



**Authorised Economic Operator
(AEO) Programme in Nigeria**
Prepare for Change

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1.0. Introduction

The World Customs Organization (WCO) has, over the years, acknowledged that the physical presence of Customs administrators at the gateway to a country means that compliance checks would be conducted before a decision is made to release a consignment of goods into a country. The physical presence of Customs administrators not only acts as a deterrent to would-be fraudsters but also ensures that only permissible goods are allowed into a country.

This notwithstanding, the WCO has also noted that where Customs administrators carry out excessive and time-consuming checks at the point of clearance, the process becomes counterproductive because:

- i. Modern international commerce works with tight deadlines and national economic benefits such as improved productivity can be derived if there is smooth and timely clearance of goods; and
- ii. Documentation produced at the time of importation does not provide the whole picture and context of a commercial transaction. Therefore, if Customs administrators want to get the whole picture of a transaction, as it is important for the accurate calculation of import taxes, it is arguably more effective for Customs administrators to focus on post-entry checks to secure government revenue¹.

Consequently, many Customs administrators are currently choosing to concentrate their controls on post import and export entry checks. Therefore, it does not come as a surprise to read that the Nigeria Customs Service (NCS) is looking to implement the Authorised Economic Operator (AEO) programme and strengthen its Post Clearance Audit (PCA)² administration in Nigeria.

In this publication, we will explain what the AEO programme is about, how it is different from existing trusted trader programmes implemented by the NCS, and how Nigerian Economic Operators³ (EOs) should approach this recent development. We will also unpack the likely changes that could occur as a consequence of NCS' shift to a more post-clearance and risk-based approach to trade compliance and facilitation.

¹ See WCO's publication on Post Clearance Audit.

² See WCO's media communication on collaboration with NCS on the implementation of PCA and AEO programmes.

³ The WCO defines an Economic Operator as a person/entity that, in the course of their business, is involved in activities covered by Customs legislation. The term includes, inter alia, importers, exporters, manufacturers, carriers, etc.

2.0. Driving compliance through AEO certification

i.) The AEO programme

The AEO programme is a scheme used by Customs administrations to encourage EOs to achieve a high level of compliance with the extant Customs rules as well as increase the adoption of safety and security standards in exchange for benefits that tend to improve the supply chain efficiency of EOs i.e., cheaper, quicker, and smoother clearance of goods.

It is a trade facilitation concept driven globally by the World Trade Organization (WTO) through its Trade Facilitation Agreement (TFA) and the WCO through the Revised KYOTO Convention and the Framework of Standards to Secure and Facilitate Trade (SAFE Framework).

EOs who are admitted into an AEO programme generally enjoy several incentives which may include: (1) lower documentary requirements; (2) reduced physical inspections; (3) quicker clearance times; (4) deferred payment of taxes; (5) reduced guarantees; (6) permission to submit a single customs declaration within a given period; and (7) clearance of goods at the premises of the trader or another place authorized by Customs⁴.

Compared to AEOs, non-AEOs may find it costlier and more difficult to engage in cross-border trade because the:

- a) AEO programmes do not only grant incentives to importers/exporters but also to EOs who provide services across the supply chain e.g., brokers, transporters, terminal operators, warehouse managers, etc. Consequently, importers/exporters who are keen to benefit from the incentives provided to other EOs could quickly develop a preference for dealing with only certified EOs. Hence, non-AEOs may be commercially disadvantaged in the market.
- b) Benefits of AEO programmes are beginning to transcend beyond borders through what is known as Mutual Recognition Arrangement(s) (MRA)⁵. This is such that AEOs in one jurisdiction may be granted benefits in another jurisdiction on the back of MRAs signed between one or more Customs administrations. Non-AEOs could further miss the commercial opportunities that come with being AEO certified.

It then becomes arguable that remaining a non-AEO certified EO could have a significant commercial impact particularly if existing business partners demand the 'AEO mark of compliance' as a precondition for entering into/remaining in a business relationship.



⁴ Benefits are as listed by the WTO TFA.

⁵ The WCO defines MRAs as arrangements/agreements concluded between and among Customs administrations, whereby they commit to mutually recognize and reciprocally provide trade facilitation benefits to AEOs that have been duly accredited by one Customs administration.



ii.) AEO implementation in Nigeria

a) Background

The journey towards the full implementation of AEO in Nigeria started in 2013 with the introduction of the Fast Track Scheme (FTS). The FTS is an arrangement whose key benefit is to allow goods arriving in Nigeria to be immediately transferred to a trader's premises under NCS' escort.

However, the FTS' shortcomings (e.g., delays around the NCS Escort process), the rising costs of trading across borders and the consequent calls for better measures to improve trade facilitation in Nigeria necessitated the introduction of a much-improved version of the FTS in 2023 (which was launched but did not get off the ground) and ultimately the roll out of the AEO programme, which was set up in the Nigeria Customs Service Act, 2023 (NCSA).

b) Benefits

In Nigeria, the AEO programme is designed to operate as it is conceptualized in global frameworks.

Thus, the AEO programme in Nigeria will have two types: Customs Simplification Authorised Economic Operator (CSAEO) and Security and Safety Authorised Economic Operator (SSAEO). Whilst both types would offer beneficiaries simplified customs procedures, the SSAEO designation offers more benefits as it requires a higher level of compliance.

We have provided below the table, which compares the FTS as practiced today and the two AEO types, based on the recent publication⁶ and communication by the NCS:

⁶ See [AEO publication](#)

Benefit	FTS	CSAEO	SSAEO
Beneficiaries	Manufacturers, Importers, Warehouses.	All EOs involved in supply chain	All EOs involved in supply chain
Clearance on the prestigious blue lane	Yes	Yes	Yes
Customs control after clearance at premises	Yes	Yes	Yes
Renewal of certification	1 year	3 years	5 years
Access to dedicated Customs personnel	No	Yes	Yes
Expedited registration of Pre-Arrival Assessment Report	Yes	Yes	Yes
Priority use of non-intrusive inspection if cargo is selected for random check	No	Yes	Yes
AEO branding	No	Yes	Yes
Dedicated exit lanes from port premises	No	Yes	Yes
Prioritized acknowledgement of gate pass or exit pass (not allowed to queue)	No	Yes	Yes
Use of barge & rail operations to expedite cargo release through specified routes	No	Yes	Yes
Dedicated parking spaces in Customs premises	No	Yes	Yes
Escorts	Yes (No dedicated personnel)	Yes. (Dedicated personnel)	No
Cargo tracking	No	Yes	Yes
Priority processing during periods of elevated threats	No	No	Yes

It is important to stress that the above benefits are subject to change by the NCS and are likely to be granted to beneficiaries in a phased approach.

c. Eligibility

Notwithstanding the criteria that would be used to evaluate the general suitability of an EO for AEO accreditation, EOs will not be eligible for AEO accreditation if they do not fulfil the following requirements:

Requirement	Scope
Must have been in business for at least 3 years in Nigeria. EOs who are applying for SSAEO accreditation will need to have been in business for 5 years	All EOs
Must be registered with the Corporate Affairs Commission	All EOs
Must obtain a Tax Identification Number from the Federal Inland Revenue Service	All EOs
Must be a player in the International Supply Chain	All EOs
Must present Memorandum/Article of association	All EOs
Must present Tax Clearance Certificate for the last three years (Original to be sighted)	All EOs
Must present leasehold certificate or tenancy agreement in respect of the EO's registered office.	All EOs
Must have barge operations license from the Nigeria Port Authority	Only applicable EOs
Must have evidence of use of conveyance tracking devices	Only applicable EOs
Must have relevant Logistic License from the Courier and Logistic Department of the Nigeria Postal Service.	Only applicable EOs
Must provide names, qualification, addresses and telephone numbers of all directors of the EO.	All EOs
Must provide sample of waybills, labels, bags, tags, envelopes, receipt, and registered trademark (if any).	Only applicable EOs
Must present partnership, merger, alliances or any such other agreements/arrangements (if any).	Only applicable EOs
Must present clientele list (Business Partners)	All EOs

Additionally, the NCS notes that Logistics operators would need to provide a list of their fleet of vehicles. Any change should be communicated within seven (7) days of the fleet change.

d. Qualification for AEO status

The foundation of the AEO program is a partnership between the NCS and EOs. As such, the NCS is expected to only grant the AEO status to an EO that can demonstrate that it has stringent policies and controls in place to manage the risks connected to international trade.

The NCSA lists the criteria that would be evaluated prior to granting an EO AEO status. These requirements which form the basis of the questionnaires that EOs will be required to complete during the accreditation process⁷ are listed below:

- demonstrate compliance with customs and tax requirements
- operate a satisfactory system of managing commercial and where appropriate, transport records, that allow for Customs controls
- have a good financial standing
- establish procedures for communicating with the NCS
- establish systems that adequately measure, analyze and ensure the integrity of prompt reports of violations of Customs law to the NCS
- ensure regular education and training of personnel on Customs procedures
- demonstrate practical standards of competence and professional qualifications directly related to simplified procedures
- provide financial guarantee
- use modern information and communications technology including electronic data exchange
- implement required security standards
- establish a system to protect confidential security information
- implement crisis management and incident recovery procedures
- implement a monitoring improvement process to secure the security management system

Some of these requirements may not apply as they depend on the type of AEO status an EO intends to obtain.

e. Accreditation process

EOs interested in obtaining AEO certification would be required to follow the eight (8) step accreditation procedure outlined below:

Step 1: Conduct a self-assessment using the Self-Assessment Questionnaire (SAQ) provided by the NCS. The purpose of this is to determine the EO's readiness for the programme.

Step 2: If the EO is satisfied that it meets the requirements, the EO proceeds to submit a Notification of Intent (NOI) to apply for AEO certification to the NCS.

Step 3: The NCS receives the NOI and conducts a preliminary risk assessment to determine if the EO should be admitted into the program based on profiling results and trader segregation metrics.

Step 4: If successful, the EO is given access to the AEO system. Otherwise, feedback is provided to the EO with details on compliance improvement and timelines for reapplication.

Step 5: The successful EO logs into the AEO system to complete the online SAQ and attach the required documents.

Step 6: The NCS reviews the online SAQ and supporting documents to verify their completeness and authenticity.

Step 7: An onsite validation (i.e., field audit) is scheduled for the EO via the AEO system. The EO would be required to confirm or request modifications to the scheduled field audit date.

Step 8: If the onsite validation is successful, the AEO steering committee grants its approval and the EO is granted AEO status. If onsite validation is unsuccessful, feedback is provided to the EO detailing findings and guidance on compliance improvement and reapplication to the AEO program.

Whilst the process appears straightforward, the viability assessments undertaken at steps 3 and 6 are expected to be rigorous, and the success of an application is likely to depend on the extent to which an intending EO can demonstrate a high level of compliance and robust risk management process.



See 2(ii)(e) for details of the accreditation process.

3.0. The Deloitte route to certification

As a leading professional service provider in the customs and global trade field, and with its network of over 500 dedicated Global Trade Advisory professionals globally, Deloitte has extensive experience in supporting businesses with their customs and global trade advisory and compliance matters. We have a well-established indirect tax practice in Nigeria consisting of professionals specialized in the area of customs and global trade.

Hence, given that the AEO certification process is an extended and rigorous one to complete – both on the side of the applicant (i.e., the EO) and the validator (i.e., the NCS), and the AEO benefits (tangible and intangible) are expected to be substantial, Deloitte has developed a “Route to Certification (RTC)” framework.

The RTC was developed by Deloitte as a multi-disciplinary framework to help EO's navigate the AEO certification process and guide EO's through the process of attaining the AEO status. Deloitte's approach helps EO's understand the benefits and costs of achieving AEO status and the potential downside of not achieving AEO certification.

It is designed to work with EO's to achieve AEO status and crystallize clear benefits.



In Deloitte's RTC process, Deloitte will:

Step 1: Obtain EO information to determine the feasibility of the EO meeting the formalities for applying for AEO.

Step 2: Set up a mechanism to store relevant supporting documentation in a logical order to be able to disclose same to the NCS.

Step 3: Gather and validate information to determine the role of the EO in the supply chain.

Step 4: Determine the role of the EO in the supply chain and identify the risk areas.

Step 5: Facilitate a workshop in which Deloitte and key persons within the EO will identify/determine:

- if the list of risk areas is complete or needs additions.
- what threat scenarios are applicable within the identified risk areas.
- the probability of the identified risks occurring, and the measures already in place to manage those risks.
- additional measures to be put in place to address risk areas that are not adequately addressed by existing measures.
- the feasibility of an application for certification for AEO based on the risk assessment results.

Step 6: Report on the outcome of the workshop with agreed actions including the conclusions regarding the feasibility of the EO making the AEO application to the NCS.

Step 7: Develop and implement agreed action plans.

Step 8: Perform random checks to establish the correct working of the measures.

Step 9: Support the EO in its application for the AEO certificate.

Step 10: Maintain the AEO certificate (this includes: (a) monitoring of the EO's AEO status, (b) updating the EO with relevant information on the AEO, (c) carrying out periodic checks on business changes that may affect the EO's AEO certification, and (d) carrying out random administrative and physical checks).



4.0. Business outlook for the AEO programme in Nigeria

i.) Building a high compliance environment

Around the world, the introduction of AEO programmes has been welcomed by the business community on the basis that a.) there are clear benefits of being an AEO; and b.) the costs associated with being an AEO does not outweigh the benefits.

What are the costs that businesses would need to deal with?

To get to the levels of compliance required by the NCS, businesses would need to invest time and financial resources to meet the requirements outlined in 2(ii)(d). The scale of cost investment required will a.) vary from EO-to-EO b.) depend on the type of AEO status an EO wishes to apply for and c.) depend on the current state of the EO's internal risk controls and level of compliance.

Should a business believe that the costs of AEO accreditation outweighs the benefits, the business may elect to maintain its non-AEO accreditation status.

ii.) Post clearance audits (PCA)

EO's should be mindful that the introduction of AEO programme often heralds the implementation of PCAs and PCAs⁸ are essentially used to:

a.) Assess an EO's level of compliance with the extant Customs rules (e.g., the EO's application of the correct tariff

classification of goods, the EO's use of appropriate transaction values, the EO's legitimate use of tariff concessions etc.);

b.) Highlight areas where additional scrutiny may need to be undertaken; and

c.) Identify compliant traders that may be regarded as low risk for AEO purposes.

In the long term, the outcome of PCAs could be used as a basis to determine if an EO should enjoy continued admission into the AEO programme.

Based on the above, EO's (especially importers) should consider proactively carrying out customs risk reviews ahead of the AEO application and before PCAs to determine the extent to which there are compliance gaps, and potentially take steps to regularize their status with the NCS.

Should the NCS commission PCAs and identify incidences of non-compliance, EO's would be faced with significant penalties in line with the NCSA.

⁸ The WCO defines a post-clearance audit (PCA) as a structured examination, after Customs has released the cargo, of the relevant commercial data, sales contracts, financial and non-financial records, physical stock, and other assets of traders. The purpose is to measure and improve the traders' compliance.

5.0. Conclusion

As the NCS prepares to roll out the AEO programme in Nigeria, beginning with the Pilot Phase, EO's who anticipate that they would be interested in an AEO accreditation would do well to carry out an in-dept assessment of their processes and systems. This assessment is required to enable EO's to identify and fix any gaps and organizational blind spots that exist in their systems, which may be tested by the NCS before the EO is accredited as an AEO.

Further, there may be a need for EO's to proactively begin to check for compliance with the extant Customs and Excise legislation in anticipation of PCAs. Once the AEO programme is finally launched, it would not be a matter of if PCAs are coming, but a question of when the first set of PCA notifications would be sent out by the NCS to the EOs.

To learn more about Nigeria's AEO programme, please reach out to the contacts below or get in touch with your local Deloitte contact.

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