

Evaluation of Electronic Transport Documentation Project

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A. General Evaluation of the Project

The electronic transport documentation project has been in preparation over several years and has, by virtue of close cooperation among - in particular - three parties: common carriers, the customs authorities, and the DFFE, seen the light as a pilot project in early 2005.

Interest on the part of auditing agencies in the project and the development of electronic documentation in general has been great. The project represents the sole follow-up on Special Report No. 7/2001 from the Court of Auditors, which recommends - i.a. - a focus on container movements and "tracking information" in connection with the approval of differentiated refunds. As soon as the information is available on paper, many identified sources of errors arise. In that light it is somewhat ironic that this project was not launched by the Commission, in that it underlines the inadequacies of the present paper-based procedure in connection with protecting the European Agricultural Guidance and Guarantee Fund ("EAGGF") against financial risks; a paper-based Bill of Lading provides no guarantee or validity with regard to payments from EAGGF - in that no rules have been adopted to show when the document must have been issued, when the check must be carried out, or whether the information has been updated in relation to transshipment, transport route and destination. By contrast, the authorities' access to the carriers' databases provides the security that the auditing authorities can rightly expect from the paying agencies.

Government authorities - especially the funding authorities - have shown great interest in the project because budgetary savings, digitalisation and rationalisation have gone hand in hand with improved quality.

Finally, and not least, great interest has been shown by the users because of the possibilities of simplification and digitalisation inherent in the project and the derived effects it might have.

Derived effects

One of the crucial focal points has been the fact that no appreciable IT development has been started. Instead, the basis is the utilisation of third-party favour and commercially-based systems for the benefit and in the interest of all parties.

At the present time already, potential derived digitalisation benefits can be discerned within the administration of export refunds and customs and other public administration, where the information is to be verified (assessed as being valid) and exchanged under protected conditions:

1. Private-public interaction where the authorities are provided with more valid information than previously. In return, basically, the customer is released from the duty to furnish necessary information - without this giving rise to an added burden on the public system.
2. The project provides access to use electronic transport documentation – "tracking information" and statistics – in connection with other parts of the legislation - especially as secondary proof of arrival - for the benefit of customers and authorities, who will receive more valid information. Furthermore, the principles can be applied as models for electronic proof of arrival based on "read access" and digital certificates rather than file transfer, formats, etc.

3. Approval procedures ensure monitoring, follow-up and audit trails in compliance with applicable EU legislation in the field of export refunds¹. This model could conceivably be applied to other areas with government- or EU-based subvention financing.

Suggested improvements

An overall list of suggested improvements has been drawn up in connection with the evaluation of the project (Schedule 3). Most of these proposals have already been incorporated in the procedures or are being implemented, especially as regards the new approval procedure.

B. Player Evaluation

During each constituent evaluation, suggested improvements have been accumulated; these will be included in the further work when an effort is made to make the scheme permanent. These proposals are summarised in **Schedule 3**.

1. SKAT's opinion.

The overall opinion of the project is positive, although the scope of its application is still lower than expected. Virtually all exports from Danish ports may, in principle, be covered by the project. Qualitative and target-oriented information to the users is the foremost means of ensuring its more widespread application. Maersk Sealand has made large-scale use of the system, and Hapag-Lloyd to a somewhat lesser extent. P&O Nedlloyd has used the procedures only to a minor extent, which is likely to change when, as expected, that group merges with Maersk Sealand. The company has made it clear that, as from March 2006, P&O Nedlloyd will use the same system as Maersk Sealand.

The barriers preventing participation in the project are believed to be related to lack of information, including lack of focus or proper priorities in-house at the users. Probably because, in the short term, new procedures involve added use of resources, although simplification and rationalisation gains will be evident fairly early. This, however, is not an unknown phenomenon in the administration of export refunds, where a certain inertia has always been evident in connection with the introduction of new procedures - a natural consequence of the cost and time consumed in the development of employee qualifications, information retrieval, etc.

Suggested improvements:

- Company-based information from SKAT
- Joint information activities between authorities and carriers/hauliers

IT interfacing (homepages) and security procedures.

Generally speaking, IT user interfaces have proved to be operational and fulfilling the minimum requirements of the authorities. Furthermore, some carriers have changed the functionalities *en route* for the purpose of increasing the authorities' user satisfaction. In certain cases the security procedures have been seen as somewhat ponderous, especially in the case of introduction of new users and/or a reshuffling of officials with the authorities. However, compared to the situation before access to electronic databases was established, there is great satisfaction.

¹ Cf. regulations Nos. 456/2003 and 800/99.

It has been paramount for SKAT to ensure that the electronic scrutiny can be made with few references and with the viewing of few screen images. In other words, that the essential information is available in one place.

Suggested improvements:

- Demands as to the layout of homepages are included as a recommendation in the accrediting procedure.

Approving and changing passwords, etc.

No problems recorded as to SKAT's access rights. No appreciable access or updating problems were recorded for the transactions dealt with in the project.

In the case of one carrier there has been unlimited access to information on B/L details and tracking – based on general access for the authorities. As this problem may be a matter solely between the carrier and its customers, the authorities have not attached importance to this in connection with the assessment of the validity of the information.

User-friendliness

Some homepages are arranged in such a manner that several references are required and without ensuring the necessary degree of transparency. In that light the authorities have recommended that the design of the pages should be amended or revised. For the time being the problem is being tackled with more detailed instructions to the responsible officials.

Suggested improvements:

- Demands as to the layout of homepages should be included as a recommendation in the accrediting procedure.

Training

Entries and log procedures have been a focal point of the training of the staff earmarked to handle the new system. The internal guidelines have been revised, and manuals have been prepared for the authorities' use of the systems (screen-based); these are updated when homepages are altered.

Furthermore, those regions which carry out export control have a material interest in the continued existence of the steering group established with representatives of SKAT, main office, the DFFE and the customs territories - as a permanent steering group with access to evaluate the work and to adjust the inter-ministerial agreements on an ongoing basis. Practical problems have been avoided by virtue of a relatively high information level and an unproblematic contact between the local and the central authorities.

Problem areas – destinations, routes, etc.

Supporting aids have been obtained for the purpose of determining/detecting geographical problem areas in connection with the bills of lading - especially in cases where there is no through B/L from the port of loading to the final destination but where the port of arrival is the starting point for further transit. If the port of arrival is not located in the country of destination, a special procedure

has been initiated where the file is sent to the DFFE for further processing, in that - normally - this requires additional documentation².

Atlas as internet site has been made accessible for the administrative procedures.

Rapid clarification of problem areas involving destination, quantity and "date jumps" (such as between the cargo manifest and the B/L or in the case of unloading over several days) has been successfully tackled, so that the rectifying procedure in the DFFE has not been initiated.

There are also repeatedly problems in one port of departure as regards always to indicate the name of the "feeder vessel" in the electronic system. Clarifications are sought "on the spot" by contacting the carriers, or a paper Bill of lading is requested.

Use of resources

In those areas where the administration has been implemented there is a tendency towards a reduction in the use of resources - first and foremost because special administrative procedures have been established where the cargo manifests and bills of lading of whole ships can be examined simultaneously. In other words, there is a need to arrange the administrative procedure in a manner requiring as few entry references as possible on the various homepages.

A good deal of resources has been spent on training for the new procedures. At the same time, the dual procedure employed so far (paper/electronics) has implied that immediate resource gains have failed to materialise. However, as soon as a single electronic procedure has been implemented, this will change. Thus some resources are still being used on the triple procedure in connection with bills of lading (registration, administrative processing, approval).

Improvement potential (general)

User-friendliness.

There are certain inexpediciencies in connection with the layout of the relevant homepages that cause the administrative procedure to be delayed or made difficult. One of them is that all relevant details and references are not available on the same page/screen image on all homepages. It is a matter of layout and transparency which is likely to be able to be resolved concurrently with the normal updating of homepages.

Degree of application.

The scope of the new scheme is one of the major potential areas of improvement. It is significant that it takes so much external information to convince relatively big and professional players of efficiency gains that will benefit themselves.

If the percentage of application reaches close to 100, it will be far easier for SKAT to arrange the administrative procedure and to train its staff accordingly.

SKAT also proposes that the following be carried into effect:

² As regards Bill of Ladings with indication of the final destination, which is situated in another country and the port of arrival, the carrier does have the legal responsibility for this part of the total transport route. Either the identification of the transport means and the container will appear from the Bill of Lading, or additional documentation of the transport from the port of arrival to final destination is requested.

- Fixed deadlines for the closing/transmission of files to the DFFE (approved/non-approved) in connection with, i.a., automatic and ongoing release of licence guarantees. Suggested procedure: reminder after 30 days.
- Supplementary reminder procedure for problem cases
- Electronic procedure as proposed by the EAGGF – resulting in a reduction of the number of administrative procedures.

The day-to-day use of the procedures, including the underlying procedures that support the planning of conversion checks, if any, is explained in **Schedule 2**. The description applies to the internal procedures at the East Jutland Region (Port of Århus). **Schedule 3** contains the internal procedures of the carriers participating in the project.

2. The DFFE's opinion

Delegation.

A major part of the electronic transport documentation project has consisted - as far as the DFFE is concerned - in controlling an overall delegation of the scrutiny of differentiated refunds for small export consignments from Danish ports. The aim has been the dual one of, on the one hand, carrying out an actual delegation (thereby streamlining the administrative procedures and easing the exporters' administrative burdens) and, on the other, of ensuring that SKAT is at all times given the optimum assistance and support for the continued administration of the scheme. A quite crucial feature has been to be instrumental in ensuring that practical initiatives or auditing considerations will not involve an added burden on SKAT but, on the contrary, should contribute towards a streamlining and increased security on account of the foundation in electronic documentation.

Extended cooperation with regions/areas

The DFFE has initiated a form of cooperation with customs regions/areas in connection with implementation which has proved to be both useful and necessary and which has also been used in resolving other issues with SKAT. The formal mode of cooperation has been instrumental in extending institutional and personal networks for the benefit of the DFFE as well as customs areas and SKAT, main centre.

In this manner the cooperation has underlined the need for a more permanent forum between the DFFE and SKAT (areas) in terms of exchange of experience between the practical control work and guidelines/decisions in cases. Not least, the areas often have a need for extended debriefing on the scrutiny reports submitted. Especially the explicit purpose of avoiding problem cases through a preliminary hearing and thus avoiding subsequent technico-practical problems in connection with the electronic transfer of the files can be applied, straight away, to other areas of the administration of the control of export refunds.

Overall, it is the DFFE's opinion that the *ad hoc* group which has been established to deal with matters in connection with the implementation of the electronic transport documentation project should be made permanent and, as the case may be, should extend its responsibilities.

Improved service to the customers

Coordination initiatives between SKAT and the DFFE which have proved necessary in connection with the preparation and implementation of the project have had a definite derived effect on the customers in the export refund scheme - particularly the exporters, but also the carriers. The customers should be entitled to expect efficient organising of the control tasks when the

administration of the area is integrated between two authorities in the legal foundation. In return, the authorities must also be entitled to expect that a relatively strongly organised exporter industry can offset this effort by means of initiatives that make it possible to utilise this service. Here, it is the DFFE's opinion that trade organisations as well as individual undertakings should intensify their efforts to make use of the great simplification potential inherent in the scheme.

Accrediting procedure

The DFFE has considered - in the light of the past period, comments from carriers, customs authorities and internal and external audit bodies - that the existing accrediting procedure should be adjusted.

The evaluation is *per se* an example of a successful method which is based on an annually recurring accrediting - which gives the authorities an opportunity to increase or relax the demands and to renew or revoke approvals. However, this can also be done within the period if the circumstances so warrant. It should be noted again, however, that the safety net extended under the pilot scheme and the future permanent arrangement still takes the form of a demand for paper-based documentation in the event of any doubt concerning the documentation.

A new procedure for the approval of enterprises for the delivery of electronic transport documentation will be launched in early 2006.

Distinct criteria for approval

The criteria for approval will be determined anew and published prior to accrediting rounds. Special weight will be attached to positive indications with regard to: -

- the degree of IT backup and auditor's report (standard or external report);
- updating of the systems to reflect physical movement (own registration). Chip or "shot"/photograph;
- guidelines for access criteria, log-routines;
- protection of information (codes, certificates, encryption, etc.);
- routines for changes to or reissue of bills of lading;
- perhaps GPS systems and their application; and
- higher degree of use of the companies' external auditors.

The DFFE is aware of the fact that the checklist used for the scrutiny of the carriers' routines, IT systems and administrative procedures must be made operational in terms of exact evaluation and a weighting of the various parameters with a view to ascertaining if the criteria are fulfilled.

It should be noted in this context that there must be enough documentation to allow a rejection - with grounds - of a request for approval, and that the further processing must comply with national laws governing rights of complaint - as there is no EU regulation in this field.

It must be emphasised that, at this point already, an initiative has been launched for a new approval procedure of which the Commission's recommendations from the audit visit in June of 2005 form part. Prior to the new approval round the DFFE will publish a number of minimum criteria for the authorities' approval of the carriers' IT systems. These will include, i.a.:

- Access for the authorities to the carriers' electronic databases of transport documents, including access to the container-tracking systems on which the issuing of the transport

documents is based, and access to report generators concerning the total shipments of agricultural produce for the relevant exporters enrolled in the scheme. Furthermore, there will be a demand to the effect that, in the longer term, facilities must be created for the import of the databases on electronic media;

- An overall identification of the user (with authorities and customers); for example, by means of digital certificate;
- A combined entry key for the authorities where the carriers define access and access conditions;
- A mandatory scrutiny of a number of transactions (spot checks) as well as an authorised scrutiny of IT security, functionality and audit trails with the individual carriers;
- Participation by the carriers' external auditors; and
- access to databases of bills of lading (historics) in connection with audit, such as statement of accounts for DFFE's and SKAT's Internal Audit.
- The indication of the name of the potential feeder vessel must appear from the system, if the electronic documentation is to be approved

The DFFE will look into the possibility of incorporating the Directorate's Internal Audit and/or certifying agency in the checking of the carriers.

A screen-dump of the check carried out is, in the Danish authorities' opinion, a very poor alternative - both in terms of the purpose of eliminating paper procedures and of the validity of the information, which is much higher in electronic form.

If the Commission is concerned about the lack of documentation showing that the check has been made, the Danish authorities will instead indicate two other possibilities:

1. Firstly, the authorities will consider a mandatory requirement in connection with the annual approval procedure implying that they be granted access to that log with the shipowners which substantiates that a specific user (customs officer/DFFE official) has had access to the system (by means of a digital certificate).
2. Secondly, the DFFE's spot check of the customs authorities' carrying-out of the check will ensure not only an updated control of, e.g., the transport route and the port of arrival/destination – but also a check verifying if the customs authorities have carried out their checks in accordance with the checklists and the guidelines (substance audit).

The DFFE's spot checks

As the delegation of control from the DFFE to SKAT is based, in part, on the access to a subsequent check of the correctness of the documentation, and in part on SKAT's control, it is necessary to lay down unambiguous guidelines for the spot checks to be carried out by the Directorate prior to and after disbursement.

Over the first six-month period the DFFE has made spot checks of about 10% of the export transactions covered by the system.

The results of these spot checks have been highly unambiguous. There have been no cases of inconsistency - neither with regard to SKAT's control in relation to the guidelines provided nor with regard to substance. Nor have any cases been noted where the information on which the approval (and thus the disbursement) is based has changed. The checks were based, partly, on a scrutiny of

the Bills of Lading for any updatings or adjustments, and partly on a check at container level (based on the Bill of Lading or booking) in the container-tracking part.

During the audit visit by the EAGGF the DFFE discussed the scope of spot checks and, in particular, the nature of the spot check control - spread over *a priori* checks and *a posteriori* checks. There was no unambiguous conclusion, but the DFFE argued in favour of the advantages of *a posteriori* control in most cases, except where a specific risk can be identified. *A posteriori* control makes it possible to ascertain - at a much later stage of the shipment - any changes in the transport route, destination, cargo, etc., whereas *a priori* control will often collide with administrative processing times and disbursement demands if the same information is to be obtained before payment can be made. At the same time this also reflects an extra check compared with the paper-based procedure without access to container-tracking information and electronic Bill of Lading register.

On that background the DFFE has reduced the incidence of spot checks but maintained it at not less than 5 %.

Risk analysis

The DFFE will develop a risk analysis model focusing on the matter of differentiated refunds and the lack of demand for proof of arrival. As it is, typically those destinations where it is demonstrably difficult to obtain that type of documentation - or where the commercial sectors and the enforcement of these are not so well-developed as in the EU - will be singled out for spot checks. But exporters or carriers, too, may be included in a possible risk analysis model.

Thus, the combined risk analysis model for differentiated refunds includes a design of spot checks in conjunction with an evaluation of risk of: -

- transshipment;
- breakdown of consignments with a view to avoiding the obligation to deliver proof of arrival;
- transport/arrival.

Administrative procedure

The administrative procedure in the DFFE *per se* consists of inquiries/surveys (results) in relation to the statements of homepages shown in Box 44 on the declaration.

Subject to reference to the agreements or contracts with the carriers there is security present in the use of the electronic access to the relevant homepages. In addition to the carriers' own security measures in the form of digital certificates to the DFFE and SKAT, there is - in-house at DFFE - user names and password identification implying that the access can be documented and restricted. The DFFE has pointed out, however, that there must be at least four (4) authorised users at the Export Refund Office if it is to be possible to arrange the administrative procedures in a sensible and efficient manner.

Training

In most cases the responsible officials and others who are granted access to the systems in question have received instruction in inputs and log procedures for the various systems. In the light of recommendations from EAGGF auditors the DFFE has elaborated a supplementary screen-image-based precept for the processing of cases.

Problem areas – destinations, routes, etc.

There have been cases where it was difficult to complete the spot check because of unknown destinations - either unknown port destinations or unknown inland destinations where the country of destination is different from the country with the port destination, and where the goods are carried on by road or by rail.

In those cases the matter is always investigated in more detail. Obviously, the DFFE has more experience with this matter than SKAT, and the problem is resolved by the ongoing administrative processing, where the responsible officials' qualifications are upgraded.

3. The Exporters' Opinion

It goes without saying that there is no separate opinion from those exporters who have - for one reason or the other - not yet participated in the scheme.

For those exporters who have been part of the scheme from the outset the opinion has been favourable - although it is admitted that changing a number of in-house procedures and, especially, changing the awareness thereof among staff members who were used to the paper procedure has been costly in terms of effort and resources.

The - initially - relatively low degree of application is thus linked with the process of change which is necessary in order to reap the benefits. Not all exporters have had sufficient overview to make this short-term investment in the long-term gain inherent in the scheme. Pilot enterprises will therefore have an ongoing, great impact on the degree of application. Several exporters have begun to use the DFFE's checklist in connection with contract negotiations with the carriers - which goes to show that at any rate the awareness of the advantages of the project is present.

The DFFE has focused on rapid disbursement as the most significant incentive when promoting the scheme, and it is the exporters' opinion that precisely the bottom line is the most important motivation. The exporters have therefore demanded specific information concerning the financial advantages of using the system, where the exporters' overhead costs as well as disbursement timing will be of interest.

The perspective of the exporters' future reduced use of resources in terms of administration is also essential. The potential for improvement, which means that eventually all potential suppliers of transport services are included and that there will be no manual administrative processing, has also been a feature of interest to the exporters.

4. The Carriers/Hauliers' Opinion

The carriers/hauliers' own opinion of the project has been closely linked with the expectations that the exporters may rightly have from the positive consequences for the official processing time for refunds. It has therefore been essential for the carriers to obtain unambiguous declarations from the authorities as to their requirements with regard to computer systems, documentation and legal validity, so that it will be possible to use one's own computer systems as a factor in the market for transport services.

There has been particular focus on the EU Commission's reception and evaluation of the project, in that many players are multinationally based and would like to see similar arrangements for the other Member States.

Economies in the field of administrative costs - not least because the electronic documentation is gradually becoming a market-based demand, or that the carriers are already obligated to provide a number of different details to other authorities (USA) - have been instrumental in the carriers' interest in and commitment to the project.

The project's potential for improvement containing the prospect of total digital administration is a factor that weighs heavily on the carriers' more strategic observations in connection with the project.

5. The Auditing Agencies' Opinion

Internal Audit's Opinion

Internal Audit at the DFFE has been part of the steering group concerning electronic transport documentation and in that context has accepted the various procedures for documentation, audit trails and administrative processing. However, in one area - certification of the carriers' computer systems - they have declared that they lack the capacity or qualifications necessary for an evaluation of the components of the project, especially as regards accrediting.

Two different models have been indicated by Internal Audit for the further work with accrediting: either to trust an auditor's report from external auditors - or an ISO certification, or that the DFFE - with, as the case may be, external assistance - more methodically examines the various components of the carriers' computer systems and the validity of the information to which access is given.

The Commission's Opinion (EAGGF J.2)

The Commission has been continuously updated on the progress of the project. Furthermore, the EAGGF has paid an audit visit to Denmark in June of 2005, where the administration was discussed.

The Commission supports the Danish initiative, which will lead to a more efficient and swift administration - and reduced risk for the Fund - when it has been implemented.

It had also been clear to the Commission that so far there has been a parallel/duplication of efforts where the paper procedure as well as the electronic processing have been used in connection with the approval of payments. The Commission considered that, on that background, it would be possible to dispense with the paper handling, in that Denmark emphasised that a safety net would in any case be present in the form of a demand for the forwarding of paper Bills of Lading.

It was the Commission's opinion of the accrediting procedure that: -

- access rights (declaration and/or contract) as well as the annually recurring approval are highly essential as they ensure monitoring and adaptation to future developments;
- the checklist contains the necessary items and was evidently drawn up in the light of discussions with the services of the Commission, but clearer criteria for approval should be laid down - such as a positive list or minimum list.

The Commission believed in that connection that Denmark might consider the increased use of standards (e.g. ISO) – but also increased emphasis on the use of the companies' internal audits. Besides, a more active incorporation of external auditors (perhaps the certifying agency) might replace the role of the DFFE's Internal Audit and, as the case may be, address matters of computer security, validity, etc.

Turning to documentation for the accrediting criteria and the process in general, the Commission recommended an investment in improved and more exhaustive reporting on the results in connection with the accrediting visits. For example, an advanced template with mandatory attitudes towards all the elements of the checklist might be part of every future reporting.

Potential for improvement

In relation to the accrediting procedure, in particular, the Commission believed that the project might be improved:

- Establishing a credible documentation for and authenticity of information in connection with the accrediting procedure;
- Reducing the number of user accesses to the authorities – perhaps a "designed" access as in the case of Maersk;
- Changing the general access to *Hapag-Lloyd* to a more specific/controlled access based on the exporters' declarations and taking theirs and the authorities' user security into account;
- Possibly, electronic documentation of the scrutiny by SKAT even though there is no risk for the Fund (In that connection Denmark reviewed the triple procedure: registration of papers, administrative processing of Bills of Lading and approval of the transaction, currently being carried out and documented electronically).
- DFFE guidelines should be complemented by guidelines and screen images developed by SKAT - which the Commission found excellent;
- The DFFE and SKAT should develop procedures which ensure that responsible officials are made familiar with destinations and ports worldwide in connection with the approval of differentiated refunds.

C. Practical Measures Aiming to Make the Project a Permanent Arrangement.

New accreditings

In connection with the formal end to the one-year approval for delivery of electronic transport documentation granted to certain carriers the Danish authorities will institute a new accrediting round in the light of this evaluation report.

Announcing minimum requirements

So that the suppliers of transport services can be well prepared and so as to ensure uniform possibilities and prevent limitations the DFFE and SKAT will - approx. two months prior to approval - announce the possibility of participation in the scheme and, at the same time, explain the minimum requirements for approval that will be in force as from 1 April 2006 and henceforth.

During the period between such announcement and the granting of approval or refusal, control visits will be paid to the enterprises that wish to participate in the scheme. Debriefing on the results, outlines and documentation submitted, as well as a review of a number of spot checks, will be made

on an ongoing basis to the steering group provided. After a final series of meetings the DFFE will grant approval or indicate refusal to the individual carriers/hauliers.

Control/accrediting visits

The control visits will include a testing of access conditions (testing of access criteria, digital certificates, etc.) which will be made, as before, in the light of a number of specific current export transactions. If the carriers have not already obtained clearance to pass on exporter information to the authorities, they will have to take steps in that regard in connection with their affirmation of willingness to participate in the scheme.

A revised checklist will be used for the visits.

In connection with the new round of accrediting visits the DFFE is considering the use of external expertise to complement the DFFE's Internal Audit with regard to computer security and other auditing problem areas.

Steering group between SKAT and the DFFE

The evaluation unambiguously emphasises the expediency of close contact with the authorities on the implementation of the pilot scheme. The effort to make the scheme permanent therefore implies an obvious incentive to give the steering group a permanent character, too, and a formal rooting in the contractual basis between SKAT and the DFFE.

The control framework for the checking of exports will have this feature of the cooperation added to it, and the Master Agreement will also be revised if the circumstances so warrant.

Any practical problems, outstanding legal matters, financial questions (such as information technology development) will be handled in the steering group.

Information Technology Development

One of the considerations entertained by SKAT and the DFFE already before the EAGGF's audit visit was to secure an electronically based audit trail by specifying the B/L No. in the electronic approval image in connection with the control of export transactions. After the audit visit from the EAGGF it was decided to initiate the necessary IT development at SKAT in order to make allowance for this improvement of the documentation. According to the plan the technological development will be ready by early April 2006.

D. Conclusion and Future Perspectives

The general conclusion from the pilot period is that the project and the scheme work as intended. The procedures have been further developed on an ongoing basis in close dialogue with carriers (such as the question of combined access). Owing to the positive evaluation and the results of the spot checks carried out, paper handling as a parallel procedure from the transition period will then be eliminated.

There is one predominant negative element in the evaluation, namely the number of clients joining the project, which is still limited - although steadily rising with a few big exporters as pioneers. Exporters who, indeed, use the checklist for carrier accrediting as the basis for contract negotiations with these. Perhaps the immediate simplification in the sense that exporters needed to send Bills of

Lading only to one authority has initially had such an impact that from the outset they have not considered going "all the way" by eliminating paper documentation - despite the fact that there were no significant technical barriers associated with that.

The fact is that security in the administration and, therefore, the basis of disbursement have now been elevated to a totally different and far higher level than before.

The crucial conclusion is therefore that the scheme is given a permanent status with the decisive qualification that the accrediting arrangement and the annual approval procedure are maintained. In connection with the evolution from pilot project to permanent scheme a number of constraints will have to be introduced to this accrediting procedure so that the comments and suggested improvements that are contained in the evaluation report can be incorporated as far as possible in the future administration.

The evaluation also shows that the prospects of synergy effects are good for the testing and determination of risk criteria for the rest of the administrative processing. Consequently, risk analysis models (risk assessment + random checks) should be developed for the purpose of obtaining an overview.

Results of the spot checks (*a priori* checks and *a posteriori* checks) show that so far no inconsistency has been found compared with the checks performed by SKAT in connection with their scrutiny of exports. But on several occasions the information on the tracking systems has been helpful in the administrative processing of proofs of arrival from "problematic destinations" in third countries.

Efficient cooperation with third parties in the form of carriers has been instrumental in implementing and continuing the project.

The auditors' notes (EAGGF/Internal Audit and external auditors) have been incorporated, together with suggested improvements resulting from the evaluation, in the forthcoming revision of the administrative procedures. See **Schedule 3**:

Information about and promotion of the scheme – also assistance to other Member States. It is reasonable to expect that there are exporters who - in the light of the electronic transport documentation scheme - will choose to seek refunds in Denmark. A transaction with differentiated refund under €2,400/12,000 per product line which is exported from a Danish port will be disbursed, on average, fourteen days after departure. At the same time, the associated licence guarantee will have been released by then. This gives the exporting firms significant cash-flow benefits - in that the amounts drawn on their overdraft facilities will be reduced - and will at the same time entail administrative economies for the exporters and for the authorities.

Perspectives

Until full recognition of the system as proof of arrival is given, the following possibilities exist for a simplification of the administration of the refund arrangements for administration and for exporters:

1. Acceptance of information from on-line tracking databases as certificates of unloading in accordance with Article 16 (2) of regulation 800/99. (This system has already been used as supporting document in complicated cases augmenting/complementing the documentation mentioned in the rules governing secondary evidence).

2. Extension of rules to include also transport by rail and by road - to the extent that these systems are based on the use of GPS satellite navigation. Full delegation of the control is not possible, however, until there is an electronic link between the customs offices in the Community.
3. Possibilities, as the case may be, of access to information about payment of the contract of conveyance, and its wording.
4. Application of the principle of "read access"/downloading of information in connection with electronic arrival documentation based on passwords and/or digital certificates instead of file transfer. In order to prevent a flood of bilateral agreements among the Member States and destinations in third countries covering file transfers, technology, formats and contents, the management of these passwords or certificates could be performed centrally by the Commission.

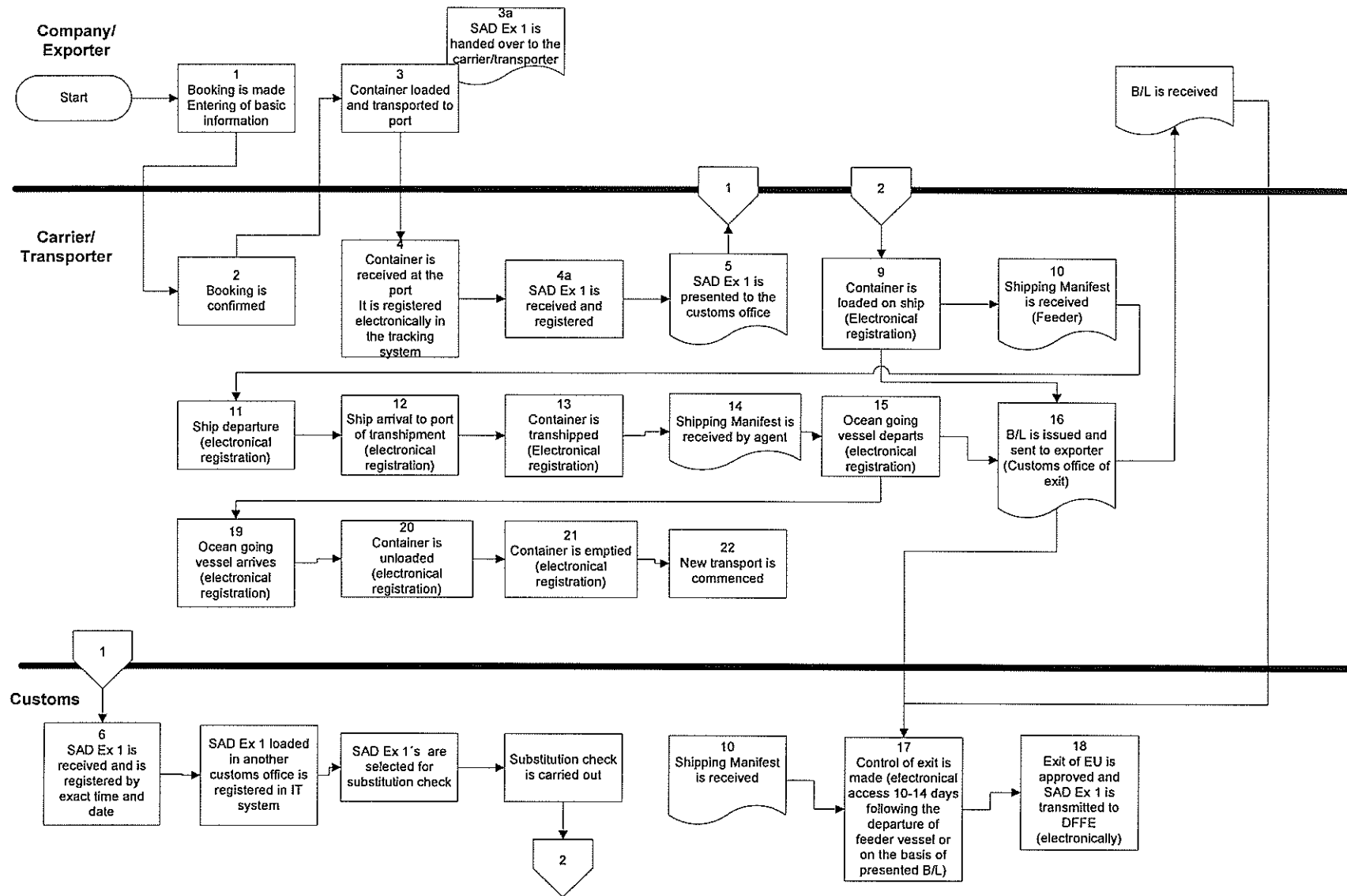
Long-term Perspectives

The project shows new aspects of the private-public interaction that are necessary to ensure an efficient and secure administration of subsidies. The financial risk for the Fund is significantly reduced, and this has been done on the background of close private-public cooperation. There is a substantial easement of the customers' (exporters') administrative burdens where the electronic access to necessary information and the validity, which is guaranteed by third parties (carriers), replace a cost-consuming paper-based or electronic communication with the authorities.

The perspective of eliminating paper procedures and even file transfers among private operators and the authorities is also a principal feature of the new EU strategy of e-customs, which is scheduled to be implemented in 2009. This project shows that the perspective of eliminating even file transfers among private operators and the authorities can be implemented, with a sensible dialogue, with great gains for all parties.

Finally, an initiative demanding - in the accrediting procedure - access to subsequent import of data to the authorities in different file formats could maintain the perspective of a completely e-based public administration - untouched by human hand - reaching much further than simply to the end of the export refund scheme in the EU's common agricultural policy. These are the perspectives that present and future customs administrations are facing.

Schedule 2: Exit from Danish port; Procedures of the Carriers



Schedule 3: Summary of suggested improvements in the light of the evaluation

Suggested improvem.	SKAT	The DFFE	The EAGGF	Carriers/exporters
In relation to "clients"	<p>Company-based information from SKAT/DFFE</p> <p>Joint INFO activities</p> <p>Demands on users concerning the design of homepages – as part of the accrediting</p> <p>Access to logs with ship-owners documenting the authorities' administrative processing</p>	<p>Trade organisations and enterprises should intensify information activities about the scheme</p> <p>Joint INFO activities (private-public forum)</p> <p>New and revised approval procedure focusing on</p> <ul style="list-style-type: none"> • Minimum requirements • Protection of information • Log routines <p>Announcing minimum requirements prior to approval procedure</p>	<p>Establishing secure links between carriers and exporters so as to prevent unauthorised persons from gaining access to sensitive information without clearance from the exporter</p> <p>Reducing the number of user accesses for the authorities</p>	<p>Qualitative information showing the impact on the "bottom line":</p> <ul style="list-style-type: none"> • Internal costs of various models • Disbursement timing <p>Distinct statements from the authorities as regards minimum requirements, perspectives, time schedules and control visits, etc.</p>
In relation to the authorities	<p>Permanent steering group between the DFFE and SKAT</p> <p>Fixed deadlines for the submission of transactions to the DFFE</p> <p>Reminder procedure after 30 days (v paper model)</p> <p>Supplementary reminder procedure in problem cases</p> <p>Electronically-based approval as proposed by the EAGGF; noting the B/L No. in the approval box</p>	<p>Permanent steering group between the DFFE and SKAT</p> <p>Improved documentation for accrediting, especially as regards the authorities' weighting and evaluation</p> <p>Possible incorporation of external parties in the accrediting</p> <p>Developing an overall risk assessment model for differentiated refunds</p> <p>Access to logs with shipowners documenting the authorities' administrative processing – as part of the accrediting basis</p>	<p>Recommendations in relation to extended accrediting procedure:</p> <ul style="list-style-type: none"> • Minimum requirements for participation • Possibly increased use of standards • Reducing the number of user accesses • Electronic documentation for the control of exports • DFFE guidelines to be augmented with relevant screen images 	<p>Combined access to the authorities with regard to electronic transport documentation</p>

Table 1