



THE MERCATOR PROGRAMME PROGRESS AND FUTURE

(Item IV (a) of the Agenda)

SUMMARY

Purpose of document

The purpose of this document is to report on progress and developments under the WCO Mercator Programme since the last session of the Capacity Building Committee (CBC) and the last meeting of the WCO Working Group on the WTO Trade Facilitation Agreement (TFAWG). In particular the document highlights progress made under the overall and tailor-made tracks.

Overall track highlights include updates to the WCO Economic Competiveness Package and the relevant tools and instruments, cooperation with other international organizations in the context of border agency cooperation and cooperation with the World Trade Organization.

Tailor-made track highlights include developments in the Members benefiting from “multi-year” (MY) Mercator support, including examples of the deployment of WCO experts, instruments and tools to support sustainable TFA implementation, along with best practices and lessons learned.

Action required by the Capacity Building Committee (CBC) and the WCO Working Group on the WTO Trade Facilitation Agreement (TFAWG)

The CBC and the TFAWG are invited to :

- take note of the progress under the Mercator Programme;
- make further suggestions and recommendations on the future of the Mercator Programme and the related operating model.

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Introduction

1. Since its launch in June 2014, the Mercator Programme has been the World Customs Organization's (WCO) strategic initiative aimed at assisting governments worldwide in implementing the World Trade Organization's (WTO) Trade Facilitation Agreement (TFA) in a uniform manner by applying WCO instruments and tools. The key objectives of the Mercator Programme are to achieve harmonized implementation of the TFA, to provide "tailor-made" technical assistance and capacity building, and to coordinate effectively amongst all stakeholders.
2. The Mercator Programme has two tracks. The "overall track" deals with broader interests, including awareness-raising at global, regional and national levels, as well as updating and developing trade facilitation standards and tools.
3. The "tailor-made" track focuses on meeting Members' needs related to effective TFA implementation. In accordance with the Mercator Programme operating model, adopted by CBC in 2017, this includes needs assessment, strategic planning and implementation planning, followed by monitoring and evaluation. Tailor-made assistance may come in the form of multi-year (MY) Mercator Programme Implementation Plans or ad-hoc engagements supporting specific TFA articles. The "tailor-made" track also encompasses underlying important organizational development matters which are viewed as fundamental in the sustainable implementation of TFA measures.
4. The WCO Capacity Building Directorate works closely with the WCO Compliance and Facilitation Directorate to deliver both tracks of the Programme.

Overall Track

New/updated instruments and tools

5. Since the last meetings of the CBC and of the TFAWG, the "overall track" has seen the roll-out of several new relevant tools/instruments or update of existing ones, included under the Economic Competitiveness Package Revised Action Plan for Phase IV (for the period from January 2019 to June 2020), and under the following topics:

Revised Kyoto Convention (RKC)

6. The RKC was the key reference instrument during the WTO negotiations on trade facilitation which have led to the conclusion of the TFA. The RKC and its Guidelines are therefore in many ways of relevance to the implementation of the TFA. In 2017, the Revised Kyoto Convention Management Committee (RKC/MC) unanimously endorsed the proposal for a comprehensive review of the RKC and, in June 2018, the WCO Policy Commission and Council approved the setting up of the Working Group on the Comprehensive Review of the RKC (WGRKC), along with its terms of reference, based on RKC/MC's proposal. Since September 2018, the WGRKC has held seven meetings and has discussed in depth over 170 proposals under 37 concepts submitted by Members and external stakeholders, together with 23 concepts identified by the Virtual Working Group that was operational before the launch of the comprehensive review. The RKC review will have an important impact on the implementation of multiple TFA articles.

Small Island Economies (SIEs)

7. A Guidance for Customs administrations in SIEs is under development based on the outline adopted by the December 2018 Policy Commission. To that end, a Virtual Drafting Working Group, co-chaired by New Zealand and Mauritius, has been established. It held its

first virtual meeting in March 2019 to set out its terms of reference and modalities, in particular the engagement with SIEs, for commencing the drafting work. In addition, three regional/sub-regional workshops were organized for SIEs in the Caribbean, the Pacific and Indian Ocean sub-regions with the aim to better understand SIEs' challenges/peculiarities and to collect national practices for the development of the Guidance. The draft guidance is expected to be adopted by the Policy Commission and Council in June 2020 and will contribute to the implementation of multiple articles under the TFA. Guidance on SIEs will be discussed under a separate item of this CBC meeting.

Disruptive Technologies

8. At its June 2019 sessions, the Council endorsed the Study Report on Disruptive Technologies, which had been developed under the Permanent Technical Committee (PTC) and its Virtual Working Group on the Future of Customs. The Study Report focuses on seven of the latest technologies (blockchain, artificial intelligence and machine learning, Internet of Things, biometrics, virtual reality, drones and 3D printing). The study report looks into the benefits and opportunities for their use in Customs and border management, as well as into the potential for their use and also their impact in the future. It is a result of a collective effort of WCO Members and Observers and is considered to be a living document more so than other tools, bearing in mind the rapid pace at which the technologies progress. The Study Report also contains 21 valuable Members' use cases and is relevant for implementation of multiple TFA articles.

Transit

9. The Secretariat has compiled a Compendium of Best Practices in the area of transit to support Members with practical examples of enhancing transit regimes' efficiency and effectiveness. The good practices were collected through a series of regional workshops delivered in all six WCO regions during the period from November 2017 to April 2019, and as a result of a call for submission of best practices by Members. The draft Compendium includes a separate section for each WCO region. The first draft of the Compendium was presented to the October 2019 PTC sessions. The final draft of the document will be presented to the April 2020 PTC sessions for endorsement and subsequent submission to the Policy Commission and Council in June 2020. This Compendium will support in particular implementation of Article 11 of the TFA.

Unified File Format (UFF) for Non-intrusive Inspection (NII) Images and Data

10. At its 21st Meeting in April 2019, the WCO SAFE Working Group endorsed the document providing a summary of the Technical Specification of the unified X-ray file format for Non-Intrusive Inspection devices, UFF 2.0, which was developed by the Technical Experts Group on Non-Intrusive Inspection (TEG-NII) with the main purpose of facilitating the interoperability of different NII equipment provided by different manufacturers/vendors. The UFF 2.0 summary document was endorsed by the Policy Commission and Council in June 2019 and was published on the WCO Website. With this, Phase 2 of the UFF Development Programme was finalized and steps are being taken by the TEG-NII towards the implementation of Phase 3 of the UFF Development Programme. UFF 2.0 will contribute to implementation of multiple TFA articles, in particular Article 7.4 on Risk Management.

E-Commerce

11. Following the adoption of the Framework of Standards on Cross-Border E-Commerce at the June 2018 Policy Commission and Council sessions, the Working Group on E-Commerce (WGEC) carried out further work through active engagement with Members and relevant stakeholders as per the Work Plan. The WGEC concluded its work by

developing an E-Commerce Package comprising : (i) Definitions and Technical Specifications; (ii) Flow Chart and Data Elements; (iii) E-Commerce Business Models and E-Commerce Stakeholders : Roles and Responsibilities; (iv) Revenue Collection Models; and (v) Implementation Strategy, Action Plan and Capacity Building Mechanism.

12. The June 2019 Policy Commission endorsed the E-Commerce Package, with the exception of three Annexes (Annex B : Reference Data Set for E-Commerce, Annex E : Revenue Collection Approaches, and Annex F : E-Commerce Stakeholders : Roles and Responsibilities) and extended the mandate of the WGEC, in a virtual manner, until June 2020. In the meantime, the Members' have been invited to share their related case studies, best practices and initiatives in the case study template approved by June 2019 Council for developing a Compendium of Case Studies on E-commerce. In addition to this ongoing work, the Policy Commission and Council in June 2019 adopted the draft joint WCO-UPU Guidelines on the Exchange of Electronic Advance Data between Posts and Customs.

Free Trade Zones

13. WCO Research Paper No. 47 entitled ““Extraterritoriality” of Free Zones : The Necessity for Enhanced Customs Involvement” and a preliminary draft of the Guidance on Free Zones were prepared by the Secretariat, based on the findings from field studies and workshops conducted during financial year 2018/2019 and from the WCO online survey carried out in 2018. The preliminary draft of the Guidance on Free Zones was discussed at the December 2019 Policy Commission session, and is expected to be submitted to the June 2020 Policy Commission and Council for potential endorsement. The Guidance will support implementation of a number of technical measures under the TFA.

Single Window (SW)

14. The 2019 SW Survey has collected feedback from over 100 countries. It provides up-to-date information for the upgraded WCO SWIM-RAMMAP platform and for an analytical study report on the current state of play of National Single Windows. This will contribute particularly to implementation of TFA Article 10.4 on Single Window.
15. Following the Members request to further develop Part IX of Volume 2 of the WCO Single Window Compendium (Performance Management & Sustainability), the first draft of an additional section dedicated to “Mapping the SW contribution channels to SDGs” was discussed during the 77th session of the Information Management Sub-Committee (IMSC).

Coordinated Border Management (CBM)

16. At its meeting in November 2018, the WCO/UPU Contact Committee agreed to add to the CBM Compendium a section on cooperation with the UPU and designated postal operators, recognizing the significance of coordinated border management for the growing e-commerce and for the speedy clearance of the large volumes of postal consignments. This addition was further adopted by the PTC in March 2019 and the Council in June 2019. The CBM Compendium supports in particular implementation of Article 8 of the TFA.

Information Security

17. The Secretariat and the Information Management Sub-Committee (IMSC) are in the process of developing the draft Handbook on Information Security. At its 76th Meeting in May 2019, the IMSC discussed the draft Handbook and provided guidance on how to move forward with its development. This tool will contribute to a number of technical measures under the TFA.

WCO Data Model (DM)

18. At its March 2019 sessions, the PTC adopted the draft WCO Data Model Business Guide. The purpose of this document is to provide a plain language explanation of the WCO DM, its use and its relationship with other international instruments and governmental best practice recommendations. The information contained is intended for use by governmental administrations and others contemplating WCO DM adoption and/or implementation. At the same sessions, the PTC adopted the draft WCO DM Maintenance Procedure which contains updated information on the processes, components, definitions and policies relating to the submission and processing of Data Maintenance Requests. These were subsequently adopted by the Council in June 2019 and will contribute to implementation of multiple TFA articles, including Article 10.3 on the use of international standards and Article 10.4 on Single Window.

Cooperation with other international organizations and border agency cooperation

19. Several activities have been conducted to further promote cooperation with other border agencies and with other international organizations and to enhance border efficiency and effectiveness. Involved agencies and organizations participated in various WCO working bodies, such as the October 2019 PTC. The latter provided an opportunity for following partner organizations to discuss latest challenges and opportunities in cooperation between Customs and other border agencies: Codex Alimentarius Commission (CODEX); International Plant Protection Convention (IPPC) Secretariat; World Organisation for Animal Health (OIE); International Maritime Organization (IMO); and International Organization for Migration (IOM).
20. Likewise, the WCO participated in a number of global, regional and national events and activities organized by other international organizations (e.g. WTO, UNCTAD, UNESCAP, UNECE, UN-OHRLS, UN-OCHA, OECD, UPU, IPPC, OIE, African Alliance for E-Commerce (AACE), Asia-Pacific Economic Cooperation (APEC) and Convention on Biological Diversity (CBD)) and contributed therein.
21. The WCO also participated actively in the international networks and community of knowledge and practice, such as the United Nations Network of Experts for Paperless Trade and Transport in Asia and the Pacific (UNNEXT). In this framework, the WCO is continuously contributing to the projects related to the area of C2C exchange of information, where the WCO Data Model has been accepted as a reference standard.
22. Based on cooperation agreed in 2013 between the WCO and IMO, the revision of the IMO FAL Compendium on Facilitation and Electronic Business was finalized under the lead of the WCO, in close cooperation with other international organizations (in particular the IMO, ISO and UNECE), and was approved at the 43rd Session of the IMO Facilitation Committee in April 2019.

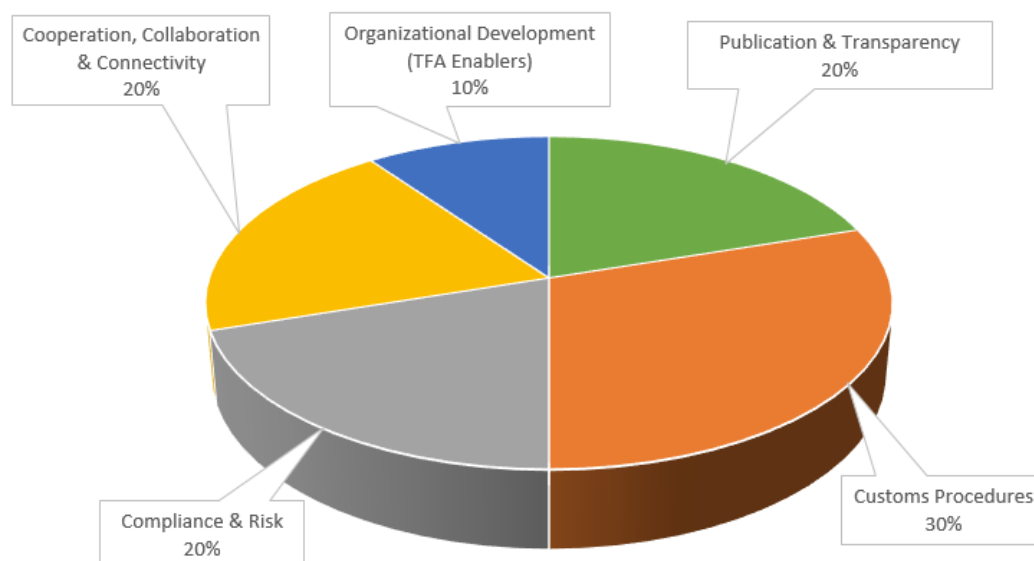
Cooperation with the WTO

23. In the intersession, the WCO continued the positive collaboration with the WTO and provided experts for a number of WTO events.
24. At the 7th Global Review of Aid for Trade, held from 3 to 5 July 2019, the WCO took an active part by organizing a number of sessions. WCO Secretary General Kunio Mikuriya met with WTO Director General Roberto Azevedo, and spoke in a number of sessions, including those related to trade facilitation and e-commerce. One of the session was dedicated to disruptive technologies and its links with trade facilitation. Another session, organized in cooperation with the UK's Her Majesty's Revenue and Customs, focused on gender equality.

25. On 15 and 16 October 2019, the WCO participated in the meeting of the WTO Trade Facilitation Committee (TFC) and presented an update of the capacity building and technical assistance provided under the WCO's Mercator Programme. In the same week, the WCO also participated in the TFA-workshops organized by the TFA Facility, back-to-back with the TFC. These workshops basically focused on following topics: notification requirements, legislative and policy considerations, TFA Facility Grant Program and donor TFA support. The WCO's contributions dedicated to disaster relief and transit were also very welcomed.

Tailor-Made Track

26. After the entry into force of the TFA on 22 February 2017, the timelines for implementing the different categorized provisions notified to the WTO have brought greater transparency to Members' implementation priorities.
27. A growing proportion of TFA related support under the tailor-made track is now being delivered under multi-year (MY) Mercator partnerships. During the reporting period four additional Members requested support under the MY Mercator model bringing the total of administrations benefiting from this engagement approach to 52.
28. MY Mercator engagements are based on medium to long-term partnerships with Members and employ a project-based approach, including a significant role for WCO accredited experts, in particular Mercator Programme Advisors (MPAs). The WCO now has a total of 76 MPAs recorded in the Accredited Customs Experts (ACE) database, many of whom are now regularly providing effective TFA implementation support through sustained engagement with beneficiary Members.
29. During the reporting period the WCO conducted a further 10 TFA diagnostic or scoping missions in response to requests from Members to contribute to their national TFA implementation activities. Since the commencement of the Mercator operating model over 40 diagnostic missions have now been conducted. Further TFA diagnostic missions are planned later in 2020.
30. From the ten diagnostic missions delivered in the reporting period over 200 strategic recommendations were developed in close collaboration with Members, of which 90% were related to technical trade facilitation procedures closely associated to specific articles of the TFA. Further analysis of this reveals a continuing high requirement for support in the broad areas of publication and transparency, Customs procedures, compliance and risk management, along with cooperation, collaboration and connectivity with stakeholders.
31. The remaining 10% of recommendations relate to important crosscutting matters associated to organizational development. Experience has shown that in order to achieve sustainability, support under the Mercator Programme needs to extend to those crucial areas considered to be TFA enablers. These areas commonly include project management, donor coordination, human resource development, information and communication technology, integrity, and gender and diversity. This cross-cutting, "whole-of-Customs" perspective is a core strength of the WCO's approach to TFA scoping and diagnostics, whilst appreciating that the TFA is part of a wider modernization and reform dynamic.

Figure 1: Breakdown of Recommendations

32. Diagnostic missions use a combination of tools to assess the implementation status of each TFA article. The most relevant being the WCO Diagnostic Framework in conjunction with the TFA legal text, the WTO TFA self-assessment guide along with previous diagnostic studies. As per the Mercator Programme Operating Model, WCO analysis builds upon and complements the TFA analysis undertaken by other development partners, providing a Customs-specific perspective that establishes organizational development as a foundation for effective TFA implementation within and beyond Customs.
33. Diagnostic missions commonly include the development of a multi-year (MY) Mercator Implementation Plan, based on the agreed mission recommendations, that forms the basis of future WCO delivery and serves to facilitate enhanced engagement with other development partners, other government agencies and private sector stakeholders involved in trade facilitation reforms.
34. In addition to the multi-year implementation support, many WCO Members continue to benefit from ad-hoc technical assistance missions focused on individual TFA technical measures such as advance rulings, risk management, post-clearance audit (PCA), time release study (TRS), authorized economic operator (AEO), and single window (SW) along with support in areas associated to data harmonization, stakeholder engagement, coordinated border management (CBM), etc.
35. Further achievements in trade facilitation and overall performance have been realized by Customs during the past year, and both the public and private sectors in many Mercator Programme benefitting countries, in terms of reduced costs, reduced delays at the border, improved transparency, stronger cooperation and coordination, enhanced leadership and management competence, human resource development along with enhancements in many specific technical areas where WCO tools, instruments and standards have provided added value. This includes sustained progress in many of the technical areas outlined above.
36. The WCO's mechanisms for effectively tracking and reporting on both MY Mercator and "ad-hoc" engagements have recently been refined, allowing, among others, for more precise statistical reporting.

Lessons Learned and the Way Forward

37. The experiences of working with Mercator Programme Members has identified several common challenges to successful implementation of the TFA, such as the lack of buy-in to trade facilitation initiatives largely due to limited appreciation of the implications of the TFA by other border management agencies, the importance of further engagement of the private sector, and of planning and coordinating external assistance.
38. For context, it is worthwhile to recall the principles and lessons learned that underpin the Mercator Programme and WCO-mediated capacity building in general, including:
- Political will, leadership, national ownership and commitment;
 - Holistic development, taking into account the impact of changes across the whole Customs administration, along with other cross-border regulatory agencies;
 - Credible and actionable diagnostics, based on international standards and real-world experiences of other Customs administrations;
 - Nurturing of change management competencies, including the empowerment of effective enablers of change;
 - Results-based capacity building, with concrete targets, programme and project management techniques, and measurement of implementation and results;
 - Integrity and organizational development as an integral part of TFA-related the capacity building;
 - Partnerships at the global, regional and institutional levels between Customs, trade, donors, development agents and academia.
39. The WCO will continue to refine both the “overall” and “tailor-made” tracks of the Mercator Programme to ensure that they are fully responsive to Members’ needs and implementation challenges, and that the Programme continues to leverage the WCO’s unique value-added, including its network of accredited experts and the WCO instruments and tools supporting effective TFA implementation.

Mercator Programme Report

40. In July 2019, on the occasion of the WTO Aid for Trade Global Review forum, the WCO Secretary General introduced the inaugural WCO Mercator Programme Report. The report, covering the period 2014 to 2018, takes stock of the emergence of the Mercator Programme as a unique vehicle for the mobilization of Customs-to-Customs peer-based support within a wider context of TFA implementation since its launch in June 2014.
41. The report highlights the approach, people, instruments, tools and partnerships that underpin the Mercator Programme’s success, while offering specific case studies and lessons learned for the continued roll-out of the Programme. Case studies from MY Mercator partnerships demonstrate the connection between the TFA and the WCO’s instruments, tools, standards and approaches, offering insights into the unique potential of the Mercator Programme to support TFA implementation from a global perspective.
42. The production of the Mercator Programme Report is based on an appreciation of the importance of documenting the work of Members and the WCO in implementing the TFA, which is engaging and reflective of the uniqueness of the WCO and of its position as the global center of excellence in Customs matters. It also demonstrates the “real-world”

application of WCO instruments and tools, especially in terms of the specific methodologies and sequencings employed. This methodological, “how-to” approach helps to further develop the peer-to-peer relationships within Customs that define the WCO.

Action Required by the CBC and the TFAWG

43. The CBC and the TFAWG are invited to:
- take note of the progress under the Mercator Programme;
 - make further suggestions and recommendations on the future of the Mercator Programme and the related operating model.
-