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CUSTOMS MODERNIZATION HANDBOOK: HOW AUTHORIZED ECONOMIC OPERATORS HAVE EVOLVED: LATEST DEVELOPMENTS (2018)

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For further information, contact Eleanor Thornton, at USAID/E3 (elthornton@usaid.gov) and Victoria Waite, at Nathan Associates (vwaite@nathaninc.com).

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ACRONYMS

ABF	Australian Border Force
ABN	Australian Business Number
AEO	Authorized Economic Operator
APEC	Asia-Pacific Economic Cooperation
ATT	Australian Trusted Trader program
CBP	Customs and Border Protection
COAC	Commercial Customs Operations Advisory Committee
COO	Certificate of Origin
CORE	Consistently Optimized Resilient Secure Global Supply Chains
CTPAT	Customs Trade Partnership Against Terrorism
DIAN	Colombian National Tax and Customs Administration
DOO	Declaration of Origin
ETA	Electronic Travel Authority
EU	European Union
ISA	Importer Self-Assessment program
ISCM	Integrated Supply Chain Management
IT	Information technology
MRA	Mutual recognition agreement/arrangement
PGA	Partner Government Agency
RFB	Federal Revenue Service of Brazil
SAFE	Standards to Secure and Facilitate Global Trade
SAQ	Self-assessment questionnaire
SGAEOS	Single Government AEO Status
SME	Small and medium enterprises
SSTL	Smart and Secure Trade Lanes
TFA	Trade Facilitation Agreement
USAID	United States Agency for International Development
VAT	Value-added tax
WCO ¹	World Customs Organization
WTO	World Trade Organization

¹ WCO uses both. In this handbook, the term “agreement” is used.



PREFACE

Customs administrations continue to adapt to an ever-changing environment of growing trade volumes, new trade business models, increasing need for security, and demand from consumers regarding speed, predictability, transparency, and cost reduction. Major drivers for change are international agreements and guidance documents on supply chain security, such as the World Customs Organization (WCO) *Framework of Standards to Secure and Facilitate Global Trade* (SAFE Framework) and the World Trade Organization (WTO) *Trade Facilitation Agreement* (TFA), which entered into force in 2017.

Because of these developments, Customs administrations must move beyond their original role as the governments' primary revenue collectors to provide security from the threat of terrorism by securing international supply chains and to encourage compliance and facilitate trade. In recent years, the number of Authorized Economic Operator (AEO) programs has increased considerably, and their focus has expanded from primarily security-related issues to a more comprehensive combination of security and trade facilitation capabilities. The additional effect is that the number of Mutual Recognition Agreements (MRAs) has also increased significantly.

To assist developing country Customs administrations with their evolving roles, the United States Agency for International Development (USAID) commissioned a series of handbooks between 2004 and 2011. These handbooks were designed as tools to identify and implement Customs modernization reforms based on international best practices and include:

- Establishing and Implementing a Program Management Process
- Establishing and Implementing a Customs Integrity Program
- Establishing Risk Management/Cargo Selectivity Capability
- Authorized Economic Operators Handbook
- Post-clearance Audit Programs Handbook

In 2010, USAID published a guide titled, *Customs Modernization Handbook: Authorized Economic Operator Programs*,² which provides Customs administrations in developing countries with a practical, step-by-step guide to improving Customs performance, with a specific focus on AEOs. The publication was widely distributed, primarily to developing country Customs administrations, and served as the basis for raising the awareness of AEO programs and providing implementation guidance consistent with the WCO's SAFE Framework of Standards.

This updated version (2018) expands on the 11 steps outlined in the 2010 Handbook and provides more details about the AEO certification process (that is, the application, validation, and authorization of an AEO). This handbook targets a broad audience of officials

² See http://www.nathaninc.com/sites/default/files/AEO%20Programs%20Handbook_0.pdf.



in developing countries who represent not only Customs authorities but also other border agencies and government ministries that need to have a greater level of familiarity with AEO programs as an integral component of efficient border procedures and that may play a more coordinated role in border management activities, such as AEO programs. This updated handbook also focuses more strongly than the initial version on the certification process, piloting AEO programs, coordinated border management, and the evolution of MRAs.

This updated handbook begins with a brief overview of AEO background and developments regarding the WCO SAFE Framework of Standards and the WTO Trade Facilitation Agreement. Section 1 presents updates to the AEO program design process. Overviews of the certification process to become AEOs well as a more detailed look at piloting an AEO program are provided in Sections 2 and 3. Section 4 focuses on coordinated border management. Section 5 elaborates on mutual recognition as a major development and benefit for trade. Section 6 provides examples of new developments that are expected to influence the future of Customs work, and Appendix I features case studies that detail the experiences of countries that have designed and implemented AEO programs.



INTRODUCTION

In the past two decades, Customs administrations have played an important role in developing and implementing security programs. Given their central function in the movement of goods across international borders, Customs administrations work closely with other border agencies and entities to manage the international supply chain, and securing the supply chain requires the participation of manufacturers, importers, exporters, brokers, carriers, consolidators, ports, airports, terminal operators, integrated operators, warehouses, and distributors.

Recognizing the need to develop a uniform set of strategies to secure and facilitate the movement of global trade, the WCO began developing Customs Guidelines on Integrated Supply Chain Management (ISCM Guidelines) in 2002. The adoption of these guidelines in 2004 was followed by the adoption of the SAFE Framework of Standards in 2005. A core concept of this framework is the AEO program (Exhibit 0-1). In 2007, detailed provisions on the conditions and requirements for Customs administrations and AEOs were incorporated.

EXHIBIT 0-1 What is an AEO?

An AEO is a party involved in the international movement of goods in a function that has been approved by or on behalf of a national Customs administration as complying with WCO or equivalent standards for supply chain security. AEOs include manufacturers, importers, exporters, brokers, carriers, consolidators, intermediaries, ports, airports, terminal operators, integrated operators, warehouses, and distributors.

Source: SAFE Framework.

In 2012, the SAFE Framework included new parts with respect to coordinated border management and trade continuity and resumption. And, in 2015, the SAFE Framework was amended to include a new pillar (or Pillar 3) to foster closer cooperation between Customs administrations and other government agencies. Additionally, the WTO TFA, which entered into force in 2017, provides additional trade facilitation measures related to import, export or transit formalities and procedures for authorized operators.

Under an AEO program, Customs administrations certify companies as AEOs based on specified eligibility criteria. Once AEOs are certified, Customs administrations provide these low risk companies with benefits that can range across various time- and cost-saving measures, including reduced data and documentation requirements, simplified Customs procedures, access to priority processing and services, and an established relationship with Customs, among other things. It can also mean that trading partners have greater confidence in each other if both are part of a national AEO program. AEO programs enable Customs administrations to focus on higher-risk cargo shipments while clearing lower-risk shipments more quickly. They also establish a relationship with the trader that will include validating the business when certifying it for AEO status. The time savings can redirect resources to where attention might be needed more.



However, some countries still face significant challenges with the implementation of AEO programs; many countries, along with the private sector, are increasingly concerned that an inability to have a fully functioning AEO program that meets minimal international security standards will result in their country and goods being less competitive. An integral component of AEO programs is the need for firms to take multiple steps — voluntarily — to ensure the safe transit of their goods across international borders and to ensure the security of their supply chains, which are increasingly diversified, outsourced, and subcontracted across many countries.

Additionally, for countries with established AEO programs, MRAs have been the next step in their evolution. The private sector, especially, is interested in negotiating more MRAs because they confer substantial benefits on the companies that are members of an AEO program. MRAs have been negotiated predominantly on a bilateral basis; however, the Americas region is negotiating a multilateral agreement between Brazil, Colombia, Mexico, and Peru within the framework of the Pacific Alliance. Presently, many administrations are unfamiliar with how to negotiate these arrangements. Developing skills and a better understanding of MRAs is very important for border agencies.

INTERNATIONAL STANDARDS AND TRADE FACILITATION

AEO programs that meet the WCO's SAFE Framework of Standards and the WTO TFA commitments provide Customs administrations with the ability to certify companies in two very important areas governing trade facilitation. This credibility has great advantages for both Customs administrations and traders. This means that Customs can simultaneously assess and validate Customs compliance and supply chain security (efficiency advantage), while companies can profit from the AEO benefits related to both the SAFE Framework and the TFA. As such, AEO programs are logical next steps in many countries and are necessary for integrating other elements of the TFA, such as more comprehensive risk management systems.

WCO SAFE FRAMEWORK

The SAFE Framework is based on three pillars:

Pillar 1 emphasizes the harmonization of advance electronic cargo information requirements on inbound, outbound, and transit shipments and the use of a consistent risk management approach to address security threats.

Pillar 2 encourages the establishment of ways for Customs administrations to identify businesses that consistently demonstrate commitment to compliance with Customs regulations and security procedures as AEOs.



Pillar 3 addresses the cooperation between government agencies 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 movement of goods in a manner that facilitates trade.

A key principle of the SAFE Framework is to secure supply chains by creating one set of international standards to establish uniformity and predictability, which will provide AEOs with several benefits, such as faster processing of declarations and faster release of goods by Customs.

In 2012, the SAFE Framework incorporated new elements with respect to coordinated border management and trade continuity and resumption, and in 2015, a new pillar was added (Pillar 3) to foster closer cooperation between Customs and other government agencies. These updates included three additional standards applicable to AEO programs under Pillars 1 and 3, which supplement Pillar 2 (Exhibit 0-2) on standards for AEOs.

Pillar 1: Standard 1 – Integrated Supply Chain Management. AEOs who meet the criteria specified by the Customs administration should reasonably expect to participate in simplified and rapid release procedures on the provision of minimum information.

Pillar 3: Standard 1 – Mutual Cooperation. Governments should foster cooperation between their Customs administration and other competent government agencies in relation to their respective security certification programs like AEOs.

**EXHIBIT 0-2 SAFE Frameworks –
Pillar 2 Standards**

Standard 1: Partnership. AEOs will engage in a self-assessment process, measured against pre-determined security standards and best practices to ensure that internal processes and policies provide adequate safeguards against the compromise of their supply chains until Customs control releases cargo at destination.

Standard 2: Security. AEOs will incorporate pre-determined security best practices into existing business practices.

Standard 3: Authorization. Customs, together with representatives from the trading community, will design validation processes or quality accreditation procedures that offer incentives to businesses through their status as AEOs.

Standard 4: Technology. All parties will use modern technology to maintain cargo and container integrity.

Standard 5: Communication. Customs administrations will regularly update Customs-to-Business partnerships to promote minimum security standards and supply chain security best practices.

Standard 6: Facilitation. Customs administrations will work cooperatively with AEOs to maximize security and facilitate the international trade supply chains originating in or moving through their Customs territory.

Source: SAFE Framework.



Pillar 3: Standard 3 – Alignment of Security Programs. Governments should, where appropriate, align the requirements of the various security programs/regimes (for example, AEO and internal compliance programs) that are implemented to enhance the security of international supply chains.

Strengthening Customs-to-Other Governments and Inter-Government Agencies

Since the development of the SAFE Framework, the importance of cooperation between Customs and other government and inter-government agencies involved in international trade and supply chain security has increased. Cooperation across various agencies, especially coordinated border management and single-window initiatives, is essential at the national level. Given the nature of the global supply chain, particularly with respect to how AEOs function, such effective cooperation needs to be promoted both bilaterally and multilaterally between and among organizations representing different sectors and regulatory areas to foster and establish international harmonization and reduce the burden on both trade and government.

THE WTO TRADE FACILITATION AGREEMENT

WTO negotiations on the Trade Facilitation Agreement concluded in December 2013 as part of the Bali package, and the agreement entered into force in February 2017 after ratification by two-thirds of WTO members. The TFA represents the first multilateral agreement in which developed and developing countries agree to measures to expedite the movement, release, and clearance of goods; it has provisions for technical assistance and capacity building for developing and least developed countries and emphasizes cooperation between Customs administrations and other relevant authorities to address trade facilitation and Customs compliance issues.

WTO TFA Article 7 addresses the release and clearance of goods. Article 7.7 requires members to publish authorized operator qualification criteria, to base their authorized operator programs on international best practices, and to offer other WTO members the possibility of MRAs. It also stipulates that WTO members provide operators that meet specified criteria with lower scrutiny of inspection, including a reduction in time and documentation; that the criteria to qualify as authorized operators are related to compliance; and that the information is easily accessible. As AEO programs are voluntary, Article 7.7 is the only provision of the WTO TFA that does not automatically apply to all traders. Countries that have an AEO program and businesses that want to use the program must meet the criteria and standards as prescribed in the AEO program.



POLITICAL WILL

The development of an AEO program requires the political will and buy-in from the most senior levels. Like with any Customs-related regulatory reform effort, establishing the legal and organizational building blocks to create a functioning AEO program and conduct continued oversight in the long term depends on commitment from the highest levels of government. The management of an AEO program requires a coordinated effort at both the centralized executive level and the regional offices, where myriad actors will play a role. AEO programs will likely need to change the mind-sets of officials across several government agencies that traditionally have focused on security issues and cross-border crime. There is also likely to be a need to overcome a culture where regulatory agencies do not trust the private sector. It is sometimes difficult to address internal politics and culture where some agencies do not want to give up control over the release of exports, imports, and transit goods.





I. UPDATES TO AEO PROGRAM DEVELOPMENT

Strategic planning is required to determine the impact of the implementation of an AEO program. Important elements of the implementation include the development of a risk management system and the introduction of compliance-improving measures. This section also revisits important information related to AEO program design, organizational design, staffing design as well as capacity building for AEO staff, and the development of an AEO communications plan.

COMPLIANCE STRATEGY

The development of a highly developed risk management system — a basic condition for an advanced AEO initiative — is based on two pillars:

- i. *Risk management for transactions and goods (release and clearance).* Within the process of risk management, a division is made between different types of risks, including risks related to security, Customs duties, prohibitions and restrictions, and political and economic considerations and interests.
- ii. *Risk management for economic operators (behavior).* Risk management is integrated in the AEO program, particularly during validation of the application (see Section 2). This type of risk management is based on detailed knowledge of an economic operator and understanding of its business processes and international supply chains.

The introduction of voluntary compliance is generally based on three principles:

- In the performance of its tasks, Customs seeks to improve compliance with the relevant laws.
- Voluntary compliance by operators (importers, exporters) with their Customs obligations has a dual effect (win-win for the Customs administration and for businesses).
- Compliance leads to fair and proper treatment.

The WCO defines voluntary compliance as a strategy that, “...aims to improve the level of voluntary compliance of traders and creating the conditions necessary to facilitate voluntary compliance as the most cost-effective and efficient approach.”

The goal of a Customs compliance strategy is to encourage traders to comply voluntarily and correctly with Customs laws, regulations, and requirements and to reduce Customs’ burdens related to inspections and efforts for improving data quality. Because of this, all Customs procedures will be more effective, efficient, and transparent. In addition, the (voluntary) compliance strategy can increase revenue collection.



A compliance strategy will limit noncompliant behavior of traders by developing a strong, intensive, and effective investigation and enforcement strategy. Conceptually, Customs clients can be divided into four broad categories:

- Those who are voluntarily compliant
- Those who try to be compliant but do not necessarily always succeed
- Those who avoid complying if possible
- Those who deliberately do not comply

This segmentation is being used in a “WCO Risk Management Compendium” and in some countries’ compliance frameworks.

Incentives and simplified procedures should be applied to those who are voluntarily compliant, assisted compliance to those who try to be compliant but do not necessarily always succeed, directed compliance to those who try to avoid following the letter of law, and enforced compliance to those who are deliberately noncompliant. The key in relation to risk-based compliance management is to “steer” the client population toward the low-risk category. This goal can be achieved both by providing incentives to traders for their good compliance and by operating a credible enforcement regime that effectively and efficiently detects and punishes noncompliance.

These developments for the implementation of a national AEO initiative or program can affect the current national Customs legislation and guidelines, Customs administration and its structure, workforce planning (other required capabilities), Customs processes, and cooperation with the private sector and other government agencies.

This effort requires the development of an AEO policy and strategy by Customs senior management to manage and control the necessary changes.

EXAMPLE CUSTOMS COMPLIANCE

Many Customs administrations have incorporated within their mission the objective of achieving a good compliance outcome by undertaking ongoing measures and efforts to promote voluntary compliance by traders and businesses.



This voluntary compliance strategy is based on the following principles:

- The Customs administration facilitates and encourages the willingness and ability of traders and businesses to maintain and comply with their Customs obligations.
- Traders and businesses comply with such obligations by submitting the required documents and declarations accurately, completely, and in a timely manner and by paying their Customs duty correctly and on a timely basis.

Customs administrations can work more efficiently because their focus is to facilitate compliant traders and strengthen the enforcement of noncompliant traders. For compliant traders, the result will be fair and proper treatment, lower compliance cost, and faster release of goods; for noncompliant traders, the result will be an intensified level of inspection and enforcement (layered enforcement).

EXAMPLE TRADE COMPLIANCE

Trade compliance is the process whereby companies that transport goods internationally comply with all laws and regulations (including safety and security) of the countries to and through which goods are shipped.

Trade compliance focuses on ensuring compliance with legislation and internal company policy and logistical procedures, as well as on reducing direct and indirect logistics and compliance costs. This dual objective can be achieved by making optimal use of a variety of simplified procedures by Customs and other government border agencies.

AEO PROGRAM DESIGN ELEMENTS

Key elements of AEO program design include the legal framework, the AEO program eligibility criteria, and the benefits that AEOs will receive. All these elements, including the AEO program design principles (See Exhibit 1-1) should be in place before an AEO program can be implemented. The implementation of these elements also might have an impact on the current processes, organization, roles and responsibilities, and capacity building of Customs.

EXHIBIT 1-1 AEO Program Design Principles

- Obtain support from the highest levels of the Customs administration
- Ensure commitment to international standards
- Ensure commitment to professionalism and integrity
- Determine import or export orientation
- Strengthen Customs-to-Business partnerships
- Strengthen coordination between Customs and other government and inter-government agencies

Source: SAFE Framework.



While a regulatory framework can establish the requirements or criteria to determine whether a company can be regarded as a reliable partner, it is not always necessary to have the legal framework in place when first establishing an AEO program. Prior to establishing a regulatory framework, it is important to understand what an AEO program is before formalizing it in legislation. (See Steps 1-4 in the 2010 Handbook for more information on forming an AEO Implementation Team, AEO Working Group, AEO Project Definition, and AEO Project Implementation Plan). For the design and pilot phase of an AEO, it is more practical to publish the requirements and criteria in a less formal format that allows for modification by the Customs authority rather than in a formal format requiring legislative amendments. Many countries have formalized the AEO program requirements in legislation. The determination of these criteria is a national matter. However, these national requirements are generally in compliance with the guiding standards established by the SAFE Framework with respect to program criteria. These globally accepted standards provide an important basis for concluding mutual recognition agreements (see Section 5 below).

Customs administrations should work with the trading community to come up with a benefits package for AEOs (Step 6 of 2010 Handbook). AEO benefits are integral to the program design. These benefits provide details to the traders, or those applying to become AEOs, so that they understand why becoming authorized operators is important to them, particularly with respect to investing in the attendant costs.

An AEO program needs to have defined program criteria that are clear and known to the potential AEO users. See Step 5 in the 2010 Handbook for more details on AEO program criteria (listed in Exhibit 1-2) established by the SAFE Framework. Developments in 2012 elaborate further on two eligibility criteria: (1) regulatory compliance and (2) security.

**EXHIBIT 1-2 AEO
Program Criteria**

- Regulatory compliance
- Business records management
- Financial viability
- Security
- Crisis management and incident recovery
- Communications and training

Source: SAFE Framework.



To participate in an AEO program, a potential industry partner must demonstrate a record of compliance over a certain period as defined in national legislation. Generally, three elements are considered when evaluating a request for AEO status:

- i. **Compliance history.** Customs must consider whether the entity has satisfactorily complied with Customs-related laws over a certain period prior to the entity's application.
- ii. **Offense history.** If a person or an entity has been convicted of an offense against a Customs-related law in the preceding years (number to be determined by the national Customs administration), Customs must consider whether the actions for which the person was convicted pose a risk to the entity's international supply chain. Of importance is the role that this person has in relation to the management or control of the entity's international supply chain.
- iii. **Revoked AEO status.** The applicant must not have had a previous AEO status revoked by Customs within several years (number to be determined by the Customs administration) prior to the application.

The SAFE Framework requires AEOs to meet a set of security standards and to put in place best practices across the supply chain to ensure that these security standards are met.

- **Cargo security.** Customs and AEOs will establish and/or bolster measures to ensure that the integrity of cargo is maintained and that access controls are at the highest appropriate level as well as to establish or have routine procedures that contribute to the security of cargo.
- **Conveyance security.** Customs and AEOs will work jointly toward the establishment of effective control regimes, where not already provided for by other national or international regulatory mandate, to ensure that transport conveyances are capable of being effectively secured and maintained.
- **Premises security.** Customs, after considering the views of AEOs and their necessary compliance with mandatory international standards, will establish the requirements for the implementation of meaningful Customs-specific security enhancement protocols that secure buildings as well as ensure the monitoring and control of exterior and interior perimeters.
- **Personnel security.** Customs and AEOs will, based on their authorities and competencies, screen the background of prospective employees to the extent legally possible. In addition, they will prohibit unauthorized access to facilities, transport conveyances, loading docks, and cargo areas that may reasonably affect the security of those areas in the supply chain under their responsibility.
- **Trading partner security.** Customs will establish AEO requirements and mechanisms whereby the security of the global supply chain can be bolstered through the commitment of trading partners to increase their security measures.



AEO ORGANIZATIONAL DESIGN

Many conditions can guide the design and implementation of an AEO program. Key factors, such as nature, size, quantity, and location of the businesses in a country's AEO program, will influence the organizational design. Senior management will use these factors to determine AEO program work flows and influence decisions regarding the centralization or decentralization of the AEO accreditation processes and the management and re-validation of the certified AEOs. The volume of approved authorized operators is also vital to determining the size and composition of the AEO program's workforce and the investment needed in workforce training and capacity building.

An AEO management team should be established to manage the implementation and operation of the program. As an initial guideline, it might be useful for a government to use a sliding scale to determine the size and composition of the team. The team can be adapted during the pilot, transition, and full implementation of the AEO program. It is understood that some developing countries might have difficulty forming large teams due to human resource and budget constraints.

Step 2 of the 2010 Handbook provides guidance on forming a working group in which all the expertise and support is put together. The size of the team may be adjusted during three phases of an AEO program's development (i.e. from pilot, to transition to a fully operating AEO program). Responsibilities regarding implementation can then be gradually decentralized to the regional offices. (Section 3 of this Handbook provides more detailed information on the three phases: pilot, transition, and fully operational.)

If the AEO program has reached the mature stage, a clear distinction should be made between policy, including research and development at the centralized executive level while the day-to-day implementation becomes the responsibility of the regional offices. Having a quality assurance structure can ensure that management and control of the processes are adequate. Meanwhile, there should be open lines of communication for sharing data and intelligence regarding risk management functions and decisions, and risk invention at regional offices.

AEO PROGRAM STAFFING DESIGN

The implementation of an AEO program generally requires a range of new roles in a Customs administration. Encouraging and enabling officers to participate in the various workshops given by the WCO and other entities is important for the successful implementation of an AEO program. These roles will use officers' existing skills and knowledge in compliance and supply chain security, but new skills and knowledge are often



required. The composition of an AEO team will depend on the resources available but should minimally include a Supply Chain Security Specialist/Account Manager (see 2010 Handbook Step 8). In addition to the Account Manager, other AEO-related positions may include an AEO operations manager, validation manager, and information technology (IT) manager (see Appendix 2 for job descriptions).

The workforce model in Exhibit 1-2 defines roles in the AEO-related processes. The AEO functions and activities can be grouped into three practical areas to distribute activities across a strategic-operational continuum.





EXHIBIT 1-2 Workforce Model for AEO Programs

RESPONSIBILITIES	POTENTIAL POSITIONS
STRATEGIC POLICY AND MRA POLICY	
<ul style="list-style-type: none"> • AEO program policy development- change in objectives, outcomes, organization; • MRA negotiation and management; • Strategic policy-border and supply chain regulatory framework and overall compliance model • Strategic risk management 	<ul style="list-style-type: none"> • Manager for AEO Strategic Policy • Supervisor for AEO Strategic Policy • Senior Officer for AEO Strategic Policy • Manager for MRA • Supervisor for MRA • Senior Officer for MRA
AEO PROGRAM OPERATIONAL SUPPORT	
<ul style="list-style-type: none"> • Learning and development • Workforce Management- recruitment, retention, succession planning • Governance - executive briefings, evaluation and reporting, audit • On-going development of the AEO Management System • Program evaluation and monitoring • Program process improvement, documentation and governance in consultation with the field offices • Operational risk management <ul style="list-style-type: none"> • Work flow management • Acceptance and routing of applications and self-assessment Questionnaire (SAQ) • Allocation of Account manager to clients • Support for Account 	<ul style="list-style-type: none"> • Manager for Operational Support (AEO) • Operations Support Officer
AEO REGIONAL OPERATIONS	
<ul style="list-style-type: none"> • Accreditation process and account management <ul style="list-style-type: none"> • Relationship management • Research • Legal advice • Application eligibility testing • SAQ meets criteria on paper and vetting • Validation- physical verification meets criteria • Certification- Partner Agreement, control plan, ceremony • Management and Monitoring • Re-certification • Suspension, Revocation • Appeals • Ongoing compliance monitoring of AEO's • Ongoing account management for AEO's 	<ul style="list-style-type: none"> • AEO Manager • Accounts Manager • Validator



CAPACITY BUILDING FOR AEO PROGRAM STAFF

All staff who are directly or indirectly involved in the AEO program are required to have adequate knowledge of the program, its structure, and its expectations of applicants. It is important to ensure that those who are directly involved in management of the program or accreditation, monitoring, and evaluation activities (or both) have the necessary knowledge, skills, and competencies to perform their duties effectively. Customs officers' existing skills and knowledge in compliance and supply chain security must be used as much as possible, but new skills and knowledge may be needed. Appendix 3 provides a comprehensive list of training courses that can be tailored for and delivered to appropriate staff to support the implementation and operation of an AEO program. In general, the following areas are important knowledge bases for AEO program staff:

- Comprehensive supply chain security and trade compliance assessment training for staff involved in the validation process
- Supply chain security and trade compliance assessment training for account managers and staff involved in the assessment and accreditation process
- Awareness training for Customs staff who are not directly involved in AEO
- Awareness training for industry
- Ongoing education and training
- Integrity training related to cooperation Customs and private sector (Customer management)

AEO PROGRAM COMMUNICATIONS PLAN

A communications strategy will assist in raising awareness of the national AEO program and help to prepare target audiences for its introduction. The importance of the outreach campaign cannot be underestimated. With the design of the AEO Program, the Customs administration needs to look to enhance the momentum of its communication activities to-date and reengage with the AEO program's target audiences. Central to this strategy is the requirement to communicate the benefits of the pilot AEO program and to ensure that industry and affected staff are engaged, consulted, and supported as the project evolves. Where appropriate, communications for the AEO program will complement and support any messaging being delivered by the Customs administration as part of its broader strategy for Customs modernization.



COMMUNICATION AND INFORMATION (PUBLIC RELATIONS) STRATEGY

To design and develop an effective communications plan, several matters are important: target audience, objectives, key messages, and communication channels.

Target Audience

The Customs administration first must determine the target audience — for example, internal Customs departments, trade and industry, and other government organizations.

Objectives

It must then determine the communication objectives. What is the aim of the communication and information provision? For internal communication, it is important to raise awareness of the AEO program and the nature of the changes that might have an impact for staff working with, for example, trade facilitation, simplified Customs procedures, and post-clearance auditing. It is of importance that Customs staff understand the benefits of the program and the influence that it will have on Customs risk management. Customs management must be informed and kept up-to-date during the design and implementation phases and encouraged to promote the AEO program as a new compliance control program that will change its approach to trade and its relationship with industry.

External communication must focus on awareness about the program and the benefits that the AEO program can offer. Another objective is to inform the international supply chain-related operators about the application and accreditation process, benefits for (pilot) participants, and ongoing compliance monitoring program. For the development and acceptance of the AEO program, it is particularly valuable for the Customs administration to invite external stakeholders to provide constructive input and feedback.

Key Messages

To communicate an unambiguous message, it is important to elaborate key messages that can be used repeatedly. Clarity and consistency are important throughout the design and implementation phase of the AEO program. The outreach program must explain the AEO program to trade stakeholders, the public, and the press, emphasizing supply chain security, trade facilitation, reduction of administrative burden, voluntary compliance, industry partnerships, a risk-based and information-led program, and coordination with other border agencies.



Communication Channels

Customs management must choose the kind of communication channels and social media and events that can best convey the message (Exhibit I-3).

EXHIBIT I-3 Channels of Communication

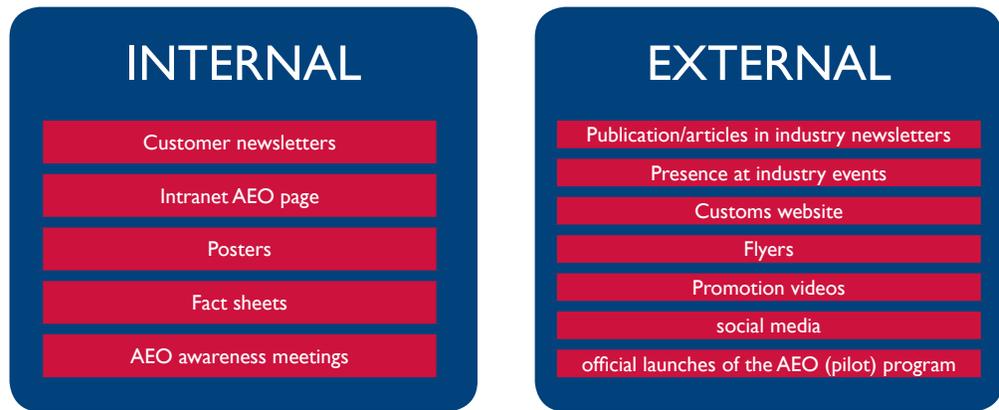


Exhibit I-4 offers a practical example of creating a Customs–private sector platform by collaborating with the Chamber of Commerce and Industry.

EXHIBIT I-4 Practical Example of Creating a Customs–Private Sector Platform in Collaboration with the Chamber of Commerce and Industry

In September 2017, the Moldova Chamber of Commerce and Industry set up an AEO Network. The platform was set up to facilitate discussions on topics of interest to AEOs and to handle practical questions and improvements related to the implementation of AEO programs. Some activities of the AEO Network include the distribution of relevant Customs, taxation, and foreign trade news, interaction with AEOs in other countries, and promotion of and participation in the AEO Conference held by the World Customs Organization. The Network holds regular working meetings to review the current situation of AEOs in Moldova and, in particular, to exchange information on implementation and detection and reporting of problems.

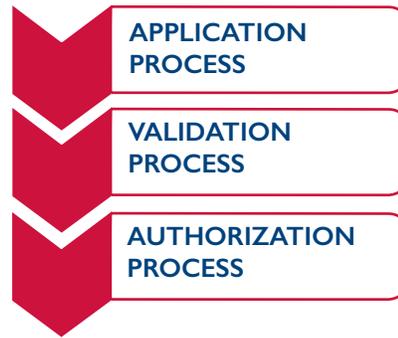
At present, more than 100 companies have AEO status, but many more reliable companies meet the criteria and could become an AEO and benefit from simplified import and export procedures and savings of costs and time spent on Customs. The Chamber of Commerce will continue to support the business environment to develop and facilitate international trade, organizing many training courses on AEO and trade facilitation in the future.



I. AEO CERTIFICATION PROCESS

AEO programs aim to provide trade facilitation benefits to those businesses that can demonstrate sound supply chain security and trade compliance practices. This requires a solid verification model to ensure compliance standards over time. The AEO certification process is designed in line with international standards and best practices to foster and promote compliance and supply chain security.

This certification process consists of three phases:



APPLICATION PROCESS

Applicants for an AEO authorization must complete an application and security profile to join the AEO program. The application process requires transparent procedures for review and approval. Steps include detailed instructions for completing the application and standard operating procedures for reviewing, verifying, and approving applications. The process includes internal checks and controls.

1. Receive and register the application

The AEO applicant completes the application form and sends the form to the Customs administration. Once the application is received, the Customs administration (for example, the AEO Management Unit) confirms receipt and registers the application in the AEO application management system.

2. Validate the application

On receipt, the application is checked for completeness and assessed to ensure that the eligibility requirements³ are met.

3. Assess suitability

Based on the application, an internal vetting process starts. The purpose of this suitability assessment is to identify potential participants who are unlikely to pass the certification process due to current intelligence or trade compliance holdings. If the application does not meet these requirements, the applicant will be advised (by letter) to add the missing information or to consider reapplying for the AEO program when it can meet all the necessary requirements.

4. Acceptance of the application

If the AEO applicant complies with the requirements, the application is approved by the Customs AEO Operations Management followed by an initial or kickoff meeting to start the validation process.

³ For this phase, it is important that internal information can be accessed and made available (for example, criminal history, financial compliance in the past with Customs duties and levies, information from the Chamber of Commerce).



VALIDATION PROCESS

After Customs accepts the application, the validation process starts. The key objective of the validation is to form an opinion on whether the AEO applicant meets the program criteria and whether the business's Customs compliance and supply chain security systems and processes ensure the integrity and accuracy of the Customs-related information regarding imports, exports, and other Customs procedures and whether they ensure the security of the company's international logistics transactions.

There are ten steps in the validation process:



1. Validation Planning

Planning is essential to running an effective AEO validation. Proper preparation will help to ensure the successful completion of a complex set of procedures and tests. The initial step is to set the validation's scope and objectives. The scope and objectives of the AEO validation serve to coordinate the key elements of the validation process. The validation planning covers the choice and order of validation procedures, the sites to be visited, interviews to be held, the time frame and dates, and required resources (for example, security, IT, and Customs procedures).

2. Information Gathering

The validator⁴ must understand the business's supply chain operations because an essential part of understanding the business is having a clear view of the business's processes (the international supply chain). The sources in Exhibit 2-1 can be useful.

⁴This position may also be referred to as a supply chain security specialist or account manager.



EXHIBIT 2-1 *Useful Sources of Information*

<p>OPEN SOURCES</p>	<ul style="list-style-type: none"> • Articles in newspapers, trade journals and other industry press • Internet information • Third-party information • Annual reports
<p>INTERNAL INFORMATION</p>	<p>To participate in an AEO program, an AEO applicant must demonstrate a record of compliance over a certain period. This compliance information must be obtained from internal sources. The type of company related data available depends on the content of the national Customs data warehouse and records. The following are examples of relevant information regarding the applicant:</p> <ul style="list-style-type: none"> • Import and export statistical data for such areas as duty, values, refunds, and volumes • Previous audit working papers and audit reports • Previous physical inspection reports • Background information (for example, criminal records) • Requests for refunds or drawbacks of duty • Processing results and waste/loss statements <p>Finally, where permitted under the current legislation, it may be possible to request relevant information from other (border) agencies and the Tax Administration that keep data about the AEO applicant.</p>
<p>BUSINESS INFORMATION</p>	<p>Business information relevant to the AEO program can be obtained by interviews with the applicant's management and operational staff. Conducting interviews can be very time consuming. Therefore, many Customs administrations make use of a Self-Assessment Questionnaire (SAQ). The AEO applicant is asked to complete a pre-defined SAQ to provide Customs with information related to its type of activities, its role in the international supply chain in general and specific information regarding the AEO program requirements. During a validation start-up meeting, the SAQ should be explained and discussed and information should be collected to consider which facilitations/benefits are most appropriate for the business and its activities.</p>



3. Understanding the Business Systems

A systems-based approach to an AEO validation requires the validator to identify enough information about relevant business and security systems and processes to be able to test the business's internal control and monitoring systems. Accordingly, the first objective of the validator is to gain the necessary knowledge of the business's systems related to the scope and objectives of validation (that is, international supply chain-related activities). The applicant may be requested to fill out a self-assessment questionnaire (SAQ) (Exhibit 2-2). These business systems will generally relate to such areas as the following:

- Ordering and purchasing goods
- Contracts and payments
- Procurement
- Transport arrangements/safeguarding of transport
- Records of the receipt of goods or raw materials
- Production records, including raw materials into production, production into inventory, and efficiency reports (losses/gains)
- Product files including details of product classification, value, origins, and other relevant details
- Picked/packed products and deliveries
- Sales and invoicing (domestic and export), including customer files
- Reporting (to Customs) systems
- Returns and credits
- Hiring and firing of staff
- Security of information
- Security of premises and buildings, including maintenance
- Security of conveyances
- Security of cargo (units)

EXHIBIT 2-2 SAQ Information

The types of documentation the validator should be requesting would include procedure manuals (job descriptions), policy statements, operating instructions, computer system and network descriptions, and control manuals. There are other possible sources of information, if the business's senior management agrees to provide access to them:

- Relevant internal audit reports and discussions with the company's internal audit staff
- Relevant risk assessments performed during the annual external financial audit cycle phase
- External audit management letters and reports and, possibly, discussions with external auditors

During this stage, the validator should also obtain an understanding or confirmation of the business's organizational structure.



It is important to have a clear picture of the company's (internal) business controls and the monitoring of the business's activities. A comparison should be made to establish whether the objectives for Customs duties, other regulatory requirements, and security issues are similar for Customs and the AEO applicant's business. The next step is to form an opinion of the internal monitoring systems of the operator. The following are important aspects of this control environment:

- Segregation of duties
- The way in which duties, authority, and responsibilities are assigned
- Skills and integrity of the management and its attitude toward internal control
- Skills and integrity of the employees and their attitude toward security

4. Initial Interview

The initial interview should be conducted with the business's management staff. It is important to meet representatives who are involved with relevant Customs and security processes. The following points are important to discuss:

- Outline of the scope and objectives of the visit
- The results of the SAQ
- Concerns and need for further explanation and information regarding the business and internal control and monitoring systems
- Awareness and compliance with Customs procedures, Customs duties, other regulatory requirements, and safety
- Other external audits

5. Risk Assessment

Understanding the business is the starting point for the risk assessment. Risk assessment is necessary to discover the strengths and weaknesses of the business's internal control environment.

The next step is to **identify the specific risks** associated with the business's supply chain activities and the trade facilitation benefits that the business is interested in receiving. When the validator understands a business and the objectives are clear, the validator can determine whether potential risks are relevant for that specific individual business. In addition, the validator can form an opinion about the measures the business has taken to cover these risks and assess whether these risks are significant or not. To make such an assessment, it is possible to use the applicant's documented internal control measures and to conduct a business systems verification.



An assessment of the business’s risk can be completed by using the **risk mapping** method. The risk mapping method is widely used in the business community. In addition, Customs can benefit by introducing risk mapping as a systematic approach to the assessment and judgment of risks. Furthermore, a systematic approach is also required to determine how a business should be controlled and evaluated after certification.

Risk mapping prioritizes the risks by evaluating the likelihood and impact that risks will have on Customs’ interest and objectives (Exhibit 2-3). Risk mapping is a method that structures and supports the weighing and judging of risks. Customs can develop a structured approach aimed at risk identification, risk assessment, control approach, and evaluation for continuous improvements. Once the risks are identified as relevant and assessed, they can be evaluated to provide a comprehensive picture of all significant risks. The different risks are mapped in terms of their consequence and likelihood of occurrence. Although the assessment of the risks is not always quantitative, the risk map provides a degree of transparency regarding the risk environment of the operator in relation to the AEO program facilitation/benefits.

EXHIBIT 2-3 Risk Mapping Method of Classifying the Impact of Risk on Objectives

		Consequences				
		Insignificant	Minor	Moderate	Major	Critical
Likelihood	Almost Certain	Medium	High	High	Extreme	Extreme
	Likely	Medium	Medium	High	High	Extreme
	Possible	Low	Medium	Medium	High	Extreme
	Unlikely	Low	Low	Medium	Medium	High
	Rare	Low	Low	Low	Medium	High

6. Conduct the Validation

Using the knowledge of the business systems gained during the validation planning and information gathering stage, the next step is to identify and analyze the appropriateness and effectiveness of the trader’s internal controls that are relevant to ensuring compliance with Customs and supply chain security. “Identifying and analyzing internal controls” involves three key steps, as follows:

1. Understanding the internal controls
2. Understanding the relationship between controls and risk in the business systems
3. Understanding the various risks — that is, inherent risk, control risk, and overall confidence in the level of compliance of the trader



Having identified internal controls in the business systems and made initial judgments about these controls and about the confidence as to compliance, the next step is to test the effectiveness of those internal controls. This testing is conducted by following four steps:

- Understanding how the relevant internal controls operate
- Designing the control tests
- Selecting the sample size for the control tests
- Testing, documenting, and analyzing the control test results

Systems verification can be achieved by conducting walk-through tests or examining system documents. Walk-through tests are used to confirm the completeness and accuracy of the validator's understanding of how a significant transaction is processed or how the storage and movement of a commodity is controlled. After "walking through" each significant process, the validator will be able to assess whether the systems description is correct and used as intended (design and existence of the internal control measures).

7. Evaluation of and Response to Residual Risk

After all relevant risks are assessed, including the business's internal control measures to reduce and control these risks, there may be some risks that are not (sufficiently) covered. These are called the "residual" or "under control" risks. If the conclusion is that the system-based approach (that is, relying on the internal control system of the business) is not or only partly possible, there must be an evaluation as to whether the business should be informed about why it may not meet the criteria and provide guidance on adjustments or improvement actions (by the business) that must be put in place to reduce the risk to an acceptable level. Response to risk means one or several of the following strategies:

Tolerate the risk:

To some extent, there is a degree of judgment in every response to the most significant risks. Some risks cannot be avoided; some risks cannot be practically and affordably reduced to zero likelihood or zero impact. Whenever the risk tolerance is significant, it should be explicitly stated, understood, and approved by an appropriate level of Customs AEO management. Customs can tolerate a risk if:

- The cost of control is greater than the benefit (that is, risk severity is acceptable).
- Capacity building or standard operating procedures will mitigate the risk.
- The risk is mitigated through monitoring for any change and control through random examinations, and/or post-clearance audit.



Treat the risk:

Because the response to significant risk will be active rather than passive, there will be some variation in the treatment of significant risks. By treating risks, the aim is to change the likelihood or the impact of a recognized risk to achieve Customs' compliance and security objectives. In the evaluation, if the AEO status of the business, including Customs facilitation and benefits, is found to be credible, it can be considered that significant risks can be (effectively) reduced by specific administrative or validation measures carried out by Customs. These measures must be described in an overall control plan.

Terminate the risk:

Once the validator has identified the cause of the risk and determined the consequences, the validator must decide whether the cause can be eliminated. For example, if there is a serious lack of monitoring of supply chain security measures within the company premises, it is expected that the cause of this risk will not be resolved soon. In this case, the validator makes a strategic decision not to accept this risk due to a high level (high impact and high likelihood) of identified risks. The risk can be avoided by rejecting the business as an AEO or by limiting the facilitation benefits. If a company does not meet the requirements, it can be given a list of action items to meet in order to be re-evaluated, otherwise they do not become an AEO.

8. Reporting

When the validation is complete, a report is prepared highlighting matters of significance and presenting the validator's conclusions on the risks that have been identified and tested. The report should include evidence that supports the validator's conclusions and provide details on corrective actions required to address any significant issues identified. The validation report is intended to accomplish the following general objectives:

- Conclude the validation
- Communicate the findings and associated evidence to the operator and Customs AEO management
- Outline recommendations for internal and/or external improvements
- Confirm agreements reached with the operator
- Assist in future activities, supervision, and validation
- Record the traceability of the validation



The validation report is issued as a draft. The draft conclusions are shared and discussed internally and with the AEO applicant. In terms of formatting the draft validation report, the validator is expected to include the following basic headings:

- Scope of the validation
- Name of the business
- Brief description of the business's supply chain operations
- Work carried out and tests performed during the validation process
- Findings and conclusions of the validation (note: the conclusion is an advice to Customs management about authorization of the applicant)
- Procedures to be amended or implemented
- Business's views on the conclusions drawn by the validator

See Appendix 4 for a sample validation report template.

The validation report is, in principle, for the internal use of Customs. It is good practice to inform the business about the results by producing a validation report specifically for the business. Another option is to advise the business about the findings and results of the validation process by a letter.

9. Control Plan

The validator should also produce a draft individual control plan. The control plan is a starting point for monitoring the business and has a standardized format. The control plan addresses how the detected risks should be monitored over time. It describes and plans how Customs will monitor the business and respond to the risks identified (Intended control measures, such as checks and profiles on declarations, physical inspections of goods, site visits, and so on). This part of the report will be shared with the AEO program account manager and will be registered in the Customs Management System as the basis for monitoring the identified risks and supporting maintenance of the agreed compliance level.

10. Validation File

The final step is to create a validation file. A "validation file" is where key information, documents, or records gathered or created during the validation process are stored. The validation file stores all related documentation, serving as a single source for validators, managers, reviewers, and others; keeps the validation history and audit trail; and provides accountability by detailing what was done, by whom, and the facts and reasons to support the decisions and conclusions made. Depending on the format of the item being stored, the "validation file" can be paper based or an electronic folder. In practice, the "validation file" is usually a combination of both.



AUTHORIZATION PROCESS

When the decision has been made by the Customs AEO management team to provide AEO status to a business, a certificate is issued, and the certification details are entered into the AEO management system. The certificate declares that a business has met the international standards in relation to security, compliance with Customs rules, financial solvency, and competence or professional qualifications. The certificate is also designed to provide businesses with an internationally recognized quality mark proving that their role in the international supply chain is secure and their Customs controls and procedures are efficient and compliant. The certificate can also be a compliance motivator. It stimulates mutual trust and stipulates that AEO status is not a free benefit.

At the same time,

- A letter or Memorandum of Understanding between Customs and the operator detailing any necessary improvement actions or mutually agreed obligations (where appropriate) is separately made and signed.
- The certificate is officially handed over to the authorized operator.
- The AEO status is confirmed to the trader and entered in the AEO management system.
- The control plan, made by the validator or with the validator's advice, is finalized.

POST-CERTIFICATION: AEO MANAGEMENT AND MONITORING

As the creation of an established relationship with Customs is an important benefit for AEOs, a key component of an AEO program is the introduction of AEO account management to establish ongoing, regular contact and interaction between the AEO and Customs. An important position is the account manager, who will be the direct point of contact at Customs for the AEO and will focus on relationship management with industry. The Customs administration also has enforcement obligations to ensure, that after certification the AEO continues to meet the program requirements. For each individual AEO, an overall control plan should be issued to arrange ongoing monitoring and periodic re-evaluation of the AEO status. This process can be divided into three sub-processes:





I. Managing the AEO

Important AEO program elements to achieve Customs compliance and supply chain security include working in partnership, responsibility, and open communication to achieve compliance and security. Good account management promotes an equal partnership between Customs and the AEO and develops an open and transparent relationship that can facilitate the identification of enhanced solutions and further benefits. Account management can bring these elements to life by designating a Customs contact point to support communication between Customs and the AEO, as well as within Customs and other relevant stakeholders. It is crucial for the success of an AEO program that the Customs account manager is well informed about the history, current situation, and actual developments and events affecting the international supply chain of the AEO to be able to determine appropriate control measures for current and future supply chain developments.

The following are some functions of the designated account manager:

- Being available day-to-day to respond to questions
- Handling the exchange of information and reports with the AEO
- Arranging meetings and business visits, ensuring good governance when appropriate
- Proactively supporting the AEO with information about upcoming changes that potentially can have an impact on compliance and service levels, variations in current licenses and authorizations, as well as the AEO status
- Building networks with key institutions within and outside the own administration to enable businesses to receive the correct information and thus foster compliance

2. Monitoring

After certification of an AEO, the Customs administration (account manager) must monitor the AEO's international supply chain-related activities and processes on an ongoing basis to ensure continued compliance with trade and security measures.

There are three monitoring levels:

- I. Data and information available in the Customs information and intelligence systems and databases and data collected via open-source monitoring are analyzed with the aim of periodically monitoring the AEO and identifying potential early warning signals related to compliance and supply chain security.
- II. Evidence (actively) gathered through physical, documentary, and/or post-clearance controls, site visit reports, and information from other agencies are analyzed.
- III. When specific risks occur that require attention, an in-depth audit on specific risk issues is conducted.



The monitoring and evaluation activities are based on a control plan. This control plan is designed after the validation phase and is updated continuously, depending on monitoring and evaluation results. The Customs account manager must ensure that there is at least an annual assessment and analysis of the monitoring results. The results should be converted to a tailor-made activity plan. This plan of inspections, audits, and other control activities must be in line with the level of the business's (internal) control framework⁵.

3. Re-evaluation

Re-evaluation of the AEO should happen after a maximum monitoring period of five years. Also, it is possible to conduct partial re-evaluation reviews that focus on areas of the AEO's supply chain activities that have changed since the initial validation.

Periodic monitoring of results, as well as desk reviews, risk analysis, and validation/ re-certification reviews all support considerations of whether the AEO still meets the program requirements. Decisions can be made about the variation, amendment, suspension, or cancellation of AEO status, if applicable. Changes in facilitation benefits, licenses/ authorizations, and other benefits can be considered and, in case of continuation, a revised control plan should be developed.



⁵ The (internal) control framework is the set of standards, processes, and structures that provide the basis for carrying out internal control across the business activities. The senior management establishes the tone regarding the importance of internal control measures including expected standards of conduct. The control framework comprises the integrity and ethical values of a business. It includes the business structure and the assignment of authority and responsibility and performance measuring.



3. PILOTING AN AEO PROGRAM

In the 2010 Handbook, Step 10 lays out general guidelines for piloting the AEO program with a representative sample of the most active and compliant companies from different industries. This section elaborates on how operational processes can change when transitioning an AEO program from the pilot phase to a fully operational program. Additionally, it provides further detail on dependencies that can affect the success of the pilot as well as pre-conditions and selection criteria to consider when planning the pilot. Finally, as monitoring and evaluation are crucial to AEO program implementation, this section provides guidance on testing, measuring, and evaluating the success of the pilot and its readiness for the next phase.

The AEO program pilot has the following scope:

- To test and refine the systems, processes, procedures, and documentation used to support the AEO program
- To engage the pilot partner businesses into the AEO program
- To test operationally the benefits delivered under the AEO program
- To perform base work for the establishment of an MRA with a priority trading partner country
- To determine whether the IT system can support the risk management component of the program

PILOTING THE AEO PROGRAM

The project plan of the AEO working group identifies (see 2010 Handbook Step 3) the importers, exporters, transporters, and brokers with the most import and/or export declarations (volume), the highest Customs value, and revenue contribution. The initial objective is an analysis to determine whether a high level of compliance can be determined for these companies. These companies are the most likely candidates for piloting the AEO program (Exhibit 3-1). Once the candidates are identified, representatives of the AEO working group brief the companies' decision makers on the requirements and benefits of the AEO program and invite them to participate in the pilot.

After the pilot phase, the number of companies can be expanded and other roles in the supply chain can be included, providing an opportunity to adjust the size of the AEO pilot team and to train new staff.

It is up to the national Customs administration to decide when the pilot can transition into a full AEO program. At this time, the organization has reached the stage where the program can be officially launched and opened to all interested companies.



EXHIBIT 3-1 Example of a Pilot Planning Phase

Activity description /period	TIMELINE							
	P1	P2	P3	P4	P5	P6	P7	P8
Pilot plan	■							
Internal analysis and selection	■	■						
Information provision		■	■					
Invitation			■					
Pilot launch				●				
Application				■				
SAQ				■	■			
Validation					■	■	■	
Evaluation								■
Conclusion								●

● Public Announcement

DEPENDENCIES

The success of an AEO pilot program is influenced by several factors. The main dependencies are the following:

- **The AEO program design.** The draft AEO program design (criteria, benefits, risk assessment methodology) is expected to be sufficiently elaborated and ready for approval by the Customs executive management team for the pilot to use and to develop and issue the core documents and forms (application form, SAQ) supporting the accreditation process.
- **The AEO process design.** The draft process design (certification process) is accepted by Customs management for pilot use.
- **The AEO staff.** Appropriate staff are identified, dedicated, and sufficiently trained or prepared to carry out the AEO accreditation process. This means that basic skills and competencies for the core roles in the AEO process are available.
- **Industry consultation and partnership between Customs-to-Trade.** The AEO implementation team has consulted and informed trade and industry about the upcoming AEO program and pilot approach and is receptive to feedback.



PRECONDITIONS

For the preliminary selection of the pilot companies, the following must be considered:

- Start with a small number of pilot companies
- Consult and inform pilot companies of the content of the draft AEO program (eligibility criteria, benefits, validation process) and invite their voluntary participation in the pilot
- Assign a contact officer to each pilot company who will be available for advice and assistance during the certification process
- Provide necessary training on the AEO program to the managers and staff of the pilot companies
- Limit the pilot period of testing to a defined time frame
- Document all stages of the certification process with clear objectives, findings, milestones, and performance indicators
- Evaluate the pilot results properly, which means involving internal and external pilot participants
- Deliver a detailed report at the end of the pilot phase on behalf of the Customs executive management team and involved stakeholders

SELECTION CRITERIA

Selection criteria of companies for the first pilot include the following:

- Companies' role in the international supply chain
- Volume and number of transactions of companies' activities (should be significant)
- Assessment of the entire company once selected for certification (regarding international supply chain–related activities)
- Pilot candidates' experience with similar programs in other countries
- Consideration given to limiting the geographic spread initially (location, port of export) and to limiting the type of export (air, sea, container)
- A satisfactory Customs compliance history



TESTING, MONITORING, AND MEASURING

Evaluation of the AEO pilot implementation is important. Pilot participants are asked to provide feedback on the certification process, including the documentary requirements, the potential benefits, and any additional aspects of the AEO concept that may need review or re-assessment. The pilot is evaluated periodically to determine whether the program is meeting key project criteria and is ready to be made available to the wider trading community. There will be ongoing monitoring during the pilot, and evaluation will occur on a periodic basis.

The pilot will provide an opportunity to test and measure the following:

- Whether the supply chain security standards are relevant and attainable
- Whether the trade compliance standards are relevant and attainable
- How risk management strategies of industry compare with the AEO requirements
- Whether supply chain security and trade compliance for business partners and service providers of AEO participants are relevant and attainable
- Whether policies and processes function efficiently
- How the AEO will operate across diverse industries and geographic locations
- How ongoing monitoring of compliance will be validated
- How the risk assessment during certification can be undertaken
- Which benefits may apply and how the value of these benefits can be measured
- How collaboration with other government agencies can be achieved
- Whether the Customs executive team has adequate internal systems, resourcing, and expertise to deal with an expected increase in AEO program participation

EVALUATION CRITERIA

The key parameters for evaluation of the pilot can be grouped into the following steps:

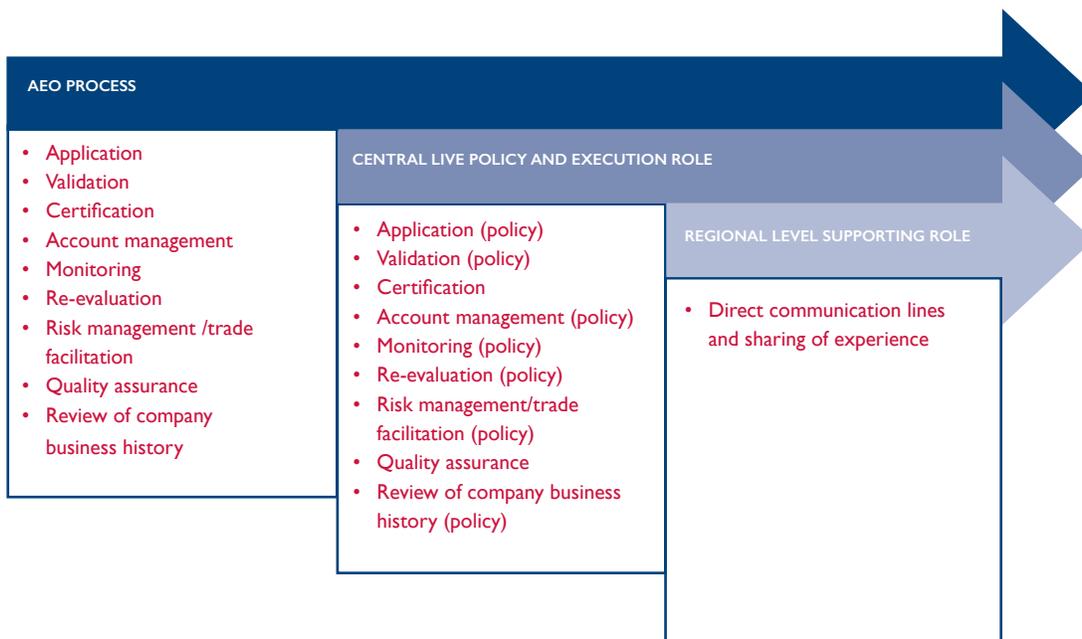
- Evaluation of processes — impact and effectiveness for the Customs administration
- Evaluation of processes — impact for traders
- Benefits to traders — for example, improved trade facilitation
- Ability to achieve intended benefits to the Customs administration — for example, potential for increased supply chain security and improved risk management
- Ability to deliver benefits to other government departments
- Readiness assessment for next phase — for each stage of the pilot and for the full program



PHASE I — PILOTING AN AEO PROGRAM

During the pilot phase, all AEO policy and operational processes are centralized (Exhibit 3-2). An AEO implementation team and working group (the latter is a small executive team) is responsible for testing the overall design of the program, for drafting the AEO requirements and the trade facilitation options and benefits, including all related duties and taxes, methodology, and document formats, and for executing the AEO pilot program. The execution of the pilot remains at the central executive level (that is, headquarters); however, the AEO working group should coordinate and communicate with relevant Customs officials at the regional offices, who can function in a supporting role, as they will likely be responsible for implementing the AEO program once it is up and running.

EXHIBIT 3-2 *Distribution of Responsibilities during the Pilot Phase of an AEO program*



Core skills and competencies need to be available on a permanent basis to ensure the continuity of the pilot, to adjust the AEO program as needed, and to communicate and exchange information with the pilot companies and involved stakeholders. Supporting departments such as IT, human resources management, and communications should be available on an as needed basis. It is also important to cooperate with Customs officials at the regional level, especially during development of the account management functions and validation tasks and responsibilities.

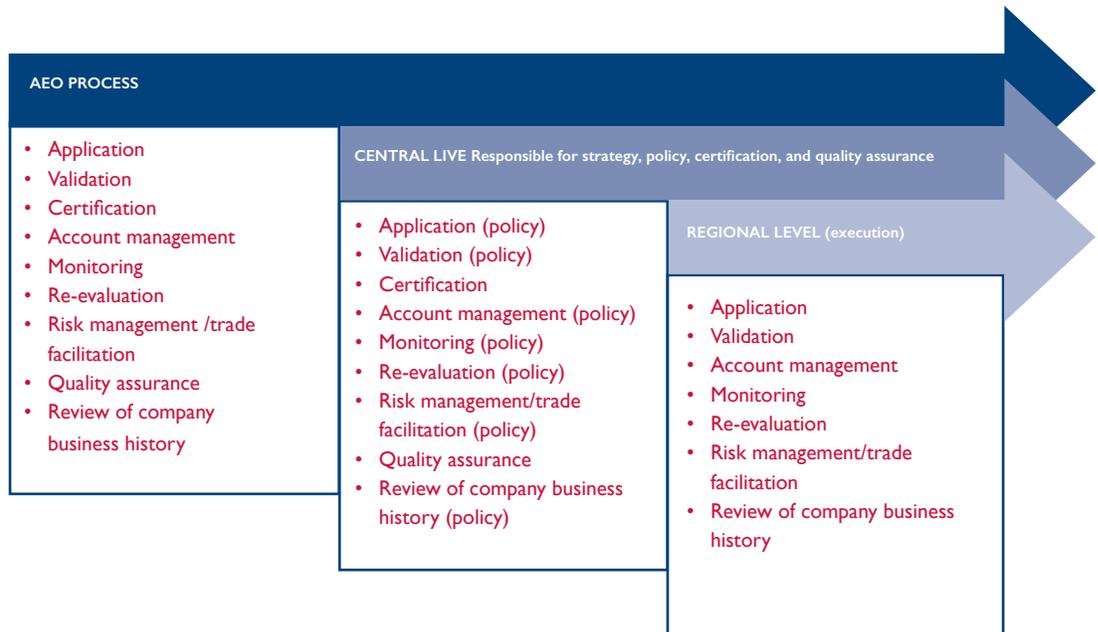


PHASE 2 — TRANSITION

During the transition phase, the executive working group is responsible for planning the work flow based on the anticipated number of applications, the complexity of those applications, and the number and complexity of authorizations issued as well as for ensuring the availability of qualified staff (Exhibit 3-3).

The decision-making responsibility for granting the AEO status needs to remain at the central level to ensure unity of policy and implementation. When the program is still in the development and growth phase, policymaking, development, and coordination should remain under the sole responsibility of Customs executive management team. Other operational process-related tasks can be assigned to regional Customs units (if applicable), provided that sufficiently detailed guidelines are in place to ensure the uniformity of implementation of tasks and the efficiency of workflows.

EXHIBIT 3-3 *Distribution of Responsibilities during the Transition Phase and Long-Term Operation of the AEO Program*





PHASE 3 — MATURITY OF THE AEO (LONG-TERM OPERATION)

Once the AEO program has become fully operational, the execution of all activities is generally the responsibility of the regional offices. AEO policy and final decision making remain the responsibility of Customs executive management, with supporting departments maintaining responsibility for the sustainability of the program components such as AEO criteria, trade facilitation procedures, and AEO benefits. In addition, a structured quality monitoring and measurement system should be put in place to ensure the progress and expected outcome (quantity and quality) of the AEO processes. In case of any deviation, a procedure is needed for analyzing and improving the process.

The provision of information from AEO monitoring can either be the responsibility of the centralized executive office or the regional offices depending on efficiency and access to the Customs data and information systems.





4. COORDINATING BORDER MANAGEMENT

The AEO program was born as a Customs-led program following the guidelines of the SAFE Framework of Standards. In its maturation process and as more countries design and implement AEO programs, best practices are being identified and incorporated into existing programs or those still in design.

One of those best practices is the engagement and inclusion of other government agencies in the AEO certification process. According to a World Bank statistic, Customs is only responsible for a third of the delays in Customs clearance operations. The other two-thirds are attributable to the other border agencies, for example, the Departments of Agriculture, Fisheries, Health, Commerce, Environment, Culture, and Immigration, among others.

Based on the primary concept of AEO certification, which is to contribute to the security of the supply chain and to provide trade facilitation measures to operators, it is difficult not to consider border control agencies as an essential part of the AEO program. In the Latin American and Caribbean region, Colombian Customs took the first steps to create a broader AEO program with the participation of several government agencies in 2011. (See a more detailed case study description in Appendix I.)

Based on good practices in the Latin American region, other countries are following this innovative approach and have adopted the same type of AEO program, building a strong partnership with other government entities and establishing inter-institutional agreements. Several countries, such as Brazil, the Dominican Republic, and Jamaica have already implemented AEO country programs. Customs administrations in many other countries, such as Costa Rica, Ecuador, Mexico, Panama, Peru, and Uruguay, are in negotiations with other partner agencies to make them part of the AEO certification.

Therefore, an AEO program becomes a platform for effective cooperation and for coordinated border management. The engagement of different agencies, always led by Customs, contributes to a more comprehensive approach to the security of the supply chain, incorporating fiscal and para-fiscal risks derived from intellectual property rights, illicit substances harmful to the health of citizens, transport of arms, human trafficking, and money laundering, among others, that the different government entities have identified and that can also be addressed through an AEO program. In practice, the step to include the other border agencies in the AEO program can be relatively easy with the agencies added having a positive view of the program and eager to learn it. However, it can be challenging in cases where there is a lack of political support or understanding of AEO programs generally.

Furthermore, the comprehensive management structure of the AEO certification process provides additional benefits (such as better service from those agencies, predictability, and faster clearance times) to private operators, increasing the value of the certification. In



practice, the advantages related to a reduction in controls and clearance times are extended not only to Customs but also to other border agencies, providing integral treatment to Customs export and import operations. This also has a positive impact on promoting compliance in the private sector, as companies receive better and wide-ranging treatment and service from their government.

In countries where a compliant and secured private sector already enjoys important benefits with Customs, access to additional benefits provided by other government entities is an incentive for trade because it leads to further simplification of documentary requirements and reductions in time, controls, and costs by those agencies. This is a path for increasing the competitiveness of countries.

Coordinated border management also has other positive repercussions related to the sustainability of an AEO program. In addition to positioning a Customs administration as an institution with leadership capacity, the promotion and coordination of inter-institutional collaboration by Customs makes it possible for a stronger AEO program at the national level due to the participation of other ministries and departments, including the Ministry of Finance and even Defense or the Presidency.

In the case of Colombia and the Dominican Republic, the AEO program has become a key element in the national defense strategy as well as a promoter of competitiveness. The support at the highest level of the country helps to leverage and strengthen the programs, guaranteeing their sustainability and the appropriation of the resources necessary for their management. Colombia's program is available to exporters and importers, and works among institutions where there are several control authorities that have security requirements and grant benefits:

- For exporters: Customs, Anti-narcotics Police, Colombian Agriculture Institute, National Institute for Drug and Food Surveillance;
- For importers: Customs, Anti-narcotics Police, and the Colombian Agricultural Institute.

Finally, government collaboration under the AEO program has helped to develop the skills for securing the supply chain in a more integrated and coordinated way. The Inter-American Development Bank, with its support of AEO programs in the Latin American and Caribbean region, has been encouraging the strengthening of the coordinated border management element within AEO programs by promoting the exchange of experiences, facilitating working missions between countries, and providing a virtual course on this topic.



5. MUTUAL RECOGNITION

An important component of an AEO program is to provide benefits for the companies that participate. On top of national AEO benefits, the ultimate benefit is to conclude a mutual recognition agreement with major trading partner countries, which makes it possible not only to provide national benefits to the AEO companies but also to realize AEO benefits in partner countries.

In Section VII of the SAFE Framework, the mutual recognition concept is defined broadly, whereby an action or decision taken or an authorization that has been properly granted by one Customs administration is recognized and accepted by another Customs administration. A standardized approach to the AEO authorization process provides a solid platform for the long-term development of international systems of mutual recognition of AEO status at bilateral, sub-regional, regional, and global levels.

For a system of mutual recognition to work, the following elements are essential:

- The AEO programs are compatible and conform to the standards and principles set out in the SAFE Framework.
- There is an agreed set of common standards that includes guidelines for both Customs and AEOs.
- Standards are applied in a uniform manner so that one Customs administration may have confidence in the authorization of another.
- Legislation is in place to enable the implementation of mutual recognition.

MUTUAL RECOGNITION STRATEGY

It is up to the Customs executive management team to determine the mutual recognition strategy. For example, which trading partner countries are of importance to conclude an MRA?

The most important considerations in this regard are the economic impact for the national trade, but political reasons can also influence the strategy. Is the focus on the most important trading partner? On import and/or export? What types of activities? What is the impact of quantity and value? What is the major type of import/export goods? What is the expected time frame to conclude an MRA? What are the most important issues for industry? To cut costs? To reduce lead time in supply chain? Which benefits are of importance for the business and the economy?

⁶ An MRA refers to the signing of a formal document between two or more Customs administrations outlining the circumstances and conditions in which AEO programs are recognized and accepted by the signing parties.



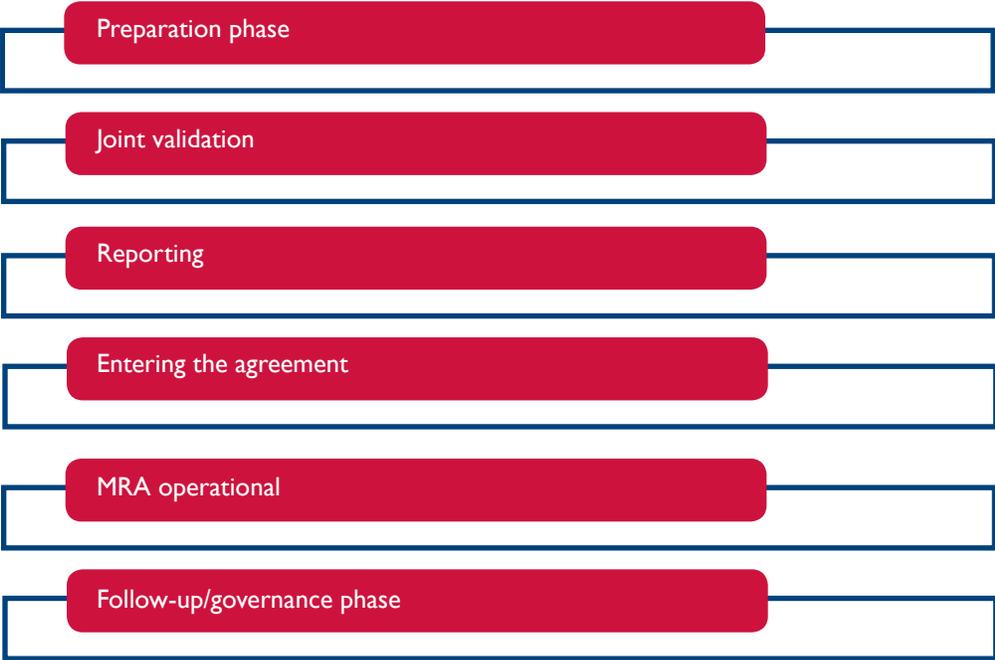
A range of aspects need to be taken into consideration for making choices with which country. A thorough analysis by the MRA policy department (see workforce planning) is necessary to determine a well-founded and successful strategy.

When moving forward with MRAs, it is important to undertake the following:

- Build an MRA team
- Appoint an MRA team manager
- Make a thorough analysis of key trading partner countries for export
- Include all existing internal stakeholders in the reference group
- Examine the preparations needed from a foreign affairs perspective
- Establish the necessary contacts from an overall government perspective
- Design the MRA model with standard operating procedures to ensure consistency and process control.

MUTUAL RECOGNITION IMPLEMENTATION APPROACH

To conclude an MRA, a structured approach is needed as well as a model that encompasses all phases in the MRA process. Six phases are generally recognized:





PREPARATION PHASE

The MRA process starts with a high-level commitment between Customs administrations to consider an MRA at the appropriate level.

To be well prepared for the MRA validation, a self-assessment of the Customs administration's own program is advised to ensure that the national program is fully implemented and operational. The national AEO program must meet international standards, and legislation must be in place to enable mutual recognition.

Both Customs administrations nominate the members of the MRA validation and negotiating team and ensure that these members have the mandate to act on behalf of their administration and that a Customs mutual assistance agreement or memorandum of understanding is concluded that allows the necessary exchange of information between both Customs administrations.

JOINT VALIDATION

During the validation of the mutual AEO programs, both administrations make a side-by-side comparison and evaluation regarding their respective AEO program. This evaluation includes, among other things:

- Identification of the benefits available for the economic operators of both AEO programs and the benefits that may be offered to AEO companies through an MRA
- Comparison of the AEO program criteria/requirements, which implies a side-by-side assessment of the detailed requirements for entry into the program and the ongoing standards and processes that must be met to remain in the program. This comparison includes an analysis of the gaps that are present between the programs, how they may be resolved, or risks mitigated, and how compliance is monitored and maintained on an ongoing basis
- Examination of IT components to consider data and format for identifying the AEOs of the partner's AEO program

The comparison is followed by a joint (on-site) validation to observe and assess the processes and practical implementation by which the other country validates that the program requirements are met to ensure the robustness and equivalence of those processes.



ENTERING THE AGREEMENT

The findings and conclusions are discussed in the mutual Customs administrations for formalization of the MRA in a text for consideration by the executive management of each Customs administration. Where necessary, negotiations take place over the substantive elements (including trade facilitation benefits) and the text of the MRA. After negotiations are concluded, the agreement is formally signed.

Negotiation aspects include the following:

- What is the legal format of the agreement?
- Which benefits are in place?
- Which data protection measures are required?
- Which information/data set is exchanged?
- How are these data updated (authorization, suspension, and revocation)?
- Will there be a pilot phase?
- What are the points of contact?
- Signing ceremony, including public relations?

REPORTING

The findings and draft conclusions of the AEO program assessment and, if there are any, the recommendations are compiled in a draft report. This draft report is discussed by (representatives of) the validation team to ensure that the findings are based on and according to the actual situation. The preliminary conclusions and recommendations are discussed first internally at the national level and then in a final joint meeting.



MRA OPERATIONAL

After signing the agreement, the MRA becomes operational by implementing the terms of the MRA, including commencing the exchange of data identifying the AEOs and the changes in support systems and business processes. This process ensures that the AEOs can assert the right to the agreed benefits.

When the agreement is in place:

- Decide the moment of becoming operational
- Exchange the AEO companies in both programs
- Make AEO reference in the declarations to recognize the AEO status in the risk management systems
- Provide information to traders (publicity) and determine the communication lines
- Develop a mechanism for measuring reporting and performance
- Hold regular meetings in the first instance to ensure smooth operations
- Hold regular meetings at least once a year to provide updates on the program and discuss operational issues
- Consider new joint validations

MRA GOVERNANCE

Designated points of contact must be provided to the partner country to ensure short communication lines. There also must be ongoing monitoring to assess the impact of the MRA against the objectives and to ensure that standards are being met. This would involve periodic joint validations/reviews, including consultation of the AEOs affected by the MRA to ensure that the standards of the respective programs are maintained, and evaluation of the efficiency of the MRA to ensure that it is facilitating trade and/or enhancing supply chain security.



6. NEW DEVELOPMENTS

AEO programs have adapted as practices have changed. Despite the often-basic benefits offered, relatively few companies have voluntarily left AEO programs. Frequently, companies cite the influences of industry quality standards and requirements as the driving factors behind investing in AEO status. Additionally, experience has shown that the development of security and compliance programs as separate entities can create challenges for MRA negotiations and the optimization of benefits for all stakeholders. These challenges have highlighted the importance of using holistic approaches to develop AEO programs that offer powerful incentives for compliant AEOs to improve further and maintain compliance over time. After more than 15 years of operation, programs are beginning to incorporate lessons learned and other new areas that will address current world issues.

NEW MODEL

Since the global financial crisis and implementation of the WTO TFA, common trends and elements are evident in new programs. The following are the most significant characteristics:

- “AEO becomes a holistic model for the entire operation of the organization.
- An AEO is a Trusted Trader and should always be treated as one.
- AEO must provide a powerful benefits package for all stakeholders.
- AEO is a management system.
- AEO is a smarter control program with better but less intrusive controls that produces facilitated, faster, and more predictable processes.
- AEO programs must have an effective management, monitoring, and evaluation process.
- AEO programs must be measured and results transparently presented.
- AEO must be developed to become a single government AEO status that includes all border agencies.
- AEO needs to include all stakeholders in the supply chain . . .
- AEO innovation is back!”⁷

HOW WILL THE FUTURE BE DIFFERENT?

Bringing back holistic programs is a key concept for new AEO programs. Once a company is certified as a Trusted Trader, it stays one so long as it remains compliant and should be treated as a Trusted Trader by the entire Customs administration and other areas of government. While benefits have always been a main attraction for companies to join AEO programs, governments need to add to and adapt them constantly. For example, “There are also new benefits related to service-level agreements for average release times and

⁷ Lars Karlsson, “Back to the Future of Customs: A New AEO Paradigm Will Transform the Global Supply Chain for the Better,” *World Customs Journal* 11 (1, March 2017).



structured facilitated routines when the flow of goods is interrupted. Innovative new benefits related to multi-agency cooperation and coordinated border management are another emerging area.”⁸ Brazil’s program, which is explored in Appendix I, highlights an AEO program offering new or additional benefits to standard programs.

While coordinated border management and single windows can address border bottlenecks, AEO programs can also improve bottlenecks and average release times through the creation of a single government AEO status. This extends a company’s Trusted Trader status to all border agencies. For AEO status to be operational, the processes for gaining AEO status must reflect the criteria, risks, and requirements of the other border agencies.

As more countries continue to develop holistic, modern, and mature AEO programs, they will also negotiate and sign more advanced MRAs that include compliance and security. These MRAs could also potentially include multi-agency environments such as international trade hubs, which would be a huge change for AEO programs and global trade. Countries are also beginning to capture measurements of the programs through the rigorous monitoring of results such as speed, predictability, service, and cost savings. The monitoring and reporting of these results will further strengthen the conversation on improvements to AEO programs.

CHALLENGES FOR SMES

It is often thought that AEOs only benefit large, multinational corporations; however, the process is easier for small and medium enterprises (SMEs). Despite the easier process, programs need to address the challenges that SMEs face such as a lack of necessary resources to apply for AEO status and the reduced potential to meet requirements. “Some countries are now developing interesting models where the existing AEO infrastructure is being applied and used to lower the initial investment cost for SMEs seeking to enter an AEO program.”⁹ Even with all the enhancements of new AEO programs, blind spots continue to exist in transshipments, free zones, and transit.

SMART AND SECURED TRADE LANES

The importance of ensuring a smart and secure supply chain for society, trade and industry, and government is also driving new developments in AEO programs. The vulnerability of supply chains not only is expected to harm trade, but also can affect the safety and quality of life of society. If the Customs administrations do not collect enough tax revenue, governments will have less money to reinvest in the country. Likewise, if border controls fail

⁸ Ibid

⁹ Ibid



to detect weapons of mass destruction entering a country, the consequences could be huge. As a result, supply chain security is high on the agenda of both governments and companies. Even though everyone agrees on the importance of safe supply chains, a common approach remains unclear. The public sector is actively working on producing new and more advanced security certificates and supporting the development of scanning equipment to detect illegal shipments or tax fraud. However, traders experiencing these initiatives see them as bureaucratic, resulting in excessive and costly paperwork and delays at the borders due to the necessary scanning of cargo and screening. To add to the frustration, international traders must deal with different security certificates for different continents. Some traders have even developed their own security requirements, but they do not always align with government regulations and may incur even more costs.

International cooperation and harmonization of measures is increasing to improve supply chain security while at the same time expanding transport and logistics networks for effective access to markets throughout the world. For example, a joint statement by the European Union (EU) and the United States on the safety of supply chains advocates “facilitating and expediting the smooth flow of legitimate international trade through the use of multi-layered risk management tools.”¹⁰

Other international initiatives include countries cooperating to develop global supply chain security research and standards for information exchange. Central to the development of these standards is the WCO Globally Networked Customs together with industry associations that act as a catalyst for international cooperation, forum discussions, and industry involvement.

Initiated in 2015, the CORE (Consistently Optimized Resilient Secure Global Supply Chains) project works to improve supply chain management and supply chain security sector (port, container, air, post). The CORE project aims to enhance the efficiency, speed, and reliability of legitimate trade and logistics, while enhancing the effectiveness of supervising global trade and safeguarding supply chain security and other societal challenges.

CORE also aims to achieve both business-driven objectives and societal objectives related to global trade and logistics simultaneously. Business objectives focus on the realization of lean, agile, resilient, sustainable, compliant, and trusted supply chains. Societal objectives focus on enhancing supply chain security levels and safeguarding society against illegitimate trade and criminal threats associated with international trade and logistics.

¹⁰ United States and European Union, “Joint Statement on Supply-Chain Security,” Brussels, June 23, 2011 (<https://www.dhs.gov/xlibrary/assets/us-eu-joint-statement-supply-chain-security.pdf>).



The CORE project has three key objectives:

- “End-to-end Supply Chain Security fostering standardization, harmonization, and mutual recognition
- Controlled global visibility of security risks and other supply chain threats and their impact on supply chain flows around the world . . .
- Real-time Lean Agile Resilient Green Optimized supply chain solutions offering a highly innovative approach to designing supply chains resilient (in real time) to major disturbances caused by high-impact events”¹¹

Several new tools from the CORE are ready for use, including the following:

- New-generation scanning systems
- Customs dashboards
- Data pipeline solutions
- Risk management tools
- Risk-Intelligent Supply Chain Simulator

CONCLUSION

The future of AEO programs is likely to evolve as their use expands across all parts of the supply chain, including the transshipment of goods, free zones, SMEs, and all government agencies involved in the movement of goods across borders. These innovative AEO and MRA programs, based on international standards and best practices, mark an evolution of the Customs area through compliance management, provide benefits for all stakeholders in the supply chain, and contribute to a new, safer trade environment.

¹¹ CORE Project, “Key Objectives” (<http://www.coreproject.eu/>).



APPENDIX I. COUNTRY EXPERIENCES

THE NETHERLANDS — LOOKING TO THE FUTURE

The Netherlands was one of the pilot countries when the EU took its first steps toward the development of an Authorized Economic Operator program. While the term AEO was introduced in 2005, no specific conditions for it existed until later. However, Dutch Customs had a long experience in classifying traders and in using “tailor-made” controls.

The Netherlands would allow a more trusted status, depending on the transparency of a company. This status and the types of controls applied to individual businesses would be determined by the level of their internal control measures, monitoring and correction systems, knowledge of Customs and trade rules, and the amount and quality of their data. This was the so-called “client approach,” which relied mainly on administrative checks when possible and conducted physical inspections when and where necessary.

The long-running experience of the Netherlands was taken into account when developing the AEO standards during the pilot phase in 2008. The outcome of this pilot led to the legislative acts on AEO that entered into force on July 1, 2009. Since then, this concept of trustworthiness, already present in the enforcement mechanisms of the Customs authority, has been codified, and a standardized application procedure, a certificate, and treatment in controls, inspections, and facilitation as provided by the AEO facilitation rules were written into rules and law.

Challenges

In the beginning, interest in AEO status in the Netherlands was not sizable, primarily because traders saw this new phenomenon as an additional administrative burden. Some issues arose in part from the pre-existence of similar mechanisms in the Netherlands, including:

- Previously the facilitation and control treatment for businesses was based on companies’ individual values, now the same treatment required an application, a “judgment” of Customs, and a certificate, creating an administrative burden.
- The Netherlands had in place a summary version of the AEO self-assessment form “without any underlying documentation,”¹² which led to certificates being granted too easily and the need to introduce an improvement program.
- The AEO–Security and Safety track was completely new, creating a learning curve for traders.
- There was a lack of accessibility for SMEs, as the demands on internal control measures often were too high for them and the investments to meet the required standards did not pay back.

¹² Deloitte, “The Authorized Economic Operator (AEO) Concept: Blessing or Curse?” *Customs and Global Trade Newsletter* 1 (4, August 13, 2013).



- In theory, mutual recognition of AEO status between authorities creates an additional value for the certificate. However, the success of that principle is limited since the mutually recognized traders are not in the high-risk sectors and areas of Customs business.

Successes

Despite some concerns in the first few years, in the Netherlands hundreds of economic operators ended up applying for the AEO–Security and Safety, AEO–Customs Simplification, or both. As a result, the Netherlands makes up a substantial portion of the total number of AEO registrations within the EU (around 10 percent as at November 2018).¹³ This has occurred partly because of the successful introduction of numerous AEOs as well as the Netherlands’ early lead in the concept.

The success is due in part to the close cooperation between Customs and the private sector through the Dutch National Customs-Business Consultation group, which provided a forum for discussions on improving AEO benefits. Through these discussions, it became clear that one of the main benefits of AEO registration in the Netherlands was the ability to show proof of compliance from a government authority, in this case Customs. The AEO certificate becomes a form of business quality assurance certificate for third parties with facilitation of Customs as merely a secondary benefit. This allowed third-party firms considering doing business with an AEO-compliant firm to have a verification of their credibility, payment behavior, and so forth. In the past, this verification typically would have been done through other means.

Future Plans

Dutch Customs has invested a lot in a smart and secure supply chain approach, where smart means high-quality genuine data from the source, and secure means the physical integrity of the goods being moved. Similar to how the AEO conditions were piloted with traders at the end of the previous decade, now the requirements of Smart and Secure Trade Lines (SSTL) are being explored with the Netherlands as one of the founding members.¹⁴ Goods that are transported in a smart and secure supply chain might not be inspected on arrival, as the Customs authority can re-use the outcome of controls at departure.

¹³ European Commission, “Authorised Economic Operators – Query Page” (http://ec.europa.eu/taxation_customsdds2/eos/aeo_consultation.jsp?Lang=en).

¹⁴ European Commission, “Smart and Secure Trade Lanes Pilot (SSTL)” (https://ec.europa.eu/taxation_customs/general-information-customs/customs-security/smart-secure-trade-lanes-pilot-sstl_en).

¹⁵ U.S. Customs and Border Protection, “CTPAT: Customs Trade Partnership Against Terrorism” (<https://www.cbp.gov/border-security/ports-entry/cargo-security/ctpat>).



UNITED STATES — CTPAT PROGRAM — FROM SUPPLY CHAIN SECURITY TO SECURITY AND CUSTOMS COMPLIANCE

After 9/11, the Customs Trade Partnership Against Terrorism (CTPAT) was created to ensure greater border security through partnerships with international supply chains. At its inception, it was the first worldwide supply chain security program. Currently, it has more than 11,400 certified partners, who account for more than 52 percent of cargo imported into the United States.¹⁵

CTPAT is a voluntary public-private partnership program, which brings together international supply chains and government entities concerned with border security. If a company becomes a CTPAT partner, it benefits, for example, from shorter waiting times at borders and reduced number of Customs and Border Protection (CBP) examinations, among other things. The CTPAT program helps to identify reliable and secure supply chains for both CBP and potential AEOs.

Successes

As well as being the first worldwide supply chain security program, CTPAT has had substantial successes in integration on a global scale through MRAs. CTPAT signed its first MRA in 2007 with New Zealand and has expanded since to include Canada, the Dominican Republic, the European Union, Israel, Japan, Jordan, Mexico, Singapore, South Korea, and Taiwan. The securing of additional MRAs links the various international industry partnership programs together to collaborate and create a unified and sustainable security posture that assists in securing and facilitating global cargo trade. Mutual recognition promotes end-to-end supply chain security based on program membership.¹⁶ While CTPAT has always believed that MRAs are a long-term goal given its rigorous implementation process and maintenance phase, it continues to see the benefits as greater than the costs.

Future Plans

Although CTPAT started as a supply chain security program, it has larger goals of being a security and Customs compliance program. A main objective of CTPAT is to operationalize the Trusted Trader strategy and convert members of the Importer Self-Assessment (ISA) program to CTPAT Trade Compliance, which would make the CTPAT the “AEO” program for the United States. CTPAT will be the foundation of the Trusted Trader strategy and build on it with compliance, partner government agency (PGA) partnerships, and MRAs to ensure a secure and efficient global supply chain.

¹⁵ U.S. Customs and Border Protection, “CTPAT: Customs Trade Partnership Against Terrorism” (<https://www.cbp.gov/border-security/ports-entry/cargo-security/ctpat>).

¹⁶ U.S. Customs and Border Protection, “CTPAT: Customs Trade Partnership Against Terrorism Mutual Recognition” (<https://www.cbp.gov/border-security/ports-entry/cargo-security/c-tpat-customs-trade-partnership-against-terrorism/mutual-recognition>).



The Trusted Trader program will further try to align with AEO programs for mutual recognition and to allow U.S. PGAs to integrate into the framework. The Commercial Customs Operations Advisory Committee (COAC) was created in tandem with the Trusted Trader strategy. The committee advises the Department of Treasury and Department of Homeland Security on issues such as global supply chain security and facilitation, Customs and Border Protection modernization and automation, air cargo security, Customs broker regulations, trade enforcement, exports, Trusted Trader programs, revenue modernization, and a single U.S. government approach to trade and safety of imports, agricultural inspection, and protection of intellectual property rights.¹⁷

In addition to the Trusted Traders program, CTPAT is working to review and update the minimum-security criteria, which partners must meet in order to apply for the program. This update comes after 16 years of operation and will focus on strengthening and clarifying current requirements, while adding areas such as agricultural pests and contaminants, cybersecurity, money laundering, and terrorism financing to address new global concerns.

BRAZIL — AEO AS A MULTI-AGENCY PROGRAM

The Brazilian AEO Program, launched in 2015, was developed and implemented together with the trade community and Procomex, an informal and nonpartisan civil initiative that brings together institutions involved in trade to modernize Customs procedures. Brazilian AEOs are approved by the Secretariat of the Federal Revenue Service of Brazil (RFB).

The AEO program is built on the following principles:

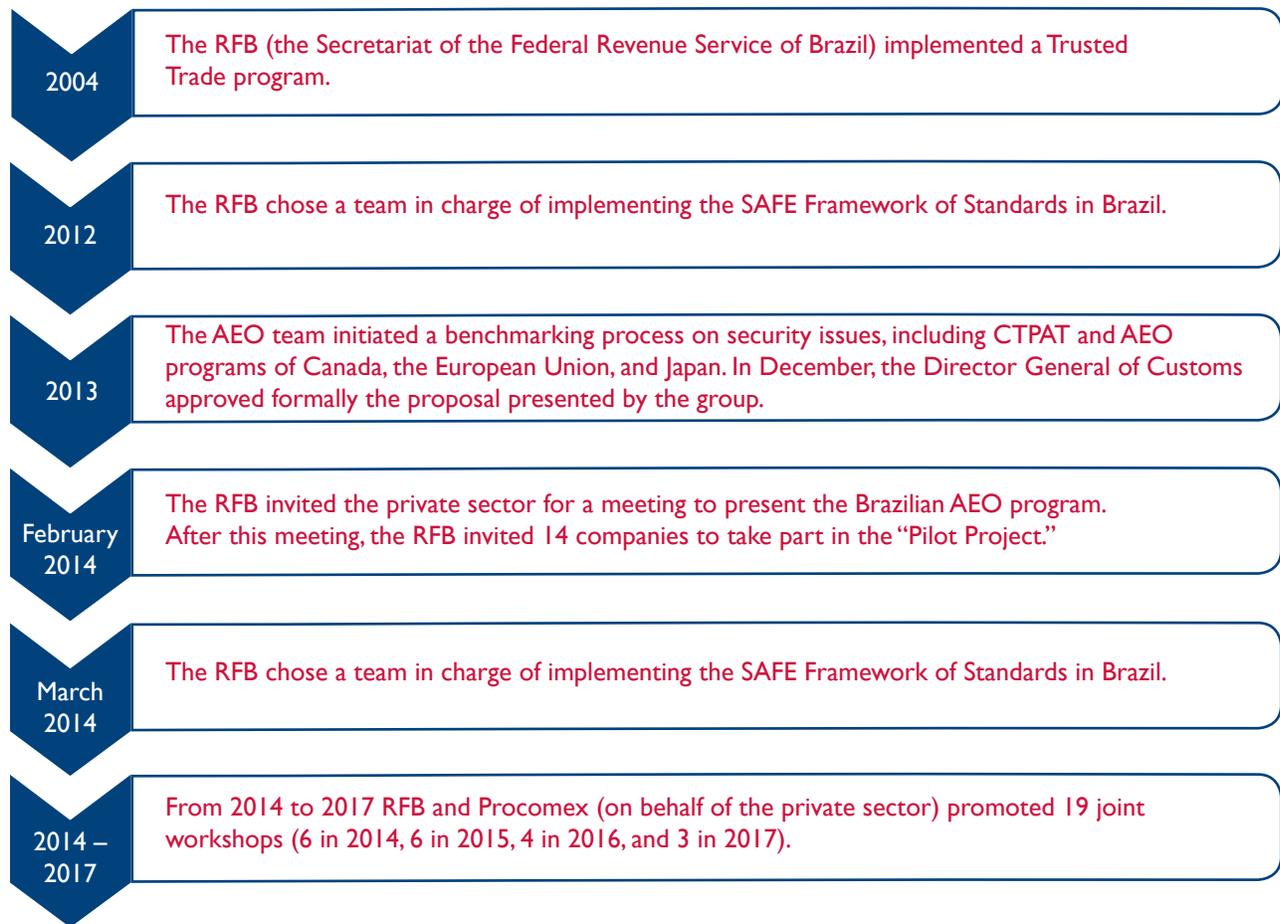
- It is a voluntary multi-agency program that has been initiated by Customs.
- The program fits into the policy of working closely together in a Customs-Trade partnership that is based on two important criteria: mutual transparency and trust.
- The program design is based on the international standards on compliance and security.
- The program should benefit trade by delivering tailor-made facilitations and simplifications.

The Customs administration of Brazil was the initiator of the AEO Program, and the private sector was invited to contribute to the project. Exhibit AI-1 outlines the timeline of development of the AEO Program.

¹⁷ U.S. Customs and Border Protection, "Advisory Committee on Commercial Operations to U.S. Customs and Border Protection," COAC Committee Charter, March 2015.



EXHIBIT A1-1 *Timeline of Development of Brazil's AEO Program*



The multi-agency approach allows Customs to coordinate on aligning and determining requirements with other agencies. The first phase of this AEO multi-agency program is operational and includes agricultural commodities. The cooperation with the Agriculture agency was especially challenging because Agriculture did not use risk management, and Brazil is a big exporter of agricultural products. For a multi-agency AEO program, knowing the challenges of the Agriculture agency was the main reason why cooperation was initiated. The AEO team approached their counterparts and explained the advantages for both agencies and the country. Once the technical issues were overcome, the negotiations were elevated to the political level.



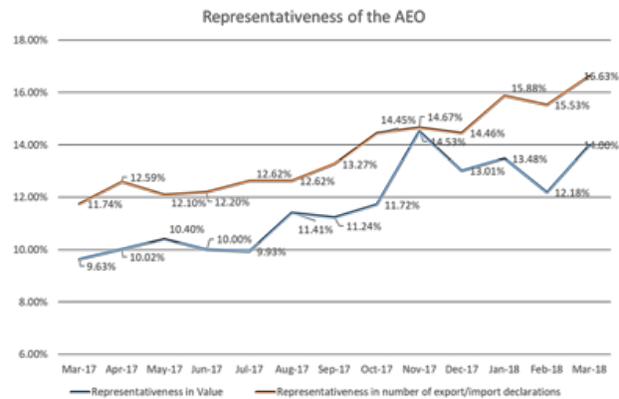
The multi-agency program has many benefits, including the following:

- Lower rate of administrative and physical controls
- Disclosure of the operator’s name on the RFB’s website
- Use of the Brazilian AEO program logo
- Availability of a specially appointed AEO customs support officer
- Benefits and advantages of mutual recognition agreements
- Active participation in updating laws and Customs procedures related to AEO as part of a consultative forum
- Requirement waiver when asking for special Customs regimes
- Participation in workshops and training organized jointly with the AEO team
- Guarantee waiver for transit

Successes

As of March 2018, 169 operators are certified in the AEO program. Of these certifications, 57 are for AEO–Security, 38 for AEO–Compliance Level 1 Importers, 44 for AEO–Compliance Level 1 Custom Brokers, 19 for AEO–Compliance Level 2, and 11 AEO–Full Certifications. The representativeness of AEO-certified exporters and importers in relation to the total flow of Brazilian foreign trade is shown in Exhibit AI-2.¹⁸ AEO’s submitted 11.74 percent of the number of import/export declarations in March 2017. By March 2018, it increased to 16.63 percent.

EXHIBIT AI-2 Representativeness of the AEO in Relation to the Total Flow of Brazilian Foreign Trade



¹⁸ Ministério da Fazenda, “Estatísticas do Programa OEA” (<http://idg.receita.fazenda.gov.br/orientacao/aduaneira/importacao-e-exportacao/oea/estatisticas-do-programa-oea>).



Company Feedback

Companies doing business with Brazil experience the benefits of an AEO (listed above). Despite these benefits, some areas need improvement. First, it would be beneficial if other government agencies such as Agriculture, Health/Sanitary, the Army, and Nuclear Technology recognized AEO certifications. Second, businesses would prefer to pay import duties and taxes on a monthly basis rather than on every clearance.

Challenges for the Future

The biggest challenge for government/Customs in having an AEO program is cultural. Historically, Customs always worked as an entity that was looking for errors and situations that could allow them to penalize companies and increase tax revenue. AEO, however, proposes a change. It does not talk about the dos and don'ts but recommends or requires controls and asks for risk assessments and actions to reduce the risk. AEO programs are about Customs and companies working as partners, and this is a new concept for most Customs officials. The government is also investing a lot of money in IT systems and infrastructure to implement the single-window concept and redesign the import and export process.

COLOMBIA — INTER-INSTITUTIONAL AEO PROGRAM

Colombia began its AEO program in 2011. In 2015, Colombia introduced the inter-institutional concept in its AEO program, and four businesses have satisfied the criteria. The Colombian National Tax and Customs Administration (DIAN) developed its AEO model together with other government agencies and coordinates the activities of all the involved Colombian government services. Involved authorities were the Anti-Drugs Police, the Colombian Agricultural Institute, and the National Institute for the Control of Medicines and Food Products.

Although an inter-institutional model was technically complex compared with the previous model, it allowed for institutions already involved in foreign trade to work toward a common goal and to streamline processes. It also constituted a step toward coordinated border management because it supplements the simultaneous inspection policy operating at ports, where multiple officials from various institutions are aware of the implications of AEO status and the rights and obligations of an authorized business.¹⁹

¹⁹ Beatriz Junca Rodríguez, "Inter-Institutionality: A Distinctive Feature of the Colombian AEO Model," WCO News 76 (February 2015) (<http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/facilitation/instruments-and-tools/tools/aeo/interinstitutionality-colombian-aeo-model-wco-news-february-2015.pdf?db=web>).



Challenges

Selling the idea of an AEO program was not a challenge since participants had been involved in these activities for quite some time. The challenge was having each institution define its own benefits and then agree on a regulatory framework that all ministers would support. Once a regulatory framework was in place, it was the responsibility of each institution to fulfill its commitments and to ensure that AEOs conform to the rules and obligations. Each institution was expected to do the following:

- Set aside part of its budget for the AEO program
- Set up a team of full-time staff to work on all AEO matters
- Take an active part in the decision making and management of the program
- Draw up and implement a harmonized training program for officials.²⁰

How to Achieve Success

The success of this approach rests mainly on the ability of each participating institution to be involved in all stages of the authorization process, even if the Customs authority takes a leading role. Each supervisory service should assess potential AEOs to evaluate the potential risk to their business and whether or not conditions have been met.

The inter-institutional approach raises some questions regarding scope and how it factors into MRAs.

AUSTRALIA —TRUSTED TRADERS PROGRAM — A COMPANY’S PERSPECTIVE

The Australian Trusted Trader program (ATT) began in 2016 and was followed shortly by Australia’s first MRA with New Zealand. Only a few businesses have been accredited, but the program is looking to add more in the future. The ATT rewards accredited businesses with a growing range of trade facilitation benefits to improve international market access. These benefits currently include the following:

- An account manager, who acts as a dedicated single point of contact between the Australian Trusted Trader and the Australian Border Force (ABF)
- Priority trade services when requesting duty drawbacks, refunds, and advance rulings on tariffs, valuation, and origin through the National Trade Advice Centre
- Priority treatment of goods at the border when importing
- Use of the Trusted Trader logo, which is also recognized by international Customs administrations
- Access to MRAs, ability to receive priority treatment of goods at the border in partner countries

²⁰ Ibid



- Access to monthly cargo reports on all goods imported and exported under the Trusted Traders' Australian Business Number (ABN)
- Streamlined process when applying for sponsorship accreditation under the Temporary Skill Shortage Visa (sub-class 482)
- Consolidated cargo clearance, enabling Trusted Trader importers, or their licensed Customs brokers, to lodge a single import declaration for consolidated cargo for all types of sea and air cargo
- Asia-Pacific Economic Cooperation (APEC) Business Travel Card, which provides streamlined processes when applying
- A “seat at the table” to work in partnership with the Department of Home Affairs and the ABF
- Trusted Trader symposium attendance, which is an invitation-only annual event for Trusted Traders²¹

The company immediately joined the Trusted Trader program. It had in-house brokers who helped them to complete the application without requiring the help of an external consultant and who are constantly networking and challenging to receive more benefits. Since the company is not a cargo-reporting firm, it gets lodging Customs entries two days before the estimated time of arrival of the first vessel, which equates to a savings of US\$300,000 per year. There is also no cost for a Declaration of Origin (DOO) and no cost to the supplier, whereas the Certificate of Origin (COO) incurs a cost of US\$20 each, and Trusted Traders are not required to obtain a COO.²² The free DOO results in a savings of US\$1.6 million per year. The company also has an account manager from Customs who participates in industry groups and gives the company a voice and connections to policy officers.

Although the company receives all of these benefits, it would like to see a bio-security benefit implemented. Operationally, bio-security clearance takes up most of the company's time, and a benefit here would be well received in the industry. The concerns for the program are that benefits are slow to be implemented, compared with the high expectations and how the program was “sold” to them by Customs with an infinite amount of opportunities and benefits. Another concern is the significant rotation of Customs officers at all levels who are responsible for managing the program. This turnover leads to all kinds of problems in maintaining contacts, networking, and following up on meetings and creates uncertainty in the progress and further development of this Trusted Trader program, despite the presence of a dedicated account manager.

²¹ JCK Distributors, “Benefits of Australian Trusted Trader” (<https://www.jckdistributors.com.au/blog/we-are-very-pleased-to-announce-that-we-are-now-accredited-under-the-australian-border-forces-trusted-trader-programme-2/>).

²² Australian Border Force, “Australian Trusted Trader (ATT) Origin Advance Ruling” (<https://www.abf.gov.au/about-us/what-we-do/trustedtrader/benefits/origin-advance-ruling>).



APPENDIX 2. JOB DESCRIPTIONS OF AEO PROGRAMS

The AEO Program Organization and Staffing Design elements in Section 2 outline key personnel that can comprise an AEO management team. This appendix provides further detail on the role and important skills for these positions. In many circumstances, officers will gain these skills through various workshops and on the job experience while implementing the AEO program. It is worth noting that the composition of the team will depend on a country's available resources (i.e., costs and staff). When there are limited resources, some of the roles/responsibilities may be combined and handled by one person.

AEO Operations Manager

The AEO operations manager is responsible for bringing the resources and processes together to achieve the objectives of the national Customs administration.

The required skills of an AEO operations manager are in general:

- Insight in and understanding of the organization
- Basic knowledge of relevant rules and regulations
- Basic knowledge of the account management process
- Basic knowledge of the validation process and techniques
- Social and communication skills

The span of control may vary, depending on the level of the officers and the roles represented on the team. On average, the span of control varies between 20 and 25 officers.

AEO Account Manager

An AEO account manager plays four main roles:

- Managing relations as a contact point for
 - One or more AEOs
 - Internal connections in the Customs administration
 - Other government agencies
- Monitoring the AEOs
- Being involved with (re-) validation reviews
- Planning activities according to the individual control plans

The following skills are required for this role:

- Full understanding of the account management process
- Basic understanding of accounting
- Basic understanding of business processes and internal control systems
- Basic understanding of auditing tools and techniques
- Good understanding of risk methodology
- Knowledge of the AEO rules and regulations



- Knowledge of Customs law, value-added tax (VAT), excise tax, prohibitions, and restrictions
- Expertise in trade facilitation
- Expertise in supply chain security
- Communication and organizational skills

Exhibit A2-1 describes the average span of control (number of AEOs) for an AEO account manager.

EXHIBIT A2-1 Average Number of AEOs Managed by an AEO Account Manager

Complexity of Supply Chain	Company Size		
	SMALL	MEDIUM	LARGE
BASIC	50	35	25
MODERATE	35	25	20
COMPLEX	25	20	10

AEO Validator²³

The role of the AEO validator or validator in general is to undertake the following:

- To assess whether the AEO program applicant meets the required AEO criteria
- To perform re-validation assessments
- To perform post-clearance audits

The following skills are required for this role:

- Full understanding and knowledge of the validation process
- Accounting expertise
- Expert in business processes and internal control systems
- Supply chain security expert
- Risk methodology expert
- Assessment tools and techniques expert
- Knowledge of AEO rules
- Knowledge of Customs, VAT, excise law, and prohibitions and restrictions
- Knowledge of trade facilitation
- Knowledge of statistical sampling
- Communication (oral, writing) skills

Exhibit A2-2 describes the span of control in general of an AEO validator (the number of hours for a full validation audit).

²³The AEO Account Manager and AEO Validator may be one and the same person if a country has personnel constraints.



EXHIBIT A2-2 Average Number of Hours for a Full Validation Audit

Complexity of Supply Chain	Company Size		
	SMALL	MEDIUM	LARGE
BASIC	50	75	100
MODERATE	75	100	150
COMPLEX	100	150	200

*IT Assessor*²⁴

The role of an IT assessor is to assess 1) the influence that information technology has on the reliability and 2) the ability of the information processing procedures of the operator.

The following skills are required for this role:

- Management of IT systems and IT organizations
- IT risk management and control
- IT security
- Basic understanding of IT architectures of large and midrange computing environments
- Basic understanding of information systems and system development
- Basic understanding of operating systems (for example, IBM, UNIX, Windows)
- Understanding of database systems
- Knowledge of and experience with audit software
- Experience with computer-assisted auditing techniques (for example, data analysis, statistical sampling techniques)

The span of control is as follows: the IT assessor supports the validators during the AEO (re-) validation process. To provide this support on a sustainable basis requires two IT assessors for each 10–15 regular validators.

²⁴ If personnel constraints prohibit the hiring of a full time IT Assessor, the AEO program can also use a qualified colleague from the IT Department to work with the team as a collateral duty.



APPENDIX 3. RECOMMENDED SKILLS AND COMPETENCIES

In principle, training policy is to “develop the individual to improve organizational results.” This development is achieved by taking a structured approach to education. In the matrix in Exhibit A3-1, the required skills and competences are linked with functions and roles in the AEO processes.

EXHIBIT A3-1 *Link between Required Skills and Competencies and Functions and Roles in AEO Processes*

FUNCTION	ROLE	KNOWLEDGE, SKILLS, AND COMPETENCIES
AEO Application and Vetting	Administrative Support	<ul style="list-style-type: none"> • Knowledge of AEO regulatory requirements • Knowledge of the processes involved in achieving AEO status • Knowledge of the WCO SAFE Framework • Knowledge of the international trade and customs regulatory environment • Communication, presentation and representation skills • Understanding of how international supply chains operate • Understanding of the roles and responsibilities of actors in the supply chain, including service providers • Understanding of the areas of supply chain security and trade compliance risk within the scope of the AEO criteria • Knowledge of or ability to access information relating to other border regulatory requirements.
Validation	AEO Validator IT Validator	<ul style="list-style-type: none"> • Knowledge of AEO regulatory requirements • Knowledge of the processes involved in achieving AEO status • Knowledge of the WCO SAFE Framework • Understanding of how international supply chains operate • Understanding of the roles and responsibilities of actors in the supply chain, including service providers • Understanding of the areas of supply chain security and trade compliance risk within the scope of the AEO criteria • Ability to assess the areas of supply chain security and trade compliance risk through review of AEO applications and premises inspections • Experience with, or ability to acquire skills in, compliance auditing techniques • Ability to undertake systems-based auditing of a business’s end-to-end trade related activity • Knowledge of monitoring powers • Understanding of emerging trends in supply chain security and compliance risks • Knowledge of the international trade and customs regulatory environment • Knowledge of, or ability to access information relating to other border regulatory requirements • Research and analysis skills • Ability to produce detailed reports and sound recommendations in accordance with defined standards and policy • Communication, presentation and representation skills



FUNCTION	ROLE	KNOWLEDGE, SKILLS, AND COMPETENCIES
<p>Certification</p>		<ul style="list-style-type: none"> • Knowledge of AEO regulatory requirements • Knowledge of the processes involved in achieving AEO status • Knowledge of the WCO SAFE Framework • Understanding of how international supply chains operate • Understanding of the roles and responsibilities of actors in the supply chain, including service providers • Understanding of the areas of supply chain security and trade compliance risk within the scope of the ATT criteria • Understanding of emerging trends in supply chain security and compliance risks • Knowledge of the international trade and customs regulatory environment • Ability to produce detailed reports and sound recommendations in accordance with defined standards and policy
<p>Monitoring</p>	<p>Account Manager</p>	<ul style="list-style-type: none"> • Knowledge of AEO regulatory requirements • Knowledge of the processes involved in achieving AEO status • Knowledge of the WCO SAFE Framework • Understanding of how international supply chains operate • Understanding of the roles and responsibilities of actors in the supply chain, including service providers • Understanding of the areas of supply chain security and trade compliance risk within the scope of the AEO criteria • Understanding of emerging trends in supply chain security and compliance risks • Knowledge of the international trade and customs regulatory environment • Knowledge of, or ability to access information relating to other border regulatory requirements (for example, Department of Agriculture) • Research and analysis skills • Ability to produce detailed reports and sound recommendations in accordance with defined standards and policy • Communication, presentation and representation skills • Relationship/Account management • Ability to assess the areas of supply chain security and trade compliance risk through review of AEO applications and premises inspections • Experience in, or ability to acquire skills in compliance auditing techniques • Knowledge of monitoring powers



FUNCTION	ROLE	KNOWLEDGE, SKILLS, AND COMPETENCIES
<p>Regular Monitoring</p>	<p>Account Management</p>	<ul style="list-style-type: none"> • Knowledge of AEO regulatory requirements • Knowledge of the processes involved in achieving AEO status • Knowledge of the WCO SAFE Framework • Understanding of how international supply chains operate • Understanding of the roles and responsibilities of actors in the supply chain, including service providers • Understanding of the areas of supply chain security and trade compliance risk within the scope of the AEO criteria • Understanding of emerging trends in supply chain security and compliance risks • Knowledge of the international trade and customs regulatory environment • Knowledge of, or ability to access information relating to other border regulatory requirements (for example, Department of Agriculture) • Research and analysis skills • Ability to produce detailed reports and sound recommendations in accordance with defined standards and policy • Communication, presentation and representation skills • Account/relationship management • Ability to assess the areas of supply chain security and trade compliance risk through review of AEO applications and premises inspections • Experience in, or ability to acquire skills in compliance auditing techniques • Knowledge of monitoring powers



FUNCTION	ROLE	KNOWLEDGE, SKILLS, AND COMPETENCIES
Re-assessment	Validator	<ul style="list-style-type: none"> • Knowledge of AEO regulatory requirements • Knowledge of the processes involved in achieving AEO status • Knowledge of the WCO SAFE Framework • Understanding of how international supply chains operate • Understanding of the roles and responsibilities of actors in the supply chain, including service providers • Understanding of the areas of supply chain security and trade compliance risk within the scope of the AEO criteria • Ability to assess the areas of supply chain security and trade compliance risk through review of AEO applications and premises inspections • Experience in, or ability to acquire skills in compliance auditing techniques • Knowledge of monitoring powers • Understand emerging trends in supply chain security and compliance risks • Knowledge of the international trade and customs regulatory environment • Knowledge of, or ability to access information relating to other border regulatory requirements (for example, Department of Agriculture) • Research and analysis skills • Ability to produce detailed reports and sound recommendations in accordance with defined standards and policy • Communication, presentation, and representation skills • Ability to undertake systems-based auditing of a business's end-to-end trade related activity



APPENDIX 4. SAMPLE OF VALIDATION REPORT TEMPLATE

Subject Headings	Subject Specification	Content
COVER PAGE		<ul style="list-style-type: none"> Information
TABLE OF CONTENTS		<ul style="list-style-type: none"> Information
SCOPE OF THE VALIDATION		<ul style="list-style-type: none"> Introduction of the extent of the subject matters
AEO LEGAL BASIS		<ul style="list-style-type: none"> Reference to the relevant legal framework
GENERAL BUSINESS OPERATIONS	<ul style="list-style-type: none"> Company identification Company Ownership details Business group structure Business organization structure including key roles Business locations Companies supply chain activities 	<ul style="list-style-type: none"> Company name and address details Company ownership details Reference to the group structure and ownership Companies organization chart and key roles/ responsibilities Location details Description of the companies' (international supply chain related) activities
STATISTICS	<ul style="list-style-type: none"> Business Volumes and values Duties and Taxes 	<ul style="list-style-type: none"> Statistics related to the companies import/ export activities Statistics related to the companies paid import/ export duties, taxes, and/or refunds
FUTURE CHANGES		<ul style="list-style-type: none"> Indication about expected future changes that might have an impact on the AEO status
COMPLIANCE RECORD		<ul style="list-style-type: none"> References to companies' compliance record
COMPETENCES	<ul style="list-style-type: none"> Customs and supply chain security 	<ul style="list-style-type: none"> Validator's findings and conclusions
FINANCIAL HEALTH		<ul style="list-style-type: none"> Validator's findings and conclusions
ACCOUNTING SYSTEMS	<ul style="list-style-type: none"> Financial Accounting record-keeping systems and procedures Existence of an audit trail Procedures for storing documents (hard and soft copy) Logistics accounting record keeping systems and procedures Existence of an audit trail Procedures for storing documents (hard and soft copy) 	<ul style="list-style-type: none"> Validator's findings and conclusions



Subject Headings	Subject Specification	Content
IT SYSTEMS AND ENVIRONMENT	<ul style="list-style-type: none"> • IT Organization • General IT Controls • System access procedures • Backup and recovery procedures • System development procedures • Change management procedures • Application controls 	<ul style="list-style-type: none"> • IT Assessor's findings and conclusions
TRADE COMPLIANCE	<ul style="list-style-type: none"> • Transport of goods • Goods arrival and receipt procedures • Goods storage/warehousing procedures • Goods manufacturing procedures • Goods shipping procedures 	<ul style="list-style-type: none"> • Validator's findings and conclusions
SUPPLY CHAIN SECURITY	<ul style="list-style-type: none"> • Security self-assessment • Access controls • Physical security • Cargo unit security • Logistics procedures security • Business partner security • External service providers security • Personnel security 	<ul style="list-style-type: none"> • Validator's findings and conclusions
OVERALL CONCLUSION		<ul style="list-style-type: none"> • Validator's final advice for authorization/certification
RECOMMENDATIONS		<ul style="list-style-type: none"> • Validator's recommendations for improvement
COMPANIES OPINION		<ul style="list-style-type: none"> • Companies' opinion regarding the findings conclusion
APPOINTMENTS		<ul style="list-style-type: none"> • Appointments made
SIGNATURE		<ul style="list-style-type: none"> • Validator's signature



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U.S. Agency for International Development
1300 Pennsylvania Avenue, NW
Washington, D.C. 20523
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