Developing Service Standards and Performance Indicators for Customs

AMIR II Achievement of Market-Friendly Initiatives and Results

JORDAN AMIR II

Achievement of Market-Friendly Initiatives and Results

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***Developing Service Standards and Performance
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List of Key Words Contained in Report:

AEO	Authorized Economic Operator
ASEZ	Aqaba Special Economic Zone
ASEZC	Aqaba Special Economic Zone Customs
ASYCUDA	Automated System for Customs Data
BMTF	Border Management Task Force
BSC	Balanced Score Card
COLUMBUS	WCO capacity building program to support SAFE
CPM	Customs Performance Model
CSI	Container Security Initiative
GEA	Global Express Association
GoJ	Government of Jordan
HCDM	Human Capital Development and Management
ICC	International Chamber of Commerce
IMF	International Monetary Fund
ISCM	Integrated Supply Chain Management (Guidelines)
JBA	Jordan Business Association
JC	Jordan Customs
KPI's	Key Performance Indicators
MBSF	Microsoft Balanced Scorecard Framework
MIS	Management information System
OECD	Organization for Economic Cooperation and Development
RKC	Revised Kyoto Convention
SAFE	Framework of Standards for Security and Facilitation in a Global Environment
TQM	Total Quality Management
TRS	WCO Time Release Study
WB	World Bank
WCO	World Customs Organization
WTO	World Trade Organization

Abstract

This report documents a *Customs Performance Model* (CPM) based on international best practice that can be used to identify Key Performance Indicators (KPI's) for any customs administration in support of the World Customs Organization (WCO) Framework of Standards to Secure and Facilitate Global Trade (SAFE) program. This report identifies strategic-level KPI's that stem from the Jordanian Customs (JC) Strategic Plan 2005-2007. It is the beginning of a longer process to cascade KPI's to the lowest levels of the organization and can be used by the JC to more effectively evaluate performance against its strategic objectives, goals, and targets.

The model is based on standards already developed by the WCO, World Trade Organization (WTO), World Bank (WB), International Monetary Fund (IMF), and other international and national organizations listed in Annex B. The CPM has been left at the strategic level; no one template exists, as customs administrations are at various levels of development in terms of reform and modernization. The model is flexible and designed as a guide; however, certain KPI's must be measured to determine a customs administration's progress in relation to its strategic plan. The success of KPI implementation is dependent upon an organization's senior level commitment, good governance, and accountability structure, as it marks the beginning of a change management process.

This report identifies some obstacles that will impede JC's implementation of a fully-functioning performance management system based on KPI's. The report does not cover a number of issues relating to the organization and accountability structure, remuneration, job classification, and career and succession planning, though these considerations must be addressed in the long-term.

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1.0   Executive Summary

This report is divided into two parts: the development of a generic Customs Performance Model and the application of this model to Jordanian Customs to refine their process of developing key performance indicators. Some of the report's recommendations have been made previously in other AMIR reports; they are repeated here due to their importance to the KPI development process.

Most customs administrations have identified a vision and strategic direction from which they can develop KPI's. All customs administrations measure their performance in some way, but what they measure and how they measure it varies greatly from one administration to another. The most common indicator, next to revenue collected, is clearance times, a favorite of international organizations in determining levels of trade facilitation. However, the accuracy of this data varies depending on who collects it, when it is collected, and what other steps are involved in the process. The WCO and the WB both caution against using clearance data as a benchmark because of the many variables involved. Revenue collected and clearance times are valid indicators but must be balanced by other measures.[1]

The measurement of the utilization of human capital, learning, and growth in meeting organizational objectives is often overlooked, although it is a key performance indicator. The contribution of IT to improvement of processes and knowledge management is also a key indicator area, as are customer and stakeholder satisfaction. More difficult to measure are a customs organization's effectiveness, efficiency, and overall value for money, which indicate the state of its corporate governance.

The Balanced Scorecard (BSC) approach provides a basis for the Customs Performance Model by which the key indicators can be displayed. Designed initially as a business tool, the BSC has been adopted by public service organizations as a means to ensure that all measures are balanced; that is, that all relevant measurements are considered rather than just one or two.

The Jordan Customs has taken the initiative to develop a strategic plan[2] that sets out the goals and objectives for the period 2005-2007 and contains a number of performance indicators. The JC strategic plan includes implementation of initiatives developed in collaboration with the Customs Reform and Modernization team from the USAID-funded AMIR Program. These reforms include human resource and training automation and process changes, improved multi-agency border management, and the certification of Jordan's authorized economic operators (AEOs) under the Golden List Program. The JC Strategic Plan (2005-2007) was developed prior to the WCO's adoption of the "Framework of Standards to Secure and Facilitate Global Trade," which contains seventeen standards for implementation by members. The JC Strategic Plan does not reflect some of these standards, possibly because some of the standards may already have been met.

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[1] See Annexes B and C
[2] Jordan Customs Strategic plan 2005-2007

JC can use the six strategic objectives in this plan as the themes for mapping key performance indicators against the CPM. The strategic objectives are also comprehensive enough to encompass the role of the ASEZA[3] Customs Directorate, as there should be no inconsistency in the application of customs procedures and policies at the national level. Lower-level KPI's, targets, and strategies to achieve these objectives may differ between the two organizations, but the overall strategic objectives should remain the same.

The JC Strategic Plan is comprehensive and detailed, requiring a variance report to be prepared each year to identify progress toward targets and any necessary adjustments to targets, if required. What the plan lacks is a focus on key objectives and priorities, as well as the horizontal organizational interconnectivity between the strategies, goals, and targets. Although some accountabilities for goal achievement are defined, others are not. The extent to which employees at the working level understand the objectives and how they relate to their work is also unclear.

The JC has received ISO 9001: 2000 certification for its customs clearance processes in selected offices and its application of the Systems Approach to Training (SAT). There are long-term plans to apply these standards to all offices, but available resources are a limiting factor. Metrics have therefore been developed covering operational processes such as customs clearance, and this data is collected in a management information system and analyzed to determine if there is a variation in the time standard set for those processes. Jordan Customs houses also collect data on customer satisfaction with the clearance process every six months, administering one hundred questionnaires at each site. Measures of the cost and efficiency of meeting time targets, such as the number of employees per transaction and whether certain steps in the process are required, have not been analyzed.

The Total Quality Management Division in the JC headquarters oversees the ISO 9001 quality management system, data collection and analysis, and the preparation of the yearly variance report for the strategic plan. They work closely with the Planning and Organization Directorate, which is responsible for the strategic plan, and the Statistics Division, which collects extensive data on customs activities, such as revenue collected, compliance, penalties, types of goods, etc.

The governance and accountability structure of the JC is not conducive to good communication and feedback on the strategic objectives and the achievement of results against them. JC has planned a separate consultancy, expected to take place between May and August 2006, to address the issue of the governance structure and the process of cascading KPI's throughout the JC.

The current practice of arbitrary rotational assignments of employees, particularly the management team, also makes it difficult to follow up on the achievement of goals because of the lack of continuity and accountability. The JC Planning and Organization Directorate has developed performance indicators for each of the directorates in

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[3] Aqaba Special Economic Zone Authority – The ASEZA has a separate customs service that does not report to the Jordan Customs. Having two distinct customs authorities in Jordan has created redundancy of process that is slowly being resolved.

headquarters but has faced resistance from managers in implementing them as a performance measurement tool.

The current remuneration system of low basic salary, extensive allowances, and monetary incentives from penalties collected is anathema to a workable system of performance management linked to organizational priorities. It also contributes to problems with employee integrity. Performance, in many cases, becomes oriented towards assessing penalties for minor declaration errors rather than facilitating declaration processing.

The implementation of a new Human Capital Development Management HCDM system in JC, including SAT, will provide the basis for individual performance measurement and performance gap analysis based on competencies, allowing JC to focus its training, development, and knowledge management activities. The business process changes are supported by an automated system. Career development and succession planning functionalities, not yet implemented in the HRMS system, are essential in responding quickly to human capacity gaps in a planned way.

Recommendations:

1.	The JC has already conducted a complete analysis of compliance to the Revised Kyoto Convention and proposed legislative changes to the GoJ to meet compliance requirements. The JC should review the Strategic Plan (2005-2007) to determine if it reflects these changes. Using the Customs Performance Model, JC should also ensure the plan reflects the seventeen standards as outlined in the WCO "*Framework of Standards to Secure and Facilitate Global Trade*" and adjust the plan as required.

2**.**	As an entity of the sovereign territory of the Hashemite Kingdom of Jordan, the Aqaba Special Economic Zone Authority Customs Directorate is subject to the same accessions to international conventions of the WCO, WTO, and other international organizations and associations as the JC. It should adopt the same strategic objectives as the JC in order to enhance supply chain security and facilitate trade into, through, and out of the Kingdom. ASEZ Customs should use the Customs Performance Model to develop KPI's that reflect their unique operations but which are fully harmonized with JC procedures, particularly in the area of risk management and supply chain management. The ASEZ Customs subset of KPI's should also be consistent with the first eleven standards of the WCO Framework of Standards, which relate to *Customs-to-Customs Cooperation,*[4] specifically as they relate to the JC. The further development of JC KPI's is included in an upcoming JC contract, and a joint JC-ASEZC strategic planning session should be conducted to identify common KPI's.

3.	In order to implement an effective system of KPI's, the JC must restructure its organization and better define its staff's authorities and accountabilities. The Director General of Jordan Customs currently has 37 people reporting directly to him and cannot hope to provide feedback to all these people on the achievement of objectives. JC should also review the functional authorities of headquarters in relation to the field offices in order to identify opportunities for delegating greater decision-making responsibility to the

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[4] This does not mean that the ASEZ Customs should independently engage in formal national customs to national customs relations. The ASEZ Customs should recognize the principles included and the obligation of the Jordan Customs at the international level in cooperation with other customs administrations.

field offices. The JC has recognized these issues and has arranged a separate consultancy to begin in April to restructure its organization and continue the process of cascading KPI's through all of its levels. The restructuring proposal is expected to be submitted by the end of June.

4.   In order to implement an effective system of KPI's, including service standards and measures, the JC must classify jobs according to an acceptable international standard of job evaluation, such as Hay point[5] rating. It must assign a remuneration level consistent with responsibility, decision-making, and technical qualification requirements, rather than remunerating employees through a system of allowances and incentives based on the proceeds from penalties and fines. This is one of the critical factors in motivating employees to contribute to the achievement of the JC's strategic objectives. A comprehensive system of job classification would complement a new organization structure and accountability framework. This should be done immediately after the organizational restructuring.

5.   Performance indicators must be set at all levels of the organization, starting with those related to the six strategic objectives, and cascaded down to the working level. KPI's must be related not only to processes but to client/stakeholder satisfaction, governance (efficiency and value for money), and learning and growth to get a complete picture of the extent to which strategic objectives are being met. The Balanced Scorecard[6] process for setting and measuring targets based on the strategic objectives should be adopted. This is a longer-term consideration that may take up to 12 months to accomplish.

6.   The current rotational system for employees should be abandoned and be replaced by a system based on employee competency and organizational needs. The career and succession planning modules of the automated HCDM system and the corresponding business practices should be implemented in conjunction with the revised organization structure to support a new system of planned replacements by July, 2006.

7.   When the employee appraisal and career and succession planning components of the HCDM system are implemented and the classification review completed, the HCDM system should be analyzed to ensure it is fully integrated and aligned with the new organization structure. Changes should be made, if necessary. The organization structure of the Personnel Division should also be reviewed to determine if it supports a fully operational HCDM system and if the employees have the competencies to manage it.

8.   A benchmarking group should be set up to establish regular meetings with regional customs administrations for the purpose of sharing performance measurement data and practices. The JC group in charge of identification and measurement of KPI's should take the lead on this.

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[5] The Hay point rating has been previously identified to the JC in the AMIR report "Customs Institutional Development: Roll-out of HR Training. This report identified the need for pay restructuring within the JC that is effectively blocked as long as the Jordan Customs is under the antiquated Jordan Civil Service.
[6] See Annex C Balanced Scorecard

2.0   Background:

Numerous international standards and guidelines drive the everyday work of national customs administrations around the world and are framed within the legislation, trade policies, and priorities of individual countries. The WCO revised Kyoto Convention of 1999 has served as a blueprint for customs administrations for the 21st century by detailing standardized customs procedures for efficient customs processing with better controls and reduced cost for traders. The use of information technology to facilitate customs procedures and risk management systems is strongly endorsed in the convention.

The WTO Doha Ministerial Declaration of 2002 identified four customs-related areas in its work program: rules of origin, customs valuation, trade facilitation, and capacity building. The WTO Committee on Trade in Goods (CTG) was tasked with reviewing the GATT articles V, VIII and X and identifying the trade facilitation needs and priorities of its members.

The WCO complements the work of the WTO by developing instruments to support WTO rules. All the legal provisions and the principles in the WCO instruments are compatible with and complementary to the three GATT articles mentioned in relation to trade facilitation in the Doha Ministerial Declaration. The GATT articles set out the high principles for formalities and procedures related to the movement of goods, transit of goods, and publication and administration of trade regulations. On the other hand, the instruments of the WCO, including the legal provisions and implementation guidelines of the revised Kyoto Convention, provide the practical guidance for the implementation of these high principles.

The WCO revised Arusha Declaration of 2001 places the prime responsibility for preventing corruption directly on customs management and encourages the implementation of customs policies and procedures to eliminate opportunities for corruption. Automation of customs procedures and clear policies for dealing with malfeasance are identified as key strategies.

Increased trade, free trade, reduced tariffs, and a demanding importer and broker community are also putting pressure on customs organizations to operate more efficiently. The future decline in customs revenues as a result of free trade and reduced tariffs can be offset on a national level by facilitated trade, with effective and efficient customs operations ensuring the greater economic well-being of countries.

In order to combine all of the above-mentioned principles, guidelines, and standards into a manageable framework, the WCO has developed a "Framework of Standards to Secure and Facilitate Global Trade" (SAFE), based on the RKC and ISCM Guidelines. These seventeen standards capture the essence of what is required of a modern customs administration to secure and facilitate the trade supply chain through best practices and cooperation with business and other customs administrations. They also form the basis for a system to effectively measure the overall performance of a customs administration that goes beyond the traditional measures of customs processes, such as clearance times and revenues collected.

3.0   Consultancy

This report was prepared in accordance with the agreed Statement of Work under activity number 555.01 Customs Institutional Development, Title – Developing Service Standards and Performance Indicators for Customs. It covers the period February 28th to March 28th, 2006, although the consultant spent an additional four days researching data on a related contract.

The objective of this consultancy is to assist JC in developing sound and realistic service standards and key performance indicators. The work was designed as a follow-on to a similar project to develop KPI's for ASEZ Customs in Aqaba, but the scope of work for that consultancy was changed to cover the development of KPI's for ferry terminal clearance processing only. A separate report was prepared for that consultancy; however elements of this report, such as the CPM, may be used in developing ASEZ Customs KPI's. This report also includes cross-over recommendations that are directed toward ASEZC for consideration.

The scope of work for this consultancy is intended to complement the work of the USAID-funded AZEM Project in the development of KPI's and service standards based on international best practice. This SOW was to be an immediate follow-on to the completion of the work performed in Aqaba for the AZEM Project. It is fully understood that findings developed under the AZEM consultancy are financed by USAID and will be shared equally with AMIR. Similarly, all worked performed under this SOW will be shared and consolidated for the benefit of the AZEM project and its counterparts in Aqaba. In addition to the research defined in Point One of the AZEM Terms of Reference (TOR), the following points specify further research required to establish best practice references for the KPI's and service standards:
- Suggested KPI's must be based on internationally accepted standards for customs administrations, which may be gleaned from the existing standards, transitional standards, and recommended practices contained in the revised Kyoto Convention, the Framework, and other WCO literature.
- Suggested KPI's likewise should be based on recommendations gleaned from the databases of donor organizations, including, but not limited to, USAID, the World Bank, the International Monetary Fund, and the Asian Development Bank.
- Suggested KPI's should be based on an Internet search of literature available from other customs administrations, including Canada, the United States, Australia and New Zealand, and the United Kingdom, which may be used to develop the JC's models for HR reforms.

Taking the above points into account, the consultant was to undertake the following activities:
1. Meet with the Jordan Border Management Task Force to review Jordan's proposed changes to border management in order to incorporate KPI's that will recognize the need for multi-agency coordination in border operations.
2. Using the research findings, work with the JC to identify proposed KPI's and service standards applicable to that organization. While there are substantial differences in mandate between the ASEZ Customs and the JC as a national customs administration,

the consultant will attempt to identify as many points for common KPI's as possible, based on the work previously performed in Aqaba. Additionally, the consultant will review the changes in process within the JC for the management of human capital and training to design specific KPI's that will interface with these reforms.

3. Work with the JC to hold a joint workshop with representatives of the JC and the Aqaba Special Customs to help the two entities come to a mutual understanding of the KPI's and service standards developed as part of this consultancy.

4. As a human resources specialist, conduct a review of the AMIR Program and JC HCDM and SAT Project to help elaborate the post-AMIR Program tasks that the JC will complete independently of AMIR Program assistance.

5. Document key findings, recommendations, and KPI's in a report as specified.

In addition to the above tasks, the consultant designed a generic KPI model called the Customs Performance Model that is to be shared with the WCO and other organizations interested in developing KPI's.

Task 3 was not completed. Upon the arrival of the consultant, the SOW for the ASEZ Customs consultancy was changed from developing KPI's for ASEZ Customs to developing KPI's for the Aqaba Ferry Terminal pending the immediate takeover of Jordan Customs tasks there by ASEZ Customs. There was no available basis for comparison of KPI's, as ASEZ Customs had not identified their own KPI's. They should plan to do so in the near future as work continues with JC to develop their KPI's.

4.0   Consultations

4.1   Consultations took place with the following people and groups during the period Feb.28-March 28, 2006:

- Walter Hekala, Customs Modernization & Reform(CRM) Manager, PSPI/AMIR
- Jamal Olaimat, Customs Specialist, PSPI/AMIR
- Michael Schmitz, Director of Compliance and Facilitation, WCO
- Lars Karlsson, Director, Capacity Building Directorate, WCO
- Robert Ireland, Technical Attache , Capacity Building Directorate, WCO
- Marwan Gharaibeh, Director of Organization & Planning, JCD
- Morad Khaled Radaideh, Planning & Organization, JCD
- Zakaria Nussairat, Director, TQM, JCD
- Mohammad Awwad, Head Personnel, JCD
- Faisal Al Sarhan, Head, Border Management Task Force
- Basher N. Salman, member, BMTF

5.0   Methodology

5.1   The consultant conducted a document review via the internet during the four days prior to arrival to research best practices of other customs administrations in the field of performance indicators and measurement. This included documents from the WCO, WB, WTO, ICC, IMF, ADB, GEA, other customs administrations, AMIR, and other sources. The consultant also spent one day at the WCO to discuss issues related to performance measurement, such as the Self Assessment Checklist for the WCO SAFE, the Guide to Measure the Time Required for the Release of Goods, and WCO capacity building initiatives. The consultant also reviewed documents from the AMIR database and gathered information from customs colleagues working in Dubai, Egypt, Iraq, and Afghanistan.

5.2   In order to identify the relevant KPI's for JC, it was necessary to develop a model based on current practice in customs administrations and existing business models for measurement. This could then be used to verify existing KPI's and measures and identify new ones. The Customs Performance Model was developed for this purpose.

5.3   Interviews were held with key personnel in the JC dealing directly with Planning and Total Quality Management and Human Resource issues. An interview was held with the Director of Planning and Organization late in the consultancy to review the KPI model and issues that were raised in the final report.

6.0 Key performance Indicators and Measurement in JC

Jordan Customs has developed a comprehensive data gathering system which they have detailed in their Strategic Plan 2005-2007. The measures are listed below.

- Employee data: age distribution, education, service
- Number of declarations
- Revenues: duties, taxes, fines & penalties, deposits
- Number of vehicles cleared (truck, car, bus, train)
- Number of temporary admissions
- Volume of exports
- Number of smuggling cases
- Volume of seized goods
- Number intellectual property rights cases
- Seizures of hazardous and dangerous substances
- Number red channeled declarations
- Number of high risk inspections
- Cycle times for declarations (yellow, green, red)
- Client feedback on declaration processing
- Number of training courses, seminars and workshops
- Growth in imports
- Number of vehicles cleared (internal consumption)
- Number of ships cleared
- Number of passengers processed (air)
- Number of passengers processed (sea)
- Freight processed (air)
- Percentage of goods cleared within *x* time

Many of these are outcome measures and show performance at the end of the year. The cycle times for declarations and client satisfaction measures related to them, measured through the ISO 9001 process, are lead indicators and provide valuable ongoing feedback for process improvement. These measures are part of the TQM program and include cycle times for declaration processing in all of the clearance offices. However, JC's efficiency in terms of the number of staff dedicated to a process, sign-offs required, and cost are not measured. Other measures, such as value for money of JC customs, administrative efficiency, and employee productivity, are weak. The efficiency of the existing accountability and authority structure should also be measured, as should the effectiveness of the existing risk management system.

There is no doubt that JC has embraced Customs Reform and Modernization and has advanced considerably in recent years, to the point that they are regional leaders and innovators. The strategic plan shows that they are moving in the right direction in terms of alignment with the WCO Framework and other customs standards, such as the revised Kyoto Convention. The human resource development side, however, has not kept pace with the changes, and employees may not be oriented in the same strategic direction as the organization. The HCDM system implementation is providing the basis for this reform but institutional changes to the classification, pay, and authority structures are

required if they are to continue to meet their strategic goals. Organizational climate, employee satisfaction and human resource management[7] are areas that require improvement and measurement.

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[7] John Howard and Walter Hekala in their 10 June 2004 AMIR report on Human Resource Development identified "management of human resources and finance" as one of the nine core activities of customs.

7.0   Benchmarking, Measurement, and Comparative Data

7.1   Following are the results of a research project examining the performance indicators in use in selected customs administrations around the world. This data was assembled in order to compare the performance of Jordan Customs with other administrations and to develop a comprehensive performance measurement model for the JC's use. Data for specific countries appears in the annexes. Data from surrounding countries in the Middle East was difficult to obtain, but the information available indicated that most countries' measures tend to focus on cycle times and revenues collected. Benchmarking comparisons proved difficult because of variables associated with the data, as well as the integrity of the data itself. Measures relating to corporate governance such as efficiency, productivity, resource management, and organizational climate were less evident in the region, which tends to be the case in other countries, as well. The deterrence effect of enforcement and security initiatives is also extremely difficult to measure, even for countries with a mature system, like the US.[8]

Measurement is a complex exercise, and the challenge in any organization is to measure the right things, not everything. For this reason, Key Performance Indicators in a Balanced Scorecard framework are vital, as they focus on factors important to the organization's success in achieving desired outcomes (Annex B). The World Bank, in its recent customs publication,[9] has identified a number of performance indicators that are widely used in its customs projects. These include the following:

- Revenue collected per customs employee
- Total customs agency costs compared to revenue collected
- Salaries compared to revenue collected   Efficiency
- Trade volume per number of staff
- Annual number of declarations per customs employee

- Release time (import clearance time)
- Physical inspection and introduction of risk management
- Trade community information
- Irregularities per number of examinations   Effectiveness
- Surveyed occurrence of corruption/ integrity
- More effective physical inspections
- Rejection of incomplete or inaccurate declarations
- Timely and accurate production of trade statistics

A recent WB project in Southeast Europe[10] included Albania, Bulgaria, Bosnia and Herzegovina, Croatia, Macedonia, Yugoslavia, and Romania. The following performance indicators were used:

- Import clearance times

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[8] See footnote 15 reference to text quotation
[9] Customs Modernization Handbook, World Bank, 2005
[10] TTFSE WB, 2002

- Percentage of physical examinations
- Number of seizures in total number of examinations
- Average revenue collection per customs staff
- Share of salaries in revenue collection
- Average annual number of declarations per customs employee
- Customer surveys

7.2   Clearance Delays

The trade infrastructure (proximity to seaports, distance to ports, transit times, customs clearance times, etc) has a significant impact on trade competitiveness and the cost of goods. In addition, clearance through other government departments and agencies adds time to overall customs clearance, and customs is often blamed for these delays.

"On average, each additional day that a product is delayed prior to being shipped reduces trade by at least 1 percent. Put differently, each day is equivalent to a country distancing itself from its trade partners by 85 km on average. Delays have an even greater impact on developing country exports and exports of time sensitive goods, such as perishable agricultural products. In particular, a day's delay reduces a country's relative exports of time-sensitive to time-insensitive agricultural goods by 7 percent."[11]

It is incumbent upon customs administrations to take the initiative in improving cycle times for clearance, including all aspects of border management, by partnering with these agencies.

7.3   Clearance Time as a KPI

Clearance time is undoubtedly the most widely used measure of customs performance in terms of effectiveness and can be validated by client satisfaction feedback.

The World Bank's most recent survey[12] examined the time required for importing and exporting a standardized cargo of goods, from the contractual agreement between the two parties to the delivery of goods (Annex E). These clearance times appear very high but they do include the logistics of transport, loading, unloading, transit, etc. For example, the WB data shows that total clearance time for imports into Jordan is 28 days on average (although only one Jordanian freight forwarder provided information to the WB for this study). However, the 2005 JC data for customs clearance of goods shows that 77% of goods are cleared within 24 hours, and most within two to four hours. The WB data indicates that clearance times for imports from the US average nine days, yet customs clearance is normally a matter of minutes. Total clearance time for goods from Canada is 12 days and from Egypt, 29 days.

An OECD study in published in 2005[13] shows customs-only clearance times that range from hours to several days for most countries. The authors indicate that the clearance

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[11] Trading On Time, World Bank, Jan 2006
[12] Trading Across Borders, World Bank, Jan. 2006
[13] The Role Of Automation in Trade Facilitation, OECD, 2005

times provided by the customs administrations are underestimated, according to the importers and brokers in those countries.

Both the WCO and the WB caution against using this type of clearance data for comparative purposes:

 "……*comparisons of results from different Customs administrations are neither useful nor reliable since these studies can seldom be undertaken in identical conditions. This study should also not be considered as a competition between (WCO) Members or as an effort to place a value judgment on the operations of an administration."* [14]

For this reason and for reasons of confidentiality, the WCO would not provide the consultant with data on release times for other countries. The WCO also indicated that the TRS, when conducted, relates to a specific location and a specific point in time, and clearance times would therefore vary from location, day, time, and season. The person or organization collecting the data is also a factor, as perceived clearance times vary between customs and clients. One significant tool is the client charter, an agreement between customs and the "client" regarding an average or acceptable time for clearance. "*Many administrations have established pre-set work norms, such as client charters that indicate the average time that should be taken to complete any particular process."*[15] Customs administrations may try to improve on those times through TQM programs, client feedback, and consultation. In addition, customs administrations are in a position to take a leading role in working with other government agencies involved in the clearance process to harmonize procedures for improving efficiency through a "single window" concept. JC has taken this initiative through the Border Management Task Force. Before and after processing times should be measured to determine changes in efficiency as a result of the single window implementation.

7.4   Measuring Customs "Deterrence"

"*It is often difficult to measure quantitatively how well a law enforcement organization is meeting its challenges……… Measuring program effectiveness in terms of "deterrence" is complicated. ……The direct impact being made on unlawful activity is often unknown. Because of these and other unidentified variables, the traditional economics and approaches used to measure performance can be challenging*."[16]

Measuring the impact of anti-smuggling, security, and enforcement activities, although difficult, can be done. The creation of AEO programs such as the Jordan Golden List and United States C-TPAT allow customs administrations to refocus their resources from low risk shipments to higher risk ones, and it is possible to measure the resulting interdiction activities. Data relating to these programs such as participants in an AEO program, volumes, types of goods, etc. must be collected and analyzed.

7.5   Measures of Employee Integrity

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[14] Guide to Measure The Time Required For the Release of Goods, WCO, 2002, pg2
[15] Ibid. pg 3
[16] Securing The Global Supply Chain, C-TPAT Strategic Plan US Customs and Border Protection, Nov. 2004

The Transparency International Corruption Perceptions Index for 2005 (Annex G) ranks Jordan as 37th out of 158 countries, which is much better than its Middle East neighbors, with the exception of Israel, ranked 28th. Jordan's corruption index is still high, rated 5.7 out of 10 (10 being highly clean and 0 highly corrupt). Integrity of customs officers remains a problem, with corruption offences frequently overturned by the Jordanian courts and low salaries providing incentive. The Civil Service law in Jordan makes it difficult to remove employees for malfeasance, and employees with a history of offenses remain on the JC payroll. A proposed new salary structure and discipline code combined with a better performance management system for JC will improve this situation. In addition, anti-smuggling initiatives should identify areas of potential opportunity and involvement of employees and develop procedures to combat this. Client surveys are one tool for measuring employee integrity.

7.6 Regional Benchmarking as a KPI

The JC has implemented a number of significant customs reforms in recent years, including ISO 9001 certification for customs processes, and is certainly a regional leader in this regard. They have recently hosted a number of customs forums, including the WCO Policy Commission meeting. The JC group that will be established to oversee the implementation of the Balanced Scorecard process should initiate a benchmarking group to formally share performance data among countries in the region. This will also serve as a window for further customs-to-customs cooperation. Using the BSC and the CPM as a framework, it will be easier to carry out performance comparisons between countries.

8.0 Customs Performance Model

8.1 The CPM was developed based on a need to use a comprehensive measurement model to assess JC's existing KPI's and develop new KPI's where necessary. It was also designed to be generic, so that other customs administrations can use it to begin the process of KPI formulation and/or review of existing indicators and measures. The WCO has created a number of instruments and guidelines for use in measuring customs processes, such as declaration processing,[17] as well as diagnostics to identify areas for improvement and capacity building in customs operations. Other WCO instruments and declarations provide insight into measurement, but there is no holistic approach to measuring the performance of a customs administration.[18] These international instruments for the most part do not describe how to measure the "outcomes" as they relate to clients, stakeholders, and corporate governance, but rather focus mainly on customs processes, such as clearance times.

The JC has developed a significant number of performance indicators, many based on lead indicators such as cycle times for declaration processing, and some outcome measures such as client satisfaction and revenue collection. The ISO 9001 certification of TQM processes is an excellent basis for building a comprehensive system of measurement and complements the BSC approach (see Annex B).

The model as developed comprises five sectors of measurement and comes from the Balanced Scorecard approach (Annex B) that is increasingly used by organizations as a strategy management and communication tool, as well as a means of ensuring that all aspects of performance are measured, hence a "*Balanced*" Scorecard. It is not a rigid set of measurement areas but can be adapted to suit organizations in both the private and public sectors. The CPM was developed to best represent the types of measures that customs administrations should use.

The traditional BSC business model described in Annex B comprises four areas of measurement. This does not reflect the public service environment, where budgets are imposed and the Minister of Finance and the public are key stakeholders. Customs organizations are also responsible to the Auditor General and Parliament for "good governance." A seven-sector public service model for customs has been proposed in Australia,[19] but a five-sector model has instead been adopted for simplicity and ease of use. The Organizational Health, Resource Management, Governance, and Structure sectors from the seven-sector customs model were combined into one sector called Corporate Governance[20]. In addition, the Client sector of the business-oriented BSC was subdivided in the five-sector customs model into Clients, who receive direct services from customs, and Stakeholders, which include other government departments, other customs administrations, Parliament, and the public (Fig. 1&2). A model with other

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[17] "Guide to Measure The Time Required For The Release Of Goods"; WCO 2002

[18] See "Background" section in this report re international instruments containing standards.

[19] Dynamic Balanced Scorecard for the Public Sector, Keith T. Linard, University New South Wales, 2001

[20] Corporate Governance is the framework established by a governing body to ensure that stakeholders, primarily the Parliament, the Government and the community, have assurance that the agency is fulfilling its responsibilities with due diligence and accountability.

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combinations could also be used as long as measures relating to the critical sectors mentioned above are included.

Customs Performance Model
Strategic Outcomes & Drivers

Client
to achieve our vision and mission, how should we appear to our clients?

Stakeholders
to achieve our vision and mission, how should we appear to our stakeholders?

Internal Processes
to satisfy our stakeholders, and clients, what processes must we excel at?

Customs Vision, Mission, Strategy

Corp. Governance
to satisfy our stakeholders and clients, what will demonstrate good governance?

Learning & Growth
to achieve our vision and mission how will we sustain our ability to change and grow?

outcomes

drivers

Fig. 1

8.2   The model with a defined *vision, mission, and strategic goals and objectives* for the customs administration is a starting point for defining performance indicators and measures. There are two different types of indicators:

Outcome or Lagging Indicators: These indicators are measured at the end of a process, a consequence of past actions (e.g. revenue collected, seizures, fines and penalties, client/stakeholder satisfaction, etc.).

Drivers or Leading Indicators: These indicators are measured during a process and show progress towards goals and targets (future performance). This type of indicator relates to business processes (e.g. cycle times, quality, effectiveness, and service delivery), as well as process development (e.g. AEO program, technology innovation) and employee competency.

The lagging indicators tend to be common to most customs administrations, while the performance drivers, the lead indicators, would be unique to each administration. If the lead indicators are viewed in relation to the WCO Framework, then there are areas that cut across customs administrations (e.g. technology innovation; ASYCUDA and other processes relating to ISCM). A good Balanced Scorecard should have a mix of *outcome measures* and *performance drivers*. Outcome measures without performance drivers do not communicate how the outcomes are to be achieved. They also do not provide an early indication of whether the strategy is being implemented successfully. Conversely, performance drivers such as cycle times without outcome measures will fail to reveal whether the operational improvements have been translated into client satisfaction.

Customs Performance Model
Strategic Outcomes & Drivers

Client
• good image and reputation
•communicative
•Meeting their needs
•collaborative

Stakeholders
•Good partner
•security
•Well managed, efficient
•collaborative

Internal Processes
•Integrated supply chain management processes
•Cycle time/quality/effectiveness
•Innovative processes

Customs Vision, Mission, Strategy

Corp. Governance
•Accountability
•Employee productivity
•Organizational climate
•Value for money

Learning & Growth
•Employee capabilities
•Information system capabilities
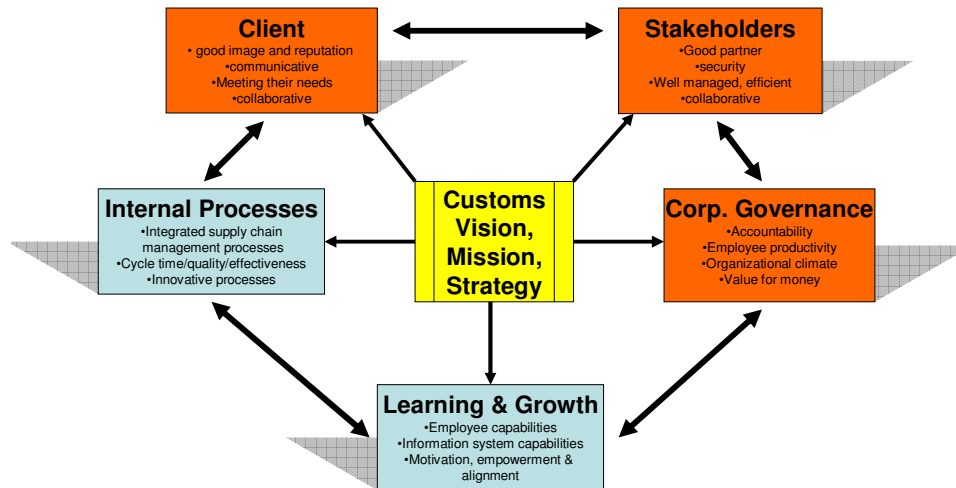•Motivation, empowerment & alignment

Fig. 2

8.3   Figure 1 shows the types of questions an organization would ask to determine what the outcomes and drivers should be. Within the context of the organization's vision, mission, and strategic direction, what kind of outputs and behavior would our clients and stakeholders expect of us, and what do we need to do in terms of processes and services to meet those expectations? What competencies must our employees possess to deliver those services? How will we show value to our clients and stakeholders?

Figure 2 shows how the client, stakeholder, and corporate governance outcomes are driven by the efficiency and effectiveness of the internal processes, employee capability, and information technology innovation and utilization. They are interconnected and have a cause and effect relationship. Innovative customs processes are ineffective if employees do not have the competencies and authorities to implement them. Similarly, employees need an organizational climate that fosters learning and growth to be productive. It is necessary to measure all of these factors and the way that they influence each other.

8.4   The Cause and Effect Relationship

This relationship, shown in Figure 2, is complex, and results are affected by the timing of feedback on success in meeting targets and objectives. From the strategic perspective shown in Figure 2, KPI's are cascaded down into the organization and strategy maps are developed that show the horizontal relationship between the indicators and the strategies for achieving targets (see Figure 3)—everything is connected. In order to improve the quality and speed of the clearance cycle and hence client satisfaction, employees must possess the required competencies. The BSC for customs is not just a collection of measures in five categories but a linked set of measures that define both long-term strategic objectives and the means for achieving those objectives.

8.5   Selecting the Measures

Twenty is the maximum number of measures for higher-level KPI's. Otherwise, customs administrations will spend time gathering information that may not be relevant. Customs organizations beginning the BSC process should focus on three or four measures the first year or the process will become difficult to manage. Implementing the BSC is a significant change process that will significantly change the way employees view their jobs. It should be done gradually, with all employees aware of what is going on. Customs administrations should not simply select the easy-to-measure elements or ones that have been measured before. They should rather choose those that are key to delivering high value to clients and stakeholders.

8.6   The Model and the WCO Framework of Standards

The Framework of Standards (Annex D) will enable customs administrations to cope with the challenges of the new international trading environment by putting the building blocks in place to undertake Customs Reform and Modernization. The Framework has been constructed in a flexible manner to allow customs administrations to implement at different speeds, depending on their own unique conditions, requirements, and levels of development. Performance measures relating to trade facilitation and security of the supply chain should be developed as aspects of the framework are implemented. Standard 8 of the framework refers to the maintenance of statistical reports that contain performance measures. The measures referred to are outcome measures from inspection and clearance processes. Measures should also be developed that reflect client and stakeholder satisfaction, as well as longer-term impact on revenue, security, and trade facilitation. The WCO has developed a Time Release Study by which customs administrations may self-assess the time required for release of goods in order to benchmark their progress over time. Partnerships with other customs administrations and with businesses are key pillars of the framework and relate to Client and Stakeholder outcome measures in the model.

8.7   Setting Goals and Objectives related to the Strategy

The JC has identified six key themes or objectives in their Strategic Plan 2005-2007 (Annex C). Figure 3 shows the measurement framework for translating these objectives into measures, targets, and initiatives. Figure 4 shows how JC Strategic Objective 4 *"Combat Smuggling and Illicit Trade Activities,"* which would fall under "Internal Processes," might be formulated using this framework. One can see that initiatives to meet the two objectives require training of staff in the new risk management procedures and the new integrated system. Risk management is also a component of two other strategic objectives and should be linked horizontally. The initiatives relating to *increasing compliance* also require competency development in post audit and GPS tagging. Figure 4 shows that the initiative involving an integrated risk management system would require the participation of ASEZ Customs because of the necessity for cooperation on a common risk management strategy.

Customs Performance Measurement Model
Measurement Framework
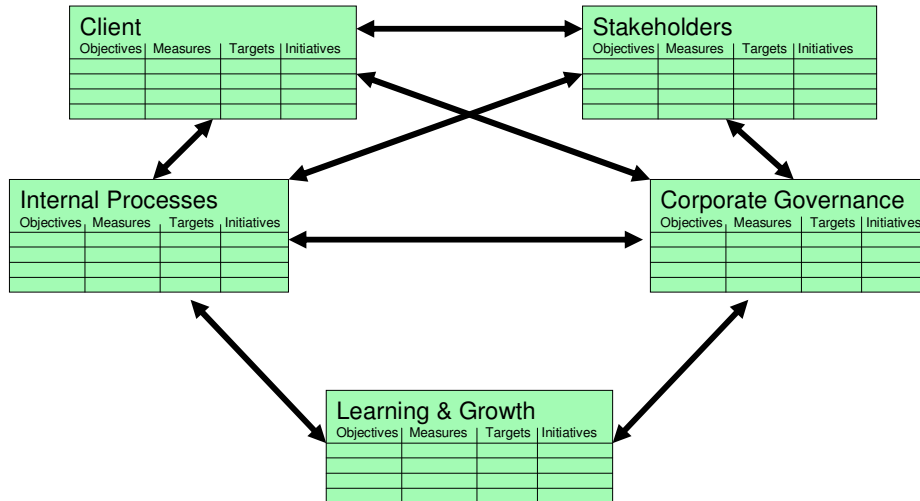
Fig. 3

Goal # 4 (from 6 strategic goals)	Objective	Measurement	Target	Initiative
Combat smuggling and illicit trade activities	**Integrated Risk manage-ment System**	•Decreased cycle time at border •Improved targeting	A unified intelligence, inspection, control and enforcement system by Dec 2007	•**Border Management Task Force Report** •**Coordination with ASEZA Customs on risk management and ASYCUDA** •**Coordination between Enforcement, Risk Management & Intelligence Units** •**Revise risk criteria**
	Increase the level of compliance	**#of smuggling cases** **#of golden list qualifiers** **Volume of seized goods by type**	•**50 qualified on golden list 2006** •**Legislation amended on penalties 06/2006** •**All clients and stakeholders advised of changes**	•**Expanded use of internet** •**Golden List program** •**Increased use of post audit** •**Increased use of NII equipment** •**Use of GPS or other tags for trucks** •**Increase penalties**

Fig. 4
The expanded use of the internet and increased penalties would require consultation with clients and stakeholders and dissemination of information regarding the changes.

8.8   Cascading KPI's down the organization

As seen above, strategic goals and objectives can be transformed into sub-objectives, and detailed measures, targets, and initiatives can be determined. As the KPI's move farther

down into the organization, specific goals and initiatives can be identified down to the individual level. For example, organizations can analyze initiatives to determine what new competencies are required to meet the targets and assess individual employee competencies based on this analysis. The measures in Figure 4 contain both lag indicators (e.g. numbers of seizures) and lead indicators (reduced cycle times).

The entire process of cascading KPI's down to the first line of the entire organization can take up to a year depending on the maturity of the organization, current data and measures, and the accountability structure. If jobs and accountabilities are not well defined and/or employees are not motivated to perform for reasons of poor pay or lack of consequences for performance results, then the process becomes longer and more difficult. This process must also be driven and supported by the Director General of Customs, as it is a communication tool for strategic objectives in addition to being a performance management tool. The idea is to make strategy everyone's job, and everyone should see the big strategy picture and where they fit into it.

8.9   Performance Indicators for the 5 BSC Measurement areas

The following performance indicators have been gleaned from research into other customs administrations and from international organizations (Annexes D, E, F, G, H and I), and from other sources. This list is not exhaustive but describes how indicators can be identified based on the five perspectives, or measurement areas, of the Customs-oriented Balanced Scorecard. It should be noted that outcomes like total revenue collected are not a meaningful measure by themselves but take on value when associated with other parameters, such as number of employees and operating costs. Revenue collected per employee over operating cost (e.g. salary) would give you a measure of efficiency that is an outcome measure. Revenue is also affected by a number of variables, including trade volume, tariff structure, trade agreements, tax structure, fraud, smuggling, etc., and high and low revenues from year to year should not be construed as indicative of good or bad performance. Remember, there is a cause and effect relationship among performance indicators, and a careful analysis of measurement results should be conducted to identify the root cause of performance results. Conclusions should not be drawn from one or two sets of measures; customs processes can be measured and shown to be effective (e.g. low cycle times) but may not be efficient because of the number of employees devoted to their execution. The importance of an indicator will depend on an organization's strategic priorities and its progress in terms of Customs Reform and Modernization.

8.9.1   Internal Processes (KPI's)

- Cycle times (customs clearance- export/import)
- Border wait times passenger/cargo(before customs clearance begins)
- Number shipments targeted as high risk
- Percentage of shipments examined
- Percentage of goods interdicted
- Percentage of delays beyond x hrs caused by valuation issues
- Value of seizures and monetary penalties
- Quality of intelligence re high risk containers
- Number of annual declarations

- Types of goods seized
- Revenue collected from post clearance audits
- Number formal evaluation challenges/Number changed
- Number formal classification challenges/Number changed
- Number of investigations for violations of border legislation
- Number convictions for violations of border legislation
- Number intellectual property rights cases
- Volume/type prohibited goods seized
- Number of travelers
- Number of temporary entries
- Border wait times (people/goods)
- Examination rates and discrepancies found(daily/weekly/monthly)
- Trade volume
- Number export inspections
- Number of declarations over number of declarations with errors

8.9.2 Learning & Growth KPI's

- Employee capacity/competency
- Number of training courses
- Employee satisfaction
- Number of internal (administration/management) IT projects
- External(client oriented) IT projects
- Number IT systems implemented/operational
- Employee turnover

8.9.3 Client KPI's

- Client satisfaction surveys(process)
- Client perception of integrity
- Client communication of changes in law, new programs, new programs
- Client perception of integrity
- Number and types of complaints
- Number client charters/agreements
- Cost of compliance for client

8.9.4 Stakeholders

- Agreements/MOU's with other customs administrations, government departments, international organizations (ISCM, WCO Framework)
- Satisfaction of partners
- Satisfaction of Minister of Finance, Parliament, Public
- Compliance with WCO, WTO agreements
- Security of the supply chain

- Media reports

8.9.5 Corporate Governance

- Value for money/efficiency/productivity:
  - Revenue collected per customs staff
  - Revenue collected over total customs operating cost
  - Annual number of declarations per customs staff
  - Salaries over revenue collected
- Customs legislation changes
- Organizational climate
- Progress on Customs Reform and modernization
- Number of integrity complaints
- Number of integrity violations
- Accountability structure/framework

Annex A: Key Performance Indicators and Measurement in JC

Key Performance Indicators – Measuring the Performance of Customs Administrations

"If you can't measure it, you can't manage it…"
"The things that get measured get done………"

Measurement

It is not cost effective to measure every activity of a customs organization, but focusing on those key areas that contribute the most to the achievement of the strategic objectives and measuring them is a sound performance management approach. Once an organization has analyzed its mission, identified all its stakeholders, and defined its goals, it needs a way to measure progress toward those goals. Key Performance Indicators are those measurements.

Characteristics of KPI's:

- Must reflect the organization's goals
- Key to the organization's success
- Must be quantifiable (measurable)
- Long term (what they are and how they are measured do not change often)
- Goals for a KPI may change
- Goals related to KPI's must have targets and initiatives for meeting them
- Should be limited to those essential to the organization reaching its goals
- A small number of KPI's keeps everyone focused
- Each unit within a Department will have KPI's that "roll up" into the organizational KPI's
- A performance management tool when communicated throughout the organization
- KPI's give everyone in the organization a clear picture of what is important
- KPI's can be organized into a *Balanced Scorecard* framework to ensure that all areas of measurement are covered

Objectives and Measures

Objectives are desired outcomes. The progress toward attaining an objective is gauged by one or more measures. As with perspectives, there are causal relationships between objectives. In fact, the causal relationship is defined by dependencies among objectives. So, it is critical to set measurable, strategically relevant, consistent, time-delineated objectives.

Measures are the indicators of how an organization is performing relative to its strategic objectives. Measures, or metrics, are quantifiable performance statements. As such, they must be:

- Relevant to the objective and strategy.
- Placed in context of a target to be reached in an identified time frame.
- Capable of being trended.
- Owned by a designated person or group who has the ability to impact those measures.

Prerequisites for good performance measurement:

- Executive commitment
- Governance Structure with defined accountabilities and responsibilities
- Strategic Plan and Priorities
- Integrated, competency based, human resource management
- A process for identifying KPI's
- Identified outcomes (objectives)
- Targets and initiatives
- Outcome (lag) measures and performance drivers(lead) measures
- Employees who are qualified in data analysis

<u>Annex B: Balanced Scorecard</u>

Balanced Scorecard – linking strategic planning to measurement and communication

The Balanced Scorecard (BSC) is a performance measurement tool that originated in the business world. Performance measurement is a way to track performance over time to assess if goals are being met. The BSC was introduced by Robert Kaplan, a Harvard Business School professor, and David Norton, the founder and president of Balanced Scorecard Collaborative, Inc., in the early 1990s as a new way to measure business performance. Organizations measure their performance to monitor how they're doing in achieving their overall mission and goals.

Traditionally, companies measured their performance by looking only at how they were doing financially, for example measuring only profit increases or cost efficiencies. Kaplan and Norton's BSC concept challenged this traditional, single focused approach to performance measurement. They noted that examining only financial outcomes did not provide a company the full picture of its overall performance – that it in fact ignored the other factors at play in a company's performance. Kaplan and Norton proposed that organizations consider all the factors that influence overall performance in order to get a balanced view. They urged companies to ask and to measure, "If we're going to succeed financially (the overall mission for businesses), what is it that we're doing well from our client and stakeholder perspective?" and "If we are to meet these needs, what is it that we must do well internally?" By answering such questions, organizations would be considering their performance from all perspectives – financial, customer, and internal. The answers to the questions would define for a company what is most important to be done in achieving the overall goal of financial success. Once an organization identified what was most important to do, it could then develop measures to keep track of how the company was doing at those things.

This collection of measures from all perspectives became what is known as the Balanced Scorecard or BSC. Today over half of Fortune 1,000 companies in North America are using the Balanced Scorecard, which has become the hallmark of a well-run organization. Many organizations say the scorecard is the foundation of their measurement and management systems. The BSC has also been used by many public service organizations and adjusted to include stakeholders such as the Minister of Finance or Treasury, the public/taxpayers and other government departments and agencies. For public bodies such as customs, the corporate governance or regulatory structure is important as well.

A Good Balanced Scorecard

From the writings of Kaplan and Norton, and from the prolific marketing of Balanced Scorecard solutions by management consultants and software vendors, we know that a "good" BSC is not simply a limited list of measures gathered into four or five categories.

Rather, a "good" Balanced Scorecard *"… should tell the story of your strategy"*[21], communicating and promoting adherence to the strategy to all levels of the organization.

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[21]   Renaissance Worldwide Strategy Group. "The Balanced Scorecard -- An Overview"

Linked to strategy

Perhaps the single most important contribution of Kaplan and Norton has been to get the message across that the setting of the performance framework is a crucial corporate responsibility in which the direct and ongoing involvement of top executives is essential:

- in setting the vision, and the strategy for achieving it

- in implementing a performance measurement system focused on strategy

- in communicating down the line that executives are using the system.

"In essence, the strategies are a series of cause and effect relationships. If you want to achieve X, what needs to happen to cause that result? The performance measures would then track the trend of the organization's progress toward the desired strategies outcome". [22]

A good Balanced Scorecard, says Kaplan, *"… tells everyone in your organization, in a single page, the story of your entire strategy: Every measure is part of a chain of cause-and-effect linkages. All measures eventually link to organizational outcomes. A balance exists between outcome measures (financial, client/stakeholder) and performance drivers (value proposition, internal processes, learning & growth)".* [23] In the case of customs administrations, the performance outcome measures are corporate governance, client and stakeholder and the performance drivers are internal processes and learning & growth.

It is this very nature of government organizations that makes the BSC uniquely suited for performance measurement within public agencies such as customs. While financial performance is indeed important to customs in terms of efficient use of taxpayer funds and revenue collection, performance as it relates to the clients and stakeholders that customs serves and the performance and effectiveness of its own internal operations is as of critical importance. As described above, the BSC is a performance measurement tool that accommodates these other very important perspectives.

The National Partnership for Reinventing Government in Australia endorsed the Balanced Scorecard, saying:
"Why should a government [agency] try to achieve a balanced set of performance measures? Because you need to know what your customer's expectations are, and what your employees need to meet those expectations. You cannot achieve your stated objectives without taking those expectations and needs into account."

Balanced Scorecard and Total Quality Management

The balanced scorecard is perfectly consistent with TQM principles and enhances in several ways the effectiveness of TQM programs. Initiatives to improve the quality, responsiveness and efficiency of internal processes can be reflected in the operations portion of the scorecard's internal perspective. The scorecard identifies those internal processes in which improvement will be most critical for strategic success. It also identifies whether the process improvements should focus on cost reduction, quality improvement or cycle time reduction. There should be a linkage from quality improvements in the internal process perspective to one or more outcome (not process)

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[22] Schmid J. The Balanced Scorecard. FCN Reinvention News. 22/5/2000.
[23] Kaplan RS, "The Balanced Scorecard", July 13, 1999.

measures in the customer perspective. Quality improvements should also allow customs administrations to reduce costs, an efficiency outcome in the corporate governance perspective.

" The BSC provided a unity and focus to our TQM efforts. We had a lot of teams doing a lot of things but the efforts were ad hoc. Our TQM experience gave us a strong emphasis on teamwork and on good data gathering and measurement. The BSC brought this together into a unified systematic approach."[24]

Balanced Scorecard and Reengineering

Reengineering may be required when continuous improvement and the TQM approach does not lead to achieving the desired performance. The BSC can help to focus reengineering efforts on those processes that are critical for strategic success not just for cost cutting reasons. The BSC can also identify non financial outcomes such as client and stakeholder satisfaction for process reengineering priorities.

Reasons why BSC's fail

BSC implementations often 'fail'. Knowledge of why they do and avoiding the pitfalls is important to successful implementation. The following factors are significant in these failures:

- practitioners blindly follow the four quadrant model even though there may be valid reasons for departing from this in specific public sector cases
  - ➢ particularly at the top Government level, which forms the strategic focus for Government policy departments, the four sector model seems inadequate – although the necessity for both lead and lag indicators remain
- practitioners separate the sectors in their process of identifying performance measures for each, and fail to re-capture the holistic view
  - ➢ the 'stovepipe' result largely ignores interaction between sectors, which is particularly incongruous in the case of lead indicators
- practitioners also work in a 'bottom up' fashion resulting in masses of tactical, operational and a few strategic performance indicators
  - ➢ in fact, scorecards with several thousands of indicators have been found
- because the BSC is intuitive simple and elegant, organizations and implementers tend grossly to underestimate the difficulty and complexity of generating a good balanced scorecard
  - ➢ as a consequence, the timeframe is to short, inadequate resources are applied and direct responsibility is at too low a level to ensure active engagement by most managers
- even if a 'reasonable' BSC is developed, it will still suffer from the problem that even experienced managers, have great difficulty in understanding the implications of change in multiple interrelated decision variables (a well designed BSC will have 15 to 20 key first line indicators)
  - ➢ when delayed feedback is involved in complex systems it is virtually impossible for the human mind, unaided, to assess the consequences

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[24] R.S. Kaplan and E.L. Kaplan, "United Way of Southeastern New England", 9-197-036 (Boston: Harvard Business School, 1996). Quote by Bill Allen, executive VP, Community Services, United Way.

Automating the Balanced Scorecard - Automation is essential

A successful BSC program relies extensively on data, education, and communication to promote, monitor, and reinforce behavior modifications - all processes that can be facilitated easily by information technology.

Automation is essential in order to manage the vast amount of information related to a company's mission and vision, strategic goals, objectives, perspectives, measures, causal relationships, and initiatives. The alternative is a manual process, which significantly increases the effort and cost of scorecard development and sets back progress in the early stages of the BSC development, when momentum is critical.

Automation can foster quicker culture change, both during development and in the ongoing use of the BSC. If the software used is intuitive and can be deployed through an organization readily, it can bring visibility to the BSC process, ease a cultural transition, and enable participation by a wider audience.

The Microsoft Balanced Scorecard Framework(MBSF) has been developed to allow organizations to:

- Develop and deploy a scorecard economically using an existing infrastructure.

- Manage and display the data and knowledge pertinent to Balanced Scorecards.

- Facilitate analysis of measures so that prompt corrective action can take place.

The framework provides a comprehensive, flexible, cost-effective way to deploy the Balanced Scorecard and deliver superior returns on people, processes, customers, and technologies.

Annex C: Jordan Customs Strategic Objectives 2006-2007

Strategic Goals JC 2005-07

- Contribute to the economic and trade growth of the Kingdom
- Continue supplying the Treasury with Revenues
- Monitor the movement of passengers, goods and vehicles transiting the borders of the kingdom
- Combat smuggling and illicit trade activities
- Protection of the local community and environment from hazardous, harmful , poisonous and radiant substances
- Competent and accountable employees

Annex D: WCO Framework of Standards to Secure and Facilitate Global Trade

WCO Framework of Standards

The Customs-to-Customs Pillar

Standard 1 – Integrated Supply Chain Management
The Customs administration should follow integrated Customs control procedures as outlined in the WCO Customs Guidelines on Integrated Supply Chain Management (ISCM Guidelines).

Standard 2 – Cargo Inspection Authority
The Customs administration should have the authority to inspect cargo originating, exiting, transiting (including remaining on board), or being transshipped through a country.

Standard 3 – Modern Technology in Inspection Equipment
Non-intrusive inspection (NII) equipment and radiation detection equipment should be available and used for conducting inspections, where available and in accordance with risk assessment. This equipment is necessary to inspect high-risk containers or cargo quickly, without disrupting the flow of legitimate trade.

Standard 4 – Risk-Management Systems
The Customs administration should establish a risk-management system to identify potentially high-risk shipments and automate that system. The system should include a mechanism for validating threat assessments and targeting decisions and identifying best practices.

Standard 5 – High-risk Cargo or Container
High-risk cargo and container shipments are those for which there is inadequate information to deem shipments as low-risk, that tactical intelligence indicates as highrisk, or that a risk-scoring assessment methodology based on security-related data elements identifies the shipment as high-risk.

Standard 6 – Advance Electronic Information
The Customs administration should require advance electronic information on cargo and container shipments in time for adequate risk assessment to take place.

Standard 7 – Targeting and Communication
Customs administrations should provide for joint targeting and screening, the use of standar dized sets of targeting criteria, and compatible communication and/or information exchange mechanisms; these elements will assist in the future development of a system of mutual recognition of controls.

Standard 8 – Performance Measures
The Customs administration should maintain statistical reports that contain performance measures including, but not limited to, the number of shipments reviewed, the subset of high-risk shipments, examinations of high-risk shipments conducted, examinations of high-risk shipments by NII technology, examinations of high-risk shipments by NII and physical means, examinations of high-risk shipments by physical means only, Customs clearance times and positive and negative results. Those

reports should be consolidated by the WCO.

Standard 9 – Port Security Assessments
The Customs administration should work with other competent authorities to conduct security assessments involving the movement of goods in the international supply chain and to commit to resolving identified gaps expeditiously.

Standard 10 – Employee Integrity
The Customs administration and other competent authorities should be encouraged to require programmes to prevent lapses in employee integrity and to identify and combat breaches in integrity.

Standard 11 – Outbound Security Inspections
The Customs administration should conduct outbound security inspection of high-risk containers and cargo at the reasonable request of the importing country.

3.4 Pillar 2 Standards

Standard 1 – Partnership
Authorized Economic Operators involved in the international trade supply chain will engage in a self-assessment process measured against pre-determined security standards and best practices to ensure that their internal policies and procedures provide adequate safeguards against the compromise of their shipments and containers until they are released from Customs control at destination.

Standard 2 – Security
Authorized Economic Operators will incorporate pre-determined security best practices into their existing business practices.

Standard 3 – Benefits
The Customs administration, together with representatives from the trade community, will design validation processes or quality accreditation procedures that offer incentives to businesses through their status as Authorized Economic Operators. These processes will ensure that they see a benefit to their investment in good security systems and practices, including reduced risk-targeting assessments and inspections, and expedited processing of their goods.

Standard 4 – Technology
All parties will maintain cargo and container integrity by facilitating the use of modern technology.

Standard 5 – Communication
The Customs administration will regularly update Customs-Business partnership programmes to promote minimum security standards and supply chain security best practices.

Standard 6 – Facilitation
The Customs administration will work co-operatively with Authorized Economic Operators to maximize security and facilitation of the international trade supply chain originating in or moving through its Customs territory.

Annex E: World Bank Trading Across Borders - Clearance Times

Region or Economy	Documents for export (number)	Signatures for export (number)	Time for export (days)	Documents for import (number)	Signatures for import (number)	Time for import (days)
East Asia & Pacific	7.1	7.2	25.8	10.3	9.0	28.6
Europe & Central Asia	7.7	10.9	31.6	11.7	15.0	43.0
Latin Amer & Caribbean	7.5	8.0	30.3	10.6	11.0	37.0
Middle East & North Africa	7.3	14.5	33.6	10.6	21.3	41.9
OECD: High income	5.3	3.2	12.6	6.9	3.3	14.0
South Asia	8.1	12.1	33.7	12.8	24.0	46.5
Sub-Saharan Africa	8.5	18.9	48.6	12.8	29.9	60.5
Afghanistan	..	..	..	10	57	97
Albania	6	13	37	12	17	38
Algeria	8	8	29	8	12	51
Angola	..	..	..	10	28	64
Argentina	6	6	23	7	9	30
Armenia	7	12	34	6	15	37
Australia	5	2	12	11	2	16
Austria	4	2	8	5	3	9
Azerbaijan	7	40	69	18	55	79
Bangladesh	7	15	35	16	38	57
Belarus	7	9	33	7	10	37
Belgium	5	2	7	6	2	9
Benin	8	10	36	11	14	49
Bhutan	10	12	39	14	12	42
Bolivia	9	15	43	9	16	49
Bosnia and Herzegovina	9	15	32	15	18	43
Botswana	6	7	37	9	10	42
Brazil	7	8	39	14	16	43
Bulgaria	7	5	26	10	4	24
Burkina Faso	9	19	71	13	37	66
Burundi	11	29	67	19	55	124
Cambodia	8	10	43	12	18	55
Cameroon	10	11	39	14	20	53

Canada	6	2	12	7	1	12
Central African Republic	9	38	116	10	75	122
Chad	7	32	87	14	42	111
Chile	6	7	23	8	8	24
China	6	7	20	11	8	24
Colombia	6	7	34	11	12	48
Congo, Dem. Rep.	8	45	50	15	80	67
Congo, Rep.	8	42	50	12	51	62
Costa Rica	7	8	36	13	8	42
Cote d'Ivoire	7	11	21	16	21	48
Croatia	9	10	35	15	10	37
Czech Republic	5	3	20	8	4	22
Denmark	3	2	5	3	1	5
Dominican Republic	6	3	17	11	6	17
Ecuador	12	4	20	11	7	42
Egypt	8	11	27	9	8	29
El Salvador	7	10	43	15	11	54
Eritrea	11	20	69	17	33	69
Estonia	5	2	12	5	5	14
Ethiopia	8	33	46	13	45	57
Fiji	6	5	22	13	2	22
Finland	4	3	7	3	1	7
France	7	3	22	13	3	23
Georgia	9	35	54	15	42	52
Germany	4	1	6	4	1	6
Ghana	6	11	47	13	13	55
Greece	7	6	29	11	9	34
Guatemala	8	6	20	7	5	36
Guinea	7	11	43	12	23	56
Guyana	8	10	42	11	15	54
Haiti	8	20	58	9	35	60
Honduras	7	17	34	15	21	46
Hong Kong, China	6	4	13	8	3	16
Hungary	6	4	23	10	5	24
Iceland	7	3	15	6	2	15

India	10	22	36	15	27	43
Indonesia	7	3	25	10	6	30
Iran	11	30	45	11	45	51
Iraq	10	70	105	19	75	135
Ireland	5	5	14	4	5	15
Israel	5	2	10	5	4	13
Italy	8	5	28	16	10	38
Jamaica	5	7	20	8	7	26
Japan	5	3	11	7	3	11
Jordan	7	6	28	12	5	28
Kazakhstan	14	15	93	18	17	87
Kenya	8	15	45	13	20	62
Kiribati	6	5	31	11	6	32
Korea	5	3	12	8	5	12
Kuwait	5	10	30	11	12	39
Kyrgyz Republic	..	..	..	18	27	127
Lao PDR	12	17	66	16	28	78
Latvia	9	6	18	13	7	21
Lebanon	6	15	22	12	35	34
Lesotho	..	..	..	10	15	50
Lithuania	5	5	6	12	4	17
Macedonia, FYR	10	8	32	10	11	35
Madagascar	7	15	50	9	18	59
Malawi	9	12	41	6	20	61
Malaysia	6	3	20	12	5	22
Maldives	7	4	24	12	4	29
Mali	10	33	67	16	60	61
Marshall Islands	..	..	..	6	6	14
Mauritania	9	13	42	7	25	40
Mauritius	5	4	16	7	4	16
Mexico	6	4	18	8	11	26
Micronesia	..	..	..	14	5	33
Moldova	7	12	33	7	13	35
Mongolia	11	21	66	10	27	74
Morocco	7	13	31	11	17	33
Mozambique	6	12	41	16	12	41
Namibia	9	7	32	14	7	25

Nepal	7	12	44	10	24	38
Netherlands	5	3	7	4	1	8
New Zealand	5	2	8	9	2	13
Nicaragua	6	4	38	7	5	38
Niger	..	..	..	19	52	89
Nigeria	11	39	41	13	71	53
Norway	4	3	7	4	3	7
Oman	9	7	23	13	9	27
Pakistan	8	10	33	12	15	39
Palau	7	3	20	9	4	26
Panama	8	3	30	12	3	32
Papua New Guinea	5	5	30	10	6	32
Paraguay	9	7	34	13	11	31
Peru	8	10	24	13	13	31
Philippines	6	5	19	8	7	22
Poland	6	5	19	7	8	26
Portugal	6	4	18	7	5	18
Puerto Rico	9	3	15	10	3	19
Romania	7	6	27	15	10	28
Russian Federation	8	8	29	8	10	35
Rwanda	14	27	63	19	46	92
Samoa	6	4	12	8	6	13
São Tomé and Principe	7	8	31	9	12	40
Saudi Arabia	5	12	36	9	18	44
Senegal	6	8	23	10	12	26
Serbia and Montenegro	9	15	32	15	17	44
Sierra Leone	7	8	36	7	22	39
Singapore	5	2	6	6	2	8
Slovak Republic	9	8	20	8	10	21
Slovenia	9	7	20	11	9	24
Solomon Islands	..	..	..	7	5	24
South Africa	5	7	31	9	9	34
Spain	4	3	9	5	3	10
Sri Lanka	8	10	25	13	15	27
Sudan	9	35	82	15	50	111

Country						
Sweden	4	1	6	3	1	6
Switzerland	8	5	21	13	5	22
Syria	12	19	49	18	47	63
Taiwan, China	8	9	14	8	11	14
Tanzania	7	10	30	13	16	51
Thailand	9	10	23	14	10	25
Timor-Leste	6	9	32	11	12	37
Togo	8	8	34	11	14	43
Tonga	6	4	11	9	5	11
Tunisia	5	8	25	8	12	33
Turkey	9	10	20	13	20	25
Uganda	13	18	58	17	27	73
Ukraine	6	9	34	10	10	46
United Arab Emirates	6	3	18	6	3	18
United Kingdom	5	5	16	4	5	16
United States	6	5	9	5	4	9
Uruguay	9	10	22	9	12	25
Uzbekistan	..	..	..	18	32	139
Vanuatu	9	6	7	14	9	9
Venezuela	8	6	34	13	9	42
Vietnam	6	12	35	9	15	36
West Bank and Gaza	6	10	27	9	18	42
Yemen	6	8	33	9	20	31
Zambia	16	25	60	19	28	62
Zimbabwe	9	18	52	15	19	66

Annex F: Transparency International Corruption Perceptions Index

Transparency International Corruption Perceptions Index 2005

Transparency International Corruption Perceptions Index 2005

Transparency International commissioned Prof. Dr J. GrafLambsdorff of the University of Passauto produce the CPI table. For information on data and methodology, please consult the frequently asked questions and the CPI methodology: **www.transparency.org/surveys/#cpi** or **www.icgg.org**

Explanatory notes
- **CPI Score** relates to perceptions of the degree of corruption as seen by business people and country analysts, and ranges between 10 (highly clean) and 0 (highly corrupt).
- **Confidence range** provides a range of possible values of the CPI score. This reflects how a country's score may vary, depending on measurement precision. Nominally, with 5 percent probability the score is above this range and with another 5 percent it is below. However, particularly when only few sources are available, an unbiased estimate of the mean coverage probability is lower than the nominal value of 90%.
- **Surveys used** refer to the number of surveys that assessed a country's performance. 16 surveys and expert assessments were used and at least 3 were required for a country to be included in the CPI.

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Rank	Country	CPI Score	Confidence Range	Surveys used
1	Iceland	9.7	9.5 - 9.7	8
2	Finland	9.6	9.5 - 9.7	9
	New Zealand	9.6	9.5 - 9.7	9
4	Denmark	9.5	9.3 - 9.6	10
5	Singapore	9.4	9.3 - 9.5	12
6	Sweden	9.2	9.0 - 9.3	10
7	Switzerland	9.1	8.9 - 9.2	9
8	Norway	8.9	8.5 - 9.1	9
9	Australia	8.8	8.4 - 9.1	13
10	Austria	8.7	8.4 - 9.0	9
11	Netherlands	8.6	8.3 - 8.9	9
	United Kingdom	8.6	8.3 - 8.8	11
13	Luxembourg	8.5	8.1 - 8.9	8
14	Canada	8.4	7.9 - 8.8	11
15	Hong Kong	8.3	7.7 - 8.7	12
16	Germany	8.2	7.9 - 8.5	10
17	USA	7.6	7.0 - 8.0	12
18	France	7.5	7.0 - 7.8	11
19	Belgium	7.4	6.9 - 7.9	9
	Ireland	7.4	6.9 - 7.9	10
21	Chile	7.3	6.8 - 7.7	10
	Japan	7.3	6.7 - 7.8	14
23	Spain	7.0	6.6 - 7.4	10
24	Barbados	6.9	5.7 - 7.3	3
25	Malta	6.6	5.4 - 7.7	5
26	Portugal	6.5	5.9 - 7.1	9
27	Estonia	6.4	6.0 - 7.0	11
28	Israel	6.3	5.7 - 6.9	10
	Oman	6.3	5.2 - 7.3	5
30	United Arab Emirates	6.2	5.3 - 7.1	6
31	Slovenia	6.1	5.7 - 6.8	11
32	Botswana	5.9	5.1 - 6.7	8
	Qatar	5.9	5.6 - 6.4	5
	Taiwan	5.9	5.4 - 6.3	14
	Uruguay	5.9	5.6 - 6.4	6
36	Bahrain	5.8	5.3 - 6.3	6
37	Cyprus	5.7	5.3 - 6.0	5
	Jordan	5.7	5.1 - 6.1	10
39	Malaysia	5.1	4.6 - 5.6	14
40	Hungary	5.0	4.7 - 5.2	11
	Italy	5.0	4.6 - 5.4	9
	South Korea	5.0	4.6 - 5.3	12
43	Tunisia	4.9	4.4 - 5.6	7
44	Lithuania	4.8	4.5 - 5.1	8
45	Kuwait	4.7	4.0 - 5.2	6
46	South Africa	4.5	4.2 - 4.8	11
47	Czech Republic	4.3	3.7 - 5.1	10
	Greece	4.3	3.9 - 4.7	9
	Namibia	4.3	3.8 - 4.9	8
	Slovakia	4.3	3.8 - 4.8	10

Annex G: Canada Border Services KPI's

Canada Border Services Agency

ENFORCEMENT (Security)

Initiative / Service	Expected Result	Performance Indicators
Container Security Initiative (CSI)	Enhanced capacity to interdict potential threats before they reach Canadian shores	• Percentage of goods targeted • Percentage of goods interdicted • Number of examinations resulting in contraband detention • Quality of intelligence regarding container security
Deployment of Migration Integrity Officers (MIOs) overseas	Effective capacity to combat irregular migration, including people-smuggling and trafficking of illegal migrants to North America	• Timely and accurate collection, analysis and distribution of intelligence • Percentage of improperly documented individuals intercepted before arriving at a Canadian airport • Quality of intelligence regarding irregular migration
Customs Investigations	Successful investigation and prosecution of those who commit offences against border legislation	• Success rate for convictions • Value of seizures and monetary penalties
Immigration Enforcement	Effective removal of persons who have no legal right to remain in Canada, especially those who pose a threat to Canadian society	• Number of removals of persons that have no legal right to remain in Canada • Number of people detained who have contravened the *Immigration and Refugee Protection Act (IRPA)*

Admissibility
(Access)

Initiative/ Service	Expected Results	Performance Indicators
Risk-based processing of goods and people (customs, immigration and food inspection services)	Simplified border crossing for legitimate, low-risk people and goods and more intense scrutiny of higher risk people and goods	• POE statistics • Border wait times (for both people and goods) • Number of inadmissible people and goods identified • Referral rates relative to actions taken
Investigations of alleged unfair trade practices	A level playing-field for traders	• Number of dumping and subsidy determinations (by country) • Number of injury determinations (by country) • Canadian jobs protected
Recourse Services	A fair, transparent and timely dispute resolution process respecting Canadians' fundamental right to redress in their dealings with the CBSA	• Age of inventories • Trends in reversals of decisions by higher authorities

Annex H: USAID Workshop - Capacity Building in Performance Management -

USAID Technical Assistance and Workshop For Capacity Building in Performance Management: Support For Egypt's Customs Reform Unit (CRU) and Egyptian Customs Authority July 19-21, 2004[1]

Draft Selected Performance Indicators

1. Time required for Customs Processing of Goods (release times)
2. Average monthly rate of disputes resolved through arbitration
3. Average monthly rates of abandoned goods
4. Rate and types of complaints
5. Average rate of cases of customs violations and smuggling
6. daily examination rates and percentage of reviews to discrepancies found
7. Value of goods entered under exemptions as a percentage of the total rate of revenue collected in customs taxes
8. Time required for customs processing of imported goods under special customs regimes
9. Average monthly rate of complaints concerning special customs regimes
10. Number of organizational changes
11. % of employees of different job levels covered by training programs annually
12. Degree of employee satisfaction with incentives and promotions
13. Number of weekly cases where a valuation concern is a main factor for delayed customs release of goods
14. Average rate of acceptance of values declared by stakeholders
15. Number of new users per month of IT initiatives
16. % down time of IT systems
17. Number of monthly smuggling cases

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[1] The workshop was designed to identify KPI's to monitor the performance of the 11 CRU committees as well as capacity building for Egyptian Customs officials. The above are draft indicators and may have been revised after the workshop. They do provide as well baseline for the group's thinking on KPI's for Egyptian Customs.

Annex I: New Zealand Customs Service Strategic Priorities and Critical Indicators

New Zealand Customs Service Strategic Priorities and Critical Indicators

Strategic Priorities

To attain our mission, vision, and values we will focus on five strategic priority areas. These are aimed at:
• enhancing our capability;
• safeguarding our integrity;
• strengthening our communications and relationships;
• improving the quality of our work; and
• refocusing our international role.

Critical Indicators

We will measure our performance against five critical success factors:
• our meeting the needs of the Government and key stakeholders;
• the effectiveness of our management of border risks and revenue collection;
• the integrity of our staff and systems;
• the level of compliance costs we impose; and
• our administrative costs and efficiency.

Performance Indicators

- evaluating the impact of the specific initiatives against the intended goals; and
- monitoring our ability to contribute to the Government's desired outcomes and deliver services to the agreed quantity and quality standards.
- assessing the effectiveness of Customs' current Integrity Programme; and
- comparisons against other New Zealand Public Service departments and customs organizations in other comparable jurisdictions (e.g., Australia, Canada, and the United Kingdom).
- regular surveys of stakeholder relationships and perceptions; and
- monitoring media coverage of Customs activities.
- the development and implementation of a quality improvement approach to key business processes; and
- measurable improvements in the efficiency and/or effectiveness of key business processes.
- developing a robust analytical framework to prioritize Customs' involvement in international work, with regard to the direct value to Customs and the value to the Government as a whole;
- evaluating the value added to the organization and to the Government as a whole by Customs' international work once the framework has been implemented;
- acceptance by key stakeholders.