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ANNEX

ANNEX

to the

Commission Implementing Decision

on the financing of the Customs 2020 programme and the adoption of the work programme for 2020, and authorising the use of unit costs under this programme

ANNEX

BUDGET LINE 140201: CUSTOMS 2020 WORK PROGRAMME FOR 2020

1.1. Introduction

Strategic Framework

The Customs 2020 programme provides a Union framework to **support the functioning and modernisation of the customs union in order to strengthen the internal market by means of cooperation between participating countries, their customs authorities and their officials**. The programme, in this sense, is a tool that contributes to the implementation of the broad scale of customs policy at the European Union level.

The customs union is a foundation of the European Union and an essential element in the functioning of the single market. The single market can only function properly when there is a uniform application of common rules both at its external borders and in the customs territory. This implies that the **customs administrations of the Union must act as though they were one**, achieving equivalent results throughout the territory of the customs union.

Regulation (EU) No 952/2013 of the European Parliament and of the Council, which lays down the **Union Customs Code (UCC)**¹, including its implementing and delegated acts, is intended, inter alia, to ensure the full modernisation of customs procedures and the common implementation of rules in the customs union, without which no level playing field for European trade is possible. As this package includes an extensive change and transition programme, the proper and full implementation of the UCC remains a key challenge of the Union in the coming years. In this respect, the Customs 2020 programme supports customs policy by enabling cooperation on aspects linked to the correct implementation of the UCC package and by devoting a significant part of the programme financing to the development of **an ambitious set of electronic customs systems** as envisaged by the UCC and its Work Programme and by the plans linked to the establishment of electronic customs by 2020-2025 and even going beyond².

Concerning the electronic systems, it should be mentioned that Commission Implementing Regulation (EU) 2019/1026³ sets the technical arrangements for the functioning of the systems are specified. An important aspect is optimising the customs electronic systems and their use by looking at the IT architecture, increased cooperation between the Member States and possible synergies with other actors. At the same time, the operation and maintenance of existing IT systems, which already play a key role in the customs union, must continue.

In addition, the Customs 2020 programme is mobilised to raise the level of expertise and performance consistently across all European Union customs administrations by creating a series of comprehensive and in-depth **eLearning modules on the UCC** and by supporting a **human competency building framework**, a model of competences, skills and behaviours for customs professionals. Furthermore, the use of digital and modern communication tools and methods.

Customs authorities deliver on various core tasks: they must ensure the **smooth flow of trade** whilst applying the necessary controls to **protect security, health and safety** of the Union's citizens and the **environment** as well as the **financial and economic interest** of the Union.

¹ Regulation (EU) No 952/2013 of the European Parliament and of the Council of 9 October 2013 laying down the Union Customs Code (OJ L 269, 10.10.2013, p. 1).

² https://ec.europa.eu/taxation_customs/general-information-customs/electronic-customs_en

³ Commission Implementing Regulation (EU) 2019/1026 of 21 June 2019 on technical arrangements for developing, maintaining and employing electronic systems for the exchange of information and for the storage of such information under the Union Customs Code (OJ L 167, 24.06.2019, p. 3).

The Customs 2020 programme, as identified by its specific objectives, treats these aspects as a priority and supports the implementation of simplified and modern customs procedures, integrated electronic systems and control methods established by the Union customs policy and the UCC.

The growth of the digital economy presents challenges and opportunities for customs in the Union. It leads to the creation of new business models and changes the way in which administrations and businesses operate. E-commerce, one component of the digital economy, is considered as one of the major drivers of economic development. A rapid increase in the number of low-value consignments has been observed in recent years. This poses a challenge for customs in the Union in terms of collection of applicable duties, protection of the citizens from illicit entry of goods or risks to the security, health and safety, protection of EU businesses' financial and economic interests, and application of effective controls while facilitating legitimate trade.

To implement the European Union legal customs framework, the day-to-day operations of the customs union are reinforced by programme activities enabling close co-operation between customs administrations themselves, other authorities present at the border and with the Commission. The programme also supports the cooperation between customs and tax authorities, which is essential in order to fight against tax fraud and ensure the collection of customs duties and related taxes.

The Union's most important source of growth, **legitimate trade**, has to be able to operate **across borders** as **quickly and efficiently** as possible. The Customs 2020 programme therefore prioritizes activities that increase the effectiveness and efficiency of **customs controls**, including the cooperation with other enforcement agencies and bodies involved in the process. Looking at the trade facilitation line, the Programme will facilitate the development of a European Union **Single Window environment for customs**⁴, which is planned in a gradual and pragmatic way. The programme supports the development of the Centralised Clearance systems (at import and at export) to allow economic operators to lodge a single declaration for customs and Value Added Tax purposes and to carry out their customs activities with one single administration, independent from where the goods are presented or placed under a customs procedure.

The European Union's compliant trader initiative, the **Authorised Economic Operator (AEO) programme**⁵, which from the outset has been a security programme, entitles compliant and trustworthy traders to facilitations regarding security and safety and easier admittance to customs simplifications. It is reinforced by programme activities which contribute to ensuring the sustainability of the AEO programme and to further step up the compliance with the legal provisions and the harmonised implementation of the programme, promote and fortify its benefits and facilitate the joint assessment of compliant trader programmes with third countries, with a view to their possible mutual recognition.

The programme therefore supports activities aiming at strengthening coordination and uniform **implementation** by customs of **non-customs legislation** and facilitating interagency cooperation.

Furthermore, in line with the European Agenda on Security, this especially entails the reinforced customs control of goods, including the preparation of the implementation of the Regulation (EU) 2018/1672 of the European Parliament and of the Council on controls on

⁴ https://ec.europa.eu/taxation_customs/general-information-customs/electronic-customs/eu-single-window-environment-for-customs_en

⁵ https://ec.europa.eu/taxation_customs/general-information-customs/customs-security/authorised-economic-operator-aeo/authorised-economic-operator-aeo_en

cash entering or leaving the Union (the new **Cash Control Regulation**)⁶, as well as the implementation of the controls at export⁷ and at import⁸ of cultural goods to reinforce legitimate **trade in those goods** and closely monitoring the implementation of the legislation on trade in **drug precursors**.

Customs are also responsible for tackling, through border enforcement, the increasing volume of trade in goods infringing **Intellectual Property Rights (IPR)**⁹ that threaten jobs, growth, innovation and competitiveness. The Customs 2020 programme contributes to carrying out the activities identified by the European Union Customs Action Plan on Intellectual Property Rights¹⁰.

The implementation of **the European Union Strategy and Action Plan for customs risk management**¹¹ also works towards ensuring a more secure and safer European environment, besides supporting the protection of the EU's financial interests. The Customs 2020 programme plays an important role in the coordinated implementation of the objectives established by the Strategy Action Plan and in implementing the activities laid down in the related roadmap and will help supporting an Integrated European approach to reinforce risk management. In general here actions can help in the development of even greater co-operation and specifically in supporting the use and analysis of data to strengthen risk analysis thus better targeting effective controls.

By its very nature, customs have an international dimension. All EU imports are other countries' exports and vice versa. The Customs 2020 programme provides support to strengthen **collaboration with third countries and international organisations**. The importance for the Union of sharing experience and information with third countries and international organisations or bodies to facilitate trade and customs processes is becoming more evident with the globalisation of trade. In the coming period, the Customs 2020 programme is called upon to contribute to the work of the Commission regarding implementation and upgrading of existing bilateral customs agreements (Customs Cooperation and Mutual Administrative Assistance Agreements (CCMAAA)) or the customs-related parts of Free Trade Agreements (FTA), to strengthen international cooperation in risk management and customs controls, to enhance trade facilitation and to improve revenue collection and supply chain security as well as to protect the EU's financial interests.

The Customs 2020 programme finances activities to monitor the implementation of the **rules of origin** in the European Union preferential trade arrangements in line with the 2014 Action Plan¹² and as underlined by the European Court of Auditors (ECA) in its Special Report 2/2014¹³. Compliance with rules of origin, including rules on administrative cooperation is essential for **safeguarding the European Union's own resources**.

The Customs 2020 programme contributes to the correct and uniform implementation of the Common Customs Tariff (CCT) and updating the **Integrated Tariff of the European Union (TARIC)** which is critical for the uniform application of the CCT and non-tariff measures by

⁶ Regulation (EU) 2018/1672 of the European Parliament and of the Council on controls on cash entering or leaving the Union and repealing (EC) No 1889/2005 (OJ L 284, 12.11.2018, p. 6).

⁷ Regulation (EC) No 116/2009 on the export of Cultural goods (OJ L 39, 10.2.2009, p.1)

⁸ Regulation (EU) 2019/880 on the introduction controls on the introduction and the import of cultural goods (OJ L 151, 7.6.2019, p. 1).

⁹ http://europa.eu/rapid/press-release_MEMO-13-526_en.htm

¹⁰ Council Conclusions on the EU Customs Action Plan to combat IPR infringements for the years 2018 to 2022 (OJ C 24, 21.1.2019, p. 3)

¹¹ COM(2014) 527 final (Brussels, 21.8.2014)

¹² Action Plan for monitoring the functioning of preferential trade arrangements (COM (2014)105 final of 26.02.2014).

¹³ Special Report No 2/2014: Are preferential trade arrangements appropriately managed? of 2.05.2014.

Member States, and which provides economic operators with a comprehensive view of all measures applicable when importing or exporting goods into/from the Union and thus protecting the financial interest of the Union.

Due to its nature, the proper functioning of the customs union can only be orchestrated through sound **governance**. The implementation of the Customs Union Governance Communication remains a driving force on the medium and long-term.¹⁴ In addition, in order to deal with the challenges ahead, the Customs 2020 Programme also needs to support initiatives deriving from policy debate on priorities identified in the Commission's Biennial Reports¹⁵, the processes implementing the said Communication and the related building of strategic vision (e.g. on basis of the foresight project – future of customs in the EU 2040).

Initiatives aiming at the proper functioning of the customs union are in the focus of the Customs 2020 programme activities together with the **Customs Union Performance (CUP)** activity that provides invaluable information and conclusions, which are indispensable for policy formulation and strategic decision making as well as for raising awareness of the customs union's achievements and added value to the main stakeholders and broader public.

On 29 March 2017, the United Kingdom notified its intention to withdraw from the European Union under Article 50 of the Treaty on the European Union. Unless the United Kingdom ratifies the Withdrawal Agreement or requests a third extension to which the European Council agrees by unanimity, the United Kingdom will no longer be part of the customs territory of the Union as of the withdrawal date (or the end of the transition period). Consequently, movements of goods between the United Kingdom and the EU will constitute third country trade. To support the adaptation of the processes, in particular with a view to the increased volumes, the Customs 2020 programme can be mobilised within its legal scope.

Customs in the 21st century, as the rest of the society, faces a technological revolution by which it is and will remain heavily impacted. If customs wants to face these technological challenges, it has to re-invent itself, embrace **new technologies** and use **innovative solutions**. The Customs 2020 programme facilitates these efforts by providing a platform to review and monitor modern and emerging solutions (e.g. blockchain, artificial intelligence, machine-learning, technology transfers, start-up/scale-up ecosystems).

Coordination with other Union policies and their supporting programmes and funds is ensured.

On the basis of the objectives given in the Regulation (EU) No 1294/2013 establishing an action programme for customs in the European Union for the period 2014-2020, this work programme contains the actions to be financed and the budget breakdown for year 2020 as follows¹⁶:

¹⁴ Communication from the Commission to the European Parliament and the Council on developing the EU Customs Union and Its Governance of 21 December 2016 (COM 2016/813).

¹⁵ 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 (COM(2018) 524 final of 5.7.2018)

¹⁶ The total amount of appropriations may be higher when using planned financial contributions from candidate and potential candidate countries participating in Customs 2020 programme. The maximum estimated amount for 2020 is EUR 930 000.

- for grants (implemented under direct management) (1.2): EUR 9 300 000
 - for procurement (implemented under direct management) (1.3): EUR 65 664 000
 - for other actions (reimbursement of external experts) (1.4): EUR 200 000
- TOTAL actions: EUR 75 164 000

1.2. Grants

1.2.1. Grant for joint actions

LEGAL BASIS

Articles 5(2), 6 and 7(a) (i)-(iv) and (vi) of Regulation (EU) No 1294/2013

Specific objective: to support customs authorities in protecting the financial and economic interests of the Union and of the Member States, including the fight against fraud and the protection of intellectual property rights, to increase safety and security, to protect citizens and the environment, to improve the administrative capacity of the customs authorities and to strengthen the competitiveness of European businesses.

BUDGET LINE

14 02 01

Priorities of the year, objectives pursued and expected results

The programme is a tool which supports and implements the overall customs policy at the European Union level. The general objective of the Customs 2020 programme is to support the functioning and modernisation of the customs union in order to strengthen the internal market by means of cooperation between participating countries, their customs authorities and their officials. The programme aims to successfully contribute to the Europe 2020 Strategy for smart, sustainable and inclusive growth by strengthening the functioning of the internal market.

The grant focusses on the implementation of the following priorities for 2020:

- Ensure the customs union's governance and strategic development;
- Implement the UCC in a uniform and correct manner leading to equivalence of results in the EU, and assess this with emphasis on the protection of the financial interests of the EU;
- Develop and deploy the UCC related electronic customs systems;
- Facilitate legitimate trade and increase the effectiveness and efficiency of customs controls, including the cooperation with other enforcement agencies and bodies involved in the process;
- Reply to the increasing demand for customs to ensure that goods harmful for security, health, safety and the environment are duly controlled when crossing the external border of the European Union taking into account new constraints further to the growing success of e-commerce;
- Implement the European Union Strategy and Action Plan for customs risk management;

- Collaborate with third countries and international organisations;
- Further developing the Customs Union Performance (CUP) as a management and communication tool;
- Implement a human competency building framework for customs.

Expected result: Implementation of programme joint action events (target number: 510) to implement the policy projects described in the appendix.

Description of the activities to be funded by the grant awarded without a call for proposals on the basis of Article 195 (f) of Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union^{17 18}

This grant will fund activities on:

- supporting the preparation, coherent application and effective implementation of Union law and policy in the field of customs;
- improving the European Information Systems for customs;
- identifying, developing, sharing and applying best working practices and administrative procedures, in particular further to benchmarking activities;
- reinforcing the skills and competences of customs officials;
- improving cooperation between customs authorities and international organisations, third countries, other governmental authorities, including Union and national market surveillance authorities, as well as economic operators and organisations representing economic operators.

These activities will take the form of:

- (i) seminars and workshops;
- (ii) project groups;
- (iii) working visits;
- (iv) monitoring activities;
- (v) customs administration capacity building and supporting actions;
- (vi) studies;
- (vii) jointly developed communication actions;
- (viii) any other activity in support of the general, specific and operational objectives.

Essential eligibility, selection and award criteria

This grant is awarded on the basis of the following criteria:

Eligibility criteria

The beneficiaries of the grant will be the Member States and other eligible countries fulfilling

¹⁷ Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union (OJ L 193, 30.07.2018, p. 1).

¹⁸ The beneficiaries of the grant will be the customs administrations of the Member States and of other eligible countries fulfilling the conditions for participation listed in Article 3 of Regulation (EU) No 1294/2013, under a grant agreement with multiple beneficiaries.

the conditions for participation listed in Article 3 of Regulation (EU) No 1294/2013 under a grant agreement with multiple beneficiaries.

The proposed activities must correspond to the types of eligible actions listed in Article 7(a) (i) to (ix) except (v) of Regulation (EU) No 1294/2013.

Selection criteria

In accordance with Article 198 (5) (c) of Regulation (EU, Euratom) 2018/1046, the financial and operational capacities of the beneficiaries will not be verified, since the beneficiaries are public administrations.

Award criteria

The grant will be awarded based on its relevance and cost-efficiency for achieving the objectives and expected results of the policy projects listed in the appendix.

Implementation

BY DG TAXUD

Indicative timetable and indicative amount of the grant awarded without a call for proposals

Reference	Date	Amount
Grant for Joint actions	Q1 2020	EUR 6 300 000

Maximum possible rate of co-financing of the eligible costs

The grant will take the form of a combination of:

- Reimbursement of the eligible costs actually incurred by the beneficiaries for the following items:
 - (a) travel costs of their delegates up to 100%;
 - (b) costs linked to the organization of events in the framework of a given joint action up to 100%
 - (c) direct -personnel costs, up to 50%, for officials participating as expert in eligible action under Article 7(a)(vi) " customs administration capacity building and supporting actions" of Regulation (EU) No 1294/2013.
- Reimbursement on the basis of unit costs for daily allowances and accommodation costs for national delegates. The amounts to be used are those listed in the Commission Decision for the general implementing provisions adopting the guide to missions for officials and other servants of the European Commission in force at the time of the signature of the grant agreement. The list of rates shall be annexed to the grant agreement.

1.2.2. Grant for expert team on Customs Eastern and South-Eastern Land Border Expert Team (CELBET III)

LEGAL BASIS

Article 5(2) and 7(a)(v) of Regulation (EU) No 1294/2013

Specific objective: to support customs authorities in protecting the financial and economic

interests of the Union and of the Member States, including the fight against fraud and the protection of intellectual property rights, to increase safety and security, to protect citizens and the environment, to improve the administrative capacity of the customs authorities and to strengthen the competitiveness of European businesses.

BUDGET LINE

14 02 01

Priorities of the expert team, objectives pursued and expected results

The European Union has the exclusive competence in the areas of customs union and common commercial policy. While the Union has the exclusive right to propose legislation in those areas, Member States and their national customs administrations are engaged in the day-to-day implementation and the running of customs including the management of the external border of the Union.

Goods which are brought into the European Union across the Eastern and South-Eastern borders move freely within the Union. Effective and efficient customs controls at the external border are consequently very important for the whole Union with a view to the protection of security, health and safety of its citizens and also of the financial interest of the Union and its Member States. The Union's land border, in particular its Eastern and South Eastern part, needs to be protected sufficiently and evenly along all its strips, in order to also create a level playing field for legitimate trade. Effective border control will decrease fraud, in particular smuggling and will at the same time facilitate legitimate trade.

The creation of an expert team will enable the customs administrations of participating Member States, to a much greater extent than a project group, to deal more intensively with the Union's Eastern and South-Eastern land border management issues and further to perform operational tasks in the interest of the other Member States and of the Union. With a comprehensive and consistent approach, the expert team will aim at the harmonisation of customs control activities and working methods, detection technology and training. The expert team will provide expertise and make suggestions based on practical experience, operational co-operation and results achieved for further improvement of the operational management of the Union's Eastern and South Eastern land border.

Description of the activities to be funded by the grant(s) awarded without a call for proposals on the basis of Article 195 (f) of Regulation (EU, Euratom) 2018/1046¹⁹

This grant will fund activities on:

- Risk management (risk-based selection for controls/facilitation)
- Operational controls
- Customs control equipments
- Training
- Evaluation / performance measurement
- Co-operation

¹⁹ The beneficiaries of the grant will be the customs administrations of the Member States and of other eligible countries fulfilling the conditions for participation listed in Article 3 of Regulation (EU) No 1294/2013, under a grant agreement with multiple beneficiaries.

Essential eligibility, selection and award criteria

This grant is awarded on the basis of the following criteria:

Eligibility criteria

Under Article 3 of Regulation (EU) No 1294/2013, the beneficiaries of the grants will be the customs administrations of Member States and of other eligible countries fulfilling the conditions for participation listed in Article 3(2) of Regulation (EU) No 1294/2013.

The proposed activities must be part of the eligible actions listed in Article 7(a)(v) of Regulation (EU) No 1294/2013.

Selection criteria

In accordance with Article 198 (5) (c) of Regulation (EU, Euratom) 2018/1046, the financial and operational capacities of the beneficiaries will not be verified, since the beneficiaries are public administrations.

Award criteria

The grant will be awarded based on its relevance, conformity and Union added value, its methodological and organisational qualities, its management and the dedicated resources, the expected results and value-for-money.

Implementation

BY DG TAXUD

Indicative timetable and indicative amount of the grant awarded without a call for proposals

Reference	Date	Amount
Grant for CELBET III	Q2 2020	EUR 3 000 000

Maximum possible rate of co-financing of the eligible costs

Description of the grant

The grant will take the form of a combination of:

- Reimbursement of the following eligible costs actually incurred by the beneficiaries for the following items:
 - (d) costs for travels, up to 100%;
 - (e) costs for hosting experts of the project, up to 100%;
 - (f) direct personnel costs, up to 50%;
 - (g) Depreciation costs for equipment needed for the project (only depreciation costs prorata the duration of the expert team), up to 75%;
 - (h) costs for Subcontracting, (external services for hiring special expertise, limited in volume and to non-essential parts of the project), up to 75%;
 - (i) other direct costs (e.g. organisational costs for of events, printing promotion material, the purchase of consumables and supplies needed for the project), up to 100%.
- Reimbursement on the basis of unit costs for daily allowances and accommodation

costs for national delegates. The amounts to be used are those listed in the Commission Decision for the general implementing provisions adopting the guide to missions for officials and other servants of the European Commission in force at the time of the signature of the grant agreement. The list of unit costs shall be annexed to the grant agreement.

- Reimbursement on the basis of a flat rate for Indirect costs (overheads), corresponding to 7% of all direct eligible costs.

1.3. Procurement

The overall budgetary allocation reserved for procurement contracts in 2020 amounts to EUR 65 664 000. To this end, it is estimated to sign about 70 specific contracts under existing or new multi-annual framework contracts.

1.3.1. Procurement for IT Capacity Building Actions

LEGAL BASIS

Article 5(2) and 7(b) of Regulation (EU) No 1294/2013

Specific objective: to support customs authorities in protecting the financial and economic interests of the Union and of the Member States, including the fight against fraud and the protection of intellectual property rights, to increase safety and security, to protect citizens and the environment, to improve the administrative capacity of the customs authorities and to strengthen the competitiveness of European businesses.

BUDGET LINE

14 02 01

Subject matter of the contracts envisaged

In 2020, the Commission intends to undertake IT Capacity building activities through contracts following public procurement. It concerns notably the development, maintenance, operation, and quality control of Union components of the existing and new European Information Systems (EIS) with a view to ensuring the interconnection of customs authorities.

The total indicative amount of the procurement is EUR 62 300 000 and will be divided as follows:

- The network (CCN/CSI²⁰ including CCN2 development and UUM&DS²¹ development): EUR 9 000 000;
- Development and maintenance of Customs systems: EUR 21 000 000;
- Support for Customs systems: EUR 28 800 000;
- Quality control for customs systems: EUR 3 500 000.

²⁰ Common Communication Network/Common System Interface.

²¹ Uniform User Management and Digital Signature.

Type of contract and type of procurement

Procurement of services will be undertaken through specific contracts under existing or new framework contracts or through administrative arrangements, service level agreements or memoranda of understanding with other DGs/Services.

A new invitation to tender for services expected to be launched in 2020:

- Replacement of Customs XDEV contract: Provision of services to cover the specifications, development maintenance and support of taxation policy related information systems. The information systems in scope are either Trans-European Systems (TES), distributing the logic among countries (Member States and a number of third-countries or international organisations), or centralised systems, developed and hosted by the European Commission and provided for use to the respective Member States and associated third-parties. The framework contract services also cover possible Europa website-facing interfaces of the latter systems. Estimated publication of the procurement procedure: Q2 2020. The indicative amount of the framework contract will be EUR 300 000 000 (divided between the Customs 2020 and its anticipated successor programme) with a maximum duration of 8 years.
- Replacement of CCN WAN contract: Provision of Wide Area Network services for the CCN/CSI (Common Communication Network/Common System Interface). This call for tender will be launched only in case DIGIT does not establish Future Pan European Network (FPEN/TESTA) framework contract that TAXUD can use. In case TAXUD will have to launch the call for tender the budget will be divided between Customs 2020 and Fiscalis 2020 and their anticipated successor programmes (estimated ratio 60% Customs 2020 and 40% Fiscalis 2020). Estimated publication of the procurement procedure: Q2 2020. The indicative amount of the framework contract will be EUR 25 000 000 with a maximum duration of 8 years.

Indicative number of contracts envisaged: 60 specific contracts to be signed in total on new framework contracts.

Indicative timeframe for launching the procurement procedure

Q2 2020

Implementation

BY DG TAXUD

1.3.2. Procurement for Joint and Competency Building Actions

LEGAL BASIS

Article 5(2), 7(a)(vii-viii) and 7(c) of Regulation (EU) No 1294/2013

Specific objective: to support customs authorities in protecting the financial and economic interests of the Union and of the Member States, including the fight against fraud and the protection of intellectual property rights, to increase safety and security, to protect citizens and the environment, to improve the administrative capacity of the customs authorities and to strengthen the competitiveness of European businesses.

BUDGET LINE

14 02 01

Subject matter of the contracts envisaged

In 2020, the Commission intends to undertake activities through contracts following public procurement notably:

- Specification, development, maintenance, support and dissemination of common customs training (e-learning, blended learning), online collaboration services and staff performance building services;
- Studies, scientific and communication support (e.g. typology, data collection and comparative analyses in customs issues, provision of scientific and technical assistance in the field of scientific customs);
- Communication and Information Support, including translations;
- Programme support activities;
- IT Collaboration support activities.

The total indicative amount of the procurement is EUR 3 364 000²² and will be divided as follows:

- Common Customs Training: EUR 1 814 000
- Studies, scientific and communication and information support, programme support, IT Collaboration support: EUR 1 550 000

Type of contract and type of procurement

Procurement of services will be undertaken through specific contracts under existing framework contracts, administrative arrangements with Joint Research Centre or a service level agreement with Directorate General Translation.

Indicative number of contracts envisaged: 10

Implementation

BY DG TAXUD

1.4. Other expenditures

1.4.1. Reimbursement of external experts participating in programme activities

LEGAL BASIS

Article 5(2) and 7 of Regulation (EU) No 1294/2013

Specific objective: to support customs authorities in protecting the financial and economic interests of the Union and of the Member States, including the fight against fraud and the protection of intellectual property rights, to increase safety and security, to protect citizens and the environment, to improve the administrative capacity of the customs authorities and to strengthen the competitiveness of European businesses.

Article 4 of Regulation (EU) No 1294/2013

External experts may be invited to contribute to selected activities organised under the

²² The specific contracts are usually shared with budget line 14.03. 01 Fiscalis 2020

Programme wherever this is essential for the achievement of the objectives referred to in Articles 5 and 6 of the regulation. The external experts shall be selected by the Commission together with the participating countries, on the basis of their skills, experience and knowledge relevant to the specific activities.

BUDGET LINE

14 02 01

Amount

EUR 200 000

Description and objective of the implementing measure

This measure allows to support the participation of external experts to selected activities wherever this is essential for the achievement of the objectives referred to in Articles 5 and 6 of Regulation (EU) No 1294/2013.

APPENDIX 1 TO THE ANNEX: CUSTOMS POLICY PROJECTS TO WHICH CUSTOMS 2020 PROGRAMME JOINT ACTION GRANT ACTIVITIES COULD CONTRIBUTE IN 2020²³

This appendix describes the policy files in which the Customs 2020 programme joint actions may be called upon. The Customs 2020 is one of the tools that may play a role in the design, implementation and follow-up of the policy items mentioned below.

1. TO SUPPORT THE FUNCTIONING AND MODERNISATION OF THE CUSTOMS UNION

The customs union is a cornerstone of the European Union and an essential element in the functioning of the internal market.

This heading of the Annual Work Programme covers the policy projects that aim at tackling the strategic and overarching objectives for the functioning and modernisation of the customs union. As a part of the Future Customs Initiative, the Commission looked at the state of the customs union, the challenges it faces and the issues it needs to address in a series of Commission Communications.

The Commission Communication on the State of the customs union²⁴ in 2012 showed that the customs union faced serious challenges in the way that it functioned despite taking on considerable reform and modernisation of legislation, procedures and working methods. For that reason, the Commission together with the Member States agreed to continue the modernisation, mainly in the areas influencing the overall effectiveness and efficiency of the customs union. The entry into force of the UCC on 1st May 2016 was a major step towards modernisation. At the same time, the communication suggested carrying out a governance reform of the customs union's internal structures, ensuring shared overall management vision of the customs union and more cohesive and uniform application of common customs rules under enhanced policy and operation structures based on partnership.

The subsequent Governance Communication²⁵ outlined the ways to develop the governance of customs policy formulation, implementation, monitoring and analysis to ensure uniformity and effectiveness in the customs union functioning while revitalising the partnership between the Member States and the Commission. The communication suggested that the enhanced governance structure should support the customs authorities working as one, the shared vision on EU border management and tackling the resource challenges of the customs union.

Indeed, the customs union has to be always on guard to keep up with and react to the challenges presented by a constantly changing trade and customs environment, influenced by many external factors. The customs union also has to aim at maintaining an even service level and optimal overall protection of Union borders. The Commission continues to work with stakeholders to ensure that customs policy is developed with a full strategic awareness of long-term evolutions in the environment in which customs delivers value for people and enterprises across the Union, such as in the foresight project focusing on the future of customs in the Union in 2040 and beyond.

²³ The Customs 2020 programme joint action projects respects the fundamental rights as enshrined in the Charter of Fundamental Rights of the European Union.

²⁴ COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL AND THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE on the State of the Customs Union (Brussels, 21.12.2012 COM(2012) 791 final).

²⁵ COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL AND THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE on Developing the EU Customs Union and Its Governance (COM (2016) 813 final of 21.12.2016)

Under the communication and the related Council Conclusions of March 2017²⁶, the Commission reviewed the operations of the customs union to date and identified the priority issues ahead of it in the First Biennial Report²⁷. A second edition of the report will be prepared in 2020, using the Customs 2020 programme resource to support the drafting process.

The coordinated and progressive implementation of the new rules and IT systems by the newly adopted timelines is of key importance in customs policy, i.e. also for 2020. A number of systems require substantial upgrading, and other new systems need to be fully developed and deployed. A lot of attention will be drawn to the transition of all those interconnected national and European systems. This requires careful planning with Member States and economic operators. Activities under the grant for the Expert Team on New Approaches to Develop and Operate Customs IT Systems (ETCIT) will be closely coordinated with activities under the joint actions. These activities include the Guarantee Management project and “Arrival notification, the presentation notification and the temporary storage - AN/PN/TS” project.

The same attention must be paid to managing the withdrawal of the United Kingdom from the European Union, which will have a substantial impact on all customs and the supporting IT systems and databases.

1.1. Overall functioning of the customs union

In line with the **Governance Communication and the First Biennial Report**, initiatives developed in collaboration with the Member States should be carried out contributing to strengthening the effective and efficient functioning of the customs union and future-proofing it for the ever-changing EU, international, technological and business environment.

It is envisaged for 2020 to continue improving the governance of the customs union and consider reviewing the customs policy and strategy on the basis of the foresight project results. The Commission will also continue developing activities based on policy debate on priorities identified in the Commission's first Biennial Report and the ones for the second Biennial Report edition, including dealing with challenges customs face.

As one of the essential elements of the customs union governance, the **Customs Union Performance (CUP)** needs to be developed further as a management/steering tool supporting evidence-based policy formulation. Another significant aspect of the CUP is its external dimension, which is used to strengthen the visibility of customs to main stakeholders. The CUP therefore needs to enhance its contribution as a communication tool.

CUP is a mechanism for the systematic assessment of the performance of the customs union against its strategic objectives based on Key Performance Indicators (KPIs) per each strategic area. Based on policy priorities, these KPIs have to be developed with an emphasis on UCC implementation as well as ensuring a balance between protection of citizens (including security and safety) and facilitation of legitimate trade.

At the same time, efforts need to continue in further development of the CUP data analytics and methods in order to benefit from a modern data and big-data-driven policy approach in the customs union, including building the CUP – Management information system. Particular

²⁶ Council Conclusions on Developing the EU Customs Union and its Governance (doc. 7585/1/17 REV1)

²⁷ 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 (COM(2018) 524 final of 5.7.2018)

attention also needs to be paid to the quality of data through a reinforced quality assurance initiative.

In 2020 CUP will as a priority continue implementing the Vienna Declaration Action Plan²⁸. Its objectives and goals will contribute to the systematic assessment and optimisation of the customs union's performance in the context of its strategic objectives in terms of effectiveness, efficiency and uniformity, based on an analysis of key performance indicators (KPI). CUP being an essential element of the customs union governance supports evidence-based policy making, contributes to the development of strategic and operational priorities and management decision making at strategic, policy and operational levels. CUP will also continue contributing to the visibility of the customs union.

Looking forward, the Commission, in close collaboration with the Member States, will also follow up on the 2019 **foresight project** on the future of customs in the EU 2040, considering its possible implications for the building and development of customs policy and strategy. At the same time, immediate action is required to join in the already booming innovative environment. .

1.2. Development, implementation and enforcement of customs union legislation

The customs union and the common commercial policy are areas of exclusive European Union competence, while the responsibility for implementing customs legislation adopted in those areas is primarily that of the Member States.

The **UCC, including its delegated and implementing acts**²⁹, constitutes a major overhaul of existing Union customs legislation. It is an important milestone in the history of the ongoing development of the customs union since 1968 and it is the new comprehensive customs legal framework for the Union as from 1 May 2016, modernising rules and procedures for customs throughout the European Union. The UCC package aims to:

- streamline customs legislation and procedures;
- offer greater legal certainty and uniformity to businesses;
- increase clarity for customs officials throughout the Union;
- simplify customs rules and procedures and facilitate more efficient customs transactions in line with modern-day needs;
- complete the shift by customs to a paperless and fully electronic environment, allowing the customs union to become more performant, to allow more integrated cooperation between customs authorities, and to increase the efficiency for customs authorities and economic operators to implement customs procedures;
- reinforce swifter customs procedures for compliant and trustworthy economic operators (Authorised Economic Operators);
- support customs authorities to protect the EU and Member States financial resources and to fight illegal trade;
- support customs authorities in tackling safety and security risks.

²⁸ <https://data.consilium.europa.eu/doc/document/ST-5650-2019-INIT/en/pdf>

²⁹ Commission Delegated Regulation (EU) 2015/2446 of 28 July 2015 supplementing Regulation (EU) No 952/2013 of the European Parliament and of the Council as regards detailed rules concerning certain provisions of the Union Customs Code (OJ L 343, 29.12.2015, p. 1).
Commission Implementing Regulation (EU) 2015/2447 of 24 November 2015 laying down detailed rules for implementing certain provisions of Regulation (EU) No 952/2013 of the European Parliament and of the Council laying down the Union Customs Code (OJ L 343 29.12.2015, p. 558).

The UCC is, in short, designed to enhance the competitiveness of European businesses through greater trade facilitation while ensuring the safety and security of goods transiting or moving in and out of the Union and safeguarding the financial and economic interests of the Union and of the Member States. Its implementation implies involving Member States and trade aside from the formal meetings needed to secure the proper and uniform implementation of the Commission related acts. Therefore, programme activities can facilitate this implementation processes.

At the same time, various other Union legislative acts impose tasks on customs authorities.

Ensuring the uniform application of European Union customs law is crucial. The Commission will continue to ensure that the legal framework remains up to date, that errors and technical anomalies are identified and corrected and that legislation strikes a proper balance between controls and trade facilitation.

This legislative work must be supported by a management framework for **monitoring**-specific areas, such as the implementation of simplifications and the re-assessment of old authorisations in order to align them to the UCC legal framework.

Legal acts as such cannot cover all the detailed aspects of customs interaction with different stakeholders. Therefore, **guidance documents** have been or are being developed and are being updated in order to clarify the legislation and ensure a correct and uniform implementation of the rules. These guidance documents deal with various customs procedures and the systems that govern them, including in particular in the field of import and export in order to increase and facilitate awareness about the introduction and implementation of the UCC.

Preparing these guidance documents and developing legislation as needs arise require thorough **analytical work** and coordination with all stakeholders in regular formal meetings as well as in project groups and other specific activities under the Customs programme.

1.3. Implementing a modern customs environment

The UCC provides the legal framework for several new and modern concepts creating benefits for customs authorities as well as for trade.

The **UCC Work Programme (UCC WP)**³⁰ entails the overview of the UCC projects and related IT systems to be developed and deployed. As it is closely linked to Commission Delegated Regulation (EU) 2016/341³¹, commonly known as the “Transitional Delegated Act” (TDA), it contains also the deadlines for the application of the transitional rules, being the operational dates of the new or upgraded systems. The implementation of the UCC Work Programme and the assessment of progress are to be done in close cooperation with Member States (and traders). In particular, the legal obligation to collect and publish planning and progress information on the national implementation will be coordinated with Member States as it is important for economic operators to know when national IT systems will be deployed in Member States. The new requirement for the transmission of an annual report to the Council and European Parliament will enhance the transparency and support the better supervision and steering of the IT implementation per project for the Member States and the

³⁰ Commission Implementing Decision (EU) 2016/578 of 11 April 2016 establishing the Work Programme relating to the development and deployment of the electronic systems provided for in the Union Customs Code (OJ L 99, 15.4.2016, p. 6).

³¹ Commission Delegated Regulation (EU) 2016/341 of 17 December 2015 supplementing Regulation (EU) No 952/2013 of the European Parliament and of the Council as regards transitional rules for certain provisions of the Union Customs Code where the relevant electronic systems are not yet operational and amending Delegated Regulation (EU) 2015/2446 (OJ L 69, 15.03.2016, p. 1).

Commission. As the list of projects and their planning was subject to an important reassessment exercise, the UCC WP is repealed and replaced in 2019 in order to have the legal basis for the updated planning that reflects the actual progress and is driven towards feasibility.

The **Multi-Annual Strategic Plan (MASP)** is a management and planning tool, drawn up and regularly reviewed by the Commission in partnership with Member States for the implementation of the electronic customs agenda in accordance with Article 8(2) of the eCustoms decision³². The MASP ensures effective, coherent management of IT projects by providing a strategic framework, and the milestones to implement all electronic customs requirements as defined in European Union legislation and international agreements, including a complete overview and planning of all future customs projects with envisaged Information Technology (IT) requirements. It completes the UCC WP relating to the development and deployment of the customs electronic systems necessary for the application of the UCC.

Analytical, re-engineering and planning instruments such as business case documents and **business process modelling (BPM)**, project planning and work programmes are essential to complete the tasks linked to the MASP. The preparatory work requires defining business scenarios and cases, elaborating business models from a legal point of view into a detailed system functional point of view BPM's and establishing methodology, guidance and support.

The information that needs to be exchanged, processed and stored is subject to the establishment of a **European Union Customs Data Model (EUCDM)** which ensures the smooth functioning of the customs union throughout the Union, including system specifications and other documentation on the electronic customs systems. In 2019 work started to align the EUCDM and the functional and technical specifications for the relevant IT system. This work will continue in 2020. Moreover, the guidance document for the EUCDM that has been prepared in close co-operation with Member States will have to be updated in the light of this activity.

Numerous projects are being initiated and elaborated in order to develop and deploy the required IT systems, on both Union and national level. Detailed **specifications to support the development of the IT systems** will be established where relevant.

Given the recent developments in the area of the **blockchain technology**, where a number of key players in the international supply chain are active in reflecting and starting to implement the Blockchain technology as a new means to achieve developments and deployments of electronic systems, prospective work, analysis, inception and prototyping activities for the use of the Blockchain technology in e-Customs MASP projects is needed to ensure that the Commission remains a driving force and a source of proposals in order to continue its contribution to the implementation of modern customs.

1.4. Customs risk management and supply chain security

Effective **management of risks in the international supply chain** is crucial to ensuring security and safety of Union residents, protection of the financial and economic interests of the Union, while at the same time facilitating and accelerating legitimate trade and promoting Union competitiveness. If customs fails to tackle risks consistently, the customs union and the Union's single market would become unsustainable. In order to strengthen the integrity of

³² Decision No 70/2008 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).

international supply chains, risk management by Union customs must be improved. Following the Commission Communication of 8th January 2013, the Council requested³³ and subsequently endorsed the **EU Strategy and Action Plan for customs risk management**³⁴ (the Strategy; the Action Plan).

The Strategy (which remains valid, as per the 2018 Second Progress Report on the implementation of the EU Strategy and Action Plan for customs risk management)³⁵ sets out a number of key objectives, underpinned by the overall aim of reaching a high quality, multi-layered approach to risk management that is effective and efficient. It outlines appropriate risk mitigation and control measures that are to be employed at the most opportune time and place in the supply chain. The Action Plan details a series of measures for each objective.

The actions are aimed at closing the identified gaps to progressively achieve strengthened capacities for Union customs authorities and more systematic cooperation with other agencies, economic operators and international trading partners. In order to ensure the coordinated and structured implementation of the actions, the Commission established a realistic and detailed roadmap.

Addressing gaps and divergences in risk analysis and control approach will be a priority in particular concerning the European Court of Auditors' findings in the selection of operators for customs audit.

The customs system for the exchange of risk information (**CRMS - Customs Risk Management System**) is being reshaped to align the system to new requirements related to risk management and to ensure a more efficient, rapid and elaborate system. The system will also be used to reflect the risk management process related to ICS2. It is thus a priority to support the development of CRMS2.

Co-operation between customs and other authorities is essential for sound risk management, therefore Customs 2020 will be called upon to facilitate closer collaboration between the interested parties.

1.5. Cooperation with third countries and international organisations

By its very nature, customs has an inborn international dimension. One country's export is another country's import. The collaboration with third countries and international organisations in the area of customs is taking a new perspective. The importance for the Union of **sharing experience and information with third countries and international organisations** or bodies and of monitoring the implementation of its rules and procedures to facilitate trade and customs processes but also to protect its financial interests is becoming more evident with the globalisation of trade. Revision or deepening of customs cooperation with relevant third countries needs to remain high on the agenda.

Deeper cooperation with the **Enlargement Countries and the Union's Eastern and Mediterranean neighbouring countries** needs to be pursued in order to facilitate trade

³³ Council Conclusions 8761/3/12, 18.6.2013.

³⁴ Brussels, 21.8.2014 COM(2014) 527 final COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL AND THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE on the EU Strategy and Action Plan for customs risk management: Tackling risks, strengthening supply chain security and facilitating trade (Brussels, 21.8.2014 COM(2014) 527 final).

³⁵ Brussels, 20.7.2018 COM(2018) 549 final REPORT FROM THE COMMISSION TO THE COUNCIL AND THE EUROPEAN PARLIAMENT Second Progress Report on the implementation of the EU Strategy and Action Plan for customs risk management {SWD(2018) 380 final}.

while ensuring safety and security, fighting fraud and helping to modernise the customs administrations in these countries.

The **Asia-Europe Meeting (ASEM)** is the main cooperation tool between the European Union and Asia. It addresses political, economic and cultural issues with the objective of strengthening the relationship between the two regions. In the area of customs, it allows to advance the cooperation between Europe and Asia. The activities are being taken forward through dedicated Action Plans where the coordination amongst and within the action plans and the facilitation of implementation play an important role.

The **World Customs Organisation (WCO)** is the primary multilateral cooperation tool between customs administrations worldwide. The European Union is a very important contributor to the activities of the WCO. This presents an opportunity to share expertise and also to further promote Union policies and priorities and increases awareness of the European Union's role in international customs cooperation.

The **World Trade Organisation (WTO) Agreement on Trade Facilitation** entered into force in February 2017. It implies for each WTO member (amongst them the European Union and its Member States) to verify and confirm the fulfilment of the international obligations resulting from the agreement and take, where necessary, actions to comply.

The Customs 2020 programme can contribute to the international activities by providing support to the Commission and Member States to prepare their common position to be represented in the international fora and represent "one voice" on behalf of the customs union. At the same time, the programme, through its activities, can allow for supporting the work carried out by the Commission in the international domain with operational expertise provided by the Member States.

2. TO PROTECT THE FINANCIAL AND ECONOMIC INTERESTS OF THE UNION AND OF THE MEMBER STATES

Customs has a role in the global market's conditions in ensuring the European Union's and its Member States' economic development.

This heading of the Annual Work Programme gathers projects aimed at ensuring the collection of customs duties and related taxes, and at pursuing goals to protect the financial interests of the European Union and its Member States.

2.1. Determination and collection of customs duties and related taxes

The traditional role of customs in the European Union is to **collect or supervise the collection of customs duties and indirect taxes**, such as excise duties or value added tax (VAT) at import. Despite the increasing number of free trade agreements that reduce customs duties collected on imports, still billions of euros are raised every year. Member States retain 20 % of the customs duties to cover costs of collection and 80% becomes part of the European Union revenue³⁶.

Therefore, it is essential that customs authorities levy duties in an efficient and effective manner, in line with the various linked legislation and in the interest of the European Union

³⁶ A new own resources rules will enter into force which will allow Member States to retain 20% (instead of 25%) of the traditional own resources to cover their collection costs. The legislation will come into force when the own resources decision has been approved by the Member States in accordance with their respective constitutional requirements. It will apply retroactively as of 1 January 2014.

and the Member States. Given their role in the collection of indirect taxes, it is also necessary that they perform this role in an efficient manner.

Constant **monitoring on the implementation of the Decision setting out financial risk criteria**³⁷ (FRC) and standards will need to be carried out in 2020 and appropriately reflected in the guidance document to give a support on the application of FRC. The guidance aims to ensure a common interpretation of the legislation and a more harmonised control for financial risks. Work on the revision of the “Handbook on operational customs controls at import” to be aligned with current legislation is also planned. The ongoing data mining initiative will also concentrate more deeply on financial risks in 2020 with a view to better identifying related risks whilst at the same time pursuing the ongoing work on security and safety and researches domains. As such, this information will be fed back into the customs risk management cycle in line with the risk management strategy.

Financial risk analysis and related customs controls or other measures on all goods entering to or leaving from the Union for all modes of transport have to be implemented uniformly by all Member States on the basis of common risk criteria and standards. Risk criteria and standards have been developed in the past primarily for security and safety concerns. The Union strategy on customs risk management and security of the supply chain indicates the need to develop further risk criteria for financial and commercial risks (valuation, origin, misclassification, procedure 4200, antidumping etc.). This includes the question of where and when, and based on which data it is the best to carry out the risk assessment and the control. The objective is a common approach to tackle financial risks in the European Union and address financial fraud and irregularities in a convergent way.

In order to ensure proper protection of financial interests, an efficient mechanism has to be in place for **managing and monitoring the guarantees** provided for customs purposes. The UCC imposes new guarantee possibilities such as guarantees valid throughout the customs union and new guarantee requirements such as related to temporary storage and special procedures. Member States have to ensure that the data of guarantees used for import and export that affects more than one Member State is electronically accessible to Member States where the customs declarations are lodged and accepted. As from 1 May 2016, transitional measures are used in order to apply this UCC requirement until the new UCC guarantee management system is in place.

Following the publication of the guidance on customs debt and guarantees there is now a need to assess the uniform and correct implementation of the legislative framework in this respect and to ensure proper and harmonised implementation of the new guarantee requirements and for customs debt, including identification of practical aspects and presentation of possible scenarios. Moreover, the guidance for guarantees has allowed the Member States to prepare their in-house procedures, which will have to be taken into consideration in view of the deployment of the guarantee management system.

This will contribute to the correct and uniform application of the modernised customs rules throughout the European Union.

Best practices in the area of **remission/repayment** and enhancing the uniform application of the common rules established by UCC and detailed in the Guidelines, are of special interest in light of the fact that, the legal framework under UCC does not contain any longer a list of

³⁷ Commission implementing decision (C(2018)3293 final) laying down measures for the uniform application of customs controls by establishing common financial risk criteria and standards The decision is not available to the public and is only made available for customs risk management experts in the Member States.

cases which can be considered as “special situation” (see former Articles 900 – 904 CCIP). The interpretation of this concept is now fully entrusted to national customs authorities in light of the drafting of Article 120 UCC. In order to ensure a harmonised implementation of this provision, regular exchange of views of situations accepted as “special situation” would be an important tool for harmonisation in this area.

Tax and customs administrations share similar challenges. The **cooperation between customs and tax authorities** (VAT and excise and possibly direct taxation) in specific areas of mutual concern (such as e-commerce) should be enhanced in order to fight against tax fraud, ensure the collection of customs duties and taxes while facilitating trade and exploring synergies between the authorities that could lead to greater efficiencies and cost savings. The action plan on VAT towards a single European Union VAT area³⁸ proposes actions to support a deeper cooperation between different authorities, including cooperation between customs and tax authorities.

The European Court of Auditors also issued observations and recommendations on the necessity to improve cooperation and avoid the overlapping of competences of administrative, judicial and law enforcement authorities to fight against VAT fraud³⁹ and misuse of the customs procedure 4200⁴⁰.

There is a long-term strategy within the Union to support the economic growth and to reduce administrative obstacles for the business sector. This strategy contributed to ensuring that physical controls are only carried out when appropriate during customs proceedings and that the resources are focused on controls where the risks can be addressed in the most efficient way. As such, the minimum standards for post clearance audits and control have been reinforced. To ensure common approach and equal treatment during the post clearance audits and controls for economic operators it is necessary to ensure the same methodologies within all Member States. For this purpose, the **Customs Audit Guide** has been updated.

2.2. Customs tariff and classification

The amount of duty that has to be paid is determined by the customs value, the origin and the customs tariff. For that reason, all goods imported into or exported from the Union must be **classified for customs purposes**. Each separate product can be linked up with a specific classification code. As this code represents the basis for determining the duty together with a complex set of measures, (including Trade Defence measures) possibly also restrictions or prohibitions linked to the origin and the customs value, it is essential that the correct code be identified.

The **Harmonized System nomenclature** of the World Customs Organization (WCO) is the basis of the **Combined Nomenclature (CN⁴¹)**. Both are the basis of all customs

³⁸ Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee on an action plan on VAT – Towards a single EU VAT area – Time to decide. COM (2016) 148 final, 7.4.2016.

³⁹ 2015 Special Report Tackling intra-Community VAT fraud: More action needed.

⁴⁰ Customs procedure 4200 is a mechanism an EU importer uses in order to obtain a VAT exemption. It is applied when goods imported from outside the EU into a Member State will be transported to another. In such cases, the VAT is due in the latter - the Member State of destination. There is a risk that imports may remain in the Member State of importation without payment of VAT. Imports may be also consumed in the Member State of destination without VAT being collected there.

⁴¹ Commission Implementing Regulation (EU) 2018/1602 of 11 October 2018 amending Annex I to Council Regulation (EEC) No 2658/87 on the tariff and statistical nomenclature and on the Common Customs Tariff, OJ L 273, 31.10.2018, p. 1–960

classifications that are used in customs clearance, customs control and statistics, and also included in many Union regulations as well as in international agreements. Nevertheless, customs classification remains difficult because the nomenclatures with their respective Explanatory notes are voluminous and complex. Moreover, the current nomenclatures are not always representative of the trade reality: old domains are disappearing, new domains are emerging, some important classes of products are not efficiently distinguished, used norms and descriptions become obsolete.

The European Commission has established the **European Binding Tariff Information (EBTI)** system as a tool to assist economic operators to obtain the correct tariff classification and to avoid divergent BTI decisions for the same product. Electronic trader access is possible from October 2019. Monitoring of the BTI usage is a new obligation under UCC. The EBTI and Surveillance systems will facilitate this monitoring after the national systems will have been upgraded.

Phase 1 of the **Classification Information System (CLASS)** was launched in July 2019. Its extension to EBTI and ECICS data is planned in phase 2. The incorporation of WCO data will be considered in phase 3. It requires further coordination and negotiation besides the IT developments.

Customs is supported by an **electronic tariff system (TARIC)** in their clearance function. TARIC integrates all measures relating to European Union customs tariff, commercial and agricultural legislation. Tariff measures specifically relate to "Third country duty", customs duty applicable to all imports originating in a non-Union country, as defined in the Combined Nomenclature, tariff preferences, autonomous suspensions of duties, tariff quotas and customs unions.

A number of **Credibility Checks** have been designed and integrated in TARIC. The purpose of these checks is the avoidance and automatic correction of errors (unintentional and intentional alike) at the declaration stage or to alert the customs officers dealing with customs clearance of goods of risks related to certain consignments. In addition to the measures so far, further efforts will be required to reach full application of credibility checks in the customs declaration and customs clearance systems of the Member States.

The **QUOTA system**, together with the TARIC system, ensures allocation of tariff quotas in a uniform manner throughout the EU. It is crucial that they are connected and updated regularly.

Surveillance contains relevant information concerning trade flows and correctness of the measures applied, and thus ensures a valuable feedback to customs and trade on possible risks.

2.3. Rules of origin

Based on their origin, a wide range of goods can benefit from **preferential duties** at importation into the European Union. In addition, the application of **non-preferential trade policy measures** is based on the non-preferential origin of goods. To ensure fair trade and a proper functioning of preferential arrangements, the correct application of the underlying rules and principles must be monitored. In addition, to have an approximation in the working methods in Member States and other parties affected by rules of origin efforts have to be made to streamline the interpretation of legislation and provide guidance to good practices.

Exporters in **Generalised System of Preferences (GSP)** beneficiary countries (BCs), in the Union and in Overseas Countries and Territories (OCTs) should be registered with the competent authorities. This is in order to enable them to certify the origin of goods by

themselves within the framework of the European Union GSP rules of origin. In order to fill in themselves their request to become registered exporters, economic operators in the EU must be provided with a Trader Portal for the REX system.

2.4. Customs valuation

Most customs duties and VAT are expressed as a percentage of the **value of goods** being declared for importation. It is important that the value of goods be accurately measured, for the purposes of:

- proper collection of import duties and taxes,
- economic and commercial policy analysis,
- application of commercial policy measures,
- import and export statistics.

Incorrect application risks to impact own resources and the application of the common commercial policy. The correct application of customs valuation law must provide equal treatment of economic operators and citizens and ensure a common approach to controls related to customs value. To achieve this, problems in implementation need to be identified, recommendations for improvements have to be implemented and working methods are to be adapted.

2.5. Customs procedures

Issues related to the application of various aspects of customs procedures arise on a daily basis for customs authorities. These customs procedures involve three main domains: **release for free circulation, special procedures and export**.

Customs special procedures are procedures designed to allow economic operators to carry out international business in a more streamlined and cost-efficient way. Some of the procedures concerned are subject to authorisations. With the UCC, the special procedures are rendered fully electronic and easier to use throughout the European Union. Moreover, concerning specifically inward and outward processing, a new electronic system – the INF system- will start its operations in June 2020.

Of these special procedures, the **transit procedure** allows goods - without payment of duties and other charges to move under customs supervision within the European Union, or between the European Union and third countries in the context of international agreements. The Convention on a common transit procedure (CTC), which the EU has agreed with several of its neighbouring countries, is aligned with the UCC rules.

The entry into application of the Union Customs Code on 1 May 2016 required steps to be taken in order to implement transit in light of the new rules. Further simplifications have been developed to respond to the needs of traders and may need to be refined. It concerns - amongst others - the possibility of using electronic transport documents for transit purposes, the use of a harmonised customs goods manifest for proving the customs status of Union goods and the rules on customs seals and seals of the special type.

The proper and uniform implementation of transit in the daily business of customs authorities implies creating the best conditions for sharing information, expertise and best practices. Cooperation between the authorities at an international level is essential and may have to be further supported, in particular by enhancing the existing guidance documents (see also 1.2.) and developing a common risk management approach for transit (see also 1.4.).

Furthermore, work may have to be pursued in the context of the United Kingdom's withdrawal from the European Union and its accession to the Common Transit Convention and the Convention on the simplification of formalities in trade in goods as separate Contracting Party⁴². In addition, a number of other countries are interested to join the Convention and some of them are likely to ask to receive support for their preparatory steps.

The European Union also applies other transit arrangements with non-EU countries i.e. the TIR Carnet (TIR Convention 1975), the ATA Carnet used as a transit document (ATA & Istanbul Conventions), the Rhine Manifest (revised Mannheim Convention for the navigation on the Rhine 1868), NATO Form 302 (NATO Convention 1951) and transit by post (UPU).⁴³

Further to transit, the other special procedures also require attention and cooperation of Member States to ensure their correct and efficient implementation. These other procedures consist of customs warehousing and free zones, temporary admission and end-use, and inward and outward processing.

Customs warehousing and free zones allow economic operators to store goods within the customs territory of the Union without being subject to import duty, other charges (e.g. VAT) and commercial policy measures. These procedures give economic operators the flexibility to bring goods to the EU even before deciding the final destination for such goods.

Temporary admission allows natural and juridical persons to bring goods to the EU with the intention of re-exporting them within a certain time limit. Such goods are imported with total or partial relief from import duty. This procedure allows flexibility to the import of certain goods, such as means of transport, goods to be used for certain events, disaster relief material or medical equipment.

End-use is a procedure that aims to benefit the import of certain goods used for certain purposes from a total or partial reduction of the amount of import duty to be paid. An example of that is the import of aircrafts used for civil aviation.

Inward processing gives economic operators the possibility to process goods in the customs territory of the Union without being subject to import duty, unless the goods or the resulting processed products are finally consumed in the EU. Outward processing allows economic operators to process goods outside the customs territory of the Union and to bring the resulting processed products back to the EU by just paying import duty for the added value resulting from the processing operations.

The entering into application of the Union Customs Code on 1 May 2016 implied many changes in special procedures. One of the most important ones is the fact that the authorisations have to be granted by using electronic data-processing techniques. To that extent, the Customs Decisions System plays a major role, as it has to be implemented by all the Member States in a harmonised way.

Furthermore, as many authorisations involve several Member States, collaboration among them is crucial in order to ensure customs supervision and proper collection of traditional own resources.

Other steps need to be taken in the area of special procedures other than transit. Such steps forward are aimed to facilitate legitimate trade (i.e. to establish simplifications in order to

⁴² Decision N° 1/2018 of the EU-CTC Joint Committee of 4 December 2018 as regards the invitation to the United Kingdom to accede to the Convention on the simplification of formalities in trade of goods [2018/1989] – OJ L 317 of 14.12.2018, p. 56

⁴³ The European Union will prepare the implementation of the new eTIR International system in NCTS phase 6.

reduce the administrative workload of economic operators willing to apply for an authorisation) while establishing a legal framework ensuring measures in order to avoid possible misuse of these special procedures.

3. TO PROTECT CITIZENS AND THE ENVIRONMENT, TO INCREASE SAFETY AND SECURITY, AND TO STRENGTHEN THE COMPETITIVENESS OF UNION BUSINESSES

Customs is responsible for implementing a wide range of European Union and national policies besides revenue collection.

The role of customs is, in some instances, to prevent certain goods from entering into or exiting from the customs union territory. To this end, this heading contemplates the projects that aim at protecting not only the citizens and the environment, but also the interests of European businesses by means of measures facilitating trade and ensuring the security of the supply chain. The projects under this chapter relate either to the objective to protect citizens and the environment, to increase safety and security, or to the objective of strengthening the competitiveness of Union businesses. By their nature, some of the projects may serve both objectives, as it can be the case especially for Intellectual Property Rights.

3.1. Customs authorities protecting health, the environment, cultural heritage and ensuring safety and security

The overarching objective of this project is to increase the safety and security and to protect the citizens and the environment by implementing Union policy and legislation in the following areas:

- Human health and food safety;
- Animal health;
- Plant health;
- Protection of the environment and climate;
- Product safety and compliance;
- Restricted and prohibited goods, controlled substances, etc.

The prevention of diversion of drug precursors, controls on the import and export of cultural goods and controls on cash entering or leaving the EU are also important factors in ensuring the **safety and security**. The Commission needs to continue to strengthen customs risk management in the field of **drug precursor control**.

On **cash controls**, following the adoption of the new Regulation (EU) 2018/1672 on controls of cash entering or leaving the Union, an implementing piece of legislation will have to be prepared.

On **cultural goods** following the adoption of the new Regulation (EU) 2019/880 on the introduction and the import of cultural goods, implementing legislation will have to be prepared to regulate formalities, procedures and the development and functioning of an electronic system for the exchange and storage of information and the accomplishment of formalities by operators.

In general, the performance of Regulation (EC) No 116/2009 on the export of cultural goods is satisfactory. The Commission might need to encourage efforts of the Member States to

promote a uniform implementation of its provisions and a common understanding of its material scope.

Consumers, civil society and national authorities are demanding stricter customs controls of non-fiscal aspects especially in the context of heightened security concerns against terrorist attacks and taking account the EU Security Agenda. It is crucial to ensure the proper enforcement of this non-fiscal legislation by customs.

Several tools are used to address implementation issues related to non-fiscal legislation: gathering experts from all Member States, in PARCS (Prohibitions and Restrictions Customs Controls Strategy Experts Group) exchange of best practices, establishing guidelines on customs controls, awareness raising on the "toolbox" and the prohibitions and restrictions list, support to the participation of national customs experts to discussions on non-fiscal legislation with a role for customs, informing the business community and the wider public, ensure the completeness and consistent application of TARIC in non-fiscal areas; monitoring, via -for instance- the Surveillance database (provided a clear legal basis for the use and processing of personal data is available), cases of violation of non-fiscal legislation; ensuring and further strengthening security in the context of the Union global security policy and internationally (e.g. WCO, ICAO, bilateral cooperation).

Recent (and ongoing) changes in environmental policy in China have increased the need for closer cooperation and coordination between EU member states customs and Chinese customs in the prevention of the illegal shipments of waste. Initiatives in this project directly support the EU-China Strategic Framework for Customs Cooperation 2018-2020. Deeper coordination in the application of controls by customs in this area between EU member states is also required.

The **reform of the existing Import Control System (ICS)** is fundamental for the implementation of the Union customs risk management strategy and the Union Customs Code (UCC). As a customs external border protection and trade facilitation measure it also directly contributes to the implementation of a genuine Security Union.

Once the future ICS2 system will come into operation, the customs authorities will collect a better quality supply chain data. They will be able to collaborate in real time across the EU to identify serious security and safety risks posed by international goods movements before they arrive at the Union's external borders and to mitigate these risks in the most efficient way. Work on the implementation of Block 1 of the ICS2 will consist of implementation of the new entry summary declaration (ENS) requirements for trade in three iterative operational releases starting from 15/03/2021 and completing on 01/03/2024, and improved customs security and safety risk analysis and external border controls. This will be achieved through operational delivery of the required IT infrastructure (fully harmonised Shared or National Trader Interface, Common Repository and adapted national risk analysis systems) and supported by the necessary business transformation in support of a systematic cooperation among the customs authorities to achieve the desired effects of the new system.

Work in 2020 will be dedicated to the construction of the ICS2 common (STI and common repository) and national IT components with the aim to commence with testing the entire system for its operational readiness in March 2021. IT development and testing will need to be accomplished also by the postal operators and express carriers within the same timeframe. In parallel, work on setting appropriate legal base for the system itself and transformed risk management processes will need to be finalised with adoption of necessary changes to the various UCC Implementing and Delegated acts, notably Commission Regulation (EU) 2015/2446 and 2015/2447 including their respective Annexes, and to Commission Regulation

(EU) 2019/1026. Furthermore, adoption of the new Commission Decision on the establishment of common risk criteria and standards for pre-loading security risk analysis on goods to be carried by air will also be necessary in year 2020. This Decision will provide a common set of risk criteria and indicators that customs authorities will apply in their electronic risk analysis with the aim of helping to detect imminent aviation security threats (notably the concealment of an improvised explosive device or improvised incendiary device in goods to be carried by air, which may pose an imminent, lethal threat to the aircraft) so that measures can be taken to prevent the loading of the goods in a third country. In the same context the ongoing work with Member States and air industry as regards air cargo security referral processes will need to be finalised in year 2020 to prepare air cargo business models notably express carriers and postal operators for application of these security mitigation measures.

Close collaboration with Switzerland and Norway will be required for likely participation of these two countries in the ICS2 system, in the framework of the existing European customs security area. Besides necessary IT and operational preparatory and development work also necessary legal aspects will need to be addressed.

As part of the overall ICS2 programme planning for year 2020, the work on setting up of necessary baseline concept documentation (e.g. risk management added value, IT, and legal assessment) for Data Analytics will be completed for the policy Go / No Go decision at the end of 2020. The aim of Data Analytics in the ICS2 context is to create the basis for the complementary added value for customs authorities in their timely security and safety related risk analysis.

Based on the recommendation of the High Level Expert Group (HLEG) on information systems and interoperability, supported by the Council, to examine possible options for making customs systems more interoperable with the security and border management systems, the Commission created in 2018 a practitioners' group to jointly analyse and define the information and the systems for which interoperability could enhance the external border and/or internal security and to identify potential added value. The participants to those practitioners' meetings were the Commission services and agencies (Europol, Frontex), together with Member States' delegates from the Justice and Home Affairs and Customs domain. The practitioners concluded that only the Schengen Information System (SIS) and Europol data are currently fit for further examination in terms of potential interoperability with upgraded Customs Import Control System (ICS2, still under development) in order to improve external border and internal security. Discussion regarding direct access for law enforcement authorities to ICS2 data for investigative purposes should also be started according to the practitioners. The results of this analysis were presented to the Council at the end of 2018 and beginning 2019. After this scoping exercise, a feasibility study is planned to analyse the technical, operational and legal aspects of interoperability and prepare and accompany the implementation.

3.2. Competitiveness and trade facilitation

The European Union has to be a strong economic and trade partner in the world economy. Customs have an important role to play to ensure the competitiveness of the European trade environment by minimising the burden placed on trade in relation to customs legislation and procedures. Initiatives supporting competitiveness of European companies and facilitating legitimate trade should therefore be developed to contribute to the proper functioning and the further development of the customs union.

The status of **authorised economic operator** (AEO) granted by one Member State is recognised by the other Member States and under Mutual Recognition Agreements (MRA), by third countries. In addition to regular and robust monitoring, specific mechanisms are currently developed to further strengthen and promote the robust implementation and compliance with the Union AEO programme. In addition, communication and awareness is further developed to demonstrate the integrity of the EU AEO provisions.

It is necessary to further step up the robust implementation of the AEO provisions and to further promote the sustainability of the programme. A set of actions have been agreed by the AEO Network to address identified weaknesses as regards the implementation of the AEO programme, notably the role of the AEO in the risk management, strengthening the processes governing the granting and the management of the AEO authorisations, in particular the monitoring of AEO authorisations and internal controls; strengthening the link with AEO auditors. This includes addressing the recommendations by the Court of Auditors regarding the low value consignments and with regard to specific business models, such as couriers and postal operators.

Where possible, **technical cooperation on AEO matters with third countries** should be supported and/or further developed. This includes technical aspects of existing and future mutual recognition agreements and supporting the preparedness regarding setting up an AEO programme by enlargement countries.

The scope of the simplified declaration has not been changed significantly under the UCC. However, changes have occurred during the preparation of the Delegated and Implementing Acts for entry in the declarant's records (EIDR), centralised clearance (CC) and self-assessment (SA). Therefore, further discussions are needed with Member States' customs administrations and trade representatives on specific issues related to the implementation of those three simplifications.

Simplifications also affect the customs controls methodology, which shifts more and more from the traditional methodology - based on the control of single transactions - to the **System Based Approach (SBA)**, which is a working method where the focus lays on the internal control systems of economic operators. SBA activities should where necessary promote and reinforce information exchange, technical audit discussions on SBA, consistency and harmonization across Member States, exchange of practical and training solutions and support less experienced Member States. In the long term, SBA will also contribute to increasing customs compliance.

Centralised clearance allows economic operators to centralise and integrate accounting, logistics and distribution functions with consequent savings in administrative and transaction costs, thus providing a genuine simplification. Moreover, until the deployment of the appropriate electronic systems for centralised clearance (2021-2023), the current Single Authorisations for Simplified Procedures – SASP), issued before the 1 May 2016, remain unchanged and continues to be a major instrument of trade facilitation that deserves common understanding and uniform application.

E-commerce transactions have a significant impact on the work of customs, in particular because of their large volumes. In 2019, certain legal amendments were introduced in order to facilitate the customs clearance of low value consignments while at the same time allowing for a better risk analysis and control. Further legal amendments are being prepared and should be in place by the time the new VAT e-commerce package will enter into force (1/1/2021). Further work in 2020 will also include the drafting of specific guidance for the implementation of these new rules.

With the UCC, it is envisaged to deploy electronic systems based on harmonised processes and interfaces. In this context, a new **EU trader portal** concept has been implemented with the Customs Decisions System and the project of a generic EU Customs Trader Portal (based on a uniform user management and authentication mechanism) will be rolled out, where appropriate. According to the definition promoted by the United Nations Economic Commission for Europe (UNECE), the Single Window concept (SW) refers to a facility that allows parties involved in trade and transport to lodge standardized information and documents with a single entry point to fulfil all import, export, and transit-related regulatory requirements. This definition will be adapted for implementation in the context of the European Union's customs union, through the scoping and legal initiative for the European Union Single Window environment for customs (EU SW). If information is electronic, then individual data elements should only be submitted once. In practice, the Single Windows implemented around the world have not strictly followed this definition and have instead been conceived as large interagency collaborative system[s] that facilitate and automate business processes and data exchange for international trade.

The **Union's Single Window environment for customs** currently covers automatic verification of several certificates by national customs administrations. The scope of the certificates will be expanded with several other certificates in 2020 from the Commission's Directorate-General for Climate Action and Dual use goods export licenses in 2021.

Other certificates will be analysed in 2020 such as the Commission's Directorate General for Maritime Affairs and Fisheries catch import certificates. Moreover, in 2020, the Commission services will carry out the preparatory work for a possible future legislative proposal to enable the development of the EU Single Window environment for customs.

Further efforts are needed to simplify reporting formalities in maritime sector, thus facilitating trade and reducing the administrative burden.

The improvement of economic operators' compliance is a common objective of the customs union, which should be achieved in the most efficient and effective way for both customs and trade.

Compliance is understood as the extent to which persons (companies and individuals) meet their obligations as applied and enforced by customs administrations. Modern methods, based on behavioural motives and reasons for complying, are at least as important as methods that are more traditional. Influencing the willingness and ability to comply in addition to controls and penalties, is beneficial, as it is less disruptive and resource intensive for both customs and legitimate trade. The knowledge on compliance management should be improved and information and experience should be shared among Member States.

The **European Union Customs Data Model (EUCDM)** integrates all data requirements provided by economic operators to Member States customs administrations and ensures that Union requirements are fully compliant with international standards such as the World Customs Organisation data model. This provides Member States and the Union economic operators with the best solution to re-use information already available in the commercial and transport supply chain and allows for its further customization at national level where areas of national competence are concerned, whilst providing the means to ensure that Union requirements are implemented identically in all Member States.

3.3. Supply chain in the global context

The objective to strengthen end-to-end supply chain security based on multi-layered risk management originates from the WCO SAFE Framework of Standards to Secure and Facilitate Global Trade. Controls performed at export are based on joint risk assessment

rules, allowing customs to better target dangerous traffic at the beginning of the supply chain. Thus, secure and safe consignments can be identified and trade facilitation benefits can be provided to legitimate trade.

The swift implementation of the automated data exchange is critical to reach the **Smart and Secure Trade Lanes (SSTL)** objectives in line with the EU-China Strategic Framework for Customs Cooperation signed in 2017. Moreover, the development of more rail and air trade lanes could be further pursued and data to be exchanged for risk analysis purposes. Practical exercises such as the measurement of lead time every six months in all SSTL maritime ports and its progressive extension to other transport vectors should be implemented.

Increasing the efficiency and adjusting to the rapid evolution of the supply chain resulting from the impacts and effects of an expanding e-commerce activity also poses a challenge in the customs union.

3.4. Customs enforcement of Intellectual Property Rights (IPR)

A fundamental component of the EU system to **enforce IPR at the border** is Regulation (EU) No 608/2013 concerning the customs enforcement of IPR. It empowers EU customs authorities to detain goods which are suspected of infringing an IPR conferred by EU or national IP laws and which are under customs control.

Following Commission report⁴⁴ to the European parliament and the Council on the implementation of Regulation (EU) No 608/2013, the Commission continues to follow its implementation (like notably the common risk management based control strategy used in the IPR area).

Council Conclusions⁴⁵ established an **EU Action Plan to combat IPR** infringements (2018/2022) aimed at coordinating the actions of Member States' customs in fighting IPR infringements at the external borders. The Commission will therefore continue working together with the Member States in programme activities to implement actions identified in the new action plan, such as developing common approaches and reinforcing cooperation with China and Hong Kong. The EU China and EU Hong Kong action plans on customs cooperation in IPR are the instruments through which this reinforced cooperation will be implemented.

4. TO IMPROVE THE ADMINISTRATIVE CAPACITY OF THE CUSTOMS AUTHORITIES

The quality of public administration is an important driver of Europe's competitiveness. Modern, innovative and efficient public administrations are key in sustaining the recovery process and in unlocking Europe's growth potential.

This heading of the Annual Work Programme covers the policy projects of the customs union that aim at ensuring that the European customs administrations can function and perform on a high efficiency and effectiveness level supported by proper administrative structures, procedures, skilled staff and modern technologies and concepts.

4.1. Effective and efficient customs administrations

⁴⁴ Commission report – Commission report to the European parliament and the Council on the implementation of Regulation (EU) No 608/2013 – COM 2017/233 Final of 15 May 2017.

⁴⁵ Council Conclusions – Council Conclusions on the EU Customs Action Plan to combat IPR infringements for the years 2018 to 2022 (OJ C 24, 21.1.2019, p. 3–12).

The single market can only function properly when there is a uniform application of common rules. This implies that the 28 customs administrations of the European Union must act as though they were one. The budgetary constraints force government services to become more efficient and effective. This calls upon actions to study current and possible future solutions to improve the structures in which customs business is performed and to **improve the performance** of the customs administration in its different roles in the supply chain of goods. Customs administrations' structural and procedural functioning must also be reinforced, and national customs administrations must aim at building their administrative capacities in order to fulfil their complex tasks.

Communicating effectively, both within and across customs administrations and with other players such as the Commission, will be an important element in achieving these goals. Communication on new actions and developments will be of particular importance.

4.2. Training and human competency building

Training and competence development for customs professionals in the European Union follow by nature specific national educational and human resource building concepts of individual national customs administration and are in consequence highly fragmented across the European Union. From a Union perspective, the resulting difference in staff performance requires more common training and competency-building reference benchmarks to align levels of knowledge and skills of customs professionals and thus contribute to a more consistent customs performance level across the European Union.

Boosting education and training of public sector staff is also in the field of customs acknowledged as being an essential pillar of efficient and effective administrative capacity building within the EU. To support the optimisation of current and future education and learning capacity of the European Union's customs administrations, a series of concrete customs training and staff development actions are taken by the Commission in cooperation with national administrations every year on the basis of a commonly agreed EU Learning & Development Action Plan for Customs and Taxation (2017 to 2020)⁴⁶.

This multi-annual action plan provides a framework for a common training and education infrastructure that supports Member States in ensuring that their staff has the skills and knowledge sets they need to deliver optimal and most uniform customs services and to prepare the profession as well as their administrations for the future challenges that customs is facing.

It targets four key objectives until end 2020:

- (2) Providing EU reference standards through European Competency Frameworks for the customs profession;
- (3) Supporting common customs educational reference programmes (vocational, academic, leadership);
- (4) Fostering shared training, and staff development;
- (5) Enhancing common training infrastructure, networking and communication.

Within this scope, the EU Training focus continues to lay in 2020 on developing integrated training, and staff performance building concepts for EU customs administrations as well as for economic operators involved with customs, whenever appropriate. It will in particular upgrade current common staff development reference standards in view of changing skills set

⁴⁶ SWD(2017) 34 final - Boosting customs and tax performance in the EU through training and staff Development: EU Learning & Development Action Plan for Customs and Taxation (2017 – 2020).

requirements for customs professionals as well as bridge established customs staff development measures into the field of taxation, e.g. using EU Customs Competency Framework (CustComp^{EU}) synergies and spill-over effects with the new EU Tax Competency Framework (TaxComp^{EU}), for which the baseline reference standards were finalised in 2019.

Further support will be provided to the national implementation and use of the CustComp^{EU} through a commonly developed Competency Assessment Tool (CAT) following its release end 2019.

Priority training support in 2020 is given to customs subject areas built in under the various subject matter projects throughout this document, as these are earmarked as requiring further consistency in customs staff performance and for implementation support for new or amended Union legislation. Such support will be provided through further union-wide sharing of national best practise and tools be it in form of nationally usable eLearning development (e.g. for UCC IT systems developed in 2020 like CRMS 2, CDS-EO, or the new INF system) or through a further extended Common Learning Events Programme (CLEP).

This is complemented by developing innovative and conceptional common training solutions that supplement the standard eLearning modules development concept, such as e.g. NanoLearnings, eBooks and training webinars, to further support the consistent implementation of legislative and operational customs activities EU-wide in an effective and efficient way.

4.3. Operational procedures and working methods

Common understanding of legal requirements and harmonised application of **working methods in operational procedures and customs control** functions require intensive and systematic cooperation, exchange of information and sharing of good practices among the operational customs officials and with specialised experts, including laboratory technicians (see also point 4.4). This includes all operational functions of customs authorities, including controlling goods at external borders (sea/waterways, land and air) and inland. The cooperation networks will continue to support the Member States in sharing experiences and knowledge on traffic, threats, resources, emerging issues and good practices for customs supervision.

Modern technologies and concepts can facilitate customs authorities and their officers in performing everyday tasks. The use of detection technologies plays an important role in replying to strategic challenges and allow for managing effectively associated risks with available resources. They also facilitate maintaining a proper balance between customs controls and facilitation of legitimate trade. In addition, the more modern technologies also contribute to a safer work environment for customs officers who often face unknown, potentially dangerous and even deadly materials or substances while fulfilling the customs control functions, including sampling and or analytical tasks. This includes attention to **customs control equipment**. More specifically, its availability for customs control at the various border crossing points together with the analysis of estimated needs for equipment that would sufficiently address relevant challenges and possible limitations Member States are facing when carrying out their responsibilities on customs controls. These actions would have the ultimate objective of supporting the successful implementation of the customs-related Union legislation and the customs union's improved performance.

Cooperation of customs and other law enforcement authorities and agencies, particularly with those involved in border management, should be strengthened.

4.4. European Customs Laboratories

European customs laboratories are an important tool for customs and tax authorities. Their work is crucial in traditional areas of customs, excise and agriculture policy, such as analyses to determine tariff classification, level of duties and other taxes. However, their role has also evolved over time with changes in the trade environment. Consequently, customs laboratories now play an important role in other activities, e.g. determining the authenticity and origin of products, identifying narcotics, drug precursors and unknown psychotropic substances, protecting consumers against dangerous goods or contaminated food, safeguarding the environment and endangered species.

European customs laboratories work together to coordinate their activities, pool resources and share their knowledge and expertise. This requires networking (European Union and worldwide), benchmarking, updating of databases, cooperation with other stakeholders and information initiatives. The **Customs Laboratories European Network (CLEN)** provides the structure for the coordination of the Member States' customs laboratories. The CLEN plays a key role in delivering results and keeping expertise in pace with the policy developments. This close collaboration brings the advantages of a share of the burden, a more rapid and comprehensive response to fraud, the maintenance of equipment and expertise even for rare and unusual analysis, the wide and correct implementation of Union policies and the support to the development of new Union policies, while at the same time, permitting economies of scale.

Activities gathering all the customs laboratories and customs authorities from the Union and candidate countries, as well as customs laboratories from third countries, academia and private sector, to exchange on the current and future challenges of customs further reinforce scientific customs.

4.5. IT capacity building

To implement the European Union customs policy and the electronic customs environment, the **development, operation and maintenance of existing and new European Information Systems (EIS)** should be carried-out. The continuity, integrity and availability of the IT systems and their corrective maintenance and evolution should be ensured in line with business expectations. In that sense, continuous operational support is needed to the functioning of the Trans-European Customs Information Systems to ensure that customs procedures are performed in the least time possible, enabling better customs clearance times at the European Union borders.

It is necessary to ensure that an overall quality of EIS is achieved through maturity improvement, efficient management of projects, timely deliverables and within the given budget. Services need to be delivered according to expectations, within the framework of the TEMPO methodology and to fulfil security requirements. The use of standards and best practices, including for the security aspects of the development, deployment and operations of the EIS, needs to be further supported and enhanced.

The **MASP IT Strategy** is further pursued, leading the entry in operation of new UCC IT systems. Innovative approaches to collaboration among Member States and between Member States and the Commission is one of the key principles of this strategy.

APPENDIX 2 TO THE ANNEX : INFORMATION ON CUSTOMS INFORMATION TECHNOLOGY PROCUREMENT ACTIONS UNDER THE CUSTOMS 2020 PROGRAMME IN 2020

In addition to 1.3.1 of the Annual Work Programme, this appendix provides more detailed description of the information technology (IT) procurement actions.

The Commission and the Member States are committed to deliver efficient, effective and interoperable information and communication systems between public administrations, including between their front and back offices, in order to exchange and process public sector information across European Union in a secure manner. They set up and operate secure, integrated, interoperable and accessible electronic customs IT systems. These systems facilitate end-to-end supply chain logistics and customs processes for the movement of goods into and out of the European Union. They also reduce the risks of threats to the safety and security of citizens by further approximating the Member States' customs processes and enhancing information and data flow. The European Union electronic customs systems, are built according to international standards as regards data sets/models and message formats, thus allowing future interaction with non-EU countries' systems as well.

The Commission, represented by the Directorate-General "Taxation and Customs Union" - DG TAXUD manages a set of procurement activities in the areas of customs IT systems. These procurement activities target the establishment and operation of IT systems, responding to the needs of users in the Commission services as well as those located in the National Administrations of the Member States, traders and citizens. Some systems are also used for connecting to customs administrations of non-EU countries.

The customs business analysis and modelling of all customs processes map with the legislation and are the basis for a correct IT implementation. The IT implementation is based on functional and non-functional requirements.

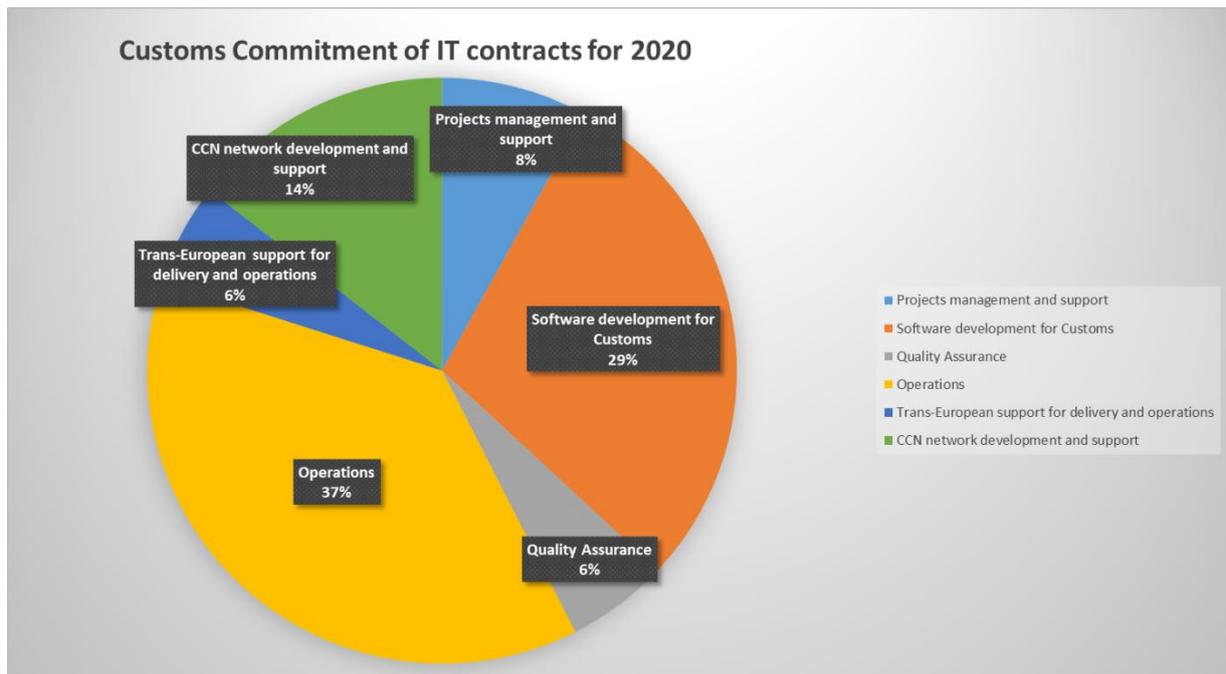
The IT systems and applications providing interfaces to the national administrations are referred to as European Information Systems (EIS), or more often referred to as "Trans-European Systems" (TES). There are two major categories of TES: Central IT applications and Distributed IT systems.

- Central IT applications: IT applications managed by the Commission, with software running on infrastructure under direct responsibility of the Commission. All these applications are Union components in the context of the Customs 2020 Regulation, and can serve internal Commission users, national administration users, traders or the citizen in general terms, or even third parties.
- Distributed IT systems: IT systems managed by the national administrations, which are non-Union components in the context of the Customs 2020 Regulation. For these systems too, the Commission is the guardian of the common functional and technical specifications, developed in collaboration with the national administrations and other relevant stakeholders. The Commission also often develops and operates supporting applications and monitors the systems at overall level.

To support these trans-European systems, the Commission developed a closed and secure trans-European communication network named Common Communication Network (CCN). For this network, the Commission has operational responsibility. The CCN network and its CCN2 successor provide the infrastructure across which the trans-European systems interoperate.

Due to the volume and architecture of the trans-European systems, the Commission relies on a number of outsourcing contracts to provide specific related services. The Customs 2020 programme provides almost the full funding for these outsourcing contracts. The overall budgetary allocation for IT procurement contracts in 2020 amounts to EUR 62 300 000. To this end, it is estimated to sign about 60 specific contracts under existing or new multi-annual framework contracts. These break down in:

- CCN/CCN2 network development and support: 14%;
- Software development, including maintenance of existing customs IT systems and development of new customs IT systems: 29%. These contracts support the lifecycle from customs business analysis and modelling, through functional specifications, the development of software and initial tests, deployment, and support to service management of systems in operation;
- Operations: it includes all the IT activities related to the final testing, deployment, operation of existing and new customs IT systems: 37%;
- Support of and coordination with Member States for the delivery and operations of the non-Union components of the trans-European systems: 6%;
- Project management and support across the whole software lifecycle, including architectural evolutions: 8%;
- Quality control and assurance: 6%.



The Multi-Annual Strategic Plan (MASP) is further pursued, leading to the entry in operation of new IT systems. For 2020, this will lead to:

- the entry into operation of UCC INF for Special Procedures, interfacing with the economic operators via the EU Customs Trader Portal;
- the important evolution of the Customs Decisions System, ensuring its full alignment with the legal base;
- the evolution of the Classification (CLASS) system;
- the monitoring of Value Added Tax exemption under customs procedures 42 and 63;
- evolutions of the Certificates exchange project (CERTEX), performed in parallel with the Single Window initiative;
- the evolution of the Uniform User Management and Digital Signature (UUM&DS) system to implement the digital signature part.

Moreover, elaboration activities are pursued towards further new system deployments in 2021 or thereafter, among which the Import Control System (ICS2) release 1, the movement systems New Computerised Transit System (NCTS) phase 5, the Automated Export System (AES), and the major upgrade of the Customs Decisions System. Also the Anti-Counterfeit and Anti-Piracy System extension to support the Application for Action (COPIS eAFA) merits to be highlighted.

Other projects which are in progress in order to support the application of the Union Customs Code are: the new trans-European system on Centralised Clearance at Import (CCI), the new system related to the Proof of Union Status (PoUS), the new system related to Guarantee Management (GUM).

It is also important to stress that our methodology to deliver IT systems in the most appropriate way is subject to Continual Service Improvement enhancements. To that purpose, collaboration teams are established as from the start of the projects with legal/business/IT experts (under Customs 2020 Joint Actions), from the Member States, the Commission and third parties, providing precious input. Furthermore, iterative project delivery packages and testing/system releases are provided to be more agile and get better quality. Concerning its IT operations environment, the Commission is also working with its contractors in areas such as the use of automatic software deployment tools, containerised applications, high-availability configurations, etc. Tests concerning the potential future use of cloud technology are also taking place, in those areas where such use is technically and legally possible and financially beneficial. Finally, the Architecture of Integrated Information Systems (ARIS) Business Process Modelling (BPM) methodology is extended to take full use of the Common Reference Architecture (CORA) methodology, which facilitates re-use across the project deliverables, supports the work of creating common specifications and makes the IT operations management even more efficient. These innovative approaches are to be documented in user guides and applied, where appropriate, to new projects.