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COVER NOTE

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COMMISSION STAFF WORKING DOCUMENT
EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT REPORT

on the Single Market and Customs Programme

Accompanying the document

Proposal for a Regulation of the European Parliament and of the Council
establishing the Single Market and Customs Programme for the period 2028-2034 and
repealing Regulations (EU) 2021/444, (EU) 2021/690, (EU) 2021/785, (EU) 2021/847 and
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Impact assessment on the EU's next long-term budget (MFF) - SINGLE MARKET AND CUSTOMS PROGRAMME

1. Need for action

What are the problems?

A well-functioning single market is a prerequisite for the EU's competitiveness and for ensuring Europe's sustainable prosperity and economic security. However, action is still needed to complete the **Single Market**, and to ensure a highly performing **Customs Union**, capable of adjusting to geopolitical uncertainties and to increasingly volatile international trade patterns and challenges. The relevance of the Single Market and the related Customs Union is increasing in view of the emerging political challenges identified in the Political Guidelines and recent reports from Enrico Letta and Mario Draghi.

It is therefore imperative to ensure continuous funding in the area of the Single Market, and improve cooperation between national administrations. The current **complex** funding landscape lacks **flexibility and synergies**, and barriers hinder effective access to the available funds. More flexibility in the MFF funding system will make it easier for programmes to adapt to evolving priorities while fostering the EU Customs Union and the Single Market's global competitiveness and help create a more level playing field.

Despite the availability of significant resources through the existing **Single Market (SMP), Customs¹, Fiscalis, and Union Anti-Fraud programmes** which are the subject of this impact assessment, a range of factors still hamper their effective allocation and uptake.

What is to be achieved?

The general objective of this initiative is to enhance and deepen the functioning of the Single Market and to strengthen the Customs Union, to protect the financial and economic interests of the EU and its Member States through greater flexibility, simplification and synergies.

More specifically, this initiative addresses the challenge of fragmentation, complexity and coordination shortcomings in the following three areas, where the need for EU intervention in the form of EU funding is underpinned by evidence.

- Knowledge and data gaps are among the obstacles preventing citizens, consumers, and businesses, economic operators from benefiting from the single market.
- Capacity building, administrative and operational cooperation among Member States and between Member States and the European Commission remains suboptimal.
- Rulemaking, standard-setting and enforcement at EU level may not be able to adapt to a changing environment.

¹ Including interventions made through the Customs Control Equipment Instrument, which is part of the Integrated Border Management Fund in the 2021-2027 MFF.

In the absence of EU action ensuring coordinated funding in the area of the Single Market, the Customs Union, taxation, and anti-fraud policies, the identified issues and their roots would persist. An unchanged funding landscape could limit the European Commission's capacity to sustain activities required by its legal obligations and to fully assess the enforcement of EU law. This would hinder efforts to further improve and complete the functioning of the Single Market and strengthen the Customs Union.

2. Solutions

Description of the policy options

Two policy options were considered, namely an integrated scenario and a unified scenario. Both are built around different levels of ambitions for integrating the current funding instruments.

With enhanced harmonisation of legal provisions, the **integrated scenario** establishes a single, more streamlined flexible framework but still maintains a clear division between the existing four programmes. It would mean that the future programme would replicate the current pillar-based approach and governance models of the Single Market Programme and incorporate the new strands (customs, taxation and anti-fraud) as new pillars (while excluding the SME and food and feed strands).

The **unified scenario** entails a complete merger of all policy priorities within the scope, with a single common basic act, i.e. one set of legal and institutional requirements for all the activities covered. This scenario might offer greater flexibilities through increased possibilities to respond to changing circumstances or needs and a greater flexibility to transfer budget appropriations between different policy areas.

Comparison of the options

The **integrated** scenario has limited potential for increased flexibilities, synergies and simplifications. There is a need to strongly enable additional or enhanced activities, such as a faster and better response to changing circumstances, and to create more joint activities.

The **unified** scenario, although possible administratively complex due to more demanding management and coordination needs, has the capacity to set a solid and agile framework and lead to incremental improvements compared with the current situation of the four programmes. It would lead to simplified and streamlined processes, cross policy synergies, integrated digital tools for access to funding, plus effective programme implementation and reporting for all policy areas, without increasing the administrative burden for stakeholders.

Preferred option

After assessing the two policy options, primarily focusing on their designs, the **unified scenario** is the preferred option. Through its design and the policy areas it covers, it has the highest potential to achieve the general objective of the programme and address all the identified problems and problem drivers.

The needs of the concerned policy areas can be best tackled with the unified scenario consolidating four predecessor programmes by simplifying and streamlining procedures. This

would help promote EU policies and programmes, encourage stakeholders' involvement, and increase the relevance of activities. The unified scenario brings enhanced operational and administrative **synergies**, increased **flexibility**, fostering **simplification** and reducing the administrative burden through simplified EU funding procedures and improved digital-ready and evidence-based policymaking.

3. Impacts of the preferred scenario

The **unified** scenario would make both the horizontal activities to support national authorities and the Commission's policymaking and law enforcement role more effective. Additional benefits might arise in cross-policy areas and horizontal activities, along with **increased adaptability** and potential for **synergies** and **simplification** in programme management and administration, potentially decreasing the administrative burdens and reducing costs.

It is important that policy-specific legal commitments take priority, while at the same time allowing the utmost flexibility in the overall governance and implementation of the programme.

4. Follow-up

When will the initiative be reviewed?

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