



INCLUDING THE JOINT
SESSION WITH THE
11TH MEETING OF THE
WORKING GROUP ON THE
WTO TRADE FACILITATION
AGREEMENT

-
223rd /224th Sessions

-
5 - 8 March 2019

Brussels, 8 February 2019.

PERFORMANCE MEASUREMENT

**(Item IV on the Agenda of the PTC
Item VIII on the agenda of the TFAWG)**

I. Purpose of document

1. The purpose of this document is to draw attention of the Joint Session of the Permanent Technical Committee (PTC) and the Working Group on the WTO Trade Facilitation Agreement (TFAWG) to Doc. SP0660 which was presented at 80th Session of the Policy Commission in December 2018 and to inform on the outcome of discussions. Doc. SP0660 reports on developments and progress to date with regard to the ongoing work on the topic of links between the performance measurement and monitoring/evaluation of implementation of WCO instruments and tools including the Revised Kyoto Convention (RKC), as well as the WCO's future development of a Performance Measurement tool for Customs administrations.

II. Monitoring/Evaluation of Implementation of WCO Instruments and Tools

2. At the Policy Commission in June 2018, Members recognized “the need for Customs to take ownership and begin to conduct self-evaluation, preferably using a performance measurement tool developed by the WCO”. Delegates also stressed that “the Organization should have its own robust, comprehensive and fully scientific methodology for performance measurement, thus ensuring that the product is recognized politically”, being the “undisputed standard” for measuring Customs performance, covering all major Customs competencies and going beyond the Time Release Study.
3. WCO's Conventions, instruments, tools and recommendations are designed for improving Customs administrations' performance. Therefore, it is also expected that

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measuring compliance with WCO's Conventions, instruments, tools and recommendations (monitoring the extent to which they are applied and effectively implemented) is also an indicator of the performance of Customs.

4. The TFAWG had also been discussing the monitoring of the implementation of WCO instruments and tools that support Members in applying the WTO Trade Facilitation Agreement. Also, at its 10th Meeting, the TFAWG revised its Terms of Reference to include, as one of its key deliverables "Monitor the progress of implementation of WCO instruments and tools that support Members in applying the TFA ...".
5. Furthermore, the WCO has been discussing effective monitoring of the implementation of the WCO instrument and tools. For example, monitoring the implementation of the Revised Kyoto Convention (RKC) and properly assessing capacity building needs is one of the key issues in the comprehensive review of the RKC, which was launched in September 2018 at the first Meeting of the Working Group of Comprehensive review of the RKC (WGRKC) (Doc. PR0003 and Doc. PR0004).
6. Having had the unanimous approach of the member administrations, the Secretariat was tasked to elaborate a concept paper (Doc SP0660) for the 80th Session of the Policy Commission aiming at the elaboration of the prospective methodology for measuring the performance while having the comprehensive approach and covering all Customs competences, ensuring that the product has a political support.
7. Thus, the concept paper (Doc. SP0660) presents a preliminary review of relevant initiatives and perspectives that could help to guide the way forward. The review includes a study of existing tools and initiatives both within the WCO, as well as those maintained by other international organizations. The identified possible options of monitoring and evaluation outlined in the document were considered by the Policy Commission.
8. By presenting a comparative analysis of the various approaches adopted by other international organizations, the document takes into consideration different perspectives that include data collection, verification and validation and quality assurance. Other considerations include perspectives of ownership of the assessment process, responsibility for the collection, verification and validation of data and resource implications.
9. The Policy Commission scrutinized the presented options and provided feedback on a wide range of related issues : having all Customs competencies included in the new envisaged performance tool; having the Customs perspective included in the different existing performance measurement tools; the preference for a benchmarking approach as opposed to a ranking one; the use of an IT platform and modern technologies for automated data collection and validation; and the involvement of external stakeholders (including academia) for the quality assurance and credibility of methodology.

III. WCO Performance Measurement tool

10. The document (Doc. SP0660) describes the expected scope and purpose of a WCO Performance Measurement tool to be developed by a newly established working group as following :

Scope: the tool should focus on providing key performance indicators (KPIs) for all Customs competencies (revenue collection, trade facilitation and economic competitiveness, enforcement, security and protection of society) although this may be broken down into modular elements to target specific areas or specific business processes of strategic interest to members. In addition, indicators for this assessment should monitor the extent to which WCO tools, instruments and recommendations have been applied as well as support their evaluation in line with emerging international practice.

Use: it is expected that the tool will be recognized as the undisputed standard for performance measurement of Customs and used to influence policy makers, support improvements in both customs organizational performance as well as WCO tools and instruments, and identify new trends in customs administration.

11. A WCO Performance Measurement Tool would also contribute to raise the profile of the Organization and to enable high quality research on the contribution of WCO's Conventions, tools, instruments and recommendations to the performance of Customs.
12. The implementation methodology based on such tool will also need to detail three main aspects especially on the data collection/analysis such as :
 - (a) how the assessment data will be collected;
 - (b) how the information can be validated and quality assured; and
 - (c) how the results might be used or published.

IV. Draft Terms of Reference (ToR) for the establishment of a new Working Group on Performance Measurement.

13. The document (Doc. SP0660) recommended the endorsement of draft Terms of Reference (ToR) by the Policy Commission for the establishment of a new Working Group on Performance Measurement, as the main task is to develop a WCO Performance Measurement Tool. Broadly agreeing with the draft Terms of Reference, delegates provided some suggestions for further consideration and finalization.
14. The draft ToR with suggested changes by the 80th Session of the Policy Commission have been circulated among the Policy Commission members for further comments. The comments have since been compiled and will be submitted to the next Session of the Policy Commission in June, 2019 for endorsement (see Annex II to this document).
15. The Business Case for the establishment of the Working Group on Performance Measurement, including the financial and human resource implications, has been prepared to be considered by the relevant WCO working bodies before being submitted to the Policy Commission and Council sessions in June 2019 for approval (see Annex I to this document).

V. Action required of the Joint Session of the Permanent Technical Committee and the Working Group on the WTO Trade Facilitation Agreement

16. The PTC and the TFAWG are invited to:
 - take note of Doc SP0660 on Monitoring/Evaluation of Implementation of WCO Instruments and Tools;

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- take note of the draft Terms of Reference of the proposed Working Group on Performance Measurement, which will be presented to the Policy Commission at its June 2019 session for finalization and approval; and
- provide any feedback on the draft Business Case for establishment of the new Working Group on Performance Measurement, which will be presented to the Policy Commission at its June 2019 session, for review and approval.

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Business case For Creation of a Performance Measurement Working Group

I. BACKGROUND AND JUSTIFICATION

There has been strong support and willingness of the Member administrations on the development of a performance measurement tool as the source for monitoring and evaluation of implementation of WCO instruments and tools. WCO's Conventions, instruments, tools and recommendations are designed with the aim of improving Customs administrations' performance. Therefore, it is also expected that measuring compliance with WCO's Conventions, instruments, tools and recommendations (monitoring the extent to which they are applied and effectively implemented) is also an indicator of the performance of Customs.

At the Policy Commission in June 2018, Members recognized *"the need for Customs to take ownership and begin to conduct self-evaluation, preferably using a performance measurement tool developed by the WCO"*. Delegates also stressed that *"the Organization should have its own robust, comprehensive and fully scientific methodology for performance measurement, thus ensuring that the product is recognized politically"*, being the *"undisputed standard"* for measuring Customs performance, covering all major Customs competencies and going beyond the Time Release Study (Policy Commission Report, Doc. SP0650).

Following the June Policy Commission, the WCO Secretariat conducted a preliminary review of relevant initiatives and perspectives that could help guide the way forward. The review included a study of existing tools and initiatives both within the WCO as well as those maintained by other international organizations¹. Additionally, an initial survey of expectations was conducted with a sample group of Members which had shown particular interest in the topic of performance measurement during previous WCO meetings.

The WCO has been discussing some options on assuring effective monitoring of the implementation of WCO instruments and tools. For example, monitoring the implementation of the Revised Kyoto Convention (RKC) in order to properly assess capacity building needs is one of the key issues that was discussed at the first meeting of the Working Group of Comprehensive Review of the RKC. Also, at its Tenth Meeting, the TFA Working Group modified its Terms of Reference to include, as one of its key deliverables *"Monitor the progress of implementation of WCO instruments and tools that support Members in applying the TFA ..."*. The 20th meeting of the Safe Working Group (SWG) discussed the current security environment, took stock of the SAFE implementation scenario, identified potential opportunities for effective and harmonized implementation, and provided a number of suggestions including a potential need for a monitoring mechanism/peer reviews against set out indicators, thus further strengthening supply chain security and facilitation. It further suggested to develop a detailed paper on performance measurement for the discussion at the next SWG in the context of Standard 8 of Pillar 1 of the SAFE FoS, incorporating the 2009 survey on the SAFE implementation, diagnostics tools that were developed under Columbus programme and the work being done by other relevant working bodies in this area.

¹ Tools reviewed : World Bank (WB)'s *Doing Business project* ([DB](#)) and *Logistics Performance Index* ([LPI](#)); International Monetary Fund (IMF)'s *Tax Administration Diagnostic Assessment Tool* ([TADAT](#)); the Organisation for Economic Co-operation and Development (OECD)'s *Trade Facilitation Indicators* ([TFIs](#)) and [Global Forum Peer Review](#); World Economic Forum (WEF)'s *Total Transport and Logistics Costs* ([TTLC](#)) and *Global Competitiveness Index* ([GCI](#)); World Trade Organization (WTO)'s *Trade Policy Review* ([TPR](#)); the Global Express Association (GEA)'s [Industry Report and Customs Capability Database](#).

On 9 November 2018 the WCO hosted the Global Conference on the Comprehensive Review of the RKC. The delegates shared their thoughts on the factors having major impact on the effective implementation of the Convention and the benefits of a robust monitoring mechanism for Members, for the WCO and for the private sector. The availability and accuracy of the data has been highlighted considering the fact that the proper monitoring and evaluation is highly connected to the data availability.

The PC paper (Doc. SP0660) on Monitoring/Evaluation of Implementation of WCO Instruments and Tools was elaborated and presented for the consideration of the 80th Session of the Policy Commission. The paper outlined the main findings of the review; drew links between performance measurement and monitoring of implementation of WCO instruments and tools; and identified some options for the way forward, including the formalization of a Performance Measurement Working Group.

The creation of a Performance Measurement Working Group is guided by the Council “... to establish a new Working Group on Performance Measurement to examine the possible development of a comprehensive WCO performance measurement tool for Customs and review the World Bank Group’s “Doing Business” survey, and supported the participation of the PSCG in this Working Group ...” (Draft Minutes of the 132nd Session of the Customs Co-operation Council, 28-30 June 2018).

The Policy Commission (80th Session) expressed an overwhelming support for pursuing the work on the development of a performance measurement tool for Customs administrations. The comprehensive reports on the discussions of the three breakout groups’ provided feedback on a wide range of related issues : having all Customs competencies included in the new envisaged performance tool; having the Customs perspective included in the different existing performance measurement tools; the preference for a benchmarking approach as opposed to a ranking one; the use of an IT platform and modern technologies for automated data collection and validation; and the involvement of external stakeholders (including academia) for the quality assurance and credibility of methodology. The Policy commission suggested amendments to the draft Terms of Reference of the Working Group on Customs Performance Measurement for further consideration and finalization. The draft Terms of Reference of the Working Group on Customs Performance Measurement with suggested changes by the 80th Session of the Policy Commission have been circulated among the Policy Commission members for further comments. The comments have since been compiled and will be submitted to the next Session of the Policy Commission in June 2019 for endorsement.

II. TIMEFRAME

Performance Measurement Working Group will operate until completion of the development of the methodology has been undertaken and it is approved by the Policy Commission and Council **no later than June 2021**.

III. MEMBERS

Performance Measurement Working Group will be open to all interested members of the WCO. Performance Measurement Working Group may invite representatives from Private Sector Consultative Group, partner international and governmental and non-governmental organizations, and other external stakeholders and academia, to attend the meetings as necessary.

IV. PURPOSE AND SCOPE

The purpose and scope of Performance Measurement Working Group is to develop a comprehensive performance measurement **system [tool] [mechanism]** including key performance indicators (KPIs), both quantitative and qualitative, in all Customs competencies (revenue collection, trade facilitation and economic competitiveness, enforcement, security and protection of society, etc.) as well as mechanisms to monitor and measure the implementation of such indicators. In addition, indicators for this assessment should monitor the extent to which WCO tools, instruments and recommendations have been applied, as well as support their evaluation in line with emerging international practice.

V. MEANS OF OPERATION

Members of Performance Measurement Working Group shall annually elect the Chairperson and the Vice-Chairperson from among the members of Performance Measurement Working Group. The outgoing Chairperson will be eligible for re-election, while recognizing the existing practice of continuity

Performance Measurement Working Group shall carry out its work through at least two annual physical meetings to be held primarily at WCO Headquarters and, when appropriate, intersessional work will be carried out virtually via the CLiKC! Platform.

The meetings will be held with simultaneous interpretation in English and French and all working documents will be available in English and French.

VI. FUNDING AND ADMINISTRATIVE SUPPORT

The Secretariat has estimated that 2 full time staff shall be requested to facilitate and coordinate the process. Two proposals have been elaborated. One would be Members contributions of Two Technical Attachés. The second option would be to assign one Technical Officer additionally and Member(s) contributing one Technical Attaché, which would cost annually 160,000 euro. In addition, the Secretariat estimates interpretation and translation costs at 20,000 euro per annum.

Performance Measurement Working Group will assess the resource implications for the WCO Secretariat and Members in relation to the development and management of the WCO performance measurement system and provide feedback to the Finance Committee and Policy Commission.

VII. ANNEX

Draft Terms of Reference.

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DRAFT TERMS OF REFERENCE FOR THE WORKING GROUP
ON PERFORMANCE MEASUREMENT

Approved by the Policy Commission :

Confirmed by the Council :

Established : [JP: Duration : Until the submission of the review of the World Bank Group's "Doing Business" survey and completion of the development and proof of concept has been undertaken and the subsequent product is approved by the Policy Commission and Council in financial year 2020/2021.]

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[US: Duration: June 2021]

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1. Mandate

1.1. With reference to Documents SP0645E1a, SP0650E1b and SC0179E1a, Members indicated their desire to move forward with organizational performance measurement work in three ways :

- (i) Develop a new WCO system [JP: tool] [US: mechanism] for comprehensive performance measurement covering all Customs' competency areas (and going beyond the Time Release Study);
- (ii) Review and work with WCO partner organizations to improve existing assessments [US: reports] that might be used to monitor aspects of Customs performance, including the World Bank Group's "Doing Business" survey, specifically promoting Customs as a major respondent in such evaluation exercises and the WCO's role as a key player in professional Customs performance measurement globally; and
- (iii) Assess the resource implications for the WCO Secretariat and Members in relation to the development and management of the WCO performance measurement system [JP: tool] [US: mechanism] and provide feedback to [US: in coordination with] the Finance Committee and Policy Commission.

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2. Membership

2.1. The Working Group shall be comprised of :

- (i) WCO Members; and
- (ii) representative/s from the Private Sector Consultative Group, as necessary [US]

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~~2.2. The Working Group shall be supported by the WCO Secretariat. [FR]~~

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~~2.3-2.2.~~ The Working Group may invite [US: representative/s from the Private Sector Consultative Group], partner international governmental and non-governmental organizations, and other external stakeholders and academia, to attend the meetings as necessary.

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3. Purpose and Scope

3.1. The scope of the Working Group on Performance Measurement is to develop a comprehensive performance measurement ~~system~~ [JP: tool] [US: mechanism] including key performance indicators (KPIs), both quantitative and qualitative, in all Customs competencies (revenue collection, trade facilitation and economic competitiveness, enforcement, security and protection of society, etc.) ~~as well as mechanisms to monitor and measure the implementation of such indicators. In addition, indicators for this assessment should monitor the extent to which WCO tools, instruments and recommendations have been applied, as well as support their evaluation in line with emerging international practice.~~ [US] The system [JP: tool] [US: mechanism] should ~~cover all aspects of the Customs environment to~~ [US] address the issue of diversity in current realities and to create reliable assessments. It is expected that the ~~system~~ [JP: tool] [US: mechanism] will be recognized as the leading standard for performance measurement of Customs and used to influence policy makers and to support improvements in Customs' organizational performance as well as WCO tools and instruments.

3.2. The scope of the review of [US: reports such as] the World Bank Group's "Doing Business" survey is to understand and better interpret the collection methodology, analysis and findings, as well as explore the opportunity to become more involved, particularly in relation to the "Trading across Borders" chapter. Any engagement with other institutions should be aimed at supporting and promoting the WCO's leading role in professional development of Customs competencies and performance measurement. The goal is to encourage other international organizations in their performance measurement activities to better engage with Customs administrations.

3.2.3.3. [US: In addition, indicators for this assessment should monitor the extent to which WCO tools, instruments and recommendations have been applied, as well as support their evaluation in line with emerging international practice.]

4. Key Deliverables

4.1. The key deliverables of the Working Group are to :

- (i) Develop a new WCO ~~system~~ [JP: tool] [US: mechanism] of Customs administration performance measurement [US: mechanism] with the corresponding specific indicators, and ~~respective~~ [US] implementation methodology ~~of monitoring and measurement~~ [US], building on existing WCO tools; [US: and taking into account the resource implications for the WCO and the Members.] and
- (ii) Review and work with WCO partner organizations to influence existing ~~assessments~~ [US: reports] that might be used to monitor aspects of Customs performance, in particular the World Bank Group's "Doing Business" survey.

4.2. The specific products/documents to be delivered are :

- (i) A work plan, updated as necessary.
- (ii) Progress reports after each meeting of the Working Group, [JP: which is sent to the Permanent Technical Committee for its guidance]; [US: will be shared with WCO members]

(iii) A preliminary oral report to the June ~~FR: December~~ 2019 Policy Commission session.

~~(iii)~~(iv) [US: A preliminary report setting out the deliberations and recommendations of the Working Group for the Finance Committee one month in advance of its spring 2020 session for recommendations and further guidance on resource implication.]

~~(iv)~~(v) A written report setting out the deliberations and recommendations of the Working Group, [US: with Finance Committee input], for consideration by the Policy Commission one month in advance of its June 2020 session for recommendations and further guidance and a subsequent decision, [JP: as necessary] by the Council.

4.3. In parallel to developing the products/documents above, the Working Group is to :

- (i) Provide primary technical guidance and advice in conducting a pilot survey;
- (ii) Manage supervision of pilot survey data collection and ensure implementation of quality control measures during data collection and data entry at all levels;
- (iii) Define disclosure and publication policies of data and analysis.

5. Means of Operation

- 5.1. Members of the Working Group shall elect annually the Chairperson and the Vice-Chairperson from among the members of the Working Group. The outgoing Chairperson will be eligible for re-election, ~~while recognizing the existing practice of continuity~~ [US].
- 5.2. ~~Among the regional representation, participant administrations may annually elect a delegate who will~~ [US: The Chairperson shall] liaise closely with the ~~corresponding~~ [US] regional Vice-Chairpersons [US] in order to ensure input and support to the overall initiative by all WCO Member administrations.
- 5.3. The Working Group shall carry out its work through at least two annual “physical” meetings to be held primarily at WCO Headquarters.
- 5.4. When appropriate, intersessional work will be carried out “virtually” via e-mail, telephone, video conferencing and the CLiKC! platform, as appropriate.
- 5.5. The agenda, with attached meeting papers, will be forwarded to the Working Group members by close of business 30 days prior to the scheduled meeting.
- 5.6. All working documents will be available in English and French.
- 5.7. Meetings held at WCO Headquarters will be conducted with simultaneous interpretation in English and French.
- 5.8. The report of the Working Group shall be distributed to participants within two weeks after the meeting.

6. Resources Required

- 6.1. The members of the Working Group will fund their own participation, including travel, daily subsistence allowances and accommodation expenses.
 - 6.2. The WCO Secretariat will provide the necessary support.
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