Introduction

1. The Policy Commission in June 2012 mandated the PTC as the forum for discussion on all technical matters associated with GNC. At its November 2012 meeting, the PTC noted that decision, confirming that the PTC was the forum for discussion of all technical aspects of GNC, including the development of the relevant protocols, standards and guidelines, and for the overall management of GNC.

2. Delegates would also work bilaterally, multilaterally or regionally when working on the design of new Utility Blocks (UBs) and/or Proof of Concept Projects, and update the PTC when they were ready.

3. The recent submission of Draft Utility Blocks by Members had revealed a need to revisit the issue of the GNC Compliance and Certification Process that was raised in the Final Report of the Ad Hoc Working Group on GNC, so that the GNC can be progressed and matured through an orderly process.

The GNC Compliance and Certification Process

4. The Ad Hoc Working Group had identified that the application of GNC would be consistent with the usual methodology of the WCO, which means that observance of standards would be voluntary, with no obligation for Members to comply fully. Nevertheless, it was further noted that there should be a mechanism to give member the confidence that where the GNC designation is used, they can be sure of what it means in the global context, and that it has been tried and tested, and can be genuinely replicated for their purposes.

5. This necessitates the establishment of proper assessment against agreed criteria. At the time of drafting, the post June 2012 governance structure for GNC was not yet clear. Over the past 2 meetings of the PTC, it was also observed that discussions on whether draft GNC Utility Blocks and proof-of-concept projects were in line with the desired trajectory were relatively limited. Upon reflection, it was considered
that the formal mechanisms to give effect to this compliance and certification process had not yet been adequately deliberated by the PTC, and as Utility Blocks are very technical documents, the inputs of relevant technical experts would be required before informed discussions can take place.

6. The need for a compliance and certification process had been identified in the Final Report of the Ad Hoc Working Group for GNC. Annex F of the Report, which deals with this issue, can be found in the annex of this document.

7. The process envisaged by the Ad Hoc Working Group consisted of 3 parts:

(i) The certification process for the utility block;
(ii) The certification process for the legal agreements;
(iii) The certification process for the proof of concept pilots.

8. These 3 processes are outlined in the subsequent paragraphs and Secretariat is also proposing possible mechanisms that could be applied, based on available existing resources and consistent with the “light-touch” approach.

**The Utility Block Certification Process**

9. The process proposed requires Members developing UBs to submit them to the Secretariat once it is ready, so that it can be allocated to “appropriate experts” and to notify relevant Committee(s). The relevant Committee(s) may then request for more details or explanations, consider a resolution process where a similar UB exists, and confirm that the development of the UB is on the right trajectory and can be continued.

10. To abide by the principles of this proposed process, the Secretariat proposes the following mechanisms so that a basic management process will exist to provide assurance that UBs developed will evolve into a standardized approach, and not a fragmented one.

**Allocation of a UB to the appropriate experts**

- Proposed Mechanisms: Peer Review, Online Discussion (CLIKC)

  - Description:
    - Members developing UBs shall identify another Member administration not involved in the development of the UB to provide an objective 3rd party perspective. The Reviewer shall provide a report to the developers of the UB, and the Secretariat. The report will be tabled at PTC for its review and comments.
    - At the same time, the UB will be placed on the GNC Repository and online discussion can take place through the CLIKC platform. Interested Members shall inform the Secretariat of their interests in participating in the discussion, so that access can be provided.
    - At the end of the process, the feedback generated will be provided compiled and tabled at the PTC, and provided to the Drafters for consideration.
    - If PTC is satisfied that the points raised by the Reviewer and online feedback have been adequately addressed by the drafters of the UB, it may confirm that the development of the UB is on the right trajectory and can be continued.
Resolution Process for Similar UBs

- Proposed Mechanisms: PTC Discussion, supported by physical or virtual discussions
- Description:
  - Where Secretariat notes, through submissions to the GNC Repository, that similar UBs are being developed and that are taking potentially divergent paths, it shall bring this situation to the attention of the drafters, and the PTC.
  - Affected Members shall communicate with each other to gain a better understanding of each others’ work, seek to resolve the inconsistencies, and provide an update to the PTC on their conclusions.
  - Where desired, the Secretariat can also support affected Members through the CLIKC platform so that an online discussion can take place.
  - If the divergent points involve the data clusters and the functional messages of the exchange, the DMPT can also provide technical support, so that the functional messages will be developed in a consistent manner in the form of a “My Information Package”, or “Derived Information Package”.

Confirming development of UB is on the right trajectory and can be continued

- Proposed Mechanisms: PTC Discussion
- Description:
  - Confirmation from PTC should ideally be acquired prior to the proof-of-concept phase, so that the necessary suggestions can be factored in. However, should developments be time sensitive and require implementation within a fixed timeframe (due to treaty or contractual obligations), “soft launch” of the PoC can take place before PTC’s confirmation had been recorded, especially if peer-review and members’ feedback had been factored in. Members shall however endeavour to inform PTC of such developments as soon as possible, so that PTC may take note, and provide retrospective confirmation to proceed.
  - If the proof-of-concept phase had come into effect before the completion of the peer-review and discussion at the PTC, PTC’s views shall be sought on whether it deems such a situation to be desirable for the overall development of GNC. It may endorse the development, provided the Member provides assurances that valid inputs would be factored in for future reference (i.e. if there was a need to resolve similar UBs being developed), and that the UB would be updated accordingly either during or after the proof-of-concept phase. Alternatively, the PTC may also request the Member to disassociate the data-exchange project from GNC, if it is felt that the project was not in line with the development trajectory envisaged by the PTC.

The Agreement Certification Process

11. This process applies when countries in exchanging information with each other desire to have their agreement designated as conforming to WCO GNC Standards. The details of the types of documentation that needs to be produced can be found in the Annex of this document under the section “Outline certification process: The Agreement.”

12. The process outlined in the Final Report of the Ad Hoc Working Group for GNC is similar to that used for the certification of Utility Blocks, including circulation of the text to the appropriate experts, requesting for more information where required, resolution
of variations from the standard texts and confirming that the text was in conformance with GNC.

13. To date, no agreement has been submitted for this process. Hence, it is proposed that the Secretariat remains the focal point for this process in the meantime, until it is able to determine the types of mechanisms that best supports this process.

14. It is envisaged that where the text is strictly in conformance with the GNC legal toolkit, the Secretariat will inform PTC and submit the agreement for its decision. In instances where more communication is required, the Secretariat may also undertake the necessary coordination among members to initiate a fact-finding or resolution process that will allow the issue to be further discussed at PTC.

The Proof-of-Concept Certification Process

15. This process follows the completion of the proof-of-concept phase of the data-exchange project. In this stage, Members would submit a detailed business case for the proof of concept, the Utility Block, the text of the exchange of information agreement, the expected time frames, including the test and evaluation periods, and whether other WCO Members and wider community stakeholders were involved.

16. The Final Report of the Ad Hoc Working Group for GNC had envisaged for the Secretariat to receive the relevant information from Members, so that it can advise the relevant technical Committees. The Committees may then “provide support and expertise, monitor progress and keep other interested Members up to date, collaborate on producing an evaluation report and making the relevant evaluation conclusions available to members”.

17. It should be noted that by this stage, the draft Utility Block should already be available in the repository, with inputs generated through peer-review and online discussion. Hence, the key mechanism that will give effect to this process is the GNC Repository, to enable the circulation of all relevant information, and the PTC, to review, evaluate and draw conclusions from the process. An evaluation report will be drafted by the Secretariat after factoring in the inputs from the PTC, and the Members that had undertaken the proof-of-concept project, and the proof-of-concept will be considered as “certified” after the PTC accepts the evaluation report.

Anticipated Issues

18. Based on the current development trajectory of GNC, having reviewed UBs submitted by the European Union, South Africa and Argentina, it has been observed that while UBs had been produced and governance processes in place for GNC are being developed, developments are uneven. As mentioned, up to date, no legal agreement has been submitted to kick-start the agreement certification process. In the absence of a GNC-compliant legal agreement, certification of the proof-of-concept cannot take place.

19. This situation had arisen due to the fact that current UBs had been developed based on agreements and arrangements that pre-date GNC. Hence, it will only be possible to certify these Utility Blocks as fully conformant with GNC Standards if the requisite standard legal texts were included into these already-concluded agreements. This is a potentially daunting criterion that may affect the certification prospects of some UBs.
20. It is hoped that with greater engagement and awareness raising, countries may see the benefits of making greater use of the legal toolkit to draft future information exchange agreements, so that new Utility Blocks that are developed “from scratch” will adhere to the GNC concept more closely, and allow the GNC concept to mature. It is likely that the approval and future implementation of the WTO Agreement on Trade Facilitation (ATF), and in particular its Article 12 on Customs Co-operation will impact the further development and potential promotion of GNC as a tool to implement exchanges under Article 12 of the WTO ATF.

21. It should also be noted that full certification is optional, and the use of the UB template to develop new information exchanges, or adapting from an existing UB, is in itself, a promising development. The positive experiences of the EU and the US for the AEO Utility Block demonstrate that having a standardized approach saves time and money in the implementation of AEO mutual recognition arrangements.

22. As some UBs had been developed before this proposed process had been sufficiently deliberated, it would be necessary to apply some of these processes with a degree of flexibility, so that the aim of achieving a consistent development trajectory for GNC can be achieved in spirit, if not in form. Future UBs submitted however, should follow this proposed process closely.

23. It is also anticipated that the UB resolution process will be tested very soon. Based on information received by the Secretariat, three of the UBs under development may be very similar in nature: The South African information exchange with Swaziland, the Argentina information exchange between MERCOSUR countries, and the Serbian SEED project. Hence, the Secretariat will endeavour to coordinate communications between these parties once it is in possession of all the information. This will serve as both a trial for this process, as well as generate learning points that the Secretariat can use to bring GNC to the next level.

**Action Requested**

24. Delegates to the PTC are requested to provide guidance on the compliance and certification process mechanisms that are proposed by the Secretariat, and whether it considers such mechanisms adequate in order for PTC to provide the guidance necessary to steer the development trajectory of GNC.

25. In view of the technical complexity of these documents, particularly in the portions relating to information technology, the PTC’s views are also sought on whether it would be feasible to direct other relevant working bodies that reports to the PTC, such as the Data Model Project Team and the Information Management Sub-Committee to play a role in providing inputs and comments to support PTC’s decision making.
1. The proposed model for GNC is that of a systematic approach based on Protocols, Standards and Guidelines (PSGs).

2. This is consistent with the usual methodology of the WCO; which is to negotiate, agree and publish the standards to be observed for specified elements of the Customs business. For example, the data model to rationalize how information is managed, and the SAFE Framework to secure and facilitate supply chains. In each case, observance of the standards is voluntary and there is no compulsion for everyone to comply fully.

3. To properly reflect this methodology, there should be a mechanism which gives Members confidence that where the GNC designation is used, they can be sure of what it means in a global context. Customs services will keep using their current information exchange arrangements, and will continue to roll out new ones. In rolling out new arrangements, they will be able to choose between developing from the ground up or selecting a GNC ‘off the shelf’ solution. If they select the GNC solution they will want to know it has been tried and tested, can genuinely be replicated for their purposes, and will be acceptable to bi-lateral and multi-lateral partners.

4. This means that giving GNC status for exchange of information arrangements should not be a formality, but the result of a proper assessment against agreed criteria. This is similar with the approach taken in other areas of the work of the WCO, in particular, the procedures for ensuring that the data model maintenance procedures that are designed to ensure consistency for that instrument as a published standard.

5. To achieve that kind of consistency for GNC, this paper describes possible certification mechanisms for its key components. The Utility Blocks; the Agreements and, for the initial development period, Proof of Concept pilots. In doing so, it makes assumptions about the governance structure to describe the process as it recognizes that the post June 2012 governance structure for GNC is not yet clear. Provided the key elements are observed, any new structure should be able to accommodate the process.

6. Outline certification processes for Utility Blocks (Appendix I), Exchange of Information Agreements (Appendix II) and Proof of Concept Pilots (Appendix III) are attached.
Members intending to enter into exchange of information arrangements can access ready-made WCO GNC UBs from a repository hosted by the WCO. Each UB will cover a precisely defined Customs business area along with its associated protocols, standards and guidelines. In order to help Members to decide whether a UB held in the repository meets their business need and to ensure certainty and predictability, all UBs should be consistent with published standards and described in a uniform way. The certification process provides a method whereby the UBs can be developed in a logical and coordinated manner to achieve the desired outcome.

**Outcome sought**

A completed UB which complies with GNC standards and that Members can use ‘off the shelf’.

**What has to be produced**

Using the GNC template, a substantive UB which covers all the elements required. It must be produced by two or more Members in partnership. Where WCO standards already exist for any elements, they must conform to existing standards. Similarly, where a previously produced UB has the same elements, the elements in the UB being produced must be constructed in the same way as those in the previously agreed UB. As GNC is embedded in the WCO ecosystem, the UB must be compatible with related WCO instruments.

Note: If there is a conflict between UBs, the Secretariat will arrange a resolution process which shall involve all parties and the relevant technical committee(s).

**The process**

The process will be iterative, and only when the process has been successfully completed will a UB be designated as GNC conformant.

UBs can be developed either from first principles, or by using existing exchange of information arrangements. They can be developed for any purpose at any time, but in the interests of global conformity as envisaged in GNC, the WCO Secretariat will need to be informed. This is to verify whether there is a similar UB in production or being planned, or to log the fact to inform others.

Once a working UB has been produced it should be submitted to the Secretariat who will allocate the UB to appropriate experts and notify the relevant committee(s), in turn, the relevant committee(s) may:

- call for more detail/explanation,
- where a similar UB exists, consider a resolution process,
- confirm the development of the UB is on the right trajectory and can be continued.
At agreed stages, the UB will be re-submitted for assessment. Once the relevant sections of the UB have been sanctioned through the agreed procedure the UB can be designated as having GNC trial status.

Once tested in an operational environment by those who developed the UB, should the evaluation prove viability, it will be designated as GNC compliant and added to the repository held within the Secretariat. Any Member could subsequently obtain the UB and implement it with a partner(s), confident in the knowledge it has worked elsewhere.
Outline certification process: The Agreements

Introduction

This process applies only where countries in exchange of information relationships, bi-lateral or multi-lateral, want their Agreement designated as conforming to WCO GNC Standards.

Outcome sought

Agreements which comply with GNC standards.

What has to be produced

Though there will be operational agreements text as part of the Utility Block, each information sharing relationship between two or more members which is to be designated as GNC compliant will be covered by an overarching Agreement. It should be based on the model Agreement with the mandatory generic texts faithfully reproduced. Non-mandatory parts of the texts can draw on standard optional texts, or contain new texts specifically developed for the Agreement. ‘New’ texts should be clearly marked, and supported by explanation. Members should refer to the GNC Legal Toolbox that will provide guidance in the specific GNC related requirements in a proposed exchange agreement.

The process

Once a working text of an Agreement has been produced it should be submitted to the Secretariat who will refer it to the appropriate WCO technical committee(s). In turn, the committee(s) may:

- allocate the texts to appropriate experts,
- call for more detail/explanation,
- where there are variations from standard texts, consider a resolution process,
- where there is a case for new standard text, initiate discussions,
- confirm the development of the text is on the right trajectory and can be continued.

At agreed stages, the Agreement will be re-submitted for assessment.

Once fully assessed, the Agreement will be designated as GNC compliant and added to the repository held within the Secretariat. Other Members considering joining in a particular information sharing arrangement would know what the mandatory requirements would be, and could access the texts to find out which of the optional texts had been selected.
Outline certification process: Proof of Concept Pilots

Outcome sought

A completed Proof of Concept Pilot which validates the relevant Utility Block(s) and associated text(s) of the exchange of information Agreement(s).

What has to be produced

A business case for the Proof of Concept pilot completed by the pilot partners. This should contain the relevant Utility Block(s), associated text(s) of the exchange of information Agreement(s), expected time frames including the test and evaluation periods, and whether other WCO Members and the wider stakeholder community are involved.

In order to inform the evaluation report, the expected outcomes should be described in the business case.

The process

A Proof of Concept pilot is a mechanism to validate Utility Blocks and exchange of information agreement texts. It is not an end in itself. As there is no one ‘central’ or ‘global’ exchange of information network, the agreed standards apply only to the relevant Utility Blocks and Agreement texts. The individual exchange of information arrangements remain unique to the particular Members involved.

Once a business case has been produced it should be submitted to the Secretariat who will advise the relevant WCO technical committee(s). In turn, the committee(s) may:

- provide support and expertise,
- monitor progress, and keep other interested members up to date,
- collaborate on production of the evaluation report, and
- make relevant evaluation conclusions available to Members.

The evaluation report should include a breakdown of the costs, clearly separating research and development costs from implementation costs. It should compare the expected outcomes with actual results, and separately identify benefits/disadvantages not projected in the original business case. The final evaluation report will be added to the repository held within the Secretariat and made available to all Members.