

Thesis Summary

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The Impact of Authorized Operators Programme A Case Study of Trade Facilitation in Zambia Sibupiwa Mwangelwa

Executive Summary

Authorised Economic Operator (AEO) programs are embedded within the framework of the Trade Facilitation Agreement and aim to reduce trade costs mainly associated with customs interactions. These reduced trade costs are expected to directly benefit traders (who pass on these reductions to consumers), improve the efficiency of moving goods across borders and ultimately result in economic growth. However, the estimated impact of these programs on Least Developed Countries (LDCs) is scarce. Thus, to estimate this impact, the research used import data from Zambia and empirically analysed it through an impact evaluation method known as Difference in Differences. Based on the results, a conclusion is drawn that AEO programs do positively affect trade; the effects thereof which are beneficial to traders and the implementing government.

Context of Problem

The research aimed to analyse the relationship between AEO programs and trade from the perspective of an LDC using locally generated trade data. This perspective is significant in view of the number of LDCs and developing countries that have or intend to implement such programs but have little to no reference for the impact of such programs in similar economies. The findings would also provide insight into some of the reasons behind the poor uptake of the program by traders.

Scientific approach/ methodology

To investigate how the AEO program impacted trade volumes and government revenue, quantitative import data was obtained from Zambia and duly analysed using an ex-post impact evaluation approach called the Difference in Differences (DiD) estimator. The DiD estimator uses historical trade panel data to empirically analyse the effects of a trade policy change for two groups (control and treated) in two time periods. To complement the quantitative method and gain better knowledge of the practical effects experienced on clearance time and costs, questionnaires were issued to AEO-accredited firms.

Key Findings

- The estimation results from the variables of interest revealed that AEO accreditation had a positive effect on trade volumes for accredited (treated) firms in comparison to non-accredited (control) firms.
- The AEO accreditation also had a positive effect on government revenue.
- A reduction in the amount of time spent at the border implies that accredited firms had an opportunity to increase the frequency of their importations and supply more products to the market. Additionally, the reduced time spent at the border meant fewer costs incurred, a benefit that likely cascaded to the rest of the supply chain.

**New knowledge
and/or
added value**

This research has contributed to the marginally existing literature on AEO programs from the context of an African country where most customs administrations find it difficult to sustain genuine dialogue with businesses and where the relationship is mutually antagonistic because compliance with customs laws and procedures is often involuntary (Buyonge & Kireeva, 2008, p. 44).

**Policy Options/
Recommendations**

- Customs administrations must endeavour to fully implement AEO programs.
- Customs administrations need to simplify the accreditation processes and channel more resources to market AEO facilities to SMEs who according to the World Bank (2019) account for 90% of businesses and more than 50% of employment worldwide.
- Customs administrations need to actualize and enhance the benefits that are to accrue to members of these programs. AEO programs must lead to tangible benefits and process improvements in order to attract participation from companies of all sectors.
- Countries also need to improve their existing customs-related Information Technology (IT) infrastructure especially at the borders in order to ensure that factors such as poor internet connectivity to servers housing customs systems such as ASYCUDAWorld are adequately addressed so as not to negate the potential benefits offered to AEOs.
- Administrations in LDCs and developing countries should also ensure that the operations of other border agencies do not negate the potential time-saving benefits offered by customs administrations to AEO-accredited firms.
- Trade facilitation initiatives such as AEO accreditation should not be done in isolation from other initiatives such as Advance Rulings or Pre-clearance.

Keywords

Trade facilitation

Authorised Economic Operators (AEO)

Least Developed Countries

Further Reading

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**About the
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Sibupwiwa Mwangelwa is a holder of an MSc Degree in International Trade Policy and Trade Law (TRAPCA in association with Lund University, Sweden), a BA in Economics, an Executive Master Diploma in International Trade Policy and Trade Law and is currently pursuing a PhD in Business and Management from the University of Zambia.



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He has more than 10 years of experience in Customs and Excise and has been involved in Post Clearance Audit, customs risk management, trade facilitation, research and policy.



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