

Uganda's AEO programme leads trade facilitation in the region

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IN 2005, THE Uganda Revenue Authority (URA) embarked on a massive modernization programme aimed at repositioning it to be more effective and efficient, while offering more user-friendly services to its clients. It therefore undertook a number of reforms to modernize and adopt world-class best practices in its processes. Customs is one of six departments in the URA.

Following the adoption of the WCO SAFE Framework of Standards (SAFE Framework) in June 2005, the URA found that the principles espoused by the SAFE Framework were in line with its strategic vision, and decided to implement its provisions immediately as one of the reforms being undertaken in the Customs department.

A letter of intent to implement the SAFE Framework was submitted to the WCO. This paved the way for implementation, starting with the creation of a project team in 2009 charged with tasks including the application of one of the main provisions of the SAFE Framework – the Authorized Economic Operator (AEO) scheme.

As the AEO concept offers a new approach to managing Customs compliance, emphasizing partnerships, benefits to participants, relaxed controls, and audit-based approaches, there were, in the beginning, some reservations about its implementation and viability among certain stakeholders. This meant that a careful introduction and implementation plan was needed.

To achieve rapid implementation, a special project team was set up and given terms of reference which included “developing an AEO programme that strictly adheres to the standards provided for in the SAFE Framework, and keeping a line of sight with the East African Community (EAC) regional AEO Programme, while maintaining relevance and therefore suitability with the local Customs environment”.

Funding was secured through a development partner to supplement Customs' resources.

The AEO programme has been up and running since 2011, and there are currently 22 companies participating in the programme. They cover various functions in the supply chain and include manufacturers, brokers, warehouse keepers, couriers, importers, and exporters.

Key factors for successful implementation

Change management among Customs staff and traders

The long-cherished Customs control culture is sometimes difficult to navigate while introducing any notion of relaxed controls or simplified procedures, yet most AEO benefits involve simplifying Customs procedures and minimizing Customs controls. A careful change management plan was, therefore, of great importance. The change management strategy targeted Customs officers at different levels, starting with the top managers and moving down to the officers on the ground, as well as the staff who support Customs functions. The change management plan also covered traders and other cross-border regulatory agencies.

The main challenge in implementing the changes was scepticism amongst staff about the whole concept of trusting the business community and easing controls. Some staff thought this was taking away their powers, and that it was too risky to trust businesses. The business community, in turn, doubted whether Customs would live up to its

word, not to mention nurture them into better compliance.

The URA mitigated these challenges by getting Customs' senior management involved in some key change-management activities aimed at staff and business representatives. Management also participated in the media publicity campaign to raise awareness of the concept and allay the fears of the public, particularly the business community.

Attractive benefits

Extensive consultations were needed with traders and other regulatory agencies, and within Customs, to ensure that the benefits tabled were competitive. The benefits granted include reduced physical examination of cargo, simplified procedures, automatic renewal of licences for brokers and warehouse keepers, and operator-managed bonded warehouses.

Some of the regulatory agencies also offered benefits such as priority treatment to AEOs in cases where controls were necessary. After implementation, a feedback system was employed to evaluate the suitability of the benefits. This involved continuously soliciting ideas and feedback from the AEOs on what other benefits they wished to receive. This was premised on the fact that the business community knows what it wants and what may be useful to it.

“Today, I am saving at least 300 US dollars per container in processing costs. The AEO programme will improve trade facilitation across the East African region, allowing investors, time to concentrate on improving their businesses.”

Ms. Mwijukye Jennifer,
MANAGING DIRECTOR, UNIFREIGHT
CARGO HANDLING LIMITED

Since implementation, there has been a tremendous response from the AEOs. Some of the results recorded include:

- a reduction in clearance time for AEOs from 4 days to 1 day;

- a reduction in compliance costs for AEOs of between 100 and 300 US dollars per consignment;
- a reduction in the physical examination rate for AEO consignments from 60% to under 5%.

Engagement with other players

In conducting its operations, Customs interacted with many players including other regulatory agencies, such as the security agencies, the Quality Standards Agency and other border authorities. Customs began by engaging the top management of these institutions to introduce the AEO concept. This was followed by joint dialogue with these agencies in the capital Kampala, where details of the implementation were discussed, and ideas sought from them.

There was overwhelming buy-in from the agencies, and Customs agreed to hold further sensitization sessions for their staff at the different border stations. Although these agencies do not participate in the AEO accreditation process, Customs does consult them on an occasional basis where input from them is believed to be necessary or potentially useful.

Media engagement was also secured through various media to increase visibility and garner support for the programme. A media publicity strategy covering all the major media channels was launched. It included holding talk shows, conducting interviews, and issuing press releases, as well as the use of television and social media.

In some of these programmes, Customs appeared jointly with the private sector, who gave their side of the story, describing the benefits obtained and challenges encountered thus far. This boosted public confidence and strengthened belief in Customs' message. Engagement with all players was pivotal to the success of the AEO implementation plan.

Continuous stakeholder engagement

At the inception of the project, Customs undertook a stakeholder mapping exercise to identify their needs by category of business. After starting the implementation process, continuous engagement was required with the different stakeholders.

Customs has to keep the lines of communication open with all stakeholders in order to ensure that the programme continues to address their concerns. These include, among others, delivery of promised benefits, compliance support, and enhancements to the programme. In addition, officers acting as 'client relationship managers' are attached to the various entities that express an interest in becoming an AEO.

Transparency

For the AEO programme to appear credible there is need for maximum transparency. In Uganda's case, a deliberate effort was made to ensure that every stakeholder understood what was going on with the

programme. The authorization criteria were made public and provided to every stakeholder. Extensive consultations are carried out with all relevant stakeholders before AEO status is awarded.

Communication to stakeholders has to be accurate, and this means communicating not just what can be done but also what cannot be done. Procedures and standards have to be applied fairly, in line with what has been laid down and communicated. Customs also developed an AEO Procedure Manual and Standard Working Papers to guide staff on the authorization process. This manual guides all Customs staff, as well as others interfacing with AEOs in whatever manner.



Operationalization of benefits

A special AEO Logo was developed and entered into the Customs management system – when an AEO captures a declaration, the logo is inserted on the Customs entry. This makes it visible to all officers, who are then aware that the company is an AEO and has to be granted the agreed benefits. AEO liaison officers were also appointed in different Customs stations, specifically to handle any issues arising with AEOs.

If, for example, an AEO experiences a delay at the border as a result of a system or network interruption, the AEO can approach the liaison officer who will intervene to ensure that the AEO does not suffer any undue delay. They may, for instance, be allowed to proceed without completing Customs procedures at that stage, instead carrying them out later at their own premises.

The EAC regional AEO programme

The URA is working with the revenue

authorities of Burundi, Kenya, Rwanda and Tanzania, in conjunction with the EAC Secretariat and the WCO, to implement a regional AEO scheme. Under the scheme, AEOs will be mutually recognized in all five EAC member countries, with uniform benefits. The EAC is also looking at negotiating Mutual Recognition Arrangements (MRAs) as a region in the future.

To be eligible, applicants must already be accredited as AEOs in their home country. The AEO regional programme is managed by a regional project manager at the EAC Secretariat, supported by national regional managers. Applications are first discussed among all regional project managers before being presented to a committee where all the region’s Directors General of Customs are present. Applications are vetted using regional criteria, and accredited companies receive regional benefits such as mutual recognition within the region and priority treatment, in addition to national benefits.

In 2010, a pilot was launched with key operators. Some of its key achievements include:

- 3,413 pilot consignments;
- release times cut by 80-90%;
- compliance costs decreased by 400 US dollars per consignment;
- turn-around time reduced by 50% for some operators;
- out of the savings realized, one operator was able to set up a new production line that has employed an additional 10 staff.

A promising future

Implementation of the AEO programme is expected to dramatically improve the efficiency of Customs processing in Uganda and the region. For a small, landlocked country like Uganda, which has embraced regional integration as a core element of its development strategy, the AEO programme holds many promises.

More information

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