

**Challenges to Global AEO Programs during the COVID-19 Crisis: Ideas for the WCO and its Members on Maintaining their AEO Programs
(PSCG Working Group - May 2020)**

The following are PSCG observations and recommendations for the WCO and its Members to consider at this extraordinary time as we deal with the challenges facing AEO programs during the COVID-19 pandemic.

AEO Background

- The AEO program is one of four key components under the SAFE Framework of Standards adopted by the WCO in 2005.
- The WCO has led the global effort to promote, implement, and maintain the AEO program, working closely with customs administrations and the private sector.
- The AEO program has been a highly successful customs-private sector partnership. There are over 40,000 AEO companies, with AEO programs in 84 countries.
- The AEO program has required the investment of millions of dollars by the private sector in security measures and enormous human capital by customs administrations in implementing and managing their AEO programs.
- The AEO programs and their related investments by customs and traders have strengthened the international supply chain while producing important facilitation benefits to traders and improving risk assessments conducted by border authorities.

Challenges Faced by the AEO program and its members during the global COVID-19 Crisis

- Customs AEO staff in many countries are under government-imposed stay-at-home orders.
- In the absence of AEO staff at the company or customs levels, the traditional in-person physical AEO validation cannot be reasonably conducted.
- As companies and Customs authorities emerge from the impact of the virus crisis, there will likely continue to be significant restrictions on travel, especially air travel. Thus, the viability of traveling to conduct traditional validations and revalidations will be significantly reduced.
- Many AEO companies, especially those engaged in non-essential business, in the face of government stay-at-home orders, have been forced to close or reduce their operations, with a corresponding significant reduction in their workforce. Even companies engaged in essential business are reducing staff or implementing “work-from-home” rules that may limit the company’s ability to prepare and engage in an AEO compliance validation.
- SMEs have been especially impacted by the complexities that have been added to the business environment during the COVID-19 pandemic. The burden that they must assume to participate and remain compliant with AEO programs has increased dramatically.

A proposal by the PSCG

In the PSCG paper approved by the PSCG and posted to the WCO website (“Comments on the impact of the COVID-19 Crisis: Ideas for the WCO and its Members from the WCO Private Sector Consultative Group (April 13, 2020)”, the PSCG recommended that customs administrations consider streamlining the AEO process and implementing virtual processes.

However, the time required to develop and adopt the new virtual validation process suggests that the comprehensive steps needed to implement the new methodology (SAFE WG input, secure platform, training of AEO and companies, administration policy changes, pilot, etc.) may take up to a year or longer. As a result, a WCO virtual validation procedure may not be ready in time to address the immediate issues currently being experienced by the private sector and customs administrations.

Nonetheless, the PSCG believes that incorporating new virtual procedures for AEO validations will provide, at a minimum, a viable option for the “new normal” and the “next crisis”. In addition, the development of the virtual procedures will certainly provide important lessons and a useful tool to complement traditional validations procedures and processes.

Accordingly, the PSCG offers the following comments, observations, and recommendations:

- AEO programs should develop and implement immediate extensions to the current AEO certifications, for a reasonable period, with additional extensions based on country stay-at-home orders and other considerations.
- The WCO’s SAFE WG, with the support of the PSCG, and using the WCO’s Validator Guide and other WCO related instruments, should begin the process of developing WCO validation guidelines on conducting virtual (remote) validations. Such guidelines should be consistent with the existing standards found in traditional in-person validations but should support the move to a digitized process and approach.
- As virtual validation protocols are developed, they should include a written agreement between the customs administration and the Member company, in which the terms and conditions of the virtual validation are spelled out, understood, and agreed upon by both the customs administration and the AEO member company.
- A virtual validation process should utilize secure technology that meets the requirements of both the company and customs administrations.
- Customs should review their Mutual Recognition Agreements in light of the COVID-19 crisis to ensure all MRA commitments remain in place to permit the joint recognition of each other’s validations and revalidations.
- Virtual validation methodologies should be thoroughly tested on a pilot basis before implementation. The PSCG is willing to offer assistance to the WCO in identifying parties that could collaborate in this regard.
- AEO programs, especially in light of the pandemic, should take advantage of technology, to the extent possible, to complement traditional “on-site” physical verifications.

- The use of technology will also increase the reach of programs in regions where AEO programs are not growing due to the remoteness of companies from where AEO staff is located as well as the cost associated with reaching these remote destinations.
- Safety and health protocols, especially those applicable to visitors during the COVID-10 pandemic, should always be followed during AEO validations.
- Given that fraudulent and unscrupulous traders are increasing their activities during the pandemic it is more important than ever that AEO programs and MRAs be promoted by the WCO and PSCG as an effective tool for companies and the customs authorities to employ in mitigating the threat of security breaches and illicit trade.

Additional Considerations

- Customs administrations may have to incur additional costs to acquire or develop the IT technology and platform needed to carry out virtual validations. These costs may be offset by savings achieved when travel time and costs by customs officials are taken into consideration.
- In addition the validation data would be digitized which would make the revalidation in future periods more cost effective and streamlined which will have major benefits to both the customs authorities and the private sector.
- The digitization of the validation data would also assist with the mutual recognition between the customs authorities.
- The current pandemic has taught us that trust, partnering and sharing information, technology and expertise is a better way for customs and the private sector to work together. The WCO and PSCG should lead the way in promoting and encouraging this same approach in the development of virtual validations and the expanded use of technology in the AEO process.

Steps Forward

1. The WCO should encourage customs administrations to extend AEO certifications immediately and for a reasonable period, with additional extensions based on individual country stay-at-home orders and other considerations.
2. The WCO and the PSCG, working as a subgroup or through the SAFE Working Group, and using the existing Validator Guide and other WCO instruments, should immediately begin the process of developing WCO validation guidelines for virtual (remote) validations. As a basic principle, virtual validations should be carried out in a manner consistent with existing SAFE/AEO standards.