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Accompanying the document

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

{COM(2018) 549 final}

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1 INTRODUCTION

1.1 A response to the Council's invitation

The Council conclusions of 6 December 2016 underlined that risk management processes are essential for safeguarding the security and financial interests of the EU and its Member States while facilitating legitimate trade.

The Council conclusions, which followed the presentation of the first implementation report of the Strategy and Action Plan, invited the Commission to present a second progress report on the implementation of the Strategy and the Action Plan within eighteen months, and to develop an efficient reporting mechanism to measure the impact of outcomes and results of specific actions in the future.

As a response to that request, the Commission has adopted the second progress report on the implementation of the EU Strategy and the Action Plan for customs risk management (hereafter "the report"), which is accompanied by this Staff Working Document .

This Commission Staff Working Document provides more detailed information on the implementation of individual actions laid down in the action plan annexed to the strategy.

In the last part of the document, the Commission presents some initial ideas and suggestions for establishing a monitoring system. The system, which will be developed in close cooperation with the Member States, will enable the Commission to better evaluate the implementation of the Strategy and the Action Plan in the future.

1.2 The Strategy



Risk management was introduced into the EU legal framework in 2005 and rolled out between 2009 and 2011. On 21 August 2014 the European Commission adopted a

‘Communication on the EU Strategy and Action Plan for customs risk management: Tackling risks, strengthening supply chain security and facilitating trade’.¹

The **Strategy** embodies a number of key objectives, underpinned by the overall aim of reaching a high-quality, multi-layered approach to risk management, which is effective and efficient.

The Strategy outlines appropriate risk mitigation and control measures, to be employed at the most opportune time and place in the supply chain. It takes account of the variable nature and broad range of risks to be addressed, and the primary responsibility of customs authorities in the supervision of the EU’s international trade in goods. The Strategy also takes account of the role of other competent authorities involved in supply chain movements, and underlines the need for complementarity. It also refers to the international context of risks and the importance of international cooperation in risk management. It further takes account of: (i) the importance for the EU of facilitating and accelerating trade; (ii) the central role of economic operators; and (iii) the necessity to avoid undue disruption of logistics and supply chain processes.

The **Action Plan** details a series of measures for each objective. The actions are intended to close the identified gaps so as to achieve strengthened capacities for EU customs authorities progressively and more systematic cooperation with other agencies, economic operators and international trading partners. The Action Plan includes activities to support or develop international norms and standards where appropriate.

The Strategy identifies the following seven key objectives:

1. Improving data quality and filing arrangements;
2. Ensuring availability of supply chain data and sharing of risk-relevant information among customs authorities;
3. Implementing control and risk mitigation measures where required;
4. Strengthening capacities;
5. Promoting inter-agency cooperation and information sharing between customs and other authorities at Member State and EU level;
6. Enhancing cooperation with trade;
7. Tapping the potential of international customs cooperation.

¹ COM (2014) 527 final

1.3 The process of drafting the report

The Commission has used several means to gather information. These include: (i) the collection of open source information; (ii) the experience of the Risk Management Unit of the Directorate-General for Taxation and Customs Union (DG TAXUD); and (iii) a survey of other Commission services involved in this policy and of all Member States. Member States were only asked to report on developments on nine actions, relating variously to objectives 4, 5 and 6.

2 PROGRESS REPORTING PER OBJECTIVE



2.1 Objective 1: Improve data quality and filing arrangements for effective risk management

As mentioned in the 2016 report, the Strategy and Action Plan call for a legal framework to be set up that will ensure a high-quality supply chain data. For goods entering the EU, this concerns data on advance cargo information relating to supply chain movements. Such data needs to be available and to be correctly used by customs and other competent authorities for the purpose of risk management.

This legal framework consists of the Union Customs Code (the Code) and the detailed rules contained in the delegated and implementing acts. The Code's substantive provisions entered into force on 1 May 2016. While the legal basis for this has been adopted, construction of the main IT solution in question (the Import Control System 2 ('ICS2')) has not yet been launched, meaning that the desired results and outcomes cannot be observed yet.

Besides the need for alignment on certain technical aspects of data requirements (Code's Annex B and the system specification level) the Commission has not so far identified any major problems in the application of the Code. However, it is clear that both the benefits and the impact of the Code will only be fully evident when all the related IT systems have been deployed. Since the Code's entry into force, the Commission has continued regular meetings with Member States and trade representatives to identify and address problems with the legislation and technical aspects of the future advance cargo information system supporting the new entry summary declaration requirements.

Action 1.1		Exercise the empowerment granted in the Union Customs Code to adopt Commission acts
1.1.1	COMPLETED	For goods brought into the customs territory of the Union; conclude the analysis for necessary improvement of entry summary declaration (ENS) data, taking into account different business models, the results of air cargo security pilot actions, and evaluation of the Import Control System (ICS)
1.1.2	COMPLETED	For goods brought into the customs territory of the Union; propose a harmonised solution for collection and integration of ENS data from trade sources, based on analysis of costs and benefits and associated implementation issues (including technical, financial and organisational aspects)
Analysis of the implementation feasibility for objectives 1-2 of the EU risk management strategy has been concluded by the Customs 2020 Project Group.		
1.1.3	COMPLETED	Adopt provisions within legal acts
This action was completed with the adoption of the Code, the Delegated Regulation and Implementing Regulation. The legislation applies since 1 May 2016.		

Action 1.2		Develop and implement appropriate IT solutions
1.2.1	ONGOING	Adjust and further develop necessary IT systems for ENS data submission by economic operators, and its collection and integration for customs authorities
<p>For goods entering the EU, the reform of EU advance cargo information (the introduction of the 'ICS2' IT system) is ongoing and is in development.</p> <p>Following the agreement with the Member States in December 2017, the ICS2 as a programme will be implemented in three operational releases:</p> <ul style="list-style-type: none"> • From 15 March 2021 onwards, the new ENS requirements and the new IT system will take effect for goods in postal and express consignments in air traffic. This release will apply only to pre-loading air minimum data requirements. • The second implementation release will complete entire new ENS requirements for air traffic as from 1 March 2023. • The third release will implement maritime, road and rail requirements as from 1 March 2024. <p>The decision to start developing and building the necessary IT systems is expected at the Customs Policy Group (CPG) meeting in July 2018. The necessary IT systems consist in the Shared and National Trader Interface based on the harmonised specifications, Common Repository and National Entry System components.</p>		
1.2.2	NOT STARTED	Develop IT access by customs to economic operators' systems in the area of aviation security (Article 127(8) Union Customs Code)
<p>Start date and planning have not been decided for this action.</p>		

2.2 Objective 2: Ensure availability of supply chain data, sharing of risk-relevant information and control results among customs authorities to analyse and mitigate risks and ensure equivalent treatment of economic operators

The role of modern customs services is challenging since it needs to reconcile the management of the free flow of trade in support of trade policy and economic development with the security and safety of citizens, while still carrying out the more traditional task of collecting duties and taxes.

Improving data quality and filing arrangements and ensuring the availability and sharing of supply chain data and risk-relevant information between customs authorities depends on the development and availability of the necessary IT systems, i.e. the upgrade of the ICS2.

IT systems for other customs procedures are also to be developed or upgraded as part of the Union Customs Code.

Within this context, the use of ICT is a key element in ensuring trade facilitation and, at the same time, the effectiveness of customs controls, which significantly contributes to reducing costs for business and risks to citizens' security and safety. In this context, and with full respect to relevant data protection rules and principles, specific rules are needed on the information systems used for: (i) exchanges of information between customs authorities, and between economic operators and customs authorities, and (ii) the storage of such information using electronic data-processing techniques. Storage and processing of customs information and a harmonised interface with economic operators should be established as a component of systems offering a direct and EU harmonised access to trade, where appropriate.

The traceability of goods' movements along the supply chain is also important for providing customs authorities with relevant data on the appropriate points at which to apply customs controls. Various initiatives are contributing to the development of possible solutions for customs that would avoid duplicating data. These include: (i) the Digital Transport and Logistics Forum (DTLF) launched by the Commission on 1 July 2015 and still ongoing²; (ii) the development of a Common Information Sharing Environment (CISE)³ for the surveillance of the EU maritime domain; and (iii) the tobacco traceability solution.

² C(2015) 2259.

³ COM(2010)0584 final.

Action 2.1		Exercise the empowerment granted in the Union Customs Code to adopt Commission acts
2.1.1	ONGOING	Identify options for availability and sharing among customs authorities of supply chain data for risk management purposes
2.1.2	ONGOING	Identify options for availability and sharing of risk-relevant information, including control results, among EU customs authorities to analyse and mitigate the risks on a real-time basis

As already reported in 2016, for *entry* the analysis has been completed and laid down in the business case and vision document for ICS2.

For *customs procedures after entry* and in particular concerning the ‘Surveillance 3’ system, drafting of the L4 business process model (BPM) (functional requirements/specifications) has been completed. The business case has been updated and reviewed.

The Surveillance 3 system is to be implemented by October 2018. However, the Member States would need to make the necessary changes to their national systems in order to feed the surveillance system with the new data elements provided for in the Code Implementing Act (IA)⁴, that are over and above the data elements currently available⁵. These new elements are essential for the evolution of customs risk management systems. Under the Code Member States have a transition period until the end of 2020 to fulfil this obligation.

For *transit*, the amendment of Council Regulation (EC) No 515/97 on mutual assistance offered a clear legal basis for the Anti-Fraud Transit Information System (ATIS) and enlarged the scope of the information to be exchanged between customs authorities and between the Commission and the national authorities. ATIS is a tool facilitating cooperation among national competent authorities and with OLAF, the European Anti-fraud Office, concerning possible customs fraud for goods placed under the transit procedure. This entails processing movement records of goods which may be linked to natural persons for the purposes of fraud prevention and investigation

The common directory with data on transit declarations provided for under that Regulation, offers a tool for more effective customs investigations related to financial fraud for goods in transit. The corresponding administrative arrangement — prepared by the Commission and agreed by EU Member States and the contracting parties of the Common transit Convention except Switzerland — covers aspects of the ATIS system and has been brought into line with the above-mentioned Regulation. Further study would be needed on the needs of customs risk management and risk-based controls in all risk areas relevant to goods in transit as part of the Customs Risk Management Framework (CRMF).

The *Common guidelines for customs authorities* have been finalised (all guidance documents

⁴ UCC IA Annex 21-01.

⁵ UCC IA Annex 21-02.

are now in place).

For the *export (exit)* of goods from the EU's customs territory, the amended Regulation (EC) No 515/97 introduces a common directory of data of export declarations replicated from the Member States' national export systems. This directory will cover certain categories of excise goods, such as alcohol and alcoholic beverages, tobacco and tobacco products. This will provide a basis for more effective customs investigations on financial fraud. Further study will be needed on the needs of customs risk management and risk-based controls in all risk areas for goods exported besides the financial risks, such as the export control regime of dual-use goods, export sanctions, waste, cultural goods, etc., with regard to the Union Customs Code and as part of the CRMF.

Action 2.2		Develop and implement appropriate IT solutions
		Adjust and further develop necessary IT systems for availability and sharing of supply chain data, and risk-relevant information, including control results, among EU customs authorities
2.2.1	COMPLETED	For <i>entry</i>
		For <i>entry</i> the analysis has been completed and laid down in the business case and vision document for ICS2.
2.2.2	COMPLETED	For <i>customs procedures after entry</i>
		For <i>customs procedures after entry</i> and in particular concerning the Surveillance 3 system, drafting of the L4 business process model (BPM) (functional requirements/specifications) has been completed. The business case has been updated and reviewed. The provisions on simplifications in the Union Customs Code were made to allow for appropriate control of the operations and risk management to be carried out. For instance, the conditions to use <i>entry</i> in the declarant's records or self-assessment were regulated. On the IT side, centralised clearance will require the development of a tool for the appropriate exchange of messages to ensure appropriate supervision and management of the operations.
2.2.3	ONGOING	For <i>export and exit</i>
		As already reported in 2016, the Export Control System (ECS) Project Group begun work on developing in more detail the functional specifications, including the required export/exit specifications. This will impact the production of the technical system specifications. However, these IT developments do not address the needs for availability of data for export/exit. To ensure the availability of supply chain data among customs authorities, action

2.1 has not been launched for export/exit, although this would be necessary.

2.2.4	ONGOING	For transit
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In 2016 the New Computerised Transit System (NCTS) Project Group began work on developing in more detail the functional transit system specifications, including the phasing of the progress changes related to safety and security.

As mentioned also for the export/exit stage above under action 2.2.3, the IT developments do not address the objective on supply chain data among customs authorities. To achieve the objective, action 2.1 also needs to be launched for transit.

ICS2 - State of play



Action 2.3		Propose solutions for traceability of goods' movements during various customs control stages
1.	ONGOING	<p>Identify options for traceability of goods' movements in the various stages of supply chain movements involving more than one Member State and through data provided by economic operators</p> <p>Identify appropriate customs supervision solutions from goods' entry into the Union customs territory to their final customs</p>

		clearance, taking account of ongoing initiatives and/or by adjusting the existing customs transactions systems
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The development of a ‘**common information sharing environment**’ (CISE) in the maritime domain is promoting the exchange of relevant information among the different authorities involved.

CISE is a voluntary collaborative process, across authorities and borders, to enhance and promote awareness over the European maritime domain. The creation of common technical solutions, interoperability in procedures and other operational aspects will also boost performance in this area.

Following the revision of the mandates of the European Border and Coast Guard Agency, the European Fisheries Control Agency and the European Maritime Safety Agency (EMSA), a tripartite working arrangement was signed. The agreement sets out a framework for enhanced synergy between the agencies, enabling effective and cost-efficient support for more than 300 civilian and military authorities in those Member States responsible for carrying out coastguard functions in areas including maritime safety, security, search and rescue, border control, fisheries control, customs control, general law enforcement and environmental protection.

The Digital Transport and Logistics Forum (DTLF) is continuing its work, which is expected to end in June 2018 (its mandate, however, is expected to be prolonged for 2-3 years). The Forum, launched in 2015, aims to achieve further digitalisation of freight transport and logistics. It brings together Member States and stakeholders from transport and logistics communities to identify areas where common action in the EU is needed, to provide recommendations and solutions, and to work on the implementation of these recommendations and solutions, where appropriate.

Early 2016, the Commission launched the **eManifest pilot project** to establish a harmonised electronic cargo data set encompassing information required for the fulfilment of maritime and customs formalities when ships enter or leave European ports. A European Maritime Single Window (EMSW) prototype has been developed by the European Maritime Safety Agency (EMSA) to test the submission of the eManifest to the authorities along with the other non-cargo formalities. The pilot project will run until mid-2018.

The eManifest pilot project aims to demonstrate how different cargo notifications used for maritime or customs purposes can be consolidated in an eManifest and reported electronically in a harmonised manner to a maritime single window, together with the other reporting information covered by the Reporting Formalities Directive 2010/65/EU. The EMSW prototype developed by EMSA will be used to test the objectives of the eManifest pilot project.

The participating Member States and industry associations performed a first series of tests during Phase 1 of the eManifest pilot project (November to December 2016). The tests were intended to evaluate the submission of the eManifest formalities, together with other

reporting formalities, using the EMSW prototype. Since then, the prototype was further developed by EMSA to address the feedback provided by the testers, improve the user interface of the system and comply with the requirements identified by the pilot project participants for the pilot project's phase 2.

The Trade Control and Expert System (TRACES) is the European Commission's multilingual online management tool for all sanitary requirements on intra-EU trade and importation of animals, semen and embryo, food, feed and plants. Its main objective is to digitise the entire certification process and linked procedures and is in line with the declaration of the Digital Agenda for Europe. A project initiated by the Commission integrates electronic certificates of inspection certifying the organic status of agricultural products exported from third countries to the EU. The project also provides input to identify possible solutions on traceability of goods. The project is creating an interface including risk management information giving input in customs automated systems for import declarations.

A new project initiated by the Commission is the development of an IT system for electronic submission and management of catch certificates under Regulation (EC) 1005/2008 on establishing a Community system to prevent, deter and eliminate illegal, unreported and unregulated fishing. The project will assist Member States' authorities in carrying out their verification and risk management tasks in relation to imports of fishery products into EU.

2.	ONGOING	Put forward the appropriate approach, taking into account relevant aspects
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The implementation of this action will depend on the outcome of projects such as those mentioned above.

2.3 Objective 3: Implement the concept of ‘Assess in advance — control where required’ to respond adequately to identified EU and national risks while maximising efficiency in the use of resources and fluidity of the supply chain

This objective lies at the heart of the strategy, in the sense that all the other objectives should ultimately contribute to enabling customs to target their controls better in terms of when and where they take place.

As already reported in 2016, the progress made in this area is mainly due to the progress made on activities already under way at the time of the adoption of the strategy, including those relating to prohibitions and restrictions.

In the area covered by Objective 3 further progress has also been made, which is particularly relevant, for example, to the ‘Systems-Based Approach’ (SBA), to credibility checks and in product compliance and safety.

Action 3.1		Develop methodologies to implement the concept of ‘Assess in advance — control where required’
3.1.1	ONGOING	Propose a methodology to determine the most appropriate place and time for the application of customs controls and risk mitigation measures based on the type/level of risk, control and supply chain constraints (availability of information, documentation, and control possibilities)

Credibility checks are automated checks introduced at the clearance stage of imports. They are measures which check the compatibility of entries in the customs declaration against specific parameters.

The Systems-Based Approach (SBA) is a control methodology directed at trustworthy economic operators, with the focus on whether the operator’s internal control systems enable it to control its business and mitigate risks related to customs compliance. Under the SBA, the role of customs in overseeing individual transactions and declarations of an economic operator is to some extent, or even completely, transferred to the economic operator. The SBA requires that the respective operators undergo a pre-audit to obtain the authorisation (i.e. the internal control systems need to be tested to verify that all requirements based on the legislation are met and all eventual risks are mitigated). This gives customs adequate assurance that the information in operators’ operational and administrative accounting systems is reliable and that the operator complies with the customs regulations, which results in correct and complete customs declarations. For each operator, there must be continuous monitoring by establishing a control plan.

The work of the SBA Network and the respective Project Group was completed with submission of the SBA final report to the CPG in December 2017. The report summarises the results of SBA-related activities carried out between December 2014 and December 2017. The final report confirmed the SBA as an effective, efficient and solid control methodology

to be used to a larger extent in the future. The use of the SBA methodology could be particularly important for the control of authorisation requirements (Article 39(a) and (b) of the Code). The implementation of the SBA as a working method requires implementation of the SBA framework consisting of several building blocks identified already during Phase IV of the SBA project.

The SBA Project Group prepared the ground for further use of the SBA methodology by Member States' customs administrations with the SBA reports from Phases IV and V and the draft guidance document providing all necessary information to proceed with SBA implementation. In addition, the environment established for the SBA network on Programmes Information and Collaboration Space (PICS) can also be used for information sharing, exchange of good practices and practical consultations. Nevertheless, the current use of SBA still varies across the EU, with some countries advanced in this area of expertise while others have only limited knowledge and experience. In general, the activities of the SBA Project Group and Network have led to raising awareness of the SBA as a control methodology. In addition, the SBA should be taken into consideration for customs simplifications within implementation of the Union Customs Code.

As regards potential further steps, a new project group might be established if needed. It could provide advice and guidance for countries wishing to perform a pilot project on the SBA implementation and contribute to the work on simplifications (linked to Title V of the Union Customs Code. The SBA network on PICS will continue providing a platform for exchange of information and national practices.

Action 3.2		Perform 'proof of concept' within the main policy areas and propose appropriate solutions
3.2.1	ONGOING	Identify the main policy areas and undertake operational actions to test solutions e.g. through priority control area (PCA) actions in cooperation with relevant stakeholders

The following main policy areas have been identified: health safety (including public, animal and plant health), financial risks, intellectual property rights, and product safety and compliance. In the health safety and product safety and compliance sectors the objective is to support and give practical tools to national customs authorities to improve their controls on prohibited or restricted goods.

The Commission has drawn up factsheets setting out guidelines for the cooperation of customs and sanitary authorities for controls on goods regulated by EU law. For product safety, checklists for a selection of product categories have been drafted together with national customs and market surveillance authorities. The checklists are intended to guide customs officers when they have to carry out product safety controls on goods.

The Commission has also set up two expert groups gathering experts from the 28 Member

States' customs authorities, to address issues related to:

- protection of health, cultural heritage, the environment and nature: these areas are covered by the PARCS Expert Group, the expert group on the protection of health, cultural heritage, the environment and nature;
- product safety and compliance controls on imported goods.

The PARCs meetings are a key activity in cooperation and control of activities on the protection of health, cultural heritage, the environment and product safety. It contributes to the exchange of experience, knowledge and best practices on coordination between customs administrations and between customs administrations and competent national authorities responsible for the different policy areas at stake. It also contributes to developing risk criteria for customs controls to be carried out in these areas. This activity is ongoing.

Preparation and follow-up to actions are organised by PROSAFE (Product Safety Forum of Europe), a non-profit professional organisation for market surveillance authorities and officers in the EU and EEA. This activity is ongoing.

'Priority control area' (PCA) is the key mechanism in the CRMF. It enables the EU to designate specific areas to be treated as a priority for customs control. The identified areas are subject to reinforced customs controls carried out in a coordinated manner based on common risk assessment criteria and real-time exchange of risk information. The PCA tool has been used to coordinate EU customs actions in most major risk areas already since 2007, delivering operational results and strategic lessons, most recently for firearms risks as part of the EU response to the Paris attacks. (In the context of the firearms PCA, the Commission and the Member States explored new forms of cooperation with police (including a specific exercise with Europol on gas pistols and a fast parcels operation on illicit trafficking of firearms in 2017), which clearly demonstrated the added value of cooperation between customs and police using new forms/types of collaboration).

The Decision on Financial Risk Criteria (FRC)⁶ will enable Member States to address financial risks in an equivalent manner at the external border, without placing an undue burden on legitimate trade. It will also identify the most opportune time and place of the control depending on the scope and nature of the risk and on the availability of data and documentation.

Intellectual Property Rights (IPR):

A common customs IPR experts/risk analysis expert group will be set up in 2018. It will assess whether the existing tools are sufficient for risk analysis and IPR infringements or whether more needs to be done.

⁶ C(2018) 3293 final.

3.2.2	COMPLETED	Taking into account outcomes of the ‘Toolbox’: recommendations to provide guidance in the preparation or review of legislative acts which provide for customs controls, by describing how customs action can be envisaged in line with EU customs legislation and international trade practices.
<p>The Toolbox has been finalised and distributed to the Commission departments and national customs authorities. The action has been completed.</p> <p>The 2016 first progress report included a reference to the guidelines and checklists relating to product compliance and safety under Objective 3. A few more checklists have been drawn up since then for products covered by EU harmonisation legislation (‘harmonised products’) and will be used and updated on an ongoing basis.</p> <p>The most important new element to report is the Commission proposal for a Regulation on Compliance and Enforcement⁷. This proposal aims to structurally strengthen the legal framework for controls on goods entering the EU and to streamline cooperation between customs and market surveillance authorities for more effective checks on imported products. The stronger cooperation between customs and market surveillance authorities provided for in the proposal would be facilitated by: (i) an EU product compliance network; (ii) comprehensive national market surveillance strategies covering import and digital supply chains; (iii) structural exchange of information and data between customs and market surveillance; (iv) international cooperation; and (v) alignment with concepts of the Code, such as the Authorised Economic Operators (AEO) scheme.</p> <p>The evaluation of the current legal framework (Regulation (EC) No 765/2008) showed that the guidelines helped towards establishing a good cooperation climate between market surveillance and customs services. However, the efficiency and effectiveness of controls on products entering the EU market need to be strengthened to keep up with evolving international and digital supply chains and overall increasing imports. Market surveillance controls show that across product sectors still too many non-compliant products circulate in the single market. With imports accounting for 30 % of all harmonised products in the single market in 2015, supplies from third countries are an increasing source of non-compliant products. Despite this, constraints on human and financial resources affecting customs and market surveillance alike limit the number or depth of controls. Cooperation among authorities in a formalised EU-level network will help authorities to pool resources, coordinate control campaigns and allow them to build a common intelligence picture, taking the single market dimension into account to target controls better. Faster and more structural information exchange (for risk assessment, controls and results -e.g. goods refused for free release- can be achieved with better linked-up IT systems, using for instance the single window environment.</p> <p>The Commission has prepared, with the assistance of a group of Member State experts, a ‘Toolbox’ of recommendations to provide guidance in the preparation and review of</p>		

⁷ COM(2017) 795 final.

legislative acts that provide for customs controls. The Toolbox, is in line with the Commission Regulatory Fitness and Performance (REFIT) programme. New legislative acts in which customs controls are mentioned will now be drawn up in line with the guiding principles mentioned in the Toolbox.

2.4 Objective 4: Strengthen capacities to secure equivalence in effective implementation of the common risk management framework and to increase responsiveness to newly identified risks

The Common Risk Management Framework (CRMF) is the EU policy and legal vehicle for establishing *an equivalent level of customs control* throughout the EU. It has been created to support a common approach so that priorities are set effectively and resources are allocated efficiently with the aim of *maintaining a proper balance between customs controls and the facilitation of legitimate trade*.

The *core CRMF operations* are:

- the common risk criteria (CRCs);
- the common Customs Risk Management System (CRMS);
- customs crisis response; and
- the Priority Control Area (PCA) tool.

The systematic CRMF evaluation cycle concept is in development in close consultation with the Member States. The joint work is dedicated on improving and further developing performance indicators in the field of customs controls.

Action 4.1		Identify and address weaknesses and inappropriate variances in the current implementation of the CRMF at Member State level, where relevant through EU-level support
4.1.1	ONGOING	Analyse, determine and put forward appropriate IT solutions, where relevant through EU-level support
<p>As already reported in 2016, at EU level risk information is shared via the CRMS and implemented in the national systems and databases. Capacity gaps and variances in the national systems and applications are being identified through projects initiated by Member States, namely Entry Summary Declaration (ENS) pilot (maritime) and the common risk analysis initiative of the Land Frontier Contact Group.</p> <p>The Land Frontier Contact Group (LFCG) action and the ENS pilot are now closed. However, the LFCG Common Risk Analysis Initiative (CRAI) still exists as a sub-group/network of the LFCG and can be convened where needed (it supported Customs Eastern and South-Eastern Land Border Expert Team (CELBET) last year in exploring options for collaborative risk analysis) but for the time being has not been assigned any formal tasks.</p> <p>In the maritime sector, the Customs 2020 ENS pilot covered similar ground to the LFCG CRAI, with a different approach and similar findings. Differences in capacities of systems and the manner of technical implementation of the CRC have a major impact on results of</p>		

risk analyses. The use of different languages is also a challenge.

In January 2016 the Commission delivered the EU-classified interim summary report of the common risk analysis initiative to the Customs Code Committee-Customs Risk Management (CCC/CRM). The report identified gaps, weaknesses needs and ideas for solutions for the implementation of common risk analysis at the external land borders (road and rail).

4.1.2	ONGOING	Identify and address weaknesses and inappropriate variances by non-IT solutions
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A significant non-IT solution to address variances in harmonised implementation of customs competences throughout the EU is the EU Competency Framework (EU Customs CFW). A major goal of the competency framework is to help harmonise and raise customs performance standards throughout the EU. The Commission and Member States are active in harmonising the implementation of Common Risk Criteria (CRC). Guidance on training and performance requirements is provided in the EU Customs Performance Competency Framework.

The European Court of Auditors special report of December 2017 on "Import procedures" points out serious weaknesses linked to shortcomings in the customs legal framework as well as to ineffective implementation of customs controls on imports, which consequently affect the EU's financial interests. It also highlights that there are loopholes in controlling the import and still some room for uniformity amongst the Member States as regards performing customs controls and imposing penalties.

Action 4.2	Develop possible further capacities and enhance cooperation and coordination between customs authorities	
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4.2.1.	ONGOING	Identify and determine — at Member State and EU level — possible further capacities that might be necessary to support more effective and efficient risk management, including increased responsiveness to newly identified risks
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As already reported in 2016, the Commission, in close cooperation with Member States, has improved the use of CRMS for the exchange of risk information. In this context, various actions have been carried out.

The business case for CRMS 2 and the vision document aiming for final approval of the system have been finalised. The current go-live date is planned for April 2020.

Member States have been asked to report about the status of the sub-action, the

results/progress made (compared to longer-term aims) and the use of the results.

Status of the sub-action in the Member States:

No analysis planned	Analysis planned but not started	Analysis ongoing	Analysis completed	No reply
2	3	18	5	0

Use of results

Not at all	To a limited extent	To some extent	To a great extent	No reply
0	4	8	11	5

Overview

Member States have been very active in their efforts to identify capacities for more effective and efficient risk management. While two countries have no plans to carry out any supplementary analyses, and in a couple of countries all initiatives are still in the planning phase, in at least 23 Member States, analyses are under way or have already been completed. In many cases, several initiatives are running in parallel, with some having been completed and others being currently carried out.

Member States report few difficulties with their analysis activities, pointing rather to limited human, time and/or financial resources that affect their ability to put the results of these analyses into action.

In the December 2017 special report of the European Court of Auditors it is mentioned that Member States are not sufficiently encouraged financially to perform customs controls and recommends to consider all available options to strengthen support for national services.

IT resources

Virtually all Member States reported carrying out work to analyse and develop their IT systems. These seemingly involve various IT systems and capacities. For example, in

Belgium, the national risk management system was identified as requiring new features in the form of real-time functionalities for the production environment and the data mining analysis environment. The update is currently ongoing and expected to be finalised in mid-2018. Furthermore, a business analyst expert has been appointed to carry out a national-level impact analysis of ICS2.

New features for risk management engines are being developed and implemented in Bulgaria and Romania. Estonia developed an entire new risk engine, and the transition from the old to the new engine is ongoing, while in Sweden, new systems for risk analysis, intelligence and handling import and export messages electronically have been developed. Belgium, France, Hungary, Lithuania, Latvia and Slovakia also specifically mention activities and advances in data mining. For instance, France described a ‘project involving human resources (analysts for datamining) and installation of a new service in charge of targeting, building and implementing profiles, and monitoring/checking the efficiency of those profiles’.

The Romanian administration is upgrading the national risk management IT system to extract comprehensive statistical data for use in special reports on security and safety risk criteria and for financial risk criteria. Analysis is also planned on technical requirements to directly link the national IT management application with the CRMS. However, this work, as well as the maintenance of national IT applications, is reportedly moving slowly due to human and financial resources constraints. In some cases, development has stagnated for the time being.

In Luxembourg, the detected gaps and weaknesses are mainly due to weakened business relations with the external IT provider, which have resulted in the system currently only being maintained, without developments to significantly improve it.

Data resources

Another field where Member States (e.g. Belgium, Bulgaria, Germany, France, Lithuania) have identified development needs for improved risk management is data resources, which is often intertwined with improvements to IT resources. In Belgium, this has involved the pilot project on the customs dashboard (run by the CORE Consortium) and an analysis of the potential inclusion of additional supply chain data from multiple transport modes in risk management. In Bulgaria, an analysis of information available for risk management purposes prompted work to ensure mutual access to relevant databases of customs and authorities such as the National Revenue Agency and the Ministry of Interior, as well as an improved mechanism for the timely transmission of customs seizure information to relevant customs risk analysis units. In France, a study on companies’ compliance with ENS submissions enabled the customs administration to better identify companies who needed to improve ENS quality and quantity.

Cooperation and coordination

Many Member States pointed to needs that had been identified for improved cooperation and coordination of activities internally or externally with other national agencies (Austria, Denmark, Spain, Finland, Ireland, Croatia, Latvia, Lithuania, Poland, Romania, Slovenia

and Slovakia), and occasionally also with the customs authorities of other Member States (Austria, Finland and Slovenia). For instance, Spain and Croatia described cooperation with the police and other authorities involved in border management. With other border intervention authorities, there is cooperation to implement an electronic channel for exchanging import authorisation data collected through documentary controls for customs clearance. Austria, Croatia, Latvia and Romania also point to participation in EU or multilateral working groups, such as the Customs Eastern and South-Eastern Land Border Expert Team (CELBET) and Land Frontier Contact Group - Common Risk Analysis Initiative (LFCG CRAI) expert groups and other subgroups, and Customs 2020 joint actions.

Human resources

Many Member States have carried out gaps and needs analyses on human resources (e.g. Belgium, Bulgaria, Cyprus, Czech Republic, Germany, France, Croatia, Latvia, Slovakia). In some cases, the identified gaps may have been addressed through reorganisation or staff training, guidelines or supervision (e.g. Austria, Bulgaria, Belgium, Cyprus, Finland, Hungary, Slovenia). For instance, in Belgium, an analysis of human resources in risk management in the domain of security and safety resulted in the development of a new human resources approach. This approach, in use since the beginning of 2018, aims to use better distribution of tasks to achieve better results with the same amount of human resources in the various risk management teams. This is expected to improve opportunities for building up expertise in security and safety. In Bulgaria, the continuous need for staff skills development was noted, and the administration is carrying out an ‘ongoing process’ to ensure that this will happen.

In other cases, however, hiring more staff is the only way to obtain required expertise or deal with strained resources. For example, in Cyprus, organisational restructuring, staff training and improved monitoring and supervision have not been sufficient to address deficient capacities which arose as a result of a hiring freeze in the public sector following the financial crisis. The hiring freeze having recently been lifted, the Cypriot customs administration is now initiating a recruitment process to address the lack of resources. In Romania, the customs administration has requested an increase in the number of risk management staff, while Croatia cited a need for more staff to implement ICS2, but worried that the resources would not be available.

Systems/structures

Finally, analyses and assessments of various systems, structures and working methods have also been relatively common (e.g. Austria, Belgium, Cyprus, Finland, Hungary, Italy, Luxembourg, Latvia, Romania). For example, in Ireland, a centralised customs hub has been established where documentary checks are currently being undertaken for two customs stations and which will eventually be the single national site for handling orange-routed customs declarations for goods being imported and exported through all ports and airports.

The LFCG CRAI still exists as a valuable sub-group/network of the LFCG and can be convened where needed (it supported CELBET last year in exploring options for collaborative risk analysis). However, for the time being it has not otherwise been assigned

any formal tasks.

4.2.2.

ONGOING

Analyse and identify options for further enhanced proactive cooperation, coordination and better risk assessment of the supply chain on a real-time basis in cooperation with the Member States

Member States have been asked to report about the status of the sub-action, the results/progress made (compared to longer-term aims) and the use of the results.

Status of the sub-action

No analysis planned	Analysis planned but not started	Analysis ongoing	Analysis completed	No reply
2	3	16	6	1

Use of results

Not at all	To a limited extent	To some extent	To a great extent	No reply
1	2.5	14	3.5	7

Overview

As with sub-action 4.2.1, Member States have several initiatives running in parallel under sub-action 4.2.2, making it difficult to discuss the amount of progress in straightforward terms. Analyses have been conducted in various fields and regarding various capacities, in many cases related to the sub-actions under Objective 5, with none presenting themselves as particularly prevalent. In general, these often related to EU-level and multilateral projects and working groups. The Member States considered sub-actions highly useful for facilitating and improving proactive cooperation and coordination, and frequently reported their intention to continue participating actively.

The Member States cited few difficulties in carrying out analyses under sub-action 4.2.2; only Belgium and Romania noted the recurrent problem of insufficient human resources and training. However, procedural or system weaknesses and frustrations were mentioned as obstacles to acting on the results of the analysis carried out.

Specific activities carried out

Virtually all Member States reported analysis within the various working groups and joint initiatives and projects, at EU level, multilaterally and bilaterally, both in long-term projects and through individual meetings, workshops or study visits. The reported participation varies slightly, with France, for example, stating involvement in all DG TAXUD-managed groups, while for instance Croatia indicating that it participates in risk management, IT and business-related groups.

At EU level, reported projects, initiatives and working groups include ODYSSUD (contact group of customs managers working in the major southern ports of the EU), ICARUS (contact group of customs managers working in the major EU airports of the EU), LFCG (Land Frontier Contact Group), RALFH (contact group of customs managers working in the major northern ports of the EU), CDTPG (Customs Detection Technologies Project Group), ConTraffic-ENS, ConTraffic-SAD, Europol Serious and Organised Crime Threat Assessment (SOCTA), security risk rules, financial risk rules, and different CRMS network subgroups. Corresponding examples at the multilateral level include BAXE, the Benelux group, the Visegrad group, and CELBET.

4.2.3.	ONGOING	Put forward and implement appropriate solutions (including IT) for developing necessary further risk management capacities at Member State and EU level (also considering solutions proposed by EU-funded research projects), including enhanced cooperation and coordination between the customs authorities
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According to the agreed phased and block implementation approach and as set out in the ICS2 business case, further analysis of Block 2.1 implementation will be carried out in 2019. This will involve data analytics, ENS data enrichment and automated execution of the common risk criteria for interested Member States. The analysis will take into account operational needs and requirements, and legal and IT aspects. Agreement for implementation (the ‘Go decision’) with the Member States is scheduled for end-2020, and implementation of Block 2.1 is planned as part of release 2 i.e. on 1 March 2023.

Member States have been asked to report about the status of the sub-action, the results/progress made (compared to longer-term aims) and the use of the results.

Status of the sub-action

For sub-action 4.2.3, the Member States were asked to describe any further measures to improve the implementation of the CRMF, in addition to those already described for the previous sub-actions. Sub-action 4.2.3 thus established a catch-all umbrella for any activities that the respondents could not place under other sub-actions. However, overlaps occurred with other sub-actions under objectives 4 and 5.

Most Member States reported improved, continuously developed or otherwise well-functioning national IT and electronic analysis systems (Belgium, Greece, Finland, France, Croatia, Hungary, Ireland, Lithuania, Luxembourg, Latvia, Poland, Romania, Slovenia and United Kingdom). Some of these systems cover customs functions in a comprehensive manner, while others are more targeted: for instance, in Ireland a new national intelligence

management system (NIMS) has been developed, of which Phase I & II focused on the reception and risk assessment of passenger and freight movement information from selected transport operators. The NIMS reportedly facilitates and has improved recording, categorisation and use of data and contributes to the development and use of intelligence to target cases for intervention based on risk. Similarly, in Italy, the automated tool SIDDA supports trend analyses for undervaluation, overvaluation and outliers, based on statistical analyses of data from customs declarations. Meanwhile, Luxembourg is planning the launch of its new Luxembourg customs clearance system (LUCCS).

Existence of challenges, difficulties and barriers

The most commonly identified remaining barrier to the effective implementation of the CRMF at the national level appears to be poor data quality, availability or usability (Austria, Belgium, Bulgaria, Cyprus, Finland, Lithuania, United Kingdom). For instance, Belgium underlines that for the efficient functioning of the CRMF, risk management information from other Member States should be automatically usable by the national risk management system, whereas today such information must be interpreted and translated manually before it can be used. Together with Greece, Belgium also believes that there should be more sharing between Member States of the results of controls. The Austrian respondents equally find that lacking information makes risk assessment of economic operators based in other Member States very difficult; accordingly, CRC hits are today ‘in most of the cases’ false positives.

The poor data quality and availability seems to relate partly to IT systems that are not fully interoperable and insufficient coordination among Member States, which is mentioned in a few responses. For example, the Bulgarian respondents describe functional weaknesses in the New Computerised Transit System (NCTS), which do not allow the transfer of risk analysis results from customs transit offices and thus hinder the performance of customs controls at the most appropriate place and time.

Leading on from this, most Member States do not request new IT systems, but rather call for a strengthening of existing communication channels. For instance, Latvia suggests that the CRMS should better support fast information exchange, while the Greek administration proposes that all Member States should have identical lists of dangerous goods and similar.

Several Member States furthermore mention different types of resource limitations: human resources, training resources, financial resources and IT resources. New challenges are also anticipated related to future developments such as the roll-out of new systems (e.g. ICS2) and changes in the operational environment (e.g. increasing e-commerce volumes).

Action 4.3		Develop further national and EU level customs threat and risk assessments for the full range of threats and risks
4.3.1.	ONGOING	Work on a strategic analysis to identify trends of illicit trade crossing EU borders with a view to better identifying common

		profiles of illicit trade within the CRMF
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The Decision on Financial Risk Criteria (FRC) which was adopted on 31 May 2018⁸ sets out the common risk criteria that have to be used to address specific types of financial risks: economic operators at risk, goods at risk, undervaluation, evasion of anti-dumping duties, misclassification, undue quotas, undue preferential origin, undue suspensions, customs procedures at risk (e.g. CP 42) and customs simplifications. FRC will be used in the everyday electronic risk management process to harmonise the selection process for customs controls.

This Decision will enable Member States to address financial risks in an equivalent manner at the external border, without placing an undue burden on legitimate trade. It will also identify the most opportune time and place of the control depending on the scope and nature of the risk and on the availability of data and documentation.

4.3.2	ONGOING	Develop customs threat and risk assessments at national level and ensure that their results are shared and deployed in the CRMF and used for development and refinement of the common risk criteria and standards, where appropriate
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Member States have been asked to report on the status of the sub-action, the results/progress made (compared to longer-term aims) and the use of the results.

Status of the sub-action

Developing customs threat and risk assessments at national level				
No activity	Low priority	Medium priority	High priority	No reply
0	0	7	21	0
Sharing and deploying these in the CRMF				
No activity	Low priority	Medium priority	High priority	No reply
0	6	13	9	0

⁸ C(2018) 3293 final.

Results/progress made

Developing customs threat and risk assessments at national level				
None	Limited	Some	A lot	No reply
2	0	14	12	0
Sharing and deploying these in the CRMF				
None	Limited	Some	A lot	No reply
3	6	12	6	1

Overview

The level of priority of developing customs threat and risk assessment at national level is very high in the Member States, while sharing and deploying the assessments in the CRMF is prioritised to a lesser extent. Several Member States noted that the process of developing customs threat and risk assessment is ongoing and continuously developing work that in many cases has not changed fundamentally in recent years (i.e. Belgium, Germany, Estonia, Spain, France, Romania, Sweden, Slovakia and United Kingdom). Compared to the level of priority, actual progress has been more modest. This may be in part explained by the Member States' different starting points, with many of them considering the threat and risk assessment activities to be at a good level before the launch of the strategy (making further progress difficult to achieve). There also seemed to be different interpretations of the work envisaged for this sub-action.

Some overlap may be noticed between sub-action 4.2.1 and sub-actions 4.3.2 and 5.1.2: for instance, groupings of officials have been mentioned under these other sub-actions as well (e.g. financial risk criteria, various CRMF and CRMS working groups, ENS Maritime, ENS Contraffice, etc.). Results relevant for the sub-action may have been achieved in such settings, but respondents rarely described them in detail for this sub-action and hence they are not discussed again at length.

Developing customs threat and risk assessment at the national level

New risk assessment tools and practices developed under the CRMF at national level have taken various forms. Reorganisation and the creation of new units and improved internal coordination and cooperation within customs authorities have supported the development of threat and risk assessment (e.g. Denmark, Spain, Finland, Croatia, Italy, and Latvia). In Denmark, a new dedicated analysis-division and a 24/7 risk assessment unit are working with open- and closed-data sources to validate information from e.g. Risk Information Forms (RIFs), while in Spain new working groups are being created in areas where threats or risks have been identified (e.g. e-commerce, customs procedure 42, excise duties) to facilitate the exchange of experience and information. In Lithuania, customs officials with special training have been appointed to monitor the internet with the help of open source intelligence

techniques and of analyses of dark web marketplaces. Sweden has established new national analysis and intelligence centres.

New national IT systems and tools have been developed and put into use, and old ones have been updated (Bulgaria, Denmark, Spain, Hungary, Lithuania, Luxembourg, Romania, Sweden and Slovakia), leading to significant improvements to risk assessment. For example, in Slovenia, a new electronic system for the collection of excise duties and environmental taxes has been considered very helpful, as the system allows for better accounting control, thereby facilitating risk identification. In Lithuania, system updates have made it possible to take in a larger range of declaration types, creating more sophisticated risk rules and more comprehensive data analysis. Improvements in and increased usage of tools such as datamining and open source intelligence have furthermore improved analysis and resulted in a larger amount of seized goods, especially prohibited, restricted and counterfeit medicines. In Bulgaria, a new system allows for the gathering and storing of data from all customs physical inspections performed inland, at external borders and by mobile teams. In Portugal, the interoperability of existing systems has been improved.

Other measures have also been introduced, but are difficult to categorise in a meaningful way: for instance, Austria and Cyprus have conducted mapping exercises for specific risk areas or on high-interest countries, while Luxembourg has investigated the increased use of non-intrusive detection equipment. In some Member States, revised methods, processes or strategies have resulted, or are expected to result, in more coherent risk assessment (e.g. Austria, Ireland, Poland and Slovakia).

The measures mentioned have led to related progress in several areas, especially in improved data quality, more consistent, efficient and effective use of information and other resources.

Sharing results of customs threat and risk assessment in the CRMF

Few concrete examples were given by the Member States regarding the sharing of results of customs threat and risk assessment in the CRMF. However, there is more sharing through the CRMS, with some concrete results described in more detail. For example, the Slovenian respondent described a recent example where several kilograms of khat were discovered at the airport in the checked baggage of airline passengers. The seizure was reported in the CRMS, and in the following weeks several similar attempts were thwarted across Europe. Aside from the CRMS, sharing in the CRMF is described to take place through meetings, seminars and personal relations.

Related progress seems to concern mainly ‘more consistent and effective’ sharing. Many Member States report efforts to promote the use of CRMS among customs officials and in all customs processes (e.g. Luxembourg and Latvia). Concrete progress has often been difficult to measure or describe in concrete terms. However, Cyprus noted that its use of CRMS to share risk information has more than doubled in the last few years. Furthermore, the Romanian national risk typology has been aligned with those in the CRMS, while in Croatia risk profiles are increasingly considered from the perspective of sharing the data through CRMS.

Existence of challenges, difficulties and barriers

Yes	No	No reply
15	10	3

Compared to sub-actions under objectives 5 and 6, sub-action 4.3.2 has apparently been more challenging for the Member States, with as many as 15 of them reporting having faced significant difficulties.

The main areas referred to as obstacles were scarce resources and lack of data availability. In terms of resources, it was human and financial resources and time that were found lacking (Belgium, Bulgaria, Cyprus, Greece, Lithuania, Romania and Portugal). As examples, Bulgaria reported that the volume and diversity of tasks prevented designated officers from focusing on improving threat and risk assessment, and Romania described lacking both the time and linguistic expertise to deal with documentation in English. Greece and Cyprus noted a general lack of human and financial resources, while Lithuania and Portugal referred to the cost of new technologies and the need to update IT systems to handle incoming data.

The other significant challenge identified is the low data quality, including from other Member States and national authorities, but mainly from economic operators (Austria, Belgium, Lithuania, Malta, Romania, Slovenia and United Kingdom). Lithuania and Malta state that the quality and format of cargo data often make it difficult to use it in a meaningful way, with Lithuania attributing this to the varying and often too ‘soft’ data requirements of different declarations. Meanwhile, Belgium expressed concerns on the ‘data quality and lower level of responsiveness of [some] partner Member States’, and Slovenia stressed that better quality data and uniform access to customs data within the EU would increase efficiency. The complexity of legal frameworks and differences between national legal systems were additionally mentioned as obstacles by Portugal and the Netherlands. The complexity of data and outdated IT systems were brought up by Belgium and Finland.

Member States also noted some problems with the use of CRMS. Occasionally, small cases that are of little interest to other Member States are shared, reducing the system’s relevance. This may reflect an unintended consequence in Member State targets related to, for example, the amount of sharing. In contrast, when risk information is of EU-level interest, respondents suggest it should be shared at this level, so as to avoid duplicates Risk Information Forms (RIFs) from the Member States. The guidelines are thought sufficient in this regard; the problem lies in their interpretation and implementation.

Austria, Cyprus, the Czech Republic, Estonia, Germany, Ireland, Latvia, the Netherlands, Slovenia and Sweden mentioned that this action is part of daily operations.

Italy, as a member of the CRMS analysis group, implements the outcomes of the group’s analysis. Italy has also reached an agreement with the main international express couriers in order to directly access their handling systems to detect immediately new trends and threats in the risk field. In addition, Italy has developed an automated tool (SIDDA). The tool assists Italian customs in trend analysis for — among others — undervaluation, based on statistical analyses of data from customs declarations on the unit price of consignments.

Poland has developed a similar IT tool (based on statistical measures) for preventing undervaluation of customs value in textiles and footwear for imports to the country. This has contributed to an increase of the declared customs values for the above-mentioned goods.

The Dutch customs authorities are participating in national meetings on the EU policy cycle and in national operational activities for EMPACT (organised crime threat assessments). On a tactical level, senior customs officers and management meet with their colleagues to discuss and verify national threat analyses. With a view to achieving multi-agency cooperation (Objective 5) at a more operational level, customs intelligence officers liaise with their counterparts in various other law enforcement agencies. The aim is to ensure sharing of relevant targeting information.

Cyprus indicated that the national government data warehouse has been recently developed in order to collect, link and analyse information obtained from various databases, including Import Control System (ICS), Export Control System (ECS) and customs declaration systems. Various reports can be produced, including risk assessments and compliance measurement, through the results monitored by the appropriate key performance indicators.

In Lithuania, the Customs Criminal Service prepares annually the list of priority directions for the coming year. Threat assessment and discussions between leading experts take place during the preparation of the list, which is approved by order of the Director of the Customs Criminal Service. After that, the list is made available for obligatory use to all officers of the Customs Criminal Service. The list of priority directions contains: (i) control of circulation of narcotics and precursors; (ii) control of illegal transportation and command of excise goods; (iii) focus on organised crime and most dangerous offences; (iv) further improvement of risk management and targeting; and (v) strengthening cooperation with other national control institutions and with institutions in other countries, as well as with international organisations.

Poland has structured task force groups specialised in most of the strategic areas of functioning of the customs service, such as tobacco products, mineral oils and illicit drugs. These groups coordinate and/or initiate actions at local as well as national level. They also coordinate the cooperation with other government agencies. The Strategic Centre of Analysis of Customs Service (NRAC) creates strategic analytical reports, which are implemented in the Polish automated customs environment ZISAR.

4.3.3.	ONGOING	Develop customs threat and risk assessments <u>at EU level</u> and ensure their results are shared and deployed in the CRMF and used for development and refinement of the common risk criteria and standards, where appropriate
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See the work carried out by the CRMS analysis group as mentioned above for action 4.3.1. The group continues updating analysis of data for specific risks in 2016.

Action 4.4	Further develop EU common risk criteria and standards (CRC) for the full range of risks, in cooperation with the
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		competent services
4.4.1.	ONGOING	Develop further, under the CRMF, EU common risk criteria, where relevant, together with competent authorities for the full range of risks associated with goods' movements
<p>This action occurs for 11 different policy areas: aviation security; product safety and compliance; health and consumer protection; animal, food, feed and plant health and safety; Intellectual Property Rights; financial risks; non-proliferation and conventional weapons; the environment (waste, ozone-depleting substances (ODS), wildlife trafficking, chemical products); drug precursors; cash controls and cultural goods. As the actions cover a variety of policy areas, the Directorate-General for Taxation and Customs Union (DG TAXUD) has introduced initiatives in close cooperation with other relevant Commission departments.</p> <p>Drug precursors: this work is ongoing, with a clear requirement to develop the use of the RIF in the management and control of drug precursors. In 2018 it is proposed to use the Customs 2020 programme to address the issue of risk-based controls and the use of the RIF for the targeted control of irregular trafficking in drug precursors.</p> <p>On the control of the illicit movement of waste shipments, work is ongoing in the context of cooperation between the EU and China to highlight the risks, enhance cooperation and coordination between the competent authorities and customs and to share risk information through the appropriate channels.</p> <p>For cultural goods, the work concerns mainly the restrictions on the import of cultural goods from Iraq and Syria. An EU risk profile for imports has been created. To identify the parameters of this problem and establish an appropriate risk management approach in this area, we need more expertise from various sources in the field, including the expert group that was created on customs and cultural goods. This work is ongoing.</p> <p>It has been widely reported that illicit trafficking of cultural goods is a source of terrorist financing. To enforce restrictions on the import of cultural goods from Iraq and Syria, an RIF for imports has been created. To further identify the parameters of the problems related to the illicit trafficking of cultural goods, the Commission launched a study to map the situation in the EU, which highlighted solutions (binding measures, coupled by 'soft law') on how the problems could be best tackled.</p> <p>Regarding the air cargo security Common Risk Criteria and risk indicators, the Directorate-General for Migration and Home Affairs (DG HOME) closely cooperated with other Commission departments, national customs authorities, civil aviation and experts. Work on identifying the criteria has been concluded. However, the operational implementation of these criteria and risk indicators depends on the operational implementation of objectives 1 and 2. This includes the additional risk analysis capacity envisaged to electronically implement risk rules for these criteria at EU level. An end date for completing this project can therefore not yet be indicated.</p> <p>On product safety and compliance, a document entitled 'Cooperation between Customs and</p>		

Market Surveillance Authorities (MSA) on risk management in the area of product safety and compliance controls on imported goods’ was finalised and shared with Member States in December 2015. The document provides a methodology for the exchange of risk information between customs and market surveillance authorities. Over the years, numerous operational activities have been undertaken in the product safety and compliance sector.

On health and consumer protection, in close cooperation with Member States the Commission has drafted factsheets for a selection of legislative acts in the area of health and safety, setting prohibitions and restrictions at the border. Each factsheet gives a description of the legislative framework, the role of customs and the documentary and physical checks to be applied, and cooperation with other authorities. These factsheets provide a basis to evaluate the best place for customs to control and whether further recommendations for customs and other agencies need to be formulated.

The Commission also worked on the drafting of factsheets on animal, food, feed and plant safety. The factsheets were discussed with Member States and distributed after finalisation.

A workshop with customs and veterinary authorities was held in March 2016. Issues of common interest for both authorities were discussed, such as scenarios of import controls, cooperation between authorities, transit, and the EU single window (CVED).

On the control of the correct application of VAT at importation, the Commission proposed in November 2017 to give customs authorities access to VIES and to share data on VAT-exempt imports directly from the customs import system with the tax authorities in another Member State. These measures⁹ will streamline the control process for VAT-exempt imports and close an important loophole in the VAT system. To correctly implement these measures, efficient and lasting cooperation will need to be established between customs and tax administrations at EU and national level. The Commission is exploring possible ways to establish such a framework.

On financial risks, the Decision on Financial Risk Criteria (FRC) is a response to the weaknesses identified by the European Court of Auditors’ report and aims to develop a common, broad-ranging approach on the way to address financial risks in the EU. The Decision sets out the CRC that have to be used to address specific types of financial risks: economic operators at risk, goods at risk, undervaluation, evasion of anti-dumping duties, misclassification, undue quotas, undue preferential origin, undue suspensions, customs procedures at risk (e.g. CP 42) and customs simplifications. FRC will be used in the everyday electronic risk management process to harmonise the selection process for customs controls. The Common Risk Criteria need to take account of the proportionality to the risk, the urgency of the necessary application of the controls and the probable impact on trade flow, on individual Member States and on control resources.

4.4.2.	COMPLETED	Propose and adopt appropriate legal acts for the new EU common risk criteria

⁹ COM(2017)706 - The ECOFIN of 22 June 2018 reached a political agreement on the Commission's proposal.

As already reported in 2016, this action is completed.

Action 4.5		Systematically monitor, evaluate and improve implementation of the EU risk management by the Member States and measure performance of the CRMF
4.5.1.	ONGOING	Continue to evaluate and improve the effectiveness and efficiency of the existing CRC; improve the arrangements for CRC review
<p>The Commission developed the CRMF evaluation cycle model with the 28 Member States, and used a Commission CRMF sub-group to cover both the delivery of the first systematic CRMF evaluation cycle report (closed as of 20 December 2017) and to liaise with Customs Union Performance.</p>		
4.5.2.	ONGOING	Develop a structured approach (evaluation cycle) for systematically monitoring, evaluating and improving implementation of EU risk management by the Member States and measuring the performance of the CRMF, to ensure harmonised, effective and efficient implementation
<p>The CRMF evaluation cycle concept is being developed in close consultation with the Member States. The overall concept and the specific areas for the CRMF evaluation cycle and the Customs Union Performance (CUP) measuring overall performance of the Customs Union are mutually supportive and consistent approaches are applied where possible. Close coordination is ensured between the Customs Code Committee — Section Controls and Risk Management and the CRMF Sub-Group on one side and the CUP Project Group and its Sub-Group on Controls on the other side (the work of that CUP Sub-Group is dedicated to improving and further developing performance indicators in the field of controls). The CRMF Sub-Group and the CUP Sub-Group on Controls work closely together on all key issues related to control indicators (several joint meetings took place in 2016 and 2017). This avoids duplication of data collection and encourages re-use of data where appropriate. It also ensures that initiatives develop along mutually complementary paths.</p> <p>Based on consultations and joint meetings of the CRMF and CUP groups in 2016 and 2017, the definitions of the CUP risk-based control indicators were amended in 2017 to ensure their full alignment with the Union Customs Code (Article 46(2)). In addition, further clarifications were provided in the CUP Guidance Notes concerning the definitions of the control indicators, while quality assurance activities were also carried out in this field.</p> <p>As regards CUP indicators for post-release controls, the definitions of the indicators were also aligned with the Union Customs Code terminology in 2017. To improve analysis in the post-release area and to be able to monitor further aspects of the Code implementation, a separate</p>		

sub-indicator on re-assessment audits was introduced in 2017.

A survey on controls of passenger traffic, mobile controls and non-intrusive inspections was prepared, carried out and evaluated in cooperation between the CUP and CRMF during 2017. The survey took into consideration a gap analysis of control indicators and was based on policy requirements. It was constructed as a mapping exercise to obtain general information on data available at Member State level in the above areas. The structure, content and outcome of the survey were also consulted within the CUP Network and the Customs Expert Group — Section for Customs Control and Risk Management. The CELBET expert team was also involved in the initial drafting process. From the policy perspective, valuable information was collected through the survey, particularly in the light of the role of customs in the increasingly important area of security. The survey was also closely linked to the Commission Communication on developing the EU Customs Union and its governance¹⁰, particularly as regards the need to develop the key performance indicators for the Customs Union and enhance cooperation between customs and other authorities.

A pilot exercise will be carried out based on selected elements of the survey in 2018. The outcome of this pilot will provide a basis for further development of the CUP indicators, mainly as concerns sub-indicators on seizures in passenger traffic, and will also be used for the purposes of the CRMF evaluation work.

¹⁰ COM(2016) 813 final.

2.5 Objective 5: Promoting inter-agency cooperation and improving information sharing between customs and other authorities at the Member State and EU level to ensure effective risk management

All Member States reported broad, well-functioning and often daily cooperation with other national authorities (especially other law enforcement authorities and tax authorities) and agencies.

Action 5.1	Develop further cross-sectoral cooperation arrangements, improve sharing and accessibility of (risk) information and customs involvement in risk and threat assessments
5.1.1	<p style="text-align: center;">ONGOING</p> Develop further the cooperation arrangements between customs and other competent authorities, with a view to ensuring complementarity of roles in supply chain risk management
<p>The previous cooperation and coordination between enforcement authorities at EU level on Intellectual Property Rights (IPR) infringements has led to the seizure of millions of fake and possibly harmful products and helped take down several transnational criminal networks. The Intellectual Property Crime Coordinated Coalition (IPC3) set up within Europol and co-funded by the European Union Intellectual Property Office (EUIPO) was at the forefront of such efforts. The IPC3 centre provides operational and technical support to law enforcement agencies and other partners in the EU.</p> <p>The Customs Cooperation Working Party has been given a mandate to take action in the policy area of IPR infringements under its 2018-2019 action plan (point 9.5 ‘Fight against IPR infringements’). The draft mandates were adopted on 31 January 2018.</p> <p>Future action would identify examples of IPR infringements and analyse links with the Organised Crime Group (OCG)’s activities. The main objectives would therefore be to:</p> <ul style="list-style-type: none"> • map trafficking routes, get a clearer picture on the illicit traffic of counterfeit packaging items and detect the groups involved in the intra-EU trade of assembled products; • identify the major risks associated with infringement practices; • improve cooperation between law enforcement, customs and police bodies and market surveillance authorities; • increase the exchange of information and best practices. <p>There will be a two-year activity period (from January 2018), with an interim report expected in early 2019. Coordination with the European Commission will be through the European Anti-Fraud Office (OLAF) and the Commission Directorate-General for Taxation</p>	

and Customs Union (DG TAXUD).

On Forest Law Enforcement Governance and Trade (FLEGT), guidelines have been completed and may be subject to review in 2018. The guidelines explicitly refer to the use of risk management in profiling and controls in this sector.

In 2016, the Commission adopted a Regulation setting out a preliminary correlation table between customs and waste codes¹¹. This table is intended to step up the enforcement of the Waste Shipment Regulation whereby customs officials would be able to identify potential waste streams more easily. The table has been intended to serve as a tool to assist curbing illegal exports of waste out of the EU.

In addition, the Guidelines on Waste Controls have been completed and published. They refer explicitly to risk-based targeting and controls. Both sets of guidelines are very important to cooperation between customs authorities and competent authorities in the implementation of the relevant legislation.

Policy cycle and the ninth CCWP action plan — involvement of the customs authorities

In May 2017, the EU adopted new priorities on crime for the 2018-2021 EU policy cycle for the combat of serious international and organised crime. Customs authorities' involvement in implementing the policy cycle increased on previous years, but their participation is still selective and limited to some crime priorities (mainly excise/ Missing Trader Intra-Community (MTIC) fraud and environmental crime priorities). In addition, the commitment of customs authorities differs between Member States (only four Member States participated in the drafting of more than four operational action plans in 2018). Synergies between the 2018-2021 EU policy cycle and the ninth CCWP action plan (2018-2020) were further strengthened: complementary actions are led by the same actors, joint police and customs operations have been organised, etc.. Furthermore, the ninth CCWP action plan includes action on 'Better integration of customs in the EU Serious and Organised Crime Threat Assessment (EU SOCTA)' covering not only customs participation in the EU SOCTA, but also broader cooperation between customs and Europol, focusing on identifying areas where improvement is needed, best practices, and development and preparation of awareness raising/training.

Cooperation with Europol

Europol is further developing its cooperation with customs authorities. The report on the implementation of the 'Strategic Review: Europol and customs' confirmed the need to further strengthen the presence of customs officials in Europol, including the need for customs to be able to access Europol's information systems (SIENA). Europol also annually organises a meeting of directors of customs agencies under the aegis of the European Police Chiefs Convention.

In the last two years, the Directorate-General for Taxation and Customs Union (DG TAXUD) has been in contact with Europol to encourage the exchange of specific risk

¹¹ (EU) 2016/1245.

information taken from CRMS and from SIENA. As a result CRMS/RIFs were issued on counterfeit banknotes, forged authorisation documents used to procure firearms from legal dealers and on weapons parts and a 3D printer machine used to produce weapons parts. All have received feedback from Member States' customs authorities and have been integrated in their targeting systems. In addition, DG TAXUD (with the support of the Member States) provided to Europol a detailed analysis of EU trends in narcotics trafficking, based on seizures by EU customs in 2014 and 2015.

The cooperation between the European Anti-Fraud Office (OLAF) and Europol was further strengthened. OLAF is an associated service for Europol's COPY analysis project dealing with organised crime on IPR. In accordance to the Europol Regulation, OLAF has indirect access to information in Europol databases. OLAF also recently signed with Europol a memorandum of understanding on secure communication and was connected to the SIENA system. This is expected to facilitate communication between these two bodies.

As regards operational cooperation in the last few years, several joint police and customs operations have been organised, focusing on different crime areas. One such operation was the ARMSTRONG II operation on firearms.

Police and customs cooperation exists also in many Police and Customs Cooperation Centres (PCCCs). Among the 59 existing multinational cooperation centres, around a half include one or more customs representatives. The 'single points of contact' (SPOCs), located mainly in international police cooperation departments, serve as a single contact point for all international police cooperation requests. Here also, the presence of customs officials is vital. Both SPOCs and PCCCs have as one of their main tasks to ensure information exchange on cross-border crime.

Food safety and consumer health

Food safety and consumer health are addressed in the recent Council/EP Regulation on official controls¹². The Commission is currently preparing a delegated act and an implementing act for that Regulation. The responsible working group meets regularly and work will continue throughout 2018. The delegated act and implementing act should apply as of 14 December 2019.

Cooperation has been constructive. A third consultation with Member States took place on 18 and 19 January 2018. Similar consultations will be scheduled every 2 months.

Food fraud has a clear impact on consumer health and trust towards the food industry. Following some high-profile scandals (e.g. mislabelled horse meat) the issue has become politically sensitive.

¹² Regulation 2017/625, referred to as the Official Controls Regulation or 'OCR'.

Animal, food, feed and plant health and safety

Since the end of 2016, the administrative assistance and cooperation system (a dedicated IT application known as the ‘AAC’) available to the Member States for exchanging cases has been split into two strands, one dealing with non-compliance classified as fraudulent activities along the agro-food chain (AAC-FF) and the other dealing with any other non-compliance (AAC-AA).

In 2017, a total of 775 cases were exchanged through the AAC, of which 597 in the AAC-AA and 178 in the AAC-FF. The fact that this number is considerably higher than in 2016, when approximately 240 cases were exchanged, is partly due to the fact that under an EU coordinated control programme on online offered food products, the Member States were asked to identify websites which offer for sale specific types of products that are clearly not in compliance with the EU food law and to use the AAC-AA to report these cases.

COI certificates in TRACES

The Commission services have developed the certificate of inspection (COI) on the new TRACES platform, TRACES NT. Following Commission Implementing Regulation (EU) 2016/1842 of 14 October 2016, the COI certificate has been available since 19 April 2017, while the use of the TRACES NT platform has been mandatory since 19 October 2017. 40 000 certificates have been issued so far.

Catch certificates in TRACES

The Commission services are currently developing Catch (for the introduction of Catch certificates) on the new TRACES platform TRACES NT. The requirement for presenting paper Catch certificates upon imports of fishery products has been mandatory since 1 January 2010 in order to prevent imports of illegally caught fishery products into the EU. The Commission has introduced a legal obligation for importers to use Catch upon imports of fishery products.¹³ The purpose of Catch is to assist Member States' authorities in the verification and risk management of imports of fishery products into the EU. On average Member States receive more than 200 000 Catch certificates per year.

New action envisaged: Food fraud network and the AAC system

The creation of IMSOC (the Integrated Management System for Official Controls) will integrate the existing EU systems (RASFF, AAC, TRACES, ADNS, EUROPHYT¹⁴) and streamline the procedures for the rapid exchange of data on official controls in the agro-food sector. The IMSOC will provide a generalised possibility to exchange information with customs (i.e. the EU single window with CERTEX¹⁵ for TRACES), and to receive feedback

¹³ COM (2018)368.

¹⁴ RASFF: Rapid Alert System for Dangerous non-food products, AAC: Administrative Assistance and Cooperation, TRACES: Trade Control and Expert System, ADNS: Animal Disease Notification System, EUROPHYT: European Union Notification System for Plant Health Interceptions.

¹⁵ CERTEX: Certificates Exchange

directly from third countries within the systems. Moreover, the IMSOC will be connected with each Member State’s national systems for all traceability requirements, so that there will always be a record in this system of what is coming into the EU.

The dematerialisation of documentary controls at border for sanitary and phytosanitary reasons is also among the future actions. This will result in a very high quality and quantity of information in the relevant databases, which will be used to perform predictive analysis on consignments to determine the risk and streamline the frequency of controls.

Health protection

New official control legislation has been adopted¹⁶ and the Commission services are currently preparing the implementing and delegated acts related to the implementation of this Regulation. The intention is to adopt all the implementing acts and delegated acts before December 2019, especially the implementing act on Article 75 on Border Crossing Points (BCP)/customs cooperation.

Environment

In 2015, the Commission services, in cooperation with Member State competent authorities, prepared and published guidelines for customs officials to help them in the enforcement of the Waste Shipment Regulation (Regulation (EC) No 1013/2006). These guidelines, together with a special factsheet that was also prepared, are considered an important tool for customs officials when it comes to the control of waste entering, existing or transiting through the EU. The Commission plans to update the 2014 ‘Customs and FLEGT Implementation Guidelines’.

Product compliance and safety

Since the publication of the first progress report in 2016, a few more checklists were drawn up for products that are subject to EU harmonisation legislation (‘harmonised products’). The checklists will be used and updated on an ongoing basis.

5.1.2	ONGOING	Ensure customs participation in relevant supply chain security threat and risk assessments at national and EU levels and ensure the integration of this work into customs risk management of the supply chain
Member States have been asked to report on the status of the sub-action, the results/progress made (compared to longer-term aims) and the use of the results		

¹⁶ Regulation 2017/625.

Status of the sub-action

No activity	Low priority	Medium priority	High priority	No reply
0	2	5	21	0

Results/progress made

None	Limited	Some	A lot	No reply
0	2	16	9	1

Overview

The priority granted to sub-action 5.1.2 is high and all Member States report broad, well-functioning and often daily cooperation with other national authorities. In most cases, cooperation with all or most national authorities: (i) was in place long before the strategy; (ii) is a high priority; and (iii) is continuously maintained and developed as needed. Virtually no Member State reports dissatisfaction with the cooperation, even when specifically asked about potential or desired improvements. Sweden associates the smooth cooperation with flat organisational structures. Moreover, in many Member States, the customs and tax administrations have been merged, further facilitating cooperation between the authorities. Typical activities with other authorities include cooperation agreements, information sharing and the exchange of good practices, as well as regular meetings within different types of bodies and structures. This applies equally to all fields of cooperation.

The Member States report substantial progress on sub-action 5.1.2. While this is less than might be expected considering the high level of priority of the sub-action, interview evidence suggests that the reason for this is that in many cases cooperation is long established, with subsequent progress mostly incremental. Most Member States described progress in the exchange of and access to information between authorities. Several also mentioned institutionalised cooperation varying from dedicated liaison officers to committees and entire inter-agency joint centres (e.g. Belgium, Bulgaria, Cyprus, Ireland, Croatia, Hungary, Romania, Sweden). Other Member States pointed to progress through cooperation agreements, improved IT systems, and training seminars and workshops.

Progress has most commonly occurred in the areas of other law enforcement and health protection, followed cooperation and progress on cultural goods. Fewer Member States cited progress on non-proliferation and transport.

Other law enforcement, including intelligence

Other law enforcement authorities are among the most commonly mentioned national authorities for important cooperation initiatives. For instance, in Greece, the Hellenic Police

has established a National Coordination Centre for Border Control, Immigration and Asylum (ESKESMA), where Greek customs participate in an interdisciplinary team to prepare the national risk analysis for integrated border management. Meanwhile, Italy has renewed the protocol with the Italian National Anti-Mafia and Counterterrorism Directorate (DNA), whereby customs officers participate in anti-mafia working groups and produce a significant number of reports regarding information and data about transnational crimes and criminal nets involved in various criminal activities such as drug trafficking, illegal waste trafficking, smuggling, money laundering, cash violations, IPR, terrorism financing, illegal exports of military trucks, smuggling and illegal handling of mineral oils. In this context, cooperation with 'other law enforcement' thus thematically overlaps also with other fields.

Product safety and compliance

Cooperation on product safety and compliance was also mentioned among the most important activities under the sub-action, and also among the areas of progress. Information exchanged on product safety is frequently mentioned as being included in national risk profiles. Poland describes progress in the area in terms of enhancing the control process in relation to different product groups requiring different types of control, as well as better prioritisation of risks in this area. In Belgium, the common risk management exercise with China (the EU Smart and Secure Trade Lanes (SSTL) pilot) provided the opportunity to test mutual recognition of controls related to product safety. Bulgaria noted that initiatives in this field have led to a better and on-time risk response on the various risks that goods in these areas may pose to consumers.

Limited human, time or other resources appear particularly challenging in the area of product safety, where the number of different types of products is tremendous and constantly growing. The Cypriot administration suggests that the problem could be addressed through technical support from competent authorities to customs targeting and control.

Environment

While the environment does not very frequently appear among the main initiatives reported, it is nevertheless among the areas where progress is most commonly reported. Progress is described above all in terms of national agreements and direct information sharing and exchange (Belgium, Lithuania, Luxembourg, Romania, Slovenia, Slovakia) with competent authorities. For instance, in Romania a protocol of cooperation between customs and the National Environmental Guard covers exchange of information, but also joint actions for preventing, detecting and sanctioning illegal activities in the field. Further examples of progress in the area of the environment include training seminars in Cyprus on fluorinated greenhouse gases and learning sessions on the Shared Cities Convention in Belgium.

Italy outlined the most notable activities in the field of the environment: cooperation between customs and the National Anti-Mafia and Counterterrorism Directorate (DNA) and other law enforcement bodies on designing shared and improved risk criteria for tackling waste trafficking has produced a high number of investigations and seizures. However, the Italian respondents point out that in response criminal activity has been redirected towards other European countries. Italy also described the customs authorities' participation, together with other national environmental authorities, in the EU-funded projects CIVIC (on

environmental crime infiltrations) and TECUM (on the legislative, investigative and intelligence dimensions of illicit waste trafficking).

Tax

Tax authorities were, alongside other law enforcement authorities and product safety authorities, among the most commonly mentioned national cooperation authorities. In Austria, Hungary and Ireland at least, customs and tax authorities are merged into a single administration, which seemingly ensures the authorities' effective participation in each other's activities. In many other Member States, various cooperation agreements and formalised information sharing structures are in place. In Belgium, for example, customs and tax authorities have joint delegations to Eurofisc and other working groups, as well as shared expertise and joint actions. The Spanish respondents described a common project to digitise invoice stamping for travellers' VAT returns, which will counter the illicit use of the VAT benefit. Meanwhile, the Romanian tax authorities benefit from other competent authorities' risk assessment activities on the illicit trade of tobacco products.

Other areas

Compared to the areas discussed above, cooperation with other national authorities on IPR, transport, animal, food, feed and plant health and safety, health protection, non-proliferation and conventional weapons, and cultural goods, were less frequently mentioned among the most significant cooperation activities. Often, Member States referred in general terms to cooperation agreements, regular meetings, dedicated liaison officers or experts, and exchanges of information, or reported database access. For example, in the field of health protection, Cyprus has signed a cooperation agreement with national health authorities, ensuring the provision of information on imported food found to be unsafe for human consumption. It also established contacts with the Ministry of Foreign Affairs for the implementation of sanctions in such cases. On cultural goods, Spanish customs and the Ministry of Culture meet monthly through the Board of qualification, valuation and export of Spanish historical heritage properties, and additionally collaborate in providing experts to assess cultural goods.

Existence of *challenges, difficulties and barriers*

Yes	No	No reply
12	14	2

The challenges mentioned by 12 Member States mainly concern information access, legal barriers and structures, and limited resources.

On information access, respondents report deficient information flows, limited access to data, and similar issues. For instance, customs administrations in Latvia and Slovakia

declared that they do not have access to some relevant databases operated by other national agencies. This barrier could be thought to relate more to sub-action 5.1.4, which again raises the issue of sub-action overlaps.

Legislative barriers and structures create problems when customs and other authorities lack compatible legal competences, operating grounds or working methods (e.g. Belgium, Cyprus, Italy). Belgium stated that other national authorities do not apply risk management techniques such as declaration scoring and targeting of operators in the way that customs do. In some areas, it has been difficult for customs and other authorities to reach a common understanding on shared interest and the adaptations they need to make in order to put cooperation in place. Italy also cites an interesting problem concerning legal competences, where the separation of competences between customs and the police force has given rise to separate rules and professional cultures within the two authorities. In Lithuania, other authorities do not keep the customs administration up-to-date with all threat assessment activities carried out.

As in the case of several other sub-actions, limited human, time or other resources remain a significant challenge, especially as the number of cooperation partnerships is large (Belgium, Czech Republic, Denmark and Croatia). Malta, Portugal and Romania cited common inter-agency intelligence sharing interfaces and communication systems as a way to further improve cooperation with other authorities. Meanwhile, Portugal referred in this regard to EU-level actions to improve the interoperability of the CRMS and Europol's platforms.

The good cooperation described by the Member States is consistent with the continued existence of challenges for three main reasons. First, cooperation may be close and daily even though problems remain; as several Member States underlined, there will always be room for improvement. Second, cooperation may work well with most national authorities, but be problematic or still developing with some specific ones. The challenge faced by the Italian customs with regard to cooperation with the police is a typical example of this. Finally, in some cases, although cooperation essentially functions well, limited resources may not allow for the full realisation of the potential cooperation.

Member States were asked whether there are areas in which cooperation with other national authorities does not work as well as desired. No serious deficiencies or problems were reported. Potential areas for improvement varied from one country to another, possibly with the exception of the need for better ways to share confidential information. Acquiring such information may be time consuming or otherwise complicated, and correspondingly the cooperation with e.g. national intelligence authorities may often be less straightforward than with other national authorities. The issue was raised by a few respondents, but was rarely highlighted as a serious problem. In this regard, Sweden noted that although risk management work could always be made more efficient through more information sharing, this would threaten data protection and individual rights, which public authorities need to bear in mind.

5.1.3	ONGOING	Develop together with the competent authorities the EU common risk criteria and standards and mechanisms for their regular evaluation and review, where appropriate
<p><i>Information sharing</i></p> <p>In June 2017, an inter-service strategic steering function on fraud prevention and detection for traditional own resources was set up to enhance information sharing at EU level between Commission departments.</p> <p><i>Agriculture and food</i></p> <p>This action focuses on developing, together with the competent authorities in the EU, common risk criteria and standards and mechanisms for their regular evaluation and review. Risk analysis in the context of food safety and consumer protection is closely related to food fraud, which is dealt with by the OCR Regulation.</p> <p>Agricultural import and export licences entail a personal obligation for the licence holder to have products released for free circulation or export. To enable customs and licensing authorities to check this obligation, the Commission introduced the mandatory use of the Economic Operators Registration and Identification number (EORI) number in the licences. The customs procedure may, however, be carried out by a customs representative, as provided for in Article 18 of Regulation (EU) No 952/2013.</p> <p>In the soon-to-be-completed review of agricultural licence legislation, the number of products for which an import or export licence is required has been drastically reduced in cases where the licence only serves as a means of market monitoring. This simplification could be achieved because the customs surveillance system has been significantly improved in terms of information generation and performance. In the meantime, using customs surveillance for agricultural market monitoring has been introduced as a standard in the Directorate-General for Agriculture and Rural Development (DG AGRI) for market monitoring, all in good cooperation with DG TAXUD.</p> <p>A system for local control coordination in specific cases between customs, paying agencies, and licence-issuing authorities should continue for at least preferential and tariff rate quota (TRQ) imports. TRQs with a high quota rent (= profit) are susceptible to abuse on issues like origin or classification, e.g. garlic. Customs surveillance over time shows shifts in imports under certain CN codes or in origins per CN code. Such patterns can be normal, but could also identify an abuse warranting further analysis.</p>		
5.1.4.	ONGOING	Improve accessibility, sharing and utilisation of risk information from other authorities and ensure its timely integration into the risk management of the supply chains, including in ad hoc/crisis situations

Member States have been asked to report on the status of the sub-action, the results/progress made (compared to longer-term aims) and the use of the results

Status of the sub-action

No activity	Low priority	Medium priority	High priority	No reply
0	0	12	15	1

Results / progress made

None	Limited	Some	A lot	No reply
0	3	17	7	1

Sub-action 5.1.4 is relatively highly prioritised, with all Member States reporting activities for accessibility, sharing and utilisation of risk information. It is repeatedly stated that cooperation on information access and sharing generally works well and is continuously ongoing, but has not significantly changed in recent years (Austria, Germany, Estonia, Latvia, Slovenia). Respondents also maintain that the contacts are generally sufficient and smooth enough for ad hoc situations.

Member States found it difficult to distinguish especially between sub-actions 5.1.2 and 5.1.4; reference was frequently made to the former, or information was simply repeated. There was also some overlap with sub-actions under Objective 4. Member States also had trouble distinguishing between activities in place and progress made; in many cases most progress is reported in the fields where there is the most cooperation, or where cooperation is perceived to work well. While this is of course positive, it seems that such cooperation has often been in place a long time, with progress taking place incrementally. There are exceptions to this: for instance, Germany states that while progress has been limited in most areas due to comprehensive cooperation having been established already prior to 2015, some progress has occurred in the areas of other law enforcement and transport following the terrorist attacks in recent years.

The most important activities and progress reported concern above all cooperation with authorities dealing with taxation other law enforcement issues, as well as product safety and compliance. Cooperation on information sharing regarding cultural goods was rarely mentioned.

Regardless of the area, most Member States describe different types of cooperation bodies, regular meetings and general information exchange with other national authorities. Since answers in all areas were relatively similar and often unspecific, one area of cooperation may effectively exemplify the types of cooperation and progress made in greater detail. In the area of ‘other law enforcement’ (mentioned by e.g. Austria, Cyprus, Estonia, Spain,

Greece, Croatia, Hungary, Ireland, Lithuania, Luxembourg, Sweden, Slovakia), a few Member States described information cooperation with Europol and other international agencies on narcotics, cigarette smuggling and investigations of stolen cultural goods; for instance, Poland referred to the practical use of international information exchange through Anti-Fraud Information System/Mutual Assistance Broker (AFIS/MAB) in the Narcotics Task Force. Other respondents noted cooperation on passenger name records, entailing increased information sharing with other law enforcement agencies; in Spain, a new joint special unit has been created for this purpose. In Cyprus, the customs authority becoming a member of the GRAN (Global Rapid Alert Network) of the World Customs Organisation.

Sweden provided a particularly interesting example of cooperation with other law enforcement agencies. After the founding of a multi-agency task force against organised crime, the general mutual understanding and trust between the agencies reportedly improved substantially. The task force furthermore led to amended legislation, creating a virtuous circle, which in turn further facilitated the exchange of intelligence between the participating agencies, including in ad hoc situations.

For intellectual property rights, transport, animal, food, feed and plant safety, health protection, the environment, non-proliferation and cultural goods, information sharing with other authorities is mentioned a few times, but with few concrete examples. Non-proliferation is mentioned somewhat more frequently under sub-action 5.1.4 as compared to 5.1.2 (e.g. Austria, Cyprus, Croatia, Luxembourg, Romania). In this field, e.g. Austria reports very close cooperation with the police, especially in the form of joint national investigations. Cyprus and Croatia describe having been granted access to the Conventional Arms Exports (COARM) database, although the Croatian respondents underlined the need for assessing the benefits and progress. Meanwhile, information sharing related to the environment is less commonly mentioned here than under sub-action 5.1.2.

Existence of challenges, difficulties and barriers

Yes	No	No reply
10	17	1

Challenges were reported by 10 Member States and were often linked to legislative barriers that made it difficult to share information between authorities. For example, the Latvian customs have not been integrated into the passenger information unit and therefore do not have direct access to passenger name record data, and the Spanish authorities noted that national legislation does not allow for general or mass data exchanges between agencies; exchange therefore takes place on a case-by-case basis. In other cases, simple ‘reluctance’ to share data (Latvia) or the absence of a commitment on the part of authorities to agree to share data (Malta) may obstruct data exchange.

Limited resources in terms of time, money, human resources and IT systems also hamper progress in some Member States (e.g. Belgium, Cyprus, Denmark, Croatia, Italy). In this regard, the Belgian authorities explained the difficulties of cooperating with authorities within a complex structure of national administrations, while the Danish find the sheer

number of cooperation relationships challenging. In Italy, the difficulties are related particularly to the rapid development of legislation and IT systems, and the interoperability needs of different systems.

Belgium, Greece, Ireland, Italy, Poland, Portugal, Slovakia, Slovenia and Spain report that their customs authorities are part of a national structure in which competent authorities participate, mostly at ministerial level, to ensure national threat and risk assessments in various policy areas, e.g. on firearms and dual-use goods.

Belgium mentioned cooperation between the national market surveillance authority and customs in the area of product safety. The current level of cooperation is ensuring an appropriate exchange of control and risk information.

The Netherlands mentioned a joint data analysis for analysing risks for air passenger controls jointly between customs and the border guard authority (Koninklijke Marechaussee (Royal Military Police)). A maritime operations centre is planned to be developed by the national coast guard, in which customs also participates. Concerning cooperation with the coast guard, Latvia refers to the use by customs of SafeSeaNet (a vessel traffic monitoring and information system) operated by EMSA.

Croatia cited agreements that customs signed regarding mutual cooperation and information sharing with other authorities such as the police and the tax service. An agreement for integrated border management was also signed between the customs administration, the Ministries of the Interior, Finance, Agriculture, Health, Foreign Affairs, Maritime Affairs, Transport and Infrastructure, and Tourism and the Croatian Personal Data Protection Agency. Cooperation and information-sharing structures not based on formal agreements exist also with other authorities on product safety and dual-use goods. Also Slovenia pointed to improved cooperation with the Ministry of Economy at national level on the licensing of dual-use goods in order to avoid diversions of the export of goods for which an export licence has been denied.

On risk and threat assessments on fiscal fraud, Lithuania established a risk analysis centre in 2014 by joint order of the Customs Department, State Tax Inspectorate and Financial Crime Investigation Service. It is run by a group of representatives from each of the institutions and ensures a continuous exchange of information.

In Estonia strategic comprehensive risk analysis (base analysis) is established by customs annually. This covers all known risk areas and is used, among others, as a basic document for creating new risk profiles. Customs shares these analyses with the police authorities and border guards.

An agreement on mutual cooperation in the area of waste management between Slovakia's financial administration and the Slovak Environmental Inspectorate is currently being discussed. The agreement provides for joint controls of cross-border movements of waste and exchange of information between the relevant authorities. Also, regular meetings are organised to ensure cooperation and exchange of information between customs and other authorities on the implementation of FLEGT and IPR.

In Spain, cooperation between customs and other authorities is operating in national structures for the exchange of information: (i) between the relevant authorities and customs, concerning denials for licences of dual-use goods; (ii) from TRACES; and (iii) from Market

Surveillance Authorities. Customs use this information in their risk analysis processes.

Sweden emphasises cooperation mechanisms between customs and other law enforcement authorities to coordinate and combat organised crime.

Luxembourg indicates that its customs authority can interact at any given time in the supply chain based on transport and commercial related data, which is not yet declared to customs. These data can be required by means of memoranda of understanding. Multi-agency cooperation is partly done under an ongoing project for establishing a national single window.

Since June 2015, Portuguese customs are part of the National Superior Council for Internal Security. This Council is responsible for threat assessment in all issues related to security and advises the Prime Minister in such matters. In matters of security, Denmark also indicates that there is a structure in place at national level for cooperation between relevant services, including customs.

On cooperation with aviation security services, Croatia, Cyprus, Finland and Latvia mentioned planned activities in the near future.

5.1.5.

ONGOING

Promote complementarity and coherence of initiatives from other authorities aimed at improving security of the supply chain to avoid undue disruption or burden to trade

European agenda on security

As gatekeeper of EU borders for the flow of goods, EU customs play a crucial role in protecting the EU and its citizens, as well as protecting international supply chains from criminal activities and terrorist attacks.

By implementing the EU strategy and action plan for customs risk management, the Commission contributes to the implementation of the European agenda on security, a central component of the general objective to create an area of justice and fundamental rights.

Through various actions, customs contribute to the protection of European citizens with regard to the ongoing increase of threats, in particular those posed by terrorism and serious and organised crime. In the last 2 years, the Commission has submitted several legislative proposals to cut off the sources of terrorist financing. From the customs perspective, the most relevant proposals are those on illicit cash movements, on illicit trade in cultural goods and on EU certification of airport screening equipment. The Commission also continues to implement the EU action plans: (i) against illicit trafficking in and use of firearms and explosives; (ii) to strengthen the fight against terrorist financing; and (iii) against wildlife trafficking.

Action Plan on Forest Law Enforcement, Governance and Trade (FLEGT)

In response to the problem of illegal logging and related trade, in 2003 the European

Commission launched an action plan on FLEGT¹⁷, setting a range of measures for tackling illegal logging in the world's forests.

In 2005, the EU adopted Regulation (EC) No 2173/2005 of 20 December 2005 on the establishment of a FLEGT licensing scheme for imports of timber into the European Community (FLEGT Regulation), as part of the implementation of the FLEGT action plan. The FLEGT Regulation lays down rules for the implementation of the FLEGT licensing scheme through the conclusion of voluntary partnership agreements with timber producing countries, including a requirement for imports into the EU of timber products originating in FLEGT partner countries to be covered by a FLEGT licence.

The FLEGT licensing scheme became operational for the first time on 15 November 2016 with the start of FLEGT licensing from Indonesia. Under the FLEGT Regulation, the cooperation and communication between customs and other Member State competent authorities is a key element of the implementation of border controls. To help customs authorities to carry out their tasks effectively in accordance with the FLEGT Regulation, in 2014 the European Commission published its 'Customs and FLEGT Implementation Guidelines — Public Summary'. The Guidelines will be updated (work will start during 2018), taking into account the experience gained since the start of the FLEGT licensing from Indonesia.

Furthermore, an IT system — FLEGIT/TRACES — was developed by DG SANTE and DG ENV for the electronic management of FLEGT licences by Member State competent authorities and customs authorities. Authorities also received training on FLEGIT in Brussels during 2016, while some onsite training sessions in interested Member States took place at the beginning of 2017. FLEGIT/TRACES was further developed at regular intervals, taking into account experience in implementing the FLEGT licensing scheme and relevant recommendations by Member State competent authorities and customs on how to effectively carrying out their tasks in accordance with the FLEGT Regulation.

In 2017 DG ENV and DG TAXUD drew up a non-paper on the 'FLEGT licensing scheme with Indonesia — Implications of 2017 amendments of World Customs Organisation (WCO) HS codes'. The aim was to inform Member State competent authorities and customs of the relevant implications of the 2017 amendments of WCO HS codes on HS codes covered by the FLEGT licensing scheme.

The EU Timber Regulation (EUTR) is the key instrument for the implementation of the FLEGT action plan, the aim being to address the problem from the demand side. EUTR prohibits the placing by operators (i.e. any (natural or legal) person first placing timber on the EU market) of illegally harvested timber on the EU market. Although the EUTR does not stipulate measures for border control measures, better access to customs data regarding the identification of operators and relevant import data from competent authorities is essential. This information exchange will facilitate checks using a risk-based approach supporting a more effective enforcement of the EUTR. Experience so far shows that in some Member States the EUTR competent authorities have difficulties accessing or no access to customs

¹⁷ COM/2003/0251 final.

data. Furthermore, exchange of customs data among different Member States is cumbersome and is hampering effective cooperation among Member States.

Action 5.2		Strengthen the EU Authorised Economic Operator (AEO) programme through broader recognition and promotion by other authorities
5.2.1	ONGOING	Strengthen the EU Authorised Economic Operator (AEO) programme through its broader recognition by other authorities in the relevant existing or future partnership programmes or in the control regimes stemming from other policies

The authorised economic operator programmes

Late 2016 and early 2017, the Authorised Network Meeting and the Dual-Use Coordination Group jointly conducted a survey to monitor the implementation of recommendations for greater convergence of Authorised Economic Operator (AEO) programmes and internal compliance programmes (ICPs) at Member State and EU level. The specific objective was to assess how far the recommendations of the Joint Working Group on AEO-ICP internal compliance programme convergence had been met. This survey is planned to be repeated in the second half of 2018.

At the beginning of 2017, the Dual-Use Coordination Group mandated a Technical Expert Group to draft EU ICP guidelines for dual-use trade controls in the form of a guidance note. The Technical Expert Group aims to deliver these ICP guidelines in the second half of 2018. DG TAXUD is member of the Technical Expert Group.

Since the adoption of the ‘Goods Package’ on 19 December 2017, DG TAXUD is following the discussions at the Council’s Technical Harmonisation Working Group together with the Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs (DG GROW). The proposal for a Regulation on the enforcement of the Union harmonisation legislation, which is part of the ‘Goods Package’, includes provisions for a more favourable treatment of the AEOs by market surveillance authorities. Overall the proposal aims to boost the safety of products placed on the EU market through better targeted risk-based controls.

On intellectual property rights, the Commission will further examine how compliance with the IP protection standards could potentially fit in the AEO concept by becoming part of the process for acquiring such status in the future.

The Commission proposal on the amendment of Directive 2006/122/EC would make it easier for AEOs to obtain the status of certified taxable person.

Action 5.3.		Promote use of good practices and cooperation methods between customs and other national authorities
5.3.1	ONGOING	Encourage the exchange of good working practices and cooperation methods between Member State customs and other national authorities (Customs 2020, CCWP)

Customs administrations and border guards are strategic partners in border control tasks at the EU external borders. Results of their work and cooperation have a direct impact on the proper functioning of border management and the international supply chain at the EU external borders. The need for strengthening the cooperation between customs administrations and border guards and the work on revising the Guidelines for their cooperation are an important part of the Governance Communication. The importance of the cooperation of customs with other law enforcement authorities, particularly those involved in border management, and development of possible synergies and cooperation models have also been highlighted in the respective Council conclusions. Further development of cooperation and identifying innovative and sustainable solutions for joined-up border management contributes to increasing safety and security while enabling the fluid movement of people and goods.

Based on the ‘Guidelines for cooperation between Customs and Border Guards’ issued in 2013 (the Guidelines), the Commission (DG TAXUD and DG HOME) carried out their evaluation in 2015-2017. The evaluation procedure consisted of several steps: analysis of questionnaires completed by Member States, field visits in five Member States (Finland, Bulgaria, Poland, Spain and the Netherlands) and organisation of a joint high-level event. The results of the Guidelines evaluation showed a diverse picture across the EU, with some Member States having a very good level of cooperation, while others involved in limited cooperation. It was also recognised that there is no one-size-fits-all solution. There were differences in national organisational structures and competences as well as specific circumstances in several Member States, which influenced the methods of cooperation developed and tools used.

Based on results of the evaluation, the Commission prepared a revised version of the Guidelines in October 2017. These revised Guidelines kept the content of the eight cooperation areas: (i) synchronised checks; (ii) planning of infrastructure and procurement; (iii) information exchange; (iv) risk analysis; (v) equipment; (vi) training; (vii) investigations; and (viii) joint operations. In addition, the revised Guidelines included a new feature on strategic cooperation between the two authorities: its main objective was to ensure that the cooperation takes place at all levels of the hierarchy in both authorities and in all eight areas for cooperation. Each cooperation area contained a set of recommendations — with a more ambitious approach combining elements of the previous modules A, B and C.

A joint high-level meeting of representatives of customs administrations and border guards took place in October 2017. This meeting summarised the results of the evaluation of the Guidelines and was used as an opportunity to present and discuss the revised version of the Guidelines, taking account of main outcomes of the evaluation. Member States participating in the field visits made presentations summarising their practical experience of cooperation

between customs and border guards. Detailed discussions involving all participants took place in the form of workshops, with Member States contributing to the discussion with examples of national experience and practices.

Member States received the revised Guidelines positively at the high-level meeting in October 2017 as well as during the Customs Policy Group meeting in December 2017. Discussions with Member States confirmed that there was a need to strengthen the strategic level of cooperation (e.g. using written agreements or memoranda of understanding as a basis) and that the main focus should be on identifying good practices, which could then be used to a wider extent in other countries. It was also concluded that the future evaluation mechanism of the revised Guidelines needs to be revisited in order not to become a heavy burden for both the Commission and Member States. On operational issues, there is a need for a specific approach based on the type of border.

EU policy cycle and the ninth CCWP action plan — involvement of the customs authorities

In May 2017, the EU adopted new priorities on crime for the 2018-2021 EU policy cycle to combat serious international and organised crime. Customs authorities’ involvement in implementing the policy cycle increased compared to the previous years; however, their participation is still selective and limited to some crime priorities (mainly excise/MTIC fraud and environmental crime priorities). In addition, the commitment of customs authorities differs across Member States (only four Member States participated in the drafting of more than four operational action plans in 2018). The synergies between the 2018-2021 EU policy cycle and the ninth Customs Cooperation Working Party (CCWP) action plan (2018-2020) were further strengthened through complementary actions lead by the same actors, joint police and customs operations, etc. Furthermore, the ninth CCWP action plan includes action on ‘Better integration of customs in the EU Serious and Organised Crime Threat Assessment (EU SOCTA)’ covering not only the customs participation in the EU SOCTA, but also broader cooperation between customs and Europol. The cooperation focuses on identifying areas where improvement is needed, on best practices, and on development and preparation of awareness raising/training.

Member States have been asked to report on the status of the sub-action, the results/progress made (compared to longer-term aims) and the use of the results

Status of the sub-action

No activity	Low priority	Medium priority	High priority	No reply
1	2	11.5	12.5	1

Results / progress made

None	Limited	Some	A lot	No reply
0	3	14	6	5

The level of priority and progress made for sub-action 5.3.1 is somewhat lower than that for the other sub-actions under Objective 5, though this could result from differing interpretations of the terms ‘working practices and cooperation methods’. In many cases, Member States here referred to the activities reported on under other sub-actions.

Most commonly, Member States cited participation in Prohibitions and Restrictions Customs Expert Group (PARCS) and other relevant working groups. Member States also promoted the use of PARCS factsheets through measures to ease access to them (e.g. Bulgaria, Cyprus, Poland and Slovenia)); of particular note in this respect are Cyprus, where factsheets have been uploaded on intranet systems, and Bulgaria, where they have been translated into Bulgarian to reach a broader national audience.

Regarding progress, a few Member States (Spain, Ireland, Italy, Romania) point to cooperation with agencies at European level and in other Member States. An interesting concrete example is Ireland, which has made use of Europol’s facilities and funding to arrange meetings in a secure environment. Some Member States also mention progress on inter-agency access to data systems (Luxembourg, Romania) other types of information sharing (Cyprus, Germany, Spain, Poland). Progress has also been made on joint operations, such as joint controls (Bulgaria, Spain, Croatia, Poland). Reported results on improved risk management practices include improved internal and external knowledge bases (Ireland), consolidated cooperation structures with other authorities (Germany), more targeted selection and more effective controls (Hungary), and improved hit rates and more compliant behaviour through improved controls (Sweden).

Member States noted that more could be done to share methods and practices systematically. For example, it was noted that reporting too often concerns only results of activities, while it would in fact be very useful to share how the results were attained. In addition to a description of methods, a framework for such sharing should preferably also cover risk criteria and parameters.

Existence of challenges, difficulties or barriers

Yes	No	No reply
4	19	5

Few respondents reported major challenges when it comes to making progress under sub-action 5.3.1. This is presumably connected to the lower level of priority of the sub-action and to the respondents perceiving the issue of inter-agency cooperation as already covered in previous sub-actions. Cyprus mentioned limited finances and human resources. Meanwhile, the divergent competences of different national authorities are seen as a problem by the Belgian, Italian and Polish customs administrations.



2.6 Objective 6: Develop cooperation with trade to secure and facilitate legitimate trade

For this objective, major achievements have been made on strengthening the Authorised Economic Operators (AEO) programme.

The main changes for the AEO required in the context of the Union Customs Code and its delegated and implementing acts relate to the overall changes in policies and structure under the Code and also to the lessons learned over 10 years of practical implementation of the EU AEO programme. The AEO guidelines have been updated.

The AEO Network was created back in 2007 as the main tool for monitoring implementation of the programme. The result of the second monitoring exercise, launched in 2013, confirmed that the EU had established a solid and convincing AEO programme. Member States developed robust procedures to apply AEO legislative requirements, guaranteeing high quality and efficient management of the programme in a consistent and highly uniform way. This can be shown, among others, by the number of suspensions and revocations of certificates.

The currently existing structures of the AEO programme and other compliance programmes are further analysed in cooperation with competent authorities (Objective 5) at EU and national level to identify areas of convergence of best practice that will avoid duplications and needless administrative burdens both for operators and competent authorities. On maritime security and market surveillance, discussions are ongoing at Commission and Member State level to enhance mutual understanding of the different security schemes.

Commission Implementing Regulation (EU) No 687/2014 of 20 June 2014 amending Regulation (EU) No 185/2010 as regards clarification, harmonisation and simplification of aviation security measures, equivalence of security standards and cargo and mail security measures refers to 'regulated agents' in connection with the AEO standards. Reciprocal customs legislation does the same for the recognition of regulated agents and non-consignors. Implementation of the legislation is continuously monitored by the relevant Commission departments.

A number of indicators have been implemented in the context of the Customs Union Performance (CUP) reporting to measure the impact of the AEO programme. CUP supports the achievement of strategic objectives of the EU customs union, including the AEO programme. In particular, under the main area relating to facilitation/competitiveness, the AEO programme is analysed with regard to general aspects such as the number of authorisations and applications at EU level, the involvement of AEOs in the supply chain and the control rates for AEOs in comparison with economic operators not authorised as AEOs.

Two specific target groups were created within Customs Risk Management System (CRMS) for the exchange of risk information concerning the AEO process and procedures (for further details see action 6.1.1).

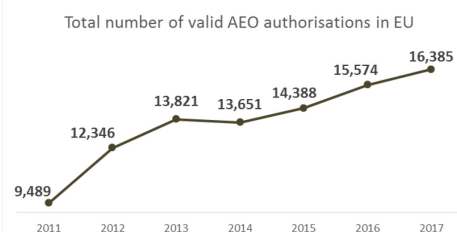
For other areas under this objective, such as improving the knowledge of supply chains, progress has been slower.

The Trade Contact Group (TCG) provides the main platform for customs and trade consultations discussing at EU level the development and implementation of customs-related issues and developments in customs policy. Revised terms of reference of the TCG were agreed and published in 2017, developing further the mechanism for consultation with trade. The Commission also promotes joint customs-trade discussions at various stages of development and implementation of legislation.

Action 6.1		Continue to strengthen and promote the AEO programme, by addressing any relevant weaknesses identified and providing further benefits
6.1.1.	ONGOING	Continue to strengthen the AEO programme by addressing any relevant weaknesses identified through the monitoring and evaluation of the implementation of the programme and by ensuring its harmonised implementation throughout the EU

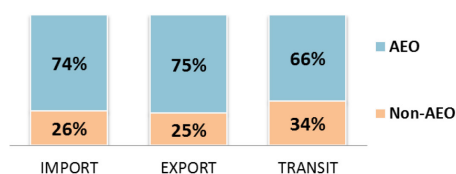
Follow-up actions to the second monitoring initiative of the EU AEO programme included follow-up visits focusing on the implementation of the AEO programme (in the Netherlands, Sweden, Greece, Germany, Austria and Romania). The Commission services intend to work with EU Member States to develop an EU AEO operational implementation plan and strategies on communication and cooperation with traders.

Indicators on the AEO are an integral part of the Customs Union Performance system. AEO-related performance indicators were introduced already in 2014 to monitor overall trends and measure the impact of the AEO concept. Under the strategic objectives on facilitation/competitiveness, data on AEO indicators are regularly collected and analysed.



Besides the analysis of several general aspects such as the number of AEO applications submitted/rejected and certificates issued/revoked/suspended at the EU level, the CUP indicators also cover the involvement of AEOs in the supply chain, including analysis based on different roles of AEOs, and analysis of controls' aspects related to the facilitation of AEOs based on control rates indicators (this enables a comparison of control rates for AEOs with those economic operators not certified as AEOs). Quality assurance initiative activities related to the AEO CUP indicators were carried out on an annual basis.

AEO involvement in supply chain in 2017



The CUP project will continue implementing the AEO-related performance indicators and explore possibilities to develop them further, mainly with the aim of enhancing the analysis of AEO benefits and monitoring the impact of mutual recognition.

Member States have been asked to report on the status of the sub-action, the results/progress made (compared to longer-term aims) and the use of the results.

Status of the sub-action

No activity	Low priority	Medium priority	High priority	No reply
1	1	11	15	0

Results / progress made

None	Limited	Some	A lot	No reply
1	7	13	6	1

Sub-action 6.1.1 was relatively highly prioritised by the customs administrations in the different Member States; only Slovenia reported the level of priority having been low. However, since the work has been ongoing and the structures and procedures were in place already prior to 2015, Member States frequently report continued incremental progress as ‘business as usual’. This includes work to implement the AEO guidelines on regular monitoring and making continuous adjustments to: (i) adapt to the changing operating environment; (ii) develop the AEO clearance procedures; and (iii) optimise the AEO system.

The focus of the issues mentioned by Member States was predominantly on initiatives to maintain and improve relations with AEOs. Member States describe active communications with AEOs and awareness raising among economic operators of the AEO programme. These activities take place through websites, professional newspapers, brochures and leaflets, seminars, tutorials, events and meetings with contact persons. For instance, the Estonian respondents report having organised ‘seminars/tutorials for AEOs on how to comply with customs requirements’. Likewise, awareness has been raised inside the customs organisations through training modules, instructions and working groups. For example, in France, a seminar was held in December 2017 for all auditors regarding Union Customs Code requirements on AEOs. Italy, Spain and Slovakia report efforts focused on regional customs offices, so as to harmonise and standardise customs practices across the country.

These activities have led to some progress according to most Member States, above all in terms of improved contacts and communications with economic operators. The number of operators applying for and receiving AEO status is also growing, and compliance with AEO conditions and criteria is higher than before. Inside the customs agencies, knowledge of the AEO programme has improved, resulting in better recognition of the AEOs as well as better quality audits. Cooperation within customs and with other national authorities has increased.

There are also examples of improved audit procedures following active development efforts. For instance, in Belgium a pilot project (AEO-ICP) with a limited number of AEO operators included a specific audit on ICP internal procedures and the AEOs’ compliance in non-fiscal subjects. The aim of the pilot project was to decrease the number of AEO selections for control when exporting to sensitive destinations. Based on the results of the pilot, the

Belgian customs are developing a working method, which should make it possible to set objective criteria to decrease the number of AEO control selections.

Existence of challenges, difficulties and barriers

Yes	No	No reply
9	16	3

Only a minority of Member States reported facing problems in the implementation of sub-action 6.1.1. As with the other objectives and actions, limited resources were cited as a common obstacle for progress under the sub-action (Czech Republic, Denmark, Italy); correspondingly, the programme is found to impose a heavy administrative burden both for customs authorities and for economic operators (Denmark). In addition to limited human resources, data availability was also reported as a challenge in the United Kingdom.

Other problems related to perceived weaknesses in the AEO programme more generally. For example, in some countries interest among economic operators is limited. In Cyprus this was due to economic operators not finding the programme attractive enough, whereas in Greece there were concerns about economic operators' ability to fulfil requirements on IT system security (though it was unclear whether this issue referred to national- or EU-level requirements).

Austrian customs also mentioned several fraud cases involving forwarding companies and express courier services; it was unclear whether these had led to improvements to the system. In addition, outdated or otherwise unsuitable (national) IT systems were also reported to be hampering the AEO programmes of some Member States.

6.1.2.	ONGOING	Identify and develop enhanced benefits for AEOs to be given by customs, propose and adopt adequate legal acts
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Member States have been asked to report on the status of the sub-action, the results/progress made (compared to longer-term aims) and the use of the results

Status of the sub-action

No activity	Low priority	Medium priority	High priority	No reply
3	2	16	7	0

Results / progress made

None	Limited	Some	A lot	No reply
4	4	13	5	2

Sub-action 6.1.2 is a medium-level priority for the Member States, with limited differences compared to the activities described under sub-actions 6.1.1; Member States often seem to view the two sub-actions as one. Focus in the open-ended responses on sub-action 6.1.2 was on communication with AEOs and awareness raising among them, with activities and media similar to those described above: websites, professional newspapers, brochures and leaflets, seminars, tutorials, events and meetings with contact persons.

While most Member States do declare some progress on sub-action 6.1.2, descriptions of the progress in the survey responses are relatively sparse. Most frequently, the respondents declared that the controls process for AEOs had been smoothed: for example, Germany reported significant improvement in the automatic recognition of AEOs in the national customs clearance system, allowing for accelerated customs clearance. Similar measures are currently planned in Bulgaria, and several respondents mentioned reduced controls and more streamlined administrative processes.

Other areas of improvement include better communications with AEOs and the increasing number of AEO status applicants, holders and trade movements. While this is positive, it shows that respondents have not clearly distinguished between sub-actions 6.1.1 and 6.1.2. As for improvement in communication and relations with AEOs, and awareness raising among them, communication activities through websites, professional newspapers, workshops and conferences have reportedly increased.

Existence of challenges, difficulties and barriers

Yes	No	No reply
11	12	5

The main problem reported for sub-action 6.1.2 is limited resources. Belgium and the UK highlight that Union Customs Code requirements and other EU objectives require more resourcing simultaneously for the AEO scheme and in other areas. On the IT systems and processes necessary for recognising AEOs in the risk assessment process, the Cypriot and Romanian authorities noted a general lack of such resources at national level, while the Latvian authorities noted specifically the burdensome, repeated updating of the AEO mutual recognition agreements list in the ICS (ENS). Another type of barrier is the lack of interest on behalf of AEOs, reported especially by the Greek authorities. Finally, Poland reported the apparently 'positive' difficulty of there simply not being any more areas in which further benefits for AEOs could be offered.

Member States expressed different views as to the level of satisfaction of the AEOs with the

programme. It is generally recognised that there is room for constant improvement. However, some Member States report that AEOs find the number and types of benefits largely sufficient, whereas others think AEOs are rather dissatisfied with the situation.

Member States' understanding of the possibility and responsibility to offer additional benefits to AEOs also seems to vary. Some respondents think that only the common benefits are necessary or even possible, whereas others report benefits that are apparently developed and offered at national level.

Spain mentioned that it is exploring new benefits for AEOs certified within the EU as well as by third countries with mutual recognition agreements.

Italy provided information on further benefits such as fast corridors to compliant traders. These are available generally when quality data and required information are provided beforehand to customs so that it can perform risk analysis and appropriate control.

Belgium customs meets regularly with AEO certified traders to discuss new benefits in addition to already existing national AEO benefits. Decisions on additional benefits are communicated to the AEO.

The Netherlands has developed for AEOs instructions for the implementation of benefits (the 'AEO staalkaart'). This document elaborates on the benefits related to traders and their specific role in the supply chain. AEOs have a dedicated 'trader contact point' with specific customs officers who will act as their point of contact. Regular meetings with AEOs are also hosted by customs.

Poland listed benefits that have been introduced at national level for AEOs:

- Shifting VAT payments to the day of a monthly VAT settlement.
- Introduction of the 'Ports 24 h' programme, on the basis of which the required formalities related to the clearance of goods imported by sea to Poland should take no more than 24 hours. In this programme, customs has a coordinating role for control activities of all services operating in the Polish seaports.

New information on AEOs' size (Small and Medium Industries (SMIs), large companies or natural persons) started to be collected through the Economic Operator Systems/Authorised Economic Operators (EOS/AEO) IT system from 5 March 2018. Once the updating of the AEO authorisations has been completed this information could allow for an analysis of the data and, depending on the results possible target measures could be taken, especially for SMIs.

The Commission is working to develop 'eAEO direct trader access' that from 1 October 2019 will give traders the possibility to submit their AEO application and receive AEO decisions electronically. Traders and customs in EU will have the possibility to communicate each other via the eAEO module in a uniform and coherent way. Reducing manual data entry is expected to improve data quality.

Action 6.2	Improve the knowledge of supply chains, raise trade awareness and
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		exploit valuable data available to trade
6.2.1.	ONGOING	Increase supply chain visibility by ensuring that valuable additional data (not required by customs legislation) available to traders and made available to customs is exploited for risk management purposes by getting access to economic operators' knowledge and information

Member States have been asked to report on the status of the sub-action, the results/progress made (compared to longer-term aims) and the use of the results

Status of the sub-action

No activity	Low priority	Medium priority	High priority	No reply
4	1	12	10	1

Results / progress made

None	Limited	Some	A lot	No reply
7	5	11	3	2

Sub-action 6.2.1 is estimated to be a medium to low priority for the Member States. The most common activity within the sub-action seems to be the use of container status messages (CSMs) (Austria, Belgium, Bulgaria, Germany, Denmark, Estonia, Spain, Finland, France, Poland, Romania, United Kingdom), which Member States indeed considered important. However, as noted especially by the French and German authorities, CSMs have in fact been required by customs legislation since 2016. Consequently, they should today be in use in all Member States.

However, the actual use of CSM data in risk management seems to vary from one Member State to another. In Bulgaria, for instance, it is reportedly used 'in each case of container tracing as part of risk analyses'. Meanwhile, the German administration finds that although sometimes helpful for enhancing routing information, routing indicators are 'rather supplementary indicators' within the overall risk analysis process. In some countries, the role of CSM data in risk management is being further explored: for instance, in Belgium, a study has been carried out on integrating CSM data within the customs dashboard and risk management system. At EU level, Germany and Poland mentioned their participation in the Contraffice-ENS Project Group. The Austrian respondents noted that no additional data at all was provided by traders in the past, which suggests that the widespread use of CSMs can be regarded as progress in itself. The Finnish and French administrations highlighted the fact

that since the CSM system is very new, concrete results are still to emerge.

Cooperation with companies on data that is in fact not legally required concerns the postal and railway sectors especially. In Bulgaria and Lithuania, customs have access to the information systems of the national railway companies regarding cargo-carrying trains; in Bulgaria, the same applies also to the National Electronic Documentation Centre for Maritime Transport. Slovakia also reports ‘closer cooperation’ with the rail sector, which has reportedly resulted in better ENS data quality in the sector. The Slovak postal sector is also being supported by customs to meet the legal requirements of the Code. In Latvia, there is direct information exchange between customs and courier companies, who provide cargo manifests for further risk assessment. Similarly, in Belgium there is a pilot project to deploy airway bills data of express carriers for risk analysis and management. Poland reported that memoranda of understanding have been signed with a number of sea carriers that have agreed to make available and transfer cargo manifests as Customs cargo report message (CUSCAR files), allowing for more effective and efficient pre-arrival targeting.

Cooperation initiatives with other national authorities and at EU level to further the use of non-required data are also reported. At national level, for instance, Cyprus, Latvia and Poland mention a link between the customs system and the maritime single window, while Lithuania reports a common interface between the national customs risk management system and the Klaipeda seaport system. Sweden also cited general cooperation with other national authorities in this regard, but without going into more detail. In Belgium, a national e-commerce working group is developing the use of data provided through customs declarations.

Existence of challenges, difficulties and barriers

Yes	No	No reply
10	11	7

Challenges encountered under sub-action 6.2.1 concern above all data quality (Spain, France) and availability and access (Austria, Cyprus, Spain), as well as compatibility of information systems (Belgium, Bulgaria, Spain, Lithuania). Overall, it seems uncommon that customs administrations receive additional data from traders, and when they do, the data may be unsuitable for customs use. Both systems have limited information on goods and very little information on seller, buyer, consignor and consignee, and therefore are of limited applicability for customs risk management.’ The Romanian administration additionally reported that training is needed on how to use the CSM data, which could be obtained from OLAF.

The Consistently Optimised REsilient ecosystem (CORE) project funded under the EU’s 7th framework programme will end in June 2018. The Commission services are currently reviewing the final policy recommendations. The results of the different supply chain demonstrators were presented on 11 April 2018.

1 August 2018 will see the start of ‘PROFILE’ a new Horizon 2020-funded project on architectures and organisations and big data analytics for customs risk management. Risk

management experts from Belgian, Dutch, Swedish and Estonian customs authorities will be part of the project, alongside data analysis experts from the EU's Joint Research Centre. This project seeks to accelerate the uptake of state-of-the-art data analytics and incorporation of new data sources for more effective and efficient customs risk management.

OLAF is currently developing a data analysis project together with the Commission's Joint Research Centre and Member States, in coordination with DG TAXUD, with the aim to research, support, and facilitate the sharing of, knowledge, good practice and lessons learnt in data analysis for customs antifraud purposes. The ultimate objective is to strengthen the analytical capacities of the Member States and build a community of practice in the domain, improving collaboration and thus bringing a genuine EU added value.

In 2018, a pan-European Customs Practitioners Network (PEN-CP) will be created under Horizon 2020. This project seeks the participation of 14 customs administrations from the EU and third countries

The aim is to create an ecosystem for interoperability, knowledge sharing and innovation to contribute to the improvement of European security through more efficient control of illicit trade flows.

6.2.2	ONGOING	Improve data quality and knowledge on supply chain vulnerabilities through close engagement with trade organisations at EU and Member State level
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Member States have been asked to report on **the status of the sub-action, the results/progress made** (compared to longer-term aims) and the **use of the results**

Status of the sub-action

No activity	Low priority	Medium priority	High priority	No reply
8	4	11	2	3

Results / progress made

None	Limited	Some	A lot	No reply
7	4	7	1	9

Sub-action 6.2.2 is a relatively low priority for the Member States. Several noted simply the continuation of business as usual, without any new initiatives being taken. The few Member

States that described activities in further detail mentioned cooperation activities with companies in the form of e.g. agreements (Cyprus, Italy, Poland) or committees (Cyprus, Germany, Ireland, Lithuania). Awareness raising through campaigns, workshops or sharing relevant information on websites was also mentioned by some Member States (Bulgaria, Cyprus, Finland, Italy, Latvia).

Progress cited on this action was also modest. A few countries reported learning effects on the side of customs or economic operators, particularly as regards increased knowledge of economic operators and/or of supply chain risks. Luxembourg cited annual participation in events aimed at trade organisations such as the Chamber of Commerce, and liaises with such organisations in this context. Other Member States also reported similar activities, albeit mostly in connection with other sub-actions. In contrast, in its answers to the survey Poland reported: (i) a memorandum of understanding on cooperation with maritime container carriers; and (ii) the provision of marine manifests in electronic form that was consulted on and agreed between the National Revenue Administration, maritime administration and numerous sea carriers. Aside from this, very few examples of activities were given.

Existence of challenges, difficulties and barriers

Yes	No	No reply
2	14	12

Very few Member States reported having faced problems in their work under sub-action 6.2.2, while the majority answered negatively or provided no response. Of the two Member States referring to problems faced, the Polish authorities noted that container operators had experienced problems in adapting the format of transferred data to the required message standards. The Spanish authorities cited difficulties related to ENS declarations and the division of responsibilities within companies. More specifically, since company representatives in Spain often had little knowledge of the information provided in the ENS declaration, they were of little help in solving problems related to incomplete or incorrect declarations.

The outcomes of two projects (i.e. the CORE work package 19 and the DTLF) have contributed to this action.

The improvement of data quality and filing arrangements as described under Objective 1 is also closely linked to the development of this action.

6.2.3	ONGOING	Identify existing solutions and, where necessary, put forward appropriate solutions
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This action is scheduled to be partly supported by ICS2 e.g. integration of ENS-CSM data as

part of the activities under Block 2.1. implementation as from ICS2 Release 2 onwards.

The development of the common information sharing environment (CISE) is promoting the exchange of relevant information among the different authorities involved in the maritime domain (see action 6.2.1). This platform will have to be further implemented and used as widely as possible to obtain the best operational results. This will be a challenge from 2018 and onwards.

An administrative arrangement initiated by the Commission will be implemented over 2016-2017 to provide a preliminary solution design for the operational integration of CSMs in real-time customs risk management and in flexible data analytics.

Also contributing to this action are: (i) the development of the tobacco traceability solution required under Article 15 of the Tobacco Products Directive; (ii) advice on customs risk management needs; (iii) access to the data for CRM processes; and (iv) referencing of the solution at the relevant moment in the customs declarations.

6.2.4	ONGOING	Implement the appropriate IT solution(s), if necessary, to ensure that valuable data available to operators is exploited by authorities for risk management purposes
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This action is scheduled to be partly supported by ICS2 e.g. integration of ENS-CSM data as part of the activities under Block 2.1. implementation as from ICS2 Release 2 onwards.

Action 6.3		Promote compliance management by customs administrations in close cooperation with trade
6.3.1.	COMPLETED	Identify best practices in the implementation of compliance management by comparing national programmes, and continue raising awareness among economic operators of the importance of managing their own compliance with customs regulations
<p>This sub-action was regarded as completed in the previous progress report. The respective Project Group on Compliance, which was mapping practices including client segmentation, presented its findings in December 2015. Since then, there have been no substantial further developments in this area.</p> <p>Client segmentation can be described as an evolving working practice in which customs categorise economic operators into distinct groups with common characteristics and/or needs that may require similar treatments. Client segmentation enables customs to develop and</p>		

improve targeted controls and services related to customers' needs, thereby enhancing the efficiency and effectiveness of its operations and deployment of resources. It can be used for compliance management, but has also been implemented for many other purposes.

Not all Member States have experience with client segmentation and there are different purposes and approaches used in this area. Nevertheless, some generally valid aspects were recognised in a group of selected Member States.

6.3.2.	ONGOING	Explore possibilities for establishing a harmonised approach to client segmentation as an element of the overall concept; complementing the AEO programme and supporting more effective and efficient risk management
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The outcomes of the Customs 2020 Compliance Project Group will provide important input for taking forward this action to explore possibilities for a more harmonised approach to client segmentation. The results of the project group are based on experiences of just seven Member States, and the purpose and approach of client segmentation varies between those Member States.

Nevertheless, the main conclusions are:

The objectives of client segmentation are in general:

- decision-making process on controls — these help to balance controls and facilitation;
- proactive customer relationship management — marketing and communication;
- national planning and resource allocation.

Typical segments of traders include:

- known or not known;
- scale/size of the company (not only from a customs perspective);
- subjective risks of the economic operator (based in part on compliance history, sometimes taking into account type of industry, goods, authorisation, etc.).

The segmentation process and management varies as well (range of data sources, degree of 'automation', frequency/flexibility of change of segmentation).

Some Member States directly integrate information about clients in automated risk-scoring systems.

The main challenges identified are: lack of good data for automated use, recourse to manual analysis and complex system structures.

6.3.3.	NOT STARTED	Subject to the feasibility of harmonised standards in the area of client segmentation and their possible incorporation into customs risk management, put forward the appropriate approach, supported by the business case.
Not being pursued at this time		

Action 6.4		Promote the re-use of customs data submitted electronically by economic operators to streamline customs procedures, reduce costs and improve efficiency
6.4.1.	ONGOING	Identify, in cooperation with trade, formalities and processes where already submitted and available data can be re-used without legal obstacles or additional risks.
<p>The Code legislative package established a legal framework that guarantees stability and clarity for postal and express carriers. Nevertheless, further work is needed as at this point there is no unanimous view in the Member States on data re-use and how this would function.</p> <p>As regards the establishment of the legal framework, the option of re-using data already submitted and made available by trade for other formalities and processes is being discussed in the context of the CN23¹⁸. The question is how the data elements of the CN23 could be made available and re-used for lodging a safety and security declaration (ENS) as well as for lodging a customs declaration. Several meetings were organised with Member State and trade participation to analyse the options in the context of ‘pilots’.</p> <p>While there is general agreement on the benefits of re-using data, sometimes difficulties emerge with regard to data protection, but also practical issues such as: at which time is the data available, who is in possession of the data, for which purpose is the data needed, etc.</p> <p>This is partially finalised regarding Article 144 of the Code Delegated Act. Work is ongoing in particular on the re-use of data in the e-commerce context, where further discussions with A2, DIH, the ICS2 project team, C1 (VAT) are required.</p> <p>This action is covered partially by ICS2 as part of ‘three releases’ implementation process. Data provided for the purpose of ENS will be re-used by trade and Member States for further steps in entry procedures, such as arrival, presentation and temporary storage. For postal consignments, trade will be in a position to re-use ENS data also for the purpose of customs clearance as far as goods falling under the simplified customs declaration provisions are concerned.</p>		

¹⁸ ENS data for goods moved under the UPU Acts.

6.4.2.	COMPLETED	Analyse, in cooperation with trade, whether re-use of data will increase efficiency of identified procedures for economic operators and customs administrations
<p>The data requirements as defined in the Code legislative package (see Objective 1) have been aligned with the WCO data model. The analysis was carried out with the support of Customs Code Expert group and in close cooperation with relevant stakeholders, resulting in the preparation of new legal provisions (data annexes to the Code Delegated Act and Implementing Act). The analysis and consultation on the Code Delegated Act and Implementing Act data requirements were finished and agreed with Member States and trade stakeholders at the end of 2015.</p> <p>This action is covered partially by ICS2 as part of ‘three releases’ implementation process. Data provided for the purpose of ENS will be re-used by trade and Member States for further steps in entry procedures, such as arrival, presentation and temporary storage. For postal consignments, trade will be in position to re-use ENS data also for the purpose of customs clearance as far as goods falling under the simplified customs declaration provisions are concerned.</p>		
6.4.3.	COMPLETED	Put forward appropriate proposals to agree with Member States and economic operators
<p>As already reported in 2016, the EU customs data model can be seen as a supporting instrument for Member States and trade. This data model also provides for specific views such as the ‘consignment view’, which allows for the mapping of the EU safety and security data against the WCO data model.</p>		
6.4.4.	COMPLETED	Draft adequate legal basis to enable and support implementation in practice
<p>As already reported in 2016, the analysis of the Code Delegated Act and Implementing Act data requirements has been finished and agreed with Member States and trade stakeholders.</p>		

2.7 Objective 7: Tap the potential of international cooperation, to improve risk management of the supply chain, for better identification of risks, more effective risk mitigation and cost reduction for operators and authorities

Exchange of customs-related information with third countries

Cooperation and exchange of customs-related information with third countries play an important role in the area of the Customs Union and common commercial policy. Cooperation and exchange of information can improve customs risk management and may make legitimate trade faster and less costly by targeting customs controls and simplifying customs procedures. Along with mandatory pre-arrival declarations, it contributes to the security and safety of the EU by strengthening controls to block the entry of hazardous goods, arms, explosives and dual-use goods and to prevent IPR infringements and the entry and trafficking of drug precursors.

Member States stressed the importance of the subject in their Council Conclusions on Enhanced Exchange of Customs Related Information with Third Countries adopted on 19 December 2016 and explicitly invited the Commission to consider coming forward, by the end of 2017, with proposals for a policy framework and, where necessary, Union legislation on enhancing the exchange of information between the Customs Authorities of the EU Member States and those of third countries in the area of common commercial policy.

Against this background, a High Level Seminar on the topic was hosted by the Bulgarian Presidency on 7-8 June 2018. At the seminar participants: (i) reviewed the current state of play in the area of the exchange of customs-related information with third countries and confirmed the growing importance of such exchanges as well as the timely need to act; (ii) identified the needs for enhancing exchanges of customs related information with third countries; and (iii) discussed and identified the potential scope, purposes, benefits, conditions, means and constraints for enhanced exchanges of customs-related information. In the conclusions of this seminar it was agreed that a strategic and consistent approach is needed in choosing with whom information should be exchanged, what should be the concrete types of information and what should be the concrete purposes for exchanges, taking into account current financial and security risks, trade patterns and political interests.

Agreements and projects

EU-Norway:

The IT deployment of the automatic mutual recognition agreement (MRA) exchange with Norway started on 30 January 2018 (already exists with Switzerland).

EU-RU Project Group on border issues:

The strategic framework for EU — Russia customs cooperation includes the following objectives: (i) trade facilitation on the basis of operator reliability — use of the AEO programme for simplifying trade: identify the possibility of creating an EU-Russia green corridor; and (ii) identifying opportunities for cooperation on risk management. It was agreed

at the last meeting, held in Saint Petersburg on 17-18 March 2017 that the next meeting of the expert group will be organised by DG TAXUD.

EU-Ukraine: project on the implementation of the strategic framework for customs cooperation

A Project Group meeting took place on 8-9 December 2016 while the Customs Sub-Committee meeting held on 15 June 2017. Ukraine has prepared its AEO legislation based on EU recommendations and support (not adopted yet). Ukraine will continue preparations on implementation tools, namely secondary legislation, AEO Guidelines for administration and business, and training for regional and local officers.

EU-Moldova: project on the implementation of the strategic framework for customs cooperation

The Project Group meeting took place on 13 March 2017 and the Customs Sub-Committee met on 16 November 2017. Moldovan legislation is compatible with the EU AEO programme. The roadmap on an AEO MRA should start to be implemented. Moldova and Romania are continuing an AEO pilot project on unilateral recognition of EU AEOs.

EU-Georgia: project on the implementation of the strategic framework for customs cooperation

The Project Group meeting took place on 12 October 2017 and the Customs Sub-Committee met on 17 May 2017.

Workshops and study visits on risk management for Georgia should continue. The Commission was asked to explore methods by which Georgia and the EU could exchange of risk management-related information.

Project Group on customs dialogue with Belarus

The action plan for the EU-Belarus customs dialogue for the period 2016-2019 includes two objectives: (i) risk analysis and risk management; and (ii) increased business awareness of applicable customs laws (customs-business cooperation programmes). Additionally, a study visit for Belarus has been requested to share EU experience and discuss an early warning mechanism.

Action 7.1		Develop international cooperation through multilateral and bilateral initiatives
7.1.1.	ONGOING	On the basis of the objectives and priorities of the overall strategy, develop international cooperation models in the area of risk management and supply chain security, including AEO mutual recognition schemes, development of trusted and fluid trade lanes

		and necessary exchanges of information
<p>AEO MRA negotiations with Hong Kong are suspended. The first step has been concluded, namely to assess the legislative acts of the respective programmes to determine the compatibility of the programmes. Next steps are the IT-related issues and the determination of equivalence and compatibility in the practical implementation of the two programmes. However, the legal basis that will allow the EU to formalise mutual recognition is not expected to be available in the near future and therefore work is suspended.</p> <p>Enlargement countries are in the process of aligning their customs legislation with the EU acquis and with the assistance of the EU and its Member States. A key tool in the EU customs risk management and trade facilitation policy is the introduction and implementation of the AEO concept. An AEO regional action plan has been drafted. A leading role in matters of trade facilitation in the Western Balkans has also been given to the Secretariat of CEFTA (the Central European Free Trade Agreement). In aligning the national AEO programmes with the conditions in Annex III to CEFTA Additional Protocol 5 (AP5), CEFTA parties will indeed also be aligning with an important part of the EU customs acquis. The Commission's Western Balkans Strategy¹⁹ equally envisages to support this as a priority and to further facilitate EU-Western Balkans trade, including through the development of mutual recognition programmes of AEO programmes between the EU and the Western Balkans on the basis of CEFTA. Technical support and assistance is provided through national experts of the AEO expert network. Priorities of the Council and the Commission in this area are: (i) strengthening the EU operational partnership with enlargement candidate countries and potential candidate countries in the fight against international crime and border security; and (ii) stressing the importance of joint efforts on countering illicit trafficking with the use of internal security tools (AEO, risk management, aviation security procedures in line with international standards).</p> <p>The ‘Smart and Secure Trade Lanes’ (SSTL) pilot project between EU and China and Hong Kong customs introduced trusted and accelerated trade lanes models for air and rail, on top of the existing trade lanes in the maritime domain.</p>		
7.1.2.	ONGOING	Pursue the existing bilateral cooperation, including piloting with third countries, with a view to reaching a stable operational and legal basis for full implementation
<p>For exchanging information from customs transaction systems for the purpose of SSTL between EU and the Chinese and Hong Kong customs administrations, the following actions have been completed: (i) in-depth analysis of the business processes for maritime transport; (ii) analysis of the data availability in the national systems; (iii) data mapping; and (iv)</p>		

¹⁹ COM(2018)65.

message specification. Additionally, the user requirements (international component) with the Member States for the automated SSTL data exchange for phase 3 have been defined.

The SSTL business case for the IT internal part has been approved and in the next months the business process modelling for the internal part and the functional requirements will be prepared. Basically, the SSTL automated data exchange should focus on the exchange of customs export declaration/transaction data, on the one hand, and the integration of the existing IT systems and processes at EU level via SPEED2²⁰, on the other. It will include: (i) flagging of export declarations/transaction data and their real-time transmission to SPEED2 (on the export side); and (ii) validation and real-time transmission of customs declaration/transaction data from China/and Hong Kong Customs to Member State systems (on the entry side) via a repository, including the link with the ENS (import control system).

7.1.3.	ONGOING	Develop international cooperation through multilateral and bilateral initiatives
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CORE FP7 project:

The results of the different supply chain demonstrators, with the involvement of third countries such as the US and Kenya, were presented on 11 April 2018, together with part of the final report that will be available in June.

Action 7.2		Implement appropriate cost-effective IT solutions to enable international cooperation
7.2.1.	ONGOING	Implement necessary cost-effective IT solutions enabling international cooperation to support EU customs authorities in detecting risks with the use of utility blocks (UB 1 — exchange of AEO mutual recognition data and information from customs transaction systems; and UB 2 — relevant risk information)
<p>As already reported in 2016, the EU has concluded agreements on customs security measures with Norway, Switzerland, Andorra, the US, Japan and China. An automated data exchange solution has already been deployed for the exchange of data between the EU and China, Japan, Switzerland, Norway and the US.</p>		

²⁰ Flexible and secure portal interfacing EU Customs applications and the external world.

Action 7.3	Ensure that the EU and its Member States play a proactive role in the development of global standards in the relevant multilateral fora
7.3.1.	<p data-bbox="323 344 493 398">ONGOING</p> <p data-bbox="504 331 1396 398">Continue ensuring the EU's input and leading role in establishment of international standards</p>
<p data-bbox="188 495 1396 674">The EU's input has contributed to the development of international standards, namely the 'utility blocks' that are either approved or still under development. There are three utility blocks (UB1 — exchange of AEO MR data; UB2 — exchange of information from customs transaction systems; and (iii) UB3 — exchange of risk-relevant information) in which the EU took or takes part in the development.</p>	
7.3.2.	<p data-bbox="323 759 493 813">ONGOING</p> <p data-bbox="504 745 1396 813">Ensure that the international norms and standards are respected and implemented in the EU</p>
<p data-bbox="188 909 1396 1088">This is a permanently ongoing action. Examples of recent implementation of international standards are: (i) the Union Customs Code Delegated Act/Implementing Act data requirements (Union Customs Code Delegated Act/Implementing Act Annex B) based on the WCO data model; and (ii) the EU contributions to the review of the WCO SAFE framework of standards (see actions 7.3.1 and 7.1.3).</p>	

3 PERFORMANCE AND MONITORING FRAMEWORK

3.1 Introduction

In the 2016 Council conclusions on the first progress report on the implementation of the EU Strategy and action plan for customs risk management, the Commission was invited to develop a performance and monitoring framework so that the strategy's implementation could be monitored more systematically and robustly in the future. The Commission enlisted the help of a team of consultants to assist in this task and to collect and analyse data for the second progress report on the strategy.

The Commission has begun to work on this system, including the development of indicators and sources of evidence to efficiently monitor the strategy. The following points of discussion are intended to serve as a basis for further reflection with Member States in an appropriate working group.

As a starting point, there are two main steps for developing a monitoring framework.

- First, having a common understanding of the strategy's intervention logic. This will make it possible to identify and structure the strategy's main objectives and expected results, thereby helping to determine what should be measured/monitored to assess performance.
- Second, using the intervention logic as a foundation with a view to developing the indicators and sources of evidence that will inform the monitoring framework.

3.2 Developing indicators and sources of evidence to monitor the strategy

The intervention logic provides the basis for an effective monitoring system. This is because the key outputs, results and outcomes defined in the intervention logic determine what needs to be measured to monitor progress on implementing the strategy and (to the extent possible) its effects.

The building blocks of the system to monitor the implementation and performance of the strategy in the future will be a series of indicators, covering the intended outputs, results and outcomes under all of the objectives.

In identifying appropriate indicators, it is important to keep in mind the core principles of good monitoring, which include: (i) comprehensiveness (coverage of all objectives); (ii) proportionality (minimising the burden of data collection); (iii) and minimal duplication (making use of data sources that are already available). In particular, the indicators should draw on existing monitoring or performance measurement frameworks to the extent possible. This is especially true for the Customs Union Performance (CUP) project and evaluation cycle of the common risk management framework (CRMF), which are already allocated substantial resources at EU and Member State levels, and which cover some of the same issues as the strategy.

Putting these principles into practice, the output indicators will relate to the impact of the various actions. At the output level this includes such deliverables as new legislative acts adopted, IT systems developed, analytical studies completed, collaborative agreements concluded and new customs working practices introduced. Relevant indicators will be data identified and collected data from relevant actors, in a similar way to what has been done for the present progress reporting exercise.

The indicators at the results and outcomes levels are more challenging to define. They relate less directly to individual actions and their deliverables, but should aim to provide relevant measures of progress made (based at least partly on the cumulative effects of the actions) towards the objectives pursued by the strategy and hence, its effectiveness.

With the above considerations in mind, the following paragraphs contain initial ideas and suggestions for the results and outcome indicators under each of the objectives, drawing where possible on the CUP project and CRMF evaluation cycle. The proposed indicators will need to be refined and operationalised further, in consultation with national customs authorities and other relevant stakeholders. Depending on the resources available, the mainly quantitative indicators proposed could be supplemented with qualitative indicators to provide more detail on the issues of interest. The indicators should also be updated periodically to take account of policy and operational developments.

Objective 1: Data quality and filing arrangements

This objective is to be achieved primarily via new legal requirements for economic operators to submit data as part of their entry summary declarations (ENS), and the development and implementation of appropriate IT solutions to facilitate this. While the legal basis for this has been adopted, the main IT solution in question (ICS2) has not yet been launched, meaning that the desired results and outcomes cannot be observed yet. In anticipation of ICS2 going live (expected to be in 2021), it will need to be considered how its use can best be monitored (in terms of the provision of data on international supply chain movements). Potential indicators could include:

- the additional data economic operators will be legally required to provide under ICS2 (in comparison with the situation pre-ICS2);
- the number of ENS submitted/processed via ICS2 (cf. CUP indicators on ICS);
- the quality of ENS submitted/processed via ICS2: language/alphabet used, completeness of the declarations (persons involved, codification of risk analysis data fields, goods descriptions) and other factors (cf. CRMF evaluation cycle pilot report);
- economic operators' (EOs') rate of compliance with the new requirements;
- Member States' readiness to feed new data elements in Surveillance 3;
- shortcoming in Member States to achieve this objective, e.g. legal, IT wise etc.

Objective 2: Access to and use of data by customs authorities

The second objective relates to the sharing and use of the data submitted by economic operators (see above). Again, until ICS2 is fully operational, it appears unlikely this can be monitored. We understand that at present discussions are ongoing about the exact ways in which such data will be shared and made available (e.g. automatically or manually/on request). Once customs authorities have the ability to access, use and share the additional risk-relevant information, it should be monitored to what extent they are able (or choose) to do so in practice. Indicators for this purpose could include:

- the level of sharing of data on movements of goods along the supply chain;
- the level of sharing of risk analysis results;
- the level of sharing of control results and related information;
- the level of cooperation between Customs and Market Surveillance Authorities (MSA);
- the level of cooperation between Customs and Postal authorities and online big platforms to tackle low value consignments.

Objective 3: Better targeted controls

As noted above, this objective lies at the heart of the strategy, in the sense that in a more or less direct way, all the other objectives should ultimately contribute to enabling customs to target their controls better in terms of when and where they take place. A significant amount of potentially relevant data on controls is collected as part of the CUP project, and it would appear appropriate to also rely (at least partly) on this data to try to measure whether risk-based controls increasingly occur at the most appropriate time and place. This could be achieved through the use of a combination of existing indicators listed under the ‘Controls’ chapter of the CUP:

- rates of controls of different types (covering clearance, post-clearance and post-release controls as well as documentary controls and physical controls);
- results of different types of controls (e.g. the percentage that detect irregularities);
- detection rate (ratio between total established amount in the total gross TOR collected by Member States)
- the proportion of controls based on (different types of) risk management (risk profiles based and random element controls).

Objective 4: Effective implementation of the CRMF

The fourth objective is very broad, and covers the effective implementation of the CRMF across Member States, which (with appropriate support from the EU) are expected to identify and address weaknesses and work towards the continuous improvement of the framework and how it is applied. To monitor progress towards this objective, it would seem appropriate

to rely heavily on data already being collected as part of the CRMF evaluation cycle. Examples of indicators that are potentially relevant for the strategy include:

- the number of items subject to Common Risk Criteria (CRC) analysis, and the number of automated hits and final hits;
- the number of false positives;
- the level of system usage of Risk Information Forms (RIFs) (expressed e.g. through the number of RIFs issued through the CRMS), RIF quality (level of completion and precision), and the relevance and timeliness of feedback;
- results on Priority Control Areas (PCA) and Joint Customs Operations (JCO) launched;
- the number of positive results with random based controls;
- controls on simplified procedures (authorisations and communication systems with economic operators).

Objectives 5-7: Cooperation with other actors

Objectives 5, 6 and 7 refer to enhanced cooperation between customs and other competent authorities, traders, and third countries and international fora respectively. This cooperation is intended to improve the availability of relevant data and information for risk management purposes, which is an important enabling factor for achieving the objectives of the strategy as a whole. Monitoring the results and outcomes of such cooperation is likely to be challenging, as the effects on risk management practices can be rather indirect. Taking a proportionate approach, a number of indicators from the CUP should be considered:

- administrative assistance indicators on the numbers of requests/answers for administrative assistance sent and received within the EU/with third countries;
- the number of participations in the activities of the customs programme;
- the number of AEOs and related sub-indicators (e.g. numbers of applications, rejections, revocations, suspensions etc.);
- the number of controls per AEO, compared with the number of controls per non-authorised economic operator;
- the total number of man-days spent on technical assistance to non-EU countries.