



POLICY COMMISSION

SP0650E1b

-
79th Session
-

Brussels, 27 June 2018.

REPORT OF THE POLICY COMMISSION

1. The Policy Commission held its 79th Session in Brussels from Monday 25 to Wednesday 27 June 2018 under the chairmanship of Mr. Enrique Canon (Uruguay). All members of the Policy Commission were present at the session. The list of participants is reproduced at Annex I to this Report.

I. ADOPTION OF THE AGENDA

2. The draft Agenda set out in Doc. SP0631 was adopted unchanged and is reproduced at Annex II to this Report.

II. APPROVAL OF THE REPORT OF THE 78TH SESSION

3. The Report of the 78th Session of the Policy Commission, contained in Doc. SP0630, was adopted unchanged.

III. COMMENTS BY THE CHAIRPERSON OF THE COUNCIL

4. The Chairperson remarked that global economic growth was continuing to pick up, with forecasts for 2018 and 2019 having been updated to 3.9 %. Although this was certainly good news, experts had emphasized that such growth should not be regarded as “the new normal”. Trade was growing faster than global income, due to higher global investment and higher commodity prices. Only 25 % of the current upturn in trade, which had started in 2016, was accounted for by accommodative macroeconomic and openness policies; according to the WTO, the remaining 75 % could be explained by falling trade costs, macro growth and technology. The consequences - positive and negative - of the use of technology, and those of the link between technology and trade, could be observed in two crucial areas, namely trade facilitation and Customs controls. Thanks to technological achievements such as digital technologies and 3D printing, Customs now faced the challenge of cross-border trade that was 100 % digital, which would require drastic changes in Customs procedures and control mechanisms.
5. Hazards threatening the economy included demographic change and lower productivity growth, which made it necessary to invest in people and research. The

challenge posed by protectionism also needed to be addressed. Policymakers had to be prudent and focus on structural reforms, while investing in productive infrastructure and in people.

6. The Chairperson said that the upswing in trade had brought with it a need to act on matters that were relevant to all Customs administrations, such as strengthening the multilateral trading system, cooperation on international tax policies (including the fight against money laundering) and the growth of e-commerce. He went on to summarize what the WCO had been doing in these respects, noting that during the past year, 492 Capacity Building missions had been delivered and 33 WCO Members were currently benefiting from the Mercator Programme. The Capacity Building Directorate was trying to allocate missions in all the WCO regions, while paying special attention to Africa which should be the most favoured. Some international organizations had transformed technical assistance into a profitable business for a group of friends, and the WCO should congratulate its Capacity Building Directorate for remaining distant from such practices as well as showing the utmost care and transparency in the process of certifying experts. The Chairperson also highlighted the technical assistance provided by the Tariff and Trade Affairs Directorate with regard to Rules of Origin and Customs Valuation, especially in the East and Southern Africa and West and Central Africa regions.
7. Turning to some of the specific issues on the Agenda, the Chairperson said that according to the E-Commerce Foundation, Business-to-Consumer e-commerce was expected to reach USD 2,356 billion in 2018. Its importance in the world economy continued to grow, and therefore its connection with Customs-related matters was also increasing. The Trade Facilitation Agreement was vital in order to achieve greater economic inclusiveness, and in this regard the reduction of transactional costs was directly related to simplification, homologation and enhanced transparency. Cooperation with Tax Authorities at both national and international level was an important aspect of the WCO's work, and at this session the Policy Commission would discuss the proposed MoU with the International Monetary Fund. Also, a Working Group would address the areas of the Revised Kyoto Convention that required updating because of the latest technological and e-commerce developments, and where the use of additional languages in the WCO was concerned, it had been agreed to implement a pilot project for the provision of interpretation in Arabic, Portuguese, Russian and Spanish at certain meetings.
8. The Chairperson said he shared with many delegates a concern regarding the prioritization of activities, tools and issues, since most administrations were facing the challenge of rapidly changing scenarios, especially regarding economic and technological developments. He concluded his remarks by referring to Governance, defined as "the processes of interaction and decision-making among the actors involved in a collective problem that lead to the creation, reinforcement, or reproduction of social norms and institutions". The issue of governance had been discussed several times within the WCO, and the matter of accessions to the WCO was an example of the Organization's governance problems.

IV. SECRETARY GENERAL'S PROGRESS REPORT **ON THE IMPLEMENTATION OF THE STRATEGIC PLAN**

9. The Secretary General reported on the implementation of the WCO Strategic Plan since the July 2017 Council Sessions, emphasizing the challenges and opportunities related to the six priority areas identified in the Plan. For each of these priority areas, he outlined the work undertaken by the WCO and the associated challenges and opportunities, with specific emphasis on work undertaken since the Policy Commission's previous session, held in Luxor, Egypt, in December 2017.
10. With regard to the first priority area, trade facilitation, the Secretary General referred to the 150 TFA-related missions that had taken place in the course of the year, and the ongoing efforts to create a pool of Mercator Programme Advisors in order to guarantee the sustainability of the Programme. The WCO continued to engage with the WTO, and as a result it had been invited to attend the Trade Facilitation Committee meeting in May 2018. He expected to receive a continuous invitation to the future meetings of that Committee, where the WCO could convey a message to the WTO on behalf of the Customs community. Following the previous year's focus on landlocked countries with transit, the WCO's trade facilitation work would pay more attention to small island economies and emerging, so-called disruptive technologies such as Artificial Intelligence and blockchain.
11. Turning to e-commerce, the Secretary General referred to the draft "Framework of Standards on Cross-Border E-Commerce", which had been developed by the Working Group on E-Commerce and would be presented to the Council for consideration and adoption. The Standards highlighted the importance of Advance Electronic Data for pre-arrival risk assessment and other key standards. The WCO would continue to collaborate with the private sector and other Government agencies - the first Global E-Commerce Conference, held in Beijing, China, was a good example of WCO outreach. The WCO and UPU would continue their collaboration on access to pre-arrival information and would co-host a Conference to promote cooperation between Customs and Posts on the national level in early 2019. Furthermore, the WCO would begin to provide capacity building training in parallel to the technical work being done on e-commerce, and would continue to raise awareness among Members. Issues for future consideration would include the treatment of non-fiscal goods.
12. Regarding the third priority area, i.e., security, the Secretary General reported on the various initiatives to raise the visibility of Customs in recent months, using the United Nations and other forums. Work had advanced on the WCO security project in the Asia/Pacific region, and additional funding had been made available for the West and Central Africa region in this regard. Cooperation with anti-money laundering authorities such as the Egmont Group and the Financial Action Task Force continued to advance, including the development of a Customs-Financial Intelligence Unit Cooperation Handbook. The WCO had continued its focus on the safety of passengers through API and PNR-related programmes, also broadening the scope to include the Global Travel Assessment System (GTAS) and the issue of cruise ship passengers. The Secretary General underlined the importance of regional cooperation with respect to security, noting that the RILO networks continued to support Members on a regional level, with assistance from the WCO's Information and Intelligence Centre (I2C). He also emphasized the importance of developing intelligence capabilities within Customs using data analytics and open-source software - two

elements which were driving the Security By Collaboration (SPC++) project in the West and Central Africa region.

13. Moving on to the fourth priority area, illicit financial flows (IFFs), the Secretary General said that a Study Report, the fruit of a long collaboration between the Secretariat, Members, academia and other international organizations, was being submitted to the Policy Commission and Council for consideration and approval. The policy recommendations emanating from that Report would inform the WCO strategy going forward, in terms of action to combat IFFs rather than disputing the accuracy of individual assessment mechanisms. The WCO would continue to engage with the G20 in this regard, and would strive to equip its Members with the appropriate capacity building tools in close collaboration with major actors in the field of IFFs, such as the OECD and anti-money laundering authorities.
14. Regarding the fifth priority area, Customs-Tax cooperation, the Secretary General referred to a joint IMF/WCO survey tool which would help to ensure that the multiple functions of Customs were better understood in policy-making, where the IMF was often asked for advice by Governments. Since the Policy Commission's December 2017 session, the draft MOU on this subject had been revised to address certain concerns, and was being presented for endorsement at this session. Additionally, he referred to various forms of cooperation with Tax authorities, including the exchange of information and collaborative efforts on issues such as indirect tax, blockchain, IFFs, e-commerce and special economic zones. The WCO would continue its advocacy in favour of a well-resourced Customs.
15. On the subject of the sixth and final priority area, performance measurement, the Secretary General referred to discussions with the World Bank's "Doing Business" team, which had subsequently sought input from Customs to its survey and had indicated that it was more open to dialogue with Customs. Cooperation with the World Bank represented both a challenge and an excellent opportunity in terms of influencing the results of the "Doing Business" survey. Other challenges and opportunities included cooperation with other government agencies and with National Committees on Trade Facilitation (NCTFs), especially with regard to performance measurement, including the Time Release Study.
16. The Secretary General also referred to the Revised Kyoto Convention, currently with 114 Contracting Parties, which had been used for developing and implementing the WTO Agreement on Trade Facilitation. The Policy Commission would be asked to approve the establishment of a Working Group to conduct a comprehensive review of the RKC to respond to the implementation challenges and the need for updating.
17. Turning to more general matters, the Secretary General outlined various activities aimed at raising the visibility of the WCO and of Customs. He also reported briefly on budget and financial issues, before concluding his oral report by drawing the Policy Commission's attention to a number of forthcoming events.
18. During the discussion which followed, delegates expressed their appreciation of, and support for, the work done by the Secretariat and highlighted the importance of some of the issues raised by the Secretary General, as well as by the Chairperson in his opening remarks. Their comments related, in particular, to security and the fight against terrorism, with particular reference to passenger control and the use of the Passenger Name Record (PNR), Advance Passenger Information (API), advance information on cruise ship passengers, and the Global Travel Assessment System (GTAS); the burgeoning volumes of e-commerce-related parcels arriving with no

advance information available (particularly in the postal environment), resulting in increasing workloads for Customs and long clearance times; performance measurement, including the need for Customs to take ownership and begin to conduct self-evaluation, preferably using a performance measurement tool developed by the WCO; and capacity building in all areas. The importance of data exchange at the global level, in light of the increasing volumes of e-commerce-related packages, was also highlighted, in addition to the issue of raising the profile of Customs by increasing cooperation with international organizations and highlighting the non-fiscal role of Customs.

19. In response, the Secretary General acknowledged the importance of the issues highlighted, emphasized the WCO's positive collaboration with a multitude of international organizations, and agreed with delegates' comments on the importance of conducting self-assessment and taking ownership of performance measurement processes, while working with other international organizations such as the World Bank to ensure that their performance measurement tools corresponded to the realities. He also underlined the importance of mastering the huge reams of data that Customs was confronted with, and of examining Artificial Intelligence, blockchain and other new technologies which represented the future direction of Customs.
20. The Chairperson concluded by thanking the Secretary General for his presentation.

V. FINANCIAL AUDIT

21. A delegate expressed his concern that, in considering this matter, the Policy Commission would be going beyond the scope of its mandate in view of the situation regarding ongoing negotiations outstanding from the July 2017 Council Sessions. He therefore proposed that the matter of the financial audit be left for the Council to decide.
22. The item was referred to the Council.
23. The Secretariat emphasized that the referral of the acquittal of the Secretary General of his financial responsibility for the financial year 2016/2017 to the Council did not in any way reflect on the integrity of the Auditor's report that the records of the WCO were accurately and correctly maintained.

VI. (a) REPORT OF THE NINTH SESSION OF THE CAPACITY BUILDING COMMITTEE

24. On the basis of the document issued in advance of the meeting (Doc. SP0634), the Policy Commission took note of the Report and the Executive Summary of the Ninth Session of the Capacity Building Committee, held from 26 to 28 February 2018.

VI. (b) REPORT OF INTEGRITY SUB-COMMITTEE

25. On the basis of the document issued in advance of the meeting (Doc. SP0635), the Policy Commission :

- took note of the Report of the 17th Session of the Integrity Sub-Committee (Doc. HI0089);
- took note of the featured topics that highlight ongoing efforts to cover WCO priority areas of work from an integrity perspective and to include integrity in the work of other WCO Committees.

**VII. ECONOMIC COMPETITIVENESS PACKAGE ACTION PLAN -
PROGRESS REPORT**

26. On the basis of the document issued in advance of the meeting (Doc. SP0636), the Policy Commission took note of the progress made with the implementation of the Economic Competitiveness Package (ECP) Action Plan for Phase III.

VIII. COMPLIANCE AND ENFORCEMENT PACKAGE - PROGRESS REPORT

27. On the basis of the document issued in advance of the meeting (Doc. SP0637), the Policy Commission took note of the activities reported by the Secretariat, including the new 2018/2019 Compliance and Enforcement Package (CEP) Action Plan.

IX. REVENUE PACKAGE PHASE III ACTION PLAN - PROGRESS REPORT

28. On the basis of the document issued in advance of the meeting (Doc. SP0638), the Policy Commission :

- took note of the activities reported by the Secretariat;
- noted the new and updated materials prepared by the Secretariat under Phase III;
- noted the completion of work on the Phase III Action Plan.

X. SAFE FRAMEWORK OF STANDARDS AND AVIATION SECURITY

29. On the basis of the document issued in advance of the meeting (Doc. SP0639), the Policy Commission :
- endorsed :
 - the SAFE Framework of Standards 2018 edition; and
 - the Recommendation of the Customs Co-operation Council concerning the use of Trader Identification Number.
 - and took note of :
 - the Advance Cargo Information (ACI) Implementation Guidance;
 - the Guidelines on Trader Identification Number;
 - the Authorized Economic Operator (AEO) Validator Guide;
 - the Handbook on Data Analysis;
 - the Mutual Recognition Arrangement/Agreement (MRA) Strategy Guide;
 - the outcomes of the 19th SAFE Working Group Meeting;
 - progress with Unified File Format development at the Third Meeting of the Technical Experts Group on Non-Intrusive Inspection (TEG-NII);
 - significant outcomes of the 12th Meeting of the Technical Experts Group on Air Cargo Security (TEGACS); and
 - the conclusions of the Fourth Global AEO Conference.

XI. REPORT ON PRIVATE SECTOR CONSULTATIVE GROUP MEETING

30. The Policy Commission took note of the Summary Report on the Private Sector Consultative Group's (PSCG) meeting, held on 12 and 13 March 2018.
31. The Chairperson indicated that there would be an opportunity for Policy Commission members to discuss these matters, particularly disruptive technologies, during the Dialogue with the private sector on Wednesday 27 June.

XII. E-COMMERCE

32. The Director, Compliance and Facilitation, began by highlighting the opportunities and challenges presented by the growing cross-border E-Commerce, which was having a profound impact on businesses and governments around the world. Some of these challenges included ensuring speedy clearance of the huge number of parcels, supply chain security, protection of society and the collection of applicable duties and taxes. Drawing attention to Doc. SP0640, she provided a detailed account of the intersessional work and recent developments in the area of E-Commerce, including the hugely successful First Global Cross-Border E-Commerce Conference in Beijing on 9 and 10 February 2018.

33. Recalling the “Luxor Resolution” and the “Communication from the International Customs Community on Cross-Border E-Commerce” adopted by the December 2017 Policy Commission, the Director then presented the draft “Framework of Standards on Cross-Border E-Commerce” that had been developed based on the eight core principles set out in the “Luxor Resolution”, as well as the updated Immediate Release Guidelines. Outlining some of the outstanding items of work still to be completed in order to further enrich the Framework and informing delegates about the progress made at the previous week’s ad hoc meeting of interested Members and stakeholders, she requested delegates to consider extending the term of the Working Group on E-Commerce (WGEC) up to June 2019 and approving the associated Work Plan, as well as to provide related strategic direction on the future work. She also briefly explained the rationale of using wordings “Council” and “Customs or Economic Unions” in the draft Resolution, based on an opinion provided by the WCO legal team and the precedents, before concluding by informing about the upcoming E-Commerce-related capacity building activities.

34. There followed a wide-ranging discussion during which several delegates expressed appreciation for the WCO’s collaborative work in the area of E-Commerce and expressed strong support for the endorsement of the draft Framework of Standards along with the draft Resolution, that could be further enriched by completing the envisaged work, including the development of an implementation strategy for expeditious and harmonized implementation. To that end, there was an overall support for extending the WGEC’s term to June 2019 and the associated draft Work Plan. One delegate, however, underlined the need for adopting a pragmatic and logical sequencing approach, as well as flexibility with respect to the envisioned work that included, among other things, the development of some novel work by resolving related foundational issues; that work could potentially go beyond one year, given its complexities and volume. Another delegate suggested deleting the reference to “Customs or Economic Unions” in the draft Resolution even if there were precedents, as it might not be possible for the WCO to make those Unions commit to the implementation of the Framework.

35. Delegates also supported the updated Immediate Release Guidelines and shared their related national/regional experiences, new initiatives and legislative changes concerning cross-border E-Commerce, such as a simplified Customs declaration with reduced data set for low-value shipments and the exchange of advance electronic information for pre-arrival processing to allow the release of legitimate shipments upon arrival.

36. Commending the leadership role of the WCO with respect to cross-border E-Commerce, delegates put forward their views about future work that included further collection and dissemination of Members’ good practices and initiatives; defining

“de minimis” thresholds more conscientiously in view of the ever-growing number of low-value shipments and associated fraudulent fragmentation/splitting of shipments for avoiding duties and taxes, as well as potentially removing such thresholds for E-Commerce (treating it as a new form of trade) except for personal use, by distinguishing between personal use and trade purposes; setting out a data set for cross-border E-Commerce; prioritizing the exchange of good quality advance electronic data between Customs and E-Commerce stakeholders, including ramping up cooperation with the UPU and postal operators; exploring the issue of “identity management” for effective risk management with a view to curbing illicit trade and fraudulent practices; augmenting focus on sanctions/penalties for frauds, including liabilities for intermediaries; promoting the Framework among the larger regional and international community; and conducting a wider accreditation programme to develop a pool of experts.

37. Finally, several delegates acknowledged and stressed the need to assist Members to shape and/or adapt their processes and procedures through robust capacity building measures (including tailor-made technical assistance) to ensure an efficient implementation of the Framework of Standards, avoiding fragmented and disparate approaches. This would not only improve Members’ capacities, but would also help bridge the gap between and among them when it came to dealing with E-Commerce.
38. In conclusion, the Policy Commission :
 - endorsed the draft Framework of Standards on Cross-Border E-Commerce and the accompanying draft Council Resolution (the draft Resolution is set out at Annex III to this Report);
 - agreed to extend the term of the Working Group on E-Commerce to June 2019 to enable it to finalize outstanding work, and approved the associated Work Plan, recognizing the need to have a flexible approach over the next year;
 - endorsed the updated Immediate Release Guidelines that had been adapted to reflect the cross-border E-Commerce context; and
 - encouraged Members to share their operational experiences and initiatives/pilot projects in the area of cross-border E-Commerce in order to further enrich the Framework of Standards and associated guidance tools.

XIII. TRADE FACILITATION

39. The Director, Capacity Building, began by drawing attention to Doc. SP0641 which outlined the efforts undertaken by the WCO in the area of trade facilitation. He updated the Policy Commission on intersessional developments and the latest measures carried out by the WCO in that area, including TFA implementation and the recent work accomplished by the WCO's TFA Working Group (TFAWG), emphasizing the need to monitor and evaluate the progress of TFA implementation. The Director then outlined achievements under the overall and tailor-made tracks of the Mercator Programme, indicating that the main topics for which assistance was required were Authorized Economic Operator, Risk Management, Post Clearance Audit and Time Release Study. Recent trends included the need for Project Management approaches, Performance Measurement and Maturity Modelling. He also highlighted the importance of coordination with all relevant stakeholders, including the WTO through its Trade Facilitation Committee.
40. In the wide-ranging discussion that followed, delegates expressed their appreciation of, and support for, the activities of the WCO and the TFAWG and the progress made to date, including continued dynamic support to Members regarding the harmonized and efficient implementation of the TFA by means of the various instruments and tools. Delegates recognized that the TFAWG had a pivotal role to play in TFA implementation from both a political and a technical perspective, and that this required effective and efficient coordination, especially with the WTO, as well as the ability to monitor the progress of implementation - through Time Release Studies, for example. It was therefore suggested that the TFAWG review its current Terms of Reference and submit a revised version to the Policy Commission in December 2018.
41. Sharing their national and regional approaches to, and experiences with, TFA implementation, delegates suggested that the WCO continue to collect best practices and the results of capacity building efforts and share them among the global Customs community in order to update and further enhance WCO instruments and tools, as well as with the WTO Trade Facilitation Committee in order to enhance coordination with the WTO and raise the profile of Customs. Equally, it was agreed that cooperation with other stakeholders at national level was crucial to successful TFA implementation, and the WCO's efforts in establishing and sustaining National Committees on Trade Facilitation were essential in this respect.
42. In addition to acknowledging the achievements of the TFAWG and the Mercator Programme, expressing their satisfaction with the results and voicing encouragement to continue the efforts, delegates also stressed the importance of strengthening coordination with various border agencies and other stakeholders at the national level, and avoiding potential duplication through effective donor coordination.
43. In conclusion, the Policy Commission :
- took note of the work carried out in the Working Group on the Trade Facilitation Agreement (TFAWG), as well as the support and suggestions expressed by delegates; and
 - took note of the technical assistance provided under the Mercator Programme.

XIV. SECURITY INITIATIVE

44. The Director, Compliance and Facilitation, began by highlighting the ongoing activities implemented under the different work streams of the WCO Security Programme, designed to enhance Members' capacity to mitigate the threat posed by terrorism (Doc. SP0642). Concretely, in the area of passenger controls she mentioned the work being conducted under the Asia Pacific Security Project (APSP), such as the development of a training curriculum and the identification of countries to implement API and PNR, including the deployment of the Global Travel Assessment System (GTAS). She also referred to a proposal made by New Zealand during the Enforcement Committee (EC) session in March 2018, aimed at having all passenger-control-related work aligned within the WCO's working bodies, and having the EC oversee the topic holistically. She noted that a 'Members Only' day had been added to the API and PNR Contact Committee to discuss enforcement aspects of the use of API and PNR.
45. The Director highlighted the security risks associated with the evolving traffic generated by cruise ships and the need, among others, to standardize related pre-arrival passenger data for risk assessment. She noted that this issue had been discussed by the EC at its most recent session, and that a Brussels-based Attachés' working group would be established to conduct a scoping exercise and make relevant recommendations on how to address this issue.
46. Additionally, she referred to the deployment of Programme Global Shield through the Japanese-funded security initiatives in West, Central and East Africa and in Asia/Pacific, and highlighted work underway on the development of a training curriculum for the control of small arms and light weapons (SALW). She further described how Operation COSMO 2 (part of the WCO Strategic Trade Control Enforcement (STCE) Programme), had reached the follow-up and reporting phase, and announced that the results would be presented to the Policy Commission in December 2018.
47. In the area of terrorist financing, the Director indicated that the WCO would develop a Customs-Financial Intelligence Unit (FIU) Cooperation Handbook, in furtherance of efforts to tackling money laundering and Customs-related financial crimes. Finally, she informed delegates of other security-related work undertaken in the area of combating illicit trafficking in cultural goods, research on fragile borders, and the activities of the WCO Information and Intelligence Centre (I2C).
48. In the interventions that followed, delegates expressed strong support for the WCO's work in the area of security. Some provided details of the respective provisions and actions undertaken in their administrations to address security risks, such as the smuggling of SALW and illicit financial flows. One delegate expressed his region's appreciation of the launch of the West and Central Africa Security Project. Delegates also addressed the need to expand the work on passenger data beyond air controls and bring more focus to land movements and advance information on cruise ship passengers, for instance. In that regard, several delegates considered the Global Travel Assessment System (GTAS) to be a good tool to support targeting activities and better assess passenger risks.
49. Delegates also expressed their appreciation of the positive outcomes in relation to Operation COSMO 2 and the regional security initiative SPC++. Furthermore, New Zealand volunteered to chair the Brussels-based Attachés' working group on cruise ship controls. Finally, there was a general consensus amongst delegates on the

need for Customs administrations to implement the Punta Cana Resolution and make use of their strategic position at borders to counter security-related risks in close cooperation with other relevant border agencies.

50. The Chairperson and the Director thanked delegates for their interventions, and took particular note of the offer from New Zealand to lead the work regarding cruise ship controls.
51. In conclusion, the Policy Commission :
- took note of all the developments in the different areas of work of the WCO Security Programme; and
 - agreed on the establishment of a Brussels-based Attachés working group to further address the topic of cruise ship controls and welcomed New Zealand's offer to lead this work.

XV. COMBATING ILLICIT FINANCIAL FLOWS

52. The Director, Tariff and Trade Affairs, provided an update on developments since the Policy Commission's previous session in the area of illicit financial flows (IFFs), with a particular focus on : the draft WCO Study Report on IFFs via trade mis-invoicing (TM) which the WCO had been tasked to prepare by the G20 Leaders' Communiqué (Hangzhou Summit 2016); and the Secretariat's engagement with the G20.
53. The Director presented the draft WCO Study Report, highlighting two issues : (1) Global attention should focus on the actions to combat IFFs/TM, the existence of which was indisputable, rather than on the high estimates of IFFs/TM which were not sufficiently robust across the methods; (2) Customs should secure sufficient mandate and resources to combat IFFs/TM, enhance capacity building and partnership with business, Tax authorities, Financial Intelligence Units (FIUs) and the Customs administrations of trade partners, and avail of new technologies such as blockchain. He also reported that the Secretariat had been informed that the Argentinian G20 Presidency was now in a position to suggest to the G20 Development Working Group that the WCO be offered the opportunity to present its Study Report as part of the Working Group's Agenda.
54. In the discussion that followed, delegates expressed their appreciation of, and support for, the WCO's work on IFFs/TM, including the Study Report, and emphasized the importance of such work for fighting terrorist financing and other crimes. Delegates also acknowledged the importance of sharing intelligence through inter-agency collaboration among Customs, Tax authorities, FIUs, Police and other law enforcement agencies at national level, as well as international cooperation between Customs administrations, as indicated in the Policy Recommendations which formed part of the Study Report.
55. A number of delegates shared relevant national practices, such as having a strong mandate for Customs to tackle IFFs/TM, adopting a "whole of government" approach (including information exchange on beneficial ownership of trading companies), and the use of bilateral agreements for international information exchange.

56. It was proposed, firstly, that further discussions on the exchange of information between Customs administrations be held in relevant WCO working bodies and, secondly, that a review of existing WCO tools and instruments in relation to the fight against IFFs/TM be included in the Action Plan, as a starting point for the possible development of new instruments.
57. In conclusion, the Policy Commission :
- took note of the report on the developments and progress made to date and recommended that a one-day session on the topic of illicit financial flows be held in the margins of the Enforcement Committee session;
 - invited the Secretariat to take note of the guidance provided regarding the WCO's approach and future work in relation to illicit financial flows;
 - approved the Study Report, including the Executive Summary and the Policy Recommendations, before its submission to the G20; and
 - noted that the Study Report would be kept open so that comments from Members, the G20 and other stakeholders could be taken into account.

XVI. CUSTOMS-TAX COOPERATION

58. The Director, Capacity Building, introduced this topic, highlighting the fact that the related draft Memorandum of Understanding (MoU) had been discussed at the Europe regional meeting held in Sochi (Russian Federation) on 12 and 13 April 2018, with presentations by the WCO and the International Monetary Fund (IMF) which had resulted in a number of Members of the Europe region requesting a further opportunity to provide written comments on the draft MoU. The Secretariat had consequently entered into a second consultation phase during which it had received comments and proposals from the Russian Federation, Belarus and Kyrgyzstan, as well as feedback expressing support for this initiative from Iceland, the European Union Member States and Georgia.
59. The IMF had shown a strong desire, through partnership, to move forward on a consensus basis in order to serve the entire Customs community. This had led to a new version of the draft MoU, which had been circulated to all WCO Member administrations in advance of this Policy Commission session. The draft text highlighted the voluntary basis of the MoU, clarified the right of each Customs administration to exercise full discretion as to whether or not to provide specific answers, and underscored the fact that the initiative would not comprise ranking or scoring mechanisms but rather a self-reporting platform, in order to underline the non-fiscal role of Customs administrations in supporting reforms within the Ministry of Finance. The Director referred to particular concerns raised by the Russian Federation, with a view to addressing any unclear provisions.
60. In addition, work in the Customs-Tax cooperation area had progressed well with some notable achievements having been made, such as the Guidelines for strengthening cooperation and the exchange of information between Customs and Tax authorities at the national level; Trade and Tax Transparency developments by moving forward with the exchange of information between Customs and Tax authorities; implementation of standards as part of the initiative promoted by the OECD in 2014; and E-Commerce recommendations on the use of information and

communication technologies (ICT) to improve efficiency when processing imports of low-value small shipments.

61. The Chair of the Audit Committee stressed that, after reading the draft MoU in full, he was aware of the reciprocal benefits to the WCO and its Member administrations and, in particular, of the IMF's ability to promote well-resourced Customs administrations in the public sector. It was consequently a positive initiative and he suggested moving ahead with the signature of the MoU, as the implementation process had already lasted over two years.
62. Speaking on behalf of the European Union and its Member States, a delegate thanked the Secretariat for the clarification provided and indicated support for the signature of the MoU, as it was left to the discretion of Members to engage in exchange of data on a voluntary basis. In addition, Members were free to decide on the information to be exchanged and, given that participation did not imply any ranking criteria, benchmarking or performance measurement, the delegate could not envisage any obstacles to signing the MoU with the IMF.
63. Another delegate nevertheless noted that although there was generally full support for signing this MoU, some concerns still had to be addressed. The first related to the proper Agenda item for this initiative, which the delegate felt should be included under "Performance Measurement", stressing that discussions on ongoing Customs-Tax cooperation initiatives were the right topics to be addressed under the current Agenda item. Secondly, the delegate felt that the draft MoU should contain a section comprising terms and definitions, and that the appended document on the Terms and Conditions for participating Members should not form part of the MoU as there was a risk of the data provided being used in the future for ranking by third parties. In relation to confidentiality aspects, the delegate mentioned that the relevant provision did not cover responsibilities or consequences of possible cases of potential disclosure by the WCO and the IMF to third parties. He underscored the budget implications, as IMF funding would only be provided for five years and, after this period, the WCO might have to bear some financial responsibility to ensure continuity of the project. The delegate went on to suggest the development of a performance measurement system exclusively for WCO Members and concluded by proposing that the work be pursued in order to produce a comprehensive cooperation document.
64. A number of delegates expressed their appreciation for this initiative, especially to leverage the multiple roles played by Customs administrations, and highlighted the fact that it could serve as an alternative source of information to the "Doing Business Report" produced by the World Bank Group. During the ensuing discussions, a delegate described his Administration's experience of the previous round of the Revenue Administration Fiscal Information Tool (RA-FIT) and the International Survey on Revenue Administration (ISORA) as important tools for measuring reform processes, for donor funding activities and for technical assistance. The delegate offered full support to the Secretariat in order to move forward by sharing the benefits that the International Survey on Customs Administration (ISOCA) could confer by avoiding duplication of technical assistance and capacity building activities and benchmarking trade facilitation measures for Customs administrations, particularly in African countries. However, another delegate raised concerns regarding the disclosure of information to third parties, seeking clarification on the end use of the data collected and the results, following analysis and comparison. Although the IMF had been collecting data for several years, it was mainly in the area of import/export statistics, and the delegate wondered how the IMF would use the data collected

from Customs administrations participating in this initiative, and what would be the role of the WCO in this connection.

65. With regard to the possibility of signing the draft MoU, a delegate stressed that Member administrations' reactions demonstrated that this initiative was still a sensitive issue. Accordingly, a decision should be taken on a consensus basis and, furthermore, the delegate proposed initiating discussions on creating procedures for proposals concerning MoUs. These discussions could begin in a working group, followed by a report to the Policy Commission and a final decision at the Council Sessions. The Chairperson of the Audit Committee pointed out that, further to an external audit conducted on behalf of the WCO, discussions about such a procedure were ongoing.
66. Following the interventions by delegates, the Director, Capacity Building, explained that the platform would essentially allow information exchange between participating administrations, and that Members could decline to provide any answers of a sensitive nature. The information was intended for research and analysis purposes, essentially to identify trends in the process and in segmentation of the Customs administration universe, according to criteria to be defined in the future. The information would be accessible, on an equal footing, to participating Member administrations, the WCO Secretariat and the IMF. The information was disclosed on a limited basis, and anonymity of the data collected could be ensured, especially as the disclosure of analysis was based on the average data of at least five countries.
67. Following extensive discussions concerning a mechanism to reach a conclusion and signature of the MoU, it was agreed that the Policy Commission would recommend to the Council that following further written submissions and direct contact to analyse these submissions, a final version of the MoU would be circulated to Members in early November 2018, with the signing scheduled for December 2018.
68. In conclusion, the Policy Commission :
 - took note of and welcomed the development of cooperation with the IMF and the corresponding MoU;
 - having received confirmation from the IMF that there was no specific deadline for signing the MoU, and in response to a number of Members' requests for another opportunity to contribute to the text, recommended that any written proposals concerning the text be submitted to the Secretariat by October 2018;
 - decided that a meeting be convened with interested administrations in early November 2018 to finalize the text; and
 - agreed that the revised draft MoU be signed in December 2018.

XVII. PERFORMANCE MEASUREMENT

69. The Director, Tariff and Trade Affairs, provided delegates with an update on the progress regarding this issue since the 78th Session of the Policy Commission. Since the 78th Session, the Secretariat had engaged with the team within the World Bank Group (WBG) responsible for the “Doing Business” survey, in particular regarding the Trading Across Borders (TAB) indicators. The discussions had focused on addressing the concerns of Members regarding the TAB survey, as expressed at the 78th Session, such as the need to involve Customs and how to match the “Doing Business” data with reality.
70. In addition to the information provided in the working document, the Director reported that, by 15 June 2018, 96 completed questionnaires had been received by the WBG and another 21 Members had confirmed their participation. The WBG had indicated its appreciation of the cooperation and of the responses received. He further noted the earlier proposals from Members made at the Permanent Technical Committee, including the use of the WCO Time Release Study for the “Doing Business” survey, and that a working group of interested Members be established to analyse the “Doing Business” methodology.
71. In the discussion that followed, delegates expressed appreciation for the work of the Secretariat in engaging in a dialogue with the WBG. One delegate referred back to the Policy Commission session of 2015 where a more comprehensive review of performance measurement had been discussed. He suggested that this approach be taken forward with a view to developing a comprehensive performance measurement tool which would cover all major Customs competencies and go beyond the Time Release Study. Several delegates supported this proposal and additionally proposed that a working group be established for this purpose. One delegate noted the existence of a virtual working group on performance measurement that could perhaps assist in the development of a business case for the establishment of a working group on performance measurement, if the work to be done was beyond the capability of the existing virtual group.
72. A delegate stressed that the WCO should establish its own mechanism for performance measurement, to serve not as an alternative methodology but as the undisputed standard, and seek ways to engage with the World Bank on the understanding that the World Bank should take into account WCO Members’ data, collected on the basis of WCO instruments such as the TRS, as a prevailing source of Customs data. He added that a procedure should be established for communication and consultations between the World Bank and the WCO in cases where a Member disputed the World Bank’s “Doing Business” survey results. The WCO was now trying to explain the Customs’ role to the world and enhance the Customs’ image, and the only effective approach could be for the Organization to have its own robust and comprehensive, fully scientific methodology for performance measurement, thus ensuring that the product was recognized politically.
73. A delegate referred to the European Union’s performance management system for Customs, which had proven to be a stable and mature framework and could be shared with Members in the development of a global system.
74. In response, the Director noted the support expressed by delegates for the role to be played in Customs performance measurement by Member administrations and by the WCO. He pointed out that, while it would take some time for the WBG to change its methodologies, engagement with the WBG gave Customs an opportunity to

influence the “Doing Business” survey, rather than relying solely on input from the business sector. He acknowledged Members’ support for establishing a working group which would be tasked with exploring the development of a WCO performance measurement tool for Customs, and suggested that this work be conducted in parallel with continued WCO engagement with the WBG to improve the “Doing Business” survey.

75. In conclusion, the Policy Commission :

- took note of the activities reported by the Secretariat and the potential opportunities in respect of the ongoing cooperation with the World Bank Group;
- tasked the Secretariat with preparing an information paper with input from interested Members to analyse the “Doing Business” methodologies, and to identify concerns and ways to improve the process;
- agreed to recommend to the Council that the virtual working group on performance measurement be utilized, or a new working group be established on performance measurement with the mandate to examine the possible development of a comprehensive WCO performance measurement tool for Customs and to review the “Doing Business” survey of the WBG; and
- endorsed the proposal that the World Bank Group explain its work in relation to the “Doing Business” survey and have a dialogue with the Customs community at the Policy Commission session in December 2018.

XVIII. REVIEW OF REVISED KYOTO CONVENTION

76. The Deputy Secretary General gave a brief historical account of the progress made since the entry into force in 1974 of the original version of the International Convention on the Simplification and Harmonization of Customs Procedures. In particular, he stated that the revised version, which had been adopted in 1999 and had entered into force in 2006, currently had 114 Contracting Parties (including Kiribati) and that, nearly 20 years after its adoption, there was a need to update it. He referred to the discussions held during the most recent meetings of the Revised Kyoto Convention Management Committee (RKC/MC), pointing out that at its 16th Meeting, the RKC/MC had unanimously endorsed a comprehensive review of the Revised Kyoto Convention (RKC) to ensure that it remained the blueprint for modern and efficient Customs procedures in the 21st Century.

77. The Deputy Secretary General continued by recalling that at its 18th Meeting, the RKC/MC had considered and adopted a draft Business Case and draft Terms of Reference, as well an estimate of the related costs, for the establishment of a Working Group on a Comprehensive Review of the RKC. He went on to present the key considerations for this review. Finally, he said that the proposal to establish a Working Group was now being submitted to the Policy Commission for consideration, and in order to facilitate its decision, he presented the two financing options for the engagement of staff and the interpretation and translation costs necessary for this work. Based on the previous revision of the Convention, the comprehensive review would require the deployment of three people for a period of three years, under one of the following two options :

- Option 1 : One existing WCO Technical Officer post, plus two Technical Attachés made available by Member administrations (Cost to WCO : 160,000 euro per annum);
- Option 2 : Three WCO Technical Officers or equivalent (Cost to WCO : 360,000 euro per annum).

78. Delegates held an exchange of views during which they expressed their satisfaction with the activities of the RKC/MC and recommended a comprehensive review of the RKC in alignment with the TFA, to meet the needs of Customs administrations and the private sector in their work on trade facilitation and on the improvement of Customs controls in order to respond to emerging threats. They highlighted the fast-changing nature of the international environment since the adoption of the RKC and the development of new tools and instruments, such as the SAFE Framework of Standards and the WTO Trade Facilitation Agreement. Delegates felt that a comprehensive review of the Convention was now essential, and although this would certainly be a lengthy process it came at precisely the right time to ensure that the WCO's flagship Convention remained relevant and that the Organization would maintain its strategic position on Customs-related issues. All the delegates who took the floor made it clear that they supported this important work to comprehensively review the RKC.

79. Finally, delegates recommended the establishment of a Working Group, along with its Terms of Reference, and recommended that the comprehensive review become a priority WCO project to be implemented either by way of Members making Technical Attachés available or, should this not be the case, by using the WCO's financial reserves to meet the staffing requirements.

80. In conclusion, the Policy Commission :

- approved the establishment of a Working Group on a Comprehensive Review of the Revised Kyoto Convention, along with its Terms of Reference; and
- recommended to the Council that the staffing requirement for this task be met by using one existing Technical Officer post plus two Technical Attachés provided by Members or, failing that, one existing Technical Officer post plus two temporary staff recruited for the duration of the project, using the Organization's financial reserves.

XIX. STUDY ON THE USE OF ADDITIONAL LANGUAGES AT THE WCO

81. This item was introduced by the Chairperson of the Working Group on the Use of Additional Languages, Mr. Maxim Nikitin of the Russian Federation. He began by recalling the objective of the Working Group, namely to increase Members' participation in WCO work, and he referred to one of the perceived obstacles to increased participation - the language barrier. He recalled the recommendation by the External Auditor that the WCO disregard a proposal to introduce 100 % interpretation in additional languages as that would require a significant increase in Members' contributions.
82. The Chairperson of the Working Group then outlined the main results of the Group, which had met for the first time in November 2017. Firstly, the Group had identified coordinators for each of the different language groups, as well as the tasks to be carried out. The Group had then looked at the interpretation and translation already provided for WCO meetings, as well as the translation of WCO instruments and tools. One point noted was a lack of coordination between Customs administrations in the same language group, since documents were sometimes translated more than once, resulting in different versions circulating.
83. At the Group's Second Meeting, in March 2018, delegates had agreed unanimously to focus their attention on interpretation of the most important WCO meetings into the four additional principal languages : Arabic, Portuguese, Russian and Spanish. Five priority working bodies had been identified by the coordinators of each of the four language groups. The Secretariat had prepared a cost analysis for the provision of interpretation for each of the priority areas identified and it had been established that this would not amount to more than 300,000 euro per year. The Finance Committee had subsequently agreed to recommend a two-year pilot project which would be funded from the WCO's Reserves. The pilot project had also been endorsed during the Europe regional meeting in April 2018.
84. The Chairperson of the Working Group emphasized that the work of the Group would not end with the launch of the two-year pilot project, rather the Group should continue to analyse the results of the pilot project and to explore future funding mechanisms. The Group would monitor the success of the project by analysing the participation rates of Members during the meetings with additional interpretation, and would also assess Members' views on the project. The Group would also continue to examine the issue of the translation of documents as well as the translation of WCO tools, in collaboration with Customs administrations. The Policy Commission was being asked to support the proposal from the Finance Committee that a two-year pilot project be launched, with funding from the WCO's Reserves.
85. In the discussion that followed, several delegates expressed support for the pilot project, which should enhance Members' participation in the work of the WCO. They also supported the proposal that the Working Group's mandate be prolonged in order to allow it time to assess the results of the pilot project, and also to look at possible solutions for sustainable funding in the longer term if the pilot project proved a success. In that regard, a delegate indicated that his Administration would not be in a position to support an increase in Members' contributions for long-term funding of the provision of additional languages.
86. The coordinator for the Spanish language group indicated that the Spanish speakers had identified the Data Model Project as one of its priority area for interpretation. However, following discussion with the Secretariat,

the Spanish speakers would consider whether another priority area might be more appropriate.

87. The Chairperson concluded by thanking the Chairperson of the Working Group on the Use of Additional Languages for his presentation, adding that this issue was one that resonated with many Members. The Policy Commission :

- endorsed the progress made to date by the Working Group on the Use of Additional Languages at the WCO;
- supported the proposal from the Finance Committee that a two-year pilot project for interpretation at the meetings of identified working bodies be initiated, with effect from the next financial year 2018/2019, and that the funding come from the WCO's Reserves;
- recommended that the mandate of the Working Group be extended to allow it to continue to work during the period of the pilot project in order to monitor the progress, to look at the next stages and to identify long-term sustainable funding in the event that the pilot project proved to be successful;
- recommended that the Working Group be asked to report on the progress with the pilot project at the Finance Committee's session in Spring 2019 and at the Policy Commission session in June 2019. Additionally, the Group would deliver an oral report at the Policy Commission session in December 2018 on the progress to that point.

XX. ESTABLISHING OF THE WORKING GROUP ON ACCESSIONS TO THE WCO

88. The Chairperson first referred to the following Terms of Reference for the Working Group on Accessions to the WCO which had been circulated at the December 2017 Council Session :

"Terms of Reference for the Working Group on Accessions to the WCO

The Council approves the establishment of a Working Group as agreed at the July 2017 Council Sessions to look at the matter of Accessions to the WCO, in the frame of a constructive approach.

Composition

According to the principle of fair geographical representation, each region will appoint two Members. These Members will provide experts for the Working Group, acting in their national capacity.

The Working Group will choose its Chairperson by drawing lots. At the beginning of each meeting, the Working Group will draw lots to decide on its Chairperson. No Member shall occupy the Chair for a second time until each Member has occupied the Chair.

Scope

The Working Group will discuss the issue of accession to the WCO taking fully into account the decisions of the Council.

Upon completion of its work, the Working Group will submit a report approved by consensus.”

89. The Chairperson said that following extensive and protracted discussions with the interested parties, he saw the way forward as outlined below :

“New statement proposed by the Chairperson

At the December Council session a very constructive proposal was prepared by Brazil, the United Kingdom and the Russian Federation for the Terms of Reference of the Working Group on “Accessions to the WCO”. These Terms of Reference reflect the spirit of the Council.

My consultations with delegates clearly confirm the will to avoid a blockage of the Organization over this issue, which could have undesirable consequences for all areas of activity of the Organization.

My consultations also confirm clear support for the Terms of Reference, and I suggest that the Working Group is set up with the Terms of Reference proposed in December. In order to allow the Working Group to study the question thoroughly, a report should be submitted to the [Chair] by the end of 2019.

Until that time, to ensure constructive progress on this matter and taking into account the setting up of the Working Group my understanding is that Kosovo will [not vote] and not [seek to] become a contracting party to [any] Conventions for which the WCO Secretary General is the Depositary. References to Kosovo in WCO documents, including Annexes to the Minutes of the July 2017 Council session, are to be read in accordance with this understanding. This understanding was reached voluntarily in the spirit of promoting the functioning of the Organization and accomplishing the important Customs work we came here to do.

I have been informed that the regions’ members of the Working Group are :

I trust this is acceptable to all, and we can refocus on the core business of the Organization and move on to the next Agenda item.”

90. The Chairperson reported on the outcomes from the numerous meetings he had held since December 2017 with, in particular, representatives of Serbia, Kosovo, the Secretariat and the Friends of the Chair regarding the establishment of the Working Group on Accessions to the WCO. He indicated that interventions by delegates under this item should be avoided if at all possible during the Policy Commission, given that the issue would be discussed later in the week at the Council Session when all parties would be present, and this in order to allow delegates to focus on key Customs matters rather than political issues.
91. A delegate considered that the Chairperson’s proposed statement was unbalanced and unfair and that all Members should have equal rights, whereas the proposal sought to deprive a Member of its rights.
92. Another delegate regretted this particular intervention since the Chairperson’s statement represented a compromise among Members and his Administration was therefore obliged to reserve its position.

93. Several delegates congratulated the Chair on his excellent diplomacy and on the work accomplished towards achieving a compromise on this issue.
94. The Policy Commission took note.

XXI. GOVERNANCE

(a) Strategic Plan 2016/2017 to 2018/2019 : Operational Plan for 2018/2019

95. The Deputy Secretary General explained that the Strategic Plan for the years 2016/2017 to 2018/2019 had been approved in 2016 with 7 Strategic Goals, including 4 Pillars and 3 transversal Goals. He recalled that the Strategic Plan was complemented by annual Operational Plans, and following the successful completion of the first and second Operational Plans (2016/2017 and 2017/2018), the third one - for financial year 2018/2019 - was now being presented to the Policy Commission for consideration. He went on to say that the Operational Plan for 2018/2019 was composed of 68 Tactical Activities, 91 Key Performance Indicators and 102 deliverables. The total budget for the Plan amounted to 38.99 million euro, 45 % of this being funded by Members' contributions, 45 % by specific funds and 10 % by national administrations. He added that 80 % of the budget was allocated to Strategic Goals 2 (Promote fair, efficient and effective Revenue Collection), 3 (Protect Society, public health and safety and contribute to combating crime and terrorism), 4 (Strengthen Capacity Building) and 6 (Raise the performance and profile of Customs).
96. The Deputy Secretary General added that the cycle for the 2018/2019 Operational Plan had commenced with the presentation of the Tactical Activities at the December 2017 Policy Commission session in Luxor. The recommendations made by the Policy Commission, which related to the prioritization of Tactical Activities, had been discussed during the Management Away Day held in January 2018; the Audit Committee had reviewed the Key Performance Indicators in February 2018 and found that there was a good balance of qualitative and quantitative indicators, and the Finance Committee had analysed the financial implications in April 2018. Thus, the document now being submitted to the Policy Commission for approval was the result of a comprehensive process. The Deputy Secretary General concluded by pointing out that the Finance Committee had proposed the establishment of a working body to support him in drafting the Strategic Plan for the years 2019/2020 to 2021/2022, including the Operational Plan for 2019/2020 which would be presented to the Policy Commission in December 2018.
97. Delegates congratulated the Secretariat on the work done in this respect, and expressed their support for the proposed Operational Plan. They also proposed that Members have more involvement in drafting the new Strategic Plan (for the years 2019/2020 to 2021/2022), and that there be more participation by the regional Vice-Chairs in defining the priorities for the next Operational Plan.
98. A delegate proposed that the Tactical Activities be streamlined to focus on priorities, and mentioned the implementation of the Trade Facilitation Agreement, the review of the Revised Kyoto Convention, cross-border e-commerce and capacity building activities as possible priorities for the next Operational Plan. This idea was taken up by another delegate, who suggested that a survey be conducted to solicit Members' views on the priorities to be identified for the next Plan; this proposal was supported by other delegates.

99. The Finance Committee Chairperson commented on the need for sufficient risk mitigation in view of the fact that 45 % of funding came from donors; he also mentioned the importance of reflecting on the impact and benefits of prioritization. The Audit Committee Chairperson added that activities related to the implementation of Policy Commission and Council decisions should be prioritized.
100. A delegate expressed his appreciation of the fact that the Tactical Activities were well identified and resources were clearly allocated to each Activity. He supported the prioritization of activities, and proposed that organizational management and risk management be included among the priorities. Another delegate added that a bottom-up approach would provide an opportunity for Members to share their different priorities, which might include the monitoring and evaluation of leadership programmes and the use of “Big Data”; in the latter connection, he said the WCO could perhaps reflect on the possibility of setting up a desk to collect and interpret data collected from Customs administrations, and draw up an action plan on the use of the data collected. Revenue leakage, revenue fraud and illicit financial flows were also mentioned as possible priorities for the next Plan.
101. The Deputy Secretary General thanked delegates for their proposals, and welcomed the suggestions regarding streamlining and the greater involvement of Members in the process of drafting the next Strategic Plan. In this connection, he appreciated the proposal that a survey be conducted to collect Members’ feedback. He also drew attention to a letter sent to the Vice-Chairs in April 2018 requesting their proposals regarding priorities, and indicated that the positive feedback received would be taken into account in the working sessions on the next Strategic Plan.
102. In conclusion, the Policy Commission recommended the draft Operational Plan for 2018/2019 to the Council for adoption, and took note of the proposed way ahead for the preparation of the new three-year Strategic Plan for the years 2019/2020 to 2021/2022.

(b) Audit Committee Report

103. The Chairperson of the Audit Committee reported on the main topics discussed at its 12th Meeting, held on 12 and 13 February 2018, and stated that it had endorsed the main principles presented with respect to the draft Operational Plan 2018/2019, by reviewing the Tactical Activities, Key Performance Indicators (KPIs) and deliverables. In particular, the KPIs for the WCO Strategic Plan had been endorsed. The Secretariat’s proposal to prioritize selected activities had also been approved, in response to the Policy Commission’s request.
104. The Committee had looked at the status of implementation of pending audit recommendations. The vast majority of these pending recommendations had been implemented, with the remaining nine expected to be implemented by the next meeting of the Audit Committee in 2019. One recommendation related to the presentation of a “Model Memorandum of Understanding (MoU)”, coupled with a suggestion that, in future, all upcoming MoUs be endorsed by the Policy Commission.
105. The annual Internet-based Risk Survey, which the Audit Committee had been carrying out for several years, had revealed that “Financing of the WCO” and “Expertise and Knowledge” were the two main issues requiring controls to mitigate, as effectively as possible, any upcoming major risks. The external audit on the WCO Communications Strategy had been accepted by the Committee and its ten recommendations adopted. The most important outcome of this audit had been the

creation of a comprehensive Communications Plan, including the establishment of targets and messages. The Committee had also acknowledged a satisfactory internal audit on IT security which had included the checking of the newly-introduced ERP system for budget and accounting purposes. The next annual Audit Plan would cover the yearly electronic risk survey, an internal audit on “Mission Management” and a verification of the effectiveness of certain WCO-financed capacity building projects. The Committee had also requested adequate financial resources from the Finance Committee to create a full-time Internal Auditor position.

106. In addition, the Committee had looked at a review, conducted by the Secretariat, to improve aspects of the WCO Donor Policy and had approved the introduction of procedures and reporting/monitoring mechanisms for private sector donations and to avoid the Organization from entering into any commercial relationships with private donors. A review of the Audit Committee Charter had shown that no changes were necessary and that, over the past three years, the Committee had performed in accordance with the provisions of the Charter by providing advice to the Policy Commission and Council. The Committee had agreed to new tasks, which involved acting as a repository for whistle-blowing cases and carrying out a mid-term review of the results of the WCO Operational Plan.
107. The Committee had suggested that Norway be nominated by the Council to serve as Chair of the Audit Committee for another year, and that Bangladesh be elected as Vice-Chair.
108. Turning to the work on the Model MoU carried out by the Audit Committee, the Secretariat recalled that one draft MoU had already been prepared for signature with a partner organization, namely the Economic Community of Central African States (ECCAS), and asked whether that MoU could be signed, as foreseen, in the Autumn of 2018. A delegate from the region covered by the draft MoU urged caution about signing it before the Audit Committee had presented the Model MoU to the Policy Commission, as planned, in 2019.
109. The Chairperson of the Finance Committee referred to the Audit Committee’s request for financial support for a full-time Internal Auditor position, stating that the current WCO budget did not allow for the creation of such a position; however, based on the current arrangement, a half-time position alongside the external audit function would suffice. Indeed, this approach had been supported by the Secretariat at the Finance Committee’s last session.
110. Two delegations thanked the Chairperson of the Audit Committee for his personal commitment to a range of audit topics and congratulated him on his skilful handling of the Audit Committee, during which he always strived to enhance good governance. They supported his nomination to serve as Chairperson of the Audit Committee for an additional term.
111. The Policy Commission recommended the adoption of the external audit on “The implementation of the WCO Communications Strategy and its impact on the WCO’s international influence”, the internal audit on “IT Security”, and the 2018/2019 Audit Plan.
112. The Chairperson of the Policy Commission thanked the Audit Committee and its Chairperson for their work, and concluded that the Policy Commission recommended the Report of the Audit Committee to the Council for adoption.

XXII. OTHER BUSINESS

Election of Secretary General

113. The Chairperson announced that there were two candidates for the post of Secretary General, namely Ms. Pilar Jurado Borrego of Spain and Mr. Kunio Mikuriya of Japan.
114. The Policy Commission took note.

XXIII. DATE AND PLACE OF NEXT SESSION

115. The 80th Session of the Policy Commission would be held from Monday 3 to Wednesday 5 December 2018.

E. CANON,
Chairperson.

x

x x

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AGENDA

General

- I. Adoption of the Agenda
- II. Approval of the Report of the 78th Session
- III. Comments by the Chairperson of the Council
- IV. Secretary General's Progress Report on the Implementation of the Strategic Plan
- V. Governance :
 - Financial Audit
- VI. Customs Capacity Building :
 - (a) Report of Ninth Session of Capacity Building Committee
 - (b) Report of Integrity Sub-Committee
- VII. Economic Competitiveness Package Action Plan - Progress Report
- VIII. Compliance and Enforcement Package - Progress Report
- IX. Revenue Package Phase III Action Plan - Progress Report
- X. SAFE Framework of Standards and aviation security
- XI. Report on Private Sector Consultative Group Meetings
- XII. E-commerce
- XIII. Trade facilitation
- XIV. Security initiative
- XV. Combating illicit financial flows
- XVI. Customs-Tax cooperation
- XVII. Performance measurement
- XVIII. Review of Revised Kyoto Convention
- XIX. Study on use of additional languages at WCO - Report by Working Group
- XX. Establishing of the Working Group on accessions to the WCO

XXI. Governance :

(a) Strategic Plan 2016/2017 to 2018/2019 : Operational Plan
for 2018/2019

(b) Audit Committee Report

XXII. Other business :

- Election of Secretary General

XXIII. Date and place of next session

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DRAFT RESOLUTION OF THE CUSTOMS CO-OPERATION COUNCIL
ON THE FRAMEWORK OF STANDARDS ON CROSS-BORDER E-COMMERCE

THE CUSTOMS CO-OPERATION COUNCIL,

RECOGNIZING that the implementation of the principles contained in the WCO Framework of Standards will be an important step in ensuring that Customs positions itself as a partner to the private sector, together with other interested stakeholders, in enabling the growth of cross-border E-Commerce, while ensuring national safety and security and contributing to the facilitation of legitimate trade;

NOTING that the unprecedented growth in electronic commerce (E-Commerce) has revolutionized the way businesses and consumers market, sell, and purchase goods and has presented new challenges and opportunities to governments and businesses alike;

CONSIDERING that Customs administrations contribute to the economic competitiveness and social development of nations through the collection of revenue, and that implementing the Framework of Standards will be important to the accurate and efficient collection of duties and taxes;

RECALLING the indispensable role of Customs administrations, in cooperation with other relevant government agencies, to ensure the most efficient implementation of national policies, laws and regulations to encourage economic prosperity while ensuring compliance and facilitation;

NOTING ongoing essential engagements with partner intergovernmental organizations through relevant bilateral and multilateral platforms;

TAKING into account the Resolution of the Policy Commission on the Guiding Principles for Cross-Border E-Commerce (Luxor Resolution on Cross-Border E-Commerce, December 2017);

BELIEVING in the need for Customs administrations to implement standards regarding integrated Customs procedures, to develop supporting documentation and in the need for co-operation between Customs administrations and stakeholders in the E-Commerce supply chain;

NOTING that Members and Customs or Economic Unions may need to consider modifications to their legal or other provisions to support the implementation of the WCO Framework of Standards.

RESOLVES :

1. To adopt the Framework of Standards for Cross-Border E-Commerce;
 2. That the Members of the Council and Customs or Economic Unions should :
 - 2.1. implement as soon as possible in accordance with each administration's capacity and necessary legislative authority, the principles, standards and other provisions contained in the WCO Framework of Standards;
 - 2.2. encourage any necessary improvements in Customs capability and integrity to provide a comprehensive framework for Cross-Border E-Commerce;
 - 2.3. identify the required sustainable capacity building measures, including the modifications to national legal and administrative rules and procedures, where appropriate, and pursue their realization to enable a comprehensive implementation of the provisions of the Framework of Standards;
 - 2.4. foresee the provision of technical assistance in order to encourage the implementation of the Framework of Standards;
 - 2.5. submit to the WCO an indicative timetable for implementation of the Framework of Standards suitable to their capacities;
 - 2.6. endeavour to secure the full cooperation of those involved in the cross-border E-Commerce supply chain in the implementation of the Framework of Standards;
 - 2.7. participate in periodic evaluation meetings to assess progress towards implementation;
 - 2.8. provide to the WCO periodic reports on progress towards implementation of the Framework, to be discussed during each evaluation meeting; and
 - 2.9. consider the use of benchmarking methods to evaluate each Member's own implementation process.
 3. That Members of the Council and Customs or Economic Unions should notify the WCO of their intention to implement the Framework of Standards. The WCO will transmit this information to the Customs administrations of all Members and to those Customs or Economic Unions which have notified the WCO.
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