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**IMPACT ASSESSMENT REPORT**

*Accompanying the document*

**Proposal for a Regulation of the European Parliament and of the Council  
establishing the European Union Single Window Environment for Customs and  
amending Regulation (EU) No 952/2013**

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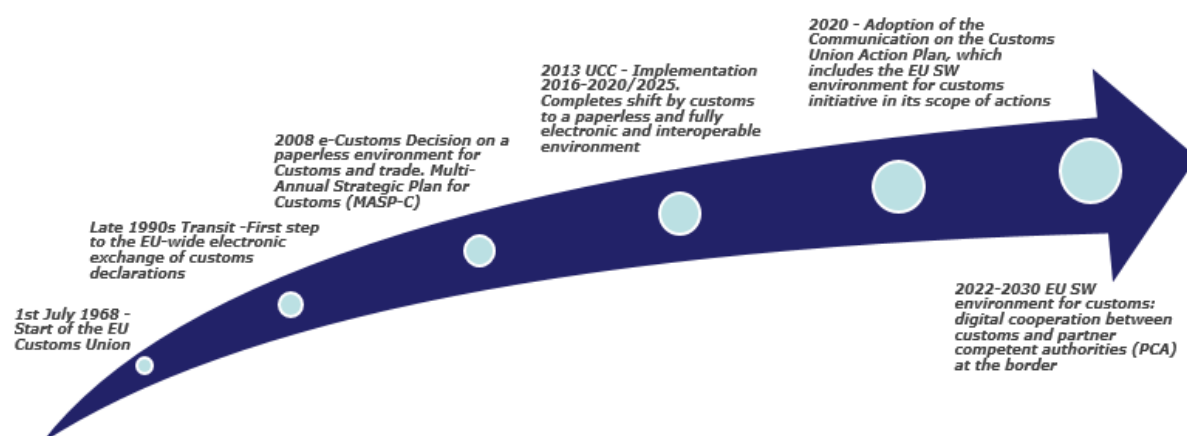
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## 1. INTRODUCTION: POLITICAL, LEGAL CONTEXT AND VISION STATEMENT

The EU Customs Union is a fundamental aspect of the European Union and the management of external borders is of crucial importance in ensuring the health and prosperity of EU citizens and businesses. The Covid-19 pandemic has made it more important than ever to establish a stronger framework for the Customs Union and to ensure more effective controls while facilitating trade especially in times of emergency. This involves not only customs formalities, but also multiple non-customs regulatory requirements that certain goods are also subject to at the border in policy domains such as health and safety, the environment, agriculture, etc.

The customs administrations and competent authorities in charge of enforcing non-customs regulatory formalities (hereafter ‘partner competent authorities’) have worked mostly in silos. Most e-government initiatives have preserved the silos inherited from manual processes, leading to the development of many electronic systems of varying interoperability. In the customs domain, the Customs Union has undergone a number of modernisation steps since its creation. The design and deployment of the 17 Union Customs Code (UCC)<sup>1</sup> systems aim to consolidate the digitalised EU Customs Union, enabling the electronic processing of more than 99% of all customs declarations. President von der Leyen recently proposed<sup>2</sup> equipping the Customs Union with a stronger framework to better protect EU citizens and the single market and using an integrated European approach to reinforce customs risk management and support effective controls by the Member States. In response, the EU Commission (hereafter ‘the Commission’) is preparing an Action Plan that includes the implementation of an EU Single Window Environment for customs over the next decade.



*Figure 1: Path to the Customs Union digital modernisation*

This digitalisation process is ongoing at a varying pace in the different policy areas interacting with customs at the border and requires breaking existing silos to facilitate trade and enhance controls. In recent years, single window initiatives have gained momentum as a way of doing this within and across EU. The vision of the **EU Single Window environment for customs** is designed to coordinate **customs and partner competent authorities at the border to eliminate these silos**.

<sup>1</sup> Regulation (EU) No 952/2013 of the European Parliament and of the Council of 9 October 2013 laying down the Union Customs Code, OJ L 269, 10.10.2013, p. 1–101

<sup>2</sup> [https://ec.europa.eu/commission/sites/beta-political/files/political-guidelines-next-commission\\_en.pdf](https://ec.europa.eu/commission/sites/beta-political/files/political-guidelines-next-commission_en.pdf)

There is a short window of opportunity to advance this initiative before Member States establish distinctly different and non-harmonised single windows, increasing the risk of an uneven playing field for economic operators and citizens across the EU. The establishment of the EU Single Window environment for customs is envisaged as an ‘evolution, not a revolution’ approach. The strategy will build on existing solutions to develop a framework for digital cooperation with partner competent authorities that would encompass their regulatory formalities over time once the respective sectorial legislation and operational Information and Communication Technology (ICT) aspects are in place. The objective of this initiative is not to revise the sectorial legislation, which falls under different areas of Union competence. Instead, it sets the appropriate conditions for digital collaboration between customs and partner competent authorities.

The Commission and EU Member States have made a number of commitments to develop harmonised single window services at EU level. The 2008 e-Customs Decision<sup>3</sup> on a paperless environment for customs and trade called on the Member States and Commission to “endeavour to establish and make operational a framework of single window services”. However, the evaluation of the e-Customs Decision in 2014<sup>4</sup> found these provisions insufficiently concrete and recommended the adoption of a new legal instrument for the single window. The 2014 Venice Declaration<sup>5</sup> proposed a progressive action plan to implement an EU Single Window environment for customs and to develop its legal framework. In addition, in 2016 the Communication from the European Commission on “Developing the EU Customs Union and its Governance”<sup>6</sup> announced the Commission’s plans to explore a workable solution for the development and creation of an EU Single Window environment for customs. This position was supported by the ECOFIN Council Conclusions of March 2017<sup>7</sup> which requires the signatory parties to “make their best efforts to establish single windows”. This is also in line with the 2017 Trade Facilitation Agreement of the World Trade Organization (WTO), which requires the signatory parties such as the EU to “make their best efforts to establish single windows”. Some of EU’s main trading partners have embarked on ambitious single window initiatives, while other countries are building the foundation for future implementation<sup>8</sup>.

In line with these priorities, the Commission launched a pilot project (“EU Customs Single Window-Common Veterinary Entry Document” ‘EU SW-CVED’) in 2015 to provide an interface between national customs systems and a certification system at EU level<sup>9</sup> through the central information technology (IT) solution of the Directorate-General for Taxation and Customs Union (DG TAXUD). This project enabled the automated verification of three health certificates by five Member States’ customs administrations, participating on a voluntary basis. The “EU Customs Single Window-Certificates Exchange project” (hereafter ‘EU CSW-CERTEX’), launched in 2017, expanded the pilot and enhanced its functionality. By the end of 2018, new certificates were introduced, and the number of participating Member States increased from five to nine. EU SW-CVED and EU CSW-CERTEX can be

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<sup>3</sup> Decision No70/2008/EC of the European Parliament and of the Council of 15 January 2008 on a paperless environment for customs and trade, OJ L 23, 26/01/2008, p. 21-26.

<sup>4</sup> Evaluation of the electronic customs implementation in the EU Final report (21 January 2015). [https://ec.europa.eu/taxation\\_customs/sites/taxation/files/docs/body/ecust\\_evaluation\\_final\\_en.pdf](https://ec.europa.eu/taxation_customs/sites/taxation/files/docs/body/ecust_evaluation_final_en.pdf)

<sup>5</sup> <http://data.consilium.europa.eu/doc/document/ST-16507-2014-INIT/en/pdf>  
(The Venice Declaration is annexed to the December 2014 Council Conclusions).

<sup>6</sup> COM (2016) 813 final

<sup>7</sup> <http://data.consilium.europa.eu/doc/document/ST-7585-2017-REV-1/en/pdf>

<sup>8</sup> An overview of these initiatives is provided in Annex 10.

<sup>9</sup> TRAdE Control and Expert System (TRACES)

considered as a blueprint for this initiative. An evaluation of EU SW-CVED and EU CSW-CERTEX carried out by DG TAXUD (hereafter ‘the evaluation’)<sup>10</sup> is included in Annex 14.

The scope of the EU Single Window environment for customs extends beyond the field of customs. Its establishment builds upon the UCC’s digital transformation approach to take the Customs Union to the next level of modernisation by digitally connecting customs and non-customs domains. The ongoing Covid-19 crisis has created challenges for government authorities and trade to realise full digitalisation of the entire supply chain. Establishing an EU Single Window environment for customs will provide a solution for digital collaboration between customs and partner competent authorities in response to part of the challenges raised by such crises. This collaboration will enhance trade facilitation, while ensuring the safety and security of European citizens in the single market.

## 2. PROBLEM DEFINITION

### 2.1 What are the problems?

In 2018, the EU was the second largest exporter and importer of goods in the world, with extra-EU trade accounting for 16% of export and 15% of import globally. In handling the high volume of imported and exported goods, the role of customs serves two main purposes: it implements customs and trade-related legislation in line with the provisions of the UCC, and it enforces many non-customs regulatory requirements for specific goods at the external borders. The laws governing non-customs regulatory requirements<sup>11</sup> are the result of specific policies established in different domains of EU competence under the Treaties, such as health and safety, environment protection, fisheries, agriculture, market surveillance, etc. They impose different obligations for the import, export or transit of specific goods and create specific administrative procedures. These have been designed independently and are mostly run in a non-coordinated manner, overlapping to a certain extent. This generates complex and burdensome reporting obligations for traders and poses a significant barrier to the effective enforcement of the regulatory formalities at stake.

This impact assessment defines as the main problems (as established by the external study to support the impact assessment)<sup>12</sup>: (1) **fragmented interoperability between customs and partner competent authorities** responsible for regulatory formalities required for the international trade in goods, and (2) **duplication of information and procedural redundancies in the fulfilment of these formalities**.

The **fragmented interoperability**<sup>13</sup> between regulatory authorities involved in the clearance of goods is a major obstacle to progress on the digital single market and to achieving an integrated, coordinated border management. Interoperability is defined by the European Interoperability Framework<sup>14</sup> as “the ability of organisations to interact towards mutually beneficial and agreed common goals, involving the sharing of information and knowledge between these organisations, through the business processes they support, by means of the

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<sup>10</sup> See Annex 14 for a summary of the evaluation.

<sup>11</sup> [https://ec.europa.eu/taxation\\_customs/sites/taxation/files/prohibition\\_restriction\\_list\\_customs\\_en.pdf](https://ec.europa.eu/taxation_customs/sites/taxation/files/prohibition_restriction_list_customs_en.pdf)

<sup>12</sup> The problems were examined extensively in an external study commissioned by DG TAXUD to support the impact assessment. Among other things, the study assessed the current situation by evaluating existing action in the form of the EU SW-CVED pilot and EU CSW-CERTEX. DG TAXUD commissioned an external study to evaluate the EU CSW-CVED pilot and EU CSW-CERTEX and to support the impact assessment. The external study report was written by Oxford Research, Coffey, Economisti Associati and wedoIT. The final report and the executive summary have been published in: <https://tinyurl.com/yd56kk5r>

<sup>13</sup> According to the European Interoperability Framework, an interoperability model includes four layers: legal interoperability, organisational interoperability, semantic interoperability and technical interoperability.

<sup>14</sup> [https://ec.europa.eu/isa2/sites/isa/files/isa\\_annex\\_ii\\_eif\\_en.pdf](https://ec.europa.eu/isa2/sites/isa/files/isa_annex_ii_eif_en.pdf)

exchange of data between their ICT systems.” The use of IT systems is a prerequisite for such interoperability. The increased digitisation of customs<sup>15</sup> and partner competent authorities<sup>16</sup> creates opportunities to promote the digital exchange of data between each other for a fully coordinated and efficient goods clearance process. However, there is no domain-specific interoperability framework to support interaction between customs and partner competent authority systems. This means that, while electronic systems are in place for some policy areas, customs authorities still rely on manual documentary controls to verify certain non-customs formalities<sup>17</sup>. These manual checks take time and resources and, compared to automated checks, are more prone to error and fraud (see section 2.3.1). In addition, the lack of interoperability prevents the possibility of streamlining and integrating customs and non-customs procedures. To give an indication of the scale of the problem, non-customs reporting formalities associated with the import and export of various goods apply to a sizeable portion of imports and exports at EU level: this applies to up to 39.7 million customs declarations annually<sup>18</sup>.

In part for this reason, 93% of economic operators<sup>19</sup> participating in the public consultation carried out for this impact assessment considered that the “promotion of electronic means to exchange information” should be one of the most important priorities for potential EU action. This shows the significance of this problem for economic operators dealing with the cross-border movement of goods. Fragmented interoperability also poses a significant barrier to the enforcement of certain regulatory formalities. In particular, this is because partner competent authorities lack systematic and automated feedback on the use of the supporting documents they issue.

### ***Box 1: Evidence of fragmented interoperability***

#### **Fragmented interoperability (CVED-A, CVED-P and CED certificates)**

For those Member States that have put in place a solution for the automated verification of Common Veterinary Entry Documents for Animals (CVED-A), for products of animal Origin (CVED-P), and of Common Entry Documents for Feed and Food of non-Animal Origin (CED), the existing arrangements<sup>20</sup> have improved clearance procedures. However, interoperability between customs and non-customs authority systems is limited. This hinders the effective monitoring on the use of these certificates and increases the risk of fraud (see section 2.3).

#### **Lack of interoperability (export and import of hazardous chemicals)**

<sup>15</sup> The application of the Union Customs Code (UCC) governing customs operations in the EU as of 1 May 2016 represents a large scale streamlining that has facilitated the uniform application of customs law in the EU and the transition to an interoperable electronic customs environment (Regulation (EU) No 952/2013 of the European Parliament and of the Council of 9 October 2013 laying down the Union Customs Code, OJ L 269, 10.10.2013, p. 1–101).

<sup>16</sup> In other policy areas affecting international trade, there is a clear trend towards digitalisation of regulatory formalities (see section 2.2.2).

<sup>17</sup> This depends largely on the extent of digitalisation at national level and progress with national single window initiatives. For example, Common Veterinary Entry Documents in most Member States require paper certificates, while Italy uses only digital certificates as part of its national single window.

<sup>18</sup> 2016 declarations data from DG TAXUD and feedback from Member State administrations.

<sup>19</sup> 252 respondents to the public consultation rated this as very important and 71 as somewhat important. This percentage is based on the 349 total number of trade respondents.

<sup>20</sup> EU CSW-CERTEX and some national single window solutions enable the electronic exchange of these documents between customs and partner competent authorities’ systems.

Customs is responsible for enforcing the obligations specified in Regulation 649/2012<sup>21</sup> for the export of hazardous chemicals. Some of these chemicals are subject to an export notification and Prior Informed Consent (PIC) from the importing country outside the EU. These procedures are managed by the European Chemicals Agency (ECHA) through the PIC IT system (ePIC). Customs must check the inclusion and validity of the Reference Identification Number (RIN) of the export notification, referenced as a supporting document to the customs declaration. Although this is available electronically, ePIC and customs systems are not interoperable, meaning that customs authorities need to check the ePIC system manually. A recent study<sup>22</sup> on the enforcement of Regulation 649/2012 revealed that this had not been done in 44% of the cases. Automatic checks would ensure that necessary checks are carried out in addition to increasing efficiency.

**Duplication of information and procedural redundancies** is another dimension of the problem. The different regulatory frameworks introduce data requirements and business processes, which are not harmonised with the customs ones. Differences in data sets inhibit exchange across competent authorities and at EU / Member State level, making operators submit the same information several times. On the other hand, lacking data harmonisation serves as a barrier to the re-use of data. This is a significant drag on the supply chain, diverting resources that could have been deployed elsewhere. Indeed, 81% of the economic operators responding to the public consultation cited “submission of the same information to more authorities” as negatively impacting the movement of goods.

#### ***Box 2: Duplication of information and procedural redundancies***

One representative from a trade association participating in the EU Customs Single Window project group stated that “duplication and inefficiencies caused by the absence of harmonised procedures and systems amongst Member States are an economic drag on the whole supply chain”.

A customs policy adviser working for a Dutch company interviewed for the external study provided the example of aluminium. When importing aluminium from certain third countries, economic operators must apply for a paper document to facilitate the Commission’s monitoring of this type of product<sup>23</sup>. Nearly all of the information is also provided in the customs declaration. The Spanish customs authority confirmed that the overlap of information is 92%.

The Spanish customs authority further confirmed that about 30% of the customs declarations affected by non-customs regulatory formalities require more than one supporting document from partner competent authorities, creating high potential for duplication of information across these different requirements. For example, the import and export of *shark fins* could be subject to four different certificates to comply with the EU tariff and trade legislation measures<sup>24</sup> for this commodity.

In addition to the identified problems, the problem tree in the figure below depicts an overview of the underlying drivers (i.e. root causes) and consequences for stakeholders, as

<sup>21</sup> Regulation (EU) No 649/2012 of the European Parliament and of the Council of 4 July 2012 concerning the export and import of hazardous chemicals, OJ L 201, 27.7.2012, p. 60–106.

<sup>22</sup> [https://echa.europa.eu/documents/10162/0/forum\\_project\\_on\\_control\\_of\\_pic\\_en.pdf/](https://echa.europa.eu/documents/10162/0/forum_project_on_control_of_pic_en.pdf/)

<sup>23</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32018R0640>

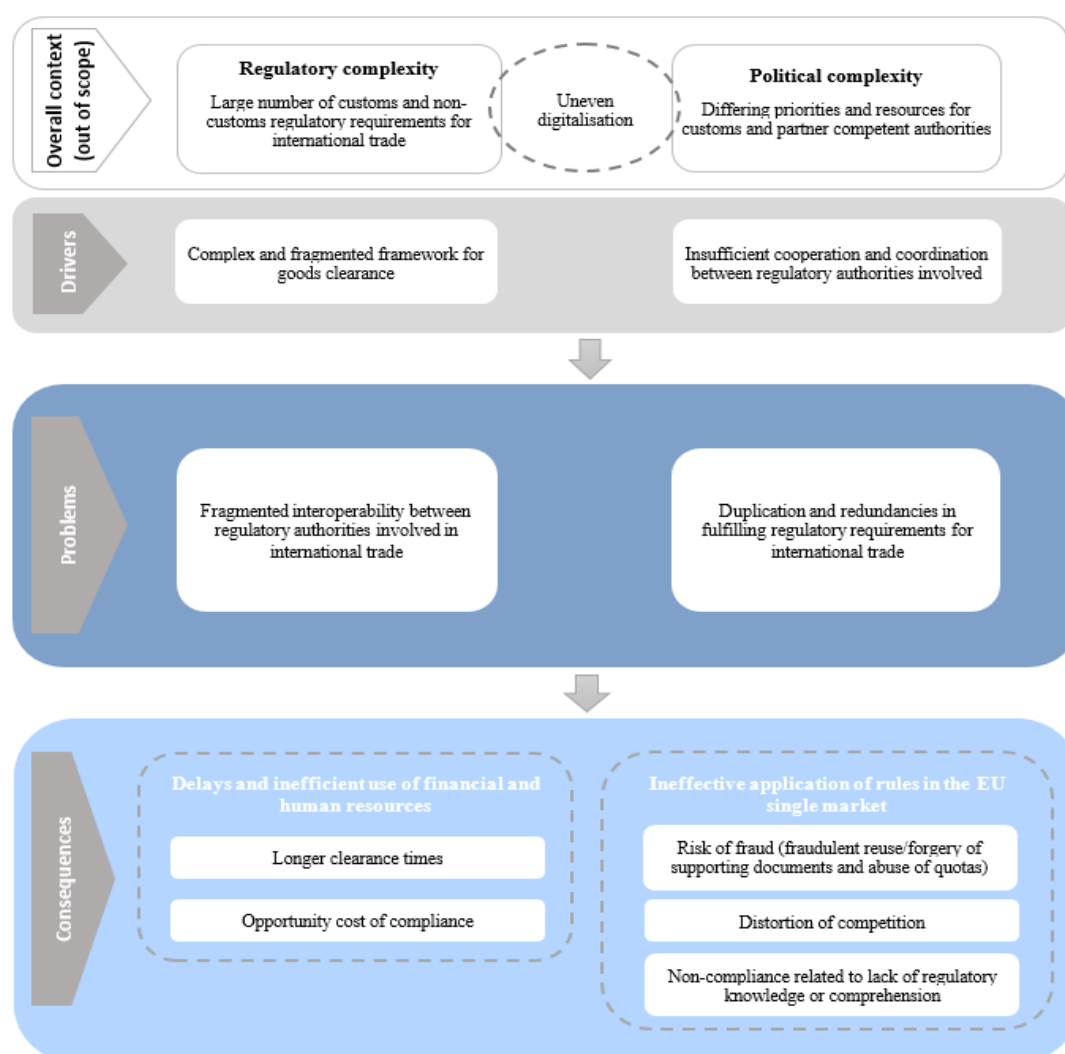
<sup>24</sup> The integrated Tariff of the EU (TARIC) is a multilingual database integrating all measures relating to EU customs tariff, commercial and agricultural legislation. The integration and coding of these measures facilitates their uniform application by all Member States and gives economic operators a clear view of requirements needed for the import or export of goods into and from the EU.



well as key contextual factors. Each of these other aspects is described in detail over the next pages.

**Figure 2: Problem tree**

Source: DG TAXUD



## 2.2 What causes the problem?

### 2.2.1 Overall context

This initiative focuses on the customs clearance process of goods subject to non-customs regulatory formalities. The key underlying drivers linked to the identified problems are: (1) complex and fragmented goods clearance, and (2) insufficient cooperation and coordination between the regulatory authorities involved in goods clearance. To better understand these drivers, it is important to consider the fundamental contextual factors surrounding the clearance of these specific goods, including the existing **complexity of the regulatory and political frameworks** along with the **uneven state of digitalisation of the different regulatory authorities**. The interaction between these factors provides the overall context for identifying the problem drivers.

**The regulatory complexity** stems from a **large number of regulatory formalities required for international trade**<sup>25</sup>. National customs authorities and partner competent authorities enforce over 60 EU acts at the EU's external borders<sup>26</sup>. In addition, Member States introduce national requirements in accordance with Article 36 of the Treaty on the Functioning of the European Union (TFEU)<sup>27</sup>. To meet these regulatory formalities, economic operators must often provide supporting documents to the customs declaration as evidence of compliance. These supporting documents can be grouped into several categories (see Annex 8), depending on whether they relate to EU or national legislation, and whether the documents or the data are available at the national or EU level.

EU regulatory requirements and associated mandatory supporting documents vary significantly by Member State, in line with their different trading profiles, both in terms of type and volumes of goods traded. Based on estimates by partner Directorates-General (DGs), the overall volumes of data available for supporting documents in the past few years indicate that these are required in large numbers, particularly in some countries (see Annex 7).

**The political complexity** results from the diverse implementation schemes within the regulatory framework governing goods clearance. Most notably, this is linked to the **internal organisation of the Member States**, meaning that the division of competences between the multiple partner competent authorities involved in the management of non-customs regulatory formalities varies significantly across Member States according to national specificities. Adding to this complexity are the **differing priorities and resources for customs and partner competent authorities**. Customs authorities are unique for their comprehensive insight on regulatory requirements for international trade and the concerns economic operators face. In contrast, partner competent authorities lack a clear picture on the broader set of administrative burdens related to goods clearance due to the specialist nature of their policies. **In addition, the different comparative advantages and trading profiles among Member States** lead to differing objectives in terms of balancing trade facilitation with customs controls<sup>28</sup>.

The **uneven state of digitalisation** of partner competent authorities involved in the clearance of goods adds to the regulatory and political complexity surrounding goods clearance and would need to be considered as part of any future attempt to improve digital collaboration between customs and partner competent authorities. This will be pursued by building on existing systems and providing a framework that would progressively encompass sectorial regulatory requirements as they become digitalised.

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<sup>25</sup> Given that traded goods are highly diverse, the analysis is conducted per non-customs regulatory formality and the identified problems are addressed based on categories of these formalities. See Annex 8 for a comprehensive list of these categories of non-customs regulatory formalities in the scope of this initiative.

<sup>26</sup> This number reflects the official list of prohibitions and restrictions. In reality, the number of rules to be enforced at the EU's external borders is even higher. For instance, the requirements for market surveillance and product compliance laid down in Regulation (EC) N°765/2008 (to be replaced in 2021 by Regulation (EU) 2019/1020) are one of the 60 elements of prohibitions and restrictions but they relate to the enforcement of more than 100 pieces of EU legislation regulating products.

<sup>27</sup> Treaty on European Union and the Treaty on the Functioning of the European Union, Official Journal C 326, 26/10/2012 P. 0001 – 0390.

<sup>28</sup> For example, the Netherlands is a transport hub that handles the EU's highest volume of maritime freight, most of which is destined for other Member States. In contrast, goods arriving in Italy are typically for domestic consumption, while it produces large volumes of agricultural and manufacturing products. This naturally leads to differences in national priorities at the border, with the Netherlands placing a higher weight on its competitive advantage in logistics while Italy prioritises the avoidance of unfair competition from illegitimate traders.

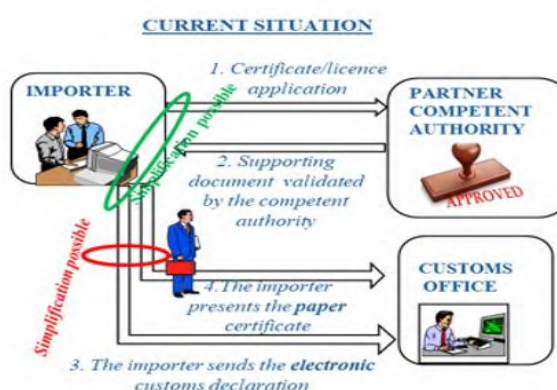
### 2.2.2 Problem drivers

#### ***Problem driver 1: Complex and fragmented goods clearance***

The fact that customs and sectorial legislation have developed independently has led to isolated administrative procedures which are run sequentially and overlap to a certain extent. This fragmented model of regulatory compliance creates a complex and challenging path for economic operators to import or export certain goods. They must communicate separately with both customs and non-customs authorities to place the goods under a specific customs procedure and wait for validated supporting documents<sup>29</sup> from the relevant partner competent authority before starting the customs declaration process where they have to submit those at the request of the customs authority. This is a major obstacle to streamline the import or export of affected goods (see box 5). The progressive digitalisation of the authorities concerned and the possibility of electronic information sharing between them has opened up new opportunities to improve this situation as depicted in the figure below.

**Figure 3: Complex and fragmented goods clearance**

Source: DG TAXUD



#### ***Problem driver 2: Insufficient cooperation and coordination between regulatory authorities involved***

Another underlying driver is the **insufficient cooperation and coordination** between the different authorities responsible for goods clearance that typically operate in institutional silos. Interviews in eight Member States with relevant authorities suggested that close cooperation was not the norm and required commitment and resources from both sides to develop integration.

Where formal cooperation has been developed, it is typically limited to certain competent authorities. For instance, agreements are in place in Romania between customs and the Ministry of Health to allow for a coordinated control for goods requiring CVEDs. Likewise, Irish Customs is collaborating with the Department for Agriculture, Fisheries and the Marine for coordination of goods requiring CVEDs. Member States implementing national single window initiatives (France, Spain, and Italy) have managed to put in place more agreements for digital cooperation, but these are exceptions.

Feedback from stakeholders suggests that, in general this problem driver is very difficult to overcome. When asked about factors which act as barriers to developing a single window environment, **nearly half of responding customs authorities cited the reluctance among**

<sup>29</sup> Certificates, attestations, licences and permits issued by partner competent authorities to certify the fulfilment of Union non-customs formalities.

**competent authorities to give up traditional areas of responsibility or coordinate with other authorities.** Likewise, a respondent to the public consultation<sup>30</sup> specified that improving coordination between authorities should be the priority, considering that customs authorities, as the "final" authority for the release of goods, should play a leading role in the organisational structure.

### **2.3 What are the consequences and size of the problem?**

Two types of consequences have been identified: (1) **delays and inefficient use of financial and human resources**, and (2) **an ineffective application of rules in the EU single market and beyond**, leading to negative impacts on the safety and security of EU citizens.

#### **2.3.1 Delays and inefficient use of financial and human resources**

Fragmented interoperability and duplication of information contributes to an inefficient use of financial and human resources. This implies that processes at the border are unnecessarily long, while compliance costs are higher, leading to negative impacts on the competitiveness of EU businesses involved in the international trade of affected goods (see box below).

#### ***Box 3: Delays in the export of dual use goods and their impact on competitiveness***

The final report on data and information collection for EU dual-use export control policy review<sup>31</sup> indicates that in the space industry six companies out of nine experienced delays at customs when seeking to export dual-use items. This was also true of the machinery sector, where companies reported export delays even after licences were issued. In the chemical sector, dual-use controls were seen to delay export procedures because of misaligned export requirements and customs requirements for the same goods.

The report found that export controls are a key element for international competitiveness. Several associations representing the space industry indicated that the current dual-use export controls affect competition, giving rise to significant distortions between companies located in different EU Member States and between EU companies and third country competitors, such as the USA and India.

#### ***Delays: Longer clearance times***

#### **Main affected stakeholders: economic operators**

At import, the general ratio of customs declarations subject to clearance documentary controls is around 5% and for physical controls around 3.2% (2.1% and 1.2%, respectively, at export)<sup>32</sup>. Compared to that, the ratios of documentary or physical customs controls for specific goods subject to non-customs regulatory formalities are very high, reaching in some cases 100%. This is due to the sensitivity of the goods and the enforcement role assigned to the customs authorities in the respective regulatory frameworks.

In the absence of electronic information exchanges between authorities, documentary checks must be carried out manually. This requires the assignment of customs officials to gather and review the supporting documents issued by the partner competent authorities from the economic operator and to verify their content with the customs declaration data. The release of the goods subject to manual checks can take days, for example, where a declaration is lodged outside of working hours. However, manual intervention by customs authorities have

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<sup>30</sup> See Annex 2.

<sup>31</sup> [http://trade.ec.europa.eu/doclib/docs/2016/september/tradoc\\_154962.PDF](http://trade.ec.europa.eu/doclib/docs/2016/september/tradoc_154962.PDF)

<sup>32</sup> Data from the Annual Report 2017 on the Customs Union Performance.

significantly decreased in those Members States that have electronically interconnected the customs systems with those of partner competent authorities, enabling the automated verification of supporting documents. Indeed, more than 80% of respondents to the public consultation indicated that the length of clearance time was the most prominent problem for respondents.

***Box 4: Time and human resource savings through automated exchange***

In Spain and France, the introduction of a single window environment has resulted in automated data crosschecks with significant time and human resource savings. In Spain, the system analyses data from the different competent authorities' systems and provides results within one minute compared to the manual process that can take up to two days. A similar situation was found in France where the single window environment has led to fewer interventions on the part of customs officers, freeing up their time for other activities. Specifically, prior to the automated exchange of supporting documents, 85% of these documents required manual checks, whereas now this has been reduced to 15% for supporting documents included in the single window environment. This means intervention is much less likely and resources can be deployed elsewhere.

***Inefficient use of financial and human resources: Direct costs (particularly for compliance) and enforcement costs***

**Main affected stakeholders: customs authorities, economic operators and citizens**

These costs relate to the financial and human resources needed to deal with customs and other regulatory requirements, which could otherwise be deployed elsewhere. The need for these resources is linked to the complexity of goods clearance processes: as regulatory requirements increase, the clearance time increases, and so do the resources needed to deal with them. The stakeholders affected by this problem are primarily customs officers who must spend resources processing declarations, and economic operators who must navigate complex systems and liaise with different authorities. Partner competent authorities are impacted but to a lesser extent, since they are typically involved earlier<sup>33</sup>. Citizens are impacted to a certain extent, as costs are pushed onto them in the form of higher prices.

Evidence from several sources shows that related costs are too high for the main stakeholders. For example, in Ireland, customs officials estimated that the enforcement costs for dealing with non-customs formalities accounted for two thirds of their work. Some customs officials were dedicated to dealing specifically with implementing or verifying non-customs formalities (in this case often the license for import of agricultural goods). This represents a diversion of resources from other tasks, which could potentially have higher added value as well as better enforcing compliance. For economic operators, compliance costs are also considered a significant problem, especially for smaller organisations with fewer resources. Evidently the costs are higher in sectors where border formalities are more complex (e.g. for food, animals and animal products), and for those economic operators trading in countries with outdated or lacking electronic systems.

***Box 5: Inefficient use of resources – disproportionate compliance costs***

A trade association representative explained that, when dealing with different authorities at the border, in many cases the economic operator needs to act as a “postman”, carrying

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<sup>33</sup> Competent authorities deal with economic operators' application to deliver the supporting documents.

around files and sharing them with different authorities.

In addition, economic operators in Member States with national initiatives already in place reported very favourable experiences. These initiatives have allowed them to simplify the processes of submitting and dealing with the supporting documents related to relevant regulatory requirements. For example, in Italy economic operators reported that by making certain documents fully digital (with partner government authorities sharing them electronically with customs), they were able to avoid costs for transporting the documents between authorities themselves, thereby benefiting from faster clearance and fewer delays. Economic operators in other Member States shared similar anecdotes about reductions in the waiting times and administrative errors that used to delay clearance processes.

The extent of human resources needed to deal with regulatory formalities is shown by the responses to the public consultation: most economic operators, and in particular micro, small and medium-sized enterprises (MSMEs), reported that they devote between one and four full time equivalents (FTEs) to formalities related to movement of goods across borders<sup>34</sup>. Unsurprisingly, large businesses tend to have more staff dedicated to customs operations and related regulatory requirements. Consultation with representatives of trade association members confirmed the significance of costs associated with hiring customs experts to deal with the specificities of the different national systems, and again highlighted that the burden falls harder on MSMEs.

### **2.3.2 Ineffective application of rules in the EU single market and beyond**

The main consequences are heightened risk of fraud, distorted competition in the single market and unintentional non-compliance. The problems of fragmented interoperability and the complex clearance process also create knock-on effects for the achievement of EU public policy objectives, such as security and safety of citizens, animals and the environment, as it makes it more difficult to ensure the effective application of rules in the EU single market. In addition, some of the non-customs formalities at stake stem from international agreements (e.g. Convention on International Trade in Endangered Species of Wild Fauna and Flora licences (CITES), Waste Shipment Regulation, Prior Informed Consent Regulation on international trade in hazardous chemicals, etc.) or aim to protect third countries cultural heritage (e.g. import of cultural goods licences). Any loophole in the enforcement of these policies affects the proper fulfilment of international commitments and the level of protection of EU partners in these agreements and third countries in general.

#### *Risk of fraud*

##### **Main affected stakeholders: partner competent authorities, EU citizens**

The risk of fraud and corruption relates to deliberate deception to secure unfair or unlawful gain. This risk is higher when the systems for enforcement of regulatory requirements between and within Member States cannot talk to each other. The most tangibly affected stakeholders in this case are partner competent authorities who are unable to effectively apply rules and regulations in their remit, as well as EU citizens who may suffer the consequences.

##### **Fraudulent reuse of supporting documents and abuse of quotas**

Some supporting documents can be used to import or export defined quantities of goods which can be split across different consignments (meaning there is not a one-to-one

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<sup>34</sup> The 2016 World Trade Report reinforces this idea, particularly as it relates to the vulnerability of SMEs and MSMEs in the context of international trade: [https://www.wto.org/english/res\\_e/booksp\\_e/world\\_trade\\_report16\\_e.pdf](https://www.wto.org/english/res_e/booksp_e/world_trade_report16_e.pdf)

relationship between supporting documents and customs declarations). Typically, such documents are valid EU-wide and relevant consignments may be cleared in different Member States. To verify the validity of such documents, authorities need to know that the remaining quantity has not already been used in the clearance of other consignments. Automated quantity management requires data to be shared in real time. Similar principles apply to goods subject to quotas, meaning further imports or exports are prohibited after a certain threshold is reached.

The current processes involving manual checks are not only time-consuming but also subject to error and fraud, making it difficult to prevent the fraudulent use and re-use of quotas (especially when supporting documents are supplied in paper form). However, EU-level quantity management is currently not possible in real time and extremely challenging to conduct retrospectively given patchy and inconsistent monitoring and reporting requirements. Evidence from several sources shows there is an unaddressed demand for the capability to undertake EU-level quantity management in order to apply EU rules in the single market. For example, the desire to have quantity management capabilities is high on Member States' agendas, as shown in several case study reports<sup>35</sup> and the feedback received in relation to the EU CSW-CVED and EU CSW-CERTEX (see Annex 14). Interviews with Commission officials also highlighted the prominence of this need for EU-level quantity management. This issue was said to contribute to the inconsistent enforcement of EU legislation in some domains, such as those relating to environmental protection (see further information in the boxes below).

***Box 6: Possible fraudulent reuse of supporting documents: An example of why EU level quantity management is needed***

Controls for the import and export of Ozone Depleting Substances licences (ODS) are managed centrally by the Directorate-General for Climate Action (DG CLIMA) but implemented at the border. While DG CLIMA oversees issuing quotas, licences and authorisation for economic operators importing goods, customs offices must conduct the actual controls. This includes verifying quantities and checking the validity of licences. However, only about 15% of customs offices (i.e. about 400 out of 2 600 customs offices in the EU), are registered in to verify the authenticity and validity of the documents. In the case of ODS licenses, only 70% of the licenses are currently verified; the remaining 30% are not checked.

***Box 7: Abuse of quotas: Illegal trade of hydrofluorocarbons (HFCs)***

Quotas related to the phasing down of HFCs in line with the 2016 Kigali Amendment to the Montreal Protocol have increased significantly prices of HFCs. While encouraging innovation, this price increase has also raised the risk of illegal trade, which could potentially undermine environmental benefits and lead to unfair competition.

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<sup>35</sup> See Annex 16 on Country Case Study Reports that forms part of the study to support the impact assessment. This annex contains individual case studies carried out in eight EU Member States (Czechia, France, Germany, Ireland, Italy, the Netherlands, Romania and Spain). Quantity management was viewed as a highly desired feature, particularly by the Member States participating in the pilot project. The analysis indicates that for France and Czechia, poor exploitation of electronic information results in difficulties for enforcement of quotas and information gaps within, but also between, EU Member States. This makes it difficult to ensure that licenses are not copied and reused. The lack of harmonisation in EU systems and/or the lack of EU legalisation to underpin the development of such systems, means there is a barrier to EU-wide enforcement and gaps in information on the nature and scale of enforcement problems in the first place. Most importantly for France, while quantity management is possible nationally, this really needs to occur at (EU level) the level of the single market for it to be meaningful.



In 2018, the Commission received allegations of widespread illegal trade in HFCs, from industry sources and a report published by the Environment Investigation Agency (EIA)<sup>36</sup>. The report noted in particular that the **current HFC reporting system does not allow customs authorities to fully verify compliance** with quotas for HFC shipments. The fact that these shipments may be imported without quota emerges as an “open smuggling” phenomenon that could undermine the enforcement of the F-GAS Regulation. A study performed in 2019 by the Commission to assess the magnitude of illegal trade partly refuted the conclusions of the EIA as regards “open smuggling”, but acknowledged the presence of illegal activities and the **need to improve the enforcement of the quota system**<sup>37</sup>.

Quantity management at EU level of any restricted goods would require a centralised system to consistently monitor imported and exported quantities in one or more Member States and to determine remaining unused quantity(s) for a supporting document (or quota). This can only function correctly and be effective if all Member States participate within a single IT platform and use it in a consistent way, or if all Member States have IT systems which are interoperable in real time.

### **Forgery of supporting documents**

Evidence from several sources shows that there is currently an unacceptable risk of documentary forgery, although it is not possible to fully estimate its scale.

#### ***Box 8: Risk of forged supporting documents (Firearm exports and Certificate of Inspection (COI))***

According to Regulation 258/2012 on **firearms exports**, each Member State is free to decide on the electronic system for the application and licensing process of export licenses in line with national practices. The channels used for the fulfilment of regulatory requirements thus vary significantly, while, the absence of electronic systems to manage the authorisation process systematically creates high risks of fraud<sup>38</sup>.

The rapidly increasing demand for **organic products** has led to multiple types of fraud, including documentary forgery, driven by large price differences between organic and conventionally produced goods<sup>39</sup>. The Commission has already put measures in place to face this problem, for instance by developing the electronic Certificate of Inspection (COI), which had substantially improved the traceability of the organic products imported from non-EU countries. However, even if the regulatory authorisation systems become fully digital, an electronic connection with customs systems is necessary to tackle the existing heightened risk of fraud in full and to guarantee the complete traceability of organic products.

While these issues are widespread, evidence suggests that national single window initiatives have to some extent contributed to reducing the risk of fraud and corruption through more joined-up information sharing. For instance, when an electronic solution was introduced at national level in France it showed that 5% of CVEDs were illegally reused<sup>40</sup>. Although no hard data on the impact of these was available, the authorities believe this to have reduced the risk of fraud. In other Member States, the reduction of fraud was expected to occur through

<sup>36</sup> <https://reports.eia-international.org/doorswideopen>

<sup>37</sup> [https://ec.europa.eu/clima/sites/clima/files/f-gas/legislation/docs/report\\_illegal\\_trade\\_hcf\\_en.pdf](https://ec.europa.eu/clima/sites/clima/files/f-gas/legislation/docs/report_illegal_trade_hcf_en.pdf)

<sup>38</sup> Firearms acquisition by terrorists in Europe Research findings and policy recommendations of Project SAFTE: “In addition, cases of embezzlement have also been observed that involved the use of forged import licences enabling a number of criminals to acquire hundreds of firearms directly from a legal gun manufacturer, or involved authorised arms dealers who staged false legal exports or domestic sales that allowed them to sell the weapons illicitly to criminals.”

<sup>39</sup> Opson VIII Operation: <https://tinyurl.com/y9jtbwsw>

<sup>40</sup> See Business Case - EU Customs Single Window: Certificates exchange.



the introduction of electronic solutions, particularly where these were developed at EU level or made interoperable between Member States<sup>41</sup>. The European Parliament report on the shadow economy<sup>42</sup> and the EIA report on illegal HFC trade refer to the importance of electronic systems and information sharing as a means to combat fraud.

### *Distortion of competition*

#### **Main affected stakeholders: Economic operators**

The ineffective application of rules in the EU single market creates a distortion of competition, contributing to an uneven playing field for economic operators.

A special report published by the European Court of Auditors in 2017<sup>43</sup> on EU customs controls reiterated serious weaknesses and concluded the illicit traders exploited differences and weaker links. The report found evidence of uneven application of customs controls. It also found different approaches to imposing customs penalties. The report highlights that burdensome customs controls can have an impact on the traders' choice of customs office of importation and that (air)ports with fewer customs controls may attract more traffic. These shortcomings clearly have important implications, creating perverse incentives and customs duty evasion, as well as disadvantaging legitimate traders. While it has not been possible to provide concrete estimates, the evidence was cited as cause for significant concern. A 2018 report from the European Parliament took this further to indicate that the current imbalance in the performance of customs control by Member States creates a "diversion of the flows of goods towards the weakest points" – "port-shopping" by custom fraudsters<sup>44</sup>. This was mentioned during the interviews with members of trade associations, who highlighted a risk of incoherence for the EU if there are persistent differences in the application of community law by different Member States. Linked to this is the potential for some Member States or economic operators to exploit such differences for commercial gain.

### *Unintentional non-compliance related to lack of regulatory knowledge or comprehension*

#### **Main affected stakeholder: Economic operators (particularly small businesses)**

Evidence from field visits and consultations within the Commission suggested that, in some cases, the complexity of border management processes led to poor awareness of requirements and unintentional non-compliance by economic operators<sup>45</sup>. This was suggested in interviews with authorities dealing with the export of waste, and the import of ozone depleting substances, among others. A total of 84% of economic operators responding to the public consultation cited "insufficient support from authorities" as negatively impacting the movement of goods. This suggests difficulties navigating the complex legal and technical requirements for movement of goods which may in turn hamper compliance. For example, a customs specialist working for a fruit importer in Ireland explained that the position had been created because the organisation was previously making too many errors and this was simply

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<sup>41</sup> See Annex 14 (Evaluation of the EU CSW-CERTEX) for details on the national experiences of participating Member States in the implementation of electronic solutions.

<sup>42</sup> "From Shadow to Formal Economy: Levelling the Playing Field in the Single Market," European Parliament Study 2013.

<sup>43</sup> Special Report No 19/2017: "Import procedures: shortcomings in the legal framework and an ineffective implementation impact the financial interests of the EU" is available on the ECA website.

<sup>44</sup> Committee on the Internal Market and Consumer Protection, *Report on the proposal for a regulation of the European Parliament and of the Council establishing, as part of the Integrated Border Management Fund, the instrument for financial support for customs control equipment* (COM(2018)0474 – C8-0273/2018 – 2018/0258(COD)), 12 December 2018 <https://tinyurl.com/y7j68kx4>

<sup>45</sup> Poor understanding of regulations is also known as an important cause of non-compliance more generally. Among others, this has been explained in a recent report by the OECD, "Study on reducing the risk of policy failure and challenges for regulatory compliance", <http://www.oecd.org/regreform/regulatory-policy/1910833.pdf>

due to difficulty dealing with the complex requirements, liaising with different authorities and so on.

## 2.4 Affected stakeholders

There are four key groups likely to be affected by the problem: national customs authorities, other national authorities, economic operators, and citizens.

**Table 1: Affected stakeholders**

Directly affected stakeholders			Indirectly affected stakeholders
Economic operators	National customs authorities	Partner competent authorities	Citizens
<ul style="list-style-type: none"> <li>- Economic operators involved in international trade: <ul style="list-style-type: none"> <li>o Manufacturers, retailers and wholesalers active in the business of purchasing and/or selling goods<sup>46</sup>;</li> <li>o Shipping and transport companies dealing with the physical movement of goods or commercial transportation (freight forwarders and logistics companies);</li> <li>o Other transport intermediaries such as port and airport authorities, terminal handlers, stevedores and warehouse operators, involved in the physical movement of goods;</li> <li>o Other intermediaries involved in fulfilment of procedures, including customs brokers and businesses providing a service to one or several parties in the supply chain (in form of data processing and information exchange).</li> </ul> </li> <li>- EU businesses compliant with EU regulatory requirements that are affected by distortion of competition due to the uneven enforcement of these EU requirements.</li> </ul>	<ul style="list-style-type: none"> <li>- Customs authorities of the 27 Member States</li> </ul>	<ul style="list-style-type: none"> <li>- Commission DGs</li> <li>- National/local ministries and agencies relying on customs to control and implement their policies at the border<sup>47</sup>.</li> </ul>	<ul style="list-style-type: none"> <li>- Citizens in general affected by the security of the market.</li> <li>- Third countries, in particular partner countries bound by EU international commitments.</li> </ul>

Source: DG TAXUD

## 2.5 How will the problem evolve?

In the absence of new action, there is no evidence to suggest that the identified problems and their consequences would substantially improve. As such, the baseline scenario would not introduce any drastic changes or improvements in the following areas:

- *Clearance times and efficient use of human and financial resources needed to meet the requirements for border formalities:* the customs clearance of goods affected by certain non-customs formalities would be simplified and lead to time and resource savings in those Member States involved in single window initiatives for those particular formalities under their scope. However, no drastic changes in clearance times would be possible in most Member States. Likewise, this means the human and financial resources needed to

<sup>46</sup> Small and medium-sized enterprises may also need to employ specialist brokers to fulfil international trade requirements.

<sup>47</sup> These include competent authorities such as veterinary, sanitary, phytosanitary, agricultural and fisheries, environmental, pharmaceutical and market surveillance authorities, and authorities that use the information for different purposes, i.e. statistical, police and tax/revenue authorities.

meet the requirements for border formalities, would continue to be used at the expense of more efficient technical solutions. Without concerted action at EU level, this would deepen the differences between trade facilitation measures available to the economic operators in the Member States, affecting especially small businesses with fewer resources to move their import or export (international trade) operations to other Member States.

- *Better application of rules in the EU single market, including:*
  - Risk of fraud resulting from lack of real time EU-level quantity management. The risk of fraud derived from the **fraudulent reuse of supporting documents and abuse of quotas** will not improve unless the 27 Member States customs systems are interoperable to the electronic systems managing non-customs regulatory requirements and the necessary exchanges of information between customs and partner competent authorities that would enable EU-wide quantity management are uniformly defined.
  - Distortion of competition, as economic operators or Member States would continue to exploit differences in the application of legislation for commercial gain. Differences in the enforcement of non-customs legislation, which may cause diversion of the flows of goods towards the weakest points and raise disadvantages for EU businesses compliant with internal market rules will not be reduced. Rather, these would increase if the digital cooperation between customs and partner competent authorities and its positive contribution in terms of automated controls and improved risk management were only applicable in some Member States (those involved in single window initiatives).
  - Non-compliance due to lack of regulatory knowledge or comprehension would also continue to be a risk, particularly when combined with multiple and non-aligned national single window solutions. This would be problematic if individual Member States develop divergent solutions to simplify reporting formalities for economic operators (B2G solutions).

### 3. WHY SHOULD THE EU ACT?

#### 3.1 Legal basis

The legal basis for the EU to act is provided by Articles 33, 114 and 207 of the TFEU. Articles 33 and 114 give the European Parliament and the Council the right to take measures to strengthen customs cooperation between Member States and between the latter and the Commission to ensure the proper functioning of the internal market. In addition, the choice of Article 207 as a legal basis relies on the premise that the scope of the initiative extends beyond cooperation between customs authorities to include trade facilitation as an important aspect of trade policy.

#### 3.2 Subsidiarity: Necessity and added value of EU action

The identified problems are inherently transnational, involving the movement of goods across borders and EU-wide effects of any error and fraud taking place in individual Member States. The EU, given its responsibility for the Customs Union and for the non-customs regulatory requirements in question, is well placed to address the problems by coordinating action, tackling fragmentation and generating economies of scale. Moreover, existing and expected action at different levels has been shown to be inadequate on its own. The following points explain this for each of the three types of existing and expected action, namely the gradual digitalisation and modernisation of processes related to the clearance of certain goods; the

development of customs single windows at national level; and continued operation of the EU CSW-CERTEX project. **Gradual digitalisation and modernisation of the processes for certain goods:** over time, as relevant EU non-customs legislation is reviewed and modernised, paper documents are likely to be replaced by electronic versions. This is likely to generate some positive effects, both in terms of efficiency and correct application of EU rules. However, due to fragmented interoperability and diverse business processes, this would not make it easier for economic operators, partner competent authorities and customs authorities to share information. The problem could even get worse, or force actors to resort to the exchange of paper documents, if the systems and processes are changed in divergent ways, since customs authorities could not be expected to develop links with all of them. Without a coordinated approach, it is also likely that developments would proceed at an uneven pace, with the current paper-based processes remaining in use for some regulatory requirements. Finally, any such issues would be exacerbated for the substantial proportion of goods movements involving more than one Member State (e.g. goods requiring supporting documents issued in one Member State, but cleared in another), since customs authorities could not be expected to make the investments needed to align with the different partner competent authorities in other countries.

**Development of national customs single windows:** several Member States, such as France, Italy and Spain, have made significant progress in implementing national customs single windows. However, these initiatives face several challenges, which suggest that the benefits would be limited. First, according to feedback from project group members, the necessary resources are unavailable in most Member States. Second, a major shortcoming of the current patchwork arrangements is the lack of EU-wide quantity management. This would be unachievable under national customs single windows, even if they became widespread. Third, the scope of national customs single windows varies and usually only includes a few non-customs regulatory requirements, leaving the majority of problems unaddressed. Fourth, the development of national customs single windows would bind individual Member States to their chosen solutions, making any later decision to improve coordination and interoperability more difficult to realise. Evidently, the absence of harmonised measures to develop national single-entry points would lead to a complex situation for economic operators due to significant variations in regulatory reporting arrangements in different Member States.

**Continued operation of the EU CSW-CERTEX project:** in the absence of a new initiative, some Member States would continue to participate in EU CSW-CERTEX on a voluntary basis. For the countries concerned, this would allow some of the identified problems to be addressed to a certain extent, especially as procedural redundancies (e.g. the continued need for paper documents to accompany electronic versions) are reduced. However, the project's desired benefits in terms of efficiency gains, enforcement and reduction of fraud and errors cannot be realised without EU-wide quantity management, which is only possible if all Member States participate. The current levels of participation have been achieved in anticipation of the imminent introduction of an obligatory version. Without this prospect, participation would stagnate or decline. This would also make it difficult to justify the investment needed at EU level to further expand the scope of the initiative to cover more regulatory requirements.

Given its role in modernising the Customs Union and better enforcing customs and non-customs regulatory requirements at the border, the EU has a unique advantage to reassess the fundamental practices and procedures of the current fragmented model of regulatory compliance. EU action in this area will improve compliance of regulatory requirements with EU legislation and further facilitate the cross-border movement of goods. This, in turn, would bring a clear added-value to the interaction between customs and partner competent

authorities and the day-to-day activities of economic operators. Ultimately, EU intervention will generate significant social and environmental impacts and substantial economic benefits for society as a whole.

In accordance with Article 5(4) of the Treaty on the European Union<sup>48</sup>, the content and form of Union action must not go beyond what is necessary to meet the objectives of the Treaties. Respect for the **principle of proportionality** will be provided by ensuring that the policy approach and its outreach match the identified problem/objective. For this purpose proportionality is a key criterion considered in the comparison of the policy options.

## **4. OBJECTIVES: WHAT IS TO BE ACHIEVED?**

### **4.1 General objectives**

The general objective of this initiative is twofold: (1) to improve the enforcement of non-customs regulatory requirements that must be applied to goods at EU borders, thereby enhancing the protection of the Union; and (2) to facilitate international trade.

### **4.2 Specific objectives**

The initiative will contribute to the general objective by pursuing the following three specific objectives in line with the identified problems:

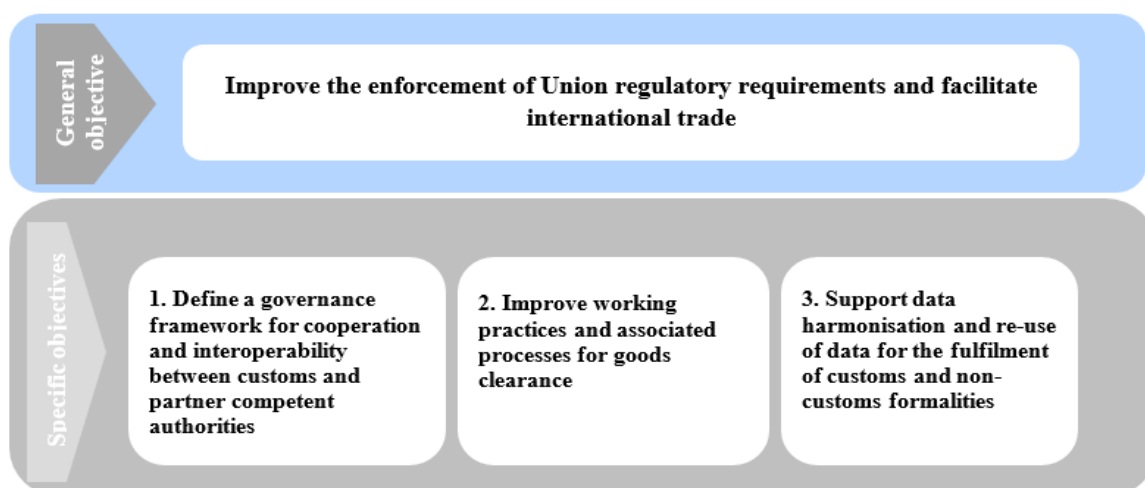
1. Define a governance framework for the EU Single Window environment for customs to enhance cooperation and ensure interoperability of national and EU Single Window solutions where beneficial and appropriate. This objective addresses the problem of fragmented interoperability in the management of goods clearance processes.
2. Improve working practices between customs and partner competent authorities involved in international trade to automate to the extent possible customs controls of non-customs regulatory formalities, and to promote electronic feedback of the customs clearance as well as a better integration of the applicable procedures. This objective addresses the problems of fragmented interoperability in the management of goods clearance processes and duplication of information and procedural redundancies.
3. Determine a framework for data harmonisation and enable the re-use of data provided by economic operators when fulfilling the different formalities required by customs and non-customs authorities for international trade. This objective addresses the problem of duplication of information and procedural redundancies.

Taken together, the general and specific objectives would achieve the overall objective of a streamlined EU regulatory environment for international trade that delivers long-term benefits to the Union and its citizens across policy domains. Importantly, any technical solutions capable of addressing the objectives would take considerable time to develop and be deployed progressively, with various elements becoming operational at different times. For this reason, it is envisaged that the objectives would be achieved gradually over the course of the next decade.

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<sup>48</sup> Consolidated version of the Treaty on European Union, OJ C 326, 26.10.2012, p. 13–390.

**Figure 4: Policy objectives**



Source: DG TAXUD

## **5. WHAT ARE THE AVAILABLE POLICY OPTIONS?**

### **5.1 What is the baseline from which options are assessed?**

The baseline scenario serves as the benchmark against which the different options are assessed. Its analysis requires an examination of **EU CSW-CERTEX** and the **existing national single window solutions**. To facilitate this analysis, two different variables are taken into account to present the scope of single window initiatives to date at EU and national levels:

**Categories of single window services provided:** these services are divided in a government-to-government (G2G) and a business-to-government (B2G) dimension;

**Type and volume of non-customs regulatory requirements covered:** regulatory requirements 1) imposed and regulated at EU level, 2) introduced nationally in accordance with Article 36 of the TFEU, or 3) certified by third countries in the context of international agreements or EU legislation.

The increased digitalisation of customs and regulatory procedures has opened up new opportunities to improve the interoperability and cooperation between customs and partner competent authorities. Both the Commission and some Member States have started to develop and put in place **G2G single window services to interconnect national customs systems with those of partner competent authorities where the supporting documents data is stored**. In principle, G2G single window services may be described as digital exchanges of information between customs and partner competent authorities' systems that:

- Allow customs authorities to automatically receive and verify the relevant electronic supporting documents issued by partner competent authorities; and
- Enable partner competent authorities to monitor and manage the authorised quantity of goods based on the release of goods by customs (quantity management).

The presence of G2G single window renders the customs clearance process more efficient, thanks to the automation of documentary controls and enables customs authorities to better enforce the regulatory policies of partner competent authorities, thanks to the ability to automatically monitor the consumption or use of supporting documents. However, these services do not resolve the issue of economic operators having to communicate separately

with both customs and the relevant partner competent authorities to place the goods under a specific customs procedure.

**B2G single window services** aim at streamlining reporting formalities imposed on trade for the import, export and transit of specific goods subject to non-customs regulatory formalities. They avoid reporting and procedural redundancies and enable the realisation of the internationally recognised single window concept by providing economic operators with a **single-entry point to fulfil all import, export and transit-related regulatory requirements**<sup>49</sup>. B2G single window services aim to significantly improve the customs clearance process, by allowing economic operators to lodge all the necessary data required by customs and non-customs legislation at a single-entry point and receive any related information from concerned authorities directly from this point<sup>50</sup>.

The relevant non-customs regulatory formalities can be categorised in four groups as shown in the table below (a detailed list of the regulatory requirements under each category is provided in Annex 8).

**Table 2: Categories of non-customs regulatory requirements**

Category 1	Category 2	Category 3	Category 4
EU regulatory requirements with data available for all Member States at EU level <sup>51</sup> .	EU regulatory requirements with data available in a national or EU voluntary system <sup>52</sup> .	National regulatory formalities introduced by national legislation in accordance with Article 36 of the TFEU <sup>53</sup> .	EU regulatory formalities certified by a third-country authority and submitted to EU customs authorities.

Source: DG TAXUD

In light of the above variables, the relevant existing **EU and national initiatives** consist of the G2G solution provided by EU CSW-CERTEX and the national single window initiatives being developed in several Member States.

**EU CSW-CERTEX** is focused on establishing a connection between the national customs systems of the participating Member States and a number of EU databases covering certain non-customs regulatory requirements. In practical terms, supporting document data is passed through to the customs systems of the participating Member States in a way that it can be **automatically verified** against the customs declaration data. This platform also provides a **quantity management functionality** for reserving the declared quantities of authorised goods in the source database. EU CSW CERTEX covers only a subset of Category 1, namely Union regulatory formalities<sup>54</sup>, whose information is available for all Member States at EU level<sup>55</sup>.

<sup>49</sup> The Single Window (SW) concept is defined by the United Nations Economic Commission for Europe (UNECE) as “a facility that allows parties involved in trade and transport to lodge standardised information and documents with a single-entry point to fulfil all import, export, and transit-related regulatory requirements.”

<sup>50</sup> Single point of communication to economic operators for the import, export and transit of goods.

<sup>51</sup> Approximately 4.1 million of customs declarations are affected by these formalities annually.

<sup>52</sup> Approximately 2.7 million of customs declarations per year are affected by these formalities.

<sup>53</sup> Approximately 3 million declarations at import and 2 million declarations at export are affected by these formalities annually.

<sup>54</sup> CHED-A (Common Health Entry Document for Animals) formerly CVED-A  
CHED-P (Common Health Entry Document for Animal Products) formerly CVED-P  
CHED-D (Common Health Entry Document for Feed and Food of Non-Animal Origin) formerly CED  
CHED-PP (Common Health Entry Document for Plants and Plant Products)  
COI (Certificate of Inspection) for imports of organic products  
FLEGT (Forest Law Enforcement, Government and Trade) for imports of timber

Currently, these certificates are available in TRACES NT (owned by DG SANTE). Further expansion will include ODS and F-GAS licences managed by the ODS2 licensing system (developed by DG CLIMA).

<sup>55</sup> A detailed evaluation of the EU CSW-CERTEX project and its scope is provided in Annex 14.

In addition to the voluntary participation of several Member States in EU CSW-CERTEX, a number of **single window national initiatives** are ongoing in countries such as Austria, Czechia, France, Italy, Latvia, Lithuania, Portugal, Spain and the Netherlands<sup>56</sup>. The majority of these are focused on G2G services while some Member States, such as Spain, Italy, and the Netherlands have started taking steps to develop B2G services. Some Member States are also using their national initiatives to integrate processes across various authorities for the coordination of respective controls providing a one-stop shop solution<sup>57</sup>. The regulatory formalities within the scope of each national initiative can be summarised as follows:

- Czechia, Latvia and Portugal, participating in the EU CSW-CERTEX have developed interconnections with some national systems hosting EU regulatory requirements (e.g. AGRIM/AGREX for Czechia, Latvia and Portugal and CITES licences for Czechia). This allows the automated verification of 85-90% of the volume of these supporting documents, as long as they are issued within the same Member State. In 10-15% of the cases, the supporting document presented to customs for import or export has been issued in another Member State and therefore cannot be automatically validated through the established national connections. In these cases, a paper version of the supporting document has to be verified manually.
- Austria, Spain, France, Italy, Lithuania and Sweden have connected their customs systems to national systems hosting either EU regulatory requirements, such as AGRIM, AGREX, CITES, dual use goods licences, surveillance documents and export authorisation of firearms, or national ones. Similarly to the above, this enables the automated verification of the respective supporting documents in around 85-90% of the cases and manual verification for the other 10-15%.
- Spain and Italy have also developed a connection to automatically verify EU regulatory requirements available in EU systems (e.g. CHED-A, CHED-P, CHED-D) outside the EU CSW-CERTEX solution.

Authorities in the EU also deal with supporting documents issued by third countries. Connections between customs and third countries licensing or certification systems have not been established at either EU or national level. This means that any EU regulatory formalities certified by a third-country authority and presented to EU customs as a supporting document to the customs declaration has to be verified manually as is currently the case for the VI-1 document for wine imports, the Kimberley Process Certification Scheme (KPCS) for diamond imports, or Certificates of Origin<sup>58</sup>.

## 5.2 Ongoing impacts without any further EU policy action

The evolution of the current situation without additional EU intervention would affect in several ways the actors involved in the international trade. The scope of EU CSW-CERTEX project would remain limited to G2G services focused on the verification of regulatory requirements for a relatively small number of non-customs formalities. Member States would

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<sup>56</sup> Information based on the Customs 2020 Project Group and the field visits (survey conducted during the initial phase of the PG on the state of play of national customs single window initiatives and presentations provided by 15 of the 19 Member States on the national situation and prospects in this area. See Annex 9.

<sup>57</sup> Article 47 of the Union Customs Code.

<sup>58</sup> An exception is made for some goods requiring proof of origin where alternative certification schemes apply. The REX system addresses this based on the principle of self-certification. It is developed by the EU Commission and regulated by Commission Implementing Regulation (EU) No 2015/2447 (UCC IA) to progressively replace the former certification system requiring authorised certification issued by government authorities. For the moment, the REX system is used by EU exporters in the context of some foreign trade agreements (FTAs), the Generalised System of Preference and the Overseas Association Decision.



continue to participate in this project on a voluntary basis<sup>59</sup>. While both the Commission and Member States would incur considerable costs to maintain the system and connections to it, the limited participation would make it impossible to implement crucial features such as reliable EU-wide quantity management<sup>60</sup>. The Member States that are not participating in this project would continue to follow national practices leading to difficulties in verifying volumes consumed in these Member States for EU CSW-CERTEX members. As reported universally by Member States, this would discourage additional Member States from joining the project. With fewer Member States likely to participate and an uncertain future, it would be difficult to justify the investment necessary to integrate further regulatory requirements. It can thus be assumed that coverage would remain limited to those where agreements between DG TAXUD and other DGs have already been made<sup>61</sup>.

Based on the experiences to date and information regarding expected developments, national Single Window initiatives in a growing but limited number of Member States would be likely to continue in parallel with EU CSW-CERTEX. They would evolve in different directions and modalities based on the varying levels of digitalisation of government services, political priorities, existing IT architecture and cost structures. These initiatives would also entail significant costs, partly due to the need for each Member State pursuing a national Single Window to develop separate IT solutions. In some cases, national customs and partner competent authorities would even need to replicate EU-level databases such as TRACES in order to cover certain regulatory requirements.

EU CSW-CERTEX and advanced national single window initiatives pursued by a few Member States will continue to provide certain benefits in the participating Member States. These mainly include time savings through reductions in the time and effort needed for various stakeholders to deal with the goods clearance processes<sup>62</sup>, improved cooperation between customs and non-customs authorities<sup>63</sup> and better enforcement of non-customs formalities<sup>64</sup>. These limited benefits would only partially achieve the objectives of this proposal. In the absence of new EU action the following impacts could be expected:

- Customs authorities in non-participating countries without national single window initiatives would continue to rely heavily on manual checks for the verification of non-customs regulatory formalities. Reliance on manual procedures implies more complex and uncoordinated goods clearance processes for both regulatory authorities

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<sup>59</sup> More details on the expected gradual expansion in terms of participating countries are provided in Annex 16.

<sup>60</sup> A reliable quantity management functionality would require all Member States customs systems to be connected to the EU CSW-CERTEX to provide information on the quantities of authorised goods declared to and cleared by customs, in order to calculate how much of such quantities have been consumed to avoid fraudulent overuse.

<sup>61</sup> These include the CHED family of certificates (which will replace CVED in December 2019), COI, FLEGT, ODS and FGAS.

<sup>62</sup> The EU CSW-CVED pilot and EU CSW-CERTEX project have delivered on their objective to allow for automated checks of a limited number of supporting documents by customs authorities (see Annex 14 on the evaluation of these projects). For example, the introduction of a single window environment in Spain and France has resulted in automated data crosschecks with significant time and human resource savings and efficiency gains in the customs clearance process (see Box 4).

<sup>63</sup> The case study on Ireland indicates that the EU SW-CVED pilot led to more targeted manifest checks limited to risk-based searches for unusual consignments rather than systematic checks for “normal” consignments given the improved ability to identify unusual consignments. These benefits as well as a continued enhanced cooperation between customs and partner competent authorities (i.e. better understanding of each other’s controls creating a platform for future increased integration of customs and partner controls) would be likely to continue under the baseline scenario. (see Annex 16).

<sup>64</sup> The case study on France indicates that digitalisation has already brought benefits, for instance in terms of making it possible to trace goods since the authority delivering the document knows when it is being used, as do economic operators and customs authorities. This leads to better monitoring of the use of the supporting documents, and of their chronology (see Annex 16).

and economic operators at EU and national level<sup>65</sup>. Moreover, their continued use would cause delays in the clearance process and may generate administrative errors.

- The lack of EU-wide automated quantity management would lead to persistent risks of fraud and gaps in the enforcement of concerned regulatory requirements by customs, even in Member States participating in the pilot or with single window initiatives at national level. The potential for the fraudulent reuse of documents is high due to the absence of a strict one-to-one relationship between a supporting document and a customs declaration. For example, EU level quantity management is also necessary for the effective enforcement of quotas (see box 7 in section 2.3.2.), but this functionality is not possible unless all Member States are involved, and the technology supports real-time information sharing.
- Finally, the current situation in the EU related to regulatory formalities required for the international trade in goods is still far from meeting the needs of traders for efficient goods clearance. Differences in data sets and processes across regulatory formalities inhibit harmonised exchange between customs and partner competent authorities, resulting in the submission of the same information multiple times. In the absence of EU action, only non-harmonised B2G single window services would be available in the (few) Member States that decide to develop them nationally, leading to an uneven playing field in terms of trade facilitation.

### 5.3 Description of the policy options

Eight policy options<sup>66</sup> have been identified to address the problems discussed above and to achieve the set objectives. They are based on the evaluation of EU SW-CVED carried out by DG TAXUD and the experience derived from its evolution into EU CSW-CERTEX as well as discussions and deliverables of the project group. They were further analysed and assessed by the senior management of Member States customs administrations and trade representatives at the High-Level Seminar<sup>67</sup> that took place in Bucharest on 15-16 May 2019. The options cover a range of potential actions to develop an EU Single Window environment for customs and can be structured in three different groups depending on the type of services offered:

- **Group I (options 1-4):** options for government-to-government (G2G) back-end cooperation that would focus primarily on facilitating information sharing between customs and partner competent authorities.
- **Group II (options 5-7):** options for business-to-government (B2G), front-end cooperation aimed at improving economic operators' interactions with customs and partner competent authorities.
- **Group III (option 8):** cross-cutting option aimed at streamlining the way customs and partner competent authorities identify and store information on economic operators.

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<sup>65</sup> The case study on Czechia shows that continued voluntary participation in the pilot project means the continuation of non-harmonised procedures with some EU Member States dealing with certain regulatory requirements in paper-format, and others electronically, which especially is a burden for traders and economic operators. In addition, the baseline scenario would not support Czech customs in having more partner competent joining the single window initiative (see Annex 16).

<sup>66</sup> An overview of the policy options is provided in Annex 17.

<sup>67</sup> See Annex 2 (*High Level Seminar on the EU SW environment for customs initiative*) for further details on the assessment of the options.

### 5.3.1 Group I: Government-to-government (G2G)

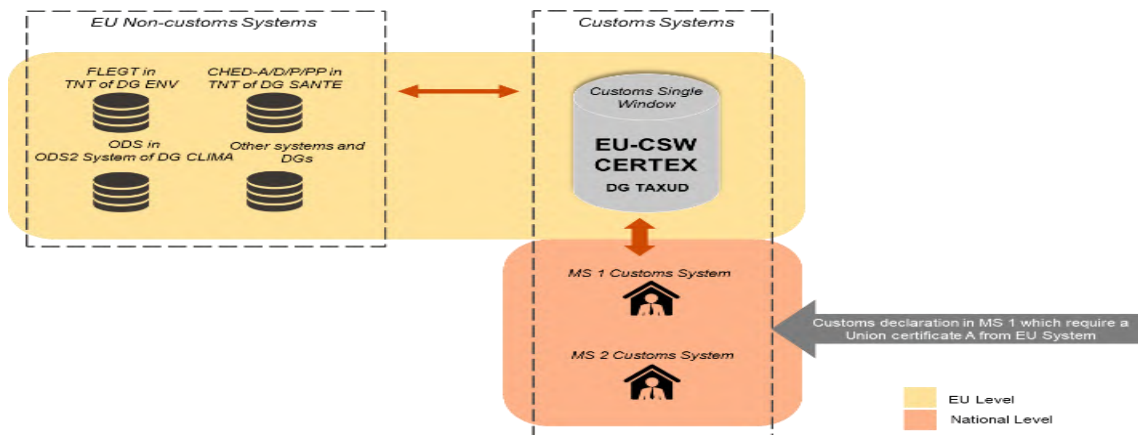
**Options 1-4** address how customs and partner competent authorities can automatically and effectively exchange, cross-reference and verify information for the customs clearance process when an economic operator submits a customs declaration requiring the compliance of non-customs regulatory formalities. Each option covers a different category of non-customs regulatory requirements (see Annex 8). Since different categories of regulatory requirements have different systems and arrangements for receiving, processing and storing information, the solutions needed to include any of them in a future policy choice would also differ. Even within options, multiple implementation choices could be envisaged.

Options 1-4 are not mutually exclusive, but rather are cumulative, meaning that a combination of them could form part of a future policy choice. Given that option 1 builds on the existing EU CSW-CERTEX project by expanding it to all Member States and covers regulatory formalities that (due to their management using existing EU electronic systems) are easier to interconnect, it would not make any logical sense to put in place options 2, 3 or 4 (which cover different categories of formalities) without firstly implementing option 1. For this reason, option 1 is viewed as a prerequisite to any future policy choice apart from continuing with the baseline scenario.

#### ***Option 1 – Interconnecting national customs systems to EU non-customs regulatory formalities digitally available at EU level***

This option would cover **EU regulatory requirements** managed through EU electronic systems or through a combination of EU and national systems, but where **the relevant information required by customs for clearance, for all Member States, is available at central level**<sup>68</sup> (e.g. CHED-A, CHED-P, CHED-D, CHED-PP, COI, FLEGT, ODS, FGAS).

**Figure 5: Option 1 – EU regulatory requirements managed through EU systems**



Source: DG TAXUD

It would put in place a legal framework for **uniform and obligatory use of the existing EU CSW-CERTEX** system to exchange information between the national customs systems and the **existing and future EU electronic systems managing EU regulatory requirements**. This means that the scope of the option has a dynamic feature and additional EU regulatory

<sup>68</sup> For example, while formalities related to the Waste Shipment Regulation are primarily managed at national level, the Commission has mandated a harmonised and interoperable Electronic Data Exchange system that will make for all Member States the customs-relevant information centrally available.

formalities will be added as they become available at EU central level. Where applicable, this option would allow quantity management by customs of supporting documents at EU level<sup>69</sup>.

***Option 2 – Interconnecting national customs systems to EU non-customs regulatory formalities digitally available at Member State level***

Option 2 would cover EU regulatory requirements managed through national electronic systems, or a combination of national and voluntary EU systems<sup>70</sup>, which make only the customs-relevant information from participating Member States centrally available (e.g. agricultural import and export licenses<sup>71</sup> and dual use goods licences). The scope of this option has a dynamic element intrinsically linked to the scope of option 1. Formalities currently under the scope of option 2 will be integrated into option 1 progressively as EU regulatory formalities become digitally available for all Member States at EU level. The possibility to centralise national non-customs systems must be assessed on a case by case basis against each regulatory formality under the scope of option 2. This assessment should be based on the specific framework of each sectorial legislation<sup>72</sup> and conducted through the engagement of all relevant stakeholders. This explains why the centralisation of existing national non-customs systems falls outside the scope of this impact assessment and it is subject to further analysis in the respective areas of competence<sup>73</sup>.

For the purpose of this initiative, this option would put in place a legal framework for making existing national systems and future voluntary EU electronic systems interoperable through EU CSW-CERTEX. This would grant national customs systems access to relevant information stored both in their own and other Member States' certification or licensing systems. Customs authorities of a given Member State would be able to automatically verify supporting documents issued in another Member State and provide feedback of goods clearance for quantity management purposes. Technical solutions for connecting EU CSW-CERTEX to national certification or licensing systems could either be **direct – option 2 (i)**, or **indirect – option 2 (ii)**.

***Option 2 (i) – Direct connection***

***Figure 6: Option 2(i) – EU regulatory requirements managed through national systems, connecting EU CSW-CERTEX directly***

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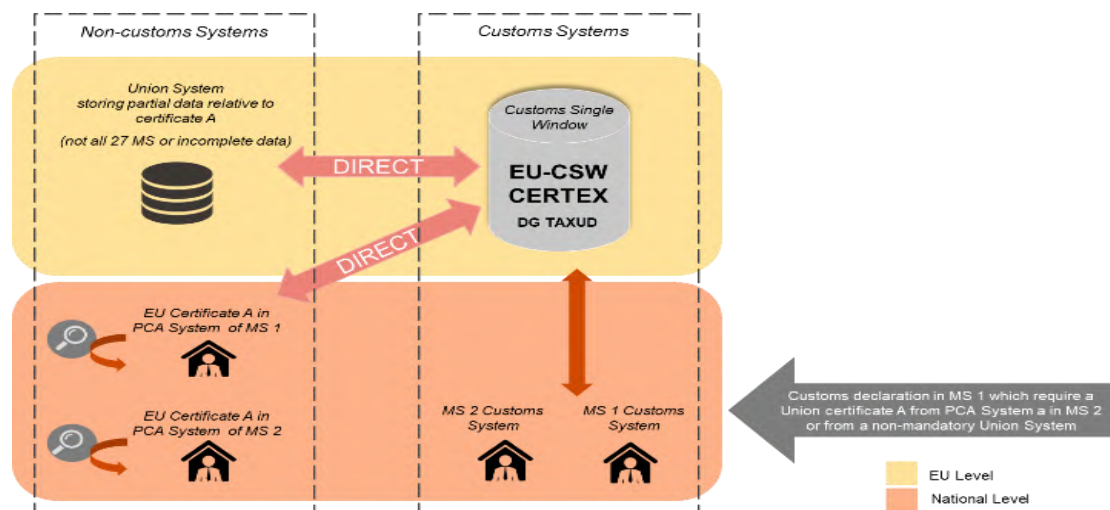
<sup>69</sup> Certain regulatory requirements involve supporting documents that are valid for a certain amount of a given product. Quantity management is the means to verify that this amount has not been exhausted before allowing goods to be released.

<sup>70</sup> There are currently no voluntary EU systems managing EU non-customs formalities related to Option 2. Dual use goods licences that fall under this category are still processed by national systems. DG TRADE is developing an EU voluntary system (eDUES licensing system) that would, in principle, not make information from all Member States centrally available.

<sup>71</sup> These licences are currently managed, and the information is only available through national systems.

<sup>72</sup> The sectorial legislation is based on different Union competences in line with the provisions of the EU Treaties, involving in most cases intracommunity requirements in addition to formalities affecting international trade. Therefore, the development of these centralised systems requires an individual analysis which takes into account the specific elements applicable to each policy domain.

<sup>73</sup> DG ENV has recently conducted a business and technological study resulting in a proposal for an EU implementation of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). The main objective of the project is to propose an architecture vision for the development of EU CITES electronic system that would address the business needs for e-permitting, support the identified CITES business processes and facilitate the communication and exchange of CITES permit and certificate information between all stakeholders involved in these processes. DG HOME has also conducted a study in 2019 to explore policy solutions to improve the implementation of Article 10 of the UN Firearms Protocol (UNFP) in relation to export authorisation, and import and transit measures for civilian firearms, their parts and components and ammunition. The study includes the option of setting up an electronic system to manage the export licensing procedure.



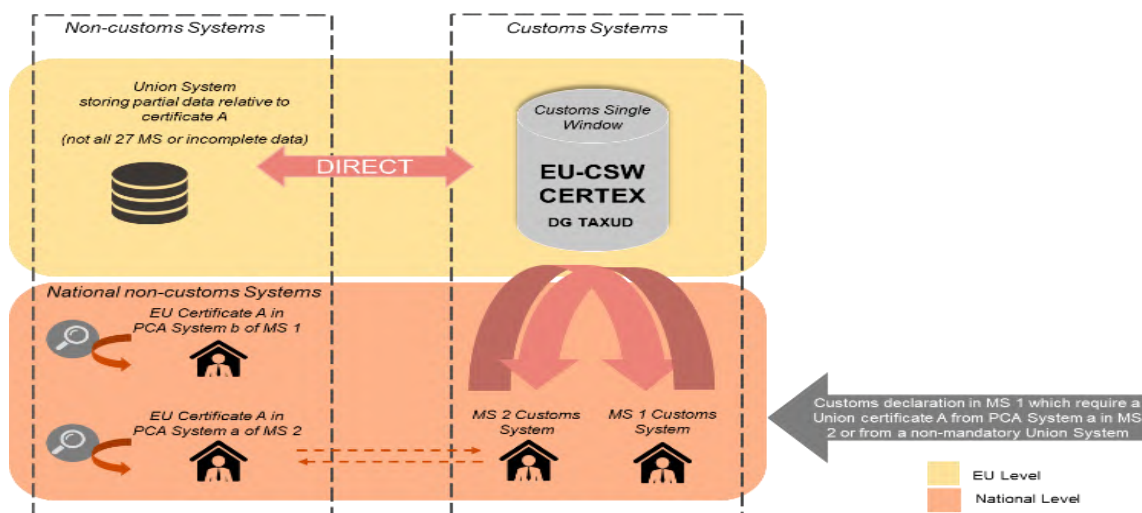
Source: DG TAXUD

EU CSW-CERTEX would establish a direct connection between national customs systems and existing national partner competent authorities' systems and/or future voluntary EU systems.

### **Option 2(ii) – Indirect connection**

EU CSW-CERTEX would enable national customs systems to access relevant information stored in the national partner competent authorities' systems of other Member States through their national customs system. Thus, each national customs authority will be responsible for collecting the relevant information on non-customs regulatory requirements from their own national competent authority.

**Figure 7: Option 2(ii) – EU regulatory requirements managed through national systems, connecting EU CSW-CERTEX indirectly**



Source: DG TAXUD

### **Option 3 – Interconnecting national customs systems to national non-customs regulatory requirements in another Member State**

This option would cover a wide spectrum of national non-customs regulatory requirements managed through national systems, resulting in highly diverse examples (see Annex 8).

Option 3 would put in place a legal framework for national customs administrations to access information from the national certification/licensing systems of other Member States. The

need to access information on a national regulatory formality of another Member State would only arise in the context of centralised clearance<sup>74</sup> whereby the economic operator can lodge a customs declaration at the customs office where his activity is established for goods, which are presented at another customs office in the EU. Similar to option 2, technical solutions for connecting EU CSW-CERTEX to national systems could be either **direct** or **indirect**.

***Option 4 – Interconnecting national customs systems to EU non-customs regulatory formalities digitally available in third countries***

Option 4 would put in place a legal framework that would allow customs authorities to electronically access information and verify compliance with EU regulatory formalities requiring third country supporting documents. Its scope covers EU regulatory requirements for which there is no EU or national system, such as the Certificate of Origin, VI 1 document for wine imports and the Kimberley Process Certification for diamond imports.

**5.3.2 Group II: Business to government (B2G)**

**Options 5-7** focus on different ways of streamlining reporting processes for the economic operators to customs and partner competent authorities when dealing with regulatory requirements mentioned above. These options are mutually exclusive, meaning only one of them could form part of a future policy choice. A continuation of the baseline scenario would mean no EU action at the front end, though individual Member States may pursue related initiatives at national level.

***Option 5 – Harmonised portal for economic operators to fulfil EU non-customs regulatory requirements***

This option would put in place a legal framework to give economic operators a harmonised portal for interacting with the various electronic systems used to deal with EU regulatory requirements of partner competent authorities. This would give economic operators a common portal for lodging various types of information regardless of the Member State(s) and/or the partner competent authority involved. However, customs declarations would still need to be lodged separately through the customs systems of individual Member States, meaning economic operators would fulfil regulatory formalities through both customs and non-customs channels instead of through a single-entry point.

This option could either cover only regulatory requirements of partner competent authorities for which relevant information is stored in EU systems, or a combination of EU and national systems. Individual Member States could also facilitate access between the portal and national systems managing national regulatory requirements in order to expand its scope. Technical solutions for implementing this option would be based on the provisions of the Regulation on electronic identification and trust services for electronic transactions in the internal market (eIDAS Regulation)<sup>75</sup>, which facilitates the use of national electronic identification systems across borders, as well the Commission's Uniform User Management and Digital Signatures (UUM&DS) authentication system.

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<sup>74</sup> Centralised clearance is one of the simplifications related to the placement of goods under a customs procedure of the Union Customs Code (UCC) that allows economic operators to centralise the accounting and payment of customs duties for all their customs transactions. Implementation of Centralised Clearance for Import is dependent on the development of an EU system that will allow the transfer of information between Member States in line with the milestones indicated in the UCC Work Programme. See also Annex 12.

<sup>75</sup> Regulation (EU) No 910/2014 of the European Parliament and of the Council of 23 July 2014 on electronic identification and trust services for electronic transactions in the internal market and repealing Directive 1999/93/EC, OJ L 257, 28.8.2014, p. 73–114.

### ***Option 6 – Harmonised national single-entry points for economic operators to fulfil customs and non-customs regulatory requirements***

Option 6 would put in place harmonised measures for the Member States to set up customs single windows at national level, providing economic operators with harmonised single-entry points to fulfil all customs and non-customs regulatory requirements.

National customs authorities would act as a hub for receiving relevant information from economic operators on behalf of partner competent authorities, as part of the customs declaration process. This solution would enable economic operators to submit information related to non-customs regulatory requirements in addition to customs data at the time of lodging the customs declaration. This information will then be distributed to partner competent authorities' systems via the EU CSW-CERTEX. Depending on which of options 1-4 this option is combined with, the result would allow for a degree of interoperability and process integration between Member States.

### ***Option 7 – EU single-entry point for economic operators to fulfil customs and non-customs formalities***

This option calls for the development of a centralised EU electronic system that would provide (1) a common interface for economic operators to submit both customs declarations and all other data needed to fulfil non-customs regulatory requirements and (2) a common repository that would replace existing national systems for import, export and transit. In other words, this option would introduce a single-entry point at EU level for all border formalities required for the clearance of goods. This information will then be distributed to partner competent authorities' systems via the EU CSW-CERTEX as needed to verify compliance. Due to the specific features of this option, the way it could be combined with options 1-4 differs from option 6 in terms of interoperability and system integration. Given that its implementation would replace existing national customs systems with a single centralised system, this option could only be combined with a simplified version of option 1 that entails a single connection to EU CSW-CERTEX. For the same reason, it would be impossible to implement option 7 alongside the indirect connection versions of options 2 and 3.

## **5.3.3 Group III: Cross-cutting options for registration and identification of economic operators**

### ***Option 8 – Extend the use of the Economic Operator Registration and Identification System (EORI) to partner competent authorities***

This is a **cross-cutting option** that aims to extend the use of the Economic Operator Registration and Identification system (EORI)<sup>76</sup> to partner competent authorities. While this is not a standalone option, it would serve as a facilitation tool to implement G2G and B2G options. This would allow customs and partner competent authorities to exchange, collect and receive information about economic operators more easily, with the purpose of reducing the administrative burden on economic operators and facilitating the implementation of any of the other policy options chosen. Two alternatives can be considered under this option:

- a) **Option 8(i) would extend EORI to partner competent authorities for registration, identification and validation purposes.** This sub-option would imply the registration of additional businesses who are not registered with the customs

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<sup>76</sup> EORI is a database managed by DG TAXUD that assigns all economic operators engaging in customs operations with a unique number (the EORI number) that is used as an identifier for all dealings with customs authorities in the EU.



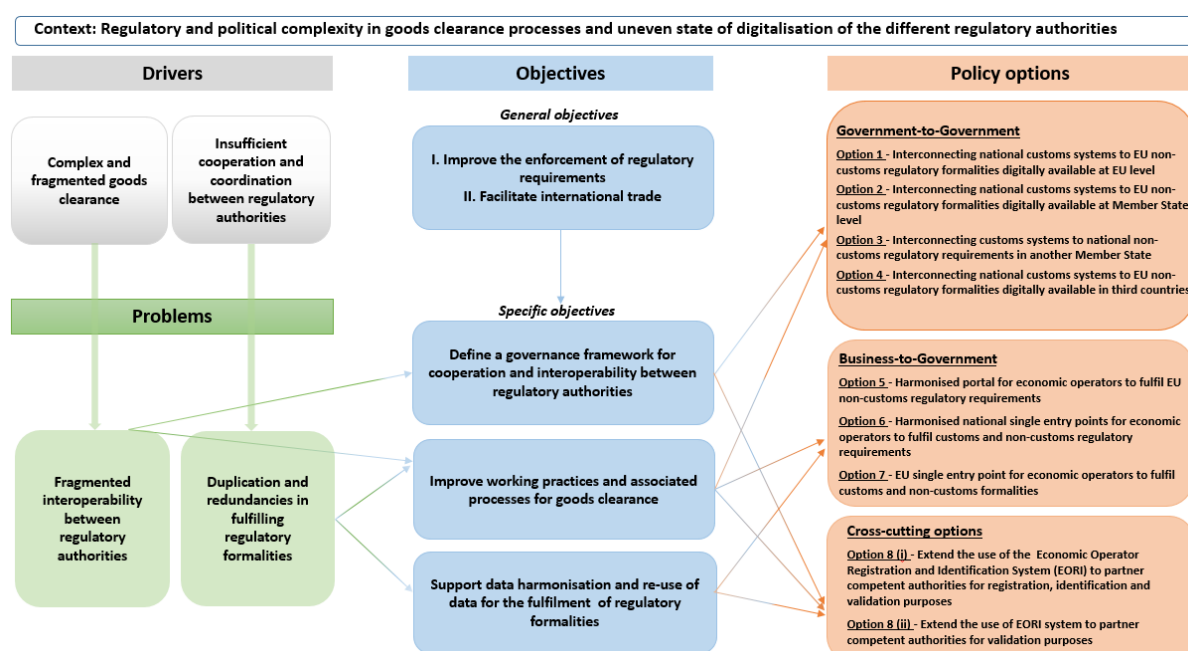
authorities, as EORI would become a common registration and identification number for customs and partner competent authorities involved in international trade.

- b) **Option 8 (ii) would grant access to EORI system to partner competent authorities for validation purposes.** This would mean they can request the EORI number from economic operators in the context of their formalities and validate it against the EORI systems, but not register on the basis of this initiative additional businesses which are not covered under the UCC<sup>77</sup>.

As a reference point for the foregoing problem analysis and proposed options, a summary of the intervention logic of the initiative is presented in the figure below. It provides a visual representation of the links between the identified problems, their drivers, the specific objectives for further intervention and the options that are likely to achieve these objectives. Although the impacts of each proposed option category would likely influence all three objectives to a limited extent, the arrows connecting the specific objectives to the policy options represent the most relevant links.

**Figure 8: Intervention logic**

Source: DG TAXUD



## 5.4 Options discarded at an early stage

The options have been screened to focus the analysis on the most viable ones. The screening exercise was carried out based on evidence collected from stakeholders in the project group and Commission services, using criteria for technical feasibility, effectiveness and proportionality. The results are presented in the table below, with a preliminary judgement and explanation provided for each option and criterion. The last column states whether an in-depth analysis or a limited analysis would be appropriate for each option.

<sup>77</sup> Article 5(5) of the UCC defines the economic operator as “a person, who in the course of his or her business, is involved in activities covered by the customs legislation”.



**Table 3: Screening of the policy options**

	Technically feasible	Likely to be effective	Proportionate	Level of analysis
<b>Option 1</b>	Yes; the viability has been tested through the EU SW-CVED pilot and EU CSW-CERTEX project.	Yes; results of the EU SW-CVED pilot and initiatives similar to this option at national level indicate that significant benefits could be expected in terms of all the policy objectives as defined.	Yes; while substantial benefits would be expected, this option uses fairly low-cost DG TAXUD middleware in order to link existing/planned EU electronic systems. Evidence from the EU SW-CVED pilot also shows just limited costs for the Member States, while economic operators would incur hardly any costs.	In depth analysis; this option is highly feasible and likely to be effective and proportionate.
<b>Option 2</b>	Yes; technical feasibility has been investigated through the project group, showing that the DG TAXUD middleware could be used to link national systems and / or any relevant EU systems.	Unclear without further investigation; benefits from key functions (e.g. quantity management) would depend on the full participation of Member States.	Unclear without further investigation; the costs to the Member States could be substantial and would need to be compared to the likely benefits.	In depth analysis; while this option is feasible and potentially effective, key aspects concerning the viability of this option remain unclear and are subject to further investigation.
<b>Option 3</b>	No; linking the systems for the wide spectrum of national regulatory requirements concerned (see Annex 8) is unlikely to be possible using the EU CSW-CERTEX system.	No; information on national regulatory formalities of another Member State would only be required in the context of centralised clearance for which alternative solutions are being explored <sup>78</sup> .	No; the major investments needed at national level and EU level to link each of the many relevant electronic systems to EU CSW-CERTEX would outweigh the benefits that would be realised.	Limited; given that this option is neither feasible nor likely to be effective or proportionate.
<b>Option 4</b>	Implementing this option would require changes to third-country systems that would depend on bilateral or multilateral agreements on a case-by-case and country-by-country basis.	No; preliminary stakeholder feedback suggests that the goods movements involved are not a major cause of the identified problems (see section 5.1).	No; despite the limited benefits, the costs to link EU, Member States and third country systems are likely to be substantial.	Limited given that this option is not yet technically feasible or effective in addressing the identified problems.
<b>Option 5</b>	Yes; preliminary research carried out for the policy options document shows that the technical developments for this option would be straightforward.	No; while this option would put in a place a common portal for economic operators to deal with key supporting documents, they would still have to deal with customs authorities separately, strongly limiting the gains for trade facilitation.	No; the costs to DG TAXUD to develop the portal and for partner competent authorities and economic operators would be substantial and out of proportion to the limited potential benefits.	Limited; the likely ineffectiveness of this option to achieve the objectives means it does not make sense to investigate it in depth.

<sup>78</sup> From a legal perspective, centralised clearance (CC) enables economic operators to lodge a customs declaration at the customs office where their activity is established for goods presented at another customs office in the EU (Art. 179 UCC). The EU Commission is currently developing an IT system to support the exchange of relevant electronic information between these offices. Regarding the transmission of national supporting documents (certificates, licences, permits, etc.), potential technical solutions identified under this project include the e-Delivery platform (developed by DIGIT and already used in other customs projects) and the Common Communication Network (CCN2) - DG TAXUD's central IT infrastructure - which is already supporting other electronic EU customs systems. These potential solutions explored in the context of CC offer more flexible and less costly alternatives than routing the information through EU CSW-CERTEX for all regulatory formalities that fall within the scope of Option 3.

	Technically feasible	Likely to be effective	Proportionate	Level of analysis
<b>Option 6</b>	Yes; this option leaves key aspects to be defined according to national prerogatives, increasing its feasibility. The B2G use cases <sup>79</sup> on a selection of regulatory requirements also show that the necessary changes to the systems and trader interfaces can be developed.	Yes; the B2G use cases on a selection of regulatory requirements show that this option is likely to generate substantial benefits for traders.	Unclear without further investigation; this option would entail considerable development and implementation costs for the Commission and Member States authorities. Further data is needed to estimate these and compare them with the likely benefits.	In-depth; preliminary evidence shows that this option is feasible and likely to be effective, showing its viability and meriting in-depth investigation.
<b>Option 7</b>	Yes; although it would require wholesale changes to the approach for implementing the provisions of the UCC.	Yes; the experience of the US shows that this option could have major benefits in terms of increased efficiency of goods clearance and improved compliance / reduced fraud and errors.	The implementation of this option would radically change the regulatory and operational practices of the Customs Union, allowing economic operators to access a single EU portal for international trade formalities. The costs to the Commission, Member States and economic operators would be substantial and difficult to ascertain without in-depth analysis.	In-depth; while this option is technically feasible and potentially effective, key aspects concerning the viability and proportionality of this option remain unclear, subject to further investigation.
<b>Option 8(i)</b>	No; it would require major changes to the current framework. The cases where existing registration systems should be replaced by EORI are diverse and involve multiple authorities. Thus, they would need to be addressed individually.	Yes; this option would particularly benefit economic operators by providing a single registration mechanism for customs and non-customs formalities.	No; it would require many additional and diverse businesses (including those based in third countries or involved in intra- community trade) to register in EORI. This would be highly complex and costly and would not prevent some businesses having to register for other purposes such as VAT.	Limited; preliminary evidence shows that this option is not viable.
<b>Option 8(ii)</b>	Yes; the technical implementation of this option is straightforward.	Yes; preliminary evidence based on a pilot in one country and stakeholder feedback indicates this option would make it much easier to collect and share information on economic operators, since existing systems for managing economic operators are disparate and not interoperable.	Yes; preliminary evidence indicates that the likely costs would be low compared to the benefits.	In-depth analysis; preliminary evidence indicates that this option provides a feasible and practical way to facilitate the implementation of the other policy options.

<sup>79</sup> B2G use cases were carried out in the framework of the project group for CHED-A, Waste shipment, FLEGT and FGAS regulatory requirements led by Czech, Dutch and Spanish customs authorities and one trade association, with the coordination of DG TAXUD and collaboration of partner DGs. See Annex 1 and 2 for more information.

The screening of the policy options determined that three options and one sub-option were unviable due to a lack of feasibility, likely effectiveness and / or proportionality. These options are thus not analysed in depth. However, a brief overview of the economic, social and environmental impacts that could be expected if these obstacles were to be overcome is provided in Annex 12.

## **6. WHAT ARE THE IMPACTS OF THE POLICY OPTIONS?**

This section describes the approach to the analysis of the options, in terms of the sources of evidence and methods for estimating the impacts and applies this framework to assess options 1, 2, 6, 7 and 8(ii), in terms of stakeholder views, direct economic impacts, social and environmental impacts and potential risks.

### **6.1 Approach to the analysis of the options**

The main criteria to assess the policy options are closely linked to the general and specific objectives of the initiative and can be grouped into direct economic impacts and social and environment impacts.

The **direct economic impacts** are comprised of one-off implementation and recurrent costs, as well as savings from reduced amounts of labour and out-of-pocket expenses (e.g. for delays, intermediaries, storage facilities etc.) needed for customs authorities, partner competent authorities and economic operators to enforce EU legislation and deal with goods clearance. These savings would relate to achievements in terms of the first and second specific objective of enhanced cooperation and improved working practices between customs and partner competent authorities, and to the third specific objective of data harmonisation and re-use of data provided by economic operators when fulfilling the customs and non-customs formalities required for international trade, as they will all contribute to simplify the clearance processes for economic operators. To the extent possible, the analysis seeks to quantify and monetise these impacts to determine their net costs or benefits over time. The objectives are not referenced repeatedly in the analysis to enhance readability.

The approach has been developed with a view to the complex regulatory framework and diverse operations and processes at stake. In particular, it is noted that the timing for submission of documents and extensiveness of checks vary by type of good and regulatory requirement, meaning that experiences for both authorities and economic operators may differ depending on factors such as the Member State and nature of the goods in question. In addition, the cost for the Member States to implement new IT infrastructure differs substantially depending on the maturity of their existing IT architecture, arrangements with service providers, and varying capacity requirements, which are based on trading volumes and profiles. Due to these issues, it is very difficult to extrapolate individual examples from a limited number of Member States to the whole EU. Moreover, in many cases, national administrations were reluctant to provide detailed information on the costs of IT projects and process changes and time spent by officials to perform controls due to its political sensitivity. To obtain quantitative estimates despite these challenges, the analysis of direct impacts relies on plausible assumptions based on the available data and stakeholder feedback. For example, some participants in the project group, representing highly diverse Member States, provided insight into their IT infrastructures and the extent of likely changes needed to implement the different policy options, including on costs. While this input cannot be cited directly due to confidentiality concerns, it allows to develop plausible estimates for a range of scenarios. Similarly, qualitative data about business processes and experiences with the clearance of certain goods is used to come up with estimates concerning time savings that could be expected from the introduction of a certain process improvement.

In all cases, the high degree of diversity among Member States and regulatory requirements in question, as well uncertainty regarding future changes, makes it impossible to define simple figures that could be applied to the whole EU. At the same time, the data, which is sensitive and not comprehensive, do not allow for detailed breakdowns by Member State. For this reason, EU-wide figures are used, based on plausible ranges with regard to the costs and potential changes that could be expected. Finally, to ensure the reliability of the ranges, these were validated in consultation with project group participants representing the Member States and trade associations.

**One-off implementation and recurrent costs** would be borne by the EU Commission, national customs authorities, partner competent authorities and economic operators. Implementation costs include spending on IT hardware and software, process change management, training and support, and are expected to be phased over an implementation period. The timing for these implementation periods has been developed in consultation with IT units at DG TAXUD and varies depending on the option. For most options (1, 2, and 6), this implementation period would be seven years. This timeframe is consistent with experiences of other customs IT projects of similar size and scope (including the well-developed pilot solution EU CSW-CERTEX, which forms the basis for option 1). The time needed for development and implementation is much longer for option 7 due to its larger scale and complexity, while option 8(ii) would be operationalised much more quickly. Afterwards, implementation costs will be replaced by recurrent costs, comprised of maintenance, periodic updates, continued support and day-to-day operations. The table below lists the sources used to estimate the costs for different actors, while full explanations are provided in the sections on the impacts of each policy option.

**Table 4: Sources for cost estimates for involved actors**

Actor	Sources for cost estimates
<b>EU Commission</b>	Based on data provided by DG TAXUD.
<b>National customs authorities and partner competent authorities</b>	Based on some documentary sources (e.g. technical specifications) and interviews with experts and stakeholders. Despite the level of progress with national initiatives, very few Member States were able to provide hard data on IT and business costs <sup>80</sup> . The credibility of these figures was verified with the national customs administrations participating in the project group. In terms of variation, larger Member States would typically incur larger costs while smaller Member States incur lower costs. However, the prevalence of fixed costs means that smaller Member States would likely face costs that are relatively higher compared to their proportion of international trade. At the same time, for all options these costs are much lower than would be incurred if individual Member States had to develop all elements individually.
<b>Economic operators</b>	The G2G options (i.e. options 1 and 2(i) and 2(ii)) and cross-cutting option 8 do not entail any front-end changes that would generate costs for economic operators. Option 6, in creating a single-entry point for interactions with customs and non-customs authorities, would require very slight adjustments related to the introduction of a few new data elements. However, these are deemed negligible both due to their small scale and the fact that implementation would be phased over several years. Option 7, by requiring economic operators to adjust to a new system for customs clearance, would involve some IT and training costs.

Source: DG TAXUD

<sup>80</sup> Officials were not authorised to share cost figures, which were considered sensitive in the context of national budget discussions. Also, it is difficult to extrapolate from the Member States where some data is available because of differences in IT architecture and trade volumes.

The **direct economic benefits**<sup>81</sup> would relate to **reduced administrative burdens** and are estimated based on a variant of the standard cost model<sup>82</sup>. The model works by multiplying the number of information obligations<sup>83</sup> with the cost for different stakeholders. Due to the unavailability of sufficient data on the baseline costs, the research has allowed for estimates regarding the *amount of time saved* per information obligation under the different policy options. For each option, the model is then applied by multiplying the number of obligations (expressed in terms of the number of customs declarations for which supporting documents to comply with certain non-customs regulatory requirements are required) with the amount of time saved. The latter is monetised using standard hourly labour costs. Each of these aspects is described in more detail below.

- a) **Number of affected customs declarations:** estimates are derived based on extrapolations from extensive real data from the Member States. More specifically, 15 Member States participating in the project group provided data on the numbers of customs declarations subject to certain regulatory requirements during the years 2015-2017. By assuming that the numbers of relevant declarations varied roughly in proportion to international trade volumes, it was possible to extrapolate these figures to the whole EU using Eurostat trade statistics. Since the envisaged social and environmental impacts also depend to a great extent on which customs declarations are affected, these are also informed by these estimates. Since any of the policy options that is implemented would become operational gradually, the analysis assumes that implementation would be spread over a time period that is described in the analysis of each option.
- b) **Time saved for each operation (in minutes):** estimates are made based on feedback from national officials and economic operators about how (1) clearance processes changed after the implementation of EU CSW-CVED and relevant national single window initiatives, and (2) the specific policy options would be likely to affect existing practices. While the time savings would be distributed across the Member States in line with their trading volumes, the estimates also need to take into account the different starting points across Member States. For example, relatively lower savings would be expected for the customs declarations that are already dealt with using the single window initiatives that are in place in a small number of Member States.<sup>84</sup> Higher savings would be expected where less progress has been achieved at national level, such as the Member States that have not participated in EU CSW-CERTEX or developed a similar national solution so far. Taking these aspects into account as well as the inherent degree of uncertainty (see discussion below), estimates are presented in terms of a range of values for the plausible time savings. It is also noted that the delays and process redundancies that characterise the present situation (see section 2.3.1) have been found to affect SMEs

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<sup>81</sup> The direct economic benefits could be expected to lead to indirect benefits, in particular improved competitiveness derived from increased efficiency and reduced resource waste among EU firms. However, in order for these benefits to materialise (at a noticeable and measurable scale), the change in the time to needed goods clearance should be large and discrete, e.g. in the order of numbers of days per transaction rather than minutes or hours. Since none of the options are found to produce benefits at this scale, it is assumed that impacts on competitiveness are positive but minor, and likely to be experienced in a similar way for each policy option in line with the magnitude of the expected direct economic benefits.

<sup>82</sup> The standard cost model is a method for assessing administrative costs imposed by a regulation on, among other things, businesses and public administrations. It is based on the identification of information obligations whose costs for the regulatory addressees can be measured and quantified. Impact can be calculated by comparing the total costs under the baseline scenario with costs under a new intervention. However, such a comparison is not possible in this case because sufficient data on the costs of complying with given information obligations is not available.

<sup>83</sup> Information obligations can be defined as specific legal duties to gather, process, or submit information to a public authority or third party.

<sup>84</sup> For example, CHED certificates are already handled using the national single windows in France, Italy and Spain.

disproportionately. This is due to SMEs' limited ability to make investments that would allow them to handle administrative burdens more efficiently and unfamiliarity with complex processes. For example, the supporting study for this Impact Assessment identified examples where senior staff of SMEs needed to physically transport documents between competent authorities and customs offices to deal with a single declaration. Larger companies typically deal with higher volumes of declarations, providing the economies of scale that allow them to put in place more efficient processes or to outsource customs operations. Since all of the options seek to reduce burdens of this kind, SMEs would experience comparatively large benefits compared to other economic operators, regardless of the policy option. The reductions in administrative burdens could also be expected to increase the number of SMEs participating in international trade<sup>85</sup>.

- c) **Labour costs (in EUR):** the time saved for different actors can be monetised by applying a standard labour cost for staff of national authorities and economic operators. To derive this cost, Eurostat data on average salaries in EU public administration (adjusted to take account of overheads, social security contributions, etc.) was divided by OECD data on average hours worked per year in the EU Member States to arrive at an average hourly cost. This figure was then weighted based on the extent to which given Member States engage in international trade. This ensures that the estimates take into account the differing extent to which individual Member States would be affected by the initiative. This leads to a figure of about EUR 24 per hour of labour.

These findings on costs and benefits are then **compared using cost-benefit analysis** to determine the likely net impact of each policy option. The **estimates are also supplemented with qualitative evidence** to highlight potential exceptions and explain why certain impacts can be expected. As mentioned above, there is uncertainty in the estimates, especially related to the time savings that the policy options could be expected to generate. This is in part because of the scarcity of concrete data that could be extrapolated. It is also due to the varying levels of complexity and amounts of time needed to deal with the processes that would be affected by the initiative. This uncertainty is reflected in the ranges of values that are used for the estimated costs and benefits. The ranges are particularly large for the estimated benefits to reflect the diversity of impacts across Member States, in addition to the lack of reliable data.

The mechanisms that would generate **social and environmental impacts** are very similar for all of the policy options and relate mainly to the effects from the specific objectives of enhanced collaboration and improved working practices between authorities. As outlined in the general objective, this would lead to better enforcement of the regulatory requirements covered. This would stem from reduced fraud and errors, as well as better risk management and compliance with applicable rules during goods clearance. The proper enforcement of the EU-wide policies at stake will provide social and environmental benefits for EU citizens by ensuring their safety and security, improving the quality of imported products, protecting the environment and ultimately boosting innovation in the internal market. Given the existence of a single external border and free circulation of goods within the EU, these benefits are considered in terms of the EU as a whole. This is especially important because illicit traders often seek to exploit weaknesses in individual Member States, regardless of their final destination. Due to the sensitive and complex nature of the regulatory formalities in question, little data is available on indicators of interest, such as fraud levels or amounts of information

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<sup>85</sup> As shown in the recent report 'Making the WTO Trade Facilitation Agreement Work for SMEs' (WTO 2016), customs and trade regulations are among the most important obstacles faced by SME exporters.

sharing between authorities responsible for goods clearance. For this reason, the analysis of these impacts is conducted mainly qualitatively, based on extensive consultation with all affected stakeholders. The main differences between options are in scope (since the options cover different regulatory requirements and thus would lead to benefits in different policy areas) and magnitude (since the expected changes from some options are more important than others). To avoid repetition, the mechanisms are described in depth only in the analysis of option 1. The other options are analysed compared to the baseline in the same terms, using examples where useful.

## **6.2 Analysis of the impacts of the policy options**

### **Option 1 – *Interconnecting national customs systems to EU non-customs regulatory formalities digitally available at EU central level***

#### **Stakeholder views**

##### **Member State administrations**

Most Member States are favourable of this option as expressed in a survey of project group participants<sup>86</sup> on the feasibility and desirability of the different policy options. In terms of the regulatory requirements covered, broad agreement was reached on significant expected benefits, as described below:

- Quicker and smoother goods clearance would in turn lower administrative costs.
- Easier sharing of information would reduce the duplication of tasks between different authorities, further increasing administrative efficiency.
- Better coordination between authorities would improve enforcement of EU legislation and data security (less information would have to be stored in multiple databases).
- Introduction of automated quantity management at EU level would reduce the scope for fraud and human error.
- Participation of all Member States in EU CSW-CERTEX would be an important step towards fully digitised goods clearance, since it would push partner competent authorities to digitise their processes and thereby stop using paper-documents<sup>87</sup>.

Criticism of this option is limited to two aspects: first, for Member States already having advanced digital initiatives, mandatory use of EU CSW-CERTEX could risk undermining efforts that have already been made. Secondly, some Member States felt that to justify the costs of this option it would be important to prioritise high-volume regulatory requirements, rather than immediately covering all regulatory requirements in its defined scope.

##### **Economic operators**

Trade associations in the project group and a range of economic operators interviewed during field visits expressed largely positive views, feeling that the benefits generated by this option would be important in terms of time savings. Moreover, economic operators in Member States with ongoing national initiatives similar to option 1 reported that these initiatives have allowed them to simplify the processes of submitting and handling the supporting documents related to relevant regulatory requirements. For example, in Italy economic operators

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<sup>86</sup> Of the 15 Member States responding to the survey, 12 rated it highly for overall desirability, while 11 considered it politically feasible and 13 considered technically feasible. These positive views were in part due to significant expected benefits, and in part to the relatively minor changes, this option would require to national IT infrastructure, clearance processes and national legislation.

<sup>87</sup> Interviews with national officials and discussions in the project group show that this would resolve a problem whereby the lack of a mandatory push from EU level prevents them from compelling partner competent authorities to digitise their systems and processes.

reported that the full automation of certain documents eliminated the cost of transporting the documents between authorities, benefiting from faster clearance and fewer delays. The majority of economic operators responding to the public consultation felt that key features of option 1 were high priorities.

## **Direct economic impacts**

### **Implementation and recurrent costs**

For the **European Commission**, the starting point would be the EU CSW-CERTEX architecture, which is already functional for a number of regulatory requirements. The additional implementation costs would relate to expanding its coverage, traffic capacity and functionalities in line with the expected features of this option, in addition to associated change management, training and support. This would involve making connections between EU CSW-CERTEX and several existing or future EU electronic systems managing regulatory formalities. During phased implementation for years 1-7<sup>88</sup>, DG TAXUD estimated implementation and running costs of EUR 4.1m per year, making a total of EUR 28.7m. From year 8 onwards, once the system is fully operational, costs were expected to drop, but only by about 20% given the substantial maintenance and need for continued coordination and support for different actors at European and national levels. This would make for annual recurrent costs of about EUR 3.28m.

For **Member State customs and partner competent authorities**, the implementation and running costs would be substantial, but not excessive. In practical terms, the implementation costs at Member State-level would relate to making the necessary connections, coupled with revisions to standard operating procedures, training and support. Recurrent costs would consist of ongoing maintenance and updates, as well as ongoing support for users. Consulted IT experts and national officials confirmed that these would be much smaller than the Commission costs at the level of individual Member States, since much of the infrastructure would be dealt with at European level. At the least, yearly costs for the Member States would be about half the Commission costs, i.e. EUR 2.05m could be expected for implementation during years 1-7, followed by recurrent costs of about EUR 1.64m from year 8 onwards. However, if the changes required are more significant (e.g. some Member States choose to put in place measures to further increase security and reliability beyond the very high level that would be foreseen in the EU CSW-CERTEX IT architecture), then higher costs could be foreseen, equal to the Commission costs of EUR 4.1m per year from years 1-7, thereafter EUR 3.28m from year 8 onwards.

These estimates assume that the costs would be lower for the Member States already participating in the EU CSW-CERTEX pilot (albeit only to a minor extent, because only a limited number of regulatory formalities have been included so far). Similarly, the estimates also consider the switching costs for the several Member States with functioning national Single Window initiatives in place; these costs are deemed minor, because they would be offset by reductions to maintain analogous infrastructure at national level.

***Table 5: Estimated implementation and recurrent costs for option 1 (in €m)***

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<sup>88</sup> The estimated seven-year implementation period is based on experience of EU CSW-CERTEX, which this option builds on. This takes into account a progress and continuous phase-in, during which additional non-customs regulatory requirements are continuously added and progressively become operational, thereby moving into a maintenance mode. The phase-in allows for different amounts of time needed for individual national customs authorities to connect to the system, and is broadly consistent with other EU customs IT projects of similar scale.



	Implementation costs (years 1-7)	Recurrent costs (year 8 onwards)
<b>EC</b>	4.1 / year (28.7 total)	3.28 / year
<b>MS customs and partner competent authorities</b>	From 2.05 year to 4.1m / year (14.35 to 28.7 total)	1.64 / year to 3.28 / year
<b>Total</b>	<b>From 6.15 / year to 8.2 / year (43.05 to 57.4 total)</b>	<b>From 4.92 / year to 6.56 / year</b>

*Source: Estimates based on figures from DG TAXUD for EU Commission costs and Member State data and consultation with IT<sup>89</sup> experts for MS cost*

The Member States considered the economies of scale from EU-level collaboration and limited pressure on national budgets as key advantages of this policy option.

### Recurrent benefits

For **customs authorities**, this option would lead to important process changes that would save significant time. In broad terms, instead of needing to ask economic operators to provide physical documents to support customs declarations, the necessary information would be delivered to customs IT systems (in the correct data format) electronically and securely from EU electronic databases where they are managed and stored. The change would be especially pronounced for regulatory requirements where quantities of authorised goods can be split across multiple customs declarations. With the introduction of automated quantity management, the verification would be instantaneous and secure, preventing any goods over the authorised quantity from being cleared. Having all information in electronic form makes it easier, where relevant, to coordinate checks with partner competent authorities. Moreover, the nonstop availability of automated documentary controls would substantially improve operational efficiency for customs officials with no increase in resources.

France, Italy and Spain reported process changes and significant time savings for customs officials due to speeded up and in many cases automated documentary controls. Member States, using the EU CSW-CVED pilot, envisaged similar improvements and savings. Based on the feedback, it can thus be assumed that substantial time savings are likely. However, the processes for dealing with some customs declarations have more room for improvement than others due to the diversity both in processes for different regulatory requirements, and across Member States.

Since the available data covers only a small proportion of relevant customs declarations, it is not possible to formulate a generalised estimate that captures this diversity in a precise way. Instead, the estimate is based on a range that aims to take account of the uncertainty while maintaining a reasonable degree of confidence in the results. This range was estimated to generate savings of 45 minutes per declaration at the high end and 30 minutes per declaration at the low end. Applying the standard cost model as described above, yearly benefits for EU customs authorities from time savings of EUR 49.5m to EUR 74.3m could be expected once implementation is complete.

Processes would also be simplified and made more efficient for **partner competent authorities**. Instead of needing to provide validated supporting documents to economic operators, this option would allow the automated transfer of electronic information to customs authorities. Interviewees agreed that envisaged improvements would hold true in practice, and thereby lead to some time savings. However, from the perspective of partner

<sup>89</sup> Consultation with IT experts supporting the ICT assessment of the initiative for developing an EU Single Window environment for customs (building on the policy work carried out by EU Single Window project group). See Annex 15.

competent authorities, the time spent on collating and sending documents was considered relatively small, especially compared to the effort needed to examine the documents and carry out physical controls. Taking this into account, and allowing for a degree of uncertainty, the savings are estimated at two to five minutes for each relevant customs declaration. This would be expected to add up to substantial yearly benefits, from EUR 3.3m to EUR 8.3m.

For **economic operators**, the option is expected to generate major efficiency gains and time savings. The G2G connection facilitating the transfer between authorities would reduce the cases where economic operators would need to submit the supporting documents to customs. In addition, the nonstop availability of automated documentary controls would generate significant time savings benefits for economic operators in cases where declarations are lodged outside working hours.

In France, Italy and Spain where national single windows have been introduced, economic operators described concrete changes to their working practices that have resulted in major benefits. For example, a customs broker in Italy explained that, prior to the national single window, the operator was responsible for physically transporting documents between competent partner authorities and the customs authority. This required considerable time and / or costs from courier services, in addition to leading to delays that had knock-on effects such as storage costs and lost business from disappointed customers. These costs have now been cut to zero, since the supporting documents in question are sent electronically between authorities, without any action from the economic operator. Similarly, the national single window has allowed economic operators to conduct detailed status checks on their declarations online, avoiding un-necessary calls to the authorities or trips to pick up goods that are not ready. The introduction of the single window has also led to coordinated checks between customs and partner competent authorities, avoiding the movement of containers at cost to the economic operators, as was previously the case.

As with other stakeholders, the nature and scale of the time savings would depend on the specificities of the goods in question and Member States involved, with certain economic operators experiencing much bigger improvements than others. Nonetheless, important gains appeared widespread. This allows for an estimate for potential time savings similar to customs authorities, at a range of 30-45 minutes per relevant declaration. Applying the standard cost model, this would generate annual benefits from reduced administrative costs of EUR 49.5m to EUR 74.3m. As noted above, SMEs would benefit to a disproportionate extent. Some additional costs could also be expected from reduced fees for storage and other out-of-pocket costs, but the diversity of the goods involved makes it too hard to quantify these confidently.

Taken together, the benefits for all stakeholders are expected to be significant, in the annual range of about EUR 102.4m to EUR 156.9m, once full implementation is achieved from year 8. During years 1-7 implementation period, the envisaged benefits will be phased in, as the gradual integration of the EU electronic systems used to manage the regulatory requirements takes place.

**Table 6: Estimated benefits from option 1**

	Customs authorities	PCAs	EOs	Total
<b>Time savings / affected declaration</b>	30-45 minutes	2-5 minutes	30-45 minutes	N/A
<b>Average labour cost / hour</b>	€24/hour			
<b>Average no of affected</b>	4 128 (54% of declarations subject to relevant EU requirements)			

declarations (thousands)						
<b>Annual benefits (€m)</b>	Gradual implementation	Year 1	6.19-9.29	0.41-1.03	6.19-9.29	12,80-19.61
		Year 2	12.39-18.58	0.83-2.06	12.39-18.58	25.60-39.22
		Year 3	18.56-27.87	1.23-3.10	18.58-27.87	38.39-58.83
		Year 4	24.77-37.16	1.65-4.13	24.77-37.16	51.19-78.44
		Year 5	30.96-46.44	2.06-5.16	30.96-46.44	63.99-98.05
		Year 6	37.16-55.73	2.48-6.19	37.16-55.73	76.79-117.66
		Year 7	43.35-65.02	2.89-7.22	43.35-65.02	89.58-137.27
	<b>Year 8 onwards</b>	<b>49.54-74.31</b>	<b>3.30-8.26</b>	<b>49.54-74.31</b>	<b>102.38-156.88</b>	

Source: Extrapolations based on declarations data from the MS participating in the project group, hourly costs based on Eurostat and OECD data and time estimates based on interviews in eight MS

## Cost-benefit analysis

The combined analysis for expected costs and benefits shows that, in terms of direct economic benefits alone, this option is likely to pay for itself within a short time. Net impacts would be positive from year 1, ranging from about EUR 95.8m to EUR 152m once implementation is complete. Importantly, since much of the costs would fall on the Commission, the net benefits for national customs and partner competent authorities would be especially pronounced. The benefits for economic operators would be spread over a large number of individual organisations and would be achieved at little to no cost to them.

**Table 7: Cost-benefit analysis for option 1**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8+
<b>Costs (€m, low and high ranges except for EC costs)</b>								
EC	4.10	4.10	4.10	4.10	4.10	4.10	4.10	3.28
MS customs and PCAs	2.05	2.05	2.05	2.05	2.05	2.05	2.05	1.64
	4.10	4.10	4.10	4.10	4.10	4.10	4.10	3.28
Total costs	<b>6.15</b>	<b>6.15</b>	<b>6.15</b>	<b>6.15</b>	<b>6.15</b>	<b>6.15</b>	<b>6.15</b>	<b>4.92</b>
	<b>8.20</b>	<b>8.20</b>	<b>8.20</b>	<b>8.20</b>	<b>8.20</b>	<b>8.20</b>	<b>8.20</b>	<b>6.56</b>
<b>Benefits (€m, low and high ranges)</b>								
MS customs	6.19	12.38	18.58	24.77	30.96	37.15	43.35	49.54
	9.29	18.58	27.87	37.15	46.44	55.73	65.02	74.31
MS PCAs	0.41	0.83	1.24	1.65	2.06	2.48	2.89	3.30
	1.03	2.06	3.10	4.13	5.16	6.19	7.22	8.26
EOs	6.19	12.38	18.58	24.77	30.96	37.15	43.35	49.54
	9.29	18.58	27.87	37.15	46.44	55.73	65.02	74.31
Total benefits	<b>12.80</b>	<b>25.60</b>	<b>38.40</b>	<b>51.19</b>	<b>63.98</b>	<b>76.78</b>	<b>89.59</b>	<b>102.38</b>
	<b>19.61</b>	<b>39.22</b>	<b>58.84</b>	<b>78.43</b>	<b>98.04</b>	<b>117.65</b>	<b>137.26</b>	<b>156.88</b>
<b>Net impact (€m, low and high ranges)</b>								
Total	<b>4.60</b>	<b>17.40</b>	<b>30.19</b>	<b>42.99</b>	<b>55.79</b>	<b>68.59</b>	<b>81.38</b>	<b>95.82</b>
	<b>13.46</b>	<b>33.07</b>	<b>52.68</b>	<b>72.29</b>	<b>91.90</b>	<b>111.51</b>	<b>131.12</b>	<b>151.96</b>

Source: Analysis of cost and benefit data based on evidence collected from Commission and MS

## Social and environmental impacts

The envisaged social and environmental impacts of this option would be felt first by customs and partner competent authorities, whose ability to collaborate effectively would be improved. Ultimately, EU citizens would benefit through better compliance and enforcement of the regulatory requirements concerned, which affect over 4m of the most sensitive goods movements each year, thereby having significant social and environmental impacts as described below.

*Better cooperation and coordination between authorities involved in goods clearance*

Member States with national single window initiatives all agreed that cooperation and coordination between customs and partner government authorities had markedly improved since the initiatives had been established. Putting in place the necessary agreements often took time and a certain amount of political will, but in all cases quickly led to important practical benefits, such as the automated sharing of information and carrying out of joint controls. More informal contact between authorities has also reportedly generated further ideas to improve working practices and procedures, contributing to the better enforcement of relevant regulatory requirements. Similar developments were also observed in the countries taking part in EU SW-CVED pilot / EU-CSW-CERTEX and are expected in other Member States as likely benefits of this option. Moreover, implementation in all Member States would enhance cooperation and coordination even further by providing for automated and highly reliable quantity management.

#### *Increased customs control capacity*

All customs declarations subject to the formalities covered by this option would be automatically verified. No corresponding increase in resources (or diversion from other tasks) would be needed for customs authorities to systematically perform the automated verification. In turn, this would enable customs authorities to expand their control capacity to additional goods that are currently not subject to manual verification<sup>90</sup>.

#### *Improved risk management*

Customs authorities in countries with national single window initiatives similar to this option have been able to obtain access (in a suitable format) to the data associated with supporting documents from non-customs regulatory requirements. This has been fed into risk management systems, allowing algorithms to be improved and contributing to better and more efficient targeting of controls and enforcement of relevant regulatory requirements. In addition, the systematic automation of checks under this option will improve procedures for risk-based inspection. This means that targeted checks would be limited to high-risk consignments selected for manual verification (documentary or physical). For customs authorities, this would significantly improve risk assessment procedures and their ability to focus on more substantial controls.

#### *Reduced instances of fraud and human error*

The national single window initiatives similar to this option and the EU SW-CVED / EU CSW-CERTEX experiences have enabled customs authorities and partner competent authorities to work together more closely, in particular through carrying out joint controls. According to interviewed officials, this has made fraud easier to detect, while reducing the scope for human error. As explained by the Italian customs authorities, automated quantity management makes it much easier to prevent fraudulent traders from exploiting information gaps between authorities in different Member States to over-use certificates. Given the 4m customs declarations that would be covered yearly by this option, even a small reduction in fraud or error rates would be very important.

#### *Better enforcement of and compliance with relevant regulatory requirements*

The combined effects of the above-mentioned impacts would be better enforcement of and compliance with non-customs EU regulatory requirements for goods involving more than 4m declarations per year, many of which are crucial for the protection of human health and the environment in the EU and beyond. These include policies aimed at:

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<sup>90</sup> See section 2, Lack of interoperability (export and import of hazardous chemicals)

- Application of rules on animal health and welfare, plant health and plant protection with regard to the Common Health Entry Documents required under the Official Controls Regulations;
- Safeguarding the environment, plant and animal welfare, through the FLEGT licensing scheme for imports of timber into the EU to fight illegal logging and its negative environmental impacts; ODS & FGAS licensing system to ensure that the existing restrictions on ozone-depleting substances (ODS) and fluorinated gases (FGAS) are properly implemented; the Catch Certification Scheme for the imports of fishery products into the EU to fight illegal, unreported and unregulated fishing; the Certificate of Organic Inspection (COI) to ensure the validity of products labelled as organic; the Prior Informed Consent (PIC) Regulation that places obligations on companies who wish to import or export hazardous chemicals; the Waste Shipment Regulation imposing regulations on movements of waste;
- Protecting cultural heritage, through the licensing scheme for the import of cultural goods;
- Ensuring product safety and compliance, through connection with the Information and Communication System on Market Surveillance (Article 34 of Regulation (EU) 2019/1020).

Obligatory participation in the initiative is also expected to reduce inconsistencies between Member States and establish a level playing field for economic operators. Several customs and partner competent authorities highlighted the role this would play in furthering the single market, since it would reduce concerns in some countries about lax enforcement elsewhere.

#### *Potential risks*

This option builds on the EU CSW-CERTEX pilot which as shown in the recent evaluation has proven to be viable and viewed favourably by both Member State administrations and economic operators. EU CSW-CERTEX is aligned with the Commission security standards and is deemed to be cyber-secure. The risks for the implementation are linked to the availability of human and financial resources and thus depend on the outcome of the **next Multiannual Financial Framework 2021-2027** (MFF)<sup>91</sup>. In addition, an important risk factor arises from the crosscutting nature of the option and the diversity of non-customs regulatory formalities under scope, whose legislation and supporting electronic systems may evolve over time, thereby requiring the adequate and timely implementation of updates or other modifications. Similarly, the timely connections of 27 national customs systems to EU CSW-CERTEX may represent an additional risk. To mitigate these risks and based on the experience of the pilot on the time and resources needed to connect the systems for each formality, the development and implementation is phased over a period of seven years.

### ***Option 2 – Interconnecting national customs systems to EU non-customs regulatory formalities digitally available at Member State level***

#### **Stakeholder views**

##### **Member State administrations**

For the regulatory requirements included in option 2, Member State administrations foresaw benefits largely in line with those mentioned for option 1. However, perceived practical difficulties and high costs to implement this option led respondents to the survey of Member

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<sup>91</sup> COM (2018) 442

States participating in the project group to give it lower feasibility and desirability scores<sup>92</sup>. Similar views were expressed in an informal poll of national customs authorities taken in May 2019 at the High-level seminar on the EU Single Window environment for customs in Bucharest.

### **Economic operators**

Trade associations participating in the project group voiced positive opinions about option 2, which from their perspective closely resembled option 1. In order to maximise the benefits, trade associations felt that the future initiative should cover as many regulatory requirements as possible for a quicker and easier goods clearance.

### **Direct economic impacts**

#### **Implementation and recurrent costs**

For the **European Commission**, DG TAXUD, in collaboration with Member States and partner DGs would need to carry out the developmental work needed to enable the connections of existing national systems to EU CSW-CERTEX either directly (*option 2 (i)*) or indirectly (*option 2 (ii)*), while providing support to the Member States. This would require substantial human resources and IT costs to develop the necessary connections and to increase the capacity of EU CSW-CERTEX in line with the expected additional traffic. According to DG TAXUD, gradual implementation and running costs for the years 1-7 implementation period<sup>93</sup> are estimated at about EUR 5m per year. From year 8 onwards, once the system is fully operational, yearly costs would drop by about 20%, to EUR 4m<sup>94</sup>. Importantly, similar costs would be expected from both option 2(i) and 2(ii). This is because the main cost drivers would relate to comparable technical developments changes related to business rules, transformation tables, quantities reconciliation and process alignments between customs and partner competent authorities.

For **Member State customs and partner competent authorities**, the costs would be substantial largely due to the digital fragmentation of the regulatory requirements covered (see section 2.2.1). Therefore, there would be fewer economies of scale from action at EU level. Given the decentralised availability of the information in national systems, individual connections would need to be built in each country between existing national electronic systems and EU CSW-CERTEX. It is assumed that about ten connections would be needed per Member State for the regulatory requirements covered. These connections are envisaged through direct (*option 2(i)*) and indirect (*option 2(ii)*) channels, with the following estimated costs:

- **Option 2(i)** covers connections between partner competent authority systems and EU CSW-CERTEX. According to DG TAXUD and Member States administrations, this solution would be complicated and thus more expensive for the Member States, with estimates of EUR 300 000 per connection spread over 7 years of phased implementation,

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<sup>92</sup> Less than half (6 of 15) considered this option politically feasible (mainly due to expected costs and coordination challenges), while only just over half found it technically feasible and desirable (8 of 15).

<sup>93</sup> The estimated seven-year implementation period would provide enough time for the necessary connections to be made with EU CSW-CERTEX, as well as the development of national electronic systems for those regulatory requirements where such systems are not yet available. It also takes into account some variation between Member States in terms of the likely speed of progress.

<sup>94</sup> It should be noted that the costs to the Commission to implement this option would be higher than the costs it would incur to implement option 1, but only to a minor extent. However, for option 2 the Commission's costs represent a much smaller proportion of total costs, since much of the effort required to implement option 2 concerns the national level.

adding up to EUR 3m per Member State and EUR 84m overall. Recurrent costs from year 8 onwards are estimated to drop 20% to EUR 9.6m.

- **Option 2(ii)** covers national connections between partner competent authority systems and customs systems, which would then be connected to each other through EU CSW-CERTEX. As the cheaper alternative, costs are estimated at about EUR 150 000 per connection spread over 7 years of phased implementation, adding up to EUR 1.5m per Member State and EUR 42m for the whole EU. Recurrent costs from year 8 onwards are estimated to drop 20% to EUR 4.8m.

**Table 8: Estimated implementation and recurrent costs for option 2 (in €m)**

	Implementation costs (years 1-7)	Recurrent costs (year 8 onwards)
<b>EC</b>	5.0 / year (35.0 total)	4.0 / year
<b>MS customs and partner competent authorities</b>	From 6.0 year to 12.0 / year (42.0 to 84.0 total)	4.80 / year to 9.60 / year
<b>Total</b>	<b>From 11.0 / year to 17.0 / year (77.0 to 119.0 total)</b>	<b>From 8.80 / year to 13.60 / year</b>

Source: Estimates based on figures from DG TAXUD for European Commission costs and Member State data for MS costs

## Recurrent benefits

Compared to the baseline, the recurrent benefits for the regulatory requirements covered by option 2 would be similar to those expected for option 1. However, the expected benefits would be limited since not all Member States have developed national certification or licensing systems to manage all formalities covered by this option. This means that some supporting documents will still be available on paper, thereby hindering a full electronic exchange of the relevant regulatory requirements and limiting the potential time savings that would be expected from full digitalisation. This limitation is important because the persistence of any paper documents for given regulatory requirements often creates a need for time-consuming manual checks. This acts as a brake on the potential benefits of this option, which are thus estimated at about 15-20 minutes per declaration for customs authorities and economic operators, and 2-5 minutes per declaration for partner competent authorities. Once fully operational, this option would be expected to generate substantial benefits from time savings of EUR 34.5m to EUR 48.5m per year, spread across the EU and the different stakeholders involved in goods clearance.

**Table 9: Estimated benefits from option 2**

			Customs authorities	PCAs	EOs	Total
<b>Time savings / affected declaration</b>			15-20 minutes	2-5 minutes	15-20 minutes	N/A
<b>Average labour cost / hour</b>			€24/hour)			
<b>Average no of affected declarations (thousands)</b>			2 695 (35% of declarations subject to relevant EU requirements)			
<b>Annual benefits (€m)</b>	Gradual implementation	Year 1	2.02-2.70	0.27-0.67	2.02-2.69	4.31-6.06
		Year 2	4.04-5.39	0.54-1.35	4.04-5.39	8.62-12.13
		Year 3	6.06-8.09	0.81-2.02	6.06-8.09	12.94-18.19
		Year 4	8.09-10.78	1.08-2.70	8.09-10.78	17.25-24.26
		Year 5	10.11-13.48	1.35-3.37	10.11-13.48	21.56-30.32
		Year 6	12.13-16.17	1.62-4.04	12.13-16.17	25.87-36.38
		Year 7	14.15-18.87	1.89-4.72	14.15-18.87	30.19-42.45
	<b>Year 8 onwards</b>		<b>16.17-21.56</b>	<b>2.16-5.39</b>	<b>16.17-21.56</b>	<b>34.50-48.51</b>



Source: Extrapolations based on declarations data from the Member States participating in the project group, hourly costs based on Eurostat and OECD data and time estimates based on stakeholder interviews in eight Member States

## Cost-benefit analysis

This option would generate substantial benefits from time savings, especially for customs authorities and economic operators. However, it would incur very high costs, especially for Member State administrations due to a lack of economies of scale. At best, this could deliver net benefits from year 2, and yearly gains of about EUR 39.7m once fully operational. The less optimistic scenario would produce net benefits from year 4, with yearly gains of EUR 20.9m once fully operational.

**Table 10: Cost-benefit analysis for option 2**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8+
<b>Costs (€m, low and high ranges except for EC costs)</b>								
EC	5.00	5.00	5.00	5.00	5.00	5.00	5.00	4.00
MS customs and PCAs	6.00	6.00	6.00	6.00	6.00	6.00	6.00	4.80
	12.00	12.00	12.00	12.00	12.00	12.00	12.00	9.60
Total costs	<b>11.00</b>	<b>11.00</b>	<b>11.00</b>	<b>11.00</b>	<b>11.00</b>	<b>11.00</b>	<b>11.00</b>	<b>8.80</b>
	<b>17.00</b>	<b>17.00</b>	<b>17.00</b>	<b>17.00</b>	<b>17.00</b>	<b>17.00</b>	<b>17.00</b>	<b>13.60</b>
<b>Benefits (€m, low and high ranges)</b>								
MS customs	2.02	4.04	6.06	8.09	10.11	12.13	14.15	16.17
	2.70	5.39	8.09	10.78	13.48	16.17	18.87	21.56
MS PCAs	0.27	0.54	0.81	1.08	1.35	1.62	1.89	2.16
	0.67	1.35	2.02	2.70	3.37	4.04	4.72	5.39
EOs	2.02	4.04	6.06	8.09	10.11	12.13	14.15	16.17
	2.70	5.39	8.09	10.78	13.48	16.17	18.87	21.56
Total benefits	<b>4.31</b>	<b>8.62</b>	<b>12.93</b>	<b>17.26</b>	<b>21.56</b>	<b>25.88</b>	<b>30.19</b>	<b>34.50</b>
	<b>6.07</b>	<b>12.13</b>	<b>18.20</b>	<b>24.26</b>	<b>30.33</b>	<b>36.38</b>	<b>42.46</b>	<b>48.51</b>
<b>Net impact (€m, low and high ranges)</b>								
Total	<b>-12.69</b>	<b>-8.38</b>	<b>-4.06</b>	<b>0.25</b>	<b>4.56</b>	<b>8.87</b>	<b>13.18</b>	<b>20.90</b>
	<b>-4.94</b>	<b>1.13</b>	<b>7.19</b>	<b>13.26</b>	<b>19.32</b>	<b>25.38</b>	<b>31.45</b>	<b>39.71</b>

Source: Analysis of cost and benefit data based on evidence collected from European Commission and Member States

## Social and environmental impacts

Compared to the baseline, the envisaged social and environmental impacts of option 2 would be important and of a similar nature as those described for option 1. However, while improving coordination between customs and partner competent authorities, this option would not factor in supporting documents issued in Member States without a national certification or licensing system. In these cases, functionalities such as automated quantity management at EU level would not be possible, thus bringing fewer benefits in terms of risk management improvement and reduced fraud and error. On the other hand, this option provides the unique possibility to generate important benefits in fields where no EU electronic system exists. While its scope is limited to about 2.7 million declarations, these relate to regulatory requirements that are typically highly sensitive and crucial for the well-being of EU citizens. The benefits of this option would thus entail improvements to regulations related to the control of agricultural imports and exports (i.e. AGRIM and AGREX licences); the system to control trade of dual use items to ensure that the EU complies with its international commitments and responsibilities, especially regarding non-proliferation (i.e. preventing the spread of nuclear weapons); the requirements on import, export and transit of firearms, their parts and ammunition to fight illicit manufacturing and trafficking in firearms; controls on imports, exports and transits of chemical substances used for the manufacture of illicit synthetic drugs to address the increasing threat posed by the



manufacture of synthetic drugs in western Europe by preventing the diversion of these substances; CITES licences to protect endangered plants and animals; and measures to prevent the introduction and spread of invasive alien species and their negative consequences for the environment.

### **Potential risks**

While this option carries risks similar to those described under option 1, it also entails additional serious risks to successful implementation. In particular, the many connections that would be needed in order to incorporate each regulatory formality into the system increase the likelihood of bottlenecks, especially at Member State level where the Commission has little direct involvement. These could delay or preclude full implementation. Moreover, the lack of enthusiasm for this option among Member State administrations, combined with the significant costs that they would incur, create a risk that participation would be limited or delayed, especially if resources are constrained by other developments at national or international level.

### **Option 6 – *Harmonised national single-entry points for economic operators to fulfil customs and non-customs regulatory requirements***

#### **Stakeholder views**

##### **Member State administrations**

Member State administrations have expressed positive views about this option. Among the B2G options, it was ranked highest for overall desirability according to a survey of project group members. It was also the only B2G option receiving mostly favourable scores for political and technical feasibility.

The informal poll of (mostly) Member State customs authorities at the High-level seminar on an EU customs single window, conducted in Bucharest in May 2019, showed high levels of satisfaction, mainly attributed to the envisaged benefits of the initiative<sup>95</sup>. Despite the generally positive views, some Member States voiced concerns about the feasibility and desirability of this option. Within the project group, several Member States felt that the technical solutions would be costly and difficult to prioritise over the coming years due to the focus on other IT projects such as those required as part of the UCC Work Programme. A few Member States also worried about organisational problems related to the envisaged role for national customs authorities. It was explained that, while this option would rely on customs authorities coordinating between various partner competent authorities and acting as a hub for receiving information from economic operators, in some Member States customs would not be empowered to play this role. This would make the option difficult for these Member States to implement.

##### **Economic operators**

Three of the four trade associations completing the survey in the project group viewed this option as the most or second-most desirable of the B2G options. More specifically, option 6 was considered a compromise solution that would simplify clearance procedures and address key problems that would not be resolved by G2G collaboration only, such as the need to submit similar information to multiple authorities for the same movements. Given that some Member States have already started making progress on national single windows, option 6

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<sup>95</sup> See Annex 2 (*High Level Seminar on the EU SW environment for customs initiative*) for further details on the results of the informal poll.

was also seen as an effective way to harness existing momentum and avoid duplicating efforts.

Some economic operators were critical of this option because it would still require dealing with different single-entry points in each Member State. This residual complexity was seen to limit the benefits for traders in comparison with more integrated solutions (such as option 7).

## Direct economic impacts

### Implementation and recurrent costs

Compared to the baseline, the implementation and recurrent costs for option 6 are limited to a certain extent because only the B2G elements of a future initiative are considered. Any necessary G2G elements would be implemented as part of the G2G option package.

The **European Commission** would incur implementation costs related to its role in steering and coordination. These would entail mapping the data needs for the EU regulatory requirements covered, the development of technical specifications and harmonised data models to be used by customs and partner competent authorities for the national customs single windows. For most of the regulatory requirements, the Commission would also incur costs associated with relaying data between national single windows and EU partner competent authority systems through EU CSW-CERTEX. There would also be a need to provide training and support to Member State administrations. DG TAXUD estimates these costs at about EUR 35m, spread over years 1-7<sup>96</sup>, amounting to EUR 5m per year. Recurrent costs would be about EUR 3m per year.

The implementation costs for this option would be borne by **Member State customs and partner competent authorities**. Member State administrations would need to adapt their IT systems and business processes so that the data for customs and non-customs purposes can be lodged at a single-entry point and reused as appropriate. The business use cases<sup>97</sup>, based on data from Spain and the Czechia, indicate that about EUR 1.75m would be needed to develop and implement option 6 in these Member States. Interviews with other Member State administrations showed that complex IT environments and procurement processes would lead to much higher costs. Since most Member State administrations did not provide data, these are cautiously estimated at around EUR 3.5m based on consultation with IT experts<sup>98</sup>. Given the uncertainty, these are taken as low and high ranges for costs that, extrapolated to cover the whole EU, would amount to EUR 49m to EUR 98m for implementation. This would be spread over 7 years of phased implementation, meaning costs of EUR 7m to EUR 14m per year. Recurrent costs would also be substantial due to the continued need for coordination, maintenance, and support, but would be much lower than the costs for initial implementation, estimated at EUR 4.2m to EUR 8.4m yearly.

**Table 11: Estimated implementation and recurrent costs for option 6 (in €m)**

	Implementation costs (years 1-7)	Recurrent costs (year 8 onwards)
<b>EC</b>	5.0 / year (35.0 total)	3.0 / year
<b>MS customs and partner</b>	From 7.0 year to 14.0 / year	4.20 / year to 8.40 / year

<sup>96</sup> In addition to the development of EU components, the implementation period allows most importantly for the Member States to put in place the necessary changes at national level. While some Member States could be expected to do this fairly quickly, given different starting points a phase-in of seven years was deemed necessary to ensure full participation.

<sup>97</sup> B2G use cases carried out for CHED-A and FLEGT regulatory requirements by Czech and Spanish customs authorities, with the coordination of DG TAXUD and collaboration of partner DGs. See Annexes 1, 2 and 4 for more information.

<sup>98</sup> Consultation with IT experts supporting the ICT assessment building on the policy work carried out by EU Single Window project group). See Annex 15.

<b>competent authorities</b>	(49.0 to 98.0 total)	
<b>Total</b>	<b>From 12.0 / year to 19.0 / year</b> <b>(84.0 to 133.0 total)</b>	<b>From 7.20 / year to 11.40 / year</b>

*Source: Estimates based on figures from DG TAXUD for European Commission costs and consultation with IT experts for Member State costs*

## Recurrent benefits

Option 6 is estimated to affect about 4.9m customs declarations per year, comprising 64% of declarations subject to relevant EU regulatory requirements. It is expected to simplify clearance processes for customs and partner competent authorities, while revolutionising them for economic operators.

For **customs and partner competent authorities**, the business use cases report that efficiency savings would be realised from earlier access to information (in particular in case of the use of pre-lodged declarations), improved coordination, and quicker verification of the documents and data submitted by economic operators. However, since this option will not affect the way authorities verify and record information, these improvements are considered incremental rather than fundamental. The B2G use cases, combined with interviews on expected improvements, indicated likely time savings per relevant customs declaration, estimated at 5-10 minutes for customs authorities, and 1-2 minutes for partner competent authorities. Given the number of customs declarations affected, this would generate benefits of nearly EUR 9.8m to EUR 19.6m per year for customs authorities and EUR 3.9m to EUR 9.8m per year for partner competent authorities, once full implementation is realised.

Much bigger time savings are expected for **economic operators**, for whom the business processes for lodging customs and non-customs data would be significantly improved. Instead of needing to submit documents to different authorities at different times, and in different formats, this option would rationalise the process, allowing customs and non-customs data to be submitted and dealt with together. This is consistent with findings from the US single window<sup>99</sup> provided by US Customs and Border Protection (CBP)<sup>100</sup>.

It is difficult to translate these general findings and examples into quantified estimates of the likely savings, especially given the diversity of regulatory requirements involved and different starting points across Member States. For this reason, a conservative range of 45-60 minutes per relevant declaration is used, taking into account both declarations where savings may run into hours or even days, and others where existing processes save only minutes. In total, this would generate yearly benefits from EUR 88.2m to EUR 117.6m, spread across the many businesses involved in international trade, once full implementation is achieved. The overall benefits from time savings from this option are expected to be very significant, in the annual range of about EUR 102.0m to EUR 147.0m, once full implementation is achieved from year 8 onwards.

**Table 12: Estimated benefits from option 6**

	<b>Customs authorities</b>	<b>PCAs</b>	<b>EOs</b>	<b>Total</b>
<b>Time savings / affected declaration</b>	5-10 minutes	2-5 minutes	45-60 minutes	N/A

<sup>99</sup> The Automated Commercial Environment (ACE) is the primary single window system used by U.S. CBP for trade information processing and risk management activities. ACE is continually adapted to meet changing needs with automated procedures that speed legitimate trade and improve CBP's ability to assess risk.

<sup>100</sup> According to CBP's assessment of the single window since its implementation in 2018, the benefits for economic operators have included the reduction of data redundancies, easier monitoring of the status of requests and automated validation of documents related to a number of regulatory requirements.

Average labour cost / hour			€24/hour			
Average no of affected declarations (thousands)			4 899 (64% of declarations subject to relevant EU requirements)			
Annual benefits (€m)	Gradual implementation	Year 1	1.23-2.45	0.49-1.23	11.02-14.70	12.74-18.37
		Year 2	2.45-4.90	0.98-2.45	22.05-29.40	25.48-36.75
		Year 3	3.67-7.35	1.47-3.67	33.07-44.09	38.21-55.12
		Year 4	4.90-9.80	1.96-4.90	44.09-58.79	50.95-73.49
		Year 5	6.12-12.25	2.45-6.12	55.12-73.49	63.69-91.86
		Year 6	7.35-14.70	2.94-7.35	66.14-88.19	76.43-110.23
		Year 7	8.57-17.15	3.43-8.57	77.16-102.89	89.17-128.61
	Year 8 onwards		9.80-19.60	3.92-9.80	88.19-117.59	101.91-146.98

Source: Extrapolations based on declarations data from the Member States participating in the project group, hourly costs based on Eurostat and OECD data and time estimates based on stakeholder interviews in eight Member States.

### Cost-benefits analysis

While costly, option 6 is expected to generate extremely large benefits for economic operators. Taking into account incremental benefits for customs and partner competent authorities, it is envisaged that net benefits would be positive in year 1 or year 2, then rise considerably. Once fully operational, net benefits ranging from EUR 90.5m to EUR 139.8m would be expected.

**Table 13: Cost-benefit analysis for option 6**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8+
<b>Costs (€m, low and high ranges except for EC costs)</b>								
EC	5.00	5.00	5.00	5.00	5.00	5.00	5.00	3.00
MS customs and PCAs	7.00	7.00	7.00	7.00	7.00	7.00	7.00	4.20
	14.00	14.00	14.00	14.00	14.00	14.00	14.00	8.40
Total costs	12.00	12.00	12.00	12.00	12.00	12.00	12.00	7.20
	19.00	19.00	19.00	19.00	19.00	19.00	19.00	11.40
<b>Benefits (€m, low and high ranges)</b>								
MS customs	1.22	2.45	3.67	4.90	6.12	7.35	8.57	9.80
	2.45	4.90	7.35	9.80	12.25	14.70	17.15	19.60
MS PCAs	0.49	0.98	1.47	1.96	2.45	2.94	3.43	3.92
	1.22	2.45	3.67	4.90	6.12	7.35	8.57	9.80
EOs	11.02	22.05	33.07	44.09	55.18	66.14	77.16	88.19
	14.70	29.40	44.09	58.79	73.49	88.19	102.89	117.58
Total benefits	12.73	25.48	38.21	50.95	63.75	76.43	89.16	101.91
	18.37	36.75	55.11	73.49	91.86	110.24	128.61	146.98
<b>Net impact (€m, low and high ranges)</b>								
Total	-6.26	6.48	19.21	31.95	44.69	57.43	70.17	90.51
	6.37	24.74	43.12	61.49	79.86	98.23	116.61	139.78

Source: Analysis of cost and benefit data based on evidence collected from European Commission and Member States

### Social and environmental impacts

Expectations from stakeholders, the business use cases and experiences of the US single window indicate that major improvements could be expected in all of the envisaged impact areas.

### *Better cooperation and coordination between authorities involved in goods clearance*

This option calls for customs to act as a hub for receiving information from economic operators related to a range of non-customs regulatory requirements. Since customs authorities would be responsible for developing and forging agreement with partner competent authorities on business processes for the exchange of relevant data, this would lead to increased coordination between them. More practically, once implemented, this option would harmonise data models between customs and partner competent authority systems, allowing them to share information more easily. This was described as a key benefit in the CHED-A business use case, as well as of the US single window.

### *Improved risk management*

Risk management relies on the timely provision of relevant data. By increasing the amount of electronic data obtained from economic operators as part of the pre-lodged declaration, and making it easier to share among authorities, this option could improve risk management substantially. With few exceptions, stakeholders in most Member States agreed with this view, and saw it as an advantage for this option. The business use cases showed that these expected improvements would be likely to materialise. In the CHED-A case, it was noted that data harmonisation would allow customs authorities to develop more detailed profiles of economic operators for the purposes of risk analysis. Improved risk management has also been cited as a key outcome of the US single window.

### *Reduced instances of fraud and human error*

The B2G case studies considered better targeted and reduced controls as key benefits of improved information sharing and increased digitalisation between customs and partner competent authorities. In this regard, the CHED-A use case emphasised that submitting key data and documentation only once would greatly reduce the scope for errors and fraud.

### *Better enforcement of and compliance with relevant regulatory requirements*

The impacts described above would combine to improve enforcement of the non-customs regulatory requirements included in this option. As with the G2G options, enhanced B2G collaboration would improve the implementation of a number of highly sensitive regulatory requirements, leading to benefits across a number of policy domains. These include the application of rules on animal health and welfare, plant health and plant protection with regard to the CHED documents required under the Official Controls Regulations; food and vegetable standards as specified in the Certificate of Conformity; and safeguarding the environment, plant and animal welfare through the FLEGT licensing scheme, ODS and FGAS licensing system; cultural heritage through the licensing systems for cultural imports and exports. In turn, these improvements would help level the playing field between Member States and, by increasing incentives for authorities across borders to trust each other, furthering the single market and objectives of the Customs Union.

### **Potential risks**

Apart from the financial risks, which are common to options 1 and 2, this option carries certain operational risks due its technical complexity and large costs. These relate in particular to Member State administrations, which would need to adapt and implement national single-entry points. Especially if resources are constrained, some Member States may need time to implement their solution. However, the option is designed to mitigate these risks to the extent possible. Firstly, phased implementation will allow the Member States to make progress at their own pace. Member States that move quickly will be start benefiting earlier, while others wait until resources are available. Secondly, the development of

harmonised technical specifications would generate economies of scale, making the creation of a national single-entry point less costly than would otherwise have been the case. This attracted enthusiasm from Member State administrations, speaking to this option's viability.

### ***Option 7– EU single-entry point for economic operators to fulfil customs and non-customs formalities***

#### **Stakeholder views**

##### **Member State administrations**

In a survey of Member States taking part in the project group, customs administrations expressed some interest in this option. Six of 15 Member States considered it their most-favoured option for B2G collaboration, while four Member States ranked it second. However, very few respondents found this option to be feasible, with only 5 Member States describing it as politically feasible, and just three Member States describing it as technically feasible.

Follow-up discussions showed these concerns to be fundamental. Nearly all administrations agreed that, while option 7 could be held up as a goal for the long term, in the short-to-medium term it would be unrealistic. Two main reasons were given for this. First, implementation of this option at national level would require significantly more resources than are currently available. This is due in large part to the IT investments required to implement the UCC. As shown in the latest E-Customs Annual Report, the Member States are currently investing about EUR 140m annually on the UCC systems, leaving little room for additional major IT projects. Second, this option would require replacing existing IT systems for import, export and transit with a centralised EU system. Beyond the expense of making such a transition, this would interfere with horizontal IT integration at the national level. More specifically, implementation of this option would remove the connections that have been built up over time between customs authorities and other national and local authorities in areas such as tax, excise and law enforcement. There were concerns that restoring these connections would not be possible, due both to technical challenges and other issues such as data protection concerns.

##### **Economic operators**

While trade representatives taking part in the project group acknowledged the challenges inherent in this option, it was their clear favourite among the options for B2G cooperation. In part, this was because trade associations felt it would achieve benefits for economic operators similar to those that could be expected from option 6, especially the establishment of a single-entry point for customs declarations and documents required for certain non-customs regulatory requirements.

Follow-up discussions and responses to the public consultation showed that economic operators also preferred this option for its ability to streamline and harmonise customs processes throughout the EU, regardless of whether goods were subject to non-customs regulatory requirements. For example, several trade associations pointed to option 7 as a way to improve problems with the obligations related to the UCC, such as arrival notifications, presentation notices and temporary storage declarations. They were also interested in the possibility to lodge customs declarations at a single EU point regardless of the destination, providing an overall centralised clearance mechanism for both import and export operations. Given that the costs for economic operators associated with this option would be minor, these additional benefits led to it being the most positively viewed.

## **Direct economic impacts**

### **Implementation and recurrent costs**

Option 7 consists of an EU-level single-entry point for B2G cooperation. This would require a higher degree of centralisation for core customs functions than is currently the case. More specifically, a new centralised system would replace existing national systems for import, export and transit. This new system would cover all B2G functions related to the initiative (namely the interface for receiving information from economic operators related to customs and relevant non-customs regulatory requirements). In principle, it would also need to cover functions outside the scope of the initiative but currently fulfilled by national customs systems. These include handling the lodging and processing of customs declarations, recording decisions, accounting for customs duties, and interacting with various other systems at EU, national and in some cases at local levels (e.g. tax authorities, regional authorities, port community systems). In other words, this option would place a centralised system at a critical point in the process for all EU trade in goods. This would require very high levels of reliability, security and speed for the sharing of information between different actors at EU and national levels.

The new centralised system would thus cover a broader range of functions and require more interconnections with national systems than any existing European customs IT system and thus entail significant complexity and technical challenges. This would lead to very important costs for the Commission and Member States. All economic operators that engage in international trade (rather than just those involved in the trade of goods subject to relevant regulatory requirements) would also incur some minor costs in order to begin using the new system. To interpret the estimates, it is worth noting the reporting costs of a similar Single Window solution recently implemented in the United States. According to the US Customs and Border Protection, this cost about EUR 10 000m over ten years of development. Since the EU handles more trade, and since option 7 would deal with the complexities of integrating systems in the vastly differing IT environments of the EU Member States, considerably higher costs could be expected a priori.

The **European Commission** would be responsible for developing the system and thus would be expected to bear high initial costs. The most comparable centralised system is the Import Control System 2 (ICS2), which is currently in development. According to DG TAXUD, the Commission's development costs for ICS2 are about EUR 400m. However, the centralised system needed for option 7 would be much more complex than ICS2 in terms of data to be handled, interconnections with other systems and, given important differences between the administrative and IT arrangements across Member States, a high degree of flexibility. Moreover, a central common repository for all declaration data would be needed to ensure the data is available to customs and partner competent authorities across the EU to a sufficiently high level of reliability. Given this, DG TAXUD officials involved in the ICS2 project estimated that the centralised system needed for option 7 would be similar to develop ten projects of a similar level of complexity to ICS2, leading to an estimated cost of about EUR 4000m over a period of seven years.

From year 8 onward, the Commission would work with the Member States to make the necessary connections and begin rolling out the system. As with other major IT projects such as those mandated under the UCC, gradual implementation is expected over a period of about five years, with full operation in all Member States from year 13 onwards. Yearly costs would drop at once the main development work is finished but, as with other major IT projects, only by about 20% per year, to EUR 457.1m. This is due to the extensive effort that

would be needed to maintain and update the system, provide support and coordinate with the Member States on an ongoing basis.

While the Commission would bear overall responsibility for the development of the system, the **Member States** would also be heavily involved and incur significant costs. During the seven years while the system is under development, the Member States would need to conduct extensive preparatory work in order to lay the ground for the upcoming changes. This would entail participation in numerous working groups both with the Commission and between the many authorities who would be affected, analyses, adaptations to related systems, conformance testing, piloting, training, consultation and information campaigns.

Once the system has been developed, further substantial effort would be needed to implement it at national level. This would again involve unprecedented levels of complexity, because the system would replace legacy systems for import, transit and export that have been place for a long time and gradually improved in line with customs and wider administrative needs. Putting in place a totally new system would demand extensive efforts not only from customs authorities, but also from partner competent authorities that need to interact with customs, including both partner competent authorities directly involved in the Single Window initiative and others, such as tax authorities, the police, security services etc. Once the system is in place, recurrent costs would relate to continuous coordination between relevant actors at national and European levels, the adaptation and implementation of updates and support.

Estimating the Member State costs is difficult, in part because there are no examples of a centralised system replacing such an integral part of the national IT infrastructure, and in part due to the high levels of diversity between Member States. To arrive at realistic estimates despite this difficulty, data in the E-customs annual reports<sup>101</sup> is used. The reports provide a breakdown of costs for the Commission and Member States related to the development, implementation and running of IT projects included in the Multi-Annual Strategic Plan for Customs (MASP-C)<sup>102</sup>, covering a wide range of centralised and distributed systems. The reports show that about 40% of relevant IT spending is typically incurred by the Commission, while the remaining 60% is incurred by the Member States as a whole. This ratio has held for recent years despite the diversity of projects and their state of development. It is thus assumed that it would also hold broadly for the centralised system needed for option 7. However, there is also considerable uncertainty due to the lack of comparable IT projects and different situations across Member States. For this reason, ranges are provided, with a low estimate of the Member States incurring 50% of total public costs, and a high estimate of the Member States incurring 70% of total public costs. In figures, the estimates thus range from EUR 4 000m to EUR 9 333m during the seven years of development, with a drop of 20% thereafter, leading to yearly costs of EUR 457.1m to EUR 1 066.7m.

Finally, some costs would also be borne by **economic operators**, who would need to adapt their IT systems and processes, and provide training to staff, in order to engage with the new system. Indications from economic operators are that such costs would be relatively minor and limited to small IT investments and training of staff on a per company basis. However, the number of companies affected is large, because the new system would be used by all economic operators engaging in international trade, not only those engaging in the trade of goods covered by the Single Window. It is thus assumed that all economic operators engaging in international trade would incur a one-off cost of about EUR 500 to EUR 1 000, spread over the five years of implementation. According to Eurostat, about 1.4m companies

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<sup>101</sup> [https://ec.europa.eu/taxation\\_customs/general-information-customs/electronic-customs\\_en#heading\\_3](https://ec.europa.eu/taxation_customs/general-information-customs/electronic-customs_en#heading_3)

<sup>102</sup> [https://ec.europa.eu/taxation\\_customs/general-information-customs/electronic-customs\\_en#heading\\_2](https://ec.europa.eu/taxation_customs/general-information-customs/electronic-customs_en#heading_2)



engaged in international trade in 2017. This would amount to EUR 700m to EUR 1 400m over the five years during which the system is rolled out.

**Table 14: Estimated implementation and recurrent costs for option 7 (in EUR millions)**

	Costs during years of development 1-7	Costs during years of implementation 8-12	Recurrent costs from year 13 onwards
<b>EC</b>	571.4 / year (4 000.0 total)	457.1 / year (2 285.7 total)	457.1 / year
<b>MS customs and partner competent authorities</b>	From 571.4 to 1 333.3 / year (4 000.0 to 9 333.3 total)	From 457.1 to 1 066.7 / year (2 285.7 to 5 333.3 total)	From 457.1 to 1 066.7 / year
<b>EOs</b>	No costs	From 140.0 to 280.0 / year (700.0 to 1 400.0 total)	No costs
<b>Total</b>	<b>From 1 142.9 to 1 904.8 / year (8 000.0 to 13 333.3 total)</b>	<b>From 1 054.3 to 1 803.8 / year (5 271.4 to 9 019.0 total)</b>	<b>From 914.3 to 1 523.8 / year</b>

*Source: Estimates based on figures from DG TAXUD, E-Customs Annual Implementation Reports and consultation with IT experts.*

## Recurrent benefits

This option would affect the same 4.9 m customs declarations and lead to the comparable process improvements as with option 6. The dynamics as described under option 6 can thus be considered to also apply to option 7 and are not repeated here. The benefits would thus be especially significant for economic operators, with more moderate benefits for customs and partner competent authorities as follows:

- For customs authorities, from about EUR 9.8m to EUR 19.6m per year;
- For partner competent authorities, about EUR 3.9m to EUR 9.8m per year;
- For economic operators, about EUR 88.2m to EUR 117.6m per year.

Taken together, the benefits for all stakeholders are expected to be significant, in the annual range of about EUR 102.0m to EUR 147.0m, once full implementation is achieved from year 13. During the implementation period from years 8-12, the envisaged benefits would be phased in as Member States gradually begin operating the new system.

It is also important to note that this option would have benefits for economic operators beyond the scope of the initiative that are not examined here in detail. More specifically, it would lead to a streamlining of the Customs Union, allowing economic operators to lodge customs declarations at the single EU point regardless of destination (i.e. overall centralised clearance mechanism), and putting in place the same interface for economic operators. The diversity of customs declarations and procedures required for different goods makes it difficult to estimate the scale of these benefits accurately, but they would likely range from seconds up to several minutes for each customs declaration.

**Table 15: Estimated benefits from option 7**

	Customs authorities	PCAs	EOs	Total
<b>Time savings / affected declaration</b>	5-10 minutes	2-5 minutes	45-60 minutes	N/A
<b>Average labour cost / hour (€m)</b>	€24/hour			
<b>Average no of affected declarations (thousands)</b>	4 899 (64% of declarations subject to relevant EU requirements)			
<b>Annual benefits</b>	Years 1-7	No benefits while system under development		
	Gradual Year 8	1.6-3.3	0.7-1.6	14.7-19.6
				17.0-24.5

(€m)	Year 9	3.3-6.5	1.3-3.3	29.4-39.2	34.0-49.0
	Year 10	4.9-9.8	2.0-4.9	44.1-58.8	51.0-73.5
	Year 11	6.5-13.1	2.6-6.5	58.8-78.4	67.9-98.0
	Year 12	8.2-16.3	3.3-8.2	73.5-98.0	84.9-122.5
	Year 13 onwards	<b>9.8-19.6</b>	<b>3.9-9.8</b>	<b>88.2-117.6</b>	<b>101.9-147.0</b>

Source: Extrapolations based on declarations data from the MS participating in the project group, hourly costs based on Eurostat and OECD data and time estimates based on interviews in eight MS

## Cost-benefit analysis

Despite the large expected benefits, the extremely high costs for this option make it unlikely to be cost-effective, at least in terms of direct economic impacts alone. No benefits at all would be realised during an initial seven years of development. After this, the benefits would gradually come online. But even once fully operational, the yearly running costs would far exceed the benefits, leading to large negative net yearly impacts ranging from EUR -1 421.9m to EUR -767.3m. In other words, this option would cost several times more than the expected benefits, even excluding development costs and looking at the best-case scenario.

**Table 16: Cost-benefit analysis for option 7**

Table 16: Cost-benefit analysis for Option 7							
	Years 1-7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13+
Costs (€m, low and high ranges except for EC costs)							
EC	4 000.0	457.1	457.1	457.1	457.1	457.1	457.1
MS customs and PCAs	4 000.0	457.1	457.1	457.1	457.1	457.1	457.1
	9 333.3	1 066.7	1 066.7	1 066.7	1 066.7	1 066.7	1 066.7
EOs	-	140.0	140.0	140.0	140.0	140.0	-
	-	280.0	280.0	280.0	280.0	280.0	-
Total costs	8 000.0	1 054.3	1 054.3	1 054.3	1 054.3	1 054.3	914.3
	13 333.3	1 803.8	1 803.8	1 803.8	1 803.8	1 803.8	1 523.8
Benefits (€m, low and high ranges)							
MS customs	None	1.6	3.3	4.9	6.5	8.2	9.8
		3.3	6.5	9.8	13.1	16.3	19.6
MS PCAs		0.7	1.3	2.0	2.6	3.3	3.9
		1.6	3.3	4.9	6.5	8.2	9.8
EOs		14.7	29.4	44.1	58.8	73.5	88.2
		19.6	39.2	58.8	78.4	98.0	117.6
Total benefits		17.0	34.0	51.0	67.9	84.9	101.9
		24.5	49.0	73.5	98.0	122.5	147.0
Net impact (€m, low and high ranges)							
Total	-13 333.0	-1 786.8	-1 769.8	-1 752.9	-1 735.9	-1 718.9	-1 421.9
	-8 000.0	-1 029.8	-1 005.3	-980.8	-956.3	-931.8	-767.3

Source: Analysis of cost and benefit data based on evidence collected from Commission and MS

## Social and environmental impacts

This option would put in place a single-entry point for goods subject to certain EU regulatory requirements (i.e. affecting the same declarations as would be affected under option 6). The expected social and environmental impacts would thus be comparable to the impacts of option 6 as described above. These begin with improved cooperation and coordination between authorities involved in goods clearance, which would lead to improved risk management and reduced instances of fraud and human error, in turn improving enforcement and compliance with the regulatory requirements in question.

## Potential risks

This option carries a number of financial and operational risks due to its broad scope and complexity. Financially, this option would entail very large costs, both for the Commission and Member State administrations. After long development and implementation periods, high recurrent costs would continue. This creates a risk that changing priorities at EU or national levels could make the necessary resources unavailable at some point in the future, endangering the initiative. Operational risks would follow, since the full participation of all Member States is needed for many of this option's functions. Similarly, this option puts a single centralised EU system at a critical point in the EU's infrastructure for international trade. While the highest service standards can be followed (indeed, this in part explains the significant costs of this option), relying on one centralised system for all import, export and transit declarations means that any outages, data breaches or other problems would have larger repercussions than would be expected under the current system of systems distributed across the Member States.

### **Option 8 (ii) – *Extend the use of the Economic Operator Registration and Identification System (EORI) to partner competent authorities***

#### **Stakeholder views**

Stakeholders from partner DGs within the Commission and Member States have been consulted<sup>103</sup> to gauge their perceptions towards extending the use of EORI beyond customs purposes. Both sets of stakeholders have expressed very positive views. In the context of its national single window, France has already opened the use of EORI to partner competent authorities at national level for a number of non-customs regulatory requirements and has reported positive experiences so far.

#### **Direct economic impacts**

##### **Implementation and recurrent costs**

This option can be conceptualised as an instrument to improve the implementation of any options it would be packaged with, as the EORI number could be an essential identification key to facilitate sharing and cross-referencing of information. It would entail minor implementation and recurrent costs for the Commission, national customs and national partner competent authorities.

On the **European Commission** side, since the EORI system already exists, the main implementation costs would relate to expanding the capacity of the system to handle increased traffic and providing a certain amount of training and support to partner DGs. For these, the main costs would involve building the necessary connections to EORI, updating their systems to handle EORI data, and dealing with any necessary change management, training and support. Once fully implemented, only a small amount of ongoing support and maintenance would be expected above that which takes place for the system as it currently exists. According to estimates from DG TAXUD, it would take three years to make the necessary connections, at a cost of EUR 0.3m for the first year, EUR 0.25m for the second year and EUR 0.2m for the third year, after which yearly operating costs of EUR 0.07m are foreseen. This would total EUR 1.0m for implementation during years 1-7, and EUR 0.07m annually from year 8 onwards.

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<sup>103</sup> For partner DGs, the consultation took the form of a survey that was carried out in mid-2019 with DGs responsible for a number of regulatory requirements (DGs AGRI, CLIMA, ENV, HOME, MARE, MOVE, SANTE and TRADE). Member State customs authorities were consulted on this option as part of an informal poll conducted during the High-level seminar on the EU Single Window environment for customs, which took place in Bucharest during May 2019.

For **Member State authorities**, the costs would be concentrated on the partner competent authorities who are not already using EORI. Since the system is developed and maintained at European level, these are expected to be relatively minor and focused on updating their systems so as to handle and use EORI data, where appropriate. Estimates from DG TAXUD and consultations with IT experts put these at the same level as the Commission costs. The expected implementation and recurrent costs are summarised in the table below.

**Table 17: Estimated implementation and recurrent costs for option 8 (€m)**

	Implementation costs (years 1-7)	Recurrent costs (year 8 onwards)
<b>EC</b>	0.03 for year 1, 0.25 for year 2, 0.20 for year 3, thereafter 0.07 / year (1.03 total)	0.07 / year
<b>MS customs and partner competent authorities</b>	0.30 for year 1, 0.25 for year 2, 0.20 for year 3, thereafter 0.07 / year (1.03 total)	0.07 / year
<b>Total</b>	<b>0.60 for year 1, 0.50 for year 2, 0.40 for year 3, thereafter 0.14 / year (2.06 total)</b>	<b>0.14 / year</b>

*Source: Estimates based on figures from DG TAXUD for European Commission costs and Member State data and consultation with IT experts for MS costs*

## Recurrent benefits

As a tool to facilitate the implementation of other options, option 8 (ii) is not expected to generate benefits on its own, but rather would improve the implementation of any other policy option with which it is combined by slightly increasing its benefits. It enables incremental improvements in the ability of customs and partner competent authorities to identify traders and to exchange, cross-reference and verify information pertaining to them. Based on feedback from the Commission and national officials, this is estimated as an increase of about 2,5% on top of the time savings that would be realised through any option package. This means that the exact impact compared to the baseline thus depends on the option package and cannot be looked at in isolation. For this reason, the figures related to the benefits of option 8 (ii) are presented in the next section on the comparison of options.

## Cost-benefit analysis

As presented in the next section, the low costs and incremental benefits of option provide a cost-effective way to further increase the efficiency of clearance processes. The net benefit would depend on the option package with which option 8 (ii) is coupled, but in all cases this option would be expected to add benefits without significantly affecting cost-effectiveness.

## Social and environmental impacts

Consultation with the Commission and Member States indicates that this option would provide minor social and environmental impacts.

## 7. HOW DO THE OPTIONS COMPARE?

As explained in section 5, the retained options can be combined to form distinct policy choices, which are as follows<sup>104</sup>:

<sup>104</sup> As indicated in section 5, it should be noted that it would also be technically possible to implement option packages that include Option 2 on its own, namely options 2+8, options 2+6 and options 2+6+8. However, given that option 1 builds on the existing EU CSW-CERTEX project by expanding it to all Member States and covers the more accessible category of regulatory formalities to interconnect, it would not make any logical sense to put in place option 2, which covers a different category of formalities without firstly implementing option 1.

- Baseline scenario: under the baseline scenario, EU-level collaboration would continue through voluntary use of EU CSW-CERTEX, while some Member States would pursue individual national initiatives.
- G2G collaboration only: enhanced G2G collaboration and system interoperability could be pursued either through option 1 on its own, or option 1 combined with either or both of options 2 and 8(ii)<sup>105</sup>;
- G2G and B2G collaboration: to also pursue B2G collaboration, options 6 or 7<sup>106</sup> could be combined with any of the G2G choices listed above<sup>107</sup>.

The options packages are compared in terms of several criteria, namely effectiveness in terms of achievement of objectives, efficiency (i.e. cost-effectiveness), coherence in relation to relevant policies, and proportionality. This leads to an overall comparison to identify the preferred package of options.

### Effectiveness

The three specific objectives relate to a governance framework for cooperation and interoperability between customs and partner competent authorities, improved working practices and processes for goods clearance, and harmonisation and re-use by authorities of data provided by economic operators. Because these objectives are closely linked and mutually reinforcing, it is more meaningful to examine effectiveness in terms of the two main elements of the general objective. The first, “improve enforcement of regulatory requirements”, is focused on improved coordination and information-sharing between authorities and the resulting social and environmental benefits. The second, “facilitate international trade”, relates to the reduced enforcement costs and administrative burden and resultant savings that are envisaged for customs authorities, partner competent authorities and economic operators. For both elements, the likely impacts can be estimated by adding up the benefits for each of the policy options (as elaborated in section 6) that form each package of options. Further, in considering effectiveness, it must be borne in mind that the full benefits would not be achieved immediately. Instead, these would be phased in gradually. For all packages except those containing option 7, the phase-in would proceed at an even pace over seven years. This means that any packages containing a combination of options 1, 2, 6 and 8(ii) would realise full benefits from year 8 onwards.

Packages containing option 7 would entail more extensive changes to the existing customs environment and therefore require more time for implementation than the other options. Therefore, no benefits at all would be achieved during an initial seven years for development. Implementation would then be phased over a period of five years. This means that any package containing option 7 would realise full benefits only from year 13 onwards.

<sup>105</sup> The combination of options includes: option 1; options 1 + 2; options 1 + 8(ii); options 1 + 2 + 8(ii). See Annex 17 for an overview of the policy options.

<sup>106</sup> Given that option 7 would replace existing EU customs systems with a single centralised system, this would be combined with a simplified version of option 1 that entails a single connection of EU CSW-CERTEX to the option 7 system. Thus, if implementing options 1 and 7 together, the Member States would not incur the costs associated with option 1. Similarly, it would only be feasible to implement option 7 alongside the direct connection version of option 2 (i.e. 2(i)).

<sup>107</sup> The combination of options includes: options 1 + 6; options 1 + 2 + 6; options 1 + 6 + 8(ii); options 1 + 2 + 6 + 8(ii); options 1 + 7; options 1 + 2 + 7; options 1 + 7 + 8(ii); options 1 + 2 + 7 + 8(ii). See Annex 17 for an overview of the options.

### *Improve enforcement of EU non-customs regulatory requirements*

Each option package would be expected to generate improvements to the enforcement of EU non-customs regulatory requirements, according to a similar causal chain. This relates to the social and environmental impacts described in section 6 and would entail enhancing cooperation and facilitating the sharing of information between the authorities responsible for goods clearance, thereby allowing for improvements to risk management processes and reduced instances of fraud and human error. This would in turn generate improved compliance and enforcement of the non-customs legislation falling under the scope of the policy options that comprise each of the packages.

Since the packages differ in terms of which non-customs regulatory requirements are covered, it would be expected that the packages with the broadest scope would be the most effective to improve enforcement. The following factors also explain the relative effectiveness of the different packages:

- Within the different packages, option 1 would generate the most significant improvements to enforcement due to its relatively broad coverage of non-customs regulatory requirements, and its high degree of effectiveness in terms of enhancing G2G collaboration.
- Options 6 and 7 would also generate important gains in terms of enforcement within certain packages. As detailed in section 6, these would result from the ability of these options to increase levels of data harmonisation and interoperability in a way that could not be achieved without B2G cooperation. The outcome of option 6 and option 7 would be comparable, but materialise much faster for packages containing option 6 than for those containing option 7.
- In contrast, the additional improvements on enforcement of including option 2 are relatively limited. As detailed in section 6, this option would not fully extend key functionalities, most importantly automated quantity management, to the regulatory requirements that it covers<sup>108</sup>. This means that manual checks would still be necessary in many cases.
- Including option 8(ii) within any package does not necessarily impact their effectiveness in terms of improved enforcement. This option only improves the ability of customs and partner competent authorities to identify traders and constitutes a tool to facilitate the exchange, cross-reference and verification of information between customs and partner competent authorities systems.

Concluding from the above, it can be said that, once full implementation is achieved, option packages including both options 1 and 2, in addition to either option 6 or 7, would be the most effective to improve enforcement compared to the baseline. These benefits could also be marginally increased by adding option 8(ii) to any package. Packages comprised of the same options but not including option 2 would generate benefits that are only modestly reduced. The smallest benefit in terms of improved enforcement would be expected from the packages made up of just option 1 or options 1+8(ii). However, given the major benefits expected from option 1, even these benefits would far exceed the baseline. Finally, for the packages containing option 7, a major disadvantage is that the benefits would take much longer to materialise than for any other packages.

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<sup>108</sup> The reason for this is that automated quantity management would only be possible under option 2 for the regulatory requirements for which all Member States have a digitalised systems in place. This is not the case for most of the regulatory requirements covered by Option 2.

### *Facilitate international trade*

Effectiveness in terms of trade facilitation can be expressed mainly as per the direct economic benefits resulting from streamlined goods clearance for customs authorities, partner competent authorities and economic operators. Quantified and monetised estimates for each individual option are presented in section 6. To estimate the benefits for the different packages, the benefits of the options included in given packages can simply be added up (e.g. the benefits of package 1+2 are comprised of the benefits of option 1 plus the additional benefits of option 2).

The main considerations for the comparison are presented below. For the purpose of simplicity, the figures below refer to annual benefits once full implementation is achieved. Annex 13 contains comprehensive and detailed data on benefits for both full implementation and phase-in periods.

- The most important direct economic benefits could be expected from the packages with the widest scope in terms of coverage of EU non-customs regulatory requirements. These would affect the largest numbers of customs declarations and allow for the benefits of both G2G and B2G elements. For example, the narrowest package (containing just option 1) would generate total annual benefits from EUR 102.3m to EUR 156.9m. For options 1+2+6+8(ii) or 1+2+7+8(ii), the benefits would be much larger, ranging from EUR 244.8m to EUR 361.2m under options 1+2+6+8(ii) or 1+2+7+8(ii).
- Much of benefits to customs and partner competent authorities would be achieved through the G2G cooperation envisaged in option 1, while the lion's share of potential benefits for economic operators (including SMEs) would require B2G collaboration from either option 6 or option 7. For example, benefits for customs authorities would range under option 1 from EUR 49.5m to EUR 74.3m under option 1, and from EUR 77.4m to EUR 118.4m under options 1+2+6+8(ii) or 1+2+7+8(ii). While the difference is between these option packages is substantial, it is far larger with regard to economic operators. As with customs authorities, these would see benefits estimated at EUR 49.5m to EUR 74.3m under option 1, but the benefits for economic operators under option 1+2+6+8(ii) or 1+2+7+8(ii) would range from EUR 157.7m to EUR 218.8m.
- Since option 7 would harmonise the entire IT environment for customs throughout the EU, the packages containing it would also improve processes for goods clearance for all traders engaging in international trade (as elaborated in section 6.2).
- As elaborated in section 6.2, option 2 contributes only moderately to the benefits to any option package since manual checks would still be necessary for the verification of supporting documents issued in any Member State without a national electronic system.
- Because it is more complex and requires much bigger changes to existing customs IT infrastructure, the implementation period is substantially longer for option 7 than for option 6. Thus, while the long-term benefits are comparable, the benefits would materialise much more quickly for packages containing option 6 than for packages including option 7 (which would have no benefits at all for seven years, and only then undergo gradual implementation during a period of 5 years). This leads to significant differences in the scale of expected benefits during years 1-12 that need to be taken into account for the comparison.

- Overall, the largest benefits for trade facilitation could be expected from either option packages 1+2+6+8(ii) or 1+2+7+8(ii), meaning that these two packages are the most effective in facilitating trade. Taking all stakeholders into account, these benefits would range from EUR 244.8m to EUR 361.2m annually. However, package 1+2+6+8(ii) would begin to bring benefits from year 1 and be fully operational from year 8 onwards, while (as mentioned above) option 1+2+7+8(ii) would achieve no benefits until year 8, and full benefits only from year 13. Packages without option 2 would achieve benefits on a smaller but comparable scale. These would be in the range of EUR 209.4m to EUR 311.5m annually for package 1+6+8(ii) or 1+7+8(ii) or EUR 204.3m to EUR 303.9m for package 1+6 or 1+7.

## Efficiency

The cost-effectiveness of the different packages can be derived by dividing the benefits achieved in terms of trade facilitation by costs to the Commission, national authorities and economic operators. Since benefits to improved enforcement were considered qualitatively, these are not factored into the quantitative calculations, implying a conservative estimate of the efficiency<sup>109</sup>. However, both aspects of effectiveness are influenced by the coverage of the options packages in terms of EU non-customs regulatory requirements, with the broader packages generating larger benefits. For this reason, the most advantageous packages in terms of enforcement tend to also be the most advantageous in terms of trade facilitation. In this way, the comparison of cost-effectiveness based on the quantitative benefits also holds true in terms of effectiveness as a whole. The points below summarise the main considerations for the comparison, while the table in Annex 13 contains detailed figures on costs and benefits for all packages, both during phase-in periods and once full implementation is achieved.

- Among the G2G options, ratio of benefits to costs of option 1 is very high, ranging EUR 16 to EUR 32 once fully implementation is achieved. The cost-benefit ratio of option 2 is much lower, at EUR 3 to EUR 6. This means that all packages containing option 1, but not option 2, provide much better value for money than the ones that do contain option 2.
- While neither of the G2G options 6 or 7 provide as high a cost-benefit ratio as option 1, the packages including these would allow much greater benefits to be achieved, especially for economic operators, than the packages consisting of G2G action only. Moreover, the packages including either option 6 or option 7 for B2G action would lead to additional, comparable benefits for the enforcement of important non-customs regulatory requirements and trade benefits that, while not quantifiable, are likely to be important.
- Among the options for B2G action, option 6 is relatively cost-effective, with expected benefits on its own of EUR 9 to EUR 20 expected from each EUR spent once it is fully operational. The most advantage package including B2G action is package 1+6+8(ii), which would generate net benefits ranging from EUR 191.3m to EUR 299.2m. This entails economic benefits from EUR 12 to EUR 25 for every EUR spent.

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<sup>109</sup> In this approach, benefits are underestimated, while costs considered fully. As benefits from improved enforcement are distributed in the same way as benefits from trade facilitation, the order in the assessment of the efficiency of the various packages remains the same.



- Benefits would be expected to exceed costs in year 1 for packages made up of option 1 and options 1+8(ii), while this would only be expected from year 2 onwards for packages made up of options 1+2, 1+2+8(ii), 1+2+6 and 1+2+6+8(ii).
- Any package containing option 7 would generate large negative impacts because it would entail a very expensive overhaul of the entire IT environment for customs. Once fully operational, from year 13, even the most cost-effective package including option 7 (i.e. option 1+7) would entail negative annual economic impacts of EUR -1 319.5m to EUR -610.4m. In other words, each EUR spent, this package would generate only EUR 0.13 to EUR 0.33 in benefits. Moreover, packages containing option 7 would incur large costs, with no benefits at all, during years 1-7, and continued large net negative impacts during gradual implementation from years 8-12. Unlike other packages, economic operators would also incur some implementation costs for packages containing option 7.
- Stakeholder views on the different options depended strongly on expected efficiency and thus echoed the above. Thus, option 1 received nearly unanimous support as part of any option package, because the experience of EU CSW-CERTEX showed that the envisaged benefits could be achieved at and relatively limited cost. Similarly, option 6 received strong support as a means of delivering on the full single window concept in a manageable way. Option 8(ii), though limited in scope, was appreciated by nearly all stakeholders as a way to further streamline processes. The only options with low support were option 2, which was seen as complex and expensive, despite relatively limited benefits, and option 7. The latter was appreciated by economic operators, since they would experience the benefits while incurring only minor implementation costs. But customs authorities considered option 7 unrealistically expensive and therefore did not support it.

## Coherence

The breadth of the initiative, which relates to international trade and is focused not just on customs but on a wide range of non-customs regulatory requirements, makes its alignment with other EU and international policies and standards especially important. Relevant initiatives include:

- High-level EU policy aims to establish a Single Window environment for customs. These are elaborated in Article 4, paragraph 6 of the e-Customs Decision (Decision No 70/2008/EC), which calls on the Member States and Commission to “endeavour to establish and make operational a framework of single window services”. The 2014 Venice Declaration follows this by referring to a progressive action plan to implement an EU Single Window environment for customs and to establish a legal framework for its development. In addition, the 2016 Communication on “Developing the EU Customs Union and Governance” announced the Commission’s plans to find a workable solution for the development and creation of an EU Single Window environment for customs. This is echoed in the 2018 Biennial Report on the Progress in Developing the EU Customs Union, which identified the EU Single Window environment for customs as a priority area.
- EU policy aims regarding the digitalisation of government services and interoperability, most importantly the EU eGovernment Action Plan 2016-2020, which seeks to increase the efficiency of public services by removing existing digital

barriers, reducing administrative burdens and improving the quality of interactions between national administrations<sup>110</sup> and the Tallinn Declaration, which (inter alia) sets objectives on digital-by-default for interactions between citizens and businesses and principles of once-only and interoperable by default<sup>111</sup>.

- Other EU customs policies, most importantly the Union Customs Code, which aims to put in place a modern and electronic customs environment and to encourage the use of modern tools and technology to promote the uniform application of customs legislation and modernised approaches to customs control. Related to this are the extensive customs IT projects detailed in the UCC Work Programme, and aligned with the MASP-C, which ensures the operational planning and implementation timeline of all customs IT projects<sup>112</sup>.
- International initiatives, most importantly the WTO Trade Facilitation Agreement ratified by the EU<sup>113</sup> in 2015, the UNECE Recommendation 33 and the Single Window Compendium of the WCO, all of which call for the development of advanced single window solutions, including single-entry points for economic operators.

While the objectives as defined in section 4 are consistent with these initiatives, the different option packages relate to them in different ways.<sup>114</sup> More specifically:

- The continuation of the baseline scenario would not be coherent because it would fail to achieve the various EU policy aims listed above. In addition, some Member States would also pursue national initiatives, entrenching solutions that are not interoperable and exacerbating the problems described in section 2.
- The packages based mainly on G2G cooperation are generally consistent with the different policy aims, would support the implementation of EU sectoral legislation and help the EU to take a consistent approach towards international initiatives. However, these options packages would fail to establish a “Single Window” as the term as commonly understood and defined internationally, i.e. as a facility which allows parties involved in trade and transport to lodge standardised digital information and electronic documents with a *single-entry point* to fulfil all import, export and transit-related regulatory requirements<sup>115</sup>.
- Within the G2G options, option 1 is considered highly coherent, because it makes use of the existing EU CSW-CERTEX architecture and electronic systems developed by partner DGs.
- Option 2 is less coherent. By establishing connections between the national systems used to manage some non-customs EU regulatory requirements, it could discourage

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<sup>110</sup> COM/2016/0179 final

<sup>111</sup> <https://ec.europa.eu/digital-single-market/en/news/ministerial-declaration-egovernment-tallinn-declaration>

<sup>112</sup> Commission Implementing Decision (EU) 2016/578 of 11 April 2016 establishing the Work Programme relating to the development and deployment of the electronic systems provided for in the Union Customs Code, OJ L 99, 15.4.2016, p. 6–20.

<sup>113</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32015D1947&qid=1591603516369&from=EN>

<sup>114</sup> It is also noted that all option packages would be highly secure and compliant with the General Data Protection Regulation and any relevant sectoral legislation. Since there are no important distinctions between the packages, this aspect is not emphasised in the comparison.

<sup>115</sup> See UNECE Recommendation 33 on establishing a Single Window:

[https://www.unece.org/fileadmin/DAM/cefact/recommendations/rec33/rec33\\_trd352e.pdf](https://www.unece.org/fileadmin/DAM/cefact/recommendations/rec33/rec33_trd352e.pdf). It should also be noted that the recommendation has been revised in consultation with DG TAXUD and other key stakeholders, among other things to ensure adequate considerations of regional customs unions such as the EU Customs Union.

the development of centralised non-customs solutions at EU level. Moreover, it does not provide for quantity management, which is a key element of improved information-sharing between customs and partner competent authorities based in different Member States.

- The packages including B2G cooperation (i.e. including either option 6 or option 7) would establish a true Single Window environment, thus working towards wider policy aims and conforming to international best practices. The packages including option 6 would do this while remaining consistent with the UCC and MASP-C. This defines certain customs functions as being centralised, while others, particularly the IT systems for import, export and transit, are either national or distributed. However, option 7 would be incoherent with the UCC because it would oblige the Member States to implement a centralised solution for these core customs functions. It would also be inconsistent with the EU eGovernment principles of re-use of systems and interoperability where possible instead of developing wholly new systems.

### **Proportionality**

Proportionality refers to the extent to which an initiative is as simple as possible, does not go beyond what is necessary to achieve its objectives, and limits its scope to those aspects that the Member States cannot achieve on their own. The packages including combinations of options 1, 6 and 8(ii) take simple approaches that make the most of existing infrastructure, limiting themselves to areas where the potential EU added value is highest.

The proportionality of packages containing option 2 is less pronounced, because it would require significant resources to partially achieve the objectives. Similarly, but more importantly, option 7 renders any package that includes it deeply disproportionate. Beyond poor cost-effectiveness, packages containing option 7 would also centralise the entire customs environment. This would go beyond the UCC and transform (at high cost) the daily business of many actors beyond those involved in the EU non-customs regulatory requirements covered by the initiative. While centralising the customs IT infrastructure could generate major benefits, it would be hard to justify in the name of the Single Window environment alone.

### **Overall comparison and identification of the preferred option**

The table below depicts the results of the comparison, in terms of scores for each package of options and criterion. Pluses (+) and minuses (-) are used to denote whether the package would perform better or worse than under the continuation of the baseline scenario. An eleven-point scale is used, such that five pluses (+++++) means ‘would perform better than the baseline to a great extent’, 0 means ‘would not differ from the baseline scenario’ and five minuses (-----) means ‘would perform worse than the baseline to a great extent’. Given their similar importance, the criteria are not weighted but rather considered equally to identify the preferred option. The following considerations explain the scores for the different criteria and packages<sup>116</sup>.

- Effectiveness: with regard to both improved enforcement and trade facilitation, high scores are given based on the broadest coverage in terms of EU non-customs regulatory requirements and possibilities for both G2G and B2G elements. Narrower coverage is equated with proportionately lower scores. The packages containing

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<sup>116</sup> Since the additional benefits from option 8(ii) are only incremental, the packages including it are not given higher scores than the similar packages that do not include it. Nonetheless, adding option 8(ii) to any package can be considered to make it more desirable on the margin.

option 6 would generate comparable benefits to those containing option 7 once fully operational<sup>117</sup>. The scores are numerically proportionate, such that a package receiving ++ would be expected to result in double the savings, or improve the enforcement for regulatory requirements affecting twice as many customs declarations, as a package receiving +.

- **Cost-effectiveness:** Option 1 is the most cost-effective option, meaning that the packages aside from option 1 on its own and options 1+8(ii) are less cost-effective. Packages made up of options 1+6 and 1+6+8(ii) are nearly as cost-effective, while the limited cost-effectiveness of option 2 reduces the scores of packages that contain it. All packages containing option 7 received negative scores, since their costs are significantly larger than their benefits. These scores are also proportionate, with an option package receiving ++ being roughly twice as cost-effective as a package receiving +.
- **Coherence:** packages containing just G2G action would still work towards policy goals and thus would be more coherent than the baseline scenario. However, since B2G cooperation is needed to achieve the single-entry points called for in existing EU policy documents, the highest scores are reserved for packages containing both G2G and B2G elements. Option 2 is considered to reduce the coherence of packages that contain it, since it would preclude the development of EU electronic systems to manage certain EU non-customs regulatory requirements. Packages containing option 7 have been scored negatively, because of major incoherence related to the division of customs responsibilities between the EU and Member States as defined in the UCC and MASP-C. The scores represent a qualitative assessment of the findings and thus do not have any numerical relationship.
- **Proportionality:** taking into account the general objectives of this initiative and the outreach of each option package, combinations 1+6 and 1+6+8(ii) score the highest, while option 2 detracts from the scores of packages that contain it. Due to its disproportionate nature, negative scores are given to packages containing option 7 since it far exceeds what is necessary to achieve the objectives of this initiative. As with coherence, the scores are based on a qualitative assessment of the findings.
- **Identification of the preferred package:** packages 1+6 and 1+6+8(ii) receive the most favourable scores. Despite not providing the most benefits in absolute terms, these packages are comparatively cost-effective, coherent and proportionate. Since the inclusion of option 8(ii) adds some incremental benefits without imposing substantial costs, the preferred package is thus options 1+6+8(ii).

**Table 18: Comparison of option packages to the baseline scenario<sup>118</sup>**

<sup>117</sup> Regarding trade facilitation, the benefits of packages containing option 7 would take significantly longer to materialise than the benefits of packages containing option 6. However, packages containing option 7 would also, by improving customs clearance processes generally, generate some additional benefits for all economic operators engaging in international trade. Taking these two elements into account, the scores given for packages containing option 7 are given the equivalent scores to similar packages containing option 6.

<sup>118</sup> Given that option 7 would replace existing EU customs systems with a single centralised system, this would be combined with a simplified version of option 1 that entails a single connection of EU CSW-CERTEX to the option 7 system. Similarly, it would only be feasible to implement option 7 alongside the direct connection version of option 2 (i.e. 2(i)).

		Baseline	G2G collaboration only					G2G and B2G collaboration						
		0	1	1+2	1+8(ii)	1+2+8(ii)	1+6	1+2+6	1+6+8(ii)	1+2+6+8(ii)	1+7	1+2(i)+7	1+7+8(ii)	1+2(i)+7+8(ii)
Effectiveness	Improve enforcement of regulatory requirements	0	+++	++++	+++	++++	++++	+++++	++++	+++++	+++	++++	+++	++++
	Facilitate international trade	0	++	+++	++	+++	++++	+++++	++++	+++++	++++	+++++	++++	+++++
Efficiency - Cost-effectiveness		0	++++	+	++++	+	+++	+	++++	++	----	-----	----	-----
Coherence		0	+++	++	+++	++	++++	+++	++++	+++	-	--	-	--
Proportionality		0	+++	++	+++	++	+++	++	+++	++	----	-----	----	-----

Source: DG TAXUD

## 8. PREFERRED OPTION

The foregoing analysis points towards a policy choice comprised of option package 1+6+8(ii)<sup>119</sup>, inclusive of the following elements:

Option category	Overview
<b>Group I: G2G back-end cooperation to make it easier for customs and partner competent authorities to share information</b>	Option 1: makes EU CSW-CERTEX mandatory, increases its functionality (to include features such as automated quantity management) and expands coverage to all EU non-customs regulatory formalities for which relevant information required by customs for clearance is available at central level.
<b>Group II: B2G front-end cooperation aimed at improving economic operators' interactions with customs and partner competent authorities</b>	Option 6 (harmonised national single windows): each Member State to establish an integrated declaration system that would allow for joined up submission by economic operators of information required by customs and partner competent authorities for a range of EU regulatory formalities. This allows for delivery of the full single window concept, with the Commission playing a steering role as regards EU formalities.
<b>Group III: Expansion of the use of EORI</b>	Option 8(ii): to facilitate collaboration between the different authorities involved in international trade, EORI will be opened up so that partner competent authorities can use it for validation purposes.

This package offers several relative advantages. It received the highest levels of stakeholder support. It is also expected to generate significant direct economic impacts, totalling EUR 192.3m to EUR 299.2m annually once fully operational. While the total economic impact is less than for the most expansive option packages, the value for money of the preferred option package is nearly 1.5 times higher, showing its proportionality. This is in addition to wider trade benefits that are likely to be substantial but could not be quantified. In terms of

<sup>119</sup> An overview of the practical implications by stakeholder group and the summary of the costs and benefits of the preferred option package is provided in Annex 3.

environmental and social impacts, this package would combine the major benefits of option 1 with additional gains from the increased data harmonisation and interoperability expected from option 6, as well as incremental benefits from option 8(ii) related to better economic operator identification. Only minor benefits would be foregone from not including option 2. Overall, it can thus be said that this package maximises the EU's ability to act as a catalyst for the single window concept, providing a framework for implementing EU policy applicable to goods clearance that is effective and proportionate, and demonstrating high value for money.

To address the continually changing digital landscape over the long-term, the preferred options package builds on the principles of flexibility, adaptability and efficiency. This will help produce a future-proof solution that can easily expand progressively to incorporate new Union non-customs formalities from diverse policy domains as they become digitalised. Moreover, this strategy presents opportunities for integrated solutions rather than rigid ones developed in a piecemeal fashion. This would allow to cater for the diversity of the Member States situations with the potential to scale up the capacity of EU CSW-CERTEX, while accommodating future trends and uncertainties.

## **9. HOW WILL ACTUAL IMPACTS BE MONITORED AND EVALUATED?**

The Commission will ensure that arrangements are in place to monitor and evaluate the functioning of the EU SW environment for customs and evaluate it against the main policy objectives. Regular monitoring will rely to the extent possible on EU level sources, such as disaggregated reports on Customs Union Performance and EU CSW-CERTEX business and IT deliverables and statistics. National customs administrations who are gatekeepers for other relevant data, such as statistics on clearance times, will be consulted to determine whether and to what extent it will also be possible to use other sources.

Six years after the entry into force of the legislation and every three years thereafter, the Commission should submit to the European Parliament and the Council a report on the functioning of the EU SW environment for customs, including an overall evaluation of the EU CSW-CERTEX system. It should examine results achieved against objectives and assess the continuing validity of the underlying rationale and any implications for future options. Given that the initiative will not yet be fully implemented at the time of the first evaluation, the focus will be to take stock of progress, identify areas for improvement and come up with recommendations for the future. The second evaluation will take a more summative approach, with a view to the achievement of objectives and comparison with what could have been expected otherwise. The success of the initiative will be contingent on meeting the specific objectives, and in particular on introducing an effective EU-wide quantity management functionality for the non-customs formalities under consideration. The Commission will evaluate the functioning of the EU SW environment for customs in light of the improved digital collaboration between customs and partner competent authorities involved in goods clearance to ensure simplified processes for economic operators and the efficient enforcement of Union non-customs formalities.

The following table provides the operational objectives, progress indicators and data sources, which would be used to inform against these indicators. The monitoring indicators are expected to be collected where possible on an ongoing basis by the EU CSW-CERTEX system. For evaluation purposes, annual statistics will be computed and compared between successive years. Where possible, a comparison with the baseline situation taken as the trend or average of the three years that precede the entry into operations can be used.

Specific objective	Operational objectives	Progress indicator <i>NB: indicators refer to customs clearance for the goods covered by the initiative</i>	Data sources
<b>Enhance cooperation between customs and partner competent authorities involved in international trade</b>	<ul style="list-style-type: none"> <li>Develop and implement business and IT projects needed to connect Member States customs systems and EU systems managing regulatory formalities</li> </ul>	<ul style="list-style-type: none"> <li>Number of connections developed between EU systems managing regulatory formalities and EU CSW-CERTEX</li> <li>Number of non-customs regulatory formalities covered by the initiative in a given year</li> <li>Number of Member States using the EU CSW-CERTEX per given formality at a given year</li> <li>Development of new key functionalities for EU CSW-CERTEX</li> </ul>	<ul style="list-style-type: none"> <li>Business and IT deliverables and statistics / reports</li> </ul>
	<ul style="list-style-type: none"> <li>Increase communication and collaboration between customs and partner competent authorities</li> </ul>	<ul style="list-style-type: none"> <li>Number of agreements (e.g. MoUs) between DG TAXUD and partner DGs for formalities covered by the initiative</li> <li>Perceived strength of coordination between customs and PCAs</li> <li>Number of steering committees of customs and partner competent authorities set up at national level.</li> </ul>	<ul style="list-style-type: none"> <li>Business and IT statistics and reports</li> <li>Evaluations of relevant customs and non-customs policies</li> <li>Survey of customs and PCAs</li> </ul>
<b>Improved enforcement of cross-border regulatory requirements</b>	<ul style="list-style-type: none"> <li>Reduce fraud and errors associated with clearance processes at EU borders</li> <li>Improve risk management procedures for goods clearance at EU borders</li> </ul>	<ul style="list-style-type: none"> <li>Number of declarations subject to automated exchange of information processed via EU CSW-CERTEX</li> <li>Number of requests per Member State to the EU CSW-CERTEX</li> <li>Number of discrepancies detected through automated cross-checking of information</li> <li>Number of fraud attempts detected through automated cross-checking of information</li> <li>Hit rate of documentary controls (following the systematic automated cross-check enabled by EU CSW-CERTEX)</li> <li>Hit rate of physical controls (following the systematic automated enabled by EU CSW-CERTEX)</li> <li>Volume of non-compliant goods seized / refused entry</li> </ul>	<ul style="list-style-type: none"> <li>IT statistics and reports</li> <li>Customs Union Performance reporting</li> <li>Evaluations of relevant customs and non-customs policies</li> <li>Survey of customs and PCAs</li> </ul>
<b>Simplified goods clearance processes for economic operators</b>	<ul style="list-style-type: none"> <li>Use electronic means and improved coordination between authorities involved with goods clearance to streamline and simplify processes for economic operators</li> </ul>	<ul style="list-style-type: none"> <li>Proportion of automated controls not followed by manual intervention (documentary or physical controls)</li> <li>Average time needed for clearance of relevant goods</li> <li>Level of satisfaction and agreement that processes have improved among EOs</li> <li>Status of work to define common data sets between the customs declaration and the formalities under scope</li> <li>Number of customs integrated declarations lodged through national single windows</li> </ul>	<ul style="list-style-type: none"> <li>IT statistics and reports</li> <li>Survey of customs and PCAs</li> <li>Survey of economic operators</li> </ul>

Source: DG TAXUD

## **ANNEX 1: PROCEDURAL INFORMATION**

### **Lead DG, Decide Planning/CWP references**

The initiative on the EU Single Window environment for customs was carried out under the leadership of the Directorate-General for Taxation and Customs Union (DG TAXUD). The agenda planning reference is PLAN/2017/1149.

### **Organisation and timing**

No EU legislation is currently in place for the EU Single Window environment for customs. DG TAXUD started gathering feedback for the impact assessment in December 2016, when it established the EU Customs Single Windows Project Group (the project group) to study a possible framework to develop the EU Single Window environment for customs including its legal aspects. DG TAXUD received political validation for the legal initiative on 20 June 2017.

An interservice steering group, chaired by the Secretariat General (SG), supported the steering of the project and allowed to integrate views of other DGs and services. The interservice steering group included colleagues from the Directorate-General for Agriculture and Rural Development (DG AGRI), the Directorate-General for Climate Action (DG CLIMA), the Directorate-General for Communications Networks, Content and Technology (DG CNECT), the Directorate-General for Informatics (DG DIGIT), the Directorate-General for Environment (DG ENV), the Directorate-General for Internal Market, Industry, Entrepreneurship and Small and Medium-sized Enterprises (DG GROW), the Directorate-General for Migration and Home Affairs (DG HOME), the Legal Service (LS), the Directorate-General for Maritime Affairs and Fisheries (DG MARE), the Directorate-General for Mobility and Transport (DG MOVE), the Directorate-General for Health and Food Safety (DG SANTE), the Secretariat General (SG), and the Directorate-General for Trade (DG TRADE). The interservice steering group met several times between March 2018 and January 2020.

A brief chronology of significant milestones leading to the adoption of the draft impact assessment is provided below:

Date	Activity
<b>20/06/2017</b>	Political validation of the legal initiative
<b>02/03/2018</b>	1 <sup>st</sup> meeting of the interservice steering group
<b>04/05/2018</b>	Publication of the Inception Impact Assessment
<b>09/10/2018</b>	Launch of stakeholder consultation (14 weeks)
<b>17/01/2019</b>	End of stakeholder consultation
<b>16-17/05/2019</b>	High-level seminar
<b>10/01/2020</b>	Last meeting of the interservice steering group before submission of the impact assessment report to the Regulatory Scrutiny Board
<b>17/02/2020</b>	Launch of the interservice steering group written procedure before submission of the report to the Regulatory Scrutiny Board
<b>13/03/2020</b>	Submission to the Regulatory Scrutiny Board



<b>29/04/2020</b>	Presentation to the Regulatory Scrutiny Board
<b>05/05/2020</b>	Negative opinion of the Regulatory Scrutiny Board
<b>15/06/2020</b>	Last meeting of the interservice steering group before resubmission of the impact assessment report to the Regulatory Scrutiny Board
<b>18/06/2020</b>	Resubmission to the Regulatory Scrutiny Board
<b>15/07/2020</b>	Positive opinion of the Regulatory Scrutiny Board
<b>17/07/2020</b>	Last meeting of the inter-service steering group on the final version of the impact assessment report and legal proposal

### Consultation of the Regulatory Scrutiny Board

The draft impact assessment report was submitted to the Commission's Regulatory Scrutiny Board (RSB) on 13 March 2020. Following the meeting on 29 April 2020, the RSB issued a negative opinion on 5 May 2020, suggesting several areas for further improvement. The revised report was resubmitted on 18 June 2020. The Board issued a positive opinion on 15 July 2019. The RSB recommendations for both submissions along with the changes introduced in the text are summarised below:

*Table 19: Consultation of the Regulatory Scrutiny Board*

1 <sup>st</sup> RSB Opinion - Recommendations	Changes introduced in the revised version
<b>(B) Summary of findings</b>	
<b>(1) The report does not provide a clear vision of what the Commission aims to achieve, over what timeframe, and the place of this initiative in this vision.</b>	The introductory section has been revised to further explain the vision of what the Commission aims to achieve within a specific timeframe. The development of a framework for digital cooperation between customs and partner competent authorities is central to this vision.
<b>(2) The range of the analysed options does not seem complete, especially regarding centralised national databases. Reasons for discarding some options are not well justified.</b>	The options were analysed based on the objectives of this initiative and the varying levels of participation by the Member States in the voluntary EU project (EU CSW-CERTEX) or engagements with national single window initiatives. Section 5.3 (Description of the policy options) explains that the potential development of centralised national databases falls outside the scope of this initiative since it would require individual analyses for each regulatory formality under the scope of option 2 and additional input from all relevant stakeholder groups. Sections 5.3 and 6.2

	(Analysis of the impacts of the policy options) provide an in-depth analysis of option 7, which is assessed at the same level of detail as the other options retained for further analysis.
<b>(3) The impact analysis is not complete and does not sufficiently explain how it applies judgment criteria. It does not present in sufficient detail the relevant impacts in particular across different Member States</b>	Section 7 (How do the options compare?) is revised to provide more detail on the judgment criteria for the comparison of the options. The impacts are further developed in more detail in section 6 (What are the impacts of the policy options?) to explain the differing situations across Member States relating to costs and benefits.
<b>(C) What to improve</b>	
<b>(1) The report should present a long-term vision of what the Commission wants to achieve and over what timeframe. The report should elaborate how this initiative can be a stepping-stone towards a fully integrated system. Thus, it should better acknowledge the gradual approach to develop a single point of entry for all customs related procedures.</b>	The revised introductory section addresses these points by further articulating the vision of what the Commission aims to achieve within a specific timeframe for the implementation of the EU Single Window Environment for customs.
<b>(2) Within this framework, the report should provide a range of options that reflects the key political choices. It should be clearer on how the options were developed and what they comprise. The description of the options should include a better explanation of how centralising national databases fits in the options design. The report should analyse in more depth the discarded option for a single-entry point at EU level for all border formalities that appears to have strong stakeholder support and potential to meet the objectives of the initiative.</b>	The description of the options (section 5.3) explains more clearly how the options were developed and why centralised national databases have not been proposed as an option since their potential development requires individual assessments of each regulatory formality under the scope of option 2 in line with the corresponding Union competences set out in the EU Treaties. Option 7 is analysed in depth, in terms of stakeholder views, direct economic impacts, social and environmental impacts and potential risks.
<b>(3) The baseline should better take into account what would happen if the EU does not act now. It should clearly outline how the current situation differs across Member States and what solutions Member States might implement on their own. The report</b>	Sections 2.5 and 2.6 of the initial report have been consolidated into a revised section 2.5 (How will the problem evolve?) to reflect the logical continuation of the analysis of the consequences. Section 5.2 (Ongoing impacts without any further EU policy action) is substantially reworked to better reflect the

<b>should better consider the potential impact of such solutions.</b>	evolution of the current situation without additional EU intervention. A new Annex 16 was added focusing on individual case studies carried out in eight EU Member States regarding the existing situation, economic costs and benefits, and other relevant impacts of the policy options.
<b>(4) The report should strengthen the impact analysis. Although it quantifies costs and benefits, it does not sufficiently account for varying impacts on different actors. It should be more transparent about the net benefits across Member States. It should expand on the support by member countries. It should point out how this goes beyond what participation in the trial phase suggests. The report should better explain the logic behind the analysis of cost savings.</b>	Section 6.1 (Approach to the analysis of the options) has been revised to account for varying impacts on the different actors involved. EU-wide figures are used based on plausible ranges with regard to the costs and potential benefits that could be expected. Section 6.1 also provides a more detailed analysis of impacts, including cost savings by ensuring that the estimates take into account the differing extent to which individual Member States would be affected by the initiative.
<b>(5) The analysis should better assess social, environmental and SME impacts. The report needs to explore potential risks and uncertainties (operational or other) related to implementing each of the options. It should analyse the extent to which the preferred option is future proof.</b>	Sections 6.1 (Approach to the analysis of the options) and 6.2 (Analysis of the impacts of the policy options) have been revised to further assess the social and environmental benefits and potential implementation risks for each option. The impacts of the policy options on SMEs are addressed in section 6.1. Section 2.3.1 (Delays and inefficient use of financial and human resources) analyses the consequences of the problem for SMEs, particularly in terms of the disproportionate effects of current process redundancies on their participation in international trade.
<b>(6) When comparing options, the report should be more transparent how it takes into account the views of different categories of stakeholders. The report does not explain why some views are weighted more heavily.</b>	The introduction to section 7 (How do the options compare?) is revised based on the compulsory criteria (efficiency, effectiveness, coherence and proportionality) outlined in tool# 12 of the Better Regulation Guidelines. The revised report no longer relies on stakeholder input as a criterion for comparison.

<b>(B) Summary of findings</b>	
<b>(4) Given the approximations and assumptions in the net benefit analysis, the report is not sufficiently transparent about the potential uncertainties of the actual results.</b>	Section 6.1 (Approach to the analysis of the options) further explains that the potential uncertainties in the actual results are attributed to the scarcity of concrete data that could be extrapolated and the varying levels of complexity associated with clearance processes.
<b>(5) The comparison section does not sufficiently integrate stakeholder views.</b>	Section 7 (How so the options compare) has been revised to integrate the views of the stakeholder groups on the expected efficiency of the viable options.
<b>(C) What to improve</b>	
<b>(7) The report could better reflect the gradual approach of the initiative in the objectives.</b>	Section 4.2 (Specific objectives) has been revised to further explain that the objectives of the initiative will be achieved gradually over the course of the next decade.
<b>(8) Given the approximations and assumptions in the net benefit analysis, the report should be more transparent on the uncertainty of the results. The analysis should more explicitly assess the effect on SMEs across all relevant options. It should acknowledge that the benefits are unevenly distributed across Member States. The report could discuss the extent to which the combination of the preferred options are future proof.</b>	Section 6.1 (Approach to the analysis of the options) has been revised to explain that the uncertainty in the results of the expected time savings is attributed to the scarcity of concrete data that could be extrapolated and the varying levels of complexity associated with clearance processes. Section 6.1 further assesses the current disproportionate effects on SMEs, arguing that reductions in administrative burdens triggered by the relevant options could be expected to increase their participation in international trade. Section 8 (Preferred option) addresses the reasons why the combination of the preferred options package is future proof.
<b>(9) The comparison section could integrate stakeholder groups' views on the viability of the options into the assessment criteria. The effectiveness assessment should focus on specific objectives, instead of the general ones. The report could be clearer how the scale used to compare the options was applied.</b>	Section 7 (How do the options compare) has been revised to integrate the views of the stakeholder groups on the expected efficiency of the viable options and to clarify the reasons for using the general objectives to examine the effectiveness criteria. Further explanations have also been added to address the scores for each package of options and criterion.

Source: DG TAXUD

### Evidence, sources and quality

Evidence was gathered from existing documentary sources including legislation and other policy documents, customs and trade statistics, evaluations and reports on relevant policies,

and information on related initiatives. Particularly relevant were the following pre-existing documents:

- Evaluation of the electronic customs implementation in the EU<sup>120</sup>;
- EU CSW-CVED and EU CSW-CERTEX pilot project documentation, including:
- EU CSW-CVED guidelines
- EU CSW-CERTEX business case<sup>121</sup>
- EU CSW-CERTEX FLEGT guidelines
- EU CSW-CERTEX COI guidelines
- Evaluation and reports of various non-customs policies relevant to the initiative, such as:
  - Report of the Environmental Investigation Agency on illegal trade in hydrofluorocarbons<sup>122</sup>
  - Evaluation of the ODS Regulation (DG CLIMA)
  - Study on the improvement of the EU system of export authorisation, and import and transit measures for civilian firearms, their parts and components and ammunition (DG HOME).
  - Final report of the Forum pilot project on the control of PIC
  - Final report data and information collection for EU dual-use export control policy review

These were based on extensive consultation about the pre-existing situation, and thereby provide evidence of the **initiative's underlying rationale**.

During the impact assessment project, the following additional evidence was gathered:

- a) Consultation of the EU Customs Single Window Project Group (the project group). This included five written questionnaires (on volumes of relevant supporting documents; clearance processing times and costs; views to further develop option 6; experiences with EU CSW-CVED pilot; and a follow-up to fill gaps from previous consultations), a survey on the feasibility and desirability of the different policy options, and the results of discussions taking place during period project group meetings. Important challenges and constraints were encountered in evidence collection resulting from an extremely complex situation. This is due in part to the need to consider over 30 regulatory requirements, all involving specific legislation, business processes and stakeholders, and also to the diversity of the 27 Member States, whose authorities have different starting points, IT architecture, priorities and cost structures. While qualitative data on experiences and expectations is ample, quantitative data is scarce, and limited to a small proportion of Member States and relevant regulatory requirements. In many cases, stakeholders were unaware of the e.g. precise costs and amounts of time associated with dealing with given regulatory

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<sup>120</sup> Evaluation of the electronic customs implementation in the EU Final report (21 January 2015), [https://ec.europa.eu/taxation\\_customs/sites/taxation/files/docs/body/ecust\\_evaluation\\_final\\_en.pdf](https://ec.europa.eu/taxation_customs/sites/taxation/files/docs/body/ecust_evaluation_final_en.pdf)

<sup>121</sup> Business Case – EU Customs Single Window: Certificates exchange (December 2016)

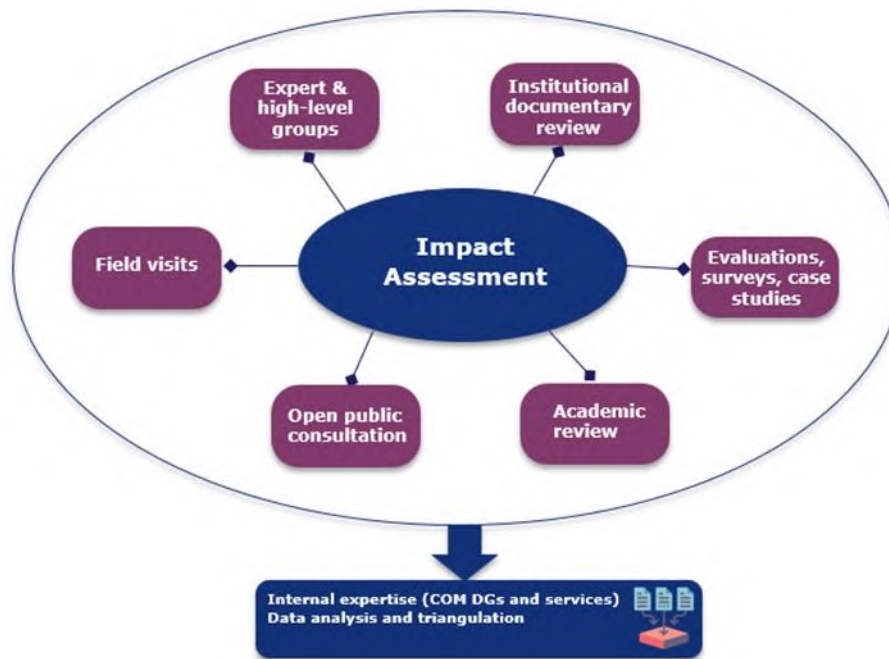
<sup>122</sup> <https://eia-international.org/wp-content/uploads/EIA-report-Doors-wide-open.pdf>

requirements. For some national authorities, the data was considered too sensitive to share, since it was claimed that central governments would reclaim any expected savings from a new initiative.

- b) Four B2G use cases: To obtain the necessary insight for the analysis of the policy options on B2G collaboration, the project group decided to carry out a series of B2G use cases for a limited number of regulatory requirements (CHED-A and CHED-D, FLEGT, Waste Shipment formalities and FGAS). Member State customs authorities in Spain, Czechia and the Netherlands and a trade association (participating in the project group) respectively led these use cases, with the coordination of DG TAXUD and the collaboration of the partner DGs. A pilot conducted between Spain and DG SANTE to test the feasibility of option 6 supplements the use case on CHED-A and CHED-D certificates.
- c) Field visits to eight Member States: To facilitate much of the detailed insight needed on the existing situation, costs, benefits and other likely impacts of the policy options, and experiences of EU CSW-CVED so far. The sample included Czechia, France, Germany, Ireland, Italy, the Netherlands, Romania and Spain. Each case study was comprised of 10-15 mainly face-to-face interviews with customs, partner competent authorities and economic operators, and a review of relevant documentation. These largely provided the desired evidence, though it was difficult to obtain quantitative data on some aspects, such as likely implementation costs at national level and amounts of time spent on given clearance procedures. Nonetheless, the case study interviews provided the information needed to make reasonable assumptions about these issues and thereby informed the quantitative estimations.
- d) Commission officials working with various regulatory requirements in different DGs. Continuous exchanges of expertise and best practices took place among affected Commission DGs on dedicated topics to build up the internal expertise needed for this impact assessment. In April 2018, a two-day technical workshop was held in Washington D.C. between U.S. Customs and Border Protection officials and representatives from DG TAXUD, DG AGRI and DG ENV to exchange best practices on single window development and implementation. The results of these exchanges were regularly discussed and validated at meetings of the interservice steering group. This coordinated data collection and analysis approach proved instructive in ensuring the overall quality of the impact assessment report.
- e) Views of economic operators through the project group participating trade associations, targeted interviews and the open public consultation.
- f) Available data from the EU CSW-CVED pilot on the volumes of declarations requiring CED, CVED-A and CVED-P for four participating countries (Czechia, Estonia, Ireland and Latvia) were combined with qualitative information to make estimations on time saved for different stakeholders in the assessment of the efficiency of the EU CSW CVED pilot.

The following diagram illustrates the methods used to provide evidence for the preparation of the impact assessment. The triangulation of data sources collected from the consultation work strengthened the validity of the research.





External expertise used for the impact assessment:

The project group set up in December 2016 provided a framework for continuous exchanges among different experts in the field. This include customs policy and IT experts of Member States customs administrations, professionals from the trade community representing different business domains, specialists from partner competent authorities at EU and national level and representatives of the main international organisations related to international trade and experienced in single window facilitation tools (WCO, WTO and UNECE).

In addition, DG TAXUD commissioned an external study to evaluate the EU CSW-CVED pilot and EU CSW-CERTEX and to support the impact assessment. The external study report was written by Oxford Research, Coffey, Economisti Associati and wedoIT and published in March 2020<sup>123</sup>. This impact assessment has been further supplemented by the ICT assessment of impacts derived from the initiative assigned to other external consulting services.

<sup>123</sup> <https://tinyurl.com/ybbcbd42>

## **ANNEX 2: STAKEHOLDER CONSULTATION**

### **Introduction**

This synopsis report provides a summary of the stakeholder consultation carried out in the scope of the impact assessment. It serves both to present the outcome of the consultation activities and to show how the input has been taken into account.

Given the many actors that would be affected by and involved in implementing the EU Single Window environment for customs, stakeholder consultation has from the beginning formed an integral part of the policy development process. The consultation began in existing fora, and was formalised in the consultation strategy developed for the Inception Impact Assessment published in May 2018<sup>124</sup> and continued until late 2019. The consultation aimed to provide international trade stakeholders and the wider public with the opportunity to express their views on all relevant elements, as well as to gather specialised input on specific issues. The consultation responses have thus formed a vital part of the evidence base for the impact assessment, as well as satisfying transparency principles and helping to define priorities for the future initiative.

### **Consultation strategy**

The consultation strategy in the Inception Impact Assessment acknowledged the importance of feedback from both international trade stakeholders and the wider public. On this basis, it defined the groups to be consulted and stipulated that both a public consultation and targeted methods would be carried out. Overall, feedback was sought from and collected from the following stakeholders:

- Member States' customs authorities;
- Partner competent authorities (i.e. the Commission and Member States' partner competent authorities or agencies) that rely on customs to control or implement their policies at the border. Among these are veterinary, sanitary, phytosanitary, agricultural and fisheries, environmental, pharmaceutical authorities, etc.
- Economic operators dealing with cross-border goods movement, both in terms of individual companies and as represented by national, European and/or international trade and business associations. They can be grouped according to their function for trade transactions:
  - Manufacturers, retailers and wholesalers who are active in the business of purchasing and/or selling goods, particularly those subject to the policies of partner competent authorities;
  - Importing / exporting businesses;
  - Shipping and transport companies that organise and take care of the physical movement of goods, or arrange commercial transportation in the case of freight forwarders and logistics companies;
  - Port and airport operators, terminal handlers, stevedores and warehouse operators, who are involved in the physical movement of goods;
  - Customs and other intermediaries, who are involved in the fulfilment of procedures, including brokers and any businesses that provide a service to one or a

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<sup>124</sup> <https://ec.europa.eu/info/law/better-regulation/initiatives/ares-2018-2382035>



number of parties in the supply chain, usually in form of data processing and information exchange;

- EU businesses compliant with EU regulatory requirements that are affected by distortion of competition due to the uneven enforcement of these requirements.
- International organisations related to international trade and customs, such as UNECE, WCO and WTO;
- Other interested groups such as academics/researchers, professional consultants and interested citizens.

In addition to the feedback on the Inception Impact Assessment and the public consultation, a range of targeted methods were used. These preceded the direct work on the impact assessment with discussions in the frame of the related EU SW-CVED and EU CSW-CERTEX projects, and existing fora such as the Electronic Customs Coordination Group (ECCG), the Trade Contact Group (TCG) and the Customs Business Group (CBG).

A range of specific targeted activities were then carried out, many of which within or making use of the project group<sup>125</sup> that was set up to define the scope of the EU Customs Single Window and to elaborate on the legal and policy instruments suitable for this initiative. Consultation in this forum included five written questionnaires, a survey on the feasibility and desirability of the different policy options and the results of discussions taking place during regular project group meetings and follow-up phone interviews.

More detailed feedback and evidence was collected from a sample of eight Member States in the form of case study visits. These were each comprised of 10-15 interviews with customs authorities, partner competent authorities and individual businesses. Additional data was also collected at a High-Level Seminar hosted by the Romanian Presidency in May 2019 and a set of ‘use cases’ related to future B2G collaboration, as well as a number of general interviews with stakeholders from different groups (national members of trade associations, transport intermediaries, international organisations and various affected Commission DGs).

### **Methodology and tools for processing the data**

The consultation activities allowed for the collection data of both a qualitative and quantitative nature, which were processed and analysed systematically using appropriate techniques. Qualitative data (including interview responses) was coded according to key themes, then reviewed and analysed from different angles and presented in narrative form. Quantitative data (including survey responses and figures provided by stakeholders) was processed using Excel, and analysed using statistical methods such as frequency counts, cross-tabulations and simple trends. Results were presented in terms of tables, charts and graphs.

### **Results of the public consultation activities**

#### *Feedback on the Inception Impact Assessment*

The Inception Impact Assessment was published on 4 May 2018. Its purpose was to outline the context of the problem, introduce policy options for targeted EU level intervention, the potential impact of the initiative on other policy areas, and the main features of the consultation strategy. Stakeholders were able to provide feedback until 1 June 2018.

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<sup>125</sup> Customs 2020 Project Group to study a possible framework to develop the EU Single Window environment for customs (EU-SW) including the legal context.

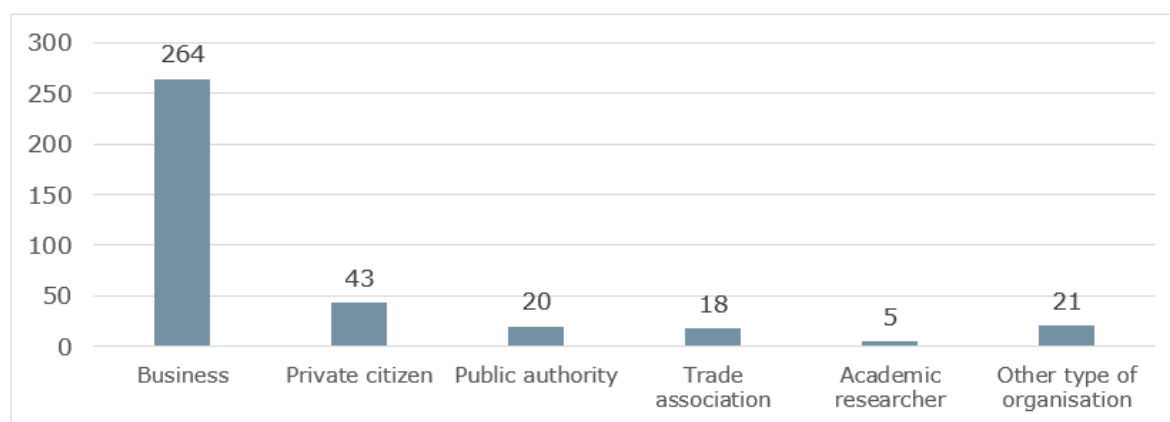
Five contributions were received on the Inception Impact Assessment. The respondents shared concerns about the existing challenges and welcomed the initiative and its objectives. All respondents viewed the single window as an important facilitation measure that would keep the EU economy competitive in the global marketplace. They highlighted that the development of a new legal framework would encourage the mandatory participation of the Member States in the EU Single Window environment for customs. According to one respondent, entry and exit formalities should also be accommodated within a comprehensive customs single window framework.

### *Public Consultation*

The public consultation was launched on 9 October 2018. It remained open until 17 January 2019 for a total of just over 14 weeks (i.e. longer than the usual 12 weeks to take into account the winter holiday period). A questionnaire was available online in all official EU languages (except Irish, due to resource constraints) and promoted among the members of trade associations, relevant national authorities and other stakeholders. It consisted of 24 questions, divided into three sections, focused on respondents' profiles, experiences with cross-border operations, and opinion on potential policy measures. Stakeholders could also upload additional contributions. A synopsis of the consultation has been published on the Europa website<sup>126</sup>.

The consultation showed widespread agreement about the existence and seriousness of the problems as identified in the impact assessment and welcomed the possibility of EU action to address these. In total, 371 valid responses were received, most of which represented businesses<sup>127</sup>.

**Figure 9: Question #2.3 of the public consultation: Which of the following best describes you?**



Over 80% of respondents reported having direct involvement in customs operations, the vast majority of which expected significant benefits from an EU Single Window environment for customs. Most respondents were also micro, small, or medium enterprises (MSME). Being disproportionately affected by the current problems, these expected large gains from the streamlined trade compliance that would come from the new initiative. Small enterprises were the largest segment of respondents, with 77 businesses, and five trade associations and organisations belonging to the group. The most represented Member States were France,

<sup>126</sup>

[https://ec.europa.eu/taxation\\_customs/sites/taxation/files/eu\\_sw\\_environment\\_4\\_customs\\_public\\_consultation\\_summary\\_report\\_en.pdf](https://ec.europa.eu/taxation_customs/sites/taxation/files/eu_sw_environment_4_customs_public_consultation_summary_report_en.pdf)

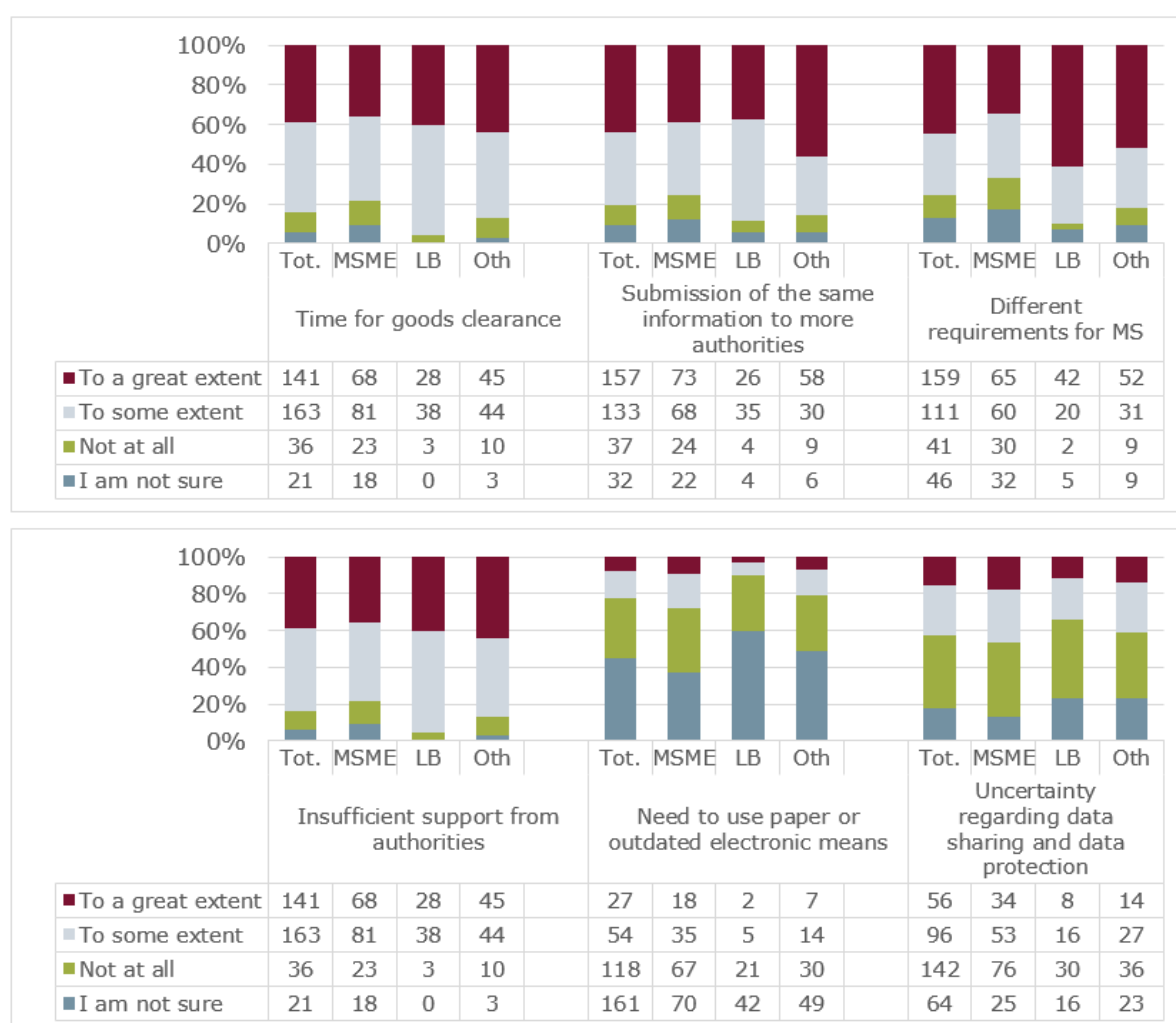
<sup>127</sup> Ten double entries and empty responses were also received, but not retained for the analysis.

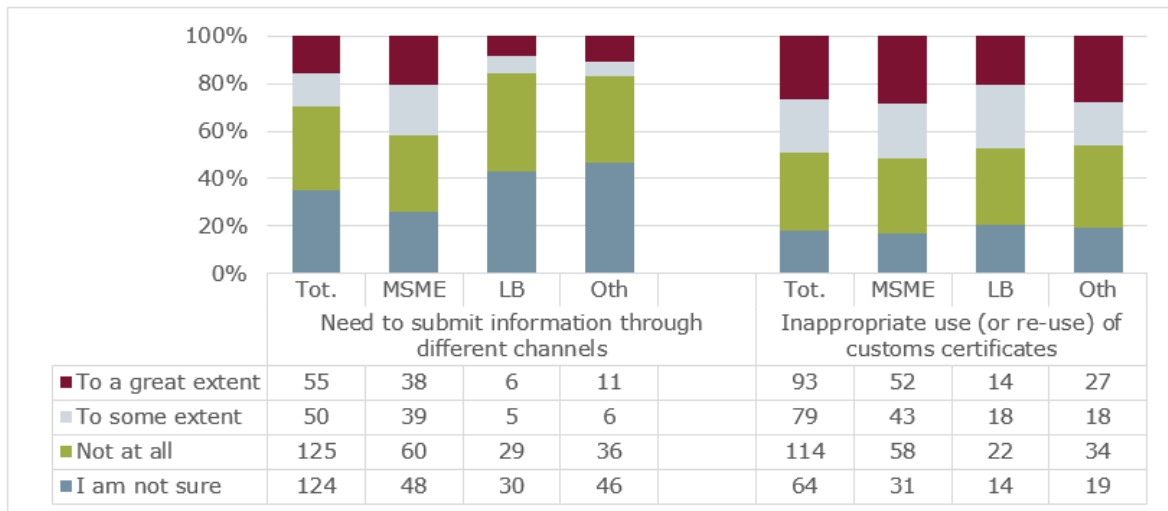
Germany, Italy, Spain, the UK, the Netherlands and Poland, while the most represented non-EU countries were China and the United States.

Between one fifth and one third of the businesses involved in the cross-border movement of goods reported that their customs declarations involve CED, CVED-A, or CVED-P certificates, the processes for which would be among the first to improve when the new initiative is implemented.

Respondents highlighted key issues and challenges that currently affect negatively the work of organisations involved in the cross-border movement of goods in the EU. Most notably these issues had to do with the delays in customs clearance, continued use of paper documents, re-submission of the same information, insufficient support from authorities, differing data requirements among Member States, and inappropriate use of customs certificates, all of which would be addressed in the proposed initiative. The majority of MSME and larger businesses confirmed that these issues translate into concrete problems in their activities, such as additional operational costs for training, services, reporting obligations, etc. Around 35 respondents also indicated other issues affecting cross-border operations, including a lack of coordination among authorities.

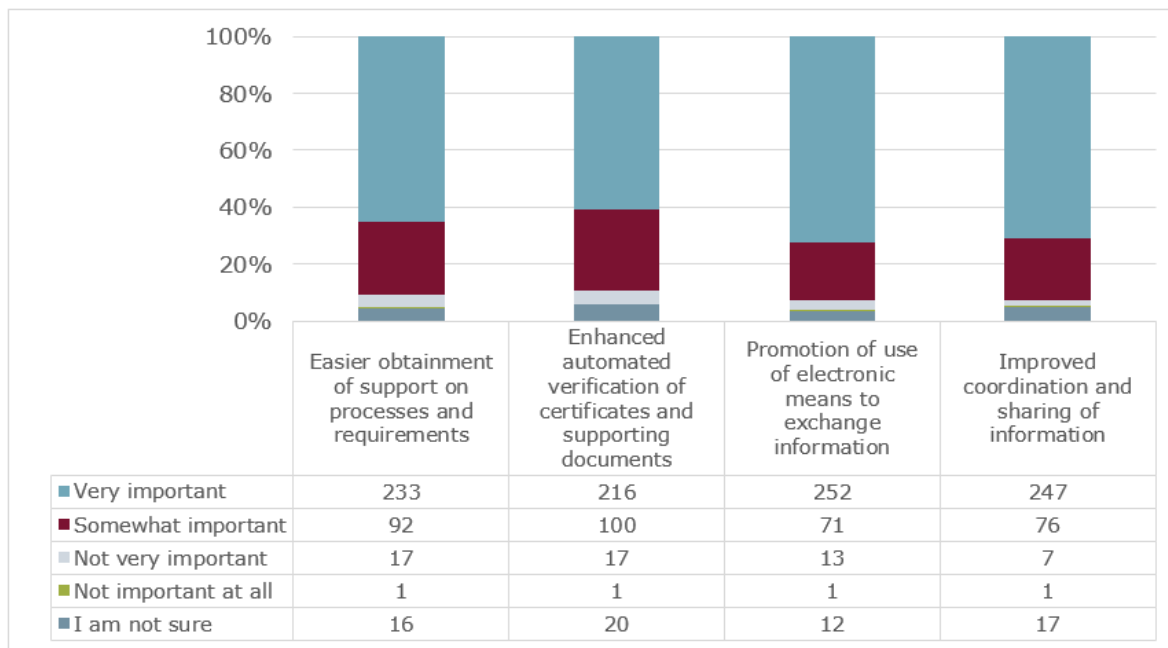
**Figure 10: Question #3.3 from the public consultation: To what extent you think that the issues listed below negatively affect organisations involved in the cross-border movement of goods in the EU?**

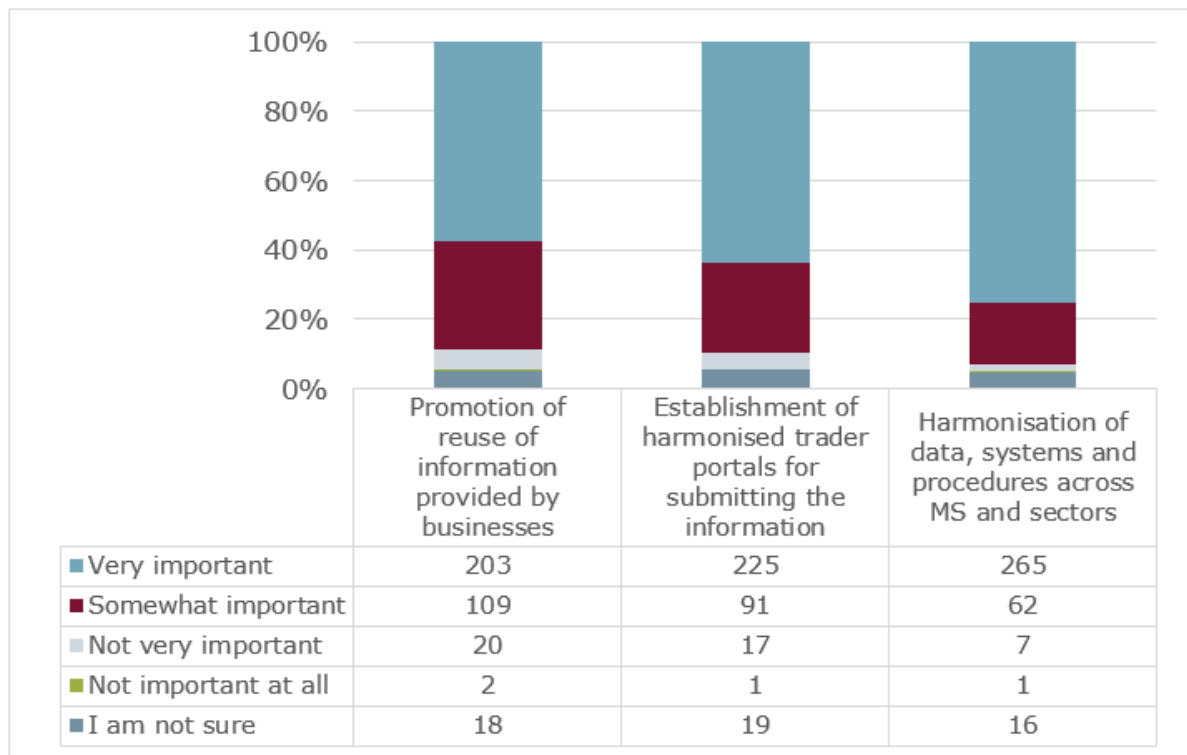




Strong support was expressed for further EU action to improve the trade and transport of goods across borders. The potential objectives for a new initiative were considered important by over 90% of respondents.

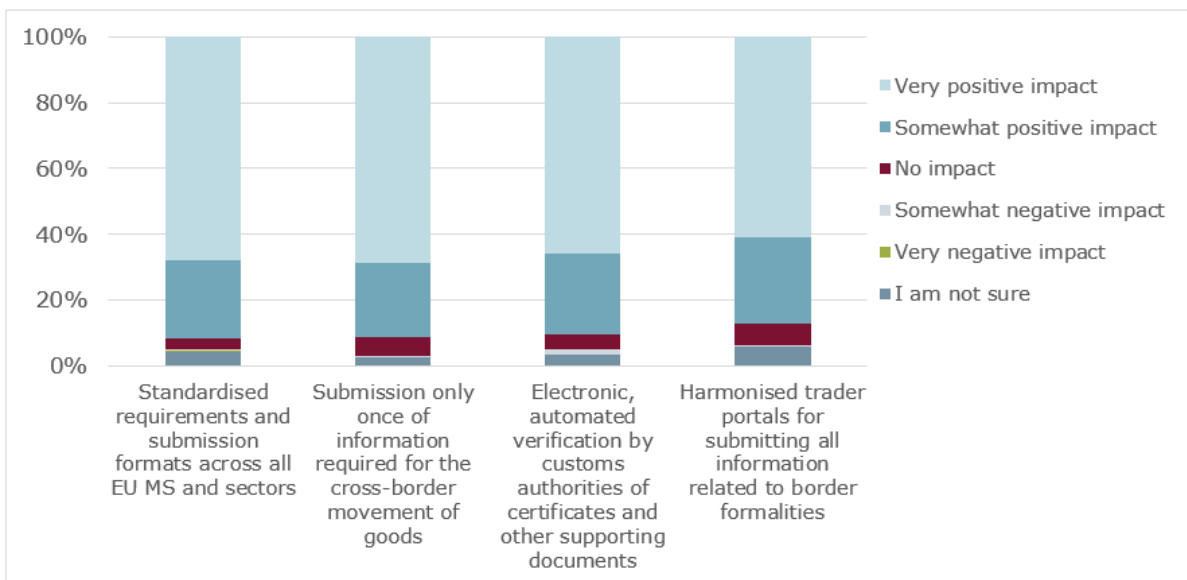
**Figure 11: Question #4.1 from the public consultation: Possible EU action to improve the trade and transport of goods across borders is likely to focus on one or more of the following objectives. Please indicate how important each of these objectives is to you and your organisation.**



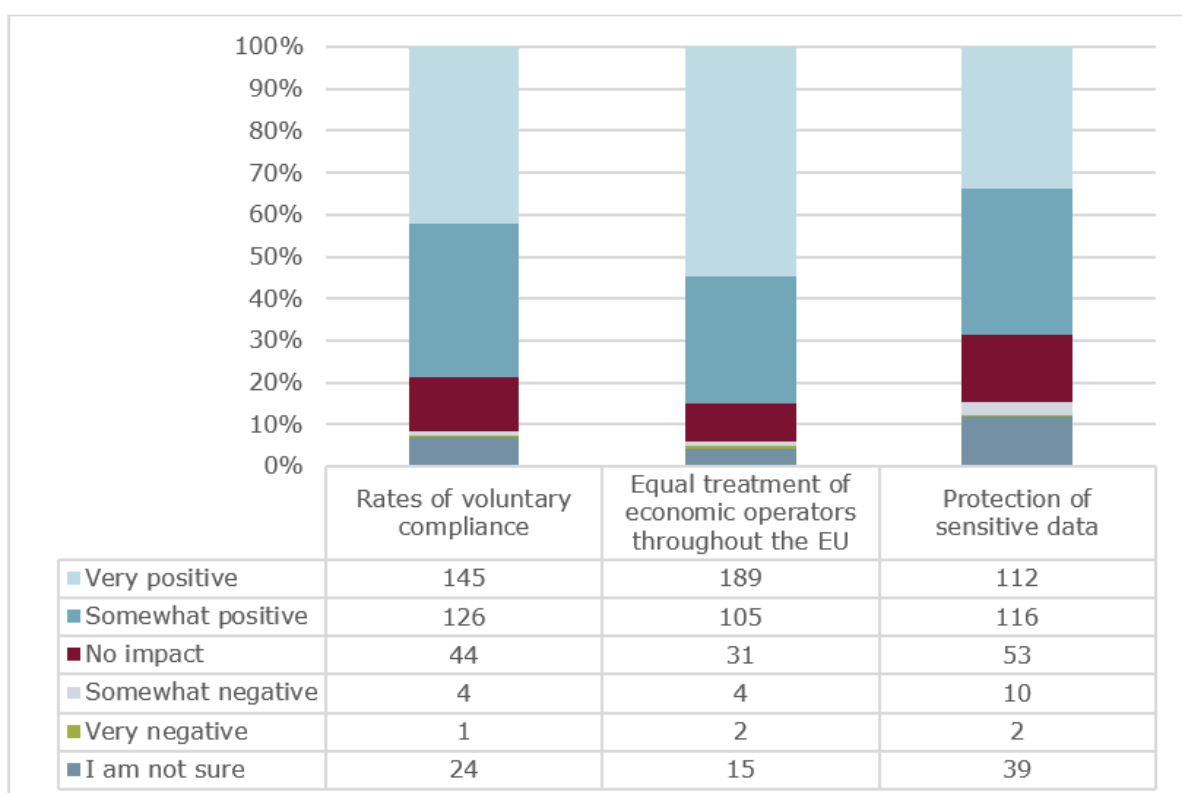
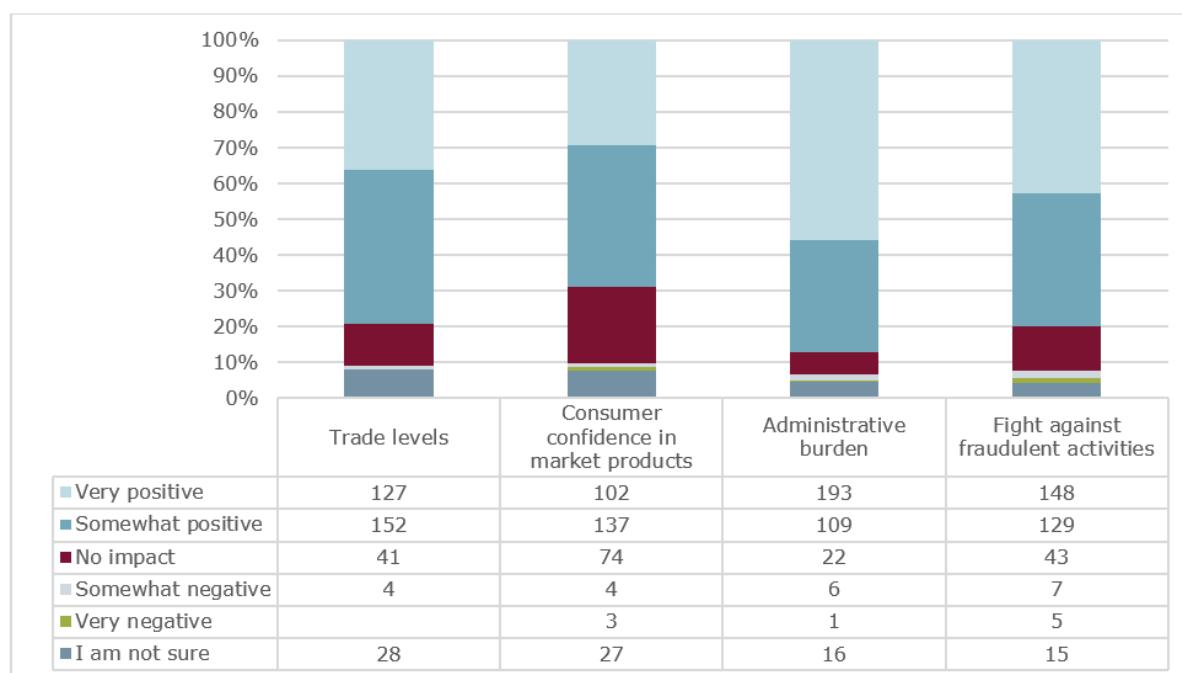


All proposed changes triggered by new EU action were expected to have very positive impacts on business operations, particularly on the reduction of administrative burden, the equal treatment of economic operators and the fight against fraudulent activities.

**Figure 12: Question #4.2 Compared to the current situation, what impacts do you think the following changes would have on organisations' operations in the movement of goods across borders?**



**Figure 13: Question #4.3 [...] Please indicate what kind of effects (positive or negative) you think that the changes mentioned in question 4.2 would have on the following:**



Other possible impacts of the proposed changes raised by some of the respondents, referred to aspects similar to those covered by Question 4.3 (particularly reduction in administrative burden, equal treatment of operators, and increased control thanks to enhanced fight against fraudulent activities). A couple of respondents pointed out that this may also translated in an increase in operators' confidence in their ability to avoid mistake, and the related operators'

confidence in authorities. Finally, in another couple of cases, respondents pointed out that an EU action may have a negative on impacts on economic operators, particularly SME, in terms of costs to adapt to the changes.

## **Results of the targeted consultation activities**

### *Project Group on the EU Customs Single Window*<sup>128</sup>

A project group was set up to define the scope of the EU Customs Single Window and elaborate the legal and policy instruments suitable for the initiative. Launched in December 2016, the project group continued to meet regularly until June 2019, combining the expertise of customs and IT delegates from 19 Member States administrations and six representatives of trade associations.<sup>129</sup> The project group provided a valuable forum for sharing experiences, carrying out the preliminary work on the introduction of the draft legal proposal, and collecting data for the purposes of the impact assessment. Its activities were further augmented by promoting the participation of leading experts from the World Customs Organisation (WCO), United Nations Economic Commission for Europe (UNECE), World Trade Organisation (WTO) and academia.

The project group held 13 regular meeting sessions during its duration. Ten of these meetings took place in various locations across the EU hosted primarily in the premises of national customs administrations. These onsite experiences allowed for knowledge sharing on a wide range of national initiatives on the single window from both a customs and IT perspective.

Principally, the project group analysed and discussed issues and trends related to the single window concept at EU and national level to assess the gap between the current situation faced by administrations and economic operators and its outlook for the future. Among its deliverables, the project group collaborated closely to develop the problem definition and the policy objectives and policy options that were taken forward as part of the study to support impact assessment.

Much of the data collection for the impact assessment took place in the framework of the project group. This included five written questionnaires (on volumes of relevant supporting documents; clearance processing times and costs; views to further develop option 6; experiences with EU SW-CVED; and a follow-up to fill gaps from previous consultations), a survey on the feasibility and desirability of the different policy options, and the results of discussions taking place during period project group meetings.

A survey was also carried out to analyse the policy options defined for the impact assessment. Although preferences about the potential scope of a new initiative were diverse in terms of the ambition of commitments at national and EU levels, both the Member States and trade associations showed strong will for new EU action to improve the current situation.

Among its key findings, the survey concluded that in terms of the political and technical feasibility for the G2G solutions, Member States indicated a clear preference for option 1 focusing on regulatory requirements managed through EU electronic systems. Option 2 also received strong support from about half of the Member States. Among the responses related to the B2G exchanges, option 6 on interoperable national Customs Single Windows emerged as the favoured choice. Its flexibility was seen as a major advantage allowing Member States

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<sup>128</sup> Customs 2020 Project Group to study a possible framework to develop the EU Single Window environment for customs (EU-SW) including the legal context.

<sup>129</sup> Representatives of industry associations engaged in regular consultations at Union level through the Trade Contact Group platform on the development and implementation of customs policy.

to pursue their own initiatives while benefiting from a degree of standardisation that would benefit traders. The majority of trade associations believed that apart from the baseline scenario, all the other options would to some extent make clearance processes smoother for their members.

### *B2G use cases*

Consultation in the project group and early case study fieldwork showed that evidence on the policy options for B2G collaboration was especially hard to obtain. This was because there is no experience in this domain and the practical implications of these options had not yet been worked through in enough detail. To obtain the necessary insight, it was thus decided that the project group will carry out a series of B2G use cases to analyse the potential application of option 6 to a limited number of regulatory requirements. The use cases were led by Member State customs authorities in Czechia, the Netherlands and Spain and one trade association (participating in the project group), with the coordination of DG TAXUD and the collaboration of the partner DGs. They covered regulatory requirements for the import of live animals, sustainable and legal forest management, waste shipment and fluorinated greenhouse gases. The B2G use cases showed the applicability of this approach to the first two formalities and the difficulties of its implementation in the context of the other two. In addition, a pilot is being conducted between Spain and DG SANTE to test the feasibility of the single-entry point concept for CHED-A certificates.

### *Field visits in 8 MS*

Eight country<sup>130</sup> case studies were carried out between October 2018 and February 2019 to provide evidence for the impact assessment. By collecting and analysing data on the current situation and expected future developments, the case studies aimed to generate insight on the nature and scale of any existing problems and likely impacts of the policy options defined for the potential new initiative. The eight Member States were selected with a view to covering complementary areas of interest and achieving a degree of representativeness for instance with regard to the types of border crossing.

Each case study consisted of 10-15 interviews with customs officials, partner competent authorities, and economic operators and a review of relevant documents. The case studies revealed detailed insight on the existing situation and experiences with the EU SW-CVED pilot project, costs, benefits and other likely impacts of the policy options. The research was narrowed down to national specificities and varied according to geography, trading profile, administrative set-up and participation (or not) in the EU SW-CVED and EU CSW-CERTEX). Although it was difficult to obtain quantitative data on certain aspects, such as likely implementation costs at national level and amounts of time spent on given clearance procedures, the case study interviews provided evidence to make reasonable assumptions about these issues.

### *High Level Seminar on the EU Single Window environment for customs initiative*

The EU Romanian Presidency hosted a two-day high-level seminar in Bucharest on 16-17 May 2019 on the initiative related to the establishment of an EU Single Window environment for customs. This seminar was jointly organised with DG TAXUD with the participation of senior management officials from national customs administrations, candidate countries, representatives of trade associations and keynote speakers from the US Customs and Border Protection, UNECE, the World Bank and the EC DIGIT.

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<sup>130</sup> Czechia, France, Germany, Ireland, Italy, the Netherlands, Romania and Spain.



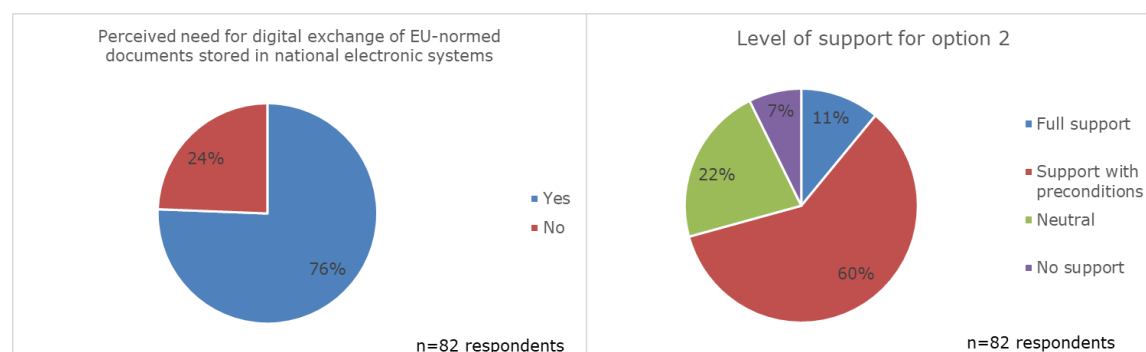
The objective of the Seminar was to present and discuss with the senior management of national customs administrations and representatives of trade associations the policy options identified during the impact assessment exercise. A series of workshops were held to address the relevance of the policy options in the government-to-government (G2G) and business-to-government (B2G) context, with informal polls conducted to gauge support for different policy options.

In view of the G2G cooperation, the meeting participants expressed strong, nearly unanimous support for the establishment of a legal framework to govern the exchange of information between customs and partner competent authorities, particularly as it relates to the verification of supporting documents to the customs declaration, hosted in EU systems. This layer of G2G cooperation is already running in parallel with the EU Customs Single Window Certificates Exchanges (EU CSW-CERTEX) pilot. The meeting participants expressed strong support for the development of a legal framework for the EU Single Window environment for Customs, which will legitimate the EU CSW-CERTEX and build on current initiatives.

Support was also provided with preconditions for the development of a legal framework to allow the interoperability between customs and national certification systems for EU supporting documents to the customs declaration.<sup>131</sup> However, this option deserved a more detailed analysis, including the identification of the list of procedures and certificates in scope, efficient allocation of resources, responsibilities, timing and funding, and the establishment of benchmark measures for success.

Most notably, national customs authorities expressed their views on viable policy options in an informal poll taken at this seminar. The poll revealed a widespread perception that the connections that would be facilitated by option 2 are important. On the other hand, while few respondents were not enthusiastic with this option, most offered support with pre-conditions<sup>132</sup> as shown in the graph below.

**Figure 14: High-level seminar – support for option 2 (G2G)**



Source: Informal poll of participants (mainly from national customs authorities) at the High-level seminar on the EU Single Window environment for customs initiative

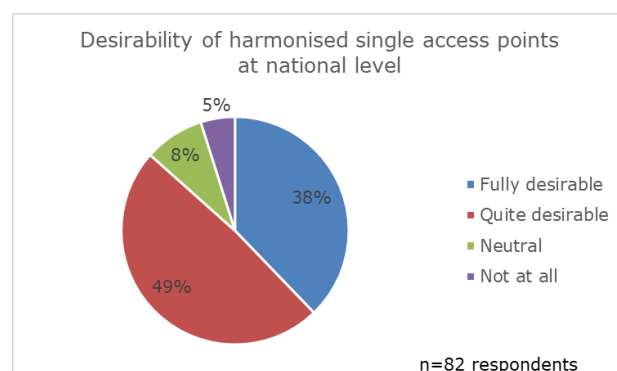
Asked whether harmonised single access points at national level would be desirable, 87% responded either ‘fully desirable’ or ‘quite desirable’ as demonstrated in the graph below. The reasons given for these responses corresponded to the envisaged benefits of the initiative,

<sup>131</sup> Pre-conditions included a need for more funding, voluntary implementation or a very long implementation timeframe. In addition, several respondents did not think Option 2 should be pursued until EU systems had been developed for the regulatory requirements covered, which de facto would mean incorporating Option 2 into Option 1.

<sup>132</sup> Pre-conditions included a need for more funding, voluntary implementation or a very long implementation timeframe. In addition, several respondents did not think Option 2 should be pursued until EU systems had been developed for the regulatory requirements covered, which de facto would mean incorporating Option 2 into Option 1.

including cutting costs, increasing efficiency, simplification, faster clearance and release of goods, better reuse of data, increased effectiveness of controls and better risk management.

**Figure 15: High-level seminar – support for option 6 (B2G)**



Source: *Informal poll of participants (mainly from national customs authorities) at the High-level seminar on the EU Single Window environment for customs*

With respect to the B2G interaction, it was concluded that the possibility of establishing harmonised access points at national level to fulfil customs and non-customs formalities should be voluntary. Data harmonisation and standardisation were viewed as a fundamental precondition for providing increased benefits for trade before considering the mandatory application of this option. In addition, the meeting participants expressed strong agreement on the extension of the economic operator registration and identification (EORI) number to the formalities required by partner competent authorities for the international trade in goods.

#### *EDPS*

To ensure the protection of personal data and privacy, the Commission consulted the European Data Protection Supervisor on the processing of personal data within the EU Single Window environment for customs.

#### **Taking account of feedback received**

A concerted effort was made, particularly through discussions in the project group and High-Level Seminar to feed back on the ongoing consultation activities and to ensure that the views and concerns of affected stakeholders were carefully considered throughout the impact assessment exercise. This was particularly the case for the analysis of the problem and the development and analysis of the policy options, where the arguments presented in the impact assessment are broadly in line with stakeholder views.

### ANNEX 3: WHO IS AFFECTED AND HOW?

#### Practical implications of the initiative

The practical implications are given by stakeholder group.

#### Member States customs administrations

Option 1	<p>This option would lead to important process changes that would save significant time in the customs clearance. In broad terms, instead of needing to ask economic operators to provide physical documents to support customs declarations, the necessary documents would be delivered to customs IT systems (in the correct data format) electronically and securely from the respective EU electronic system. For the regulatory requirements covered by this option, this would obviate the need to consult paper documents or external systems, introduce possibilities for automated verification and reduce reliance on manual documentary checks. The change would be especially pronounced for regulatory requirements where quantities of authorised goods can be split across multiple customs declarations. Verifying that ‘write-offs’ were correct currently requires time-consuming checks of paper documents and interactions with partner competent authorities, often based in other locations or Member States. With the introduction of automated quantity management under this option, the verification would be instantaneous and secure, preventing any goods over the authorised quantity from being cleared. Moreover, having all information in electronic form makes it easier, where relevant, to coordinate checks with partner competent authorities.</p> <p>Significant human resource savings are expected for the national customs administrations. The automated verification of supporting documents will require less human resources and ultimately expand the control capacities of customs authorities. For standard cases (e.g. where the decision of the competent authority is favourable and there are no inconsistencies between the customs declaration and the supporting document) the documentary check can be fully automated, thus requiring no human intervention. As regards non-standard cases, the initial automated check will identify those to subsequently revert them to a customs officer, thus facilitating the intelligent allocation of human resources. Additionally, given the 24/7 availability of the automated supporting documents verification service, the clearance of standard cases may happen even outside the working hours.</p> <p>Reduced risk of receiving falsified supporting documents, as customs authorities would receive the data directly from the partner competent authority certification system.</p>
Option 6	<p>Data simplification and harmonisation between customs and non-customs formalities and better alignment of procedures.</p> <p>The risk of fraud and the number of errors could be reduced because the data and documentation required would be sent just once to all the authorities involved.</p> <p>Improved risk management stemming from increased amount of electronic data obtained from economic operators as part of the customs declaration and the easier data sharing among authorities. It could enable joint risk analysis if necessary.</p>
Option 8(ii)	<p>This would allow customs and partner competent authorities to exchange, collect and receive information about economic operators more easily, facilitating the</p>

	implementation of option 1 and 6.
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#### Partner competent authorities

Option 1	<p>Better enforcement and control of their policies. Quantity management at EU level would in particular avoid fraudulent use of supporting documents over the authorised quantities. The automated exchange of information between authorities would in addition eliminate to the risk of clearing goods under a falsified supporting document. Moreover, standardising the exchange of information between EU partner competent authorities systems and national customs systems, would also bring the opportunity to harmonize the implementation of non-customs legislation by national customs administrations across the EU.</p> <p>Processes would also be simplified and made more efficient for partner competent authorities. Instead of needing to provide validated supporting documents to economic operators (who then take them onwards to customs authorities), this option would allow electronic versions to be transferred to customs authorities directly, in an automated way. This would reduce the time needed to document the results of checks, as well as making it easier to arrange and coordinate controls efficiently.</p>
Option 6	<p>Data simplification and harmonisation between customs and non-customs formalities and alignment of procedures.</p> <p>The risk of fraud and the number of errors could be reduced because the data and documentation required would be sent just once to all the authorities involved.</p> <p>Possibility to benefit from data validation performed by customs according to the rules agreed in advance.</p> <p>Improved risk management stemming from increased amount of electronic data obtained from economic operators as part of the customs declaration and the easier data sharing among authorities. It could enable joint risk analysis if necessary.</p>
Option 8(ii)	<p>This would allow customs and partner competent authorities to exchange, collect and receive information about economic operators more easily, facilitating the implementation of option 1 and 6.</p>

#### Economic Operators

Option 1	<p>The option is expected to generate major efficiency gains and time savings in the clearance of goods. Instead of presenting supporting documents in paper form for the customs clearance, transferring them physically between authorities, economic operators would benefit from the direct automated exchange between authorities through this G2G connection. This also means that application for supporting documents and customs declarations could be lodged in parallel, simplifying business processes and reducing delays, while speeding up processing. In addition, customs authorities would, in the majority of the cases, be able to verify the supporting documents in an automated way, thus reducing time and resources needed by economic operators to attend documentary controls. Given the 24/7</p>
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	<p>availability of the automated supporting documents verification service, the clearance of standard cases may happen even outside the working hours.</p> <p>Moreover, the G2G information exchange could also led to coordinated checks between customs and partner competent authorities, avoiding the movement of containers at cost to the economic operators that previously took place.</p> <p>Finally, this option would enable a harmonised implementation of non-customs legislation by national customs administrations by standardizing the exchange of information between authorities. It would play a role in furthering the single market, eliminating possibilities for distorted competition.</p>
Option 6	<p>This is essentially a trade facilitation tool that would provide economic operators with a single point of entry for the submission of customs and non-customs information. This solution would simplify clearance procedures and address key problems such as the need to submit similar information to multiple authorities for the same movements. Instead of needing to submit data to different authorities at different times, and in different formats, this option would rationalise the process, allowing customs and non-customs data to be submitted together. This would eliminate data redundancies and enable easier monitoring of the status of requests and automated verification of documents related to a number of regulatory requirements.</p>
Option 8(ii)	<p>This would allow customs and partner competent authorities to exchange, collect and receive information about economic operators more easily, with the purpose of reducing the administrative burden on economic operators and facilitating the implementation of option 1 and 6.</p>

### Citizens

Option 1	<p>The envisaged social and environmental impacts of this option are very important. These would be felt first by customs and partner competent authorities, whose ability to work effectively would be improved. Ultimately, citizens will benefit from a better compliance and enforcement of non-customs EU regulatory requirements. An efficient exchange of information and integration of procedures would allow for the early detection of fraudulent activities. This would have positive impacts on protecting public health and safety; enhancing security; preserving the cultural heritage and protecting animal welfare and the environment.</p>
Option 6	<p>The simplification of regulatory requirements, the decrease of clearance time and the resources needed to deal with them, may ultimately benefit citizens as lower costs may be transferred to them in the form of lower prices.</p> <p>The improved cooperation and coordination between authorities, better risk management, reduced fraud and errors and better compliance and enforcement of EU policies in the scope of this initiative would indirectly lead to a better protection of the citizens and the environment.</p>
Option 8(ii)	N/A

### Summary of costs and benefits for the preferred option package

Preferred option: package of options 1+6+8(ii)			
Total for gradual implementation years 1-7	Costs (-€m, low and high ranges except for EC costs)	European Commission	64.73
		Member State authorities	64.38
			127.73
		Total	129.11
	Benefits (€m, low and high ranges)		192.46
		Member State customs	212.87
			336.89
		Member State Partner Competent authorities	25.91
			64.77
		Economic operators	494.10
			688.41
		Total	732.88
			1 090.08
	Net impact (€m, low and high ranges)		540.42
			960.97
	EUR benefits per EUR spent, low and high ranges		3.81
			8.40
Annual total once fully operational, from year 8 onwards	Costs (-€m, low and high ranges except for EC costs)	EC	6.35
		MS authorities	5.91
			11.75
		Total	12.26
	Benefits (€m, low and high ranges)		18.10
		Member State customs	60.82
			96.25
		Member State Partner Competent authorities	7.40
			18.51
		Economic operators	141.17
			196.69
		Total	209.39
			311.45
	Net impact (€m)		191.29
			299.19
	EUR benefits per EUR spent, low and high ranges		11.57
			25.40

#### **ANNEX 4: ANALYTICAL METHODS**

The impact assessment is based on the triangulation of evidence from a wide range of sources which has been analysed using the usual methods for social and economic research. While more advanced methods, such as econometric modelling, were considered, these were deemed unsuitable due to the expected limited scale of second-order effects on international trade.

The methods used are described in detail in various parts of this document as follows:

- Standard cost model: this was used to analyse the direct economic impacts of the policy options, as described in section 6 of the main report.
- Stakeholder consultation: extensive public and targeted consultation activities were carried out, with the data analysed in different ways and fed into the impact assessment. The activities and analytical methods are described in Annex 2: Stakeholder consultation.
- Evaluation of EU SW-CVED and EU CSW-CERTEX: as described in Annex 14, the evaluation was based on the triangulation of evidence from several desk research sources and stakeholder consultation.
- ICT assessment: the extensive stakeholder consultation showed that the impact of this initiative must be also assessed from an IT perspective within the G2G and B2G areas. For this reason, DG TAXUD commissioned an external contractor to assess the relevant ICT impacts derived from the implementation of the viable policy options. As described in Annex 15, the report analyses in detail the IT requirements and implications for each viable policy option, focusing on three main IT project management domains: project timeline and integration, governance and operations and system architecture.

## ANNEX 5: ACRONYMS

Acronym	Explanation
<b>AGREX</b>	Agriculture Export Licence
<b>AGRIM</b>	Agriculture Import Licence
<b>AACE</b>	African Alliance for e-Commerce
<b>ACE</b>	Automated Commercial Environment (U.S.)
<b>APEC</b>	Asia-Pacific Economic Cooperation
<b>ASEAN</b>	Association of Southeast Asian Nations
<b>B2G</b>	Business-to-Government cooperation
<b>CBP</b>	U.S. Customs and Border Protection
<b>CBSA</b>	Canada Border Services Agency
<b>CCFV</b>	Certificate of conformity for fruits and vegetables
<b>CED</b>	Common Entry Document for Feed and Food of non-Animal Origin
<b>CEPIC</b>	European Chemical Industry Council
<b>CHED</b>	Common Health Entry Document for Plants, Plant Products and Plant Propagation Material, Products of Animal Origin and Live Animals
<b>CHED-A</b>	Common Health Entry Document for Animals
<b>CHED-D</b>	Common Health Entry Document for Feed and Food of Non-Animal Origin
<b>CHED-P</b>	Common Health Entry Document for Animal Products
<b>CHED-PP</b>	Common Health Entry Document for Plants and Plant Products
<b>CITES</b>	Convention on International Trade in Endangered Species of Wild Fauna and Flora
<b>CLECAT</b>	European Association for Forwarding, Transport, Logistics and Customs Services
<b>COI</b>	Certificate of Inspection (for import of products from organic production into the European Union)
<b>CVED</b>	Common Veterinary Entry Document
<b>CVED-A</b>	Common Veterinary Entry Document for Animals
<b>CVED-P</b>	Common Veterinary Entry Document for Products of Animal Origin
<b>DG</b>	Directorate-General
<b>DG AGRI</b>	Directorate-General for Agriculture and Rural Development
<b>DG CLIMA</b>	Directorate-General for Climate Action
<b>DG ENV</b>	Directorate-General for Environment
<b>DG GROW</b>	Directorate-General for Internal Market, Industry, Entrepreneurship and Small and Medium-sized Enterprises
<b>DG HOME</b>	Directorate-General for Migration and Home Affairs
<b>DG MARE</b>	Directorate-General Maritime Affairs and Fisheries
<b>DG MOVE</b>	Directorate-General for Mobility and Transport
<b>DG SANTE</b>	Directorate-General for Health and Food Safety
<b>DG TAXUD</b>	Directorate-General for Taxation and Customs Union
<b>DG TRADE</b>	Directorate-General for Trade
<b>EC</b>	European Commission
<b>ECHA</b>	European Chemicals Agency
<b>ECOFIN</b>	Economic and Financial Affairs Council, responsible for EU policy in three main areas: economic policy, taxation issues and the regulation of financial services
<b>EDI</b>	Electronic data interchange
<b>EDIFACT</b>	Electronic Data Interchange For Administration, Commerce and Transport
<b>eDUES</b>	Electronic Dual Use Export Authorisation System



<b>eIDAS</b>	Electronic Identification, Authentication and trust Services
<b>ePIC</b>	IT system for Prior Informed Consent (PIC)
<b>EU</b>	European Union
<b>EU-CSW</b>	EU Customs Single Window
<b>EU CSW-CERTEX</b>	EU Customs Single Window CERTificates EXchange
<b>EU CSW-CVED</b>	EU Customs Single Window – Common Veterinary Entry Document
<b>EORI</b>	Economic Operator Registration and Identification
<b>FGAS</b>	Fluorinated greenhouse gases
<b>FLEGT</b>	Forest Law Enforcement, Governance and Trade
<b>FTE</b>	Full-time employee
<b>G2G</b>	Government-to-Government cooperation
<b>HFCs</b>	Hydrofluorocarbons
<b>IAS</b>	Invasive Alien Species
<b>ICEGATE</b>	Indian Customs Electronic Commerce Gateway
<b>ICS</b>	Import Control System
<b>ICS2</b>	Import Control System 2
<b>ICSMS</b>	Information and Communication System for Market Surveillance
<b>ICT</b>	Information and Communication Technology
<b>IID</b>	Integrated Import Declaration
<b>IUU Catch</b>	Illegal, Unreported and Unregulated fishing regulation, Catch certificate
<b>IPCSA</b>	International Port Community System Association
<b>IT</b>	Information Technology
<b>ITDS</b>	International Trade Data System (U.S.)
<b>KPCS</b>	Kimberley Process Certification Scheme
<b>MASP-C</b>	Multi-Annual Strategic Plan for Customs
<b>MRN</b>	Movement Reference Number
<b>MS</b>	Member State
<b>MSME</b>	Micro, Small, or Medium Enterprises
<b>NGO</b>	Non-Governmental Organisation
<b>NCTS</b>	New Computerised Transit System
<b>NMSWs</b>	National Maritime Single Window(s)
<b>ODS</b>	Ozone-Depleting Substances
<b>PCA</b>	Partner Competent Authority
<b>PCS</b>	Port Community System
<b>PGA</b>	Partner Government Agency (U.S.)
<b>PDF</b>	Portable Document Format
<b>PD-NEA</b>	Portal Dashboard for National Enforcement Authorities
<b>PIC</b>	Prior Informed Consent
<b>RAMMAP</b>	Reform and Modernization-Monitoring Activities and Projects
<b>REACH</b>	Registration, Evaluation, Authorisation and Restriction of Chemicals
<b>REX</b>	Registered Exporters System
<b>RIN</b>	Reference Identification Number
<b>SME</b>	Small and Medium Enterprises
<b>SPEED</b>	Single Portal for Entry or Exit of Data
<b>SWIFT</b>	Indian Single Window Interface for Facilitation of Trade
<b>SWIM</b>	Single Window Interactive Map

<b>TARIC</b>	TARif Intégré Communautaire, Integrated Tariff of the European Union, multilingual database integrating all measures relating to EU customs tariff, commercial and agricultural legislation
<b>TFA</b>	Trade Facilitation Agreement
<b>TFEU</b>	Treaty on the Functioning of the European Union
<b>TRACES</b>	TRAdE Control and Expert System
<b>TRACES NT</b>	TRAdE Control and Expert System New Technology
<b>UCC</b>	The Union Customs Code
<b>UN</b>	United Nations
<b>UN/CEFACT</b>	United Nations Centre for Trade Facilitation and Electronic Business
<b>UNECE</b>	United Nations Economic Commission for Europe
<b>UUM&amp;DS</b>	Uniform User Management & Digital Signatures
<b>VAT</b>	Value Added Tax
<b>WCO</b>	World Customs Organisation
<b>WTO</b>	World Trade Organisation
<b>XML</b>	Extensible Markup Language

## ANNEX 6: GLOSSARY

Term	Definition
<b>APEC</b>	Asia-Pacific Economic Cooperation. A forum established as a vehicle for multilateral cooperation among the market-oriented economies of the region to better manage their growing interdependence and sustain economic growth. Begun in 1989 as an informal grouping of 12 Asia-Pacific economies (Australia, Brunei, Canada, Indonesia, Japan, South Korea, Malaysia, New Zealand, Philippines, Singapore, Thailand and the United States), APEC admitted the People's Republic of China, Chinese Taipei and Hong Kong in 1991, Mexico and Papua New Guinea in 1993, Chile in 1994, and Peru, Russia and Vietnam in 1998.
<b>ASEAN</b>	Association of Southeast Asian Nations. A geopolitical and economic organisation of ten Southeast Asian Countries. Formed in 1967 by Indonesia, Malaysia, the Philippines, Singapore and Thailand and subsequently expanded to include Brunei, Burma (Myanmar), Cambodia, Laos and Vietnam.
<b>Business to Government (B2G)</b>	The electronic sharing of data and/or information systems between businesses and government agencies, departments or organizations.
<b>Centralised Clearance</b>	Simplification that allows economic operators to declare goods in one Member State (Supervising Customs Office) and present them in a different Member State (Presentation Customs Office). This allows economic operators to centralise the accounting and payment of customs duties for all their customs transactions in the Supervising Customs Office.
<b>Certificate of origin</b>	A specific document identifying the goods, in which the authority or body empowered to issue it certifies expressly that the goods to which the certificate relates originate in a specific country.
<b>Competitive advantage</b>	An attribute that allows a company to outperform its competitors.
<b>Consortium</b>	An agreement or individuals or companies who join together for a common purpose.
<b>Cost-benefit analysis</b>	A systematic approach to estimating the strengths and weaknesses of alternatives used to determine options which provide the best approach to achieving benefits while preserving savings.
<b>Customs authorities</b>	Customs administrations of the Member States responsible for applying the customs legislation and any other authorities empowered under national law to apply certain customs legislation (as defined in Article 5(1) of Regulation (EU) 952/2013).
<b>Customs controls</b>	Specific acts performed by the customs authorities in order to ensure compliance with the customs legislation and other legislation governing the entry, exit, transit, movement, storage and end-use of goods moved between the customs territory of the Union and countries or territories outside that territory, and the presence and movement within the customs territory of the Union of non-Union goods and goods placed under the end-use procedure (as defined in Article 5(3) of Regulation (EU) 952/2013).
<b>Customs declaration</b>	The act whereby a person indicates, in the prescribed form and manner, a wish to place goods under a given customs procedure, with

	an indication, where appropriate, of any specific arrangements to be applied (as defined in Article 5(12) of Regulation (EU) 952/2013).
<b>Customs formalities</b>	All operations carried out by an economic operator or customs authorities to comply with customs legislation.
<b>Customs fraud</b>	Any act, which a person deceives, or attempts to deceive, the customs and thus evades, or attempts to evade, wholly or partly, the payment of import or export duties and taxes or the application of prohibitions or restrictions laid down by the regulatory provisions enforced or administered by the customs administrations.
<b>Customs legislation</b>	The body of legislation made up of all of the following: (a) the Code and the provisions supplementing or implementing it adopted at Union or national level; (b) the Common Customs Tariff; (c) the legislation setting up a Union system of reliefs from customs duty; (d) international agreements containing customs provisions, insofar as they are applicable in the Union (as defined in Article 5(2) of Regulation (EU) 952/2013).
<b>Customs procedure</b>	Any of the procedures (release for free circulation, special procedures, export) under which goods may be placed in accordance with the Union Customs Code.
<b>Customs Union</b>	The merger of two or more customs territories with the effect that (Art. XXIV GATT and Art. 23 EC Treaty) <ul style="list-style-type: none"> <li>• customs duties and non-tariff barriers are eliminated between the members of the union for substantially all trade, and</li> <li>• a common customs tariff and common rules for non-tariff barriers are introduced for substantially all trade with non-member countries.</li> </ul>
<b>Data model</b>	The process of defining how the logical structure of a database is modelled, using text and symbols to represent the way data needs to flow.
<b>Data transformation</b>	The process of converting the format of non-customs data into customs declaration compatible data and vice versa without changing their content.
<b>Digitalisation</b>	The method, practice, or process of converting (usually analog) information into a digital form, which is computer-readable.
<b>ECOFIN</b>	The Council configuration on Economic and Financial Affairs composed of the Ministers (or State Secretaries) of Economic Affairs of the Member States of the EU.
<b>Economic operator</b>	A person who, in the course of his or her business, is involved in activities covered by the customs legislation (as defined in Article 5(5) of Regulation (EU) 952/2013).
<b>Economies of scale</b>	A proportionate saving in costs gained by an increased level of production.
<b>Export</b>	The customs procedure for taking Union goods out of the customs territory of the Union (as defined in Article 269 of Regulation (EU) 952/2013).
<b>Exclusive competence</b>	Areas in which the EU alone is able to legislate and adopt binding acts

	(Article 3 of the Treaty on the Functioning of the European Union - TFEU).
<b>Government to government (G2G)</b>	The electronic sharing of data and/or information systems between government agencies, departments or organizations to facilitate increased efficiency.
<b>Impact assessment</b>	The formal, evidence-based procedures that assess the economic, social, and environmental effects of public policy.
<b>Import</b>	The act of bringing or causing any goods to be brought into a Customs territory.
<b>Improved compliance</b>	The principle of seeking to continually improve the level of voluntary compliance with customs legislation.
<b>Kigali Amendment to the Montreal Protocol</b>	An international agreement to gradually reduce the consumption and production of hydrofluorocarbons (HFCs). The amendment was agreed upon at the twenty-eighth Meeting of the Parties to the Montreal Protocol held on October 15, 2016, in Kigali.
<b>Labour costs</b>	Sum of all wages paid to employees, as well as the cost of employee benefits and payroll taxes paid by an employer.
<b>Level playing field</b>	A set of common rules and standards that prevent businesses in one Member State undercutting their rivals and gaining a competitive advantage over those operating in other Member States.
<b>Multi-Annual Strategic Plan for Customs (MASP-C)</b>	Overall project management tool prepared by the EU Commission in partnership with Member States to ensure operational planning and implementation of all e-Customs IT projects.
<b>One-off cost</b>	A cost that is paid once and not repeated.
<b>One-stop shop</b>	Set of services provided by customs authorities in close cooperation with partner competent authorities whereby in respect of the same goods, customs and non-customs controls are performed at the same time and place, as referred to in Article 47 of Regulation (EU) 952/2013.
<b>Partner competent authority</b>	Any Member State authority or Commission services that have the legally delegated power to perform a designated function in relation to the fulfilment of the relevant Union non-customs formalities.
<b>Phased implementation</b>	A process of transition from an existing system to a new one that takes place in stages.
<b>Phytosanitary</b>	Relating to the health of plants, especially with respect to the requirements of international trade.
<b>Port shopping</b>	The practice of exporters and importers choosing a particular port based on their assessment of customs' treatment, rather than on the quality of physical facilities and efficiency.
<b>Prohibitions and restrictions</b>	A limited range of goods prohibited or restricted at import and export, including live or dead animals or plants, foodstuff, illegal or dangerous goods, products of endangered species, protected items of international heritage, firearms, weapons or explosives, medicines, etc.
<b>Proportionality principle</b>	Principle that regulates the exercise of powers by the EU and seeks to set actions taken by EU institutions within specified bounds to what is necessary to achieve the objectives of the Treaties (Article 5(4) of the Treaty on European Union).

<b>Quantity management</b>	The activity of monitoring and managing the quantity of goods authorised by partner competent authorities in accordance with Union non-customs legislation based on the information provided by customs authorities on the clearance of related consignments.
<b>Quota</b>	Any pre-set quantity, authorised for importation or exportation of given goods, during a specified period, beyond which no additional quantity of these goods can be imported or exported. (WCO)
<b>Recurrent costs</b>	The costs of maintaining and operating a given programme once the initial, one-off investment has been completed.
<b>Release of goods</b>	Act whereby the customs authorities make goods available for the purposes specified for the customs procedure under which they are placed (as defined in Article 5(26) of Regulation (EU) 952/2013).
<b>Risk</b>	The chance of something happening that will have an impact on customs objectives, including potential non-compliance with customs laws and failure to facilitate trade.
<b>Risk management</b>	Systematic identification of risk, including through random checks, and the implementation of all measures necessary for limiting exposure to risk (as defined in Article 5(25) of Regulation (EU) 952/2013).
<b>Sectorial legislation</b>	Body of legislation aiming at the protection of health, safety, security, environment, cultural goods or imposing sanctions in the framework of the Common Foreign and Security Policy (CFSP) affecting the international movement of goods.
<b>Single window</b>	A facility that allows parties involved in trade and transport to lodge standardized information and documents with a single-entry point to fulfill all import, export, and transit-related regulatory requirements (UNECE Recommendation No 33).
<b>Standard cost model</b>	A method for assessing administrative costs imposed by a regulation on, among other things, businesses and public administrations. It is based on the identification of information obligations whose costs for the regulatory addressees can be measured and quantified. Impact can be calculated by comparing the total costs under the baseline scenario with costs under a new intervention.
<b>Principle of subsidiarity</b>	In areas in which the European Union does not have exclusive competence, the principle of subsidiarity means that the Union is justified in exercising its powers when Member States are unable to achieve the objectives of a proposed action satisfactorily and added value can be provided if the action is carried out at Union level (Article 5(3) of the Treaty on European Union).
<b>Supply chain</b>	A logistical management system that integrates the sequence of activities from delivery of raw materials to delivery of the finished product into measurable components.
<b>Supporting documents</b>	Certificates, attestations, licences and permits issued by partner competent authorities to certify the fulfilment of Union non-customs formalities.

A comprehensive list of EU customs key terms is available at:

[https://ec.europa.eu/taxation\\_customs/glossary\\_en#heading\\_1](https://ec.europa.eu/taxation_customs/glossary_en#heading_1)

## ANNEX 7: OVERALL VOLUMES OF EU SUPPORTING DOCUMENTS

### Overall volumes of EU supporting documents where data were available

EU supporting document	Overall volumes and, where available, trends in last few years based on partner DG estimates
<b>Common Entry Document (CED)</b>	The number of CED increased by over 20%, from around 180 000 in 2015 and 2016 to over 220 000 in 2017 <sup>133</sup> . Spain alone was the destination of over 40% of all CEDs and experienced a nearly 50% increase between 2015 and 2017.
<b>Common Veterinary Entry Document: Animal Products (CVED-P)</b>	The number of CVED-P issued increased by 10% between 2015 and 2017, from about 340 000 to nearly 380 000 per year <sup>134</sup> . There is a high degree of concentration in terms of destination countries, which remained stable over the three years under consideration. Cumulatively, the three top countries are the destination of more than half of all CVED-P in all three years (Germany, Spain and Italy), and the share increases to around 80% with the Netherlands and France.
<b>Common Veterinary Entry Document: Live Animals (CVED-A)</b>	An average 47 000 CVED-A were issued per year, with a 4% increase between 2015 and 2017. Cumulatively, the top three Member States include over half of all CVED-A (UK, Germany, and France). Once Italy, the Netherlands, and Spain are added, the share increases to 75%. While the overall share did not change significantly over the three years, some of the "smallest" destination countries did experience changes, with Finland tripling the number of CVED-A between 2015 and 2017, while Latvia halved it for example. <sup>135</sup>
<b>Import Catch Certificates (CC)</b>	The 28 <sup>136</sup> Member States registered nearly 580 000 import Catch Certificates (CCs) in 2014-2015, or about 290 000 per year (no trend data were available). Spain alone accounted for nearly one fifth of all import CCs. Cumulatively, the three top countries represented nearly 50% of all import CCs over the period considered (Spain, Germany and

<sup>133</sup> It should be noted that these figures underestimate the true total to a certain extent, since not all Member States have used the EU system TRACES to process and store CEDs.

<sup>134</sup> Bulgaria and the UK not included.

<sup>135</sup> Croatia, Estonia and Sweden not included.

<sup>136</sup> These findings are based on 28 Member States.



	France).
<b>Ozone-Depleting Substances licences (ODS)</b>	2 433 ODS licences had been issued to companies as of 2018. Since 660 annual licences could be used for multiple shipments, however, the number of shipments per year was estimated to be around 16 000. 809 companies were registered.
<b>Reporting on F-gas activity<sup>137</sup></b>	1 699 companies had reported on their fluorinated greenhouse gases or F-gas activity (production, import, export and destruction of F-gases) during 2017 (33% more than in the previous year). Companies are distributed across all EU Member States, the largest numbers are located in Poland, Italy, Germany, France, the United Kingdom and Spain.
<b>Export notifications of hazardous chemicals<sup>138</sup></b>	8 787 export notifications have been issued in 2019. This represents a 55% increase since 2015. The largest number of export notifications come from Germany, France, Spain, Italy, Belgium and the United Kingdom.
<b>REACH</b>	More than 22 000 substances are registered under REACH. Registration requirements for chemical substances produced or imported in volumes higher than one tonne per year were finalised in 2018. Nearly 97 000 registration files were submitted to European Chemicals Agency by more than 15 000 companies.

*Source: Extrapolations based on partner DGs*

<sup>137</sup> Data reported by companies on the production, import, export and destruction of fluorinated greenhouse gases (F-gases) in the European Union is published by the European Environment Agency. The latest report evaluates and presents the data reported by companies in 2018 about their activities involving F-gases in 2017. Available [here](#).

<sup>138</sup> Data on annual export notifications is published by the European Chemicals Agency (ECHA).



## ANNEX 8: CATEGORISATION OF REGULATORY FORMALITIES

The non-customs regulatory formalities can be grouped into several categories, depending on whether they relate to EU or national legislation and whether the information required is available nationally or at EU level. In some cases, where a third-country authority issues the supporting documents, the information is unavailable at both EU and national levels. The existing regulatory formalities can therefore be categorised in four groups:

- a) Category 1: EU regulatory requirements set out in EU legislation for which the customs-relevant information is available or planned to be made available for all Member States at EU level.

Regulatory requirement(s)	Description	Owner of legislation	EU Systems
<b>CHED-A</b>	Common Health Entry Document for Animals	DG SANTE	TRACES NT
<b>CHED-P</b>	Common Health Entry Document for animal Products		
<b>CHED-D</b>	Formerly, CED certificate		
<b>CHED-PP</b>	Common Health Entry Document module for Plant Protection		
<b>COI</b>	Certificate of Organic Inspection		
<b>FLEGT</b>	Forest Law Enforcement, Governance and Trade	DG AGRI	
<b>ODS</b>	Ozone-Depleting Substances Licence	DG ENV	
<b>FGAS</b>	Fluorinated Greenhouse Gases: Registration (“Kigali License”); Authorisation/Quota	DG CLIMA	ODS2 Licensing system
<b>EU IUU Catch</b>	Illegal, Unreported and Unregulated fishing regulation, Catch certificate	DG MARE	Not yet specified
<b>PIC</b>	Prior Informed Consent	DG ENV/ DG GROW	ePIC (ECHA)
<b>REACH</b>	Registration, Evaluation, Authorisation and Restriction of Chemicals	DG GROW	PD-NEA tool <sup>139</sup>
<b>Import licence cultural goods</b>	Import licence cultural goods	DG TAXUD	Not yet specified
<b>Import statement cultural goods</b>	Import statement cultural goods	DG TAXUD	Not yet specified
<b>Export licence cultural goods</b>	Export licence cultural goods		Not yet specified
<b>Products Safety and Compliance</b>	Products Safety and Compliance (non-food products)	DG GROW	ICSMS
<b>Waste</b>	Waste Shipment Regulation documentation	DG ENV	Not yet specified

<sup>139</sup> Portal Dashboard for National Enforcement Authorities

- b) Category 2: EU regulatory requirements set out in EU legislation for which the information is available either only nationally, namely in the individual Member State system where compliance data is submitted and verified or in a combination of national and non-mandatory EU systems that do not gather customs-relevant information for all Member States at central level. E.g. for some regulatory requirements like dual use goods licences the competent DG at EU level is developing or considering developing a non-mandatory system for those Member States willing to join and that would eventually coexist with national ones. These future EU systems and the corresponding formalities are not considered under category 1 because, in principle, they would not make available information from all Member States at EU level, but only from the participating ones.

Regulatory requirement(s)	Description	Owner of the legislation	National Systems	non-mandatory EU Systems
AGRIM	Agriculture Import Licence	DG AGRI	Yes	
AGREX	Agriculture Export Licence	DG AGRI	Yes	
CCFV	Certificate of conformity fruits and vegetables	DG AGRI	Yes	TRACES NT
EU Dual-Use	Goods, software and technology that can be used for both civilian and military applications.	DG TAXUD	Yes	eDUES
Export of firearms	Export of firearms, their parts and components and ammunition Regulation 258/2012	DG HOME	Yes	eDUES
EU surveillance document	EU prior surveillance regime for certain iron, steel and aluminium products	DG TRADE	Yes	eDUES
Drug precursors	Drug Precursors provisions Regulation 111/2005	DG TAXUD	Yes	
CITES	Convention on International Trade in Endangered Species	DG ENV	Yes	
IAS	Invasive Alien Species	DG ENV		

Source: DG TAXUD

In June 2019, DG AGRI in collaboration with DG TAXUD conducted a survey on the digitalisation of AGRIM/AGREX licences in the Member States. This survey showed that

out of 18 respondents, 15 Member States have an electronic licensing system in place for the application process; in 12 of them, licences are issued electronically. In 11 Member States, the electronic licensing system is interconnected to customs systems allowing the electronic verification of licenses; in just 9 cases does the interconnection foresee real time quantity management based on the quantities imported or exported in the Member State.

In addition, a study<sup>140</sup> evaluating the implementation of Regulation 258/2012 against illicit manufacturing and trafficking of firearms found that among Member States for which information is available, five Member States (AT, CZ, DE, EE, UK) have fully electronic licensing systems. The application is only paper-based in seven Member States (DK, FI, HU, LU, PL, PT, SI), the Belgian Capital Region and the Belgian Walloon Region. Nine Member States (ES, FR, IE, IT, LT, LV, NL, RO, SE, SK) and the Belgian Flemish Region allow for submitting applications in both electronic and written forms.

- c) Category 3: National regulatory formalities introduced by national legislation in accordance with Article 36 of the TFEU<sup>141</sup>. There is no comprehensive list of the existing national regulatory requirements, but they are multiple and disparate. The national regulatory formalities provided by some Member States are listed below as an example:

France		
Licence code	Description	Owner of the legislation
2413	Seeds importation document	National regulation
2044/2045	Radionuclides import/export document	National regulation
0030	Registration certificate required for exports of second-hand vehicles	National regulation
2409/2403	Explosives and powder authorisations	National regulation
2043	Authorisations for narcotics - psychotropics	National regulation
2041	Importation autorisation for medicines	National regulation
2405	Export authorisations for war materials	National regulation

Source: French customs

Spain		
Licence code	Description	Owner of the legislation
1311	Pesca ilegal exportacion	National regulation
1310	Soivre seguridad importacion	National regulation
1313	Farmacia exportacion	National regulation
1306/1403/ 1404/1407	Farmacia importacion	National regulation
1406	Muestras biologicas	National regulation (RD 65/2006)
1405/1413	Sanidad exterior importacion	National regulation
1412	Sanidad animal importacion	National regulation
1106	R.E.A importacion	National regulation

<sup>140</sup> Source: EY, SIPRI and RAND (2017), *Study in view of a report evaluating the implementation of Regulation 258/2012 - Final Report*. Information from the Final Report was double-checked during the field visits.

<sup>141</sup> [https://ec.europa.eu/taxation\\_customs/business/customs-procedures/general-overview/single-administrative-document-sad/national-sad-data-coding\\_en](https://ec.europa.eu/taxation_customs/business/customs-procedures/general-overview/single-administrative-document-sad/national-sad-data-coding_en)

<b>1104</b>	MDDU. Material defensa	National regulation
<b>1117</b>	MDDU. Otro material de defensa	National regulation
<b>1118</b>	MDDU. Armas de fuego	National regulation
<b>1408</b>	CEXGAN exporta	National regulation

Source: Spanish customs

Italy		
Licence code	Description	Owner of the legislation
<b>01AO</b>	Autorizzazione Ministero dello Sviluppo Economico	National regulation
<b>02AO</b>	Comunicazione di cui all'art.12 del DPR 187/2001	National regulation
<b>03AO</b>	Certificato di conformità.	National regulation
<b>04AO</b>	Attestazione dell'avvenuta sorveglianza radiometrica	National regulation
<b>05AO</b>	Documento di trasporto unico	EU Reg. 2446/2015
<b>06AO</b>	Attestazione dell'origine estera del prodotto	National regulation
<b>02CC</b>	Nulla osta sanitario.	National regulation
<b>03CC</b>	Certificato di esenzione dal controllo del rispett....	National regulation
<b>04CC</b>	Certificato di controllo	EU regulation 1333/2008 (Art 6)
<b>01CH</b>	Identificativo registrazione presso l'ECHA	ECHA
<b>01CR</b>	Modiche quantita	National regulation
<b>02CR</b>	Dichiarazione di merce sana, leale, mercantile (ar....	National regulation
<b>03CR</b>	Dichiarazione dell'origine della merce	National regulation
<b>04CR</b>	Dichiarazione dell'origine dei prodotti composti e....	National regulation
<b>05CR</b>	Dichiarazione di non trasbordo in caso di esportaz....	National regulation
<b>06CR</b>	Dichiarazione di trasbordo in caso di esportazione....	National regulation
<b>02CS</b>	Autorizzazioni/Nulla Osta per l'importazione di pr....	National regulation
<b>05CS</b>	Autorizzazioni/Nulla Osta per l'importazione di pr....	National regulation
<b>06CS</b>	Autorizzazioni/Nulla Osta per l'importazione di f....	National regulation
<b>07CS</b>	Autorizzazioni/Nulla Osta per l'importazione di pr....	National regulation
<b>09CS</b>	Nulla Osta sanitario per l'importazione di indumen	National regulation
<b>10CS</b>	Nulla Osta per l'importazione di indumenti usati, ....	National regulation
<b>11CS</b>	Nulla osta per introduzione di parti di cadavere,o....	National regulation
<b>12CS</b>	Nulla Osta sostanze gas tossici e sostanze pericol....	National regulation
<b>13CS</b>	Autorizzazione/Nulla osta sanitario U.S.M.A.F. all....	National regulation
<b>13RS</b>	Richiesta di autorizzazione/Nulla osta Sanitario U....	National regulation
<b>01IT</b>	ITDER	National regulation

Source: Italian Customs

The Netherlands		
Licence code	Description	Owner of the legislation
0005	Vervoersdocument Uitvoeringsbesluit accijns art. 3a	National regulation
0006	Ontheffing verdrag chemische wapens Art. 3 (4) Uitvoeringswet verdrag chemische wapens	National regulation
0010	Vergunning kolenbelasting Art. 36 Wet belastingen op milieugrondslag en Mededeling 18 nr. DGB/2010-630	National regulation
0011	Vergunning voor het binnenbrengen; afgeg. Door min. Vrom Kernenergiewet, Handboek VGEM, onderdeel 40.02.00	National regulation
0015	Invoervergunning productschap Art. 3 (2) Algemeen douanebesluit	National regulation
0022	Verklaring bewijs van typegoedkeuring blustoestellen Verklaring dat belanghebbende in bezit is van een bewijs van typegoedkeuring besluit blustoestellen	National regulation
0023	Consent als bedoeld in de Wet wapens en munitie Consent als bedoeld in artikel 14 Wet wapens en munitie	National regulation
0027	Invoerverg. (overige prod.) Afgegeven door het min. Van vrom Art. 6 en 8 Opiumwet	National regulation
0029	Kwaliteitscertificaat / PD-begeleidings-formulier.	National regulation
0030	Inventaris als bedoeld in waarborgwet Inventaris als bedoeld in art. 50, 1e lid, waarborgwet 1986	National regulation
0040	DO040-Verklaring vernietiging goederen onder toezicht Douane Art. 5 lid 37 letter c, DWU	National regulation
0061	Geleidebiljet ondermaatse vis Geleidebiljet voor het vervoer van ondermaatse vis in de gesloten tijd als voorzien in art. 12	National regulation
0084	Factuurverklaring voor textielproducten Art. 2 regeling aanwijzing bewijsstukken, inzake de oorsprong van textielproducten	National regulation
0097	Wegvoeringsexemplaar Bijlage VI Algemene douaneregeling	National regulation
0099	Zuiveringsexemplaar	National regulation
1119	Voorfixatiecertificaat landbouw in depot bij productschap	Regulation 376/2008/EC, Art 24
1500	Fytosanitaire controle De aangegeven goederen vallen niet onder het toepassingsgebied van EU Richtlijn 2000/29 van de Raad. (fyto-sanitaire eisen).	Regulation 2000/29/EC
1600	Kwaliteit controle De aangegeven goederen vallen niet onder het toepassingsgebied van Uitvoeringsverordening (EU) Nr. 543/2011 van de Commissie. (kwaliteitsnormen G&F).	Regulation EU 543/2011
1700	Fictieve bescheidcode inzake economische- en landbouwregimes taric-NL toepassing	National regulation
1800	Fictieve bescheidcode inzake gezondheid en kwaliteit TARIC-NL toepassing	National regulation
1900	Fictieve bescheidcode inzake overige regelingen bij invoer TARIC-NL toepassing	National regulation
1998	Fictief	National regulation

<b>1999</b>	Fictieve bescheidcode bij uitvoer (zwaar bescheid) TARIC-NL toepassing	National regulation
<b>2010</b>	Formulier I ter bestemming (F) Formulier landbouw L(F)	National regulation
<b>2095</b>	Formulier zekerheid rvo(invoer)	National regulation
<b>8002</b>	Verklaring nederlands stamboek Art. 9 Fokkerijbesluit	National regulation
<b>8003</b>	Geleidebiljet/Ontheffing vervoer vis	National regulation
<b>8004</b>	Uitvoercertificaat preferentiele regeling kaas	National regulation
<b>8005</b>	Oorsprongs- en geldigheidscertificaat voor uitvoer van bepaalde kaas	National regulation
<b>8006</b>	Uitvoeringswet verdrag Chemische wapens, Strategische goederen, Handboek VGEM, onderdeel 30.06.00	National regulation
<b>8007</b>	Uitvoeringswet verdrag Chemische wapens, Strategische goederen, Handboek VGEM, onderdeel 30.06.00	National regulation
<b>8009</b>	Gezondheidscertificaat dieren Art. 77 van de gezondheids- en welzijnswet voor dieren	National regulation
<b>8010</b>	FORMULIER L(F) TER verzending/uitvoer L(F) formulier. Restitutie (Nationaal)	National regulation
<b>8011</b>	Uitvoervergunning/ontheffing cdiu handelspolitiek In- en uitvoerwet	National regulation
<b>8016</b>	Uitvoervergunning/verlof opiumwet Art. 6 en 8 Opiumwet	National regulation
<b>8022</b>	Uitvoervergunning militaire goederen CDIU Art. 6 Besluit strategische goederen	National regulation
<b>8025</b>	Uitv.Verg.Reg.Goed.Tweeerlei Gebr. Egypte, Syrie, Oekraïne Vergunning inzake Regeling goederen voor tweeerlei gebruik voor uitvoer naar Egypte, Syrie en de Oekraïne	National regulation
<b>8030</b>	VERGUNNING VERZAMELZENDING UITVOER Beleidsbesluit nr. 2009/2057	National regulation
<b>9003</b>	PRO FORMA voorlopige factuur of een waardeverklaring Commentaar 7 punt 9 en 10 van het Comité Douanewetboek, afdeling douanewaarde	UNECE Recommendation 01 code 325
<b>9004</b>	Vergunning in het kader van vo. (EG) Nr. 1186/2009 Art. 7:2 Algemene douaneregeling	Regulation EU 1186/2009
<b>9999</b>	Overige Bescheiden	National regulation

Source: Dutch Customs

- d) Category 4: Regulatory formalities certified by a third-country authority where the compliance information is presented directly to customs authorities in the EU as a supporting document to the customs declaration. These include Certificates of Origin issued by third countries with which the EU has agreements in place, and other certificates such as the VI 1 certificates for wine or the Kimberley Process Certificates.

## ANNEX 9: SINGLE WINDOW INITIATIVES AT NATIONAL LEVEL

### Single window developments/initiatives at national level

Member State	National Custom Single Windows: Current state of play
<b>Austria</b>	<ul style="list-style-type: none"> <li>• The Customs Single Window scheme is fully operational.</li> <li>• The Customs Single Window facility is managed by both customs administration and involved regulatory agencies, such as Ministry of Trade/Ministry of Agriculture/Agency for Agricultural Products.</li> <li>• Economic operator submits the required information to the issuing authority.</li> <li>• The issuing authority sends license data automatically at the moment of their issuing to the customs system via web service using XML. Customs sends back the relevant data for customs declarations.</li> <li>• EORI number is used by the regulatory agencies participating in the Customs Single Window scheme.</li> </ul>
<b>Belgium</b>	<ul style="list-style-type: none"> <li>• A final scheme has been selected, and a study phase has been carried out based on which a Proof of Concept will be performed.</li> <li>• Customs administration is the leading authority for the Customs Single Window scheme, although its role is not formalised.</li> <li>• The majority of certificates requested by the economic operators are currently paper-based.</li> </ul>
<b>Bulgaria</b>	<ul style="list-style-type: none"> <li>• Customs administration manages the SW facility and the Bulgarian Food Safety Agency is the involved regulatory agency.</li> <li>• Customs provides a Single Access Point to all its electronic services.</li> <li>• 8 customs competent customs offices are designated for the introduction of goods subject to veterinary controls.</li> <li>• Paper CVEDs are also used.</li> <li>• Import declarations and T1 (transit declarations) are affected within the Customs Single Window scheme. TIR and ATA carnets are excluded.</li> <li>• EO submits the required information to the issuing authority.</li> <li>• Links between customs information systems, EU CSW-CVED and Bulgarian Food Safety Agency IT system are based on a web services and asynchronous exchange messages.</li> <li>• The connection between the systems is established by the protected government network.</li> </ul>
<b>Czechia</b>	<ul style="list-style-type: none"> <li>• Customs administration is the leading authority for the Customs Single Window scheme, although its role is not formalised.</li> <li>• Economic operator submits the required information to the issuing authority.</li> <li>• Data harmonization is carried out for cross border regulatory agencies participating in the Customs Single Window.</li> <li>• Data transformation for CVED documents is performed by DG TAXUD and by the customs administration for CITES documents.</li> <li>• Web services and XML are used for data exchange.</li> </ul>



Member State	National Custom Single Windows: Current state of play
	<ul style="list-style-type: none"> <li>• Automatic validation is based on type of TARIC certificate (e.g. C400) in box 44 of customs declaration. Box 44 of the customs declaration was expanded to include “certificate item and item quantity.”</li> <li>• Preparatory phase for the quantity management functionality.</li> <li>• The quantity management functionality is based on the actual “write-off” of the available quantity (rather than the “reservation of quantity”) because the reservation system is too complicated for single use transactions, like CITES permits and FLEGT licenses.</li> </ul>
<b>Estonia</b>	<ul style="list-style-type: none"> <li>• The Customs Single Window is not yet operational. No central database will be created. Each authority runs its own database that will be connected to the customs system.</li> <li>• Expressed interest in joining the EU CSW-CERTEX project starting from Release 1.4.0 of the EU CSW-CVED project.</li> <li>• The Customs Single Window scheme is anticipated to expand in the following areas: feed, cultural goods, CAP goods, strategical goods (dual-use and export control), medicines and explosives.</li> <li>• Economic operator submits the required information to the issuing authority.</li> <li>• One-stop shop in road transport.</li> <li>• All authorities are obliged to exchange information by using Data Exchange Layer X-Road pursuant to national legislation. The exchange of information with TRACES will be resolved via SPEED.</li> <li>• Customs declaration system and IT systems of regulatory agencies will be amended in order to harmonise data for all systems and avoid transformation of data. If this harmonisation will not be possible, data transformation will be decided on a case by case basis.</li> <li>• The MobiCarnet private sector initiative will allow to lodge electronically: TIR-carnet data (transmit XML via X-road to NCTS), invoice, CMR, packing list and certificates.</li> </ul>
<b>France</b>	<ul style="list-style-type: none"> <li>• Customs Single Window scheme has been operational since December 7, 2015 (“Guichet Unique National” initiative).</li> <li>• The customs administration is the leader of the Customs Single Window facility. Its role is formalised by national legislation.</li> <li>• All authorities issuing permits and certificates required for imports and exports are progressively to be involved in the Customs Single Window mechanism. The current scope includes CITES, AGREX, seed import declaration and the radionuclide export and import certificates.</li> <li>• Economic operator submits the required information to the issuing authority.</li> <li>• Economic operator provides the type code and the reference of the document submitted in box 44. For each document added in box 44, customs authorities request economic operators to provide extra information specific to the document reference (imputation segment/boxes) which allow the implementation of the quantity</li> </ul>



Member State	National Custom Single Windows: Current state of play
	<p>management functionality.</p> <ul style="list-style-type: none"> <li>Automation of both customs cross-checks and quantity management is available.</li> <li>The PDF of the supporting document is made available to customs agents when they consult the electronic declaration.</li> <li>Exchanges are carried out by web service (http) SOAP calls, whereas data is sent in XML.</li> </ul>
<b>Germany</b>	<ul style="list-style-type: none"> <li>The customs information system (ATLAS system) mirrors the national Customs Single Window.</li> <li>Bi-directional interfaces for export licences through which the certificates are received by customs from the competent authorities. In case of single export licences and maximum value export licences, quantity management is carried out by the customs clearance system.</li> <li>Single-directional interfaces for AGREX and AGRIM through which the certificate and licence datasets are received by customs from the competent authorities. No quantity management is implemented in the customs clearance system for AGREX and AGRIM.</li> <li>Option to join EU Customs Single Window: Certificates exchange has been discussed in January 2017 with various business/technical experts.</li> </ul>
<b>Greece</b>	<ul style="list-style-type: none"> <li>Currently, the Customs Single Window project is undergoing the inception phase.</li> <li>Customs is the leading authority in the Customs Single Window initiative but the relationship with the regulatory agencies is established through the National Committee on Trade Facilitation whose role is legally formalised.</li> <li>Both legal and regulatory national amendments have been introduced for the Customs Single Window initiative.</li> <li>Economic operator submits the required information to the issuing authority.</li> <li>An economic operator is legally obliged to send certificates to customs electronically through ICISnet (National Integrated Customs System). All supporting documents for export procedure are uploaded to this system since 2014.</li> </ul>
<b>Italy</b>	<ul style="list-style-type: none"> <li>Customs administration is the leading authority, formalised by national legislation. The role of the competent authorities involved in the national Customs Single Window is formalised by Presidential Decree n. 242/2010.</li> <li>The organisational setup for Customs Single Window activities includes a central monitoring and control committee, a subcommittee for interoperability between customs administration and other government agencies, a technical working group and several procedural working groups for each agency.</li> <li>Economic operator submits the required information to the issuing authority.</li> </ul>

Member State	National Custom Single Windows: Current state of play
	<ul style="list-style-type: none"> <li>• Data integration and harmonization is performed only once at the start of each project by means of an IT system alignment process. As such, data transformation is no longer needed, and the information is exchanged via the XML message. The coordination of controls is integrated in this process.</li> <li>• Only import declarations are affected by the Customs Single Window scheme. Only AGREX licenses are affected at export.</li> <li>• The quantity management functionality is implemented for AGRIM / AGREX licenses and is under development for certificates issued by the Ministry of Health. A database replication is established from the EU database to the Ministry of Health which sends the information to customs. Requests from economic operators are replicated after passing through TRACES. The database replication approach enables the customs administration to perform quantity management and send feedback to the competent authority. Economic operators can monitor the lifecycle of the customs declaration/ supporting documents by using the portal of the Italian Customs Agency.</li> <li>• Web services and XML are used for data exchange.</li> <li>• A new Customs Single Window facility that will allow economic operators to send information only once is anticipated to be developed pursuant to Decree n. 169/2016 Art. 20.</li> </ul>
<b>Ireland</b>	<ul style="list-style-type: none"> <li>• National Customs Single Window is run and managed by both the customs administration and other regulatory bodies involved.</li> <li>• In 2014, Irish customs implemented an Electronic Manifest System (EMS). All Manifest data (for both Air and Sea) is received in the EMS. Data from the EMS is shared with the Department of Transport, Tourism and Sport and the Department of Agriculture and Health. Plans are in place to share the data with other government agencies.</li> <li>• Customs have an in-house Arrivals System which stores information on the Arrival of all flights and ships into Ireland. This system interfaces with all customs electronic systems (Clearance, ICS, Manifest, etc.) to update the status of declarations. The information on the Arrival of Ships is received from SafeSeasIreland, while the information on flights is received from the Airport Authorities. With this facility in place, the requirement for the operators of the flights or ships to send customs Arrival Notifications is waived.</li> <li>• The manifest and arrival notifications are deemed to be the temporary storage declaration. Customs declarations that are lodged or written off are matched against the temporary storage declaration. As such, the system indicates goods under the temporary storage procedure and those that are released.</li> <li>• ICS receives pre-arrival information in advance and interfaces with the arrival system. The status of the ENS is updated to “arrived” at the time of arrival, at which point the system performs a check on the declarant. If the declarant allows for the re-use of data by customs, the data is moved from ICS to the manifest system to be reused as presentation and</li> </ul>

Member State	National Custom Single Windows: Current state of play
	<p>temporary storage.</p> <ul style="list-style-type: none"> <li>• The current system does not allow different information to be lodged by different parties, but Ireland intends to update the system pursuant to the UCC requirements, particularly as it pertains to temporary storage.</li> <li>• Economic operator submits the required information to the issuing authority.</li> <li>• The certificate data is sent directly to the customs clearance system from the issuing authority via the EU database. Only the status of the certificate is relevant to the clearance of the customs declaration.</li> <li>• Web services and XML are used for data exchange.</li> </ul>
<b>Latvia</b>	<ul style="list-style-type: none"> <li>• The EU CSW-CVED is in production since 20.09.2015.</li> <li>• Economic operator submits the required information to the issuing authority.</li> <li>• The exchange of certificates data is performed via the Rural Support Service (AGRIM/AGREX) and Food and Veterinary Service (through TRACES). Data exchange between customs and Rural Support Service systems is established via a special channel. Customs receives the data regarding issued certificates (AGRIM/AGREX) which is validated during processing (submitting) the corresponding customs declarations. After the declaration is released, the information (endorsement of certificate) is sent back to the Rural Support Service.</li> <li>• Quantity management for AGREX/AGRIM is managed automatically in the customs system. No quantity management is available for CED/CVED certificates as such, but customs system provides a summary of the affected declarations to customs officers for manual verification.</li> <li>• SOAP web services are used with the Rural Support Service. REST Web services are used for data exchange with TRACES.</li> <li>• Trader obligations are governed by national regulations.</li> <li>• LV Customs Single Window solution for railway uses the SMGS consignment note (the SMGS system railway manifest) presented in every transit declaration as a transport document. LV railway companies use NCTS for transit procedures declaring both national and international movements.</li> </ul>
<b>Lithuania</b>	<ul style="list-style-type: none"> <li>• Customs has implemented a project in 2015 for the implementation of the Customs Single Window system with partners, such as the State Food and Veterinary Service, the Department of Cultural Heritage under the Ministry of Culture, the National Paying Agency under the Ministry of Agriculture and the State Enterprise Centre of Registers.</li> <li>• Conformance testing for the Customs Single Window interface was completed in 2016.</li> <li>• Legislation has come into force for issuing AGRIM and AGREX licenses which are issued only electronically.</li> <li>• The Customs Department under the Ministry of Finance has been nominated as a lead authority to implement the Customs Single Window.</li> </ul>

Member State	National Custom Single Windows: Current state of play
	<ul style="list-style-type: none"> <li>• The Economic operator submits the required license information directly to the issuing authority.</li> <li>• An interface has been developed in Customs Single Window whereby customs authorities and anyone can search for any certificate/licence issued by project partners.</li> <li>• Quantity management for AGREX/AGRIM is managed automatically and takes place in the information system of the National Payment Agency under the Ministry of Agriculture.</li> </ul>
<b>Luxembourg</b>	<ul style="list-style-type: none"> <li>• Currently, the national Customs Single Window called “Single Window for Logistics/SWL” project is undergoing the inception phase. The Customs Single Window for Logistics is not yet operational.</li> <li>• The Customs Single Window initiative is coordinated by the Ministry of the Economy in close collaboration with all engaged governmental services, particularly with the Luxembourg Custom’s Administration.</li> <li>• A multiannual project portfolio has been implemented since September 2015 (2015-2020). A Customs Single Window programme management team (Single Window for Logistics team) is in place.</li> <li>• The Economic operator can apply for most certificates electronically but the licence is issued on paper if an original copy is required by the country of destination.</li> <li>• The relationship with the regulatory agencies participating in the Customs Single Window is formalised.</li> <li>• A data harmonisation project has been set up in order to build a LU Customs Single Window data model. GEFEG.FX tool to build our national Customs Single Window for Logistics data model. The certificate data will be mapped against one common data set based on the EU CDM to achieve the objective of data reuse.</li> </ul>
<b>Malta</b>	<ul style="list-style-type: none"> <li>• No Customs Single Window facility is yet in place.</li> <li>• Plans to join the EU CSW-CERTEX project in the future.</li> <li>• The Customs Single Window facility will be managed by customs authorities in collaboration with various involved stakeholders.</li> <li>• All certificates are paper-based. Export licences will soon be issued electronically by the Commerce Department.</li> <li>• Currently, economic operators submit the required information to the issuing authority.</li> </ul>
<b>Netherlands</b>	<ul style="list-style-type: none"> <li>• The Maritime Single Window (MSW) is being enhanced to all modes of transport into Single Window for Trade and Transport (SWTT).</li> <li>• A EU CSW-CVED-like Single Window has been established where information from phytosanitary certificates is combined with declarations for free circulation. The Customs Single Window Phyto is managed by the Phytosanitary authority.</li> <li>• Customs is the lead authority and its role is formalised in the Logistics Policy of the Netherlands Government, in a multi departmental steering group and other national agreements.</li> </ul>

Member State	National Custom Single Windows: Current state of play
	<ul style="list-style-type: none"> <li>• Veterinary and phytosanitary certificates are issued only electronically. AGRIM and AGREX certificates are currently on paper, but will be available electronically in the near future.</li> <li>• The required information for the Maritime Single Window (SWTT) is sent to the Customs Single Window and distributed to the competent authorities. The phytosanitary information is directly sent to the competent authority, which shares it with other authorities.</li> <li>• Economic operators can access TRACES directly, or use the FFPS platform, which will automatically transfer the information to TRACES. The information delivered to TRACES is also stored at the national Food Feed and Product Safety Organisation.</li> <li>• XML and EDIFACT messages are used to receive data.</li> <li>• With regard to Data Integration and Harmonisation, a governmental forum on standardisation has chosen the WCO data model as the basis for all governmental authorities.</li> <li>• Data fields for the bills of lading, airway bills, container type identification and container number have been harmonised.</li> <li>• The use of EORI-numbers is harmonised between different authorities.</li> <li>• Customs performs integrated risk assessments on goods and execute the coordination on controls and inspections.</li> </ul>
<b>Poland</b>	<ul style="list-style-type: none"> <li>• Currently, the national Customs Single Window project is in the elaboration phase. The relevant documentation (functional specifications, etc.) is being finalised.</li> <li>• AGRIM-AGREX pilot project has been developed. The deadline for implementation depends on the progress of deployment of the new IT environment of the National Revenue Administration.</li> <li>• No legal amendments have been implemented with regard to the national Customs Single Window.</li> <li>• The National Revenue Administration is the national coordinator for the Customs Single Window project, but it does not have a formalised role. Cooperation agreements on the Customs Single Window are anticipated with other system stakeholders (government agencies).</li> <li>• EU CSW-CVED for transit is fully operational. Communication between NCTS2 and EU CSW-CVED takes place automatically after receipt of IE015 message containing veterinary document: C640 /CVED-A/ or N853 /CVED-P.</li> </ul>
<b>Portugal</b>	<ul style="list-style-type: none"> <li>• Initial steps toward the process of developing and implementing a national Customs Single Window which is anticipated to be run by the customs administration.</li> <li>• The automatic exchange of information between customs declaration and other certificates started with AGREX.</li> <li>• The electronic AGREX licence allows the cross check and exchange of data between the SLE - External Licensing Service and customs export declaration (STADA – EXPORT). This connection includes quantity management.</li> </ul>

Member State	National Custom Single Windows: Current state of play
	<ul style="list-style-type: none"> <li>• An integrated IT customs system for the fulfilment and treatment of declarative formalities associated with the arrival and departure of vessels and aircrafts to and from PT ports and airports, SDS (System for the Integrated Treatment of the Means of Transport and Goods) has been developed to incorporate data related to the entry and exit manifests.</li> </ul>
<b>Spain</b>	<ul style="list-style-type: none"> <li>• Fully operational system for exchanging certificate data. A one-stop shop to coordinate physical controls on goods is currently completing the pilot phase.</li> <li>• A common repository is available to all parties involved for the required documentation.</li> <li>• Two national regulations were modified, and seven agreements were signed to implement the Customs Single Window facility.</li> <li>• Customs administration is the lead authority for the national Customs Single Window.</li> <li>• Two alternatives are available. <u>Traditional approach</u>: traders could declare certificates in box 44 of the SAD. In this case, the certificate's data are retrieved from the issuing authority and automatically cross-checked with the customs declaration. <u>Pre-SAD approach</u>: the economic operator lodges a pre-customs declaration which is assigned a file number (MRN) in order to enable information exchange with involved authorities. The MRN is used to request certificates from the relevant competent authorities which issue the corresponding certificate and send it automatically to customs. The MRN is the key to match the SAD with the certificate. The advantage is that the certificate is directly applied to SAD upon receipt. Hence, the economic operator does not need to declare it in box 44.</li> <li>• The pre-SAD approach allows the coordination of controls. The main advantage is that customs can apply risk analysis tools prior to the arrival of the goods, thus providing involved authorities with better information in advance. If any of the competent authorities involved needs to check the goods before issuing the certificate, they communicate it to the Customs Single Window to coordinate all necessary controls. MRN is again the key for the information exchange.</li> <li>• A minimum data set has been established for the pre-SAD. The complete customs declaration is lodged according to Article 171 UCC.</li> </ul>
<b>Sweden</b>	<ul style="list-style-type: none"> <li>• The Customs Single Window scheme is fully operational and is managed by the customs administration. Legal/regulatory amendments were applied to existing legislation.</li> <li>• The economic operator submits the declaration to customs which passes through from Customs Single Window facility to the competent authority.</li> <li>• Customs receives licenses from the competent authority via EDI.</li> <li>• Veterinary checks are performed separately.</li> <li>• Confidentiality and data protection are ensured by applying strong authentication measures.</li> </ul>

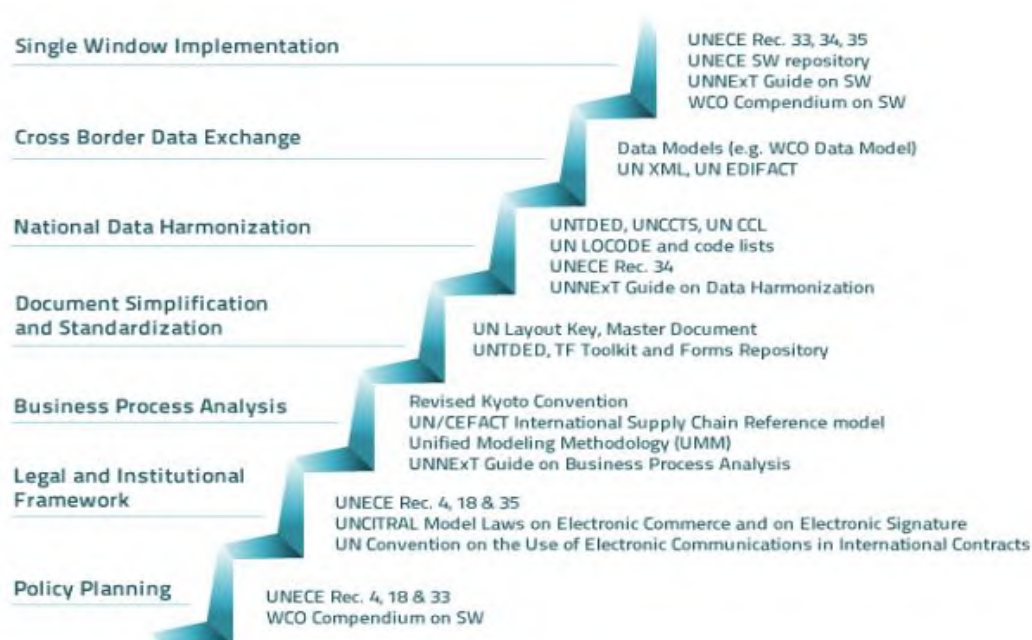
*Source: Data provided by the Member States participating in the Customs 2020 Project Group*



## ANNEX 10: SINGLE WINDOW INITIATIVES AT INTERNATIONAL LEVEL

In recent years, the concept of the ‘single window’ has gained momentum at the international level. Various standardisation bodies and international organisations such as the United Nations Economic Commission for Europe (UNECE), its subsidiary, the United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT), the World Customs Organisation (WCO) and the World Trade Organisation (WTO) have promoted this concept and supported capacity-building efforts for its implementation through international standards and guidance documents. Over the past few decades, UNECE has developed a series of interlinked recommendations that represent best practices on trade facilitation, including a number of formal recommendations applicable to the implementation of the single window. As an example, the graph below references the UN’s approach for the creation of a single window.

**Figure 16: Key steps in the creation of a single window**



*Source: UNECE/UN/CEFACT*

In its most widely acknowledged international definition<sup>142</sup>, the single window is “a facility that allows parties involved in trade and transport to lodge standardised information and documents with a single-entry point to fulfil all import, export, and transit-related regulatory requirements” whereby trade data is only required to be reported once. With its emphasis on collaboration between authorities and better sharing of information, the single window concept offers a vision for most countries to support both trade facilitation and the enforcement of regulatory requirements. The elimination of procedural redundancies and reduction of clearance times in the fulfilment of regulatory formalities is viewed as a competitive advantage in global trade that contributes to well-positioned economies and ease of doing business.

<sup>142</sup> UNECE Recommendation 33, July 2015.  
([https://www.unece.org/fileadmin/DAM/cefact/recommendations/rec33/rec33\\_trd352e.pdf](https://www.unece.org/fileadmin/DAM/cefact/recommendations/rec33/rec33_trd352e.pdf))

The establishment of a single window has been proposed by the World Trade Organization (WTO) as one of the key elements to develop within the context of its Trade Facilitation Agreement (TFA). The WTO TFA that entered into force in 2017 includes a ‘best endeavour clause’<sup>143</sup> committing the signatory parties to establish single windows. Countries around the world are now actively involved in digitalising their customs and other related procedures required for international trade to simplify and streamline processes for dealing with regulatory requirements. Some have implemented national single windows or have embarked on initiatives to develop single windows, while others are building on existing developments to provide key features of the single window or studying future implementation. Some initiatives to realise the single window concept pursued by EU’s international trading partners are summarised below.

The single window initiative in the United States dates back to the mid-1990s when a number of recommendations were formulated to harmonise data for an integrated government oversight of international trade. The initiative remained in the pipeline until 2014 when President Obama signed Executive Order 13659<sup>144</sup>, mandating completion of an electronic single window by December 2016. The Customs and Border Protection (CBP) agency fully implemented the initiative in January 2017. The Automated Commercial Environment/International Trade Data System (ACE/ITDS) systems provide one electronic interface through which the trade submits the required information for customs and different government agencies, known as partner government agencies (PGA). ACE is the primary electronic filing environment that connects the trade community with the U.S. Customs and Border Protection (CBP) and 47 PGAs of the federal government shown below.

**Figure 17: U.S. Partner Government Agencies**

<p><b>Department of Agriculture</b>  AMS – Agricultural Marketing Service  APHIS – Animal and Plant Health Inspection Service  FAS – Foreign Agricultural Service  FSIS – Food Safety and Inspection Service  GIPSA – Grain Inspection, Packers &amp; Stockyards Administration</p> <p><b>Department of Commerce</b>  BIS – Bureau of Industry and Security  U.S. Census Bureau  FTZB – Foreign Trade Zones Board  IA – Import Administration  NMFS – National Marine Fisheries Service</p> <p><b>Department of Defense</b>  USACE – Army Corps of Engineers  DCMA – Defense Contracts Management Agency</p> <p><b>Department of Energy</b>  OFE – Office of Fossil Energy  EIA – Energy Information Administration  OGC – Office of General Counsel</p> <p><b>Department of Justice</b>  ATF – Bureau of Alcohol, Tobacco, Firearms and Explosives  DEA – Drug Enforcement Administration</p> <p><b>Department of the Interior</b>  FWS – Fish and Wildlife Service</p> <p><b>Department of Labor</b>  BLS – Bureau of Labor Statistics</p> <p><b>Department of Homeland Security</b>  USCG – United States Coast Guard  CBP – Customs and Border Protection  TSA – Transportation Security Administration</p>	<p><b>Department of Transportation</b>  BTS – Bureau of Transportation Statistics  FAA – Federal Aviation Administration  FHA – Federal Highway Administration  FMCSA – Federal Motor Carrier Safety Administration  MARAD – Maritime Administration  NHTSA – National Highway Traffic Safety Administration  PHMSA – Pipeline Hazardous Materials Safety Administration</p> <p><b>Department of Health and Human Services</b>  CDC – Centers for Disease Control and Prevention  FDA – Food and Drug Administration</p> <p><b>Department of Treasury</b>  IRS – Internal Revenue Service  OFAC – Office of Foreign Assets Control  TTB – Alcohol and Tobacco Tax and Trade Bureau  FinCEN – Financial Crimes Enforcement Network</p> <p><b>Department of State</b>  A/LM – Bureau of Administration, Office of Logistics Management  DDTC – Directorate of Defense Trade Controls  OES/OCM – Bureau of Ocean and International Scientific Affairs  OFM – Office of Foreign Missions</p> <p><b>Independent Agencies</b>  CPSC – Consumer Product Safety Commission  EPA – Environmental Protection Agency  FCC – Federal Communications Commission  FMC – Federal Maritime Commission  ITC – International Trade Commission  NRC – Nuclear Regulatory Commission  USAID – U.S. Agency for International Development  USTR Office of the United States Trade Representative</p>
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*Source: U.S. Customs and Border Protection*

<sup>143</sup> Article 10.4 of the WTO TFA

<sup>144</sup> <https://obamawhitehouse.archives.gov/the-press-office/2014/02/19/executive-order-streamlining-exportimport-process-america-s-businesses>



This interface ensures compliance with U.S. laws and regulations, while enhancing transparency and increasing predictability in the movement of goods. Efficiency for the trade results from the sharing of common data across PGAs. The U.S. single window aims to improve the competitiveness of the United States in the global economy through trade facilitation, and enhance PGA enforcement.

Similar developments were observed in Singapore where the Single Window for Trade (TradeNet) became operational in 1989, bringing together more than 35 border agencies. The TradeNet system began as an electronic data interchange (EDI) system that links multiple parties involved in external trade transactions to a single point of transaction for most trade formalities. TradeNet integrates import, export and transshipment documentation processing procedures, enabling customs and other competent authorities to monitor the movement of goods and enforce regulatory requirements across policy areas.

In China, some degree of single window has been in place since 2012, although each province has its own local version of the single window system with different functionalities and levels of maturity. Various pilots were launched in Shanghai and several coastal ports on a “single declaration, single inspection and single release” model but it was not until late 2017 that a standard single window platform became operational, centralising data for all ports of 31 provinces under the direction of the central government. The integrated platform is currently running in parallel with the local single window systems, allowing enterprises to submit data only once, which is then automatically passed to the relevant government authorities. This will rationalise the former ‘linear’ process of customs clearance and lead to a shift towards a more integrated and synchronised approach with ‘parallel’ enforcement of regulatory formalities, reducing administrative costs and the time needed for customs clearance.

The single window initiative of the Canada Border Services Agency (CBSA) streamlines processes for the exchange of commercial import data between the Government of Canada and the import community to eliminate duplicate and redundant data requirements and simplify border processes. Besides the CBSA, nine government departments and agencies (PGA) representing 38 government programs participate in the single window initiative. A critical part of the CBSA Single Window Initiative is the Integrated Import Declaration (IID), an electronic message that the CBSA has developed to allow traders to submit both CBSA and applicable PGAs import data requirements. This means that the CBSA and PGAs collect required import data from a single declaration, instead of multiple submissions. Transmitted electronic data is shared among CBSA and regulating agencies for easy access, processing and monitoring. The use of the IID became mandatory for all applicable import transactions in Canada as of April 1, 2019. PGA licenses, permits, certificates and other data can be provided on an IID and validated by PGAs before the arrival of the goods. Related data that cannot be populated into the IID fields may be submitted as digital image through a Document Image Functionality.

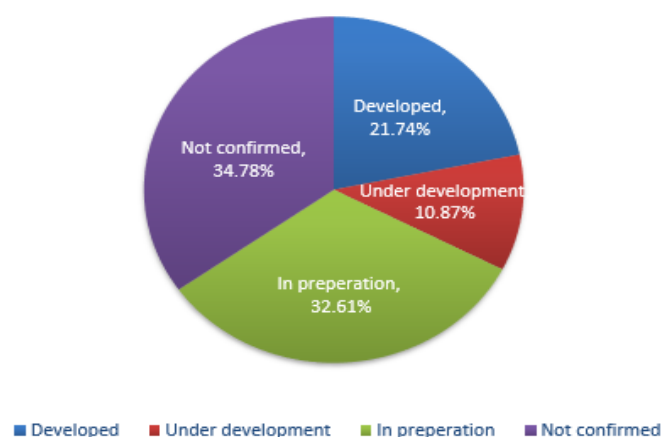
Similarly, the Indian Single Window Interface for Facilitation of Trade (SWIFT) allows importers and exporters to lodge their clearance documents online at a single point. The necessary permits from non-customs regulatory agencies are obtained online without the trader having to approach participating government agencies (PGA) separately. Some of the main features of the SWIFT project are the integrated declaration, the integrated risk assessment and the online clearance platform. Starting in April 2016, traders electronically submit customs clearance information required by relevant PGAs through an integrated declaration at a single-entry point, i.e. the Customs Gateway (ICEGATE). The integrated declaration replaces the separate submissions of application forms required by different

PGAs involved in the clearance process. When filing the integrated declaration, an automated routing feature enables the customs IT system to identify consignments that require clearance by the PGAs. SWIFT's Integrated Risk Management feature allows all PGAs to integrate their risk criteria in the system and carry out risk-based inspection and testing based on selective targeting of consignments. These risk-based targeted controls would enable PGAs to focus on high-risk consignments, while generating a faster and more efficient customs clearance and control procedures. Finally, the system records and gathers clearance related decisions and approvals from relevant PGAs and delivers the results to the trader at a single point through an online clearance platform.

It should be noted that it is challenging to estimate the exact number of currently operating single window systems around the world due to the different models adopted, national laws and the extent of operations and functions performed. However, following the entry into force of the WTO TFA, 72 countries have provided transparency notifications<sup>145</sup> with regard to the operation of the single window. Moreover, China, Chinese Taipei, El Salvador, Brazil, Mexico and Saudi Arabia have shared their experience concerning the partial or full implementation of single window platforms in the WTO context. Other countries, like India, have indicated willingness to present their single window developments at the WTO TFA Committee meeting in February 2020. Likewise, Singapore and New Zealand have started bilateral negotiations to apply the once only submission principle in their custom procedures.

At the regional level, the single window is comprised of several national single windows, allowing countries to integrate relevant data into a single regional portal. The Association of Southeast Asian Nations (ASEAN) Single Window initiative in the Asia-Pacific region has played an important role in building the necessary political support and policy environment for single windows at the national level. This association is currently in the process of implementing a Government-to-Government (G2G) exchange of information between the national single windows of its member countries (some of which have been operational for many years) so that a single submission of information can be sufficient for all ASEAN members.

**Figure 18: Single Window system development status in Asia and the Pacific**



Source: United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP)

<sup>145</sup> Publication of information for governments and traders on Article 10.4.3 of the WTO TFA related to the operation of the single window: <https://tfadatabase.org/notifications/transparency>

Similarly, the African Alliance for e-Commerce (AACE) has steadily progressed on the strategy of implementing single window environments for efficient trading regimes in the African nations. Beneficial projects and initiatives have been evaluated over the recent years through continuous workshops in this field.

The Asia-Pacific Economic Cooperation (APEC) countries are discussing the path forward for the implementation of the single window in the context of regional economic integration and the need for further facilitation of international trade. CBSA has also been eager to explore a Regional Single Window with the U.S. and Mexico.

In an effort to inform on the progress to date on Single Window environments and trade facilitation measures, the World Customs Organization (WCO) has created an online interactive map<sup>146</sup> for its members, known as the Reform and Modernization-Monitoring Activities and Projects (RAMMAP) and Single Window Interactive Map (SWIM). Devised as a structured database, this platform integrates several sources of information ranging from WCO surveys and websites of member administrations to publicly available information from international stakeholders, while acting as a hub for further performance monitoring activities.

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<sup>146</sup> <https://rammap-swim.wcoomd.org/>

# ANNEX 11: NUMBER OF DECLARATIONS COVERED BY OPTIONS 1, 2 AND 6

**Estimated number of declarations per year subject to regulatory requirements covered by option 1**

Regulatory requirements covered	Estimated no of declarations / year (thousands)
<b>Import requirements</b>	
CHED-PP	972
CHED-P*	655
CHED-D**	641
Catch import	417
Waste import	231
COI	135
CHED-A***	96
FLEGT	57
ODS import	13
Combined estimates for FGAS, Cultural goods import, Product safety	482
<b>Total imports</b>	<b>3 699</b>
<b>Export requirements</b>	
Waste export	188
PIC	126
ODS export	72
Export licence cultural goods	20
Catch export	23
<b>Total exports</b>	<b>429</b>
<b>Overall total</b>	<b>4 128</b>

Annotation: \*Based on figures for predecessor CVED-P;

\*\*Figures based on predecessor CED;

\*\*\*Figures based on predecessor CVED-A.

Source: Declarations and supporting documents data from Member State customs authorities; Extrapolations based on Eurostat trade data.

**Estimated number of declarations per year subject to regulatory requirements covered by option 2**

Regulatory requirements covered		Estimated no of declarations / year (thousands)
<b>Import requirements</b>		
CCFV import		625
AGRIM		244
CITES import		134
Precursors authorisation	import	1
Additional declarations†	import	50
<b>Total imports</b>		<b>1 054</b>
<b>Export requirements</b>		
CCFV export		814
Dual use export		595
CITES export		141
AGREX		72
Drugs precursors export		19
<b>Total exports</b>		<b>1 641</b>
<b>Overall total</b>		<b>2 695</b>

*Annotation: †Combined estimated total of regulatory requirements for which data was unavailable, namely the Trade Surveillance Document.*

*Source: Declarations and supporting documents data from Member State customs authorities; Extrapolations based on Eurostat trade data*

**Estimated number of declarations per year subject to regulatory requirements covered by option 6**

Regulatory requirements covered		Estimated no of declarations / year (thousands)
<b>Import requirements</b>		
CHED-PP		972
CHED-P*		655
CHED-D**		641
CCFV import		625
Catch import		417
COI		135
CHED-A***		96
FLEGT		57
ODS import		13
Combined estimates for cultural goods import and trade surveillance document		361
<b>Total imports</b>		<b>3 971</b>
<b>Export requirements</b>		
CCFV export		814
ODS export		72
Catch export		23
Cultural goods export		20
<b>Total exports</b>		<b>928</b>
<b>Overall total</b>		<b>4 899</b>

Annotation: \*Based on figures for predecessor CVED-P;

\*\*Figures based on predecessor CED;

\*\*\*Figures based on predecessor CVED-A;

†Combined estimated total of regulatory requirements for which data was unavailable, namely cultural goods import and the trade surveillance document.

Source: Declarations and supporting documents data from Member State customs authorities; Extrapolations based on Eurostat trade data.

## ANNEX 12: ANALYSIS OF THE DISCARDED POLICY OPTIONS

### Analysis of the impacts of policy options 3, 4, 5, 7 and 8(i)

Overview		Stakeholder views	Economic impacts	Social and environmental impacts
<b>Category I: G2G options</b>				
<b>Option 3</b>	This option is similar to option 2, but it concerns national rather than EU regulatory requirements. Data from a limited number of Member States suggests these could cover dozens of regulations in each country across a wide range of policy areas.	National customs authorities have expressed largely negative views towards this policy option. This is due to its uncertain scope and the unfeasibility (or potentially huge expense) of making the necessary connections between a large number of electronic systems and EU CSW-CERTEX.	While the nature of the benefits would be similar to those described for option 1, these would be limited, since only goods subject to national requirements in one Member State, but dealing with customs in another, would be affected. The likely costs would be very high in light of the many connections needed.	If implemented, the social and environmental benefits would be similar in nature to those described for option 1. However, their scale would be limited because only a relatively small number of customs declarations is likely to be affected.
<b>Option 4</b>	This option would cover EU regulatory requirements for which third-country documents are required, such as the Certificate of Origin, VI 1 document for wine imports and the Kimberley Process Certification for diamond imports. While a number of examples were identified, the volume of electronic systems or customs declarations that would be affected is unclear.	Given the uncertain scope and difficulties of technical implementation, national customs authorities have considered this option a low priority. There are also doubts about whether it is legally feasible, since it is unlikely that third-country authorities could be obliged to make the necessary connections.	For the customs declarations subject to the regulatory requirements covered, the benefits would be of a similar nature to those described for option 1. Since this is uncertain, the scale of the benefits is unknown. The costs are also hard to define, though a considerable proportion would be incurred by third-country authorities.	If implemented, the social and environmental benefits would be similar in nature to those described for option 1. However, their scale is impossible to gauge due to the unknown scope of the regulatory requirements to be covered.
<b>Category II: B2G options</b>				
<b>Option 5</b>	This option would set up an EU trader platform for dealing with the regulatory requirements covered under option 1.	Customs authorities and economic operators expressed negative views towards this option. This is mainly because, since economic operators would still need to deal with customs and partner competent authorities separately, clearance processes were seen as unlikely to be significantly	This option would entail considerable costs to develop and implement, mainly for the Commission but also for national and partner competent authorities. There would also be potential costs for economic operators needing to adjust to the new system. Some economic benefits could be realised, mainly for economic operators who	To a limited extent, this option could be expected to improve authorities' ability to share information and thus reduce errors and improve enforcement / compliance. However, expectations of such benefits among stakeholders were limited.

Overview		Stakeholder views	Economic impacts	Social and environmental impacts
		improved.	could deal with multiple non-customs requirements using a single platform. However, it did not seem likely that these benefits would be large enough to justify the investment required.	
<b>Category III: Cross-cutting option</b>				
<b>Option 8(i)</b>	This option would extend EORI to partner competent authorities for registration, identification and validation purposes. This would imply the registration of additional businesses who are not registered with the customs authorities. EORI would become a common registration and identification number for customs and partner competent authorities involved in international trade.	Customs authorities and economic operators expressed largely favourable views towards opening the use of EORI to partner competent authorities. However, the partner DGs presented a diversity of cases where the replacement of current registration systems by EORI would be extremely complex. In addition, some of the registration requirements are so domain specific that customs authorities would not be equipped to administer efficiently.	This option would particularly benefit economic operators by providing a single registration mechanism for customs and non-customs formalities. Extending the EORI system to non-customs domains for registration and identification purposes would require additional businesses (including those based in third countries or involved in intra-community trade) to register for the system. This might come at a cost of increased complexity and thus limit the economic benefits that could be generated.	This option would provide incremental social and environmental benefits for any other option it would supplement. It would facilitate information sharing between customs and partner competent authorities and simplify the procedures to enforce regulatory requirements across policy domains.



## ANNEX 13: COMPARISON OF ECONOMIC IMPACTS FOR ALL OPTION PACKAGES

The following three tables summarise the comparison of the direct economic impacts for the different packages of options. These contain the information needed to compare the options in terms of their likely direct economic impacts compared to the continuation of the baseline scenario. More precisely:

- Packaging: the options are packaged as described in section 7, meaning that the impacts shown represent the sum of those for the options included in each package.
- Three timeframes are shown in the tables:
  - Total costs and benefits for years 1-7: presents the sum of impacts to be expected for years 1-7, during which one-off implementation costs would be incurred and economic benefits would be phased in for all packages comprised of combinations of options 1, 2, 6 and 8(ii). Since packages containing option 7 will not realise any benefits during years 1-7, only costs are shown for these.
  - Total costs and benefits for years 8-12: presents the sum of the impacts to be expected for years 8-12. During this time, the packages comprised of combinations of options 1, 2, 6 and 8(ii) would be fully operational. The figures thus show the total impacts for the first 5 years of full operation. The packages containing option 7 would be phased in during this time, meaning the total of costs incurred and gradually increasing benefits are shown.
  - Annual costs and benefits during full operation: for all packages of options, the table shows the recurrent costs and full direct economic benefit that would be expected each year. This would be year 8 onwards for the packages comprised combinations of options 1, 2, 6 and 8(ii), and year 13 onwards for the packages containing option 7.
- Net impact: for all three timeframes, the 'net impact' rows show the sum of the costs and benefits. The degree of uncertainty in expected impacts is taken into account by using high and low ranges for each package of options. As shown, the net impact varies significantly but is positive for all packages except those containing option 7. These packages show negative net impacts due to the large implementation and recurrent costs
- EUR benefit per EUR spent: to help illustrate differences in the expected value for money of the option packages, the last rows show the benefit of each EUR spent. Values greater than one depict net benefits, while values less than one depict net negative impacts (since EUR 1 achieves less than EUR 1 in benefit).

**Table 20: Comparison of the total benefits and costs for years 1-7<sup>147</sup>**

Total costs and benefits for years 1-7		Packages of options for G2G collaboration only				Packages of options for G2G and B2G cooperation							
		1	1+2	1+8(ii)	1+2+8(ii)	1+6	1+2+6	1+6+8(ii)	1+2+6+8(ii)	1+7	1+2(i)+7	1+7+8(ii)	1+2(i)+7+8(ii)
Costs (€m, low and high ranges except for EC costs)	EC	28.7	63.7	29.7	64.7	63.7	98.7	64.7	99.7	4 028.7	4 063.7	4 029.7	4 064.7
	MS authorities	14.4	56.4	15.4	57.4	63.4	105.4	64.4	106.4	4 000.0	4 084.0	4 001.0	4 085.0
		28.7	112.7	29.7	113.7	126.7	210.7	127.7	211.7	9 333.3	9 417.3	9 334.4	9 418.4
	EOs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Total	43.1	120.1	45.1	122.1	127.1	204.1	129.1	206.1	8 028.7	8 147.7	8 030.8	8 149.8
Benefits (€m, low and high ranges)	MS customs	57.4	176.4	59.5	178.5	190.4	309.4	192.5	311.5	13 362.0	13 481.0	13 364.1	13 483.1
		173.4	230.0	177.7	235.7	207.7	264.3	212.9	270.9	0.0	0.0	0.0	0.0
	MS PCAs	260.1	335.5	266.6	343.9	328.7	404.1	336.9	414.2	0.0	0.0	0.0	0.0
		11.6	19.1	11.8	19.6	25.3	32.8	25.9	33.6	0.0	0.0	0.0	0.0
	EOs	28.9	47.8	29.6	49.0	63.2	82.1	64.8	84.1	0.0	0.0	0.0	0.0
		173.4	230.0	177.7	235.7	482.0	538.6	494.1	552.1	0.0	0.0	0.0	0.0
	Total	260.1	335.5	266.6	343.9	671.6	747.1	688.4	765.8	0.0	0.0	0.0	0.0
		358.3	479.1	367.3	491.1	715.0	835.7	732.9	856.6	0.0	0.0	0.0	0.0
Net impact (€m, low and high ranges)		549.1	718.9	562.8	736.8	1 063.5	1 233.3	1 090.1	1 264.1	0.0	0.0	0.0	0.0
		300.9	302.7	307.8	312.6	524.6	526.3	540.4	545.2	-13 362.0	-8 147.7	-13 364.1	-13 483.1
EUR benefit per EUR spent		506.0	598.8	517.7	614.7	936.4	1 029.2	961.0	1 058.0	-8 028.7	-8 147.7	-8 030.8	-8 149.8
		6.2	2.7	6.2	2.8	3.8	2.7	3.8	2.8	0.0	0.0	0.0	0.0
		12.8	6.0	12.5	6.0	8.4	6.0	8.4	6.1	0.0	0.0	0.0	0.0

**Table 21: Comparison of the total benefits and costs for years 8-12**

Total costs and benefits years 8-12		Packages of options for G2G collaboration only				Packages of options for G2G and B2G cooperation							
		1	1+2	1+8(ii)	1+2+8(ii)	1+6	1+2+6	1+6+8(ii)	1+2+6+8(ii)	1+7	1+2(i)+7	1+7+8(ii)	1+2(i)+7+8(ii)
Costs (€m, low and high ranges except for EC costs)	EC	16.4	36.4	16.8	36.8	31.4	51.4	31.8	51.8	2 302.1	2 322.1	2 302.5	2 322.5
	MS authorities	8.2	32.2	8.6	32.6	29.2	53.2	29.6	53.6	2 285.7	2 333.7	2 286.1	2 334.1
		16.4	64.4	16.8	64.8	58.4	106.4	58.8	106.8	5 333.3	5 381.3	5 333.7	5 381.7
	EOs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	700.0	700.0	700.0	700.0
		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1 400.0	1 400.0	1 400.0	1 400.0
	Total	24.6	68.6	25.3	69.3	60.6	104.6	61.3	105.3	5 287.8	5 355.8	5 288.5	5 356.5
		32.8	100.8	33.5	101.5	89.8	157.8	90.5	158.5	9 035.4	9 103.4	9 036.1	9 104.1

<sup>147</sup> Given that option 7 would replace existing EU customs systems with a single centralised system, this would be combined with a simplified version of option 1 that entails a single connection of EU CSW-CERTEX to the option 7 system. Similarly, it would only be feasible to implement option 7 alongside the direct connection version of option 2 (i.e. 2(i)).

Benefits (€m, low and high ranges)	MS customs	247.7	328.6	253.9	336.8	296.7	377.5	304.1	387.0	148.3	188.8	152.1	193.5
		371.5	479.4	380.8	491.3	469.5	577.3	481.3	591.8	234.8	288.7	240.6	295.9
	MS PCAs	16.5	27.3	16.9	28.0	36.1	46.9	37.0	48.1	18.1	23.4	18.5	24.0
		41.3	68.2	42.3	69.9	90.3	117.2	92.5	120.2	45.1	58.6	46.3	60.1
	EOs	247.7	328.6	253.9	336.8	688.6	769.5	705.9	788.7	344.3	384.7	352.9	394.4
		371.5	479.4	380.8	491.3	959.5	1 067.3	983.4	1 093.9	479.7	533.6	491.7	547.0
	Total	511.9	684.4	524.7	701.5	1 021.4	1 193.9	1 047.0	1 223.8	510.7	597.0	523.5	611.9
		784.4	1 026.9	804.0	1 052.6	1 519.3	1 761.8	1 557.3	1 805.9	759.6	880.9	778.6	902.9
Net impact (€m, low and high ranges)													
EUR benefit per EUR spent													

**Table 22: Comparison of the annual benefits and costs during full operation**

Annual costs and benefits during full implementation		Packages of options for G2G collaboration only				Packages of options for G2G and B2G cooperation							
		1	1+2	1+8(ii)	1+2+8(ii)	1+6	1+2+6	1+6+8(ii)	1+2+6+8(ii)	1+7	1+2(i)+7	1+7+8(ii)	1+2(i)+7+8(ii)
Costs (€m, low and high ranges except for EC costs)	EC	3.3	7.3	3.4	7.4	6.3	10.3	6.4	10.4	460.4	464.4	460.5	464.5
	MS authorities	1.6	6.4	1.7	6.5	5.8	10.6	5.9	10.7	457.1	466.7	457.2	466.8
		3.3	12.9	3.4	13.0	11.7	21.3	11.8	21.4	1 066.7	1 076.3	1 066.7	1 076.3
	EOs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Total	4.9	13.7	5.1	13.9	12.1	20.9	12.3	21.1	917.6	931.2	917.7	931.3
		6.6	20.2	6.7	20.3	18.0	31.6	18.1	31.7	1 527.1	1 540.7	1 527.2	1 540.8
Benefits (€m, low and high ranges)	MS customs	49.5	65.7	50.8	67.4	59.3	75.5	60.8	77.4	59.3	75.5	60.8	77.4
		74.3	95.9	76.2	98.3	93.9	115.5	96.3	118.4	93.9	115.5	96.3	118.4
	MS PCAs	3.3	5.5	3.4	5.6	7.2	9.4	7.4	9.6	7.2	9.4	7.4	9.6
		8.3	13.6	8.5	14.0	18.1	23.4	18.5	24.0	18.1	23.4	18.5	24.0
	EOs	49.5	65.7	50.8	67.4	137.7	153.9	141.2	157.7	137.7	153.9	141.2	157.7
		74.3	95.9	76.2	98.3	191.9	213.5	196.7	218.8	191.9	213.5	196.7	218.8
	Total	102.4	136.9	104.9	140.3	204.3	238.8	209.4	244.8	204.3	238.8	209.4	244.8
		156.9	205.4	160.8	210.5	303.9	352.4	311.5	361.2	303.9	352.4	311.5	361.2
Net impact (€m, low and high ranges)													
EUR benefit per EUR spent													

## ANNEX 14: EVALUATION OF THE EU CSW-CVED PILOT AND EU CSW-CERTEX PROJECT

### Introduction

This section presents the evaluation of the “EU Customs Single Window CVED pilot” since its launch in 2015. Its successor, the EU Customs Single Window-CERTificate Exchange project (EU CSW-CERTEX) project is in an early stage of implementation. To the extent possible, the EU CSW-CERTEX has also been considered in the evaluation.

The state of play in term of coverage and participation in the pilot and its successor are presented in the box below.

#### **Box 9: Subject of the evaluation**

The scope and state of play of the initiative evaluated is as follows.

- e) The EU Customs Single Window CVED pilot (EU CSW-CVED pilot) which allows customs authorities to automatically verify three supporting documents was launched in 2015 and covered:
  - ✓ CED (Common Entry Document) for imports of feed and food of non-animal origin
  - ✓ CVED-A (Common Veterinary Entry Document Animals) for imports of animals
  - ✓ CVED-P (Common Veterinary Entry Document Products) for imports of products with animal origin
- f) Its successor, known as the EU CSW-CERTEX project (CERTificate EXchange project), expanded the scope of regulatory requirements to include (as at 2019):
  - ✓ CHED-PP (Common Health Entry Document for Plant Protection) for plants, plant products and plant propagating material
  - ✓ FLEGT (Forest Law Enforcement, Government and Trade) for imports of timber
  - ✓ COI (Certificate of Organic Inspection) for imports of organic products

Further expansion is foreseen encompassing the following regulatory requirements: ODS (Ozone-Depleting Substance); F-GAS licences; dual use export licenses of the Directorate-General for Trade (DG TRADE), while more (including non-food product safety and compliance, market surveillance<sup>148</sup>) are under discussion. In addition, Regulation (EU) 2019/1020 of the European Parliament and of the Council on market surveillance and compliance of products, which aims to upgrade compliance and enforcement rules for products covered by EU legislation, provides for linkages and data transfer between national customs systems and the EU information database for market surveillance (ICSMS) through the EU Single Window environment for customs. The electronic interface should be in place within four years following the adoption of the required implementing legislation. It will initially be developed in the context of the EU CSW-CERTEX project.

<sup>148</sup> Regulation (EU) 2019/1020 of the European Parliament and of the Council on market surveillance and compliance of products, which intends to upgrade compliance and enforcement rules for products covered by EU legislation, provides for linkages and data transfer between national customs systems and the EU information database for market surveillance (ICSMS) through the EU Single Window environment for customs. The electronic interface should be in place within four years following the adoption of the required implementing legislation. It will initially be developed in the context of the EU CSW-CERTEX project.

([https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L\\_.2019.169.01.0001.01.ENG&toc=OJ:L:2019:169:TOC](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2019.169.01.0001.01.ENG&toc=OJ:L:2019:169:TOC))

The geographical coverage of the pilot and its successor is as follows:

1. Bulgaria (2015)
2. Latvia (2015)
3. Slovenia (2015)
4. Ireland (2015)
5. Czechia (2015)
6. Cyprus (2016)
7. Poland (2016)
8. Estonia (2017)
9. Portugal (2019)



France is planning to join EU CSW-CERTEX and is making the necessary technical arrangements. Belgium has also decided to join the EU CSW-CERTEX project and has started taking steps in terms of IT developments. Other Member States have signalled a desire to join.

The purpose of this evaluation is to provide evidence for the study for the impact assessment. More specifically, by investigating the pilot's relevance, effectiveness (insofar as is relevant given the pilot nature of the initiative), efficiency, coherence and EU added value, the evaluation helps understand the nature and scale of the existing problems and how the situation would likely evolve without further intervention (i.e. the baseline scenario). By providing insight into such areas as reasons for participating or not participating, costs incurred and experiences so far, the evaluation also provides useful insight for the analysis of the likely impacts of the policy options.

When reading the evaluation findings, it should be borne in mind that EU CSW-CVED was a pilot, with a scope of just three reporting obligations (CVED-A, CVED-P and CED) and voluntary participation (of five Member States in 2015, rising to eight by the end of 2017). This allowed it to play a valuable role in testing the viability of the concept and allowing for some experimentation before expanding its scope and rolling it out to all Member States. At the same time, the pilot nature of EU CSW-CVED has also limited its potential to address existing problems and generate benefits for customs authorities, partner competent authorities and economic operators. This was expected and is reflected in the terms in which EU CSW-CVED is judged in the ensuing sub-sections.

As a reference point for the analysis, we have developed a summary of the intervention logic of the pilot (and its successor). This is a high-level summary connecting the needs, inputs, activities to the initial results, specific purpose and overall objective. Where relevant we distinguish between the functional results / objective and the pilot results / objective.

**Table 23: Simplified intervention logic of the pilot initiative**

Needs	Inputs	Activities	Initial results	Specific purpose	Overall objective
<p>To improve coordination between customs and non-customs authorities</p> <p>More integrated, faster and simpler paperless processes for goods clearance</p> <p>More effective implementation of key non-customs EU regulations</p>	Financial and human resources from the Commission and Member States	Development and implementation of links between DG TAXUD middleware and (1) DG SANTE's database (TRACES) and (2) national customs IT systems	<p><b>Initial results:</b></p> <p>System for electronic exchange of CVED-A, CVED-P and CED documents between customs, partner competent authorities and DG SANTE via DG TAXUD middleware.</p> <p><b>Pilot results:</b></p> <p>Learning from implementation experience (needs of users and practical implementation challenges)</p>	<p><b>Functional objective:</b></p> <p>a) more effective and efficient implementation of EU rules and regulations</p> <p>b) improved coordination between customs and non-customs authorities</p> <p>c) moving from the paper flow to digital environment</p> <p><b>Pilot objective:</b></p> <p>develop an understanding of the viability of the approach to automated exchange between customs and non-customs authorities</p>	Use of digital technologies to coordinate government processes to ensure a secure and sustainable environment for all parties involved in international trade.
The intervention logic for the EU CSW-CERTEX project is the same, but has an expanded scope of more regulatory requirements and additional functionalities, such as EU-wide quantity management.					

Source: DG TAXUD

## Sources of evidence

The evaluation relies on essentially the same sources of evidence as the rest of the study for the impact assessment. As a starting point, it used existing sources, such as the legal text for the paperless environment for customs and trade<sup>149</sup>, the Evaluation of the electronic customs implementation in the EU<sup>150</sup> and the EU CSW-CERTEX project business case<sup>151</sup>. These were based on extensive consultation about the pre-existing situation, and thereby provide evidence of the project's underlying rationale (i.e. relevance). Additional evidence was gathered from:

- a) Field visits to eight Member States, which facilitated the collection of first-hand views and experiences of national authorities in participating and non-participating countries.

<sup>149</sup> Decision No70/2008/EC of the European Parliament and of the Council of 15 January 2008 on a paperless environment for customs and trade, OJ L 23, 26/01/2008, p. 21-26.

<sup>150</sup> Evaluation of the electronic customs implementation in the EU Final report (21 January 2015), [https://ec.europa.eu/taxation\\_customs/sites/taxation/files/docs/body/ecust\\_evaluation\\_final\\_en.pdf](https://ec.europa.eu/taxation_customs/sites/taxation/files/docs/body/ecust_evaluation_final_en.pdf)

<sup>151</sup> Business Case – EU Customs Single Window: Certificates exchange (December 2016).

- b) A questionnaire sent to project group members for feedback on the rationale for joining or not joining, as well as experiences so far, especially costs of joining (i.e. one-off implementation and maintenance costs) and benefits (i.e. savings from reduced amounts of labour needed to deal with goods clearance).
- c) Interviews carried out with different Commission officials working with various regulatory requirements, which provided an up-to-date understanding of the utility of the project for different reporting requirements.
- d) The views gathered from economic operators through targeted interviews and the open public consultation are included.
- e) Available data on the volumes of declarations requiring CED, CVED-A and CVED-P for four participating countries (Czechia, Estonia, Ireland and Latvia) were combined with qualitative information to make estimations on time saved for different stakeholders in our assessment of the efficiency of the EU CSW CVED pilot.
- f) Relevant data from the EU Customs Single Window Architecture Evolution and Change Management Policy project provides insights from stakeholder consultation with Member State custom authorities focused on the technicalities of implementation.

## **Relevance**

*To what extent do the EU CSW-CVED pilot and EU CSW-CERTEX project correspond to the needs of stakeholders, namely (different types of) economic operators and public authorities?*

## **Coverage of question**

This question assesses the EU CSW-CVED pilot and EU CSW-CERTEX project's capacity to address needs of different stakeholders. The two initiatives aim to address the need for synchronisation of digitalisation efforts of the Member States and the European Commission in the customs area. As clarified in the introduction, as a pilot, EU CSW-CVED entails testing the concept of digital verification of the supporting documents issued by the partner competent authorities other than customs, which are required to support the customs declaration of certain goods. This technical solution aims to address a need to improve coordination between customs and non-customs authorities for greater efficiency and effectiveness in the implementation of EU regulation. The needs of economic operators are, likewise, related to faster, simpler and more integrated processes for the clearance of goods affected by non-customs regulatory requirements. The relevance question is focused on assessing how appropriate the technical solution is, in terms of its functionalities and scope. A separate question (see question 3) deals specifically with an assessment of the effectiveness of the EU CSW-CVED pilot and EU CSW-CERTEX project in achieving the objectives.

## **Evidence base**

This question draws on the existing documentary sources mentioned in the introduction, and consultation with stakeholders in both participating and non-participating Member States. The assessment of relevance is based mainly on qualitative data relating to the problems experienced by Member States and the extent to which the EU CSW-CVED pilot and EU CSW-CERTEX project are designed in a way that can address these problems. Quantitative data on declaration volumes is used to assess the scale of the EU CSW-CVED pilot and EU CSW-CERTEX project in relation to other reporting obligations facing economic operators. It is important to remember that the EU CSW-CVED pilot and EU-CSW-CERTEX project aim to test an approach as this provides context for how far they can meet stakeholders' needs.

## **Answer to evaluation question**

The problem consistently experienced by those involved in the import and export of goods is that of insufficiently coordinated and inefficient goods clearance processes. While the specificities and scale of the problem vary by Member State and regulatory requirement, customs authorities, partner competent authorities and economic operators trading in Member States are affected. The implications of these inefficiencies include duplication of information and procedural redundancies as systems do not “speak to” one another, paper is passed from one authority to another, different authorities request the same information, and so on.

Participating countries were asked about the relevance of the EU CSW-CVED pilot to address their needs. They confirmed that from a functional point of view, the pilot addressed the basic need for more efficient goods clearance and coordinated automated checks between supporting documents and customs declarations. For the reporting formalities covered in the pilot, there is now the possibility for automated checks. According to stakeholders, the need for automated checks was particularly important for goods being traded in higher volume when the time for manual exchange of data and checks was cumulatively more onerous (with the opposite true in the case of smaller import/export volumes)<sup>152</sup>. Participating Member States also confirmed that through the new approach, the competent authorities were coordinated in a way that was previously not possible (i.e. when they used systems that were not designed to share information between each other). This addresses the need for greater coordination between authorities.

The perceived relevance of the EU CSW-CERTEX project, is in part demonstrated by the desire and willingness to join among Member States. In addition to the nine Member States already engaged, others, such as France, Belgium, Malta, Lithuania, and Luxembourg are actively planning to join, some of whom have been enticed by technical improvements introduced over time<sup>153</sup>. Some other Member States (such as the Netherlands, Spain and Germany) foresee joining once certain functionalities are available, or participation has reached a sufficient threshold.

Similarly, at the EU level, an increasing number of DGs are also investigating the possibility to join the EU CSW-CERTEX project<sup>154</sup>. The increasing number of Member States and DGs interested in joining the project further serves as evidence of the ability of the approach to meet the needs of stakeholders.

In line with the pilot nature and limited scope of the EU CSW-CVED pilot and the EU CSW-CERTEX project there are limitations to the extent to which (with their current scope) they can fully satisfy stakeholders’ needs. More concretely, the number of regulatory requirements covered corresponds to only about a third of the import declarations requiring supporting documents from non-customs EU legislation each year.

Beyond the scope, the experience from the pilot and successor project provide information about what unfilled needs remain and what needs should be considered for future planning. Both participating and non-participating Member States cited the following (unmet) needs:

- The connection currently only allows national authorities to “poll” available information from TRACES (i.e. authorities need to electronically and periodically

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<sup>152</sup> This was the case for “FLEGT” (Council 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) in Ireland, where the volume of timber imports is not high enough to justify the inclusion of this reporting requirement.

<sup>153</sup> For instance, while the EU CSW-CVED pilot did not initially correspond to national authorities’ need to be able to retrieve the full supporting document in a universally readable format, this functionality has been added for the EU CSW-CERTEX project. The introduction of this function in 2018 was one of the determining factors in France’s decision to join for example.

<sup>154</sup> DG SANTE (CVED-A, CVED-P and CED), DG ENV (FLEGT), DG AGRI (COI) are already involved, while DG MARE (IUU), DG CLIMA (ODS and F GASES) are preparing to join.



send a request to TRACES for updated information). This means that authorities do not have continuously updated information from TRACES. It would be similar to having to input your inbox every few hours and not simply getting an alert when a new email comes in. Member States would be interested in the possibility to automatically exchange information with TRACES, enabling updates in real time.

- EU-level quantity management is not possible in the current system (it would require for all Member States to be using the system and for the system to be updated continuously in real time), meaning that authorities must manually check whether a supporting document has already been depleted. Having manual checks makes fraudulent reuse of documents possible, as there is no strict one-to-one relationship between a supporting document and a customs declaration.

The lack of quantity management was also cited as a problem by EU authorities as well. For instance, for DG CLIMA, the value of the EU CSW-CERTEX project is limited if it is not mandatory for all Member States, as quantity management would be less useful since the quota system applies EU-wide and not at national level. Phasing down of F-gas via quotas as part of the EU's commitment to contribute to global reductions in Fgases which are extremely harmful to the environment have led to large price increases, which on one hand promote innovation, but on the other provide an incentive for illegal activities and (potential fraud), according to an NGO study.<sup>155</sup> A European Commission study on the same issue found similarly that custom controls are relevant and need to be intensified, because any amount of HFCs coming into the EU outside the HFC quota system has the potential of reducing environmental benefits and leads to unfair competition.<sup>156</sup>

For economic operators in particular, the digital connection between government authorities is a step in the right direction to meet their needs<sup>157</sup>. However, these connections do not allow processes to be simplified fully. For instance, economic operators continue to face the requirement for paper documents to be filed (alongside the digital processes). According to stakeholders consulted, a legislative framework to give digital signatures legal value would mean that electronic supporting documents could be used at the EU level, avoiding the duplication with paper documents.

## Conclusion

The evaluation confirms that the EU CSW-CVED pilot and EU CSW-CERTEX project are in line with the needs of stakeholders in terms of more efficient goods clearance and coordinated automated checks between supporting documents and customs declarations. While there are limitations to the relevance which relate to the pilot nature of the solutions to date. As new functionalities are introduced, and coverage of regulatory requirements is projected to increase so too does the relevance. Nevertheless, understanding what needs remain unmet these are gives insight into the continued problems facing different stakeholders:

- a) EU quantity management is needed to close enforcement gaps and remains impossible without full mandatory participation of all Member States.

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<sup>155</sup> Door wide open, Environment

<sup>156</sup> [https://ec.europa.eu/clima/sites/clima/files/f-gas/legislation/docs/report\\_illegal\\_trade\\_hcf\\_en.pdf](https://ec.europa.eu/clima/sites/clima/files/f-gas/legislation/docs/report_illegal_trade_hcf_en.pdf)

<sup>157</sup> Indeed, five trade associations, whose members represent economic operators dealing with border formalities on a daily basis, were consulted regarding the relevance of EU CSW-CVED pilot and confirmed that broadly the developments were in line with their needs for more efficient goods clearance processes. The organisations interviewed were: Easy Frontier, International Port Community System Association (IPCSA), Dow Benelux B.V. (in representation of European Chemical Industry Council - CEFIC), World Shipping Council, and European Liaison Committee of Common Market Forwarders (CLECAT).

- b) Upgrades to the connections between systems would be required to allow for real time continuous updates (rather than periodic polling).
- c) The continued need for economic operators to provide paper documents alongside digital ones limits the benefits economic operators can realise but resolving the issue would require a legislative framework giving digital signatures legal value.

### **Effectiveness**

*To what extent has the EU CSW-CVED pilot project been implemented as planned?*

#### **Coverage of the question**

This question assesses the implementation process of delivering the EU CSW-CVED pilot, and experiences of this process from participating Member States.

#### **Evidence base**

This question draws on the experiences of the nine Member States participating in the EU CSW-CERTEX project to date<sup>158</sup>. Specifically, Member States were asked to answer questions about their experiences of implementation in a written questionnaire shared with the project group.

#### **Answer to evaluation question**

For the most part, the EU CSW-CVED pilot was implemented as planned, with no significant issues identified. Certain participating Member States reported the process to have been smooth and without incidence. This was the case for Czechia and Ireland who were early joiners (2015), and two later joiners: Estonia and Portugal.

Notwithstanding the overall positive experience, feedback from customs authorities participating in the project group also shows some lessons could be learned from the implementation process itself. Experiences of this process were not uniformly seamless. The reasons for this varied but can be summarised as teething problems. For instance, the key issues reported were:

- a) delays in providing details for conformance testing for necessary IT developments (cited to have been an issue in Poland) and/or
- b) incomplete technical specifications, which created issues for IT resource planning within Member States (as was the case in Ireland and Cyprus).

Both Cyprus and Poland commented on the additional costs incurred for countries piloting systems, as adjustments are made, which are not necessarily “backward compatible”<sup>159</sup>. The precise figures for additional costs were not available.

Similarly, the lack of robust technical release plans was reported to have slowed down implementation in some cases and made it difficult for benefits to be realised initially. This was reported to be the case in Ireland, Latvia and Cyprus. For instance, Latvian authorities, while positive about the introduction of the PDF functionality found mismatches between this and electronic versions of CED/CVED documents.

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<sup>158</sup> Bulgaria, Latvia, Slovenia, Ireland, Czechia, Cyprus, Poland, Estonia, France and Portugal.

<sup>159</sup> Backward compatible refers to the need for developments to consider the requirements of existing systems – i.e. not to require a complete overhaul of existing systems but to consider how to develop systems which are compatible with previous systems.

These experiences show that – in line with its purpose - the pilot was a learning experience for Member States, and the Commission. But it also provides ideas and insights into how to manage future developments, as follows: the importance of maintaining parallel systems alongside new solutions, as well as planning in backward compatibility, was stressed as crucial for future upgrades or developments. Member States also emphasised the importance of sharing the integration guidance document prepared by the Commission ahead of conformance testing to help them with smooth implementation<sup>160</sup>. Teething problems can – and in some case did – have a detrimental impact on economic operators who experienced delays and a lack of predictability in clearance processes.

## **Conclusion**

Implementation proceeded with varying degrees of ease for the different Member States involved to date, but for the most part proceeded as planned.

In line with the pilot nature of the project, some customs authorities reported facing specific issues which can be summarised as “teething problems”. These are actually useful as lessons that can be learned for future participants and confirm the importance of having a pilot.

The main take-away lessons learnt related to:

- a) ensuring backward compatibility to minimise costs of additional functionalities;
- b) maintenance of parallel back-up systems to minimise disruption; and
- c) sharing integration guidance ahead of conformance testing to facilitate smooth implementation.

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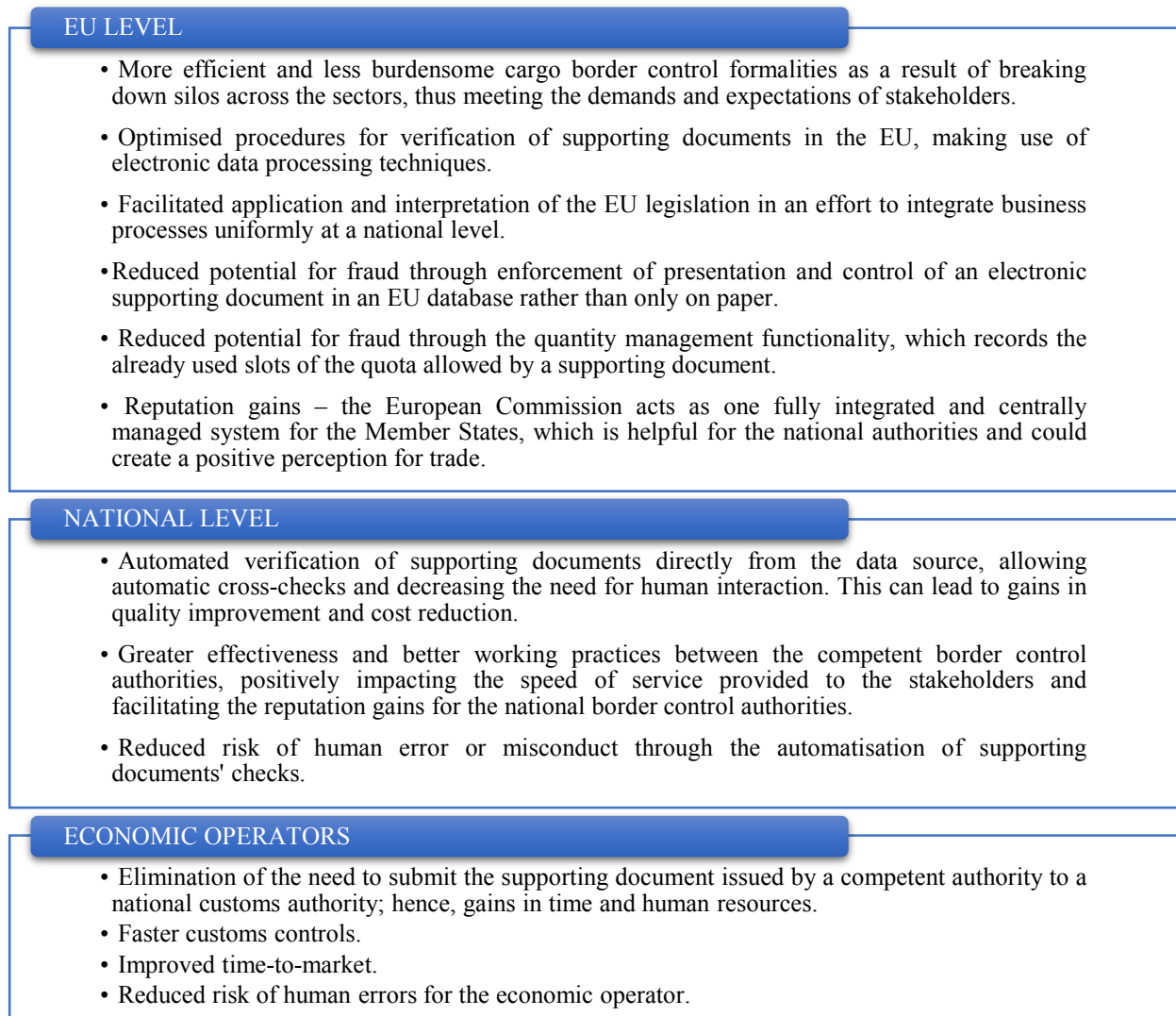
<sup>160</sup> Survey result from “EU Customs Single Window Architecture Evolution and Change Management Policy project”.

*To what extent have the EU CSW-CVED pilot and the EU CSW-CERTEX project delivered on their objectives and expected outcomes in line with their scope?*

### **Coverage of question**

This question looks at whether the EU CSW-CVED pilot and EU CSW-CERTEX project are delivering on their objectives and expected outcomes. The objective of the EU CSW-CVED pilot and the EU CSW-CERTEX project was to test the viability of the idea to have automated checks of supporting documents by customs for a limited number of certificates. The EU CSW-CVED pilot and EU CSW-CERTEX project have not (yet) fully replaced the previous systems. Building on the simplified intervention logic provided in the introduction, the expected outcomes for different stakeholders are as presented in Figure 19 below. This question looks at the outcomes that relate to functionality of the solution (i.e. harmonisation of technical requirements) for the limited number of certificates covered and the indirect benefits (i.e. coordination between competent authorities and increased safety through reduced possibility for fraud). A separate question (see question 4) deals specifically with an assessment of costs and time-saving benefits.

**Figure 19: Expected outcomes from the EU CSW-CERTEX project**



Source: EU CSW-CERTEX business case

## Evidence base

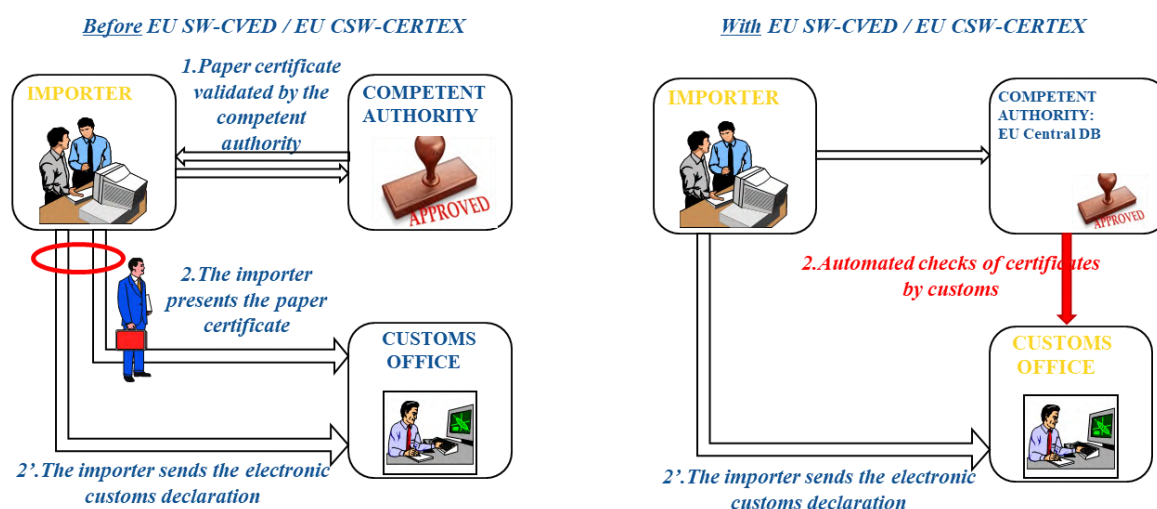
Again, the evidence to date is limited to the scope of the EU CSW-CVED pilot and EU CSW-CERTEX project, both in terms of those Member States participating and the regulatory requirements covered. While there is qualitative evidence that the overall objective has been achieved with the pilot nature in mind, the evidence on expected outcomes is limited to showing that within the scope of the initiatives successful harmonisation and cooperation has been achieved, while there is very limited, mostly anecdotal, evidence of how the initiative has contributed to tackling fraud.

Regarding improved time to market specifically, data on processing times for different regulatory requirements before and after the introduction of the pilot was requested from the project group. The information provided by Member States was neither complete nor comparable. Authorities expressed difficulties in calculating times due to the importance of different factors, variability and lack of systematic tracking of clearance times.

## Answer to evaluation question

With the EU CSW-CVED pilot, automated verification checks of the CVED and CED submitted with customs declarations are possible (as shown in the right-hand side of the figure below). To date, nine participating Member States have established a connection with their customs systems to perform automated certificates checks against an EU level database dealing with partner competent authority reporting formalities for CED and CVED-A and CVED-P.

**Figure 20: The concept of the "EU Customs Single Window: Certificates Exchange"**



Source: EU CSW-CERTEX business case

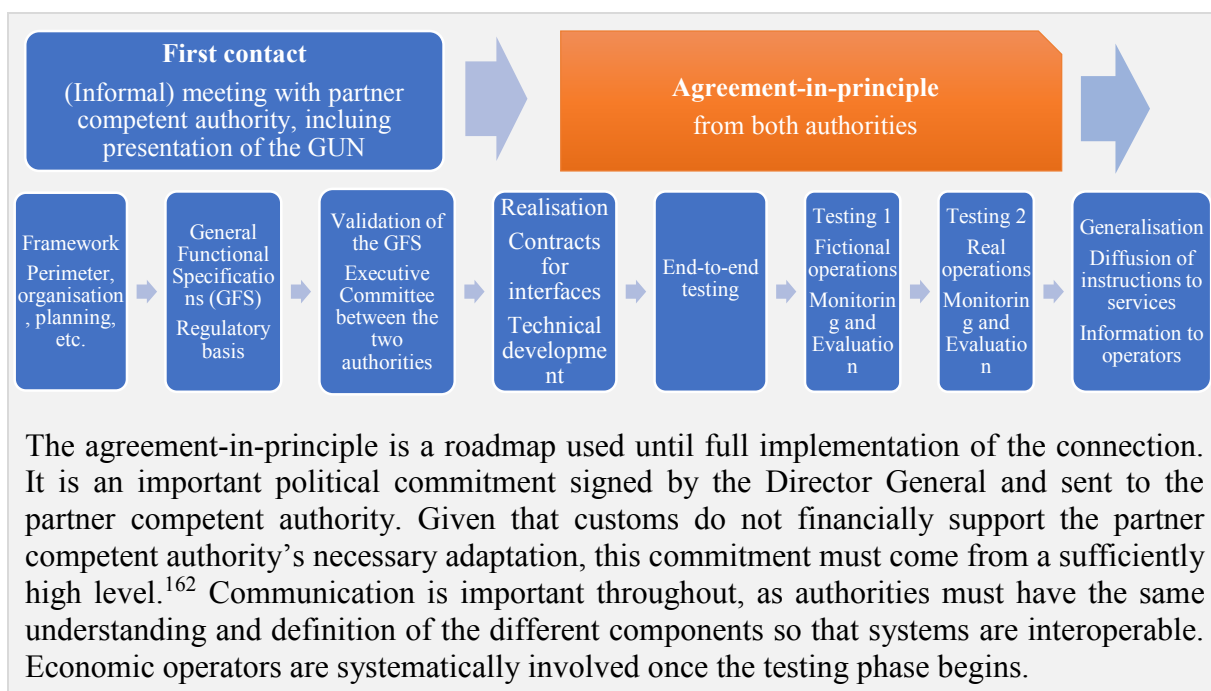
The automation of checks is possible because of efforts to develop harmonised data sets between DGs at the EU level, and between national and EU authorities (dealing with relevant reporting formalities). As such, the project has successfully delivered the outcome of EU-level harmonisation regarding the implementation of customs and non-customs regulatory requirements implemented within the current scope (i.e. between customs and EU databases covering certain non-customs regulatory requirements)<sup>161</sup>. Data harmonisation in a more

<sup>161</sup> Looking ahead, part of the process for expanding the EU CSW-CERTEX project to cover new regulatory requirements will necessarily include a data harmonisation phase for the non-customs formalities covered, as stipulated in the documentation for the development of new connections. It will also include a process for the transformation of data from customs to non-customs authorities to enable the realisation of automated exchange of the required information.

general sense (between customs and non-customs authorities) has not been in the scope of the pilot.

Data harmonisation was possible through a process of exchange and collaboration at both EU and national levels, which was another expected outcome. For example, meetings were organised to understand the legal requirements and data needs of both sides (customs and non-customs). Although not yet a full member of the EU CSW-CERTEX project, France provides a concrete evidence of the process undertaken to establish harmonised data (see overview in the box below).

**Box 10: Evidence of process for establishing a connection between customs and non-customs authority systems**



This has reportedly led to an improved understanding between the authorities involved as an indirect benefit, in the case of France, and with the EU CSW-CVED pilot and EU CSW-CERTEX project. In the framework of the EU CSW-CVED pilot, DG TAXUD interacted with other stakeholders involved, through its IT services. The pilot served as an interface between national customs authorities and TRACES, which is managed by DG SANTE. This required improved coordination between customs and the other authorities (in this case DG SANTE and typically sanitary / veterinary departments) involved.

Already there are indications that the EU CSW-CVED pilot and EU CSW-CERTEX project are leading to benefits such as reduced fraud and mistakes. Unfortunately, most of this evidence is anecdotal due to the sensitivity of the information and / or an absence of systematic recording of the improvements made leading to mainly qualitative data. Nevertheless, this finding was consistently reported; four Member States participating in the project group indicated this as a benefit. Portugal indicated that the approach reduces errors, because all the conditions attached to the enforceability of the supporting documents, and the exceptions also provided for in the legislation, are all previously established in the electronic system. Malta provided a detailed answer on the matter, making it an argument for joining the EU CSW-CERTEX project (see box below).

<sup>162</sup> The role of the sponsor is indeed essential, as (s)he “is accountable for ensuring that the work is governed effectively and delivers the objectives that meet identified needs”. Novare Consulting Ltd., Association for Project Management.

### ***Box 11: Expected reduced risk of fraud and mistakes as explained by Maltese customs***

From both a customs and business perspective, the EU CSW-CVED is expected to reduce the risk of fraud and eliminates the potential for errors. The possibility to consult the source of supporting documents data eliminates the need to check the supporting document as provided by the economic operator, this automated check eliminates the risk of receiving a falsified supporting document (in electronic form). Further, the obligation for the economic operator to provide a reference to an *electronic supporting document in an EU database* eliminates the risk of receiving a *falsified paper document*. The transformation of data from the supporting documents into customs declaration compatible data ensures synchronised application of legislation among the EU Member States and reduction of human errors.

*Source: Response to questionnaire sent to customs administrations (December 2018)*

Envisaged future benefits as the project continues to improve and expand its scope were viewed positively. As previously mentioned, there are still some limitations in terms of the outcomes of the initiatives, which relate to the scope to date. While national quantity management is now possible, EU level quantity management is not.

### **Conclusion**

The EU CSW-CVED pilot and EU CSW-CERTEX project have delivered on their objective to allow for automated checks of supporting documents by customs authorities. While caveats apply in line with the scope of the project to date, the EU CSW-CVED pilot and its successor, the EU CSW-CERTEX project, have already led to harmonisation and exchange of data related to the regulatory requirements covered. Indeed, the automation of the process for verifying documents was possible due to harmonisation of relevant data. In turn, this has meant improved cooperation between competent authorities. There is also some limited evidence of reduced fraud and human error, particularly through the reduced human intervention, and through the possibility for national quantity management.

While certain needs remain unmet, expected outcomes are likewise not achievable within the current scope providing evidence of the remaining issues facing stakeholders. The most obvious example of this is the feasibility of EU level quantity management (necessary for fully effective enforcement of quotas, for example), which is not possible unless all Member States are involved, and the technology supports real-time information sharing.

### **Efficiency**

*To what extent have the benefits of the EU SW-CVED pilot and EU CSW-CERTEX project so far (in terms of costs, time and effort savings), outweighed the costs of implementation?*

### **Coverage of question**

This evaluation question assesses the extent to which the resources used for the implementation of the EU SW-CVED pilot and EU CSW-CERTEX project are proportionate to the benefits generated. It addresses administrative and regulatory burden and looks at aspects of simplification overall. To answer the question, costs and benefits for Member State authorities were compared to the extent possible. Given the pilot nature of the EU CSW-CVED pilot and EU CSW-CERTEX project, it is important to stress that their efficiency cannot be judged in a complete sense. The initiatives have not (yet) fully replaced the previous processes for verification of documents, and this means some of the expected benefits to different stakeholders cannot be fully realised yet. Nevertheless, it is important to show how benefits compare to costs already at this stage, with the various caveats made clear. This provides a starting point to see the direction of travel for how costs and benefits may compare as further efforts to expand the scope of the EU CSW-CERTEX project over the

longer term take shape. At the same time, establishing the costs already incurred provides information regarding the sunk costs which cannot be recuperated if the initiative is not expanded.

### **Evidence base**

The evidence to date is limited to those countries that have been involved in the EU SW-CVED pilot and EU CSW-CERTEX project. Most detailed evidence of costs and benefits come from field visits to participating countries (namely Czechia and Ireland). We also rely on feedback shared in the form of a survey, to which only some participating Member States replied<sup>163</sup>. Obtaining robust quantitative data to use in the evaluation of costs and benefits was challenging, particularly since Member States joined with different baselines and at different points in time. Member States also have different administrative set-ups and took different approaches to developing connections with the EU databases (some using in-house providers and some using contractors), which also makes comparisons difficult. Given the importance of presenting quantitative data to provide a comparison of costs with time and effort saving, we have used a limited sample of Member States with the most complete data to present estimates of the order of magnitude of costs and benefits<sup>164</sup>. To put these estimations into context, they are complemented with qualitative findings, including from other Member States which either have or have not yet begun the pilot.

### **Approach to estimation of costs and benefits:**

**Estimation of costs:** As mentioned above, costs cannot be considered comparable for Member States, given their different approaches and starting points. Costs can include one-off implementation costs and recurring maintenance costs, which are borne by the Commission and Member States. Rather than attempt to estimate costs for the different Member States, we have based costs on reported data from Member State authorities. While there could in theory be costs for economic operators to align with new systems, interviews with operators suggested these would be negligible. Costs for the European Commission were provided by the DG TAXUD.

**Estimation of benefits:** we use the same standard cost model approach taken for the impact assessment (see section 7.2) which essentially multiplies the number of declarations affected, a reasoned estimate for the time saved per declaration and a standard hourly labour cost.

### **Answer to evaluation question**

The evidence available suggests that already the EU CSW-CVED pilot and the EU CSW-CERTEX project have led to some, albeit limited, cost savings, through reductions in the time and effort needed for various stakeholders to deal with clearance processes. This finding was consistent across Member States and stakeholders consulted during the fieldwork as well as in the feedback in the survey to project group members. The automation of the process for verifying documents implies less human intervention, so fewer resources and more efficient processes.

Despite the consistent reporting of meaningful benefits, the caveat that applied to the relevance of the EU CSW-CVED pilot and EU CSW-CERTEX project also limit the full realisation of cost savings for all stakeholders. Namely, the functionalities, scope and voluntary nature of the project mean that concurrent submission of paper documents continues, and thus authorities and economic operators are unable to shed the associated costs of having to deal with an automated and manual system concurrently. Indeed, the problem of

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<sup>163</sup> Bulgaria, Cyprus, Czechia, Estonia, Ireland, Latvia, Poland and Portugal.

<sup>164</sup> Usable data was only available for Czechia, Estonia, Ireland and Latvia.



the continued need for paper documents featured prominently in the responses to the open public consultation<sup>165</sup> and economic operators from participating countries were as likely as others to complain about the continued need for paper documents, showing that the EU CSW-CERTEX project has not significantly changed that aspect. For the full savings to be realised, a fully paperless environment would be needed, and more regulatory requirements would need to be covered. As stated by Irish Customs: “*Further benefits will not materialise until EU CSW-CERTEX is mandatory for all Member States and expanded to other certificates. For example, the onus on customs to manually check AGRIM licences on a declaration that also requires a CVED can often negate the benefit of EU CSW-CVED*”.

With these caveats in mind, we have assumed the benefits are positive but modest. More specifically, it seems reasonable to assume that customs authorities and economic operators save about two minutes for each relevant customs declaration. For partner competent authorities, the benefits consist mainly of improved enforcement, but there have also been minor savings estimated at about one minute per declaration. The table below summarises simplified estimations for the benefits accrued from time savings for the different stakeholder groups for the three reporting obligations covered in the EU SW-CVED pilot for four Member States: Czechia, Ireland, Estonia, and Latvia.

**Table 24: Estimated benefits for sample of Member States**

	Relevant declarations / year (avg 2015-17)	Customs authorities	Partner competent authorities	Economic operators	Total annual benefit (EUR)
<b>Time saved</b>		2 minutes	1 minute	2 minutes	
<b>Czechia (hourly labour cost EUR 7.99)</b>					
<b>CVED-A</b>	1 655	441	220	441	<b>1 102</b>
<b>CVED-P</b>	3 374	899	449	899	<b>2 247</b>
<b>CED</b>	1 059	282	141	282	<b>705</b>
<b>TOTAL</b>	<b>6 088</b>	<b>1 622</b>	<b>811</b>	<b>1 622</b>	<b>4 054</b>
<b>Estonia<sup>166</sup> (hourly labour cost EUR 10.36)</b>					
<b>CVED-A</b>	27	9	5	9	<b>23</b>
<b>CVED-P</b>	1 034	357	179	357	<b>893</b>
<b>CED</b>	182	63	31	63	<b>157</b>
<b>TOTAL</b>	<b>1 243</b>	<b>429</b>	<b>215</b>	<b>429</b>	<b>1 073</b>
<b>Ireland (hourly labour cost EUR 36.93)</b>					
<b>CVED-A</b>	348	428	214	428	<b>1 070</b>
<b>CVED-P</b>	8 272	10 183	5 091	10 183	<b>25 457</b>
<b>CED</b>	908	1 117	559	1 117	<b>2 793</b>
<b>TOTAL</b>	<b>9 527</b>	<b>11 728</b>	<b>5 864</b>	<b>11 728</b>	<b>29 320</b>
<b>Latvia (hourly labour cost EUR 8.20)</b>					
<b>CVED-A</b>	66	18	9	18	<b>45</b>
<b>CVED-P</b>	546	149	75	149	<b>373</b>

<sup>165</sup> 78% of respondents reported this problem negatively affected them to some or a large extent.

<sup>166</sup> Declaration data only available for 2017.

<b>CED</b>	12 271	3 354	1 677	3 354	<b>8 385</b>
<b>TOTAL</b>	<b>12 882</b>	<b>3 521</b>	<b>1 761</b>	<b>3 521</b>	<b>8 803</b>

Source: Declarations data from the Member States participating in the project group, hourly costs based on Eurostat and OECD data and time estimates based on stakeholder interviews.

As shown, the benefits differ depending on the volumes of declarations concerned and are in line with the varying hourly labour costs found in the selected Member States. The highest benefits are accrued in Ireland, where the volume of relevant declarations and labour costs are highest; the total annual benefit from the EU SW-CVED pilot is estimated to be nearly EUR 30 000. The next highest benefits are found in Latvia, where nearly EUR 9 000 is estimated to be saved. In Czechia the annual saving is estimated to be just over EUR 4 000 and in Latvia just over EUR 1 000. In every Member State except Latvia, the relatively higher volume of declarations requiring CVED-P meant this was where the major benefits were accrued in terms of time and effort saved. For Latvia, the major benefits were realised for CED.

Two Member States - which did not supply sufficiently robust data on declarations to produce estimates - suggested the benefits they had realised were significant for their authorities:

- a) Portugal referred to “speedier” processes and provided an estimate of the actual time estimated to be saved through the EU CSW-CERTEX project: *“Regarding the implementation of the EU CSW-CVED pilot in Portugal, the time needed to accept and validate the declaration with certificates that are hosted in TRACES decreased three hours, concerning declarations that needed the same certificate (C678).”* The expected savings to be made would be “extraordinary” as the average time for clearance decreases substantially. While this is clearly a significant benefit, it cannot be simply monetised because of the absence of robust data on how this time saved affects different actors. Some of the time saved may simply be from the electronic exchange of data replacing a more time-consuming transfer of paper documents from place to place, meaning it is not as simple as to say three hours of labour time is saved.
- b) Similarly, Malta, which is still only at planning stage, and aims to join the EU CSW-CERTEX project in the coming years, provided quantitative evidence of time and effort savings, citing the redeployment of resources leading to *“a minimum reduction of 30% in releasing times”* meaning *“Customs will be able to utilise resources currently tasked with scrutinising...manual certifications...in other areas.”* Again, while clearly a significant benefit, it is not simple to monetise.

This evidence suggests that, while it is appropriate to make conservative quantitative estimates, the view of different Member States is that these have or will have significant knock-on effects to the full time taken to clear goods at the border (beyond the labour time saved).

The question asks us to compare benefits with costs incurred. Turning our attention to costs; while quantitative evidence of the implementation costs has been difficult to gather for participating Member States, the scale of implementation costs is summarised below as reported directed by three of the four Member States which were focused on above. Evidently, these vary significantly by Member State which reflects their different approaches and starting points.

**Table 25: Estimated costs for selected Member States (in EUR)**

	One-off costs	Inclusion of new requirements	Periodic systematic upgrades
<b>Czechia</b>	63 000	50 000	16 500

<b>Estonia</b>	145 000	Not provided	
<b>Ireland</b>	Three specialised IT staff working full time over two months	0.5 FTE for one year for specialised IT staff	None identified
<b>Latvia</b>	No quantitative estimates shared		

*Source: Estimations provided by Member States*

Added to these Member State costs are costs to the Commission for the EU CSW-CVED pilot, encompassing the design, functional specifications, technical specifications, development, deployment, operations and maintenance costs of the pilot. Data available for past seven years show these costs add up to 3.25 million EUR.

**Table 26: Estimated costs for European Commission (in EUR)**

	2012	2013	2014	2015	2016	2017	2018
<b>European Commission</b>	300 000	700 000	600 000	500 000	400 000	400 000	350 000

*Source: Estimations provided by DG TAXUD*

The costs, which have been steadily declining since their peak in 2013, are much higher than the costs to individual Member States and – as such - show the importance of developing a centralised solution. More specifically, the pilot approach which implies small fixed costs to Member States to “plug into” a centralised solution is evidently preferable to an alternative scenario whereby the cost to Commission would be replicated in all Member States; meaning the overall cost would be much higher.

Notwithstanding this argument, taken at face value the costs may seem relatively high compared to the (conservative) estimated benefits to Member States, but it is worth recalling a number of factors before concluding on how they compare. Firstly, the benefits are annual (and thus cumulatively add up to higher values over time), whereas costs to Member States are one-off (and are now sunk costs, i.e. cannot be recuperated) and the Commission costs are also largely sunk costs, which became less important after the initial start-up phase of the pilot.

But even more important is the wider the context. The benefits to Member States are discounted to account for the fact that previous systems and processes are still in place (meaning the full savings have not been realised). Meanwhile, the costs and benefits also relate to a pilot initiative which aims to test an idea, which has the long-term potential to be expanded to cover more regulatory requirements. The expansion of the pilot (to more Member States and more requirements) means that provided this continues as anticipated, the marginal cost over time should diminish, while the benefits continue should grow. Indeed, although the figures suggest the benefits have not in all cases yet outweighed the costs (for example in Czechia ), taking into account the complementary qualitative evidence gathered, these costs were not judged to be huge in comparison to the potential benefits over time if the initiative expands as expected and once parallel systems are replaced. Indeed, this was the case in Ireland, and Czechia, where the costs reported above (Table 25) were deemed not to be huge given the potential time savings should the initiative be expanded to cover more requirements (these would depend on the volumes concerned, as presented in Table 24).

Other participating Member States, such as Latvia and Cyprus, and France (which plans to join) and Cyprus (which joined in 2016) reported to be expecting net positive calculations when taking a long-term perspective.

- a) For instance, Latvia explained that considering that “CVED/CED will have to be totally rebuilt in 2019-2020, for our administration costs of national integration with EU CSV-CVED/CED are higher than benefits. Nevertheless, we believe that development of EU CSW-CERTEX and its further expanding with other certificates will have positive impact on clearance process (long term).”
- b) In Cyprus, the view was that the benefits are worth the costs incurred because they expect to have additional benefits in the future with further inclusion of new supporting documents and a more complete national Single Window system.
- c) In France, which is working on establishing a connection with the EU database TRACES as part of the EU CSW-CERTEX project, the qualitative evidence gathered through the field visit was that the one-off costs of gradually expanding the scope of the EU CSW-CERTEX project would not be significant (compared to the benefits over time).

The same can be said for the Commission costs, which while appearing high, mostly relate to one-off costs invested in developing a new system from scratch and should continue to diminish over time, which indeed is already clear from the yearly costs in 2016 onwards.

A last point, made by several participating Member States and evidenced in Table 24 above which is relevant to consider when projecting the cost-benefit calculus into long-term plans, was that depending on the volume of supporting documents issued or processed in a given Member State, it may or not be cost-efficient to invest in the EU CSW-CERTEX project. For example, where volumes are really small, like for FLEGT in Ireland, the investment cost is expected to outweigh the benefit in this instance. Precisely this calculus has led Ireland not to cover FLEGT in their Single Window environment.

## **Conclusion**

The EU CSW-CVED pilot and the EU CSW-CERTEX project have led to some benefits, mainly in the form of time and effort savings. This demonstrates the viability of the concept and potential to general larger benefits over time as the scope in terms of regulatory requirements and participation in terms of Member States continue to expand. The continued use of parallel systems and processes hampered the potential savings to a certain extent, but the costs were viewed as appropriate by stakeholders given the expected long-term prospects of expansion and associated increased benefits. The model is based on the Commission bearing the majority of development costs. Building in the assumption about future expansion is important because most of the costs incurred are now sunk costs and longer term efficiency will depend on the assumption of expansion holding true. The exception that was mentioned was that in cases where volumes are really low (i.e. less than ten declarations affected annually), costs are likely to still outweigh benefits even over the longer term.

## **Coherence**

*How well do the EU CSW-CVED pilot and EU CSW-CERTEX project fit with other EU initiatives?*

### **Coverage of question**

This question addresses the extent to which the EU CSW-CVED pilot and EU CSW-CERTEX project work with other relevant EU initiatives. It specifically covers the extent to which there are synergies to potentially improve overall performance.

### **Evidence base**

This question draws on existing documentary sources, and on stakeholder consultation.

## Answer to evaluation question

The EU CSW-CERTEX project and its predecessor are well aligned with EU political priorities. In December 2014, the Council adopted the Venice Declaration, which established a commitment to develop an action plan for an EU Single Window environment for customs and corresponding legal framework. This was reiterated in the 2016 Communication entitled "Developing the EU Customs Union and Governance"<sup>167</sup>, which outlined the Commission's plan to explore a workable solution for the development and creation of an EU Single Window environment for customs. This was supported by the European Council in its conclusions of March 2017.

Both the EU CSW-CVED pilot and its successor, the EU CSW-CERTEX project, contribute to the operationalisation of this vision. The Commission initiatives have seen collaboration between DG TAXUD and several other DGs (DG SANTE, DG ENV, DG AGRI and DG DIGIT<sup>168</sup>). The expansion of the EU CSW-CERTEX project to new regulatory requirements (falling under the responsibility of DG CLIMA, DG TRADE, DG GROW and DG MARE) demonstrates its ability to support other EU initiatives and policies and thereby contribute to a smoother implementation of EU legislation.

Other related EU initiatives coexist with the EU CSW-CERTEX project and show how the EU CSW-CERTEX project is in line with wider efforts to simplify and digitise processes relating to reporting formalities for the movement of goods to reduce the burden stakeholders, as well as to streamline and improve the implementation of Union legislation:

- A **maritime national Single Window** was initiated by the Directorate-General for Mobility and Transport (DG MOVE) and entered into force on 1 June 2015.<sup>169</sup> It is based on the Commission's 2010 Reporting Formalities Directive (RFD) and requires Member States to accept the fulfilment of reporting formalities by ships in electronic format and their collection through a single window<sup>170</sup>. Feedback from the trade community revealed that the exclusion of clearance functions from the maritime national Single Window initiative was considered a drawback. This shows that even though the objectives of the EU CSW-CERTEX project are aligned with this initiative but there is scope for greater collaboration between DG MOVE and DG TAXUD.
- The **eManifest Pilot Project** (which the new maritime Single Window regulatory proposal considers) explores how cargo information required by both maritime and customs authorities could be submitted together with other reporting formalities required by the RFD in a harmonised manner. It will serve as a basis for developing a proper legal framework fully responsive to the needs of the industry. The project may be extended to cover customs formalities related to arrival and departure notifications, mapped in a unique set of data elements as per the reporting only once approach. This pilot was mentioned during several interviews with trade associations members as a positive initiative. There is potential for synergies with the EU CSW-CERTEX project which both DG TAXUD and DG MOVE are conscious of.

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<sup>167</sup> COM (2016) 813 final

<sup>168</sup> As stipulated in the EU CSW-ERTEX Business case – "DG DIGIT is involved in horizontal support activities of the "EU Customs SW: Certificates Exchange project"."

<sup>169</sup> See more information here: [https://ec.europa.eu/transport/modes/maritime/digital-services/e-maritime\\_en](https://ec.europa.eu/transport/modes/maritime/digital-services/e-maritime_en)

<sup>170</sup> The exchange of information between Member States should be organised using existing systems, like e-Customs for example. Port Community Systems (PCS) can be included if they comply with the relevant RFD requirements. Member States currently collect and distribute information through the Maritime National Single Windows (MNSWs) and/or the PCSs. Either MNSW perform both functions of interface and gateway, or the PCSs act as interfaces while sharing the gateway function with the MNSW.

- **Market surveillance** –The new EU market surveillance framework for non-food products aims to strengthen and facilitate safety and compliance controls by national market surveillance and customs authorities.<sup>171</sup> It includes government-to-government exchange of information for the purposes of risk analysis and surveillance and is therefore closely linked with the objectives of the EU CSW-CERTEX project.

An important limitation of the coherence of the EU CSW-CVED pilot and EU CSW-CERTEX initiatives is the continued requirement for paper documents. The broader digitisation agenda pursued by the Commission and particularly DG TAXUD means a reduction in the use of paper. As per the 2008 e-Customs Decision, a commitment was made to a paperless environment<sup>172</sup> and the Union Customs Code (UCC)<sup>173</sup> which stipulates modern tools and technology should be encouraged to further promote the uniform application of customs legislation and modernised approaches to customs control.

More generally, the European Commission, through the Digital Agenda for Europe,<sup>174</sup> aims to have a digital single market based on interoperable applications. The Commission therefore encourages all organisations, businesses and government bodies to commit to carrying out actions to reduce the digital skills gap in Europe.<sup>175</sup> The fact that paper continues to be used alongside the EU CSW-CERTEX project limits coherence but this is not intrinsic to the project. It is related to the pilot nature of the project, where previous systems are still in use. Should the project proceed as planned, paper will not continue to be used. Other developments at the EU level show potential to support an expansion of the functionalities offered within EU CSW-CERTEX, and contribute to improved coherence:

- The **eIDAS Regulation**<sup>176</sup> established a new legal structure for electronic identification, signatures, seals and documents throughout the EU. Its most important aspect is the uniform application of government-recognised electronic identification systems. The electronic documents it supports ensure validity and legal certainty of cross-border electronic transactions. It hence strengthens the legal framework for the use of electronic documents, which is an underlying feature of a potential Single Window solution. As EU CSW-CERTEX incorporates documents in PDF format, it will be important that the eIDAS Regulation is complied with to maintain coherence.

Two other EU level initiatives are outside of the current scope of EU CSW-CERTEX but show where there is under exploited potential to ensure coherence looking ahead.

- The **“Once-Only” Principle** project aims at promoting cross-border cooperation among authorities with a commitment to provide control and transparency opportunities for business operations. It stipulates that collecting the same data multiple times is more expensive than sharing and reusing them. This principle constitutes a priority for several stakeholders consulted but is currently not applied within the EU CSW-CERTEX project.

<sup>171</sup> Regulation (EU) 2019/1020 of the European Parliament and of the Council on market surveillance and compliance of products, OJ L 169, 25.6.2019, p. 1–44.

<sup>172</sup> Decision No 70/2008/EC of the European Parliament and of the Council of 15 January 2008 on a paperless environment for customs and trade.

<sup>173</sup> Commission Delegated Regulation (EU) 2015/2446 of 28 July 2015 supplementing Regulation (EU) No 952/2013 of the European Parliament and of the Council as regards detailed rules concerning certain provisions of the Union Customs Code, OJ L 343, 29.12.2015, p. 1–557.

<sup>174</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, A Digital Agenda for Europe, 2010.

<sup>175</sup> <https://ec.europa.eu/digital-single-market/en/pledges-action>

<sup>176</sup> Regulation (EU) 910/2014 on electronic identification and trust services for electronic transactions in the internal market, became effective on 1 July 2016, repealing the existing directive on e-signatures and prevailing over any inconsistent national laws. Full text at: [https://ec.europa.eu/futurium/en/system/files/ged/eidas\\_regulation.pdf](https://ec.europa.eu/futurium/en/system/files/ged/eidas_regulation.pdf).



- The **Single Digital Gateway Regulation** was adopted in September 2018 and provides for a Single Entry Point for economic operators to be integrated in the “Your Europe” portal, creating a one-stop shop for the EU's most common administration procedures and making it easier for citizens and economic operators to interact with public administrations.<sup>177</sup> The EU CSW-CERTEX project does not include a SEP so far, and as such is not coherent with the Single Digital Gateway Regulation.

## Conclusion

The EU CSW-CVED pilot and EU CSW-CERTEX project has to date been coherent with the European Commission's and DG TAXUD's political commitment to the creation of an EU Single Window environment for customs, and the Commission's broader agenda to increase digitisation and simplify processes for border management. Whether this holds true for the next Commission (2019 onwards) remains to be seen.

Both initiatives have been conceived and developed collaboratively between DG TAXUD and other DGs

. As the number of DGs that DG TAXUD is collaborating with continues to grow, so does the coherence of the project and its ability to contribute to a smoother implementation of EU legislation.

It would, however, be important to consider how the project can support the Commission policy to develop a paperless environment for customs and trade, as the absence of a systemic reduction of paper through the project has been shown to be a limitation of the internal coherence of the project and an unmet need.

While the scope of EU CSW-CERTEX is limited to government-to-government collaboration, its coherence with EU priorities to reduce duplication of information and procedural redundancies and to allow a single entry point for government services is limited. This provides further evidence of unmet needs.

## **EU Added Value**

*To what extent has the EU CSW-CVED pilot project complemented the activities of the Member States?*

### **Coverage of question**

The question considers the extent to which the EU CSW CVED pilot and EU CSW-CERTEX project have EU added value. EU added value refers to changes that are due to the initiative, added benefits of the presence of the initiative at EU level, compared to what could be achieved by Member States alone.

### **Evidence base**

The evaluation of EU added value brings together the findings of the other criteria, based on the evidence available regarding the performance of both initiatives to date.

### **Answer to evaluation question**

The EU CSW-CVED pilot and EU CSW-CERTEX project have EU added value. Given the EU has the competence and is best placed to deliver harmonisation and provide solutions for EU level regulations. Indeed, competent authorities consulted during field visits argued that

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<sup>177</sup> More information is available at the following url: <http://www.europarl.europa.eu/legislative-train/theme-deeper-and-fairer-internal-market-with-a-strengthened-industrial-base-services-including-transport/file-single-digital-gateway>

the EU is best placed to provide a solution for exchange of documents based on EU legislation.

There is a legal basis for the EU to act to provide for customs cooperation between Member States and between the latter and the Commission in line with the objective the establishment and functioning of the internal market<sup>178</sup>. In addition to the legal basis for action, the EU is in a unique position to coordinate action and stem fragmentation of Member State action. Individual Member States are not in a position to ensure the harmonisation of data requirements for supporting documents based on EU regulation.

By providing a single solution, the EU CSW-CVED pilot and the EU CSW-CERTEX project were expected to reduce the need for participating Member States to develop their own solutions and thereby generate economies of scale. This was indeed found to be the case in most Member States participating in the project. The cost estimates provided by Member States show that the European Commission has borne the more significant costs. During fieldwork visits in Ireland and Czechia for example, stakeholders explained that EU solutions were preferred since smaller volumes of trade, and the lack of existing national systems, meant the one-off costs of technical solutions were hard to justify.

However, some Member States, which already had their own systems in place, have still opted to join due to the potential benefits from having an EU system where there is the possibility to share information between countries, such as better risk management and controls and reduced risks of fraud, though this is limited by the small number of Member States taking part so far.

Respondents to the open public consultation showed that the majority believed that without European Commission action the issues experienced, such as uncertainty regarding data sharing and data protection, time for goods clearance, etc., would remain unchanged. Few believed the situation would improve a lot. This confirms the perception of EU added value – where the EU acts as a change driver, facilitator and initiator of improvements.

## **Conclusion**

The EU added value of the EU CSW-CVED pilot and EU CSW-CERTEX project is judged to be high and was perceived to be strong by the different parties consulted. The creation of a single European solution for EU regulatory requirements was valuable, particularly where the one-off costs of solutions would be harder to justify for smaller Member States. The available cost data also show why a centralised EU solution makes more economic sense. Respondents to the open public consultation confirmed that European Commission action is perceived to be an important means to improve the current situation, and without which the problems experienced would not be resolved.

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<sup>178</sup> Treaty on European Union and the Treaty on the Functioning of the European Union, Official Journal C 326, 26/10/2012 P. 0001 – 0390 (specifically articles 33 and 114).



## **ANNEX 15: ASSESSMENT OF IMPACTS RELATED TO INFORMATION AND COMMUNICATION TECHNOLOGIES AND SYSTEMS**

DG TAXUD commissioned an external contractor to assess the relevant ICT impacts of the viable policy options. The report analyses in detail the IT requirements and implications for each viable policy option, focusing on three main IT project management domains: project timeline and integration, governance and operations and system architecture. The full report is available as a separate document and named “ICT assessment of policy changes of EU CSW-CERTEX”.

## **ANNEX 16: COUNTRY CASE STUDY REPORTS**

This Annex contains the reports of case studies that were carried out in eight EU Member States. These contain much of the evidence used for the study, regarding such aspects as the existing situation, economic costs and benefits, and other likely impacts of the policy options, and experiences of EU SW-CVED and other initiatives. The sample covers different experiences of EU SW-CVED and national single window initiatives as well as diverse trading profiles. The sample included the Czech Republic, France, Germany, Ireland, Italy, the Netherlands, Romania and Spain. Each case study was comprised of 10-15 mainly face-to-face interviews with customs, partner competent authorities and economic operators, and a review of relevant documentation. The field visits took place between October 2018 and February 2019.

The reports for the Czech Republic, France, Ireland, the Netherlands and Spain are structured as follows. First, a background section provides information on trading profiles, administrative arrangements for border coordination, approaches to electronic customs and the current single window state of play. This is followed by current experiences in terms of clearance processes and problems experienced. A section on likely future developments explores views and potential impacts of the continuation of the status quo and new EU action to foster G2G and B2G collaboration.<sup>179</sup> Each report ends with a set of conclusions with a view to the nature and scale of current problems, and feasibility and desirability of the options for future action. For countries participating in EU SW-CVED, an assessment of the initiative's implementation and achievements is also provided.

Due to the scheduling for the study, the reports for Germany, Italy and Romania are shorter. After a brief introduction, these focus on key findings and conclusions regarding administrative arrangements, progress made towards a single window (either through participation in EU SW-CVED / EU CSW-CERTEX or similar national initiatives) and likely future developments in case of continuation of the status quo or adoption of the options for EU action.

### **CZECH REPUBLIC**

#### ***Introduction***

This report forms one of the eight country case studies that were carried out to provide evidence for the impact assessment on a potential new initiative, namely the EU Single Window environment for customs. By collecting and analysing data on the current situation and expected future developments, the case studies aim to generate insight on the nature and scale of any existing problems and likely impacts of the policy options defined for the potential new initiative. These include an option for no additional EU action, which would consist of the continued existence and gradual expansion of the EU Customs Single Window-CERTEX project (EU CSW-CERTEX).

Each case study used a common methodology based on a document review, feedback from national administrations provided through participation in the project group and interviews (mainly face-to-face) with officials from customs and partner competent authorities and economic operators. The sample of eight Member States was selected in discussion with DG TAXUD with a view to covering complementary areas of interest and achieving a degree of representativeness.

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<sup>179</sup> The cross-cutting option on expanding EORI to additional regulatory requirements had not been defined at the time the case study fieldwork was carried out.

Within this broader framework, the research on individual case studies varied according to national specificities such as geography, trading profile, administrative set-up and participation (or not) in the EU Single Window-CVED pilot project (EU SW-CVED, the predecessor to EU CSW-CERTEX).

For the Czech Republic, the case study mainly focused on:

- Experiences with the EU SW-CVED pilot;
- Experiences with their existing and still developing, national single window system;
- Controls related to import of agricultural products and live animals (CVEDP and CVEDA).

The evidence for the case study is comprised of desk research and interviews with nine customs authorities, partner competent authorities responsible for environmental regulations and economic operators dealing including freight forwarders and customs brokers. These were conducted during a field visit took place in the week of 19 November 2018.

### ***Background***

Some background information is needed to understand the current situation in the Czech Republic and how it would likely evolve for the policy options under review. This section presents an overview of the Czech Republic's profile for international trade, administrative and IT set-up for customs and other relevant regulatory requirements. It also briefly presents progress towards a customs single window at national level in the Czech Republic.

### **Trading profile**

The Czech Republic with its 10 million inhabitants<sup>180</sup> is centrally located in Europe, bordering the EU Member States of Austria, Germany, Poland and Slovakia, but with no external EU border or maritime border. Goods declared in the country therefore typically enter or exit by airplane (in Prague, Brno or Ostrava) or by road, with transit often involving Germany.

The country's share of the total EU exports and imports were 1,4% respectively 1,7% in 2017.<sup>181</sup> The top commodity group for both imports and exports is by far manufactures (89.7% for total exports and 84.1% for total imports during 2017), with goods such as cars, vehicle parts, automatic data-processing machines being among the most prominent goods. Among agricultural products (accounting for 6.2% of total exports and 7.4% of total imports during 2017), the top imported product during 2017 was swine meat (which is a good subject for non-customs regulations). The third largest commodity group is fuels and mining products (with 3.3% of total exports, and 8.0% of total imports).<sup>182</sup> This is a commodity group relevant for regulatory requirements, since certain goods such as explosive materials or dual-use goods require certain types of additional requirement documents.

To understand the Czech Republic's degree of success in clearing goods efficiently, we looked at the country's logistics performance as assessed by the World Bank, and the Czech Republic ranks number 26 globally. Among the six components which are used to calculate the ranking by the World Bank<sup>183</sup>, the component of customs received the lowest scoring. However, customs still rank highly with the Czech Republic being ranked as number 14 of the

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<sup>180</sup> Source: The Czech Statistical Office, 2018. <https://www.czso.cz/csu/czso/population> (accessed 2018-12-18).

<sup>181</sup> Eurostat data on external trade.

<sup>182</sup> Source: WTO, the Czech Republic trade profile information (2017).

<sup>183</sup> Namely customs, infrastructure, international shipments, logistics competence, tracking and tracing and timeliness.

167 countries included in the index. Nevertheless, this means that improvement of the customs procedures has much potential in improving the overall logistic procedure.<sup>184</sup>

### **Administrative set-up**

The General Directorate of Customs of the Czech Republic (hereafter referred to “Czech customs”) is subordinated to the Ministry of Finance. The main office is placed in Prague, and 15 regional customs offices are spread across the country based on regions. The Czech customs has around 6000 employees in total and is responsible for processing customs declarations, as well as for policy and IT developments.

The Czech customs collaborate with a range of partner competent authorities<sup>185</sup> for the verification of customs declarations and checks. It does not have any official / legal mandate to lead the national single window initiative but does so according to its own and national priorities and objectives. This means that Czech customs depends on partner competent authorities’ own will of joining the initiative and cannot oblige anyone to join.

### **Approach to electronic customs and IT architecture**

The Czech Republic is advanced in digitising customs procedures and has since 2007<sup>186</sup> been working towards a fully digitised customs clearance system. Since 2015, the country has worked on a national single window solution, see further detail below.

The national IT architecture is comprised of a combination EU trans-national systems and nationally developed systems, and centralised EU systems and databases are used or contacted during customs clearance processes. The system is built on a web-service to web-service solution where the economic operator submits its declaration online. The system is supported by a digital authentication system. The Czech Republic prefers making use of EU developed systems, since developing their own systems otherwise risks being a heavy cost for a relatively small EU Member State.

### **Single Window state of play and key initiatives**

On 5 January 2015, a first step towards a G2G national single window environment was launched in the Czech Republic. The aim of the national single window was to simplify and streamline the validation / verification process of certain regulatory requirements needed for goods subject for non-customs requirements, as well as to improve quantity management. The long-term objective was (and is still) to decrease smuggling and fraud and make the clearance processes as efficient as possible. Another long-term objective is to improve the B2G cooperation, and certain steps have been taken towards a sort of customs portal called the “cPortal” for economic operators. From 2019, certain tax forms will be submitted by economic operators through the portal. In the longer term (sometime between 2020 and 2022), the Czech customs would like to use cPortal also for identification and authentication for submitting of customs declarations and related processes.

In line with these priorities, the Czech Republic joined the EU SW-CVED pilot together with four other Member States (Bulgaria, Ireland, Latvia and Slovenia) in 2015. The pilot aims to enhance G2G collaboration regarding CVED certificates by linking the customs IT system to an EU certificates database called “TRACES” through a middleware provided by DG TAXUD. The Czech Republic decided in end 2017 to join the successor EU CSW-CERTEX

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<sup>184</sup> Source: The World Bank. Mean across logistics performance index 2012-2018.

<https://lpi.worldbank.org/international/aggregated-ranking?sort=asc&order=Customs#datatable> (accessed 2019-01-11).

<sup>185</sup> Namely the State Veterinary Service, the Central Institute for Supervising and Testing in Agriculture, the Agricultural and Food Inspection Authority, the Environmental Inspectorate and the Trade Inspectorate.

<sup>186</sup> In 2007, the Czech Republic started with the New Computerized Transit-System and Export Control System, and in 2019 with the Import Control System (source: Czech customs).

project to include CHED-PP, COI and FLEGT regulatory requirements (covered by the updated IT system “TRACES NT”). Regarding costs for connecting to the EU SW-CVED pilot in 2015, these were approximately EUR 63 000 (including costs for including the CITES permits in the national solution). An addition of EUR 16 500 occurred for the upgrading of the systems in 2015, and an extra EUR 48 000 for the implementing of FLEGT in the EU CSW CERTEX during 2018. These costs are in other words rather minor (partly thanks to much of the needed IT solutions being developed at the EU level). Being a relatively small economy in the EU, the Czech Republic appreciates this and finds it more resource efficient making use of IT system developed at an EU level than developing them itself.

Regarding the administrative set-up for the single window initiative, there are two divisions involved in the developments: the division for service execution and the division of economics and IT technology. A ‘single window project team’ has been put together, consisting of three officials from the mentioned divisions. The project team is responsible for the development, maintenance and national implementation of the single window plans. IT systems related to the following five regulatory requirements are being handled by the team:

- Common Health Entry Document for Plants Plant Products and Plant-propagating material (CHED-PP);
- Certificate of Organic Inspection (COI);
- Common Veterinary Entry Document (CVED);
- Forest Law Enforcement, Governance and Trade (FLEGT) and
- Ozone-Depleting Substances (ODS).

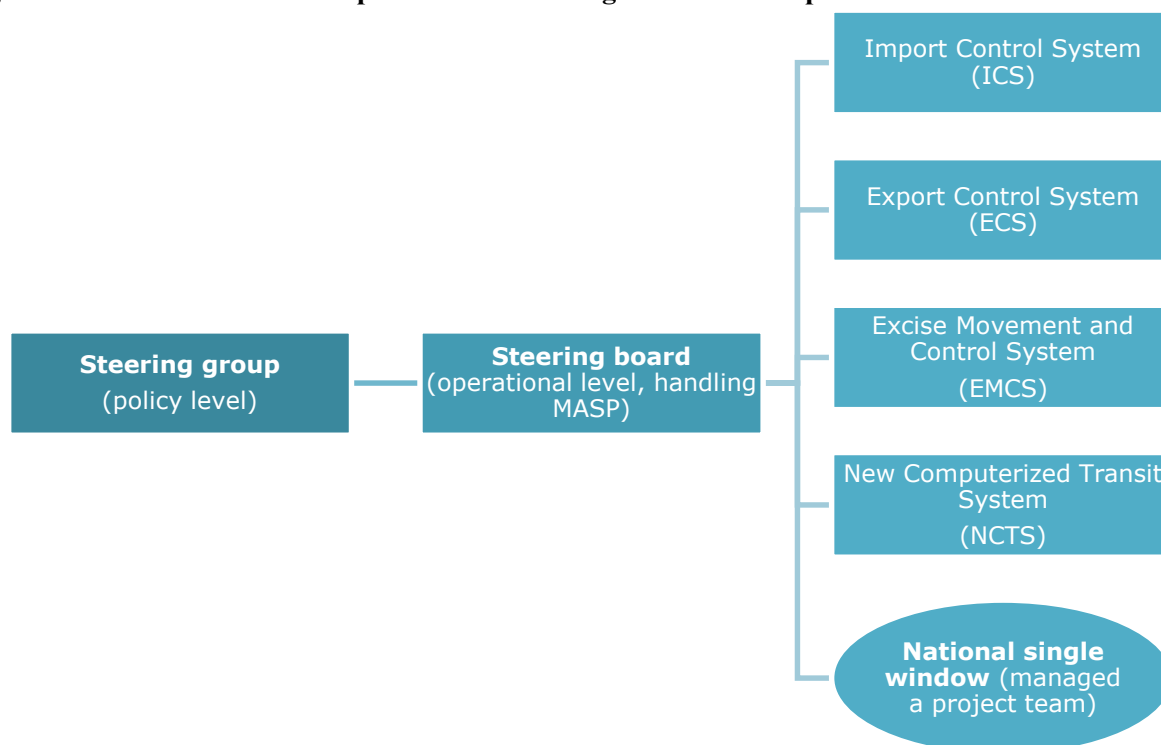
Currently, the project team is especially working with the conformance testing to include the FLEGT in the national single window environment.

The single window project team is coordinated by a steering board, which is also responsible for all IT projects to be implemented according to the Multi Annual Strategic Plan for customs, namely the Import Control System (ICS), Export Control System (ECS) and the New Computerized Transit System (NCTS). One customs official (both chairing the single window project team and the steering board) is responsible for the EU systems to be developed according to the Multi Annual Strategic Plan. In addition to this, the steering board is also guiding the national single window developments as well as the management of the Excise Movement and Control System (EMCS). This board meets every two months and is also responsible for the communication at a national level. The IT systems outlined in the MASP (i.e. ICS, ECS, EMCS and NCTS) are prioritised due to them being compulsory to implement.

The steering board is an internal customs body, and is in turn guided by the steering committee / group which is a high level, decision-making body with a policy perspective. The group consists of officials from the business and IT domains, as well as the contractor assigned to develop the IT solutions. The steering group handles the overall process management of all the e-customs projects and takes policy decisions based on national directives and strategies. The steering group meets every third month.

Figure 21 below illustrates the organisational set-up of the bodies working with IT developments.

**Figure 21: Administrative set-up for bodies working with IT developments**



*Source: figure based on interviews with Czech customs officials in Prague, November 2018*

### ***Current experiences***

This section details the nature and scale of the current problems by analysing the processes for clearing goods through the border in the Czech Republic. It first presents an overview of relevant processes, with a focus on the specific types of goods / regulatory requirements, and an outline of how the EU SW-CVED pilot (and its successor EU CSW-CERTEX) work in practice. This is followed by more detail regarding the most important problems with the current situation for different stakeholder groups, namely customs authorities, partner competent authorities and economic operators.

#### **Overview of clearance processes**

In this section we provide an overview of goods clearance processes in the Czech Republic. We first outline customs processes (with a focus on aspects with the highest level of effort and administrative burden and facilitation measures). Then we outline the regulatory processes for non-customs requirements. The last part of this section details the processes relating to the EU-CSW pilot project.

#### ***Customs processes***

In 2018, Czech customs processed 10,4 million customs declarations, of which around 43% are imports and 57% exports, in addition to around 3,4 million transit arrangements<sup>187</sup>. Some of these goods are subject to regulatory requirements in fields other than customs. In those cases, Czech customs liaise with the concerned partner competent authorities.

Customs checks (i.e. documentary and physical checks) apply to both imports and exports. Only around 1% of the customs declarations are checked, based on a risk management system. The checks are carried out in the customs area of customs offices, at warehouses or at the airport. Apart from staffing reasons, the low percentage of checks is due to a combination

<sup>187</sup> Source: Czech customs.

of facilitating tools such as simplified procedures, a number of authorised economic operators and post-clearance audits.

#### *Non-customs regulatory requirements*

When Czech customs officers check import or export declarations for certain goods they may be required to check the regulatory requirements under the competence of partner authorities are fulfilled. As already stated, sometimes they must also liaise with partner competence authorities for physical checks of goods. The Czech customs could not estimate how often this happens, but it does constitute a significant part of the customs' officials' everyday work. The partner competent authorities most often consulted for verification processes related to regulatory requirements are the Ministry of Agriculture / State Veterinary Service / the Central Institute for Supervising and Testing in Agriculture (for CVED and CHED-PP and FLEGT), the State Agricultural Intervention Fund (for AGRIM/AGREX licenses), the Ministry of Industry and Trade (for dual-use licences), Mining Office (for licenses needed for explosive materials) and the Ministry of Environment (for CITES). More specifically, the following types of regulatory requirements account for the most significant volumes in the Czech Republic and are by extension the more resource intensive to manage<sup>188</sup>:

- **Common Health Entry Document for Plant Protection (CHED-PP) (N851)**: this document covers Council Directive 2000/29/EC on protective measures against the introduction into the Community of organisms harmful to plants or plant products, and against their spread within the Community. In 2017, the number of issued CHED-PP was 3896.
- **Common Veterinary Entry Document: Animal Products (CVEDP) (N853)**: this is a common EU certificate for the import of veterinary products – in addition to the certificate, the EU regulation<sup>189</sup> sets down rules for the inspection of goods at border inspection posts. In 2017, the number of issued CVED-P was 3487.
- **Certificate of quality (N003)**: Issued for certain fresh fruit and vegetables, issued by the Agriculture and Food inspectorate. The volume of certificates of quality was 2214 in 2017.
- **Common Veterinary Entry Document: Animals (CVEDA) (C640)**: a common EU certificate for the import of animals - in addition to the certificate, the EU regulation<sup>190</sup> sets down rules for the inspection of goods at border inspection posts. In 2017, the number of issued CVED-A was 1613.

However, other certificates such as the Common Entry Document (CED), the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), the Agricultural produce import licence (AGRIM) and the Catch certificate are also significant compared to the total (with all of them being issued by a number of around 1200 in 2017).

**For exports, the most common regulatory requirement is the dual use export authorisation (X002).** This is required for goods which can be used for both civil and military purposes (including software and technology), with 6199 certificates issued in 2017).

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<sup>188</sup> Source: Homework assignment 1.

<sup>189</sup> Commission Regulation (EC) No 136/2004 of 22 January 2004 laying down procedures for veterinary checks at Community border inspection posts on products imported from third countries

<sup>190</sup> Commission Regulation (EC) No 136/2004 of 22 January 2004 laying down procedures for veterinary checks at Community border inspection posts on products imported from third countries

### *Processes relating to key regulatory requirements*

As explained already, the Czech Republic participated in the EU SW-CVED pilot project (and is currently piloting its successor, the EU CSW-CERTEX project) and is combining this together with its own national single window environment.

The ambition of the Czech customs single window is to, at a later stage, enlarge the single window to as many partner competent authorities and regulatory requirements as relevant and possible, as well as to enlarge to a business-to-government solution to make the process also easier for economic operators. The regulatory requirement next in line to be included into the national single window system is FLEGT (managed by the Ministry of Agriculture). A future long-term objective of the Czech customs is to digitise the entire clearance process, connecting all concerned partner competent authorities to the single window environment.

Certain regulatory requirements are however still (and are expected to continuously be) issued and handled in paper format. This is e.g. the case for regulatory requirements concerning dual-use goods, cultural goods and waste goods. Regarding the cultural goods and waste, these goods constitute a small part<sup>191</sup> of the total when it comes to import / export, and this is explained as being one of the reasons to why the responsible ministries do not find the costs to digitise their processes as justified. In difference, the reason for why the certificates for dual-use goods are still in paper-format and is said to be due to security concerns. So far, these ministries have no plans in joining the single window initiative.

Today, the Czech customs single window system facilitates G2G collaboration for the following regulatory requirements:

- **Common Veterinary Entry Documents (CVED)** through the EU SW-CVED project (which uses TRACES to link Czech customs, DG TAXUD and DG SANTE). For the CVED, information is shared digitally on request. Data is only stored in one database.
- **Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)** through a joint IT solution with the Ministry of Environment, data is shared digitally on request. Data is only stored in one database.
- **Licences for dual-use goods as well as AGREX/AGRIM**, through the Mining Office respectively the Ministry of Industry and Trade and the State Agriculture Intervention Fund. This data is being sent to the Czech Office automatically three times per day and stored in a database at the Czech customs, i.e. the data is collected in a static way and stored in different databases.

The collected data is partly used for verification reasons, and partly for statistical purposes, since it is being sent by the Czech customs to the Czech statistics office. The single window solution is also used for the CITES certificates as a way for the Czech customs to report back to the Ministry of Environment regarding consumed quantities.

Currently there are two steps regarding the issuing of CVEDs, one which is done on a paper form, and one which is done electronically. As explained by the interviewed officials at the border inspection post of Prague airport, the CVED still have to be issued in paper-format due to the provisions of the relevant EU legislation, which requires the certificate to be printed and submitted physically to the border inspection post. In addition, since automatic quantity management is not yet possible through EU SW-CVED pilot. This is instead done manually by the customs officers (they print the document and write by hand on the back of the

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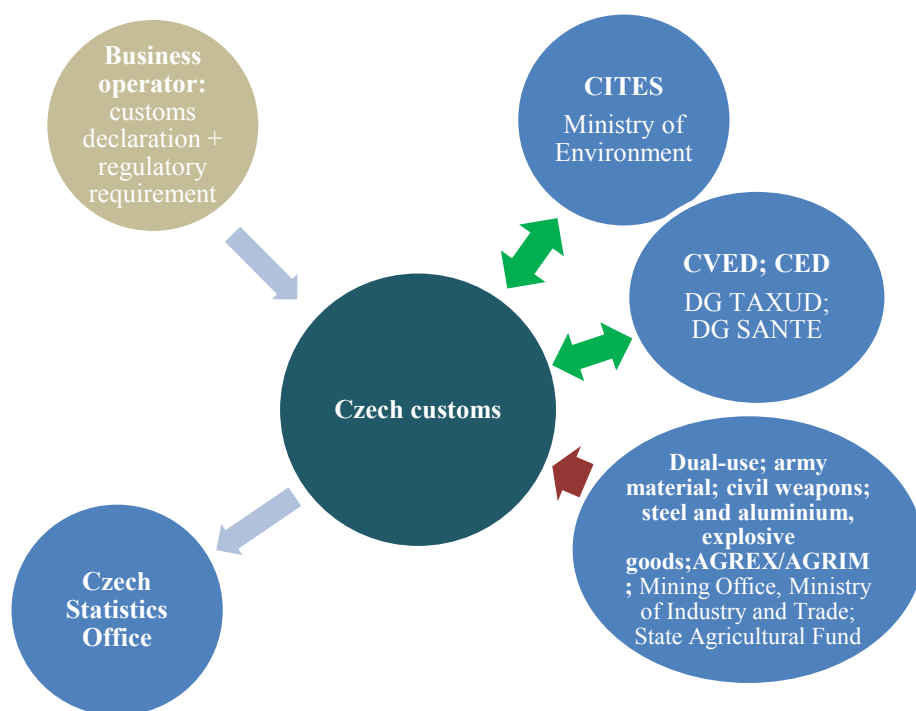
<sup>191</sup> In 2017, 1 import license and 85 export licences were issued for cultural goods. The same number for waste certificates was 81 for imports and 1380 for exports.



document the quantity consumed). The IT systems and communication between the national IT system, DG TAXUD and TRACES work very well according to the Czech customs, and if EU legislation did not require the paper copy and if quantity management was included in the certificate, the issuing of CVEDs (and later on CHED-PPs) process could be done completely electronic.

Figure 22 illustrates the processes involved in the Czech single window environment from the perspective of Czech customs, with the brown arrow signalling the offline solution and the green arrows the online solution.

**Figure 22: The national single window environment of the Czech Republic (2018)**



*Source: Study team based on interviews with Czech customs officials*

### Main problems in the Czech Republic

Several aspects of the abovementioned processes create problems for customs, partner competent authorities and economic operators. Using the problems defined in the problem tree (see section 3 of the main study report) as a starting point, the ensuing pages examine these in detail. The impact of each problem on different stakeholders is illustrated using a rating system, where red denotes severe, amber denotes significant and green denotes negligible (as explained in the box below).

### Rating system:

Rating	Explanation of rating
	Major weakness / problem and significant investment / complex solution needed to address this issue which affects multiple stakeholders severely.
	Significant weakness / problem and some investment needed to address this issue which affects more than one group of stakeholders significantly.

	Problem is only negligible and/or could be easily addressed with few regulatory hurdles and does not seriously impact any one stakeholder.
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**Problem: Administrative burdens in the management of goods crossing borders**

Rating	Explanation of rating	Main stakeholders affected and how
	Problem and change needed to address the issuing of paper-document/lack of harmonisation of regulatory requirements at both national and EU level	<ul style="list-style-type: none"> <li>• Customs officials: significant time / effort processing regulatory requirements</li> <li>• Partner competent authorities: significant time / effort producing licenses</li> <li>• Economic operators: effort applying to different authorities in each Member State</li> </ul>

The administrative problems in the Czech Republic mainly relate to certain documents needing to be dealt with in paper format, which especially is the case for AGRIM licenses, dual-use goods and CVED/CHED-PP. This is both due to national partner competent authorities without digitised processes, and to EU legislation lagging behind with requirements of hard-copy documents. The submission of paper documents is regarded as a considerable administrative burden for both economic operators and customs officials, but not a major burden (which is why this problem is rated as amber). The single window initiative has contributed to certain processes being easier – such as interoperability of the IT system of the Czech customs and Ministry of Environment (enabling the exchange of information on the CITES certificates). However, since customs and partner competent authorities still need to deal with certain requirements in paper format, the administrative burden has not significantly improved since the introduction of the single window.

Moreover, the economic operators we interviewed stressed that it is burdensome for them with the lack of harmonisation across EU Member States. This means that they are obliged to apply through different types of process for regulatory requirements in different Member States. For example, some Member States only except certain regulatory requirements in paper-format, while other Member States only accept them digitally.

**Problem: Poor exploitation of electronic exchange of information**

Rating	Explanation of rating	Main stakeholders affected and how
	Significant investment needed and multiple actors with differing levels of resource	<ul style="list-style-type: none"> <li>• Economic operator / customs officials / partner competent authorities: inefficient use of resource and not realising full benefits of an electronic environment</li> </ul>

Since far from all partner competent authorities in the Czech Republic have digitised their processes, the exploitation of electronic exchange of information is limited. This is both due to the partner competent authorities finding the digitisation process too costly, and to them being unwilling to go digital (at least for the time being) due to e.g. data security concerns. However, the current national single window environment with its collaboration with the Ministry of Environment on CITES shows that it is possible to realise this type of collaboration, which has proven to be fruitful in terms of smoother and easier data-sharing.

Neither the Czech customs nor the interviewed partner competent authorities recognized this problem as very prominent. However, they did see it as an area with potential of improvement

and saw that a greater exploitation of electronic exchange of information would likely generate cost savings and easier processes (which is why also this problem is graded as amber).

**Problem: Multiplication of information and procedural redundancies**

Rating	Explanation of rating	Main stakeholders affected and how
	Significant weakness / problem and would require legislative change in multiple areas to support dematerialisation	<ul style="list-style-type: none"> <li>Partner competent authorities / customs officials: inefficient use of resource and not realising full benefits of an electronic environment</li> <li>Economic operators: multiplication of information annoying</li> </ul>

Despite some digitised aspects thanks to the single window environment, there is still a lot of paper documents which feed into the clearance process or are required alongside. This is especially clear when it comes to the issuing of the CVEDs. Due to the SW-CVED pilot project, the application process for the CVEDs got digitised. But due EU legislation, the certificates still need to be printed in paper-document. This means that two parallel processes with both the paper-document being issued, and the information being available and stored digitally are on-going- In other words, the full potential and main objective of the single window environment has not been possible to yet achieve, even if the digitisation has contributed to some improvements when data can be checked by the Border Inspection Post digitally. This is the main reason for why this problem is graded as red.

Again, the economic operators stressed that they are being obliged to submit the same information several times to different Member States and that this is an annoying (but not major) issue.

**Problem: Enforcement issues and information gaps**

Rating	Explanation of rating	Main stakeholders affected and how
	This problem needs EU-wide action – harmonisation of systems in order to have comparable information across borders.	<ul style="list-style-type: none"> <li>Customs officials and competent authorities: out of date systems act as a brake to collaboration</li> </ul>

In some cases, the absence of centralised system and full data sharing between Member States can be justified – as in the case of dual-use licenses where data storage is especially sensitive due to national security / trade concerns. However, in other cases, poor exploitation / lack of electronic exchange of information risks to result in enforcement difficulties of e.g. quotas or sanctions. Especially concerns regarding the quantity management were stressed by the Czech customs, since this is not something which is included in the single window environment. Due to the lack of uniformity across the EU with Member States' systems of recording volumes etc differentiating, this entails a barrier for EU-wide enforcement of EU (and national) laws to fight smuggling and fraud.

***Likely future developments***

This section provides insight on how the problems described above are likely to evolve in the future, either through the continuation of the baseline scenario or pursuit of policy options for enhanced G2G and / or B2G collaboration. Potential impacts include direct costs and benefits for different stakeholders, as well as indirect effects related to the implementation of and compliance with given regulatory requirements. Below we provide a summary of the expected impacts under different scenarios, followed by a summary of how well the problems outlined in section 3.2 would be addressed. For each problem, we provide a rating of the expected impact (as outlined below).

#### **Expected impact ratings:**

Rating	Explanation of rating
+++	Problem would be substantially improved / eradicated
++	Problem would be improved to a significant extent
+	Problem would see some (limited) positive improvement
0	Very limited or no change

#### **Continuation of the baseline scenario in the Czech Republic**

The SW-CVED pilot project was positively regarded by the Czech customs as a step in the right direction to more digitised and harmonised procedures. The continuation of the current situation would mean a gradual expansion of G2G collaboration in the Czech Republic, as the scope of the EU CSW-CERTEX would increase to cover additional regulatory requirements, i.e. CHED and COI, as well as FLEGT. Even if the Czech Republic has mainly positive views about the EU CSW-CERTEX project, interviewees explained that there are several issues that need to be adjusted by further action, such as the non-voluntary participation and change of EU legislation.

The continuation of the baseline scenario is believed to hamper the efficient and effective implementation of the projects, especially due to the voluntary nature of participation of the EU Member States. Continuing having the initiative voluntary means the continuation of non-harmonised procedures with some EU Member States dealing with certain regulatory requirements in paper-format, and others electronically, which especially is a burden for traders and economic operators. In addition, the baseline scenario would not support Czech customs in having more partner competent joining the single window initiative, since it means a continued voluntary participation in the project.

Moreover, the baseline scenario would not address the problem of quantity management since it does not entail any EU-wide quantity management for all regulatory requirements, nor the legislation to enable information exchange on quantity management between customs and partner competent authorities. Most importantly, it means to continued voluntary participation in the project, which limits the enforcement of EU-wide quantity management. According to the Czech customs, having a common law on EU customs with quantity management would benefit Member States since it would make this process much easier. Quantity management will be technically available in the EU CSW-CERTEX 2.0 for FLEGT, COI, CVED/CED, CHED-PP, ODS licence and F-GAS. But the EU Member States that are not part of the project will continue to follow their national practices, meaning difficulties in knowing about volumes consumed in these Member States for EU CSW-CERTEX members.

Problem	Change
<b>Administrative burdens in the management of goods crossing borders</b>	+
<p>The problem of administrative burdens in the management of goods crossing borders would continue to be significant under the baseline scenario. Without any legislative changes, all stakeholders will continue to spend significant time / effort dealing with regulatory requirements which are outside of the EU CSW-CERTEX. As long as paper continues to be required alongside electronic certificates, as well as the CERTEX project being voluntary, the expected improvements in terms of administrative burden are estimated to be low.</p> <p>However, both the EU SW-CVED pilot and the national single window has born some positive results, in terms of smoother processes for checking data between Czech customs and certain partner competent authorities.</p>	
<b>Multiplication of information and procedural redundancies</b>	0
<p>The multiplication of information and procedural redundancies remain under the baseline scenario. With no change to the legal basis for customs and/or non-customs regulatory requirements, and no single-entry point for data submission, parallel paper submission would continue, as would the duplication of information. This means costs would not differ substantially while the duplication of information submitted would continue for economic operators.</p>	
<b>Poor exploitation of electronic exchange of information</b>	+
<p>Over-time the electronic exchange of information is expected to improve as more partner competent authorities digitise their systems. However, in order for these partner competent authorities to digitise their systems, a push from an EU level would be needed. The better exploitation of electronic exchange of information also depends on the harmonisation of procedures in countries, which this option does not ensure.</p> <p>However, both the EU SW-CVED pilot and the national single window has born some positive results, in terms of smoother processes for exchanging data between Czech customs and certain partner competent authorities.</p>	
<b>Enforcement issues and information gaps</b>	0
<p>The impacts in relation to enforcement gaps and information gaps are very limited under the baseline scenario. The main impacts would be similar to the results of the EU SW-CVED (i.e. more understanding of controls and more targeted searches through better risk analysis) but expanded in line with increased certificates coverage. However, the voluntary nature of EU CSW-CERTEX means it lacks a quantity management function which limits the scope for gains in enforcement.</p>	

### Options for enhanced G2G collaboration

These options involve putting in place a legal base to boost back-end, G2G cooperation on the exchange of data relating to a different category of certificates and specific technical solutions for implementation. The options are not mutually exclusive but can be combined depending on the pros and cons of including different certificate categories.

Option 1 is regarded as positive by both Czech customs and economic operators, especially since it would make the CERTEX system obligatory for all Member States. The potential benefits are however dependent on developments (especially regarding EU legislation) that would allow a full digitisation process. The TRACES (and later TRACES NT) system is appreciated and Czech customs prefers to have such a centrally managed IT solution, both from a cost perspective (since the maintenance costs then would lie on DG TAXUD) and from a data security perspective (since it would mean that data would not have to be stored at a national level). The Czech customs could not estimate how much cost savings centrally developed IT solutions generates, but it would at least be a substantial cost.

Enhanced G2G collaboration with more partner competent authorities joining the single window initiative would also mean greater possibilities for the Czech customs to exchange feedback. This was e.g. the case when the CITES got included in the national single window initiative, which encouraged Czech customs and Ministry of Environment to work more closely together. This is also important from a statistic point of view, and would be likely to lead to less risk of fraud in the longer run. This type of obligatory cooperation and joining of the CERTEX project, also with other EU Member States, would also enable quantity management. To fully benefit from the G2G solutions, the EU legislation must change in order to enable completely digital regulatory requirements.

With the G2G options, the Czech Republic would prefer for as many EU-wide regulatory requirements as possible to be included. National regulatory requirements are not wished for to be included or made possible to access for other EU Member States since it is believed to mean too great security issues. However, having some IT solutions on third-country regulatory requirements (as stipulated in option 4) would be interesting, e.g. when it comes to the FLEGT certificate where the Czech Republic has a lot of trade with Indonesia. However, this was said to be not a very realistic option.

Furthermore, the Czech Republic would prefer having a centralised solution, i.e. routing information through the CERTEX system, since this type of management would make the procedures more harmonised and secure, compared to bilateral agreements between EU Member States.

The table below sums up the expected impacts for enhanced G2G collaboration for the Czech Republic for the most pertinent options discussed above.

Problem	Change
<b>Administrative burdens in the management of goods crossing borders</b>	+ (++)
Depending on the scope of enhanced G2G collaboration, the improvements relating to administrative burden could be limited (if there is simply a continued expansion of CERTEX) or more significant. For the benefits to be significant, it would be important for all EU regulatory requirements to be accepted digitally and the introduction of quantity management.	
<b>Multiplication of information and procedural redundancies</b>	+
As with the baseline scenario, enhanced G2G collaboration does not necessarily mean a reduction in multiplication of information or procedural redundancies. This would require a single-entry point for economic operators (as per B2G collaboration outlined overleaf). However, enhanced G2G collaboration could have a positive effect on this aspect if procedures and IT systems get harmonised / made interoperable between partner competent authorities and customs.	



<b>Poor exploitation of electronic exchange of information</b>	++
As with customs, economic operators would stand to gain from more seamless connections between government (nationally and with third party governments). This would need to be supported by digital signatures to allow for a fully paperless system and a change in costs (i.e. removing / reducing the need to send documents by courier as well as electronically). The costs of upgrading partner competent authorities' systems would likely be significant, but would lead to benefits for all in terms of smoother operations.	
<b>Enforcement issues and information gaps</b>	++
Enhanced G2G collaboration would open opportunities for improved enforcement and lead to improvements in understanding of the scale of problems, especially if the legal basis allows for quantity management. The scale of impact is difficult to estimate but would be positive.	

### Options for enhanced B2G collaboration

Options 5-7 are about business-to-government (B2G), front-end cooperation that focus on different ways of streamlining reporting processes for the economic operators when dealing with the regulatory requirements. The options for B2G collaboration are mutually exclusive (meaning only one can be pursued) and range from no action (covered under section 4.1); a common management portal (option 5); interoperable national Customs Single Windows (option 6) and Single EU Customs Single Window trader portal (option 7).

Both Czech customs and Czech economic operators want to see advancements on the B2G collaboration and all options are welcomed. Option 7 is though regarded as the most preferred solution, since it is very likely to generate cost and time savings. However, Czech customs sees the option as not very feasible since it would require substantial IT changes and investments for all EU Member States. This solution requires substantial political will at European level.

Option 6 is seen as the most realistic option by Czech customs, even if it would require large investments to digitise all partner competent authorities' processes. However, the benefits from doing so in terms of time savings and more secure processes (leading to less fraud and smuggling) suggest that the investments would be outweighed by the benefits in the longer term. A central solution with DG TAXUD as the coordinator / hub is wished for whichever solution that would be perceived. Czech customs would like to see this option together with a single-entry point authentication and authorisation, and with connectivity with other Member States, and with other IT projects / systems such as de UUMDS, CDMS or the Generic Trader Portal.

The table below sums up the expected impacts for enhanced G2B collaboration for the Czech Republic for the most pertinent options discussed above.

<b>Problem</b>	<b>Change</b>
<b>Administrative burdens in the management of goods crossing borders</b>	+++
The improvements relating to administrative burden for economic operators could be significant, meaning costs savings with less administrative work with only one single entry point. Benefits would especially arise if regulatory requirements today issued in paper-format would be included in the	

digital solution.	
<b>Multiplication of information and procedural redundancies</b>	++
This would be significantly improved with a single-entry point which would necessarily reduce the multiplication of information and could reduce procedural redundancies for all stakeholders, as well lead to cost-savings.	
<b>Poor exploitation of electronic exchange of information</b>	++
This would be significantly improved with a single-entry point which would need to be supported by full exploitation of electronic exchange of information. The benefits would bring added value (in terms of easier and safer process) for both the officials and economic operators, but not change the situation substantially due to the scale of the problem being medium.	
<b>Enforcement issues and information gaps</b>	++
The impacts from enhanced B2G collaboration vis-à-vis enforcement issues may occur as a more integrated system provides economic operators with a single reference outlining in one place all their obligations (some of which they have might be previously unaware of).	

### **Conclusions**

This final section draws conclusions related to the severity of the problem in The Czech Republic and desirability and impacts of the different policy options.

### **Nature and scale of problems with the current situation**

The current situation in the Czech Republic illustrates a country that is eager to digitise their customs processes but is hampered by issues relating to legislation or lack of competence / resources. Today, the country has a system with a mix of digital and paper-based regulatory requirements. This means that the administrative burden in management of goods crossing borders is relatively prominent for both officials and economic operators. The exploitation of electronic exchange of information is improving (thanks to the single window initiatives) but has a lot of potential to improve even more if more partner competent authorities would digitise their processes.

The more severe problems are about multiplication of information and enforcement issues. Both these problems relate to a lack of harmonisation of data and procedures, especially at an EU level, meaning that the Czech Republic itself could not do much to solve these problems without EU action.

Problem	Rating
<b>Administrative burdens in the management of goods crossing borders</b>	
<b>Poor exploitation of electronic exchange of information</b>	
<b>Multiplication of information and procedural redundancies</b>	
<b>Enforcement issues and information gaps</b>	

### **Assessment of EU SW-CVED**



The Czech Republic has great ambitions of expanding the single window environment and is eager to continue the developments of the EU CSW-CERTEX project. However, the country is struggling with achieving its objectives due to voluntary Member State participation in the EU CSW-CERTEX project, EU legislation demanding paper-copies and a lack of clear mandate within the country to decide for partner competent authorities to join initiative. The EU SW-CVED pilot has made the process smoother for issuing CVEDs, but not as smooth as one could hope for (since paper documents are continued to be issued alongside). Regarding costs, it is difficult to assess any exact numbers, but according to customs officials the benefits are likely to outweigh the costs in the long-term, with cost savings of less staffing and more efficient procedures – as well as less fraud.

### Feasibility and desirability of the policy options

The most desirable and the most feasible scenario are inversely related in the case of the Czech Republic, as briefly summarised below.

Scenarios
<b>Baseline:</b> The baseline scenario would see marginal or no improvements and does not address the main problems for the Czech Republic.
<b>G2G:</b> The expected impacts of enhanced G2G collaboration could be high, especially if paper-documents were no longer required for regulatory requirements. For the Czech Republic, the most important aspect is to make the EU CSW-CERTEX obligatory for all Member States to join, in order to enable quantity management (and thereby contribute to the enforcement of EU law to fight smuggling and fraud). Moreover, the Czech Republic would prefer IT solutions being developed and maintained at an EU level, both to ensure the harmonisation of systems and data across the Member States, and to avoid to high costs for the Czech Republic.
<b>B2G:</b> The B2G solutions are very positively regarded by the Czech Republic, but the G2G solutions are prioritised to start with. Despite the more significant expected impacts of option 6 for B2G across all problems (and therefore its desirability), the feasibility is at the moment rather low in with too high upfront investments required as well as coordination among many partner competent authorities.

## FRANCE

### *Introduction*

This report is one of the eight country case studies that were carried out to provide evidence for the impact assessment of the initiative for developing an EU Single Window environment for customs. By collecting and analysing data on the current situation and expected future developments, the case studies aim to generate insight on the nature and scale of any existing problems and likely impacts of the policy options defined for the initiative. These include an option for no additional EU action, which would consist of the continued existence and gradual expansion of the EU Customs Single Window-CERTEX project (simply referred to below as CERTEX project).

Each case study used a common methodology based on a documentary review, feedback from national administrations provided through participation in the project group and interviews (mainly face-to-face) with officials from customs and partner competent authorities, and economic operators. The sample of eight Member States was selected in discussion with DG TAXUD with a view to covering complementary areas of interest and achieving a degree of representativeness.

Within this broader framework, the research on individual case studies varied according to national specificities such as geography, trading profile, administrative set-up and participation in the EU Single Window-CVED (Common Veterinary Entry Document) pilot project (the predecessor to the CERTEX project).

For France, the case study focused on:

- Experiences with implementing the national Single Window environment;
- Reasons for not joining the EU SW-CVED pilot and future participation in the CERTEX project;
- Controls related to export/import of diverse products (AGRIM, CVED and CHED-PP, dual use goods, military equipment).

The evidence for the case study is comprised of desk research and a set of interviews that took place during the week of 3 December 2018. The 14 interviewees included the customs authority (both business and IT units), partner competent authorities responsible for agriculture, food and plant products, and economic operators dealing with logistics and the import and export of aerospace and dual-use goods.

### *Background*

This section presents an overview of France's profile for international trade, administrative and IT set-up for customs and other relevant regulatory requirements, to help understand the current situation in France and how it would likely evolve with the policy options under review. It also briefly presents the national Single Window environment for customs.

### **Trading profile**

France's economy is the third largest in the EU28<sup>192</sup>. In 2017 (the latest year for which there is data), French sales of exported goods represented 9.2% of total EU exports, making it the second largest export country in the EU, after Germany.<sup>193</sup> Over a seven year period (2011-

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<sup>192</sup> European Union, 2018 (see <https://ec.europa.eu/eurostat/web/products-eurostat-news/-/DDN-20180511-1?inheritRedirect=true>)

<sup>193</sup> <http://www.worldstopexports.com/top-european-export-countries/>

2017) France accounted for about 9.4% of EU imports and 10.5% of EU exports.<sup>194</sup> Most French exports and imports are to/from the United States (7% and 6% respectively), and China (4% and 5% respectively).

The main port of entry is Paris Charles de Gaulle Airport. However, in the context of Brexit, French customs authorities aim to enhance performance of the ports on the Northern coast, by optimising clearance processes. The UK's exit from the EU will have a direct impact on customs authorities, economic operations and transport platforms in France. As such, Brexit is a significant, logistical and control challenge for these ports and for the cross-Channel fixed link.<sup>195</sup> French customs authorities have created a “Brexit mission”, which is assessing the impact of Brexit on customs authorities and economic operators.

To get an idea of France's efficiency in clearing goods, we looked at the World Bank's Logistics Performance Index<sup>196</sup>. In 2018, France ranked highly (16<sup>th</sup> globally, and 9<sup>th</sup> among EU member States) in terms of trade logistics, including customs performance, infrastructure quality, and timeliness of shipments.<sup>197</sup> In terms of customs specifically<sup>198</sup>, France ranked slightly lower, both globally (19<sup>th</sup>) and among Member States (10<sup>th</sup>). Of the six components used to calculate the ranking, customs and international shipments<sup>199</sup> were the highest scoring in France, indicating the clearance process is relatively efficient.

### Administrative set-up

Several authorities have responsibility for matters that relate to the Single Window environment for customs. Overall responsibility for border management is held by the *Direction Générale des Douanes et Droits Indirects (DGDDI)*, “Directorate General of Customs and Excise”. Usually referred to simply as “la douane” (customs), it is the French law enforcement agency responsible for customs, excise, taxation and related matters<sup>200</sup>. The agency acts as a coast guard, border guard, sea rescue organisation and a customs service.

Customs works with partner competent authorities (ministries, associations, and other public administrations) to enforce legislation relating to prohibitions and restrictions for various goods and services<sup>201</sup>, such as the Ministry for Agriculture and Food, Directorate General for Food (DGAL) or the National Interprofessional Seeds Association (*Groupe National Interprofessionnel des Semences et des plants – GNIS*).

About 15 competent authorities are responsible for controlling the import and export of various goods, applying more than 50 regulatory requirements, and delivering more than 30 *Documents d'Ordre Public (DOP)*, “documents of public order” (hereafter referred to as “supporting documents”). These relate to the implementation of national, European

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<sup>194</sup> Eurostat data on external trade, average for 2011-2017: <https://ec.europa.eu/eurostat/web/international-trade-in-goods/data/database>

<sup>195</sup> Douane française, Conference de presse de Gerald Darmanin sur les résultats de la douane française pour 2017 <https://www.youtube.com/watch?v=tmgbxh5Gyaw&feature=youtu.be>

<sup>196</sup> The LPI relies on an online survey of logistics professionals from the companies responsible for moving goods around the world: multinational freight forwarders and the main express carriers. Freight forwarders and express carriers are best positioned to assess how countries perform.

<sup>197</sup> The World Bank Group, 2018 (see <https://lpi.worldbank.org/international/global?sort=asc&order=LPI%20Rank#datatable>)

<sup>198</sup> defined as “Efficiency of the clearance process (i.e., speed, simplicity and predictability of formalities) by border control agencies, including customs”

<sup>199</sup> Defined as “ease of arranging competitively priced shipments”

<sup>200</sup> Including preventing smuggling, surveillance of borders and investigating counterfeit money. Since 1995, the agency has replaced the Border Police in carrying out immigration control at smaller border checkpoints, at maritime borders and regional airports. Officers are routinely armed.

<sup>201</sup> A full list of prohibitions and restrictions and relevant government authorities/ departments available here: <http://www.douane.gouv.fr/articles/a10913-restriction-de-circulation-ou-interdiction-de-certaines-marchandises>

regulations, or international conventions such as the Convention on International Trade in Endangered Species (CITES).

### **Approach to electronic customs and IT architecture**

Digitisation has been one of France's priorities for a long time. It is part of a broader simplification programme<sup>202</sup> announced by the President of France in 2013, for all public services. Simplification is intended to make procedures faster and more efficient, for both citizens and economic operators, with the aim to stimulate the economy. For economic operators, it means time and money savings, through reduced excessive and/or useless administrative burdens, a clearer and safer, but also more flexible, legal environment.

The French Single Window environment, referred to in France as the "GUN"<sup>203</sup>, is one of the 485 measures of the simplification programme. It is a technical solution to remove the last barriers to full digitisation of the customs clearance process. It is part of a move towards more competitiveness and support to international trade through speed, security, and collaboration with economic operators. Within France it is seen as part of the broader international efforts promoted by the United Nations, the World Trade Organisation and the EU, to facilitate global trade through digitisation of customs formalities and electronic exchange of information.

The national IT architecture combines EU trans-national systems and nationally developed systems, which are collectively used for customs declarations and clearance, risk management, cargo manifests and transit. It is based on a connection between customs authorities' system ("DELTA@-G"), and partner competent authorities' systems. Centralised EU systems are also contacted during the clearance process. The connection is web-service to web-service, supported by a digital authentication system.

### **Single Window state of play and key initiatives**

The "GUN" is a system that allows the automated control of supporting documents that are required for customs clearance. It is part of the 2008 governmental programme to reduce and simplify the administrative burdens on economic operators. Two main criteria were used to identify which supporting documents to start with: the number of customs declarations involved per year and the preparedness of the partner competent authority.

The first connection was established in December 2015 between DELTA@-G (customs' system) and i-CITES the *Direction Générale de l'Aménagement, du Logement et de la Nature* (DGALN), "Directorate-General for Planning, Housing and Nature's" IT system. As of December 2018, customs authorities had established links with five partner competent authorities:<sup>204</sup>

- January 2016: The *Groupe National Interprofessionnel des Semences et des plants* (GNIS), "National Interprofessional Seeds Association";
- June 2016: *FranceAgriMer*, the French farm office;
- January 2017: The *Institut de radioprotection et de sûreté nucléaire* (IRSN), "Radioprotection and Nuclear Safety Institute";
- June 2018: the *Service des Biens à Double Usage* (SBDU), Services for dual-use goods.

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<sup>202</sup> <http://simplification.modernisation.gouv.fr/programme-de-simplification/>

<sup>203</sup> Guichet Unique National (GUN) du dédouanement

<sup>204</sup> Two more links were in test phase.

France decided not to participate in the EU SW-CVED pilot, which allows the EU database (TRACES) to issue and store CVEDs to connect with national customs processes in participant countries, for two reasons: French customs wanted to keep the quantity management functionality<sup>205</sup> that their system allows for, and they were interested in obtaining a PDF version of the documents stored in the EU database, but this functionality (which would have allowed for the data to be used) was not part of the pilot.

Without these functions, the pilot was not useful for France. Instead, French customs authorities created a mirror database, which they call “TRACES FR”. This version is managed nationally, by French customs, and allows for national level quantity management. The inclusion of quantity management and PDFs to the next iteration of TRACES, TRACES NT, means France is planning on joining the CERTEX project.

### ***Current experiences***

This section details the nature and scale of the current problems by analysing the processes for clearing goods crossing the French border. It first presents an overview of relevant processes, with a focus on specific types of goods and associated regulatory requirements. It then gives more detail on the most important problems with the current situation for different stakeholder groups.

### **Overview of clearance processes**

In this section we provide an overview of customs clearance processes in France. We first outline facilitation measures as part of the French Single Window environment for customs, including regulatory processes for non-customs requirements. The second part of this section provides an example of the implementation of a connection between customs’ system and a partner competent authority’s system.

#### ***The Single Window environment for customs in France***

In 2017, French customs processed around 11 million customs declarations, of which 51% were exports, 31% imports, and 18% transit arrangements<sup>206</sup>. 7.9 million declarations were processed through the Import Control System (ICS)<sup>207</sup>, an increase of 8,2% compared to 2016.<sup>208</sup> Of the 5.82m export declarations, about 4% required supporting documents from competent authorities<sup>209</sup>. Of the 3.53m import declarations<sup>210</sup>, about 7% required supporting documents from competent authorities.<sup>211</sup> Of these 467 000 customs declarations requiring supporting documents from other authorities, in 2017, about 9.2% were processed through the “GUN”. In 2017, the following types of regulatory requirements accounted for the most significant volumes in France, all of which are included in “GUN”:

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<sup>205</sup> Customs authorities record the entrance of the goods on the customs territory and give tangible form to it through the “attribution douanière”. This is an annotation on the title, mentioning quantity and value of the goods, number and date of the customs declaration.

<sup>206</sup> The codes used in the transit system are listed in Appendix D2 of Commission Delegated Regulation (EU) 2016/341 of 17 December 2015 supplementing Regulation (EU) No 952/2013 of the European Parliament and of the Council. The designations of these codes are not as precise as those in TARIC (e.g. there is no distinction between CVEDA and CVEDP) and the code ZZZ “other” is used for many required documents, such as CITES permits and various other commercial documents.

<sup>207</sup> EU regulation requires operators to make a declaration before importing from third countries.

<sup>208</sup> Direction générale des douanes et droits indirects, 2018, AGIR pour protéger – Résultats 2017

<sup>209</sup> For certain goods, regulatory requirements under the competence of partner administrations are to be fulfilled and added to the customs declaration.

<sup>210</sup> Not including small parcels declared through a special electronic clearance procedure.

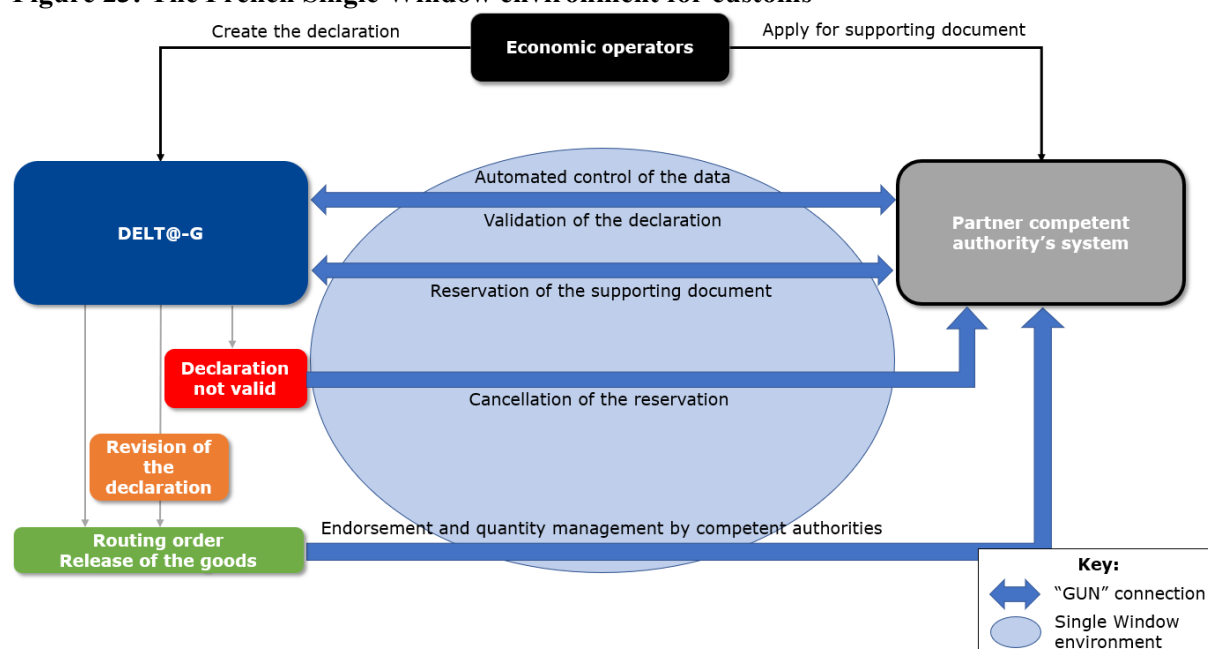
<sup>211</sup> Customs declarations requiring a supporting document can be traced in customs’ system, DELT@-G, by mentioning specific codes in box 44 of the SAD. Estimations provided by French customs are based on a search for the main supporting documents issued by other administrations in box 44.

- 69,900 (export) and 26 000 (import) certificates of conformity for fruits and vegetables (N002 / national code 2024);
- 50,100 registration certificates for exports of second-hand vehicles (national regulation code 0030);
- 47,900 Common Health Entry Documents for Plant Protection (CHED-PP) (N851) – this document covers Council Directive 2000/29/EC on protective measures against the introduction into the Community of organisms harmful to plants or plant products, and against their spread within the Community;
- 46,600 notifications of importation for fruits and vegetables, endorsed by the national control body (Commission Implementing Regulation (EU) No 543/2011<sup>212</sup>, code 2026);
- 41,200 Common Veterinary Entry Document: Animal Products CVEDP (N853) – this is a common EU certificate for the import of veterinary products<sup>213</sup>.

To enforce these requirements and the automated control of the associated supporting documents, French customs worked with partner competent authorities, to connect their IT system to DELT@-G, through the “GUN”. This IT system is the basis on which to establish these connections. The link can only be established if the partner authority’s system meets certain requirements, including the quantity management function, stability and maturity<sup>214</sup>. The process flow is summarised in annex to this case study report.

The process for import and export of goods requiring supporting documents included in the French Single Window environment is illustrated in the figure below.

**Figure 23: The French Single Window environment for customs**



Source: adapted from Direction Générale des Douanes et Droits Indirects, *Le GUN – Le Guichet Unique National du dedouanement*, September 2017

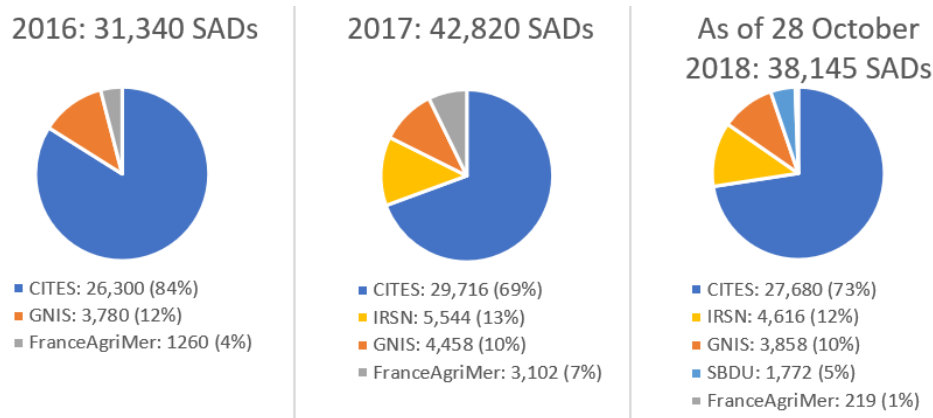
<sup>212</sup> of 7 June 2011 laying down detailed rules for the application of Council Regulation (EC) No 1234/2007 in respect of the fruit and vegetables and processed fruit and vegetables sectors

<sup>213</sup> Commission Regulation (EC) No 136/2004 of 22 January 2004 laying down procedures for veterinary checks at Community border inspection posts on products imported from third countries

<sup>214</sup> For military goods for example, the Directorate General of Armaments’ (*Direction Générale de l’Armement – DGA*) IT system is not yet stable and a link with the SW is therefore on hold.

Since the first connection was established in December 2015, the “GUN” processed 117,820 customs declarations. This has increased with the on-boarding of new partner competent authorities. As a result, during the first 10 months of 2018, 38,145 customs declarations were processed, including more than 70 000 supporting documents that were automatically controlled through the “GUN”. The figure below presents the share of Single Administrative Documents (SADs) dealt with through the “GUN” since its implementation, for each partner competent authority.

**Figure 24: Number of declarations processed through the “GUN”**



Source: adapted from Direction Générale des Douanes et Droits Indirects, *Le GUN – Le Guichet Unique National du dédouanement*, September 2017

In 2018, three major functional developments of the French Single Window environment occurred:

- Extension of the connection with the GNIS, "National Interprofessional Seeds Association", through the sending back of amended customs declarations after deliverance of the routing order (detailed box on this below);
- Two extensions of perimeter for the existing connection with *FranceAgriMer* for the automated control of additional Agri-food products (milk products to the US and rice) requiring Export certificate (AGREX);
- Implementation of a fifth connection between DELT@-G and the system of the Services for dual-use goods.

#### *Example of a “GUN” connection*

The following box presents how the interface between DELT@-G and a partner competent authority’s system, the *GNIS* – National Interprofessional Seeds Association’s system was set up.

**Timeline:** Work started end of 2013; connection started end of January 2016.

**Workload:** 150-200 person-days for the development of the extranet and interface

**Budget:** EUR 400/day – approximately EUR 80 000

#### **Regulatory basis:**

- Council Directive 2002/53/EC of 13 June 2002 on the common catalogue of varieties of agricultural plant species
- Council Directive 2002/55/EC of 13 June 2002 on the marketing of vegetable seed

Both directives indicate that only varieties that are registered in the official catalogue can be sold on the EU



territory. According to the national system, the GNIS is responsible for delivering an administrative visa before the import. This visa used to take the shape of a paper Import Request with three sections: one for customs, one for the GNIS and one for the company.

**Volume:**

- 7 000 import requests /year
- 16 companies making more than 100 import requests /year
- 1 company making 1 100 import requests /year

**Objective of the project:** simplify, facilitate, and increase security of procedures

**Workflow:**

1. Economic operators – Application on the GNIS’ extranet. Economic operators can validate and send the form when completed, but also manage, and sort out validated, used and expired applications.
2. GNIS – Treatment of the application. Economic operators receive an email when the visa is delivered.
3. Interface Customs-GNIS – After the reservation, economic operators can view availability on the GNIS’ extranet. Expired visas close after 6 months.

**Outcomes for economic operators:**

- Removal of the administrative burden linked to mail exchanges with the GNIS
- Management and monitoring tool for applications
- Reduced delays

**Outcomes for the GNIS:**

- Removal of the administrative burden linked to mail exchanges with economic operators, and of the costs of paper documents
- Removal of the administrative burden linked to the physical stamp on the three sections of the Import Request, and of its archiving
- Same effectiveness of regulatory controls
- Data processing – no more manual data entry for external trade statistics
- Development of the extranet

## Main problems in France

Several aspects of the abovementioned processes create problems for customs, partner competent authorities and economic operators; while there are also aspects that are typical problems elsewhere, which are less of a problem in France because of national initiatives. Using the problem tree (see section 3 of the main study report) as a starting point, the ensuing pages examine the different elements in detail. The impact of each problem on different stakeholders is illustrated using a rating system, where red denotes severe, amber denotes significant and green denotes negligible, as explained in the box below.

Rating	Explanation of rating
	Major weakness/problem and significant investment / complex solution needed to address this issue, which affects multiple stakeholders severely.



	Significant weakness/problem and some investment needed to address this issue, which affects more than one group of stakeholders significantly.
	Problem is only negligible and/or could be easily addressed with few regulatory hurdles and does not seriously impact any stakeholder.

### **Problem: Administrative burdens in the management of goods crossing borders**

Rating	Explanation of rating	Main stakeholders affected and how
	Problem is only negligible in France as the national Single Window environment allows customs authorities' IT system to go look for the competent authority's supporting document in their system (which is the case for the highest volumes of supporting documents entering/exiting France), although this does not cover all supporting documents or authorities there are no major barriers to its extension	<ul style="list-style-type: none"> <li>Customs officials: no time/effort processing supporting documents, where a GUN connection exists.</li> <li>Partner competent authorities: no time/effort exchanging with economic operators, where a GUN connection exists</li> <li>Economic operators: still apply to different competent authorities in each Member State</li> </ul>

Administrative burdens in the management of goods crossing borders were not considered to be a significant problem in France, for customs and partner competent authorities, nor for economic operators. The “GUN” has already brought benefits in terms of efficiently reducing the administrative burden in the management of goods crossing borders.

Customs authorities' IT system draws and checks information directly from the partner competent authority through the “GUN”, whereas before they had to wait for the documents to be manually checked. Human intervention is now about bringing added value: officers do a qualitative control when the system indicates an error, instead of a systematically checking. Similarly, partner competent authorities see the reduced administrative burden through greater automation as a benefit.

Nonetheless, the “GUN” is still a work in progress, as only five connections exist as of December 2018, concerning a small proportion of all the supporting documents despite covering the most important (volume-wise) supporting documents for goods in and out of the country.

### **Problem: Poor exploitation of electronic exchange of information**

Rating	Explanation of rating	Main stakeholders affected and how
	Several actors with differing levels of digitisation at national and EU levels Lack of communication/ interoperability between systems	<ul style="list-style-type: none"> <li>Customs officials: limitation of the extent to which they can extend the French Single Window environment</li> <li>Competent authorities: lack of IT systems</li> <li>Economic operator: G2G – Limited impact</li> </ul>

Poor exploitation of electronic exchange of information remains an issue in France, despite the clear majority (88%) of its international trade-related procedures being digital. The “GUN” initiative was used by some partner competent authorities to push the digitisation agenda. Where there has been digitisation this has already brought benefits, for instance in terms of making it possible to trace goods, the authority delivering the document knows when it is being used, as do economic operators and customs authorities, leading to better monitoring of the use of the supporting documents, and of their chronology.

Yet, some competent authorities have not fully digitised their systems, while others operate without an IT system in place for regulatory requirements. The *Direction générale des patrimoines*, “Department of National Heritage”, for example, does not have an IT system for managing supporting documents, and issues them in hard copy. This is a clear barrier to fully digitising customs clearance processes. From a customs’ point of view, the more digitised processes for regulatory requirements the better – as the costs of bridging systems are minor compared to the benefits of integrated digital processes.

This is also the case at EU level, where not all Member States are digitised, clearly limiting the extent to which the electronic exchange of information can happen. In addition, where Member States do have fully functioning IT systems, these are not necessarily interoperable (meaning electronic exchange of information cannot happen at EU level). For example, the second exporter of dual-use goods in France uses Dutch licences, which French customs cannot have access to. This means that economic operators need a paper version of the document for customs clearance in France. Indeed, customs clearance of goods using supporting documents delivered by another Member State is possible based on a paper version of the documents. The digitisation of this process would therefore only be possible if electronic exchange of information between Member States’ competent authorities were possible.<sup>215</sup>

Even when there is an EU-level system in place, such as TRACES, its potential functionalities for exchange of electronic information are not properly exploited, as explained above. So as of December 2018, quantity management and monitoring of the goods is only national.

#### **Problem: Multiplication of information and procedural redundancies**

Rating	Explanation of rating	Main stakeholders affected and how
	Procedural redundancies exist in France when digitised supporting documents must be printed out due to international legislation	<ul style="list-style-type: none"> <li>Customs and competent authorities: limited impact</li> <li>Economic operators: when a paper version of a digitised document is needed this creates extra work with no added value</li> </ul>

Multiplication of information and procedural redundancies were not presented as a significant problem in France, whether it be by customs or partner competent authorities.

Nonetheless, there are cases of procedural redundancies, with some digitised documents that must also be presented in paper format for example. This is the case with CITES. The “GUN” looks for the import/export permit or re-export certificate in the Management Authority’s database, extracts the information in a PDF, which is incorporated into the automatic authorisation in Customs’ system. But economic operators must then print the permit/certificate. The added value of the “GUN” is therefore diminished for economic operators due to a legal obligation emanating from an international convention.<sup>216</sup> This is particularly paradoxical given that CITES permits/certificates constituted on average 75% of the declarations dealt with through the “GUN” (see figure 3).<sup>217</sup> Nonetheless, the GUN connection between DELT@-G and iCITES does bring benefits to economic operators since

<sup>215</sup> The EU is working on improving dual-use controls, to move from DUeS to electronic licensing. See: [http://trade.ec.europa.eu/doclib/docs/2017/december/tradoc\\_156495.pdf](http://trade.ec.europa.eu/doclib/docs/2017/december/tradoc_156495.pdf) and [https://supportoffice.jp/outreach/2017/asian\\_ec/pdf/29Mr.StephaneChardonEU.pdf](https://supportoffice.jp/outreach/2017/asian_ec/pdf/29Mr.StephaneChardonEU.pdf).

<sup>216</sup> Note that the French Directorate-General for Planning, Housing and Nature and its Swiss counterpart are working on the full digitisation of CITES permits between the two countries. Switzerland represents around 25% of France’s CITES trade with third country.

<sup>217</sup> Note that with the new GUN connections planned for 2019 and the improvements of the one with the Services for dual-use goods, the share of CITES among the declarations dealt with through the GUN will decrease considerably.

clearance of the goods can happen 24/7, without physically presenting the permit beforehand. The economic operator can then go to the customs office with the paper document.

In addition, economic operators must create a declaration in customs' system and apply for supporting documents in the different competent authorities' systems. Even though this is a clear procedural redundancy, they did not report it as a problem. They did not actually see the benefits of a Single Entry Point, as economic operators consulted all had dedicated departments for customs and regulatory requirements. They indicated that these departments deal with different issues and are needed anyway.

### **Problem: Enforcement issues and information gaps**

Rating	Explanation of rating	Main stakeholders affected and how
	This problem needs EU-wide action – harmonisation of systems to have comparable information across borders and requirement legislative action.	<ul style="list-style-type: none"> <li>• Customs: this is an essential weakness of the current environment for EU customs</li> <li>• Competent authorities: issues related to enforcement of respective regulations</li> <li>• Economic operators: indirect impact on society more broadly</li> </ul>

The "GUN" led to improvements in security. The risk of fraud was higher before as the beneficiary of the authorisation was responsible for taking the original paper document from one customs office to another.

Nonetheless, poor exploitation of electronic information results in difficulties for enforcement of quotas and information gaps within, but also between, EU Member States. This makes it difficult to ensure that licenses are not copied and reused. The lack of harmonisation in EU systems and/or the lack of EU legalisation to underpin the development of such systems, means there is a barrier to EU-wide enforcement and gaps in information on the nature and scale of enforcement problems in the first place. Most importantly for France, while quantity management is possible nationally, this really needs to occur at the level of the single market for it to be meaningful. This is a major problem.

### ***Likely future developments***

This section provides insight on how the problems described above are likely to evolve, either through the continuation of the baseline scenario or through the pursuit of policy options for enhanced government-to-government (G2G) and/or business-to-government (B2G) collaboration. Potential impacts include direct costs and benefits for different stakeholders, as well as indirect effects related to the implementation of, and compliance with, given regulatory requirements.

Below we provide a summary of the expected impacts under different scenarios, followed by a summary of how well the problems outlined in section 3.2 would be addressed. For each problem, we provide a rating of the expected impact (as outlined in the box below).

Rating	Explanation of rating
+++	Problem would be substantially improved/eradicated
++	Problem would be improved to a significant extent
+	Problem would see some (limited) positive improvement
0	Limited or no change

## **Continuation of the baseline scenario in France**

For France, the continuation of the baseline scenario would be a continued expansion of the national Single Window environment with more connections established with new partner competent authorities.

In addition, France is planning to join the CERTEX project, meaning it will connect the “GUN” with the EU’s TRACES NT database, which has the right capabilities in terms of quantity management and data summarised in a PDF. However, French customs will first maintain a mirror database, until the “GUN” connection with TRACES NT is established.

**A gradual expansion of G2G collaboration through the increase of the scope of the CERTEX project to cover other EU regulatory requirements** is the target path for French customs authorities, the same way the GUN project will continue to be expanded. The one-off costs of gradually expanding the scope of the CERTEX project would be borne by French customs authorities (no other stakeholders would have any direct costs). These were not considered to be significant, as the basis is already there.

The direct benefits of joining the CERTEX project are quantity management and electronic exchange of information, as well as a smoother and more efficient operation through automatic updates on the status of the supporting documents. Some additional benefits could occur, in terms of efficiency depending on the regulatory requirements covered.

According to French customs authorities, the CERTEX project will have an accelerator effect on the national Single Window environment, pushing it to realise its full potential. In addition, the CERTEX project is viewed as a tool to encourage convergence and harmonisation at EU level, which is essential for the delivery and the effective implementation of EU law.

At the national level, the “GUN” initiative started as a discussion with all competent authorities and is being implemented on a voluntary basis through bilateral connections. Partner competent authorities, which are not connected to “GUN”, are expected to progressively introduce/improve their IT systems over the medium to long-term (the one-off costs of doing so vary depending on the current state of digitisation of the authority). In the long-term, it is likely that connection with the “GUN” will become mandatory.

There have been no formal discussions on the move to a Single Entry Point in France (i.e. Business-to-government collaboration). Interestingly, economic operators consulted did not consider this necessary. They explained that within their internal structures, customs and regulatory requirements are the responsibility of different departments/services and require different expertise. As such, they are unfazed by continuing to have separate entry points for customs declarations and for supporting documents. Nonetheless, they clearly expressed an appetite for full digitisation of all application procedures and more generally of competent authorities to introduce greater efficiencies into the import/export process.

In terms of indirect benefits under the baseline scenario, continued cooperation between customs and partner competent authorities would be likely to continue. The “GUN” project has already had the effect of improving collaboration between different authorities more than expected. Authorities must discuss extensively to establish a connection, and this requires getting to know each side. As explained by those involved in these processes, teams from the different authorities work together during the development phase and continue to work together on a regular basis to oversee management and delivery. As such, they develop their knowledge of the different relevant regulations, which in turn improves customs-related processes. French customs representatives consulted acknowledged that customs used to

constitute a special sector, “where no one usually ventures”, which is not the case since the “GUN” project.

The table below sums up the expected impacts under the baseline scenario for each of the main problems and shows these would be positive overall but not significant.

Problem	Change
Administrative burdens in the management of goods crossing borders	+
This would continue to improve as new partner competent authorities and regulatory requirements, such as war equipment for example, are covered. The possibility to retrieve information from TRACES NT through the CERTEX project would also remove the potential administrative burden of having to look for such information.	
Multiplication of information and procedural redundancies	+
This would also continue to improve as economic operators gradually have fewer authorities to interact with, aside from the application process for supporting documents as linkages between customs and partner authorities become automatic.	
Poor exploitation of electronic exchange of information	+
Over time, the electronic exchange of information is expected to improve as more partner competent authorities digitise their systems. However, the benefits would be limited by the lack of guarantee that other countries would make the same investments. This means information may continue to be incomplete if the CERTEX project is not made mandatory.	
Enforcement issues and information gaps	+
Problem would be solved to a significant extent for French customs authorities, who insisted on the importance of quantity management and PDF version of supporting documents stored in EU databases. Nonetheless, the voluntary nature of the CERTEX project means the scope for gains in enforcement remains limited if not all Member States participate.	

### Options for enhanced G2G collaboration

These options involve putting in place a legal basis to boost back-end, G2G cooperation on the exchange of data relating to a different category of regulatory requirements and specific technical solutions for implementation. The options are not mutually exclusive but can be combined depending on the pros and cons of including distinct categories of regulatory requirements.

French customs believe that the connection must happen between Member States, i.e. national customs authorities must connect to each other. However, they also stressed how complicated it is nationally to connect to 15 competent authorities, so doubted the feasibility of G2G collaboration between customs authorities at EU level.

Nonetheless, the benefits of enhanced G2G collaboration would be significant. Indeed, it would improve security. The more complete the data on goods entering and exiting, the more secure the market. In addition, if some aspects are missing, goods are treated differently, and the process can be slower. For dual use goods for example, French customs would be interested in knowing how many licences are delivered in other countries. It could be possible by uploading licences on a European platform<sup>218</sup>. The current decentralised system means

<sup>218</sup> Under development. See: [http://trade.ec.europa.eu/doclib/docs/2017/december/tradoc\\_156495.pdf](http://trade.ec.europa.eu/doclib/docs/2017/december/tradoc_156495.pdf) and [https://supportoffice.jp/outreach/2017/asian\\_ec/pdf/29Mr.StephaneChardonEU.pdf](https://supportoffice.jp/outreach/2017/asian_ec/pdf/29Mr.StephaneChardonEU.pdf)

Member States hold data that are not directly available to other Member States. Having interoperable systems, only allowing access to the authorisations, is a conceivable solution. In this case, interoperability is key.

Currently, systems are not interoperable, and information is hard to get. French customs authorities believe that when electronic documents are stored in national databases, the identification of the issuing Member State is vital to allow the clearance system to interrogate the right database. Therefore, as a first step to G2G, non-customs authorities should be encouraged to mention their country code inside the reference numbers of the supporting documents they issue, as with CVEDs, CEDs, etc. The harmonisation of the document codes used in transit declarations (appendix D2 of Regulation 2016/341) and in export/import declarations (TARIC database) should also be encouraged to allow the use of electronic supporting documents both with transit and export/import declarations.

In the short term, the priority for France is to join the CERTEX project and to expand it to as many supporting documents as is possible, but also to provide a solid legal basis to underpin it (i.e. option 1). The direct costs of doing so would be the same as for the continuation of the baseline, the main additional benefits resulting from a solid legal basis, would be those associated with quantity management (which relate to security and enforcement primarily).

The table below sums up the expected impacts for enhanced G2G collaboration for France for the most pertinent options discussed above, if systems are interoperable.

Problem	Change
Administrative burdens in the management of goods crossing borders	+
This would improve as enhanced G2G collaboration would require less effort from customs/competent authorities to retrieve information from other Member States or at EU level. Economic operators would see reduced administrative burden over time.	
Multiplication of information and procedural redundancies	+
This would improve for customs and competent authorities as information would not need to be duplicated, as it could simply be shared. Yet, economic operators would still have to input information through two channels, one for customs, and one for supporting documents.	
Poor exploitation of electronic exchange of information	++
Customs would stand to gain from more seamless connections between government (nationally and with third party governments). This would need to be supported by digital signatures to allow for a fully paperless system and a change in costs. The costs of upgrading partner competent authorities' systems could be significant for some but would lead to benefits for all in terms of smoother operations.	
Enforcement issues and information gaps	++
Enhanced G2G collaboration would open opportunities for improved enforcement and lead to improvements in understanding of the scale of problems. The scale of impact is difficult to estimate but would be positive.	

### Options for enhanced B2G collaboration

Options 5-7 are about B2G, front-end cooperation that focuses on diverse ways of streamlining reporting processes for the economic operators when dealing with the regulatory



requirements. The options for B2G collaboration are mutually exclusive and range from no action (covered under section 4.1); a common management portal (option 5); interoperable national Customs Single Windows (option 6), to a Single Entry Point for Customs-related procedures through a trader portal managed at EU level (option 7).

French customs want their national IT infrastructure to remain in place. In fact, this was presented as a condition for further developments. Nonetheless it is essential that national systems connect with Community tools, such as TRACES (G2G). This is France's ambition and objective. Therefore, option 6 is viewed positively in France, as customs authorities believe it would allow for the continuation of the national single window environment. In their view, option 6 allows for adaptation to national regulatory requirements and associated supporting documents. However, the "GUN" is limited to G2G cooperation. Neither French customs, nor economic operators, are calling for B2G cooperation. As such, their appetite for option 6 is based on this understanding of what constitutes a Single Window, which falls short of a Single Entry Point. If option 6 were pursued, France want the implementation of a Single Entry Point to be optional, given the heavy burdens it would imply on customs and competent authorities to change their system again.

Option 7 is not desirable as it does not favour France's considerable advances. It does not allow national authorities to have access to useful data either and makes Member States dependent on the European tool, without building their capacity, which is seen as restrictive. A harmonised interface for interacting with the various electronic systems used to deal with EU regulatory requirements (option 5) would have little impact for many economic operators who are already directly connected to customs' and other relevant authorities' systems (using the Electronic Data Interchange (EDI)).

The table below sums up the expected impacts for enhanced B2G collaboration for France assuming option 6 were pursued.

Problem	Change
Administrative burdens in the management of goods crossing borders	+
Because the French approach to the Single Window environment does not include a Single Entry Point, the improvement in administrative burden would only go so far.	
Multiplication of information and procedural redundancies	+
As with the administrative burden, the possible impact in terms of reducing procedural redundancies would be limited but positive.	
Poor exploitation of electronic exchange of information	+++
If option 6 were pursued, all Member States would have to digitise processes for entry and exit of goods at the border. This would lead to substantial positive impacts for French customs who currently must deal with manual/paper-based systems in other Member States and are unable to exploit the potential of digitised information at the EU level.	
Enforcement issues and information gaps	++
For option 6 to function, national Single Windows must be interoperable. This means that customs authorities in different Member States will need to collaborate with one another thereby encouraging convergence and harmonisation at the EU level, akin to the benefits observed in France as customs worked with competent authorities to understand their needs and vice versa, as illustrated in section 2.3.1).	

## Conclusions

This closing section draws conclusions related to the severity of the problem in France and desirability and impacts of the different policy options.

### Nature and scale of problems with the current situation

The current situation is not optimal but still satisfying stakeholders to a large extent, especially since improvements linked to the national Single Window environment are likely to continue. Nonetheless, electronic exchange of information remains limited due to the low level or lack of digitisation of some partner competent authorities, and of some Member States. When these do have IT systems, the exchange of information is limited because of the lack of interoperability. The continued use of paper, even where digital solutions are implemented, remains a problem for economic operators. The most significant problem is the lack of EU-wide quantity management.

Another problem in France is the impact of Brexit in terms of logistics, both in terms of the capacity of the IT systems to treat a significantly higher number of declarations, or in terms of physical set up to allow for inspections by customs and partner competent authorities.

Problem	Rating
Administrative burdens in the management of goods crossing borders	
Poor exploitation of electronic exchange of information	
Multiplication of information and procedural redundancies	
Enforcement issues and information gaps	

### Assessment of the EU SW-CVED/CERTEX projects

Whereas it was not the case for the EU SW-CVED pilot, the CERTEX project is in line with French customs authorities' needs. Customs authorities confirmed the relevance of having an EU level database, if the information it contains is usable and retrievable by national authorities. Although customs authorities were positive about the functionalities of the CERTEX project, for the change to be significant at EU level, it would need to be mandatory.

The cost of bridging French customs' system to the EU's TRACES NT database should be minor, as it will only require adapting TRACES FR, the mirror database they already created. As is the case of the French Single Window environment in general, the benefits over time are greater than the costs: a more efficient and secure customs clearance process.

### Feasibility and desirability of the policy options

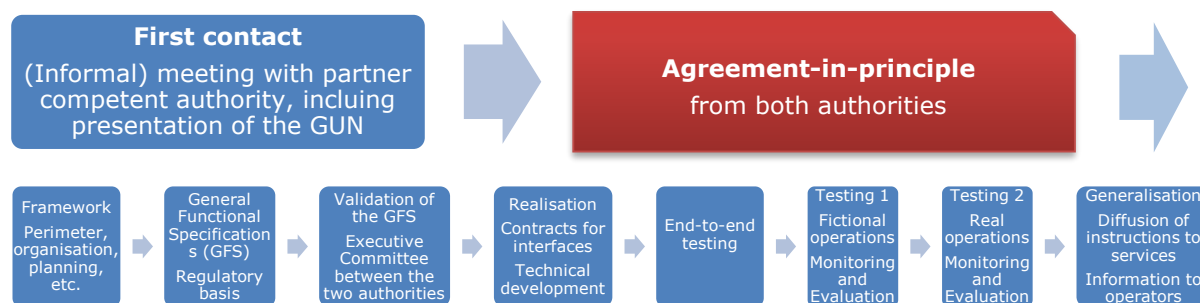
In the case of France, the most desirable policy options lead to the same scenario, as briefly summarised below.

Scenarios
Baseline: The baseline scenario would see increasing improvements linked to the enlargement of the Single Window environment and French customs engaged in the CERTEX project.
G2G: The expected impacts of enhanced G2G collaboration could be high, especially if all systems (at EU level) were interoperable.
B2G: Option 6 is desirable for France but there are concerns about any mandatory action.



## APPENDIX C.2: PROCESS FOR ESTABLISHING A GUN CONNECTION

Figure 25: Typical sequencing/process for the establishment of a new “GUN” connection



The agreement-in-principle is a roadmap used until full implementation of the connection. It is an important political commitment signed by the Director General and sent to the partner competent authority. Given that customs do not financially support the partner competent authority's necessary adaptation, this commitment must come from a sufficiently high level.<sup>219</sup> Communication is important throughout, as authorities must have the same understanding and definition of the different components so that systems are interoperable. Economic operators are systematically involved once the testing phase begins.

### IRELAND

#### *Introduction*

This report forms one of the eight country case studies that were carried out to provide evidence for the impact assessment on a potential new initiative, namely the EU Single Window environment for customs. By collecting and analysing data on the current situation and expected future developments, the case studies aim to generate insight on the nature and scale of any existing problems and likely impacts of the policy options defined for the new initiative. These include an option for no additional EU action, which would consist of the continued existence and gradual expansion of the EU Customs Single Window-CERTEX project (simply referred to as CERTEX project throughout).

Each case study used a common methodology based on a document review, feedback from national administrations provided through participation in the project group and interviews (mainly face-to-face) with officials from customs and partner competent authorities and economic operators. The sample of eight Member States was selected in discussion with DG TAXUD with a view to covering complementary areas of interest and achieving a degree of representativeness.

Within this broader framework, the research on individual case studies varied according to national specificities such as geography, trading profile, administrative set-up and participation (or not) in the EU Single Window-CVED pilot project (EU SW-CVED, the predecessor to CERTEX project).

For Ireland, the case study focused on:

- Experiences with the EU SW-CVED pilot
- Controls related to import of agricultural products and live animals (AGRIM, CVED and CHED-PP)

<sup>219</sup> The role of the sponsor is indeed essential, as (s)he “is accountable for ensuring that the work is governed effectively and delivers the objectives that meet identified needs”. Novare Consulting Ltd., Association for Project Management.

It also mentions specific issues relating to port infrastructure (in Dublin), given the impact of this on clearance times.

The case study draws on desk research and a series of interviews from a field visit during the week of 22 October 2018. The 16 interviews were comprised of five customs officials responsible for customs policy, electronic customs and IT developments, partner competent authorities dealing with the import and export of agricultural products and live animals, and economic operators including freight forwarders, and agricultural importer/exporters.

## **Background**

Some background information is needed to understand the current situation in Ireland and how it would likely evolve for the policy options under review. This section presents an overview of Ireland's profile for international trade, administrative and IT set-up for customs and other relevant regulatory requirements. It also briefly presents progress towards a customs single window at national level in Ireland.

## **Trading profile**

Ireland accounts for about 1.5 % of EU imports and 3.2 % of EU exports.<sup>220</sup> While small, this is a greater proportion of trade than its 4.9 million / 1 % of the EU population would suggest.<sup>221</sup> Much of this trade takes the form of high value goods from the pharmaceutical / health, aircraft, and IT sectors<sup>222</sup>. Certain agricultural goods form a significant part of Irish trade<sup>223</sup>.

Currently the main types of port of entry are sea<sup>224</sup> (which is significantly higher in volume) and air<sup>225</sup>. This is unlikely to change significantly, even with Brexit, as trade through the land border with Northern Ireland is relatively low. Nonetheless, of note for Ireland is the substantial impact of Brexit, and how this will change Ireland's trading profile. A recent study commissioned for Ireland's Department for Business, Enterprise and Innovation stated: *"Our study finds that Ireland is uniquely exposed to Brexit due to a very high trade intensity with the UK. Approximately 15 per cent of Irish goods and services exports are destined to the UK. In certain sectors, the UK is an especially important market, such as the agri-food sector where around 40 per cent of exports are destined for the UK. In addition, two-thirds of Irish exporters make use of the UK landbridge to access continental markets."*<sup>226</sup>

To get an idea of Ireland's success in clearing goods efficiently, we looked at its logistics performance as assessed by the World Bank<sup>227</sup>. Ireland ranks highly (25<sup>th</sup> globally, and 12<sup>th</sup> among EU Member States) in terms of trade facilitation and ease of doing business overall<sup>228</sup>.

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<sup>220</sup> Eurostat data on external trade. For info, the gross value of imports to Ireland in 2017 stood at EUR 78,691.1 million, and it had a gross value of exports of EUR 121,856.6 million.

<sup>221</sup> Irish Central Statistics Office, 2018

(see <https://www.cso.ie/en/statistics/population/populationandmigrationestimates/>)

<sup>222</sup> Source: WTO, Ireland trade profile information (2017); see also Eurostat data (International trade of EU, the euro area and the Member States by SITC product group; Code: ext\_lt\_intertrd).

<sup>223</sup> Source: WTO, Ireland trade profile information (2017)

<sup>224</sup> [Eurostat data for Gross weight of goods handled in all ports by direction - annual data Code: mar\\_go\\_aa shows annually 53 351 thousand tonnes pass through Irish ports.](#)

<sup>225</sup> Mainly through Dublin airport (approx 135 000 tonnes annually) but some also through Shannon airport (approx 10 500 tonnes annually) (Eurostat: Freight and mail air transport by main airports in each reporting country [avia\_gooa])

<sup>226</sup> The impacts of Brexit, Department for Business, Enterprise and Innovation commissioned study (Copenhagen Economics, 2017)

<sup>227</sup> The LPI relies on an online survey of logistics professionals from the companies responsible for moving goods around the world: multinational freight forwarders and the main express carriers. Freight forwarders and express carriers are best positioned to assess how countries perform.

<sup>228</sup> Based on mean across logistics performance index 2012-2018 (<https://lpi.worldbank.org/>)

In terms of customs specifically<sup>229</sup>, Ireland ranks slightly higher globally (22<sup>nd</sup>), but the same place among EU Member States (12<sup>th</sup>). Of the six components used to calculate the ranking, customs was the lowest scoring within Ireland, followed by infrastructure<sup>230</sup>. This suggests that, in Ireland, the efficiency of the clearance process is the weakest link and improvements here would be important to improve the overall logistics performance.

### **Administrative set-up**

Several authorities have responsibility for issues that relate to a potential Single Window environment. First among these, with overall responsibility for border management, are the Revenue Commissioners. Usually referred to simply as “Revenue”, it is the Irish Government agency responsible for customs, excise, taxation and related matters<sup>231</sup>.

The Customs Division (hereafter “Irish customs”) sits within Revenue and is charged with development of policy, legislation and international functions for Customs. The Information & Communications Technology & Logistics Division (ICTL), which also sits within Revenue, deals with the IT infrastructure for Irish Customs as well as Taxation. The Customs and the ICTL Divisions share responsibility for the management of Customs’ electronic systems. For example, the e-customs branch of the Customs Division manages the day to day live issues with the systems and only refers to the ICTL Division if the issue is technical.

Revenue works with a range of partner competent authorities (government departments, agencies, commissions, authorities and cultural institutions) to enforcement legislation relating to prohibitions and restrictions for various goods and services<sup>232</sup>. For example, meat or meat products require a licence from the Department of Agriculture, Food and the Marine and endangered species require a licence from the National Parks and Wildlife Service. There are 17 different bodies and different units within some of them who are charged with controlling the import and export of various goods.

### **Approach to electronic customs and IT architecture**

Revenue has the so-called “Automatic Entry Processing” (AEP) system for the validation, processing, duty accounting and clearance of custom declarations. Economic operators use the “Direct Trader Input” via the Revenue Online Services on the Revenue website to communicate with the AEP<sup>233</sup>. Submission of the Single Administrative Document (SAD), required for all import declarations, is electronic, but a paper document is sometimes also required when the goods arrive and before they are cleared. This occurs in a minority of cases, 90% of imports will not require submission of accompanying paper documents. Depending on the type of good, certain regulatory requirements are still based on paper documents. The full clearance process is explained in more detail in section 3.3.1.

The national IT architecture is a combination of EU transnational systems and nationally developed systems, which collectively are used for entry summary declarations, risk management, clearance, cargo manifests and transit. Centralised EU systems and databases

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<sup>229</sup> defined as “Efficiency of the clearance process (i.e., speed, simplicity and predictability of formalities) by border control agencies, including customs”

<sup>230</sup> Quality of trade and transport related infrastructure (e.g., ports, railroads, roads, information technology).

<sup>231</sup> Revenue currently employs approximately 5 968 staff (full time equivalents). Staff are located in some 70 Revenue offices distributed throughout the country, with head office in Dublin.

<sup>232</sup> A full list of prohibitions and restrictions and relevant government authorities/ departments available here: <https://www.revenue.ie/en/customs-traders-and-agents/documents/prohibitions-restrictions.pdf>

<sup>233</sup> See <https://www.revenue.ie/en/customs-traders-and-agents/customs-electronic-systems/aep/direct-trader-input.aspx>

are also used or contacted during the clearance process<sup>234</sup>. The connection is web-service to web-service, supported by a digital authentication system.

### **Single Window state of play and key initiatives**

Ireland does not have a Single Window environment for customs. This means that clearance for any goods subject to regulatory requirements other than customs entails separate interactions for economic operators with customs and partner competent authorities.

However, Ireland is participating in the EU SW-CVED pilot project, which aims to enhance government-to-government (G2G) collaboration regarding CVED by linking the customs IT system to an EU database called “TRACES”. Ireland was the first Member State to go live with the project in 2015 and decided at the end of 2017 to expand its participation through the successor CERTEX project to include CHED-PP and COI, which are covered by an enhanced EU database “TRACES NT”.

As a relatively small Member State (accounting for less than 3% of EU trade), Ireland prefers making use of what is developed at EU level, rather than building bespoke national solutions for relatively small volumes. EU systems are considered more resource efficient for Ireland, where economies of scale found in other countries do not provide justification for one off investments. In the case of the EU SW-CVED pilot, the cost for Irish customs to connect to the EU system was low. It involved three Revenue staff working full-time for a period of two months to develop a bridge between the Irish web-service (AEP system, Revenue Online Services) into TRACES. Officials estimated that with the experience gained building the CVED link, significantly fewer resources will be necessary to build the link for CHED-PP and COI. In practice, the connection built between the Irish system and TRACES requires TRACES to be “polled” every hour to check for updates. Where updates have been made in TRACES, these then appear as updates in the Customs IT system (AEP). This regular hourly polling goes on for a period of ten days. After that, manual checks regarding the status of documents are required.

### ***Current experiences***

This section details the nature and scale of the current problems by analysing the processes for clearing goods through the border in Ireland. It first presents an overview of relevant processes, with a focus on the specific types of goods / regulatory requirements, and an outline of how the EU SW-CVED pilot (and its successor) work in practice. This is followed by more detail regarding the most important problems with the current situation for customs authorities, partner competent authorities and economic operators.

### **Overview of clearance processes**

In this section we provide an overview of goods clearance processes in Ireland. We first outline customs processes (with a focus on aspects with the highest level of effort and administrative burden and facilitation measures). Then we outline the regulatory processes for non-customs requirements. The last part of this section details the processes relating to the EU-CSW pilot project.

#### ***Customs processes***

Revenue processes around 1.4 million customs declarations every year, of which 53% are imports and 47% exports, in addition to around 57 000 transit arrangements<sup>235</sup>. Some of these

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<sup>234</sup> For example: EORI (Economic Operator Registration Identification), REX (Registered Exporter System), CDS ([Customs Decision System](#)), eBTI (Binding Tariff Information).

goods are subject to regulatory requirements in fields other than customs. To enforce these requirement, Irish customs works with partner competent authorities.

According to customs officers interviewed, around a third of 119<sup>236</sup> Trade Facilitation custom officers' working time relates to ensuring compliance with customs procedures and rules.

Customs checks (i.e. documentary and physical controls) mainly apply to imports. Exports are generally checked only for safety and security reasons and in 2016, less than 0.5% of export declarations – or 3,300 export declarations - were checked<sup>237</sup>. In 2016, 6% of import declarations – or 44,520 - were checked and less than 2% - or fewer than 14,800 - were physically checked. Most of these physical checks were carried out in approved warehouses and other premises<sup>238</sup>, with a very small number at a port or airport.<sup>239</sup>

Several factors allow for the low level of import checks, namely pre-authorisation of traders, advance lodgement of declarations and an extensive system of post-clearance checks, including customs audits, which are carried out at traders' premises. "Authorised Economic Operators" (AEOs) have a special status and under agreed protocols can operate greatly simplified customs procedures. There are currently 155 AEOs<sup>240</sup>.

#### *Non-customs regulatory requirements*

When customs officers check import or export declarations for certain goods they may be required to check the regulatory requirements under the competence of partner authorities are fulfilled. Sometimes, they may also need to liaise with partner competent authorities for physical checks of goods. Customs officials estimated this accounted for two thirds of their work. The most frequent such regulatory requirements involve collaboration with the Department for Agriculture, Food and the Marine (regarding AGRIM, CVED and CHED-PP) in Ireland, and equivalent authorities overseas. For exports, the main partner for customs is the Department of Business, Enterprise and Innovation (which deals with Dual-Use licenses).

More specifically, the following types of regulatory requirement account for the most significant volumes in Ireland and are by extension the more resource intensive to manage:

- **Agricultural produce import licence (AGRIM) (L001):** this is required for the import of most agricultural goods from outside the EU<sup>241</sup> and issued by EU Member States at the national level. The volume of AGRIM is approximately 9 000 per year (representing just over 1% of import declarations).

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<sup>235</sup> Source: Niall Cody, Chairman of Revenue (opening statement to committee on Finance, Public Expenditure and Reform, and Taoiseach) 25 May 2017

<sup>236</sup> Figure provided by customs authorities on 14 January 2019, specifying that it will be significantly greater in 2019 with the arrival of a new deal BREXIT.

<sup>237</sup> The proportion of physical checks on export consignments is generally very low. Nationally, in 2018 less than 0.1% of export consignments were flagged for a physical check.

<sup>238</sup> Consignments of live animals and products of animal origin being brought into the EU can only be imported at an approved BIP (Border Inspection Post). Customs cannot permit the release into free circulation of goods or animals not already cleared by the relevant collocated BIP. The Department of Agriculture, Food and the Marine has put infrastructure in place and granted approvals as follows:

Dublin Port - packed products of animal origin; Dublin Airport – horses; and Shannon Airport - packed products of animal origin, horses, cattle, sheep pigs and goats.

<sup>239</sup> Source: Niall Cody, Chairman of Revenue (opening statement to committee on Finance, Public Expenditure and Reform, and Taoiseach) 25 May 2017

<sup>240</sup> Ibid.

<sup>241</sup> Detailed rules for the application of import licences and the product groups for which licences may be required are laid down in EU Regulations. The product groups are; beef and veal; cereals; ethyl alcohol of agricultural origin; flax, hemp and hempseeds; garlic and preserved mushrooms; milk and milk products; olive oil and table olives; pig meat; poultry; rice; seeds; sugar.



- **Common Veterinary Entry Document: Animal Products (CVEDP) (N853):** this is a common EU certificate for the import of veterinary products – in addition to the certificate, the EU regulation<sup>242</sup> sets down rules for the inspection of goods at border inspection posts. Ireland deals with approximately 8 000 CVED-P per year (or 1% of import declarations).
- **Common Health Entry Document for Plant Protection (CHED-PP) (N851):** this document covers Council Directive 2000/29/EC on protective measures against the introduction into the Community of organisms harmful to plants or plant products, and against their spread within the Community. Ireland deals with approximately 2 500 of these documents per year (or 0.3%).

**For exports, one of the most common regulatory requirements – in addition to customs – is the Dual use export authorisation (X002).** This is required for goods that can be used for both civil and military purposes (including software and technology) – this concerns around 13 000 (or 2% of exports).

#### *Processes relating to key regulatory requirements*

As explained already, Ireland participated in the EU SW-CVED pilot project and is piloting its successor, the CERTEX project. After some initial hiccups were overcome relating to the routing system introduced for goods (which was not understood and led to some confusion among economic operators), the process is operating smoothly.

The process for import of goods requiring CVED and/or CHED-PP is illustrated in the figure below. As illustrated, the EU SW-CVED allows the EU database for issuing and storing CVED and CHED-PP (TRACES) to connect with the Irish customs processes. The importer or customs agent has access to the AEP (to complete the SAD) and to TRACES (to complete the CVED or CHED-PP).

The first step in the process requires the customs agent or importer to apply for a CVED through TRACES. The SAD is subsequently lodged and will be rejected in AEP if it does not contain the application number from TRACES in Box 44 (the SAD will not be complete until the CVED or CHED-PP is issued, unless the importer has a valid CVED from another Member State<sup>243</sup>). Once the SAD is in the AEP, the importer or agent receives a MRN (Movement Reference Number). With the MRN, the importer/agent can then input information electronically for the CVED or CHED-PP (including the MRN). The AEP communicates with various EU databases (including TARIC – which includes information on veterinary controls required) and gives the consignment one of four possible routings:

- Green means no checks are required and the goods can enter circulation freely.
- Red means the goods need to be controlled by customs (and require both a documentation and a physical inspection).
- Orange means that customs need to check accompanying documentation.
- Yellow means no customs check is required only a veterinary inspection. In this case, the veterinary inspectors complete the CVED in TRACES.

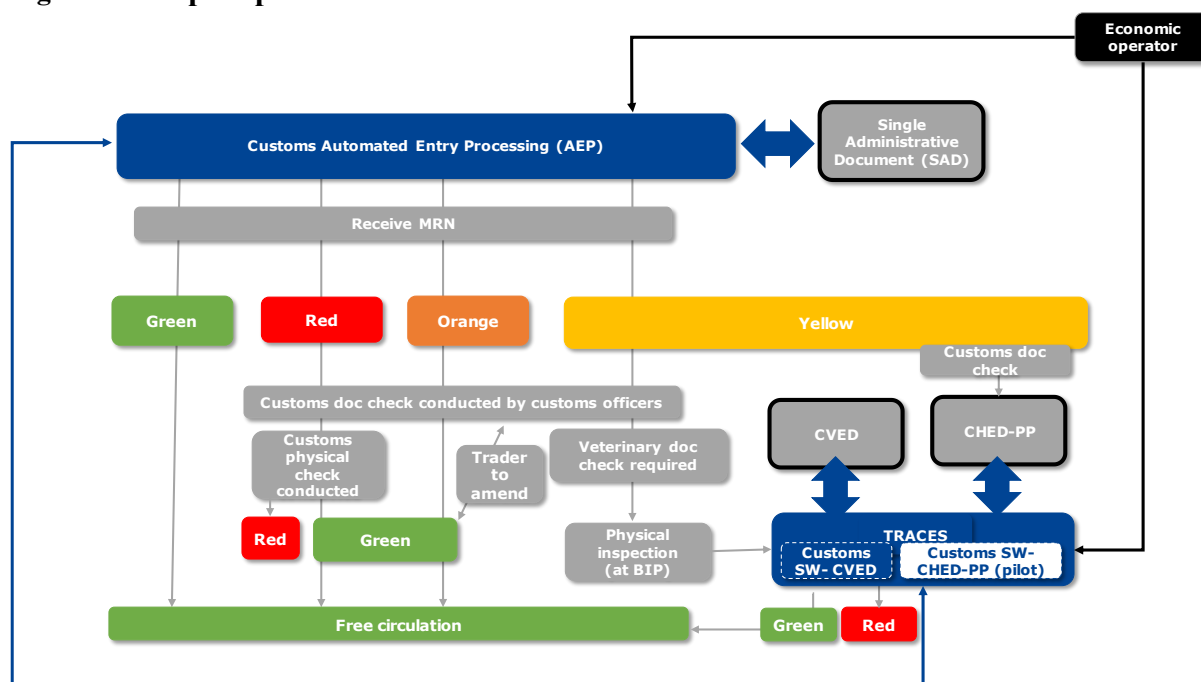
Throughout the processes shown below, a lot of informal communication (e.g. phone calls) also takes place between customs officers, partners and agents to help with planning and

<sup>242</sup> Commission Regulation (EC) No 136/2004 of 22 January 2004 laying down procedures for veterinary checks at Community border inspection posts on products imported from third countries

<sup>243</sup> Requirements for CVED number in SAD allows for automatic clearance of consignments with valid CVEDP generated in another Member State.

smooth the process. It is also worth reiterating that despite the electronic systems in place, the SAD and CVED and CHED-PP (as well as the documents that feed into them) are submitted in hard copy.

**Figure 26: Import process**



Source: adapted from presentation by Department for Agriculture, Food and the Marine

### Main problems in Ireland

Several aspects of the abovementioned processes create problems for customs, partner competent authorities and economic operators. Using the problems defined in the problem tree (see section 3 of the main study report) as a starting point, the ensuing pages examine these in detail. The impact of each problem on different stakeholders is illustrated using a rating system, where red denotes severe, amber denotes significant and green denotes negligible (as explained in the box below).

Rating	Explanation of rating
Red	Major weakness / problem and significant investment / complex solution needed to address this issue which affects multiple stakeholders severely.
Yellow	Significant weakness / problem and some investment needed to address this issue which affects more than one group of stakeholders significantly.
Green	Problem is only negligible and/or could be easily addressed with few regulatory hurdles and does not seriously impact any one stakeholder.

#### Problem: Administrative burdens in the management of goods crossing borders

Rating	Explanation of rating	Main stakeholders affected and how
Red	Major weakness / problem and significant change needed to address this issue due to lack of harmonisation of regulatory requirements at EU level and perverse incentives from EU regulatory requirements.	<ul style="list-style-type: none"> <li>Customs officials: significant time / effort processing licenses</li> <li>Partner competent authorities: significant time / effort producing licenses</li> <li>Economic operators: apply to different authorities in each Member State</li> </ul>

Feedback from customs officers and customs brokers showed that dealing with the paper-based documents generated an unacceptably high administrative burden in Ireland. This is especially true of AGRIM licenses, which were reported to be the single most time-consuming aspect of work for customs officers (who manually check the preference and the quota). In Dublin Port alone, there are two full-time customs staff dedicated to dealing with the administration involved in checking these licenses. This was echoed by customs agents. While both customs officers and customs agents reported benefits of the EU SW-CVED, they felt these are dwarfed by the effort of dealing with AGRIMs.

To understand the problem better, some background to how the AGRIM works is needed. AGRIM is the abbreviation for the import license required for the import of most agricultural products. The license specifies the volume which can be imported and the customs duty (if any) applicable. Economic operators have a certain volume that is not subject to duties. The more established economic operators can build up an economic case for an entitlement to duty-free import for different goods.

As explained by customs officers, at the heart of the problem of the administrative burden they face is the incentive for economic operators to apply for many licenses for small volumes to avoid paying customs duties. By doing so, economic operators build up a history and track record. Over time, these economic operators establish an entitlement to more quota for import of higher value products.

In sum, this creates a mass of paperwork essentially to avoid customs duties (as well as creating trade barriers for smaller companies). To illustrate this, customs officers showed the study team a single consignment with 170 individual licenses attached to the same number of subsidiary companies (owned by one parent company), each importing 146kg of poultry. This allows the company to avoid paying customs duties (estimated at EUR 61 000). Since the validation of these licenses is entirely manual, this is hugely time-consuming not just for customs officers, but also for customs agents, who estimated the extra burden of paperwork associated with the AGRIM is 20% of the total paperwork they deal with.

#### **Problem: Poor exploitation of electronic exchange of information**

Rating	Explanation of rating	Main stakeholders affected and how
	Significant investment needed and multiple actors with differing levels of resource	<ul style="list-style-type: none"> <li>Customs officials and competent authorities: out of date systems act as a brake to collaboration</li> <li>Economic operators: duplication of effort</li> </ul>

Part of the reason for the problem described below (whereby there are paper and digital versions of the same documents) is that few partner competent authorities have managed to fully digitise their systems. The Department for Agriculture, Food and the Marine issues AGRIM in hard copy. The Dual-use export license, although based on an e-application, is issued in paper format. The same is true for the certificate for shipment of waste (see box below). These are barriers to digitising customs clearance processes. Significant investments in digital systems were planned but require some lead time (budget estimations varied and ranged from EUR 100 000 to 1 million). Adding to this, economic operators, stressed that existing digital systems (such as the AEP) are slow and in need of modernisation. From customs' point of view, the more digitised processes for regulatory requirements the better – as the costs of bridging systems are minor compared to the benefits of integrated digital processes.



Even when systems are digitised, many of them do not “speak” to each other, leading to the same information being input multiple times. For example, some information in the SAD is also included in the CVED application. A Single Entry Point and the re-use of data would be simpler.

#### **Problem: Multiplication of information and procedural redundancies**

Rating	Explanation of rating	Main stakeholders affected and how
	Significant weakness / problem and would require legislative change in multiple areas to support dematerialisation	<ul style="list-style-type: none"> <li>Economic operators / customs officials / partner competent authorities: inefficient use of resource and not realising full benefits of an electronic environment</li> </ul>

Despite some digitised aspects (including the EU SW for CVED), there is still a lot of paper documents that feed into the clearance process or are required alongside. Even the SAD, which is completed digitally and feeds into the AEP, is printed out and submitted in hard copy alongside other paper documents. The requirement for paper documents is seen as an inconvenience and inefficient. Given the multiple actors providing various paper documents (whether it is a bill of lading or the SAD), the complexity involved in full digitisation, makes this problem significant. Within Ireland, the requirement for paper versions of documents (including the SAD and CVED) continues. Interviewees implied that unless there is a legal imperative for fully digital processes, the parallel systems could continue indefinitely.

To illustrate the problem, we can look at the case for declarations requiring a CVED. Despite the existence of the electronic database and connection between TRACES and Irish customs, once customs have conducted their own checks (documentary and, where required, physical checks), a message must be faxed to the Department for Agriculture to alert them that the goods are ready for inspection. From that point, transportation from the customs warehouse to the border inspection post can be arranged. While the input of data into the electronic system saves importers / customs agents some time (because applications can be copied across and edited) at no additional cost (as the service is free), customs agents continue to pay the costs of sending documents by courier to customs for validation. Customs also must arrange for storage (for audit purposes).

#### **Problem: Enforcement issues and information gaps**

Rating	Explanation of rating	Main stakeholders affected and how
	This problem needs EU-wide action – harmonisation of systems to have comparable information across borders.	<ul style="list-style-type: none"> <li>Customs officials and competent authorities: out of date systems act as a brake to collaboration</li> <li>Economic operators: duplication of effort</li> </ul>

Poor exploitation of electronic information results in difficulties for enforcement of quotas and information gaps within, but also between, EU Member States. For example, in many countries (including Ireland), AGRIMs are only produced in hard copy and not collated in any central database. This makes it difficult to ensure that licenses are not copied and reused. Similarly, for trans-frontier shipments of waste, the lack of uniformity between systems (with some countries using digitised systems and some countries only accepting paper; and with diverse ways of recording volumes) means there is no EU-wide data and no way to check/verify between countries (see also box below). In both the above cases, the lack of harmonisation in EU systems and/or the lack of EU legalisation to underpin the development

of such systems, means there is a barrier to EU-wide enforcement and gaps in information on the nature and scale of enforcement problems in the first place.

In some cases, the absence of centralised system and full data sharing between Member States can be justified – as in the case of dual-use licenses where data storage is especially sensitive due to national security / trade concerns.

#### **TFS (Trans-Frontier Shipments) Regulations and Procedures in Ireland**

Since 12 July 2007, Dublin City Council has been the designated National Competent Authority for the export, import and transit of waste shipments as per the Waste Management (Shipments of Waste) Regulation<sup>244</sup>.

All trans-frontier shipments of waste originating in any local authority area in Ireland that are subject to the prior written notification procedures must be notified to and through Dublin City Council at the National TFS Office established to implement and enforce the Regulations.

As explained by stakeholders in Ireland, national governments have their own systems for notification, some digitised, some not. Those that are not digitised (which currently includes Ireland) must receive paper documents by courier. It was also explained that the ways of recording volumes are not consistent between Member States making it difficult for comparisons to be made or for the collation of figures for different countries to understand the volumes of waste being exported, and where to.

#### **Additional problem (specific to Ireland): Infrastructure for physical inspection in Dublin Port**

Rating	Explanation of rating	Main stakeholders affected and how
	This problem is specific to the Port of Dublin but causes delay and cost to several stakeholders.	<ul style="list-style-type: none"> <li>Customs officials and competent authorities: inefficient process and administrative effort</li> <li>Economic operator: delays and cost of moving goods</li> </ul>

Not all problems are directly related to the absence of a Single Window environment for customs. Customs officers and veterinary inspectors emphasised that, for the Port of Dublin, the infrastructure does not allow for simultaneous inspection of goods by customs and partner authorities creating unnecessary delays in the clearance of goods. More specifically, economic operators need to transport goods between the customs premises (where customs checks are carried out) and Border Inspection Post (where compliance with other regulatory requirements is verified). This has been reported as time-consuming and costly.

Improving the infrastructure for inspection was considered by stakeholders to be a priority to speed up clearance processes. By comparison with other problems, this was considered to a serious impediment to smooth clearance processes. There are intergovernmental plans to construct new inspection premises for use by all government agencies and within the confines of the Port area, and Brexit is speeding them up.

#### ***Likely future developments***

<sup>244</sup> S.I. No. 419 of 2007 Waste Management (Shipments of Waste) Regulations, 2007. These Regulations gave effect to provisions contained in Commission Regulation (EC) No. 1013/2006 on transfrontier shipments of waste, which sets out new notification procedures, specifies revised waste listings and strengthens enforcement provisions in relation to waste movements within, into and out of the EU.

This section provides insight on how the problems described above are likely to evolve in the future, either through the continuation of the baseline scenario or pursuit of policy options for enhanced G2G and/or B2G collaboration. Potential impacts include direct costs and benefits for different stakeholders, as well as indirect effects related to the implementation of, and compliance with, given regulatory requirements. Below we provide a summary of the expected impacts under different scenarios, followed by a summary of how well the problems outlined in section 3.2 would be addressed. For each problem, we provide a rating of the expected impact (as outlined below).

Rating	Explanation of rating
+++	Problem would be substantially improved / eradicated
++	Problem would be improved to a significant extent
+	Problem would see some (limited) positive improvement
0	Very limited or no change

### Continuation of the baseline scenario in Ireland

For Ireland, the continuation of the baseline scenario implies **a gradual expansion of G2G collaboration as the scope of the CERTEX project is increased to cover other regulatory requirements**, namely CHED-PP and COI. Partner competent authorities are expected to progressively introduce digital processes over the medium to long-term (i.e. 5 years minimum). The one-off costs of doing so vary by authority (estimates given ranged from EUR 100 000 to EUR 1m). There have been no formal discussions with partner competent authorities on the move to a Single Entry Point meaning there are no near-term plans for a national Single Window. There is just an appetite for the increased use of technology to introduce greater efficiencies into the import/export process.

The one-off costs of gradually expanding the scope of the CERTEX project would be borne by Irish Customs (no other stakeholders would have any direct costs). These were not considered to be significant (less than 0.5 FTE annually). The direct benefits are positive but similarly, are expected to be limited. The benefits of expanding the CERTEX project would be akin to the benefits realised through the EU SW-CVED pilot, for instance more efficient and effective routing of consignments (as explained under 3.1.1.), and a smoother and more efficient operation through automatic updates in the AEP on the CVED status. Some additional benefits could occur (in terms of efficiency and ease of doing-business depending on the regulatory requirements covered).

In terms of indirect benefits under the baseline scenario, the EU SW-CVED pilot led to more targeted manifest checks limited to risk-based searches for unusual consignments rather than systematic checks for “normal” consignments given the improved ability to identify unusual consignments. These benefits as well as a continued enhanced cooperation between customs and partner competent authorities (i.e. better understanding of each other’s controls creating a platform for future increased integration of Customs and partner controls) would be likely to continue under the baseline scenario.

The table below sums up the expected impacts under the baseline scenario for each of the main problems and shows these would be positive overall, but would not sufficiently address the problems.

Problem	Change
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<b>Administrative burdens in the management of goods crossing borders</b>	+
<p>Customs officers highlighted the expected benefits of CHED-PP. Whereas customs are the “end-user” of CVED, CHED-PP is expected to remove some procedural redundancies and reduce the administrative burden for customs officers (as well as economic operators). Customs officials explained the simplifications will not be possible for all types of goods, but for 40% of goods requiring CHED-PP, the administrative burden will be lower resulting in time saving.</p> <p>Despite the improvements mentioned, the problem of administrative burdens in the management of goods crossing borders would continue to be significant under the baseline scenario. Without any legislative changes to the status quo, all stakeholders would continue to spend considerable time/effort dealing with regulatory requirements that are outside of the CERTEx project, namely AGRIM, which is a considerable portion of time. If paper continues to be required along-side, the expected improvements in terms of administrative burden are estimated to be low.</p>	
<b>Multiplication of information and procedural redundancies</b>	0
<p>The multiplication of information and procedural redundancies remain under the baseline scenario. With no change to the legal basis for customs and/or non-customs regulatory requirements, and no Single Entry Point for data submission, parallel paper submission would continue, as would the duplication of information. This means costs would not differ substantially while the duplication of information submitted would continue for economic operators.</p>	
<b>Poor exploitation of electronic exchange of information</b>	+
<p>Over-time the electronic exchange of information is expected to improve as more partner competent authorities digitise their systems.</p> <p>Realising the benefits of an increasingly paperless environment would allow customs officials and competent authorities to collaborate more easily.</p> <p>However, the benefits would be limited by the lack of any guarantee that the same investments would be made in other countries (e.g. for trans frontier of waste shipment licenses). This means paper may have to continue regardless of modernisation efforts in Ireland.</p>	
<b>Enforcement issues and information gaps</b>	0
<p>The impacts in relation to enforcement issues and information gaps are limited under the baseline scenario. The main impacts would be similar to the results of the EU SW-CVED pilot (i.e. more understanding of controls and more targeted searches through better risk analysis) but expanded in line with increased supporting documents coverage. However, the voluntary nature of the CERTEx project means it lacks a quantity management function, which limits the scope for gains in enforcement.</p>	

## Options for enhanced G2G collaboration

These options involve putting in place a legal base to boost back-end, G2G cooperation on the exchange of data relating to a different category of supporting documents and specific technical solutions for implementation. The options are not mutually exclusive but can be combined depending on the pros and cons of including different supporting document categories.

In the short term, the priority for Ireland is the expansion of CERTEX to as many supporting documents as is possible and to provide a solid legal base around the project. The direct costs of doing so would be the same as for the continuation of the baseline (i.e. 0.5 FTE per annum per regulatory requirement), the main additional benefits would result from a solid legal base which would allow for quantity management.

In the medium to longer-term, the main category of supporting documents that customs authorities would be interested in further collaboration are AGRIM, given the burden associated with them outlined in detail in section 3.2. Assuming any legal issues relating to increased harmonisation of AGRIM could be agreed at EU level, the direct costs would depend on the technical solution agreed. The option favoured by Ireland would be for a central solution developed at the EU level, which the Irish Department for Agriculture, Food and the Marine (and EU counterparts) could access, and which AEP could be connected into. As such, the direct costs for Ireland would be low. The expected benefits would be a significant reduction in administrative burden (estimated to take up 2 FTE now), and an improvement in the electronic exchange of information (the paper associated with AGRIM was estimated to increase paper-flow by 20%). Indirect benefits would be better oversight and a reduced possibility for fraud (which is more difficult to quantify).

For some partner competent authorities there are barriers to enhanced G2G cooperation (e.g. dual use export license where sensitive security information is at stake).

The table below sums up the expected impacts for enhanced G2G collaboration for Ireland for the most pertinent options discussed above.

Problem	Change
<b>Administrative burdens in the management of goods crossing borders</b>	+ (++)
Depending on the scope of enhanced G2G collaboration, the improvements relating to administrative burden could be limited (if there is simply a continued expansion of CERTEX) or more significant. For the benefits to be significant, it would be important for AGRIM to be digitised throughout the EU and linked up to the system.	
<b>Multiplication of information and procedural redundancies</b>	0
As with the baseline scenario, enhanced G2G collaboration does not necessarily mean a reduction in multiplication of information or procedural redundancies. This would require a Single Entry Point for economic operators (as per B2G collaboration outlined overleaf).	
<b>Poor exploitation of electronic exchange of information</b>	+
As with customs, economic operators would stand to gain from more seamless connections between government (nationally and with third party governments). This would need to be supported by digital signatures to allow for a fully paperless system and a change in costs (i.e. removing/reducing the need to send documents by courier as well as electronically). The costs of upgrading partner competent authorities' systems would be significant but would lead to benefits for all in terms of smoother operations.	

<b>Enforcement issues and information gaps</b>	+
Enhanced G2G collaboration would open opportunities for improved enforcement and lead to improvements in understanding of the scale of problems. The scale of impact is difficult to estimate but would be positive.	

### Options for enhanced B2G collaboration

Options 5-7 are about business-to-government, front-end cooperation that focus on different ways of streamlining reporting processes for the economic operators when dealing with the regulatory requirements. The options for B2G collaboration are mutually exclusive and range from no action (covered under section 4.1); a common management portal (option 5); interoperable national Customs Single Windows (option 6) and an EU Customs Single Window trader portal (option 7).

In principle, Irish Customs would support Option 6 if it was introduced as part of a realistic development plan and if the timing was right (i.e. it would need to be part of a longer-term plan).

Given the other demands on Irish Customs (under the UCC and the UK's withdrawal from the EU) and given Irish traders are not putting forward any demands for a Single Entry Point facility, the possibilities for enhanced B2G collaboration are considered unrealistic in the near-term. In addition, economic operators are experiencing delays and other problems getting their supporting documents through the TRACES system means that economic operators are failing to realise the full benefits of the solution.

The expected impacts of pursuing option 6 would be significant but would also require significant investments by Irish Customs and partner competent authorities. It is problematic to estimate the scale of the investments required but given there are at least 17 different partner competent authorities, most of whom need to fully digitise their systems which would cost between EUR 100 000 – 1m each, meaning this would be a massive investment. The high direct costs would be mirrored by significant benefits for (or an eradication of) all the problems currently encountered. It is difficult to estimate exactly the scale of benefits but clearly the investment would be matched by a (more) seamless trade environment.

The table below sums up the expected impacts for enhanced B2G collaboration for Ireland assuming option 6 were pursued.

<b>Problem</b>	<b>Change</b>
<b>Administrative burdens in the management of goods crossing borders</b>	+++
The improvements relating to administrative burden could be significant, especially given all the most cumbersome processes (such as AGRIM) would have to be included in the national Single Window.	
<b>Multiplication of information and procedural redundancies</b>	+++
This would be significantly improved with a Single Entry Point, which would necessarily reduce the multiplication of information and could reduce procedural redundancies for all stakeholders.	
<b>Poor exploitation of electronic exchange of information</b>	+++
This would be significantly improved with a Single Entry Point, which would need to be supported by full exploitation of electronic exchange of information.	

<b>Enforcement issues and information gaps</b>	++
The impacts from enhanced B2G collaboration vis-à-vis enforcement issues may occur as a more integrated system provides economic operators with a single reference outlining in one place all their obligations (some of which they have might be previously unaware of).	

## Conclusions

This last section draws conclusions related to the severity of the problem in Ireland and desirability and impacts of the different policy options.

### Nature and scale of problems with the current situation

The current situation is suboptimal, particularly in relation to the administrative burden associated with management of goods crossing borders (for which the processes for dealing with AGRIM received most emphasis during the visit) and the poor exploitation of electronic information (given the low level of digitisation of partner competent authorities, and the continued use of paper even where digital solutions exist). The other severe problem relates to infrastructure: The Port of Dublin is not set up efficiently to allow for inspections by customs and partner competent authorities, this needlessly adds to timelines for clearance of goods.

Problem	Rating
<b>Administrative burdens in the management of goods crossing borders</b>	
<b>Poor exploitation of electronic exchange of information</b>	
<b>Multiplication of information and procedural redundancies</b>	
<b>Enforcement issues and information gaps</b>	

### Assessment of EU SW-CVED

The EU SW-CVED pilot (and the CERTEX project) corresponds to stakeholders' needs. For CVED, CHED-PP, and COI, the competent authorities confirmed the relevance of having integrated management of regulatory requirements. However, certain regulatory requirements are less relevant for Ireland – for example the volume of trade requiring FLEGT is so low that it is not relevant for Ireland. Many needs are not addressed by the EU SW-CVED pilot. For example, although economic operators were positive about the relevance of developments, the solution had not significantly changed the way they work, either positively or negatively (with paper documents continuing to be used alongside). Economic operators also reported problems with the functionalities of the TRACES system.

The cost of bridging the Irish electronic customs into the EU's TRACES database was minor (3 FTE over 2 months). The benefits (over time) are greater than the costs: more efficient and effective routing of consignments and a smoother and more efficient operation through automatic updates in the AEP on the CVED status. In sum, for Ireland the EU SW-CVED pilot was an added value. With no national initiatives on-going, the opportunity to connect into an EU developed initiative was valuable.

### Feasibility and desirability of the policy options

The most desirable and the most feasible scenario are inversely related in the case of Ireland, as briefly summarised below.

## Scenarios



<b>Baseline:</b> The baseline scenario would see marginal improvements but does not provide much in the way of impetus for improvements to address the main problems for Ireland.
<b>G2G:</b> The expected impacts of enhanced G2G collaboration could be high, especially if AGRIM were digitised and included in any solution. Even if enhanced collaboration only introduced a legal base for the CERTEX project, this would lead to positive change and would be feasible.
<b>B2G:</b> Despite the more significant expected impacts of option 6 for B2G across all problems (and therefore its desirability), the feasibility is low in the immediate term with too high upfront investments required as well as coordination among many partner competent authorities.

## NETHERLANDS

### *Introduction*

This report forms one of the eight country case studies that were carried out to provide evidence for the impact assessment on a potential new initiative, namely the EU Single Window environment for customs. By collecting and analysing data on the current situation and expected future developments, the case studies aim to generate insight on the nature and scale of any existing problems and likely impacts of the policy options defined for the potential new initiative. These include an option for no additional EU action, which would consist of the continued existence and gradual expansion of the EU Customs Single Window-CERTEX project (EU CSW-CERTEX).

Each case study used a common methodology based on a document review, feedback from national administrations provided through participation in the project group and interviews (mainly face-to-face) with officials from customs and partner competent authorities and economic operators. The sample of eight Member States was selected in discussion with DG TAXUD with a view to covering complementary areas of interest and achieving a degree of representativeness.

Within this broader framework, the research on individual case studies varied according to national specificities such as geography, trading profile, administrative set-up and participation (or not) in the EU Single Window-CVED pilot project (EU SW-CVED, the predecessor to EU CSW-CERTEX).

For the Netherlands, the case study mainly focused on:

- Experiences of the country's current systems for customs clearance processes
- Regulatory requirements related to import and export of waste material and import and export of live animals and animal products<sup>245</sup>.

It also mentions specific issues relating to port infrastructure (in Rotterdam and to some extent Amsterdam), given the impact of this on clearance times.

The evidence for the case study is comprised of desk research and five interviews with customs authorities, partner competent authorities responsible for waste shipments, and economic operators made up of freight forwarders and customs brokers. The interviews took place during in the week of 17 December 2018.

### *Background*

Some background information is needed to understand the current situation in the Netherlands and how it would likely evolve for the policy options under review. This section presents an

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<sup>245</sup> A focus due to the profile of the interviewees.



overview of the Netherlands' profile for international trade, administrative and IT set-up for customs and other relevant regulatory requirements. It also briefly presents progress towards a customs single window at national level in the Netherlands.

### Trading profile

International trade constitutes a significant part of Dutch prosperity, being one of the main pillars of Dutch economy. Due to the country's geographical location with the port of Rotterdam being the largest European port and the Amsterdam Schiphol airport being the second largest EU entry point for air cargo, the country is a very important European hub for trade. Of EU's total import / export, the Netherlands accounted for 14.8% respectively 7.6% in 2017.<sup>246</sup> The same year the Netherlands rated as the world's fifth biggest exporter and eighth biggest importer. The main commodity groups for both exports and imports are manufactures (IT and telephone equipment, construction machinery, electrical and electronic components, printing equipment and semi-conductor manufacturing), agricultural products (plants, flowers, dairy products, meat, fruit and vegetables) and fuels and mining products.<sup>247</sup> The Rotterdam port creates jobs for about 180 000 people and generates annually a revenue of EUR 45-46 billion for the Dutch economy<sup>248</sup> and the revenue generated only from customs declarations is about 3% of the country's total GDP.<sup>249</sup>

The Netherlands' main trade partners are EU Member States (mainly Germany, Belgium, the United Kingdom, France and Italy), the United States of America and China. Since the United Kingdom is a significant trading partner (accounting for 8.6% of Dutch total exports and 5.3% of Dutch total imports in 2017<sup>250</sup>), Brexit is a priority currently a priority issue for Dutch customs and traders.

To understand the Netherlands' success in clearing goods efficiently, we looked at the country's logistics performance as assessed by the World Bank. In terms of trade facilitation and ease of doing business overall, the Netherlands is doing very well, ranking number two both globally and among EU Member States. In terms of customs specifically, the Netherlands ranks as number three globally and as number two among EU Member States. Out of the six components which are used to calculate the ranking, customs was the second lowest scoring within the Netherlands, after international shipments.<sup>251</sup> This suggests that improvements of the customs procedures, as well as the clearance processes of international shipments at the port, would enable to even further improve the overall logistic procedure.

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<sup>246</sup> Eurostat data on external trade.

<sup>247</sup> Source: WTO, the Netherlands trade profile information (2017).

<sup>248</sup> Source: Port of Rotterdam. <https://www.portofrotterdam.com/en> (accessed 2018-12-20).

<sup>249</sup> Source: Figures provided by the customs head office on the 18 December 2018.

<sup>250</sup> Source: WTO, the Netherlands trade profile information (2017).

<sup>251</sup> Source: The World Bank. Mean across logistics performance index 2012-2018.

<https://lpi.worldbank.org/international/aggregated-ranking?sort=asc&order=Customs#datatable> (accessed 2019-01-07).

As mentioned above, the case study partly focused on movements of waste across borders. In this area the Dutch government is very ambitious, with a vision of having a 100 percent waste circular economy by 2050 (and 50 percent in 2030), meaning 100 percent recyclable products. Currently, the Netherlands has about 2-3% completely recyclable products. This is an interesting aspect since there is much of waste being shipped out from the port of Rotterdam, e.g. waste with the final destination of India or China.<sup>252</sup> Since waste shipments are regulated by the European Waste Shipment Regulation (EWSR), certain regulatory requirements need to be fulfilled. In 2017, 15 245 documents related to waste import were issued, and 9 238 for export. This was an increase with 185% from the previous year for import, and with 333% for exports.<sup>253</sup> This shows that waste is an increasingly important good, which together with it being a priority for the Dutch government, justifies a work towards more efficient and effective procedures dealing with waste. Today, these waste documents need to be issued in a hard copy according to the EU legislation, which hampers an efficient and modern clearance process, according to Dutch officials.

### **Administrative set-up**

Dutch customs is part of the Dutch Tax and Customs Administration (“Belastingdienst”) and monitor the import, export and transit of goods in the Netherlands. The head office is located in Rotterdam and houses about 200 staff members. With eight regional offices, three national services organisations and one national targeting centre spread across the country, the total number of employees is 4821 (2017), which according to the Dutch customs means 3% of the total customs officers across the EU. In addition, customs has two facilitations (one in Rotterdam and one at Amsterdam Schiphol airport) where controls on import, export and transit are carried out. Currently an additional 600-900 staff is being hired to deal with Brexit’s consequences for Dutch trade, which is one out of two main priority areas for the Dutch customs at the moment. The second priority area is the compliance with the requirements of the Union Customs Code.<sup>254</sup>

The head office in Rotterdam deals with overarching questions regarding customs procedures, but also with issues related to policy and trans-national initiatives (driven by e.g. the EU or the World Customs Organization) and IT developments. All single window related initiatives as have also been the responsibility of the Dutch customs. The regional and entry-point located offices have a more hands-on, operational function and deal with customs declarations processes and risk management related checks.

Dutch customs is subject for about 70 additional laws relevant for customs declarations regarding the import, export or transit of goods to/from the European Union.<sup>255</sup> Some of these laws stipulate the obligation of regulatory requirement documents, most of the cases issued by partner competent authorities, for the movement of a specific type of good. Therefore, Dutch customs collaborate with eight ministries<sup>256</sup> and about 20 agencies regarding this aspect. The most common regulatory requirements concern security and health. According to the Dutch customs, there is no competitiveness between the partner competent authorities, enabling a well-functioning cooperation and helpful climate between them.

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<sup>252</sup> Source: Interview with the Human Environment and Transport Inspectorate on the 17 December 2018.

<sup>253</sup> Source: Figures from Homework assignment 1.

<sup>254</sup> Source: Interview with the customs head office on the 18 December 2018.

<sup>255</sup> Source: Interview with the customs head office on the 18 December 2018.

<sup>256</sup> Namely the Ministry of Finance; Ministry of Economic Affairs and Climate Policy; Ministry of Agriculture, Nature and Food Quality; Ministry of Infrastructure and Water Management; Ministry of Foreign Affairs; Ministry of Justice and Security; Ministry of Health, Welfare and Sport; Ministry of Education, Culture and Science.

In some cases, a partner competent authority would be called for by the Dutch customs to assist in a check of a consignment. For example, regarding waste shipments, the Human Environment and Transport Inspectorate is sometimes consulted since this inspectorate has certain in-house expertise regarding waste. According to the inspectorate, it is consulted in approximately 25% of the total checks of waste shipments conducted by the customs office at the ports.<sup>257</sup>

### **Approach to electronic customs and IT architecture**

The Dutch government's Digitalisation Strategy<sup>258</sup> stipulates that as much as possible should be digitised within the governmental departments and authorities, as part of the adaption to the increasingly digitised global world. Currently, all the information that is communicated to the Dutch customs is done digitally. It is only certain regulatory requirements that are demanded for in paper format, which is due to EU legislation. When a customs declaration is submitted, it is notified whether a regulatory requirement document is needed, and then the process is linked to the relevant partner competent authority.

The customs declaration process of collecting all relevant data has become smoother during the last couple of years. Three years ago, the waiting time at the Rotterdam port for the clearance of goods was in average three days, now it is in average one day. The main reason for this decrease in time was the introduction of pre-arrival of information, meaning that the customs could do the risk analysis in advance.<sup>259</sup>

The Dutch customs is using a hybrid of different IT solutions, both national (e.g. their own customs declaration IT system called the Aangiftesysteem (AGS), where all kinds of customs declarations can be done) and trans-European (e.g. Excise Movement and Control System, Export Control System, Import Control System and the Integrated Tariff of the European Union, TARIC, all used for different aspects of the customs clearance processes).

The Dutch customs is working according to the World Customs' Organisation data model, through the EU Customs Data Model system (EU CDMS), the "data model 4.2". The long-term objective is to have one data set and one integrated message for all information, instead of the current system with separate messages. In order to comply with the system, which is part of the new requirements of the Union Customs Code, the Dutch customs must develop an interference system.

Economic Operators have mainly two different options when it comes to communicating with the Dutch customs' IT system. Either, they can buy a data programme on the market (or develop it themselves) and then connect to the customs' IT system, or they can use a web-based service and submit the declaration online. Customs does not accept or provide any paper-documents, apart from certain regulatory requirements with EU legal basis. The full clearance process is explained in more detail in section 4.3.1.

### **Single Window state of play and key initiatives**

The Netherlands has single window environments for maritime and air transport. The maritime single window means a system with the reporting of formalities, e.g. formalities regarding shipments, such as the shipment's passenger list and produced waste). It has a similar single window environment for air cargo, but it does also include customs (unlike the maritime single window).

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<sup>257</sup> Source: Interview with the Human Environment and Transport Inspectorate on the 17 December 2018.

<sup>258</sup> "Dutch Digitalisation Strategy, Getting the Netherlands ready for the digital future" (2018), Government of the Netherlands.

<sup>259</sup> Source: Phone interview with the customs head office on the 20 November 2018.

The long-term objective for the Netherlands is to have one, overarching single window environment for trade and transport/logistics with all these, currently non-connected single window environments, connected. What is needed achieve this is the interlinking of data, so that data can be reused for the whole logistic chain. According to the Dutch customs, the country has come a bit more than half-way towards this objective and still needs to invest approximately EUR 30-35 000 000 for future steps. The Dutch customs is currently working with the transport authorities and ministry of infrastructure and waterways on this project.<sup>260</sup>

Currently, the Netherlands has no single window environment for customs, but developments are ongoing. The estimated future set-up costs for a customs single window system are EUR 50-55 000 000 (excluding maintenance costs). The Dutch customs is also looking at developments on a national level regarding third countries data exchange, e.g. with countries like China and Thailand.

The Netherlands is not a part of neither the Single Window-CVED pilot project nor the EU Customs Single Window-CERTEX project (EU CSW-CERTEX). The reason for not participating is said to be the fact that the projects were built on the IT system Common Communication Network (CCN), which the Netherlands is no longer using (instead it is using the updated version, CCN2). Therefore, the costs were not justifiable to participate since it would have meant a step backwards IT wise. However, the country is positive about the initiative and believes that it would be beneficial to join the project since the regulatory requirements included are relevant for the Netherlands. As soon as the project updates the system to CCN2, the country is likely to join.<sup>261</sup>

In order to ease the digital processes, “Digipoort” was developed. Digipoort is a digital system that functions as a post office. It receives all messages for the government, checks the message on a number of basic requirements and acknowledges, where required, the receipt of the message. The purpose is specially to ease the business-to-government collaboration. For customs it is required that all economic operators/freight forwarders that send information to customs must be connected to the system.

### ***Current experiences***

This section details the nature and scale of the current problems by analysing the processes for clearing goods through the border in the Netherlands. It first presents an overview of relevant processes, with a focus on the specific types of goods / regulatory requirements. This is followed by more detail regarding the most important problems with the current situation for different stakeholder groups, namely customs authorities, partner competent authorities and economic operators.

### **Overview of clearance processes**

In this section we provide an overview of goods clearance processes in the Netherlands. We first outline customs processes (with a focus on aspects with the highest level of effort and administrative burden and facilitation measures). Then we outline the regulatory processes for non-customs requirements.

#### ***Customs processes***

The number of customs declarations is increasing every year. In 2017, the Dutch customs processed more than 140 million customs declarations for import and export. Of these the about 90% were import declarations. In addition to this, around 2,3 million transit

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<sup>260</sup> Source: Homework assignment 3.

<sup>261</sup> Source: Interviews with the customs offices on 29 November and 18 December 2018.

arrangements were made. This is very high number of declarations, e.g. one could compare with Ireland where around 1.4 million customs declarations were processed in 2017, or with Spain where 37.7 million customs declarations were processed in 2017<sup>262</sup>.

The Netherlands has a system for advanced risk analysis and the pre-release of goods. This means that the goods after arrival are either quickly released, or selected for inspection and then released within 24 hours.<sup>263</sup> Authorised Economic Operators also have a special status and under agreed protocols, and can operate greatly simplified customs procedures. In 2017, there were 1 563 Authorised Economic Operators in the Netherlands.<sup>264</sup>

#### *Non-customs regulatory requirements*

When customs officers check import or export declarations for certain goods they may be required to check regulatory requirements issued by Dutch partner competent authorities. Sometimes, they may also need to liaise with the partner competent authorities for physical checks of goods, when the authority's expertise is needed.

All consignments of animals and animal products are checked when entering the Netherlands. Almost all live animals (mostly ornamental fish and horses) are transported by air and therefore checked at the Border Inspection Post of Amsterdam Schiphol airport, by the Netherlands Food and Consumer Safety Authority. Animal products are a common type of consignment coming to the port of Rotterdam and are also checked by veterinaries from the Netherlands Food and Consumer Safety Authority at the Border Inspection Post. Due to Brexit, the port of Rotterdam has estimated a need for an additional 20 veterinaries since there is such a large proportion of these types of consignments coming from the United Kingdom.<sup>265</sup> Customs cannot permit the release into free circulation of goods or animals not already cleared by the Border Inspection Post.

Regarding other types of consignments, checks are being conducted on a risk management basis. Regarding checks of consignments and shipments, certain checks can be carried out elsewhere and not at the airport. This could e.g. be certain checks of phytosanitary goods (especially flowers), which sometimes are conducted at the flower auction.

More specifically, the following types of regulatory requirement account for the most significant volumes in the Netherlands and are by extension the more resource intensive to manage<sup>266</sup>:

- **Common Health Entry Document for Plant Protection (CHED-PP) (N851):** this document covers Council Directive 2000/29/EC on protective measures against the introduction into the Community of organisms harmful to plants or plant products, and against their spread within the Community. In 2017, the Netherlands dealt with 263 026 applications.
- **Agricultural produce import licence (AGRIM) (L001):** this is required for the import of most agricultural goods from outside the EU<sup>267</sup> and issued by EU Member States at the national level. In 2017, 133 345 AGRIM licenses were issued.

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<sup>262</sup> Source: Irish and Spanish customs.

<sup>263</sup> Source: Homework assignment 3

<sup>264</sup> Source: Figures provided by the customs head office.

<sup>265</sup> Source: Interview with Fenex on the 18 December 2018.

<sup>266</sup> Source: Homework assignment 1.

<sup>267</sup> Detailed rules for the application of import licences and the product groups for which licences may be required are laid down in EU Regulations. The product groups are; beef and veal; cereals; ethyl alcohol of agricultural origin; flax, hemp and hempseeds; garlic and preserved mushrooms; milk and milk products; olive oil and table olives; pig meat; poultry; rice; seeds; sugar.

- **Certificate for conformity (CoC) (N002):** this is required for fresh vegetables and fruits and issued by the Quality Control Bureau. In 2017, 192 537 certificates were issued for imports, and 537 413 for exports.
- **Common Veterinary Entry Document: Animal Products (CVEDP) (N853):** this is a common EU certificate for the import of veterinary products – in addition to the certificate, the EU regulation<sup>268</sup> sets down rules for the inspection of goods at border inspection posts. The volume of CVED-P which the Netherlands dealt with in 2017 was 116 175 for imports during 2017.

**For exports, the most common regulatory requirement is the Dual use export authorisation (X002).** In 2017, 194 486 regulatory requirements were issued. Also the certificate for conformity (N002) is largely issued for exports, with 192 537 regulatory requirements issued in 2017. This is required for goods which can be used for both civil and military purposes (including software and technology).

#### *Processes relating to key regulatory requirements*

Since the Netherlands is not part of the EU SW-CVED project/EU CSW-CERTEX project, the importer/exporter or customs agent contacts responsible partner competent agency for regulatory requirements whenever needed. Most of the regulatory requirements are issued electronically, but certain are however still also issued in hard copy due to EU legislation.

#### **Main problems in the Netherlands**

Using the problems defined in the problem tree (see section 3 of the main study report) as a starting point, the ensuing pages examine whether and how these problems exist in the Netherlands. The impact of each problem on different stakeholders is illustrated using a rating system, where red denotes severe, amber denotes significant and green denotes negligible (as explained in the box below).

#### **Rating system:**

Rating	Explanation of rating
	Major weakness / problem and significant investment / complex solution needed to address this issue which affects multiple stakeholders severely.
	Significant weakness / problem and some investment needed to address this issue which affects more than one group of stakeholders significantly.
	Problem is only negligible and/or could be easily addressed with few regulatory hurdles and does not seriously impact any one stakeholder.

#### **Problem: Administrative burdens in the management of goods crossing borders**

Rating	Explanation of rating	Main stakeholders affected and how
	Most processes related to customs clearance are already digitised in the Netherlands. Documentation that still	<ul style="list-style-type: none"> <li>• Partner competent authorities issuing regulatory requirements demanded for in hard copy: inefficient processes</li> </ul>

<sup>268</sup> Commission Regulation (EC) No 136/2004 of 22 January 2004 laying down procedures for veterinary checks at Community border inspection posts on products imported from third countries

	<p>is issued on hard copy are mainly regulatory requirements with EU legislation as a base. This is seen as a problem, but not regarded as a major issue since the goods subject for these types of non-regulatory requirements are not very significant compared to the total (although looked at in relation to smaller Member States the number is still high). However due to Brexit, it is likely that the number of especially CVEDs will heavily increase. Therefore, there is a risk of an increased administrative burden in relation to this.</p>	<ul style="list-style-type: none"> <li>Economic operators dealing with goods demanding these types of requirements: inefficient processes</li> </ul>
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The Netherlands has already a well-developed digitised system and most processes are digital. None of the interviewees saw the verification processes related to regulatory requirements as major part of their administrative burdens since the goods requiring these are not that significant compared to the total. However, looking at the numbers in relation to smaller Member States, they are still high. For example, during 2017 over 122 600 CVEDs (both CVED-A and CVED-P) and over 260 000 were issued<sup>269</sup>, which is a very high number compared to other EU Member States. This means that even if Dutch officials do not recognise this as one of the major issues, it would still clearly mean improvements and benefits for them in terms of less administrative burden.

Furthermore, due to Brexit and the Netherlands having much trade with the United Kingdom of especially animal products, the number of issued CVEDs is expected to heavily increase. This also means that the administrative burden for government officials and traders will increase when many more CVEDs will need to be issued.

One official working at the Human Environment and Transport Inspectorate (which e.g. issues waste certificates) stressed however that for certain regulatory requirements with EU legal base, the legislation is lagging behind since it requires that these requirements must be submitted in hard copy. This was an annoying issue for the Inspectorate as well as for economic operators dealing with waste, but not described as a severe problem. The inspectorate issues about 3000 export regulatory requirements every year and has about 12 full-time staff working with the related processes of the waste certificates. If all processes went completely digital the inspectorate would likely be able to do some cost-savings, since they would then probably not need as many employees.

#### **Problem: Poor exploitation of electronic exchange of information**

Rating	Explanation of rating	Main stakeholders affected and how
	<p>This is described as something which could be further improved, both in order to connect the single window systems (e.g. connecting the Maritime</p>	<ul style="list-style-type: none"> <li>Customs officials and partner competent authorities: the long-term objective is to interconnect all the different systems.</li> </ul>

<sup>269</sup> Source: Dutch customs, through homework assignment 1.

	single window system with customs procedures), and to improve risk management procedures. However, it is not recognised as a significant problem.	<ul style="list-style-type: none"> <li>Economic operators: would welcome better exploitation of information.</li> </ul>
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Dutch customs has, as already mentioned, the ambition to interconnect different single window environments and make them interoperable. The customs found it unfortunate that e.g. the maritime single window had not been fully exploited to also include customs procedures. The Netherlands believes that there is room for improvements, but it did not see this as a severe nor prioritised issue. Furthermore, Dutch customs found it positive that all systems are not connected and that there are different and separated procedures and IT systems. The reason for this was said to be that this made the system less vulnerable, meaning that if one system is bugging, it will not completely shut down all processes. Regarding the economic operators, they did describe a situation where they often have to submit the same information several times, but did not consider this too much of a problem thanks to the current, rapid online mechanisms of submitting information. However, they would still appreciate better exploitation and reuse of information – anything that makes their forward processes quicker and easier is welcomed.

**Problem: Multiplication of information and procedural redundancies**

Rating	Explanation of rating	Main stakeholders affected and how
	In today's IT landscape, this is not seen as an issue since it is reportedly no longer costly nor time-consuming to submit data messages.	<ul style="list-style-type: none"> <li>Economic operators: duplication of submission of information was not said not be a problem.</li> </ul>

As mentioned in the previous point, the Dutch trade associations / economic operators stated that the submission of information to application and regulatory requirement procedures is not seen as such a much of a problem. This used to be a problem before, when you had to pay money to submit information online and when this process was rather time-consuming. But nowadays, these processes are for free and goes very quick.

According to the trade associations (and the customs), the single window idea of a 'single' point of the submission of information is built on an out-dated idea. But again, of course, anything that makes the processes easier and quicker is appreciated. As stated before, the Dutch customs underlined however that there is a point of not interconnecting all the systems, to make it safer; certain information is not to be shared too easily, such as data about dual-use goods.

**Problem: Enforcement issues and information gaps**

Rating	Explanation of rating	Main stakeholders affected and how
	The problems described in relation to this is mainly related to the regulatory requirements that have an EU legal base, since these are the only ones issued in hard copy. The enforcement	<ul style="list-style-type: none"> <li>Customs officials and competent authorities: outdated EU legislation / unharmonized data procedures hampers efficient processes</li> <li>Economic operators: annoying and</li> </ul>



	of these types of regulatory requirements is said to sometimes be problematic due to these documents still being needed in paper-format, and the lack of harmonisation of procedures across the European Union.	unpractical which paper documents
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The main problem for Dutch customs related to enforcement is that it cannot completely digitise all their customs processes since certain EU legislation still requires regulatory requirements to be issued on paper. This also means that certain EU Member States only have the information on paper and other only digital, which can long processes when countries need to communicate with each other regarding certain types of documents (e.g. to check whether the regulatory requirement is valid / authentic).

Similarly, for trans-frontier shipments of waste, the lack of uniformity between systems (with some countries using digitised systems and some countries only accepting paper; and with different ways of recording volumes) means there is no EU-wide data and no way to check / verify between countries (see also box below). In both the above cases, the lack of harmonisation in EU systems and/or the lack of EU legalisation to underpin the development of such systems, means there is a barrier to EU-wide enforcement and gaps in information on the nature and scale of enforcement problems in the first place.

However, in some cases, the absence of centralised system and full data sharing between Member States can be justified – as in the case of dual-use licenses where data storage is especially sensitive due to national security / trade concerns.

### ***Likely future developments***

This section provides insight on how the problems described above are likely to evolve in the future, either through the continuation of the baseline scenario or pursuit of policy options for enhanced G2G and / or B2G collaboration. Potential impacts include direct costs and benefits for different stakeholders, as well as indirect effects related to the implementation of and compliance with given regulatory requirements. Below we provide a summary of the expected impacts under different scenarios, followed by a summary of how well the problems outlined in section 3.2 would be addressed. For each problem, we provide a rating of the expected impact (as outlined below).

### **Expected impact ratings:**

Rating	Explanation of rating
+++	Problem would be substantially improved / eradicated
++	Problem would be improved to a significant extent
+	Problem would see some (limited) positive improvement
0	Very limited or no change

### **Continuation of the baseline scenario in the Netherlands**

For the Netherlands, the continuation of the baseline scenario would mean an expansion of the G2G collaboration, as it would eventually join the EU SCW-CERTEX (from the moment the CERTEX project has updated its IT system to CCN2). The one-off costs for joining the project would be borne by Dutch customs, and are expected to not be very significant since the IT systems are already in place. The direct benefits of joining the project would expectedly be enhanced coordination between customs and the partner competent authorities, as well as better routing of consignments. Especially with regards to CHED certificates being part of the EU SCW-CERTEX, this would likely benefit the Dutch customs since the CHED permits are likely to increase heavily due to Brexit. The indirect benefits are related to risk management, since a participation in the EU SCW-CERTEX is expected to lead to enhanced cooperation between customs and partner authorities (both at a national and European level).

Continuing with the developments at a national level, the Dutch customs will take their overarching, national single window plans further on and expect to have such a system in place post 2028. In principle, all certificates that are related to goods crossing the external border of the EU into the Netherlands will be covered in the future system.

The table below sums up the expected impacts under the baseline scenario for each of the main problems and shows these would be positive overall.

Problem	Change
<b>Administrative burdens in the management of goods crossing borders</b>	+
<p>Dutch customs highlighted the probable benefits of having the partner competent authorities even more coordinated when joining the EU CSW-CERTEX (which it plans to do when the EU CSW-CERTEX project goes on to CCN2, as earlier mentioned). One benefit mentioned by customs is e.g. improvements for the risk management processes, since it would mean easier communication between partner competent authorities.</p> <p>The baseline scenario does not ensure that paper-documents would no longer be required. This means that the scenario would however have small change on the administrative burden for the Netherlands.</p>	
<b>Multiplication of information and procedural redundancies</b>	0
<p>The multiplication of information and procedural redundancies remain under the baseline scenario. With no change to the legal basis for customs and/or non-customs regulatory requirements, and no single-entry point for data submission, parallel paper submission would continue, as would the duplication of information. This means costs would not differ substantially while the duplication of information submitted would continue for economic operators.</p>	
<b>Poor exploitation of electronic exchange of information</b>	0
<p>The electronic change of information is expected to improve over time as more partner competent make their IT systems interoperable with EU IT systems and databases through EU SCW-CERTEX. Moreover, this will allow Dutch customs and customs officials to more easily collaborate. However, due to the voluntary basis of the baseline scenario, there is a risk that EU Member States not participating in the EU SCW-CERTEX will continue with paper-based certificates, resulting in no better electronic exchange of information.</p>	
<b>Enforcement issues and information gaps</b>	0
<p>The impacts in relation to enforcement gaps and information gaps are very limited under the baseline scenario. The main impacts would be about more understanding of controls and more targeted searches through better risk analysis. However, the main issue related to enforcement for the Netherlands is about the EU legal basis for the certificates that demand the paper copies, i.e. the baseline scenario would have to entail juridical changes to</p>	

generate benefits for the country.

### Options for enhanced G2G collaboration

These options involve putting in place a legal base to boost back-end, G2G cooperation on the exchange of data relating to a different category of certificates and specific technical solutions for implementation. The options are not mutually exclusive but can be combined depending on the pros and cons of including different certificate categories.

Option 1 is regarded as positive by the Dutch interviewees, and benefits in terms of smoother communications between authorities when they join the EU CSW-CERTEX project. The greater potential benefits are however dependent on developments regarding EU legislation that would allow a full digitisation process specific regulatory requirement, e.g. related to waste, animals and animal products.

With the G2G options, the Netherlands would prefer for as many EU-wide regulatory requirements as possible to be included. National regulatory requirements however are not wished for to be included or made possible to access for other EU Member States since it is believed to mean too great security issues. The Netherlands would probably not prefer a centralised solution, since they already have their own, well-functioning IT systems. In addition, having decentralised IT solutions is seen as safer than having a central solution, if there would be IT problems.

The table below sums up the expected impacts for enhanced G2G collaboration for the Netherlands for the most pertinent options discussed above.

Problem	Change
<b>Administrative burdens in the management of goods crossing borders</b>	+ (++)
Dutch customs highlighted the probable benefits of having the partner competent authorities even more coordinated when joining the EU CSW-CERTEX, e.g. when it comes to risk management processes requiring communication between the authorities (as already mentioned). However, the existing administrative burden is mainly related to certain regulatory requirements still needed in paper-copy. If certain certificates, such as the AGRIM or the CHED were completely digitised, it would reduce administrative burdens for Dutch officials. Dutch customs could not estimate how much cost-savings they would generate from this, but looking at the numbers of 122 600 CVEDs and over 260 000 CHED-PPs issued in 2017, in addition to around 133 000 AGRIM and AGREX licenses issued in 2017 <sup>270</sup> , it would likely be positive. Furthermore, the Human Environment and Transport Inspectorate dealing with waste stated that it would for sure reduce their administrative burden dramatically if certificates were harmonised and fully digitised in all Member States. If this happened, the Inspectorate would probably be able to gain at least the equivalent of 12 full-time working staff.	
<b>Multiplication of information and procedural redundancies</b>	0
As with the baseline scenario, enhanced G2G collaboration does not necessarily mean a reduction in multiplication of information or procedural redundancies. This would require a single-entry point for economic operators (as per B2G collaboration outlined overleaf).	

<sup>270</sup> Source: Dutch customs through homework assignment 1.

<b>Poor exploitation of electronic exchange of information</b>	+
As with customs, economic operators would stand to gain from more seamless connections between government (nationally and with third party governments). This would need to be supported by digital signatures to allow for a fully paperless system and a change in costs (i.e. removing / reducing the need to send documents by courier as well as electronically). It is unclear how significant the costs would be to organise the needed IT systems, but most partner competent authorities' systems are at least already in place. The scale of impact is difficult to estimate but would be somewhat positive. However, since for most declarations the electronic exchange of information is already fine, the enhanced G2G cooperation is not believed to change much regarding the exploitation of information.	
<b>Enforcement issues and information gaps</b>	++
Enhanced G2G collaboration would open opportunities for improved enforcement and lead to improvements in understanding the scale of problems, especially if the legal basis allows for completely digitising the regulatory requirements. This would then likely lead to cost-savings for both partner competent authorities and economic operators since they would have to spend less time conducting controls and spending time with submitting customs declarations. The scale of impact is difficult to estimate but would be positive, especially for goods such as waste and animals and animal products, goods that today require certificates issued in paper-document.	

### Options for enhanced B2G collaboration

Options 5-7 are about business-to-government (B2G), front-end cooperation that focus on different ways of streamlining reporting processes for the economic operators when dealing with the regulatory requirements. The options for B2G collaboration are mutually exclusive (meaning only one can be pursued) and range from no action (covered under section 4.1); a common management portal (option 5); interoperable national Customs Single Windows (option 6) and Single EU Customs Single Window trader portal (option 7).

In general, the Dutch interviewees are positive about the B2G options and believes that they would lead to beneficial impacts, especially for the economic operators. These impacts concern having easier and smoother processes, which mean less time spent on administration, which in turn means cost-savings. Dutch customs would especially support a realisation of option 6, recognising it as the most desirable and realistic proposal for the customs and partner competent authorities. With this option, Dutch customs would like to have as many regulatory requirements as possible included, including AGRIM/AGREX and certificates for dual-use and strategic goods. This is believed to likely lead to smoother processes and therefore cost-savings for both authorities and economic operators. However, seen that the biggest priorities for the Dutch customs is Brexit and the requirements of the Union Customs Code, it is stressed that a realistic, long-term timeframe is needed.

For Dutch traders, the submission of information into different systems is not said to be the main hurdle, even if the harmonisation of data would be appreciated and likely lead to time (and cost) savings for them. A greater problem is the tracking of documents and procedures that can be troublesome. For economic operators and freight forwarders, the biggest concern is to deliver the good to its destination in time. If this entire process is made faster and easier, it will lead to great benefits for the economic operators in terms of cost-savings and content customers. A system where documents could be tracked during the entire logistic chain is therefore demanded for, since many economic operators use customs brokers to handle their

customs declaration procedures since it still requires great administrative work. If customs declaration procedures were made simpler, e.g. by some of the features proposed through the B2G solutions, this could potentially mean cost-savings if economic operators then would not need to pay for customs brokers.

According to the interviewed Dutch trade associations, around 15-20% of their members deal with regulatory requirements needed for goods transported from or to third countries.

Problem	Change
<b>Administrative burdens in the management of goods crossing borders</b>	++
The improvements relating to administrative burden could be significant, especially if the regulatory requirements today needed in paper-format would be covered and made fully digital.	
<b>Multiplication of information and procedural redundancies</b>	++
This would be significantly improved with a single-entry point which would necessarily reduce the multiplication of information and could reduce procedural redundancies for especially the economic operators, as well lead to cost-savings due to more efficient processes.	
<b>Poor exploitation of electronic exchange of information</b>	+
This would be significantly improved with a single-entry point which would need to be supported by full exploitation of electronic exchange of information.	
<b>Enforcement issues and information gaps</b>	+(+)
The impacts from enhanced B2G collaboration vis-à-vis enforcement issues may occur if a more integrated system provides economic operators with a single reference outlining in one place all their obligations. If this system also would entail some sort of tracking of documents feature, it would be especially appreciated by Dutch economic operators.	

## Conclusions

This final section draws conclusions related to the severity of the problem in the Netherlands and desirability and impacts of the different policy options.

### Nature and scale of problems with the current situation

The Netherlands has come far when it comes to its digitisation of customs related IT processes, which likely is due to it being a very significant country for EU trade. Therefore, some of the problems we identified in the problem tree, is not very significant for the Netherlands. In addition, the number of goods requiring these types of regulatory requirements are not said to be very substantial (however, we don't have any exact numbers on this and the data from the interviews should not be seen as comprehensive).

Based on the interviews during our field visit, the single window initiative does not appear to be as needed or would contribute with as much added value for the Netherlands as it would for other Member States who have come less far with their digitisation. In addition, other priorities are much more prominent for the Dutch customs administration and economic operators at the moment, such as the Union Customs Code and future consequences due to Brexit. Although, due to a lot of trade with animals and animal product trade with the United

Kingdom, the number of CHEDs will most likely heavily increase post-Brexit, meaning that administrative burdens related to the issuing of these certificates risks to increase.

Even if the problems described are not said to be severe for the Netherlands, it does not mean that an EU single window solution would not generate any positive effects for the country. It would for sure bring certain benefits when it comes to more efficient communication between the customs office and partner competent authorities regarding checking procedures. If the legal basis of certain EU regulatory requirements would be changed to allow the complete digitisation of these requirements, it would be especially beneficial and lead to cost-savings for both state and business.

Problem	Rating
Administrative burdens in the management of goods crossing borders	
Poor exploitation of electronic exchange of information	
Multiplication of information and procedural redundancies	
Enforcement issues and information gaps	

### Feasibility and desirability of the policy options

The most desirable and the most feasible scenario are briefly summarised below.

Scenarios
<b>Baseline:</b> The Netherlands is planning on joining the EU CSW-CERTEX (when the project goes on CCN2) and the baseline scenario would thereby bring certain improvements in terms of enhanced cooperation between concerned authorities.
<b>G2G:</b> The expected impacts of enhanced G2G collaboration would be positive, enabling better coordination for risk management processes and less administrative burden if full digitisation was ensured.
<b>B2G:</b> All B2G options are positively regarded and believed to lead to positive impacts. Despite the more significant expected impacts of option 6 for B2G across all problems (and therefore its desirability), the feasibility is seen as rather low in the immediate term with too high upfront investments required as well as coordination among many partner competent authorities. In summary, action on the B2G perspective is wished for, but with a realistic timeframe.

## SPAIN

### *Introduction*

This report is one of the eight country case studies that were carried out to provide evidence for the impact assessment of the initiative for developing an EU Single Window environment for customs. By collecting and analysing data on the current situation and expected future developments, the case studies aim to generate insight on the nature and scale of any existing problems and likely impacts of the policy options defined for the potential new initiative. These include an option for no additional EU action, which would consist of the continued existence and gradual expansion of the EU Customs Single Window: Certificates Exchange project (simply referred to as CERTEX project throughout) without a legal framework and therefore based on Member States' voluntary participation.

Each case study used a common methodology based on a documentary review, feedback from national administrations provided through participation in the project group and interviews (mainly face-to-face) with officials from customs and partner competent authorities, and economic operators. The sample of eight Member States was selected in discussion with DG TAXUD with a view to covering complementary areas of interest and achieving a degree of representativeness.

Within this broader framework, the research on individual case studies varied according to national specificities such as geography, trading profile, administrative set-up and participation in the EU Single Window – Common Veterinary Entry Document (EU SW-CVED) pilot project (the predecessor to the CERTEX project).

For Spain, the case study focused on:

- Experiences with an advanced national Single Window environment that is comparable with the CERTEX project
- Likely future developments
- Problems specific to Spain

It concludes on the successes of the initiative in Spain and the desirability and impacts of the different policy options.

The evidence for the case study is comprised of desk research and interviews with 16 customs authorities (policy managers, electronic customs coordinators and IT specialists), partner competent authorities (responsible for health, economy, medicinal products, agriculture, fisheries and food) and economic operators (customs brokers and freight forwarders) carried out during a field visit that took place during the week of 12 November 2018.

### *Background*

This section presents an overview of Spain's profile for international trade, administrative and IT set-up for customs and other relevant regulatory requirements. It helps understand the current national situation and how it would likely evolve for the policy options under review. It also briefly presents progress towards a national Single Window in Spain.

### **Trading profile**

Spain accounts for about 6.6% of EU imports and 5% of EU exports.<sup>271</sup> This is slightly lower than Spain's share of the EU's population (which is 9.1%).<sup>272</sup> Outside the EU, 4% of Spain

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<sup>271</sup> Eurostat data on external trade (average for 2011-2017):  
<https://ec.europa.eu/eurostat/web/international-trade-in-goods/data/database>



exports go to the United States and 3% to Morocco. In terms of imports from outside the EU, 7% come from China and 4% from the US.<sup>273</sup> The main types of entry are sea<sup>274</sup> and air<sup>275</sup>.

Spain is the biggest importer of seafood products in the EU, and the fourth importer globally. Its system of Illegal, Unreported and Unregulated (IUU) import controls is one of the most comprehensive in the EU. Spain has indeed prioritised implementation of the Catch Certificate scheme. More generally, Spain has developed rigorous import controls, including to detect products originating IUU fishing.<sup>276</sup>

To get an idea of Spain's success in clearing goods efficiently, we looked at the World Bank's Logistics Performance Index<sup>277</sup>. Spain ranks highly (18<sup>th</sup> globally, and 11<sup>th</sup> among EU Member States) in terms of trade facilitation and ease of doing business overall<sup>278</sup>. In terms of customs specifically<sup>279</sup>, Spain ranks slightly lower globally (21<sup>st</sup>), but the same place among EU Member States (11<sup>th</sup>). Of the six components that are used to calculate the ranking, customs were the lowest scoring in Spain. This suggests that, in Spain, the efficiency of the clearance process is the weakest link and further improvements here would increase the overall Logistics Performance.

### Administrative set-up

In Spain, customs are the responsibility of the *Agencia Estatal de Administración Tributaria*, commonly known as *Agencia Tributaria*, or Tax Agency, since its formation on 1<sup>st</sup> January 1992. The mission of this public law entity, which is attached to the *Ministerio de Hacienda*, "Ministry of the Treasury", is the effective implementation of the tax and customs systems in Spain, and related matters<sup>280</sup>. The Tax Agency has its own legal status, which is different from that of the General Administration of the State and includes a certain autonomy in budgetary and personnel<sup>281</sup> management issues.

The Tax Agency has 17 special delegations in regional offices, one for each autonomous community, and representatives in provinces as well. Customs and Excise is one of the Tax Agency's four operational departments, which all have a representative in each of the 17 regional offices. In addition, the Tax Agency has its own internal IT department, distinguishing it from other public law entities, most of which outsource these services.

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<sup>272</sup> <https://ec.europa.eu/eurostat/documents/2995521/9063738/3-10072018-BP-EN.pdf/ccdfc838-d909-4fd8-b3f9-db0d65ea457f>

<sup>273</sup> [https://europa.eu/european-union/about-eu/countries/member-countries/spain\\_en](https://europa.eu/european-union/about-eu/countries/member-countries/spain_en)

<sup>274</sup> Continuous increase since 2013 (397 462 thousands of tonnes, to 485 805 thousand tonnes in 2017).

See [https://ec.europa.eu/eurostat/web/products-datasets/-/mar\\_go\\_aa](https://ec.europa.eu/eurostat/web/products-datasets/-/mar_go_aa)

<sup>275</sup> Continuous increase since 2013 (160 884 tonnes, to 201 607 tonnes in 2017).

See [https://ec.europa.eu/eurostat/web/products-datasets/product?code=avia\\_goooc](https://ec.europa.eu/eurostat/web/products-datasets/product?code=avia_goooc)

<sup>276</sup> The Environmental Justice Foundation (EJF), Oceana, The Pew Charitable Trusts and WWF, ISSUE BRIEF: Improving performance in the fight against illegal, unreported and unregulated (IUU) fishing, Spain – Leading implementation of the EU's Regulation to combat illegal fishing, June 2017

<sup>277</sup> The LPI relies on an online survey of logistics professionals from the companies responsible for moving goods around the world: multinational freight forwarders and the main express carriers. Freight forwarders and express carriers are best positioned to assess how countries perform.

<sup>278</sup> Based on mean across logistics performance index 2012-2018.

See <https://lpi.worldbank.org/international/aggregated-ranking>

<sup>279</sup> defined as "Efficiency of the clearance process (i.e., speed, simplicity and predictability of formalities) by border control agencies, including customs"

<sup>280</sup> Such as resources belonging to other State Public Administrations and the EU, which are entrusted to the Tax Agency for management, by law or agreement.

<sup>281</sup> In 2016, the Tax Agency had a staff of 25,014 people. See:

[https://www.agenciatributaria.es/AEAT.internet/en\\_gb/Inicio/La\\_Agencia\\_Tributaria/Memorias\\_y\\_estadisticas\\_tributarias/Memorias/Memorias\\_de\\_la\\_Agencia\\_Tributaria/\\_Ayuda\\_Memoria\\_2016/2\\_INFORMACION\\_INSTITUCIONAL/2\\_2\\_Plantilla\\_y\\_presupuesto/2\\_2\\_Plantilla\\_y\\_presupuesto.html](https://www.agenciatributaria.es/AEAT.internet/en_gb/Inicio/La_Agencia_Tributaria/Memorias_y_estadisticas_tributarias/Memorias/Memorias_de_la_Agencia_Tributaria/_Ayuda_Memoria_2016/2_INFORMACION_INSTITUCIONAL/2_2_Plantilla_y_presupuesto/2_2_Plantilla_y_presupuesto.html)



## *The Spanish Customs and Excise Department*

The *Departamento de Aduanas e Impuestos Especiales*, “Customs and Excise Department”, is structured in eight Deputy Directorates General<sup>282</sup>, two<sup>283</sup> of which work under the Deputy Directorate General for Customs Surveillance, employing half the Department’s personnel.

The Customs and Excise Department’s remit<sup>284</sup> includes management and inspection of taxes on foreign trade; control of the traffic of goods under the different customs and fiscal regimes; management and inspection of excise duties<sup>285</sup>; fight against customs fraud, but also smuggling, drugs precursors diversion and money laundering; foreign trade statistics; development of draft customs and excise duties regulations and programmes<sup>286</sup>; definition, management of risk analysis systems in the field of external trade, safety and security and excise duties; management of the Authorised Economic Operator (AEO) status, etc.

The strategy of the Customs and Excise administration has evolved over the years, but its **mission** has always been to **collect** and to **protect**<sup>287</sup>. In addition, the Union Customs Code (UCC)<sup>288</sup> brought in a new role for Member States’ customs authorities, with an emphasis on security, since customs are the ones at the border. As a result, during 2017-2018, the Customs and Excise Department carried out more actions related to the security of the international supply chain, at the entry and exit of goods. To control the borders, the Customs and Excise Department receives the help of the Civil Guard, with 4 000 dedicated staff under the supervision of customs.

In addition, Customs work with several competent authorities, such as the Ministries of Economy and Business, of Health, Consumption and Social Welfare, or of Agriculture, Fisheries and Food, to enforce trade-related legislation. For example, supporting documents required by the EU for imports or exports of agricultural products are delivered to importers of food from third countries by the Ministry of Industry, Trade and Tourism.

### **Approach to electronic customs and IT architecture**

Since the 1990s, the Tax Agency has had a strong focus on the provision of technical solutions that could improve services to taxpayers. Its first e-Administration project (COMPAS<sup>289</sup>) in 1992 predates the widespread use of the Internet. Since then, the objective has always been to facilitate the import and export of goods. To do so, the Tax Agency was provided with the required technological systems but also with internal developers and designers. Customs authorities’ IT department is in a leading position, as an integrated part of the management processes. Highly qualified civil servants lead projects focusing on decreasing the cost of citizens’ fiscal obligations, such as the development of the Single Window, with external technical support. A general helpdesk, with a specialised group for IT

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<sup>282</sup> Planning Statistics and Coordination; Customs Management; Management & Supervision of Excise Duties; Auditing and Investigation; Chemical-Technological; International Relations;

<sup>283</sup> Operations; Logistics.

<sup>284</sup> established by Regulation of 10 December 2007: Orden PRE/3581/2007, de 10 de diciembre, por la que se establecen los departamentos de la Agencia Estatal de Administración Tributaria y se les atribuyen funciones y competencias.

<sup>285</sup> In 2016, excise represented 11% of the total tax collection.

<sup>286</sup> The Customs and Excise Department can make proposals because they are the ones applying the regulations, but they have no competencies for the elaboration and approval of tributary norms.

<sup>287</sup> First, local economic operators; then the national industry, during the 19th century, and national consumers, during the 20th century; and today, citizens in general.

<sup>288</sup> Regulation (EU) No 952/2013 of the European Parliament and of the Council of 9 October 2013 laying down the Union Customs Code

<sup>289</sup> Comunicación de Manifiestos a Puertos y Aduanas, “Communication of Manifests to Ports and Customs” – about Port authorities sending information on the arrival of the goods to customs offices, and the exchange of export data in EDIFACT format, in June 1994, with the port of Barcelona using a Value-Added Network (VAN).

issues and another one for business issues<sup>290</sup>, was created to make it easy for economic operators to interact with the Tax Agency's systems. The Tax Agency therefore became a key player in terms of IT development.

Today, within the Tax Agency, almost everything<sup>291</sup> is electronic, and no declaration remains in paper format.

#### E-documents Processed in 2017 by Spanish Customs

Foreign trade	Total	Electronic	%
<b>Import SAD</b>	5 812 022	5 807 549	99.92%
<b>Export SAD</b>	7 649 155	7 648 886	100.00%
<b>Warehousing SAD</b>	416 030	415 998	99.99%
<b>Transit SAD</b>	656 487	656 354	99.98%
<b>Intrastat</b>	684 994	684 303	99.90%
<b>ENS/EXS</b>	4 602 071	4 602 071	100.00%
<b>Temporary Storage<sup>292</sup> / Loading Manifests</b>	994 744	991 309	99.65%
<b>Total</b>	<b>20 815 503</b>	<b>20 806 470</b>	<b>99.96%</b>

Source: Presentation on Spanish IT structure, 12/11/2018

The Tax Agency uses a single centralised and integrated information system for all procedures and all Customs Offices in the country. It is a set of computer systems for management, collection, inspection, and accounting, built on a single linear database shared between the different departments, which feed it with relevant information<sup>293</sup>. This database is optimised for consultation and useful to fight against fraud and crime. The information system is web-based, with an Intranet Technology. Customs and excise are completely integrated within the Tax Information System. For Customs, there are two main subsystems:

- The Operational Database for management purposes (BUDA);
- The Business Intelligence Database for analysis (Zújar, a data warehouse with a machine-to-machine possibility, connected to businesses directly).

Economic operators access the system through the internet and can:

- Consult information (import duties, TARIC, import guarantees, sent excises declarations status, situation of chemical analysis of goods, etc.);
- e-sign e-forms (on-line declaration, validation and response, Customs Decisions);
- Interchange Electronic Data (EDI) for Customs and Excises declarations (Import, Export, NCTS, ENS, EXS Excises AccDoc, etc.);

<sup>290</sup> About six people reply to requests regarding customs applications.

<sup>291</sup> The procedure says if it is *possible* to do it by paper for citizens lacking the IT skills, who can also go to public offices and ask for help.

<sup>292</sup> The summary declaration for temporary storage is based on a system-to-system exchange but can also be uploaded on the portal and on the web office.

<sup>293</sup> Such as: Profits and deductions for personal work, financial investments, renting properties, buy and sell declarations, investigations of Customs Surveillance, import and export, currency entry and exit, property register, declarations.

- Get on-line validation and responses.

Economic operators can also access the Operational Database. All of this is done with an advanced level of security through encrypted transmission (SSL Protocol).

Customs' systems are connected to other governmental bodies through an intergovernmental network called SARA, and to other Member States through the Common Communication Network (CCN).

### **Single Window state of play and key initiatives**

Spain has an electronic Single Window environment for customs, which was set up as part of the Reform of the Public Administration. It aims at centralising information required from economic operators by different authorities linked to international trade, to avoid duplication and reduce the administrative burden.

The Working Group began on 16<sup>th</sup> October 2013, and the pilot project started on 1<sup>st</sup> January 2016 in the ports of Vigo, Marín, Barcelona, Algeciras, Santa Cruz de Tenerife, and Bilbao for imports in containers. It was then extended to all ports and airports on 1<sup>st</sup> September 2017, for imports only. As of 30<sup>th</sup> November 2017, the plan is to expand it to all goods, including bulk cargo.

The next step for Spain is to develop a Single Entry Point (SEP). Even though discussions have started with competent authorities that are already part of the Single Window environment, there is no agreed timeline for the implementation of the SEP.

The advanced state of play of the Spanish Single Window environment explains why Spain chose not to participate in the EU SW-CVED pilot project, which aims to enhance Government-to-Government (G2G) collaboration regarding CVEDs by linking national customs' IT systems to an EU database called "TRACES" through middleware provided by DG TAXUD. This system does not allow to check supporting documents, nor to access the information they contain.

#### Characteristics of the Spanish Single Window:

- Single access point **for all the documents** from all parties involved
- Compatible with simplified customs declaration procedure
- Compatible with centralised national system
- Open process
- Imports only

### ***Current experiences***

This section details the nature and scale of the current problems by analysing the processes for clearing goods through the border in Spain. It first presents an overview of relevant processes, with a focus on the specific types of goods and regulatory requirements, and an outline of how the Spanish Single Window environment works in practice. This is followed by more detail regarding the most important problems with the current situation for customs, partner competent authorities, and economic operators.

### **Overview of clearance processes**

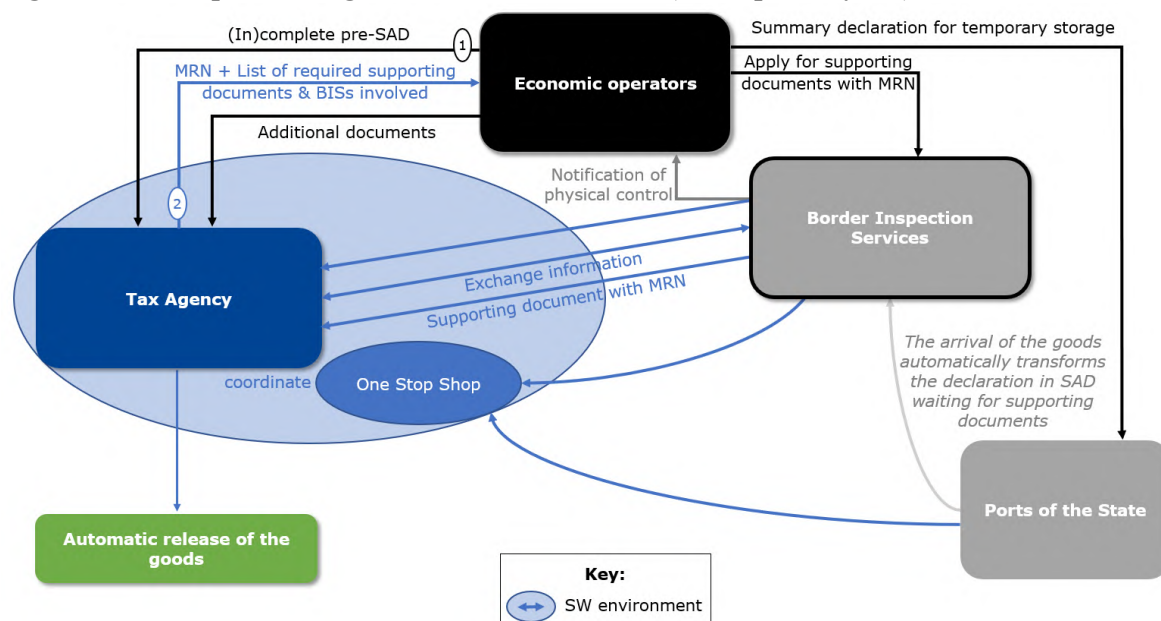
In this section we provide an overview of customs clearance processes in Spain. We first outline customs processes, with a focus on the Spanish Single Window environment. The last part of this section details the processes relating to the next steps for Spain.

## Customs processes

In 2017, the Tax Agency processed around 37.7 million customs declarations (10 million more than in 2015), of which 79% were exports and 19% imports, in addition to 930,206 transit arrangements.<sup>294</sup> Some of these goods are subject to regulatory requirements in fields other than customs. To enforce these requirements, Spanish customs work with partner competent authorities (Border Inspection Services), in charge of 32 distinct types of supporting documents.

The Spanish Single Window covers imports only. It involves the Tax Agency, Border Inspection Services (BIS) and economic operators, but also Ports of the State. It is a tool that makes cooperation and interaction between these stakeholders possible. The process for import of goods through the Spanish Single Window environment is illustrated in the figure below. The example shows all the possibilities of the Spanish Single Window environment, but other scenarios are possible, as it is designed as an open and flexible process to accommodate different situations.

**Figure 27: The Spanish Single Window environment (for imports by sea)**



Source: adapted from Departamento de Aduanas e Impuestos Especiales, *Ventanilla Única Aduanera*

Economic operators can start inputting information up to 30 days before the arrival of the goods<sup>295</sup>, filling in an incomplete pre-declaration<sup>296</sup>. This allows them to get information on which supporting documents they need, on whether these are part of the Single Window environment and which BIS(s) to apply to. Once the Tax Agency receives this Pre-Declaration, it is issued with a Movement Reference Number (MRN). Economic Operators can use this number to apply for supporting documents to the relevant BIS(s), who will send the necessary data directly to the Tax Agency. The link with the import declaration is automatic and does not require any further action from the economic operator. The Complete Pre-Declaration automatically becomes the Single Administrative Document (SAD) when the goods arrive, which leads to their automatic release. Once the economic operators have sent a

<sup>294</sup> Figures provided by Spanish customs

<sup>295</sup> After 30 days, the declaration is classified as “no arrival of the goods”.

<sup>296</sup> If the declaration is incomplete, the economic operator must send the complete version later, after which the Tax Agency might send back the list of required supporting documents still missing.

declaration, whether complete or incomplete, they can consult and send information through the SW at any time.

If physical control is required, BIS(s) must request it through the Single Window but also send the answer to the economic operator directly. Information for/from the physical control is at stakeholders' disposal through the Single Window. For maritime transport, there is a specific functionality to allow for the only once positioning of containers at seaports (referred to as the "one-stop-shop" mechanism). Once activated the summary declaration for temporary storage and once received the answer from all the relevant BIS(s) and from customs authorities, the operator must present a "request for preliminary actions" for the "positioning with SAD" of the container. Then the Tax Agency, after checking that there is no other necessary recognition, authorises the positioning and informs the operator, the BIS(s) and the Port of the State.<sup>297</sup> The economic operator must apply to customs authorities, who decide to put container at disposal of the BIS(s). Port Authorities access information from the Single Window through the Ports of the State with whom the Tax Agency has an agreement for exchange of information. Ports of the state must inform the Tax Agency once all the controls are done. BIS(s) communicate any decision directly to the Tax Agency through the Single Window, which includes two kinds of risk analysis systems:

- A complex On-line Risk Analysis System for Customs Clearance, with an anti-fraud control both in data capture and after clearance of goods.
- The system instantaneously replies to each declaration, based on an automated risk analysis, in one synchronous transaction<sup>298</sup>. Whatever is needed is performed within two seconds. It is therefore important to have all the information in the system. As an example, for the Entry Summary Declaration (ENS), the automated risk analysis is performed within the same transaction and a first result can be provided to the economic operator (red, orange, yellow or green channel).

Functionalities of the Spanish Single Window:

- Web services
- G2G exchange of information
- Pre-SAD and MRN included in the supporting document for automatic clearance
- Common repository of documents (which all stakeholders can access)
- Only once positioning of containers at seaports (One Stop Shop)
- Automated reception of the supporting documents

As of 30<sup>th</sup> November 2017, the following functionalities were missing from the Spanish SW:

- Single Entry Point – being developed with BIS(s)
- Advance notice of controls<sup>299</sup>
- Expansion to exports

<sup>297</sup> For air transport, this kind of only once positioning of the goods is not required.

<sup>298</sup> There are also mechanisms to provide asynchronous communication with economic operators, but it is not the preferred way.

<sup>299</sup> Art. 24.3 DA: "Cuando un AEO presente una declaración de depósito temporal o una declaración en aduana de conformidad con el artículo 171 del Código, la aduana competente para recibir dicha declaración de depósito temporal o dicha declaración en aduana notificará al AEO, en caso de que el envío haya sido seleccionado para un control aduanero, al respecto. Dicha notificación se efectuará antes de la presentación de las mercancías ante la aduana." – "When an AEO submits a declaration of temporary storage or a customs declaration in accordance with Article 171 of the Code, the customs office competent to receive such declaration of temporary storage or such customs declaration to customs shall notify the AEO, in case the shipment has been selected for a customs control, in this regard. Such notification shall be made before the presentation of the goods to customs. "

A “News” section on the website explains everything that could change for economic operators, including new requirements.

#### *Non-customs regulatory requirements*

The following types of regulatory requirement account for the most significant volumes in Spain, and are part of the national Single Window:

- **Common Health Entry Document for Plant Protection (CHED-PP) (N851):** this document covers Council Directive 2000/29/EC on protective measures against the introduction into the Community of organisms harmful to plants or plant products, and against their spread within the Community. Spain deals with approximately more than 300 000 of these documents per year for imports.
- **Certificate of quality (N003)** – Also more than 300 000 per year.
- **Common Veterinary Entry Document: Animal Products (CVEDP) (N853):** this is a common EU supporting document for the import of veterinary products –the EU regulation<sup>300</sup> also sets down rules for the inspection of goods at border inspection posts. Spain deals with approximately 200 000 CVED-P per year.

With the *Servicio Oficial de Inspección, Vigilancia y Regulación de las Exportaciones* (SOIVRE), the Inspection Service of the Ministry of Economy and Business, for example, the input tray runs every 3 minutes. A delivery execution, in peak hours, can contain 224 charges/imputations, 133 responses sent by the Tax Agency, 128 discharges/authorisations sent to the Tax Agency and 101 validations sent to the Tax Agency, which make 586 messages in one submission.

#### *Cost/benefits of the Spanish Single Window environment*

The cost of the Spanish Single Window for partner authorities is the development of the complex computer system. Once implemented, this system facilitates their work and is the perfect tool to manage controls. Its functionalities also entail savings for companies.

It is not easy to calculate the economic costs involved in adapting partner authorities’ systems to the Single Window. It is the result of several years of work, and continuous problem solving. The main challenge for competent authorities, as is the case of the Secretary of State for Trade for example, is finding the budget to start working on new developments.

In the IT department, two part-time employees are responsible for managing the system and improvements, and three part-time employees work in the communications and systems departments. Internally, approximately 393 people use the Secretary of State for Trade’s system daily, and the external users are approximately 3,200.

For partner competent authorities, the system presents different advantages. They can:

- carry out the monitoring plan and control frequency;
- manage alerts and controls;
- designate official control;
- gather data and report on rejections, and authorisations of national destination.

The Spanish Single Window groups the procedures that must be followed for customs and other regulatory requirements:

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<sup>300</sup> Commission Regulation (EC) No 136/2004 of 22 January 2004 laying down procedures for veterinary checks at Community border inspection posts on products imported from third countries



- to shorten processing times,
- to unify the forms,
- to reduce the use of paper,
- to accelerate customs clearance, coordinating physical controls so that they are carried out in a single moment by all the BIS(s) involved.

The Spanish Single Window enhanced cooperation in both government-to-government, at national and with the European level, and business-to-government cooperation at national level. It provides economic operators with a harmonised access point to fulfil all regulatory requirements. The Tax Agency acts as a hub for receiving relevant information from economic operators on behalf of partner competent authorities. Before, it was the economic operator who had to coordinate the different physical controls.

Benefits of the Spanish Single Window for economic operators:

- Voluntary process
- Possibility to issue pre-declarations without the supporting documents
- Possibility not to include the supporting document(s) in box 44 of the SAD
- Possibility to start the process at any time with any step

### Main problems in Spain

Several aspects of the abovementioned processes can be problematic for customs, partner competent authorities and economic operators. Using the problems defined in the problem tree (see section 3 of the main study report) as a starting point, the ensuing pages examine these in detail. The impact of each problem on different stakeholders is illustrated using a rating system, where red denotes severe, amber denotes significant and green denotes negligible (as explained in the box below).

Rating	Explanation of rating
	Major weakness/problem and significant investment / complex solution needed to address this issue which affects multiple stakeholders severely.
	Significant weakness/problem and some investment needed to address this issue which affects more than one group of stakeholders significantly.
	Problem is only negligible and/or could be easily addressed with few regulatory hurdles and does not seriously impact any one stakeholder.

### Problem: Administrative burdens in the management of goods crossing borders

Rating	Explanation of rating	Main stakeholders affected and how
	This problem is only negligible in Spain as the national Single Window environment significantly reduced administrative burdens in the management of goods crossing borders, especially for economic operators, although it is still expanding	<ul style="list-style-type: none"> <li>• Customs authorities: significantly reduced administrative burden</li> <li>• Partner competent authorities: limited to physical controls and production of supporting documents</li> <li>• Economic operators: still apply for supporting documents with each relevant competent authority and to different</li> </ul>

		authorities in each Member State but the process thereafter is more streamlined in the Single Window due to G2G
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Administrative burdens in the management of goods crossing borders were not considered to be a significant problem in Spain. These were indeed significantly reduced with the implementation of the national Single Window environment, which has brought benefits in terms of efficiency of the customs clearance process through greater G2G cooperation.

The most important administrative burden that remains is for economic operators, who must apply to different national authorities and in each Member State, in addition to making the customs declaration. This was not considered as a major issue by economic operators consulted because they are aware of Spanish customs' work towards an SEP. According to them, this would constitute an ideal situation, which means the current one is not.

#### **Problem: Multiplication of information and procedural redundancies**

Rating	Explanation of rating	Main stakeholders affected and how
	Procedural redundancies exist in Spain when digitised supporting documents must be printed out for archiving or for legislative reasons	<ul style="list-style-type: none"> <li>• Customs authorities: limited impact</li> <li>• Competent authorities: inefficient use of resources and not realising full benefits of an electronic environment</li> <li>• Economic operators: must apply for supporting documents to the competent authorities, in addition to enter information in customs' system</li> </ul>

Multiplication of information and procedural redundancies were not presented as a major problem in Spain but do remain, despite significant improvements. For example, before the Single Window environment was introduced, customs authorities used to control the same goods in several occasions, which is not the case anymore.

One problem that emerged during the interview with the central sanitary authority (Ministry of Health, Consumption and Social Welfare), whose competence covers the sanitary control of goods for human consumption (products of animal and non-animal origin from third countries) regarding the way the information is stored and shared. Even though it is done through TRACES, a paper version of the documents is also stored in every BIP for at least 3 years.<sup>301</sup> So even when systems are fully digitised, a paper copy is still required for archiving based on an out of date regulation. Indeed, there are laws that still require paper documents, meaning it would be necessary to review the entire body of legislation to adapt it to the Single Window environment.

The main procedural redundancy is for economic operator, who must make the customs declaration in customs' system, and then apply for the required supporting documents to the different competent authorities. Both customs and national authorities are aware of this redundancy, which is why they are working on the SEP, which would make the customs clearance process even simpler for economic operators.

#### **Problem: Poor exploitation of electronic exchange of information**

Rating	Explanation of rating	Main stakeholders affected and how
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<sup>301</sup> This was not confirmed by other authorities and therefore seemed to be a specificity of the Sanitary authority.



	Several actors with different priorities, and budgets, Lack of communication/ interoperability between systems	<ul style="list-style-type: none"> <li>• Customs authorities: limitation of the extent to which they can expand the Spanish Single Window environment</li> <li>• Competent authorities: lack of budget to develop the systems required to join the Spanish Single Window</li> <li>• Economic operator: must apply for supporting documents to each relevant competent authority and to different authorities in each Member State</li> </ul>
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Poor exploitation of electronic exchange of information remains an issue in Spain, despite 99.6% of Customs and Excise documents processed during 2017 being digital.<sup>302</sup> A few competent authorities have not managed to fully digitise their systems and lack the budget to do so. Competent authorities' budget is therefore a barrier to the expansion of the Spanish Single Window environment. Competent authorities indeed need to adapt their system to customs', which is costly. Optimal exploitation of electronic exchange of information at national level is therefore a matter of competent authorities' priorities.

Competent authorities from the Ministry of Health, Consumption and Social Welfare indicated poor exploitation of electronic exchange of information to be a problem at EU level. Because of their experience of the Single Window project, national authorities can feel the difference at EU level. It makes the fact that improvements are necessary with other MSs and the EU even more obvious. There is no real time communication between all authorities involved at EU level. This means that to exchange information at EU level requires an action from authorities involved, to make a request for example.

#### **Problem: Enforcement issues and information gaps**

Rating	Explanation of rating	Main stakeholders affected and how
	This problem requires EU-wide legislative action, including harmonisation of systems to have comparable information across borders.	<ul style="list-style-type: none"> <li>• Customs authorities: believe this is an essential weakness of the current environment for EU customs</li> <li>• Competent authorities: issues related to enforcement of respective regulations</li> <li>• Economic operator: indirect impact on society more broadly</li> </ul>

Poor exploitation of electronic information results in difficulties for enforcement of quotas and information gaps within, but also between, EU Member States. The lack of harmonisation in EU systems and/or of EU legalisation to underpin the development of such systems, means there is a barrier to EU-wide enforcement and gaps in information on the nature and scale of enforcement problems in the first place.

According to representatives of competent authorities, the problem is that the European Commission does not offer an integrated system for the implementation of controls based on Community law. Some countries created their own systems, which is costly, based on their own interpretation of the law. There are countries where controls are strict and precise, and

<sup>302</sup> Source: Presentation on Spanish IT structure, 12/11/2018

others where not. Economic operators therefore change countries through which they import goods depending on how controls are carried out. Their goods then disappear from controls in Spain even though it is their destination. For example, SOIVRE's representative reported that imports of small electronic material recently decreased in Spain, because they are imported through the Netherlands, where controls are not as detailed. A 2018 report from the European Parliament confirms that:

*“There is currently an imbalance in the performance of customs control by Member States. This imbalance is due both to geographic differences between Member States and in their respective capacities and resources, as well as to a lack of standardised customs controls. [...] The provision of equivalent customs control equipment is therefore an important element in addressing the existing imbalance. It will improve equivalence in the performance of customs controls throughout Member States and thereby avoid the diversion of the flows of goods towards the weakest points. All the goods entering the customs territory of the Union should be subject to thorough controls in order to avoid “port-shopping” by custom fraudsters.”*<sup>303</sup>

#### **Additional problem (specific to Spain): Resistance to digitisation**

Rating	Explanation of rating	Main stakeholders affected and how
	This problem is specific to a few places in Spain, where officials are reluctant to using digitised documents	<ul style="list-style-type: none"> <li>• Customs authorities: limitation of their efforts</li> <li>• Competent authorities: inefficient process and administrative effort</li> <li>• Economic operator: delays, cost of storing goods, administrative burden, etc.</li> </ul>

According to one of the economic operators consulted, the problem is that customs processes depend on the point of entry, and more specifically on the personnel in charge. For the border sanitary control for example, in Vitoria they are working with PDFs and electronic signatures. It works well because the person responsible is cooperative. But in Madrid, the person wants economic operators to go to the office, queue, etc. In Barcelona, it is the same, and the person is in the city centre. It is the only process that is not part of the Spanish Single Window. The idea that it depends on the team in charge was echoed by other economic operators consulted.

#### **Likely future developments**

This section provides insight on how the problems described above are likely to evolve, either through the continuation of the baseline scenario or pursuit of policy options for enhanced government-to-government (G2G) and/or business-to-government (B2G) collaboration. Potential impacts include direct costs and benefits for different stakeholders, as well as indirect effects related to the implementation of and compliance with given regulatory requirements. Below we provide a summary of the expected impacts under different scenarios, followed by a summary of how well the problems outlined in section 5.3.2 would be addressed. For each problem, we provide a rating of the expected impact (as outlined below).

<sup>303</sup> Committee on the Internal Market and Consumer Protection, *Report on the proposal for a regulation of the European Parliament and of the Council establishing, as part of the Integrated Border Management Fund, the instrument for financial support for customs control equipment* (COM(2018)0474 – C8-0273/2018 – 2018/0258(COD)), 12 December 2018  
<http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+REPORT+A8-2018-0460+0+DOC+XML+V0//EN>

Rating	Explanation of rating
+++	Problem would be substantially improved / eradicated
++	Problem would be improved to a significant extent
+	Problem would see some (limited) positive improvement
0	Very limited or no change

### Continuation of the baseline scenario in Spain

For Spain, the continuation of the baseline scenario implies a gradual expansion of G2G collaboration at national level as the scope of the Spanish Single Window will continue to increase. All competent authorities are expected to progressively join the Spanish Single Window. In addition, there are formal discussions with partner competent authorities on the move to a SEP.

The one-off costs of gradually expanding the scope of the Spanish Single Window would be borne by competent authorities (and would vary). Competent authorities that already joined considered the direct benefits to be worth it, for instance more efficient and effective routing of consignments, and a smoother and more efficient operation through automatic updates in the system.

In addition, concrete plans exist for a national Single Window which would go further than G2G cooperation. Spain is indeed aiming towards an SEP for economic operators to facilitate the submission of customs and non-customs information required for the import/export of goods. Customs authorities are working with Phytosanitary, Waste, Pharmacy, SOIVRE (both Commercial Safety and Commercial Quality, and electrical and electronic equipment) authorities to analyse the data required to be added to the customs declaration and on the flow of messages. This would cover all the supporting documents from the partner authorities involved. At the time of writing, this would not cover AGRIM, AGREX, CITES, dual use and cultural goods, invasive exotic species, ecological products.

For this national Single Window to constitute an SEP for economic operators importing/exporting products through Spain, EU databases would need to receive the applications for some EU supporting documents directly from national customs authorities instead of economic operators. Currently, economic operators apply for these supporting documents directly to the EU level. In this national Single Window scenario, customs would send these applications from the customs declaration, which would include the additional data required for each type of supporting document.

Spanish customs are also working on the advance notice of controls to AEO and on expanding the Single Window to exports.

For these changes to be implemented smoothly, information is key. Customs authorities created a Single Window portal on the web page of the Tax Agency, including a description of the project, with access to technical documentation, presentations, etc.<sup>304</sup>

The main costs related to these developments are technical ones, but because Customs authorities have an internal IT department, it is not possible to make an estimation. Partner authorities have external IT experts, so each authority will make an estimation of the costs and include it in its budget. The situation is different depending on each authority's budget allocation, projects and priorities.

<sup>304</sup> <http://www.eugo.es/>

What Spanish competent authorities want is to be able to see is which supporting documents have been used. The next step is to feed the national database with data from European ones and see when an SAD is being modified. It will allow the national system to generate various levels of risks. This is foreseen within the next year, but it depends on the budget allocated to the project, which is being decided at the level of the Secretary of State.

The table below sums up the expected impacts under the baseline scenario for each of the main problems and shows these would be positive overall but would not sufficiently address the problems.

Problem	Change
Administrative burdens in the management of goods crossing borders	+
As more competent authorities join the Spanish Single Window, administrative burdens (which are already considered to be reasonably low) decrease further.	
Multiplication of information and procedural redundancies	++
When the SEP becomes a reality, procedural redundancies for economic operators will disappear.	
Poor exploitation of electronic exchange of information	+
Over time, the electronic exchange of information is expected to improve as more partner competent authorities digitise their system and adapt it to join the Spanish Single Window. However, the benefits would be limited by the lack of any guarantee that the same investments would be made in other Member States.	
Enforcement issues and information gaps	0
The impacts in relation to enforcement gaps and information gaps are limited under the baseline scenario. The voluntary nature of the CERTEX project means it lacks an EU level quantity management function that limits the scope for gains in enforcement.	

### Options for enhanced G2G collaboration

These options involve putting in place a legal base to boost back-end, G2G cooperation on the exchange of data relating to a different category of supporting documents and specific technical solutions for implementation. The options are not mutually exclusive but can be combined depending on the pros and cons of including distinct categories of supporting documents.

In the short term, the priority for Spain is the expansion of the national Single Window to as many supporting documents as possible. The direct costs and benefits of doing so would be the same as for the continuation of the baseline scenario.

In the medium to longer term, the main category of supporting documents that customs authorities would be interested in further collaboration are AGRIM, AGREX, CITES, dual use and cultural goods, invasive exotic species, ecological products, given that coverage of these is not foreseen under the baseline scenario. The direct costs would depend on the technical solution agreed on. The option favoured by Spain would be for a central database developed at EU level. As such, the direct costs for Spain would be low. The expected benefits would be an improvement in the electronic exchange of information. Indirect benefits would be better oversight.

The representative of the Sanitary authority indicated that communication between all the authorities involved, in Spain, but also with authorities of other MS and with the EU level must be fluid. This requires improving G2G collaboration.

CERTEX constitutes a solid basis for enhanced G2G collaboration at EU level. At the time of writing, SOIVRE is connected to CERTEX, and it is working. In the future, SOIVRE would like CERTEX to connect to all the different databases. Both SOIVRE and national customs authorities would like to get the information from CERTEX without having to request it. Supporting documents would be downloaded automatically into the national system, without the competent authority requesting it. It is possible to attribute the supporting documents before the arrival of the goods. For now, national authorities must enter the information in TRACES to get this information. This is duplication given that economic operators have already entered the information. It would therefore be possible to do quantity management at national level, as a first step, and at EU level if CERTEX were to become mandatory. In terms of customs, it does not change anything whether the information come from TRACES or from SOIVRE. They would use digital signature for TRACES.

The table below sums up the expected impacts for enhanced G2G collaboration for Spain for the most pertinent options discussed above.

Problem	Change
Administrative burdens in the management of goods crossing borders	+
The administrative burdens will decrease as more competent authorities join the Spanish Single Window.	
Multiplication of information and procedural redundancies	+
As with the baseline scenario, enhanced G2G collaboration does not necessarily mean a reduction in multiplication of information or procedural redundancies for economic operators. Nonetheless, it could avoid duplication linked to the retrieval of information from the EU level by national authorities.	
Poor exploitation of electronic exchange of information	+
As with customs, economic operators would gain from more seamless connections between governments (nationally and with third party governments). This would need to be supported by digital signatures to allow for a fully paperless system.	
Enforcement issues and information gaps	++
Enhanced G2G collaboration would open opportunities for improved enforcement and lead to improvements in understanding of the scale of problems, especially if the legal basis allows for quantity management. The impact is hard to estimate but would be positive.	

### Options for enhanced B2G collaboration

Options 5-7 are about business-to-government (B2G), front-end cooperation that focuses on diverse ways of streamlining reporting processes for economic operators when dealing with the regulatory requirements. The options for B2G collaboration are mutually exclusive and range from no action (covered under section 4.1); through a common management portal (option 5); interoperable national Customs Single Windows (option 6), to a Single EU Customs Single Window trader portal (option 7).

For Spanish customs and partner authorities, it is essential that the European Commission considers that Member States have their own systems. For them, the only way forward is to facilitate the union of these systems. It should be possible to exchange information between the European level and the national systems. For Spanish partner authorities, this could be done either directly or via the Customs authorities of each country. For them, this exchange of information should be:

- online;
- for web services;
- done using XM files (or compatible with); and
- respect the complex systems already implemented in the different countries.

The possibilities for enhanced B2G collaboration are supposed to realise in the near-term in Spain through the SEP. Indeed, as mentioned above, Spanish customs decided to include an SEP in their national Single Window, and they are already working on it. Partner authorities are also in favour of this evolution of the Single Window, as a trade facilitation measure. According to SOIVRE's representative consulted, it is necessary that economic operators interact with a single interface. Given Spain already has a national Single Window, they would like to maintain it, which is possible with option 6. Spain plans on connecting to TRACES NT, when it is operational. So, in theory, Spanish Customs support Option 6, but it needs to be part of a realistic development plan at EU level. Data harmonisation is required, whether it be customs or regulatory requirements-related. This should be the first step in terms of future developments of the EU environment for customs, according to partner competent authorities. It will make the development of a real SEP at national level easier. It should at least include EU supporting documents in EU databases.

The expected impacts of pursuing option 6 would be significant but would also require significant investments by other Member States. Spanish customs understand that countries with only a few supporting documents do not believe it is worth investing in a complex information system.

The table below sums up the expected impacts for enhanced B2G collaboration for Spain assuming option 6 (which is favoured) were pursued.

Problem	Change
Administrative burdens in the management of goods crossing borders	+++
The improvements relating to administrative burdens would be significant for economic operators through the SEP, as they would only have to input information in only one place (only once principle).	
Multiplication of information and procedural redundancies	++
This would be significantly improved as a SEP would necessarily reduce the multiplication of information and could reduce procedural redundancies for all stakeholders.	
Poor exploitation of electronic exchange of information	+++
This would be significantly improved if option 6 makes it mandatory for all Member States to develop a Single Window in an interoperable way.	
Enforcement issues and information gaps	++
A more integrated system would provide economic operators with a single reference outlining all their obligations in one place.	



## Conclusions

This closing section draws conclusions related to the severity of the problem in Spain and desirability and impacts of the different policy options.

### Nature and scale of problems with the current situation

The current situation is not yet optimal, but stakeholders consulted were broadly satisfied with recent developments and plan for further improvement in Spain. Nonetheless, electronic exchange of information is sometimes limited due to partner competent authorities' distinct priorities, and some Member States' level of digitisation. The exchange of information is also limited because of the lack of interoperability of different systems. The most significant problem is linked to interpretation of Community law and the resulting differences in terms of controls as well as the lack of EU-wide quantity management, which create distortions of competition between Member States within the customs union.

Problem	Rating
Administrative burdens in the management of goods crossing borders	
Multiplication of information and procedural redundancies	
Poor exploitation of electronic exchange of information	
Enforcement issues and information gaps	
Additional problem (specific to Spain): Resistance to digitisation	

### Learning from the Spanish Single Window

Understanding the reasons behind the development of the Spanish Single Window might have broader lessons for other Member States. The economic crisis was an important driver for the project. Indeed, the Single Window freed up significant resources, which could be redeployed elsewhere. Another key factor was having an integrated IT department working in partnership with customs within the Tax Agency. Spanish customs' main objective is facilitation which is the purpose of the Single Window. Finally, Spanish customs authorities insisted on the human aspect, and on their participatory approach and relation building.

Neither the EU SW-CVED pilot, nor the EU CSW-CERTEX project provided sufficient benefits for Spanish authorities to take part. Nonetheless, customs authorities confirmed the relevance of having EU level databases for EU level supporting documents, but the information they contain must be usable and retrievable by national authorities. Spanish customs authorities would like to be able to automatically upload and download data to/from TRACES NT, to avoid any duplication of tasks.

### Feasibility and desirability of the policy options

In the case of Spain, the most desirable policy options are linked to option 6, as briefly summarised below.

Scenarios
Baseline: The baseline scenario would see increasing improvements linked to the enlargement of the Single Window environment and the introduction of a SEP at national level.



G2G: The expected impacts of enhanced G2G collaboration would be high, especially if all systems (at EU level) were interoperable.

B2G: Option 6 is highly desirable for Spain but would be optimal only if it is mandatory for all Member States to develop a Single Window, and if it includes G2G cooperation (as described above).

## **GERMANY**

### **Introduction and evidence base**

The research on Germany was based on interviews with the Federal Customs Authority, three partner competent authorities (responsible for dual use licences at the federal level, and the CVED / CHED and waste shipment formalities for the state of Hamburg), and four economic operators (comprised of a multinational chemicals company, a freight forwarder, a customs broker and a large automaker), in addition to documents provided by the interviewees.

### **Administrative set-up**

Due to its federal structure, the German customs authority does not play a leading role in coordinating border management with other authorities responsible for formalities. Rather, this is addressed in different ways depending on the situation in specific federal states. This was described a barrier to progress on establishing a single window environment in Germany, and to participating in EU CSW-CERTEX.

### **Progress so far towards a customs single window**

Germany is not participating in EU CSW-CERTEX or pursuing a national single window for the moment. However, there is G2G collaboration between customs and the authority responsible for dual use licenses that resembles EU CSW-CERTEX for this purpose.

The customs authority gave several reasons for the lack of progress and enthusiasm so far. Most importantly (1) other priorities related to IT projects stipulated in the MASP / UCC, and Brexit; (2) much of the existing non-customs legislation does not allow for enhanced G2G or B2G solutions (3) Germany's federal structure (with responsibilities for relevant regulations being spread across a patchwork of authorities at different levels) makes it especially hard for customs to assume a leadership role; (4) the strong role of port community systems in Germany, which in many places were described as replicating a lot of what a single window would do.

### **Any problems with the status quo**

Interviewees responsible for CVED / CHED formalities and waste shipment described laborious processes for dealing with clearance for relevant goods, in all cases involving original paper documents. The customs authority confirmed that the situation was similar for goods subject to other non-customs formalities. This was seen to lead require excess labour and delays, as well as potentially causing errors. While figures could not be provided, the situation was considered problematic by all interviewees, especially those economic operators which trade in goods subject to significant non-customs formalities (e.g. fresh fruits and vegetables).

However, some economic operators (e.g. the car industry) emphasised that non-customs supporting documents play only a very minor role in the time needed for goods clearance. In other words, the importance of this issue depends strongly on the goods concerned.

### **Likely future developments**

Enthusiasm for a future EU single window environment for customs. Economic operators were in general enthusiastic about any simplification and trade facilitation measures, while the customs authority and partner competent authorities were in principle open if the political will and necessary financial resources could be secured. Moreover, partner competent authorities emphasised the importance of maintaining high standards of safety and security.

## **ITALY**

### **Introduction and evidence base**

Evidence base. The research on Italy was based on interviews with the customs authority, four partner competent authorities (responsible for CVED / CHED, sanitary certificates, hazardous chemicals and AGRIM / AGREX licences) and three economic operators (of which two customs brokers and a freight forwarder), in addition to documents provided by interviewees.

### **Administrative set-up**

The Italian customs authority has a leading role for coordinating border management, as defined in a national legislation, which it then uses as a basis for establishing service line agreements and memoranda of understanding with partner competent authorities.

### **Progress so far towards a customs single window**

Italy does not participate in EU CSW-CERTEX, but has an advanced national single window which involves G2G collaboration for CVED and CED certificates and AGREX/AGRIM licenses, as well as several national certificates. Conceptually and practically, this functions in a similar way as EU CSW-CERTEX, but involves information stored at national level. For documents using EU databases such as TRACES, the data is replicated nationally so that the necessary processes can be carried out. The amount of progress achieved was attributed to leadership of the customs authority, which is enshrined in national legislation, and mutual interest from customs and partner government authorities.

### **Any problems with the status quo**

Unlike other countries, Italy has managed to do away with paper for the supporting documents included in their single window, for all declarations except the small minority involving other Member States.

Stakeholders on both sides of the table were very positive about the results achieved so far in terms of increased efficiency, improved risk management and better enforcement (along with knock-on effects like improved human health). While they had trouble quantifying benefits, before and after examples showed that the achievements were very significant. Customs and partner competent felt that documentary controls were quicker, while physical controls were easier to coordinate. Moreover, the provision of electronic data, with quantity management at national level, was seen to allow for double checking that reduced error rates.

Examples can at least give a partial idea of the types of gains that could be expected. For instance, a customs broker in Italy explained that, prior to the national single window, the operator was responsible for physically transporting documents between competent partner authorities and the customs authority. This required considerable time and / or costs from courier services, in addition to leading to delays that had knock-on effects such as storage costs and lost business from disappointed customers. These costs have now been cut to zero, since the supporting documents in question are sent electronically between authorities, without any action from the economic operator. Similarly, the national single window has allowed economic operators to conduct detailed status checks on their declarations online, avoiding un-necessary calls to the authorities or trips to pick up goods that are not ready. The introduction of the single window has also led to coordinated checks between customs and partner competent authorities, avoiding the movement of containers at cost to the economic operators that previously took place.

The costs of putting the single window in place mainly related to IT infrastructure, while training and teething costs were seen as relatively manageable (if not completely insubstantial). Unfortunately, the customs authority was not authorised to provide cost data figures due to the politically sensitive nature of budget information.

### **Likely future developments**

In the absence of EU action, the national single window initiative would continue to be used. However, the customs authority indicated that its expansion would likely slow down or stop, given that there is an expectation that the single window will be taken forward at EU level.

Given this and the notable success so far at national level, customs and partner competent authorities are very keen on advancing the single window at European level. This was expected to reduce costs and introduce functions like quantity management for documents involving multiple Member States and, more importantly from their perspective, to reduce discrepancies in enforcement between Member States. This was seen as a very big deal, because the Italians worry about unfair competition due to lax enforcement in other parts of the EU.

## **ROMANIA**

### **Introduction and evidence base**

The research on Romania was based on interviews with the customs authority, three partner competent authorities (responsible for CVED / CHED, FLEGT certificates, and AGRIM / AGREX licences) and four economic operators (of which three customs brokers dealing with different types of goods and one freight forwarder) in addition to documents provided by interviewees.

### **Administrative set-up**

Customs has a leading role in coordinating border management, which it uses to establish collaboration and service line agreements with partner competent authorities, though the level of collaboration varies strongly by the authority in question.

### **Progress so far towards a customs single window**

Romania is not currently participating in EU CSW-CERTEX or having a national single window, with the lack of progress mainly attributed to resource constraints. However, there are agreements in place with the authorities responsible for CVED / CHED certificates that allow for a degree of coordination regarding the submission of documents and controls. Romania has also decided to join EU CSW-CERTEX in the next two years and has started taking steps in terms of IT developments.

### **Problems with the status quo**

For most EU-normed certificates, paper is still used in Romania. This requires economic operators to shuffle paper between authorities and face potentially long waiting times and delays, while there are reportedly plenty of human errors regarding enforcement.

### **Likely future developments**

The customs authority and other interviewees were generally positive about any EU-led trade facilitation initiatives. However, it was also explained that the low levels of trade in many of the goods that would be included in a potential initiative (e.g. COI) meant that the current situation was not seen as overly problematic, whereas the potential gains would be limited in scale. Also considering resource constraints, the customs authority and partner competent authorities felt that EU support would be important in deciding whether to make improvements.

## ANNEX 17: OVERVIEW OF POLICY OPTIONS

Option category	Overview
Category I: government-to-government cooperation to make it easier for customs and partner competent authorities to share information	Option 1: <i>Interconnecting national customs systems to EU non-customs regulatory formalities digitally available at EU level</i>
	Option 2: <i>Interconnecting national customs systems to EU non-customs regulatory formalities digitally available at Member State level</i>
	Option 3: <i>Interconnecting customs systems to national non-customs regulatory requirements in another Member State</i>
	Option 4: <i>Interconnecting national customs systems to EU non-customs regulatory formalities digitally available in third countries</i>
Category II: business-to-government cooperation aimed at improving economic operators' interactions with customs and partner competent authorities	Option 5: <i>Harmonised portal for economic operators to fulfil EU non-customs regulatory requirements</i>
	Option 6: <i>Harmonised national single-entry points for economic operators to fulfil customs and non-customs regulatory requirements</i>
	Option 7: <i>EU single-entry point for economic operators to fulfil customs and non-customs formalities</i>
Category III: Expansion of the use of Economic Operator Registration and Information (EORI)	Option 8 (i): <i>Extended use of the Economic Operator Registration and Identification System (EORI) to partner competent authorities for registration, identification and validation purposes</i>
	Option 8 (ii): <i>Extended use of EORI system to partner competent authorities for validation purposes</i>