



EAST AFRICAN COMMUNITY, ARUSHA



AUTHORIZED ECONOMIC OPERATOR PROGRAMME

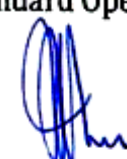



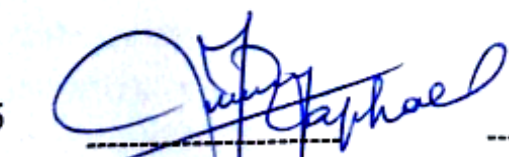
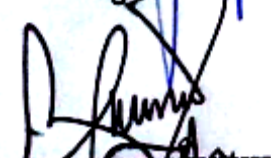
Standard Operating Procedure Manual



STANDARD OPERATING PROCEDURE

Approval

This Standard Operating Procedure Manual is hereby approved for implementation in the EAC.

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STANDARD OPERATING PROCEDURE

Table of Contents

PURPOSE	5
SCOPE	5
RESPONSIBILITY	5
DEFINITIONS	5
1 PROCEDURE - THE OVERALL PROCEDURE INVOLVES FOUR SUB-PROCESSES AS SHOWN IN THE FLOWCHARTS IN THE SECTIONS BELOW	6
1.1 APPLICATION PREPARATION, SUBMISSION AND ACCEPTANCE OR NON-ACCEPTANCE - SUB-PROCESS FLOWCHART (APPLICATION PREPARATION, SUBMISSION AND ACCEPTANCE OR NON-ACCEPTANCE)	6
1.2 APPLICATION VALIDATION - SUB-PROCESS FLOWCHART (APPLICATION VALIDATION)	7
1.3 APPLICATION APPROVAL - SUB-PROCESS FLOWCHART (APPLICATION APPROVAL).....	8
1.4 AUTHORISATION - SUB-PROCESS FLOWCHART (CERTIFICATE AWARD AND ACTIVATION IN THE CMS).....	9
1.5 POST-AUTHORIZATION MANAGEMENT	10
1.6 POST-AUTHORIZATION MANAGEMENT	11
2 DESCRIPTION - THE DETAILED PROCESS IS AS OUTLINED IN THE SUB-PROCESSES BELOW	12
2.1 APPLICATION PREPARATION	12
2.2 APPLICATION SUBMISSION AND ACCEPTANCE	14
2.3 APPLICATION VALIDATION AND APPROVAL.....	14
2.4 AUTHORISATION	18
2.5 ACTIVATION AND ISSUANCE OF AUTHORISATION CERTIFICATE	19
2.6 POST-AUTHORIZATION MANAGEMENT	19



STANDARD OPERATING PROCEDURE

Acronyms

AEO	- Authorised Economic Operator
CMS	- Customs Management System
CoC	- Committee on Customs
DC	-Director Customs EAC
EAC	- East African Community
EACCMA	- East African Community Customs Management Act 2004
MOU	- Memorandum of Understanding
PCA	-Post Clearance Audit
PCO (T&F)	- Principal Customs Officer, Trade & Facilitation
PS	- Partner State
RM	-Risk Management
SAF	-Self Assessment Form
SOP	- Standard Operating Procedures
SG	- Secretary General EAC
WCO	- World Customs Organisation



STANDARD OPERATING PROCEDURE

Purpose

This SOP provides detailed step-by-step description of the process for the management of the Regional AEO programme and is meant for use by Customs officers of the EAC Customs Administrations, Cross Border Regulatory Agencies and the trading community within the EAC.

This document has to be read together with the AEO Procedure Manual (Criteria and Benefits).

Scope

This SOP covers all activities of the Regional AEO program ranging from application preparation and submission, validation, approval and authorisation to post authorisation management of the Regional AEO program.

Responsibility

The Director Customs EAC Secretariat and Commissioners of Customs in the respective PS are responsible for the implementation of these procedures.

Any review or amendment to these procedures shall be approved by the CoC.

Definitions

Authorized Economic Operator (AEO) includes an importer, exporter, customs agent, warehouse operator, or any other person involved in the international movement of goods and has been approved by the Customs administration as complying with WCO supply chain security standards;

AEO Unit is the single point of contact/liaison unit at each Customs administration that is responsible for managing the AEO Programme. Particularly, the AEO Unit is responsible to decide about the acceptance of the application, communication with the other PS, monitoring of the AEO authorisation and the overall AEO policy;

Validation committee is a committee composed of technical officers from key functions of the customs clearance process at each national customs administration that is charged with the responsibility of validating/vetting and reassessment of all applications and authorisations and submitting their findings to the approval committee for consideration.

Approval committee is a committee of heads of key functions in the Customs clearance process at each national level that considers the findings of the validation committee and makes recommendations to the PS Commissioner of Customs.



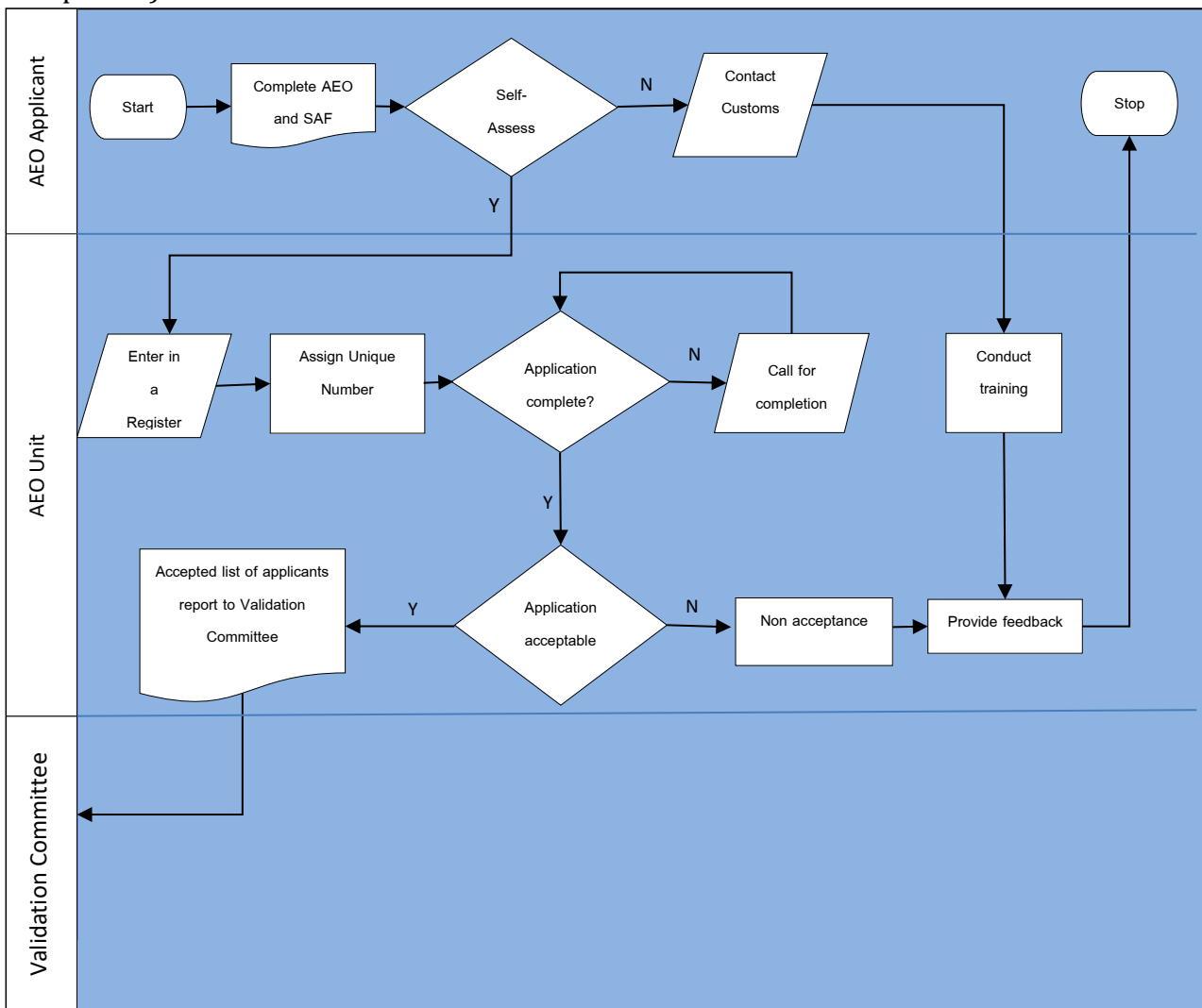
STANDARD OPERATING PROCEDURE

1 PROCEDURE

The overall procedure involves four Sub-processes as shown in the flowcharts in the sections below.

1.1 Application preparation, submission and acceptance or non-acceptance

Sub-process flowchart (Application preparation, submission and acceptance or non-acceptance).

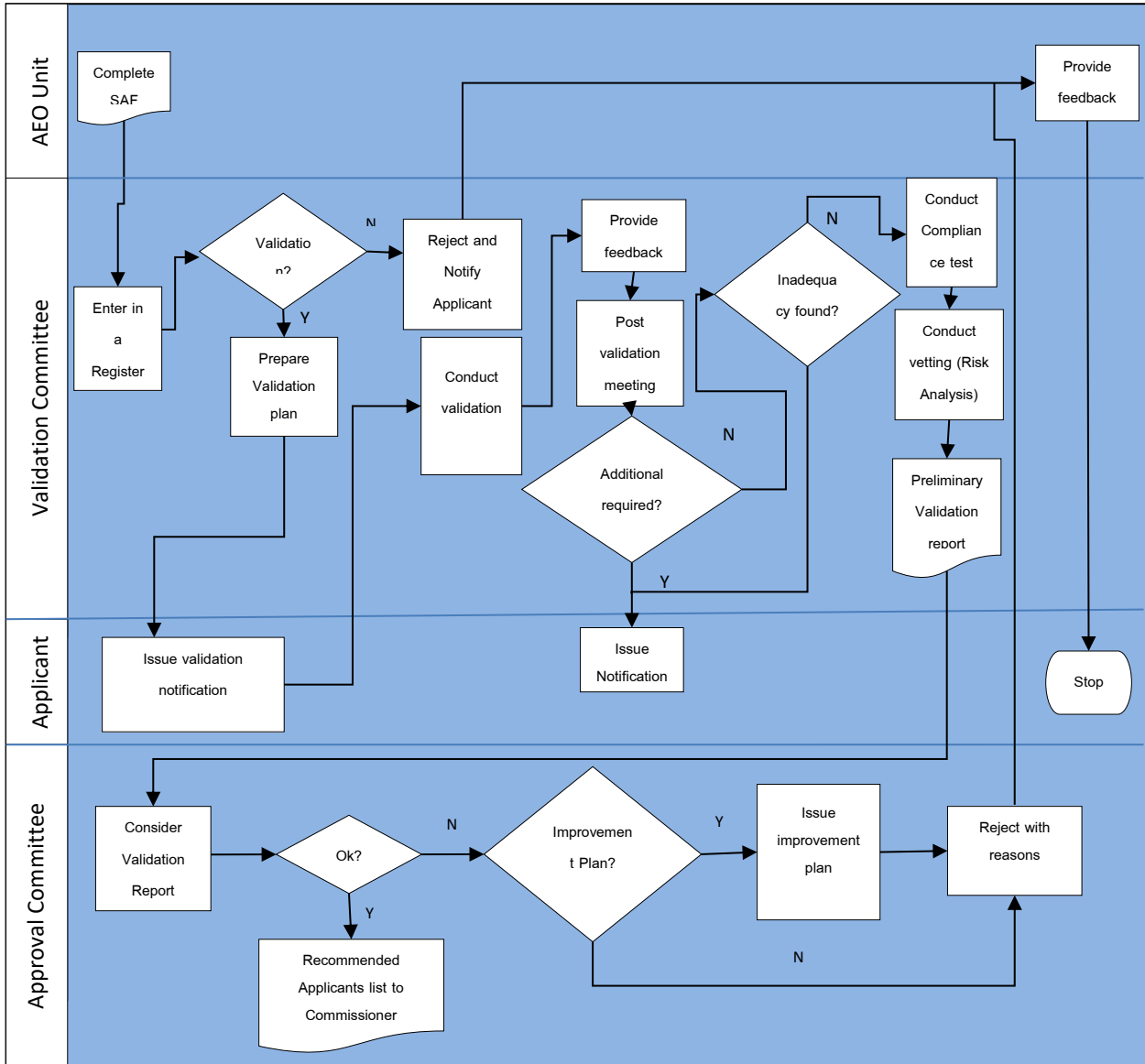




STANDARD OPERATING PROCEDURE

1.2 Application Validation

Sub-process flowchart (Application Validation).

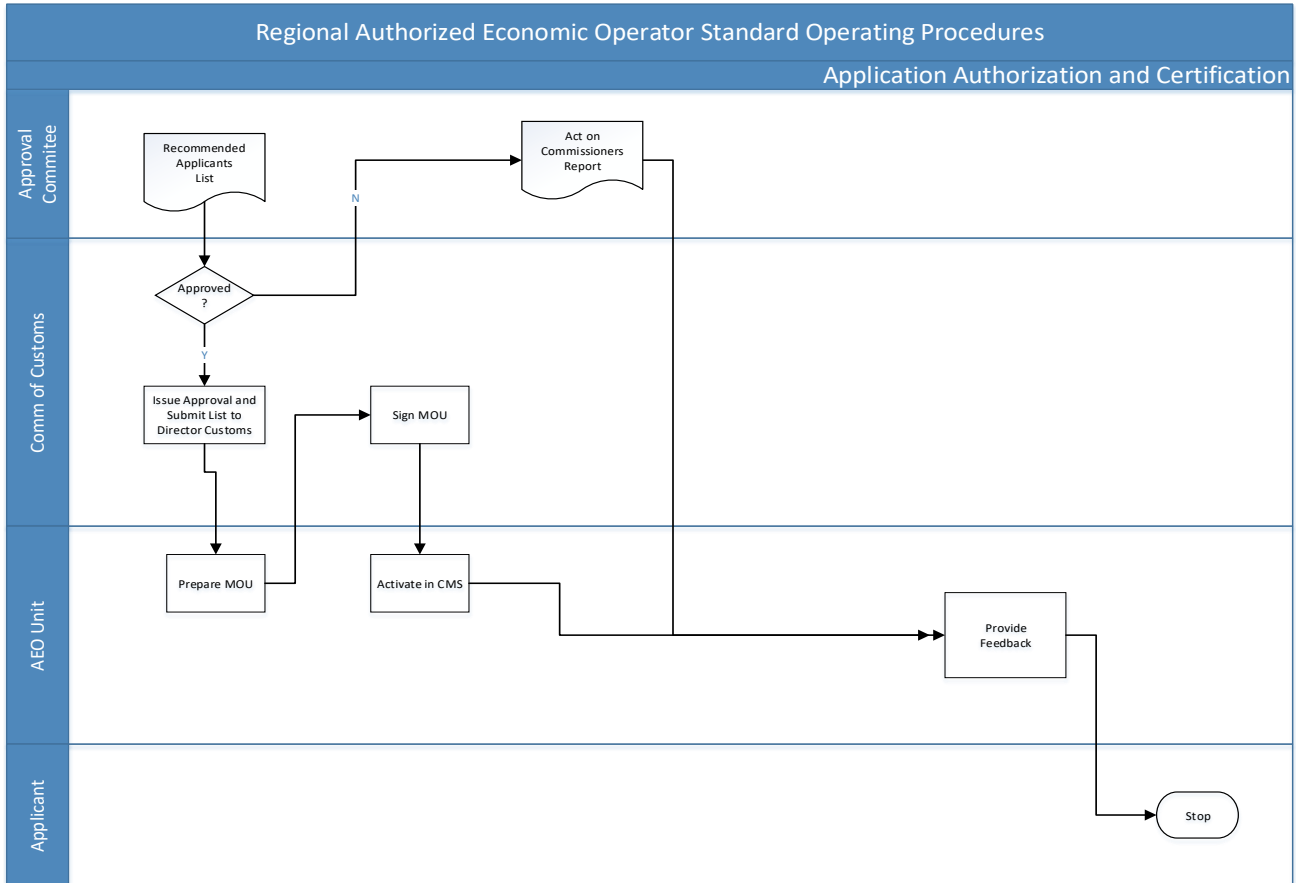




STANDARD OPERATING PROCEDURE

1.3 Application Approval

Sub-process Flowchart (application approval).

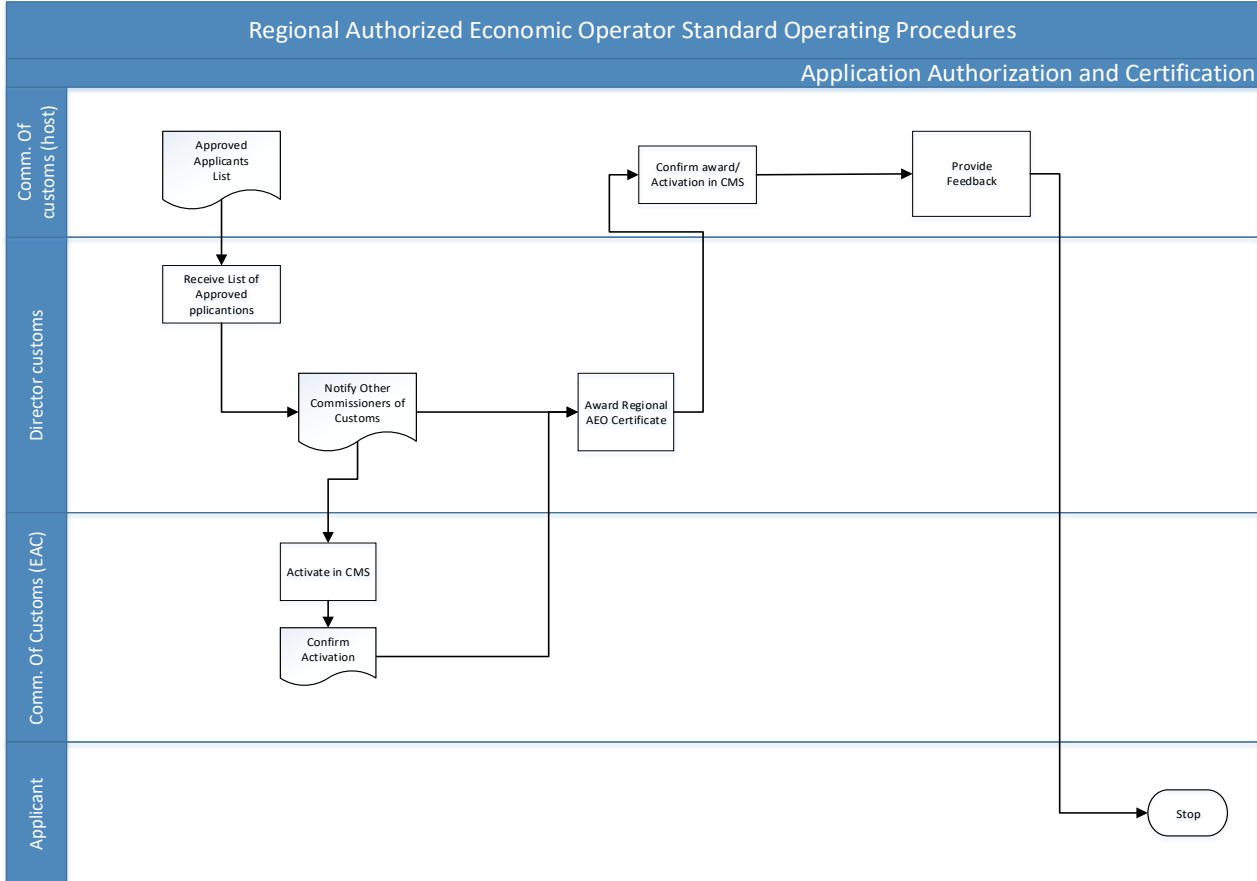




STANDARD OPERATING PROCEDURE

1.4 Authorisation

Sub-process Flowchart (Certificate award and Activation in the CMS).

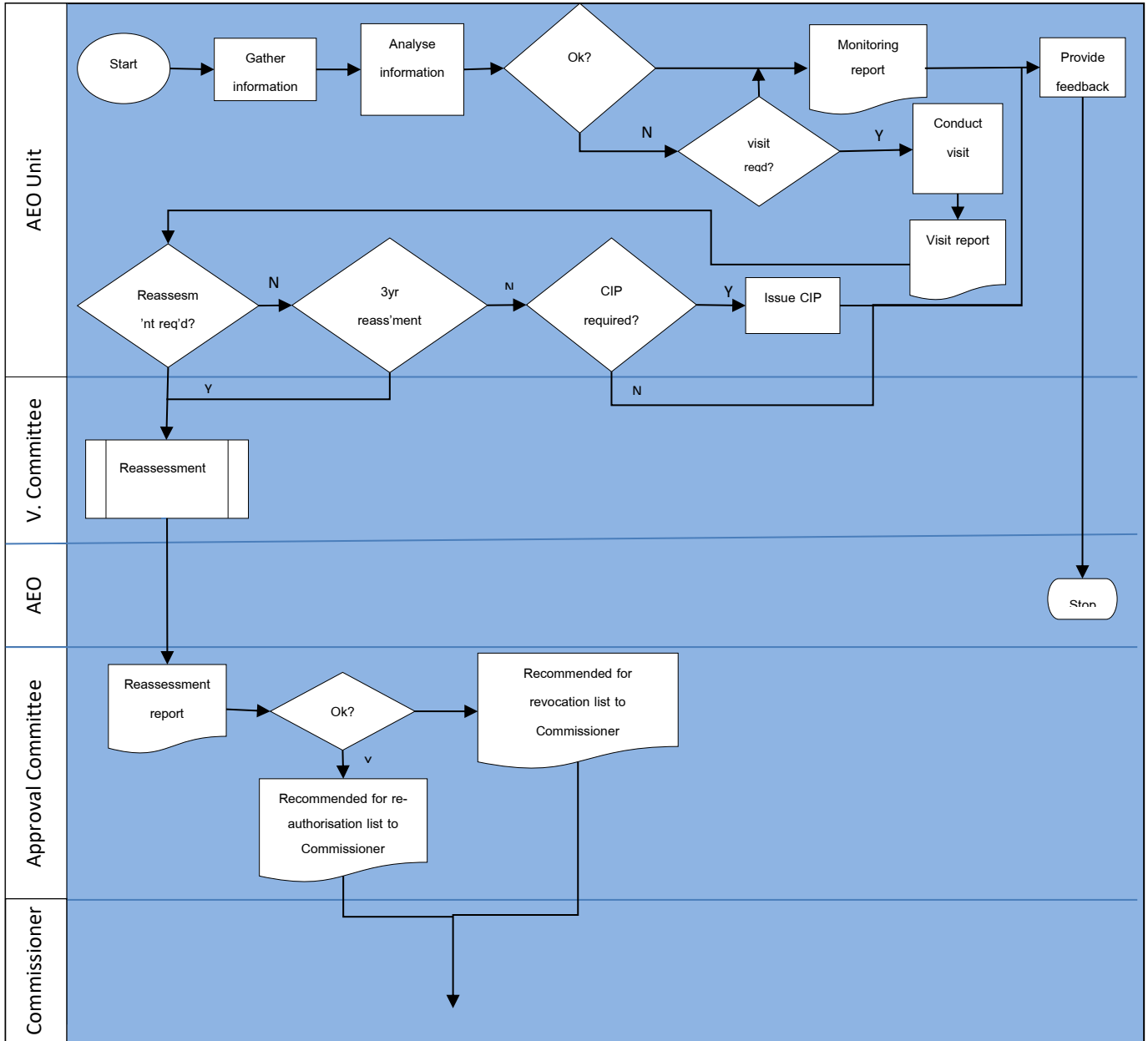




STANDARD OPERATING PROCEDURE

1.5 Post-Authorization management

Sub-process Flowchart (Post-Authorization Management) – Monitoring and Reassessment

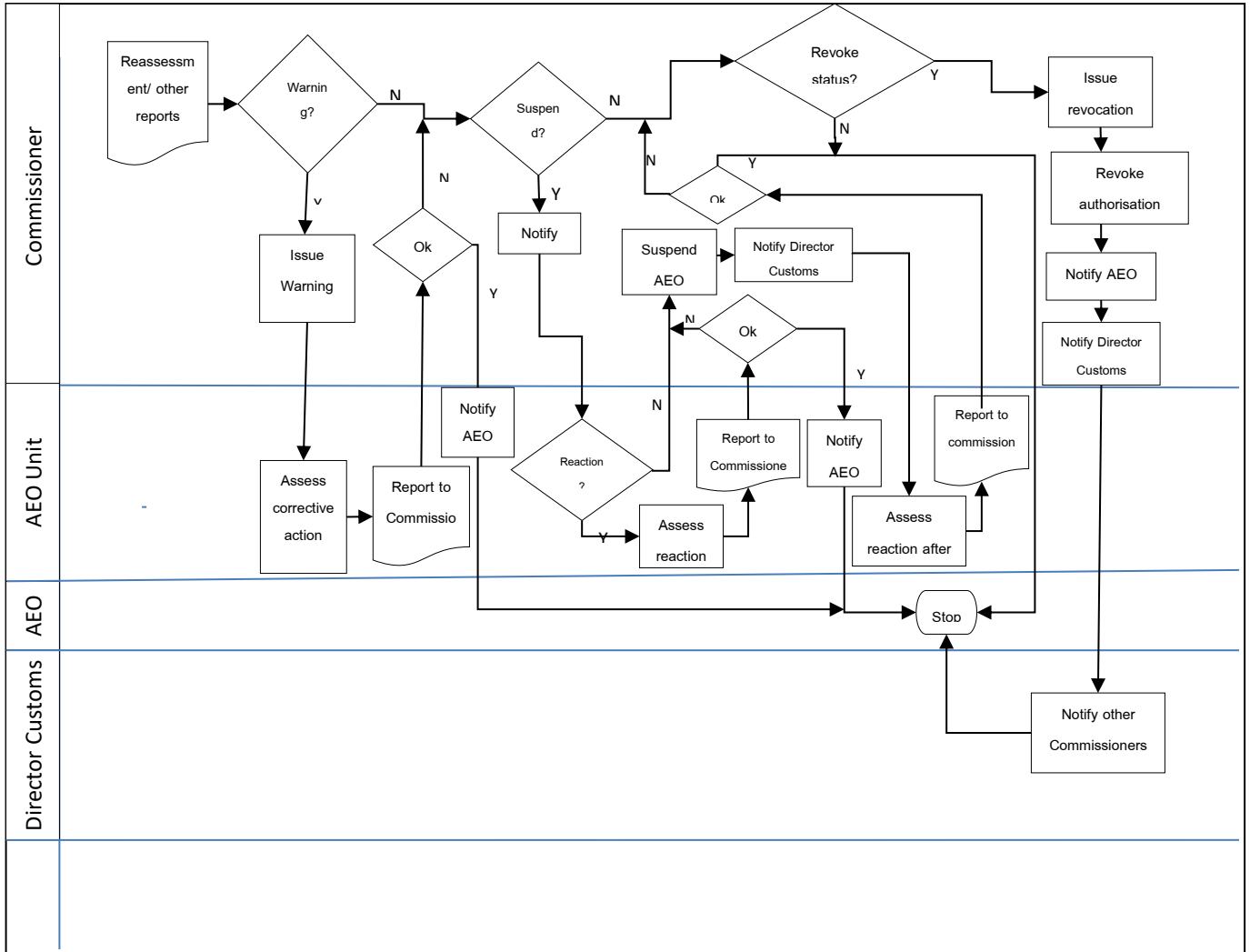




STANDARD OPERATING PROCEDURE

1.6 Post-Authorization management

Sub-process Flowchart (Post-Authorization Management) – Warning, Suspension and Revocation





STANDARD OPERATING PROCEDURE

2 DESCRIPTION

The detailed process is as outlined in the sub-processes below.

2.1 Application preparation

Process Introduction

The process entails the preparation of the application by a trader seeking AEO authorisation. The applicant for the regional AEO programme is expected to be familiar with the AEO programme. He should have obtained information from the National AEO Unit, Customs National and Regional websites on how to complete the regional AEO application and SAF.

Providing information about AEO Process and Procedures

The applicant needs to get information about the AEO program, the requirements for being an AEO and the AEO benefits.

2.1.1 How do I get information?

The national AEO unit shall provide all relevant information. This includes:

- Contact person of the national AEO unit to consult on AEO program by giving the contact person details.
- Information materials from the administration website, the EAC website, promotional material, pamphlets, and all other forms of media, newspapers, radio outlets and Television adverts.
- Holding sensitization programs, workshops, short seminars and trainings both at national and regional level.

2.1.2 How Do I apply?

Preparation before submitting an application

There is no legal obligation for traders to become AEO; it is a matter of the traders' own choice based on the nature of their business.

The applicant who applies and desires to obtain the AEO status should be aware that he has to be "in control" of his business. This means that depending on the role in the supply chain and the company's business activities and business model, the company should have in place appropriate organizational measures in the fields related to the AEO criteria, aiming at ensuring that risks linked to his business activities may be identified and avoided and/or minimized.

"In control" can be looked at to mean that the applicant has:



STANDARD OPERATING PROCEDURE

- Identified and assessed any possible risks related to his business activities, in case of an AEO application this should include both Customs related risks and security and safety risks; and
- Taken steps to mitigate identified risks by implementing internal procedures and routines, and appropriate control measures.

What do I need to ensure that my application is correct and will be accepted?

It is very important that the applicant takes note of the following to ensure correctness of the application:

- Decision on the AEO client category to apply for: the applicant should be fully aware from the beginning of the different client categories of AEO. Refer to AEO Procedure Manual, point 1.3.
- Nomination of a contact person: according to the AEO Procedure Manual, the applicant shall appoint a contact person(s) that is able to take decision on behalf of the organization in AEO related matters. However it is recommended that this is done even before the formal submission of the application and particularly within large businesses, a person is appointed at a senior level, with the authority to take decisions, to supervise and co-ordinate the application process.
- Carry out a self-assessment against the AEO criteria: it is strongly recommended that part B of the AEO application and self-assessment form is used to assess the readiness of the applicant to meet the AEO criteria.
- Consolidation of the information of different units/departments: upon review of main documents and preparation of the information required. It is advisable that the responsible units are aware of it and their specific responsibility regarding the overall AEO requirement/process.

Completing an AEO Application and Self-assessment Form

The Applicant should be diligent to ensure that he completes the form accurately by giving all the relevant information. The applicant should ensure that both parts (A and B) of the AEO Application and Self-assessment Form are duly filled before submission. Once the application has been completed, it must be signed by an authorized officer of the company and submitted to the Customs Office.

Attachments

- Organizational structure;



STANDARD OPERATING PROCEDURE

- Attachments as per the self-assessment form
- Any other certification held.

2.2 Application submission and acceptance

A duly filled AEO Application and Self-assessment Form will be submitted to the respective Customs Administration for consideration. Upon receipt of the application form, Customs authority will examine it and decide upon its acceptance or non- acceptance. The following common general considerations have to be taken into account:

- The AEO Application and Self-assessment Form is completed and all the other relevant documents are attached.
- The application is for the right AEO client category;
- The applicant is established for at least one year in one of the PS;

2.2.1 Acknowledgement

2.2.1.1 Customs administrations will record the details of the applicant in the register and assign a unique reference number to the applicant.

2.2.1.2 Customs administrations shall acknowledge receipt of the application upon submission.

2.2.1.3 Where the application is incomplete, the customs administration shall notify the applicant of the missing information within fourteen (14) days.

Note: The applicant shall submit the missing information within fourteen days (14) days of the notification. Failure to submit the required information, the application shall not be accepted.

2.2.1.4 In case the application is not accepted the applicant shall be notified stating the reasons for non-acceptance.

2.2.1.5 Once the application has been accepted, the AEO Unit shall compile a list of application forms received, batch them and submit the forms to the validation committee.

2.2.1.6 The Customs administration shall notify all the PS and other relevant stakeholders requesting them to provide any information which can impact on the issuance of the AEO authorisation within 30 days from the date of notification.

2.3 Application Validation and Approval

2.3.1 Validation



STANDARD OPERATING PROCEDURE

The validation committee shall gather information regarding the compliance of the applicant to establish whether he meets the set criteria. The validation committee may consult customs authorities of other PS which are competent, for the place where the necessary information is held or where checks have to be carried out for the purpose of examining one or more of the AEO criteria. The consulted PS shall reply in 30 days from the date of receiving the request for information. The information requested about the applicant shall include:

- i) Company information
- ii) Compliance records
- iii) Maintenance of records
- iv) Financial solvency
- v) Security and safety standards

Note:

- The information gathered from the completed application, SAF, Reports and databases generated by the Revenue Authorities and the other related stakeholders including Registrar of companies, Police, Interpol, national intelligence agencies, banks, insurance companies and other Government Agencies will be the basis of evaluating the AEO application.
- A baseline standards to guide the validation committee in assessing and deciding on the acceptability of the information provided by the applicant shall to be developed to ensure that there is uniform and standard application in all PS.

2.3.1.1 Where the application, based on a desk review, does not meet the set criteria the application is rejected and the applicant is notified in writing within 7 days, stating the reasons for rejection.

2.3.1.2 Where the application meets, based on a desk review, the criteria, validation shall be carried out. The validation committee shall prepare schedule for Validation based on the following:

- a. Risks identified from the completed SAF and the information gathered to guide the validation process.
- b. Validation methodology based on the risk identified in (a) above

A validation plan is prepared. This is the result of risk assessment and reflects information about:

- the risk of each area, indicating the risk for each indicator (This can result in a Risk Analysis Matrix);
- The management and the staff to interview;



STANDARD OPERATING PROCEDURE

- The relevant point to check for each area, allocating resource on the base of the principle: “the higher the risk the higher the level of scrutiny”

2.3.1.3 The validation committee shall conduct validation, based on the validation plan, of the applicant’s business premises, and collect relevant evidence and analyse the evidence against documents earlier submitted.

2.3.1.4 Notification

The applicant shall be notified in writing on the intended date of commencement of the validation, the notification letter shall be sent to the applicant at least **2 weeks** before the intended date of visit.

2.3.1.5 Pre-Validation meeting

The validation shall start with an opening conference which should be attended by directors and senior managers or persons delegated to act on their behalf. The following shall be covered during the opening conference: objectives and benefits of the validation, applicant’s business, information required, validation plan and any other clarification pertaining to the validation.

2.3.1.6 Premises inspection and documentary walk through

The validation committee shall carry out a physical sight see of the company premise in order to verify the information provided in the documents, in particular in the areas where risks have been identified following the desk review. The focus shall be, among others, on building security, appropriateness of access, cargo security including physical handling of goods, the documentary control systems that the applicant uses to control the ordering, shipping, receipting, payment, production and disposal of goods.

2.3.1.7 Post validation meeting

After the validation a joint meeting shall be held with Directors and senior managers or persons delegated to act on their behalf. Where inadequacy is noticed, a recommendation for correction shall be made. Where additional documents and/or data are required for further analysis a request shall be made to the applicant. The validation committee shall acknowledge receipt.

2.3.1.8 Testing Compliance with the AEO requirements

The validation committee shall undertake a joint review of documents availed by the applicant, findings from the physical walk through and gathered data from the various stakeholders to carry out various compliance tests for all criteria as defined in the validation plan.



STANDARD OPERATING PROCEDURE

2.3.1.9 Risk Analysis

After conclusion of the validation, the validation committee shall carryout a risk mapping to determine the risks posed by the applicant, as per the Risk Management cycle defined in the Risk Management Policy.

2.3.1.10 Preliminary validation report

The Validation committee shall summarize the findings and generate a preliminary validation report to the approval committee. The preliminary report shall highlight the following:

- i. Applicant's particulars
- ii. Objectives of the validation
- iii. Methodology used to carry out the validation
- iv. Documents reviewed
- v. Validation observations
- vi. The conclusion from risk mapping exercise
- vii. Recommendations

2.3.1.11 Records Management

Right from the stage of application, a record file containing all information and documents relating to the applicant shall be maintained. This file shall be updated continuously as the validation progresses.

The content of the file shall include the following:

- i. Application form
- ii. All information pertaining to the planning of the validation
- iii. Copy of the notification letter and a filled-in SAF
- iv. Minutes of the pre-validation meeting.
- v. The validation working papers.
- vi. Minutes of the Post validation meeting
- vii. The information gathered during the validation.
- viii. The validation reports.
- ix. Recommendations from the Approval committee
- x. Any other information that may be relevant



STANDARD OPERATING PROCEDURE

2.3.2 Application Approval

A meeting of the approval committee shall be convened to consider the validation reports and make recommendations to the Commissioner.

2.3.2.1 Where the findings are satisfactory, the applications are submitted to the commissioner.

2.3.2.2 Where validation findings are unsatisfactory, the application shall be rejected and the applicant notified in writing within 7 days stating the reasons.

2.3.2.3 The approval committee may consider putting some of the applicants on the Compliance Improvement plan for future consideration.

2.4 Authorisation

The decision to grant authorization shall be communicated to the applicant by the commissioner in writing.

2.4.1 Invitation of the successful applicant(s) to sign an MOU

The successful applicant shall be invited to sign an MOU. The MOU shall contain the details of authorization, spelling out the rights and obligations of both parties as well as the remedies in the event of default on either side. The MOU shall also contain an undertaking by the AEO to cooperate with Customs against any Customs fraud and provide for sharing of proprietary information with the other PS.

2.4.2 Notification to unsuccessful applicant(s)

Where the application has not been approved, the decision shall be communicated in writing within 7 days to the applicant stating the reasons for rejection.

2.4.3 Activation of the AEO authorisation in the Customs Management System (CMS).

The details of the successful applicants shall be updated in the CMS of the respective Revenue Authority to recognize their authorisation within five (5) working days after signing the MOU.

2.4.4 Submission of the list of successful applicants to the Director Customs (EAC)

The Commissioners of the PS shall submit a list of successful candidates to the Director Customs EAC for award of the Regional AEO certificate.



STANDARD OPERATING PROCEDURE

2.5 Activation and Issuance of Authorisation Certificate

2.5.1 The EAC Director of Customs

- 2.5.1.1 Shall communicate to the other commissioners in writing on the successful applicant(s) requesting for Activation in the respective Customs management systems.
- 2.5.1.2 Shall issue the applicant with a Regional AEO Authorisation Certificate based on the AEO category, and assign a unique identifier to be recognized throughout the region. The Authorisation Certificate shall be valid for a period of 3 years subject to renewal.
- 2.5.1.3 The AEO Authorisation shall be activated in all PS Customs Management Systems within 10 days.

2.6 Post-Authorization Management

The AEO Units shall appoint Client Relationship managers with clear responsibilities to oversee smooth running of the day to day AEO transactions. The list of the appointed persons shall be circulated to all PS Customs Administrations.

2.6.1 Client relationship management procedures

- 2.6.1.1 The client relationship manager shall receive all queries pertaining to AEO in the respective PS.
- 2.6.1.2 The client relationship manager shall document and forward the queries to the responsible office.
- 2.6.1.3 The client relationship manager shall make follow up of the progress and provide feedback to the AEO.
- 2.6.1.4 The AEO Unit shall write and submit status report to the Commissioner of customs in PS on a monthly basis.



STANDARD OPERATING PROCEDURE

2.6.2 Monitoring

The AEO unit in the respective PS shall:

2.6.2.1 Gather information from different sources on AEOs.

2.6.2.2 Analyse the performance of the AEOs.

2.6.2.3 Carry out visits (planned and Ad hoc/Surprise) to the operator's premises to check if the compliance levels are maintained.

2.6.2.4 Make a report on the findings of the visit and present to the approval committee for further consideration

2.6.2.5 Inform the issuing customs administration without delay of any factors arising after the grant of the AEO authorisation which may influence its continuation or content.

The AEO shall:

2.6.2.6 Keep under control his business all the time by periodically assessing his performance to ensure that its operations conform to the requirements of the AEO program and inform customs whenever any compliance issues arise.

2.6.3 Reassessment

The Validation committee in the respective PS shall every 3 years initiate a reassessment of the pre-established conditions and criteria. Reassessment can be triggered by monitoring activities or by the expiry of the mandatory period.

2.6.3.1 Reassessment based on the mandatory period shall be concluded before expiry of the AEO authorisation period in order to ensure smooth continuity.

2.6.3.2 The reassessment will follow the same methodology used for the initial validation, however a new application on behalf of the AEO is not required. All the available information shall be considered including information provided by other PS.

2.6.3.3 With the exception of surprise visits, the operator shall be notified of the reassessment exercise. The reassessment plan shall be sent to the AEO with the notification.

2.6.4 Re-authorisation

Where the operator is found still compliant, the validation committee shall prepare a report of findings and submit to the approval committee for consideration. A report from the



STANDARD OPERATING PROCEDURE

approval committee shall be forwarded to the Commissioner and upon his approval, the renewed AEO Certificate issued.

2.6.5 Warning, suspension and revocation

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 revocation.

2.6.5.5. Warning

2.6.5.1.1 The Commissioner receives recommendations from the approval committee.

2.6.5.1.2 The Commissioner prepares and send warning letter to notify the AEO and provide reasonable time for reaction.

2.6.5.1.3 The AEO Unit shall follow up to assess if corrective actions have been undertaken by the AEO.

2.6.5.1.4 Where warning is recommended, the Commissioner may warn the AEO for a period not exceeding 6 months subject to correction of the noncompliance issues.

2.6.5.1.5 If the company fails to resolve the non-compliance issues within the 6 months the Commissioner may proceed to the next level of action.

2.6.5.6. Suspension

2.6.5.1.6 The approval committee makes recommendations for the Commissioner to suspend the AEO authorisation. The commissioner may also decide to suspend the AEO status based on information from other sources.

2.6.5.1.7 Prior to the decision to suspend, Customs notifies the AEO of the findings, the assessment made and the fact that according to evaluation, they may result in a suspension of the AEO authorisation if the situation is not corrected. The AEO has the right to be heard and possibly to correct the situation, within 30 days from the notification.

2.6.5.1.8 However, the AEO authorisation can be suspended with immediate effect if the type or the extent of the threat to public safety and security, public health or environment so requires.

2.6.5.1.9 If the AEO does not react or doesn't provide evidence that he/she is still compliant with the AEO criteria, the AEO authorisation is suspended for 30



STANDARD OPERATING PROCEDURE

days, the AEO is notified stating the reasons, and the information is entered in the Customs system.

- 2.6.5.1.10 The Commissioner Customs of the respective PS notifies the EAC Director Customs.
- 2.6.5.1.11 Where the AEO has been unable to regularise the situation within the given time period but can provide evidence that the conditions can be met if the suspension period is extended, then this period can be extended for a further 30 days.
- 2.6.5.1.12 At the end of the suspension period, Customs assess actions taken by the AEO and decide whether to reinstate the authorisation or take further action.
- 2.6.5.1.13 Whenever the compliance issues are resolved, the authorisation should be immediately reinstated and notification sent to the other PS.
- 2.6.5.1.14 The AEO may request for temporary suspension of the AEO status stating the reasons and the period.

2.6.5.7. Revocation

- 2.6.5.1.15 In case the AEO fails to adjust the situation in the suspension period, the AEO authorisation is revoked. However, the AEO status can be revoked with immediate effect if the type or the extent of the threat to public safety and security, public health or environment so requires.
- 2.6.5.1.16 The approval committee makes recommendations for the Commissioner to revoke the AEO authorisation. The Commissioner may also decide to revoke the AEO authorisation based on information from other sources.
- 2.6.5.1.17 The AEO unit deactivates the AEO authorisation in the Customs system and notifies the AEO, stating the reasons and provide reasonable time for reaction.
- 2.6.5.1.18 The Commissioner shall notify the EAC Director Customs who will inform other PS of the revocation.

2.6.5.8. Appeal



STANDARD OPERATING PROCEDURE

- 2.6.5.1.19 The Operator appeals in writing to the Commissioner.
- 2.6.5.1.20 The Commissioner receives the appeal from the operator.
- 2.6.5.1.21 The Commissioner reviews the appeal and notifies the Operator of his decision
- 2.6.5.1.22 An operator dissatisfied with the decision of the Commissioner above, may appeal to the competent appeal body
- 2.6.5.1.23 In case the decision taken by Customs is amended or annulled by the appeal authority, the competent Customs authority takes actions accordingly.

2.6.5.9. Withdrawal

The AEO may, at any time, voluntarily request for withdrawal of the AEO authorisation stating the reasons.