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COMMISSION STAFF WORKING DOCUMENT

IMPACT ASSESSMENT REPORT

on the Single Market and Customs Programme

Accompanying the document

Proposal for a Regulation of the European Parliament and of the Council

establishing the Single Market and Customs Programme for the period 2028-2034 and repealing Regulations (EU)2021/444, (EU)2021/690, (EU)2021/785, (EU)2021/847 and (EU) 2021/1077

{COM(2025) 590 final} - {SEC(2025) 592 final} - {SWD(2025) 593 final}

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Glossary

Term or acronym	Meaning or definition
BUDG	Budget
CCEI	Customs Control Equipment Instrument
COMP	Competition
DG	Directorate-General
DIGIT	Digital services
ECFIN	Economic and Financial Affairs
EFRAG	European Financial Reporting Advisory Group
ESP	European Statistical Programme
ESTAT	European Statistics
EU	European Union
FISMA	Financial Stability, Financial Services and Capital Markets Union
GDP	Gross Domestic Product
GROW	Internal Market, Industry, Entrepreneurship and SMEs
ISSG	Interservice Steering Group
JRC	Joint Research Centre
JUST	Justice and Consumers
MFF	Multiannual Financial Framework
OLAF	Anti-fraud Office
RSB	Regulatory Scrutiny Board
SANTE	Health and Food Safety

SDG	Single Digital Gateway
SG REFORM	Secretariat-General Reform
SMP	Single Market Programme
TAXUD	European Commission Directorate-General for Taxation and Customs Union
UAFP	Union Anti-Fraud Programme
UCC	Union Customs Code

1. INTRODUCTION: POLITICAL AND LEGAL CONTEXT

1.1. Political and legal context

The implementation of the current and previous EU programmes, as also demonstrated by the relevant programme evaluations, has shown that the complexity of the funding architecture is the major factor hindering the impact of the EU budget. Currently, many programmes may finance the same activities, but without the same rules and conditions and there is insufficient flexibility to respond to unforeseen needs. This leads to inefficiencies and administrative burden for beneficiaries, Member States and the Commission. In addition, a difficult budgetary situation (with the start of NextGenerationEU repayments, the increasing number of EU priorities and the tight fiscal situation of Member States) reinforces the need to reduce identified inefficiencies and administrative burden.

The Political Guidelines acknowledge that '*our spending is spread over too many overlapping programmes – many of which fund the same things but with different requirements and difficulties to combine funding effectively'*. The Guidelines set out that the new long-term budget needs to be more focused, simpler, with fewer programmes and more impactful.

In line with the Political Guidelines, the College adopted on 11 February 2025 the Communication '*The road to the next multiannual financial framework*', which states that *'the next long-term budget will have to address the complexities, weaknesses and rigidities that are currently present and maximise the impact of every euro it spends'*. The Communication also underlines that flexibility is key in guaranteeing the budget's ability to respond to a changing reality.

In this political context, impact assessments for programmes under the next multiannual financial framework focus on how to streamline the architecture of the EU budget, thereby assessing the most important policy choices underpinning the legislative proposals for the future EU programmes. Policy aspects are considered in the analysis of the context, the problem definition and the objectives, which inform the choices on the programme architecture. Given that the architecture of the new multiannual financial framework will be significantly different from the current structure, assumptions on the budget of each programme would be unreliable at this stage. Therefore, the impact assessment does not include funding scenarios and, consequently, only qualitative cost benefit analysis is possible.

This reflects the specificities of this exercise, as clearly acknowledged in the Commission's better regulation rules, which this impact assessment follows. Tool #9 of the better regulation toolbox states that *'the special case of preparing a new multiannual financial framework is a unique process requiring a specific approach as regards scope and depth of analysis'*.

Against this background, the present impact assessment focuses on the single market and cooperation between national administrations.

The single market was officially launched on 1 January 1993 (European Act of 1986[1]) and is governed by the fundamental principles of free movement of goods, services, people, and capital. For nearly three decades, the single market has been at the heart of the EU, a major contributor to growth, competitiveness, and employment. It enables citizens to live, work and

[1] European Act, EUR-Lex - 11986U/TXT - EN - EUR-Lex.

travel freely within the EU, and offers enhanced consumer protection and greater choice of high-quality cross-border products and services at lower prices.

The single market is the world's largest integrated market and one of the most outward-oriented economies in the world. It is our key asset to bring prosperity to our citizens and businesses but also help us cope with unexpected and unforeseen challenges and crises such as the COVID-19 pandemic. The single market is intrinsically linked with and reinforced by the continuously evolving EU Customs Union, which has been safeguarding the EU's external borders since 1968.

A well-functioning and safe-guarded single market is a pre-requisite for a competitive European economy. However, more action is needed to complete the single market, implement and enforce EU policies and **close productivity and innovation gaps.** This applies in particular to ensuring a highly performing Customs Union, capable to adjust to geopolitical uncertainties as well as increasingly volatile international trade patterns and challenges. The relevance of the single market is increasing considering the emerging political challenges identified in the Political Guidelines[2] and recent reports from Enrico Letta and Mario Draghi[3]. The Political Guidelines also highlighted the importance of developing the European Saving and Investment Union, including banking and capital markets, not least as completing the Capital Markets Union could attract an extra EUR 470 billion of investment per year; financing that is needed for the EU's strategic priorities.

The Customs Union remains the foundation of the Union and a fundamental enabler of the single market and other EU political priorities. It has a key function not only in view of its traditional role in duty collection for the Union budget but also because customs authorities hold a key role in ensuring external borders and supply chain security, contributing to safety and security in the European Union. In order to make the Customs Union work in practice, the Commission and the customs administrations of the Member States need to design common solutions to common problems. Over the past decades, the responsibilities of Member States' customs authorities have extended beyond their traditional role in supervising and facilitating EU trade and its economic interest by taking on an increasing number of responsibilities in the field of safety and security with a view to protecting the public against threats related to health, protecting the environment and other areas. Given this broad mandate, the customs administrations are now effectively the lead authority for the control of goods at the EU's external borders[4].

In addition, Council Regulation (EC) No 515/97 provides that the Union supports the 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. As pointed out in the Letta report, EU consumers are just as vital to the single market as the benefits they receive from it. In 2024, household spending in the EU accounted for more than 50% of the EU's GDP[5]. The ability to reach 450 million consumers with strong purchasing power offers businesses a major advantage, enabling them to scale

[2] European Commission political guidelines for 2024-2029.
[3] Draghi Report", EU competitiveness: Looking ahead - European Commission. "Letta Report", Enrico Letta - Much more than a market (April 2024).
[4] EU Customs Union: facts and figures
[5] Source: Eurostat data.

operations, boost sales, and generate the revenue necessary to innovate and stay competitive. Consumer and investor protection is a cornerstone of a well-functioning single market. It builds trust, empowers individuals to make informed choices, and ensures that businesses compete fairly across borders. Strong consumer rights and effective enforcement prevent fraud, unsafe products, and misleading practices, thereby fostering confidence in cross-border purchases, especially in the digital and online marketplaces that are increasingly central to the EU economy. By safeguarding consumers, the EU not only enhances individual welfare but also strengthens demand, drives innovation, and contributes to market stability.

The priorities for the 2024-2029 Commission announced in President von der Leyen's Political Guidelines include the need to further **deepen the single market**, leading to sustainable prosperity and competitiveness, and prioritise advancing Europe's **economic independence** (security and economic statecraft). This also relates to tackling challenges with **e-commerce platforms** to ensure consumers and businesses benefit from **a level playing field based on effective customs, tax and safety controls and sustainability standards**. **The single market must be agile and continue to adapt to new challenges**, including demographic ones, as recognised, among others, by the European Parliament in its Resolution on the 30th anniversary of the single market[6].

A collective effort is required to continue maintaining it, deepening it, harnessing its full potential, preserving a level playing field both internally and globally, and **ensuring it underpins the EU's prosperity through long-term competitiveness and productivity**, as requested by the European Council[7].

Moreover, as outlined in Letta's report, the limited level of interoperability among public administrations constitutes an important limit to the free movement of goods, services and capital[8]. Thereby, increasing the capacity of public administrations to cooperate[9] and to securely and seamlessly exchange data, while ensuring an effective and consistent application of digital-ready policymaking will be key for the proper functioning of the single market.

The single market is a common space which attracts investments within the EU and from outside the EU by having a **predictable and simple regulatory framework. European official statistics** play a pivotal role in supporting the objectives and functioning of the single market and the EU's competitiveness and productivity. The **European Statistical System** is increasingly benefitting from new data sources and technologies that lead to more timely and relevant statistics in support of all EU political priorities[10]. Joint efforts are required to enforce existing rules, remove barriers and explore areas for further integration of the single market.

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[6] European Parliament resolution of 18.1.2023 on the 30th anniversary of the single market: celebrating achievements and looking towards future developments, P9_TA(2023)0007.
[7] European Council conclusions, 9 February 2023.
[8] Enrico Letta, Much more than a market.
[9] For example, the Interoperable Europe Board, established by the Interoperable Europe Act, brings together high-level representatives from Member States and the European Commission to cooperate on matters related to cross-border interoperability of public services across the EU.
[10] The interim evaluation of the SMP found that timeliness of statistics has improved during the evaluation period, quarterly statistics timeliness improved from 82.5 days in 2021 to 81.7 days in 2023, and monthly statistics from 32.5 days in 2021 to 29.2 days in 2023. These measures are based on new releases of a set of quarterly and monthly statistics, being calculated from the release day of the news releases published by Eurostat as the number of days between the last day of the statistics' reference period and the release day of the related news release.

The potential benefits are very significant: it has been estimated that removing Member State-level barriers to the single market for goods and services alone could add EUR 713 billion to the economy by the end of 2029[11].

EU competition law has an essential role to play in ensuring the proper functioning of the single market, as is recognised explicitly in the Treaties on the EU and on the Functioning of the EU (TFEU). The effectiveness of competition in the internal market in turn is an essential driver of EU competitiveness. According to the Draghi Report 'the evidence is overwhelming that competition stimulates productivity, investment and innovation', while weak productivity harms productivity growth[12]. **Competition enforcement will face the next years new or growing challenges which are likely to significantly increase competition risks and the complexity of enforcement**. Profound changes in the economy have led to (i) increasing market and industry concentration, (ii) increasing markups and profits and (iii) decreasing business dynamism.

In the area of customs, the ever growing and rapidly evolving global trade and supply chain patterns requires an agile, yet robust digital customs environment. The initiatives to digitalise customs were at the forefront of the EU's digital transition already in the 1990s. The progress over the decades reached a watershed moment with the realisation that simply going digital in itself is no longer the reply to the needs. The drive to gain efficiencies and increase the agile use of data has led to the next iteration of EU customs policy, which is framed by the Commission's proposal on the Customs Union Reform.[13] The proposal aims to advance on the **digitalisation of the Customs Union** by establishing an EU Customs Authority which, amongst others, would develop and manage an EU Customs Data Hub[14] representing this new centralised digital environment. The EU Customs Authority, and the Data Hub it would manage, are enablers **of digital innovation aiming to increase the efficiency, simplification and harmonisation of the EU customs**. Until the new Data Hub is developed and fully deployed to take over, the almost 70 currently running central customs IT systems (developed and operated by the Commission) as the backbone of the Customs Union, in line with EU legal obligations, must be maintained to ensure the uninterrupted operation of the Customs Union.

EU taxation policy is a key aspect in the enhancement of the functioning of the single market. **Digitalisation and modernisation of taxation are now key factors inherent in the effective implementation of EU taxation policy, and tax collection by the Member States. The massive uptake of artificial intelligence, with yet unknown consequences, raises the question of readjustment of ambitions and needs, as well as digitalisation and updates of existing digital systems and infrastructures.** In addition, the evolution of tax policies forecast the need for more and more reinforced digital components and solutions that would complement the portfolio of close to 30 already established central tax IT systems. EU tax policy supports revenue collection for the EU and Member States' budgets. Coordination on

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[11] Mapping the Cost of Non-Europe 2019-24, Study of the European Parliamentary Research Service, 2019.
[12] There is strong and consistent economic evidence that industries which face greater competition experience stronger productivity growth and that weak competition undermines productivity growth, see for example OECD Factsheet on how competition policy affects macro-economic outcomes (2014).
[13] Proposal for a Regulation - 52023PC0258 - EN - EUR-Lex (europa.eu), currently under negotiations.
[14] See footnote above and EU Customs Reform | European Commission (europa.eu).

tax matters amongst Member States improve the fight against tax fraud, tax evasion and tax avoidance. EU tax policy is a key element for ensuring the proper functioning of the single market including by avoiding taxation-based distortions to competition. For many years, tax laws have been tightly connected to national sovereignty because they affect national income, budgets, and policy decisions. Countries have protected this sovereignty by maintaining unanimity in decision-making in taxation, allowing any country to veto proposals. Consequently, the Treaties maintain the rule that the Council of the EU must reach unanimous agreement for any tax proposals to be adopted at the EU level. Consequently, despite their expected added value for EU competitiveness and ensuring a level playing field in the EU, not all tax related proposals get adopted or their adoption process becomes particularly long.

Fraud, corruption and other illegal activities linked to the EU budget have an impact not only on the Union's financial integrity and the efficiency spending of the EU money, but also on the core policies at the heart of its single market. Conversely, a high prevalence of fraud can stifle economic growth and undermine the well-functioning of the single market.

Article 325 TFEU requires the Union and the Member States to counter fraud and any other illegal activities affecting the financial interests of the Union. In addition, EU legislation requires Member States to mandatory report irregularities and fraud affecting EU expenditure in the areas of shared and indirect (pre-accession assistance), expected to be maintained also for the new MFF.

Action at Union level is necessary as it assists Member States in collectively protecting the financial interests of the Union and encourages the use of common Union structures in order to increase cooperation and information exchange between competent authorities, while supporting the reporting of data on irregularities and cases of fraud.

The far-reaching technological changes require an important, structural upgrading of the anti-fraud infrastructure in all Member States, with significant investment to be made in digitalisation, artificial intelligence and IT-based tools. The Union needs to strengthen its support in order to meet the Member States' needs in terms of upgrading the existing capacities.

The Union also needs to support candidate countries, investing in their anti-fraud preparedness and national capacities. Likewise, many neighbouring countries are strategic partners in the implementation of EU policies; therefore, strengthening their anti-fraud capacities will further strengthen the protection of the EU budget.

In terms of the decision-making process, the approach for action at EU level differs between direct and indirect taxation, primarily due to the degree of EU competence and the Member States as well as the perceived need for harmonisation. The EU exercises greater competence when it comes to indirect taxation, particularly in areas such as VAT and excise duties. This strong competence is rooted in the necessity of harmonising rules to ensure the proper functioning of the single market. In contrast, the EU's competence in the area of direct taxation is more restricted. Member States maintain greater autonomy, resulting in a more cautious approach. However, EU-level directives on administrative cooperation are having their influence on this domain. These directives represent a shift towards improving (digital) collaboration and data exchange among Member States, although at a slower pace compared to indirect taxation activities.

The political agenda has been increasingly influenced by tax competition between countries and tax avoidance practices by companies. Those phenomena go well beyond Member States' borders and involve also third countries. Expectations for the Union to take action to fight tax fraud, evasion and avoidance are high, as these distort competition, jeopardise the functioning of the single market and undermine social fairness.

1.2. Scope of this impact assessment[15]

The Member States and the Commission share the responsibility for enforcing EU law, including ensuring that single market rules are complied with, and that people's rights are enforced. The Commission's work on ensuring compliance combines three main aspects: strengthening barrier prevention, collaboration with Member States, and corrective implementation and enforcement actions. Similarly, protecting the EU budget is a shared responsibility between the EU and its Member States, while the European Commission plays leading and coordination roles for this shared responsibility.

Under the current MFF 2021-2027, **the Single Market Programme (SMP)** has supported the design, implementation and enforcement of EU legislation underpinning the proper functioning of the single market so that it can reach its full potential. Funding opportunities offered through the SMP deliver on a major policy priority of the Union which is the completion of the single market and need to be continued in the future.

For the purposes of this impact assessment, the Single Market is defined as the EU's integrated market based on the four fundamental freedoms—free movement of goods, services, people, and capital—established since 1 January 1993. It also encompasses a broader regulatory and operational framework supporting competitiveness, growth, and the protection of EU financial interests.

In this context, the programme goes beyond the four freedoms, covering areas such as customs, market surveillance, standardisation, public procurement, intellectual property, crisis management, enforcement, taxation, consumer protection, competition, financial services, implementing tools for administrative cooperation and access to information[16], collection of statistics, and the protection of the EU's and Member States' financial interests and anti-fraud.

The aim is to **make the single market more effective in the era of digitalisation and globalisation and to facilitate single market access and international cooperation**. The SMP provides support to businesses, non-state-actors and to EU authorities and bodies to maintain effective rulemaking, standard-setting and enforcement of EU law (for example, the Internal Market Information System (IMI) has further supported the exchange of information on rules of operating of the Single Market between public authorities. Information exchanges

[15] Programme Performance Statements - European Commission.
[16] Single Digital Gateway, Internal Market Information System, SOLVIT.

rose from 81 980 in 2021 to 112 550 in 2023[17]). It mobilises investment through capital markets and banking and empowers and protects consumers. In addition, it supports the capacity-building of Member States' competent authorities, such as Market Surveillance Authorities[18]. Finally, it facilitates cooperation among national authorities by providing digital tools or by organising meetings with relevant national authorities (for example through meetings of the European Competition Network). Funding in the area of **European statistics** supports the development, production and dissemination of high-quality, comparable, timely and reliable European statistics which underpin the design, monitoring and evaluation of all Union policies and help citizens, policymakers, authorities, businesses, academia and the media to make informed decisions and to actively participate in the democratic process.

The **Customs and Fiscalis programmes** and their previous iterations accompany the customs and tax policies in the EU for more than three decades. Both programmes have a heavy digital component (see next paragraphs) and face the same challenges as mentioned above, including – primarily on the customs policy side – ensuring adequate funding to secure the functioning of a highly performing Customs Union and EU taxation to address challenges in the digital age. This in particular is confirmed by the findings of the Customs and Fiscalis 2020 programmes' final evaluations. The cross-border nature of infrastructure and services and the focus on system interoperability are evident both in the area of customs and taxation.

Approximately 95% of the current **Customs programme**[19] budget is dedicated to digital customs in the form of Commission procurement for central digital systems and solutions. The future is focused on an even more centralised digital Customs Union, represented by a central Data Hub to be developed and managed by an EU Customs Authority as set out in the Commission's proposal on the Customs Union Reform.

In addition, **the Customs Control Equipment Instrument**[20] as part of the Integrated Border Management Fund, contributes to increasing the efficient and effective customs controls, essential for the facilitation of legitimate trade, while ensuring sufficient level of protection at the external borders, by supporting the purchase, maintenance and upgrade of state-of-the-art customs equipment such as scanners, automated number plate detection systems, teams of sniffer dogs and mobile laboratories for sample analysis.

The **Fiscalis programme**[21] supports the development, operation and modernisation of the key digital infrastructures for taxation (representing around 85% of the current programme's

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[17] Internal Market Information System (IMI) | Single Market Scoreboard. The number of policy areas covered by IMI increased from 17 to 20 by December 2023, meaning that eight additional administrative cooperation procedures were covered by IMI, bringing the number of total procedures to 97.

[18] The interim evaluation of the SMP indicated that SMP funding supports the development of legally required digital tools, such as interfaces to facilitate the exchange of electronic data between national customs systems and the ICSMS, as well as between market surveillance systems and the ICSMS. Other digital tools include Safety Gate, the rapid alert system for dangerous non-food products.

[19] Customs programme: Further details, work programmes and annual progress reports: https://taxation-customs.ec.europa.eu/about-us/eu-funding-customs-and-tax/customs-programme_en

[20] Customs Control Equipment Instrument: Further details, work programmes and annual progress reports: https://taxation-customs.ec.europa.eu/about-us/eu-funding-customs-and-tax/customs-control-equipment-instrument_en

[21] Fiscalis programme: Further details, work programmes and annual progress reports: https://taxation-customs.ec.europa.eu/about-us/eu-funding-customs-and-tax/fiscalis-programme_en

budget, in the form of Commission procurement), as well as project-based cooperation and human capacity building activities, to implement the EU tax policy objectives including enhancing the functioning of the single market. It also puts in place and operates common tools to facilitate the cooperation in the single market, particularly in the fight against tax evasion and fraud.

As cooperation programmes, the Customs and Fiscalis programmes support and facilitate the engagement and integration of customs and taxation administrations from enlargement countries into the broader EU customs and taxation community. This includes their digital onboarding into some key European common IT systems, such as the New Computerised Customs System.

The **Union Anti-Fraud Programme** (UAFP)[22] funds actions which aim to prevent and combat fraud, corruption and other illegal activities affecting the EU's financial interests. The programme addresses both the expenditure and the revenue components of anti-fraud activities to protect the Union's budget. It combines the financing and implementation of three different, previously separate EU interventions: 1) financial support to Member States for anti-fraud measures, 2) the Anti-Fraud Information System (AFIS) and 3) the Irregularity Management System (IMS). Actions eligible for funding include technical and operational investigation support, such as the acquisition of databases and tools/equipment, digital forensic analysis, specialised anti-fraud training activities, research activities and the operation of AFIS and IMS. Due to their specific nature linked to the Commission's operational activities in support of Member States, the work within AFIS and IMS would be considered indispensable. The AFIS component finances operational activities, necessary for the independent investigative mandate of OLAF, while the IMS component finances the maintenance, development and user support of an IT system managed by OLAF on behalf of the Commission.

The programme is not perceived as the discontinuation of existing programmes, nor their reorientation. While the names of the programmes (e.g. Single Market Programme, Customs, Fiscalis or Union Anti-Fraud Programme) are no longer spelled out separately, the future actions supported in the relevant policy areas will continue to provide support with increased coordination and synergies at policy and design level. Most of the actions stem from the EU-level legal obligations established upon the Commission and the Member States, for most of them, would be implemented via public procurement by the Commission.

More information on the Single Market, Customs Union, Taxation, and Anti-Fraud can be found in Annex 7.

[22] Union Anti-Fraud Programme (UAFP) - European Commission.

2. PROBLEM DEFINITION

2.1. What are the problems?

It is imperative to ensure continuous funding in the area of the single market, including cooperation between national administrations[23]. However, under the current framework, the overarching problem is a **complex funding landscape lacking flexibility, synergies, and showing shortcomings in terms of coherence**. This creates barriers and hinders effective access to the available funds.

Considering the identified shortcomings in the synergies between EU programmes and calls for simplification and rationalisation of the funding landscape as well as the importance to be able to react to crises, the EU programmes' flexibility and reactiveness to new challenges is critical[24].

Fragmentation issues – ranging from diverse rulebooks to overlapping programmes – can lead to EU funding not reaching the right beneficiaries at the right time addressing the most relevant policy needs. Ultimately, this impacts not only individual, but also the EU's overall economic resilience, social cohesion, and innovative capacity, and consequently the competitiveness of the single market.

In the policy fields related to the single market, customs, taxation and anti-fraud[25], there is a need for a more flexible EU funding landscape to help streamline administrative processes, harmonise rules across Member States, and facilitate quicker responses to evolving challenges and crisis situations.

Despite the availability of significant resources through various current programmes (e.g., the single market, Customs[26], Fiscalis and Union Anti-Fraud programmes), a range of factors can hamper effective allocation and uptake:

Complex administrative procedures

Multiple and varying application processes, different programme guidelines, and varying eligibility criteria create administrative burden on both the potential beneficiaries and managing authorities. This complexity can deter smaller organisations or first-time applicants, who may lack the capacity to navigate the wide range of options and overcome red tape. 80% (530 out of 650) of respondents to the public consultation indicated that different and complex fund-specific requirements and rules are an obstacle to the EU budget achieving its objectives.

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[23] The feedback collected during the public consultation indicated that ensuring that rulemaking, standard-setting, and enforcement at the EU level remain evidence-based, effective, and tailored to evolving needs (92%, 615 out of 673) and improving cooperation, collaborative efforts, and integration among member states and the Commission (87%, 587 out of 672) emerged as the most widely recognised challenges.

[24] Communication on the Road to the next multiannual financial framework, COM(2025)46 final.

[25] The public consultation demonstrated that the following intervention areas were identified as most important: supporting fair competition ranked highest, with 83% (546 out of 655) rating it as (very), followed by supporting standardisation efforts (81%, 550 out of 682) and deploying common and/or interoperable digital solutions, including portals and tools (76%, 492 out of 648).

Inconsistent national and regional capacities to apply for EU funding and unequal access to information

Although the EU sets overarching funding frameworks accessible to all, Member States and potential beneficiaries have varying capacities to tap into these funding opportunities. This can lead to distortion in the use of funds, as potential beneficiaries with more experience in and more resources for accessing EU funds are often better prepared to apply successfully, while others may lack the networks or know-how to identify and secure relevant grants. This includes the fact that often those potential beneficiaries who need the support the most, are not even aware of the funding opportunities.

Overlapping funding instruments

The EU has numerous funding instruments (e.g., grants, loans, guarantees), sometimes with overlapping objectives and eligible actions (e.g. as it is in the cease of the Customs programme, the Customs Control Equipment Instrument and the Union Anti-Fraud Programme). Coordination efforts are not systematic and cannot be considered robust enough to ensure maximum complementarities between various interventions. Equally, potential applicants might be uncertain which instrument best suits their project.

Limited synergies among programmes and policy areas in a programme

Even when programmes could complement one another, regulatory barriers and varying rulebooks can make it difficult to pool or blend resources. This siloed approach hampers larger-scale, integrated projects that span multiple beneficiaries in an integrated manner.

Funding framework rigidity reducing ability to adapt to changing priorities

A rigid and heavily regulated funding environment means complex and lengthy, legislative, financial and bureaucratic processes to adjust funding priorities or rules. This blockage and lag can be detrimental when urgent new challenges arise, requiring a swift reallocation of resources.

2.2. What are the problem drivers?

2.2.1. Problem driver: Design

Fragmentation of EU funds, scale of challenges (need to improve flexibility). The current funding landscape of the EU contains over 40 separate programmes with defined budget of various sizes and various ambitions, and often with limited, policy-specific scope. This setup combined with the complex financial rules of the EU create an environment where budget agility is heavily hindered and thus responding to new priorities and challenges in a timely manner is at stake.

A majority of respondents (69%, 460 out of 662) to the public consultation estimated that a "lack of flexibility to adapt to new and unforeseen developments" constitutes an obstacle to the EU budget achieving its objectives[27].

Limited coordination of EU funding (need to reinforce synergies)

A majority of respondents (76%, 509 out of 667) to the public consultation shared that the lack of coordination or synergies between programmes, while smaller majority (62%, 416 out of 669) found the overlapping policy goals between numerous programmes represent obstacles to the EU budget achieving its objectives.

The thematic nature (policy domain-specific) of the fragmented funding landscape means that in particular horizontal aspects (e.g. non-policy specific elements, such as human capacity building methodology, communication/use of social media) are potentially addressed in several programmes separately, while bringing these aspects together would not only eliminate overlaps but also would bring the policies closer together, also gaining from economies of scale. The same considerations highlight that there is a potential for further coordination at policy level, which with a more streamlined funding landscape would promote the engagement in joint activities and would bring the policy silos closer to each other especially in overlapping policy domains (e.g. customs - market surveillance; anti-fraud - customs control; statistics – taxation).

Access to EU funding is hampered by complexity (need for simplification)

The current, more than 40 programmes create a complex landscape for the potential beneficiaries to navigate. Not only the number of the interventions and their often-unclear segregation in scope and opportunities, but the related varying regulatory frameworks and implementation mechanisms may lead the potential beneficiaries to invest in application to funds where they or their proposed actions are not eligible. Mapping and engaging with the complexity of the current funds create administrative burden and additional costs for the beneficiaries. It equally could mean missed opportunities (e.g. missing deadlines) or could overall discourage using the opportunities provided by the funds. Furthermore, when one fund is more easily accessed (e.g. more targeted beneficiary audience) it may create unequal opportunities for those who are not targeted by the given programme and can only access to more horizontal ones (e.g. targeted beneficiaries of the Customs programme are the national customs authorities, while economic operators dealing with customs matters cannot tap directly into the fund).

A majority of respondents to the public consultation considered that different and complex fund-specific rules to access funding and ensure compliance (80% (530 out of 650), and administrative burden for beneficiaries, regional and national authorities (85%, 555 out of 657) constitute an obstacle to the EU budget achieving its objectives.

[27] Including 80% of member states authorities (76 out of 95).

2.2.2. *Problem driver: Knowledge and data gaps, and other barriers are obstacles for citizens, consumers, and businesses, economic operators to access and operate in the single market.*

2.2.2.1. Problem driver description

Citizens, consumers, economic operators and businesses face significant challenges in accessing and operating within the single market, due to knowledge and data gaps and other barriers[28]. This includes access to and receiving information and advice about the rights and obligations, guidance and training on the functioning of the single market, customs and taxation aspects, and these stakeholders' functioning in the digital single market. Businesses face barriers linked to administrative burden and the need to comply with complex and different regulatory frameworks despite simplification efforts. In many areas and for diverse stakeholders, there is still an ongoing lack of information, communication and/or awareness. Citizens and consumers, especially vulnerable consumers, may lack information about their rights, economic operators and businesses are not always aware of rules related to intra-EU, and external trade, in particular in terms of customs and taxation rules, product compliance and market surveillance rules, or similarly in the field of competition rules[29]. Services supported under the SMP like Your Europe Advice, IMI, and SOLVIT saw a growing number of cases, reflecting these challenges. The Eurobarometer survey further demonstrated an information gap, with only 6% of citizens feeling well-informed about their EU rights and another 36% only fairly well-informed, underscoring the need for tools and platforms to raise awareness[30].

These barriers affect single market participation and limit the possibility to elaborate a regulatory framework fit to provide a thriving environment for citizens, consumers, and businesses and economic operators. There is a need for citizens, consumers, economic operators and businesses but also public administrations to receive information to understand their rights, opportunities, and challenges related to the single market. Informed and empowered consumers and businesses can drive demand for fair competition, high product standards, and sustainable practices. Currently, products that should – but do not - comply with environmental standards too often find their way on to the market, negatively impacting consumers and businesses that do comply. Unjustified barriers arise when national law conflicts with single market rules or when those rules are incompletely or insufficiently interpreted and implemented at national level, including due to differences in administrative practices, capacities of national authorities, fragmented cooperation between various national administrations/authorities both at national and EU-level, as well as shortcomings in interoperability and common, EU-wide digital solutions. They hinder the capacity of businesses to flourish, remain competitive and to harness the green and digital transition and also limit consumer choice and confidence. Some types of barriers have proven to be persistent: 60% of the barriers that businesses report facing today are of the same type as were reported 20 years ago[31]. Many of these relate to national regulation as well as administrative

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[28] Letta Report and other Commission reports.

[29] Initiatives such as Consumer Law Ready and Consumer PRO have successfully raised awareness of consumer rights among SMEs and strengthen the capacity of consumer professionals. For instance, Consumer Law Ready trained 1 069 people between July 2021 and March 2023, with SME trainers (i.e. multipliers) representing 49% and SMEs representing 51% of the total participants (SME homepage | Consumer Law Ready).

[30] Eurobarometer 430: European Union citizenship, March 2016.

[31] Single Market Strategy.

practices, which, in the first instance, have to be addressed directly by Member States. Barriers confirmed by stakeholders include the complexity of national procedures and lack of information on them, disproportionate national requirements. Many such barriers are not amenable to legislative harmonisation and hence reducing obstacles at national level remains the major objective.

A renewed focus is needed on tackling barriers in areas most relevant for the whole economy. The single market will also have to continue to adapt to the new realities of the geopolitical environment, technological developments, the green and digital transitions and the need to boost the EU's long-term competitiveness and productivity. Setting up, expanding, and operating across EU borders and with third countries remains a challenge due to difficulties in accessing EU funding as well as the necessity of compliance with different national rules in Members States which constitutes a complex and resource-intensive endeavour. The persistence of barriers creates a need for support to address these, and services providing tailored support to citizens, consumers and businesses are essential and relevant[32].

In an increasingly digitalised world, digital tools are essential to ensure the continuity of business operations and companies' interactions with registers and authorities. In order to increase trust and transparency in the business environment and facilitate companies' operations and activities in the internal market, it is crucial that companies, authorities and other stakeholders have access to accurate, up-to-date and reliable company information and can use it without burdensome formalities in a cross-border context. It is also crucial that companies can benefit from digital tools and solutions in EU company law to simplify procedures and reduce administrative burdens on companies. These help companies develop across the single market and enhance competitiveness. At the same time, barriers remain, including as regards availability and accessibility of information about companies and time-consuming and costly procedures and requirements that companies face in cross-border situations.

Furthermore, **while innovative technologies, such as AI and data driven business models enhance digital cross-border trade, they also raise a number of new issues and potential single market obstacles** for various business models and assets, including free movement of goods, services and data. Their impacts are expected to grow in the future, as digitalisation progresses. For instance, new civil law issues include uncertainties around the use of automated technologies such as AI in digital trade (questions of attribution, validity and consequences of unintended AI actions and liability). In addition, the increased use of data in contracts and the value of data as an economic factor raises questions as to how data driven business models affect contracting and the rights and obligations of the parties to such contracts.

EU company law – providing a horizontal legal framework applying to 20 million limited liability companies and their cross-border branches and to two million partnerships – **aims to address these barriers and burdens and therefore, the continued funding of developments in EU company law will be crucial under the next MFF**. Adapting **civil law** and more specifically **contract law** to the needs of the digital economy will be essential to

[32] For example, the National enforcement authorities within the Consumer Protection Cooperation network (CPC), are responsible for the enforcement of consumer protections laws and takes action to address cross-border compliance with EU laws impacting consumers, (Consumer Protection Cooperation Network - European Commission).

ensure seamless digital cross-border transactions and the development of innovative digital business models. Continued funding of relevant civil and contract law actions will be necessary to ensure the policy tools to tackle single market obstacles in this area. Continued financing of the **Business Registers Interconnection System (BRIS)** will be particularly essential as all the digital procedures and solutions in the EU company law framework rely on the use and the development of BRIS and as it is a key digital infrastructure that enables access to and exchange of company information across the EU. Although it is difficult to quantify the value of information, according to recent estimates, the value of basic company information (e.g. registered addresses, company numbers, dates of incorporation, nature of business) was estimated at approximately EUR 950 per user per year. In addition, thanks to the application of the once-only principle through BRIS, companies do not need to provide their information multiple times, which reduces reporting burdens for companies.

The current Union Customs Code achieved the digitalisation of customs; however, economic operators still face 27 national IT environments, each consisting of multiple and diverse systems and related technical requirements and procedural aspects when declaring and clearing goods that enter/exit the Union, despite there being a single customs union. The formalities and various processes have an administrative overhead and come at a cost to trade and economic operators, playing a factor in their decision and opportunity to engage fully in the single market, and having impact on the EU competitiveness. This is evident from the study supporting the Commission's proposal to the Reform of the Customs Union, as well as by the preliminary findings of the case studies on four selected IT systems for customs analysed by the study supporting Customs programme's interim evaluation[33].

Over the years, **taxation remained a major source of revenue for Member States' budgets. However, the rapidly expanding digitalisation of the economy poses challenges to tax authorities and economic operators**. The emergence of new business models and the increasing amount of data with which tax authorities and economic operators need to deal require constant adjustments. The European Parliament adopted a resolution[34] noting the potential of data and digital tools to reduce red tape and simplify various taxpayer obligations. Currently, taxpayers and economic operators are facing complex tax systems and high compliance costs which further contribute to tax gaps, tax fraud and tax evasion. Furthermore, the single market and the freedoms forming its basis brought many new opportunities, not only for legitimate traders but also new possibilities for tax fraud and evasion arose. Member States partly addressed these newly used avenues, but the measures taken to fight tax fraud and evasion have had side effects, resulting in extra burdens and barriers, also for legitimate traders.

The surge in e-commerce is a clear challenge for the single market due to digitalisation. The Commission adopted a Communication on e-commerce[35] highlighting the need to address the challenges with e-commerce to ensure consumers and businesses benefit from competitive

[33] At the time of writing the draft impact assessment, the interim evaluation of the EU Customs programme has not yet been completed, therefore any findings should be considered as preliminary. The studies and the related Commission report and SWD can therefore be made available at a later stage.
[34] European Parliament resolution of 10 March 2022 with recommendations to the Commission on fair and simple taxation supporting the recovery strategy (P9_TA (2022)0082).
[35] Commission Communication on a comprehensive EU toolbox for safe and sustainable e-commerce COM (2025) 37 final

e-commerce, based on effective customs and tax policies. It is directly related to increasing complementarities between various national administrations and to better coordinate national market surveillance authorities and potentially combine EU level market surveillance powers with the EU customs authorities[36].

2.2.2.2. Lessons learnt from previous programmes

There is a **need for information** evidenced during the interim evaluation of the SMP by the effectiveness and level of use of digital information tools (Your Europe, Your Europe Advice (YEA)) and services. The Your Europe portal has seen improvements in functionality and user engagement since 2021 has remained high. In 2023, it was the most visited EU website with 32 million[37] visitors. The Your Europe Advice (YEA) service handled up to 25 560 queries in 2023[38]. The Internal Market Information System (IMI) has further supported the exchange of information on rules of operating of the single market between public authorities. Information exchanges rose from 81,980 in 2021 to 112,550 in 2023[39]. Additional financing support was deemed as to ensure the capacity of the Commission to finance the improvement of digital information tools and services. More frequent feedback collection from users of certain IT services (EU Taxonomy Compass) financed could help monitor user satisfaction and improve service delivery.

Moreover, money laundering can undermine the integrity of financial systems as well as facilitate financing of terrorist and/or extremist actions. The Beneficial ownership Register Interconnection systems (BORIS) and the forthcoming bank Account Register Interconnection System (BARIS) are important IT tools to facilitate the flow of information for Member States' anti-money laundering efforts and to counter terrorist financing.

The Single Digital Gateway (SDG) serves as a one-stop-shop for citizens and businesses who want to work, study or do business in another EU country. The interim evaluation of the SMP showed that significant progress is still needed, notably for making procedures accessible to cross-border users.

COMPCases, a new public case search engine related to competition cases, simplifies case searches and the retrieval of related documents. The number of users has steadily increased since its launch in 2023 reaching 605,535 users in 2024. It is an essential tool to ensure transparency and accessibility for all stakeholders. Many different tools also enable the efficient and secure exchange of sensitive and confidential information with stakeholders in competition cases.

The European Consumers Centres and Alternative Dispute Resolution bodies assist consumers in cross-border transactions by providing free information and advice on their rights and help them in resolving cross-border consumer complaints and obtaining access to appropriate dispute resolution[40]. The SMP interim evaluation showed it is crucial to continue focusing on raising consumer education and awareness, especially in countries where

[36] Single Market Strategy.
[37] In 2021, it recorded 58.3 million visits, in 2022 42 million. In 2019 35,9 million, and in 2020 32,7 million. DG GROW Annual Activity Reports 20219 to 2023
[38] 20 071 queries in 2022, and 19 002 in 2021, although slightly fewer than the 25 281 handled in 2020.
[39] Internal Market Information System (IMI) | Market Scoreboard (europa.eu)
[40] For instance, in 2024 the ECC-Net's legal experts assisted over 134,000 European consumers, facilitating the recovery of EUR 5.7 million through amicable settlements.

evidence suggests gaps, with specific emphasis on financial literacy and digital rights. It is also key to improve the visibility of ECCs, which vary across Member States, as their role will expand with the update of the Alternative Dispute Resolution Directive, making them crucial contact points for cross-border consumer disputes and to continue to raise awareness on aspects of the financial services that affect consumers in their day-to-day life (e.g. the increase of digitalisation and digital finance or savings and financial planning through retail investments).

Businesses perceive the **regulatory burden** in Europe as too heavy, with 32% of EU firms identifying regulations as a "major obstacle" to their investment activity. An additional 34% of EU companies see regulation as a minor obstacle, meaning that in total two thirds of companies consider being hindered from investing by excessive regulation.

Information and education to **consumers**, sustainable production and consumption initiatives through information campaigns, Commission's websites, digital tools, meetings and training. In this respect, improving digital tools and advanced infrastructure is essential, with further integration of IT platforms support implementation efforts and should improve data efficiency and availability in order to make informed decisions and analysis.

Eurostat provides and communicates **European statistics** by offering European official statistics available in the Eurostat database, publications, podcasts, news articles and releases and numerous other dissemination products freely accessible on the Eurostat website and its social media channels as well as Eurostat user support. The growing interest in Eurostat's statistical products and services among policymakers, media, researchers and citizens underlines the key role of European statistics in supporting evidence-based policy and decision making, informing the public debate and fighting foreign information manipulation and disinformation. There is a need to continue investing in new technologies and innovative data sources, expanding data coverage and granularity, to enhance timely statistical production and dissemination.

The Customs and Fiscalis programmes target the **customs and tax** authorities in the Member States (and programme participating countries more broadly) as primary beneficiaries. In that sense, citizens, consumers, economic operators and businesses benefit mainly indirectly from these programmes. In particular, the final evaluation of the Customs 2020 programme revealed that economic operators see the need to benefit from EU funding opportunities in the domain of customs targeted to non-state stakeholders. The feedback received from non-state stakeholders who benefited from specific e-learning modules[41] developed under the Customs and Fiscalis programmes equally show that actions targeted to non-state parties are just as essential as supporting the national administrations and authorities in terms of achieving higher-level objectives linked with the Customs Union and taxation in the EU.

The portal TaxEdu[42] designed for kids, teenagers, and young adults is a specialised educational platform to help taxation and educational authorities to introduce these age groups to the basics of taxation, personal finance, and financial literacy in a fun and engaging way. Feedback on the portal and the educational materials gathered show the need to target not only the authorities but also the citizens and other non-state stakeholders.

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[41] For example: eLearnings on drug-precursors, VAT rates, VAT refund or the e-commerce programme with 5 modules about OSS/IOSS schemes.
[42] https://taxedu.campaign.europa.eu/

In addition, knowledge gaps filled by guidance produced with the support of the Fiscalis programme on the Central Electronic System of Payment information (CESOP) proved to be beneficial, as confirmed by various stakeholders, to facilitate the common understanding of the legal provisions.

Despite advances made in the move towards a paperless environment[43], bottlenecks persist through a complex legislative and IT environment when dealing with the movement of goods over the EU's external borders[44]. Many stakeholders demand more information, support and guidance, training and consultation opportunities[45]. Citizens are particularly vulnerable due to the lack of simple, easy to understand instructions, when ordering and receiving packages from or sending to outside the EU or travelling through the external borders with goods. A prime example of this need is the success of the cash control communication campaign of the Commission financed under the Customs programme and regarding the provisions on cash controls[46].

2.2.3. *Problem driver: Capacity building, administrative and operational cooperation and integration among Member States and between Member States and the European Commission remains suboptimal.*

2.2.3.1. Problem driver description

As recently emphasised in the Letta report[47], addressing the disparities in technical, operational and **administrative capacities** among the Member States, including by means of cooperation and integration, is essential for ensuring a level playing field within the single market. The quality of governance and of institutions also plays a role, as good governance reflects in agility/adaptability, impartiality and provision of quality public services.

Low administrative capacity can also impact public authorities' ability to access EU support programmes. As they may have limited means, fewer skills and less experience, may face higher difficulties to go through the application process. In addition, digitisation of public authorities remains a substantial challenge, in particular, given that the majority of EU policies and legislations increasingly have a digital component. Furthermore, strengthening administrative capacities in third countries enhances regulatory enforcement, ensuring that consumer protection and product safety standards are effectively implemented and upheld. This reduces the risk of substandard or unsafe products entering the single market, aligns regulations with EU standards, and prevents unfair competitive advantages for non-EU traders operating under weaker oversight. The enforcement and implementation of the single market policies and rules rest on the cooperation between national authorities, and between the national authorities and the Commission, which remains to be improved. Such cooperation exists, as shown by the European Union Product Compliance Network (EUPCN) of DG

43 Union Customs Code Annual Progress Report 2023 (the report on 2024 will be soon available)
[44] SWD/2023/140 final.
[45] SWD/2023/140 final - For example, the public consultation accompanying the Customs Reform Proposal confirmed that respondents (77%) agreed with the need to simplify how information is provided on customs and to reduce administrative burden and formalities.
[46] https://taxation-customs.ec.europa.eu/customs-4/prohibitions-and-restrictions/eu-cash-controls_en
[47] Enrico Letta, Much more than a market, April 2024.

GROW and the Consumer Safety Network (CSN) of DG JUST both of which have played a pivotal role in making market surveillance more uniform and enhancing the capabilities of MSAs[48]. The European Union Testing Facilities (EUTFs) are expected to further strengthen market surveillance[49]. Yet, insufficient **cooperation** can result in inconsistent enforcement, duplication of efforts and impact the free movement of goods, people, services, and capital. In addition, it may also hamper the achievement of the Savings and Investments Union. Despite progress, cooperation between Members States and with the Commission remains limited and can undermine the effective implementation of EU law, the competitiveness and the full functioning of the single market. It can be noted that the Internal Market Information System (IMI) plays an important role in facilitating cooperation and fast exchanges between over 12,000 public authorities across Europe. However, delivery of user-friendly cross-border interoperable public services by seamless data among public administrations remains a challenge, along with access to digital solutions supporting Union's policies. In this context, actions implementing the Interoperable Europe Act, including the governance structure established by the latter, and additional uses of IMI could further reduce administrative burden and ensure greater cooperation among Member States and between Member States and the European Commission.

The **Customs Union** founded in 1968, manages the external border of the EU by enforcing the rules governing the cross-border movement of goods, including by imposing a common tariff on goods imported from third countries. It is the basis and the guardian of the EU single market, allowing goods to move freely within the Union. At its core are the exclusive competence of the Union to regulate, and a common legal framework, which is implemented by the customs authorities of the Member States. Although the Customs Union is an area of exclusive competence with a high degree of harmonised EU legislation, the implementation of this legislation remains entirely with the individual Member States. Inconsistencies in the interpretation and application of EU law, uneven administrative capacities threaten the unity of the Customs Union: the Customs Union can only be as strong as its weakest link. This is in particularly highlighted in several European Court of Auditors special reports[50].

In the area of **taxation**, the EU and the national tax administrations suffer from insufficient capacity and insufficient cooperation, both within the EU as well as with third countries, to carry out their missions effectively and efficiently. Firstly, this is driven by the fact that there is a difference in capacity of the tax administrations. Some administrations are more advanced

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[48] MSAs expressed during the interim evaluation of the SMP viewing the European Union Testing Facilities (EUTF) and digital tools such as the Proactive Web Crawler (22 out of 32), Unique Identifiers (19 out of 32), and ICSMS (24 out of 31) as supportive of market surveillance efforts.

[49] Of the Market Surveillance Authorities (MSAs) surveyed during the interim evaluation of the SMP, 11 out of 19 see the EUTFs as crucial for EU-level activities.

[50] Special report 13/2023: Authorised Economic Operators: Solid customs programme with untapped potential and uneven implementation, 5 May 2023, European Court of Auditors

Special report 04/2021: Customs controls: insufficient harmonisation hampers EU financial interests, 30 March 2021, European Court of Auditors

Special report 20/2019: EU information systems supporting border control: a strong tool, but more focus needed on timely and complete data, 11 November 2019, European Court of Auditors

Special report 26/2018: A series of delays in Customs IT systems: what went wrong?, 10 October 2018, European Court of Auditors

Special report 19/2017: Import procedures: shortcomings in the legal framework and an ineffective implementation impact the financial interests of the EU, 5 December 2017, European Court of Auditors and agile than others to respond to trends such as green taxation (e.g. environmental tax), the commitment to repurpose environmentally harmful subsidies, globalisation and digitalisation. In connection to the latter, the national digital systems that tax administrations use are also unequal, with some administrations having more modern, better functioning systems than others, resulting in differences of functioning of the processes and operations in tax administrations. Secondly, the obstacles for cooperation between tax administrations and other stakeholders are driving this problem. These obstacles can be of strategic nature such as different political and economic priorities, or of legal nature such as uneven interpretation of tax legislation or of administrative and operational nature including for example different processes, interoperability, etc. While these obstacles are partly addressed by enhanced administrative cooperation[51], there is still room for improvement and the full potential has not been achieved just yet. As such, increasing demands for tax administrations related to digitalisation and e-commerce, lead to increase in the demand for quality of exchange of information and administrative cooperation[52].

Moreover, the legislative measures become only meaningful once they are properly implemented, requiring facilitation to ensure their impact and accessibility to the legal instruments for all tax authorities. At the same time, there are emerging needs for more central digital solutions to lift the burden that individual Member State tax authorities are facing in this regard. This results in a need to guarantee a support to cooperation between national authorities to ensure the well-functioning of the single market. Modern, efficient and resilient public authorities at national, regional, and local level, as well as specific centralised, EU-level solutions, are a pre-requisite for a well-functioning single market and Customs Union, and for the achievement of Union goals. The recent crises that have affected the EU, most notably the COVID-19 pandemic and the consequences of Russia's invasion of Ukraine, have tested the capacity of public authorities to respond to external shocks and to quickly adapt to pressing needs.

As indicated by the final evaluation of the Hercule III and the interim evaluation of the UAFP, the same insufficient capacity and insufficient cooperation exists among the national authorities in charge of investigating and combating fraud affecting the expenditure of the Union budget. These authorities stringently need continued EU support in acquiring the

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[51] Council Regulation (EU) No 904/2010 of 7 October 2010 on administrative cooperation and combating fraud in the field of value added tax (OJ L 268, 12.10.2010, p. 1). ELI: http://data.europa.eu/eli/reg/2010/904/2021-07-01.
Council Regulation (EU) No 389/2012 of 2 May 2012 on administrative cooperation in the field of excise duties and repealing Regulation (EC) No 2073/2004 (OJ L 121, 8.5.2012, p. 1). ELI: http://data.europa.eu/eli/reg/2012/389/2023-02-13.
Council Directive 2011/16/EU of 15 February 2011 on administrative cooperation in the field of taxation and repealing Directive 77/799/EEC (OJ L 64, 11.3.2011, p. 1). ELI: http://data.europa.eu/eli/dir/2011/16/2024-01-01.
[52] The use of different data sources for VAT compliance purposes varies between Member States. Particularities in areas such as the legislative framework, political organisation and social structures also influence the variation. Although all Member States exchange information and use mutual assistance agreements and third-party information, only a minority use internet platform payment data or behavioural studies. These studies identify the socioeconomic factors (e.g. age, gender, employment status and educational attainment) and institutional factors (e.g. trust in government and community satisfaction with the quality of public services) that have an impact on a taxpayer's motivation to comply with their VAT obligations.' *Source: VAT Administration in the EU - European Commission*.

necessary investigative equipment, IT tools and training in order to step up their efforts, which is currently being addressed by the UAFP.

Support should also be provided for platforms that facilitate the exchange of anti-fraud best practices and intelligence data among Member States. As a crucial element in safeguarding the EU's financial interests, it is essential to maintain and enhance the tools required for the mandatory reporting of irregularities and fraud impacting EU expenditure in areas of shared and indirect management.

In addition, the Union needs to support candidate, neighbouring and other third countries in their building and upgrading of national anti-fraud structures aimed at protecting the EU financial interests. Similarly, the future EU interventions in both Member States and third countries need to take into account the rapid changing environment in terms of the fight against fraud, with new emerging fraud patterns and far-reaching technological changes. This also applies to taxation, market surveillance, implementation and alignment tools, competition, standardisation, consumer protection, and statistics. In the field of customs, enlargement and Eastern neighbourhood countries will become EU external border therefore their onboarding on customs and taxation digital systems, upgrading of customs control performance through customs control equipment and human capacity building are of critical importance.

Some governance structures (at Union, national and subnational levels) may be sub-optimal for effective coordination and sharing of information across policy areas and administrative levels, thus risking uneven and potentially more burdensome implementation. For example, the presence of a coordinating body with a strong political mandate helps to facilitate a strategic approach and coordinating actors across policy areas.

The appeal of accessing a well-functioning single market enhances the EU's external influence. It is therefore necessary to further support Member States in efforts to harness the full potential of the single market, which also includes addressing persistent discrimination, to ensure their full participation in the single market, as also highlighted in the Letta report.

An uncoordinated approach to data gathering and processing by different programmes, synergies, training and capacity buildings actions, awareness raising activities, cross-border enforcement, products testing, support to network of Member States authorities, IT development (interoperability) can impact the uniform application of rules and undermine their effectiveness. An example of effective training and capacity building is to be found in the interim evaluation of the SMP, which pointed out that the European Statistical Training Programme (ESTP) exceeded its participation targets[53]. Equally, the annual progress reports of the Customs and Fiscalis programmes record high-level interest and active participation to EU-level human competency building activities, together with high-level satisfaction of the participants[54]. Better coordination of policies, including at EU level, is also required to

[53] Source: Eurostat data. This indicates that the knowledge and skills of staff at NSIs and Eurostat, required for rapidly addressing emerging data demands and for generating statistics derived from various sources, data sharing, and innovative methodologies, are being sufficiently developed.
[54] See also the EU's Programme Performance Statements, where these indicators are equally featured.

address the challenges affecting the EU’s competitiveness and to strengthen the EU’s strategic and geopolitical stance. As indicated in the Draghi report, uncoordinated national policies often lead to duplication, incompatible standards, and failure to consider externalities[55].

2.2.3.2. Lessons learnt from previous programmes

In some areas, there was sub-optimal administrative cooperation and integration between Member States and between Member States and the Commission that impacted consistent levels of enforcement of EU policies, law and rules. To avoid the creation of de facto barriers to free movement, there is a need for reinforced operational and administrative cooperation and integration between authorities, and between the national administrations and the Commission.

Digital tools and platforms, such as the E-surveillance Web Crawler and the Proactive Web Crawler, Safety Gate and the document digitalisation tool, are seen as valuable resources for improving market surveillance by most Market Surveillance Authorities, allowing to address product compliance issues related to e-commerce. However, some of them are still under development, and further optimisations will probably be needed to enhance the interface for users and implement additional AI-based functionalities. In terms of the Customs Union, digitalisation and the establishment of a modern, paperless environment started decades ago.

Capacity building for Consumer Protection Cooperation (CPC) authorities and ADR bodies is required, backed by regular needs assessments to keep pace with evolving legislation. Upskilling of ADRs will be essential to tackle new categories of consumer disputes, making workshops and events for exchanging best practices essential. Enhance cooperation among Member States to address the fragmented ADR landscape across EU and promote collaboration among sector-specific ADR networks. This will help reduce administrative challenges by sharing resources, exchanging best practices

Platforms such as the FIU.net (Financial Intelligence Units) contribute to the EU's efforts in enhancing cross-border collaboration among Member States. The budgetary contribution provided for the Commission to be able to take over its maintenance from Europol has allowed to significantly enhance its development which has amplified its effectiveness across borders by leveraging on EU funding to ultimately strengthen the EU's collective response to financial crimes.

Consumer products circulating in the single market, whether bought online or offline, have become safer, and dangerous products are recalled from the single market. Tackling this issue requires coordination and cooperation among Member States authorities. For instance, Coordinated Activities on the Safety of Products (CASP) facilitated joint product testing, cross-border collaboration among national market surveillance authorities, and exchange of results and best practices that enhanced safety measures and strengthened consumer confidence in product safety within the single market. Despite progress, the problem of non-compliant products persists, and cooperation should be strengthened. Furthermore, the shift

[55] The future of European competitiveness – A competitive strategy for Europe. 2024.

to a circular economy that retains the value of materials in products and minimises waste has led to the adoption of new rules with a direct impact on the compliance of products entering the single market.[56] There is also a high rate of non-compliance with environmental standards for imported products. For example, a European Environment Bureau analysis found that 95% of products sold via online marketplaces are non-compliant with chemicals laws.

Communication and knowledge sharing between different stakeholders was assessed satisfactory by the interim evaluation of the SMP, nevertheless, it can be further improved.

Support is needed for cooperation and training to equip national statistical authorities to further enhance the capacity of the European Statistical System to leverage new data sources and technologies and continue delivering high quality and timely data and statistics.

This could be partly addressed via training, capacity-building, exchanges of expertise and knowledge, joint enforcement, and networks and platforms. This would allow to facilitate cross-border cooperation within Members States and across the single market. Joint enforcement actions have been particularly effective under the SMP.

In the absence of the outcomes of the interim evaluation of the current programme generation, this impact assessment relies on the findings of the Customs 2020 and Fiscalis 2020 programmes' final evaluation. Both evaluations conclude that the EU intervention over the past three decades supporting cooperation in the field of customs and taxation was instrumental in the improved functioning of the internal market and Customs Union. On the taxation side, the appreciation for the support provided by the Fiscalis programme to the administrative cooperation instruments has become clear, shown by the high uptake of beneficiaries. The results of Eurofisc in the fight against VAT fraud has increased considerably since Fiscalis funded the Transaction Network Analysis (TNA) that automated their data collection process and the Expert Team that operates the electronic system on a daily base. Eurofisc has detected suspicious transactions for an amount of EUR 1.5 billion in 2018, while in 2023, with TNA use, the amount was EUR 14.6 billion.

However, several ECA special reports in the customs domain highlights that despite this decades' long support to the Customs Union, whose iterations all targeted the objective "Member States acting as one under the Customs Union" several discrepancies can still be identified in terms of establishing a uniform playing field. The shortcomings often lead back to the lack of centralised solutions and closer cooperation amongst the Member States, as well as the approximation of the administrative and operational practices. Equally, the special reports note the need for reinforced administrative and operational capacities in the administrations to fulfil their mandate and mission as per the Union Customs Code. Moreover, on the taxation side several ECA special reports concluded that there is room for improvement. This includes for example the special report on e-commerce in which it became clear that many challenges of collecting VAT and customs duties remain to be resolved. Another example can be found in the special report on tackling intra-community VAT fraud on which more action is needed.

[56] Regulation (EU) 2024/1781 of 13 June 2024 ESPR -DPP

In addition, the delays in the national delivery on the Union Customs Code (UCC) national components highlighted in the annual eCustoms reports leading to the need to amend the related milestones set in the legislation, extending the deadlines show that not all national customs authorities have the capacity to respond to legislative obligations in a timely manner. Efforts under the Customs programme (and its predecessors) to facilitate the cooperation between national administrations and authorities to share the burden of IT development led to limited success, as confirmed by the assessment of the Expert Team on New Approaches on IT Collaboration (ETCIT) to develop and operate customs IT systems and confirmed by the identified hindering factors by the Chief Information Officers' Network (e.g. legal boundaries, operation and digital limitations).

The Technical Support Instrument (TSI) supports the capacity building of national authorities and administrations. The TSI provides tailor-made technical expertise to Member States to design and implement reforms. The main goal of the TSI is to enhance Member States' administrative capacity to deliver on reforms linked to key EU policies. The technical support is provided in a wide range of policy areas related to public administration and the single market[57], including but not limited to customs, taxation and anti-fraud[58]. TSI support is provided via expertise and technical support to all Member States to carry out reforms that create jobs, inclusive societies and sustainable growth. The TSI has a budget of EUR 864 million under the 2021-2027 MFF.

According to the interim evaluation of the TSI, the Instrument has proven effective in promoting cooperation and cross-border exchanges among Member States, bringing Union-wide impacts. This was particularly achieved through multi-country projects or TSI flagships projects, such "Public Administration Cooperation Exchange", that was launched in 2023 with the objective of creating a European community of civil servants that share good practices and create bilateral contacts. This evaluation underscores the positive impact of fostering continuous cooperation and the creation of a community of experts across Member States. Cooperation between National Administrations and sharing national practices at EU level for the design, implementation, and evaluation of reforms makes it possible to pull together the best and most innovative elements from each Member State, thereby creating

[57] In the area of single market, the TSI provides technical support to Member States in building competitive economies. The support covers a wide range of policy areas, including SMEs and entrepreneurship, growth and productivity strategies, industry and industrial ecosystems, digital economy and innovation, competition and consumer policy, foreign investment and trade, licencing and inspections as well as transport and mobility.

[58] In the area of customs, the TSI support encompasses 16 reforms with ten Member States. To address the challenges faced by Member States' customs authorities stemming from globalisation, green and digital transition, as well as international tax competition, the TSI supports EU-wide initiatives, notably the proposal for the EU Customs Reform package.

In the area of taxation, the TSI support focuses on increasing tax compliance, improving risk management through digitalisation, countering aggressive tax planning, tax fraud and avoidance, strengthening the administrative cooperation and exchange of information between tax administrations, as well as enhancing the capacity of customs authorities to improve their controls and risk management through digitalisation. The 2025 revenue administration flagship project 'Simplification of Revenue Administration for Business' focussed on tax simplification. This flagship offered support to Member States for reforms such as business process improvement, digitalisation, and policy evaluation.

transnational and national structures that are competitive worldwide, while preserving diversity at national level.

2.2.4. *Problem driver: Rulemaking, standard-setting and enforcement at EU level may hamper their adaptability*

2.2.4.1. Problem driver description

Ensuring the effectiveness of EU rulemaking, standard-setting, and harmonised enforcement is a continuous challenge, particularly considering evolving economic, technological, and regulatory landscapes, including the increasing digitalisation of markets and governance. European standards play a pivotal role in fostering harmonisation across the EU and supporting key policy objectives. As highlighted by the interim evaluation of the SMP development of European standards has notably benefited from SMP funding, resulting in a significant increase in the number of European standards adopted. The implementation rate of European standards as national standards increased from 71.23% in 2021 to 86.03% in 2023, reflecting steady year-on-year improvement. The importance of funding to support financial standards is evidenced in the field of international financial reporting, where the IFRS Accounting Standards have seen widespread application within the EU, with almost all standards adopted (16 out of 17 IFRS and all International Accounting Standards)[59]. Between 2021 and 2023, the number of countries using IFRS Accounting Standards increased from 140 to 168[60], reflecting broader international adoption. Stakeholders consulted during the interim evaluation of the SMP confirmed the effectiveness of the work of the IFRS Foundation: 78.2% (18 out of 23 respondents).

Moreover, there is a pressing need to ensure that policies and legislation are future-proof and ready for the digital age, thereby considering digital aspects from the start of the policy cycle through an effective and consistent use of digital-ready policymaking becomes paramount for a well-functioning single market.

New **single market challenges** and unforeseen crises due to geopolitical contexts or societal and technological change represent challenges the EU must face. There is a need to support the adaptability of rulemaking, standard-setting and enforcement to evolving circumstances to continuously adjust policies and enforcement to properly respond to unforeseen emerging challenges.

New rules in the EU acquis are designed and adopted with significant input from Member States and their public authorities. On the ground however, the transposition and application of EU law and the functioning of the single market may be affected by limited administrative capacity. Union law provides for a level playing field, which is essential for the functioning of the single market. This particularly concerns the fields of single market, standardisation, market surveillance[61], mutual recognition, conformity assessment, consumer protection and

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[59] IFRS - View Jurisdiction.
[60] IFRS website IFRS - Why global accounting standards?.
[61] The impact of AdCos was pointed out in the interim evaluation of the SMP by the MSAs as indicating improved market surveillance at EU level (25 out of 32) and within their countries (22 out of 32).

product safety. The level playing field also consists in rules on business, trade and financial services, on the production of European statistics and on the promotion of fair competition.

To prepare and evaluate policies, support efficient standard setting and enforce EU legislation, the Commission relies on up to date and trustworthy data. Trust in European statistics remains high, with 95% of 1 675 respondents in the 2024 User Satisfaction Survey (USS)[62] expressing confidence in the impartiality and reliability of the data. High-quality European statistics produced by Eurostat are indispensable for EU decision-making and for the measurement of the performance and impact of EU initiatives[63]. The statistical coverage has expanded significantly. Eurostat increased the number of indicators, sub-indicators, and data breakdowns from 446 million in 2020 to 718 million in 2022. Although the figure dropped to 705 million in 2023, the overall growth since 2020 indicates substantial progress[64].

The **fragmented application of common rules** is due to a diverse technical capacity, resources, expertise, and know-how to deliver their implementation. The effective implementation does not lie exclusively with public administrations at national level but is also influenced by the capacity of bodies at regional and local level or non-state actors involved in the implementation on the ground. It also leads to centralised, EU-level solutions. Enforcement actions are confronted with increasingly sophisticated and numerous digital tools used by economic operators; an exponential increase in electronic communications; a rapidly growing use of algorithms, big data, big data analytics and artificial intelligence, which increases difficulties in detecting infringements (for example, digital tools may help conceal anticompetitive conduct) and collecting evidence.

As identified in the Letta report[65], discrepancies in the way EU law is transposed or implemented may result in **different interpretations** among national legislators and courts, as each Member State has different rules in the same policy area. This contributes to the fragmentation of the single market.

Applying a digital-ready policy-making approach, simplifying the regulatory framework, harmonising and uniformly implementing laws across Member States and more consistently enforcing single market rules are essential to ensure a well-functioning and strong single market. In the area of competition, profound changes in the economy have increased competition risks: the Draghi Report[66] recommends that competition authorities should become more forward-looking and agile: in other words, there is a need to (i) investigate more complex cases and (ii) at the same time to conclude those cases faster than in the past. To achieve this dual objective, the Draghi report states that more resources are also needed.

Recent crises have shown the increasing need to ensure swift reactions to address unforeseen events (e.g. domains of product safety, statistics). Some degree of adaptability is embedded in funding programmes, such as the SMP, however more flexibility will likely be required in

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[62] User Satisfaction Survey 2024, when asked whether the completeness of data was better or worse (comparison to the previous USS conducted in 2022), 52% of 1 675 respondents replied that it was the same or better, with only around 2% saying it was worse.
[63] Results from the USS 2024 show that users find statistics important for monitoring or formulating policy and for preparing legislation.
[64] Source Eurostat's reference database.
[65] Letta Report.
[66] See pages 298 and 299 of part B of the Draghi report.

light of potentially numerous upcoming emerging needs (linked with climate change and related natural disasters, unstable geopolitical landscape). These needs may well concern consumers and businesses, Member States and the single market overall.

Effective rulemaking and enforcement rely on robust data collection, studies, and assessments. Gaps in data collection, production, and distribution hinder the ability of policymakers and enforcement authorities to make informed decisions. This could be addressed via data collection, production and dissemination, and analysis activities, Digital tools, the provision of assistance services to authorities, support to standard-setting efforts, as well as joint/coordinated actions. This would allow to ensure and enhance authorities and bodies' ability to effectively apply tailored and agile rules produced by the EU.

Furthermore, in areas where a coordinated approach exists, there is a continued need to maintain and reinforce the coordination efforts. Where the rules are enforced by the national authorities, the Commission may take an active role in ensuring coherence by coordinating horizontally, without interfering the Member States' sovereignty, to reduce inherent risks of divergent outcomes in the internal market due to incoherent enforcement.

Enforcement of existing EU law is necessary to ensure the effective functioning of the single market. Enforcers, for example in the area of competition law, are confronted with increasingly sophisticated IT tools used by economic operators and other non-state stakeholders, an exponential increase in electronic communications, a rapidly growing use of algorithms and artificial intelligence: this results in increasing difficulties in detecting infringements and collecting evidence.

The rapid digital transition is also reshaping industries, creating new challenges that demand agile and effective enforcement. Those challenges require the Commission to modernise its legislation, to make sure it remains effective and efficient**.**

Citizens, consumers and businesses can fully benefit from the single market only when EU rules are correctly implemented and enforced. Ensuring the correct day-to-day implementation of single market rules is the collective responsibility of the Commission and the Member States. In particular, a correct application of regulations relies on the work of national authorities to give full effect to them. There is a clear need to address the deficits related to transposition and implementation of EU rules, reducing administrative barriers and improving the business environment. Correct and timely transposition of EU law is of critical importance to ensure that single market legislation achieves its intended effects.

It will also be vital to continue developing, producing and disseminating relevant official European statistics in an efficient manner while reducing administrative burden, in support to policy making in this domain. This could lead to a gradual construction of a single market for data, with safeguards, to the benefit of stakeholders and policymakers.

The **Customs Union** is an exclusive competence of the EU and is stipulated by the UCC and the UCC-related EU legislative landscape. However, the Member States' customs authorities are responsible for its implementation. The legislative landscape for customs and the burden on the national authorities both in terms of implementation and enforcement is increased by the fact that national customs authorities are best positioned to control the overall movement of goods at the external borders – also contributing to the protection of the single market by controlling compliance with product requirements, monitor drug precursors, enforce intellectual property rights, food, health and environmental rules, contribute to human rights and sustainability, and much more to ensure the protection of the EU's external borders. All these sectoral rules to be enforced by customs at EU external borders are called "Prohibitions and Restrictions" (P&R). According to the latest calculations, there are more than 350 EU legislations, and customs authorities struggle to cope with such a wide range of specialised and often complex rules.

EU tax policy supports revenue collection for the EU and Member States' budgets. While initially focussing on putting in place harmonising legislation mainly for indirect taxes, it has over the years widened its focus more on coordination on tax matters amongst Member States and the fight against tax fraud, tax evasion and tax avoidance. EU tax policy is a key element for ensuring the proper functioning of the single market, including by avoiding distortions of competition through taxation. There is still insufficient level flexibility in rulemaking and enforcement. The unanimity has its drawbacks[67] and limits the potential of an EU tax policy to support a well-functioning competitive single market by generating a rigid and non-agile legal environment. Slow reaction and even slower realisation have a negative impact on the uniform playing field in the EU and reflects also negatively on the EU in the global context. Sovereignty reflexes are stronger among the Member States because tax policy is and has been used by Member States to justify protecting specific national interests or build business models around the concept of tax to attract certain economic activities or consumers and to protect certain competitive advantages. At the same time, even when EU legislation has been agreed, its effectiveness is not guaranteed due to its dependence on the interpretation, implementation and enforcement on national level. New strands of EU initiatives in the domain of taxation, such as behavioural taxes or the phasing out of fossil fuel subsidies, also require strong coordination at the earliest stages in the legislative preparations.

2.2.4.2. Lessons learnt from previous programmes

The effective development, implementation, and enforcement of EU competition policy, which has a significant positive impact on customer savings and on the EU economy overall[68], requires the Commission to have the necessary expertise and digital tools to support its enforcement activities. The necessary expertise, such as external data to support case work, or studies supporting the review of guidelines, is necessary to modernise the EU's competition policy to ensure it supports European companies to innovate, compete and lead world-wide. In addition, digital solutions serve various purposes such as case management, document review, tools that facilitate secure data exchange with stakeholders. The potential benefits in strengthening the enforcement of competition rules and the impact on the single market has

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[67] Commission Communication 'Towards a more efficient and democratic decision making in EU tax policy' COM (2019) 8 final.

[68] Direct customer savings generated by cartel, antitrust and merger enforcement are significant (between EUR 13.7 billion and EUR 23.4 billion per annum over the period 2014-2023). In addition, the Commission's competition policy interventions can lead to a medium to long-term increase in real GDP in the range of 0.6% - 1.1% (equivalent of an uplift of EUR 80 - 150 billion in 2019 GDP), as well as a 0.3% - 0.7% reduction in the price level.
See Competition Policy Brief - Customer savings, a 10-year perspective (2022) or "Modelling the macroeconomic impact of competition policy: 2023 update and further development", report prepared by the Directorate-General for Competition, the Joint Research Centre and the Directorate General for Economic and Financial Affairs, Publications Office of the European Union, https://op.europa.eu/en/publication-detail/-/publication/c086d580-2229-11ef-a251-01aa75ed71a1/language-en.

been analysed in detail[69]: measures aimed at limiting the market power of the most profitable companies and at tackling the lack of competition in lagging countries each promise to increase GDP by around 4% after ten years. In order to strengthen and speed up enforcement of competition rules (in close cooperation with the national competition authorities in the Member States), the development and improvements of digital tools need to be substantially increased, together with the support to existing infrastructure. For example, the usage of Artificial Intelligence such as technology-assisted document review in competition cases can substantially increase the efficiency and relevance of investigations and cases analysis.

Effective rulemaking, standard-setting and enforcement in the single market also requires other bodies to be supported, so that they can fulfil their roles and responsibilities. For example, the setting of **standards** necessitates support for European Standardisation Organisations (ESOs). Harmonised European standards allow economic operators to demonstrate compliance with EU law with one standard across the single market. As underpinned by the 2022 EU Standardisation Strategy[70], standards play an important role for the digital and green transition and can give the EU a global leadership role. Standard-setting efforts are undertaken by European standardisation organisations and bodies involved in financial and non-financial reporting and auditing. The involvement of diverse stakeholders, such as businesses and consumer representatives, is essential in **European standardisation** processes. However, ensuring adequate representation and influence at the international level remains a challenge and still requires supporting activities ensuring that EU views and interests are considered.

The start of the Russian invasion of Ukraine prompted an unpredictable need for a rapid increase in the production of timely European Statistics, in particular, energy-related following the evolving priorities of the EU. European statistics show a strong EU added-value, due to their impartiality, reliability, and comprehensive coverage, cost-effectiveness, as well as to their significantly improved comparability and harmonisation across Member States. The SMP's statistical pillar, the European Statistical Programme (ESP), general objectives were well-aligned with the users' expectations and ensuing needs of the European Statistical System (ESS) to adapt to them, ensuring that the ESP remained relevant and responsive to changing policy priorities and data requirements. Additionally, the ESP's ability to address emerging issues and crises underscored its commitment to serving the ESS and the broader stakeholder community. Despite the overall positive alignment with stakeholder needs, data gaps remain in certain areas, highlighting the need for continuous improvement and innovation.

With regards to cooperation between enforcement authorities, stronger coordination within customs and related enforcement actions to tackle the challenge of e-commerce has already been identified as a priority[71]. This was affirmed in the public consultation accompanying the Customs Reform proposal, where enhancing co-operation between customs and non-customs authorities (notably market surveillance authorities, law enforcement authorities, tax

[69] See 'Protecting competition in a changing world: Evidence on the evolution of competition in the EU during the past 25 years', June 2024, KD0924494enn_Protecting_competition_in_a_changing_world_staff_report_2024.pdf
[70] An EU Strategy on Standardisation - Setting global standards in support of a resilient, green and digital EU single market, COM(2022)31.
[71] COM(2025) 37 final.

agencies) was among the most supported elements of the reform options with 106 (55%) strongly agreeing and 47 (24%) tending to agree[72].

In the area of taxation, the need for cooperation is demonstrated by the fact that a large part of the collaborative activities financed under the Fiscalis programme are focused on cooperation between tax authorities. For example, in 2024, out of the total of 171 collaborative actions, those aiming at fostering cooperation between tax authorities, including exchange of tax information, represented the most significant part of activities with 121 actions. Worthwhile to mention as well is that the Advanced International Administrative Cooperation (EU AIAC) Community[73] is year after year the community that produces the highest number of guidelines and recommendations in taxation.

2.3. How likely is the problem to persist?

In the absence of EU action ensuring coordinated funding in the area of single market, Customs Union, taxation, and anti-fraud policies, the identified issues causing the problems, and their roots identified would persist.

In an unchanged funding landscape, the capacity of the Commission to sustain activities corresponding to legal obligations and fully assess the enforcement of EU law could be limited. Efforts to further improve and complete the functioning of the single market would be hindered.

As evidenced in the interim evaluation of the SMP, legal obligations deriving from EU legislation and related to the single market may be difficult to fulfil without a certain level of resources, e.g. for the competition, internal market (goods, services and finance) or consumer protection policies. As an example, the Commission would not be able to deliver on its Treaty-based obligations to effectively enforce competition policy across all instruments (e.g. risking the customer savings of 14-23 billion per year from interventions in competition cases and risking the overall positive impact on real GDP in the range of 0.6% - 1.1%).

The Commission might have issues to maintain essential subsidies to European organisations or authorities benefitting from EU funding at an acceptable level (e.g. consumers, standardisation organisations, statistics) or impact the coordination and collaboration thereof.

It would not facilitate the Commission to adapt to new technological developments or respond to quickly emerging policy needs. It could remain difficult to properly face crisis situations or keep up with technological developments (such as in the context of artificial intelligence) or EU enlargement.

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[72] SWD/2023/140 final.

[73] The EU AIAC Community covers existing, new and future administrative cooperation tools. In addition, these cooperation tools are available for all tax areas such as Value Added Tax (VAT), excise duties, direct taxation and recovery of claims. The AIAC Community provides Member States with a common approach towards an increased need to fight against cross border tax fraud and evasion and promotes the use of advanced administrative cooperation instruments.

3. WHY SHOULD THE EU ACT?

3.1. Legal basis

The choice of the legal basis must be supported by objective factors open to judicial review, which include the aim and content of the EU measure.

Article 114 TFEU on achieving the objectives of the internal market, Article 169 TFEU and Article 169 (2) (b) TFEU concerning consumer protection[74], Article 197 TFEU on administrative cooperation, and Article 338 TFEU on statistics, Article 33 TFEU on customs cooperation in the Customs Union, Article 207 TFEU on common commercial policy, Article 325 TFEU on protecting the financial interests of the Union constitute the legal bases.

3.2. Subsidiarity: Necessity of EU action

The EU faces global competition from other major economic blocs and needs to ensure that the single market remains competitive, performing, accessible and innovative and ensures a level playing field for stakeholders. A more flexible funding system — where programmes are easier to navigate and adapt to different needs — can foster and boost the single market's global competitiveness and level playing field.

Boosting collaboration and cross-border projects

Flexible funding structures make it easier for organizations to collaborate across borders. Streamlined rules and faster approval processes can help consortia form quickly, share knowledge, and co-develop solutions to challenges such as continuously evolving trade patterns, climate change, and digital transformation.

Addressing emerging and rapidly changing needs

The EU's funding landscape needs to display resilience and agility to respond to emerging crises situations — such as recently witnessed like pandemics or energy shocks—and to be equipped to adapt to digital transition and rapid technological change. Rigid rules make it difficult to redirect funds quickly or pivot to new priorities, slowing the EU's ability to tackle urgent issues.

Today's challenges require a **collective and coordinated EU response** considering their global nature and the high levels of interdependence between Member States and to avoid fragmentation across the Union. The high levels of interdependence of Member States and of economic integration in the single market mean that policy action in one Member State can have significant spillover effects on other Member States.

In addition, due to the nature of the challenges, intervention at EU level provides cooperation and harmonisation, and offers transnational and cross-border relevant benefits and economies of scale for businesses, consumers and citizens, as well as national authorities.

EU level funding is also needed **to enable the Commission to fulfil its legal obligations** (TFEU and related legislation) and address single market issues falling in its competence.

[74] Regulation 254/2014, Regulation 2017/826.

Although the Customs Union is an area of exclusive competence with a high degree of harmonised EU legislation, the implementation of this legislation remains entirely with the individual Member States. The Customs Union can therefore only be as strong as its weakest link. Strong cooperation is essential to reach a **deeper operational, including digital, integration** and to enable customs authorities in the different Member States to act as if they were one, as well as to ensure correct collection of customs duties as well as import Value Added Tax and excise and other duties and levies.

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

Such high degree of cooperation and coordination can only be achieved with a **centralised approach, ideally at Union level**. A **Union framework for cooperation** as indicated by the Commission's proposal on the EU Customs Reform would address the encountered problems in terms of uniform implementation and harmonisation, generating a fragmentation of processes, practices and approaches that puts the Customs Union at risk. The resulting set-up is substantially more cost efficient than if each Member State were to set up its individual cooperation framework on a bilateral or multilateral basis. This is also confirmed by the preliminary findings of the currently ongoing interim evaluation of the Customs programme, which refers to the Programme "achieving efficiencies of scale and efficiency gains in IT capacity building, while the collaborative activities provide opportunities for cooperation, communication and networking across the EU that could not be achieved without the involvement of the EU and are essential to ensure harmonisation

In the tax area, a versatile and complex legal and digital landscape, efforts on harmonisation and approximation of tax law and administrative actions, as well as rapidly emerging needs prompt the demand for EU interventions, inviting for support Member States in their effort and responsibility to implement Union law. EU intervention via funding programmes has assisted EU tax policy for more than three decades – with proven added value – by providing financial means to work out common and shared implementation mechanisms for EU tax legislation. Indeed, a significant part of the EU tax legislation requires modern digital solutions to be put in place for allowing exchanging information in relation to taxpayers (citizens or businesses) or cross-border transactions. This exchange of information amongst Member States takes place because EU funding allows financing EU-level electronic systems, or their common components. Without such financial support no common electronic systems would be developed, and many EU legislative acts would remain unimplemented, or their implementation would suffer from important delays and technical obstacles.

Given that most policy areas have a strong digital dimension, strengthened collaboration between public sector organisations at EU, national, regional and local level across the EU is necessary to enhance interoperability and facilitate seamless data exchanges for better policy implementation, particularly through an effective application of digital-ready policymaking, and for burden reduction.

The importance of tackling this at EU level is emphasised by the existence of Treaty-based obligations incumbent upon the Commission in competition policy, consumer protection, standard-setting, and the provision of European statistics. For instance, funding activities linked to the development of reporting standards by the European Financial Reporting Advisory Group (EFRAG) have been critical for EU law implementation and has contributed to the EU influence on global standardisation. For example, the new mandate of EFRAG has supported developments in sustainability reporting. Stakeholders consulted confirmed how crucial it remains for the EU to support the development of high-quality standards and to ensure that all relevant interest are increasingly represented in the process at the EU and international level[75]. In addition, the effectiveness of competition in the internal market in turn is an essential driver of EU competitiveness[76].

EU level funding is required to enable the Commission to meet certain legal responsibilities that cannot be delegated to Member States, as well as by adding economies of scale. The benefits for citizens, consumers and businesses could not be replicated by actions at national level, especially considering the cross-border nature of services (e.g. coordination among national authorities, enforcement of EU law, common digital tools, services required to support the development and monitoring of EU law and financial markets, etc.).

3.3. Subsidiarity: Added value of EU action

Funding with a focus on single market activities is essential to advance EU-wide objectives and facilitate the implementation of EU legislation across Member States. It generates an EU added value that funding at national level could not achieve alone.

To continue the support at EU level is essential to improve the functioning of the single market by enforcing Union law, facilitating market access and setting standards. EU action protects and empowers citizens, consumers and businesses. It helps them to adjust to the reforms and policy changes necessary for the functioning of the single market by providing information, advice tools and services as well as platforms to enhance co-operation between civil society organisations, businesses, entrepreneurs and industry bodies. EU coordinated platforms are needed to ensure cooperation among Member State's authorities reducing fragmentation and duplication of efforts. **Digital tools reduce administrative burden**s and create transparency for citizens, consumers and businesses. Portals dedicated to single market topics provide information or helps businesses or citizens and consumers affected by breaches of EU law to obtain out-of-court redress, enabling them to overcome barriers. The Internal Market Information system (IMI)[77] connects thousands of public administrations, facilitates cross-border administrative exchanges between them and solves problems. All of these tools are accessible through the EU's Single Digital Gateway[78] and create a true benefit of businesses and administrations alike.

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[75] Interview feedback from seven representatives of the financial sector and civil society at the EU level.
[76] According to the Draghi Report 'the evidence is overwhelming that competition stimulates productivity, investment and innovation', whereas competition risks have increased.
[77] Internal Market Information System (IMI) - The EU Single Market - European Commission.
[78] Single digital gateway - European Commission.

Member States and the Commission can co-invest to develop key digital interoperability enablers for innovative cross-border digital public services. The structured collaboration between high level representatives from Member States through the Interoperable Europe Act[79] governance will steer **public authorities' digital transformation and cross-border interoperability.**

The EU also has exclusive competence in respect of establishing of the competition rules necessary for the functioning of the internal market[80]. Various studies have shown the macroeconomic impacts of EU competition enforcement to be significant[81]. Digital tools (for case work, investigations, secure exchange of information) and studies are necessary conditions for effective and efficient enforcement of competition rules and therefore enable the macroeconomic impacts to be achieved.

EU-level coordination as regards policies related to businesses, is by nature based on a cooperation between Member States and the Commission, which could not be triggered on the national level alone. These instruments should continue to address gaps in financing, stimulate growth, enhance competitiveness across the EU and contribute to harmonising such approaches across the Member States. They should also continue to ensure that the interests of consumers, including the end users of financial services, are represented at the European level so that developments in the single market also respond to their needs.

The production of standards is crucial in support to aligning standards with EU legislation and ensuring stakeholder participation in international standard-setting. The interim evaluation of the SMP has highlighted that the SMP has also supported the involvement of diverse stakeholders in European standardisation processes, such as organisations representing SMEs, consumers, workers, and environmental interests, increasing the number of European standards and ensured that Europe interests and views had been considered in the international standard-setting processes. Standardisation activities allow to replace 27 national standards with a harmonised standard, setting common rules across the single market. This harmonisation is crucial, as not all Member States share the same level of interest or are equally affected by specific policy initiatives due to diverse geographical, climate, environmental, industrial, financial and commercial factors. EFRAG, supported under the SMP, is successfully fulfilling its twofold mandate by advising the Commission on IFRS Accounting Standards and supporting the development sustainability reporting [82]. EU financing incentivises establishing standard technical and reporting rules in areas that could

[79] Regulation - EU - 2024/903 - EN - EUR-Lex.
[80] Protocol No 27 to both the TEU/TFEU on the Internal Market and Competition states that "the internal market as set out in Article 3 of the Treaty on European Union includes a system ensuring that competition is not distorted". This is reinforced by Article 3(1)(b) TFEU.
[81] Direct customer savings generated by cartel, antitrust and merger enforcement are significant (between EUR 13.7 billion and EUR 23.4 billion per annum over the period 2014-2023). In addition, the Commission's competition policy interventions can lead to a medium to long-term increase in real GDP in the range of 0.6% - 1.1% (equivalent of an uplift of EUR 80 - 150 billion in 2019 GDP), as well as a 0.3% - 0.7% reduction in the price level.
[82] European Sustainability Reporting Standards - European Commission. These are the standards to use for companies subject to the Corporate Sustainability Reporting Directive (CSRD).

be difficult to be prioritised nationally, thereby ensuring a cohesive approach across the entire EU.

Activities in **market surveillance** are instrumental in meeting the objectives of the single market Surveillance Regulation and the related legal requirements[83]. They aim to improve the cooperation between Member States, harmonisation of ways of working and e-commerce surveillance. Market surveillance activities avoid that the less resourceful Member States would become the weak links of the single market, via which all kind of dangerous product could enter the single market and circulate freely. This would threaten the competitiveness of EU businesses, but also consumer safety. Market surveillance includes financing joint testing of products and facilitates cross-border collaboration and sharing of expertise. EU Testing Facilities for products are an example of initiatives that demonstrates how EU-wide approach minimises duplication and creates economies of scale.

The European Consumer Centres (ECC) Network and Alternative Dispute Resolution (ADR) mechanisms activities provide significant EU-added value by ensuring consumers across the EU have access to fair, effective, and cross-border dispute resolution. They contribute to reducing legal costs, strengthening enforcement, and enhancing consumer confidence in the single market. The ECC Network has proven highly effective in mediating cross-border disputes. ECCs helped consumers to recover over EUR 8.8 million in 2023 (EUR 9.9 million in 2022) and resolve more than 120 000 inquiries per year[84].

European trans-European services and platforms enable cross-border data sharing and collaboration between national authorities, businesses, and consumers, delivering benefits that individual Member States may have neither the incentive nor capacity to establish independently.

A coordinated response at the EU level avoids the risk of overlapping efforts, which would occur if Member States would independently provide information and advisory services to businesses and consumers on the single market.

4. Objectives: What is to be achieved?

4.1. General objectives

The general objective of the present initiative is **to enhance and deepen the well-functioning of the single market and a strong Customs Union, to protect the financial and economic interests of the EU and its Member States, with a design fostering flexibility, simplification and synergies.**

4.2. Specific objectives

The following specific objectives have been designed to achieve the general objective:

With regards to the design:

- to enable more flexibility, to guarantee the programme’s and the related budget’s ability to respond to a changing reality while fully respecting the certainty needed for

[83] Specific Regulations mandate the Commission to recognise accreditation bodies and support networks (EUPCN, AdCos).

[84] ECC-Net Annual Reports.

legal commitments established by EU law, and to enable improved allocation of resources to meet varying demands/needs across policy areas and to increase efficiencies for beneficiaries.

- to foster simplification for access to and implementing EU funding and programme management, which reduces administrative burden through simplified and harmonised procedures.
- to enhance synergies between policy areas and to reinforce joint activities such as framework contracts, collaborative activities and digital projects**.**

With regards to the policy intervention areas:

- To empower citizens, consumers, economic operators and businesses with information and advice enabling them to make informed decisions and access the opportunities of the single market for goods and services; to improve the understanding of the single market and its challenges by supporting data collection activities, analyses and tools; to provide relevant and comparable official European statistics.
- To foster cooperation and integration between national administrations, Member States and between Member States and the Commission; to boost the operational, technical and administrative capacities of national administrations;
- To improve evidence-based and digital-ready policymaking, and digital implementation tools;
- To facilitate harmonised standard-setting and reinforce the development of EU and international standards; to ensure the effective enforcement of EU law, including competition policy, company law, and harmonised rulemaking, support the design, the implementation and the uniform interpretation; to ensure the well-functioning and participative role of representative organisations;
- To support the Customs Union and customs authorities working together and acting as one; to ensure effective market surveillance and consumer protection;
- To protect the Union's and its Member States' economic and financial interest from fraud; including expenditure and tax fraud, tax evasion and tax avoidance, corruption and other illegal activities; and to improve tax collection as well as to improve the Union taxation systems.

4.3. Problem tree

The objective to ensure funding in a complex funding landscape while fostering more **flexibility, simplification and synergies,** is assessed in the policy areas in which the problem drivers have been identified. It is essential that the Programme's structure enables enhancing the flexibility, simplification, and synergies, in line with the priorities of the Commission. Bringing predecessor Programmes and budget lines together constitutes the opportunity to streamline procedures, increase commonalities, adopt an appropriate governance model, and use agency(ies)/authority(ies) to support the implementation,

The programme should further improve the functioning of the single market, protect and empower citizens, consumers and businesses by enforcing Union law (incl. Competition law), facilitating market access, setting standards whilst pursing the twin transition, green and digital, and ensuring a high level of consumer protection, as well as by enhancing cooperation between the competent authorities of Member States and between the competent authorities of Member States and the Commission and the decentralised Union agencies. It allows to develop, produce and disseminate high-quality, comparable, timely and reliable European statistics which underpin the design, monitoring and evaluation of all Union policies and help citizens, policymakers, authorities, businesses, academia and the media to make informed decisions and to actively participate in the democratic process.

- by addressing knowledge and data gaps and other barriers that are obstacles for citizens, consumers, businesses and economic operators to access and operate within the single market,

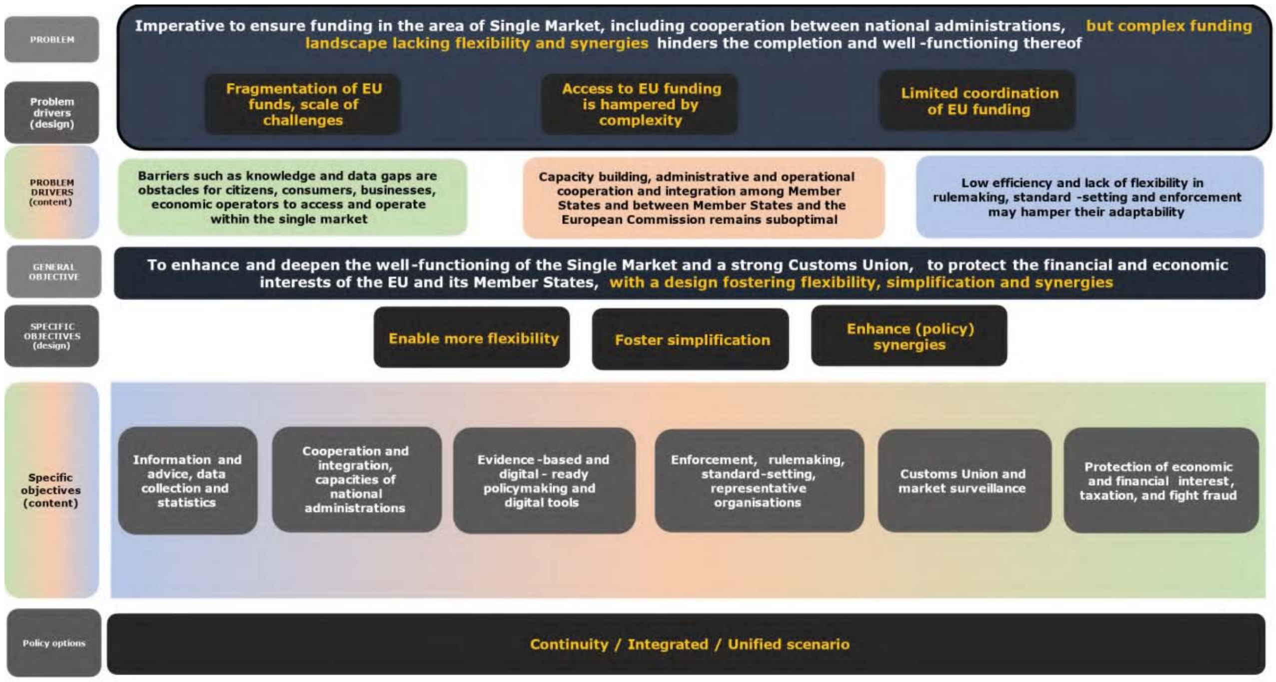
This targets the need for citizens, consumers, economic operators, businesses, and public administrations to have access to and receive information and advice about the single market and their rights and obligations in light of the digitalisation needs. It also relates to the need to provide support to remove barriers, including digital, within the single market. It is also essential to continue developing, producing and disseminating independent, high-quality and comparable official European statistics.

- by reinforcing capacity building, administrative and operational cooperation and integration among Member States and between Member States and the European Commission,

This addresses the need for reinforced cooperation and integration to ensure digitally enabled, seamless implementation, consistent and effective enforcement across the EU and to prevent barriers and limitations hindering the proper functioning of the single market, such as a fragmented interoperability landscape, tax, the savings and investments union, and other policies, and the Customs Union.

- by improving the rulemaking, standard setting, and enforcement of Union law at EU level that may not be able to adapt to a changing environment.

This aims to ensure that EU authorities and bodies maintain effective rulemaking, including a consistent digital-ready policymaking approach, standard-setting, as well as enforcement in the face of changing circumstances and to ensure enforcement of restrictive measures in the management of EU funds.



5. WHAT ARE THE AVAILABLE POLICY OPTIONS?

Each of the two policy options proposes a different design for the programme. However, the content of policies in the scope is common for both options.

5.1. What is the baseline from which options are assessed?

The baseline is represented by the current MFF landscape and the coverage of the MFF 2021-2027 policy needs. The MFF 2021-2027 architecture addresses the single market under Heading 1 and gathers four programmes in this domain: the Single Market Programme (SMP), the Customs programme (cooperation in the field of customs), the Fiscalis programme (cooperation in the field of taxation) and the EU Anti-Fraud Programme (EUAFP). The SMP brings together several predecessor budget lines and six predecessor programmes from the previous programming period (2014-2020). This baseline landscape indirectly also includes the Customs Control Equipment Instrument under Heading 4 and as part of the Integrated Border Management Fund.

As such, the single market, customs, taxation, and anti-fraud policies are divided across various separate EU funding programmes and instruments with their own individual legislation, budget, and implementation modalities, as well as operational set-up and rulebooks. While enhanced focus is paid to coordination among the programmes to foster improved horizontal consistency, synergies and complementarity across funds, expectations on true gains from these efforts, hindered by institutional and administrative procedures, remain limited.

The analysis of the baseline shows that although the current setup successfully functions with separate programmes, it also projects the need to improve on the overall coherence and flexibility between the programmes in the single market domain.

The **fragmented programme structure** with varying rules and governance potentially hinders a unified direction across the funding instruments, with the risk of duplication of efforts and missed opportunities to address and eliminate inefficiencies present. This is due to lower intensity coordination between the separately managed programmes and instruments, which may be working towards similar objectives and similar activities. The complexity of the funding landscape, with often overlapping objectives and eligible actions also create confusion for the beneficiaries, putting at risk the optimal use of the funding opportunities.

In the baseline, the administrative burden linked with different administrative requirements of different actions is limited since activities target specific policy domains and stakeholder groups, and most beneficiaries apply for one activity only.

The baseline holds minimal compliance, enforcement or direct costs. Participation in, use of, or engagement with SMP activities is entirely voluntary or/and in the case of national authorities, part of their normal responsibilities (business-as-usual). The same is true for the Customs, Fiscalis and Union Anti-Fraud programmes grant activities. Any possible indirect costs relate to difficulties of accessing fragmented services provided across different policy areas. National authorities may have indirect administrative burden associated with applying for and receiving EU funds, as well as their implementation.

Considering that the role of the concerned programmes is mainly to support the related policies and Union law, they can generate impact only to the extent to which the wider policy ambition does so and proportionately to the extent to which the programmes are engaged.

The baseline landscape provides more **predictability** but modest **flexibility** in the allocation of funding over the seven years of the programming period. Transfers between budget lines would not require budgetary authority agreement within the SMP, yet these transfers are likely to remain modest in size, and transfers between the different constitutive programmes would continue to require budgetary authority agreement. Driven primarily by the Commission corporate rules, further **simplifications** in programme management and administrations, as well as in the monitoring and reporting are very limited.

As indicated above, the baseline is not designed to foster cross-policy **synergies**. Having four separate programmes means that the activities financed by each of the programmes and pillars (within the SMP) are mostly implemented separately and with limited regard to activities financed by other programmes and pillars. Joint activities covering multiple pillars or programmes, for example in terms of training courses covering more than one policy area, joint procurement actions, common purchases of databases, joint studies, Eurobarometer and joint framework contracts or common IT projects, are rare.

At the same time, while the clearly defined and policy targeted separate programmes and pillars create fragmented programme landscape, it also allows more and targeted visibility (addressed towards the narrower target groups) for the individual programmes. However, it also includes the main risk to miss opportunities and exploit potential synergies between policy areas or respond flexibly to changing circumstances.

In conclusion, the baseline falls short of the level of ambition identified for the Commission Communication on ‘The road to the next Multiannual Financial Framework’, which seeks to promote greater coherence, flexibility and responsiveness in the EU’s financial framework.

5.2. Description of the policy options

Since the baseline sets the continuation of activities financed by the MFF 2021-2027, the identified two policy options focus on maximising the effectiveness and efficiency of the funding structure to foster improved horizontal consistency and complementarity and achieve more flexibilities and synergies. They are built around different level of ambitions concerning the integration of the current funding instruments and are described primarily in comparison to the baseline.

To be noted that compared to the baseline, the two options described below would witness the integration of the Customs Control Equipment Instrument (CCEI) type interventions within the future Customs programme, instead of a dedicated separate instrument.

In addition, compared to the baseline, both options would witness a proportionate expansion due to the legal commitments of the Commission regarding the Customs Union Reform. In that sense, the two options as well as the continuity of the baseline include the bridging between the current Customs programme and the fully-fledged EU Customs Authority, including the financing of the legacy digital environment, and a reduced coverage for customs control equipment (CCEI type interventions).

At the same time, the policy scope covered under the two scenarios excludes the SME pillar as well as the "food and feed" pillar activities of the current SMP.

5.2.1. Option 1: Integrated scenario

With the enhanced harmonisation of legal provisions, this scenario establishes **a single, more streamlined flexible framework but still maintains a clear division between existing programme domains: Single Market Programme, Customs Programme, Fiscalis Programme and Union Anti-Fraud Programme.** This scenario would mean for the Single Market Programme to replicate the current pillar-based approach but would also incorporate the new strands (customs, taxation and anti-fraud) as new pillars.

In that sense, the integrated scenario creates a horizontal structure grouping all existing administrative support and budget lines in one scope with the intention to promote flexibility, simplification and more synergies. This scenario preserves existing policy objectives and governance models, to avoid disruptions and to ensure continuity.

The horizontal structure brings together diverse and complex activities and due to the cross-thematic nature, its coordination and governance must consider the specific interests of stakeholders and programmes involved.

5.2.2. Option 2: Unified scenario

This scenario means a **complete merger of all policy priorities under the scope delivered under a single common basic act with one set of legal and institutional requirements for all activities**.

This scenario aims for enhanced operational and administrative synergies, stronger cooperation between public administrations for enhanced interoperability across the single market, increased efficiency and flexibility, reducing the administrative burden through simplified programme/EU funding procedures and improved digital-ready policymaking.

This approach aims to address, in an agile manner, complex and emerging challenges. It also targets further reducing administrative burdens on national administrations and stakeholders by simplifying and streamlining programme procedures and making them faster as well as utilising modern technologies and digital solutions in EU programme management.

Such simplification is intended to promote EU policies and programmes, increasing visibility and recognition among stakeholders, while fostering their involvement and ensure the relevance of the programme.

6. WHAT ARE THE IMPACTS OF THE POLICY OPTIONS?

The ongoing implementation of the current financial framework provides some lessons on how to increase the EU budget's agility and better align it with our priorities and objectives. Flexibility is key in guaranteeing the budget's ability to respond to a changing reality. Evolving needs and crises since 2021 have been addressed by repurposing and reallocating existing funds, in sometimes lengthy procedures, as well as creating new ad hoc funds, programmes, or measures, further compounding the issue of scattering of EU funding. Greater focus and simplification are needed from the start to maximise the impact of EU funding, at a time of reflection on the future financial framework.

Moreover, experience has demonstrated that reallocating funds between different programmes, especially across headings, within the seven-year MFF period is challenging, particularly when quick reaction to unforeseen circumstances, such as emerging policy needs or crisis arise. As a result, it is essential to provide sufficient budgetary and programming flexibility to address emerging policy priorities or respond effectively to unexpected events.

6.1. Integrated scenario

The integrated scenario is constituted by consolidating parts of the Single Market Programme, the Customs (and Customs Control Equipment Instrument), the Fiscalis, and the Union Anti-Fraud Programmes. The experience of the Single Market Programme, which follows the format of an integrated scenario, has revealed that there are definite challenges and limits that cannot be ignored in such scenario. The Customs, the Fiscalis and the Anti-fraud Programmes indirectly assessed the advantages and the potential downsides of their stand-alone nature.

Based primarily on the SMP experience and the findings of the programme's interim evaluation, the integrated scenario overall programme design would address the limited flexibility identified for the baseline and would drive towards simplifications and more synergies.

The main direct benefits will accrue to public authorities, including competent authorities at national level and the European Commission. This benefit will largely relate to better policymaking and law enforcement. Citizens, consumers and businesses will gain much less direct benefit as described below.

The **integrated scenario** would offer the direct and indirect benefits for **national authorities** identified in the baseline. These materialise as an increased capacity, skills and knowledge, better access to facilities, expertise, increased digitalisation of public administration and law enforcement, enhanced co-operation with other authorities, secure and effective exchange of confidential information with the Commission and a reduced burden (e.g. better case management; easier and more secure transfer of documents and exchange of information). Indirect benefits are seen with regards to a better implementation and enforcement of Union law, a reduced cost of implementation and enforcement of Union law, increased tax and customs revenues and a reduction in tax fraud, evasion and avoidance.

The **integrated scenario** in addition would ensure that more/better activities are implemented to support **national authorities** (to build capacity, enhance co-operation, etc.) thanks to synergies, flexibilities and simplfications in programme design and participation in grant-funded projects made easier and more effective with streamlined conditions (single set of requirements, Common Rulebook, etc.).

The integrated scenario would offer the direct and indirect benefits for **Commission services** identified in the baseline. Direct benefits are increased capacity, skills and knowledge, better access to facilities, expertise, increased digitalisation of public administration and law enforcement as well as enhanced co-operation with other authorities. Another direct benefit would be the secure and effective exchange of confidential information with third parties, a reduced burden (e.g. better case management; easier and more secure transfer of documents and exchange of information). Indirectly the European Commission benefits from a better implementation and enforcement of Union law, a reduced cost of implementation and enforcement of Union law, increased tax and customs revenues, a reduction in tax fraud, evasion and avoidance.

The **integrated scenario** would offer the same type of benefits (such as resource savings) for **Commission services** except where more/better activities to support the Commission's policymaking and law enforcement role are implemented due to synergies, flexibilities and simplifications in programme design (e.g. joint procurement) and programme management is less burdensome (harmonised, legal provisions, common reporting templates, single set of requirements, common rulebook, etc.).

Costs would not be different from those identified in the baseline in case of the integrated scenario for **citizens, consumers, businesses**, except for a possible reduction in hassle in accessing services to the extent that services are less fragmented across policy areas, however also a possible increase in hassle, depending on need to adapt to different forms of service provision. **Applicants and beneficiaries** would incur an administrative burden associated with EU grant funding, varying by pillar and action. Refinements could be intended to reduce the administrative burden on applicants and beneficiaries. A common rulebook may reduce costs, if not adopted the administrative burden for applicants and beneficiaries would remain similar to the one incurred under the baseline. For national authorities the same costs apply compared to the baseline situation, noting that for the integrated scenario administrative costs may be reduced due to a single set of requirements and a common rulebook.

Costs incurred by **national authorities** would be similar if not identical to those incurred under the baseline.

On the level of the **Commission services**, the direct cost for implementing the programme is fixed with a maximum ceiling of 5% of SMP programme budget, 2% of UAFP programme budget whereas the Customs and Fiscalis programmes do not include such defined ceiling.

Indirect costs could decrease to the extent that services are less fragmented across policy areas. However, administrative burden may increase depending on need to adapt to different forms of service provision.

The **integrated** scenario would be beneficial with regards to programme management and implementation of activities that could be materialized through likely, yet limited, budgetary flexibility, depending on the level of increased administrative burden due to a new layer of programme-level coordination and adaptation costs.

Under the integrated scenario, synergies, flexibilities and simplifications in programme design result in better services and enhanced higher-level effects for **citizens, consumers and business** (e.g. product safety, standards, green transition, enforcement of competition rules, etc.).

The integrated scenario would offer some **flexibilities** in terms of increased possibilities to reallocate budget provisions. This would be potentially related to the fields of taxation, customs and anti-fraud, where the merging of the three separate programmes into the integrated programme would create new possibilities to transfer budget without budgetary authority agreement. However, budgetary transfers will most likely take place between budget lines managed by the same Commission service.

Any **simplifications** in programme management and administration possible in the baseline are also possible under this scenario. Some additional simplifications would be possible, e.g. a single legal basis for the four previously separate programmes. Support from stakeholders having responded to the public consultation was given to "reducing the number of EU funding programmes" to potentially help the EU budget become more effective and efficient (46%, 307 out of 665). However, considering the variety of programmes' beneficiaries / stakeholders, it is likely that multiple committees covering different policy areas and multiple work programmes covering different policy areas will continue to be needed.

There may be possibilities for additional **synergies**. These might arise primarily in policy fields managed by DG TAXUD through the incorporation of the Customs Programme, Fiscalis Programme and relevant budget lines from the SMP into a single programme. In these fields, the creation of a single integrated programme might lead to training courses covering more than one policy area, joint procurement actions, common purchases of databases, joint studies, Eurobarometer and joint framework contracts or common IT projects. Beyond this, it is not certain that joint working between different DGs and across policy areas will be any greater than at present.

The integrated scenario, compared with the baseline is likely to create additional complexities in programme management. It is based on the assumption that the implementation would engage more pillars and related Commission services. A mitigation of this risk could occur through additional programme-level coordination between pillars, or through helping beneficiaries and applicants to cover additional set-up costs in programme management.

The interim evaluation of the SMP has demonstrated some positive results in terms of efficiency and flexibility (in particular, regarding the programme's budgetary implementation, administrative synergy and visibility (i.e. publicity about the programme). However, it has also been shown that policy synergies and flexibility remain the main challenges, partly related to the variety of actions and activities performed, the range of co-financing mechanisms and stakeholders covered. Although driven by a rationale highlighting benefits of combining previous programmes and budget lines, challenges and substantial shortcomings are to be considered while assessing this integrated policy option.

Findings from the interim evaluation of the SMP can serve as a basis to inform the potential impacts a wider integrated scenario would demonstrate.

- Consolidating budget lines under a single budgetary heading is intended to facilitate the transfer of funds between lines, to improve resource allocation efficiency, and allow a more efficient spending of resources. This approach enables better adjustment to unforeseen needs in certain budget line. Some budget lines might be able to anticipate unexpected additional budget needs, whereas others might have difficulties in consuming the whole allocated budget.

- Transferring budget appropriations between different policy objectives, for instance with the flexibility clause, can simplify and enhance the process of transferring funds between previously separate programmes. Budgetary flexibility deriving from such integration allows a degree of adaptive capacity and enables improved allocation of resources to meet varying demands/needs across policy areas. However, amounts of budgetary transfers might be limited, indicating the potential for flexibility has not been fully exploited.

- Merging multiple budget lines streamline procedures and reduce administrative complexity in view of simplifying programme management. This includes minimising duplications in costs and procedures and enabling more predictable financing for actions benefiting multiple objectives. Such programme design features internal governance opportunities such as overarching coordination mechanisms and overall savings in the time and efforts invested in programme management.

- Establishing a single programme rather than multiple programmes reduces duplications of costs and efforts in acquiring products and services, such as access to datasets, studies, Eurobarometer surveys, and communication campaigns, which could be managed through joint actions or framework contracts. This approach could contribute to foster synergies, thereby resulting in greater efficiency through joint initiatives, and reduced duplications in efforts and procurement.

However, in the light of the lessons learned from the interim evaluation of the SMP being an integrated programme and more than three decades of implementation experience with the self-standing Customs and Fiscalis programmes the following must be noted.

With the challenge of the diversity of policy areas, limited synergies may be materialised, possibly due to the underlying absence of a dedicated budget for joint activities in addition to “specific” budget lines.

Nevertheless, the consolidation of the Single Market Programme (except the SME, and food and feed pillars) with the Customs programme (including the component on customs control equipment), Fiscalis programme and Union Anti-Fraud Programme may result in an overall improved exploitation of the potential offered by an integrated scenario.

In light of the above, possible challenges may arise. The table below provides an overview of the challenges which may arise under the integrated scenario and possible mitigation measures to address these.

Risk	Possible mitigation measures
Greater burden in programme management to the extent that additional programme-level co-ordination	The role and remit of programme-level co-ordination will need to be specified very clearly. As far as possible, responsibility for managing pillars will be delegated to the

between the pillars is required	responsible DGs, so that only essential management functions are undertaken at programme level.
Adjustment/adaptation costs for programme implementation bodies	The budget for programme management may be used in the early years of the programme to provide support to cover set-up costs of the programme to cover set-up costs, e.g. additional staff resource, staff training, purchase or enhancement of IT tools and programme management systems, procurement of expertise.
Long list of standardised indicators and risk of aggregated indicators being misleading	Develop a credible list of indicators that provides a fair reflection of the intended and achieved effects of the programme; and ii) achieve agreement amongst the relevant DGs. A clear distinction would be required between indicators that are specific to pillars or generic to the whole programme – with the latter being relatively few in number in order to make programme-level reporting meaningful.

6.2. Unified scenario

By addressing challenges and barriers with a unified approach, a programme covering various single market areas would further unlock the potential and strengthen the Single Market and thereby enhance Europe's competitiveness and economic security while deepening the Customs Union.

The costs for **applicants, beneficiaries, and national authorities**, is similar to the costs under the integrated scenario. Costs would not be different in case of the unified scenario for citizens, consumers, businesses, except for a possible burden reduction in accessing services to the extent that services are less fragmented across policy areas. A majority of respondents to the public consultation (90%, 588 out of 654) emphasised that that "simplifying access to and information about funding for beneficiaries" could help the EU budget become more effective and efficient. A unified scenario could promote a more strategic and targeted use of resources and further reduce administrative burdens on national administrations and beneficiaries, applicants to grants. As under the integrated scenario, the introduction of a common rulebook for calls for proposals across the programme might reduce the administrative burden for applicants and beneficiaries. A majority of respondents to the public consultation (71%, 474 out of 668) said that "applying common rules, timelines and eligibility criteria to all relevant EU funds" could help the EU budget become more effective and efficient. The level of administrative burden will reflect the detailed design of specific actions or calls rather than the overall programme structure.

The **unified** scenario can reduce some parts of programme management and implementation costs (less programme-level committees), as well as administrative costs due to a single set of requirements and a Common Rulebook and lower administrative burden associated with applying for and receiving EU funds due to horizontal activities. A majority of stakeholders expressed during the public consultation support to the introduction of fewer, clearer, and simpler rules (89%, 599 out of 667). There may also be some significant reduction in programme management and administration costs to the extent that duplication across previously separate programmes is reduced, for example, in terms of costs related to monitoring, evaluation, audit, reporting, supervision of executive agencies.

On the level of the **Commission services**, the direct cost for implementing the programme is fixed with a maximum ceiling of 5% of SMP programme budget, 2% of UAFP programme budget whereas the Customs and Fiscalis programmes do not include such defined ceiling.

Indirect costs could decrease to the extent that services are less fragmented across policy areas. However, administrative burden may increase depending on need to adapt to different forms of service provision.

On the other hand, this scenario significantly increases the scope of potential benefits. At the same time, due to the diversity of activities under the scope it may be difficult to establish a streamlined governance model that meets all necessary requirements and delivers simplification. It must be noted that where activities are a continuation of existing activities, most benefits offered by the unified scenario would be the same as under the integrated scenario and the baseline. As noted for the integrated scenario in 6.1, the main direct benefits will accrue to public authorities, including competent authorities at national level and the European Commission. This benefit will largely relate to better policymaking and law enforcement. Citizens, consumers and businesses will gain much less direct benefit.

The **unified scenario** would offer the direct and indirect benefits for **national authorities** identified in the baseline. It would also include the same benefits as the integrated scenario with regards to ensuring that more/better activities are implemented to support national authorities (to build capacity, enhance co-operation, etc.) thanks to synergies, flexibilities and simplification in programme design and participation in grant-funded projects made easier and more effective with streamlined conditions (single set of requirements, Common Rulebook, etc.).

The **unified scenario** would offer the direct and indirect benefits for **Commission services** identified in the baseline. It would also include the same benefits as the integrated scenario where more/better activities to support the Commission's policymaking and law enforcement role are implemented due to synergies, flexibilities and simplifications in programme design (e.g., joint procurement) but with more potential to reduce administrative burden in programme management (harmonised, legal provisions, common reporting templates, single set of requirements, common rulebook, etc.).

The **unified** scenario would offer new opportunities to offer horizontal activities cutting across multiple policy areas to be implemented to support national authorities and the Commission's policymaking and law enforcement role however do not exclude a risk of reduced benefit, depending on adjustment costs/time, a disruption to the implementation of long-established and essential activities, a low take-up or use of horizontal activities, and a weak relevance or inflexibility thereof as well as a duplication/confusion between horizontal and policy-specific activities.

Under the unified scenario, synergies, flexibilities and simplifications in programme design would result in better services and enhanced higher-level effects for **citizens, consumers and business** (e.g. product safety, standards, green transition, enforcement of competition rules, etc.). Additional benefits deriving from the unified scenario might arise in terms of horizontal and cross-policy areas and topics. The **unified** scenario includes horizontal activities that would not take place or not at the same level or as effectively under the other scenario nor the baseline situation. At the same time, policy specific existing legal commitments must take priority.

Considering the unified nature of the scenario, bringing in one envelope all concerned policy areas, objectives and expected results and impacts, the programme architecture and implementation modalities under the unified scenario must ensure budget security for legal obligations as well as flexibility and adaptability to emerging needs and shifting priorities.

Special attention is required on the central IT systems and solutions and the central Union digital environment for customs and taxation policies rooting in legislative commitments of the Union, such as the EU Customs Reform the EU Customs Authority and the related Customs Data Hub, as well as the functioning of the legacy IT systems and the platforms and systems required for taxation policies and emerging priorities (including possible data hub). On broader terms, similar attention must be given to single market digital solutions and legal commitments. Similar considerations are valid for several other policy areas (e.g. statistics, anti-fraud).

Overall, this option has the potential to increase efficiency, flexibility, synergies and visibility, but requires careful consideration of potential risks and complexities. Such new structure may limit conditionalities that address sector-specific realities or create a perception for stakeholders that the importance of their specific policy area is diminished. The simplification of a unified scenario should help to promote EU policies and programmes, increasing visibility and recognition among stakeholders, while fostering their involvement and ensure the relevance of the programme. Under this scenario, as in all other scenarios, the legal and governance requirements ensuring the development, production and dissemination of official European statistics would be respected.

Potential reduction under the unified scenario in administrative burden similar to the one anticipated under the integrated scenario could be seen in the **unified** scenario through:

- simplifications, e.g. a single legislative proposal, one system for monitoring, reporting, evaluation and audit
- additional possibilities for budgetary flexibility (greater than the integrated scenarios)
- synergies, e.g. joint procurement, joint framework contracts.

This scenario might offer greater **flexibilities** in terms of increased possibilities to respond to changing circumstances or needs. Depending on the programme design, this would include a single budgetary envelope (rather than separate envelopes for four programmes) offering greater flexibility to transfer budget appropriations between different policy areas. A majority of stakeholders responding to the public consultation indicated that “Introducing more flexibility into resource allocation to react to crises and emerging needs” could help the EU budget become more effective and efficient (74%, 482 out of 652).

Some **simplifications** in programme management and administration would also be possible, to the extent that they do not depend on the programme structure or additional simplifications such as an easier set-up of new national co-operation mechanisms, more clarity for beneficiaries, single streamlined procedures for audits, evaluation, less time/cost to develop basic acts and working documents through the use of common templates etc.

The unified scenario may offer more potential for synergies than the integrated and baseline scenario, particularly with horizontal activities, and in relation to practical implementation. However, the potential for policy synergies may be limited due to the different focus of/differences between the policy areas.

However, additional costs might be incurred (compared with the other scenarios) in setting up new programme governance and management arrangements in the initial phase. A risk of increased administrative burden would exist, depending on adjustment/adaptation costs to new programme design, governance and its activities. A burden could be noted related to new programme-level coordination and management of horizontal activities but also due to rigidities from a single legal basis, single set of programme implementation arrangements, etc. Considering the variety of stakeholders and beneficiaries involved, this scenario might risk incurring additional coordination costs at programme management level (compared with the more siloed approach under the integrated scenario), depending on the governance and management arrangements put in place.

In light of the above, possible challenges may arise. The table below provides an overview of the challenges which may arise under the unified scenario and possible mitigation measures to address these.

Risk	Possible mitigation measures
Adjustment/adaptation costs for implementing bodies, applicants and beneficiaries	The budget for programme management may be used in the early years of the programme to provide support to cover set-up costs, e.g. additional staff resource, staff training, purchase or enhancement of IT tools and programme management systems, procurement of expertise. The Commission and Executive Agencies may publish additional guidance, operate webinars and offer other support in the first year(s) of the programme, as appropriate to the needs of each type of beneficiary or strand within the programme.
Disruption to the implementation of long-established and essential activities	The new programme would ensure the continuation, enhancement and further development of core activities essential to the fulfilment of the Commission's Treaty-based responsibilities. In the event of delay to adoption of the Programme, the Commission would ensure that essential activities continue to receive funding in the short-term by making use of mechanisms allowed by the Financial Regulation.
Low take-up or use of horizontal activities, joint framework contracts or joint actions **Weak relevance of horizontal activities** **Inflexibility of horizontal activities**	Horizonal activities may be designed, overseen and monitored by a steering group comprising all relevant DGs. The steering group would look to design horizontal activities in line with identified priories and emerging needs. This will allow the steering group to take remedial action, e.g. related to the design or communication of opportunities.
Duplication/confusion, e.g. between pillar-specific activities and horizontal activities	A steering goup comprising all relevant DGs may monitor the design and implementation of horizonal activities to ensure coherence with policy-specific activities.
Additional burden and transaction costs related to programme-level coordination and	The role and remit of programme-level co-ordination should need to be specified very clearly. As far as possible, responsibility for policy-specific strands and activities will be delegated to the responsible DGs, so that only essential management functions are undertaken at programme level.

management of horizontal strands	Where appropriate, the management of horizontal strands (or parts thereof) could be delegated to one or more Executive Agencies/Offices in order to reduce costs.
Inflexibilities as a result of rigid rules or funding rates not being appropriate to all policy areas	Additional monitoring by the Commission may consider any effects arising from standardised rules or funding rates across the programme and, where necessary, remedial actions to ensure appropriateness.
Longer time to develop and adopt the programme regulation	The provision of short-term financing of essential continuation of activities by making use of mechanisms allowed by the Financial Regulation (e.g., provisional provisions, pre-financing, derogations, partial payments, special instruments).

7. HOW DO THE OPTIONS COMPARE?

In this section, the options are compared and set against the problem and problem drivers identified in the areas of the proposed programme. This section briefly illustrates how the options compare consisting in the cumulative financing available under the existing programmes in the current MFF.
The following criteria would be applied to the analysis of the different policy options.

Criteria	Type of benefit
Effectiveness	• Overall impacts • Achievement of intended effects
Efficiency	• Achievement of design effects: flexibilities, synergies, simplifications • Administrative costs for implementation bodies • Administrative burden for applicants, beneficiaries and participants
Coherence	• Internal coherence between programme pillars/actions • Coherence with other EU programmes • Coherence with wider EU policies

7.1. Effectiveness

The impact of the intervention and achievement of intended effects are in the baseline scenario the same as under the current programmes, albeit with incremental improvements.

For the **integrated** scenario, additional flexibilities, synergies and simplifications enable additional, different or enhanced activities, e.g. better response to changing circumstances, joint activities.

In the **unified** scenario, there’s a potential for greater impact on problem drivers and achievement of intended effects to the extent that additional flexibilities, synergies and simplifications enable additional, different or enhanced activities and horizontal activities prove effective. In relation to the **knowledge and data gaps and other barriers for authorities**, consumers and businesses, the unified scenario could deliver the strongest impact by supplying broad, cross-cutting information and advisory support spanning every policy area. Regarding the **need for capacity building, administrative and operational cooperation** and integration, it could create new opportunities to deliver overarching support to national administrations, strengthening capacity across various policy domains, e.g. via consistent technical assistance to networks of national authorities, or training to support national authorities. As for the **effective rulemaking, standard-setting, and enforcement**, while the other scenario entails the risk to maintain a siloed approach, the unified scenario would open the possibility for new horizontal activities cutting across all policy areas.

Although there is a challenge to face the extra administrative complexity due to a more ambitious management and governance model (see "Efficiency" below"), the unified scenario has the merit of a solid framework offering simplified and streamlined processes, cross policy synergies, integrated digital tools for access to funding, effective and agile programme implementation and reporting for all policy areas.

7.2. Efficiency

Regarding the **achievement of design effects**, the baseline has limited flexibilities, synergies, simplifications.

As shown by the interim evaluation of the SMP, limited potential for increased flexibilities, synergies, simplifications can be seen in **integrated** programme unless specific budget is allocated to joint activities. A risk of delays remains in adopting the financing decisions or gaining approval of work programmes, etc.

The **unified** option has a potential for increased **flexibilities, synergies, simplifications**, particularly where specific budget is allocated to horizontal activities and programme design enables joint procurement, etc. still considering a risk of duplication/confusion, e.g. between policy specific activities and horizontal activities and a risk of inflexibilities if rigid rules or funding rates are not appropriate to all policy areas. With the implementation of relevant mitigating measures to address these risks, this scenario would provide a highly adaptable programme framework with a built-in capacity for change to evolving needs, establishing a system with cross-policy synergies and a flexible budget reallocation.

Potential savings may be made in **administrative costs for implementation bodies** in both options, as in programme development and management costs to the extent that duplication across previously separate programmes is reduced, for example, through having a single legislative procedure for the previously separate programmes and budget lines or streamlining arrangements for audit, evaluation, etc. Potential administrative savings might be made through joint activities financed by a dedicated budget line. However, risks are to be noted in the possibility of additional longer time to develop and adopt the programme regulation, adjustment and adaptation costs in setting up new governance model (programme management, administration arrangements) to the extent that specific coordination and reporting is required within the programme and at programme level.

The **unified scenario** could offer an opportunity for savings from common templates and streamlined requirements for work programmes, annual management plans, annual activity reports, Commission Implementing Decisions, etc., savings from centralised procurement, however to be noted a remaining risk of considerable adjustment and adaptation costs in setting up new programme governance and management arrangements, additional burden and additional co-ordination costs at programme level (compared with the more siloed approach under the other scenario), as well as a risk of additional longer time to develop and adopt the programme regulation.

There is potential to lower **administrative burden for applicants, beneficiaries and participants** for incremental improvements compared with the current programmes in all scenarios and to further reduce administrative burden through a Common Rulebook in the integrated and the unified option, bearing in mind adaptation/adjustment issues where funding arrangements are revised.

7.3. Coherence

As both scenarios bring the currently separate programmes closer to each other, the unity Under the current programmes, there is **internal coherence between programme actions** within the SMP (few significant overlaps between its pillars and sub-pillars) and within Customs programme, Fiscalis Programme and UAFP (mixture of EU-level procurement essential to the fulfilment of the Commission's legal responsibilities and support to build capacity of national authorities and foster co-operation between them). There are no significant overlaps between the four programmes (support for distinct areas of policy and legislation). The baseline shows the potential to improve synergies between policy areas featuring in multiple pillars, notably market surveillance, standardisation and consumer protection. There is also a lost opportunity for synergies in two areas of intervention: first and primarily, in respect of supporting of building the capacity of relevant national authorities and facilitating co-operation between them; second, in terms of providing information to consumers and businesses.

The **integrated scenario** provides potential for inc**reased coherence by better aligning/co-ordinating activities** currently in different pillars or programmes that serve the same policy areas (market surveillance, standardisation, consumer protection, company law, customs and taxation). In a similar manner to be noted a potential for synergies in respect of supporting of building the capacity of relevant national authorities and facilitating co-operation between them or in terms of providing information to consumers and businesses (but may require a dedicated budget for joint activities). However, the interim evaluation of the SMP showed potential synergies linked with the use of framework contracts. DG FISMA introduced a framework contract in collaboration with DG COMP. This contract, awarded in December 2023[85], involves providing assistance in verifying the alignment of national legal frameworks with EU standards in financial and competition policy areas. The collaboration within the SMP enabled a larger financial envelope for this contract, showcasing a benefit brought by this joint action. Another example of a joint framework contract is between DG GROW and DG JUST, fostering cooperation on consumer protection and market surveillance, and was signed in 2022. It relates to the joint activities on the compliance of products (JACOP) and the coordinated activities on the safety of products (CASP) coordinated activities on the safety of products. It allows for the organisation of common testing activities relevant for both harmonised and non-harmonised products. The collaboration on the Safety Gate also represents some degree of synergy related to dangerous products (more than hundred products were subject to Safety Gate notifications[86], so the relevant information was shared with other

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[85] 51823-2024 - Result - TED.
[86] Safety Gate.

MSAs, consumers and economic operators' with follow-up actions to ensure they are withdrawn or recalled).

Preliminary findings of the interim evaluation of the Fiscalis programme confirm that Fiscalis is fully coherent with a range of other Commission initiatives in terms of alignment of objectives and complementarity of activities and outputs. However, no concrete practical links were found among the initiatives and a solution for this could be to explore further opportunities and exploit synergies. The latter could potentially be achieved through the unified scenario.

In addition, for the **unified scenario,** opportunities can be found for synergies in cross-cutting interventions, most notably related to supporting networks of national authorities and providing information and advice to consumers and businesses (assuming a dedicated budget for horizontal activities).

Furthermore, greater EU added value is more likely in the **unified scenario** to the extent that more or more effective capacity-building and coordinated actions for national competent authorities are implemented[87].

For example, the UAFP and the CCEI despite belonging to separate structures, ensure complementarity between their the Work Programmes and implement projects providing for additional capabilities in terms of Intelligence, Equipment, as well IT software and hardware that are not eligible under the CCEI but are fully complementary to its objective to harmonise customs controls and to contribute to adequate and equivalent results[88]. Under the unified scenario, this type of cooperation foreseen in a more structured design, would offer more enhanced and deepened cooperation rather than on a case by case basis on the own initiative of the Member States.

As for **coherence with other EU programmes/wider EU policies**, there is no significant duplication or overlap with other EU policies or programmes in all scenarios. The unified scenario provides high budget flexibility and ensures policy coherence across the fields, without increasing administrative burden for stakeholders.

8. PREFERRED OPTION

After assessing the impacts, effectiveness and efficiency of the two policy options, primarily focusing on design, the unified scenario is the preferred option. It best addresses all identified problems and problem drivers both in terms of the programme design and the covered policy areas. Yet, given the innovative approach of its governance model, it demands the greatest focus on tackling the associated potential challenges with the appropriate mitigation measures.

The table below provides a qualitative scoring of the options.

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[87] Respondents to the public consultation shared the priority areas that would benefit most from actions at EU level are the support for cross-border and multi-country projects and cooperation (90%, 595 out of 659), strengthening the competitiveness and sustainability of EU businesses (88%, 583 out of 664) and addressing transnational challenges (84%, 507 out of 604).

[88] CCEI Annual Progress Report

Criteria	Continuity Scenario	Integrated Scenario	Unified Scenario
Effectiveness	**0**	+	++
Efficiency	**0**	+	++
Coherence	**0**	++	+++
EU added value	**0**	**0**	+
Need for risk mitigation measures	**0**	-	--

Significantly better (+++), moderately better (++), slightly better (+), no change (0), slightly worse (-), moderately worse (--), significantly worse (---).

Related to effectiveness, the unified Scenario offers the greatest potential to address knowledge and data gaps, as well as other barriers, through broad, horizontal information and advice services spanning all policy fields. Under the continuity and integrated Scenarios, information and advice services for authorities, consumers, and businesses would likely remain fragmented across policy areas. The integrated and unified scenarios could both introduce a common rulebook, enabling communication across policy fields.

Regarding efficiency, the unified scenario offers the greatest potential for flexibility, synergies, and simplification, enabled by joint and horizontal activities and by programme features such as joint procurement. It also allows for cost savings through the use of common templates and streamlined procedures for work programmes, annual management plans, activity reports, Commission Implementing Decisions, and centralised procurement. The integrated scenario provides less potential for added flexibility, synergies, and simplification. Both the integrated and unified scenarios could reduce programme development and management costs by limiting duplication across previously separate programmes, and could lower administrative burden through a Common Rulebook. All scenarios offer some potential for gradually reducing the administrative burden for applicants, beneficiaries, and participants compared to existing programmes.

On coherence, the unified scenario provides the strongest potential, particularly through synergies in cross-cutting interventions—such as supporting networks of national authorities and delivering information and advice to consumers and businesses. The integrated scenario also enables greater coherence by aligning or coordinating activities currently spread across separate pillars or programmes serving the same policy areas. Both the integrated and unified scenarios offer scope for synergies in building the capacity of national authorities, promoting their cooperation, and improving information provision to consumers and businesses, though such gains may depend on joint funding arrangements. The continuity scenario ensures internal coherence within individual programmes but does not enhance coherence between them. It must be noted that none of the scenarios show incoherence with other EU policies or programmes.

Concerning the EU added-value created by the Programme, the unified scenario offers the highest potential, particularly where it enables more or more effective capacity-building and coordinated actions for national authorities. All scenarios offer EU added value by supporting activities necessary for the Commission to meet incumbent legal obligations, financing transnational and cross-border services and digital platforms, and supporting capacity-building and coordination among national authorities—initiatives that would be less feasible or cost-effective if undertaken at national level.

When it comes to the need for risk mitigation measures, the unified scenario poses the most significant risks, including in particular higher adjustment and adaptation costs for establishing new governance and management structures, potential duplication or confusion between activities, and potential inflexibility where uniform rules or funding rates do not suit all policy areas. It may also lead to additional burden and transaction costs related to programme-level coordination and management. Both the integrated and unified scenarios may require mitigation measures such as enhanced programme-level coordination, support for applicants and at the outset, and mechanisms for monitoring and adjustments.

Flexibility is key in guaranteeing the budget's ability to respond to a changing reality along with simplification and synergies while preserving the certainty needed to fulfil the requirements established by legal obligations. The flexibility offered by a unified scenario consolidating five predecessor programmes enables to better address in an agile manner complex and emerging challenges while simplifying and streamlining access to EU funding. Ultimately, the unified scenario has the most potential to achieve the general objective of the programme.

In conclusion, the concerned policy areas can be best tackled with the unified scenario by simplifying and streamlining procedures which would help promote EU policies and programmes and fostering stakeholders' involvement and the relevance of activities while maintaining the flexibility, synergy and simplicity that the program aims to provide. Moreover, the unified scenario brings enhanced operational and administrative synergies, increased efficiency and flexibility, reducing the administrative burden through simplified programme/EU funding procedures and improved digital-ready and evidence-based policymaking. Through well-developed programme governance and clear governance structures and coordination, simplified processes, integrated digital tools, cross-policy synergies, stakeholder engagement, the unified scenario has the benefit to offer a holistic approach that balances flexibility with efficiency while still safeguarding the programme's objectives.

9. HOW WILL ACTUAL IMPACTS BE MONITORED AND EVALUATED?

This initiative will be monitored through the performance framework for the post-2027 budget, which is examined in a separate impact assessment. The performance framework provides for an implementation report during the implementation phase of the programme, as well as a retrospective evaluation to be carried out in accordance with Article 34(3) of Regulation (EU, Euratom) 2024/2509. The evaluation shall be conducted in accordance with the Commission's Better Regulation Guidelines and will be based on indicators relevant to the objectives of the programme.

ANNEX 1: PROCEDURAL INFORMATION

1. LEAD DG, DECIDE PLANNING/CWP REFERENCES

Lead Directorates-General (DGs): DG GROW, DG TAXUD

Decide planning and Commission Work Programme references: N/A

2. ORGANISATION AND TIMING

The Inter-Service Steering Group for this initiative was chaired by the SG in close coordination with DG BUDG. The ISSG was composed of DGs GROW, TAXUD, COMP, DIGIT, ECFIN, ESTAT, FISMA, JRC, JUST, OLAF, SANTE, SG REFORM and representatives of the LS.

The following meetings took place:

- 29 January 2025 – preparation of public consultation
- 12 February 2025 – policy options and limited draft Impact Assessment (first three chapters)
- 5 March 2025 – skeleton, problem tree and provisional draft IA (first five chapters)
- 27 March 2025 – consolidated draft on first five IA chapters
- 6 May 2025 – full draft IA
- 20 May 2025 – written consultation of the final IA

The **external study** was commissioned and conducted between March and May 2025 resulting in two key deliverables: assessment of costs and benefits and comparison of options as well as the analysis of the Open Public Consultation. Both fed into the IA report.

A **Public Consultation** (PC) was carried out between 12 February 2025 - 07 May 2025. For reference: Annex 2 - Synopsis report.

3. CONSULTATION OF THE RSB

An upstream meeting was held with RSB representatives on 28 March 2025. During this discussion Board members provided early feedback and advice on the basis of a problem tree for the impact assessment and the related narrative. Board members' feedback did not prejudge in any way the subsequent formal deliberations of the RSB.

The RSB issued an Opinion without qualification. The feedback is summarised in the table below.

RSB recommendations	Actions
1. On scope: The report should be clear about which aspects of the single market it covers – and those that it	 Additional information on the scope of the programme as well as on the single market and

does not – and that it comprises only flanking measures. The report needs to demonstrate that the financial architecture is well suited to facilitate delivery on the policy objectives. The report should cover in a more comprehensive way different elements of single market and Customs Union policies in the context, problem definition and objectives.	Customs Union policies have been included in **section 1.** A reference to Annex 7 has been included in **section 1.** The definition of the single market used for this impact assessment has been included in **section 1.2.** Clarifications on the coverage of the Programme is provided in this section as well. Clarification on how the design aspects of the programme will provide the right framework for delivering on the policy objectives in **section 8**.
2. On the problem definition and on the use of evaluations: The report should clearly state the relevant conclusions reached in those evaluations, and how strongly the conclusions are supported by a reliable evidence base. The report should provide a more thorough analysis in support of its arguments and adequately utilise the findings from evaluations. More robust evidence is needed about the gaps and to support the claims of the perceived suboptimal effectiveness and flexibility. The report should assess the magnitude of problems, and similarly analyse regulatory failures to be addressed, their magnitude and their impacts. The report should further assess the deficiencies of current funding arrangements, e.g. in the rulebooks, eligibility criteria.	More evidence, findings and lessons learnt from previous evaluations have been further incorporated into **section 2** – by adding dedicated sub-sections – thereby providing information on the gaps and problems mentioned. All available evidence and data has been used for this impact assessment. Evidence from previous evluation exercises, as well as from other relevant sources and a supporting study has been included. There are no further quantitative data available to give reply to the need of more robust evidence. The main conclusions and information are based on qualitative data and assessment. A list of evidence, sources and their related quality is to be found in **Annex 1.4.**
3. On the intervention logic and objectives: The intervention logic should cover all identified problems and their drivers. The causal links between the intervention and objectives should be more clearly established. The report should describe the objectives in S.M.A.R.T. terms to define the success and to facilitate monitoring and evaluation. The report should describe what the success is expected to be in relation to different objectives and how this IA report is linked to the IA report on the Performance and Monitoring Framework.	The problem tree in **section 4.3** is part of the intervention logic and displays the problems, the problem drivers in terms of content, the causal links between the intervention, its objectives, and the policy options considered. For further development for this IA cannot be made at this stage as this depends on the upcoming Performance and Monitoring Framework, including the definition of indicators, and its provisions with impact on all impact assessments for the MFF and funding programmes.

4. On options: The report should assess the aspects which are central for reaching the general and specific objectives of the instrument and put forward a corresponding range of options. The options, particularly the unified scenario, should be backed up by a clear explanation of their practicality and by enough details to distinguish it from the alternative. The report should clarify more to what extent the objectives are achievable within the options' framework. The report should also clearly explain why only options regarding the overall funding architecture are exploited. Defining the options, the report should better clarify the governance part, in particular how funding decisions will be taken, by whom and, at what stage, in each of the two options and how the options differ in terms of governance arrangements and decision-making processes. The report should also describe what kind of activities are to be funded and if different existing programmes are intended to be re-oriented or discontinued, while keeping the legal obligations. It should describe in more details the overall potential for simplification and administrative costs reduction for different actors (applicants, beneficiaries, authorities).	The options relate first to the design of the programme based on the problems identified. The policy areas supported by the programme would be identical under the baseline and both options. However, this does not preclude the options from leading to distinct policy impacts. The latter are presented in a table, thereby highlighting the differences in costs and benefits Further details on the unified scenario have been added in **section 6, 7 and 8.** Only a qualitative assessement can be provided to clarify to what extent objectives are achievable. The options exploited respond to the political guidance established for the future MFF calling for a streamlined flexible approach allowing for an agile EU budget SG for explanation on why options are only on design/architecture. The report cannnot elaborate on the future governance arrangements and decision making processess of the new unified scenario as this will be decided at a political level at a later stage. As revised in **section 1**: The new initiative is not perceived as the discontinuation of the programmes, nor their reorientation. Policy needs addressed by the previous programmes remain relevant and can be better addressed by merging the four incumbent programmes under a unified scenario. Reference to next point below on impact for stakeholders.
5. On comparison of options and cost-benefit analysis: The report should provide further explanations of and evidence for the estimates and assumptions at the basis of the costs and benefits, and their potential evolution, including as regards Member States participation. In terms of costs and benefits, option 2 (unified scenario) is claimed to have 'potential for increased flexibilities, synergies, simplification' but the report does not provide sufficient	Mitigating measures associated with the risks evoked in relation to option 1 and 2 have been introduced in **section 6** (tables on mitigation measures). A table of impacts has been included in Annex 3.1 showing the costs and benefits of options for the three main groups of stakeholders.

analysis of administrative costs and the benefits to businesses and administrations respectively. Where the public administrations are the direct recipients of intended funding specific effects on businesses and consumers should be assessed. Beyond listing the challenges in implementing the unified scenario, the report should provide an analysis of the mitigation measures. The comparison of options should present a table of impacts on main categories of stakeholders.	We have illustrated better the comparison of the two options by establishing a ranking of the options in a scoring table in **section 8**.
6. On governance and on coherence: The report should clarify the principles of governance of the programme.	Governance principles guiding the Programme implementation will be decided upon at a later stage.
7. On future monitoring and evaluation: The report should outline appropriate monitoring and evaluation arrangements which would allow to monitor the progress on achieving the objectives. The report should include a requirement for the data plan which would ensure that different types of data are available for the evaluation. The report should be clear how specific indicators relevant to the objectives of the instrument will be identified and used in the performance monitoring.	The monitoring and evaluation arrangements, including indicators, have been described in **section 9**, referring to the performance framework for the post-2027 budget, discussed in parallel with this programme.

4. EVIDENCE, SOURCES AND QUALITY

This impact assessment is based on theinterim evaluation of the Single Market Programme and experiences of the individual programmes of the MFF 2021-2027 budget period. This list of programmes is presented in section 1.2. Scope of this impact assessment. The lessons learnt from the experience with the programmes are summarised in Annex 7 sections 1.4., 2.5 and 3.4. This impact assessment was also supported by public consultations, which are summarised in Annex 2. All available information and data has been used for this impact assessment. The available data was limited due to certain evaluations not being yet available, and when available the difficulty to attribute impacts to interventions. The impact assessments draws from the sources listed below.

- Draghi, M. (2024). The future of European competitiveness. Part A –

A competitiveness strategy for Europe.

- Letta, E (2024). Much more than a market Enrico Letta - Much more than a market (April 2024)
- Heitor, M (2024) Align, Act, Accelerate Research, technology and innovation to boost European Competitiveness
- European Commission (2025) - EU Compass to regain competitiveness - January 2025
- European Commission (2025) - Communication on the road to the next multiannual financial framework - February 2025
- European Commission (2024). Europe´s Choice. Political guidelines for the next European Commission 2024-2029; EUCO Conclusions 12/24 18 April; EUCO 15/24 June 2024.
- European Commission (2024). Science, Research and Innovation Performance of the EU: A Competitive Europe for a Sustainable Future.
- European Commission (2024). - Ex-post evaluation of Horizon 2020, the EU Framework Programme for Research and Innovation
- European Commission (2025; forthcoming). – Interim evaluation of Horizon Europe
- European Commission (2025; forthcoming) – Interim evaluation of Customs programme (2021-2027)
- European Commission (2025; forthcoming) Interim evaluation of Fiscalis (2021-2027)
- Customs Control Equipment Instrument Annual Progress Report 2022, SWD(2023) 251 final,
- Bergeaud, A. (2024). Monetary policy in an era of transformation. The past, present and future of European productivity. European Central Bank.
- European Commission: Directorate-General for Research and Innovation (2024). Align, act, accelerate – Research, technology and innovation to boost European competitiveness, Publications Office of the European Union.
- Szarowská, I. (2017). Does public R&I expenditure matter for economic growth? GMM approach. Journal of International Studies (2071-8330), 10(2).
- Ciriaci, D., Moncada-Paternò-Castello, P., & Voigt, P. (2016). Innovation and job creation: a sustainable relation? Eurasian Business Review, 6, 189-213.
- Boeing, P., Eberle, J., & Howell, A. (2022). The impact of China's R&I subsidies on R&I investment, technological upgrading and economic growth. Technological Forecasting and Social Change, 174, 121212.
- Steeman, J. T., Di Girolamo, V., Mitra, A., Peiffer-Smadja, O., Ravet, J., Hobza, A., & Canton, E. C. (2024). Why investing in research and innovation matters for a competitive, green, and fair Europe: A rationale for public and private action. R&I Working Paper Series RTD
- European Commission (2017), The economic rationale for public R&I funding and its impact, Policy Brief Series, p. 23.
- European Commission, Directorate-General for Research and Innovation (2021). EU research and innovation in action against the coronavirus – Funding, results and impact.
- European Commission, Mugabushaka, A., Rakonczay, Z. (2022). Informing global climate action – Contribution of the Framework Programmes (FP7 and

H2020) to the knowledge base of recent IPCC reports based on openly available data.
- European Commission (2023). Strategic Foresight Report 2023.
- Communication from the Commission on Customs reform: Taking the Customs Union to the next level, 17 May 2023, COM (2023) 257 final
- Communication from the Commission to the Council and the European Parliament, First Biennial Report on Progress in Developing the EU Customs Union and its Governance, 5 July 2018 COM/2018/524 final
- Commission Staff Working Document - Impact Assessment Report accompanying the document Proposal for a Regulation of the European Parliament establishing the Union Customs Code and the European Union Customs Authority, and repealing Regulation (EU) No 952/2013, 17 May 2023, SWD (2023) 140 Final
- Commission Staff Working Document accompanying the Report from the Commission to the European Parliament and the Council pursuant to Article 278(a) of the Union Customs Code, on progress in developing the electronic systems provided for under the Code, 10 February 2023, SWD(2023) 29 final
- VAT GAP in the EU 2024 report
- Annual Report on Taxation - European Commission, 2024
- 2023 e Customs annual progress report
- Proposal for a COUNCIL DIRECTIVE amending Directive 2006/112/EC as regards VAT rules for the digital age (COM/2022/701 final)
- Impact Assessment VAT in the Digital (SWD/2022/393 final)
- Directive on Administrative Cooperation (DAC) (DAC1-DAC8).

ANNEX 2: STAKEHOLDER CONSULTATION (SYNOPSIS REPORT)

1. Introduction

In the framework of preparing for the next Multiannual Financial Framework (MFF) starting in 2028, the European Commission conducted a public consultation to gather views on EU funding for the single market, and cooperation between national authorities. The consultation targeted a wide range of stakeholders, including citizens, businesses, SMEs, public authorities, recipients of EU funding, civil society organisations, academia, and international stakeholders.

This synopsis report summarises the results of the consultation and informed the impact assessment process for the next MFF.

The public consultation was conducted over a 12-week period, from 12 February 2025 to 7 May 2025. It included an online questionnaire and the option to submit position papers. The questionnaire covered both general aspects of the EU single market and more technical issues related to specific challenges and measures. It consisted mainly of closed-ended questions, with several open-ended questions allowing respondents to elaborate on their views. In total, 747 survey responses and 161 position papers were received.

Contributions received in the context of the public consultation published on the ‘Have Your Say’ portal do not represent the official position of the Commission or its services and thus do not bind the Commission, nor do they constitute a representative sample of the EU population.

2. Methodology

This section outlines the approach used to analyse the public consultation responses and position papers received. It also provides an overview of identified campaign submissions.

Quantitative analysis of closed questions

The statistical analysis of closed consultation questions combined **high-level aggregation with disaggregated insights by stakeholder group**. Cross-tabulations were used to explore variations in responses by stakeholder type. This enabled the identification of emerging trends within particular groups and helped contextualise broader patterns across the responses. While all stakeholder group breakdowns were systematically reviewed and collected, this report focuses on the most relevant divergences and trends for each question, in order to ensure a focused and concise presentation of findings.

Qualitative analysis of open-ended responses and position papers

The analysis of open-ended responses and position papers followed **a hybrid approach, combining Large Language Model (LLM)-driven topic modelling with expert human validation**. This ensured a structured, consistent, and robust synthesis of stakeholder input. To support multilingual responses, the Commission's eTranslation tool was used to process non-English contributions.

Responses were mapped according to a set of **key issue areas** defined in the analytical framework developed during the inception phase. These categories were initially based on inception phase discussions with the Commission and a review of relevant documentation. The framework was operationalised, tested on a sample of responses, and iteratively adjusted to ensure accuracy and consistency.

To enhance the reliability and nuance of the analysis, the study applied a **layered validation process**. Contributions were first mapped to issue areas using LLM-driven topic modelling. The initial classifications were tested against a human-coded sample, which showed a high level of alignment. A second model was then used to cross-check the outputs, with any discrepancies manually reviewed. Following categorisation, the study analysed responses to identify stakeholder perspectives, particularly regarding the challenges to EU single market integration and cooperation, their underlying causes, and proposed measures. The choice of methodology and approach was discussed and validated with the European Commission's Joint Research Centre, which supported the robustness and credibility of the analysis.

As the consultation relied on self-selected respondents who were not required to comment on every issue area, the qualitative analysis is not statistically representative. Instead, it complements the quantitative results by illustrating stakeholder perspectives through specific examples and identifying recurring themes across position papers and open-text responses.

Information on organised campaigns

Submissions have been reviewed to identify organised campaigns among position papers and open-ended responses. In total, seven campaigns with at least five contributions were identified. These account for 117 responses overall, representing approximately 16% of all submissions. The table below provides an overview of the number of responses per campaign, the stakeholder groups involved, their positions and their countries of origin.

Table 1. Preliminary overview of identified campaigns

Campaign number	Number of responses	Stakeholder types	Countries of origin	Positions
#1	45	Standards organisations, public authorities, corporations	Various EU member states	Promote high-quality corporate reporting and strengthen Europe's role in international standard-setting
#2	15	Civil society and development NGOs	Austria, Czechia, Netherlands, Hungary, Italy, Romania, Slovenia	Strengthen EU DEAR programme and funding for global citizenship education
#3	15	Transport and infrastructure companies and authorities	Austria, Belgium, France, Germany, Italy, Spain	Strengthen EU-level funding and cooperation for transport to support sustainable, resilient infrastructure
#4	12	Non-profit welfare organisations	Germany	Strengthen cohesion policy and structural funds to ensure equal living conditions across the EU
#5	11	Cinema organisations	France, Germany, Netherlands, Slovenia	Strengthen the Creative Europe MEDIA programme and arthouse cinema funding
#6	10	Film industry	Austria, Bulgaria, Germany	Strengthen the Creative Europe MEDIA programme and support the audiovisual sector
#7	9	Local and regional public authorities	Netherlands	Flexible funding and balanced performance criteria for regional innovation

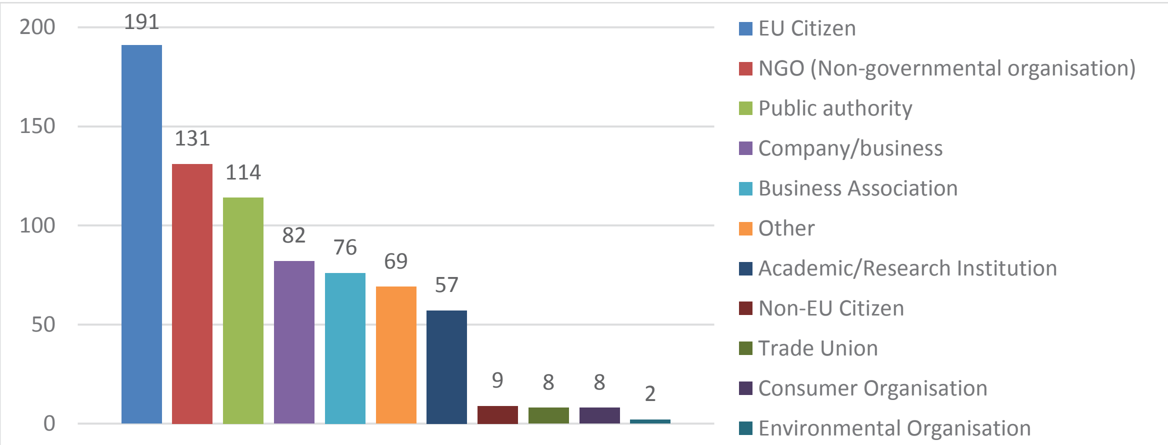
3. Analysis of public consultation results

The following sections present the analysis of key findings from the public consultation. The analysis combines both quantitative and qualitative findings, covering responses to closed and open-ended questions as well as submitted position papers. It highlights key trends, patterns, and divergences across stakeholder groups, providing an overview of stakeholder views most relevant to the impact assessment.

3.1 Background of respondents

The public consultation was primarily answered by **EU citizens**, who accounted for 26% (191) of respondents (N=747) (see figure below). **Non-governmental organisations** represented 18% (131) of responses, followed by **public authorities** at 15% (114), **companies/businesses** at 11% (82) and **business associations** at 10% (76). ‘Other’ stakeholder types (9%, 69) primarily encompassed government bodies, banking institutions, chambers of commerce, financial and accounting bodies, civil society, and sector-specific networks and associations.

Figure 1. Number of replies per stakeholder types (N=747)



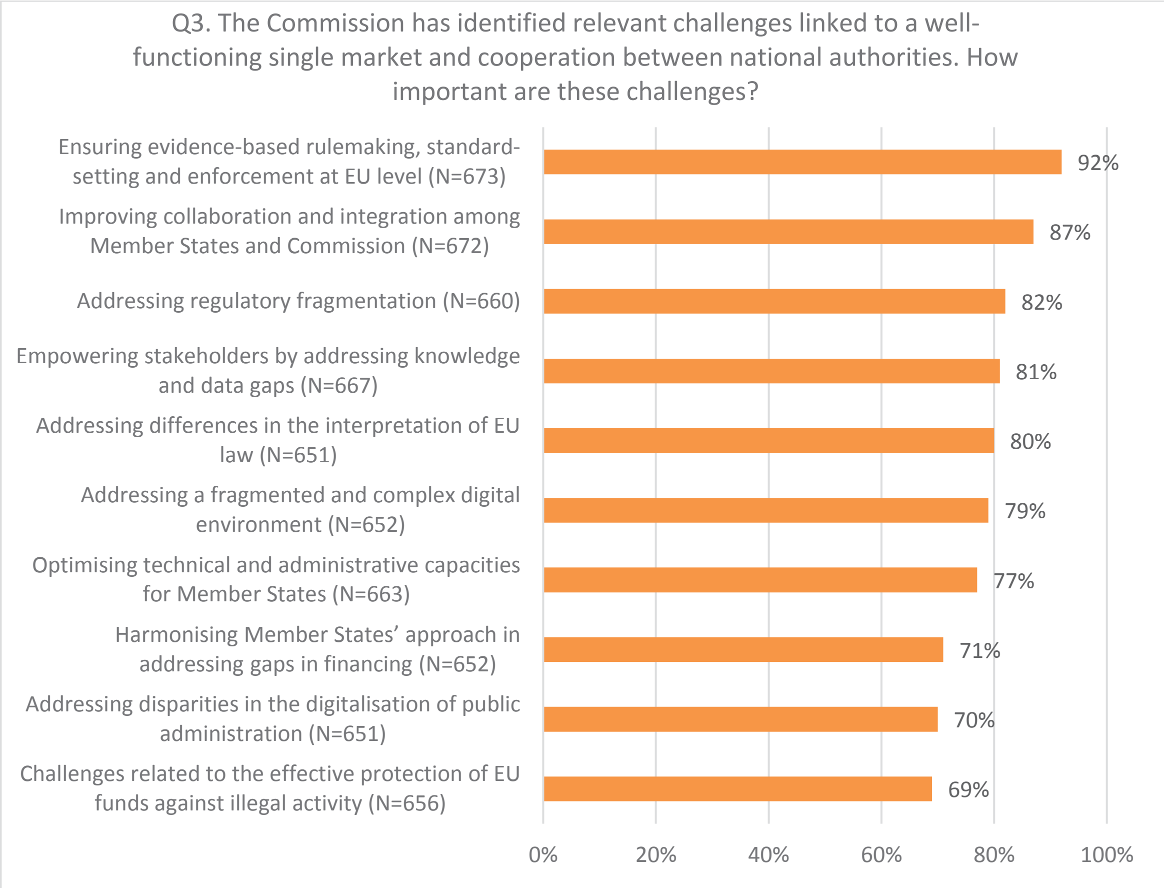
The public consultation gathered responses **predominantly from European countries** (95%, 710), with Germany leading with the highest number of respondents (125). Belgium followed with 122 respondents, and Italy with 57. Participation from non-EU countries was notably limited, with a total of 37 responses.

3.2 Challenges and measures to support the single market and cooperation between national authorities

The following sections combine findings from closed questions, open-ended responses, and position papers to present key trends across the main issue areas related to **single market integration and cooperation between national authorities**. For each area, the analysis explores stakeholder perspectives, underlying causes, and proposed measures.

As shown in the figure below, **ensuring that rulemaking, standard-setting, and enforcement at the EU level remain evidence-based, effective, and tailored to evolving needs** (92%, 615 out of 673) and **improving cooperation, collaborative efforts, and integration among member states and the Commission** (87%, 587 out of 672) emerged as the most widely recognised challenges. Overall, all identified challenges were considered (very) important by respondents, with at least 69% rating each challenge as (very) important.

Figure 2. Importance of identified challenges

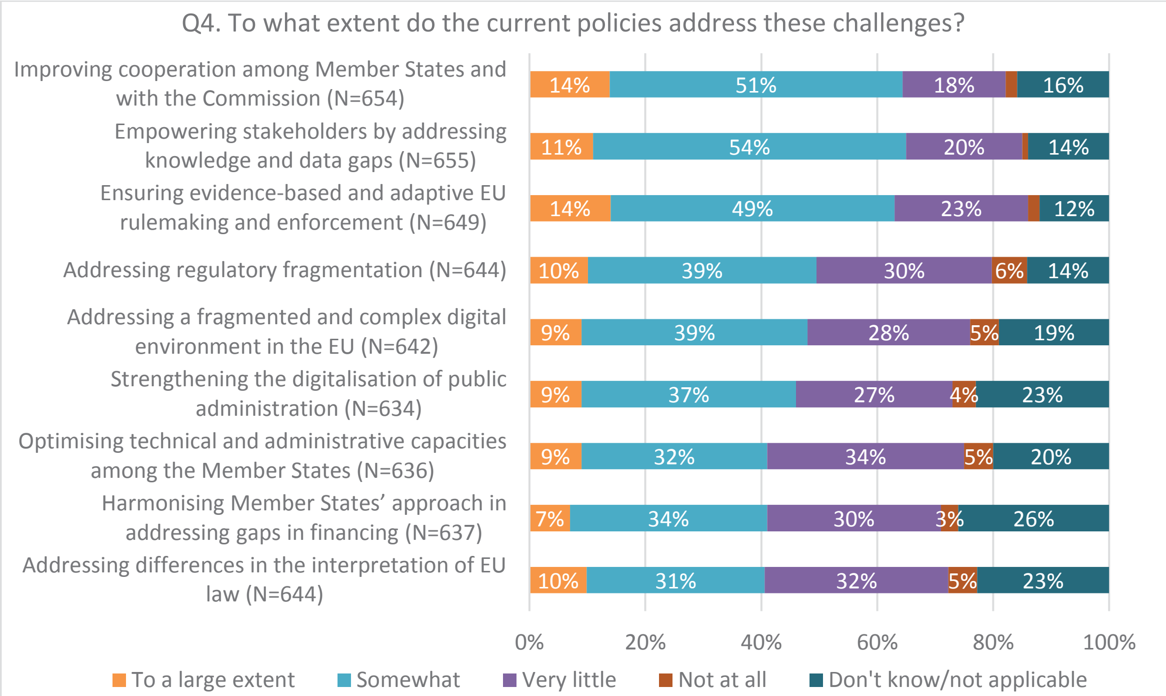


Note: The figure shows the combined share of respondents who selected 'Important' or 'Very important'.

The most frequently cited additional challenges identified by respondents in an open-ended follow-up question include excessive bureaucracy and regulatory fragmentation, uneven enforcement of EU rules across member states, and a need for greater harmonisation in areas such as taxation, accounting, environmental standards, and digital regulation.

Considering the extent to which current policies address the aforementioned challenges, the following ranked highest: **improving cooperation, collaborative efforts, and integration** (65%, 422 out of 654), **empowering stakeholders by addressing knowledge and data gaps and overcoming barriers** (65%, 422 out of 655), and **ensuring evidence-based and adaptive EU rulemaking and enforcement** (63%, 408 out of 649) – based on the combined share of respondents answering 'To a large extent' or 'Somewhat'. All remaining areas received somewhat more moderate scores in comparison.

Figure 3. Role of the current policies



Need for enhanced coordination and adaptability of EU-level action, rulemaking, and enforcement

Respondents broadly recognised the importance of addressing issues related to EU-level rulemaking, enforcement, and coordination in the single market. Ensuring that **rulemaking, standard-setting, and enforcement remained evidence-based, effective, and responsive to evolving needs** was considered particularly important across all stakeholder groups. This was the highest-rated challenge overall, with 92% of respondents (615 out of 673) rating it as (very) important. **Addressing regulatory fragmentation** (82%, 543 out of 660) and **addressing differences in the interpretation of EU law** (80%, 521 out of 651) also received strong levels of support. Both areas were seen as particularly important by member state authorities (92% and 87% respectively, N=94).

Respondents' views were more mixed when asked whether current policies sufficiently addressed these challenges. For instance, while 63% of respondents (408 out of 649) felt that current policies addressed the challenge of ensuring evidence-based, effective, and adaptive rulemaking to some or a large extent, 41% (264 out of 644) believed that existing policies adequately addressed differences in the interpretation of EU law. Open-text responses and position papers linked to this issue area frequently highlighted **fragmentation in EU rulemaking and enforcement** as a barrier to a well-functioning single market. Contributions pointed to divergent national regulations, uneven implementation, and limited EU-level oversight as key challenges. **Harmonisation of standards**, particularly in sustainability reporting, digital regulation, and energy, was frequently mentioned among respondents representing standard-setting or regulatory bodies, who underlined the role of relevant EU-level bodies for fostering consistency and enhancing accountability across the single market. Some respondents also stressed the need for more **responsive, transparent, and streamlined EU decision-making**, particularly in areas involving cross-border coordination or new challenges. Others pointed to a growing complexity in regulatory obligations as a barrier for businesses, calling for clearer guidance, more stable rules, and greater coherence in interpretation across member states.

Knowledge and data gaps

Empowering national authorities, citizens, consumers, and businesses by addressing knowledge and data gaps and overcoming barriers was widely recognised among respondents, with 81% rating this issue as (very) important (537 out of 667). Academic institutions (90%, 51 out of 57) and member state authorities (85%, 81 out of 95) considered it especially relevant. At the same time, 63% of respondents (316 out of 501) felt that current EU policies addressed the challenge somewhat or to a large extent, suggesting comparatively higher satisfaction with existing efforts in this area than for other issues.

In open-text responses and position papers, respondents frequently emphasised the **importance of reliable data, transparent reporting, and enhanced knowledge-sharing** as key enablers of evidence-based policymaking and a well-functioning single market. Public authorities in particular frequently highlighted the need to **strengthen EU-wide data infrastructures**, improve information accessibility for consumers and SMEs, and support national statistical and data governance capacities. . In this context, several respondents from public authorities underlined the need for **flexible and forward-looking statistical capacity**, particularly to respond to emerging challenges like AI, digitalisation and sustainability, demographic shifts, and geopolitical instability. Others emphasised that timely, accessible, and comparable information is essential to support effective monitoring, reduce regional disparities, and guide structural reforms. Some respondents also advocated for **more accessible, citizen-oriented public reporting formats** to enhance accountability, while others pointed to the need for **interoperable data infrastructures** to better support cross-sectoral innovation and policymaking.

Capacity gaps in national administrations

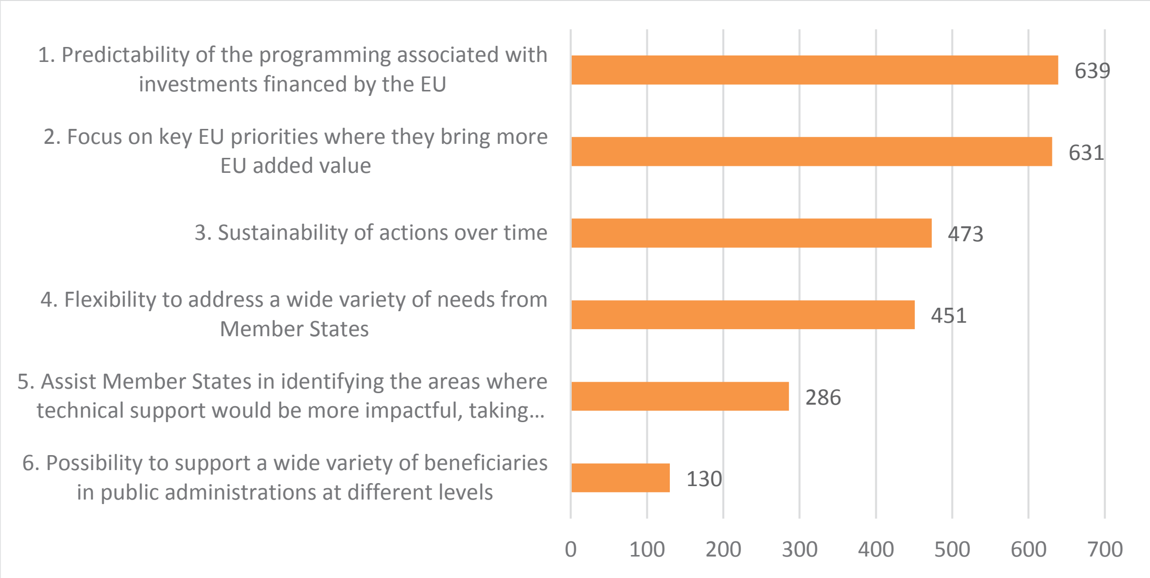
Challenges related to capacity gaps in national administrations were viewed as moderately important relative to other issues. **Optimising technical and administrative capacities** to ensure a level playing field was rated as (very) important by 77% (508 out of 663) of respondents, while 70% (456 out of 651) identified **disparities in the digitalisation of public administration** as a (very) important challenge. Member state authorities placed greater emphasis on both issues than other stakeholders – 79% (75 out of 95) rated optimising capacities and 82% (76 out of 93) rated digitalisation gaps as (very) important.

Respondents expressed comparatively lower confidence in the effectiveness of current policies in this area. Only 41% (261 out of 636) felt that efforts to optimise administrative capacities across member states were effective to some or a large extent, while 48% (308 out of 642) said the same for policies addressing a fragmented and complex digital environment. While only few respondents commented on this area in open-text responses or position papers, those that did noted the importance of improving administrative and technical capacities – particularly at local and regional level – to ensure effective implementation of EU rules and manage funding processes more efficiently.

To explore **potential solutions**, respondents were asked to rank the three most important aspects of providing support to improve the administrative and institutional capacity of national authorities in member states (see figure below). The most frequently prioritised aspects were **predictability of programming associated with investments financed by the EU** and **focus on key EU priorities where they bring more EU added value**.

Sustainability of actions over time and **flexibility to address a variety of needs** received moderate support, while assisting member states in identifying areas where technical support would be more impactful and the possibility to support a wide variety of beneficiaries in public administrations at different levels was consistently ranked lowest across all stakeholder groups.

Figure 4. Ranking of key aspects for improving administrative and institutional capacity in Member States (based on overall score)



Note: Based on Question 9: 'In your opinion, which of the following aspects is the most important in providing support to improve the administrative and institutional capacity of national authorities in Member States? Please rank the three preferred options:' (N=435). Scores were calculated using a weighted ranking method.

While these overall preferences were broadly consistent across stakeholder groups, some variations emerged:

EU citizens and consumers (N=170) placed stronger emphasis on focusing key EU-level strategic priorities.

Member state authorities (N=88) prioritised predictability followed by flexibility, likely reflecting practical considerations for implementation and planning.

Among business stakeholders, **SMEs** (N=43) ranked predictability and sustainability highest, while **business associations** (N=55) and **large companies** (N=23) favoured focusing key EU-level strategic ahead of predictability.

Divergent national approaches and need for enhanced cooperation

Improving cooperation, collaborative efforts, and integration among member states and with the Commission was one of the most widely recognised challenges, with 87% (587 out of 672) of respondents rating it as (very) important. Related issues were also viewed as important (though to a somewhat lesser extent), including regulatory fragmentation (82%, 543 out of 660) the complexity of the digital environment (79%, 512 out of 652), and differing national approaches to financing support, particularly for SMEs (71%, 463 out of 652). In all cases, member state authorities (N=54) and academic and research institutions (N=46) expressed higher levels of importance than other stakeholder groups, while businesses, in particular SMEs (N=45) and business associations (N=63), placed strong emphasis on divergent approaches to financing.

Respondents expressed mixed confidence in the effectiveness of current policies in addressing these challenges. While 65% (422 out of 654) considered that cooperation and collaboration was being improved to some or a large extent, only 49% (319 out of 644) felt that regulatory fragmentation was being adequately addressed, and 41% (259 out of 637) said the same for efforts to harmonise national approaches to SME financing – the latter being among the lowest-rated areas.

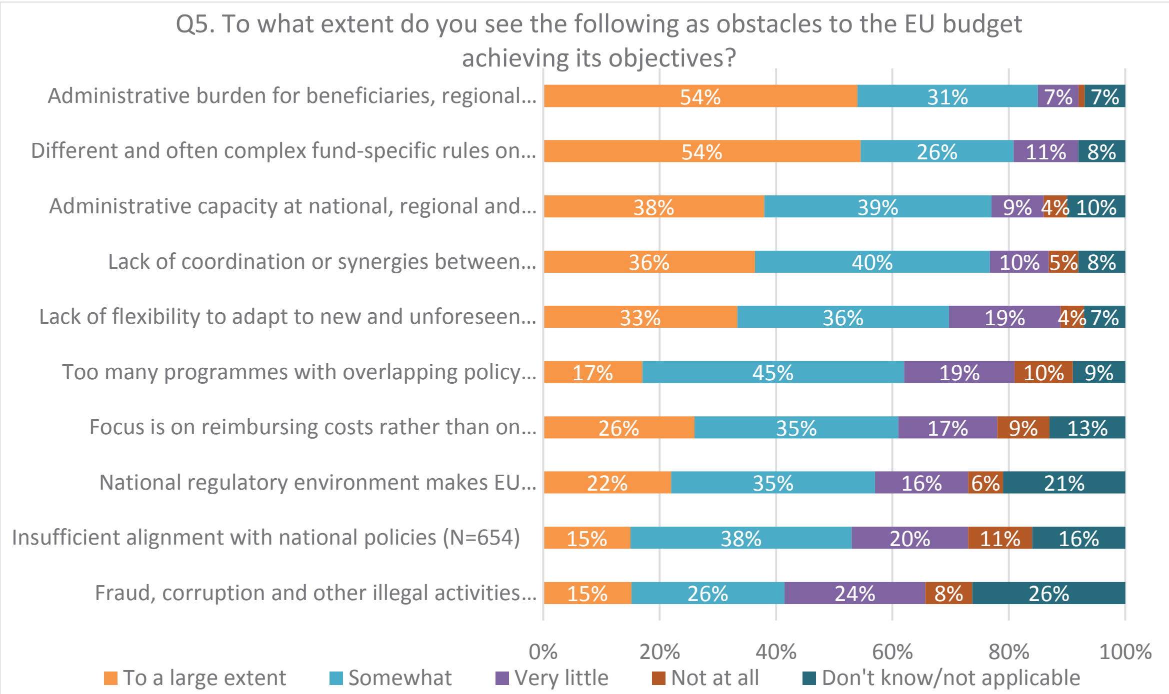
Respondents who addressed this issue in open-ended responses and position papers frequently pointed to **fragmentation and a lack of cross-border coordination in regulatory frameworks**. They frequently emphasised that greater alignment of rules and closer cooperation between member states is necessary to reduce barriers to cross-border activities, particularly in areas such as transport, digital services, SME support, and research infrastructure. To address these challenges, respondents frequently proposed stronger coordination mechanisms, harmonised regulatory standards, and enhanced EU-level oversight. Some also underlined the importance of involving local and regional authorities in shaping and implementing EU policy to strengthen delivery and accountability. A few noted that fragmented approaches and differences in administrative practices limit the coherence of single market policies and called for a clearer and more integrated European approach.

3.3 Challenges and measures to enhance the EU budget

The following sections combine findings from closed and open-ended questions, as well as position papers, to summarise stakeholder perspectives on the main **structural and procedural barriers limiting the effectiveness of the EU budget**.

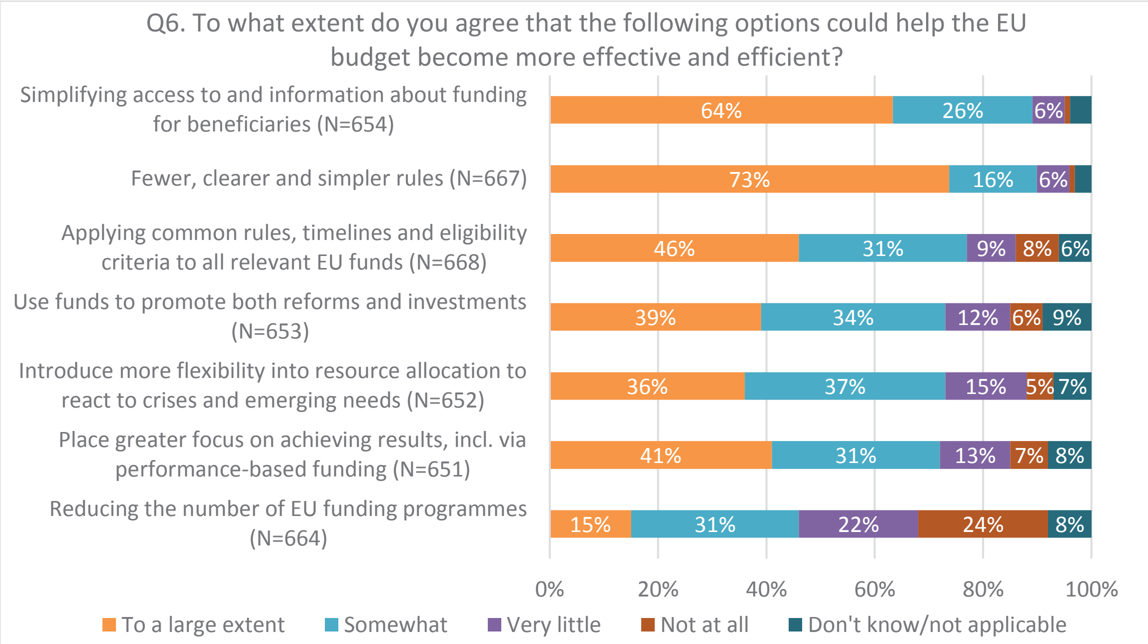
Among all obstacles assessed, **administrative burdens** and **fragmented and complex rules** were identified by respondents as the most relevant challenges to the EU budget achieving its objectives.

Figure 5. Role of budget obstacles



Respondents' concerns regarding obstacles to the EU budget achieving its objectives were closely reflected in their views on possible measures. Stakeholders showed broad support for **simplifying procedures and improving the design of funding instruments**. The highest levels of support were expressed for **clearer, fewer and simpler rules** and **simplifying access to and information about funding for beneficiaries**.

Figure 6. Impact of possible measures



Complexity to access, mobilise and implement EU funding for beneficiaries

Complexity related to accessing, mobilising, and implementing EU funding was identified as the most significant obstacle to the EU budget achieving its objectives. Among all challenges assessed, the two issues linked to this area received the highest levels of agreement. **Administrative burdens for beneficiaries and authorities** were seen as an obstacle to some or a large extent by 85% of respondents (555 out of 657), with strong alignment across stakeholder groups. Similarly, 80% (530 out of 650) identified the existence of **different and complex fund-specific rules on access and compliance** as a key concern. This view was particularly pronounced among member state authorities, with 87% (82 out of 94) expressing this concern.

Stakeholders also expressed clear support for targeted solutions to address this complexity. The most widely supported measures were the **simplification of access to and information about funding** (90%, 585 out of 654) and the **introduction of fewer, clearer, and simpler rules** (89%, 599 out of 667) based on the share of respondents who selected ‘Somewhat’ or ‘To a large extent’. Notably, 64% and 73% respectively selected ‘To a large extent’ – by far the highest levels across all options.

Respondents who addressed this issue in open-text responses and position papers frequently highlighted **administrative burden, procedural complexity, and lack of clarity** as key barriers to accessing EU funding. Stakeholders across sectors pointed to **fragmented rules and requirements across programmes** as a source of confusion and inefficiency. Several noted that complex procedures and excessive reporting obligations discouraged participation, particularly among SMEs. In this context, contributions also noted that complex procedures and excessive reporting obligations discouraged participation, particularly among SMEs. Some respondents also highlighted the need for clearer definitions and guidance within calls for proposals to ensure relevance and accessibility.

Fragmentation of EU funds

Stakeholders identified several structural issues related to how EU funds are designed and implemented, which may limit their effectiveness. One of the most commonly cited obstacles was the **lack of coordination or synergies between programmes**, identified by 76% (509 out of 667) of respondents to some or a large extent, in particular among academic and research institutions (93%, 50 out of 54). This was followed by the **lack of flexibility to adapt to new and unforeseen developments**, cited by 69% overall (460 out of 662), and by 80% (76 out of 95) of member state authorities.

Other concerns included too many programmes with overlapping policy goals (62%, 416 out of 669) and an overemphasis on reimbursing costs rather than delivering results (61%, 403 out of 653) – a view that was more prominent among member state authorities (71%, 66 out of 93). Limited alignment with national policies was the least frequently identified challenge in this area, cited by 53% of respondents overall (347 out of 654), though this share rose to 72% (39 out of 54) among academic/research institutions. These results suggest that public authorities, in particular, are more likely to view fragmentation and rigidity as key obstacles to effective policy delivery. When asked about possible solutions, **respondents broadly supported greater flexibility and stronger focus on outcomes.** The most widely endorsed options included introducing more **flexible resource allocation** to respond to crises and changing priorities (73%, 479 out of 652) and **using EU funds to promote both reforms and investments** (73%, 476 out of 653). There was also support for placing **greater emphasis on achieving results**, such as through performance-based funding (72%, 465 out of 651), while a smaller proportion (46%, 307 out of 665) believed that reducing the number of EU funding programmes could help improve efficiency.

Respondents who addressed this issue in open-text responses or position papers frequently pointed to the **fragmentation of funding instruments** and the **need for better coordination** across programmes and levels of governance. They highlighted that fragmented funding structures undermine coherence, dilute impact, and create inefficiencies. In this context, some respondents also further highlighted the perceived complexity and overlap of reporting requirements across EU and national systems, which may limit participation in multi-country projects.

At the same time, other contributions emphasised the **importance of maintaining dedicated funding lines** for specific sectors, and noted that improved integration across funding instruments should not result in excessive centralisation at national level, which some respondents viewed as potentially reducing the responsiveness of support to local and regional needs. In this context, several contributions also underlined the importance of preserving **place-based approaches** to ensure that funding structures remain responsive to regional capacities and priorities.

In addition, public authorities in particular frequently underlined the need for **greater flexibility to reallocate resources** in response to emerging needs, using existing structures where possible. Others cautioned that overly rigid, performance-based approaches could discourage innovation or limit long-term impact.

3.4 Intervention areas for EU-level action

In the context of the EU budget’s support for the single market, customs union, and related measures, respondents identified fairness, security, and integration as the top intervention areas (see figure below). **Supporting fair competition** ranked highest, with 83% (546 out of 655) rating it as (very) important and strong alignment across stakeholder groups. This was followed by **supporting standardisation efforts** (81%, 550 out of 682). While support was high across all stakeholder groups, some differences in emphasis emerged:

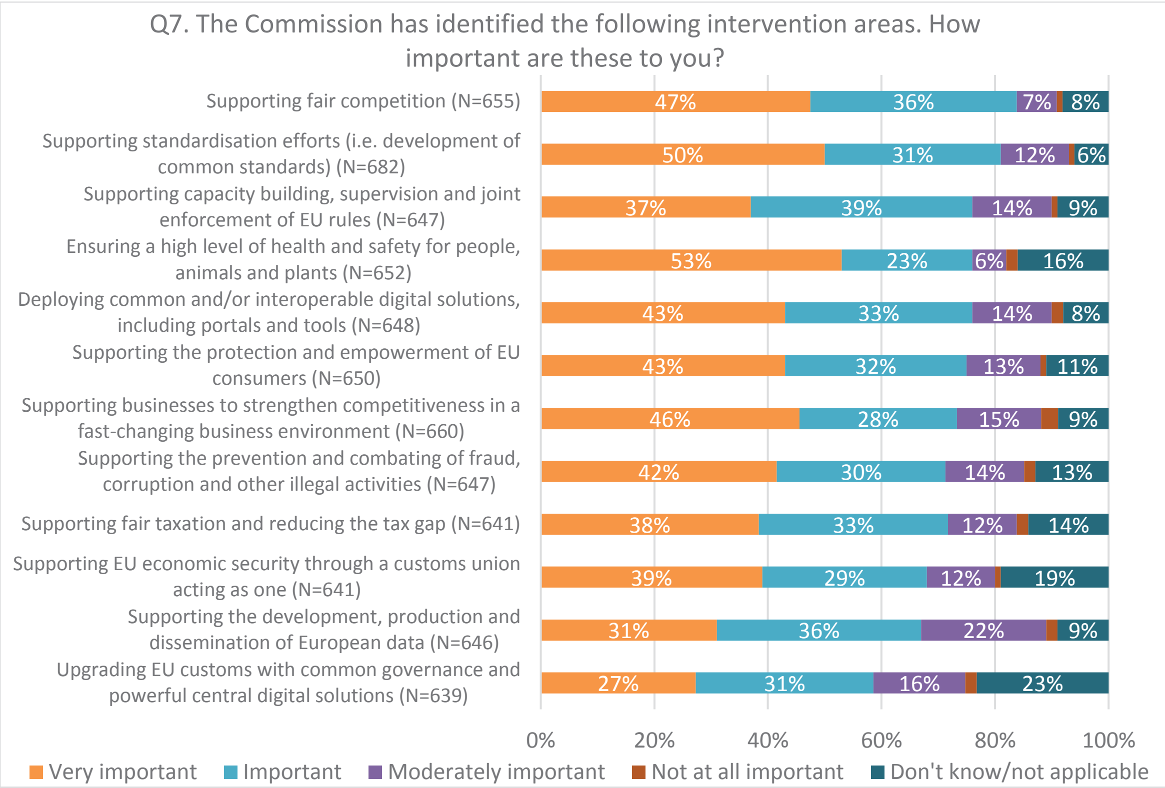
Member state authorities placed higher importance than other groups on several areas, including deploying common and/or interoperable digital solutions (85%, 77 out of 91), and supporting EU economic security (80%, 73 out of 91).

EU citizens and consumers expressed particularly high support for fair competition (92%, 163 out of 176), protection and empowerment of EU consumers (87%, 152 out of 175) and fair taxation (84%, 147 out of 176).

Businesses, including SMEs, overall showed more moderate support across most areas compared to other stakeholder groups but placed strong emphasis on strengthening competitiveness by supporting businesses (87%, 123 out of 142) and supporting fair competition (86%, 123 out of 144).

When asked about other potential strategic areas to be covered by a well-functioning single market, some respondents emphasised the need for harmonised tax and customs rules, reduced administrative burdens – especially for SMEs – and stronger digital infrastructure and cybersecurity across the EU.

Figure 7. Support for intervention areas



3.5 Added value of EU-level action

Respondents identified several areas where EU-level action is seen as particularly valuable. The top priorities included **support for cross-border and multi-country projects and cooperation** (90%, 595 out of 659), **strengthening the competitiveness and sustainability of EU businesses** (88%, 583 out of 664) – based on the share of respondents who selected 'Somewhat' or 'To a large extent'.

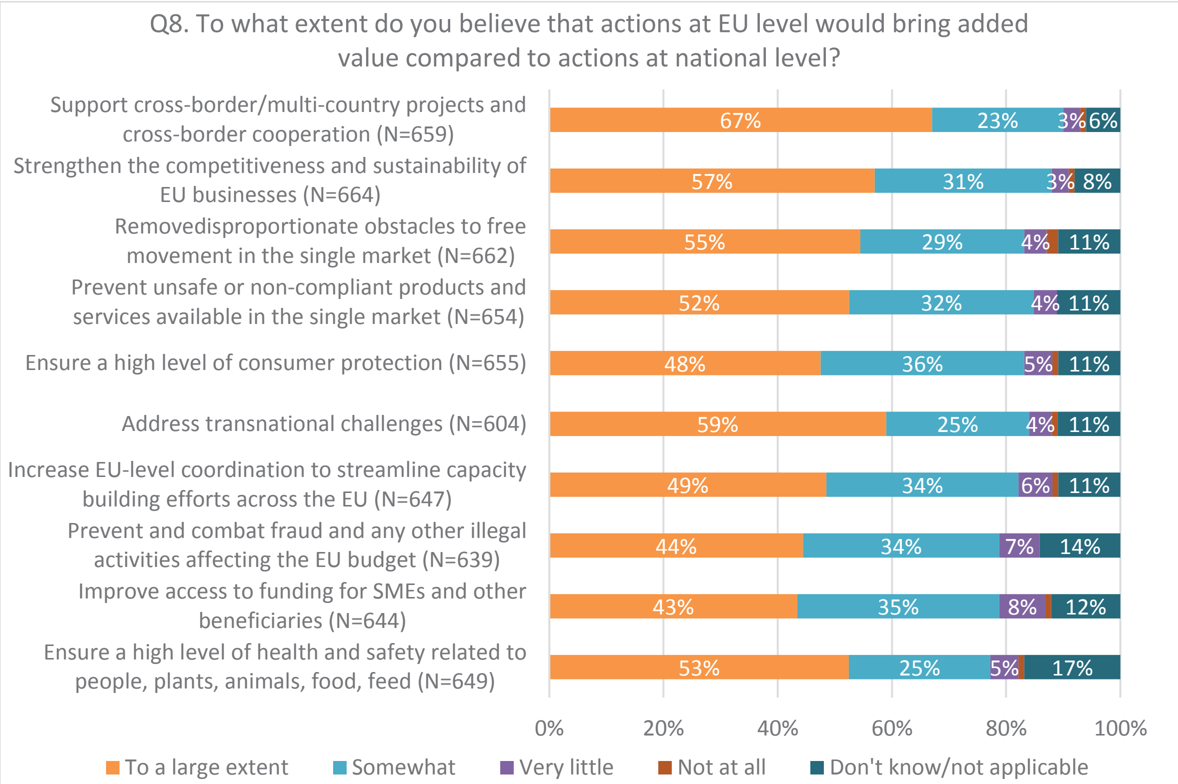
Perceived added value of EU-level action varied more across stakeholder groups than by specific intervention area:

Member state authorities overall showed consistent support across most areas, with particularly high support for cross-border projects (97%, 92 out of 95).

EU citizens and consumers expressed relatively high support across most areas, particularly for ensuring consumer protection (94%, 164 out of 174), preventing unsafe/non-compliant products (91%, 159 out of 176), strengthening competitiveness and sustainability (90%, 160 out of 176) and removing internal market obstacles (92%, 163 out of 177).

Business stakeholders overall showed more moderate support across most areas compared to other stakeholder groups, but placed strong emphasis on competitiveness and sustainability (94%, 132 out of 140). Among this group, SMEs showed highest support for access to funding, and capacity building.

Figure 8. Support for actions at EU level



Note: The figure shows the 10 response options with the highest number of combined 'To a large extent' and 'Somewhat' ratings.

SPECIFIC INFORMATION for CUSTOMS and FISCALIS

In parallel, the study supporting the interim evaluations of the Customs and Fiscalis programmes, even though the work is not yet finalised, carried several consultations with direct (national authorities) and indirect beneficiaries (e.g. citizens and economic operators) via the case studies, targeted surveys and interviews. This extensive consultation shows evidence of large satisfaction of the participants in actions that are linked to capacity building, cooperation and integration between authorities. In addition, preliminary findings on case studies covering selected European electronic systems show that the central digital solutions for both customs and taxation are rather efficient and effective creating EU added value (compared to the scenario of absence of centrally managed electronic systems which would have been replaced by numerous individual systems managed by Member States). Early consultations with the direct beneficiaries of the Customs and Fiscalis programmes (customs and tax authorities) took place in a form a dedicated agenda point in the national programme coordinators' workshops in 2024[89]. In this session, the Commission invited the participants to take a critical look at the functioning and benefits of the collaborative activities under the general collaboration actions grant and the expert team grants. The breakout groups were to address the following specific questions:

- What would be the consequences (direct and indirect) of a scenario where is only limited or even no budget available for collaborative activities? What rational and tangible policy and political defensives are there to justify securing the budget for collaboration?
- What shortcomings (vulnerabilities) are there regarding collaboration that may undermine the securing of the budget and play into the court of those who would advocate for eliminating/reducing collaboration actions?
- What would be the criteria for selecting priority actions? General collaboration action grant – flexibility: advantages and downsides. How to address the negative aspects and how much we can sacrifice flexibility?
- What if only national administrations can initiate and lead collaborative actions? What kind of actions you would imagine that would take place? What kind of activities would stop or reduce significantly? Why?

In their feedback the participants noted that many collaborative activities are implemented with online collaboration and online meetings, not having a budgetary impact. This however reduces the effective and efficient sharing of good practices. Further reduction of the budget would reduce further the physical meetings.

The participants emphasised that the collaborative activities and the networking generated by the physical meetings reinforce trust between the participating countries. This is especially relevant for the candidate countries and potential candidates, which is essential for their integration. The participants identified the following criteria for selecting priority actions: efficiency, effectiveness, coherence, relevance, and EU added value – following the principles used by the better regulation concept. The feedback also highlighted the need to align priority actions with the flagship policies of the EU (digital transition, green considerations, etc.). The current flexibility is highly appreciated under the general collaboration action grant, as it allows agility in adapting to emerging needs. At the same time, this agility and flexibility hampers predictability and budgetary planning, which may result in running out of the grant budget towards the end of grant cycle or on the contrary, underconsumption, as the beneficiaries would save up to unexpected activities which may never take place. The participants also questioned what kind of collaboration actions would be still required, following the potential establishment of the EU Customs Authority. The breakout discussions acknowledged that the outcomes and results of collaborative activities are often obscured (not tangible, not measurable, not visible) or lack quality. In addition, the participants noted that green considerations impacted by air travel, in particular, could further reduce physical meetings and induce prioritisation in terms of physical meetings. At the same time, the participants remarked that to compensate for physical meetings, the quality of online meetings and interactions must be improved. The feedback also concluded that expert teams' potential is not fully used. The outcomes of the discussions also emphasised the need for careful considerations for EU added value: one may question the EU added value of working visits

[89] Customs programme management expert group E03788 and Fiscalis programme management expert group E03789

especially in comparison with other activities (such as EU-level, conceptual or operational activities). Finally, the feedback expressed some critical views on programme groups, which often lack planning, sound project implementation, reporting and general management. Participants in activities should take an active role, and reduced number of participants would potentially also contribute to increased efficiency.

ANNEX 3: WHO IS AFFECTED AND HOW?

1. PRACTICAL IMPLICATIONS OF THE INITIATIVE

There are implications for costs and benefits for three main groups of stakeholders.

- Citizens and consumers have direct access or participate in supported activities (e.g. advice and support services) or they are indirectly affected, e.g. by activities that support competent authorities in different policy fields (e.g., competition, market surveillance).
- Businesses, including entrepreneurs and investors: have direct access or participate in supported activities or they are indirectly affected, e.g. by activities that support competent authorities in different policy fields.
- Public authorities: have two distinct roles: implementing the programme (or actions therein); participating in or benefiting (directly/indirectly) from supported activities. Public authorities include national authorities, European Commission, and EU-level or international bodies (e.g., standardisation bodies).

The following table summarises the costs and benefits in qualitative terms anticipated in the continuity, integrated and unified scenario, for the three main groups of stakeholders.

Scenario	Costs for citizens, consumers, businesses
Continuit y (baseline)	No compliance or enforcement costs
	No direct costs (participation in, use of, or engagement with programme activities is entirely voluntary and imposes no costs on citizens, consumers or businesses)
	Possible indirect costs relating to "hassle" of accessing fragmented services provided across different policy areas.
Integrate d	No different from Continuity Scenario, except:
	- possible reduction in hassle in accessing services to the extent that services are less fragmented across policy areas
	- possible increase in hassle, depending on need to adapt to different forms of service provision.
Unified	No different from Continuity Scenario, except:
	- possible reduction in hassle in accessing services to the extent that services are less fragmented across policy areas
	- possible increase in hassle, depending on need to adapt to different forms of

	service provision.
	Costs for public authorities
Continuity (baseline)	No compliance or enforcement costs
	No direct costs (participation in, use of, or engagement with programme activities is either voluntary or part of their normal responsibilities, thus any costs are business-as-usual)
	Indirect administrative burden associated with applying for and receiving EU funds.
	Possible indirect costs relating to hassle of accessing fragmented services provided across different policy areas.
Integrated	No different from Continuity Scenario, except:
	- possible reduction in administrative costs due to a single set of requirements and a Common Rulebook
	- possible reduction in indirect costs to the extent that services are less fragmented across policy areas
	- possible increase in hassle, depending on need to adapt to different forms of service provision.
Unified	No different from Continuity Scenario, except:
	- possible reduction in programme management costs, if programme-level committees are no longer needed
	- possible reduction in administrative costs due to a single set of requirements and a Common Rulebook
	- possible reduction in administrative burden associated with applying for and receiving EU funds due to horizontal activities
	- possible reduction in hassle associated with participating in EU-level activities due to horizontal activities
	- possible reduction in indirect costs to the extent that services are less fragmented across policy areas
	- possible increase in hassle, depending on need to adapt to different forms of service provision.
	Costs for the European Commission
Continuity (baseline)	Direct cost associated with implementing the programme (5% of SMP programme budget, 2% of UAFP programme budget; to be determined for Customs and Fiscalis Programmes)
Integrate	Direct cost associated with implementing the programme (5% of programme budget)

d	Potential reduction in administrative burden associated with programme management and implementation of activities through:
	- additional possibilities for budgetary flexibility (but likely to be limited)
	Risk of increased administrative burden depending on:
	- New layer of programme-level co-ordination;
	- Adaptation/adjustment costs
Unified	Potential reduction in administrative burden associated with programme management and implementation of activities through:
	- simplifications, e.g. single legislative proposal, single system for monitoring, reporting, evaluation and audit
	- additional possibilities for budgetary flexibility (greater than Continuity and Integrated Scenarios)
	- synergies, e.g. joint procurement, joint framework contracts.
	Risk of increased administrative burden depending on:
	- adjustment/adaptation to new programme design, governance and activities
	- burden and transaction costs related to programme-level coordination and management of horizontal activities
	- any inflexibilities from a single legal basis, single set of programme implementation arrangements, etc..
	Benefits for citizens, consumers and businesses
Continuity (baseline)	- Access to information and services
	- Better services related to consumer rights, e.g. ADRs
	- Better representation in policymaking and standardisation processes, e.g. ANEC, ETUC, Better Finance, Finance Watch
	- Increased consumer health and safety (product safety, standards, etc.)
	- Customer benefits from better enforcement of competition rules (cartels, mergers, trusts)
Integrated	As under the Continuity Scenario, except where synergies, flexibilities and simplifications in programme design result in:
	- better services for citizens, consumers and businesses
	- enhancement of higher-level effects (product safety, standards, enforcement of competition rules, etc.)

Unified	No different from Continuity Scenario, except where better services are provided to citizens, consumers and businesses or higher-level effects are enhanced due to:
	- synergies, flexibilities and simplifications in programme design
	- horizontal activities that would not take place (or not at the same level or as effectively) under other scenarios
	Benefits for public authorities
Continuity (baseline)	Direct benefits:
	- Increased capacity, skills and knowledge
	- Better access to facilities, expertise, etc.
	- Increased digitalisation of public administration and law enforcement
	- Enhanced co-operation with other authorities
	- Secure and effective exchange of confidential information with the Commission
	- Reduced burden (e.g. better case management; easier and more secure transfer of documents and exchange of information)
	Indirect benefits:
	- Better implementation and enforcement of Union law
	- Reduced cost of implementation and enforcement of Union law
	- Increased tax and customs revenues
	- Reduction in tax fraud, evasion and avoidance
Integrated	As under the Continuity Scenario, except where:
	- more/better activities are implemented to support national authorities (to build capacity, enhance co-operation, etc.) due to synergies, flexibilities and simplifications in programme design
	- participation in grant-funded projects is easier and more effective due to streamlined conditions (single set of requirements, Common Rulebook, etc.)
Unified	As under the Continuity Scenario, except where:
	- more/better activities are implemented to support national authorities (to build capacity, enhance co-operation, etc.) due to synergies, flexibilities and simplifications in programme design
	- participation in grant-funded projects is easier and more effective due to streamlined conditions (single set of requirements, Common Rulebook, etc.)

	- more effective/relevant horizontal activities are implemented to support national authorities (to build capacity, enhance co-operation, etc.)
	But risks of reduced benefit, depending on:
	- Adjustment/adaptation costs/time
	- Disruption to the implementation of long-established and essential activities
	- Low take-up or use of horizontal activities
	- Weak relevance of horizontal activities
	- Inflexibility of horizontal activities
	- Duplication/confusion betwee horizontal and policy-specific activities
	Benefits for the European Commission
Continuity (baseline)	Direct benefits:
	- Increased capacity, skills and knowledge
	- Better access to facilities, expertise, etc.
	- Increased digitalisation of public administration and law enforcement
	- Enhanced co-operation with other authorities
	- Secure and effective exchange of confidential information with 3rd parties
	- Reduced burden (e.g. better case management; easier and more secure transfer of documents and exchange of information)
	Indirect benefits:
	- Better implementation and enforcement of Union law
	- Reduced cost of implementation and enforcement of Union law
	- Increased tax and customs revenues
	- Reduction in tax fraud, evasion and avoidance
Integrated	As under the Continuity Scenario, except where:
	- more/better activities to support the Commission's policymaking and law enforcement role are implemented due to synergies, flexibilities and simplifications in programme design (e.g., joint procurement)
	- programme management is less burdensome (harmonised, legal provisions, common reporting templates, single set of requirements, Common Rulebook, etc.)

Unified	As under the Continuity Scenario, except where:
	- more/better activities to support the Commission's policymaking and law enforcement role are implemented due to synergies, flexibilities and simplifications in programme design
	- programme management is less burdensome (harmonised, legal provisions, common reporting templates, single set of requirements, Common Rulebook, etc.)
	- more effective/relevant horizontal activities are implemented to support the Commission's policymaking and law enforcement role
	But risks of reduced benefit, depending on:
	- Adjustment/adaptation costs/time
	- Disruption to the implementation of long-established and essential activities
	- Low take-up or use of horizontal activities
	- Weak relevance of horizontal activities
	- Inflexibility of horizontal activities
	- Duplication/confusion between horizontal and policy-specific activities

2. SUMMARY OF COSTS AND BENEFITS

Unfortunately costs and benefits quantification was not available, due to the difficulties to estimate as the result of the programme character focusing on the support for the well-functioning single market. The qualitative appreciations reflect the evidence gathered through the evaluations and the analysis.

I. Overview of Benefits (total for all provisions) – Preferred Option		
Description	***Amount***	***Comments***
	Direct benefits	
Compliance cost reductions	Reduced costs for the Commission through joint procurement for product and services (i.e., database, Eurobarometer, survey, communication campaign, etc..). Costs savings from single legislative procedure (including Commission decision) and budget line; streamline audit, evaluations and other process Administrative costs savings deriving from common templates; streamline requirements for work programme, annual management plans, annual activities reports,	

	Administrative costs saving for beneficiaries from common rules and procedures	
Improve the efficiency of resources allocations	-The flexibility to allocate resources where necessary will improve the overall efficiency of resource allocation. - Costs saving for Joint activities financed by a dedicated budget line.	
Indirect benefits		

(1) Estimates are gross values relative to the baseline for the preferred option as a whole (i.e. the impact of individual actions/obligations of the preferred option are aggregated together); (2) Please indicate in the comments column which stakeholder group is the main recipient of the benefit;(3) For reductions in regulatory costs, please describe in the comments column the details as to how the saving arises (e.g. reductions in adjustment costs, administrative costs, regulatory charges, enforcement costs, etc.;);.

II. Overview of costs – Preferred option								
		Citizens/Consumers		**Businesses**		**Administrations**	
		One-off	**Recurrent**	**One-off**	**Recurrent**	**One-off**	**Recurrent**
Action (a)	Direct adjustment costs	None	None	None	None	5% of SMP programme 2% for UAFP	None
	Direct administrative costs	None	None	None	None	Need to adapt to new forms of service provisions	None
	Direct regulatory fees and charges	None	None	None	None	None	None
	Direct enforcement costs	None	None	None	None	None	None
	Indirect costs	None	None	None	None	None	None

(1) Estimates (gross values) to be provided with respect to the baseline; (2) costs are provided for each identifiable action/obligation of the preferred option otherwise for all retained options when no preferred option is specified; (3) If relevant and available, please present information on costs according to the standard typology of costs (adjustment costs, administrative costs, regulatory charges, enforcement costs, indirect costs;).

III. Application of the 'one in, one out' approach – Preferred option(s)			
[M€]	**One-off** (annualised total net present value over the relevant period)	**Recurrent** (nominal values per year)	**Total**

Businesses			
New administrative burdens (INs)	None		
Removed administrative burdens (OUTs)	Simplified and common procedure across programme - potential indirect cost savings		
Net administrative burdens*	Overall cost savings		
Adjustment costs**			
Citizens			
New administrative burdens (INs)	None		
Removed administrative burdens (OUTs)	Simplified and common procedure across programme from the Common Rulebook-potential indirect cost savings		
Net administrative burdens*	Overall cost savings		
Adjustment costs**			
Total administrative burdens***	**Overall costs saving**		

(*) Net administrative burdens = INs – OUTs;
(**) Adjustment costs falling under the scope of the OIOO approach are the same as reported in Table 2 above. Non-annualised values;
(***) Total administrative burdens = Net administrative burdens for businesses + net administrative burdens for citizens.

3. RELEVANT SUSTAINABLE DEVELOPMENT GOALS

IV. Overview of relevant Sustainable Development Goals – Preferred Option(s)		
Relevant SDG	**Expected progress towards the Goal**	**Comments**
e.g. SDG no. 8 – Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work		
e.g. SDG no. 9 – Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation		

e.g. SDG no. 16 – Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels		

ANNEX 4: ANALYTICAL METHODS

The impact assessment was facilitated by a study executed by a consortium led by the Centre for Strategy & Evaluation Services (CSES) with the following consortium members Centro Studi Industria Leggera (CSIL), PPMI Group, and Prognos.

The interim evaluation of the SMP and the UAFP fed significantly in the analysis carried out for the purposes of this impact assessment. In addition, the preliminary findings of the studies supporting the interim evaluation of the Customs and Fiscalis programmes were taken into consideration[90]. The evaluations extensively build on specific case studies, surveys, targeted interviews and large-scale desk research.

The points regarding the customs domain are driven by the impact assessment and the associated Commission proposal on the EU Customs Reform.

In addition, the customs and taxation aspects are assessed based on the indicators of the Customs and Fiscalis programmes and the related annual progress reports on years 2021-2024.

[90] At the time of drafting the impact assessment, the interim evaluation supporting studies for the Customs and Fiscalis programmes have not yet been finalised, therefore any findings should be considered as preliminary.

ANNEX 5: COMPETITIVENESS CHECK

1. OVERVIEW OF IMPACTS ON COMPETITIVENESS

Dimensions of Competitiveness	Impact of the initiative (++ / + / 0 / - / -- / n.a.)	References to sub-sections of the main report or annexes
Cost and price competitiveness	0/+	Sections 6.2 and 7.1 of the IA
International competitiveness	0/+	Sections 6.2 and 7.1 of the IA
Capacity to innovate	0/+	Sections 6.2 and 7.1 of the IA
SME competitiveness	0/+	Annex 6

2. SYNTHETIC ASSESSMENT

The proposed intervention indirectly targets improving the EU competitiveness by facilitating a well-functioning and strong single market, which is a pre-requisite for EU competitiveness and prosperity.

Cost and price competitiveness: The preferred policy option does not directly target businesses. However, better policymaking and law enforcement in the single market could have a positive impact on cost and price competitiveness of EU companies, especially by reducing administrative complexity, streamlining and simplifying procedures.

International competitiveness: a better functioning and stronger single market would have a positive impact on international competitiveness fostering a level playing field with efficient market surveillance and customs to fight against imported products which are not compliant with EU legislation.

Capacity to innovate: the proposed intervention will positively impact capacities of Member States and national authorities, supporting a well-functioning single market which adapts to new technological challenges (e.g. adapting contract law, standardisation to the needs of the digital economy). This is essential to ensure seamless digital cross-border transactions and could help in the development of innovative digital business model.

SME competitiveness: similar effects expected for SMEs as compared to large companies for all competitiveness dimensions. SMEs will benefit significantly from a unified and simplified funding environment with harmonised procedures lowering barriers and administrative burden.

3. COMPETITIVE POSITION OF THE MOST AFFECTED SECTORS

The proposed intervention is horizontal and affect large parts of the economy. It is not possible to identify the most affected sector affected by the preferred policy option and analyse their competitive position.

ANNEX 6: SME CHECK

Relevance for SMEs
The proposed intervention is relevant for SMEs. Although, the initiative is not targeting SMEs specifically, but other stakeholders such as national authorities, standardisation organisation, representative organisations, or the Commission itself.
(1) Identification of affected businesses and assessment of relevance
Are SMEs directly affected? *(Yes/No)* **In which sectors?**
The main direct impact identified for SMEs would result from the voluntary use of tools, platforms, and services financed by the proposed intervention (Your Europe, Your Europe Advice, Eurostat, EU Taxonomy Compass). A very small number of SMEs could for instance benefit from training as direct beneficiaries. This is dependent on SMEs' choice to make use of these, hence assessing the benefits derived from this use could only be too broadly estimated.
Estimated number of directly affected SMEs
The proposed intervention is of horizontal nature and affect large parts of the economy, potentially 24.3 million SMEs in the EU.
Estimated number of employees in directly affected SMEs
According te the European Commission, Europe has 24.3 million SMEs, providing jobs to more than 85 million European citizens, i.e. with a ratio of about 3.5 jobs per SME.
Are SMEs indirectly affected? *YES.* **In which sectors? What is the estimated number of indirectly affected SMEs and employees?**
SMEs will be **indirectly** affected by the initiative. SMEs will be eligible as direct beneficiaries under calls for proposals. SMEs may benefit from the activities financed under the programme. Based on current data the following estimates related to digital tools used by businesses such as SMEs may be expected during 2028-2034, but it must be noted that the figures do not distinguish between SMEs and other stakeholders: • Your Europe: 300 million visits • Your Europe Advice: 150 000 queries addressed • Eurostat: 28 million database sessions • EU Taxonomy compass: 1 million visitors, 2.2 million visits • Consumer professionals trained: 2100. The following sectors are relevant to the intervention and therefore SMEs operating in these might be indirectly affected by the programme: competition, standardisation, market surveillance, taxation, customs, anti-fraud.

(2) Consultation of SME stakeholders
How has the input from the SME community been taken into consideration?
The Commission collected input from SMEs via a public consultation open to all respondents focusing on the EU funding for the single market, and cooperation between national authorities which ran from 12 February to 6 May 2025. No call for evidence was run for this impact assessment. 12 companies and three business associations provided contributions; this represents less than 10% of all respondents. This shows a somewhat low participation of businesses, proportional to the relevance of the proposed programme to SMEs. The input provided was therefore not substantial to draw any conclusions on views of SMEs, rendering the usefulness of this evidence for the cost-benefit analysis limited, yet the feedback was taken into consideration.
Are SMEs' views different from those of large businesses? *YES*
SMEs are likely to be more affected by the challenge mentioned above, i.e. the differing national approaches to financing support, than larger businesses. Excessive complexity to access, mobilise, and implement EU funding for beneficiaries is also likely affecting SMEs more than larger businesses; discouraging participation. The fragmentation of EU funds, and the subsequent inefficiencies created by overlapping programmes and inconsistent rules across funding streams also likely affects SMEs more than larger companies. However, given the limited number of respondents, it is not possible to differentiate the views of SMEs from those of large businesses.

(2) **ASSESSMENT OF IMPACTS ON SMEs**[91]
What are the estimated direct costs for SMEs of the preferred policy option? (Fill in only if step 1 *flags direct impacts)*
Qualitative assessment
No direct costs for SMEs, only voluntary use of tools and platforms financed by the intervention.
Quantitative assessment
N.A.
What are the estimated direct benefits/cost savings for SMEs of the preferred policy option[92]**?**
Qualitative assessment

[91] The costs and benefits data in this annex are consistent with the data in annex 3. The preferred option includes the mitigating measures listed in section 4.
[92] The direct benefits for SMEs can also be cost savings.

Direct benefits from using services financed by the programme materialise as increased information and awareness of SMEs of their rights, responsibilities, and opportunities. Easier access to information via EU portals and tools generates time savings and ensures its reliability.
Quantitative assessment
Benefits only assessed qualitatively.
What are the indirect impacts of this initiative on SMEs? *(Fill in only if step 1 flags indirect impacts)*
The support to IT tools and platforms fostering more secure and effective exchange of confidential information with competent authorities (competition, taxation, customs…) would indirectly benefit SMEs. SMEs will benefit indirectly from better representation in policymaking, standardisation, and legislative processes. Small Business Standards (SBS) is an example of a representative organisations supported by the programme that defends the interest of SMEs in standards development both at EU and international level. They will also indirectly benefit from the support of the programme to better policymaking and legislation, particularly in terms of fair competition, harmonisation, as well as better EU statistics, and better standards. With better market access, enhanced consumer confidence, and a less fragmented regulatory framework, SMEs' competitiveness is expected to be strengthened.
(3) MINIMISING NEGATIVE IMPACTS ON SMEs
Are SMEs disproportionately affected compared to large companies? (*Yes/No)* **If yes, are there any specific subgroups of SMEs more exposed than others?**
No negative impacts on companies and in particular SMEs identified.
Have mitigating measures been included in the preferred option/proposal? (Yes/No)
No mitigating measures were included in the preferred option and proposal, as the programme will have limited relevance to SMEs, with the very few direct and only positive impacts.
CONTRIBUTION TO THE 35% BURDEN REDUCTION TARGET FOR SMEs
Are there any administrative cost savings relevant for the 35% burden reduction target for SMEs?
N.A.

ANNEX 7: BACKGROUND INFORMATION ON PROBLEM DRIVERS AND SCOPE IN THE CONTEXT OF THE SINGLE MARKET, CUSTOMS UNION, TAXATION AND ANTI-FRAUD POLICY DOMAINS

1. KNOWLEDGE AND DATA GAPS, AND OTHER BARRIERS ARE OBSTACLES FOR CITIZENS, CONSUMERS, AND BUSINESSES, ECONOMIC OPERATORS TO ACCESS AND OPERATE IN THE SINGLE MARKET

1.1. Single market

Digital services and tools for **information, advice, and communication** are designed to assist consumers, citizens and businesses in understanding and making the most of opportunities within the single market. Internal Market governance tools and platforms such as the Single Digital Gateway (SDG) integrates networks and services providing support for cross-border activities at national and EU level. Your Europe, Your Europe Advice, IMI, and SOLVIT make available and accessible free information, advice and guidance to consumers and businesses about their rights and administrative procedures within the single market. It helps them navigate EU rules, and seek redress when buying, selling, or investing across borders.

Tools are in place that focus on actions like product safety, consumer protection, and enhance the participation of consumers and end-users in financial services policy making. Platforms assist consumers in cross-border transactions by providing free information and advice on their rights, help them in resolving cross-border consumer complaints and obtain access to appropriate dispute resolution.

In addition, consumer organisations play a crucial role in providing independent advice, raising awareness, and supporting consumers in understanding and exercising their rights. The impact of these activities shows the crucial role of EU funding in that regard and underscores the increasing need for more support.

Grants and contribution agreements for organisations representing consumers, businesses, consumers and end-users of financial services, workers, and other interests, in European and international Standardisation to have a voice at the EU level in decision-making and policy processes.

Economic operators report difficulties related to accessing information and accomplishing administrative formalities online. According to recent surveys, key problems include difficulty to access information on rules and requirements and overly **complex administrative procedures**. To address this issue, digital tools can facilitate access and reduce administrative burden. Support services are provided for advice, cooperation and in mentoring platforms for businesses and entrepreneurs. This aims to empower businesses by enhancing their skills and access to effective entrepreneurial networks and helping them to capitalise on opportunities within the single market.

Collection of data, research, studies and evaluation activities improve the **understanding** of the single market and its challenges. For consumer policy, this improves the evidence base on consumer conditions in the single market, provides a basis to identify problematic areas. Research work on important financial services topics contributes to the sector's policymaking and promotes awareness raising. Studies ensure that competition enforcement continues to be evidence-based and remains relevant to address the ever-changing market dynamics: technical expertise and specific datasets are also necessary to support enforcement actions in specific competition cases. Information and education are provided to consumers through information campaigns, meetings and trainings.

Comprehensive studies and **statistical reports** provide and reinforce public awareness, the understanding of the single market and ensure access to trustworthy information for stakeholders across the EU as well as reducing barriers to operating in the single market and fostering a closer co-operation between authorities and better and more consistent enforcement. High-quality **European statistics** are produced and disseminated to provide valuable insights and address knowledge gaps, allowing citizens, consumers, and businesses to benefit fully from the single market.

1.2. Customs Union

Economic operators and extra-EU, international trade benefit currently from the common components of the nearly 70 central digital systems managed by the Commission, which digitalise customs procedures and lead to a paperless customs/trade environment. The digital systems mandated by the Union Customs Code (UCC)[93], aim to, inter alia, create a fully electronic environment for the customs authorities and economic operators and citizens, to complete customs formalities via the deployment of several electronic systems. However, analysis demonstrate the vulnerability in delivering and operating 27 national (+1 central) customs IT environments[94]. Nonetheless, once implemented, the UCC digital systems will significantly improve the customs electronic environment, particularly for economic operators active in various Member States. While in 2022 an economic operator wishing to complete the formalities for entry and exit processes throughout the Union needed connection to around 190 national IT systems, after 2025 this is intended to be reduced to 111 connections, a decrease of 41%[95]. Whilst certainly an improvement, 111 separate systems still cannot be considered optimal. Such diverse systems create an administrative burden for traders and carriers who must collect the information several times and submit it to customs through dedicated IT systems[96].

Equally, today e-commerce represents more than twice the number of traditional trade transactions for only 0.4 % of the value[97]. This high number of transactions for a low value represents a challenge for economic operators, who must comply with several reporting obligations per parcel[98].

[93] Regulation (EU) No 952/2013 of the European Parliament and of the Council laying down the Union Customs Code (OJ L 269, 10.10.2013, p. 1–101)
[94] SWD/2023/140 final
[95] SWD/2023/140 final
[96] SWD/2023/140 final
[97] Data from year 2022.
[98] SWD/2023/140 final

In 2024, 4.6 billion low-value items were imported into the EU – equalling 12 million parcels per day. In addition, 17.5 million counterfeit articles were detained at the EU border (in 2023)[99]. The growth in e-commerce imports directly shipped to consumers has increased competition, including between EU sellers and those located outside of the EU and targeting their offer at consumers in the EU. However, this competition can become unfair and hinder the level playing field for legitimate businesses.

The rapid increase of e-commerce also raises significant challenges for citizens, in particular where imported products may be non-compliant with EU law. For example, around half of the fake products seized at EU borders that infringed intellectual property rights were purchased online. Even responsible consumers can give in the temptation of low prices. Education on the downside of these low-priced goods imported must be reinforced, as a surging volume of products that are unsafe, counterfeit or otherwise non-compliant leads to serious safety and health risks for consumers, has an unsustainable impact on the environment, and fuels unfair competition for legitimate businesses, with a significant impact on EU competitiveness in different sectors.

If some sellers do not comply with EU product safety and consumer protection requirements, they avoid costs for ensuring the necessary quality, safety of materials and proper record-keeping and reporting. This is also true for businesses that do not apply EU environmental standards or circumvent contributing to waste management. Compliant sellers, however, incur these costs from a comprehensive legal environment and are placed at an economic disadvantage compared to traders that do not follow the rules.

1.3. Taxation

The complexity of dealing with 27 different tax systems in the EU hinder business growth and competitiveness by imposing significant compliance costs and administrative burdens on companies, particularly small and medium-sized enterprises, which may struggle to navigate intricate EU and national regulations. Variations and inconsistencies in tax policies across Member States can create uncertainty for businesses, discouraging cross-border trade and investment, and ultimately affecting the region's overall competitiveness in the global market. This context may lead businesses to engage in tax optimisation strategies that may divert resources away from innovation and productive activities.

Over the recent years, the political agenda has been increasingly influenced by tax competition between countries and tax avoidance practices. Those phenomena go well beyond Member States’ borders and involve also third countries. It is expected from the Union to take action to fight tax fraud, evasion and avoidance as they distort competition, jeopardise the functioning of the single market and undermine social fairness. Moreover, tax scandals like the Cum/Ex and Cum/Cum[100] have shown that refund procedures in

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[99] Fact sheet on the e-commerce communication - https://digital-strategy.ec.europa.eu/en/library/factsheet-e-commerce-communication-february-2025

[100] European Parliament resolution of 29 November 2018 on the cum-ex scandal: financial crime and loopholes in the current legal framework

taxation can be abused[101 & 102]. Complexity of tax systems for economic operators lead to administrative burden during refund procedures which are often lengthy, costly and cumbersome, causing frustration for investors and discourage cross-border investment within and into the EU. Tax procedures applied in each Member State can be very different, leading to different forms across the EU, most of which are only available in national languages.

A fragmented regulatory framework has failed to keep pace with new business models leveraging technical opportunities and thus creating excessive administrative burden and compliance costs resulting in missed opportunities for the economic operators, linked with the IT systems, business automation and digitalisation.

2. CAPACITY BUILDING, ADMINISTRATIVE AND OPERATIONAL COOPERATION AND INTEGRATION AMONG MEMBER STATES AND BETWEEN MEMBER STATES AND THE EUROPEAN COMMISSION REMAINS SUBOPTIMAL.

2.1. Single market

To foster the reinforcement of administrative cooperation and integration, training and capacity-building activities are conducted, as well as exchanges of expertise and knowledge for EU-level or national authorities. Capacity building is also essential to ensure the achievement of the Saving and Investments Union by providing support and training to Member States and local authorities.

This involves **capacity-building actions**, promoting the share and re-use of solutions and trainings to businesses which benefit from support via public procurement actions and skill development. For example, in the areas of single market, consumer protection training activities related to product safety, or on verification of compliance could benefit from a common core and branding. It also includes **training** for judges on competition law and anti-money laundering, businesses peer reviews and mutual visits for product Market Surveillance Authorities.

Support is provided to organisations in charge of the enforcement of EU consumer protection laws, and the coordination of actions, while allowing exchange of expertise on product safety.

Cooperation and partnerships within the European Statistical System allow to further enhance its capacity and deliver high quality and timely statistics, leveraging new data sources and technologies.

Networks and platforms also facilitate cooperation between Member States and with the Commission. This includes **networks** in the field of competition (such as the European Competition Network and the International Competition Network), market surveillance

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[101]These types of fraud were estimated to have led to €150 billion in losses between the years 2000 and 2020 for a certain group of Member States. SWD (2023)216 final

[102] European Commission: Directorate-General for Taxation and Customs Union, Bonch-Osmolovskiy, M., Poniatowski, G., Braniff, L., Harrison, G. et al., VAT gap in the EU – 2024 report, Poniatowski, G.(editor), Publications Office of the European Union, 2024, https://data.europa.eu/doi/10.2778/2476549
European Commission: Directorate-General for Taxation and Customs Union, Poniatowski, G., Śmietanka, A. and Skowronek, A., VAT compliance gap due to Missing Trader Intra-Community (MTIC) fraud – Final report. Phase II, Publications Office of the European Union, 2024, https://data.europa.eu/doi/10.2778/6433841

and financial services to enable secured data exchange. As regards market surveillance, this also includes joint inspection actions fostering cooperation between authorities. The Internal Market Information System also supports administrative cooperation aimed to implement EU rules in 20 policy areas of the single market. In addition, the Interoperable Europe Act and its governance aim to strengthen cooperation on improving cross-border public services through interoperability. The Beneficial Ownership Register Interconnection system (BORIS) and the forthcoming Bank Account Register Interconnection System (BARIS) are important tools to facilitate the flow of information for Member States' anti-money laundering efforts and to counter terrorist financing.

The European Consumer Centres Network (ECC-Net), in addition to providing information, assists consumers in cross-border transactions, ADR bodies ensure access to efficient redress, while the Consumer Protection Cooperation (CPC) network and Safety Gate enhance cooperation to enable effective enforcement of consumer law and single market surveillance.

Various digital systems are used for the cooperation among national competent authorities and with the Commission, often not interoperable or implemented independently due to different legal basis. The delivery of user-friendly cross-border interoperable public services by seamless and secure data exchange [sharing] needs further development, along with access to digital solutions supporting Union's policies.

2.2. Customs Union

Sub-optimal functioning of the Customs Union: the Customs Union and the customs authorities struggle in their mission to protect the EU and the internal market.

- Fragmented Customs Union governance structure

The current governance structure is not fit for purpose. There are many layers of customs activity with no strategic coherence between them. The operational management of the Customs Union is not coordinated, and its performance depends on the will of Member States to cooperate in addition to their implementation of the EU customs rules.

The governance of the Customs Union is largely unchanged since its creation in 1968. There has been no significant evolution in its strategic and operational management, making it less able to face current and future challenges.

The responsibility for the implementation of the customs legislation is shared between the Member States and the Commission. The Lisbon Treaty established that the Customs Union is an exclusive competence of the EU and that the single market is a shared competence. Therefore, the EU has exercised its competences by adopting a common legal framework, the Union Customs Code (UCC). Member States implement the customs rules and processes.[103]

([103]) Pursuant to Article 291 TFEU, Member States remain responsible for implementing and applying legally binding Union acts, including the customs legislation. That same provision allows that Union acts empower the Commission to adopt implementing rules where uniform conditions are needed for implementing Union legislation. This is often referred to as 'Comitology'.

The existing legislative process and strategic *fora* have proven insufficient to achieve a 'real' Customs Union in which legislation is applied uniformly by all Member States and risks are equally covered wherever the goods enter or leave the customs territory based on common, coordinated action. Additional policy and governance instruments have therefore been put in place for better operational **coordination and cooperation**, and to support more uniform implementation of the rules on the ground[104].

The Customs Union is managed by means of legislative and non-legislative tools that are not designed for that scope and making it difficult to adapt the customs systems and procedures in cases of crisis. A political prioritisation of areas for common, coordinated action in risk management does not exist. Priorities are determined mainly at national level, according to national political preferences, and not following a Union approach required for a homogenous enforcement of the rules and an appropriate protection of the single market by customs. Over time, the multiplication of committees, expert groups, project groups and expert teams dealing with customs matters has resulted in a major co-ordination challenge, further fragmenting the governance. There are many layers of customs activity but there is no strategic coherence. The operational management of the Customs Union is not coordinated and depends on the willingness of Member States to cooperate.

- Fragmented and complex customs digitalisation

Access to all relevant data to exploit it by cross-checking using artificial intelligence is a major objective pursued in all domains by governments and companies, empowering them to trace behaviours and habits and further adapt their strategies. Big data is today driving the digital revolution. Customs is a pioneer in digitalisation. From 2003, there is the ambition of creating a simple and paperless environment for customs and trade[105]. Today 99% of traders' information to customs is digital and customs systems react automatically, in less than 5 minutes for 87.3% of the cases.

The figures show that the UCC digitalisation model, while bringing significant benefits and being therefore necessary to complete, remains complex and fragmented. The model provides poor data quality for customs hindering the accomplishment of its mission, leading to divergent implementation of the customs rules and high administrative compliance costs for businesses as follows:

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[104] The Commission develops guidance and coordinates the sharing of risk information but is limited by the powers conferred to it in the operational domain and by the lack of 'critical mass' for performing these tasks. The Customs Control Equipment Instrument provides financing to equip the customs offices with detection control equipment at the border. The Commission is entrusted with the implementation of the programme. The Customs programme for cooperation in the field of customs, also provides financing to facilitate and enhance customs cooperation between national customs authorities, and to build their administrative, human and information technology (IT) capacity.

[105] The Council Resolution introducing a paperless environment for customs already called on the Commission to draw a multiannual aiming at creating a European electronic environment. The same principle is in the Decision on electronic customs in late 2008 [*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* (OJ L 23, 26.1.2008, p.21)]. The Modernised Customs Code (MCC) also required electronic customs (Regulation (EC) No 450/2008 of the European Parliament and of the Council of 23 April 2008 laying down the Community Customs Code (Modernised Customs Code) (OJ L 145, 4.6.2008, p. 1–64)]. The MCC was recast into the UCC to adapt it to the Lisbon Treaty.

- The Union Customs Code sets a specific, normally national, IT system for each step of the process. Those **national IT systems** are not necessarily interconnected, not even within one Member State. Operators have therefore limited (if any) possibilities to save in compliance by reusing the data on a specific consignment for several steps.

- Economic operators provide the information on several national IT systems, which are **similar but not identical**. For operators, there are 27 separate customs IT environments, even if there is only one Customs Union. A notable exception is the Commission-built IT system to provide the pre-loading and pre-arrival information, Import Control System or ICS2, which provides a unique trader portal for the entire Union. The Commission has also built a series of trans-European systems to connect the national interfaces to enable operators to complete some formalities from a single location (one stop shop). However, until all national interfaces are updated in 2025, the operators will not perceive that benefit.

- The national IT systems produce **national databases**. Therefore, neither the Member States nor the Commission have an overview of the consignments or the operators for risk management purposes. Member States conduct their risk analysis based on national data. The Commission has no access to those data, not even to the data stored on the trans-European systems that the Commission has built and manages. The exceptions are the statistical collection of trade data called 'surveillance' and a secured system to exchange information on specific risks (CRMS)[106].

- Maintaining and managing these parallel IT environments is **costly** for the EU and Member States. Any change or adaptation is lengthy, requiring a minimum of two years.

- From a personal data protection point of view, the UCC digitalisation model requires further reflection to ensure alignment with the General Data Protection Regulation, where obligations for data controllers and processors are detailed, and the exercise of data subjects' rights is fully harmonised.

- Member States diverge significantly in the application of the customs rules

While the Customs Union exists for more than 50 years and is backed up by harmonised EU legislation, and while EU funding has been supporting the Customs Union and the national customs authorities to harmonise interpretation and unified results throughout the EU ("acting as one"), there are still significant variations and shortcomings in the interpretation and uniform implementation of EU law, leading to market distortion, hampering the EU's financial interests, and allowing non-compliant operators to target EU points of entry with lower levels of controls.

The identified problems show that the problems derive from structural elements of the Customs Union. The divergence between Member States has its roots in the national responsibilities for parts of the Customs Union, without an EU perspective. The fragmentation of data is directly linked to the approach to IT systems and to the individual customs processes. Despite the consistent efforts to 'act as one', the cooperation between customs authorities has not reduced the divergent operational implementation. The

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[106] The data are in Annexes 23-01, 23-02 and 23-03 of the UCC Implementing Act.

cooperation with other authorities remains inefficient, and predominantly at national level. More effort in the same system does not bring a solution. The independent Wise Person Group similarly concluded in 2022: 'There is a need for systemic change both in terms of Customs processes and in putting more Union in the European Customs. This is today an urgent matter of strategic sovereignty and reinforced resilience.' The trends identified in the foresight report affecting the work of customs in 2040, such as larger trade volumes, increasingly complex non-customs regulatory environment for products, growing use of technology and enlarged access to, use and analysis of data implying new skills for customs officers, do not align with the current capacity of customs. The urgency becomes also visible in the dramatic increase of declarations. And while the number of controls increased, the proportion of goods controlled dropped.

In response, on 17 May 2023 the Commission presented a proposal for an ambitious and comprehensive reform of the Customs Union. The aim is to simplify customs processes and make them smarter and safer, including by means of an increased use of artificial intelligence, a new EU Customs Authority, that would also manage the new the EU Data Hub.

The EU funding is needed to support the functioning of the Customs Union including the development and operation of electronic systems and digital solutions and tools, the work of the customs authorities and the transition to the renewed EU Customs Union, on the basis of the agreement to be reached by the co-legislators on the Commission's proposal on the Customs Union Reform.

2.3. Taxation

Sub-optimal functioning of the internal market: national tax authorities and the EU demonstrate inefficiency in their function to protect the financial and economic interests of the EU and its Member States and specifically to address tax fraud, tax evasion and tax avoidance, and to improve tax collection.

- Distortion of competition and lower revenues of Member States and the EU

Businesses and citizens not paying their fair share results in lower revenues of Member States and the EU. It also leads to obstacles in the single market and distortion of competition. In the context of the discussions and negotiations about the Commission's proposal to revise the multiannual financial framework, the urgency for securing additional funding became clear, making it even more important to narrow tax gaps, fight fraud and ensure optimal revenue collection. Efficient cooperation and exchange of tax related information through secure digital systems are important elements to prevent and fight tax fraud and evasion, thereby protecting the financial interest of the Member States and the EU while ensuring an equal level playing field.

The number of tax European electronic systems (EES) to be designed, developed, and operated is continuously increasing. Currently, there are around 30 operational EU-level digital tax systems including new commitments to reinforce fair taxation and to better fight fraud in the single market. Work to deliver software architecture templates for major systems in the field of direct and indirect taxation is ongoing.

- Obstacles in the functioning of the single market

In the taxation domain, obstacles in the single market are often driven by differences in interpretation of EU taxation law and fragmented national tax systems. Despite years of work and progress made, differences in interpretation and fragmentations continue to arise. Ensuring operational and administrative cooperation and collaboration between tax authorities are important elements to ensure a common interpretation of EU tax law and find solutions for fragmented national tax systems in cross border situations.

The challenges of legislative fragmentation and different interpretation are especially visible and urgent to address in implementation of legislation in VAT[107], crypto currency assets[108], withholding tax on dividend[109], energy and environmental taxation[110].

- Insufficient capacity and insufficient cooperation of tax administrations and the EU

The EU and the national tax administrations suffer from insufficient capacity and insufficient cooperation, both within the EU as well as with third countries, to carry out their missions effectively and efficiently.

The effect of an inadequate functioning of tax systems in the EU, which in turn jeopardises the functioning of the single market and the 4 freedoms, undermines social fairness and affects EU competitiveness because of its indirect effects: negative effect on tax bases (tax fraud, erosion, avoidance, etc.) and subsequently EU and national budgets. Existing, administrative burden falling on citizens and businesses has a negative impact on competitive positioning of EU, leading to less EU companies operating across external borders and foreign companies are discouraged from entering and operating on the EU market. In addition, country operators may be unduly advantaged by the possibilities to avoid for example VAT, created by insufficient cooperation between EU tax administrations.

In a globally interconnected and digital transition context, the need for cooperation has only grown stronger. This has also been demonstrated by the several legal instruments[111] for cooperation in different taxation areas in the EU. Contact on a (semi-) permanent basis allows Member States to see the full pictures of cases which helps to prevent disputes, double taxation and provides certainty at an early stage. Some examples of the legal instruments for advanced administrative cooperations available to Member States are

[107] VIDA Impact assessment SWD (2022) 393 final
[108] Council Directive (EU) 2023/2226 of 17 October 2023 amending Directive 2011/16/EU on administrative cooperation in the field of taxation (DAC8)
[109] Council Directive (EU) 2025/50 of 10 December 2024 on faster and safer relief of excess withholding taxes
[110] Proposal for a COUNCIL DIRECTIVE restructuring the Union framework for the taxation of energy products and electricity (recast) COM/2021/563 final
[111] Council Regulation (EU) No 904/2010 of 7 October 2010 on administrative cooperation and combating fraud in the field of value added tax (OJ L 268, 12.10.2010, p. 1). ELI: http://data.europa.eu/eli/reg/2010/904/2021-07-01
Council Regulation (EU) No 389/2012 of 2 May 2012 on administrative cooperation in the field of excise duties and repealing Regulation (EC) No 2073/2004 (OJ L 121, 8.5.2012, p. 1). ELI: http://data.europa.eu/eli/reg/2012/389/2023-02-13
Council Directive 2011/16/EU of 15 February 2011 on administrative cooperation in the field of taxation and repealing Directive 77/799/EEC (OJ L 64, 11.3.2011, p. 1). ELI: http://data.europa.eu/eli/dir/2011/16/2024-01-01

multilateral controls and presence in administrative offices and participating in administrative enquiries.

The EU funding is needed to continue addressing above mentioned challenges and provide EU level solutions.

2.4. Union Anti-fraud

The current programme supports anti-fraud activities of Member States on both the expenditure and the revenue components of the Union budget. It combines the financing and implementation of three different, previously separated activities implemented by OLAF: 1) the “Hercule” funding part (financial support to Member States for anti-fraud measures), 2) the Anti-Fraud Information System (AFIS) and 3) the Irregularity Management System (IMS).

Due to their specific nature linked to the Commission’s operational activities in support of Member States, the work within AFIS and IMS would be considered indispensable. The AFIS component finances operational activities, necessary for independent investigation, while the IMS component finances the maintenance, development and user support of a system under the Commission.

In addition, the fraud landscape is rapidly evolving, affecting both the expenditure and the revenue components of the Union budget. The EU should continue and enhance its financial support to Member States in developing and strengthening effective anti-fraud capacities, ensuring a sound and safe-guarded single market.

3. RULEMAKING, STANDARD-SETTING AND ENFORCEMENT AT EU LEVEL MAY HAMPER THEIR ADAPTABILITY

3.1. Single market

The **effective functioning of the single market can be ensured through standardisation processes** for which support is to be provided. This concerns notably standard-setting efforts by European and international standardisation organisations and bodies involved in financial and non-financial reporting and auditing, or statistical standards but also the contribution to the development of international standards. Ensuring that the EU continues to be a global standard-setter in terms of consumer protection and product safety is essential. The development of new standards should lead to a more efficient and well-functioning single market supported by high-quality standards that are coherent with EU priorities, interests, and legislation.

Authorities and bodies benefit from the **financing of the development and maintenance of facilities and Digital tools** serving supporting rulemaking and enforcement. It facilitates case management, investigations, and document storage and analysis, as facilitate interaction among Member States. It facilitates the enforcement of EU law by providing standardised workflows and information exchange forms for authorities in different scenarios where cross border cooperation is required, thus ensuring the rules are applied in a same way by all participants. In terms of enforcement of competition rules, forensic IT capacity is increasingly crucial in gathering potential evidence during inspections. Proof of anticompetitive conduct is by now predominantly found in electronic format and kept in places and maintained in a form which may facilitate that the proof is concealed. AI tools will also be crucial in the process of ensuring efficient discovery and the treatment of large bodies of evidence. The development of digital business solutions dedicated to modernising case management and the secure exchange of confidential information will continue to be necessary to effectively conduct competition cases. Increasing the investigative capacity of the Commission112 in competition enforcement is thus necessary considering the increased complexity of competition cases. The financing of **coordinated actions by national authorities** such as joint enforcement by market surveillance authorities in case of unsafe/non-compliant products or supports joint actions of national consumer protection authorities in investigation and enforcement actions result in a decrease of unsafe products, disease outbreaks and respectively tackles widespread breaches of EU consumer laws. In the field of consumer protection, the CPC Network facilitates cooperation and information sharing between national consumer protection authorities, enabling them to jointly address violations of consumer rights, including unfair practices, unsafe products, and fraud that affect consumers in multiple Member States[113]. It plays a critical part in enhancing consumer confidence and promoting a safer, fairer market for all.

Data collection, studies, assessments, and evaluations enable data gathering, market analysis, and information dissemination activities, such as annual surveys, ad hoc projects and market reviews are necessary to support legislative revisions to the functioning of the single market.

This is relevant for diverse policy areas regarding the single market, including consumer policy, consumer enforcement and redress and product safety.

Flexibility is required in areas where standardisation is used to implement legislation, for instance, the absence of common budget lines for standardisation and food safety lead to a three-year delay in developing necessary standards following the entry into force of the Regulation on the placing on the market and use of feed.

Through financing of the EU-coordinated actions, including the development and modernisation of standards and methodologies, the European Statistical System (ESS) is strengthened, gaining further efficiencies and high-quality evidence to inform policymaking is available.

Provision of services and expert consultations to assist enforcement authorities in their duties on regular or occasional basis further increase the support of standards or conformity assessments and help to monitor the enforcement of EU law by Member States. This results in improved enforcement capabilities of authorities to ensure they fulfil their duty

[112] And through reinforcement of the Commission, also the overall reinforcement of the European Competition Network, as resources can be pooled when it comes to using technology for better competition enforcement.

[113] The interim evaluation of the SMP found that during the period from 2020 to 2023, the CPC authorities cooperated on 752 mutual requests including 514 which required enforcement measures and issued 182 alerts of suspected business practices suspected to breach of consumer law. Furthermore, between 2021-2023 the CPC authorities, carried out over 20 joint enforcement actions against leading market players (e.g. Airbnb, Booking, WhatsApp, Google, TikTok, Amazon etc.) which have been successfully finalised and agreements on improvements reached with companies

associated with their roles, deriving from such advice and expertise or membership of international bodies.

3.2. Customs Union

The effective implementation of customs legislation depends on Member States' customs authorities and their ability to overcome challenges related to risk management and cooperation with market surveillance authorities, law-enforcement authorities and bodies, tax authorities and other partners. Furthermore, lack of effective implementation of customs legislations could result in the administrative burden for trade, difficulties in the performing of controls on e-commerce, limited data quality and access, as well as divergences of implementation between Member States[114].

The European Court of Auditors identified structural challenges on the risk management of financial risks[115]: the lack of uniform application of customs controls and of harmonised risk management and analysis hampers EU financial interests. It limits the correct establishment and collection of the customs duties.

This extends to non-financial risks where the current risk management framework does not adequately address the increasing number of non-financial issues of concern for EU citizens in a globalised world (human rights, labour rights, sustainability, environmental protection, health, safety, peace, and security, etc.). The current performance on prohibitions and restrictions is weak. For example, Member States reported very low figures of refusals in the field of product compliance[116]. As a result, non-compliant products enter the EU single market, some of which might entail safety and security risk with potentially severe consequences. Customs supervision helps detect criminal activities that exploit legitimate trade flows.

An additional difficulty is that customs must work with other authorities across a wide range of challenges, but the quality and effectiveness of this co-operation is often sub-optimal and varies across the EU. Customs is in the lead for co-ordinating controls at the border, but at EU level, there is no common risk management, strategy building or coordinated action with other competent authorities. Even at national level, the performance of this co-operation is weak. For example, in the field of product compliance, Member States report[117] a high share of cases where customs stop goods

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[114] COM(2023) 258 final

[115] ECA special report No 4/2021 : Customs controls: insufficient harmonisation hampers EU financial interests

[116] 'Report on controls on products entering the Union market with regard to product compliance in 2021' drawn up in accordance with Article 25(6) of Regulation (EU) 2019/1020 on market surveillance and compliance of products; This report is marked as sensitive and accordingly not publicly available in accordance with the provisions of Article 4 of Regulation (EU) 1049/2001

[117] Report on controls on products entering the Union market with regard to product compliance in 2021' drawn up in accordance with Article 25(6) of Regulation (EU) 2019/1020 on market surveillance and compliance of products; This report is marked as sensitive and accordingly not publicly available in accordance with the provisions of Article 4 of Regulation (EU) 1049/2001

but must release them again because the sectoral authority did not respond within the legal deadline[118].

Law enforcement in these circumstances is increasingly challenging. One may also question the fundamental flaw in the concept: Member States who are less strict in their controls and sanctioning may attract trade flows in their direction, potentially increasing the national revenues. At the same time, stronger controls and more severe sanctions and law enforcement measures may penalise even legitimate trade (e.g. slow down, additional administrative burden).

3.3. Taxation

The fundamentals of tax systems and legislation in the Union had been conceptualised and introduced in and inherited from a pre-single market era. Their evolution faces resistance from the Member States who maintain their sovereignty and challenge any attempts for a more harmonised or streamlined approach. The approximation of tax law would support a more even level playing field in the Union and its enforcement could benefit from more coordinated cross-border control and audit opportunities.

The table below offers an overview of the constitutive predecessor programmes.

Programme/ Budget line	**Current MFF (EUR in million)**	**Description**
Single market Programme	4350[119]	The Single Market Programme (SMP) supports the well-functioning of the single market and helps protect and empower citizens, consumers and businesses, including small and medium-sized enterprises (24% of the budget relates to SMEs). It assists the digitalisation of services and businesses and facilitates single market access and international cooperation, especially in the areas of company law, contract and extra-contractual law, anti-money laundering, free movement of capital, financial services and competition, consumer protection and product safety. It also contributes to a high level of health and safety for humans, animals and plants, and supports the improvement of animal welfare, the fight against antimicrobial resistance and the development of sustainable food production and consumption (the major share with 40% of the SMP budget). Contributing to all pillars, the programme supports the development, production and dissemination of European statistics on all EU policies (13% share).

[118] EU Regulation 2019/1020, customs must release goods it suspended, if the market surveillance authorities have not requested to maintain suspension or reached other conclusions

[119] This figure represents the total budget of the SMP including SMEs, and Food and Feed pillars.

Customs programme	950	The Customs programme supports the development and operation of central EU information technology systems for customs. It facilitates collaborative activities between customs officials, including the exchange of good practices and knowledge in customs policy and law and their practical implementation. The programme is restricted to customs authorities in the EU and in the eligible non-EU countries. The programme facilitates the work of customs administrations in dealing with increasing trade flows and emerging trends and technologies, such as e-commerce and blockchain. It provides for better response to security threats and contributes to the financial and economic interests of the European Union and its Member States.
Customs Control Equipment Instrument	1006	The Customs Control Equipment Instrument (CCEI) supports Member States to reinforce their customs control capacities with state-of-the-art equipment with a view to contributing to adequate and equivalent results of customs controls. The CCEI specifically provides financial support to the customs authorities of European Union Member States for the transparent purchase, maintenance and upgrade of customs control equipment.
Fiscalis programme	269	The Fiscalis programme focuses on supporting tax authorities in order to enhance the functioning of the single market, to foster the competitiveness of the Union and fair competition in the Union and to protect the financial and economic interests of the Union and its Member States, including protecting those interests from tax fraud, tax evasion and tax avoidance, and to improve tax collection. It supports the development and operation of central EU information technology systems for taxation. It also supports the relevant authorities in the implementation of the EU taxation law by ensuring exchange of information, supporting administrative and project-based cooperation as well as human capacity building, and helping to reduce the administrative burden of tax authorities and compliance costs for taxpayers when needed.
Union Anti-Fraud Programme	181	The Union Anti-Fraud programme supports the prevention of and the combat against fraud, corruption and any other illegal activities affecting the financial interests of the EU. It addressed both the expenditure and the revenue components of the fight against fraud affecting the Union’s budget. Through its three strands, it helps Member States and beneficiaries fight fraud through financial support for advanced operational

		equipment and tools and by organising mutual administrative assistance and cooperation in customs and agricultural matters, notably via the Anti-Fraud Information System (AFIS) and the Irregularity Management System (IMS).
Total	6756	