

- ✓ Contractual agreements to contain elements of safety & security
- ✓ Employment policy to include security checks on employees
- ✓ Presence of security awareness programmes

#### VOLUME OF BUSINESS

- The volume of the applicant's business may be used to gauge eligibility for authorisation.
- Whereas specific requirements may vary, the following shall be examined to establish the relevant position:
  - ✓ Statistics on the operator's business operation
  - ✓ Statistics on customs matters
  - ✓ Fiscal statistics

#### NATURE OF GOODS TRADED IN

- Customs Routines in respect of the nature of goods, i.e.
  - ✓ Tariff classification of the goods,
  - ✓ Fiscal aspects
  - ✓ Non-fiscal aspects
  - ✓ Origin of the goods
  - ✓ Value of the goods,
  - ✓ Legal requirements
- Internal aspects with regard to control over stock movement shall also be examined:
  - ✓ Reconciliation of movement of goods (ordered, entered & received)
  - ✓ Storage
  - ✓ Production
  - ✓ Outgoing flow of goods (delivery from warehouse, shipment, transfer).

#### THE AUTHORISATION PROCESS & PROCEDURES

- This is the complete authorisation process, from application to Authorisation.
- It is guided by Risk Management and Post Clearance procedures.

#### PREPARATION AND SELF-ASSESSMENT

- The applicant shall obtain the AEO Application and Self-assessment from Customs Administration.
- The applicant shall carry out a self-assessment against the set criteria and only submit the application to the Commissioner.

#### APPLICATION FOR AEO STATUS

- The Customs receives a completed AEO Application and Self-assessment Form and all the other required documents from the applicant.

The Customs shall verify that the application is complete, correct and valid.

- ✓ Where the application is incomplete, the application shall be rejected.
- ✓ Where the application is complete, it proceeds for acknowledgement

#### Acknowledgement

- Registration of application by Customs
- The issuance of an acknowledgement with a unique reference number to the applicant
- Submission of application forms to the vetting committee
- The vetting committee shall obtain the information regarding the compliance of the applicant and consult the other partner states to establish whether they meet set criteria.
  - Where the application does not meet the set criteria the applicant shall be notified.
  - Where the application meets the criteria, pre-audit shall be carried out.

#### PRE-AUDIT

- The vetting committee prepares the inspection schedule, inspects the applicant's business premises, collects relevant data and analyses the data against documents earlier submitted.
- The Audit report of findings shall be submitted to the approval committee with recommendations
- The approval committee shall consider the audit report and make recommendations to the Commissioner
- Where the findings are satisfactory, the applications are submitted to the commissioner.
- Where pre-audit findings are unsatisfactory, the application shall be rejected and applicant notified.
- However the approval committee may consider putting some of the applicants on the Compliance Improvement plan for future consideration.

#### AUTHORISATION

- Upon Commissioner's approval the list of successful applicant shall be forwarded to the committee on Customs.
- Unsuccessful applicants shall be notified with reasons for rejection.
- Where authorization has been approved by the Committee on Customs:
  - The applicant shall be invited by the Commissioner to sign an MOU.
  - The EAC Director of Customs shall issue the applicant a Regional Authorized Economic Operator certificate that is valid for 3years and renewable.

#### ACTIVATION

- The AEO status shall be activated in the Customs systems.

#### POST AUTHORISATION MANAGEMENT

- Every 3 years the evaluation shall be conducted
- The report findings and recommendations shall be submitted to approval committee.
- The Customs shall carry out Ad hoc/ Surprise visits to the operator's premises to check if the compliance level is maintained.

#### DE-AUTHORISATION

- Where the Operator has been found non-compliant, depending on the gravity of non-compliance the approval committee shall make recommendations to the Commissioner for warning, suspension or de – authorization.
- Where warning or suspension is recommended the Commissioner may warn or suspend the AEO status for a period not exceeding 6 months subject to correction of the noncompliance issues and notify the Committee on Customs.
- If the company fails to resolve the non-compliance issues within the 6months the Commissioner may proceed to the next level of action.
- Where de – authorisation is recommended the Commissioner shall notify the Committee on Customs to deliberate and decide on the case.

#### APPEAL

- Where the Operator wishes to appeal against the decision above, then they may submit in writing their appeal to the Commissioner.
- The appeal will be reviewed by the Commissioner and handled in accordance with part XX of the EACCMA
- Where the Operator does not appeal in writing within the stipulated time frame the



# AUTHORIZED ECONOMIC OPERATOR (AEO)



## DEFINITIONS

- Authorized Economic Operator (AEO) is defined by the [WCO SAFE Framework of Standards](#) as a party involved in the international movement of goods, in whatever function, that has been approved by, or on behalf of, a national Customs administration as complying with WCO or equivalent supply chain security standards.
- Self-management of bonded warehouse– self managed bonded warehouse is a facility extended to a warehousing operator where the responsibilities of a Customs Officer are delegated to the bonded warehouse operator

## INTRODUCTION

- The 21st century has been characterized by globalization of trade that led to big volumes of imports and exports;
- Customs faces a challenge of balancing trade facilitation and control;
- As revenue oriented, Customs had tendency to do 100% control of consignments;
- The introduction AEO aims to change the relationship - businesses to Customs by implementing preferential treatment to compliant traders through a structured assessment of risk (authorization);
- The implementation of the AEO program shall be in line with the Single Customs Territory business processes.

## WHO CAN APPLY TO BECOME AN AEO

- Exporters
- Transporters/Carriers
- Importers
- Freight forwarders
- Customs Agents
- Bonded warehouse owners
- Manufacturers

### Note:

Application to one or more categories but Authorization to categories qualified for.

## LEGAL PROVISIONS

The AEO program derives its mandate from the provisions of trade facilitation Customs modernisation under the East African Community Customs Management Act 2004 and the Compliance and Enforcement Regulations.

## BENEFITS MANAGEMENT

- The benefits to be enjoyed by AEO are divided into four client categories depending on the nature of business;
- The client shall enjoy the benefits for the category/categories that they are authorised for;

- These benefits shall apply across the EAC Region;
- The AEO shall be uniquely identified throughout the clearance process.

## IMPORTERS/EXPORTERS MANUFACTURERS

- Expedited processing of entries/declarations:
  - ✓ Automatic passing of declaration
  - ✓ No physical or document examination except for random or exceptional cases
  - ✓ ECTS requirement waiver where applicable
- Expedited payment of refund claim - *priority shall be given in processing of the refund claims. Where applicable, some procedures can be simplified for the AEO.*

## CUSTOMS AGENTS

- Guaranteed renewal of Customs agent's license
- Priority to participate in Customs initiatives
- Priority treatment in cargo clearance chain

## TRANSPORTERS

- Guaranteed renewal of transit goods licence and any other licences issued by Customs.

ECTS requirement waiver where applicable - the operator shall have the option to choose whether or not to fix the ECTS

- Priority clearance at the borders

## WAREHOUSE OPERATORS

- Self-management of bonded warehouse:
  - ✓ Self managed bonded warehouse is a facility extended to a warehousing operator where the responsibilities of a Customs Officer are delegated to the bonded warehouse operator.
  - ✓ However the Warehouse Operator is required to adhere to the provisions of the law and any other conditions that may be given by the Commissioner.
  - ✓ This facility is extended to AEOs to enhance flexibility of bonded warehouse operations in terms of time and cost.
  - ✓ The status of the AEO shall be recognised across the EAC Region.
- Guaranteed renewal of Warehouse Operator's license

### Note:

- All stakeholders shall need to be involved in facilitating clearance of AEO (Port Authorities, Shipping line and relevant stakeholders)
- Dedicated service desk at all customs offices shall be established.

## ELIGIBILITY REQUIREMENTS

- Eligibility requirements are conditions, standards and measures which shall be used in evaluating applicants for Authorized Economic Operator status in the EAC.
- An applicant **MUST** be a legal entity incorporated or registered within the EAC.
- The applicant should be able to provide information pertaining to all of the following or any other:
  - Company details
  - Record of compliance
  - Maintenance of records
  - Financial solvency
  - Security and safety standards
  - Volumes of business
  - Nature of Goods traded in

## COMPANY DETAILS

- Company profiles; which should indicate the position of the official responsible for customs matters in the organization structure.
- Nature of business which should be in line with eligibility requirements.
- Employee Profile; key employees with knowledge and experience in customs matters.

## RECORD OF COMPLIANCE

- The applicant should not have contravened any laws, rules and regulations pertaining to Customs, Domestic Taxes and other relevant Government Agencies for a period of 3 years prior to application for authorisation.
- The applicant should provide, and/or demonstrate the following:
  - Have compliance history of at least 3 years
    - ✓ Number of irregularities or offenses committed
    - ✓ Self-compliance checks & voluntary disclosure
    - ✓ personnel code of conduct
    - ✓ have no tax arrears (taxes past the due date).
    - ✓ compliance with all relevant government agencies and regulations.
  - If the applicant is a previous AEO status holder, it will be checked if he/she was deregistered before and for what reasons.
  - The applicant must not have been convicted for a criminal offence associated with his economic activity.
  - The applicant's representative/agent in customs matters must not have been convicted for a criminal offence related to an infringement of customs rules and associated to his activity as a representative/agent.
  - Re-application of a revoked AEO status shall be submitted after

three years (except where the said revocation was effected on request by the authorized economic operator).

## MAINTENANCE OF RECORDS

- The applicant shall maintain timely, accurate, complete and verifiable records relating to its customs transactions.
- The applicant must demonstrate that the computer systems, the organizational internal operational procedures and processes will ensure compliance.
- In this regard therefore the following shall be examined:
  - Automation of company processes
    - ✓ Electronic registers
    - ✓ Stock movements
    - ✓ Inbound & outbound processes
  - Availability of audited reports by qualified auditors
  - Ease of access to company records by customs
  - Integrated accounting systems
  - Internal control procedures

## FINANCIAL SOLVENCY

- The applicant must demonstrate adequate financial standing. The applicant shall be deemed to have met the conditions of solvency if it can be proven for the past 3 years.
- The applicant must provide evidence (financial statements) indicating a good financial standing sufficient to fulfill its commitments with regard to the type of business.

## Security and safety standards

- The applicant must demonstrate a high level of awareness on security and established safety measures, internally and in its business activities with clients.
- Understanding and implementation of safety and security controls must extend to the applicants personnel.
- The applicant must provide evidence of:
  - Internal controls to embody safety and security procedures
  - Premises security
  - Employees issued with identification.
  - Routine procedures to ensure integrity of cargo
- ✓ Administrative procedures on handling of cargo
- ✓ Ownership & maintenance of cargo storage facilities
- ✓ Sealing and tracking of cargo
- ✓ Procedures for inspecting cargo
- ✓ Entry restriction to cargo areas
- ✓ Supervision of loading & offloading of cargo
- ✓ Imposing security requirements on partners