

Authorized Economic Operator

IMPLEMENTATION GUIDANCE



WORLD CUSTOMS ORGANIZATION



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AEO Implementation Guidance

How to develop an AEO programme

May 2010

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Introduction

The Authorized Economic Operator (AEO) is a model programme that many Customs administrations are pursuing as a means to both secure and facilitate global trade, while at the same time providing incentives that benefit both Customs and traders that have decided to work in partnership. The WCO Framework of Standards to Secure and Facilitate Global Trade (SAFE) is a document that provides overall guidance for this purpose, but in order to put these measures into effect, that implementation will require practical matters to be considered and addressed. Therefore this guide's purpose is to provide basic step-by-step guidance on development and implementation of an AEO programme. It is important to understand that depending on each administration's situation this guide will serve different purposes, whether it is to know how to take the first step or out of interest to garner other ideas, either way this is a guide and therefore not mandatory.

First and foremost, the Director General, in considering the implementation of this programme, must review their country's economic and trade reality. Posed as a question, would an import programme provide stability and predictability for the revenue collection that is so important for a developing nation? At the same time, an export programme might result in better market access and greater international visibility that could have a direct impact on internal taxes (more sold equalling more revenue) or investment. Therefore, from the beginning the Director General will need to have a vision for the end goal of the programme to know how to progress. A potential first step, before considering implementation, might be to conduct a cost benefit analysis to clearly identify benefits, as well as identify resource implications, of an AEO programme for government, customs and industry.

How to Start

The Internal Process, Commitment and Political will

The decision process must start with the Director General. For this programme to succeed, the Director General must be involved and personally committed from the very start. This programme will require funding and resources which will mean that the Director General will have to meet with Minister, possibly Prime Minister, level to ensure the necessary support for the programmes inception. Certainly support from the Minister level will be useful in working with other ministerial offices. Early engagement of other ministries that cover border activities will greatly reduce development and implementation problems later on. Other important reasons for the Director General's direct involvement include giving the programme credibility before the trade and transport community, providing tangible support to the team developing the programme, and ensuring that all customs officers understand the importance of the programme.

Once the Director General has committed to the development of an AEO programme, the next step is to form a work group that will include a high-level manager, trade compliance officer, customs field officer, legal counsel from Customs, Human resources representative, and others that might have valuable input. This work group's purpose will be to develop the overall strategy and vision for the programme, and they will develop the infrastructure taking into consideration the WCO Framework of Standards AEO which is to secure and facilitate global trade, as well as the pilot project and report the results to the Director General. The Director

General must provide the key strategic points for that Customs administration to achieve, which could be, for example mutual recognition with another country.



Mutual Recognition of AEO programmes represents one of the principal goals of SAFE, and for many administrations is an important point that assists in funding its inception. Gradually Mutual recognition programmes are coming on stream but it should be recognized that a fully fledged AEO programme, not a pilot, needs to be in place before Mutual recognition can be considered.

There are some exceptions to this, such as a regional programme where all participating administrations had a say in the development of the programme, or where bilateral agreements are reached early on in the process by two administrations generally by syncing their process. The working group will have to carefully review “AEO standards and guidelines” in the SAFE and study other administration’s programmes, to ensure compatibility. It is worth noting, Mutual Recognition is still in the development stage. At the writing of this document there were less than a dozen Mutual Recognition Agreements/Arrangements, and in fairness deserves greater coverage than will be given here since this guide covers the implementation process.

Other considerations that must be looked at, which will not be covered in this document, are:

- For an AEO programme that includes exportation, Customs must have national legislation that gives authorities and competences to control exportation. This will be necessary to provide assurances to the receiving administration and to extend benefits to the trade.
- A comprehensive and effective computerized risk management programme that will enable Customs to distinguish AEO cargoes from numerous import/export declarations and provide reduced inspections and random exams will be essential in delivering benefits to AEO members. AEO’s will have a profile of their own, since risk scoring and identifying members of other AEO programmes will become essential to such a programme.
- An integrity programme to diminish any corruption concerns that might negate the establishment of a programme.

lessons learned:

Depending on each administration’s situation, we would recommend that if you do not have a relationship with private sector that you begin to develop a working relationship. However, as related above, the end programme will contain these three components so each administration will need to assess and develop each of these areas, if the administration has identified weaknesses.

lessons learned:

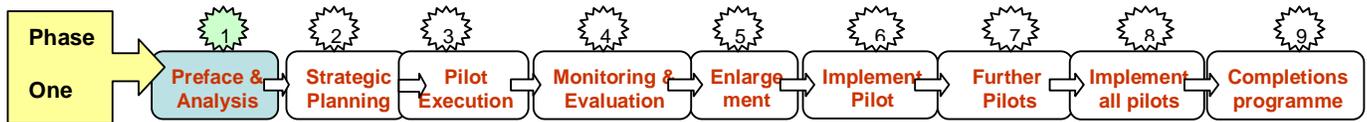
It should be noted that conducting a pilot project is not a prerequisite. However, for many administrations, it would be advisable to carry out a pilot in order to refine processes and identify possible problems before formally implementing an AEO programme.

External collaboration

The process “How to incorporate Trade”

The primary work group will not only keep the DG informed but will work with the trade to form a joint committee to look into the private sector participation and advise customs on trade issues. In the beginning, these two separate committees can work separately to address distinct, but necessary, concerns and come together to review progress and assist each other. Both groups should frequently and jointly inform the stakeholders through public forums and other appropriate communication mechanisms, such as a website dedicated to the project, leaflets/booklets, “news bulletins.” If the administration has chosen to use a pilot, once the pilots begin, these two groups will begin to operate as one.

The nine phases approach in implementing an AEO Programme at a national level



Create a Customs to Business dialogue where the general idea of an AEO Programme should be presented and discussed. Recommend forming one Customs core workgroup as explained in the above introduction, and a separate trade group that will mirror the customs work group. Each group will identify tasks and ways to work forward and meet regularly.

(Trade Management and Communication Projects)

lessons learned

Initially, the heavier work load will fall on the Customs group since they will have the highest learning curve in terms of becoming familiar with other programmes and in learning how each of the sectors within the trade work

lessons learned

Even though this is a Customs to Business Partnership, as outlined in the second pillar of the Framework of Standards, Customs is the responsible party not only to other Customs Administrations but also as a regulatory agency within its government structure.

- *Analyze and assess the traders at national level*
Customs should identify those companies responsible for the majority of revenue collected by that administration <Note: since revenue collection is of great importance to many administrations because they collect a high percentage of the state budget, gaining the compliance and membership of these companies will secure a majority of the revenue. Thus mitigating a major concern of some administrations and allowing them to enlist other companies to join through positive reinforcement.>

Gaining compliance and support from these companies will help to make a first

rough selection for membership. Many of these companies can also serve as positive reinforcement within the trade community. Equally so, if their experience is a negative one they can give the programme a bad reputation.

(Trade Management project)

- Determining the level of interest in an AEO programme is particularly important as this will help determine resources (human and financial) later on and will help in garnering support of stakeholders (political, other agencies, etc.) outside of private sector.
- Identifying all stakeholders that might be impacted or could have an impact in the process or programme is essential and relies on good communication channels and increases the chance for achieving a successful programme. For instance, Border Police, Immigration, Bureau of Standards, Transport and Agriculture are some of the representative agencies at the border that should be engaged. Other key stakeholders include minister level, parliament level staff personnel and all trade and transport sectors. Each administration will understand which stakeholders will be interested and those they will need to work with through information and dialogue to convince them of this type of initiative. Therefore, it might be wise to assess early on which stakeholders will support your initiative and can also help you with other stakeholders.

(Trade management and Communication projects)

- Legal counsel must be included to determine possible legal and/or administrative constraints that will need to be addressed prior to implementation. For instance, whether Customs has the necessary legal powers to “certify” a company for participation purposes will need to be explored.
- Customs will need to devise a process to vet companies that apply for the programme. This can include reviews of compliance records for import/export, any criminal records for company and its officers, tax compliance, fiscal solvency, safety and security and finally a look at its overall business portfolio. All of these can lead to a determination for accepting an application. In this respect, SAFE includes detailed conditions and requirements for Customs and the AEO which should be taken into account in devising this process. A flexible approach should be taken to the needs of Small and Medium Enterprises (SMEs) as outlined in the WCO FAQ “AEO and the Small and Medium Enterprise.”
- This deliberative process for programme participation will remain internal to Customs and should not be shared with the private sector, other than to let them know that companies’ history and compliance will be reviewed.

(Legislative project)

- Analyze the key performance indicators for employees that will work under this programme and train based on the need of these requirements. This relates to having a dedicated workforce, sufficient training measures and specified performance indicators.

(HR Development)

Lessons learned

Codes of Conduct specific to this particular assignment might be necessary to ensure the integrity and credibility of the programme

- Analyze the need for allocating staff to conduct the validations and Post Clearance Audits. Or, as indicated in the SAFE, if appointing a third party, developing clear methodology for them to follow in order to ensure compliance and credibility of the programme. Ultimately, Customs will be responsible for managing the actions of the third party that performs on their behalf and retaining oversight of the programme.

(Trade Management)

- In developing the programme, review of IT options and optimal development of a 2-way “portal” that will allow the submission of applications and communication between Customs and the member, which long term will be a more effective way to communicate.

Trade Management (System support)

Customs Administrations	AEO Participants
<ul style="list-style-type: none"> Facilitates the ability to exchange AEO data with other Mutual Recognition countries Improve management of AEO data <ul style="list-style-type: none"> AEO Process is more visible and easier to audit. Ability to accept/process changes/updates electronically from AEO Sync AEO with internal systems for customs-wide access limited by user role Less paper, increased accountability Increased workload measurement and reporting capabilities 	<ul style="list-style-type: none"> Easier, more secure submission of application information, including changes/updates. Faster response time from customs. Access to online training information on a secure portal

Lessons learned

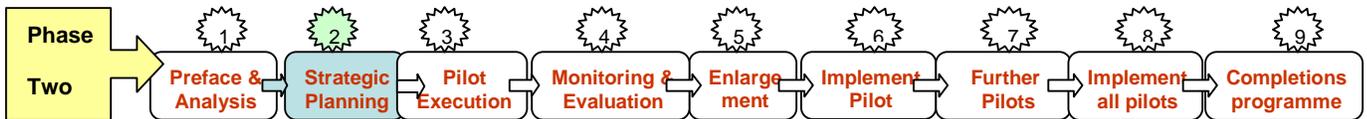
Availability/Necessity of IT supported portal/system will depend on the number of traders likely to seek/acquire AEO status. If a small country expects 10 traders to become AEO, they do not need such a sophisticated system. Another factor to be considered other than expected numbers of AEOs, could be the complexity of the system that is needed (for example if a Customs Union decides to have a joint AEO concept as they will have to consider timely exchange of information).

- The final step in Phase I should be a finalized draft of the programme structure to include clear requirements to join the programme, application process, certification, validation, benefits, removal or suspension and an appeal procedure. The DG should review and approve this document. The private sector committee can review and provide feedback & suggestions and relevant ideas, that make sense for Customs and trade, and where feasible they should be incorporated.

Lessons learned

Customs and Private Sector will not always agree, however ultimately Customs must remember that its role as a regulatory agency must take precedence. For example, a request that (as a benefit) a programme participant not pay taxes on imports or exports is not feasible or reasonable. However, a request for single point of contact in a Customs administration is a reasonable request.

- Once Customs has an idea of how they want to structure the programme they should share this initial structure with the private sector and listen to their suggestions and ideas. Pertinent ideas and good suggestions should be incorporated where feasible.



- Prior to the start of the pilot, Customs should have provided private sector with seminars explaining their plan to start the process of implementing an AEO programme. This will help educate trade on the administration’s intention and facilitate this particular change. Determine which type of operators to start a pilot with, i.e. the total number (although our recommendation would be that you start small, no more than ten), cross section representing size (to include, volunteers that meet the criteria, SME, large and multinational companies) and type of business (produce, technology, etc.), and whether the pilot will be regionally focused or if it will attempt to use a major market (Customs decision).
- Consider the idea of allowing the Trade Committee to make the selection of which operators may take part in the pilot activities. Determine the scope of the programme, which should also address import/export protocols (one or both, although to start, focusing on one might be more realistic), as well as major categories of participants (Brokers, Carriers, etc.). Human and financial resources play an important role in how many entities within a supply chain will be allowed into the programme. Therefore, by starting with the importers and exporters you capture those that contract the services, next (if resources allow) Brokers who process paperwork, transport, ports.

(Trade Management and Communication Strategy Projects)

Lessons learned

By starting with your importers/exporters you might leverage more change in behavior since these are the players that contract services to move their goods from one end to another in the supply chain

Lessons learned

For a pilot, operators that are interested in helping to develop the programme should be selected using volunteers

- Determine the type of simplifications/benefits and the criteria, using the SAFE criteria and guidelines that need to be obtained to become a participating AEO in the programme.
- Determine the verification process - how it will be conducted and by whom. Make sure to develop a consistent approach from the beginning for all personnel that administer the programme.
- The process of suspending and removing companies must be outlined at the start of the programme and available to the private sector for transparency purposes. Additionally, an appeal process must be developed for companies seeking relief. A model Appeals procedure has been developed for these purposes by the WCO.

(Trade management, Risk Management and Intelligence projects)

- Determine the need for IT/Risk Management/ and Operational support to successfully identify and facilitate the release of goods belonging to a pilot operator
- If possible and advantageous to both, consider infrastructure changes (a dedicated lane at the border point) or technology such as proximity reader cards/units/or GPS to add levels of checks. <These are two suggestions, but each administration, with consultation from private sector, will need to review feasible benefits both short term and long term.>

(Trade Management)

- Set up milestones when to launch the pilot activity and phases in which more operators will be integrated. This also includes any “phased-in” approach, where there can be continued testing and refinement of protocols, prior to expansion to greater numbers or additional segments of trade.
- This particular phase should be carried out carefully. Once the team feels that they have removed any issues or problems from the initial test group, open the programme to the rest of that entity (in other words, if you started with ten exporters you would now open it up to the rest of the exporters.)
- Once the first entity has been finished, then develops a test group for the next entity (such as brokers) and begins the process with them.

(Trade Management and Communication Strategy)

- Involving staff from the field will assist in making field personnel part of the development of the programme and more likely to support the programme, particularly in countries that have distant posts in remote locations.
- Providing seminars where all staff, from executive to front line officers, are provided information on how the programme works will ensure that they work together to make it a success.

(HR Development)

- Set milestones and performance indicators when to launch the pilot versus the actual main programme and consider what type of information will need to be given to personnel as the programme develops.

(HR Development)

- Set milestones when to introduce simplifications/benefits in a sequenced manner.
- Keep track of all benefits being given, from the simple ones such as seminars, to the more complex ones, like audits.
- Benefits should be 'meaningful, measurable and reportable'. All benefits ascribed to the programme should be recorded and tracked. For instance, a fast lane used only by AEO members, how many times a month does the member uses it versus the normal lane and time savings.

Trade Management Project)



- Prepare and visit the pilot operator to document and conduct (through a step-by-step approach)
 - Company analysis
 - Security Review
 - Cost benefit review
 - Accreditation by applying the risk mapping methodology of the operator's organizational characteristics, records of compliance, volume of business, type of goods, and procedures

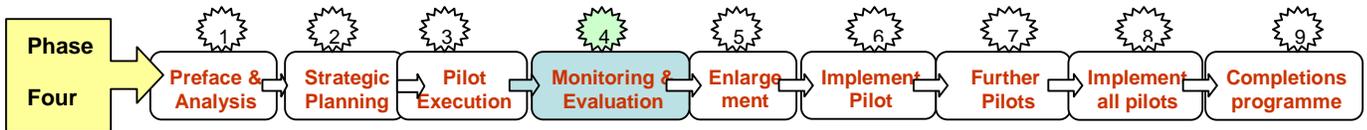
(Trade Management, Risk Management and Intelligence)

- Set up a company/entity specific control programme that responds to the findings and recommendations (remaining relevant risks) of the risk mapping approach
- Provide one established point of contact for the company, preferably one that was involved in the original visit to ensure continuity (this officer can be the point of contact for several companies)

(Trade Management, Risk Management and Intelligence)

- Execute operational pilot
- Select only ten (or fewer) companies for this test to avoid being overwhelmed.

(Trade Management, Risk Management and Intelligence)



- Determine the evaluation and monitoring phases of the entire AEO Programme (accreditation, control programme, IT usage/support, legislative constraints, benefits, TRS).
- All benefits given to companies should be monitored. Maintaining records of benefits and the impact of these benefits will assist Customs later to anticipate benefits to industry.

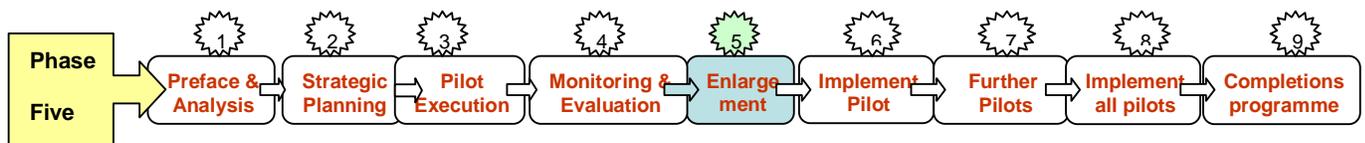
(Cross over)

- Determine the need for
 - training and, depending of the function, type of training activities that gradually will be needed throughout the organization (for instance allocating a sufficient number of staff with experience in the area of PCA, Risk Analysis, Compliance and Enforcement to support the timely development of the project)
 - recruitment to deploy new skills, or
 - hire experts temporarily and plan how to retain or institutionalize their knowledge within the organization (Customs should always attempt to gain this internal knowledge so as to continue a process of professionalizing the service.)

(HR Development)

- Evaluate and monitor
 - Accreditation approach
 - Benefits/facilitations being provided
 - Control programme
 - Cooperation with other stakeholders
 - Legislative and or other legal and administrative constraints.

(Trade Management, Risk Management, Communication and Legislation)

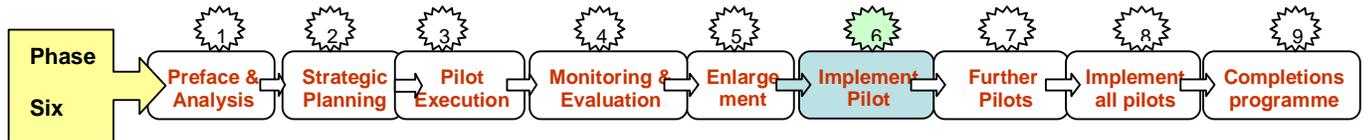


- Expand the pilot operation by allowing more operators and/or sectors available to take part in the pilot. If SME were not part of the inception of the pilot, now is an excellent time to bring them in since errors that might be costly to them should at this point be fixed. This point is particularly important, since many considerations must take place, especially resources. Allowing all entities into the programme requires human and financial resources to meet the needs of the members. This programme should never over promise, taking it step by step will lead to credibility.

(Trade Management)

- Every six months for the first year, evaluate the programme to discover problems or issues that must be addressed or fixed. (Mistakes will happen, that is not a negative. Not learning from those mistakes or correcting them as soon as possible can lead to further problems).

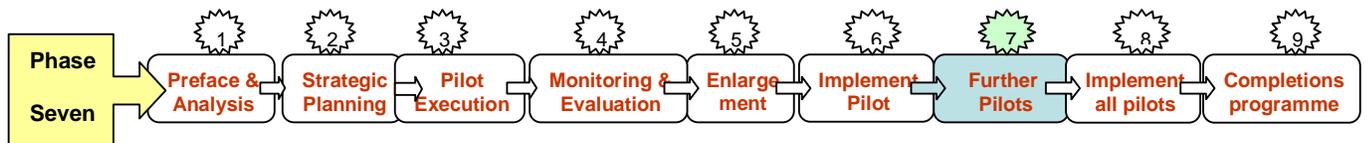
(Trade Management, Risk Management, Communication and Legislation)



Implementation of pilot activities into the current organization

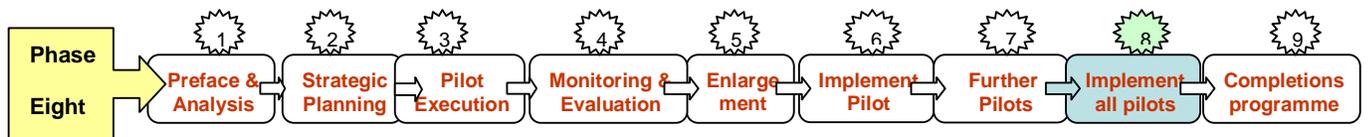
- Set up milestones for when tested products need to be phased out and implemented into the organization through a sequenced approach (making products/benefits available for everybody provided that equal quality is present).

(Trade Management)



Further pilot (test activities)

- Make further use of the IT support
- Test further simplifications/benefits
- Monitor and evaluate the results



Subsequent implementation of previous test activities

- Training of staff that will handle the traders at regional or local level

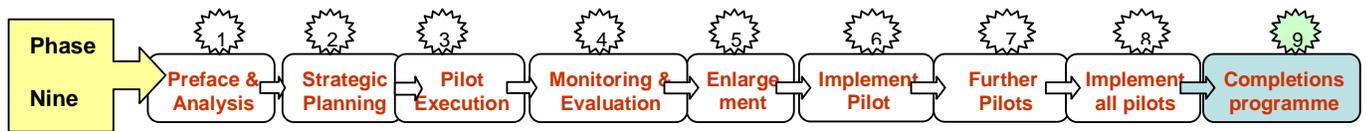
(HR Development)

- Implement mechanisms that support the operational staff that will handle the traders

(Trade Management and HR Development)

- Sequenced implementation of further tested benefits

(Trade Management)



Completion of legislative/operational regime to implement AEO programme ¹

- Through drafting laws and regulations on AEO, gathering public comments and opinions from relevant bodies, and submission to and deliberation in legislative sessions, laws and regulations are then finalized.
- Before full implementation of an AEO programme, a sufficient preparation period should be reserved, and sufficient Public Relations activities to the private sector should be carried out.
- Not only laws and regulations, but also guidelines on standards regarding authorization and revocation of AEO status and benefits, etc., should be open to the public, to ensure high transparency and uniform application in a country.
- It is necessary for Customs to build up its internal system, such as making a common central unit serving for unified interpretation of AEO laws and regulations, to avoid arbitrary implementation of the AEO programme by Customs officers and to ensure standardized implementation of AEO programme nationally.

¹ This applies to those administrations that require such legislative structure

Some final notes

As with any guide, we hope this will serve those reading to learn how to begin a programme. The points in this guide in some instances may apply or may not apply, we urge the reader to analyze the reality of their situation and use this to help “guide” them in the decisions they make based on the reality of their situation. The contributors of this guide will tell you it is a difficult task, it will take time and it will require resources. However, in the end, the benefits to customs, the trade and the administration’s economy will be recognized.

As an annex, we would like to mention some “*Best Practices*” that might help with the future of your programme.

Sum up of some lessons learned

For Customs

- Customs will have to carry out a proper audit, even if they know the company, the AEO status should never be given automatically
- Customs should (in order to speed up the authorization and audit process, which is important for trade as well as customs in terms of saving money and time) take existing audit reports/authorizations given to the trader into account when assessing compliance
- Customs should work in a partnership approach with companies
- Customs should always verify physically (this means at company premises, not only paper-based evaluation) whether the self assessment the trader provided is accurate
- Customs should take into account, where appropriate, compliance with other existing certifications (ISO, C-TPAT or other AEO-qualification, ISPS Code) - this avoids duplication of checks and can facilitate the process
- Customs does not necessarily have to visit all 25 premises if the audit of 3 satisfies that all conditions are complied with (this is also saving burden/money/time for both, trade and customs)
- Customs should appoint client coordinators or contact points for companies so that each AEO can receive information through one contact point or a service centre
- Customs needs to ensure proper training and should - if there are several agencies involved in the attribution of AEO status - communicate results/problems/findings among the centers to enable the development of best practices into the training module.

For Trade

- A company interested in applying to join the programme should prepare its application and - if one is requested - self assessment (this is a requirement of SAFE)- the better prepared the company for the subsequent audit, the faster the authorization process will be carried out
- Company should closely cooperate with customs (partnership approach also on their side)
- Company should see the application/Authorization process as a possibility to bring certain schemes in the company in order/align them with legislation/streamline them

Annex 1

Authorized Economic Operator*National Programme
Guide*

Action	Responsibility	Time Frame
<p><i>Decision by Director General to implement AEO Programme</i></p> <ul style="list-style-type: none"> • Cost Benefit Analysis • Political Will from Executive level • Work with other agencies/ministries • 		
<p><i>Develop a committee/working group to develop the programme</i></p> <ul style="list-style-type: none"> • Learn from existing programmes (EU, US, Canada, Jordan, Singapore, NZ, etc.) • In depth review of how country's private sector works • Review of current risk management programme • Review of current integrity/ethics programme • Review of legislative authority for export programme 		
<p><i>Determine private sector's level of interest (Administration should identify the companies responsible for the greatest amount of revenue collection, identify interest from SME's, large and multinational companies)</i></p> <ul style="list-style-type: none"> • Form a private sector group to mirror the committee above • Identify all stakeholders (private sector, ministries, executive level, public, etc.) 		
<p>First Phase</p> <ul style="list-style-type: none"> • Voluntary vs. Mandatory • Identify which entities within supply chain programme will work with (recommend: phased approach on taking membership) • Develop programme requirements and application procedures (by the end of phase I, these should be clear to all who participate) • Vetting (criminal history, non compliance with revenue payments, etc.) • Contract/legal terms/ Confidentiality • Verifications • Legislation (if necessary) • Benefits <ul style="list-style-type: none"> ○ Each administration will need to look at potential benefits with the help of their private sector. ○ Benefits that don't tax human or fiscal 		

<p>resources might include expedited clearance, point of contact, front of line service, training, etc.</p> <ul style="list-style-type: none"> ○ Benefits that might require infrastructure review or working with other agencies, Member lane at ports (where feasible/cost benefit analysis), gaining support and acceptance for clearance by other ministries, etc. ○ Ultimately, each administration will need to review and continue to work with their private sector to develop measurable benefits. <ul style="list-style-type: none"> ● Suspensions/Removal ● Appeal process ● Human Resources (Officers and training) and funding ● IT system 		
<p>Second Phase</p> <ul style="list-style-type: none"> ● Provide private sector committee with a copy of the programme you have outlined (Phase I) give them time to review. Meet with private sector committee to hear their concerns and give the opportunity to submit ideas, suggestions, and solutions. ● Ideas or solutions that improve the programme should be taken seriously and incorporated if possible. ● Private sector can suggest benefits that they are interested or would like see developed and if possible implementation should be seriously considered. ● Private sector is given an amount of time to determine responses and once time frame is up modify based on suggestions or new ideas. ● Customs and Private Sector Committee will host seminars to educate all of private sector on the AEO, implementation and expectations. ● Suggest the private sector committee identify companies for a pilot programme. ● Suggest you start with one entity (importer/exporter-a decision to be made by customs with advice from private sector.) And, encourage participation from SMEs, large companies and multinationals, different products, etc. Don't select too many, instead start small and the participants should understand there might be mistakes and they should help with correcting them. 		
<p>Third Phase</p> <ul style="list-style-type: none"> ● Prior to implementing the pilot, Customs must host seminars to educate personnel that will come into contact with the pilot. Eventually all personnel must be educated in the process. ● Develop a pilot to test the process. Include milestones and performance indicators. (recommendation: start with one entity in the supply chain. Example: importers/exporters and work with them first. Then 6 months later allow in brokers...etc.) 		

<ul style="list-style-type: none"> ○ **Reminder: Fiscal and Human resource will dictate how many companies are allowed in the programme-don't over promise. • Accept applications • Team dedicated will conduct vetting (including import/export history, declaring/paying duties, compliance, and criminal history), • If application is accepted meet with company to verify that application is accurate. If yes, then benefits are allocated accordingly, if not company is not allowed in the programme. • Customs must follow through with the benefits promised to companies that are members of the programme <ul style="list-style-type: none"> ○ Maintain record of benefits provided (dedicated lanes-usage by member, point of contact-hours spent/consultation, etc.) • Evaluate the programme after 6 months to determine problems and fix. • Meet with Private sector committee and those that are taking part in the pilot and listen to see if there are problems and address the problems. 		
<p>Fourth Phase</p> <ul style="list-style-type: none"> • Once your pilot is working well, move to allow the other entities into the programme (recommendation: allow time between each entity or your programme may be overwhelmed.) • Develop a self inspecting/evaluation programme to identify problems and correct. • Customs will need to review additional expertise needed and provide for personnel. • Evaluate and monitor- pilot and additional resources or training required. 		
<p>Fifth Phase</p> <ul style="list-style-type: none"> • Expand the programme further if resources allow this. If SME's weren't part of the initial programme now would be the time. • Continue to monitor and evaluate with the private sector committee how the pilot is maturing. Address any mistakes or problems and continue to improve upon the programme. • Do not become complacent-the programme will evolve. 		
<p>Sixth Phase</p> <ul style="list-style-type: none"> • Establish milestones and performance indicators for phasing out the pilot and incorporating the process into the organization. 		

<p>Seventh Phase</p> <ul style="list-style-type: none"> • Make further use of the IT support • Test further simplifications/benefits • Monitor and evaluate the results 		
<p>Eighth Phase</p> <ul style="list-style-type: none"> • Training of staff that will handle the traders at regional or local level • Implement mechanisms that support the operational staff that will handle the traders • Sequenced implementation of further tested benefits 		
<p>Ninth Phase</p> <p>Completion of legislative procedure</p> <ul style="list-style-type: none"> • Draft Laws and Regulations that are open to public commentary and transparent • Public Relations must be carried out prior to finalizing the pilot and final implementation of the programme. • Programme requirements, suspension/removal criteria, etc. must be made public to retain a high level of transparency • The programme should be centralized within the administration to ensure consistent interpretation and application of requirements and criteria. 		

**Note: If you would like to work on mutual recognition with other countries, such as major trade partners, then you will have to look at how the programmes differ and reviewing how to make them compatible so that you do not undermine your trade sector

Annex 2

List of benefits related to trade facilitation²

Types of simplifications that can be offered by Customs based on the level of security and compliance of the operator.

Lead time and predictability

- Speed, fast processes and border crossing
- No interventions and traditional transaction control
- A one-stop-shop- system
- A No-stop-shop, fast track border crossing
- Facilitated, simplified processes
- Alternative control place like e.g. a warehouse or at the trader premises

Data requirements and data submission

- Less information to be submitted
- Periodic declarations
- Notification in book keeping
- Track and trace of consignments and transports
- New simplifications of customs procedures and routines
- No additional documents to be handed in
- Re-use of information from business systems
- A single window to Government
- Centralized clearance of goods
- Free access to all e-Government services on the Internet

Relations and Quality Issues

- A personal Client Coordinator
- Individual solutions
- Re-use of company quality systems and international audits
- International accreditation

Results for Trade gained by the simplifications

- Predictability in the logistic chain
- Better logistics
- Transparency and neutral competition
- More cost-effective controls
- Centralizing key-functions and competences
- Reduction of risks
- Less administration
- Less locations
- Lower staff costs
- Lower compliance costs
- Lower IT costs
- Cash-flow gains

² The Swedish Stairway

Annex 3

Ten practical steps to set up a sustainable treatment programme for Trusted Traders (TT)

- Step 1: **What do we know about the trusted trader?**
- Step 2: **Analyse the information.**
- Step 3: **Process the information systematically and incorporate in the TT-file**
- Step 4: **Change the method of control for a period of three months**
- Step 5: **Re-analyse the information and incorporate in the TT-file**
- Step 6: **Prepare an audit**
- Step 7: **Carry out an audit**
- Step 8: **Analyse all the information and incorporate in the TT-file**
- Step 9: **Draw up the control programme**
- Step 10 **Draw up the plan of treatment for the TT (take care of maintenance)**

Step 1: **What do we know about the trusted trader?**

What we already know about traders is indicated in this step. In order to do this, information about the traders must be gathered. In particular, information about his goods, the legislation and regulations that apply to the goods and to the procedures which have been laid down for the trader, the revenue interest, information about the trade, the results of controls and the trader's reputation in the Tax department. However the fastest and simplest way to obtain information is to carry out controls on the trader. Therefore it is wise to accomplish steps 4 (change the method of control) and 7 (carry out the audit) rapidly.

Besides the tax department mentioned above, the Customs intelligence and enforcement Centre, the Ministry of Agriculture, Ministry of Quarantine and other important, Governmental Agencies must be approached to obtain information. An up-to-date picture of the trader will be built up in this way.

Step 2: **Analyze the information.**

Once there is an up-to-date picture of the trader, the controls that have been carried out so far on that trader as well as the results of these controls must be recorded. This way it will become obvious whether certain goods, shipments, operations or aspects have not yet been inspected. It may also become obvious that controls are usually carried out in one way. This is a first, rather rough risk-analysis.

Step 3: Process the information systematically and incorporate in the TT-file

There is a model according to which risk-analyses are to be done. Certain information may, be incorporated in this. All the information gathered has a place in the trader's file. Therefore, the trader's file is the up-to-date picture of the trader.

Step 4: Change the method of control for a period of three months

In carrying out step 2, it will become obvious how the trader has been inspected so far. For example, it is possible that the nature and the composition of a product which is imported by a trader are examined regularly, whereas the number of pieces of a shipment has never been inspected. It may then be wise to focus the control on the number of pieces for a while.

It may also occur, for example, that controls on notifications have not been carried out for a long time. It may then be wise then to carry out physical inspections on a number of notified shipments. There are numerous examples. Therefore, it is important to carry out different controls for a certain period. In other words, this step will lead to carrying out a number of controls.

Step 5: Re-analyse the information and incorporate in the TT-file

The results of the controls show the risks which the trader and the goods entail. They also show the trader's behavior when he is approached differently. On trying to find the desired mix of controls, this is extremely important information. In this way the risk-analysis is being refined.

Step 6: Prepare an audit

For each trader a mix of controls should be established and carried out. The mix of controls includes physical inspections, verification of declaration and (post clearance) audits. The audits in particular provide important additional information for the whole supply chain. Therefore audits are regularly set up for both the trader with whom procedures have been laid down and the importers, exporters and forwarders who are acting in the same supply chain. An audit is only useful when it has been prepared properly; what will be examined?

Step 7: Carry out an audit

The audits of a large trader (for instance a multinational Company) should be done by specialized Customs officers. These Customs officers would generally be working in HQ and it is sometimes difficult to plan audits for them in the region. But it is important to involve them in the beginning of the audit preparations.

The audits of the other traders are done by the Customs officers in the region.

Step 8: Analyse all the information and incorporate in the TT-file

After the audit has been carried out, all information about the trader is known. Now all the risks are examined and incorporated into the model specified for this. That provides a

complete picture of the trader and the risks attached to his activities. Thus there is an up-to-date picture of the trader as well as a risk-analysis based on it.

Step 9: Draw up the control programme

It is important to know the risks. It is even more important to know which controls must be carried out in order to address the risks. These controls, the frequency with which they are carried out and the person by whom they are carried out, are laid down in the control programme. In other words the control programme indicates which controls should be carried out in order to address all risks that have been identified.

Step 10: Draw up the plan of treatment for the address TT

It will be obvious that it is not necessary to cover all the risks completely by controls. Not every risk is that high. Through risk analysis it may be determined whether a risk is high, medium or low. Furthermore there is not always enough manpower available to inspect everything. Therefore choices have to be made: which risks should and which should not be covered. Should controls be carried out at the specified frequency or not?

These choices will have to be made by the team leader. The customs officer who is responsible for this trader ("client "coordinator) will describe in this plan the final treatment for this trader. The maintenance of this plan is essential and that is why the client coordinator evaluates regularly what has been inspected, what has been found and what information has become available. On the basis of these factors he will update the overall picture, the risk-analysis and the control programme.

Summary:

Controls will continue to be carried out on the basis of information which is as up to date as possible. The up-to-date picture of a trader, the risk-analysis, the control programme and the plan of treatment will have to be adjusted from time to time. The trader may start other activities, legislation may change and thus the risks, the results of controls may lead to the decision to inspect certain goods closer. All these factors will affect the choices that have been made.

Therefore it is very important for the 10 steps to be regularly repeated.

Best practice

“The Customs Client Coordinator”

As mentioned in the “Benefits” Annex, the Customs Client Coordinator is one of the benefits Customs can offer to compliant traders and companies.

Every compliant, accredited and/or certified company receives a Customs Client Coordinator. These client coordinators will have substantive and working knowledge of the business models or business specialties they are to cover. The Customs Client Coordinator is the daily meeting point (or front office desk) with the company and all Customs contacts are directed through this officer. If the Customs Client Coordinator cannot handle the matter directly the officer will take responsibility for the issue and contact the appropriate section within the Customs (the back office). When the matter has been resolved, the Customs Client Coordinator will contact the company to report the results. The Customs Client Coordinator should be available at all times for the company and also should take responsibility for further improvements and simplifications of the company processes. Companies should use the Client Coordinator as both a source of information and a reporting point, in the event there is any suspicious activity that should be reported. Therefore, even though this document focuses more on the responsibilities of Customs, companies must understand that keeping their Customs Client Coordinator informed will lead to a much better level of service.

A Customs officer can function as a Customs Client Coordinator for more than one operator depending on the size, volumes and complexity of the companies involved. As good governance and integrity is an important issue for Customs and Trade it is recommended that the Customs Client Coordinator rotates after a period of time and/or the Customs Client Coordinator portfolio of companies changed from time to time. A mentoring period for the new Customs Client Coordinator should be introduced to ensure the consistency of service. The outgoing Coordinator can pass on knowledge and insight and also introduce the new Coordinator to the client representatives.

The Customs Client Coordinator's duties and activities are in general :

- Being the daily contact point for the company
- Being the single window (the front office desk) for the company
- Managing and updating administration of the companies' files
- Managing the authorization and/or accreditation process for the Company
- Responsible for improvements and further simplifications
- Insight in to the execution of the risk control activities
- Preparing and updating the individual treatment plan for the company
- Initiating controls based on the plans and risk profile
- Responsible for daily follow-up work of the company's compliance

Two real-life examples about Company “MultiCom” and Company “ABC/XYZ”. These Companies are multinationals and dealing with a lot of Customs administrations globally

What are the activities of the Customs Client Coordinator for the Electronics Company “MultiCom”?

- Periodically (once a month) the Customs Client Coordinator consults with “MultiCom” on operational and strategic matters. Separate arrangements are made for their development. This means that the Coordinator consults with “MultiCom” one morning or afternoon per week on average. At the monthly meeting they discuss (e.g European or Asian) developments regarding customs, developments at “MultiCom” (in the broadest sense and in detail), the progress of projects, and possible problems in the monthly declaration, audits (internal by MultiCom and audits and initial inquiries by Customs).
- Solving acute -daily- Customs problems.
- Initiating and managing accounting controls and physical checks at “MultiCom” in country X and country Y.
- Initiating and managing the processing of the monthly declaration by means of an audit programme.
- Including the results of accounting controls, physical checks and verifications in the monthly declaration for the treatment (risk analysis) of “MultiCom”.
- “MultiCom” is almost constantly audited by means of partial audits. The authorisation issuing department takes care of the initial audit, the accounting controls are conducted by an accountant (with an auditor’s diploma), or delegated by him. Every year the Customs Client Coordinator prepares a joint audit programme, which includes an audit plan for that year. This plan also includes the joint audits with the Customs administration of country Y and the audits that are conducted in country Y independently.
- Updating the client information system.
- Keeping authorisations up-to-date. The authorisation issuing department issues them; two persons are assigned to deal with the “MultiCom” authorisations.
- Regularly visit business units to observe the method of working in practice and to gather

information about the logistic and production process.

- Consulting with those countries for which “MultiCom” has requested the national Customs administration’s permission to use a cross-border authorisation.
- Keeping the security provided up-to-date.
- Dealing with requests for refunds and requests for payment in special cases.
- Gathering and processing signals (provided information and inquiries) from both countries from different sources, especially from within the Customs organisations.
- Making an audit plan and risk analysis

What does the Customs Client Coordinator *not* do?

- The Customs Client Coordinator does not buy “MultiCom” shares or shares of associated companies (integrity).
- The Customs Client Coordinator is not a party to objection and appeal cases of “MultiCom”. However, in connection with objections and appeals sometimes substantive questions are asked about the file.

How does the Customs Client Coordinator guarantee his/her integrity?

- No shares in the company, which could indicate an alliance.
- Have audits conducted by a colleague.
- Have refunds granted and additional tax assessments evaluated by colleagues.
- Ask colleagues how to act in a certain situation.
- Record in detail and leave an audit-trail.
- Confide in team manager in important cases (politically sensitive).
- Make sure there is uniformity of policy and implementation.

Other clients?

The client coordinator for “MultiCom” does not deal with any other clients.

Time taken up?

Between 50-80% of the available time, only for “MultiCom”

What are the activities of the Customs Client Coordinator for the Chemical Company “ABC/XYZ”?

- Contact point for the three divisions and the corresponding business units. Each division at “ABC/XYZ” has its own contact person for the Customs Client Coordinator.
- Periodically (usually once per quarter) there are consultations in which outlines are discussed. The client coordinator describes the most recent and future developments within the Customs service. “ABC/XYZ” also provides information about developments at “ABC/XYZ” that affect customs work.
- Furthermore, the most important matters are discussed, such as authorization structure, providing security for the entire group, ongoing audits; etc “ABC/XYZ” also gives feedback from different bodies it is represented in.
- Solving acute -daily- customs problems.
- Initiating and managing accounting controls and physical checks at “ABC/XYZ”.
- The Client Coordinator surveys the flows of goods, that take place via the Customs IT system.
- Keeping the client information system up-to-date.
- Periodic consultations with auditing officers from the different customs offices about possible problems regarding audit management.
- Granting customs authorisations and keeping them up-to-date.
- Visiting business units in order to test the effect of covering authorisations.

What does the Customs Client Coordinator *not* do?.

- The Customs client coordinator does not buy “ABC/XYZ” shares or shares of associated companies.

Whom does the Customs Client Coordinator collaborate with?

- External: The contact persons of the three “ABC/XYZ” divisions.
- Internal: Auditing staff within customs.

How does the Customs Client Coordinator guarantee his/her integrity?.

- Does not buy shares of the company in question.
- For each question from “ABC/XYZ” the client coordinator evaluates his role.
- Have refunds, additional tax assessments, new authorisations evaluated by colleagues.
- Record in detail and leave an audit trail.
- Confide in team manager in important cases (politically sensitive).
- Make sure there is uniformity of policy and implementation.

Internal (customs) management of “ABC/XYZ”?

- Prepare risk analysis.
- Make audit orders for accounting controls and physical checks.
- Make sure that the customs client information system is up-to-date.
- Test provided security.

Other clients?.

The Customs client coordinator for “ABC/XYZ” deals with another 15 clients in the Chemical branch group.

Time taken up?

Between 40-50% of the available time, only for “ABC/XYZ”

**Two real-life examples about Company “MultiCom” and Company “ABC/XYZ”
These Companies are multinationals and dealing with a lot of Customs
administrations globally**

The “MultiCom” and “ABC/XYZ” point of view about the Customs Client Coordinator (Customs – Business partnership)

Their story:

“The increasing globalization of sourcing, production and sales means that our company, and most companies, are now dealing with customs and trade requirements in several markets. Our accountability has expanded beyond cross border requirements. We need to learn and stay on top of the rules and practices in other countries – rules and practices, which change on a regular basis and vary substantially from country to country. Moreover, there is a general worldwide trend to tighten rules, strictly enforce documentation (E-customs) and other requirements (CSI, C-TPAT), and penalize non-compliance. Failure to be informed and plan ahead in this ever evolving and complex arena can result in border delays, stiff penalties and missed production and delivery deadlines. As we have a dedicated Client Coordinator and a regular monthly meeting to discuss actual operational and strategic issues and also new national and international developments we are able to stay up-to-date on (foreign) customs laws and developments and what they mean to our worldwide compliance and sourcing efforts. Together with the Client Coordinator we can make use of Best Practices for both Customs and our Company and be proactive.

We benefit from the tailor made client approach. In a global economy, the speed and certainty of crossing the border and importing and exporting goods are vital to maintain the competitiveness of our business. We benefit from streamlined processing and we have a strong incentive to establish and maintain a good performance record and partnership with the Customs. As a result of this our Company is eligible to participate in some Customs modernization programmes. We benefit from streamlined clearance, accounting and payment processes and are allowed to participate in a variety of permit programmes that will make crossing the border more convenient. I would like to state clearly that this doesn't mean that we are not audited or audited to a lesser extent. The way we do business our customs organization and customs IT-network is totally transparent. Customs can and will audit us on a daily basis. However, because we have given them fully automated access to our system this hardly interferes with our activities.

In a large enterprise like ours it is unconceivable that traditional customs procedures or a traditional customs approach are to be used. It would create enormous problems with the goods flow. It is no exaggeration to say that a global company like ours cannot work in a professional manner without having a Client Coordinator who knows our business, our processes our worries and our people”.

CEO

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