

INDONESIAN AEO PROGRAMME

“Indonesia Experience on the Synergy of the AEO Program and the Integrated Risk Management System and on 360 Degree Feedback Mechanism”

**AGUS SUJENDRO
HEAD OF AEO CERTIFICATION SECTION
DIRECTORATE GENERAL OF CUSTOMS AND EXCISE (DGCE)
MINISTRY OF FINANCE
INDONESIA**

Wednesday, 01 November 2023

GLOBAL SUPPLY CHAIN

Customs to Bussiness

Customs to Customs

Customs to Bussiness

Customs to OGA cooperation



Global Supply Chain Risks

WCO SAFE FoS

AEO

Safe and Secure Supply Chain

Trade Facilitation

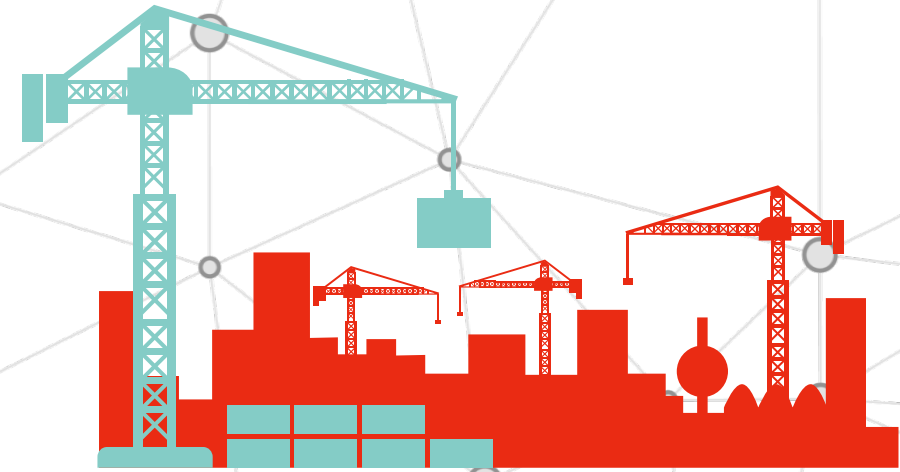


RISK MITIGATION AND ASSESSMENT

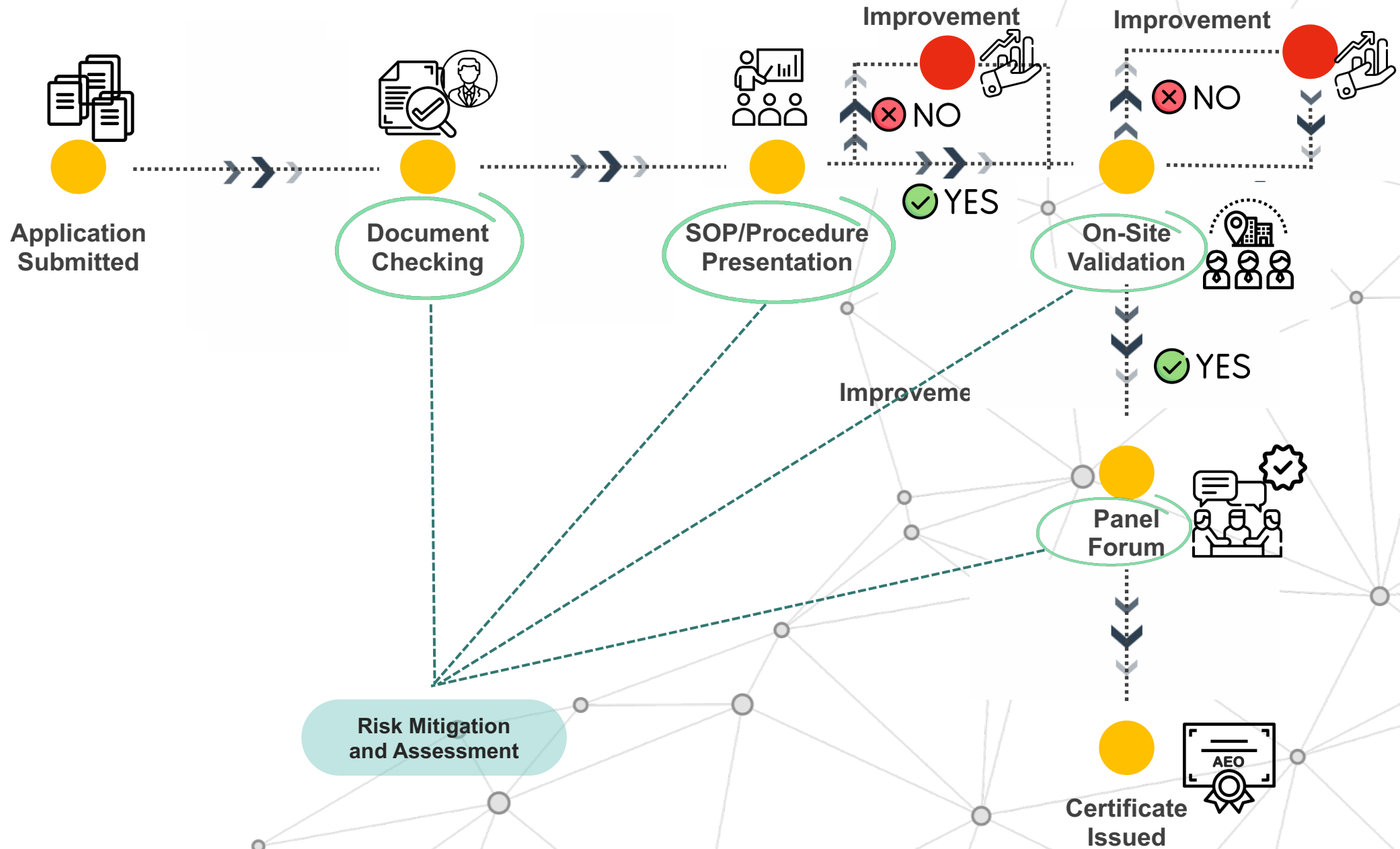


When conducting a risk assessment, we need to look at the nature of business and the type of economic operator of the company. For example, there are differences in conducting assessments between importers, customs brokers and logistics service providers such as warehousing companies.

In assessing at risk for a certain company, we have to look at what the company is and what its role is in the international supply chain. Is the role as the main actor who move goods directly (for example, a manufacturing company which can be an importer or exporter that involved in the movement of goods directly) or only as an intermediary in providing services to move goods, such as a trucking services.



AEO AUTHORIZATION PROCESS



AEO CRITERIA COMPLIANCE, SECURITY AND SAFETY STANDARDS

- 1) Demonstrated Compliance With Customs Requirements
- 2) Satisfactory System For Management Of Commercial Records
- 3) Financial Viability
- 4) Consultation, Co-operation And Communication
- 5) Education, Training And Awareness
- 6) Information Exchange, Access And Confidentiality
- 7) Cargo Security
- 8) Conveyance Security
- 9) Premises Security
- 10) Personnel Security
- 11) Trading Partner Security
- 12) Crisis Management And Incident Recovery
- 13) Measurement, Analysis And Improvement

We collect the track record of AEO applicant companies for the last two years from various sources, both internal and external unit, or from other sources including Indonesia Single Risk Management system to obtain information related to company compliance.

When the company's compliance level is low, our job is to reduce this risk until the compliance risk is at a low point or acceptable to customs.

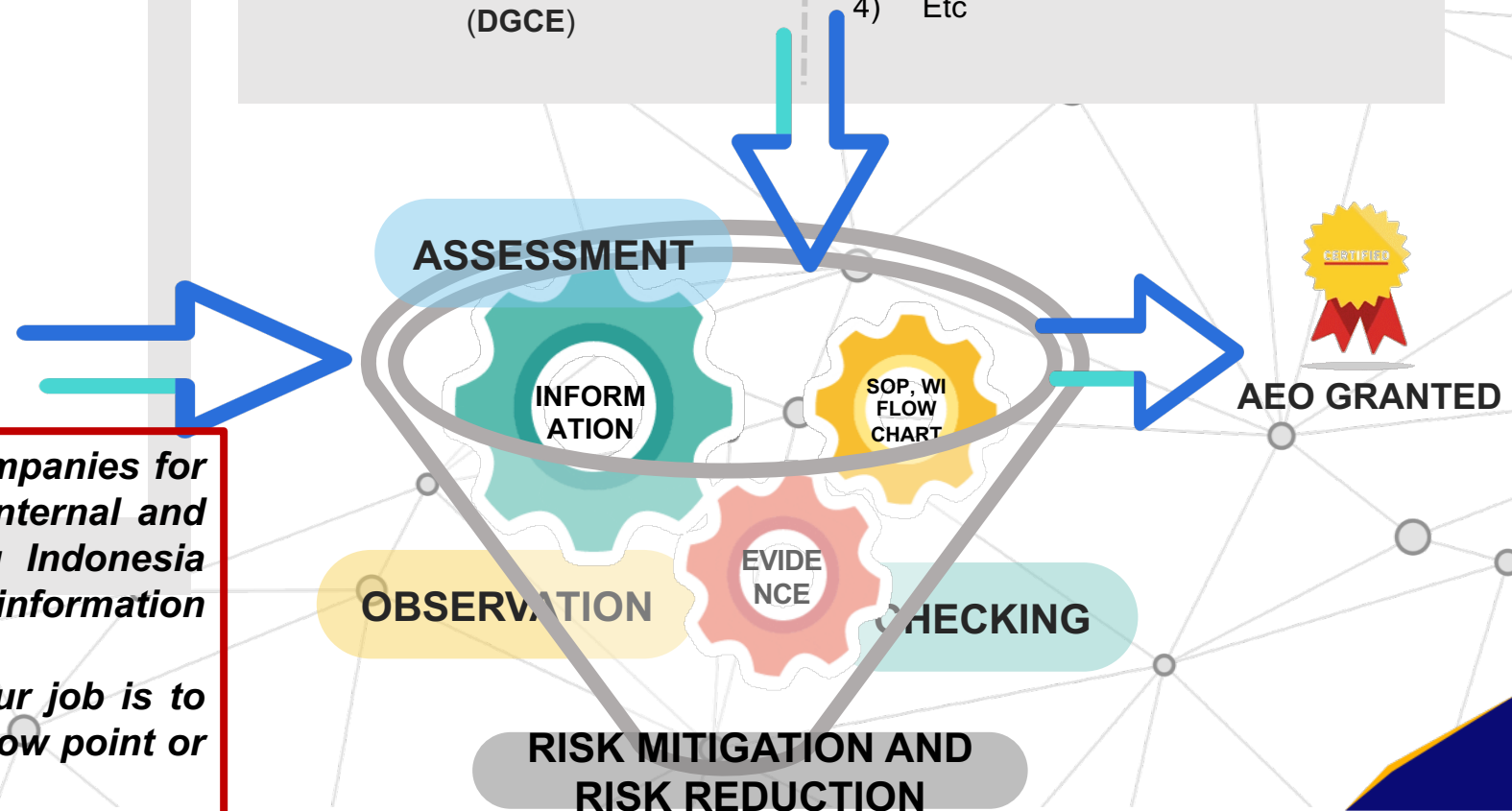
OBTAINING DATA FOR RISK ASSESSMENT

INTERNAL SOURCE

All Internal Unit of
Directorate General of
Customs and Excise
(**DGCE**)

EXTERNAL SOURCE

- 1) Other Government Agency (OGA)
- 2) Data/information from company
- 3) Data/information from open source
- 4) Etc



It is the process of taking into account all potential risks and the dependency between those risks, in order to obtain a comprehensive understanding of the company's risk profile

**HOLISTIC
APPROACH
RISK ASSESSMENT**

**INTERNAL
CONTROL
SYSTEM**

All of policies, procedures and processes designed to ensure that company activities are carried out effectively, efficiently and in line with prevailed regulations

- Overall, the holistic approach to risk assessment and the internal control system are strongly related because internal control system can prevent risks.
- The holistic approach risk assessment and the internal control system are strongly related in ensuring the company's operations are performed effectively and efficiently, and the potential risks can be identified and effectively managed.*

One way to identify a company's compliance with applicable regulations is to look at the Indonesia National Single Window (INSW) system where in INSW we can see which OGAs are related to a company's activities.



When an economic operator is found to be non-compliant or in violation of certain regulations, the DGCE communicates with the OGAs to confirm a violation of the regulations.

When there is a gap for economic operator to fulfill compliance criteria, DGCE communicates with economic operators to identify, mitigate and evaluate risks to compliance.

The communication process involving OGAs and economic operators takes place continuously in the AEO authorization process starting from document checking to the panel forum.



EXAMPLE OF RISK MITIGATION



MENTERI KEUANGAN
REPUBLIK INDONESIA
SALINAN

PERATURAN MENTERI KEUANGAN REPUBLIK INDONESIA

NOMOR 194/PMK.04/2016

TENTANG

TATA CARA PENGAJUAN DAN PENETAPAN KLASIFIKASI BARANG IMPOR
SEBELUM PENYERAHAN PEMBERITAHUAN PABEAN

Minister of Finance Regulation No. 194/PMK.04/2016
concerning Procedures for Submitting and Determining
the Pre-Entry Classification Before Submitting a
Customs Declaration

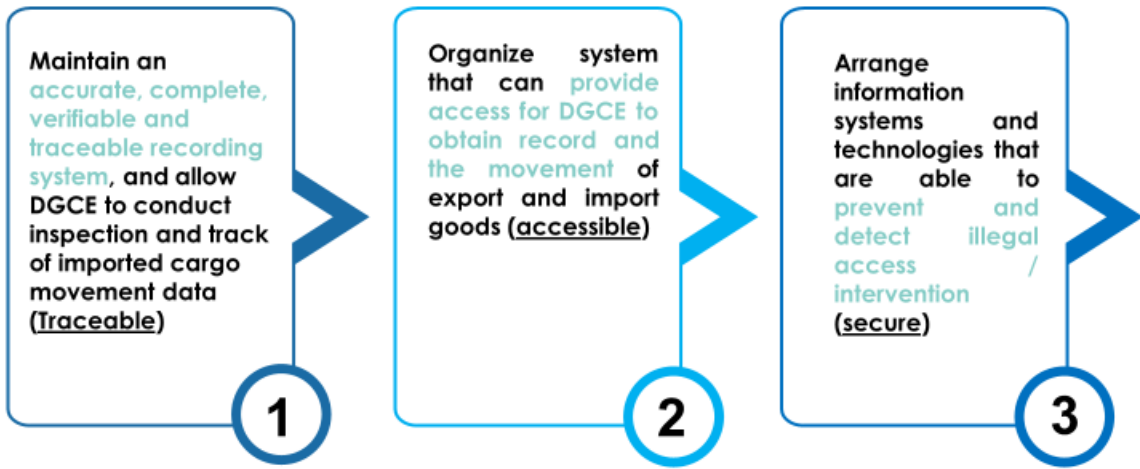
In collecting company compliance data, we collect violations of regulations that have been committed by the company.

One example of a violation against customs regulation that is often committed by companies is errors in including the HS Code to determine tariffs.

We will ask about the background to the violation and one solution to this violation is that we encourage companies to carry out pre-entry classification as regulated in the regulations above to determine the HS Code of goods that applies nationally to avoid misinterpretation of the inclusion of the HS Code either from the company or misinterpretations from officials conducting document inspections

EXAMPLE OF RISK ASSESSMENT (1)

2 SATISFACTORY SYSTEM FOR MANAGEMENT OF COMMERCIAL RECORDS



Some examples of risks that need to be assessed at AEO companies are related party transactions and how the company manages trade records.

Regarding supervision carried out by customs, in the AEO criteria, one of the assessments carried out is in Criterion 2 related to the Satisfactory System for Management of Commercial Records regarding data traceability. This is also related to the audit readiness, integrity of cargo and how the company relates to trading partner criteria. The relationship between the company and trading partners is included in one of the AEO criteria, namely in Criterion 11 regarding Trading Partner Security.

11 TRADING PARTNER SECURITY



Each of these criteria is interrelated, for example, in the assessment of these two criteria (2&11), In looking at a company's trade records, we can see how the purchase order is issued, which produces other documents such as Invoice, Packing List, Bill of Lading, and so on. These documents must be notified to customs when the company carries out import activities, and traceability must be proven until the goods arrive at the warehouse to ensure the integrity of the cargo, which is the implementation of another criterion, namely Criterion 7 regarding Cargo Security.

EXAMPLE OF RISK ASSESSMENT (2)

Criteria 2: Management of Commercial Record (*Traceability*)



Criteria 11: Trading Partner Security



Criteria 7: Cargo Security



Purchase Order
Invoice
Packing List
Bill of Lading
Other Document

Customs Declaration
(Criteria 1: Compliance)

Delivery Order
Goods Receive

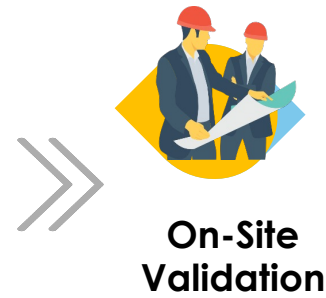
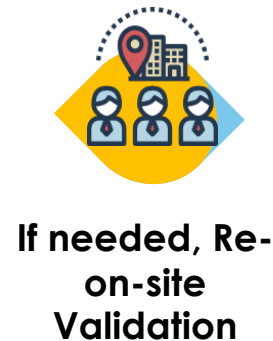
Criteria 6:
Information
and Access
Security



Criteria 8:
Conveyance Security



ON – SITE VALIDATION



➤ On-site validation conducted to ensure that the AEO condition and requirement stated in the procedures implemented in the premises of the applicant company and also to ensure all the risks 13 AEO conditions and requirements have been mitigated.

Regarding the security aspect of the company, there are risks that are inherent in the company itself, including those related to premises security criteria; information exchange, access and confidentiality criteria; cargo security criteria; and crisis management and incident recovery. Regarding these criteria, on-site validation activities are important to be able to see directly the risks that exist in the company, and how the implementation of fulfilling the AEO criteria is carried out in the company.



Coaching Clinic

Pre Certification Process → Preliminary Document Checking

Background

- The Company is lack of information about AEO

Purpose

- Providing assistance/support to the AEO applicant
- Providing assistance to the AEO companies regarding AEO programme implementation
- Breakthrough made to providing services and information to the AEO companies

When to do:

- Before submitting AEO application
- After submitting AEO application (during AEO certification process)

How to do:

- Virtual meeting
- One on one meeting (company - AEO Center)



AEO Conditions and Requirements

- 1 Demonstrated Compliance with Customs Requirement and Other Regulations
- 2 Satisfactory System for Management of Commercial Records
- 3 Financial Viability
- 4 Consultation, Co-operation and Communication
- 5 Education, Training, and Awareness
- 6 Information Exchange, Access and Confidentiality
- 7 Cargo Security
- 8 Conveyance Security
- 9 Premises Security
- 10 Personal Security
- 11 Trading Partner Security
- 12 Crisis Management and Incident Recovery
- 13 Measurement, Analyses, and Improvement

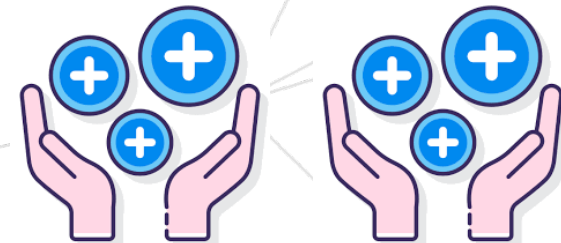


Customs Compliance

OGAs Compliance

Assessment
Process →
Risk
Reduction →
Very Low
Risk
Company

AEO BENEFIT
(From Customs
and OGAs)





INDONESIA AEO BENEFITS FROM OGAs

“Priority in settling tax Restitution”

Directorate General of Tax

“Treated as Trusted Traders>>Import and Export Approval”

Ministry of Trade

“In development process”

Others (National Logistics Ecosystem, Quarantine, etc)



CASE STUDIES AND LESSON LEARNED

IMPLEMENTATION OF THE THIRD PILLARS OF WCO SAFE FOS IN
INTEGRATING SUPPLY CHAIN SECURITY



WCO SAFE FOS – THIRD PILLAR



SAFE Framework of Standards

2021

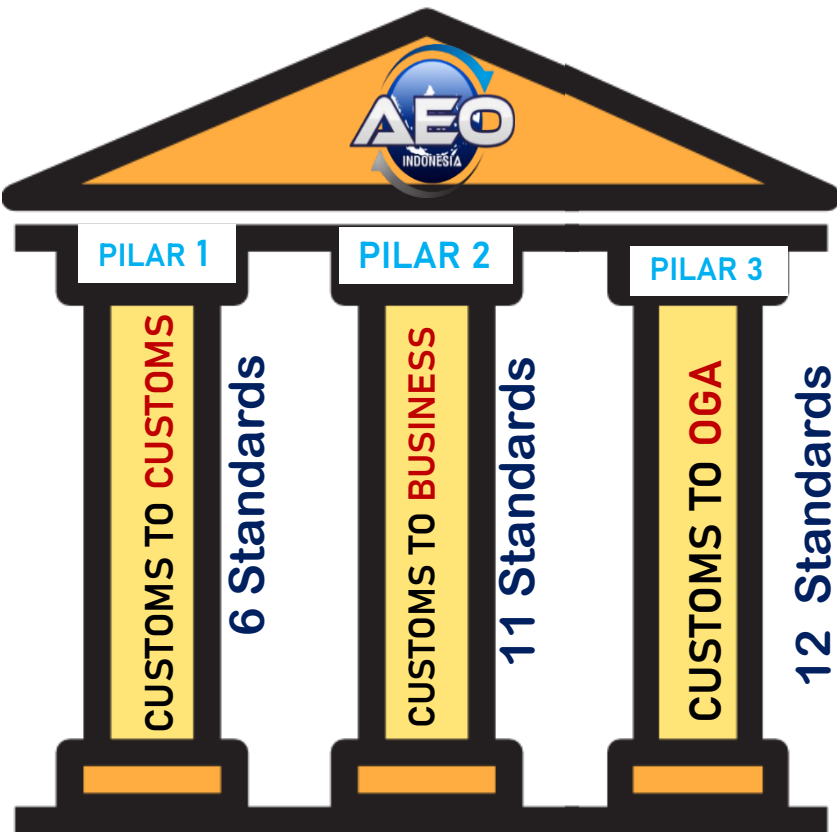
“The Framework has since been regularly updated to effectively address new and emerging developments in the international supply chain. Notable additions were provisions on Authorized Economic Operators (AEO), Coordinated Border Management and Trade Continuity and Resumption, **Pillar 3 (Customs-to-Other Government and Inter-Government Agencies)**, and Pre-loading Advance Cargo Information (ACI) for aircargo.

The forces of globalization, innovation and technological changes continue driving enormous changes in the global supply chain. To further assist Members and stakeholders in building and enhancing a secure and facilitative international trade environment, the SAFE Framework has again been updated in 2021.

The 2021 version of the SAFE Framework: strengthens co-operation between Customs and Other Government Agencies; promotes smart security devices to optimize Customs control and effectively monitor the movement of goods in a real-time basis; and, includes baseline provisions on the development of regional Customs union AEO programmes and the implementation of mutual recognition.”

- Kunio Mikuriya, Secretary General, World Customs Organization

3 PILLARS WCO SAFE FOS



01

CUSTOMS TO CUSTOMS

Establish and enhance Customs-to-Customs network arrangements to promote the seamless movement of goods through secure international trade supply chains.

02

CUSTOMS TO BUSSINESS

Customs administration will establish a partnership with the private sector in order to involve it in ensuring the safety and security of the international trade supply chain

03

CUSTOMS TO OTHER GOVERNMENT AGENCY (OGA)

The main objective of this cooperation is to ensure that the government response to the challenges of supply chain security is both efficient and effective, by avoiding duplication of requirements and inspections, streamlining processes, and ultimately working toward global standards that secure the movements of goods in a manner that facilitates trade.



WCO SAFE FRAMEWORK OF STANDARDS

2. Standards and Technical Specifications for Implementation

Cooperation within Government

2.1 Standard 1 - Mutual Cooperation

Governments should foster mutual cooperation between their Customs administration and other competent government agencies.

2.1.1. Mutual cooperation is encouraged between Customs and other competent government agencies that regulate the movement of cargo in different modes of transport including intermodal.

2.1.2. Cooperation between Customs and Aviation Authorities

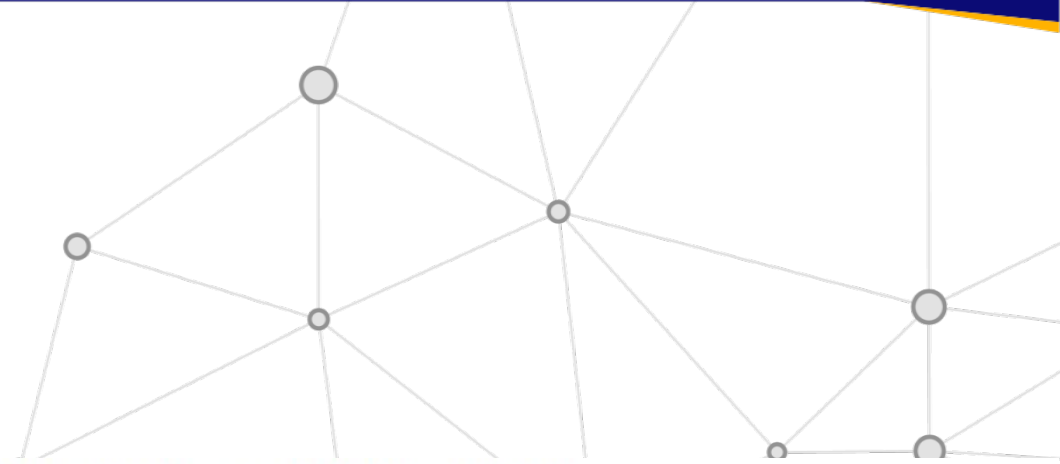
Customs should establish mutual cooperation with aviation authorities in relation to their respective security certification programmes for example the Authorized Economic Operator (AEO) Programme and the Regulated Agent/Known Consignor (RA/KC) Programme taking into account each Member's situation. Customs should encourage aviation security authorities to recognize the role consignment level Customs risk analysis may play in air cargo security. This Customs risk analysis may occasionally direct additional rescreening of consignments outside of the normal aviation security rules.

2.1.3. Cooperation between Customs and Maritime and Port Security Authorities

Customs should establish mutual cooperation with the maritime (including inland water ways) and port security authorities. Cooperation may include the alignment between AEO programmes and the *International Ship and Port Facility Security Code (ISPS Code)* with regards to areas such as the initial security assessment procedure, exchange of available and appropriate information and where possible alignment of compliance controls and follow-up activities.

2.1.4. Cooperation between Customs and Land Transportation Authorities

Customs should establish mutual cooperation with land transportation authorities in relation to transportation by land (including rail). Cooperation may include areas such as the initial security assessment procedure, the exchange of available and appropriate information and where possible alignment of compliance controls and follow-up activities.



2.1.2. Cooperation between Customs and Aviation Authorities

Customs should establish mutual cooperation with aviation authorities in relation to their respective security certification programmes for example the Authorized Economic Operator (AEO) Programme and the Regulated Agent/Known Consignor (RA/KC) Programme taking into account each Member's situation. Customs should encourage aviation security authorities to recognize the role consignment level Customs risk analysis may play in air cargo security. This Customs risk analysis may occasionally direct additional rescreening of consignments outside of the normal aviation security rules.





**WORLD CUSTOMS ORGANIZATION
AUTHORIZED ECONOMIC OPERATOR**



**DIREKTORAT JENDERAL
BEA DAN CUKAI**



**INTERNATIONAL CIVIL AVIATION ORGANIZATION
KNOWN CONSIGNOR**



**AEO
INDONESIA**



Moving Air Cargo Globally

Air Cargo and Mail Secure Supply Chain
and Facilitation Guidelines



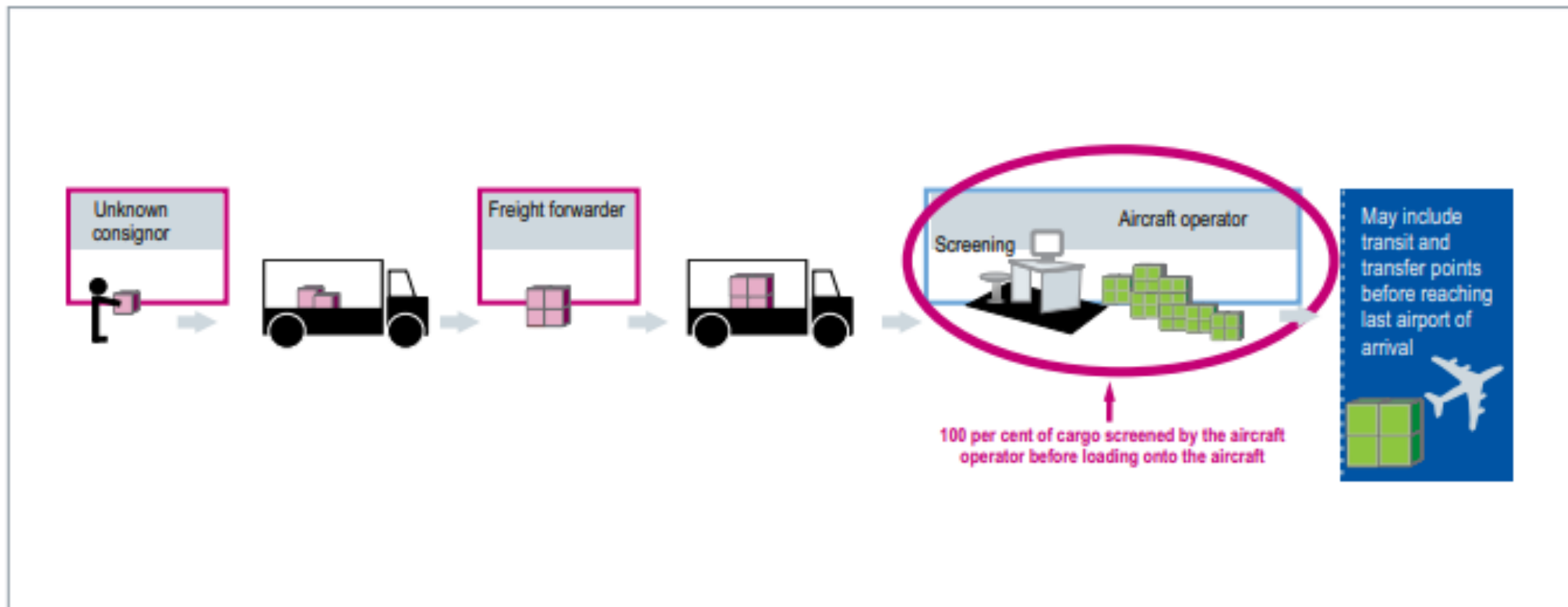
Second Edition

Cargo supply chains, the process of moving consignments from origin to destination, are often complex and subject to a range of regulatory requirements, especially when they include international movements and transport by air.

Air cargo is highly diverse in its physical characteristics and value. It may originate from, and be delivered to, almost anywhere in the world, most commonly as goods being sent from a seller to a buyer or from a consignor to a consignee. It can take the form of personal belongings, gifts and donations, product samples or equipment and even live animals for professional activities and events. It may be considered low risk – a regular shipment from a known source in a relatively safe region – or high risk – such as a more unusual shipment from an unknown source, presenting anomalies or identified by intelligence.

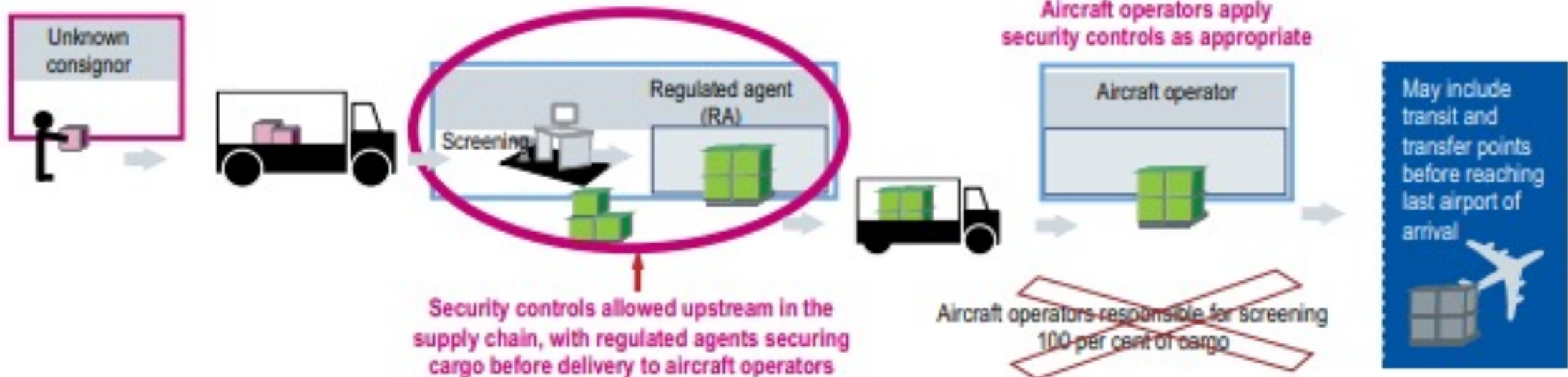
The cargo may transfer between several different flights before it reaches its destination and consignments will be subjected to a variety of procedures and documentary requirements in accordance with legal and commercial frameworks. **Authorities responsible for the safety and security of aviation, for the prevention of crime and protection of fiscal revenues, will all have an interest and their own rules.**

An aircraft operator can bear the entire responsibility of applying security controls, including screening of 100 per cent of cargo and mail before loading on to an aircraft. However, while all passengers and their baggage are screened immediately before departure, this is generally not a practical proposition for all outgoing cargo.



Regulated Agent

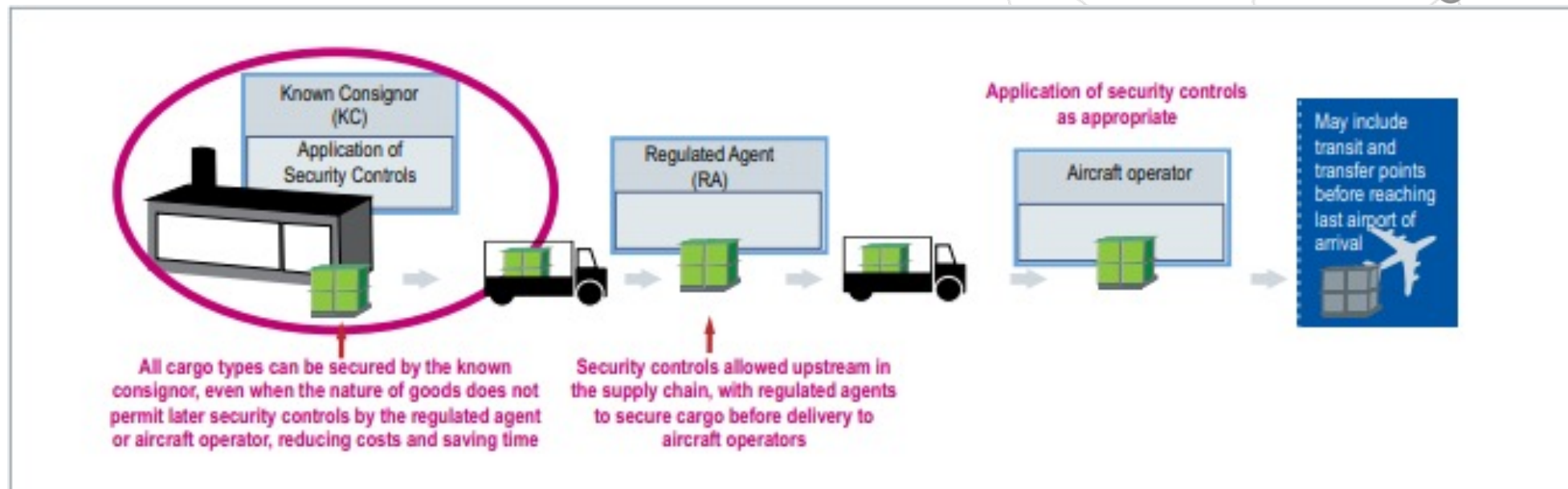
A regulated agent is a **freight forwarder or any other entity (e.g. ground handler)** that **conducts business with an aircraft operator and provides security controls that are accepted or required for cargo or mail by the appropriate authority**. Once approved as a regulated agent, an entity may **conduct security controls for cargo, including the screening of goods**. An aircraft operator may receive cargo secured by a regulated agent, which accounts for the security status of consignments.



Known Consignor

An entity may act as a known consignor when it originates **cargo or mail for its own account** and when **its procedures meet common security rules and standards sufficient to allow the carriage of cargo or mail on commercial aircraft**. Once a known consignor has accounted for the security status of cargo, the consignment **may be delivered to a regulated agent**, other approved entity, or **directly to the aircraft operator**, who then takes over the responsibility for keeping it secure until it is loaded on to an aircraft.

In order to be designated as a known consignor, an entity such as a **manufacturer or assembler** should demonstrate **compliance with the known consignor security programme** under which business will be conducted, as recognized and approved by the appropriate authority or other entity authorized by the State to act on its behalf. Known consignors should apply for designation, approval or listing by the appropriate authority at regular intervals not exceeding five years.





World Customs
Organization



**Joint WCO-ICAO Guidelines on Alignment of
the Customs Authorized Economic
Operator (AEO) and AVSEC Regulated Agent (RA)/
Known Consignor (KC) Programmes**

February 2021

In the ICAO context, an air cargo secure supply chain is a set of interconnected security procedures that are applied to a cargo consignment to maintain the integrity of such a consignment from the moment where screening or other security controls are applied until it arrives at its last airport of arrival, including through transit and/or transfer points. As specified in ICAO Annex 171, screening and other security controls are to be applied by entities that are approved by the appropriate authority, defined as regulated agents (RA) and known consignors (KC). A secure supply chain leads to a more efficient flow of cargo and provides a solution for those consignments that are difficult to screen with traditional equipment

The WCO's SAFE Framework of Standards (SAFE FoS) defines an Authorized Supply Chain as a concept under which all participants in an international trade transaction are approved by Customs as observing specified standards in the secure handling of goods and relevant information. Those participants are called Authorized Economic Operators (AEO). AEO has become a flagship programme for WCO Members as it offers an opportunity for Customs to share its security responsibilities with stakeholders, while at the same time rewarding them with a number of additional facilitation benefits. Partnership programmes with trade allow Customs to achieve more with existing resources and aim at ensuring sustainable and long-term compliance through several additional incentives.

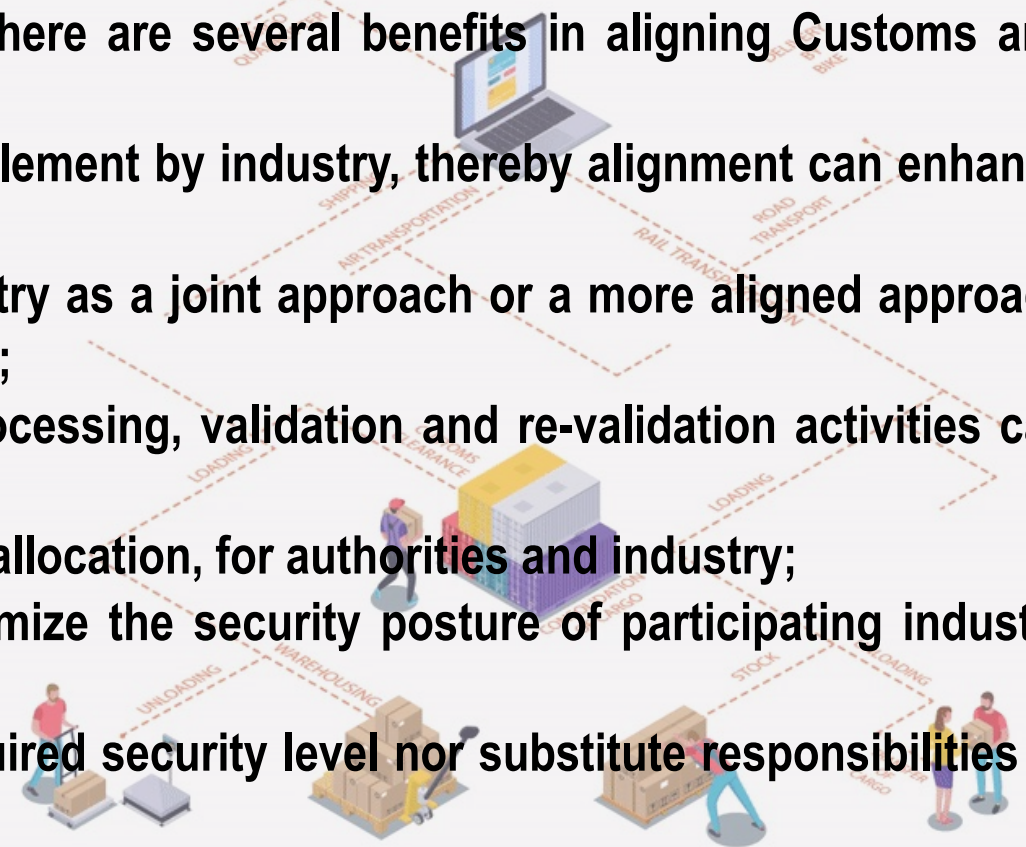


Potential opportunities and benefits of aligning secure supply chain programmes

Many entities in the aviation industries (e.g., shippers, freight forwarders, air carriers) are eligible to apply for both the AEO and the RA or KC programmes, For this reason, there are several benefits in aligning Customs and AVSEC secure supply chain programmes:

- Regulations that complement each other are easier to implement by industry, thereby alignment can enhance the level of compliance;
- Alignment can lessen the administrative burden for industry as a joint approach or a more aligned approach may be adopted for application and oversight mechanisms;
- Alignment of the handling of applications, associated processing, validation and re-validation activities can also lead to a lesser administrative burden for authorities;
- As a result, alignment can optimize human and budgetary allocation, for authorities and industry;
- Better alignment of these programmes can help to maximize the security posture of participating industry stakeholders.

At the same time, alignment should not compromise the required security level nor substitute responsibilities of respective authorities.





Process to align supply chain security programmes

- **Step 1: Ensure there is political will and executive commitment for the alignment**
- **Step 2: Ensure compliance with ICAO Annex 17 and the WCO SAFE FoS**
- **Step 3: Establish a project team, define a reasonable and workable timeline and agree on deliverables**
- **Step 4: Exchange legislation and gain understanding of each other's processes**
- **Step 5: Conduct a paper comparison of the legislation**
- **Step 6: Assess the compatibility of both programmes**
- **Step 7: Confirm the assessment by conducting a practical comparison**
- **Step 8: Establish conclusions on possible ways of alignment and seek political support**
- **Step 9: Change legislation, regulations and/or programmes**
- **Step 10: Inform industry about the legal changes**



Lesson Learned

- Both ICAO and the WCO recognize that a secure supply chain facilitates the safe movement of goods by air while helping to facilitate trade.
- While there are differences between these two systems, there are many similarities too. The WCO and ICAO have engaged each other to enhance cooperation between Customs and AVSEC authorities and promote alignment and synergies between both supply chain security programmes. This should ultimately lead to simplification of procedures and the eradication of duplicative security requirements and controls, to the benefit of authorities and industry
- SWOT Analysis
 - Strength: The alignment is possible as long as there are strong commitment and strong political will between both of customs administration and AVSEC
 - Weakness: Extra effort is needed to establish the alignment
 - Opportunity: Faster supply chain process and this alignment can lead to coordinated border management
 - Treat: Adjustment of certain security criteria and the process of legal changes

Regulation of The Minister of Transportation Number 59 Year 2019 Amendment to Regulation of The Minister of Transportation Number PM 53 Year 2017 Regarding Security Measures for Cargo and Postal Goods as well as The Supply Chain of Cargo and Postal Goods Transported by Using Aircraft: **AEO is one of the criteria to obtain Known Consignor**

d. gudang produksi/pengemasan barang *Known Consignor* harus:

1. ditetapkan sebagai Tempat Penimbunan Berikat oleh Bea Cukai dan/atau dimiliki oleh perusahaan yang telah mendapatkan sertifikat *authorized economic operator* untuk *Known Consignor* produksi; dan
2. dilengkapi pembatas fisik daerah aman (*secure area*) *Known Consignor* dengan tinggi minimal 2,44 m dan tidak dapat disusupi barang dilarang (*prohibited items*) serta dilengkapi dengan tanda peringatan (*sign board*)





Thank You

Contact Us



AEO Center, Kalimantan Building 1st Fl,
Headquater of Directorate General of
Customs and Excise, Jenderal A Yani
Street (By Pass) Jakarta, Indonesia



aeoindonesia@customs.go.id



+62 21-4753412