union should be the ultimate goal.
- **Activities** – The programme should have the widest possible array of tools: all current options should be available in the future but with the flexibility to make them tailor made for arising needs and the possibility to add new tools (e.g. communication and visibility; research and innovation, joint customs operations)
- **Beneficiaries** – The main beneficiaries should remain the national customs administrations but the programme should also consider the indirect impacts on citizens and involve more structurally academics, universities.
- **Geographical focus** – The programme should address regional (including non-EU) cooperation approach mainly in terms of Eastern and Mediterranean neighbouring countries and cooperation with other customs unions and international organisations (WTO, WCO, World Bank)
- **Participants** – The programme should maintain the flexibility to mobilise expertise from all public bodies, including third countries' customs authorities, economic operators, academic world and international organisations, though the primary participants should come from the EU national customs administrations.
- **Funding** – Funds should provide easy access and fair distribution mechanisms to access/purchase customs control equipment. This includes the need that the 20% retained by the countries is actually circled back to the customs administrations. The programme should consider asking for compensation from economic operators participating in programme activities or benefiting from its outputs.
- **Governance** – The programme should involve the MS more in budget spending decisions and ensure the follow up and monitoring of activities.

In addition the plenary discussions stated that:

- Funding and a fair distribution of funds is an important matter, especially in relation to customs control equipment.

- Synergies between the Customs, the Fiscalis and other EU programmes should be reinforced.
- The next programme generation has the potential to act as a bridge or transition programme to the post-2030 era and therefore the reflection on the long-term future of customs is needed already now.

## 2. Survey addressing customs administrations of Member States and Candidate Countries

In the survey, customs administrations assessed the extent to which customs specific trends are having an impact on customs administrations activities in the next 10 years. The answers can be summarized as follows:

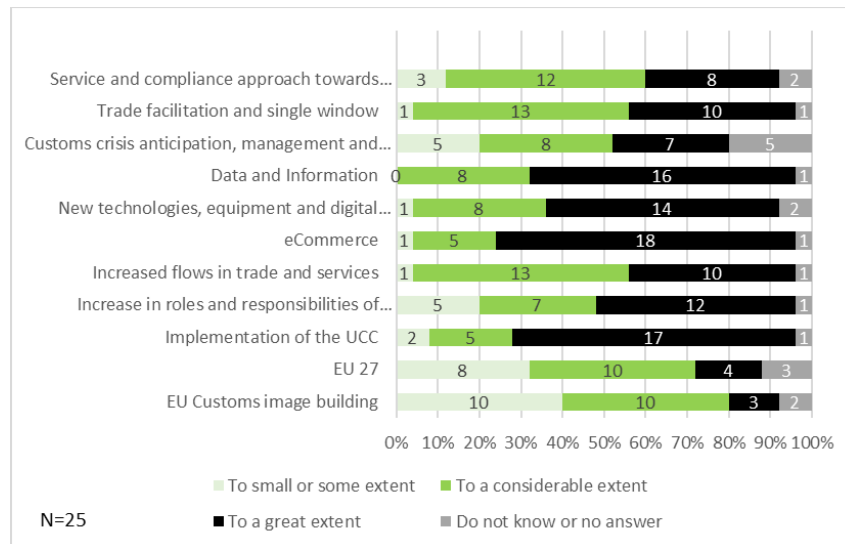


Figure 2: Impact of specific trends on customs administrations activities in the next 10 years

In terms of the trends, the survey highlighted that the challenge most frequently referred to as having to a considerable or great extent an impact upon the success of the Customs Union as a whole is the unequal capacity of customs administrations in terms of IT. The uneven interpretation and implementation of the legislation comes second on the list.

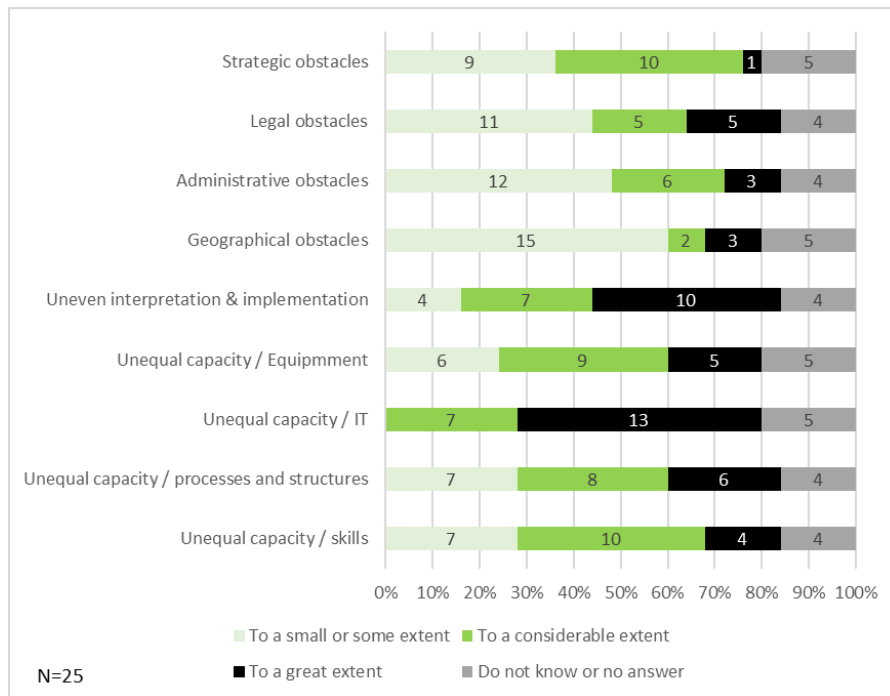


Figure 3: Challenge having an impact upon the success of the Customs Union as a whole

The survey also indicated that a majority of respondents – 17 out of 25 – currently recur to other programmes for funding equipment. The most common funding programme resorted to by customs administration is Hercules, with 11 respondents out of 25. Three respondents have also declared recurring to structural funds, two to ESF and one to IPA.

Most of the respondents declare, however, not having an easy access to other sources of funding. The main obstacles reported by the respondents are related to complicated procedures or bureaucracy, internal competition or different priorities. A respondent also emphasized that these funds are not designed to support customs needs or only very partially.

The customs authorities furthermore highlighted that a majority of them – 17 out of 25 – consider ‘insufficient uniformity and efficiency’ as being to a considerable extent a problem for the functioning of the Customs Union as a whole. The same proportion – 16 out of 25 – is considering that this problem should, to a considerable extent, be addressed through a future Customs programme in the coming 10 years. It is to note that 2 respondents did not consider it as being a problem for Customs Union as a whole, nor did they envisage it to be addressed by a future EU Customs programme.

With regards to capacity related to human resources, the survey has confirmed that almost half of respondents find differences in human resource capacity between at European customs administrations is a crucial factor in the functioning of the Customs Union as a whole.

The survey revealed that the vision that comes the most frequently to the forefront – 23 out of 25 respondents – as helping their organisations to improve capacity, cooperation within the EU and with third countries, as well as to carry out effectively and efficiently their missions is ‘Supporting the functioning of the Customs Union and protecting borders and citizens’.

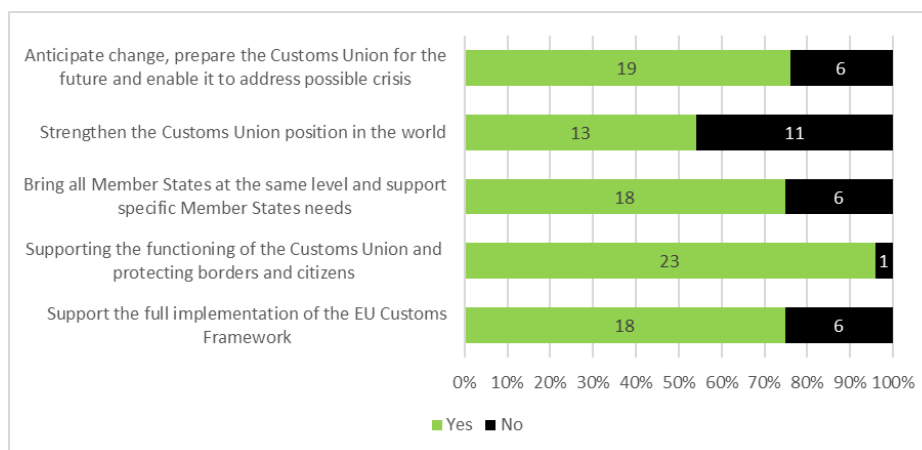


Figure 4: Vision as to human resources

According to the results of the survey, the activities for the participating countries the programme should concentrate on are: development and maintenance of common European electronic systems (92 % of respondents), exchange of experience, best practices, mutual learning and knowledge management (92 %); and training, learning and competency building activities (96 %).

### 3. Case studies in selected countries

#### A. Data and information

The case study concluded that in terms of operational processes and structures, the programme should increase its focus on customs processes and their alignment. Since the uniformity of data across the EU is regularly limited, the programme should also support customs administrations in ensuring appropriate levels of data quality. In this respect, the programme should continue defining and enforcing standard data formats. However, synergies with existing data formats should be duly sought and materialised. Where relevant, experimentation with innovations that may benefit overall data quality should be promoted.

In terms of electronic systems and infrastructure, the programme should keep supporting the uniform implementation of the various customs electronic systems included in the electronic customs project and, in particular, the UCC. Next to assisting customs administrations in implementing these electronic systems, the programme should leverage emerging technologies. As the maturity of the national electronic systems is often diverse, the programme should also promote the exchange of best practices – especially on risk analyses. Furthermore, the programme should enforce the only-once principle by avoiding overlapping electronic systems or by increasing system interoperability.

In terms of human resources, customs administrations generally lack an adequate amount of people with the right knowledge and skills to deal with data and information. In this particular context, the programme may support a ‘centre of excellence’ performing customs intelligence work at the EU level. Moreover, the programme could support universities and other schools in establishing and delivering customs-specific courses on data science. Such courses may be included in a dedicated EU Customs University funded under the programme.

In terms of cooperation, the programme should continue supporting data exchanges between countries and their public administrations. Where relevant, common databases and services containing as much customs-related data as possible might be established. In

this respect, the programme could support the mapping of where particular data can be found. Furthermore, it is essential that the programme identifies and operationalises as many synergies as possible with other policy areas and their respective programmes. In order to increase the cooperation and interaction between customs and third party organisations at the EU level, the functioning of the Trade Contact Group (TCG) should also be improved. Finally, the programme may offer guidance to customs administrations in dealing with aspects restricting the data exchange and sharing between customs administrations, other public administrations, as well as third party organisations.

## **B. Trade facilitation, single window and centralised clearance**

The case study shows that the Customs financing programme could be supportive of the smooth and efficient move towards more trade facilitation without giving in to risk management obligations, a trend which is recognized by Member States and economic operators. The UCC legal package provides ample tools to make life easier for business, such as self-assessment and centralised clearance. At the same time, commitments were made on the implementation of a single window with the entry into force of the WTO Trade Facilitation Agreement.

Both Member States and economic operators require practical support in the application of the new trade facilitation concepts brought by the EU. In the first place such support should come from the European Commission, guiding Member States and the market in the implementation of the UCC. Also, the sharing of best practices is very much welcomed by the authorities, both within the EU and with forerunning third countries. In the benefit of business, an even interpretation and implementation of legislation by customs is important, something that is even more the case when it comes to trade facilitation concepts that encounter an intra-EU application, such as centralized clearance.

Considering the new UCC trade facilitating concepts, Member States have to deal with new working methods, processes and procedures. Such change requires new, highly skilled profiles that can adequately deal with those evolutions. Such change requires also adequate IT tools, in order to communicate with (i) other agencies at national level (e.g. food safety agency sharing information through the single window) and (ii) the authorities of other Member States (e.g. in the context of centralised clearance and of single window).

## **C. eCommerce and digital trade**

Customs administrations across the EU are attempting in different ways to deal with the sudden growth of eCommerce trade flows. Whereas the general approach seems to 'surrender' to the need to facilitate trade, there is a general sense of dissatisfaction with the limited means (data) and tools (regulatory frameworks and equipment) to carry out the control function in an appropriate manner. Consequently, illicit trade, counterfeit goods and potentially unsafe goods can now enter into the EU as result of the incapability of customs administrations to take appropriate action.

This case study on eCommerce (and digital trade) has especially brought to the fore the need to address the fragmented and inadequate legislative framework on eCommerce, the importance of quality data to be improved, the relevance of interoperability of electronic systems in the EU, as well as matters related to revenue collection and security. There is a strong sense across customs administrations as well as economic operators (especially express couriers, and in the future perhaps platforms on eCommerce) to work in collaboration towards an improved situation. The role for a future customs cooperation programme could be to facilitate this ambition. Alignment with existing international organisation efforts, such as in context of WCO, is key to realize results.

#### **D. External border protection: land border, sea border and air border**

Through the in-depth perspectives provided on the management of the EU's sea, air and land borders, the case studies have provided distinct as well as shared features of border management in the EU.

Overall, it can be said that the case studies have proved a valuable tool in supporting an integrated and in-depth understanding of the key ingredients impacting upon customs performance across the EU, and upon the functioning of the Customs Union as a whole. Through the thematic analysis of border protection of sea, air and land, the case studies pointed towards more similarities (than differences) between Member States.

The case studies have confirmed that the efficiency of border protection and facilitation at the sea, air or land borders, differs across Member States, as a result of differences in organisational capacity, strategic priorities, and (innovative) collaborations. Fulfilling a key role in the control and facilitation role at the different borders, the risk management processes and availability, quality and exchange of data through up to date and inter-operable IT systems have proved crucial capacities required to ensure uniformity and efficiency of border management. The current situation, where risk profiling remains a member state driven exercise across the EU, continues to pose risks for the security and protection function at the borders.

With regards to equipment, the case studies on external border management in the EU have also pointed towards a diverse of challenges faced by the customs administrations in different EU member states. These challenges range from the financing of 'hard' equipment, to the lack of data on availability or experience with equipment, the procurement, maintenance as well as (shared) use of equipment. The case studies have shown that whilst equipment needs in the context of CELBET (land facing countries in Eastern Europe) supported the insights into equipment, there is a need for additional comprehensive study to provide insights on the size of the equipment related problems for other member states and/or sea and air border specific perspectives. The changing trade landscape especially demands for a continuous monitoring of equipment availability, also to respond to new types of crises and threats, and support the broadening of roles and responsibilities of customs (into the security area).

With a view to cooperation, the case studies on external border protection of land, sea and air, have pointed to development of new ways of collaboration. In-country, customs administrations are increasingly taking over tasks and responsibilities with border agents, mainly in the context of land and sea border management. Reflecting the challenging new trade patterns (notably e-commerce), customs administrations also enter into innovative collaborations with economic operators (express delivery services), sharing sometimes equipment and exchanging data, to mitigate risks related to their control function. In addition, customs and universities are teaming up to develop new types of innovative equipment solutions.

Finally, the case studies on external border management have equally pointed towards the importance of agile organisations, strategically focused and future-oriented perspectives, in order to prevent crisis situations at the border where the control function cannot be carried out in an optimal manner. With a view to the fast-changing trade patterns, as well as logistics and transport developments linked to that, a pro-active and strategic stance is required by customs administrations in order to secure investments are done in the right fields. An example is the fact that customs administrations have expressed that as a result of e-commerce 'they have been somewhat caught by surprise', and do not currently avail over the relevant equipment tools to carry out control functions. At the same time,

eCommerce continues to impact mainly the air border, which may also change as result of new railway-roads from China taking over the transport of eCommerce packages.

#### **4. Project group with Member States' and Candidate Countries' selected representatives**

The Project Group identified common needs related to all presented trends:

- Tapping into expertise outside customs (e.g. on Blockchain, security, environment) and highlighting competence centres in Member States
- Combining digital and physical ways of working (blended project groups, blended trainings)
- Increasing capacity to react fast (task forces, fast lanes)
- Allowing innovation and possibility to fail
- Trusting Member States in spending money and focusing on ex post controls
- Considering governments and customs as one = more cooperation with others for the provision of services
- Balance trade facilitation and compliance against enforcement based on access to data
- Interactivity of the programme activities
- Permanent central structure
- Application of the customs competency framework (e.g. using a customs curriculum)
- More structural approach for educating customs officers in the field
- Balance between training existing staff and hiring new staff
- Knowledge sharing
- Equipment
- Expert teams, i.e. task forces
- Transparency

It also produced the attached mind map presented on next page.



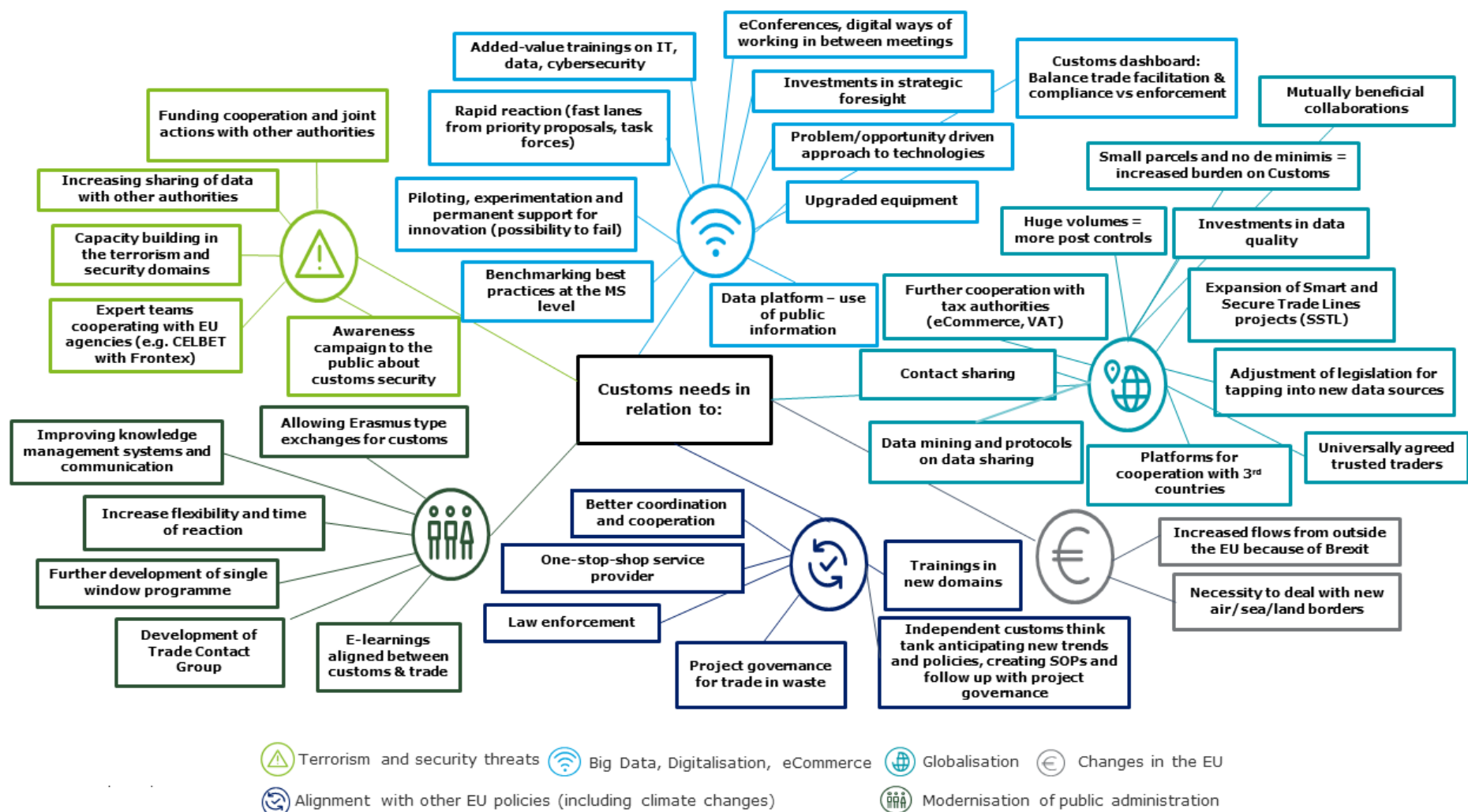


Figure 5: Customs needs and trends as identified by the project group

## 5. Open Public Consultation

4 052 respondents provided feedback on the open public consultation. Out of the respondents 13 reported that they have experience with the Customs 2020 programme, representing 0.32 % of the total number of respondents. This very limited number of reference to customs confirms the limited overall interest of the public at large and the relevance of the programme's objectives – and focus of stakeholders' consultations – on customs administrations.

Out of the 9517 comments, 7 contained the key word "customs":

- *"Synergies between Horizon 2020, Customs 2020 and Fiscalis 2020 programmes managed by the National Tax and Customs Administration are shared. Due to the involvement in the three programmes, the creation of a single 'Customs' Fund and the possibility to procure assets for customs purposes under the Customs 2020 programme can be supported.*
- *Current funds are important for modernisation of customs administrations, facilitation and improvement of customs controls. Enhance cooperation between EU Member States and ensure exchange of best practice, thus promoting common approach to customs controls at the external borders.*
- *Allowing for the acquisition of equipment for customs control would greatly contribute to better use of the possibilities offered under the Customs 2020 programme and to increasing the effectiveness of the opportunities offered by the programme.*
- *The objective of Horizon 2020 financial support is to promote research and innovation in the EU, the technological developments that it supports directly or indirectly, but also to contribute to increasing the effectiveness of the functioning of tax, customs and investigation authorities. The aim of the Customs 2020 and Fiscalis 2020 programmes is to support the functioning and modernisation of the Customs Union, to fight tax evasion and to support the implementation of EU law. These objectives will be pursued by building European information systems, by facilitating administrative cooperation and by increasing the administrative capacity of participating countries to reduce the burden on tax and customs administrations and compliance costs for customers.*
- *There is a lack of programme and funds that directly supports purchase of customs equipment. Purchase of equipment necessary for customs controls could be supported by programmes for support for the functioning of various aspects of the single market (including goods, services, taxation, company law) – standardisation, assistance to citizens and businesses, enforcement.*
- *As to the importance of strengthening synergies among programmes/funds in order to avoid possible overlaps/duplication, it is fundamental to group/merge those with similar scopes (e.g. Customs 2020 and Anti-Fraud Information System).*
- *The European Commission is in a unique position to strengthen inter-country relations and assure cooperation and synergies at a European level. EC can promote standardisation at all levels while promoting the implementation of technologies that can prove beneficial to the European society while regulating their use. There are many examples where such intervention could prove beneficial. For example the legal and regulatory framework for the circulation of Automated Vehicles in the European Transport network, the common approaches towards security and customs control for goods and people across countries, the interoperability of health or other data across countries, organisations and platforms, the open form of data (e.g in transport) for third party applications. The aforementioned topics refer mainly to the H2020 work programme. The European Commission can play a vital*

*role in enforcing in a mid-to-long term scale decisive actions on such issues and thus imposing a de facto cooperation among Member States that can lead to tangible results that can be implemented. Member States at national, regional and local level can push forward in that direction but evidently in many cases follow a different path that hinders interoperability and cross-country implementation.”*

## Annex 3: Evaluation results

The Decision establishing the **Customs 2013 programme** carries a legislative requirement for independent mid-term and final evaluations. The **final evaluation**<sup>46</sup> findings were broadly positive with regard to the Customs 2013 programme's contribution to policy-level objectives and in terms of helping customs authorities to work as one. The biggest gains can be summarised as follows:

- **Enhancing safety and security**, including the full implementation of the Import Control System and the Customs Risk Management System as well as the mainstreaming of the Authorised Economic Operator and Economic Operator Systems.
- **Facilitation of trade**, allowing the Customs Union to become more secure while carrying out fewer of the manual controls that slows down the flow of trade and speeding the transit process.
- **Protection of the EU's financial interests**, due to the use of centralised databases and the enhanced effectiveness of risk management systems.

The achievements made during the period under review were not assessed as a simple continued evolution of already on-going trends. Rather, they were significant and path breaking (especially regarding the introduction of **electronic** systems related to security and safety) and indicative of major developments towards the realisation of the key programme objectives.

The evaluation identified a strong case for the EU added value of the programme, particularly regarding its role in supporting the implementation of EU legislation at national level. The **electronic** systems funded through the programme are highly complementary to national initiatives and mostly relate to implementing such legislation. This led to reductions in administrative costs that would result from each Member State needing to develop similar **electronic** systems on its own. The networking fostered through the joint actions of the programme was also considered crucial for several reasons, including ensuring the consistent application of common legislation, spreading best practices and building the trust needed for administrations to act as if they were one administration.

The evaluation also discovered some problems that inhibited the full implementation of some **electronic** systems and / or slowed down the harmonisation process. These included relatively minor functional problems and the fact some Member State administrations found the costs associated with implementing and maintaining national versions of the **electronic** systems funded through the programme to be difficult to bear.

Based on the findings of the evaluation, there were **ten recommendations** to improve future iterations of the Customs programme, which were grouped in five domains:

- *Programme management*: develop specific and measurable goals that can be achieved during the life of the programme (including the provisions of the Union Customs Code in addition to the programme's existing specific objectives); develop a comprehensive monitoring framework to track performance and to identify issues of concern in a timely manner and streamline the platforms used for sharing documents and facilitating communication between the Commission and Member States.

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<https://publications.europa.eu/s/fKSa>

- *Policy implementation*: take an active approach toward the achievement of policies aimed at centralised customs clearance
- *Joint actions*: ensure joint actions are flexible and adaptable as well as more goal-oriented and accountable; develop a more systematic mechanism to review longstanding joint actions periodically and communicate more with national administrations on the outcomes of joint actions.
- *Programme-funded electronic systems*: address technical issues and user problems of specific electronic systems that inhibit their contribution to key customs processes and enhance the integration of EU and national electronic systems.
- *Efficiency*: use potential efficiency gains to make the case for further harmonisation and integration of electronic systems.

The Decision establishing the **Customs 2020 programme** also requires the conduct of mid-term and final evaluations. The mid-term evaluation is ongoing (Final Report by 30 June 2018), and the preliminary findings can be summarised as follows<sup>47</sup>:

- **Relevance**: the level of interest shown by national administrations in actively engaging in the programme suggests there is alignment between the programme activities and actual need. Working visits were considered by national authorities as the most useful type of joint actions, followed closely by seminar, workshops, project groups and the newly introduced Expert Teams.
- **Effectiveness**: customs authorities agree that the programme's joint actions contributed to improving the exchange of information between administrations. The training modules developed under the programme had led to a more uniform approach to the application of EU customs law among participating countries.
- **Efficiency**: procedures for preparing the programme cycle and the Annual Work Programmes were in general positive. In relation to the PMF, its implementation was mostly considered successful. Though the data generated is mainly self-reported, it appears to be collected systematically and generate useful information. However, it is not clear to what extent the PMF data is used to take management decision or is used as an early warning system to steer programme interventions. There is a need to simplify the current monitoring system, especially regarding the number of impact indicators and the length of action follow-up forms.
- **Coherence**: broad levels of agreement exist on joint actions' contribution to national initiatives by supporting the consistent application of EU law and by managing the European electronic systems. It has also been reported that supported initiatives under the programme are complementary to initiatives at national level.
- **-EU added value**: national customs administrations were generally positive about the extent to which the programme is achieving results that would not have been possible by national administrations acting alone. A high proportion of respondent to evaluation questionnaires also found that the programme is instrumental for building trust and leading to convergence with the customs administration of EU Member States and other participating countries (candidate countries and potential candidates). Initial interviews also point to efficiency gains through pooling of resources, especially in the area of IT (economies of scale

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<sup>47</sup> Limited coverage of IT domain, as replies to IT questionnaire and case studies were still not finalised at the time of drafting this IA.

ad reduced development costs). Initial findings also suggest challenges for national authorities to align national considerations with EU customs requirements: diverging interests may in some cases act as a barrier to realise EU added value and few national authorities also expressed frustration when having to adjust their ambition to that of less advanced national customs administrations.

## Annex 4: Intervention logic of programme

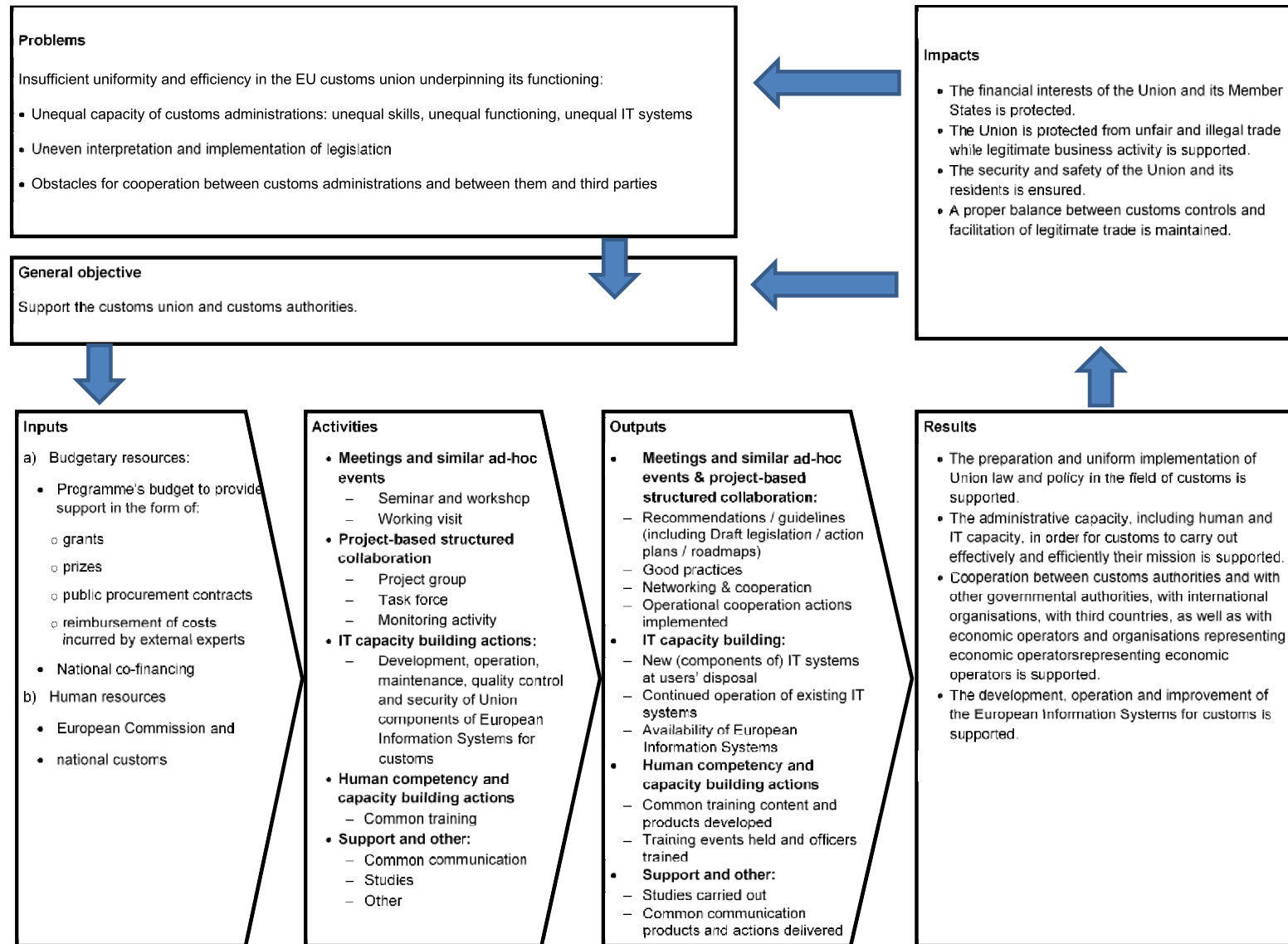


Figure 6: Intervention logic of the new programme