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IMPACT ASSESSMENT

Accompanying the document

**Proposal for a
REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

**establishing an action programme for customs and taxation in the European Union for
the period 2014-2020 (FISCUS) and repealing Decisions N°1482/2007/EC and
N°624/2007/EC**

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List of abbreviations

AEO	Authorised Economic Operator
AFIS	Anti-Fraud Information System
ART2	Activity Reporting Tool 2
CCC CRM	Customs Code Committee — section on risk management and controls
CCN/CSI	Common Communication Network / Common System Interface
CIPS	Prevention, Preparedness and Consequence Management of Terrorism and other Security-related risks (programme)
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
COPIS	Counterfeiting and Piracy System
CPG	Customs Policy Group
CRMF	Customs Risk Management Framework
CRMS	Customs Risk Management System
DG	Directorate General
ECG	Electronic Customs Group
ECICS	European Customs Inventory of Chemical Substances
ECJ	European Court of Justice
ECS	Export Control System
EORI	Economic Operators Registration and Identification
EOS	Economic Operators Systems
EP	European Parliament
EU	European Union
FLEGT	Forest Law Enforcement Governance and Trade
IATA	International Air Transport Association
IP	Intellectual Property
IPR	Intellectual Property Rights
ISEC	Prevention of and Fight against Crime (Programme)
IT	Information Technology
JCO	Joint Customs Operations
LPI	Logistics Performance Index
MCC	Modernised Customs Code
MCCIP	Modernised Customs Code Implementing provisions
NCTS	New Computerised Transit System
OECD	Organisation for Economic Co-operation and Development

OLAF	European Anti-Fraud Office
OO	Operational Objective
PICS	Programme Information and Collaboration Space
REACH	Registration, Evaluation, Authorisation and Restriction of Chemical substances
SASP	Single Authorisation for Simplified Procedures
SMART	Specific, Measurable, Achievable, Relevant , Time-bound
SME	Small and Medium Size Enterprises
SO	Specific objective
TARIC	Integrated Community Tariff
TEIT	Trans-European Information Technology (systems)
TEU	Treaty of the European Union
TFEU	Treaty on the Functioning of the European Union
UNCTAD	United Nations Conference on Trade and Development
WEF	World Economic Forum

1. POLICY CONTEXT AND CONTRIBUTION TO EU PRIORITIES

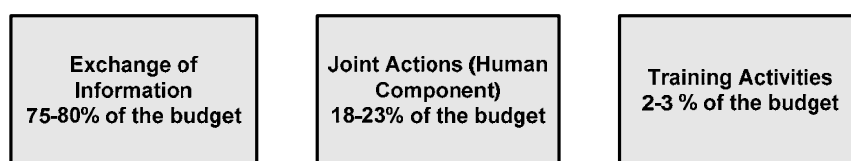
1.1. The Customs Programme

The Customs Programme is the main supporting instrument for the EU Customs Union, supporting customs operations across the Internal Market (see more details in Annex 1).

The Customs 2013 Programme, the third of its kind, has an overall **budget of 323.8 million euro** for the period 2007-13 (an average of 52.8 million euro per year). It aims, to provide national administrations with the possibility to exchange information, data and expertise. The programme is a key EU tool, enabling the Customs Union to function seamlessly as one, instead of a patchwork of 27 separate administrations.

The programme provides the financial and organisational framework for (i) developing and operating major trans-European IT systems (TEIT systems) which allow for real-time exchange of information, for (ii) joint actions (such as seminars, working visits, working groups, steering groups, etc.) to facilitate the exchange of good practice, and for (iii) delivering common training to support customs officials across Europe in their daily work.

Table 1: The instruments of the Customs 2013 Programme



Source: DG TAXUD

The **TEIT systems** constitute one of the Programme's main values added. They handle the trans-European part of **195 million customs declarations each year** and, in particular, enable the Customs Union:

- To control the clearance of goods in 9.8 million trucks moving across the EU each year using the transit regime via 47 million electronic information exchanges in the New Computerised Transit System (NCTS);
- To control the release of 11 million export movements from the EU; 100 million electronic information exchanges take place in the Export Control System (ECS).

The **joint actions** organised in the period 2008-10 involved 23 000 participants in 1 530 events.

Training activities enabled the production of first pan-European customs e-learning modules. 134 modules in up to 23 linguistic versions were used by 30 000 customs officials in the Member States¹. Simultaneously, the training material was made available on TAXUD website and 22 000 downloads were made, representing more than 100 000 external trainees.

¹ TAXUD Statistics from end 2010.

The programme primarily **targets** EU customs officials, but candidate countries, potential candidate countries and those covered by the European Neighbourhood Policy can also ask to participate. The Customs 2013 Programme has 32 fully participating countries.²

1.2. Legal and Policy context: the EU Customs Union

The Customs Union has been one of the founding structures of European integration since 1968. It is an area of **exclusive Union competence**, the current legal bases being Articles 28 to 32 of the Treaty on the Functioning of the European Union (TFEU). Articles 206 and 207 of the Treaty also connect the Customs Union to the Common Commercial Policy. Article 33 of the Treaty provides a legal basis for measures to enhance customs cooperation between Member States and with the Commission. The **legal framework** currently in force includes the:

- **Community Customs Code (CCC)**³ and its consolidated **Implementing Provisions (CCIP)**⁴ as well as amendments to the CCC, in particular the Security Amendment to the Customs Code;⁵
- Modernised Customs Code;⁶
- **Common Customs Tariff** (Combined Nomenclature⁷ and Tariff Measures) and duty relief legislation;⁸
- Special legislation dealing with border enforcement, customs formalities and controls on specific types of goods;⁹
- Other policy instruments, notably the "**Electronic Customs Decision**".¹⁰

EU customs legislation also includes specialised legislation on administrative customs cooperation.¹¹ The legal and policy frameworks also have an "external" dimension, which includes international customs agreements or customs provisions in international agreements. These may be bilateral cooperation and mutual assistance agreements¹² or multilateral agreements to which the EU is a contracting party (or equivalent), such as those concluded under the auspices of the World Customs Organization and the World Trade Organization.

² 27 Member States + Croatia, Montenegro, Serbia, Turkey, former Yugoslav Republic of Macedonia.

³ Council Regulation (EEC) No 2913/92 establishing the Community Customs Code.

⁴ Commission Regulation (EEC) No 2454/93 of 2 July 1993 laying down provisions for the implementation of Council Regulation (EEC) No 2913/92 of 12 October 1992 establishing the Community Customs Code.

⁵ Regulation No 648/2005 of 13 April 2005 — OJ L117, 4 May 2005.

⁶ Regulation No 450/2008/EC of 23 April 2008 — OJ L145, 4 June 2008.

⁷ Council Regulation (EEC) No 2658/87 of 23 July 1987 on the tariff and statistical nomenclature and on the Common Customs Tariff.

⁸ Council Regulation (EU) No 1186/2009.

⁹ See Annex 2 List of EU legal acts with customs requirements.

¹⁰ Decision No 70/2008/EC of the European Parliament and of the Council of 15 January 2008 on a paperless environment for customs and trade.

¹¹ Council Regulation 515/97 on mutual assistance between the administrative authorities of the Member States and cooperation between the latter and the Commission to ensure the correct application of the law on customs and agricultural matters.

¹² ASEAN, Canada, China, Hong Kong, India, Japan, Korea and the US.

The implementation of EU customs legislation constitutes a very close venture between 27 Member State customs authorities and the European Commission, including all operational interaction with traders and travellers and collection of revenues by Member States, the 27 national customs authorities. Customs Programme support is essential to ensure efficient cooperation between those administrations and uniform and effective application of the EU customs legislation.

1.3. Contribution of the Customs Union to EU priorities

The Customs Union protects the **financial interests of the EU and Member States** through the collection of duties and various fees and taxes on trade, and collaborative efforts to fight fraud. In 2010, approximately 12.3 % (15.7 billion euro) of the EU budget corresponded to traditional own resources.¹³ Most of these resources are customs duties that Member States' customs authorities collect on imports of third country goods into the EU. A number of initiatives have been set up to strengthen the customs fight against fraud, such as the **EU Eastern Border Anti-Smuggling Action Plan**¹⁴.

The Customs Union is fundamental to the **Internal Market**. The borderless Internal Market for goods requires goods originating from third countries to comply with formalities and other requirements upon entry or when released into circulation; after this, they can move around freely within the external borders of the EU. Customs supports the development of fair, competitive Internal Market conditions by uniform application of common rules and regulations. It supports growth and innovation within the Internal Market for instance by enforcing intellectual property rights (IPR) at the border (see also the **European anti-counterfeiting and anti-piracy plan**¹⁵ and the **new strategy for IPR in the Single Market** as recently adopted by the Commission). Responses to a recent public consultation¹⁶ on the future of the Internal Market suggest high expectations among industry federations regarding further EU action against counterfeiting and piracy. Customs has a fundamental role in effective enforcement of IPR, as confirmed by statistics on IPR customs activities.¹⁷

The Customs Union is **the** operational arm of EU **Trade Policy**, implementing bilateral and multilateral trade agreements, collecting duties, and applying trade measures (such as rules of origin), embargoes and other restrictions. The discussion paper **Trade, Growth and World Affairs: Trade policy as a core component of the EU's 2020 Strategy**¹⁸ published in November 2010, highlights the agenda for international customs cooperation in the framework of bilateral agreements and in the World Customs Organization. It emphasises that efficient customs procedures reduce compliance costs for traders, facilitate legitimate trade, and help to address rising security, safety and IPR risks.

The role of the Customs Union in contributing to **internal security** of the EU has become increasingly prominent, and will continue to grow, as reflected in the action plan for the

¹³ Directorate General for Budget, Thematic Report on the customs control strategy in the Member States — Control of traditional own resources, p3.

¹⁴ SEC(2011) 791 final.

¹⁵ Adopted by Council in 2008 (2008/C 253/01).

¹⁶ SEC(2011) 467 final, 13.4.2011. Overview of responses to the public consultation on the Communication "Towards a Single Market Act".

¹⁷ http://ec.europa.eu/taxation_customs/resources/documents/customs/customs_controls/counterfeit_piracy/statistics/statistics_2010.pdf.

¹⁸ COM(2010) 2020 final of 3 March 2010: A strategy for smart, sustainable and inclusive growth.

Internal Security Strategy¹⁹ and in the **Stockholm Programme Action Plan**.²⁰ Furthermore, customs action and cooperation between customs, police and other enforcement authorities contribute to global security objectives such as the fight against money laundering, organised cross-border crime, and terrorism.

The Customs Union applies a substantial and increasing body of **consumer protection** rules and regulations that establish prohibitions and restrictions to protect consumers against health and safety risks and otherwise illegitimate trade. This includes EU legislation on product safety, food safety, human, plant and animal health, drug precursors, as well as rules on the export of cultural goods.

The Customs Union applies an increasing number of **environmental policy** measures to deal with hazardous chemicals, dangerous or radiating waste. These are applied, inter alia, to prevent illegal trade and dumping (both in the EU and elsewhere) of ozone depleting substances, pollutants, and trade in endangered animals and plants or products made from their parts.²¹

The future of the Customs Union lies in a pan-European electronic customs environment, fully in line with the Commission's strategy to develop the information society and create a **digital Single Market (Digital Agenda for Europe)** as **one of the flagships of the EU's 2020 Strategy**. The **European eGovernment Action Plan 2011-2015** looks to governments of the Member States to develop eGovernment services to reinforce the mobility of trade, aid the cross-border dimension, and provide benefits for the economy and protection of the environment.

By supporting the Customs Union in reaching its strategic objectives, and in providing IT assistance for the control and management of movement of goods into and out of the EU, the Customs Programme indirectly contributes to these EU priorities and to the Europe 2020 Strategy.

2. INFORMATION GATHERING. STAKEHOLDER CONSULTATION

The present report constitutes both the ex-ante evaluation required for programmes and the Impact Assessment that will accompany the legislative proposal for the future Customs 2020 programme.

The primary target stakeholders (customs authorities and their experts) were consulted at different stages in preparing the new programme.

¹⁹ COM(2010) 673 final, Brussels, 22.11.2010, Communication from the Commission to the European Parliament and the Council — the EU Internal Security Strategy in Action: Five steps towards a more secure Europe.

²⁰ COM(2010) 171 final, Brussels, 20.4.2010, Communication From the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Delivering an area of freedom, security and justice for Europe's citizens — Action Plan Implementing the Stockholm Programme.

²¹ A non-exhaustive list of EU legislation in which customs authorities are involved can be found in Annex 2.

An external contractor²² carried out a **midterm evaluation** of the effectiveness, efficiency, relevance and value added of the current programme. This used monitoring data from the different activities, surveys with over 1 000 former participants of the programme, interviews with 30 managers and targeted surveys of programme coordinators in participating countries. It also used the results of a survey of customs officials in Member States, assessing awareness of the programme and its perceived relevance in their daily work.²³ The results of the evaluation are used as evidence of the effectiveness and value added of the future programme – see sections 4 and 6. Recommendations from the evaluation were used to define problems and design of alternative options – see sections 3, 6, and 8.

The Commission informed the participating countries in spring 2010 about the future Programme proposal, emphasising the importance of having their view of the current and proposed programmes.²⁴ The Customs 2013 committee was consulted regarding the preparation of the new Programme, and the issue of the new Programme was the main topic of the programme management workshop in France on 7-8 July 2011. The Commission has also kept the Directors General of the national customs authorities in the Customs Policy Group informed on the preparations of the programme proposal.²⁵

In September 2010, DG TAXUD commissioned an external study on "The Future Business Architecture for the EU Customs Union", which included a comprehensive analysis of future challenges, structural problems and possible improvements to the functioning of the Customs Union. Part of the study also addressed the impacts of different scenarios for the future Customs Programme. A summary of the full study can be found in Annex 11. This impact assessment draws on these reports and on other recent studies.²⁶

Up to now, evaluation exercises of the existing programmes, mainly addressed primary stakeholders of the Customs Programme, namely customs authorities and their experts. The Commission acknowledges the importance of consulting secondary programme stakeholders on the relevance of the programme and more concretely on the support provided to facilitate legitimate trade. Therefore the Commission intends to keep this dimension in its future programme evaluation.

Assistance in preparing the impact assessment report came from an inter-service steering group: participants included the Secretariat-General, the Legal Service, DG Budget, DG Internal Market and Services, DG Home Affairs, DG Justice, DG for Energy and Transport, the European Anti-Fraud Office (OLAF) and DG Trade. The last meeting of the steering group took place on 26 July (see **Error! Reference source not found.** for the report). The Directorates-General for Justice, for Employment, Social Affairs and Inclusion and for Enterprise and Industry were consulted on social impacts, effects on SMEs and fundamental human rights. Contacts were established with the Directorate-General for Regional Policy on integrating customs control technical capacity-building into their funds (see section 11.2).

²² Midterm Evaluation of the Customs 2013 Programme, Final report, p 27-28.

²³ This programme poll reached 16 000 officials in 2008 and 10 000 in 2011.

²⁴ Minutes of the 7th Customs Committee meeting of 3 May 2010.

²⁵ Customs Policy Group (Full Members) 7-8 July 2010; Customs Policy Group (Full Members) 2-3 December 2010; Customs Policy Group (Deputies) 12 May 2011.

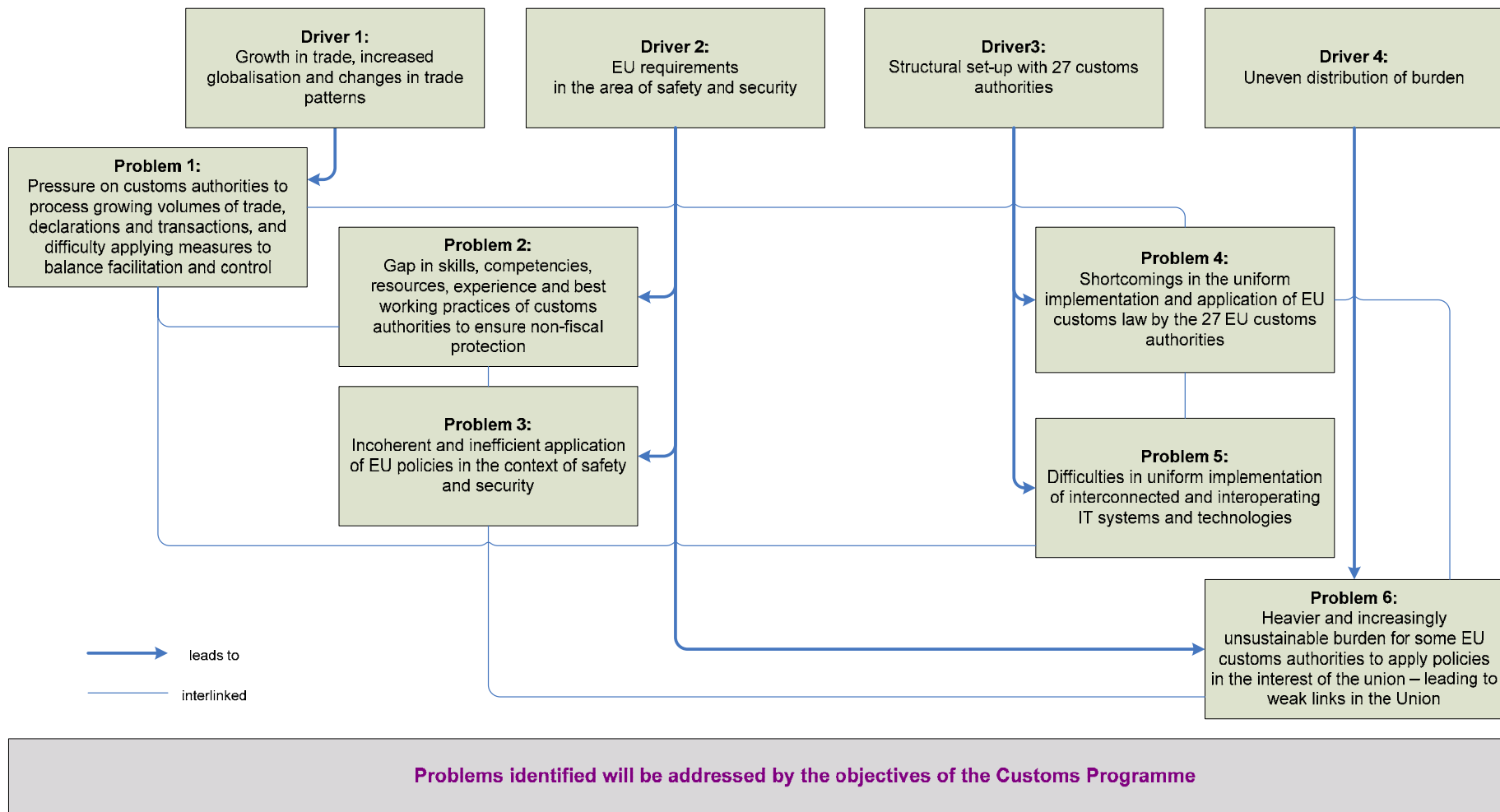
²⁶ For example, a study commissioned by DG HOME on collaboration between border authorities and a study produced for the European Parliament on the role of customs in border security. International sources such as World Bank publications, studies and indexes on customs and /or border management.

The Impact Assessment Board expressed its opinion on 22 September 2011. This version of the Impact Assessment addresses all the recommendations from the board in line with the reply provided in writing by DG TAXUD on the Impact Assessment Checklist of the Impact Board.

3. PROBLEM DEFINITION

A number of drivers have been identified that do negatively affect various EU stakeholders, or have the potential to do so: These drivers give rise to interrelated problems that need to be mitigated and addressed through EU intervention, as in a proposed Customs 2020 Programme. Figure 1 below summarizes the main links between identified problems and underlying drivers.

Figure 1: Drivers and problems



Source: DG TAXUD

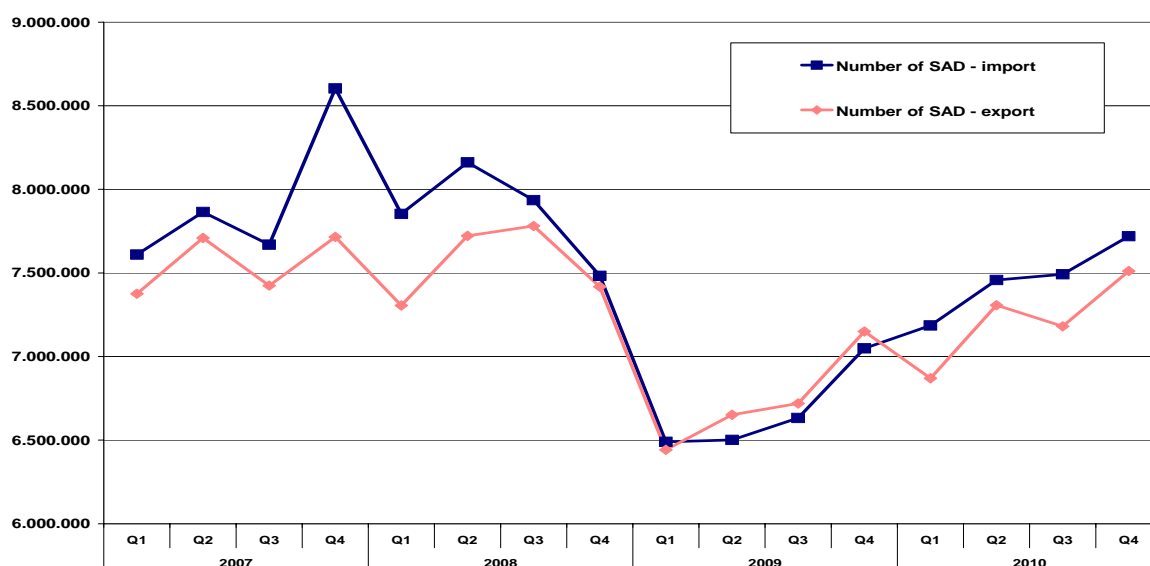
Driver 1: Growth in trade, increased globalisation and changes in trade patterns

Customs authorities increasingly operate in a world economy characterised by globalisation and changing trade patterns to which the Customs Union and EU customs authorities will need to adapt. In terms of value, international trade returned to pre-recession levels by mid-year 2010,²⁷ and is expected to continue growing. Growth has also been seen in the numbers of consignments and customs declarations since bottoming out in the first half of 2009. This trend, illustrated by the growth in numbers of declarations in Figure 2, can be expected to continue.

The nature of trade is changing due to globalisation of production and supply chains, with the EU relying on the rest of the world for two thirds of its intermediate production inputs²⁸. At the same time, new business models, including Internet sales, e-commerce and e-business, increase the complexity of international business, of supply chain logistics and of trade.

These changes in trade patterns and trade characteristics are not considered as a problem in itself, or as an issue that would be changed by a continuation of the Customs programme. Rather, the expected increase in trade will go hand in hand with further growing volumes of trade declarations and transactions, which the IT systems will have to be capable to deal with. Furthermore, the observed changes in trade characteristics might necessitate adaptations to ensure appropriate customs control measures to protect the EU in terms of financial, economic, and other interests such as for safety, security and environment protection purposes.

Figure 2: Development of the number of customs declarations



Annotation: Data refers to normal procedures, Single Administrative Document (SAD) level — import + export in 27 Member States

Source: DG TAXUD – Measurement of Results, 2010 Report

²⁷ According to the European Commission's interim economic forecasts published in September 2010.

²⁸ According to a Commission Communication of 9 November 2010, by 2015, 90 % of world growth is expected to be generated outside Europe, one third by China alone. Cf. Trade, Growth and World Affairs — Trade Policy as a Core Component of the EU's 2020 Strategy; <http://trade.ec.europa.eu/doclib/press/index.cfm?id=636&serie=382&langId=en>

Problem 1: Pressure on customs authorities to process growing volumes of trade, declarations and transactions, and difficulty applying measures to balance facilitation and control

Driver 2: EU requirements in the area of safety and security

Customs are in the frontline of protecting human, animal and plant life and health, and the environment by ensuring compliance with non-fiscal measures related to international trade in goods. The number and importance of such measures have increased radically and continues to do so, requiring additional and often specialised tasks to be carried out by customs authorities. The events of "9/11" underlined the growing trend and almost overnight multiplied public demand for security against terrorist and criminal activities in the supply chain. Specific policies for internal security, the protection of IPR, animal health, product safety and technical standards, result in a demanding and growing safety and security agenda. Customs authorities are also confronted with responsibilities for legislation which is not always directly compatible with existing processes and procedures, in particular in light of the ongoing modernisation. They increasingly face complexity and the extra coordination burden of working together with other authorities and bodies, as well as pressure to acquire and use specialised technical equipment such as radiation detectors and other analytical equipment.

Problem 2: Gap in skills, competencies, resources, experience and best working practices of customs authorities to ensure non-fiscal protection

Problem 3: Incoherent and inefficient application of EU policies in the context of safety and security

Driver 3: Structural set-up with 27 administrations

Harmonised implementation of customs legislation, as well as working methods, in the current 27 administrations have been facing difficulties dating back at least to 1993. Unscrupulous traders exploit differences in treatment: "Shopping" for the best gateway to, or exit point from, the EU, whether for criminal purposes or unfair competitive advantage. The continued existence of 27 separate administrations with different processes and procedures, while to some extent necessary and justified, is potentially inefficient, distorts competition and the functioning of the Internal Market, undermines the financial interests of the Union, and may contribute to failure to protect society.

Problem 4: Shortcomings in the harmonised implementation and application of EU customs law by the 27 EU customs authorities

A legislative response to these issues was adopting a modernised Community Customs Code and a Decision on Electronic Customs in 2008. In line with the general EU move to e-government services, all Member State customs authorities have already set up electronic working methods.

Most current public online services do not work across borders but, for the Customs Union to function seamlessly, EU customs must be able to offer pan-EU e-services to ensure equal treatment for business. The 27 Member State administrations currently have access to a

European secure network (CCN/CSI²⁹) with key "e-customs" systems support. For goods in transit, the level of electronic input in NCTS,³⁰ the first pan-European system is at 99.5 %.

However, with a growing number of electronic services to be offered in the future, the Customs Union is increasingly facing problems of interoperability and excessive complexity. IT systems are set up as part of the national, rather than EU, infrastructure. Fragmentation of rules on e-commerce, e-invoicing, e-payments and e-signatures complicate implementation and can lead to inconsistent application of common rules across Member States. The fact that businesses still have to connect to the Member State system in the country where the customs activity takes place forces businesses working in several countries to connect to multiple national systems. This increases administrative burden and compliance costs. These systems are often a patchwork, and are often put in place at short notice to meet EU regulatory requirements. While the legal framework and clearance options for businesses are the same, providing the same or similar services that can be accessed regardless of the place of business is still a massive technical challenge.

Information exchange with third countries also requires development of secure, consistent, and EU-wide IT solutions. The Customs Union must ensure that the future deployment of technology will be consistent with the EU's international obligations and with agreed international standards to avoid "isolating" the EU in the world trading system.

Problem 5: Difficulties in harmonised implementation of interconnected and interoperating IT systems and technologies

Driver 4: Uneven distribution of burden

For historical and geographical reasons, such as key trade routes, type and extent of external borders (maritime, land, air) or regional exposure to smuggling and fraud, Member States are subject to different levels of burden, particularly in control activities for safety and security. While this affects all operating and human resources, the imbalance is particularly severe in terms of investment needed in infrastructure, capacity building (such as customs control equipment) and technology. This creates evident problems, especially since new requirements appear at a very quick pace, particularly for safety and security policy.

In contrast to the unevenness of the burden of implementing the Customs Union, the benefits of the Customs Union, inside an Internal Market with fully free movement of goods, are common and shared.

Problem 6: Heavier and increasingly unsustainable burden for some EU customs authorities to apply policies in the interest of the union

²⁹ CCN/CSI = Common Communication Network, Common System Interface.

³⁰ New Computerised Transit System.

4. JUSTIFICATION OF EU ACTION AND THE ROLE OF THE CUSTOMS PROGRAMME

4.1. Need for EU intervention

The need for the Customs 2020 programme is determined by whether the Customs Union could address the problems and mitigate negative aspects without it, if Member States' legal obligations and/or other incentives will not do so.

First, the Customs Union is an exclusive competence of the EU, one of only five such areas listed in Article 3 of the Treaty on the Functioning of the European Union (TFEU). By transferring their powers to the EU, Member States ipso facto agreed that actions in the customs area will be better applied at EU level. However, the EU legal framework in itself does not ensure proper functioning of the Customs Union. It needs **flanking support measures as provided by the Customs Programme** to ensure that **EU customs legislation** is applied in a **convergent and uniform** way, so that treatment of traders, fraud prevention, and legal obligations do not vary.

Second, many of the activities in the customs area are of a **cross-border nature**, involving and affecting all 27 Member States and therefore they cannot be effectively and efficiently delivered by individual Member States. EU action is needed to underpin the European dimension of customs work, to avoid Internal Market distortions and to support the effective protection of the EU borders.

Solidarity and responsibility sharing are the principles underlying funding for the Customs Union. Situations where the need for effective measures exceeds the ability of particular Member States to supply them are detrimental to the union as a whole. EU intervention is required to preserve the EU public good where EU demand (e.g. for security) cannot be adequately serviced by the supply of particular Member States. In such cases, EU action translates into jointly funding **technical capacity building** to meet the demand for effective control despite the limited supply capability of specific Member States.

4.2. Customs Programme EU Added Value

According to the midterm evaluation of the Customs 2013 Programme³¹, the programme has delivered a **wealth of concrete outputs and results with a Europe-wide impact** that could not have been produced either by individual Member States or by the Commission. The quality of the results and the speed with which they have been attained are high, as is acceptance by Member States. If Member States had been obliged to learn from each other by developing their own activities outside the programme umbrella, they would have developed separate tools and ways of working. The midterm evaluation shows that the Customs 2013 Programme is contributing to the spread of relevant information and good practices. These good practices may not be strictly necessary for formal implementation of the Customs Union, but they have a significant positive effect on harmonisation of approaches, more effective and efficient customs controls, and a more level playing field between national administrations.

Joint efforts can lead to significant cost savings compared with Member States individually developing responses to challenges. **Synergy in best practices and pooling of resources** in responding to emerging needs would have been largely absent without the Programme. Many

³¹ Midterm Evaluation of the Customs 2013 Programme, Final report, p 12.

jointly developed activities would not have been realised or, at least, not as efficiently. Clear evidence of how **economies of scale** can be achieved in the customs area through pooling of efforts and experience include common and trans-European IT systems and development of human capacity building and common training.

Building on the strengths of the current programme, while addressing the problems described in section 1, the main EU added value of the Customs 2020 Programme is, first, in the boost it provides to the **effectiveness of Member State customs administration work** (improving, modernising, digitalising), and the economies of scale it provides for governments (shared databases, IT development, exchange of best practice, joint development of guidelines, actions, training and methodologies). Second, there is the enabling effect it has on the **effective and uniform functioning of the EU Customs Union**: joint IT facilities, staff networking, and the mechanisms that support collaboration and help develop trust between administrations to form and function as a union. While the economies of scale created by the programme are one element, much of the efficiency of the Customs Programme comes from the way it is implemented and managed, in particular compared to other EU Programmes.³²

To conclude, EU action in a Customs 2020 Programme is not only justified and necessary to ensure the proper functioning and further development of the Customs Union and its common regulatory framework, but has been shown to be the most efficient and effective EU response to shortcomings and challenges in implementing the EU Customs Union and customs cooperation. The Customs 2020 Programme is in line with the principle of subsidiarity and proportionality (as set out in Art. 5 of the Treaty of the European Union (TEU)). Since the Customs 2020 Programme will support the Customs Union in responding to the needs of public authorities, trade and citizens in the Internal Market, it could be based on Article 114 and/or Article 33³³ of the Treaty (ordinary legislative procedure).

5. PROGRAMME OBJECTIVES

The overall, specific and operational objectives of the proposed Customs Programme have been incorporated in the schematic overview of section 3. Specific objectives are more policy oriented than operational ones, and correspond mainly to the (overall) objectives of the current Customs 2013 Programme, as clarified in Annex 4. The operational objectives established for the new Customs 2020 Programme clarify how it will address the problems identified earlier and monitor results (see section 9). Most of the operational objectives relate to the same kind of activities as under the current Customs 2013 programme. Those operational objectives marked with an asterisk (*) will use new tools and/or variation in the scope of the activities.

Explanation on which policy option relates to which operational objective is provided in the section providing a detailed description and assessment of the different alternatives (see sections 6 and 7).

The intervention logic in **Error! Reference source not found.** provides a complete picture of interlinks between problems and all related specific and operational objectives of the programme. However, this impact assessment focuses on the analysis on a subset of operational objectives only. Policy options will differ in their effectiveness and efficiency to

³² The midterm evaluation of the ISEC/CIPS programme managed by DG HOME.

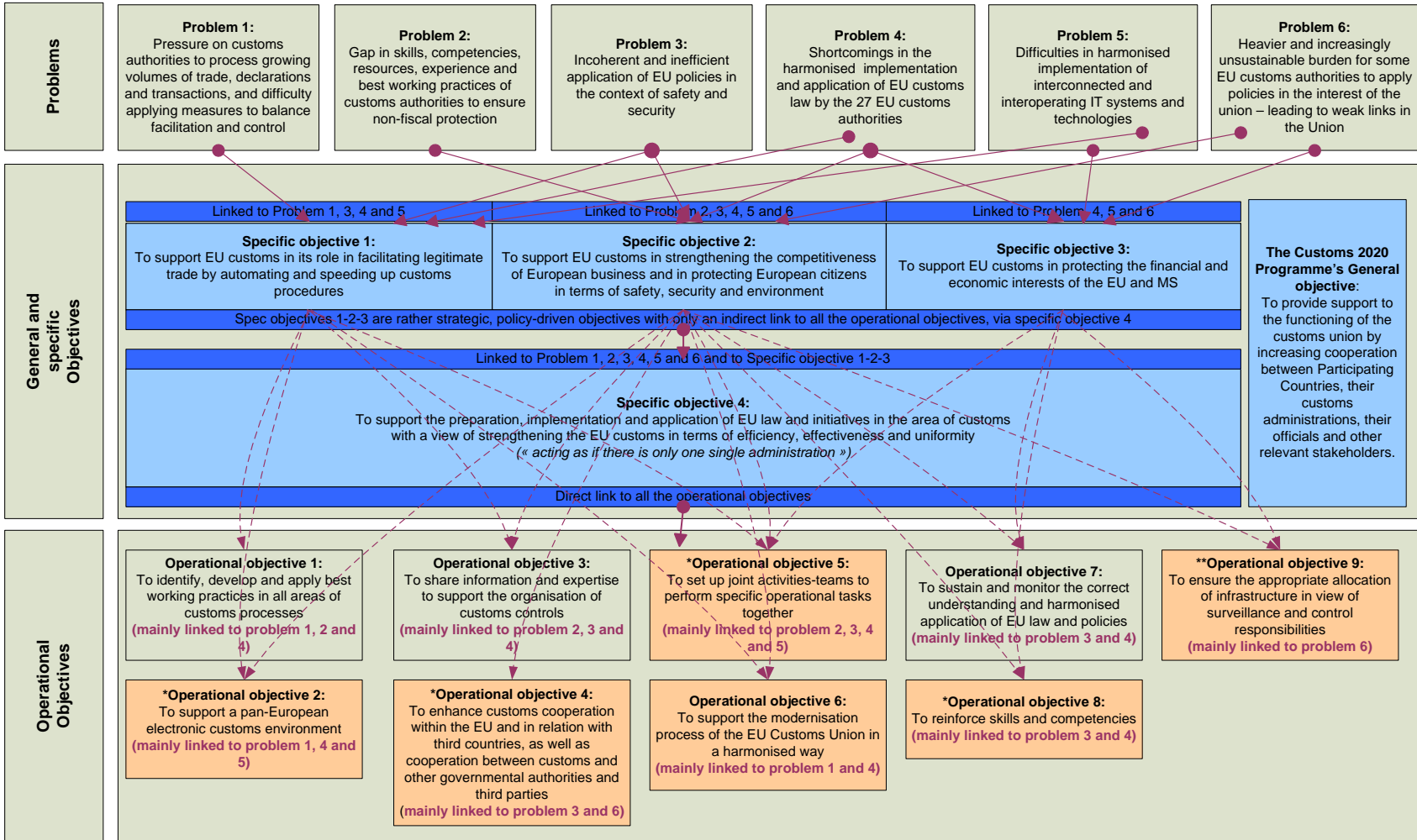
³³ Contacts are currently ongoing with Legal Service on this matter.

reach the set objectives. When comparing options, we will focus on those operational objectives, for which the developed options would indeed lead to different level of achievement.

6. DESCRIPTION OF POLICY OPTIONS

Considering the overall policy context and the problems ahead of customs in the next decade, a number of alternative policy options have been considered. In section 0, we first describe the baseline scenario of continuing the programme with its current objectives and design. Sections 6.2-6.5 present 4 alternatives to the baseline scenario, including one option to discontinue the programme altogether.

Intervention Logic



notation: (*) indicates objectives that are linked to changes in the Customs Programme compared to the current version. These objectives could be achieved by means of new tools and/or with a potential new scope of the activities themselves, subject to the related option.

(**) indicates an objective that similarly would imply a change to the Customs Programme, but could only be covered by policy option 2.

An

Source: DG TAXUD

Section 7 provides proof of the necessity of the programme (i.e. comparison against option 5 of discontinuation) and an outline of the scope adequate to address the presented problems (called a "vertical" choice between the baseline scenario and options 2-4). Only after this crucial demonstration of the need for the programme and a definition of the right scope can the analysis include the dimensions, or more "horizontal aspects" of the programme, in section 8. We describe these aspects as horizontal, as they could be in general applied to most of the options that define the "vertical" scope.

6.1. Option 1: Baseline scenario — "Status quo"

The baseline scenario for this impact assessment is continuation of the Customs 2013 Programme with no changes in financing, objectives or available instruments. In this scenario the programme will support the same activities and tools as in the past.

The findings of the midterm evaluation provide evidence of the **relevance** (in defining objectives), **effectiveness** (in achieving objectives), and **efficiency** (in management model) of the Customs 2013 Programme. Given the problems foreseen in the next decade, this option with its unchanged funding level will not be able to cater to all needs. Section 7.1 contains an in-depth assessment of the baseline scenario.

6.2. Option 2: Increased support to EU legal obligations such as the Modernised Customs Code (MCC)

This policy option is based on the baseline scenario tailored to new needs, deriving from the evolving EU customs environment and related problems, as described in section 3. The option implies a stronger focus on the achieving operational objectives 2, 4, 5, 6 and 8.

The option assumes the continuation of existing trans-European IT systems ("TEIT" systems) and developing and deploying new ones as defined in EU customs legislation, such as the Modernised Customs Code (MCC), with a view to further implementing the pan-European customs environment. There will be gradual introduction of a more shared IT development model and modernisation of the underlying governance, architecture and technology.

The option includes existing joint action tools and some additional, innovative tools to better meet objectives. More streamlined cooperation is envisaged within the EU and between the EU and international actors. Improved cooperation will come from reinforcement of common training and the option to set up EU expert teams to work together on operational tasks in the Union's interest, in line with operational objective 5. It also supports joint activities between customs and other authorities (market surveillance, environmental, nuclear) to reinforce common risk management at the border in non-fiscal areas.

Achieving the specific objectives described in the baseline scenario also applies to this scenario. However, policy option 2 will have **greater positive impacts** in terms of supporting all specified objectives, since it includes provision for **increased cooperation (IT and human)**, comprising the possibility of setting up expert teams, particularly in line with operational objectives 4 and 5. **Error! Reference source not found. Error! Reference source not found.** highlights how most operational objectives are reinforced by option 2. The operational objectives of the programme will be adjusted and new ones included, requiring new instruments or tools.

Table 2: Scope of Option 2 and related programme instruments – compared to baseline scenario

Customs 2020 Operational objectives	Scope	Programme Instruments
Objective 2: to support a pan-European electronic customs environment	Reinforced	All instruments existing under the baseline scenario: IT systems, training, steering and project groups NEW: Shared IT developments for some processes, based on a modernised architecture/ platform
Objective 4: to enhance customs cooperation within the EU and in relation to third countries as well as cooperation between customs and other government authorities and third parties	Reinforced	All instruments existing under the baseline scenario NEW: EU expert teams
Objective 5: to set up joint activities/teams to perform specific operational tasks together	New	NEW: EU expert teams
Objective 6: to support the modernisation process of the EU Customs Union in a harmonised way	Slightly refocus	All instruments existing under the baseline scenario
Objective 8: to reinforce skills and competencies	Reinforced	All instruments existing under the baseline scenario

Source: DG TAXUD

The possibility to develop new trans-European IT systems based on **shared developments models and a modern IT architecture** and platform will increase both flexibility and efficiency in addressing the problems customs authorities are facing already today. Creating new tools, allowing for more streamlined cooperation and exchanging operational information, will be better for achieving the specific objectives of the programme compared to the baseline scenario. Indeed, an enhanced cooperation with other government authorities will result in strengthened competitiveness of businesses and better protection of citizens (specific objective 2), better cooperation will help support EU financial interests (specific objective 3), and an improved level of skills will facilitate the smooth implementation of EU initiatives (specific objective 4). Incorporating the experience of customs officials and other experts, trainers, economic operators, academics, etc., will reinforce the baseline scenario activities and allow for a more systematic and integrated approach to programme implementation.

6.3. Option 3: Option 2 plus financial support for technical capacity building

This option adds a financial support scheme to the components of option 2. Member States could request support from the Commission to cover costs of equipment to support an adequate level of control across the EU. Financial support could be provided to support control activities at land, sea or air borders, e.g. for scanners and laboratory equipment. Such financial support will help Member States when they have to invest heavily to meet the demands for speeding up and streamlining controls in a context of evolving technologies.

Making efficient use of new technology will enhance processing of declarations, effective risk management and non-intrusive detection.

Even though the focus will be on "filling the gaps", i.e. making sure that within the Customs Union all Member States have access to the equipment needed to provide adequate controls, the budgetary consequences for this option are major.

6.4. Option 4: Option 2 plus maximised shared IT environment

This option proposes higher scale shared development and operation of trans-European IT systems to support EU customs legislation such as the MCC. It will support, on the one hand, public authorities in developing and deploying the systems necessary for a pan-European electronic customs environment and, on the other, businesses connecting to those systems.

Going to a maximised shared IT environment for several existing and new trans-European systems also means an extension of the role and responsibilities of the European Commission.

In addition to the components of option 2, option 4 allows customs to extend the capability of sharing common developments in all areas of its business, e.g. including full implementation of core clearance processes for import, transit and export and its interface to traders.

Table 3: Scope of Option 4 and related programme instruments – beyond option 2

Customs 2020 Operational objectives	Scope	Programme Instruments
Objective 2: to support a pan-European electronic customs environment	Further reinforce	Shared IT developments for more processes, based on a completely modernised architecture/ platform

Source. DG TAXUD

This option would address the problems of implementing interconnected IT systems to speed up customs procedures more adequately than policy option 2. The expected business outcome positively impacts efficiency in terms of development and maintenance of IT systems and fully grasps the benefits of a responsive, modular, scalable and adaptive architecture and underlying software and infrastructure.

6.5. Option 5: Discontinuation of the programme

This option envisages no longer funding existing trans-European IT systems (nor developing new TEIT systems), joint actions or common training activities that currently support the functioning of the Customs Union.

7. ASSESSING IMPACTS

This section analyses the expected main impacts of the baseline scenario and other policy options. The benchmark is the baseline scenario, with relative scoring of the different policy options against the baseline and selection of the most appropriate course of action (see section 9).

The following assessment criteria were used for the comparison of options:

Effectiveness/Impact

This criterion measures the expected contribution to achieving specific and operational objectives. If an option will contribute more effectively, it will receive a higher score.

Efficiency

This criterion measures the output orientation, efficiency gains and solidarity and whether the programme offers value for money. If an option is operating more efficiently, it will receive a higher score.

Coherence with other EU initiatives

This criterion measures the extent to which the option is coherent with other EU initiatives. This includes whether or not it falls within the budget for the provision made in the Budget for Europe 2020

To complete the assessment, the acceptability of each option for Member States is also mentioned.

The main effects of all options relate to the functioning of the public (customs) authorities but secondary effects on businesses and consumers/citizens can also be identified. As the nature of the options is quite broad³⁴ and the programme is a supporting instrument for legal initiatives in the customs area, it is not always possible to assess the impacts with accuracy.

7.1. Option 1: Baseline scenario – "Status quo"

7.1.1. Summary assessment

The baseline scenario for this impact assessment is continuation of the Customs 2013 Programme without changes in financing or available instruments. In this scenario the programme will support the same activities and tools as in the past (see section 7.1.2.1). However, the agility of the Customs Union in the face of change, with new problems to address and the implications of forthcoming EU legislation, will be limited and lead to severe shortcomings and related impacts (see section 7.1.2.2).

7.1.2. Detailed assessment

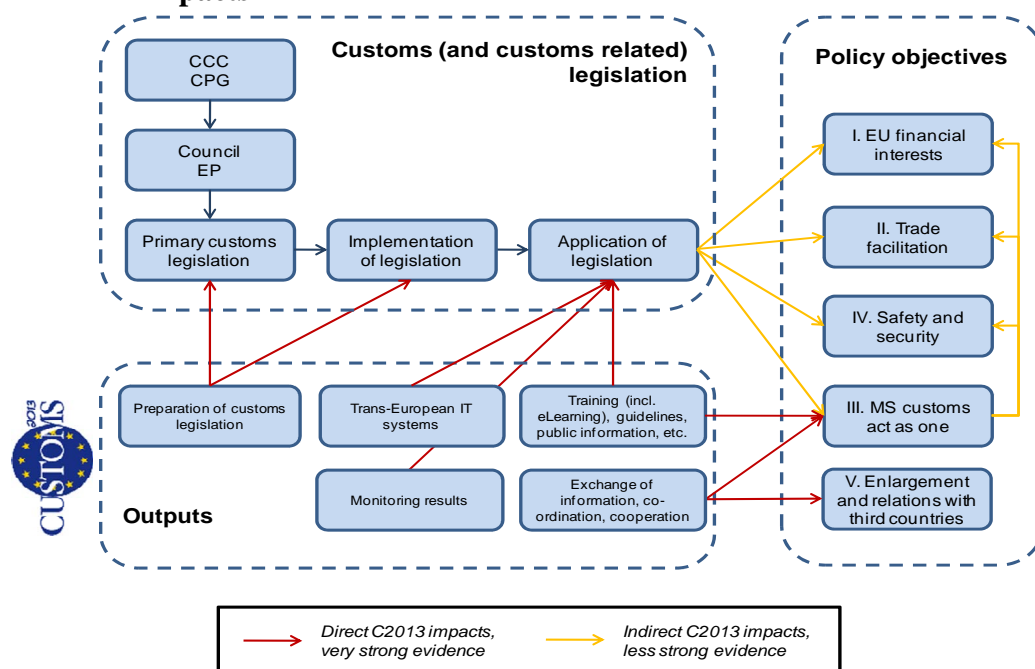
Since the exact nature and quantity of potential future outputs are difficult to identify under this option, known outputs/results/impacts of the current programme are used to demonstrate the potential impact of a status quo continuation.

7.1.2.1. Assessing the achievements of the Customs Programme

In assessing the programme effectiveness and efficiency, it is important to note that it does not exist in a vacuum but is intimately linked with the wider Customs Union, functioning mainly through existing EU customs and related legislation (see Figure 3 below).

³⁴ As a "toolbox" of instruments, the more precise content in terms of specific activities, apart from the existing networks and IT systems, is not pre-determined.

Figure 3: Conceptual framework of Customs 2013 Programme intervention and its impacts



Source: DG TAXUD – Final Report on the midterm evaluation of the Customs 2013 programme, p 8.

Based on the overwhelming positive feedback from target audiences (both national customs authorities and individual programme participants) and on in-depth assessment of a sample of activity areas, the midterm evaluation concludes that **the Customs 2013 Programme makes a significant contribution to the proper functioning of the Customs Union** (and to the objectives that underpin it) through a variety of interventions, including both joint actions and IT systems³⁵. Specific examples are mentioned below.

Three strategic thematic areas were described to illustrate the role and added value of the Customs Programme as it stands and its anticipated achievement against objectives. This excerpts from the midterm evaluation, and in particular the case studies on specific actions undertaken, indicate also the achievements in terms of effectiveness and efficiency of this option.

(i) *Thematic area: Building a paperless customs environment (mainly in support of operational objective 2)*

The Customs 2013 Programme has offered support to the (inter)operability, maintenance and upgrading of the existing communication and information exchange systems. It has also contributed to the preparation and implementation of new IT projects.

Electronic customs systems now support processes registering the movement of goods into and out of the European Union and help reduce threats to the safety and security of European citizens. These systems offer a **paperless environment**, simplify procedures, work more efficiently and aid data exchange between customs authorities.

³⁵ Midterm Evaluation of the Customs 2013 Programme, Final report, p 9.

According to the midterm evaluation³⁶, over 75% of the respondents felt that the programme has contributed "a lot" in these areas, mainly through meetings of the Electronic Customs Group (ECG) and its technical working groups, evaluation workshops and IT training. The main benefits of the trans-European IT systems were described as introducing standardised procedures, faster handling of operations, and better traceability of movements.

Case study: NCTS

An example of a Europe-wide system developed and operated under the Customs Programme is the **New Computerised Transit System (NCTS)**. NCTS enables traders to submit transit declarations and customs authorities to exchange messages related to Community/Common Transit (CT) electronically. NCTS was developed at the beginning of the 2000s as part of the measures which remedied the serious shortcomings of the paper based transit system which operated previously.

NCTS meets the needs of modern customs authorities where facilitation of legitimate trade, fraud prevention and detection, speed and flexibility are vital and where continual changes in the business environment are a given. The midterm evaluation reports that NCTS was found to be especially successful in enabling full and effective control of the "core" transit procedure, faster control, and time and cost savings for economic operators³⁷. More than half of all Member States agreed that NCTS has "fully" achieved these objectives. The number of NCTS messages reached 47 million in 2010 (an increase of approximately 10% over the previous year), with a very low error rate (below 0.5%), allowing control of the movement of goods across the EU under the transit regime in 9.8 million trucks each year.

(ii) Thematic area: Strengthening (supply chain) security and safety (mainly in support of operational objective 1 and 3)

Work on a common EU approach to risk management has been ongoing for over a decade, and has gathered significant momentum since the adoption of the Security Amendment.³⁸ The Authorised Economic Operator programme has been operational since 2008, and cooperation with major trading partners to achieve mutual recognition is ongoing. This contributes to the security of supply chains as well as offering trade facilitation benefits. The amendment has been fully operational since January 2011. For the first time, common risk criteria and security risk rules are applied across the EU. The midterm evaluation concludes that the Customs 2013 Programme has played a key role in making this possible by contributing to the development of the necessary IT systems to collect and exchange the relevant data. It has also supported the drafting of rules and guidelines to help interpret the legal requirements and illustrate them for day-to-day customs operations. A case study³⁹ has highlighted how the mix of different tools available under Customs 2013 Programme can be used to target different audiences and achieve different but complementary results.

³⁶ Midterm Evaluation of the Customs 2013 Programme, Final report, p 48.

³⁷ Midterm Evaluation of the Customs 2013 Programme, Final report, p 49.

³⁸ Council Regulation 648/2005 and Commission Regulation (EC) No 1875/2006.

³⁹ Midterm Evaluation of the Customs 2013 Programme — Final report.

Case study: Implementing a common approach to risk management

A high-level seminar raised awareness of the **common approach to risk management** among Member State decision-makers and provided broad policy orientation for the future. A project group on security risk rules brought together experts in risk management, and was instrumental in developing the rules and risk criteria, as well as testing and refining these rules and related tools and processes. A series of workshops educated and trained targeting officers on the implications of the new rules for their work. The feedback from participants indicates that all these joint actions were highly relevant, effective and efficient, and each contributed (in its own way) to developing and putting into practice a common EU approach to risk analysis and management. Also, the Customs Risk Management System (CRMS) IT application has been greatly appreciated by its stakeholders. The evaluation shows that Member States see the system as contributing directly to strengthening safety and security. There was widespread agreement that without the Customs 2013 Programme support, both the speed and the quality of developments in this area would have been severely compromised.

(iii) Thematic area: Supporting the preparation and implementation of a modernised customs environment (mainly in support of operational objective 7)

The main current legal instrument, the Community Customs Code was adopted in anticipation of the single market nearly two decades ago. The Modernised Customs Code was adopted in 2008, the culmination of a modernisation process that started in the early 2000s. The process of putting the MCC in place continues and, once the elements of the modernisation, including the IT systems, are operational, EU customs will be better equipped to limit the administrative burden, prevent fraud and collect duties in a harmonised way across the EU.

The Customs 2013 Programme has provided vital support to the simplification and modernisation of customs legislation, as well as its practical implementation. The midterm evaluation⁴⁰ reported that stakeholders almost unanimously felt that the programme's support to the developments in this area were crucial for overall progress. Especially noted was the support provided to the development of new legislation and tools for implementation.

Case Study: Modernising the customs environment

The case study highlights how Customs 2013 Programme contributed to drafting different sections of the **implementing provisions of the MCC (MCCIP)** and helping to determine how the legislation should be put into practice. However, it also illustrates how the legal framework must be complemented with additional measures, such as common guidelines, to ensure that the provisions and rules are interpreted and applied correctly and uniformly across the EU. The work of the project group to prepare guidelines on MCCIP for customs valuation is an excellent example of how Customs 2013 Programme has supported the revision of common guidelines while aiming to ensure that the new provisions will be implemented in the same way in all Member States. Both the legal provisions and revised guidelines are crucial to the future implementation of the MCC and they help with a better understanding of the legislation. The case study also shows that the representation of trade in, for instance, the project group assisting the drafting of the MCCIP, was appreciated by national customs officials, particularly given their responsibility to comply with this legislation.

⁴⁰ Midterm Evaluation of the Customs 2013 Programme, Final report, p 36.

The Modernised Customs Code entails amongst others a provision to automate customs procedures. This will require the need for the development and operation of several European IT systems. The current practice of IT systems development foresees that each Member State is responsible for the implementation of its national systems according to common specifications. This approach guides in 27 developments for each system; 27 trader interfaces; 27 schedules of development; 27 set of project related or operational difficulties; a high complexity for change; a very high duration for any change, hence the absence of agility for the evolution of the customs union; a significant overhead for large traders to connect to 27 systems; an obvious increase of transaction cost. In the light of the financial crisis, many Member States are not ready to invest the budget required so as to continue IT developments that do not always have a positive local business case. The analysis has proven that a better approach of the IT developments exists, allowing to better share the burden of IT developments, hence reducing the total cost by at least 25%, reduce the delays of the global projects; increase their capacity to change; increase the harmonisation of the functioning of the Customs Union etc. In order to do so, the Commission is called to play an expanded role for the IT developments, going beyond its traditional duties. In order to be able to respond to this increase of duties, an increased involvement of Member States in common projects and an increase set of central resources is necessary.

7.1.2.2. Assessing the shortcomings of the "status quo" scenario and related negative impacts

Without refocusing the objectives, an additional set of tools and increased funding, the Customs Programme will no longer provide an adequate response to the problems ahead.

The policy context in which the Customs Union now operates has changed and will continue to do so, compared to the period when the current programme was adopted. Current weaknesses, such as differences in interpretation of EU law, the lack of implementation of European Court of Justice (ECJ) case law, variation in how customs controls are performed,⁴¹ and differences in the quality of risk management methodologies and tools applied (at least in the case of simplified procedures for imports)⁴² are likely to remain inadequately tackled in the baseline scenario. More specifically, the baseline scenario does NOT enable a more efficient IT approach to a pan-European customs environment, nor more streamlined customs cooperation and pooling of resources, expertise and skills to support Member States in their daily operations.

Efforts such as those encouraged and supported by the current programme may not be sufficient to ensure that customs authorities are able to keep up with these developments. The impacts are potentially very negative: **non-realisation, or inadequate and delayed realisation of some new trans-European IT systems** required by the Modernised Customs Code, the Decision on a paperless environment for customs and trade, and possible other EU requirements can have seriously negative impacts. The consequences of such failure could, as repeatedly warned by trade associations, even jeopardise the beneficial impacts of existing systems, and put into question the full benefit of a paperless customs for trade.

If the burden — and uneven burden-sharing — of supporting customs activities continues to grow, continues to be borne by the corresponding national administrations alone, there is a

⁴¹ Survey on "The convergence of Member States" working methods and customs controls", August 2010.

⁴² Special Report of the European Court of Auditors No 1//2010, "Are simplified customs procedures for imports effectively controlled?"

considerable risk of growing lack of **customs control and detection equipment** required to support compliance and control activities across the EU. This may lead to "weak spots" in the Customs Union, and increase opportunities for "shopping" by traders, regionalised problems of fraud, and increased security risks for the entire Internal Market.

Given the shortcomings identified (see more details in Annex 5), the problems facing customs will not be addressed adequately and will most likely become aggravated in a status quo continuation of the programme. In particular, the non-effective and non-efficient implementation of the Modernised Customs Code and other customs related EU legislation would have a detrimental impact, leading to losses for the EU budget (economic impact) and seriously diminished security and safety of the EU, its citizens and the environment, as demonstrated in the graph in Annex 6.

7.2. Option 2: Increased support to EU legal obligations such as the Modernised Customs Code

7.2.1. Summary assessment

Under this policy option, the programme will be similar to the baseline scenario but tailored to the new needs of an evolving EU customs environment and related problems — as they were described in section 3.

7.2.2. Detailed assessment of scope and impacts of option 2

7.2.2.1. Assessing the achievements of option 2

(i) Strengthened joint cooperation at EU level to meet requirements in risk management, global threat assessment, cooperation with other authorities in non-fiscal areas.

Since the Customs Union is composed of 27 national customs authorities, there is a need to structure and support collaboration, sharing of experiences and practices, and more efficient use of resources, as highlighted by operational objectives 1, 4 and 8. It is important to refer to the Customs Risk Management Framework (CRMF), where legal⁴³ and structural developments have occurred over recent years but where divergent⁴⁴ applications seriously hamper the effectiveness of legal provision. According to a recent survey,⁴⁵ further work to act at EU-level against emerging global threats will address risks more effectively and save duplicated effort. Another area in which reinforced cooperation has been requested is customs cooperation for market surveillance on product safety.

The outcome of a study⁴⁶ confirmed that, while not questioning the effectiveness of the current programme scope or tools, EU customs need **additional new ways of working together and** rationalising resources to optimise the uniform, effective and efficient implementation of EU customs legislation and policies. Setting up EU customs teams (in the form of joint customs controls or task forces, operational or synergy teams) under the C2020

⁴³ Council Regulation 648/2005.

⁴⁴ As discussed regularly within the Customs Code Committee — section on risk management and controls (CCC CRM).

⁴⁵ DG TAXUD, Survey on the convergence of Member States' working methods and customs controls.

⁴⁶ Deloitte, "Future business architecture for the Customs Union and cooperative model in the taxation area in Europe".

Programme will offer better response in pooling information, operational expertise and best working practices at EU level.

A more detailed assessment of structured cooperation in the proposed "EU customs teams" has been carried out in the above study.⁴⁷ The purpose of such teams would be to pool resources from Member States to work together in the interest of the Union and with the support of DG TAXUD. This could be on an as-needed basis or permanently.

Different types of EU customs teams can work within the coordination structures and mechanisms of the Customs Union.

(ii) Enhanced competency building at EU level

Customs officers need to build and continuously update knowledge and skills required for quality execution of their various tasks. Recent EU studies^{48 49} confirm that most national customs authorities and businesses have clear need for training initiatives at EU level. In the context of protecting the EU against safety and security risks, the lack of training for those involved in border security has been noted.⁵⁰

Common rules require harmonised application, and the quality of EU customs and its ability to serve the EU's needs is only as strong as its weakest link. The Customs 2020 Programme is essential to drive harmonisation and strengthen human capacity through enhanced training support.

Under this option, the common training provided through the Customs 2020 Programme will be broadened. Key initiatives would be the establishment of a European customs competence framework and performance standards, including improvement of the current EU eLearning development programme into multi-faceted training support, with integration of different aspects of customs work and those involved.

(iii) Further development of trans-European systems for the MCC and other EU initiatives

The Modernised Customs Code and the Electronic Customs Decision are the most important drivers of a pan-European electronic customs environment. Responsibility for electronic customs systems is shared between the Commission and the Member States, each with specific tasks and responsibilities, as defined in the Electronic Customs Decision. The resulting technical environment for customs is very mixed, with the exchange of information between customs authorities of 27 Member States as an essential and recurrent element, assuring interoperability. The **need for interoperability** (grasped by operational objective 2) was identified in the 1990s, resulting in the creation of an interoperability infrastructure to allow implementation of all the IT systems by customs policy since then. The interoperability infrastructure allows the implementation of over 40 trans-European customs systems in the EU, with interoperability between 3 500 application connection points in national

⁴⁷ Deloitte, "Future business architecture for the Customs Union and cooperative model in the taxation area in Europe — Business case of selected options" p 11-32.

⁴⁸ Deloitte study & ongoing Feasibility Study on EU Academic Customs Programme.

⁴⁹ Land Frontier Contact Group — Annual Report for the Year 2009 regarding the Comparison Project on "Customs control resources and movement of means of transport by road at the EU external land border." p 31.

⁵⁰ Deloitte "Future business architecture for the Customs Union and cooperative model in the taxation area in Europe. Strengths and weaknesses of the current organisational model." p 87.

administrations allowing for the exchange of over 300 million Customs information messages annually, which grow at an average rate of 40 % in the last 5 years (figures of 2010).

However, inefficiency in development and of the deployment model, requiring Member States to duplicate IT development and maintenance, has resulted in extended average implementation time and high development and maintenance costs. Knowing that customs IT systems support the same high level business process in each Member State, and are built to similar specifications, a new approach affects different levels (organisational, methodological, technical).

Following the traditional IT approach and implementation methodology, the time needed to **develop the MCC and Electronic Customs** is likely to extend beyond 2022, as highlighted in a study.⁵¹ Some Member States have suggested that they cannot easily make the MCC changes in their existing codebase. Moreover, the costs of developing and operating these new IT systems represent a significant proportion of the Member State IT budgets, which are increasingly under pressure.

To address these difficulties, and in view of operational objective 6, the **IT strategy proposed under this option** (and further built on under option 2) aims at reducing EU customs IT costs and improving the consistency of data and application of rules by gradually moving towards more shared IT development (knowledge, data, IT components, traders' interface) without going to a full scale sharing of the IT environment. The table in Annex 8 describes the levels of sharing envisaged in each customs area for option 2. There will also be improved working methods (e.g. through business process modelling, better quality specifications and service-orientation) and standardisation (e.g. harmonising interfaces for traders). The new IT model would also provide an appropriate response to the fact that the underlying IT governance, architecture and technology has become increasingly outdated, as confirmed by a recent study by Gartner and Deloitte.

This IT strategy does not alter the competences of the Commission and Member States; it shifts the responsibility for the design, development and operation of the TEIT systems from the Member States to the Commission.

A recent study set out a detailed scorecard of this option in terms of efficiency, effectiveness, uniformity and risk, as well as the impacts on costs and timing, and compares the traditional model with the envisaged shared development model.⁵²

7.2.2.2. Assessing the impacts of option 2

(i) Economic impacts

This option will address the problems identified under section 1, with the exception of problem 6, and will positively affect and mitigate the impacts described under the baseline scenario.

This option will have an economic impact since it supports the Member State customs authorities in **protecting the financial and economic interests of the EU and Member States** (specific objective 3) through greater cooperation (IT or staff). Effective collection of

⁵¹ MCC and eCustoms Master IT Plan Iteration 1 Global Estimation Study Document.

⁵² MCC and eCustoms Master IT Plan Iteration 1 Global Estimation Study Document, p 55.

customs duties will directly influence the EU Budget (traditional own resources) and national budgets. Indirectly, this will influence income distribution and public benefits.

The economies of scale from the upgraded shared development approach for the **TEIT systems** required by EU legislation will reduce the costs for Member State governments. A recent study states that the total estimated savings (national and EU budget) are of the order of 25 %⁵³ based on the assumption that an average of 10 Member States would make use of the shared developments. Situations such as occurred in Ireland could be avoided: here a 3 million euro investment was made to implement an EU system to control the security of a very limited number of consignments per year.⁵⁴

The impacts of shared IT development are also sought in the **harmonisation of the interface to traders**, with one interface for the Customs Union for new systems rather than 27. There will be further reduction in administrative burdens on businesses, having a spill-over effect on costs for economic operators and even for consumers. Legitimate trade will be supported by speeding up automated customs procedures and control measures, which will protect their position in the global market and avoid unfair competition.

Overall, it is predominantly large firms that are engaged in international trade and therefore they are the primary bearers of administrative burdens related to customs policy. Nevertheless, as such burdens often take the form of fixed costs, it is safe to assume to affect small and medium-sized enterprises engaged in international trade proportionately heavier than larger firms. Consequently, administrative burden reduction can indeed be expected to be highly beneficial to SMEs affected. This can be illustrated by data on the number and share of small and medium-sized enterprises as a proxy: A study commissioned by the European Commission in 2009 revealed that about 29% of small and medium-sized enterprises report own imports between 2006 and 2008, and about 26% reported direct exports in those years⁵⁵. This means, that about 6 million small and medium sized enterprises benefit from reduced administrative burden concerning their imports, and more than 5.3 million with respect to their exports.⁵⁶

Strengthened cooperation to ensure uniform and high-quality performance of risk management in all Member States will contribute to better protection of financial interests.⁵⁷ Also, in line with operational objective 4, further cooperation between the EU and third countries on mutual recognition of, for instance, AEOs will potentially impact the economy significantly, particularly if established with countries shipping large volumes of goods.

A study by the World Bank suggests that a reduction in customs clearance times by one day can bring the equivalent of around 0.5 % to 0.8 % of cargo value in increased income; halving the standard deviation of customs clearance times is the equivalent of a 0.2 % increase. This reduction in costs increases the external competitiveness of EU business.

⁵³ MCC and eCustoms Master IT Plan Iteration 1 Global Estimation Study Document, p 55.

⁵⁴ Customs 2013 Programme Bucharest seminar on 16-17 June 2011, Presentation of Irish Customs.

⁵⁵ Study on the level of internationalisation of European SMEs by DG Enterprise and Industry, 2009.

⁵⁶ The total number of small and medium sized enterprises in 2008 in EU27 is estimated at 20.7 million. Source: SME Performance Review by DG Enterprise and Industry, Annual Report 2009

⁵⁷ Thematic Report of the Directorate-general for Budget on customs control strategy in Member States in view of the Control of traditional own resources. Results of inspections carried out in Member States in 2009 and 2010.

(ii) Social and environmental impacts

Reinforced cooperation between customs, and between them and other authorities, under this option will support the effective, efficient and uniform implementation of new regulations such as Regulation 765/2008 on the accreditation and market surveillance that include provisions on product safety and compliance control of products entering the EU market, the new Directive on falsified medicines, and the forthcoming Regulation on IPR. More streamlined cooperation will avoid gaps in supply chain protection by ensuring adequate control measures, improving coordination between authorities at the border, and allowing systematic exchange of risk information and equal CRMS application along the length of the border. Developing joint priority control areas could support management of the EU border for security and safety purposes and will assist the **protection of consumers/citizens and the environment from risks posed by international trade**.

Customs authorities are responsible for customs action and EU cooperation in environmental crime, for example in illegal movements of waste. Providing protection through chemicals legislation (REACH) or animal and plant health legislation will increasingly contribute to the environmental protection both within and outside the EU.

Although difficult to demonstrate, there is likely to be indirect secondary impact on the environment, given the replacement of paper-based information exchange by electronic systems; however, IT systems require energy to function.

(iii) Impacts on fundamental rights

This option has an impact on the **fundamental right of data protection**,⁵⁸ notably the exchange of information between Member States or Member States and third countries. The Commission provides the gateway to exchange the data between the Member States or Member States and third countries but has no access to the data itself. The infrastructure set up by the Commission via the Customs 2020 programme to support information exchange provides sufficient security to protect data from unauthorised access, compliant with data protection requirements.⁵⁹ The specific secondary EU customs legislation organising the exchange of information contains the necessary provisions for data protection. Where this legislation does not yet exist, the future legal proposal should be compliant with data protection provisions.

There is also potential interference with the fundamental right to the protection of private life⁶⁰ in relation to IP rights and the contribution to fighting crime and terrorist activity. Adequate conditions (safeguards, organisation, limitations) will be laid down to ensure compatibility with fundamental rights.

7.2.3. Acceptability of option 2

In the seminar on the future MCC & eCustoms IT Implementation Strategy,⁶¹ Member States have generally **expressed their support** for a gradual increase in sharing but with the level of

⁵⁸ Art. 8 of the Charter of Fundamental Rights of the EU and Article 16 of the TFEU.

⁵⁹ EU Charter and the secondary EU data protection legislation, namely Directive 95/46/EC and Regulation 45/2001.

⁶⁰ Art. 7 of the Charter of Fundamental Rights of the EU.

⁶¹ Support for and conclusions of Customs Seminar June 2011 (ref. D(2011)736913) — MCC & eCustoms IT Implementation Strategy and Supporting Organisation.

sharing/centralisation (from message exchange to shared processes and applications) and of collaboration (specifications, development, operations) judged on a case-by-case basis. This approach calls for improved IT governance, judging the level of centralisation of systems in each case and assuring appropriate expertise from Member State staff for central developments. The most important risk identified during the seminar was underestimating the impact of the changes.

Under this option, the TEIT systems supporting the implementation of the MCC and other EU legislations will be further developed but potentially not with the maximum time and budgetary gains as envisaged with option 3.

7.2.4. Overall rating of option 2

This option is likely to bring many positive impacts and lead to increased flexibility and agility, allowing the Customs Union to respond to new needs, further alignment and better performance across the EU in a way not achievable under the baseline scenario. Therefore, it has been retained.

7.3. Option 3: Option 2 plus financial support for technical capacity building

7.3.1. Summary assessment

Building on option 2, Member States at the EU external border could request assistance from the Commission to cover costs related to purchasing **equipment to support adequate control in the EU**, in accordance with a new operational objective 9.

Table 4: Scope of Option 3 and related programme instruments – beyond option 2

Customs 2020 Operational objectives	Scope	Programme Instruments
Objective 9: to ensure the appropriate allocation of infrastructure for surveillance and control responsibilities	New	Joint funding for customs control equipment to strengthen technical capacity building

Source: DG TAXUD

The provision of financial support to Member States needing to invest heavily in equipment while facing serious budgetary constraints, **addresses a clear need**. Adding a demand to speed up and streamline controls in a context of quickly evolving technologies, the option becomes critical in guaranteeing an adequate level of control at all European borders.

7.3.2. Detailed assessment

7.3.2.1. Assessing the achievements of option 3

Strengthen technical capacity building for customs control purposes

Today, customs is confronted with a double challenge. It has to guarantee the security of citizens through more effective controls while also facilitating trade by speeding up customs procedures. Meeting these two objectives at the same time is demanding and requires innovative and cost-effective approaches to create solutions for both, especially at a time

when the use of modern technology is increasingly needed to adopt modern risk management working methods.

The Customs 2020 Programme will integrate financial provision for joint funding of technical capacity building to ensure all Member States have the control equipment needed to perform their tasks in the interest of the whole EU. This will specifically help to address the problems⁶² of Member States customs authorities facing heavier and unsustainable burdens in keeping pace with EU requirements and international necessities on securing trade.

Financial support will be provided for purchasing any type of equipment (not only "classic" control equipment but also highly specialised equipment such as radiation detectors, or various laboratory equipment) to support control activities at land, sea or air borders. Such financial support would increase the capacity of the Member States at the EU external border to acquire any type of equipment to support control activities, carried out in the interest of the whole EU. Global cost estimations are based on detailed analysis⁶³ of needs, across the 85 external land border customs control points and the 25 largest ports and 48 airports in terms of the volume of cargo handled.

7.3.2.2. Assessing the impacts of option 3

This option will reinforce the impacts described under section 7.2.2.1 and 7.2.2.2. Hard evidence on the effectiveness of, for instance, scanners in improving security and reducing smuggling directly (rather than a deterrent effect) as opposed to being ineffective on hit rates, is hard to come by. Nevertheless, it is safe to assume that appropriate technologies can be powerful tools for law enforcement, facilitating and speeding up customs controls, as recognised in several studies such as a recent World Bank publication.⁶⁴

(i) Assessing the economic impact

This option will lead to improved effectiveness, efficiency and harmonisation of control activities and possibly **further enhance protection of the financial and economic interests** of the EU and Member States. This is in particular important given the budgetary constraints Member States are currently facing.

It will also **reduce competition distortion for businesses** since it will allow faster, more streamlined and uniform control of merchandise across the EU.

(ii) Assessing the social and environmental impact

The enhanced technical capacities of Member States will lead to improved non-fiscal controls and **better protection of EU citizens in terms of product safety and health.**

(iii) Assessing other impacts

No further impacts **on fundamental rights** than the ones described under the previous section arise since the equipment aims to control the movement of goods (not persons).

⁶² See section 3 of this Impact Assessment — Problem 6.

⁶³ Deloitte, "Future business architecture for the Customs Union and cooperative model in the taxation area in Europe — Business case of selected options" p 50-56.

⁶⁴ Border Management Modernisation, World Bank, 2011, p 73.

Distributional impact for control equipment is relevant for this option since needs are unequally distributed across the EU. Member States with extensive or challenging areas of external EU-border or very high trade volumes need higher investment than others. Discrepancy may occur between equal investments in Member States that only have minimal or fewer customs declarations and those that have many.

7.3.2.3. Acceptability of option 3

Although there is a clear need to provide financial support to Member States for the investment in customs control equipment, simplification gains and streamlined EU support could be achieved if such investment were integrated in other EU funds. Unless new mechanisms for effective coordination and monitoring for option 3 are foreseen, the risk would remain that funding could be misallocated between Member States.

7.3.2.4. Overall rating of option 3

Despite the potential benefits in terms of effectiveness and efficiency, it has been decided to **discard this option** in view of simplification gains which could be achieved by integrating a placeholder for the additional requirements under the funds of DG REGIO (see above and in section 8).

7.4. Option 4: Option 2 plus a maximised shared IT environment

7.4.1. Summary assessment

In addition to the components of option 2, option 4 allows customs to extend the capability of sharing common developments in all areas of its business, e.g. including full implementation of core clearance processes for import, transit and export and its interface to traders.

7.4.2. Detailed assessments

7.4.2.1. Assessing the achievements of option 4

Full scale shared IT development of trans-European systems to implement the MCC and other EU initiatives

Table 7 in Annex 8 describes **levels of sharing** envisaged in each customs area for option 4. This option would **address the problems of** implementing interconnected IT systems to speed up customs procedures more adequately than policy option 2. The expected business outcome positively impacts efficiency in terms of development and maintenance of IT systems and fully grasps the benefits of a responsive, modular, scalable and adaptive architecture and underlying software and infrastructure.

A detailed scorecard of the scenario towards full sharing of IT developments can be found in the MCC and eCustoms Master IT Plan Iteration 1 Global Estimation Study document, containing the assessment in terms of efficiency, effectiveness, uniformity and risk as well as the impacts on costs and timing.

7.4.2.2. Assessing the impacts of option 4

In addition to the impacts identified under section 7.2.2., this option will lead to the following **economic impact**.

Reduction of national costs and economies of scale will be realised as IT resources will be fully integrated. This option will lead to **enormous economies of scale** (extrapolation of impacts described under option 1). Specifically, €1 invested centrally can generate a saving of €4 for Member States.⁶⁵ For Member States making use of the common services, the effort reduction (in terms of man days and budget) will be between 60% and 80% for the import/export/transit system updates and around 30% for the supporting system. In contrast, the Member States who choose not to use the common services will have no effort reduction on import/export/transit systems in comparison to the current IT approach but benefit from 30% effort reduction on the supporting system.⁶⁶

The introduction of innovative technologies is likely to address business needs more effectively and ensure better quality information is passed on to businesses, **reducing costs for businesses dealing** with customs legislation. More Member States will be working with the same (components of) IT applications, which is expected to lead to **more uniform customs processes** bringing direct benefits to economic operators doing business with customs authorities in several Member States.

Under this option, the new IT environment will provide **more services, in particular for core import/export functions, to willing customs authorities and business.**

7.4.2.3. Acceptability of option 4

Member States have highlighted at the Bucharest seminar on 16-17 June 2011 that for core customs systems (such as those related to import, full clearance for import or export, etc) the necessary architecture and methodology changes increase the risk of project failure and might not be able to meet specific national requirements. For this reason, **Member States clearly indicated that they do not support this option** of large scale development of shared IT development and services.

7.4.2.4. Overall rating of option 4

Despite the potential effectiveness and efficiency benefits, this option will not be retained given the likely unacceptability in combination with the incoherence with the existing customs architecture in Member States.

7.5. Option 5: Discontinuation of the programme

7.5.1. Summary assessment

This policy option involves discontinuing the Customs Programme and the funding to the trans-European IT systems and joint activities, including training. This would mean that EU **Customs would be seriously hampered** in its ability to contribute to the needs of public authorities, businesses and citizens in the Single Market. Ceasing EU funding through the Customs Programme would have a direct impact on the efficiency, effectiveness and uniformity of the Customs Union. This means that in practice the goals laid down in specific

⁶⁵ This is emphatically in line with specific objective 3, the support of EU financial and economic interests. The savings ratio is applicable in average to all shared IT, whether option 2 or option 4; but in option 4, the scope is larger and so is the global saving.

⁶⁶ MCC and eCustoms Master IT Plan Iteration 1 Global Estimation Study Document, p 53.

objectives 1, 2 and 3 (trade facilitation, strengthening of competitiveness of businesses and protection of citizens, and the support of EU economic interests) would not be reached.

7.5.2. Detailed assessment

7.5.2.1. Assessing the non-achievements

The **effects of discontinuing EU funding** are summarised below, directly **impacting the public authorities**:

(i) Trans-European IT systems for customs

Trans-European IT systems for customs based on a common secure network also constitute an essential component of the functioning of the Customs Union today. As Member States have invested significant resources in national components of these systems, some might fund the maintenance of these systems, at least in the short term. The future implementation of the centrally operated and trans-European IT systems in the medium to long term is, however, questionable and improvements in these systems are unlikely. Regardless of the timeframe, ceasing EU funding for these IT systems would bring about significant costs to be carried by the national customs authorities, which not all Member States might be able to bear. An alternative governance mechanism would need to be set up to replace the management of these systems, most of which contain highly confidential data.

(ii) Joint actions

Ending the Customs Programme would mean that no more EU funding would be made available for customs officials to participate in working visits, benchmarking, seminars/workshops, project groups, etc. As a result, systematic and structured exchange of good practice between customs authorities in the EU would cease, at most replaced by ad hoc bilateral or regional actions. Customs authorities might become more "self-centred" (or, at best, region-centred), developing their own practices rather than promoting sharing and learning from each other. Peer pressure to improve customs practices would be significantly reduced and the current differences in efficiency and effectiveness of customs activities between the Member States could be expected to increase.

7.5.2.2. Assessing the impacts of option 5

(i) Assessing the economic impact

Duplication of efforts (in TEIT systems, joint actions and training) and inefficient use of resources (financial and human) will **negatively impact** customs authorities and their ability to **implement EU customs legislation**.

If administrative burden reduction programmes and IT systems for e-government improvements continue to be financed nationally and multilaterally by the Member States, the reduction in **administrative burdens** would continue, though presumably **not to the same degree**. There may also be spill-over costs for businesses and consumers.

Discontinuing the Customs Programme **reduces the ability to prevent and detect fraud**, with potential further deterioration over time. EU and Member States will likely suffer a loss of revenue due to reduced efficiency in collecting EU duties and charges.

It is likely that there will be even greater divergence in agreed interpretations of customs law in the absence of customs coordination. Shortcomings in sharing best practices, common

training or guidelines and exchange of digitised information will seriously impact the implementation and application of EU law, leading to **divergent treatment of traders** and insufficient action against illegitimate trade. Overall, the EU would be far less well equipped to meet a range of challenges, e.g. from increased globalisation. Ultimately, significant distortions in the Single Market will likely occur as a result of divergence and different levels of modernisation of the customs environment. EU Customs will operate less effectively and efficiently, leading to negative impacts on competitiveness, growth and jobs.

(ii) Assessing the social and environmental impact

Consumers and citizens within the EU will be **less protected against safety and security risks** compared to the current situation controls will become variable as the EU will be without effective means to identify and address problems. In turn, the opportunities for "shopping" will increase and the ability to fight criminal activities will be impaired.

7.5.2.3. Acceptability of option 5

It has been highlighted in several reports and at numerous interventions by Member States, that the **option of stopping the Customs Programme is unacceptable**.

7.5.2.4. Overall rating of option 5

In view of the serious negative impacts and unacceptability by its stakeholders, the option will not be pursued.

7.6. Preferred option

The impacts of the different options, selected in terms of effectiveness, efficiency and acceptability are summarized in Table 5 below. The impact assessment leads to the following recommendation:

**The preferred option is policy option 2:
Increased support to EU legal obligations such as the Modernised Customs Code**

8. HORIZONTAL ASPECTS

Sections 6 and 7 developed adequate options to address the identified problems and to ensure that the set objectives can be achieved in the most efficient and effective way. The document provides a clear link between individual problems, objectives and ways how to address these problems.

Further to this proof of the necessity of the programme and the discussion on its adequate "vertical" scope, we complement the discussion with an assessment of "horizontal" aspects of the programme. These horizontal aspects cover a different dimension of the programme and refer to implementation aspects, governance issues, simplification, etc. While there are obvious links to the options as they were developed in section 6, they can be considered as applicable to each of the policy options. All of these horizontal aspects are policy options that are fully consistent with the Budget for Europe 2020⁶⁷ and focus on how the programme will

⁶⁷ COM(2011) 500/I final and COM(2011) 500/II final

be implemented in accordance with the objectives as set out in the Multiannual Financial Framework.

The aspects discussed in this section are based mainly on the findings of the related midterm evaluation⁶⁸ and/or reflect the ongoing discussion and results of external studies.

These options also cover a reflection on the options to spend less on certain aims, reprioritisation and concentration that were also considered as part of the options.

⁶⁸ Midterm Evaluation of the Customs 2013 Programme, Final report, p 79.

Table 5: Summary comparison of options

Criteria	Effectiveness in achieving objectives and impacts									Efficiency		Coherence		Other	Overall assessment
	Objective 1	Objective 2	Objective 3	Objective 4	Objective 5	Objective 6	Objective 7	Objective 8	Objective 9	Output orientation	Efficiency gains/solidarity	Coherence with other EU initiatives	Within budget for Europe 2020	Buy-in by Member States	Rating of options
Option 1 Baseline scenario	0	0	0	0	0	0	0	0	0	0	0	0	Yes	MEDIUM	0
Option 2 Increased support to EU legal obligations such as the MCC	+	++ (innovative=new IT systems + shared development)	+	++	+++ (innovative = EU expert teams)	+	+	+++ (innovative = reinforced training)	0	+++	++	++	Yes	HIGH	+++ = PREFERRED OPTION
Option 3 Option 2 plus Technical capacity building	+	++ (as in option 2)	+	++	+++ (as in option 2)	+	+	+++ (as in option 2)	+++ (new)	+++	+++	- (overlap with other EU funds)	Yes	HIGH	++
Option 4 Option 2 plus a maximised shared IT environment	+	+++ (as in option 2 + full scale sharing)	+	++	+++ (as in option 2)	+	+	+++ (as in option 2)	0	+++	+++	++	No	LOW	++
Option 5 No programme	---	---	---	---	---	---	---	---	0	NA	LOW	0	NA	LOW	---

Annotation: Magnitude of impact indicated compared to the baseline scenario:

+++ strongly positive, ++ quite positive, + positive, 0 like baseline scenario, - negative, -- quite negative, --- strongly negative, NA not applicable

Source: DG TAXUD

8.1. Implementation Scenarios

8.1.1. Implementation of the Customs Programme – Management Mode

The **centralised management mode** will continue to be applied for the new Customs 2020 Programme as it has been positively evaluated by external contractors. The programme has been used as an example for other EU programmes, given its efficient management model:

Results from midterm evaluations for programmes of DG HOME

The midterm evaluation conducted for the DG HOME programmes⁶⁹ considers that the Customs and Fiscalis programme management model "offers the most promising prospects" for improving the management of ISEC programme (on Prevention of and Fight against Organised Crime) and CIPS programme (on Prevention, Preparedness and Consequence Management of Terrorism and other Security-related risks) as it allows prompt and flexible response to operational needs".⁷⁰

The Customs 2013 Programme midterm evaluation findings provide sound evidence that the programme is well managed: customs authorities are satisfied with the application process, the planning, organisation and execution of activities, and the disbursement of funds (as provided in a timely and efficient manner). Further improvements will include **more efficient monitoring of the programme outputs** (see section 11) on grant agreements for joint actions (20-25 % of the budget). For the other programme instruments (trans-European IT systems and training modules), general procurement rules ensure a direct link between deliverables and payments (75-80 % of the budget). Specific measures have been taken to address the negative issues mentioned in the midterm evaluation⁷¹.

For reasons of simplification, **the management** of the **Customs and Fiscalis Programme** will be fully aligned using identical procurement rules and grant models, common management guides and IT based management systems. The evaluation shows appreciation of the guides and IT tools supporting programme management.

8.1.2. Programme management by executive agency

The reflection related to the possible creation of an Executive Agency took place in the framework of the reflection on **simplification**. The Executive Agency would have related to options 2, 3 and 4 in the sense that the programme would have been implemented by an external agency. This option has been discarded because it would not bring the expected business advantages. A study commissioned by DG TAXUD on the "Future business architecture for the customs union and cooperative model for taxation" conducted a specific analysis of the business case for an EU executive agency for programme management (see report on task 2.2 p 33-37) as part of a in-depth analysis on how resources could be better used at EU and national level. The Budget review requires analyzing the potential of simplification. To this extent, the possibility to implement the future Customs 2020

⁶⁹ COM(2005) 124 of 6 April 2005 has a budget of 745 million euro in the 2007-2013 financial framework.

⁷⁰ Evaluation of "Prevention and Fight against Crime" and "Prevention, preparedness and consequence management of terrorism and other security related risks" COM(1991) 341, OJ L 187 (199).

⁷¹ Evaluation Partnership, Customs 2013 midterm evaluation, page 110.

Programme through an external agency was examined. A summary of the analysis can be found in **Error! Reference source not found.3**.

Such an agency could be entrusted with certain tasks related to the management of the Customs Programme, such as the selection of activities, administrative preparation and follow-up of the activities, monitoring, and procurement of IT systems (development, maintenance and hosting of the systems). The responsibilities for managing the Customs Programme would be transferred from the Commission to the agency. Member States responsibilities as they stand today would remain unchanged.

The benefits of setting up an executive agency are increased visibility of the Customs Union and potential improvement in the efficiency of the programme management processes. However, since these advantages do not outweigh the negative impacts of establishing an executive agency (see conclusions of a recent study⁷²) and would not bring the expected business advantage, it was decided to discard this option. Last but not least, there is little support among stakeholders for setting up such an executive agency.

It is assessed that the potential benefits related to the set-up of an executive agency do not outweigh the costs. As such, the establishment of an executive agency has not been considered as a full option for the implementation of the 2020 programme. Grading the executive agency against the other options, it should be noted that –as a different management mode to the current one- the executive agency option could potentially support the realisation of all options selected (and not one in particular). To this end, realising the different options by means of an executive agency would be appreciated as a "status quo to a grading less positive" in terms of effectiveness and in efficiency. In terms of acceptability it would receive a LOW appreciation.

8.1.3. Alternative allocations between the programme instruments

Alternative allocations of the budget between the programme instruments: exchange of information, joint actions and training activities has been considered.

One of the alternative scenarios concerned a **substantial increase** of the share of the budget spent on Joint Actions. This option, for instance raising the Joint Actions share to 50% of the programme budget, was discarded though because the Member States administrations would not have been in a position to absorb the additional potential for capacity building. **Decreasing** the share of Joint Actions has also been considered, but was discarded because it would jeopardise the positive impact realised to strengthen cooperation and information sharing. In this context fits also the fact that the policy options 2, 3 and 4 will no longer focus on the specific objective to "prepare countries for their accession" which is a specific objective under the current Customs 2013 and therefore also under Customs 2020 – baseline scenario option 1. This implies that these countries will continue to participate in most of the Programme activities set up for Member States and Candidate Countries but there will be no longer specific activities for these countries as other more appropriate EU instruments (such as TAIEX) already provide this.

Spending less on IT activities has been considered by investigating if IT implementation could be transferred to the national administrations in Member States with the exception of

⁷² Deloitte, "Future business architecture for the Customs Union and cooperative model in the taxation area in Europe — Business case of selected options" p 33-37.

the CCN/CSI network and related services. Considering the negative impact on results and performance at overall programme level, this scenario has been discarded. For a more detailed analysis, see the following chapters.

8.1.3.1. IT implementation by Commission

Within the given scope, we can foresee alternatives of how the option could be implemented in the programme. The first scenario would be in general a continuation of the approach currently used in the programme. Here, the TEIT systems – the major budget expenditure of the programme – are implemented by the Commission through a number of procurement contracts.

8.1.3.2. Alternative: IT implementation by Member States

An alternative scenario would implement the transfer all the relevant IT activities (and the corresponding budgets) to the national administrations with the exception of the CCN/CSI network and its related services. Under this scenario, the maintenance and the further evolution of the CCN/CSI network, the backbone of IT exchanges between national customs administrations, and services related to it would be under the full responsibility of the Commission. This would guarantee the required level of security and interoperability. The governance in place today to manage the required IT activities would continue to operate.

The design, development and operation of the required business TEIT applications and systems would however be under the full responsibility of the national administrations. These activities would be funded by the programme and be subject to a new governance structure which would arbitrate and prioritise the various business requests.

8.1.3.3. Comparative assessment of alternatives for IT implementation

(i) Effectiveness

The national administrations are well placed to reply to business requirements concerning external stakeholders of the relevant business processes. In that sense they can provide under the second scenario (IT implementation by Member States) an acceptable service on an individual level. However, where it comes to equivalence when all national administrations are to provide the same level of service there is no guarantee that this will happen under the second scenario unless a new central governance structure will be put in place which does not exist today. Furthermore, as the Commission will in this case not develop nor operate business IT components to be used by national administrations, this will create divergent development and deployment plans for what are now considered common IT assets. Consequently, some advantages notwithstanding, the second scenario as alternative to the current situation would lead to divergent IT developments, and thus deserves a very low score in achieving operational objectives 1, 2 and 6.

(ii) Efficiency

IT activities are currently (and under scenario 1) executed using IT contracts managed by the Commission. Under the second scenario, these activities would have to be managed by each individual national administration. This would require the set-up of specific IT contracts in each and every national administration with the relevant IT providers. Furthermore, it would require the assignment of more human resources in each and every national administration. The overall implementation duration would increase as all business IT activities would have

to be planned according to the slowest party in the overall EU implementation chain. The overall IT cost would increase, the consistency of data and application of rules on the other side would decrease and the potential of IT scale at EU level could not be exploited. Under the second scenario, it would be impossible to achieve an improved level of standardisation compared to the current situation or to profit from the potential benefits for synergies. Possible wrong IT implementations at EU level would damage severely the public administration image and could even create financial damages.

(iii) Simplification

At first glance, the second IT implementation option seems to be a simplification compared to the current situation (scenario 1), as the Commission would only be responsible for the CCN/CSI network and would only have to provide funding to the national administrations for the design, development and operation of the business IT activities. But, the risk is very high that gradually there would be needs and initiatives to set-up more central governance structures in order to resolve all above-mentioned weaknesses.

8.1.3.4. Conclusion

Considering the negative impact on results and performance at overall programme level, the second scenario of introducing an alternative IT implementation is to be discarded.

8.2. Support Technical Capacity Building

Under option 3 (see section 7.3), it has been explained why there is a clear need to provide financial support to Member States for investment in customs control equipment. However, the option was discarded in view of potential simplification gains and streamlined EU support if integrated in more centrally managed EU funds. Therefore, instead of establishing a new mechanism under DG TAXUD's Customs Programme or establishing a new EU Fund, a placeholder needs to be incorporated under the existing EU instruments of DG REGIO. Contacts have been established to ensure the **appropriate funding under DG REGIO's Common Strategic Framework**⁷³ as prepared under the new Multi-Annual Financial Framework.

8.3. Use of innovative financial instruments

Considering that the direct beneficiaries of the programme are the public authorities, and given the specific nature of programme activities, the potential use of innovative financial instruments such as **public-private partnerships** has been reflected on but not considered as appropriate for the Customs 2020 Programme. The nature of most of the information handled by the TEIT systems requires a very high level of confidentiality and privacy. This can only be assured when the information is dealt with exclusively by public authorities.

8.4. Funding of customs cooperation activities

The backbone for trans-European IT systems is the **CCN/CSI network**, managed by DG TAXUD and financed by the Customs Programme. This network is also being used by OLAF for the exchange (and storage) of information on irregularities and fraud through the anti-

Note D(2011) 768787 of 12/07/2011 to DG REGIO on Capacity building at the external borders of the Union.

fraud information systems (AFIS) between Member States and OLAF investigators. Both DGs benefit from economies of scale.

DG TAXUD is currently also exploring with OLAF possible communalities in former **1st pillar and 3rd pillar customs cooperation activities**. A key example of possible alignment need is the case of joint customs operations (JCOs).

9. EVALUATION AND MONITORING

Monitoring of programme activities will be carried out to ensure that the rules and procedures have been applied properly (audit function) and to verify whether the programme is successful in achieving its objectives. A monitoring framework will be put in place: an intervention logic, a comprehensive set of indicators, measurement methods, a data collection plan, a clear and structured reporting and monitoring process, and midterm and final evaluations.

The proposed **intervention logic** outlines drivers, problems and objectives at three levels (general, specific, operational). **Indicators** to measure the effects and the impact of the programme — quantitative, where possible — have been developed for each type of objective (see Annex 10). Indicators take into account that a combination of tools is often used to pursue one objective: this implies that the effects and impacts generated cannot be traced back to one specific tool. Impacts may also be clustered according to the three main groups of tools, i.e. joint actions, training and IT tools. For impacts and results, measuring the evolution of stakeholder views will be important. The development of indicators is a continuous process: DG TAXUD will fine-tune the indicators throughout the programme, collaborating with policy experts using the programme, in the Member States and in the Commission.

The programme will be **monitored** from the outset. Output indicators will be monitored on a yearly or permanent basis while result and impact indicators will be measured at three different time intervals: first before the start of the programme, then in the middle and finally at the end of the programme. These monitoring exercises will be integrated into the evaluation from the present (first) or the future (second and third) programmes for efficiency reasons. The first monitoring exercise will be the baseline against which the future results will be compared. Targets for the programme objectives will be established after the baseline monitoring has been completed.

Data collection for the result indicators will use, where possible, electronic tools, such as the system which contains all data related to joint actions: the activity reporting system (ART2) or the collaboration platform the programme information and collaboration space (PICS). For the IT systems and eLearning modules, the data will be collected through mechanisms in the electronic databases or network. At the level of the impact and results indicators, for instance, standardised action follow up forms will be used to collect feedback for each activity. Any measurement of perception will be integrated into evaluation exercises and will be repeated to develop the evolution of perception over time. The questions will be repeated to aid comparison. Evaluation and monitoring will be steered by the Commission. However, Member States, as main beneficiaries of the programme, will be an important part of data collection either by providing information at the level of the individual tools (mainly through ART) or on the wider impact of the programme (either by participating in perception measuring exercises or by issuing reports). These monitoring mechanisms will be integrated into procurement contracts and grant agreements. The information and data will be collected from beneficiaries using statistics from the existing IT systems, through questionnaires issued

to direct and indirect stakeholders. These questionnaires (or the link to them) are spread with the support of the Member States.

The programme will be **evaluated** twice. The baseline is set by measures at the end of the current programme against which the later impacts will be compared. The targets for results and impact indicators will be set after this baseline has been established. For efficiency reasons this measurement will be integrated into the final evaluation of the present programme. The results of the midterm evaluation of the Customs 2020 programme will be available by mid-2018. This will allow the Commission to introduce adjustments if required and will be based on a sufficient set of activities and data. The final evaluation will be completed towards the end of 2021.

As mentioned earlier, the Commission will put more emphasis on measuring the impact of the programme on secondary stakeholders external to the programme (i.e. economic operators) and measure to what extent they benefit for instance from better cooperation between customs administrations

The above arrangements tackle the current shortcomings of the evaluation and monitoring system as identified in the midterm evaluation of the 2013 programme.⁷⁴

⁷⁴ Midterm evaluation Customs 2013 Programme, Final Report, p 91-92.

Annexes

1. Overall objectives (OO) as defined in the Customs 2013 Programme legal act

- OO1: Ensuring that customs activities match the needs of the Internal Market, including supply chain security and trade facilitation, as well as support the strategy for growth and jobs;
- OO2: The interaction and performance of the duties of Member States' customs authorities as efficiently as though they were one administration, ensuring controls with equivalent results at every point of the Community customs territory and the support of legitimate business activity;
- OO3: The necessary protection of the financial interests of the Community;
- OO4: Strengthening security and safety;
- OO5: Preparing the countries for accession, including by means of the sharing of experience and knowledge with the customs authorities of those countries

2. Specific objectives (SO) as defined in the Customs 2013 Programme legal act

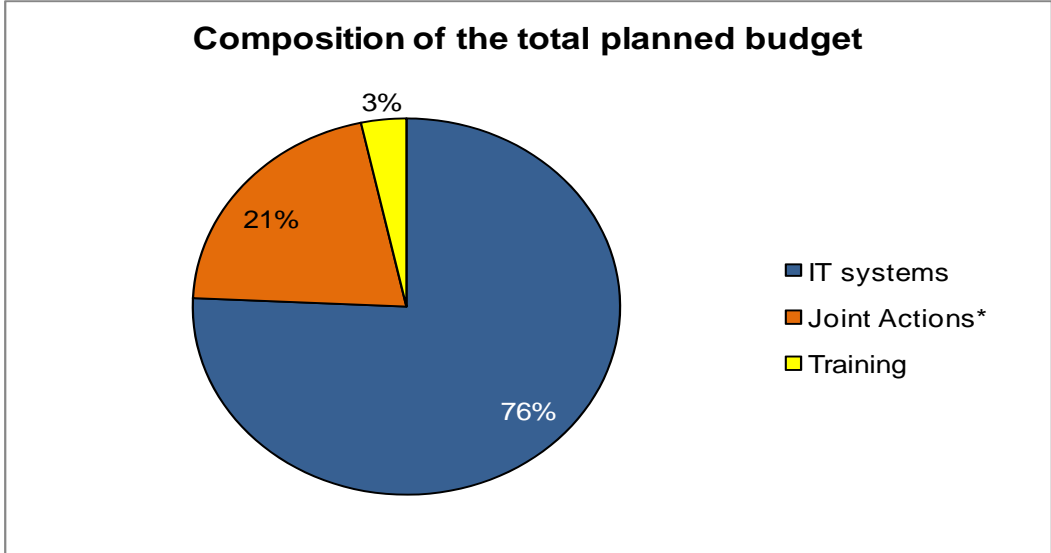
- SO1: To reduce the administrative burden and the cost of compliance for economic operators by improving the standardisation and simplification of customs systems and controls, and to maintain open and transparent cooperation with commercial actors
- SO2: To identify, develop and apply best working practices, in particular in the areas of pre- and post-clearance audit control, risk analysis, customs controls and simplified procedures
- SO3: To maintain a system for measuring the performance of Member States' customs authorities to improve their efficiency and effectiveness
- SO4: To support actions to prevent irregularities, in particular through the rapid provision of information on risks to front line customs posts
- SO5: To ensure a uniform and unambiguous tariff classification in the Community, in particular by improving coordination and cooperation between laboratories
- SO6: To support the creation of a pan-European electronic customs environment through the development of interoperable communication and information exchange systems coupled with the necessary legislative and administrative changes
- SO7: To maintain existing communication and information systems and, where appropriate, to develop new systems
- SO8: To undertake actions which will provide support to the customs authorities of countries preparing for accession
- SO9: To contribute to the development of high quality customs authorities in third countries

SO10: To improve cooperation between customs authorities of the Member States and third countries, in particular those of the partner countries of the European Neighbourhood Policy

SO11: To develop and reinforce common training.

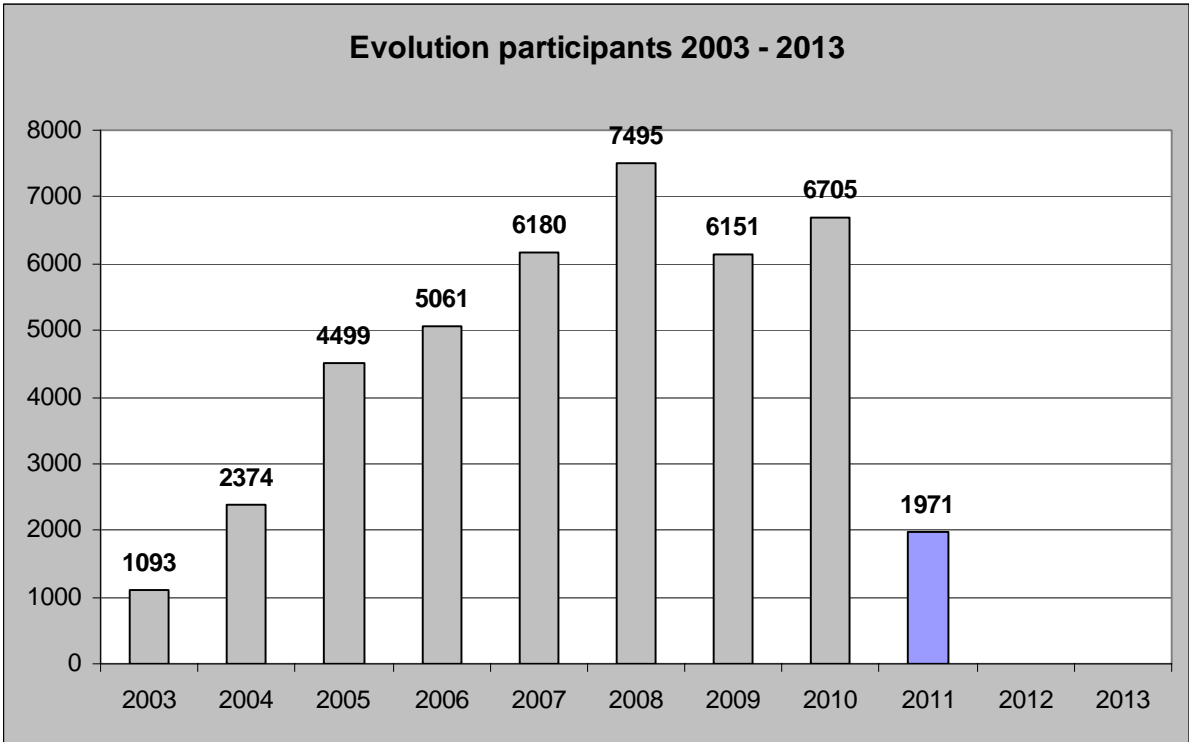
3. Overview of the use of the Customs 2013 Programme instruments

Figure 4: Customs 2013 Programme allocation of resources (2008-2010)



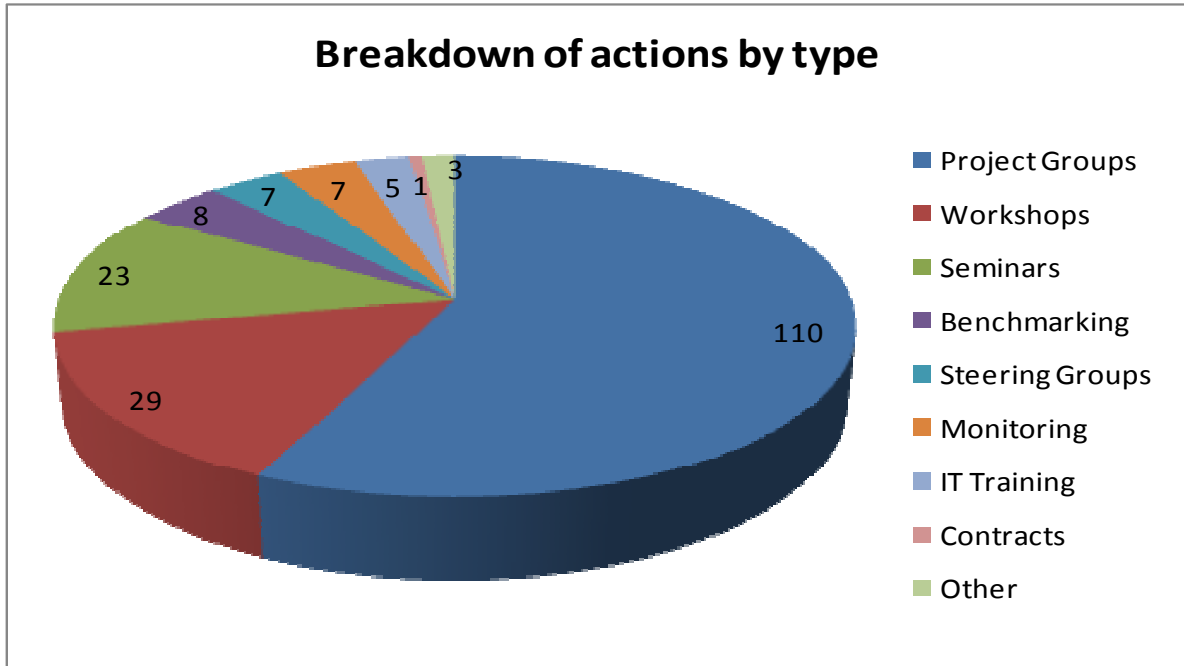
Source: DG TAXUD — Midterm evaluation Final report, p81

Figure 5: Evolution number of participants in Customs 2013 Programme joint actions



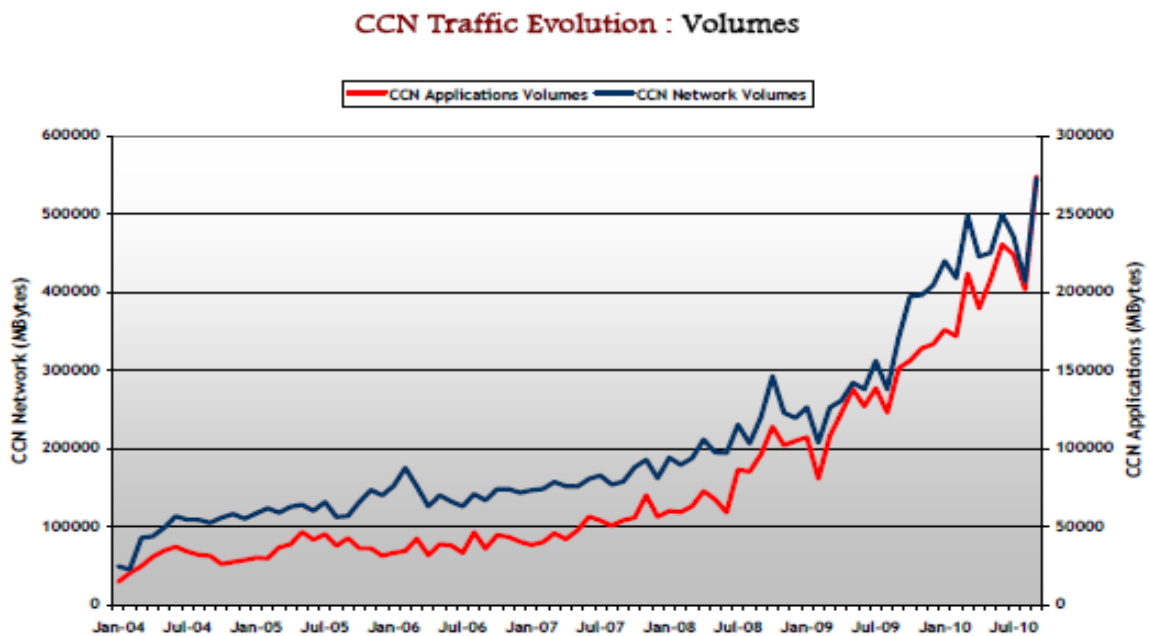
Annotation: 2011 covered only partially
 Source: DG TAXUD – ART2

Figure 6: Breakdown of Customs 2013 Programme joint actions by type, 2008-10



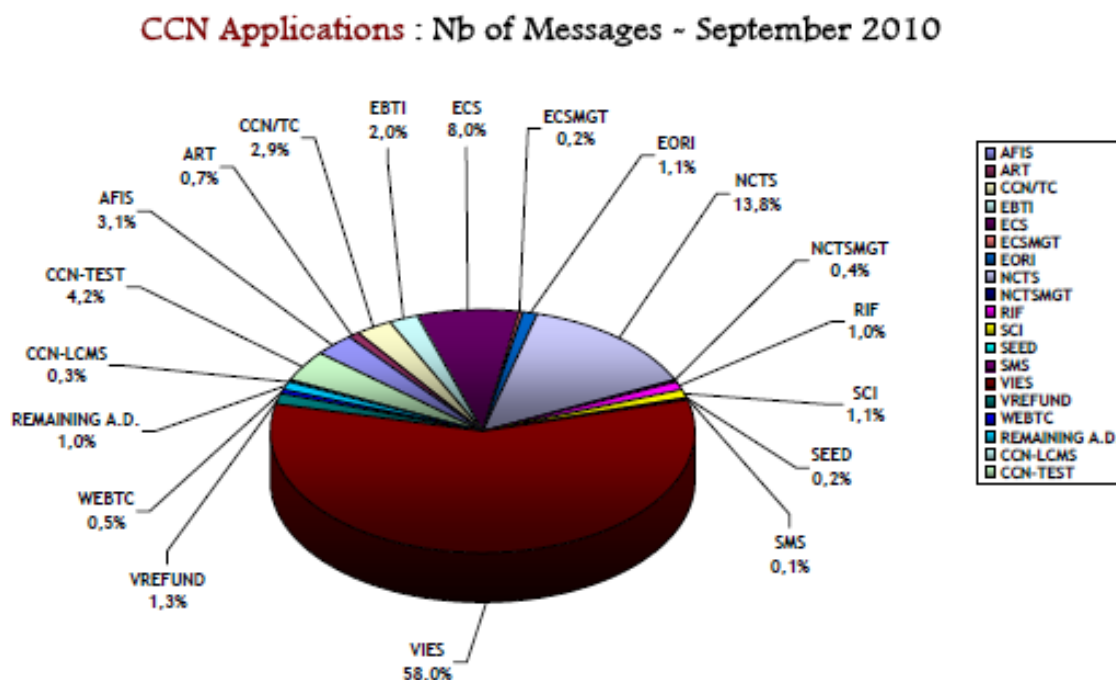
Source: DG TAXUD – ART2

Figure 7: CCN traffic evolution (Volumes: 2004-10)



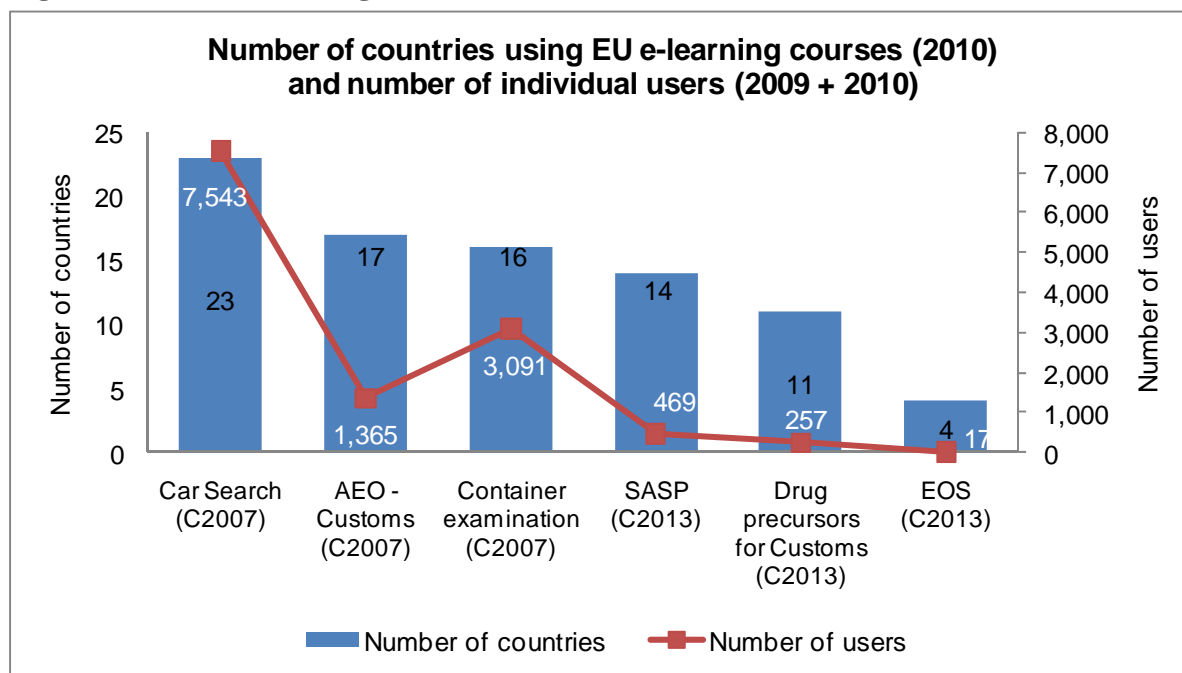
Source: DG TAXUD – CCN-CSI Monthly Report September 2010

Figure 8: CCN Applications



Source: DG TAXUD (CCN-CSI Monthly Report September 2010)

Figure 9: Use of e-learning courses for customs officials



Source: DG TAXUD – EU e-learning survey 2009/2010

Annex 2 INDICATIVE LIST OF EU LEGAL ACTS WITH CUSTOMS REQUIREMENTS

Area	Control Measure	EU Regulation/Directive
Plant protection	Harmful organisms to plants or plant products	Council Directive 2000/29/EC
Protection of the Environment	FLEGT licensing scheme for timber	Council Regulation (EC) 2173/2005 Commission Regulation (EC) 1024/2008
Protection of the Environment	CITES	Council Regulation (EC) 338/97 Commission Regulation (EC) 865/2006
Protection of the Environment	Seal products	Regulation (EC) 1007/2009 of the European Parliament and of the Council Commission Regulation (EC) 737/2010
Protection of the Environment	Waste	Regulation (EC) 1013/2006 of the EP and Council
Protection of the Environment	Radioactive waste	Council Directive 2006/117/Euratom
Protection of the Environment	Hazardous chemicals and Pesticides	Regulation (EC) 689/2008 of the EP and Council
Protection of the Environment	Persistent organic pollutants	Regulation (EC) 850/2004 of the EP and Council
Protection of the Environment	Fluorinated greenhouse gases	Regulation (EC) 842/2006 of the EP and Council
Protection of the Environment	Metallic mercury	Regulation (EC) 1102/2008 of the European Parliament and of the Council
Protection of the Environment	Substances that deplete the ozone layer	Regulation (EC) 1005/2009 of the EP and Council
Protection of the Environment	REACH	Regulation (EC) 1907/2006 of the EP and Council
Protection of the Environment	Ionising radiation	Directive 96/29/ EURATOM
Protection of the Environment	Biocidal products	Directive 98/8/EC of the EP and Council
Animal Health and Welfare	Live animals	Commission Regulation (EC) 282/2004 Council Directive 91/496/EEC
Animal Health and Welfare	Travelling pets	Regulation 998/2003 of the European Parliament and of the Council
Animal Health and Welfare	Products of animal origin	Commission Regulation (EC) 136/2004 Council Directive 97/78/EC Commission Decision 2007/275/EC
Animal Health and Welfare	Personal consignments of products of animal origin	Commission Regulation (EC) 206/2009
Animal Health and Welfare	Cat and dog fur	Regulation (EC) 1523/2007 of the EP and of the Council
Animal and plant protection	Leghold traps	Council Regulation (EEC) No 3254/91 Commission Regulation (EC) 35/97
Fishery	Illegal, unreported and unregulated fishing	Council Regulation (EC) 1005/2008

Area	Control Measure	EU Regulation/Directive
Fishery	Dissostichus spp	Council Regulation (EC) 1035/2001
Fishery	Bluefin tuna, swordfish and bigeye tuna	Council Regulation (EC) 1984/2003
Food safety	Feed and food law, animal health and animal welfare rules	Regulation (EC) 882/2004 of the EP and of the Council
Food safety	Feed and food of non-animal origin	Commission Regulation (EC) 669/2009 implementing Regulation (EC) 882/2004
Food safety	Special conditions governing the import of feed and food originating in or consigned from Japan following the accident at the Fukushima nuclear power	Commission Implementing Regulation (EU) 297/2011
Food safety	Aflatoxins contamination	Commission Regulation (EC) 1152/2009
Food safety	Sunflower oil from Ukraine	Commission Regulation (EC) 1151/2009
Food safety	Certain products from China	Commission Regulation (EC) 1135/2009
Food safety	Guar gum originating in or consigned from India	Commission Regulation (EU) 258/2010
Food safety	E 128 Red 2G as food colour	Commission Regulation (EC) 884/2007
Food safety	LL RICE 601 from the United States of America	Commission Decision 2006/601/EC
Food safety	Rice products from China with "Bt 63"	Commission Decision 2008/289/EC
Agriculture	Fruit and vegetable sector	Commission Regulation (EC) 1580/2007
Agriculture	Organic products from third countries	Council Regulation (EC) 834/2007 Commission Regulation (EC) 1235/2008
Agriculture	Wine	Commission Regulation (EC) 436/2009
Agriculture	Wine common organisation of the market	Commission Regulation (EC) 555/2008
Agriculture	Wine from United States of America	Council Decision 2006/232/EC
Agriculture	Common organisation of agricultural markets	Council Regulation (EC) 1234/2007
Agriculture	Processed agricultural products	Council Regulation (EC) No 1216/2009
Public health	Veterinary medicinal products	Directive 2001/82/EC of the EP and of the Council
Public health	Medicinal products for human use	Directive 2001/83/EC of the EP and Council
Public health	Avoid trade diversion of key medicines for human use	Council Regulation (EC) 953/2003
Public health	Human tissues and cells	Directive 2004/23/EC of the European Parliament and of the Council
Public health	Drug precursors	Regulation (EC) 273/2004 of the EP and

Area	Control Measure	EU Regulation/Directive
		Council Council Regulation (EC) 111/2005 Commission Regulation (EC) 1277/2005
Public health	Specific conditions for the import of polyamide and melamine plastic kitchenware from China and Hong Kong	Commission Regulation EU 284/2011
Protection of the Cultural Heritage	Export of cultural goods	Council Regulation (EC) No 116/2009 Commission Regulation (EEC) No 752/93
Product safety	Product safety	Regulation (EC) 765/2008 of the EP and Council
Preventing Money Laundering and Fight against terrorism	Cash control	Regulation 1889/2005 of the EP and Council
IPR	Customs action against goods suspected of infringing IPR	Council Regulation (EC) 1383/2003 Commission Regulation (EC) No 1891/2004
Protection of the states	Dual-use items	Council Regulation (EC) 428/2009
Protection of the states	Weapons	Council Directive 91/477/EEC
Protection of the states	Pyrotechnic articles	Directive 2007/23/EC of the EP and Council
Protection of the states	Explosives for civil uses	Council Directive 93/15/EEC
Protection of the states	Goods for punishment, torture or other cruel, inhuman or degrading treatment	Council Regulation (EC) 1236/2005
International sanctions	Kimberley Process: rough diamonds	Council Regulation (EC) 2368/2002
International sanctions	Republic of Guinea	Council Regulation (EU) 1284/2009
International sanctions	Burma/Myanmar	Council Regulation (EC) 194/2008
International sanctions	Democratic People's Republic of Korea	Council Regulation (EC) 329/2007
International sanctions	Côte d'Ivoire	Council Regulation (EC) 174/2005
International sanctions	Zimbabwe	Council Regulation (EC) 314/2004
International sanctions	Sudan	Council Regulation (EC) 131/2004
International sanctions	Iraq	Council Regulation (EC) 1210/2003
Protection of Trade	Import of textile products	Council Regulation (EEC) 3030/93
Protection of Trade	Proof of origin for certain textile products	Council Regulation (EC) 1541/98
Protection of Trade	Textiles rules on imports	Council Regulation (EC) 517/94
Protection of Trade	Outward processing of textiles	Council Regulation (EC) 3036/94
Protection of Trade	Steel products republic of Kazakhstan	Council Regulation (EC) 1340/2008
Protection of Trade	Steel products from the Russian Federation	Council Regulation (EC) 1899/2005

Area	Control Measure	EU Regulation/Directive
Protection of Trade	Steel products from certain third countries	Commission Regulation (EC) 76/2002

Annotation: The list is not exhaustive

Source: DG TAXUD

Annex 3 ANALYSIS OF THE POTENTIAL FOR AN EXECUTIVE AGENCY

An agency could be entrusted with certain tasks related to the management of the Customs Programme, such as the selection of activities, administrative preparation and follow-up of the activities, monitoring, and procurement of IT systems (development, maintenance and hosting of the systems). The responsibilities for managing the Customs Programme would be transferred from the Commission to the agency. Member States responsibilities as they stand today would remain unchanged.

A recent study⁷⁵ refers to the following constraints of this mechanism for the Customs 2020 programme:

In the study, the outsourcing of some of the management tasks of the Customs Programme to a dedicated executive agency was considered as a way of potentially:

- a) improving the efficiency of the programme management process (by allowing the agency staff to fully concentrate on this task and allowing the Commission to increase its focus on strategic and policy preparation tasks), and
- b) increasing the visibility of the customs union (by promoting a more unified image of the customs union towards the outside world).

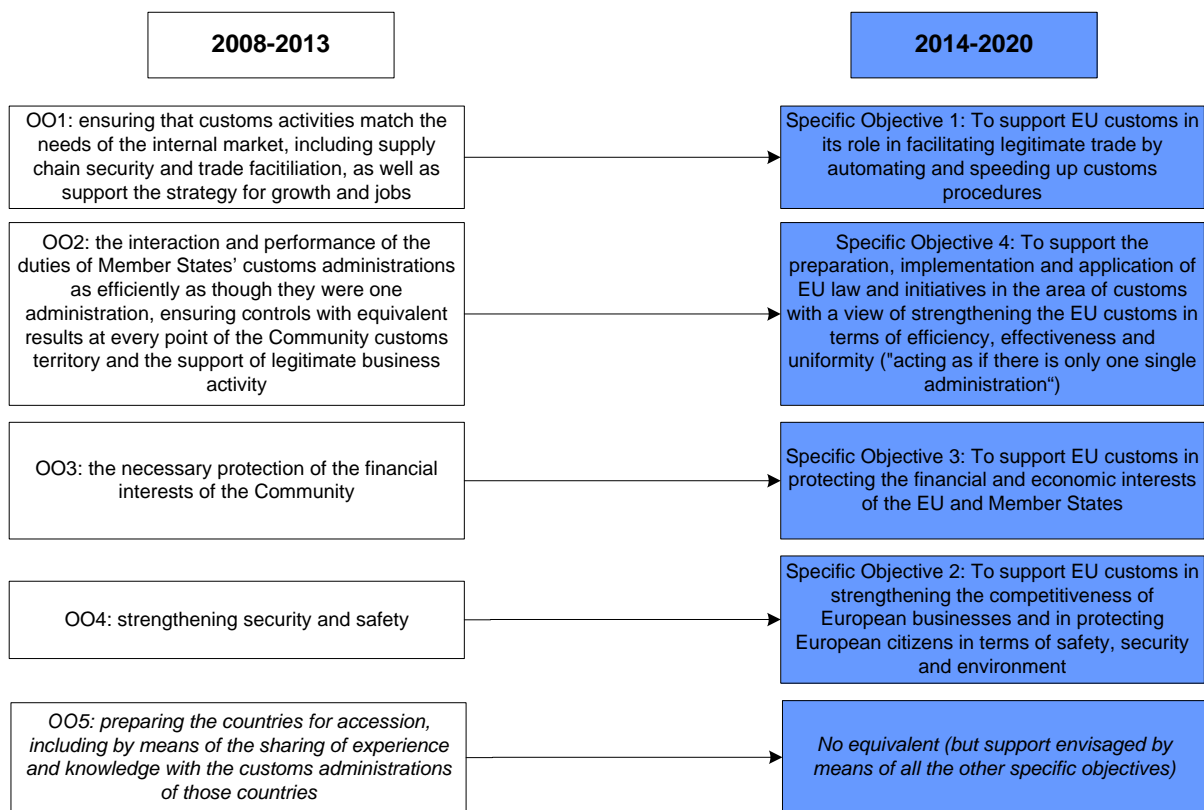
The above-mentioned study identified the following disadvantages and risks though. This approach would:

- a) complicate the governance structure of the customs union by adding a new actor: the agency would represent a new actor in the governance of the customs union – the additional layer entails the risk of increasing the cost of coordination and checks, of complicating and lengthening decision making, of adding new administrative procedures, etc and will as such risk to increase red tape or bureaucracy;
- b) increase the potential for conflicts in acceptance of decisions: there might be a potential conflict between the customs policy group (steering customs policy and the priorities for the Annual Work Programme implementing the Customs Programme) and the agency in terms of leadership on certain topics;
- c) have a negative impact on the level of know-how within the Commission and increase the risk of a defragmentation of content versus administrative aspects of the Programme: part of the executive agency's staff will consist of officials seconded as temporary staff members to positions of responsibility in the executive agency – there is a risk that valuable expertise and know-how will be "lost" in the Commission service;
- d) given the size (in terms of budget to manage) of the Customs Programme as well as its scope (in terms of identified beneficiaries, being mainly customs authorities), the executive agency would only entail a limited number of staff which does not represent sufficient critical mass to justify the creation of an agency and the related costs –

⁷⁵ Deloitte, "Future business architecture for the Customs Union and cooperative model in the taxation area in Europe – Business case of selected options" p 33-37.

which would lead to an overall amount of 720.000 Euro according to the external study.

Annex 4 COMPARISON OBJECTIVES OF THE CUSTOMS 2013 VERSUS CUSTOMS 2020



Annex 5 SHORTCOMINGS OF THE BASELINE SCENARIO — "STATUS QUO"

While supporting the proper functioning of the Internal Market is still one of the highest priorities of the Customs Union, new trends continue to emerge that change the nature of needs and policy priorities that the union has to serve. Areas that require further emphasis and development of closer cooperation and working methods include the safety of goods themselves and the security issues related to international movement of goods and supply chains in general. This requires not only enhanced cooperation between customs authorities but increasingly with other authorities as well.

With a status quo in terms of scope, objectives and tools, the new programme would not be effective, i.e. enable the Customs Union to serve and keep pace with EU policy requirements in the 2013-20 period, nor would it provide the reinforced structural support necessary to sustain its proper functioning. The current programme instruments are likely to reduce the problems compared to having no programme but this is not likely to be sufficient. To respond effectively to the problems and needs identified, the Customs Union and its supporting programme have to incorporate more effective and efficient models of operational cooperation, including more enhanced and structured customs cooperation between Member States, increased collaboration with other authorities, and more efficient use of technology and human resources (e.g. expertise) not just nationally but across the union.

The evolution of customs policy in internal security generally, plus the new legal environment of the Lisbon Treaty, demand that potential gaps and duplications be identified and analysed for EU intervention by means of programme support. Alignment needs to be ensured with other EU initiatives (e.g. DG HOME, OLAF) to cover those gaps and avoid duplications. Differences remain in competences in terms of enacting legislation, but EU "security" priorities suggests that customs support no longer falls within certain fixed areas (i.e. into or out of the scope of the programme). **Customs cooperation**, for example in developing common risk management, effectively supports specific non-programme objectives, such as the fight against trafficking of drugs, as well as specific programme targets such as drugs precursors, counterfeiting and piracy, controls on cash, and the protection of the environment.

For example, the midterm evaluation noted that it is important for Customs 2013 Programme and its successor to look ahead by [...] addressing former third pillar issues (e.g. in internal security) to allow customs authorities to allocate their scarce resources better. Several Member States have formally expressed strong interest in streamlining support and funding mechanisms for post-pillar EU customs activity, specifically under the Customs Programme, in view of its scope and its management mode.

The changing scope of the Customs Union affects the burden for EU customs and renders it increasingly complex. Supporting the continued effectiveness of the Customs Union requires fine-tuning of the operational objectives and related tools of the programme, for instance in reinforcing new skills and competencies, and supporting adaptation to needs for technical infrastructure and operational equipment. Implementation of the Security Amendment is one example which has revealed that future cooperation as a Customs Union in security will demand even more support.

Case Study: Implementation of security provisions

The experience of the past few years has clearly shown that implementation of security provisions is an enormous challenge. New security and safety incidents and practical experience continue to test the adopted legislation and its implementation. They reveal the full impact on customs authorities. After three years of practice and training in Member States, there are still significant differences between them in how the Customs Risk Management Framework is applied, not only because of national peculiarities (volume of trade, quality of data provided by trade, type of border and so on) but also because of different capabilities in adapting to very technical rules. The midterm evaluation confirms that a common risk management framework is only beginning to be implemented by the Member States; interviewees mentioned difficulties in relation to the legislative framework, the IT infrastructure, and/or human resources available in national customs authorities to address effectively all aspects of common risk management.

The study on the operational functioning⁷⁶ of the Customs Union concluded that, "...uniformity in an EU of 27 Member States is inherently difficult, but the absence of EU-wide priority setting and medium-planning, and an unstructured exchange of good practices, as well as the absence of financing mechanisms for specific tasks of Member States at the EU external borders are considered as problematic in bringing the Customs Union to more unity in terms of governance." The study also noted that "opportunities for exploiting differences between the Member States and the way in which they perform the customs processes have yet to be fully eliminated, and customs officials often lack information to perform some of their customs tasks effectively."

In the context of the impact assessment and the specific needs of a future EU Customs Programme, several studies and international comparisons have been analysed to assess the performance of customs and related border management issues in the EU. They conclude that the track record of the EU Customs Union is indeed mixed⁷⁷ although it should be noted that it is often difficult to say how far this can be linked to the performance of customs authorities. The World Bank conducts the Logistics Performance Index (LPI) survey every two years and publishes its results in the Connecting to Compete: Trade Logistics in the Global Economy report.⁷⁸ The World Bank and International Finance Corporation's "Doing Business" project also collects extensive data on trade facilitation to provide objective measures of business regulations and enforcement. The World Economic Forum's "Global Enabling Trade Report" contains the "Enabling Trade Index" which ranks countries using data from different sources (e.g. WEF Executive Opinion Survey, International Trade Centre, World Bank, UNCTAD, IATA, etc.). The Enabling Trade Index measures the factors, policies and services that facilitate trade in goods across borders and to destination.

What is clear from the World Bank data is that, while certain EU customs authorities rank among the top performers worldwide, others fall way below OECD averages as ranked in the LPI (Connecting to Compete: Trade Logistics in the Global Economy). In 2010, 11 Member States ranked within the top 20 out of 155 countries. However, five Member States also

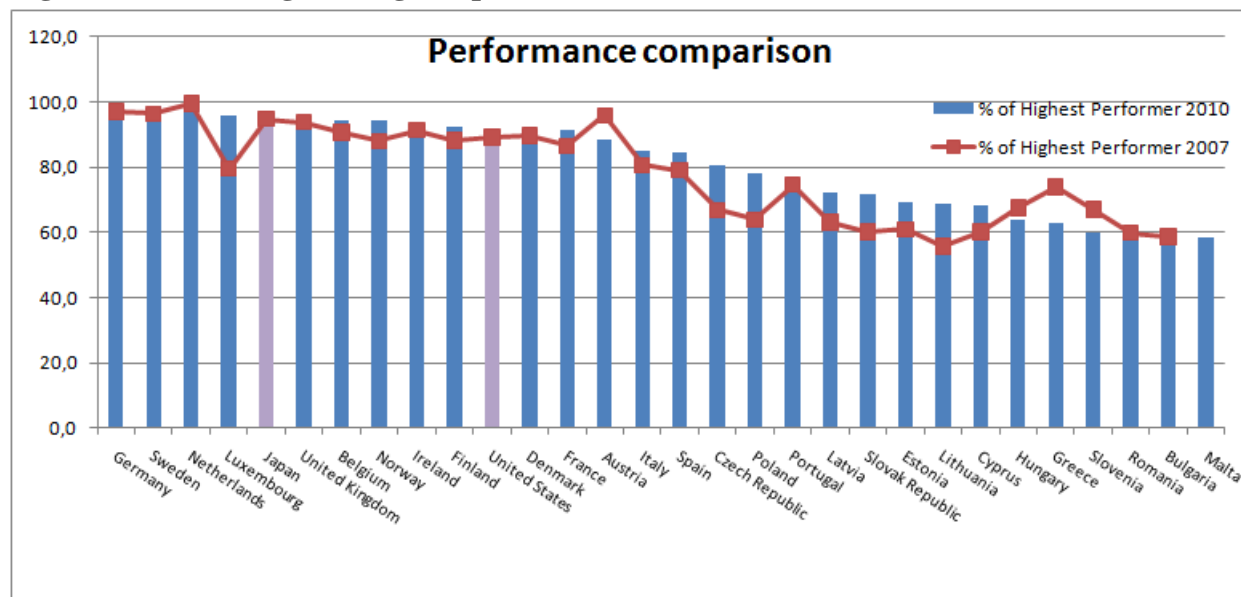
⁷⁶ Deloitte, "Future business architecture for the Customs Union and cooperative model in the taxation area in Europe".

⁷⁷ "Strengths and weaknesses of the current organisation model". Report by Deloitte Consulting commissioned by DG TAXUD, 2011.

⁷⁸ Arvis J.F., Mustra M. et al (2010), "International Bank for Reconstruction and Development/World Bank.

ranked between 55th and 85th. As a whole, in comparison to the average for OECD countries, the average index for the EU was slightly lower both in 2007 and 2010. Between 2007 and 2010, overall the global rankings of the EU Member States saw only minor shifts, yet individual Member States made significant movements both upwards and downwards in the rankings.⁷⁹ Figure 10, comparing performance with both the highest performer and between Member States, illustrates the significant divergence, as assessed by the World Bank, in customs in the EU.

Figure 10: Percentages of highest performer in terms of LPI — 2007 and 2010



Source: World Bank

Both the 2007 and 2010 editions of *Connecting to Compete: Trade Logistics in the Global Economy* also provide some insight into the relative performance of customs in comparison to the performance of other border agencies. Customs performance tends to be better than that of other border agencies. On average, customs clearance accounts for about a third of total clearance time according to the 2007 report — a fact that also underlines the continued importance of efforts to improve collaboration between border agencies.

Doing Business — Trading Across Borders paints an even more divergent picture. In 2010, while some individual Member States ranked high,⁸⁰ only nine member States ranked in the top 20; five EU Member States were not even within the global top 60, the last one being 113th. A comparison of the 2007 figures with those for 2010 shows some important changes in the relative ranking,⁸¹ again in different directions but not converging. In comparison to the

⁷⁹ Luxembourg went from number 15 to 2007 to number 1 in 2010, and a few others made significant progress in terms of global ranking for this index as well: Finland (from 14 to 6), Belgium (from 16 to 8), Spain (from 30 to 22), Estonia (from 42 to 33) and Latvia (from 58 to 40). At the same time, other Member States dropped in the rankings, including Ireland (from 9 to 18), Denmark (from 2 to 19), Austria (from 8 to 20), Hungary (from 33 to 45), Slovenia (from 40 to 60), Greece (from 33 to 67) and Romania (from 56 to 85).

⁸⁰ Estonia (3), Finland (4), Denmark (6) and Sweden (7).

⁸¹ EU Member States that have significantly improved their relative ranking are: Estonia (from 7 to 3), the United Kingdom (from 27 to 16), Portugal (from 32 to 19) and Italy (from 62 to 50). Other EU Member States dropped in the rankings in 2010 in comparison to 2007: Austria (from 12 to 24), Czech Republic

average for OECD countries, the average ranking for the EU was slightly lower in 2007 and in 2010. In both years, the average ranking of the EU was lower than the average ranking for the other (non-EU) OECD countries.

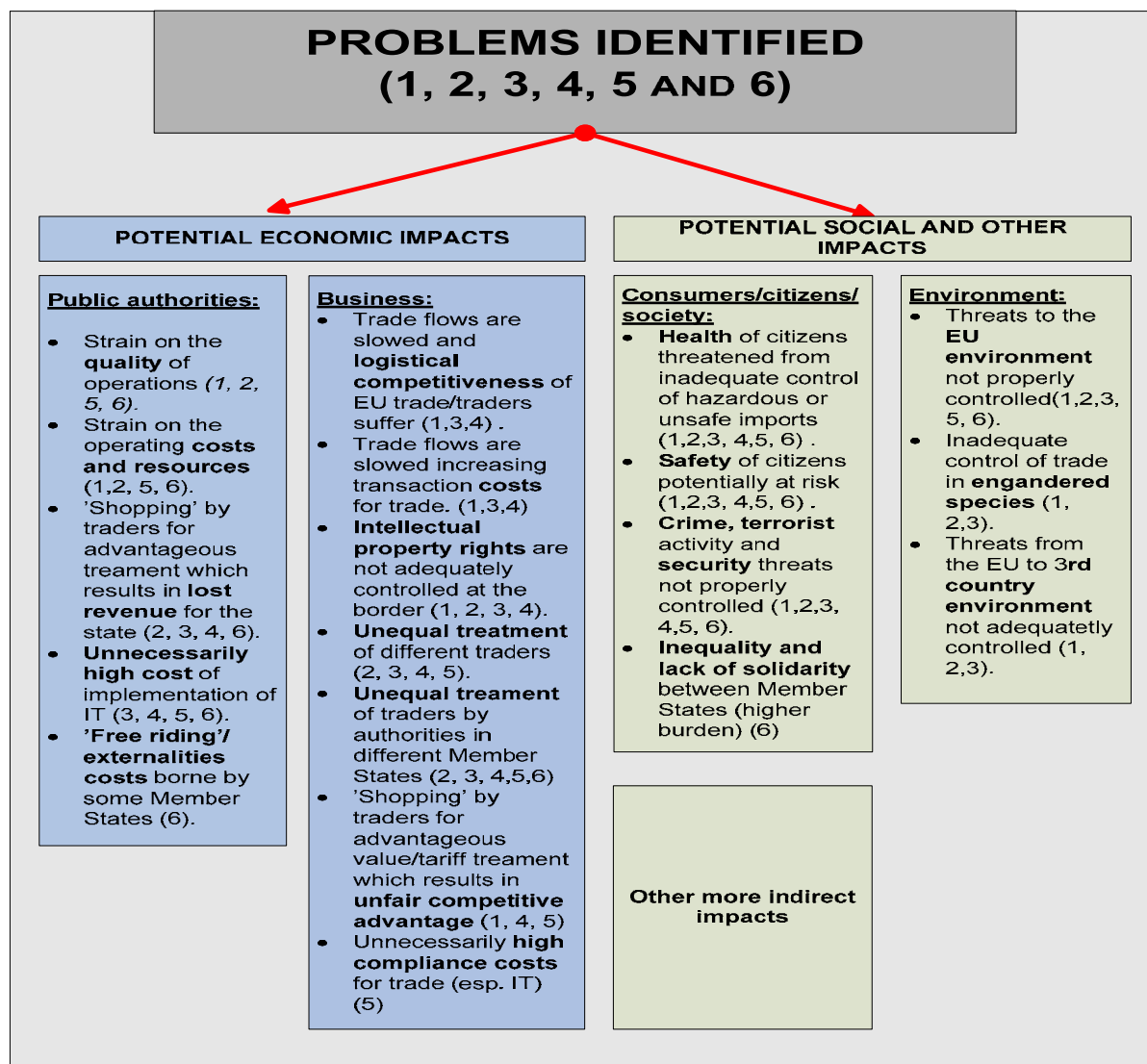
An important element of the World Economic Forum's Global Enabling Trade Report is the "Enabling Trade Index" which measures the factors, policies and services that facilitate trade in goods across borders and to destination. One of its sub-indices deals with border administration, including indicators on efficiency of border administration, efficiency of export-import procedures, and transparency of border administration. The data again indicates significant differences in the efficiency of customs authorities among EU Member States. The EU average is somewhat lower than the OECD average, and calculating the index for the non-EU OECD countries, the EU average is significantly lower. The disparity between EU Member States in efficiency of import-export procedures is also apparent. Again, the EU average is lower than the OECD average and clearly lower than the average for non-EU OECD countries. The same is shown for the transparency of border administration; the EU is characterised by large disparities, with the EU average being lower than the OECD average and considerably lower than the average for non-EU OECD countries. 2010 data confirm the disparity between EU Member States. As of 2009, the EU average still lags behind the average of the non-EU OECD countries in facilitation by the administration at the border for entry and exit of goods (i.e. subindex "border administration"). Although three EU Member States kept their position in the top four of the index, and some Member States succeeded in rising up the rankings, the overall EU position worsened, including that of the Member States at the tail end of the rankings.

(from 29 to 53), Hungary (from 49 to 70), Greece (from 66 to 80), Bulgaria (94 to 106) and Slovakia (from 94 to 113).

Annex 6 IMPACTS OF AN INADEQUATE/INEFFECTIVE RESPONSE OF THE CURRENT CUSTOMS PROGRAMME (THE BASELINE SCENARIO) TO THE PROBLEMS IDENTIFIED

New competencies and working methods will be increasingly important, with the complex business processes of **fully automated import and export based on a common risk framework, possible single windows, and centralised clearance**. Establishing these processes and their translation into automated systems will change the ways customs operate in future, directly affecting customs authorities and businesses.

Figure 11: Impacts of identified problems



Source: DG TAXUD

Annex 7 EUROPEAN INFORMATION SYSTEMS FOR CUSTOMS

The **Customs Union's IT architecture** has several elements, including the CCN/CSI network, European IT systems (centrally operated), trans-European IT systems (distributed) and national IT systems. The backbone of customs cooperation is a secured, dedicated communication infrastructure (CCN/CSI) allowing interconnectivity between the customs (and taxation) systems of the European Commission/DG TAXUD and the Member States (with approximately 5.000 connection points). Over one billion information messages are exchanged each year, with an average growth rate of 40% in the last 5 years.

The common communication infrastructure allows **European** information systems to support export control, import control, control of transit and registration of economic operators. In addition, **central support systems** underpin the Integrated Tariff Environment: Combined Nomenclature, European Binding Tariff Information database, TARIC (Integrated Tariff of the European Communities) and the European Customs Inventory of Chemical Substances. Responsibility for electronic customs systems is **shared** between the Commission and the Member States, each with specific tasks as defined in the Decision on a paperless customs environment for customs and trade (Electronic Customs Decision).

1. Example of NCTS

In the final evaluation of the 2007 Customs Programme it was mentioned that, compared to other IT systems for customs, NCTS has most likely made the largest contribution to **trade facilitation** by **simplifying and speeding up the transit procedure for both traders and administrations**.⁸²

NCTS was a major step forward **for traders**. NCTS allows traders to submit their declarations before departure, so **waiting time** at the borders is considerably **reduced**. In addition, the use of electronic messages instead of paper documents enables an **earlier end and discharge of the operations**. This leads directly to the **faster release of the guarantee lodged**. Further time gains are achieved when considering **physical controls on goods**. As Customs will have decided well in advance whether or not the goods need to be subject to a control, waiting time at the office of destination is shortened. Finally, as NCTS creates an electronic environment capable of directly managing all the movements of goods, **formalities for Authorised Consignors and Consignees** have become much **less cumbersome**. Also, any discrepancies can be sorted out more quickly in the electronic enquiry procedure. All these features lead to an **overall reduction of (administrative) costs and burdens** for businesses.

NCTS has considerably improved communication and coordination between **customs authorities**. The benefits of NCTS for customs authorities are multiple. As administrations are connected to the same system and data, **repetitive activities and duplication of information are eliminated**. Thanks to a coherent and integrated system, the **processing of data and flexibility** has been considerably improved. In many cases the enquiry procedure that was needed for the clearance of the transit procedure in case of problems — which often did not result in any perception of duties — can be avoided through NCTS through automatic data exchange. Finally, NCTS allows for **better governance and monitoring of guarantees lodged with the guarantee management system** for the transit procedure.

⁸² COM(2008) 612 (final).

For the **Customs Union as a whole**, NCTS has led to further harmonisation in applying relevant provisions. This has created convergence in the interpretation of how the legislation is read and implemented. Overall, the system was a major improvement in monitoring and control of the procedures. By providing transparency and visibility on the movement of goods it has shown it is a **powerful tool for fraud detection and prevention**.

Finally, NCTS (or more specifically CCN) has been a **key success factor in removing technological barriers** for the exchange of information between the Member States. The NCTS information exchange model was later used as a basis for other customs and tax systems. Computerisation of the TIR procedure and automation of the movements of excise products (Excise Movement Control System) are excellent examples.

2. Example of TARIC

A second example is TARIC. All **tariff rates and associated trade policy measures** and information (quotas, anti dumping duties, etc.....) are controlled via a central database managed by the Commission. Some 500 000 changes annually have to be made to this database. Member States replicate this database daily into their national systems so that customs officers can use them for customs treatment of goods entering and leaving the union: this is much more efficient than if every Member State were to build its own database. The central database prevents delays in applying tariff measures and potential discrepancies between different countries related to encoding errors and interpretation of the legislation. Equal treatment of traders and trade facilitation is also reinforced. Since 2007 the Customs Programme has spent 3.7 million euro on the tariff database, avoiding the need for every Member State build it itself.

Annex 8 SHARED DEVELOPMENT OF EUROPEAN INFORMATION SYSTEMS FOR CUSTOMS

The following tables present the level of shared development of TEIT in option 2 compared to option 4

**Table 6: Level of sharing for option 2:
Increased support to EU legal obligations such as the Modernised Customs Code (MCC)**

Customs area	Level of sharing				
	Level 0 message exchange	Level 1 shared data in central repositories	Level 2 shared rules & services implementing specifications once	Level 3 shared processes, implementing the full process	Level 4 shared IT traders interface ⁸³
Import, export, transit	+	+	+	-	-
Risk management	+	+	+	-	-
Guarantee & Debt	+	+	-	-	-
Goods classification (TARIC, Quota, etc.)	+	+	+	+	+
Trader management (registry, decisions, authorisations)	+	+	+	+	+

Source: DG TAXUD

**Table 7: Level of sharing for option 4:
Option 2 plus maximised shared IT environment**

Customs area	Level of sharing				
	Level 0 message exchange	Level 1 shared data in central repositories	Level 2 shared rules & services implementing specifications once	Level 3 shared processes, implementing the full process	Level 4 shared IT traders interface ⁸⁴
Import, export, transit	+	+	+	+	+
Risk management	+	+	+	+	+
Guarantee & Debt	+	+	-	-	-
Goods classification (TARIC, Quota, etc.)	+	+	+	+	+
Trader management (registry, decisions, authorisations)	+	+	+	+	+

Annotation: The boxes shaded in dark grey are those additional to option 2.

Source: DG TAXUD

⁸³ Only the IT part of the interface with traders is envisaged to be shared or centralised. All functions related to trader support, helpdesk, decision-making, etc. stay entirely at national level.

⁸⁴ Only the IT part of the interface with traders is envisaged to be shared or centralised. All functions related to trader support, helpdesk, decision-making, etc. stay entirely at national level.

Annex 9 OVERVIEW BUDGET CUSTOMS 2020 PROGRAMME PER OPTION

Option 1: Baseline Scenario - Status Quo								
<i>Activity</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2014-2020</i>
IT Capacity Building	49 600 000 €	50 600 000 €	50 700 000 €	51 700 000 €	52 000 000 €	52 600 000 €	52 700 000 €	359 900 000 €
Joint Actions	8 400 000 €	8 400 000 €	8 400 000 €	8 400 000 €	8 700 000 €	8 700 000 €	9 000 000 €	60 000 000 €
Human Competency Building (Training)	2 500 000 €	2 500 000 €	2 500 000 €	2 500 000 €	2 500 000 €	2 500 000 €	2 500 000 €	17 500 000 €
Total	60 500 000 €	61 500 000 €	61 600 000 €	62 600 000 €	63 200 000 €	63 800 000 €	64 200 000 €	437 400 000 €
Option 2: Increased support to EU legal obligations such as the Modernised Customs Code (MCC)								
<i>Activity</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2014-2020</i>
IT Capacity Building	57 200 000 €	59 300 000 €	61 400 000 €	63 500 000 €	65 700 000 €	68 000 000 €	70 200 000 €	445 300 000 €
Joint Actions	11 500 000 €	11 500 000 €	11 500 000 €	11 500 000 €	11 500 000 €	11 500 000 €	11 500 000 €	80 500 000 €
Human Competency Building (Training)	2 800 000 €	2 800 000 €	2 800 000 €	2 800 000 €	2 800 000 €	2 800 000 €	2 800 000 €	19 600 000 €
Total	71 500 000 €	73 600 000 €	75 700 000 €	77 800 000 €	80 000 000 €	82 300 000 €	84 500 000 €	545 400 000 €
Option 3: Option 2 plus financial support for technical capacity building								
<i>Activity</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2014-2020</i>
IT Capacity Building	57 200 000 €	59 300 000 €	61 400 000 €	63 500 000 €	65 700 000 €	68 000 000 €	70 200 000 €	445 300 000 €
Joint Actions	11 500 000 €	11 500 000 €	11 500 000 €	11 500 000 €	11 500 000 €	11 500 000 €	11 500 000 €	80 500 000 €
Human Competency Building (Training)	2 800 000 €	2 800 000 €	2 800 000 €	2 800 000 €	2 800 000 €	2 800 000 €	2 800 000 €	19 600 000 €
Technical Capacity Building	56 300 000 €	56 300 000 €	90 000 000 €	169 000 000 €	169 000 000 €	169 000 000 €	169 000 000 €	878 600 000 €
Total	127 800 000 €	129 900 000 €	165 700 000 €	246 800 000 €	249 000 000 €	251 300 000 €	253 500 000 €	1424 000 000 €
OPTION 4: Option 2 plus a maximised shared IT environment								
<i>Activity</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2014-2020</i>
IT Capacity Building	88 100 000 €	89 100 000 €	89 200 000 €	90 200 000 €	90 700 000 €	91 300 000 €	91 600 000 €	630 200 000 €
Joint Actions	18 000 000 €	18 000 000 €	18 000 000 €	18 000 000 €	18 000 000 €	18 000 000 €	18 000 000 €	126 000 000 €
Human Competency Building (Training)	3 400 000 €	3 400 000 €	3 400 000 €	3 400 000 €	3 400 000 €	3 400 000 €	3 400 000 €	23 800 000 €
Total	109 500 000 €	110 500 000 €	110 600 000 €	111 600 000 €	112 100 000 €	112 700 000 €	113 000 000 €	780 000 000 €

Source. DG TAXUD

Annex 10 INDICATORS LINKED TO GENERAL, SPECIFIC AND OPERATIONAL OBJECTIVES

N°	General Objective	Impact Indicators
	To support EU Customs response by increasing cooperation between countries, their customs administrations and other relevant stakeholders.	<p>1. Evolution of the programme stakeholders' view⁸⁵ regarding the contribution of the programme to support EU Customs response to the needs of public authorities, business and citizens in the Internal Market (scale 1-10).</p> <p>OUTPUT: Stakeholders to have a positive view on the contribution of the programme towards the general objective.</p> <p>TARGET: The output should stabilise or evolve positively compared to the baseline that will be drawn at the start of the programme.</p> <p><i>* The above output and target apply to all indicators measuring the view of stakeholders.</i></p>

N°	Specific Objective	Result Indicators
SO1	To support EU customs in its role in facilitating legitimate trade by automating and speeding up customs procedures.	<p>1. Evolution of the programme stakeholders' view regarding the contribution of the programme to automating and speeding up customs procedures to facilitate trade.</p> <p>2. Evolution of trader's view regarding the contribution of automated and faster customs procedures for trade facilitation.</p> <p>3. Evolution of trader's view using EU eLearning modules.</p> <p>4. The number of electronic declarations.</p> <p>5. The availability of Customs online information for trade.</p> <p>OUTPUT: The availability of the information</p> <p>TARGET: The availability should be at least 95%.</p>
SO2	To support EU customs in strengthening the competitiveness of European businesses and protecting European citizens in terms of safety, security and environment.	<p>1. Evolution of the programme stakeholders' view regarding the contribution of the programme to the protection of European citizens in terms of safety, security and environment.</p> <p>2. Evolution of the programme stakeholders' view regarding the effectiveness of the controls at the EU border for Member States which made use of</p>

⁸⁵ Any measurement of the feedback will be integrated in the evaluation of the present and future programme. The final evaluation of the present programme will as such establish the baseline.

N°	Specific Objective	Result Indicators
		<p>an EU allocation for technical capacity building.</p> <p>3. Evolution of the programme stakeholders' view using COPIS and CRMS info.</p> <p>4. Evolution of the programme stakeholders' view using ECICS info.</p>
SO3	To support EU customs in protecting the financial and economic interests of the EU and Member States	<p>1. Evolution of the programme stakeholders' view regarding the contribution of the programme to protect the financial and economic interests of the EU and Member States.</p> <p>2. The number of "cases" created in the Binding Tariff Information System.</p> <p>3. Evolution of the programme stakeholders' view using TARIC info.</p> <p>4. Evolution of the programme stakeholders' view using COPIS info.</p>
SO4	To support the preparation, implementation and application of EU law and initiatives in the area of customs to improve EU customs in terms of efficiency, effectiveness and uniformity (acting as if there was only one single administration).	<p>1. Evolution of the programme stakeholders' view regarding the contribution of the programme to the preparation and application of EU law and initiatives in the area of customs to improve EU customs in terms of efficiency, effectiveness and uniformity (acting as if one single customs administration).</p> <p>2. Evolution of traders' view regarding acting as if one customs administration.</p> <p>3. The number of working practices changed in the administrations of participating countries where expertise was acquired from at least one other participating country with the support of the programme.</p> <p>OUTPUT: The number of procedures and practices changed</p> <p>TARGET: At least one procedure should be changed per Member State.</p> <p>4. Evolution of the results obtained through monitoring reports.</p>

N°	Specific Objective	Context Indicators
SO1	To support EU customs in its role in facilitating legitimate trade by automating and speeding up customs procedures.	<p>1. Evolution of electronic input of customs declarations (article level).</p> <p>2. Evolution of the ratio between electronic input and documentary controls.</p>

		3. Evolution of electronic input of customs declarations (in terms of customs value).
SO2	To support EU customs in strengthening the competitiveness of European businesses and protecting European citizens in terms of safety, security and environment.	<ol style="list-style-type: none"> 1. The number of Authorised Economic Operators. 2. The number of cases / quantities of drug precursors seized or stopped. 3. The number of recorded incorrect cash declarations and findings as the result of controls in the prevention of money laundering and terrorist financing. 4. Statistics on results of customs controls.
SO2	To support EU customs in strengthening the competitiveness of European businesses and protecting European citizens in terms of safety, security and environment.	1. The number of intercepted goods infringing IPR.
SO3	To support EU customs in protecting the financial and economic interests of the EU and Member States	
SO3	To support EU customs in protecting the financial and economic interests of the EU and Member States	1. The number of infringements related to customs (Internal Market Scoreboard).

N°	Operational Objective	Output Indicators
OO1	To identify, develop and apply best working practices in all areas of customs processes	<ol style="list-style-type: none"> 1. The number of activities organised that support this objective. OUTPUT: The number of activities organised TARGET: The number of activities organised should remain in the same order of magnitude unless there are major policy evolution. <i>*The output and target apply to all similar indicators.</i> 2. The number of times the relevant EU eLearning modules have been used to train stakeholders. 3. The number of online collaboration activities organised under this objective. (<i>* The online environment is currently set up, outputs and targets will be defined when the environment is up and running</i>)

N°	Operational Objective	Output Indicators
OO2	To support a pan-European electronic customs environment	<ol style="list-style-type: none"> 1. The availability of the common network.⁸⁶ OUTPUT: The availability of the network TARGET: The availability should be at least 97%. 2. The number of messages exchanged through the network. 3. The number of online consultations of the EORI (Economic Operators Registration and Identification) numbers. OUTPUT: The number of consultations TARGET: The number of consultations should remain stable throughout the programme (<i>*This output and target apply to all similar indicators</i>) 4. The number of activities organised that support this objective. 5. The number of training activities organised under this objective. 6. The number of online collaboration activities organised under this objective.
OO3	To share information and expertise to support the organisation of customs controls	<ol style="list-style-type: none"> 1. The number of activities organised that support this objective 2. The number of times the relevant EU eLearning modules have been used to train stakeholders. 3. The number of online collaboration activities organised under this objective. 4. The number of online consultations of TARIC (Integrated Community Tariff). 5. The number of online consultations of tariff quotas and ceilings. 6. The number of online consultations of ECICS (European Customs Inventory of Chemical Substances). 7. The number of risk management forms shared between customs authorities.
OO4	To boost customs cooperation within the EU and in relation to third countries, as well as with other government authorities and other third parties	<ol style="list-style-type: none"> 1. The number of activities organised that support this objective. 2. The number of messages exchanged through the secured network with third countries.

⁸⁶ The per cent of the time the network is up and running.

N°	Operational Objective	Output Indicators
		3. The number of online collaboration activities organised under this objective.
OO5	To set up joint activities/teams to perform specific operations together	<ol style="list-style-type: none"> 1. The number of activities organised that support this objective. 2. The number of online collaboration activities organised under this objective.
OO6	To support the modernisation of the EU Customs Union in a harmonised way	<ol style="list-style-type: none"> 1. The number of activities organised that support this objective. 2. The number of online collaboration activities organised under this objective.
OO7	To sustain and monitor correct understanding and harmonised application of EU law and policies	<ol style="list-style-type: none"> 1. The number of activities organised that support this objective. 2. The number of times the dedicated EU eLearning modules have been used to train stakeholders. 3. The number of online collaboration activities organised under this objective.
OO8	To reinforce skills and competencies	<ol style="list-style-type: none"> 1. The number of activities organised that support this objective. 2. The number of EU eLearning modules developed under the programme. 3. The number of times the dedicated EU eLearning modules have been used to train stakeholders. 4. Programme Stakeholder views on the quality of the eLearning modules. 5. The number of online collaboration activities organised under this objective.
OO9	To ensure the appropriate infrastructure allocation for surveillance and control responsibilities	<ol style="list-style-type: none"> 1. The number of activities organised that support this objective.



DG TAXUD
Future Business Architecture for the EU
Customs Union

Presentation of the study results

September 22th, 2011



Agenda

1. Introduction

2. Desired business outcomes for the Customs Union

3. Options for improvement of the functioning of the Customs Union

4. Constraints and conclusions

1. Introduction

1.1 Objectives of the study

1. Identification of the medium and long-term challenges for customs in the next decade;
2. In-depth assessment of the current operating model for managing the Customs Union and customs activities in Europe;
3. Identification of the shortcomings of the current model;
4. Establishment and feasibility assessment of proposals for improvements and possible changes to the operating model for the management of the Customs Union and customs activities in Europe;
5. Formulation of the business case for certain selected options.

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Agenda

1. Introduction

2. Desired business outcomes for the Customs Union

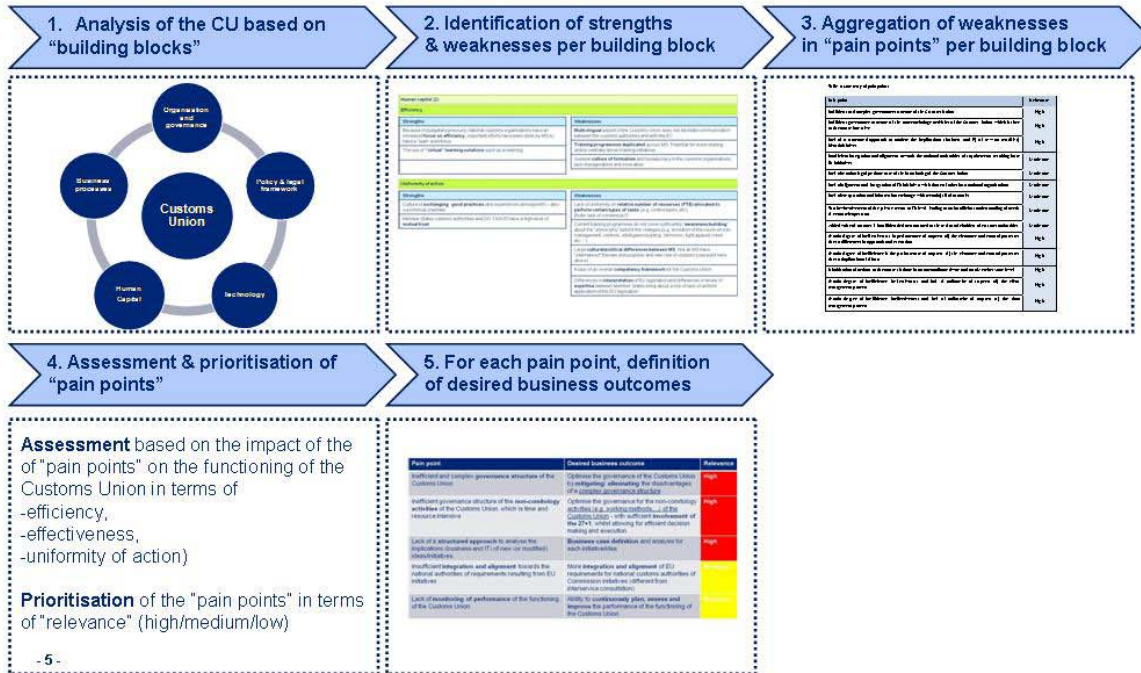
3. Options for improvement of the functioning of the Customs Union

4. Conclusions

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2. Desired business outcomes for the Customs Union

2.1 Approach used for the identification of desired business outcomes



2. Desired business outcomes for the Customs Union

2.2 Desired business outcomes – organisation and governance (1)

Desired business outcome	Relevance
Optimise the governance of the Customs Union by mitigating/ eliminating the disadvantages of a complex governance structure	High
Optimise the governance for the non-comitology activities (e.g. working methods,...) of the Customs Union - with sufficient involvement of the 27+1 , whilst allowing for efficient decision making and execution	High
Business case definition and analysis for each initiative/idea	High
More integration and alignment of EU requirements for national customs authorities of Commission initiatives (different from inter-service consultation)	Moderate
Ability to continuously plan, assess and improve the performance of the functioning of the Customs Union	Moderate

2. Desired business outcomes for the Customs Union

2.2 Desired business outcomes – organisation and governance (2)

Desired business outcome	Relevance
Better alignment/ integration of EU initiatives with those of other international organisations	Moderate
Need for more co-operation and information exchange with (certain) third countries	Moderate
More involvement of private sector at EU level to have a better understanding of their business needs when developing policy and getting joint ownership on developments and executions (policy development and implementation)	Moderate
Customs Union being able to better demonstrate the value of customs to its stakeholders (e.g. national governments, the trading community, the citizens etc)	Moderate

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2. Desired business outcomes for the Customs Union

2.2 Desired business outcomes – processes

Desired business outcome	Relevance
Clearance and control processes applied more effectively through an adequate level of convergence	High
Clearance and control processes applied more efficiently	High
More unity in priority setting for the Customs Union, whilst respecting differences between Member States	High
Client management process applied more efficiently, effectively and in a more convergent way	High
Data management process applied more efficiently, effectively and in a more convergent way	High
Risk management process applied more efficiently, effectively and in a more convergent way	High
Mitigation mechanisms and solutions for language differences when performing customs processes	Moderate

2. Desired business outcomes for the Customs Union

2.2 Desired business outcomes – human capital

Desired business outcome	Relevance
Need to minimise the duplication of efforts in the development and delivery of training and knowledge/knowledge management	High
Integrated resource planning and resource allocation in function of the activities and priorities of the Customs Union	Moderate

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2. Desired business outcomes for the Customs Union

2.2 Desired business outcomes – technology and equipment

Desired business outcome	Relevance
Efficiency in terms of development, maintenance and hosting of ICT	High
Responsive, modular, scalable and adaptive architecture and underlying software and infrastructure	High
Efficiency of IT sourcing for the Customs Union (approach towards outsourcing, in-house development, shared service centres,...)	Moderate
Allocation and/or sharing of appropriate equipment to ensure the effective and uniform operation across the Customs Union	High

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Agenda

1. Introduction

2. Desired business outcomes for the Customs Union

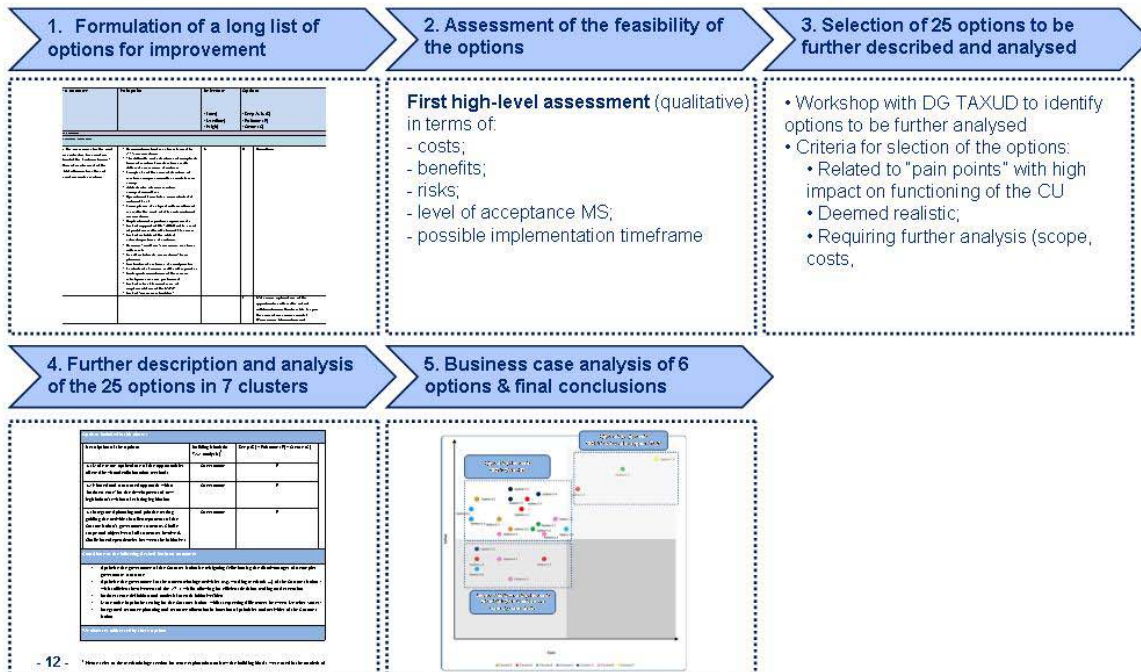
3. Options for improvement of the functioning of the Customs Union

4. Constraints and conclusions

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3. Options for improvement

3.1 Approach used for the identification of options for improvement



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3. Options for improvement

3.2 “Chosen Clusters of (best) Options”

#	Cluster with options addressing:
1	Governance and collaboration processes within the Customs Union
2	Resource exchange mechanisms , temporary and/or permanent
3	Synergies and economies of scale in the field of technology
4	Procurement (in particular for IT) methods
5	Approaches and instruments to enhance the uniform application of processes and procedures
6	Competency building within the Customs Union
7	Capacity Building

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3. Options for improvement

3.2 “Chosen Clusters of (best) Options”

Cluster 1
Improve the governance and collaboration processes within the Customs Union
Make more optimal use of the opportunities offered by virtual collaboration methods
Phased and structured approach with a ‘business case’ for the development of new legislation/ revision of existing legislation
Integrated planning and priority setting guiding the activities in all components of the Custom Union’s governance structure. Clarify scope and objectives of all structures involved. Clarify interdependencies between the initiatives

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3. Options for improvement

3.2 “Chosen Clusters of (best) Options”

Cluster 2
Set up resource exchange mechanisms, temporary and/or permanent structures
Establish mechanisms to enable the Commission to make better use of national officials’ know-how
EU customs task teams - non-permanent teams of specialists delegated, for a pre-determined period, by all or some Member States and the Commission, that can perform, under the coordination of DG TAXUD but under direct Member State responsibility, tasks in the Union’s interest. Tasks performed can include initiatives related to the customs processes, IT, training, innovation, etc. Example: EU AEO Task Force
EU customs operations teams - permanent teams or networks of experts for specific operational activities which do not require the set up of a dedicated permanent physical location. Activities are performed under the coordination of DG TAXUD but under direct Member State responsibility. Example: IT audits for SBA
EU customs synergy teams – permanent teams that require the set up of a dedicated physical location (due, for example, to the need to have access to the national IT systems). Staff working under Member State responsibility. Example: EU Risk Targeting Centre
EU Executive Agency for Customs Programme management & EU Regulatory Agency for IT

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3. Options for improvement

3.2 “Chosen Clusters of (best) Options”

Cluster 3
Create synergies and economies of scale in the field of technology
Re-use of existing or newly developed applications of a Member State in (an)other Member State
Clustered / joined design and development of applications by some Member States
Implementation of a central platform renewing the current CCN technology stack and allowing for composite development of applications. Composite development will allow for the building of applications by re-using existing components build by TAXUD or by the Member States.

Cluster 4
Optimise procurement (in particular for IT)
Develop tools/methods to support the procurement process (in particular for IT)
Framework contracts (in particular for IT) at EU level that can be used – on a voluntary basis – by all 27 Member States or clusters of Member States.
Centralised procurement on an EU level or for clusters of Member States – funded by those Member States that wish to participate
EU financial support for procurement taken by groups of Member States (in particular for IT)

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3. Options for improvement

3.2 “Chosen Clusters of (best) Options”

Cluster 5
Introduce methods, approaches and instruments to enhance the uniform application of processes and procedures
Make use of standardised methods and information structures (e.g. common taxonomies,...) for the definition of functional and technical requirements
Define a performance measurement framework for the Customs Union – i.e. define Critical Success Factors and Key Performance Indicators; establish a Balanced Scorecard for the Customs Union as a whole, together with supporting processes, tools and instruments
Introduce systematic Business Process Management – i.e. place the focus of developing activity on the processes of the Customs Union
Provide more detailed guidelines with an indication of legally binding minimum requirements, based upon documented Business Processes

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3. Options for improvement

3.2 “Chosen Clusters of (best) Options”

Cluster 6
Enhance competency building within the Customs Union
Financial support for the development of EU wide trainings by Member States experts.
Development of a European competency model defining the – operational and policy related - competencies required for the good functioning of the Customs Union.
Development of a European training programme based upon the aforementioned competency model.
Accreditation programme for trainers (“Train the Trainer”). Can be voluntary or mandatory
Development of a European Masters Programme for customs. Open to staff of national administrations, economic operators,...

Cluster 7
Capacity building
Create the possibility for Member States to apply for financial support for investments in equipment

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3. Options for improvement

3.3 Business case analysis

Options selected on the basis of novelty and/or high budgetary impact	
1	EU customs task teams - non-permanent teams of specialists delegated, for a pre-determined period, by all or some Member States and the Commission that can perform, under the coordination of DG TAXUD but under direct Member State responsibility, tasks in the Union's interest. Tasks performed can include initiatives related to the customs processes, IT, training, innovation, etc. Example: EU AEO Task Force
2	EU customs operations teams - permanent teams or networks of experts for specific operational activities which do not require the set up of a dedicated permanent physical location. Under the coordination of DG TAXUD but under direct Member State responsibility. Example: IT audits for SBA
3	EU customs union synergy teams – permanent teams that require the set up of a dedicated physical location (due, for example, to the need to have access to the national IT systems). Staff working under Member State responsibility. Example: EU Risk Targeting Centre
4	EU executive agency EU regulatory agency for IT
5	Implementation of a central platform renewing the current CCN technology stack and allowing for composite development of applications. Composite development will allow for the building of applications by re-using existing components build by TAXUD or by the Member States
6	Financial support for IT procurement taken by groups of Member States
7	Create the possibility for a Member State to apply for financial support for investments in equipment

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Agenda

1. Introduction
2. Current state of the Customs Union
3. Options for improvement of the functioning of the Customs Union
4. Constraints and conclusions

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4. Constraints and conclusions

4.1 Subjects recommended for further analysis (1)

The following topics were out of scope for the analysis but could be further analysed to further strengthen the functioning of the Customs Union:

- ✓ Feedback of the **external stakeholders** on the operating model of the CU
- ✓ Analysis of the legal and policy framework of the CU at EU and national level, with in particular attention for:
 - ✓ Detailed analysis of the **national legal frameworks** and the extent to which they constitute a barrier for setting common operational priorities, implementing uniform customs processes and the possibilities of reuse/sharing of supporting IT systems
 - ✓ Mapping of what rules apply at European and national level regarding the **exchange of data** and identification of those rules that constitute a barrier for the exchange of data.
 - ✓ A detailed analysis of **customs legislation** and the extent to which the current legal framework (EU and national) enables/limits the **development of a differentiated approach to compliance and control** e.g. by further developing a systems-based approach (SBA).

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4. Constraints and conclusions

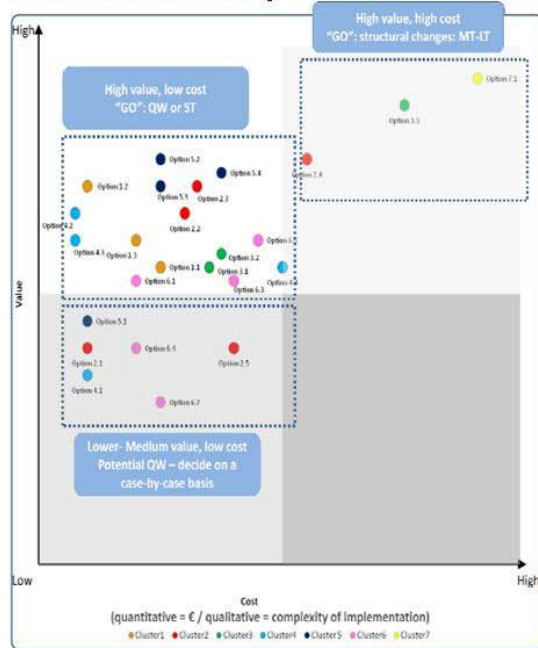
4.1 Subjects recommended for further analysis (2)

- ✓ The performance of the Customs Union in terms of its **cooperation and collaboration with other authorities** both within and outside the EU.
- ✓ **International affairs** related to customs
- ✓ The extent to which Member States customs authorities ensure that their **planning** is in line with EU initiatives and the mechanisms in use to that ends.
- ✓ A **detailed analysis for each customs process** on the extent to which there is a need for more (detailed) guidelines, tools and helpdesks
- ✓ A detailed **business and technical architecture analysis** of all trans-European and national IT systems of the Customs Union.
- ✓ A detailed analysis of the **sourcing and procurement** strategy followed by Member States customs authorities related to IT (development, hosting, maintenance)

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4. Conclusions

4.2 Cost value analysis of the different options

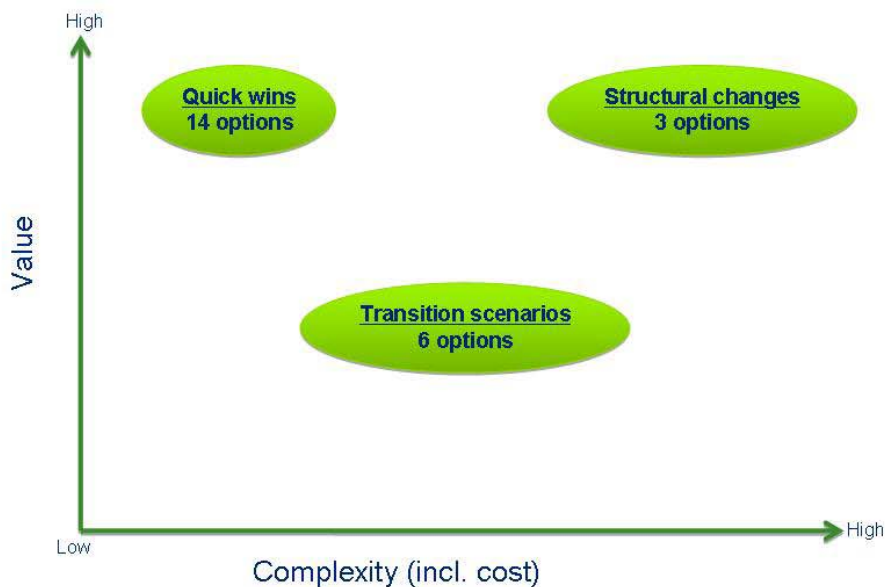


4.1	Make more optimal use of the opportunities offered by virtual collaboration methods
4.2	Approach with a 'business case' when developing/revising (new legislation)
4.3	Inte grated planning and priority setting in the Custom Union's governance structure.
2.1	Make better use of national officials' know-how
2.2	EU customs task teams
2.3	EU customs operations teams
2.4	EU customs synergy teams
2.5	EU Executive Agency for Customs Programme management & EU Regulatory Agency for IT
3.1	Re-use of existing or newly developed applications
3.2	Clustered / joined design and development of applications
3.3	Implementation of a central platform renewing the current CCN technology
4.1	Develop tools/methods to support the procurement process (in particular for IT)
4.2	Framework contracts at EU level that can be used by all Member States
4.3	Centralised procurement on an EU level or for clusters of Member States
4.4	EU financial support for procurement taken by groups of Member States (in particular for IT)
5.1	Standardised methods and information structures for the definition of functional and technical requirements
5.2	Define a performance measurement framework for the Customs Union
5.3	Introduce systematic Business Process Management
5.4	More detailed guidelines based upon documented Business Processes
6.1	Financial support for the development of EU wide trainings by Member States experts
6.2	Development of a European competency model
6.3	Development of a European training programme
6.4	Accreditation programme for trainers
6.5	European Masters Programme for customs
7.1	Possibility for Member States to apply for financial support for investments in equipment

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4. Conclusions

4.3 Recommendations regarding general principles of follow up by DG TAXUD



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4. Conclusions

4.4 Recommendations regarding the options considered in the analysis

Recommendations on structural changes:

- ✓The design and implementation planning of the permanent structures (option 2.4), and the implementation of a new IT platform (option 3.3) are recommended to start as soon as possible.
- ✓Regarding the financial support to Member States for investments in equipment (option 7.1) it is recommended that the scope and ambition of the Customs Union in this regard is first clarified. Once this is done, this option could be implemented (in a reduced form) in next 2 to 5 years.

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4. Conclusions

4.4 Recommendations regarding the options considered in the analysis

Recommendations on Quick Wins (1): implementation as a matter of priority

- ✓Implement within the **next 2 years**:
 1. the enhanced use of virtual collaboration methods (option 1.1),
 2. the introduction of a business case approach (option 1.2),
 3. an integrated planning and priority setting (option 1.3),
 4. the EU customs task teams (option 2.2),
 5. the EU customs operations teams (option 2.3),
 6. the re-use of applications of Member States (option 3.1),
 7. clustered/joined design of components of applications (option 3.2),
 8. a performance measurement framework (option 5.2),
 9. the introduction of business process management (option 5.3), and
 10. the financial support for the development of trainings by Member State experts (option 6.1).

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4. Conclusions

4.4 Recommendations regarding the options considered in the analysis

Recommendations on Quick Wins (2): implementation as a matter of priority

- ✓ Implement in the **next 5 to 10 years** – require legal analysis to confirm that the Quick wins are legally feasible:
 1. options of using framework contracts (in particular for IT) at EU level (option 4.2),
 2. centralised procurement (option 4.3) and
 3. financial support for IT procurement (option 4.4).

- ✓ Implement in the **next 5 to 10 years** – requires intensive discussions with the MS:
 1. development of more detailed guidelines with an indication of legally binding minimum requirements based upon documented business processes (option 5.4)

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4. Conclusions

4.4 Recommendations regarding the options considered in the analysis

Recommendations on specific options:

- ✓ The **options related to IT** that could be envisaged awaiting the implementation of the CCN2 platform
 1. re-use of existing or newly developed applications of Member States (option 3.1)
 2. clustered/joint design and development of components of applications by some Member States (option 3.2)

- ✓ The **options related to Human Capital** require an integrated approach:
 1. development of a European competency model (option 6.2): implementable within 2 to 5 years but will generate greater benefits if reinforced by:
 2. European-wide training programme (option 6.3)
 3. accreditation programme for trainers (option 6.4)
 4. development of a European Masters Programme (option 6.5)

- ✓ EU executive agency and/or EU regulatory agency for IT **not recommended to pursue**

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4. Conclusions

4.4 Recommendations regarding the options identified but not considered in the analysis

Step-by-step approach:

1. Decide on the options considered in the analysis: will they be implemented and if yes, in what timeframe?
2. Analyse the long list of options to identify those options that would become irrelevant/excluded given the choices made in the first step.
Output = a reduced list of possible options
3. Prioritisation and analysis of the feasibility analysis following identical approach to ensure consistency
4. Decide on the timeframe for implementation