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ORGANIZATIONAL MATTERS

Guide to Trade Facilitation Benchmarking

Measuring international trade procedures and practices
to enhance competitiveness, reduce costs and improve official control

This document was prepared by UN/CEFACT's International Trade Procedures Working Group (TBG15) at the request of member States to help them assess their current situation regarding trade facilitation and to provide a benchmark against which future progress can be measured. This is particularly important in the context of the current WTO negotiations on Trade facilitation Implementation.

I. INTRODUCTION

1. Benchmarking is the process of identifying, learning from and adapting good and better practice in other similar companies or organizations, in order to improve performance.
2. Applying benchmarking principles to trade facilitation improves business processes, trade practices and official procedures by establishing a starting point and a future goal, and identifying the practical steps needed to reach that goal.

II. WHAT IS BENCHMARKING?

3. Benchmarking is a process of identifying, learning from and adapting good and better practice in similar countries, companies or organizations in order to improve performance. It involves systematic research, analysis and comparison,¹ and is used extensively by companies and public-sector organizations.

4. By establishing a starting point, charting the way forward, and identifying the practical steps needed to set and reach the final goal, benchmarking can be one of the most effective tools for bringing about swift and significant advances in performance.

5. While some of the improvements benchmarking might suggest could require investment in training or new equipment, many can be achieved at little or no cost – and even with overall savings – through better operational practices.

6. A company or country can choose to adopt one of the three common approaches to benchmarking:

- (a) **Unilateral** - comparing current performance with previous performance;
- (b) **Bilateral** - comparing performance with a selected trading partner or country;
- (c) **Multilateral** - comparing performance with a number of different trading partners or countries.

7. Multilateral benchmarking can be conducted by a group of companies or countries among themselves, comparing performance for mutual benefit. It can also be used by a regional grouping of countries to compare performance with other regions or groups of countries, such as a free trade area or a similar trading bloc, or against a selected internationally agreed standard.

8. All of these approaches are flexible and adaptable and will allow a country or business to benchmark on a national, regional or international level, as required.

III. WHY BENCHMARK TRADE FACILITATION?

9. Benchmarking international trade performance has emerged as an important issue for both Governments and business. For example, it can help Governments to define and develop trade policies and design more effective and efficient official controls. Businesses need benchmarks to plan their marketing, sales and purchasing strategies and to speed up the optimum movement of goods and services across international borders.

¹ Customs Benchmarking Information Guidelines, European Commission DG Taxation and Customs Union, DOC TAXUD/728/2000, 13 February 2001.

< http://europa.eu.int/comm/taxation_customs/customs/trade_customs/benchmarking_en.htm >.

IV. BENEFITS FOR GOVERNMENTS

10. The benefits for Governments are:
- (a) Better regulation and control;
 - (b) Greater efficiency of regulatory agencies;
 - (c) Improved trade performance;
 - (d) Improved economic competitiveness.

V. BENEFITS FOR BUSINESS

11. The benefits for business are:
- (a) Reduced costs, increased productivity and improved customer satisfaction;
 - (b) A clearer understanding of one's own operations;
 - (c) Identification of training and capacity-building needs;
 - (d) Prioritized opportunities for improvement;
 - (e) Increased awareness of one's own performance relative to that of other companies or organizations.

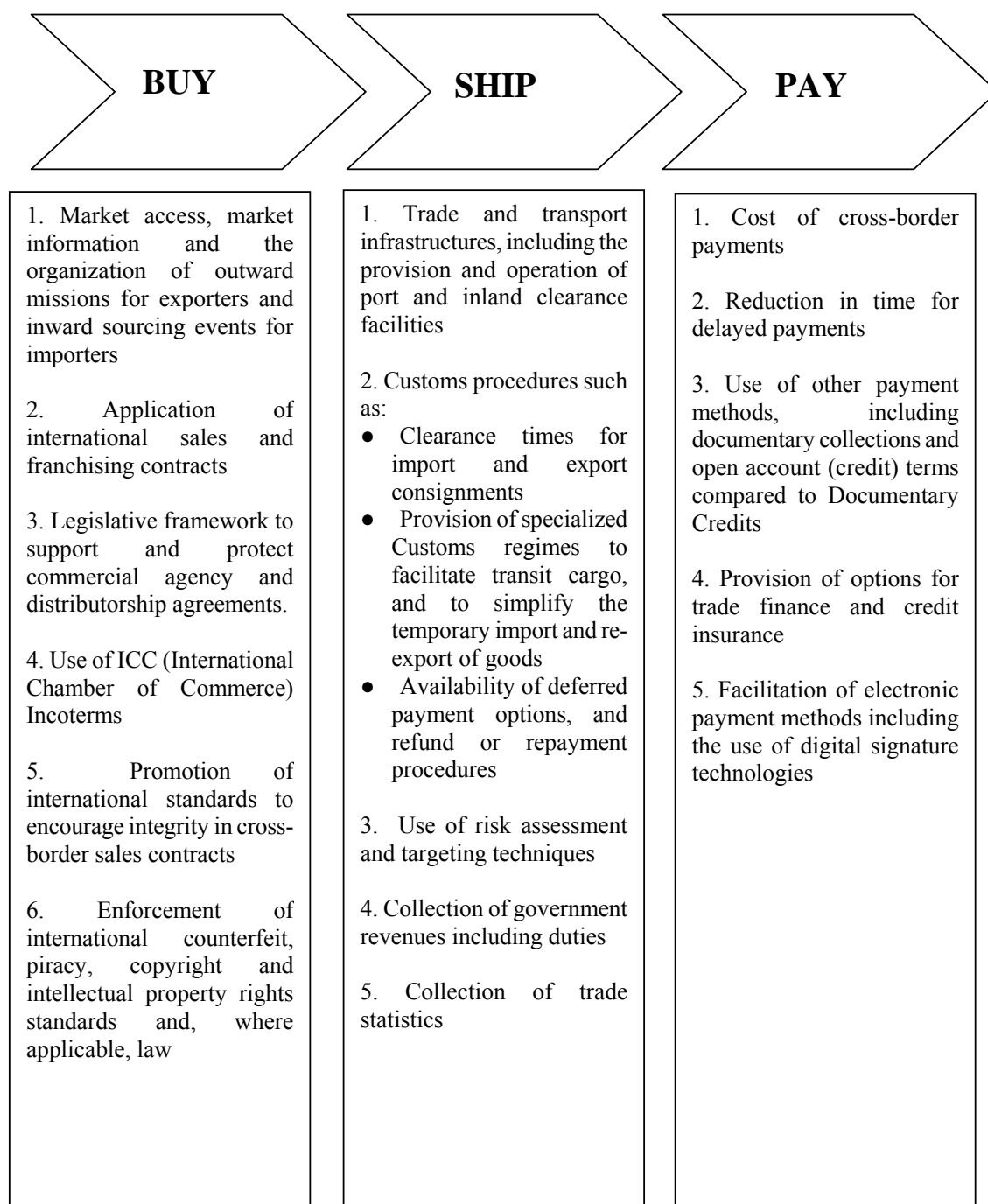
VI. APPLICATIONS OF BENCHMARKING IN TRADE FACILITATION

12. Benchmarking trade performance is primarily focused on the international supply chain model of BUY > SHIP > PAY.² Within these three main components of the international trade transaction, the official procedures, trade practices and business processes that can be benchmarked include:

- (a) Time taken to clear goods;
- (b) Level of access to required regulatory and other official information and documentation;
- (c) Level of transparency in official procedures;
- (d) Exchange of trade- and Customs-related information between the business community and government agencies;
- (e) Application of trade facilitation recommendations, instruments and standards;
- (f) Effectiveness of joint government and trade consultation procedures;
- (g) Application of international trade laws;
- (h) Access to an arbitration and dispute resolution process.

² Outlined in UN/CEFACT Recommendation 18 on Facilitation Measures Related to International Trade Procedures.

Figure. International Supply Chain Model



VII. PRACTICAL EXAMPLES

13. There are many approaches to benchmarking and various models one can use. Although common threads can be found, each organization has its own unique requirements and conditions, which determine the design and the direction of the benchmarking project.

14. The following is a brief overview of the approaches taken by the World Bank, the World Customs Organization and SITPRO Ltd. (United Kingdom).

A. World Bank: Trade and Transport Facilitation in South-East Europe

15. Performance measurement is an integral part of the World Bank's programme on Trade and Transport Facilitation in South-East Europe. It uses a simple and consistent methodology for measuring the average total time required for trucks to cross borders, for the clearance of goods, and for seaport release.

16. The measurement is done on a sampling basis for data collected at designated pilot sites (usually along major transport corridors and at important clearance facilities). Data are collected during a 24- to 72-hour period, once a month, alternating between peak and off-peak periods.

17. The comparison between the rate of physical examination and the rate of detection is gradually enabling the preparation of a compliance and enforcement model.

18. The World Bank's methodology has proved acceptable both to the administrations involved in clearance of goods and to the business community.

B. SITPRO Ltd: "Interact" - Benchmarking the Cost of International Trade Regulation

19. The cost of doing international trade is a major factor in deciding first, whether a company should enter overseas markets, and second, whether a given venture will be successful and profitable. To assist companies in identifying and quantifying the internal costs associated with administering cross-border trade, the SITPRO Interact project provided a consistent basis for measuring the costs of complying with the regulations governing international trade.

20. By collecting details of the regulatory costs incurred by companies across a wide range of industry sectors and around the globe, a series of benchmarks could be developed – i.e. indicative costs for specific activities – against which the companies providing the data would be able to measure the effectiveness of their own business processes.

21. The core feature of Interact was a template that presented, in a structured format, the elements of regulatory cost that could be measured. The approach was to construct an array of benchmarks that represented the cost of undertaking those activities necessary to ensure compliance with government requirements for cross-border procedures (mainly those concerned with import and export declarations), as well as a representative sample of more commonly used special procedures related to certain industry sectors, goods or types of transaction.

22. The Interact project concluded following a successful pilot scheme. After evaluation, SITPRO judged that the resources, both in personnel and in time, required to complete the survey and analyse the findings were in most cases disproportionate to the information and gains a company could realistically expect to achieve. Therefore, SITPRO decided not to repeat the pilot or offer the benchmarking project for wider implementation.

C. World Customs Organization: Customs International Benchmarking Manual

23. The World Customs Organization has produced the Customs International Benchmarking Manual for its member Customs administrations. This is a practical guide that offers a straightforward methodology to help administrations carry out international Customs benchmarking activities.

24. For national Customs administrations, the overall aim of benchmarking is to improve the efficiency and effectiveness by comparing procedures and/or processes with the same or similar ones carried out by others, and then identifying and implementing best practices.

25. Rather than using it as an enforcement tool to make administrations comply with legislation or other measures, Customs administrations can use benchmarking to improve their service and contribute to creating – or maintaining – a world-class service. They can also use it to identify best practices before introducing new systems or procedures.

26. By sharing experiences and descriptions of the practices or procedures they use, the various benchmarking partners can see where improvements can be made. Benchmarking also makes it easy to compare the working methods of the different administrations.

VIII. GETTING STARTED

27. Benchmarking of international trade can be conducted over a variety of sectors and their specific procedures and practices. But the various exercises must be mutually comparable and capable of being replicated. A unified basic approach is therefore essential.

28. The easiest place to start is within one's own organization or company, where benchmarking can be used to explore the relative performance of different functions within the organization. Alternatively, one can also start by comparing one's own performance to that of different organizations or companies within the same country.

29. Either approach allows the individuals undertaking the benchmarking exercise to gain experience in the technique before tackling larger, often more complex and expensive, international comparisons.

30. In all cases, benchmarking should be “**SMART**”:

S = Specific
M = Measurable
A = Activity-focused
R = Replicable
T = Targeted

- (a) **Specific:** It must be as specific as possible to an industry or product for the results to enable a true comparison.
- (b) **Measurable:** For the benchmarking exercise to be effective, the factors or criteria to be measured must be relevant, clear and easy to identify. Wherever possible, the quantitative data to be collected should be easily accessible and measurable. Such data could, for instance, include: time taken, resources deployed, and direct and indirect costs. Benchmarking studies should use a clear, standard methodology for measurement to increase the chances of successfully repeating the process.
- (c) **Activity-focused:** As the international trade transaction relates to business processes, trade practices and official procedures, benchmarking must focus on individual regulatory or commercial activities. The main areas for measurement include compliance with national regulatory controls and fulfilling business needs and demands.
- (d) **Replicable:** A central aspect is the feature of “replicability” or “repeatability”. The measurement process must be robust enough to be repeated several times in order to monitor changes and measure improvements. Indicators selected for measurement should be continuously present and not limited to time or place or, indeed, any process or procedure introduced to meet a short-term need or requirement.
- (e) **Targeted:** The results of the measurement process should set realistic targets for introducing an improved situation within a defined time frame. By using this approach, participants maintain interest in the benchmarking process and continue to strive for improvements. The targets need to take into account any unique factors for the country (e.g. a transition or island economy, or a landlocked country) or trade sector (e.g. special controls for goods or environmental requirements for an industry).

31. When these basic principles are followed, benchmarking gives countries and companies a valuable tool for measuring performance systematically, for encouraging continuous development, and for learning best practices.

IX. CONDITIONS FOR SUCCESS

32. The primary pre-condition for successful benchmarking is the *willingness and enthusiasm* of the organization to undertake the exercise. Senior management should take responsibility for the benchmarking activity from start to finish. Such “ownership” must be reflected through the allocation of appropriate resources, both human and financial, and the readiness to review regularly and, if necessary, adapt the benchmarking technique being used.

33. Several further conditions must be met. These include:

- (a) Preparation of a project plan with well-defined and realistic goals and objectives;
- (b) Appointment of a project leader with clear lines of responsibility, a proper reporting structure and sufficient authority to perform effectively;
- (c) Identification and active participation of the other stakeholders in the process;
- (d) Selection and development of the measurement criteria and other performance indicators;
- (e) Adequate budget and realistic time frames with recognized milestones;
- (f) Development of implementation strategies for introducing best practices and meeting other needs identified by the project.

34. When a benchmarking exercise has been completed, even if only partially successful, the organization should seriously consider *publishing a report* on the results. Actual comparisons and results may be restricted to internal use and omitted from the published report for sound political reasons or to protect commercial confidentiality. Organizations should consider publishing any project plan, or proposed strategies for improving business processes, trade practices or official procedures based on the lessons learned from the benchmarking activity.

35. External publication of benchmarking studies also helps develop the common body of knowledge and experience on the subject. Published models should highlight the benefits and identify the pitfalls, and, wherever possible, record the outcomes.

36. The models could be held in a regional repository by a member State of a free trade area or other similar trade bloc. Subject to demand, a global repository of benchmarking activities could be maintained by an internationally recognized organization. Such a repository would promote benchmarking as a valuable trade facilitation tool and encourage countries and companies to undertake similar benchmarking exercises.

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