

# 1. What is Authorized Economic Operators program?

**Authorized Economic Operators (AEO) program** is a trade facilitation system that a party involved in the international movement of goods that has been approved by a national Customs administration and selecting with low risk level as complying with WCO or equivalent supply chain security standards.

## **Companies involved in this Program must have:-**

- participate /role in the **international supply chain**;
- Trusty/Loyal on national tax/ customs rules as well as the Countries regulation as a whole;
- pass the AEO compliance audit processes (Authorization Criteria) and take responsible ;and,

## 2. Objectives of AEO

The objective AEO Program is mainly focused on **facilitating legitimate trade wand enhancing security in the International supply chain.**

### **Specific objects;**

- ❖ To facilitate legitimate trade,
- ❖ To reduce security risks by focusing on high risk consignments,
- ❖ To promote self-assessment principle,
- ❖ To promote and support manufacturing industry and economic development;
- ❖ To promote a partnership with the business community.

## 3. Background of AEO Program

After the terrorist attacks in USA on September 11, 2001, the US Government established Customs Trade Partnership against Terrorism (C-TPAT) to reduce security risk by giving role for customs to work with business community.

Similarly, in 2005, **World Customs Organization (WCO)** established similar safe frame of standard programs (SFSP), to reduce the risk of such threats, devised a system for increasing **security** of the **supply chain**. Its aim is to **facilitate legitimate trade with safe and reliable security standards**. The **WCO** safe frame of programs has 29 standards with three (3) main pillars.

These are;

- **Customs-Customs Network Arrangements,**
- **Customs-Business Partnerships, and;**
- **Customs to Other Government and Inter-Government Agencies.**

#### **4. AEO in Ethiopia**

One of the principles of Ethiopian Customs Commission is to create voluntary compliance taxpayers. AEO program is implemented in order to enhance self-assessment principle by facilitating trade. In our country, Ethiopia the program was started as a pilot project in 2010, using risk management as a tool to balance between **facilitation** and **control**. According to Customs Proclamation 859/20006 (as amended) the selection criteria must give special attention Manufacturing and export sector.

#### **5. Who can apply for AEO Program**

Those businesses that are involved in the **International supply chain** and perform customs related activity in the country are eligible for AEO program.

These include:

- Importers,
- Exporters,
- Manufacturers,
- Customs Clearing Agents/,
- Carriers,
- Warehouse operators,
- Dry Ports, and

- Other actor engaged in the supply chain logistics.

## **6. Evaluation Criteria for AEO program**

AEO applicants must evaluate themselves based on approved AEO checklist and submit to the commission. After submitting the self-assessment form approved & signed by the applicant, the commission will evaluate by pre-audit and evaluation criteria.

**6.1. Pre-audit criteria** means is a preliminary work conducted by the commission before site inspection.

These include:

- ◆ At least yellow risk level,
- ◆ For the last two years, the amount paid for audit findings should not exceeds 5% for both domestic tax and/or customs duty to that of the entire paid amount,
- ◆ At least Finance and warehouse department must be integrated by IT,
- ◆ No loss for last year unless the applicant is in investment expansion.

### **6.2. AEO system and compliance audit criteria.**

An applicant company which fulfilled the pre-audit criteria shall be evaluated in the following six general criteria's.

- A. Compliance History in Domestic Tax and Customs (35%),**
- B. The Logistical Systematic and Human Resource (15%) -**
- C. Contribution to National Economy (15%)-**
- D. Information Management Infrastructure (15%):-**
- E. Financial Solvency /capacity/ (10%):-**
- F. Security Requirements (10%)**

An applicant company should score 75% and above to recognized as AEO Company and get certificate.