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GUIDE TO TRADE FACILITATION BENCHMARKING

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

The secretariat has prepared this document **for information** as part of its efforts to promote the implementation of trade facilitation benchmarking.

What is Benchmarking?

1. Benchmarking is a technique that uses systematic research, analysis and comparison to identify, learn from and adapt good and better practice in similar countries, companies or organizations.¹ The main objective is to help an organisation improve its performance. It is used extensively by companies and public sector organisations to identify major areas for improvement and can suggest how specific targets can be met. While some of the improvements suggested through benchmarking may require investment in training or new equipment, many may be achieved at little or no cost (or even with overall savings) through application of better operational practices or the elimination of redundant procedures identified by benchmarking.

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

- Unilateral – comparing current performance with previous performance;
- Bilateral – comparing performance with a selected trading partner or country;
- Multilateral – comparing performance with a number of different trading partners or countries.

3. Multilateral benchmarking can be conducted by a group of companies or countries amongst themselves, comparing performance for mutual benefit. The multilateral approach 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 similar trading blocs, or against a selected internationally agreed standard. 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.

Why benchmark trade facilitation?

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

5. Benchmarking international trade performance has emerged as an important issue for both Governments and business. For example, benchmarking can help Governments to define and develop trade policies and design more effective and efficient official controls. Business needs benchmarks to plan marketing, sales and purchasing strategies and to achieve the optimum movement of goods and services across international borders.

Benefits for Governments:

- Better regulation and control
- More efficient operation of regulatory agencies
- Improved trade performance
- Enhanced business competitiveness

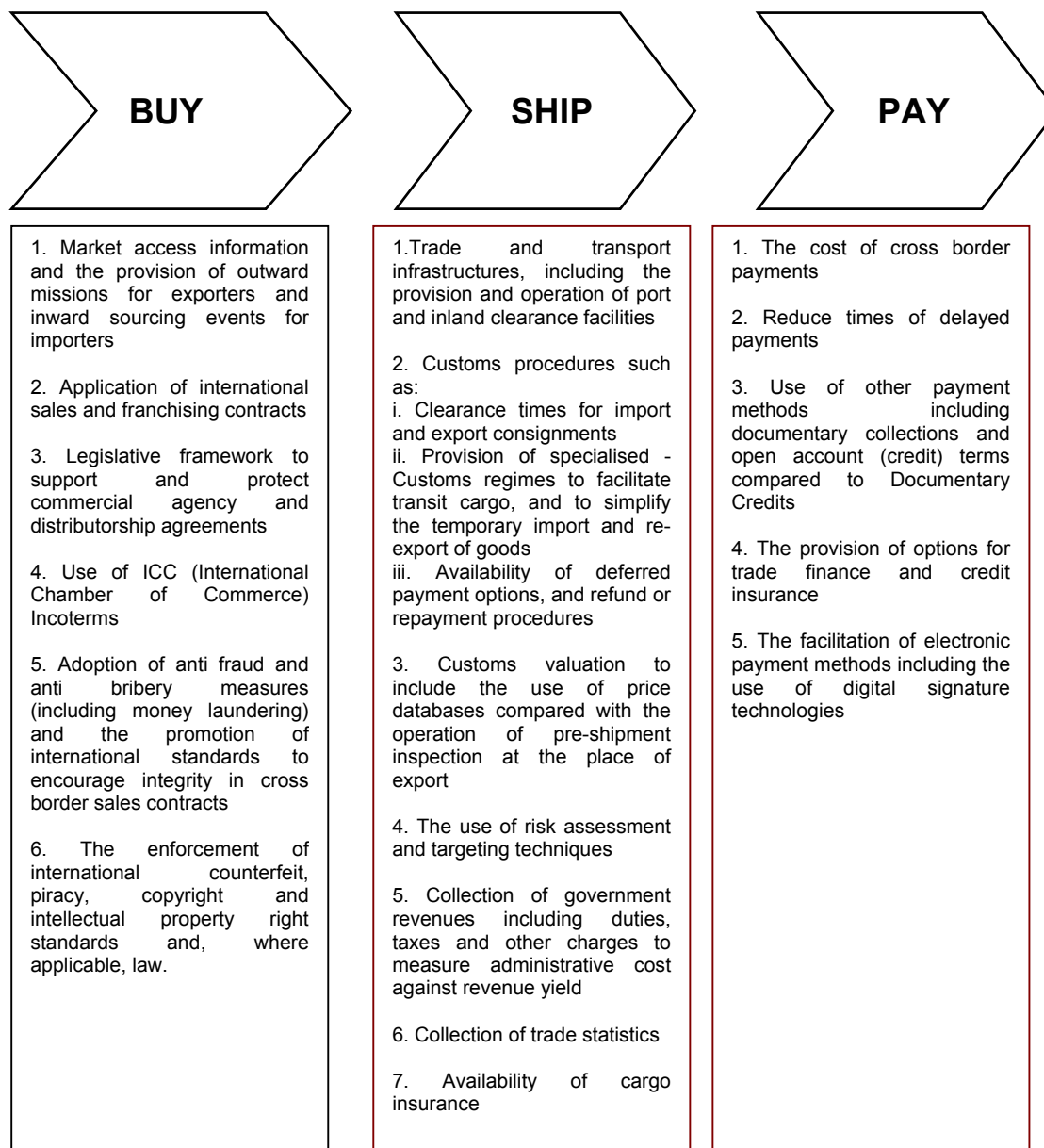
Benefits for Business:

- Reduced costs, increased productivity and improved customer satisfaction
- Enhanced understanding of own operations
- Identified training and capacity building needs
- Identified and prioritised opportunities for improvement
- Benchmarks for a given organisation on how well (or poorly) it is performing in a given area relative to comparable organisations
- Collaborative networks for the exchange of ideas and information on the best approaches, strategies and solutions for specific tasks.

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

Applications of Benchmarking in Trade Facilitation

6. Benchmarking trade performance is primarily focused on the international supply chain model of BUY -> SHIP -> PAY outlined in UN/CEFACT Recommendation 18 on Facilitation Measures related to International Trade Procedures. Concentrating on the three main components of the international trade transaction allows benchmarking projects to support and reinforce a structured approach to the measurement and comparison of trading performance.



7. The activities (official procedures, trade practices and business processes) within the international supply chain that can be benchmarked include, but are not limited to:

1. Time taken to clear goods through various regulatory procedures
2. Level of access to required regulatory and other official information and documentation
3. Level of transparency in official procedures
4. Exchange of trade and customs related information between the business community and government agencies
5. Application of trade facilitation recommendations, instruments and standards, and other trade simplification measures
6. Effectiveness of joint government and trade consultation procedures to include the adoption of regulatory impact assessments for new trade legislation or administrative regulations, and the preparation of cost and benefit analysis for the implementation of new official procedures
7. The application of international trade laws
8. Access to an arbitration and dispute resolution process

Practical Examples of Benchmarking in Trade Facilitation

8. There are many possible approaches to undertaking a benchmarking activity and equally various models that have been used by organisations. Although common threads can be identified, each organisation has its own unique requirements and conditions and this situation determined the design, direction and deliverables of the project. A brief description of the benchmarking activities of the World Customs Organization; the World Bank; and SITPRO Limited (the United Kingdom) is provided below.

Trade and Transport Facilitation in South East Europe Programme of the World Bank

9. Performance measurement is an integral part of the World Bank's Trade and Transport Facilitation in South East Europe (TTFSE) programme. It uses a simple and consistent methodology for measuring average total time elapsed for (i) trucks crossing borders, (ii) clearance of goods, and (iii) seaport release. The purpose is to determine the average overall time it takes for a driver to proceed through a border, or for an importer to clear goods, with no attempt at identifying specific problematic processes.

10. The performance 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 24 to 72 hours, once a month, alternating peak and off-peak periods.

11. The comparison between the rate of physical examination and the rate of detection is gradually enabling the preparation of a compliance and enforcement model. The methodology adopted by the World Bank has proved acceptable both to the administrations involved in clearance of goods and to the business community.

Interact from SITPRO Limited, United Kingdom: Benchmarking the Cost of International Trade Regulation

12. SITPRO's Interact project provides a consistent basis for measuring the costs of complying with regulations governing international trade. By collecting details of the regulatory costs incurred by companies across a wide range of industry sectors and around the globe, it is possible to develop a series of benchmarks - indicative costs for specific activities - against which the companies providing the data will be able to measure the effectiveness of their own business processes.

13. The core feature of Interact is a Template that sets out in a structured format the elements of regulatory cost that can be measured. The approach is to construct an array of benchmarks that represent the cost of undertaking those activities that are necessary to ensure compliance with government requirements for the main cross border procedures (principally those concerned with the

declaration of imports and exports) and a representative sample of more commonly used special procedures that relate to certain industry sectors, goods or types of transaction.

Customs International Benchmarking Manual from the World Customs Organization

14. The World Customs Organization (WCO) has produced the Customs International Benchmarking Manual for the use of its member customs administrations. The Manual is a practical guide that offers a straightforward methodology to help administrations carry out international Customs benchmarking activities. In a customs context, the overall aim of benchmarking is to improve efficiency and effectiveness in national customs administrations by comparing procedures or processes with the same or similar procedures or processes carried out by others, then identifying and implementing best practices.

15. Benchmarking for Customs is not an enforcement tool to make administrations comply with legislation or other measures. Instead, Customs administrations can choose to use benchmarking to develop themselves, to contribute to continuous improvement and to creating (or maintaining) the world class service that all public sector organizations strive to provide. Benchmarking need not always be used to solve existing problems – it can also be used to agree best practice before new systems or procedures are introduced.

16. Sharing experiences and descriptions of the practices or procedures used by benchmarking partners can be sufficient to highlight where major improvements could be made. Benchmarking therefore also makes it possible to compare the working methods and not the performances of Customs administrations.

Getting Started on Benchmarking in Trade Facilitation

17. Benchmarking of international trade can be conducted over a variety of sectors and their specific procedures and practices, even if the details of the implementation will differ between sectors. However, the various benchmarking programmes *must strive to be* mutually comparable and capable of being replicated. To achieve these goals a unified basic approach to benchmarking is essential. The easiest place to start is usually within the organisation itself, where benchmarking can be used to explore the relative performance of different functions within the organisation or between different organisations within the same country. This is usually recommended as the first step in benchmarking activity as it allows the benchmarking team to gain experience in the technique before tackling larger, often more complex and expensive, international comparisons.

18. Benchmarking activity should aim to be S.M.A.R.T.:

- S – Specific
- M – Measurable
- A – Activity Focused
- R – Replicable
- T – Targeted

Specific: Benchmarking a business process, trade practice or official procedure must be specific to an industry or product otherwise the results will not yield a true comparison. Even when it proves difficult to find a completely comparable process, product, trade sector, company or country or geographic region, the more *specific* the benchmark is, both in relation to the process and industry, the greater the chance of acquiring accurate and valuable information.

Measurable: A benchmark must be easily measurable. For any process, trade practice or procedure to be studied, the factors or criteria to be measured must be clear and easy to identify and relevant in order to be effective. Wherever possible, quantitative data should be collected that is easily accessible and *measurable* such as time taken, resources deployed and costs (both direct and indirect). Additionally benchmarking studies must use a clear, standard methodology for measurement to increase the chances of successfully repeating the process.

Activity Focussed: As the international trade transaction relates to operational business processes, trade practices and official procedures, benchmarking trade facilitation must focus on individual regulatory or commercial activities. The main areas for measurement will include compliance with national regulatory controls and fulfilling business needs and demands. By *focusing on an individual activity*, such as clearance and release times for goods, benchmarking will better be able to encompass the transaction costs that by nature stem from both public and private sectors.

Replicable: A central aspect in all benchmarking is the feature of ‘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. If benchmarking is *replicable*, it will deliver the building blocks needed to develop a change strategy for improving trade performance.

Targeted: A core principle of benchmarking is that the results of the measurement process should strive towards setting *realistic targets* for introducing a new improved situation within a *defined time frame*. This approach will maintain interest in the benchmarking and ensure that participants continue to strive for improvements. The targets should take into account any unique factors for the country (for example a transition or island economy, or a landlocked country) or trade sector (such as any special controls for the goods or environmental requirements for an industry) to ensure that benchmarking delivers benefits in trade management and promotes progress in competitive position and economic development.

19. Using these principles when benchmarking in trade facilitation will give countries and companies a valuable tool for systematically measuring performance, encouraging continuous developments and learning best practices from both internal and external experiences.

Conditions for successful benchmarking

20. The primary condition for successful benchmarking is the *willingness and enthusiasm* of the organisation to undertake the exercise. Senior management should own the benchmarking activity from its initial concept, through project consideration, operational implementation, to final completion. This ownership must be reflected in full support for the project through the allocation of appropriate resources both human and financial, the readiness to review regularly and, if necessary, adapt to the benchmarking technique.

21. Once ownership is secured, several other conditions must be satisfied. These include:

- A project plan with well defined and realistic goals and objectives;
- Appointment of a project leader with clear lines of responsibility, a proper reporting structure and sufficient authority to ensure effective performance;
- Identification and engagement of other stakeholders in the benchmarking process;
- Selection and development of appropriate measurement criteria and other performance indicators;
- Adequate budget and sensible time frames with recognized milestones;
- An implementation strategy for the introduction of best practice and other changes identified by the project.

22. When a benchmarking activity has been completed, even if only partially successful, the organisation should give careful consideration to *publishing a report* describing the development, operation and management of the project. 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. Organisations should also consider publishing any project plan or proposals for a change strategy to improve the business processes, trade practices or official procedures based on the lessons learnt from the benchmarking activity.

23. External publication of benchmarking studies will help develop the body of knowledge and experience on the subject. Published models should highlight the benefits, identify the pitfalls and record, wherever possible, the outcomes. 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 recognised organisation. Such a repository would promote benchmarking as a potentially valuable trade facilitation tool and encourage countries and companies to access information about completed projects and consider its relevance and value to any proposed benchmarking activity.

Signposts for further information:

**UNECE
UN/CEFACT
WCO**

<http://www.unece.org/trade>
<http://www.unece.org/cefact/>
http://www.wcoomd.org/ie/En/Topics_Issues/FacilitationCustomsProcedures/BM%20-%20for%20publication%20-%20E.pdf

**World Bank
SITPRO**

<http://www.ttfse.org/>
<http://www.sitpro.org.uk/policy/interact/>
