World Customs Organization (WCO) Regional Integration Conference

June, 2015

THE WCO- EAC Custom for Regional East Africa Trade (CREATe) PROJECT
1. About the WCO-EAC Project.
2. AEO Concept in line with Customs-To-Business.
3. The Case of EAC
   - EAC AEO Pilot (Criteria/ Process / Benefits)
   - The Pilot results
   - The Challenges / Risks / Mitigating Measures/Conclusion
AUTHORIZED ECONOMIC OPERATOR (AEO)

Regional AEO programme – Compliance Scheme articulated under:
  • WCO SAFE Framework of Standards
    Pillar 2 – “Customs to Business”.
  • 21st Century Customs - Customs-Trade Partnership –
    4th Building block (enhancing growth and development through Trade Facilitation and Border Security).

Standards and Supporting Legislative Framework

1) Article 75 of the East African Community Treaty.

2) East African Customs Union (Article VI-Trade Facilitation)

3) The EAC Customs Management (Compliance and Enforcement) Regulations, 2012.
Phase 1 - Pilot (Completed) that focused on

1. the Project scope …..
   - Regional Policy covering RM, PCA, AEO
   - AEO Scheme definition (Criteria and Benefits)
   - Standard Operating Procedures

2. AEO Pilot Roll out

3. National AEO Operations

Phase 2 – Regional AEO Rollout (Current)….
The Pilot?

1. Undertook pre-pilot tasks
   (Assessment, Criteria, Benefits, SOPs, Training)
2. Selection
   1. Pilot operators – 13 (3 per country - Selection Criteria)
   2. Pilot Sites – 7
   3. Benefits – 5
3. Readiness Preparations
   • Readiness check
   • Confidence building, training etc
4. Pilot Execution.

Guiding Principles

- National TRUST for Application of Selection Criteria in selection of Pilot AEOs.
- Risk Management consideration
AEO SCHEME

Selection Criteria

1. **Eligibility** – Licensed in the business in EAC, PIN/TIN etc...
2. **Organization Details** – Company Identification, Business activities / size, ownership, management, partnerships etc.
3. **Company’s accounting & logistical systems** – Presence of System with controls, Audit data...
4. **Compliance History** – With Customs and other relevant agencies
5. **Financial Solvency** – Financial soundness check
6. **Business Volume** – Customs, Turnover etc
7. **Safety and security requirements** – Presence of supply security including a requirement for trading partners.

Pilot Benefits
1) **Local Clearance**
2) **Self-Management**
3) **Pre Clearance**
4) **Guarantee waiver**
5) **Inward Processing**
## Pilot Results

- **Reduction in Logistical Time**

<table>
<thead>
<tr>
<th>Pilot Site</th>
<th>Before</th>
<th>After</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kobero / Akanyaru Haut (Rwanda / Burundi)</td>
<td>3hr</td>
<td>10 mins</td>
</tr>
<tr>
<td>Katuna / Gatuna (Uganda / Rwanda)</td>
<td>1hr</td>
<td>10 mins</td>
</tr>
<tr>
<td>Dar es Salaam (Tanzania)</td>
<td>24 hrs</td>
<td>8 hrs</td>
</tr>
<tr>
<td>Malaba (Kenya/Uganda)</td>
<td>2 hrs</td>
<td>30 mins</td>
</tr>
<tr>
<td>Mombasa to Kampala</td>
<td>18 days</td>
<td>5 days</td>
</tr>
<tr>
<td>Kampala to Kigali</td>
<td>4 days</td>
<td>1 day</td>
</tr>
<tr>
<td>Bujumbura airport</td>
<td>3 days</td>
<td>30 mins</td>
</tr>
</tbody>
</table>
Pilot Results Cont..

- Other reported cases of savings as a result of reduced cost of compliance to the operator

<table>
<thead>
<tr>
<th>Pilot Operator</th>
<th>Cost savings</th>
<th>Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brarundi</td>
<td>USD 11,603</td>
<td>Over the pilot period</td>
</tr>
<tr>
<td>Toyota Burundi</td>
<td>USD 2510</td>
<td>Over the pilot period</td>
</tr>
<tr>
<td>SS Bakhresa</td>
<td>USD 500</td>
<td>Per Truck</td>
</tr>
<tr>
<td>Nice House of Plastics</td>
<td>USD 250</td>
<td>Per Truck</td>
</tr>
<tr>
<td>Spedag Interfreight</td>
<td>USD 5,000</td>
<td>Over pilot period</td>
</tr>
</tbody>
</table>
Results Cont..

1. Release times: 80 – 90 % decrease
2. Compliance costs: 400 US $ decrease for each consignment
3. Turn-around time decreased 50 %
4. Joint border controls
5. One operator employed 10 more staff as a result of the savings
6. Improved information exchange
7. Improved relationship with legitimate traders
8. Improved controls and better allocation of resources
Pilot Challenges,

1. Late pre arrival notification
2. Unpiloted Benefits (Guarantee waiver, Inward Processing Relieve).
3. Customs systems Network failures
4. Limited knowledge of CBRAs
5. Staff Transitions
8. Lack of legal framework and MOUs with CBRAs
9. Challenges with Port (KPA) approval process
10. Transport challenges faced by the operators
Risks

1. Misuse of Benefits/ facilities.
2. Failure to delivery of all promised benefit to AEO’s
3. Communication Breakdown among stakeholders
Conclusion / Recommendations

Regional AEO Implementation was found to be feasible in EAC.

Single Customs Territory implementation in EAC further presents great opportunities for AEO scheme to enhance compliance and inter-trade in the region.
Strategies and Wayforward

Fast forward, the plan is

1. **Maintain and Sustain** the Programme momentum at the National / Regional level.

2. **Review the AEO Scheme** in light of the changes that have taken place in the region.

3. **Develop Regional AEO procedure manual** that is not only in line with Single Customs Territory (SCT) but also international Best Practices.

4. **Develop an AEO specific Diagnostic tool** to be used to evaluate the scheme administration sustainability capabilities.
THANK YOU