

Inter-institutionality: a distinctive feature of the Colombian AEO model

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Colombia has introduced the inter-institutionality concept in its Authorized Economic Operator (AEO) programme, which came into force a few months ago. In this article, the Colombian National Tax and Customs Administration (Dirección de Impuestos y Aduanas Nacionales, or DIAN) reports on its experience and gives a more detailed explanation of the arrangements that have been put in place to coordinate the activities of all the involved Colombian government services.

DIAN DEVELOPED ITS AEO model, which is based on the WCO SAFE Framework of

Standards to Secure and Facilitate Global Trade, by involving all the authorities

with direct control over foreign trade in the country, namely the Anti-Drugs Police, the Colombian Agricultural Institute (Instituto Colombiano Agropecuario, or ICA) and the National Institute for the Control of Medicines and Food Products (Instituto Nacional de Vigilancia de Medicamentos y Alimentos, or INVIMA).

Although fairly complex from a technical point of view, the decision to involve all the relevant authorities has major benefits for the businesses concerned, both during the authorization procedure and after the status has been granted.

The sanitary and phytosanitary authorities and the drug control services have already been involved in foreign trade for some time. Colombia also has previous experience in coordination between public institutions involving trade facilitation, under initiatives such as:

- the Single Window for Foreign Trade (Ventanilla única de comercio exterior, or VUCE), which opened in 2004, enables the information required on the



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cross-border movement of goods to be submitted electronically and simultaneously to all 21 public services involved in such transactions;

- the electronic simultaneous inspection diary, which was introduced in 2012, works with a module created as an application for the Single Window;
- the Inter-Sectoral Committee on Sanitary and Phytosanitary Measures, which was set up in 2006, coordinates the activities of the following services: the National Institute of Health, the sanitary and phytosanitary authorities, the Institute of Hydrology, Meteorology and Environmental Research, and the National Department of Industry and Trade;
- the Inter-Sectoral Committee on Free Zones, which was set up in 2007, comprises representatives from the Ministry of Trade, Industry and Tourism, the Ministry of Finance, the National Planning Department, DIAN and the Office of the President of the Republic. The Committee analyses, assesses

and gives opinions on the viability of applications for recognition of permanent free zones. It also has to approve or reject the master plan for the overall development of the zones and any changes made to it.

It might seem more difficult to work towards a common goal together than to work alone, since that requires the operation of a coordinated policy under which each institution carries out its functions within the limits of its own competences. However, with this approach it is possible to enjoy the advantages of teamwork.

Applied to the AEO concept, it makes it possible in particular to:

1. certify that the undertaking provides a full guarantee of compliance and safety, including meeting any sanitary and phytosanitary requirements, thereby ensuring that its trading partners, the various regulatory authorities that monitor its operations and the countries where it is exporting its goods to have greater confidence in it;

2. ensure more effective use of the public resources invested in the pursuit of a common objective;

3. make progress in the development of a common risk assessment system based on more effective exchange and use of information;

4. ensure that every regulatory body adopts common criteria in the exercise of its functions;

5. establish more fluid and transparent communication with the private sector, enabling it to report its concerns and put forward suggestions;

6. develop courses under training schemes targeted particularly at AEOs that provide full coverage of topics of interest to certified businesses, enabling them to identify gaps and flaws in their procedures.

Challenges of inter-institutionality

The design phase for the AEO programme did not present any major problems as regards the arrangements for the

coordination and performance of the tasks assigned to each body. That is due to the fact that the exercise itself was not actually new and participants were able to draw on the experience acquired under previous projects described earlier in this article), during which they established close links which they were able to maintain over time.

Under the inter-institutional model, each supervisory authority had to define its criteria for acquiring AEO status and indicate the benefits it was prepared to grant. These were then considered and discussed collectively until a single regulatory framework was agreed upon, which included the decree signed by the ministers of all the services concerned.

The responsibility of each of the actors for fulfilling their commitment achieves full significance when the regulatory framework enters into force. Within the limits of its competences, each service has to ensure that the AEO conforms to the jointly established rules and obligations, and therefore:

- sets aside part of its budget for the AEO programme;
- sets up a team of full-time staff to work on all AEO matters;
- takes an active part in the decision-making and management of the programme;
- draws up and implements a harmonized training programme for officials to enable them to acquire the technical and relationship skills needed for effective performance.

Requirements

Inter-institutionality requires a particular commitment from participating authorities, depending on their legal powers. For the Customs authority, being the natural leader of the programme might involve greater responsibility for the AEO authorization procedure and in the actual programme administration. On the other hand, the associated services need to take appropriate and effective action, properly coordinated by Customs, in the context of an integrated management system.

In Colombia, Customs and the other supervisory services are involved at all stages

of the authorization procedure:

1. General approval of the conditions laid down in Decree 3568 of 2011 governing AEOs;
2. The services will meet again to plan their joint inspections, in the course of which each will assess the applicant's compliance with the requirements in its sphere of competence;
3. Responsible officials for each service will decide on the technical viability of the authorization on the basis of the report presented to it by its team, in accordance with its prerogatives;
4. The publication of a final report, leading to the granting or refusal of AEO status, concludes the stages.

Each service is currently assessing the potential risk from businesses in its sphere of competence, based on the background, level of indebtedness and working history of the businesses. DIAN receives the results of the risk assessment by the cross-cutting risk assessment body for all Customs, tax and/or exchange services. The main requirement is that all the supervisory bodies should be aware of the profile businesses need to be able to claim AEO status, by assessing the situation and deciding whether or not the conditions have been fulfilled.

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In my view, to exclude the sanitary and phytosanitary authorities from the AEO programme would be to ignore the important role those institutions play in monitoring foreign trade and would jeopardize the viability and scope of the programme. An AEO business making an international commercial transaction without the knowledge of certain services which are supposed to exercise

control will not retain its AEO status for long.

Important questions

Despite the not insignificant advantages of inter-institutionality in both the public and the private sectors, from a global perspective the Colombian model raises certain questions, three of which are dealt with here.

Are the sanitary and phytosanitary aspects sufficiently important in global supply chain security to justify participation in the AEO system by the supervisory services concerned?

As mentioned previously, Colombia believes that the granting of AEO status to a business whose main activity is subject to control by the sanitary and phytosanitary authorities should be approved by those authorities.

Only these authorities have the necessary legitimacy to certify that the AEO conforms to certain rules and best practices. Such approval undoubtedly gives the authorizing services generally, and the trading partners in particular, greater confidence in the business.

What is the exact scope of inter-institutionality?

It is legitimate for services monitoring the illegal activities associated with drug trafficking and other activities posing a potential risk to the global supply chain, such as the Colombian National Police, to participate in the AEO programme, since any exporter, importer or other party to a commercial transaction might engage in or be implicated in such practices.

The role of the sanitary and phytosanitary authorities is more limited. They can monitor only those exporters or importers whose activities fall within their sphere of competence; other categories of users, such as freight agents, brokers, warehouses and free zones, are outside their scope.

Is inter-institutionality an asset in the negotiation of mutual recognition agreements (MRAs)?

Because of its inter-institutional character, the Colombian programme has no equivalent in the region, or indeed globally. Inter-institutionality could therefore become a competitive advantage for the Colombian model, a distinctive feature of which businesses could take advantage. But in MRA negotiations, it is equally likely that inter-institutionality will have no relevance for third countries, since they cannot, for example, provide sanitary and phytosanitary facilities for a Colombian AEO.

However, even if the MRAs Colombia signs in the future do not provide such facilities for its AEOs, which is perfectly understandable, in my view inter-institutionality still adds value in terms of global supply chain security, especially for businesses whose activities are monitored by the sanitary and phytosanitary authorities.

Conclusion

The first four Colombian businesses to have fully satisfied the criteria were granted AEO status a few weeks ago. They manufacture and export cosmetic products, paints, chemicals and building materials, and belong to large trading groups that have already demonstrated

The electronic simultaneous inspection diary

The electronic simultaneous inspection diary, which was developed with the financial support of the “Government Online” programme, is jointly administered by the Ministry of Trade, Industry and Tourism and the supervisory bodies, namely DIAN, the Anti-Drugs Police, ICA and INVIMA.

The system operates with a Single Window model and is applicable to imports and exports, although at the moment it is used only for export goods arriving at maritime terminals in containers.

It is designed to allow supervisory authorities to carry out joint inspections of a cargo in order to facilitate international trade, improve the level of control by each service, enhance cooperation and optimize the traceability and monitoring of information.

For exports, the process is initiated as follows:

- DIAN’s computer system automatically transmits information on any request for permission to board (Solicitud de Autorización de Embarque, or SAE) electronically to the Simultaneous Inspection Module (SIIS) of the Single Window;
- the Customs officer then connects to the SIIS and selects the SAE documents for the cargo that will be inspected;
- if a sanitary inspection is required, the application connects to the computer network of the service responsible and transmits the information to accompany the request for inspection;
- when the cargo arrives at the port, the inspection services wishing to carry out a physical inspection indicate the selected container or containers in the electronic diary;
- on the basis of that information, the Customs officer is able to organize the logistical aspects of the inspection and, in particular, to contact the port to ensure that there is room in the inspection area where the joint inspection is to be carried out;
- the result of the inspection is recorded in the system and emailed automatically to the parties concerned.

good international safety, quality, environmental and social responsibility practices over a long period.

It should be pointed out that, in the authorization procedure, one of the businesses requested the involvement of INVIMA, which worked effectively with Customs and the drug control bodies. Other businesses were assessed but, for various reasons, were not granted the status.

Armed with that initial experience, the inspection services are currently working on the development of strategies for their staff to apply rules of conduct and thus consistently improve the coordination between

services required by inter-institutionality. In this connection, the responsible officials in each service meet regularly, and practical exercises are arranged for technical staff.

One of the main challenges of the Colombian AEO system, which efforts are currently being made to address, is consolidation of the inter-institutional model. Colombia is, nevertheless, confident that it will meet its goal as its AEO model goes from strength to strength.

More information

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<http://www.dian.gov.co/descargas/operador/index.htm>