



Study Report on Integration of MSMEs into Authorized Economic Operator (AEO) Programmes

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JOINT FOREWORD

In today’s dynamic and rapidly evolving global trade landscape, the importance of resilient and, secure multi-actor supply chains cannot be overstated. Public authorities, including Customs administrations worldwide, play a pivotal role in safeguarding these supply chains while facilitating legitimate trade. At the same time, businesses are key partners in ensuring supply chain security and efficiency, leveraging innovation and compliance to support trade facilitation efforts. The implementation of the WCO SAFE Framework of Standards (FoS), the WCO Revised Kyoto Convention and the WTO Trade Facilitation Agreement remains at the core of these efforts, enhancing global security, promoting economic growth, and fostering partnerships between Customs and the business community.

Critically, the future of trade facilitation hinges on successful partnerships between the public and private sectors. These partnerships must include all economic operators, and in particular Micro, Small, and Medium Enterprises (MSMEs). 95% of companies across the globe are MSMEs and they account for 60% of the world's total employment, yet they often face barriers to participating in global trade. We are committed to addressing the challenges of ensuring that MSMEs fully benefit from trade facilitation by promoting more flexible and inclusive Authorized Economic Operator (AEO) programmes, responding to the needs of MSMEs. Through our ongoing initiatives, we aim to support Customs administrations and, where necessary, other public authorities, in creating pathways that enable MSMEs to benefit from the security and efficiency gains of these programmes.

Findings from the joint WCO-WTO MSME Group Compendium of MSME Provisions in AEO Programmes, the ICC Recommendations on AEO Programmes and a recent WCO survey highlight the progress made and the work that remains to improve AEO programmes. While many Customs administrations are adapting their AEO programmes to be more inclusive, further efforts are required

to ensure that MSMEs can fully access the benefits of trusted trader schemes and that the benefits are adapted to the specific needs of MSMEs. By continuing to foster public-private cooperation, we can collectively advance a more inclusive and secure trade environment.

Our organizations remain steadfast in our commitment to work together to provide leadership, guidance, and technical assistance; to ensure that Customs administrations can meet the challenges of modern trade; and to enable MSMEs to benefit fully from simplified and efficient procedures. Through collaboration, we are committed to driving meaningful change and supporting the seamless integration of all economic actors into the global trading system.

Together, we can build a future in which no trader is left behind, and every business, regardless of size, has the opportunity to thrive in a secure and efficient global trade ecosystem.

**IAN SAUNDERS,
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Introduction¹

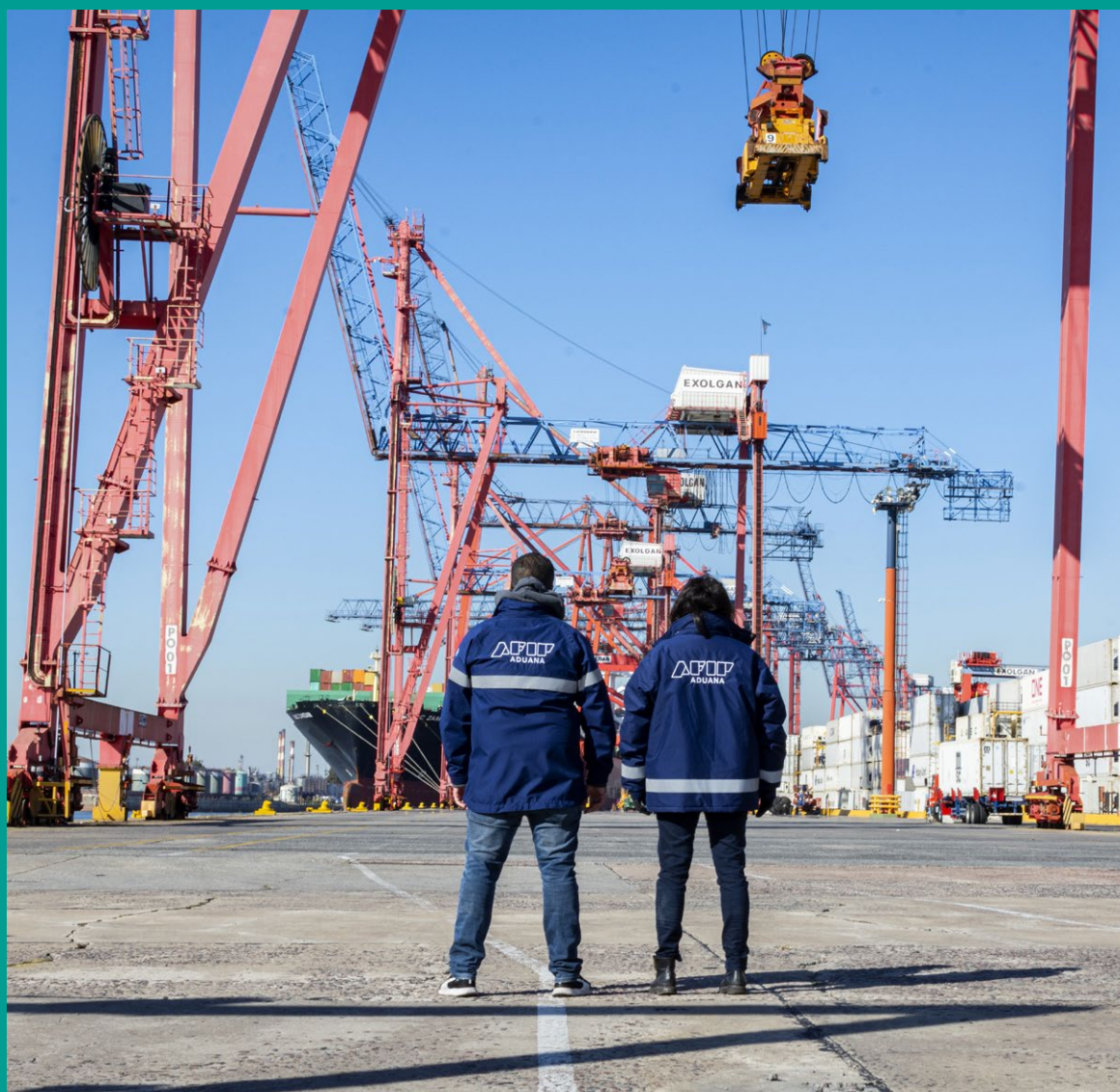
IMPORTANCE OF MSMEs IN GLOBAL TRADE

Micro, Small, and Medium Enterprises (MSMEs) are recognized as the backbone of global economies, accounting for approximately 90% of businesses and more than half of employment worldwide. In emerging markets, formally registered MSMEs contribute up to 40% of gross domestic product (GDP)² with a similar share of GDP from informal businesses,³ which are generally small. MSMEs also account for a significant share of international trade, 36% of exports and 41% of imports in developed economies. MSMEs in developing economies also rely on trade, with

one tenth (11%) of MSME income generated by direct exports, i.e. exports that do not make use of a middleman, for those MSMEs that trade and one third (33%) of inputs for production coming from abroad.^{4 5}

MSMEs also participate in Global Value Chains (GVCs) as suppliers, with evidence that the digital economy has opened additional opportunities for MSMEs to provide inputs and source intermediate goods from abroad. Measures to facilitate trade are therefore especially helpful for smaller businesses with fewer resources to navigate cumbersome trade procedures.^{6 7 8}

- 1 This Study Report was jointly produced by the WCO Secretariat, WTO Secretariat with the WTO MSME Informal Working Group, and the ICC Secretariat.
- 2 [World Bank Group Document](#): Micro, Small and Medium Enterprises - Economic Indicators (MSME -EI); Analysis Note, December 2019.
- 3 [What is the informal economy and how many people work in it?](#) | World Economic Forum.
- 4 [WTO](#): Recent Evolution of Developed-Economy MSME Participation in International Trade.
- 5 [WTO](#): Small And Medium Manufacturing Enterprise Trade Participation In Developing Economies.
- 6 [Global Value Chain Development Report 2019](#): Technological Innovation, Supply Chain Trade, and Workers in a Globalized World.
- 7 [Global Value Chain Development Report 2021](#): Beyond Production.
- 8 [A microscope on small businesses](#): Spotting opportunities to boost productivity. May 2, 2024 | Report.



DIFFICULTY OF MSMEs INTEGRATING INTO GLOBAL TRADE

Despite their significance, MSMEs can face substantial challenges in integrating into global value chains and participating in international trade, which hinders their growth potential and the inclusivity of the global economy. The main challenges for MSMEs trying to integrate into global trade include:

- **Limited access to finance:** globally, 40% of formally registered MSMEs face unmet financing needs, amounting to USD 5.2 trillion annually.⁹ This financing gap is especially pronounced in emerging markets, where 70% of MSMEs lack adequate financing, often struggling to meet high collateral requirements or establish creditworthiness with financial institutions. Without adequate financing, these enterprises are unable to invest in the resources necessary for international ex-

pansion. Despite the low-risk nature of small trade shipments of MSMEs, the trade finance gap disproportionately affects MSMEs. The trade finance gap is estimated at upwards of USD 1.5 trillion and the rejection rate of MSME proposals for trade finance is estimated at 45%.¹⁰

- **Regulatory complexity:** Navigating complex trade regulations and requirements is resource-intensive and often beyond the human and financial capacity of smaller businesses. MSMEs are disproportionately impacted by a high administrative burden, resulting in high trade costs. Divergent product and process standards across markets further complicate their efforts, deterring many from entering global trade.
- **Infrastructure deficits:** MSMEs in developing and emerging economies are also confronted with poor transportation networks, high shipping costs, and unreliable delivery systems, severely restricting their ability to connect with international buyers. In addition, inadequate digital infrastructure limits the adoption of e-commerce and modern supply chain technologies, preventing MSMEs from capitalizing on the opportunities of the digital economy.¹¹
- **Market knowledge gaps:** Many MSMEs lack information about foreign market demand, consumer preferences and competitive trends, making it difficult to tailor products for international markets or develop effective export strategies. This is exacerbated by the digital divide, with many MSMEs lacking the tech-

nological tools and skills that could help them acquire better knowledge of global markets.¹²

- **Competitive disadvantage:** The smaller scale of operations also presents a competitive disadvantage. Often higher per-unit costs prevent MSMEs from achieving the economies of scale that larger firms enjoy. Additionally, tariff and non-tariff trade barriers disproportionately affect MSMEs, which often lack the resources to understand and comply with changing trade policies or absorb increased costs.
- **Skills gaps:** A shortage of skills in areas such as business management, negotiation, and international standards compliance further limits the capacity of MSMEs to engage in global trade. Moreover, these enterprises often lack access to global business networks, which are crucial for building partnerships, sharing resources, and integrating into value chains.¹³
- **Vulnerability to shocks:** MSMEs are particularly vulnerable to global economic shocks and supply chain disruptions. Events such as financial crises, geopolitical tensions and pandemics disproportionately impact smaller enterprises due to their limited financial buffers and operational flexibility.¹⁴

Addressing these challenges requires targeted policy interventions and multilateral cooperation. Efforts to improve access to finance, including trade finance, simplify regulatory frameworks, enhance infrastructure and promote digital literacy are critical. By tackling these barriers, governments, financial institutions and international organizations can empower MSMEs to contribute to and benefit from global trade.

⁹ [MSMEs Factsheet](#); IFC Financial Institutions Group (FIG) – find [MSME Finance](#) find newer number.

¹⁰ 2019 Trade Finance Gaps, Growth, and Jobs Survey.

¹¹ [OECD SME and Entrepreneurship Outlook 2023](#) | OECD.

¹² [OECD SME and Entrepreneurship Outlook 2023](#) | OECD.

¹³ [WTO Skills and Export Competitiveness for Small and Medium-Sized Enterprises](#).

¹⁴ International Trade Centre (2023). [SME Competitiveness Outlook 2023](#): Small Businesses in Fragility: From Survival to Growth.

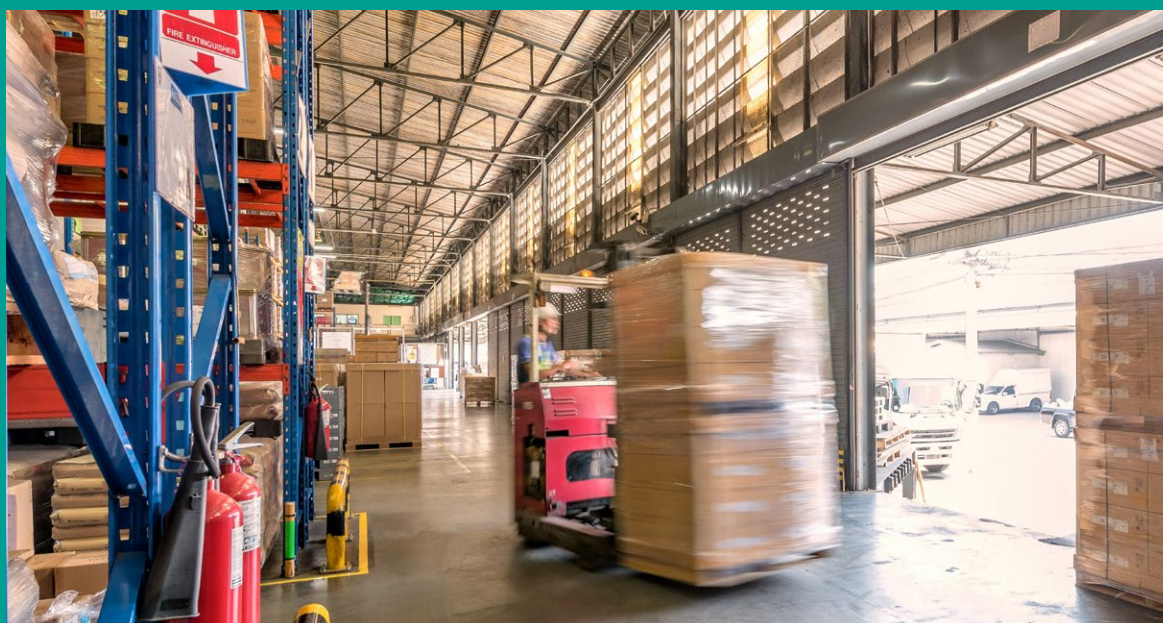
OVERVIEW OF AUTHORIZED ECONOMIC OPERATOR (AEO) PROGRAMMES

Authorized Economic Operator (AEO) programmes allow certified businesses to benefit from simplified procedures, such as periodic declaration, comprehensive guarantees, fewer physical inspections at Customs, and reduced documentation and data requirements, provided that these operators comply with specific requirements, such as a demonstrated compliance record, good management of commercial records, financial viability, or, for security purposes, records of securing transport conveyances, premises, personnel movement across logistics partners.

The WCO Revised Kyoto Convention establishes the basis for traders to obtain simplification as trade facilitation partners. The [WCO SAFE Framework of Standards \(SAFE FoS\)](#) establishes the foundational criteria for businesses in the supply chain to achieve AEO status as security partners. These criteria encompass threat assessment, the formulation of adaptive security measures, effective communication pro-

ocols, and procedural safeguards to prevent the introduction of irregular or undocumented goods into the international supply chain. Additionally, it emphasizes the importance of maintaining secure facilities, vetting personnel and safeguarding information systems.

The WCO SAFE Framework aims to standardize AEO criteria, particularly under Pillar 2, which focuses on Customs-to-Business partnership. By drawing from innovative national programmes, the SAFE FoS AEO programme provides a holistic and globally aligned approach to secure and facilitate international trade. Harmonizing security and compliance standards across Member administrations ensures consistency, while promoting mutual recognition agreements (MRAs) enhances the global interoperability of AEO benefits. Furthermore, the SAFE FoS AEO programme supports compliance with international legal instruments such as Article 7.7 of the WTO Trade Facilitation Agreement (TFA) on Authorized Operators¹⁵ and Transitional Standard 3.32 of the Revised Kyoto Convention (RKC) on Authorized Persons.



¹⁵ [The WTO Agreement on Trade Facilitation \(TFA\)](#).



CASE STUDY

DOMINICAN REPUBLIC'S EXPERIENCE OF IMPLEMENTING AEO ACCREDITATION FOR SMES AND MSMEs

Over the past four years, the General Directorate of Customs of the Dominican Republic (DGA) has been focusing on the creation of new opportunities in cargo security and trade facilitation.

The Director General of Customs, Mr. Eduardo Sanz Lovatón, saw an opportunity to foster the trust and inclusion of small and medium-sized enterprises (SMEs) and micro, small, and medium-sized enterprises (MSMEs) by creating a simplified AEO programme. This initiative was designed to allow these companies to participate in areas such as facilitation and control, as well as to apply international standards and be able to dispatch goods efficiently and quickly.

The modified AEO programme was launched in March 2021, based on a simplified version of the minimum-security requirements laid down in the World Customs Organization's (WCO's) SAFE Framework of Standards. The model applies only to importers. It helps reduce the time required to complete Customs processes, allowing SMEs and MSMEs active in import to be included in the programme without compromising the security of the international trade supply chain.

An internal working group was set up to launch the programme. It specialized in a number of areas, including audit management, financial management and legal consultancy. It identified importers with a satisfactory compliance history and invited them to apply for accreditation under the simplified AEO programme.

In all, around 700 companies were identified. The DGA subsequently carried out tar-



geted awareness-raising campaigns through social media, workshops on the simplified AEO programme, targeted telephone calls, emails and site visits. It allocated the necessary resources to allow AEO specialists to travel to interested companies in the different provinces of the Dominican Republic.

These activities presented the benefits and advantages of AEO accreditation, such as 24-hour goods dispatch and streamlining of procedures, resulting in time and cost savings for these companies.

Authorized Economic Operator status was consolidated in the Dominican Republic's new General Customs Law No. 168-21 of 9 August 2021 and its implementing regulation, Decree No. 755-22. As a result, the programme has legal force. The status of Simplified Economic Operator has also been laid down in law, setting out the prerequisite and security requirements to be met.

The application for accreditation under the simplified AEO programme is voluntary and free of charge. It is an online application, carried out through the DGA's service platform. This is more convenient for users, as it can be done from anywhere in the country, and it is environmentally friendly, since all documentation is uploaded to the platform in a paperless process.

The automation of the application procedure allows verification of compliance with the prerequisites, as well as the coordination of on-site validation by specialists to verify the minimum-security requirements.

In August 2021, 60 companies were accredited under the Dominican Republic's simplified AEO programme. As of January 2025, this had quadrupled to 241 companies.

In July 2024, fourteen (14) companies were reaccredited under the simplified AEO programme, marking a first since its launch in March 2021. This represents a commitment to accreditation in the first three years of the programme. For the DGA, it is a confirmation that the simplified AEO programme is delivering the expected results, with the ongoing support of the private sector.

Holding workshops that promote AEO accreditation and present the requirements, application processes and advantages of the programme has been essential for the development of the simplified AEO programme. The programme also has the support of private initiatives, such as the Global Partnership for Trade Facilitation Project under the motto: "Promoting inclusive trade: empowering SMEs and women-led businesses to take advantage of nearshoring opportunities and integration into global value chains." The second component of this Project is simplified AEO accreditation for SMEs, providing support and technical advice to 35 small and medium-sized companies in the Dominican Republic. So far ten (10) companies have received their accreditation within the framework of this Project.



The challenges faced by the DGA include raising awareness of the need for continuity in company management processes. It is necessary to reinforce and clarify the importance of good practices that guarantee the security and continuity of the supply chain. It is important that companies continue to add quality to compliance, ensuring traceability in their processes, compliance with ethical practices and proper management of their operations, to avoid affecting their credibility with the DGA and other government agencies.

In the near future DGA plans to increase the number of accredited SMEs and MSMEs throughout the country, specifically the northern and eastern areas. DGA's 2025 annual operating plan therefore includes more workshops to expand the simplified AEO programme and its benefits.

DGA's experience highlights that if it really wants to include this economic group, it must be willing and committed to designing programmes that adapt to the realities of this sector, so that SMEs and MSMEs can enjoy the advantages and benefits of this accreditation, while at the same time securing the international trade chain.

The Directorate General of Customs in the Dominican Republic (DGA) recognizes that SMEs and MSMEs are an important engine for the nation's economic and social development and values the role that they play in the growth of the national economy, as they contribute not only to the growth of international trade but also to job creation.

OBJECTIVES AND SCOPE OF THE REPORT

The primary objective of this Report is to explore the integration of MSMEs into Authorized Economic Operator (AEO) programmes under the WCO SAFE FoS. MSMEs form the backbone of global trade, contributing significantly to economic growth, job creation and innovation. Despite their pivotal role, these businesses face unique challenges in accessing the trade facilitation benefits offered by AEO programmes.

The scope of the Report encompasses an analysis of the current participation levels of MSMEs in AEO programmes, insights from the WCO 2024 SAFE Implementation Survey and the WCO-WTO MSME Group Joint Compendium of MSME provisions in AEO programmes, and case studies from WCO Member administrations. The Report aims to serve as a resource for Customs administrations, policymakers and stakeholders, providing some insights for advancing a more inclusive and equitable approach to global trade facilitation.





Challenges preventing MSMEs from entering AEO programmes

Challenges preventing MSMEs from entering AEO programmes

The findings in this section draw from extensive calculations over the past three years with the ICC Global Customs & Trade Facilitation Commission and ICC's global business network, representing all continents, sectors and levels of development.

CASE STUDY

CHINA CUSTOMS' EFFORTS TO INTEGRATE SMES/MSMES INTO THE AEO PROGRAMME

In implementing and developing the AEO programme, China Customs has consistently focused on the particular needs of small and medium-sized enterprises (SMEs) and micro, small and medium-sized enterprises (MSMEs). Considerations of the circumstances specific to SMEs and MSMEs have been integrated into the programme's top-level design, criteria setting and enterprise training, with the goal of enabling various types of SMEs and MSMEs to benefit from the AEO programme.

1. Removal of the "import and export volume" entry threshold

Under the guidance of the WCO SAFE Framework of Standards, China Customs established the AEO programme in 2008. Initially (from 2008 to 2010), the AEO criteria included import and export volume requirements. Enterprises were required to have an annual import and export volume of at least USD 30,000,000 to qualify for AEO status.

To advance the AEO programme and attract more enterprises to apply for AEO status, in 2011 China Customs lowered the threshold to an annual import and export volume of USD 500,000.

As the global economy evolved and SMEs/MSMEs played an increasingly significant role in international trade, China Customs further optimized the criteria in December 2014 by completely removing the import and export volume requirement. Currently, SMEs and MSMEs enjoy equal eligibility with larger enterprises. As long as they have a record of engaging in import and

export activities or provide related services, they can apply for AEO status.

2. AEO criteria suitable for SMEs/MSMES

China Customs has innovatively developed an AEO criteria system consisting of "general criteria plus specific criteria" to cater to the needs of SMEs and MSMEs. This system includes 94 items covering four dimensions: internal control, compliance, financial status, and trade security. The general criteria set the basic requirements applicable to all enterprises, while the specific criteria address various business types, including the processing trade, Customs brokerage, express delivery, logistics and transportation, cross-border e-commerce and comprehensive foreign trade services. These criteria are designed to meet the practical needs of enterprises with diverse business scales and operations.

Compared to large enterprises, SMEs and MSMEs typically run on smaller scale and have simpler business operations. When conducting AEO validation on SMEs and MSMEs, China Customs requires them to comply only with those specific criteria that are relevant to their business activities, rather than mandating adherence to all of the criteria. This approach ensures that SME/MSME AEOs meet the applicable criteria while avoiding undue burdens caused by inapplicable criteria. By applying more precise criteria and thus more accurate validation results, this tailored method has been expanding AEO coverage to include more eligible SMEs and MSMEs while safeguarding trade security.



3. Strengthening AEO training

To encourage SMEs and MSMEs to understand the AEO programme and apply for AEO status, China Customs actively conducts policy outreach to various enterprises. Recognizing the challenges SMEs and MSMEs face, such as weaker Customs affairs departments and limited human resources, China Customs provides free AEO training services tailored to their needs.

For instance, an online "Smart Training System" has been developed, allowing enterprises to access AEO legislation and the AEO criteria while submitting questions online for direct responses from Customs officers.

Additionally, AEO training bases have been built, offering practical scenarios that simulate on-site validation, which enables enterprises to receive practical training on the AEO criteria as well as detailed policy briefings and explanations. At the bases, enterprises gain a comprehensive understanding of the AEO criteria and the facilitation measures. Through these initiatives, China Customs has been attracting more and more SMEs and MSMEs to join the AEO programme.



LACK OF INFORMATION AND AWARENESS

Most MSMEs are unaware of the existence of AEO programmes. Those who have heard of the programmes and are interested in learning more have difficulty accessing and understanding what information is available. For example, the section on AEO programmes on many Customs websites only sets out the legal provisions, without any explanation or guiding notes. This deters MSMEs who rarely have dedicated Customs compliance resources or in-house legal departments. Without support, they often perceive the process as too complicated and cumbersome. Moreover, in many instances the information provided does not speak to MSMEs. This might be because Customs often does not understand or take into account the specific needs of MSMEs in designing and marketing their AEO programmes and have not developed tailored outreach efforts.

Finally, the challenge of limited information is often worsened by reliance on outdated, paper-based

processes, which require time and cost to navigate.

First, to ensure companies find out about AEO programmes and see the benefits, Customs should conduct concerted marketing and awareness raising efforts. All opportunities for Customs to interact with the private sector should be used to raise awareness, e.g. fairs, trade venues, or post-clearance audits (PCA).




This process requires a good internal understanding and full ownership of AEO programmes by all Customs officers – not just the dedicated AEO department. This is particularly important for Customs agencies applying staff rotation or with high staff turnover. Well-informed Customs officers who understand what their AEO programme can bring to MSMEs will be more effective at marketing, wherever they work.





Many economies have identified specific targets and trade initiatives for MSMEs in their government programmes. Customs should align their AEO awareness and information efforts with any existing initiatives and piggyback on the activities planned in cooperation with other agencies

and trade groups. This is a simple, low-resource and cost-effective way to raise awareness of AEO programmes among MSMEs, and does not require much research or planning from Customs. If no national targets exist, Customs can ask the national Ministry of Trade (or equivalent) or national export promotion agency for advice on where to focus MSME recruiting efforts.

To communicate more effectively to MSMEs and attract greater participation in AEO programmes, it is essential for Customs authorities to better understand the specific needs of MSMEs and the barriers they perceive when considering entering AEO programmes.

Finally, modern digital systems are key to improved communication. Implementing a digitalized AEO application and management system that provides a transparent and structured approach makes information more accessible. This also reduces costs for both governments and companies, with MSMEs who are disproportionately impacted by trading costs benefiting the most. In practice, self-assessment questionnaires, explanatory notes and other documentation should be easily accessible online.

-  Lack of awareness of AEO programmes.
-  Difficulty accessing and understanding information.
-  Paper-based processes.

-  Dedicated and targeted awareness raising and marketing efforts, taking the specific needs of MSMEs into account.
-  Digitalized AEO application and management system.
-  Accessible online documentation and guidance.
-  Mainstream AEO programmes within Customs agencies and integrate them into national strategies across agencies to ensure all opportunities for promotion are used.

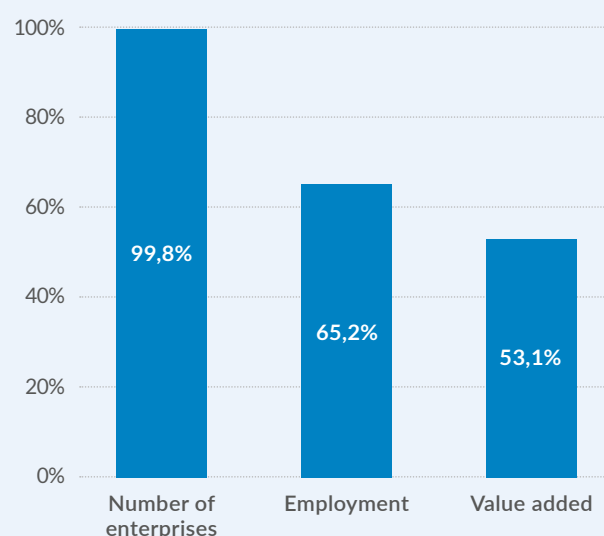
CASE STUDY

INTEGRATION OF SMES INTO THE EUROPEAN UNION'S AUTHORIZED ECONOMIC OPERATOR PROGRAMME

General overview of the role of SMEs in the EU economy

Small and medium-sized enterprises (SMEs) are pivotal to the European Union's (EU's)¹⁶ economy, representing a significant portion of the non-financial business sector. In 2023, SMEs played a crucial role in the European economy, accounting for 99.8% of all enterprises in the non-financial business sector. With 25.8 million SMEs employing 88.7 million people, they contributed significantly to EU-27 employment and value added. Moreover, despite facing significant challenges in recent years, including the COVID-19 pandemic and global supply chain disruptions, SMEs have demonstrated remarkable resilience. They have continued to support economic development, showing positive growth in value added, employment and the overall number of enterprises.

Figure 1: Share of EU27 SMEs by number of enterprises, employment and value added in 2023



Source: Calculations by the JRC based on Eurostat's Structural Business Statistics, Short-Term Business Statistics and National Accounts Database.

¹⁶ According to the Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises, SMEs are enterprises that have fewer than 250 employees, and either an annual turnover of up to EUR 50 million or a balance sheet total of up to EUR 43 million: [EUR-Lex - 32003H0361 - EN - EUR-Lex](#).



At the same time, whilst coping with the extraordinary economic and social challenges since early 2020, SMEs have also had to prepare for the transition to a digital and sustainable economy and to navigate the complexities of international trade regulations and procedures, issues that pose significant challenges and opportunities and deserve specific attention.

Recognizing their critical role in the EU economy, the EU has tailored the AEO programme to accommodate the unique characteristics and chal-

lenges, promoting their participation in secure and efficient international trade.

EU legal framework

The EU AEO programme is open to all economic operators, including SMEs, regardless of their role in the international supply chain, provided that the applicants are established in EU Customs territory and comply with the criteria and obligations laid down in the Union Customs Code (UCC),¹⁷ which applies across the 27 EU Member States.

¹⁷ Regulation (EU) No 952/2013 of the European Parliament and of the Council of 9 October 2013 laying down the Union Customs Code: [Regulation - 952/2013 - EN - EUR-Lex](#).

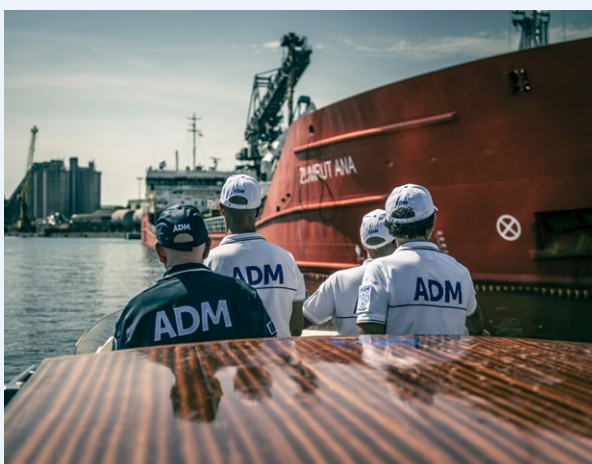
To address the challenges SMEs may face in obtaining AEO authorization, EU legislation incorporates flexibility to reduce burdens, making AEO status more accessible. Notably, EU Customs legislation explicitly considers SMEs in the AEO application process, as article 29(4) of the UCC Implementing Act (UCC IA)¹⁸ states that Customs authorities are to account for the specific characteristics of economic operators, particularly SMEs, when assessing AEO criteria compliance.

In other words, and as an example of the special consideration of SMEs for the purposes of the AEO authorization process:

- An applicant with 51 employees importing glasses would be dealt with differently than an applicant with 249 employees importing weapons who may already have extensive security measures.
- A Customs agent with 4 employees acting as a subcontractor for a manufacturer with 150 employees also demonstrates the variety of circumstances applicable to SMEs.

Criteria assessment

In addition, to facilitate and ensure common understanding and harmonious application of the authorization procedure, the specificities of SMEs are addressed through concrete examples that are consistently provided in the form of AEO Guidelines.¹⁹ The AEO Guidelines have been designed to promote transparency and equal treatment of economic operators and offer practical examples to support the harmonious application of the AEO programme.



In practice, the AEO Guidelines provide SMEs with the flexibility needed in meeting the AEO criteria, while acknowledging their resource constraints. For instance:

- **Record keeping:** while larger enterprises might use integrated electronic systems directly facilitating Customs audits, SMEs can maintain a simplified system of record keeping allowing cross-references between Customs records and accounting systems, even if manually managed.
- **Security measures:** to prevent unlawful intrusions large companies may employ perimeter fences, security guards and CCTV.²⁰ In contrast, for SMEs operating from very limited premises, it might be considered sufficient if they implement secure locks on doors, windows and filing cabinets to meet security requirements.
- **Access controls:** SMEs are allowed flexibility to implement solutions that are cost-effective and practical for their scale of operations and resources. Large enterprises typically issue identification tags for staff and visitors and allocate dedicated personnel to monitor and secure premises. SMEs, on the other hand, can implement cost-effective measures such as locking shipping area doors, equipping them with a bell for driver access and providing clear instructions to manage entry points.
- **Staff training:** whereas large enterprises might have formal training procedures, SMEs may conduct oral training sessions to instil basic security and safety awareness among personnel.

Sharing of experiences and best practices

To discuss practical questions related to the AEO programme and to ensure its harmonized implementation, the AEO Network, an expert group comprising AEO experts from the 27 Member States, has been set up and meets regularly. While the group's discussions are not exclusively focused on the integration of SMEs into the programme, the AEO Network plays a key role in identifying and agreeing on measures to facilitate SME participation. Additionally, the AEO Network develops and shares best practices to sup-

18 Commission Implementing Regulation (EU) 2015/2447 of 24 November 2015: [EUR-Lex - 02015R2447-20221220 - EN - EUR-Lex](#).
19 AEO Guidelines, TAXUD/B2/047/2011 – Rev.6: [1268be1d-1203-4375-a729-0186974ba49b_en](#).
20 CCTV: Closed Circuit TV systems.

port the effective inclusion of SMEs and enhance the overall efficiency of the AEO programme.

Way ahead

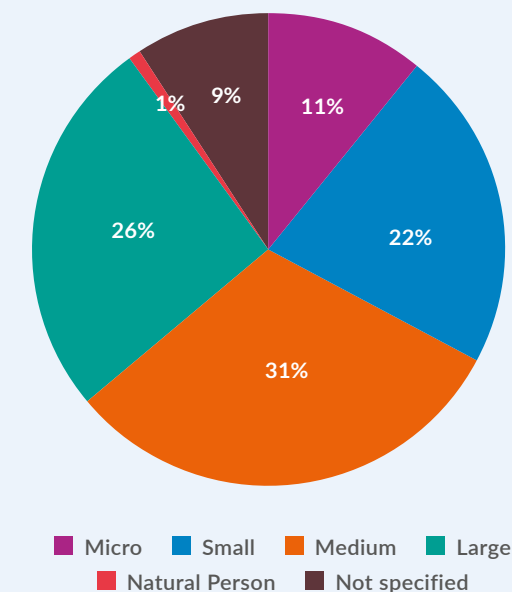
The cases described are just some of the mechanisms tailored to address the needs and specific characteristics of SMEs in the AEO scheme in a balanced way without unnecessary barriers. Flexibility, tailored solutions and continuous improvements of the EU AEO programme have facilitated increased SME participation in this programme, strengthening their role in secure international trade.

The success of this strategy is reflected in the participation rates: SMEs and micro SMEs²¹ (or MSMEs) together account for approximately 65% of current EU AEO status holders. They are an essential part of the supply chains as, in some cases, they may represent the bulk of economic operators in the international supply chains, often acting as subcontractors to larger companies, and contribute significantly to the growth and ongoing success of the EU AEO programme.



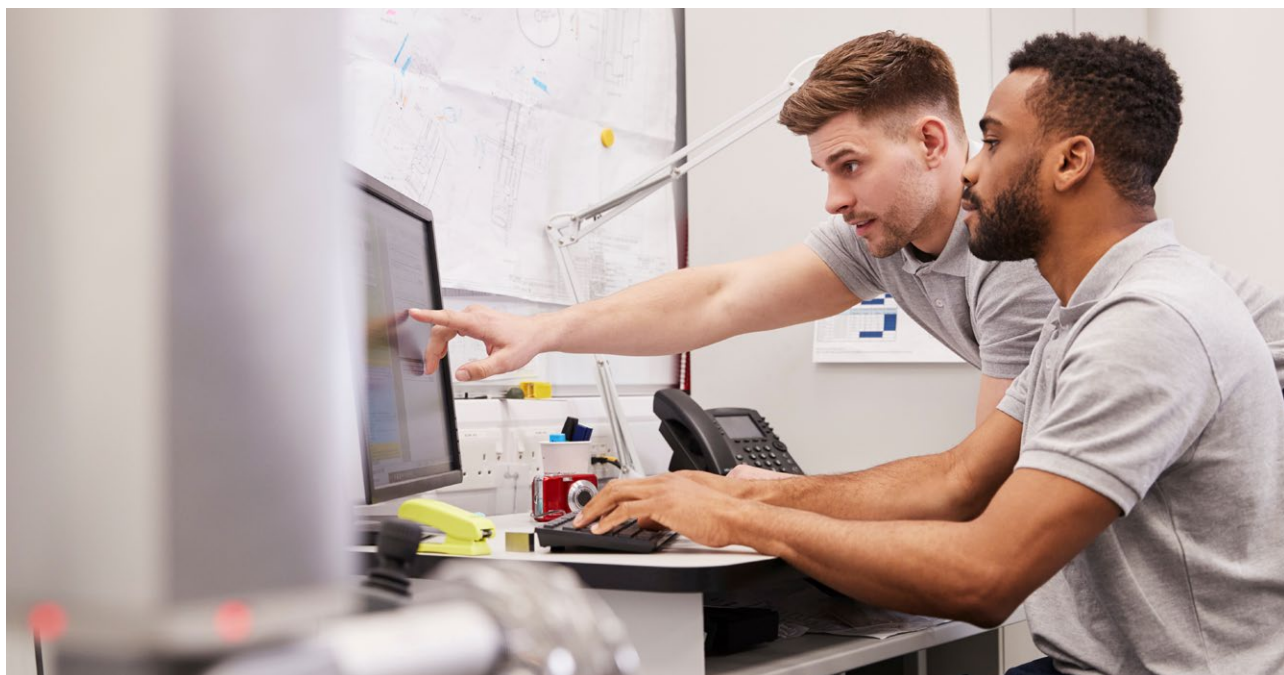
21 According to the Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises, micro-SMEs within the SME population, are enterprises which employ fewer than 10 employees and have an annual turnover or balance sheet below 2 million euro: [EUR-Lex - 32003H0361 - EN - EUR-Lex](#).
22 Digitalisation in Europe – 2024 edition: [Digitalisation in Europe – 2024 edition - Interactive publications - Eurostat](#).

Figure 2: EU AEO authorization holders based on applicant size (December 2024 data, based on the Economic Operator System)



It is critical to continue providing flexibility to SMEs so as to enable them to keep participating in the AEO programme without compromising security standards. The European Commission is committed to continuing to take into consideration the limited resources and capabilities of SMEs compared to larger enterprises and to ensuring accessibility for SMEs to the AEO programme. Future plans align with the trends highlighted by Eurostat²² that almost 60% of SMEs in the EU use digital technologies and that, by 2030, 90% of SMEs are expected to have reached at least a basic level of digital intensity, and aim to ensure ease and accessibility for SMEs to carry out Customs formalities – and to trade.

Recognizing the resilience and adaptability of AEOs and SMEs, the goal is to empower SMEs to drive transformative change by embedding SME policy at the core of policymaking.



DIFFICULTIES IN NAVIGATING THE APPLICATION PROCESS AND COMPLIANCE

One of the key challenges MSMEs face in entering AEO programmes is the complexity of the application process and the ongoing compliance requirements. Many MSMEs lack the in-house resources to manage the time-intensive processes associated with obtaining and maintaining AEO certification, such as handling various licenses, permits, certificates and other authorizations (LPCO) needed for cross-border trade.

Some Customs authorities have addressed this challenge by offering facilitated AEO application processes and simplified requirements for MSMEs. These measures have proven highly effective in addressing compliance, but their success depends on AEO validators (auditors) fully understanding and consistently implementing them.

A system-based approach is more beneficial, as it enables Customs to partner with businesses and improve compliance over time: it is better to include a MSME in the AEO programme and work on its long-term compliance than exclude it from the programme entirely due to rigid transaction-focused assessments.

Furthermore, Customs AEO validators should consider the context and specific risk levels of MSMEs during the assessment process. Well-structured AEO programmes use a risk model, recognizing that

the risks posed by MSMEs may differ from those of large multinational companies.

Improved compliance through AEO programmes not only saves costs and time for both MSMEs and Customs but also improves their overall understanding and relationships with each other.

Finally, providing training on regulatory standards and self-assessment processes tailored to MSMEs provides MSMEs with the knowledge of the requirements of AEO programmes prior to starting the certification process, reducing its perceived complexity.

Complexity of application and compliance processes.

Transaction-focused approach.

Lack of in-house expertise and resources.

Facilitated and simplified certification processes.

System-based and long-term approach.

Training tailored to MSMEs.



CASE STUDY INTEGRATION OF SMES INTO THE AEO PROGRAMME. HONG KONG, CHINA CUSTOMS' EXPERIENCE

Hong Kong, China has a unique business environment with over 98% of companies being small and medium-sized enterprises (SMEs). When the Hong Kong Authorized Economic Operator (AEO) programme was introduced back in 2012, Hong Kong Customs and Excise Department (Hong Kong Customs) fully considered this factor and incorporated appropriate elements into the design of the programme. Over the years, Hong Kong Customs has been making ongoing efforts to encourage the integration of SMEs into the Hong Kong AEO programme.

to obtain AEO status and enjoy the related trade facilitation benefits as soon as possible.

Multi-prong strategies to promote the AEO programme

Hong Kong Customs adopts multi-prong strategies to promote the AEO programme, with efforts intended to reach out to SMEs. First of all, all information regarding the Hong Kong AEO programme is public and easily available on Hong Kong Customs' website and a designated Facebook page. Hong Kong Customs has also established a hotline and email to handle enquires and facilitate communication. Secondly, Hong Kong Customs constantly collaborates with various relevant organizations including local trade organizations and foreign chambers of commerce to organize talks and activities to reach out to the target industries, especially SMEs. Furthermore, echoing the three-pillar collaboration concept under the WCO's SAFE FoS, Hong Kong Customs works closely with other government agencies (OGA) in an attempt to seek extended benefits for AEOs. For example, AEOs can enjoy ten free buyers' credit checks provided by the Hong Kong Export Credit Insurance Corporation, which can help them cope with buyers' risks while exploring new markets.

Two-tier accreditation regime

In line with the WCO's SAFE Framework of Standards (SAFE FoS), Hong Kong Customs has 12 security and safety criteria under the AEO Programme to assess whether a company can attain AEO status. Since the overwhelming majority of companies in Hong Kong, China are SMEs, Hong Kong Customs has specially designed a two-tier accreditation regime under which companies meeting the required standards of 10 out of the 12 criteria concerning the fundamental and core aspects of the company's supply chain operation can attain Tier-I AEO status, while companies fulfilling all 12 criteria can achieve Tier-II AEO status. The idea is to allow SMEs, often with relatively fewer resources,





Launch of AEO iPASS for self-assessment

Hong Kong Customs also embraces the use of innovation and technology while promoting the AEO Programme. During the COVID-19 pandemic, when conventional face-to-face activities were avoided, Hong Kong Customs launched the “AEO iPASS”, an online tool enabling companies interested in applying for AEO status to conduct self-assessments. With simple YES/NO questions and taking around just 15 minutes to complete, the tool provides a preliminary result regarding the company’s readiness. It also provides practical tips and e-learning packages to help the company to enhance its readiness. “AEO iPASS” enables companies like SMEs to understand the requirements and gives them the option to apply for AEO status at their own pace and in line with their own availabilities.

Professional assistance provided by the Cultivation Team and Account Manager

Hong Kong Customs also offers professional assistance through its Cultivation Team and Account Manager to companies in the process of applying for AEO status. The service is free and voluntary. The Cultivation Team actively identifies companies with good potential and, once companies indicate a genuine interest, Hong Kong Customs offers the necessary assistance by addressing problems and providing guidance to help them reach the required standards. An Account Manager is assigned to follow up each formal application and provide assistance throughout the whole accreditation process.

SME success story: the making of a Hong Kong, China AEO

Cheong Hing Store Limited (Cheong Hing) is an SME that has been established in Hong Kong, China since 1917. Hong Kong Customs’ Cultivation Team first met Cheong Hing in a promotion seminar and noticed that, despite its desire and high potential to become an AEO, like most SMEs it lacked the required personnel to understand the requirements and handle the additional workload needed to achieve AEO status. Following months of conscientious assistance through meetings and company visits with Hong Kong Customs’ Cultivation Team and the Account Manager, Cheong Hing was finally ready to apply for Tier-I AEO status and subsequently attained it in May 2018. Through its ongoing efforts, Cheong Hing managed to pass the remaining two criteria and successfully upgraded to Tier-II AEO status after four months. Since then, Cheong Hing has been one of Hong Kong Customs’ most supportive AEOs. To recognize its outstanding contribution to the Hong Kong AEO programme, Cheong Hing was awarded with the highest level Gold Partnership Award by Hong Kong Customs in November 2024.

Looking ahead, Hong Kong Customs will endeavour to continue to make its best efforts to engage SMEs, the biggest share of stakeholders in Hong Kong, China, in developing its AEO Programme, so as to facilitate trade development in Hong Kong, China as well as to contribute to the ultimate goal of maintaining global supply chain security.

RESOURCE AND CAPACITY CONSTRAINTS

Most AEO programmes require substantial resources and capacities for initial certification. In addition, companies must make ongoing investments for continuous compliance and potentially costly audits to maintain certification. Smaller businesses often struggle to allocate sufficient financial and human resources to meet these demands, which include financial solvency tests, supply chain security protocols and periodic self-assessment reports.

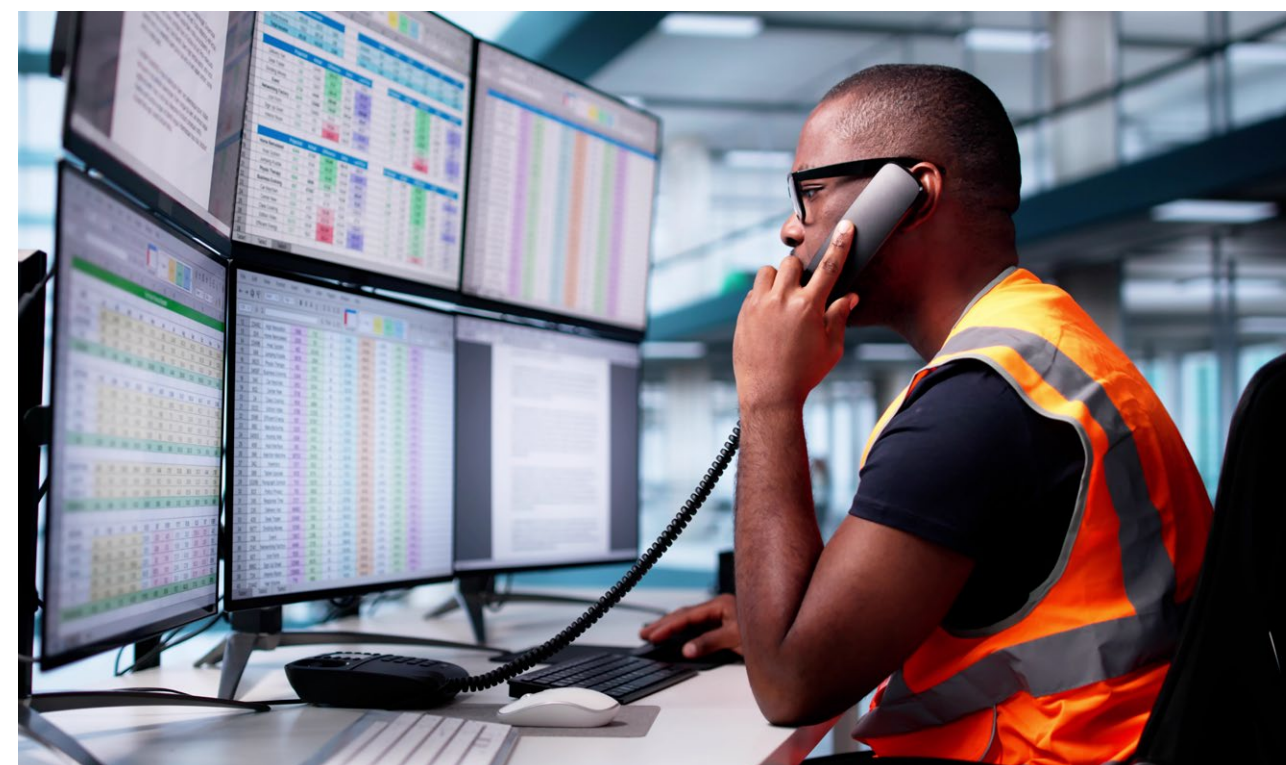
To address these challenges, AEO programmes that provide a dedicated contact person can offer free advice and guidance on how MSMEs can improve their processes. These mechanisms are particularly valuable for MSMEs, helping them navigate requirements and make informed decisions. Yet MSMEs are often unaware that contact points exist, once again highlighting the need for better communication and outreach from Customs authorities.

Better outreach is particularly important for MSMEs located further away from the actual points of shipping, such as ports. These companies often have little contact with Customs officers, relying primarily on intermediaries or brokers for clearance. As a result, they miss opportunities to build trust and partnerships with Customs authorities. Establishing dedicated contact points and an improved partnership with Customs will promote compliance and enable

MSMEs to lower costs over the long-term.

Financial assistance programmes, fee reductions or lower audit criteria for MSMEs can also enhance access to AEO programmes. They can help alleviate the financial burden associated with the initial certification, ongoing compliance and potentially costly audits to maintain certification.

-  Substantial investments required for certification and compliance.
-  Lack of in-house expertise and financial and human resources.
-  Lack of awareness of existing tools and available support.
-  Dedicated contact person that can offer free advice and guidance.
-  Financial assistance programmes.
-  Enable MSMEs to invest in the necessary infrastructure and processes to meet AEO standards.



PERCEIVED COST-BENEFIT IMBALANCE


Certification and renewal processes can place a financial strain on smaller businesses that may not see immediate returns on their investment. Many companies have expressed concerns about the cost-benefit ratio of becoming AEO-certified, with some perceiving that the tangible advantages realized through the simplification measures offered do not justify the associated costs.

It is also important to review the simplification measures offered to MSMEs to ensure that they cater to the needs of MSMEs and are financially viable for them. Stopping at a marketing exercise may not be sufficient, and a real discussion is needed of which benefits matter to whom. For example, an MSME importing 30 containers annually may not view fewer inspections as the key benefit.


To address this perception, it is essential for Customs to engage directly with MSMEs to fully understand their specific concerns. Based on this feedback, Customs could create business cases using concrete data and examples that help illustrate what MSMEs gain from joining AEO programmes. Review of measures already in place to support MSME participation in AEO programmes would also ensure that they cater to MSME needs.

Showcasing positive examples of MSMEs that have successfully navigated the AEO process is a powerful tool. Allowing these AEOs to tell their story, including challenges, user experiences and benefits of AEO status, will resonate better with other small businesses than communications from a purely Customs perspective. Such testimonials should be a central part of MSME-focused marketing activities.


Critically, while obtaining and maintaining AEO status will inherently carry costs, it is imperative for Customs to ensure that the actual benefits outweigh the costs. This will only be the case when Customs listens to the private sector and creates benefits perceived as valuable enough to match the resources required for AEO participation.



Perception that costs outweigh benefits.



Ensure AEO programmes deliver tangible benefits.



Publish testimonials, case studies and business cases.



CASE STUDY
INDIA'S HELP FRAMEWORK FOR MSME INTEGRATION INTO THE AEO PROGRAMME

Introduction

India's Authorized Economic Operator (AEO) programme, aligned with the World Customs Organization's SAFE Framework of Standards, emphasizes inclusivity and facilitation across all sectors, particularly micro, small and medium-sized enterprises (MSMEs). To assess the impact of facilitation measures introduced in the AEO programme, India's Central Board of Indirect Taxes and Customs (CBIC) conducted a perception study among a closed group of existing AEOs, seeking feedback on the application process, eligibility criteria, benefits and other aspects.

Methodology

An online survey was conducted using the Survey-Monkey tool from 31 January 2024 to 14 February 2024, and sent to 5,038 AEOs. A total of 1,002 responses were received and considered for analysis. This perception survey was the first of its kind conducted by CBIC to gauge the on-ground challenges and perceptions of AEO T1/T2/T3/LO entities, as well as to understand the impact of the benefits extended under the programme. MSMEs constituted a significant portion (over 60%) of the survey respondents.

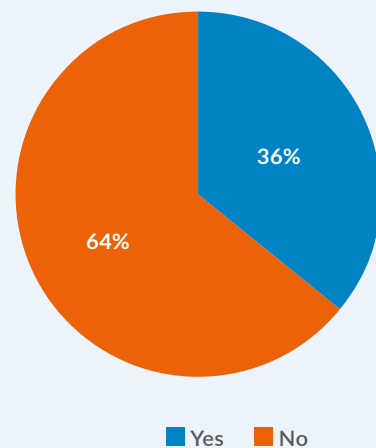
Survey findings related to MSMEs

Awareness levels: two important components were the relaxation of the certification criteria for MSMEs, and the benefits provided to MSMEs. While more than 35% of AEOs were aware of the relaxed certification criteria for MSMEs, 64% of respondents remained unaware. Almost 95% of MSME AEOs found the programme benefits useful, with only a small percentage believing the benefits needed improvement.

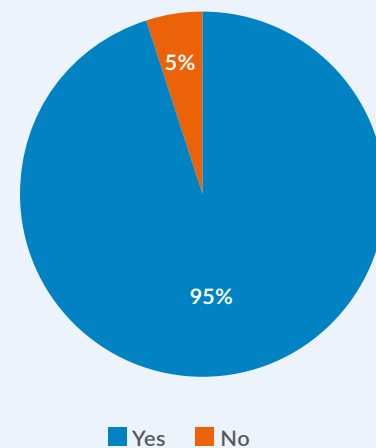


Figure 1: Awareness of MSME benefits

% of all AEOs who were aware of the relaxed certification criteria for MSMEs

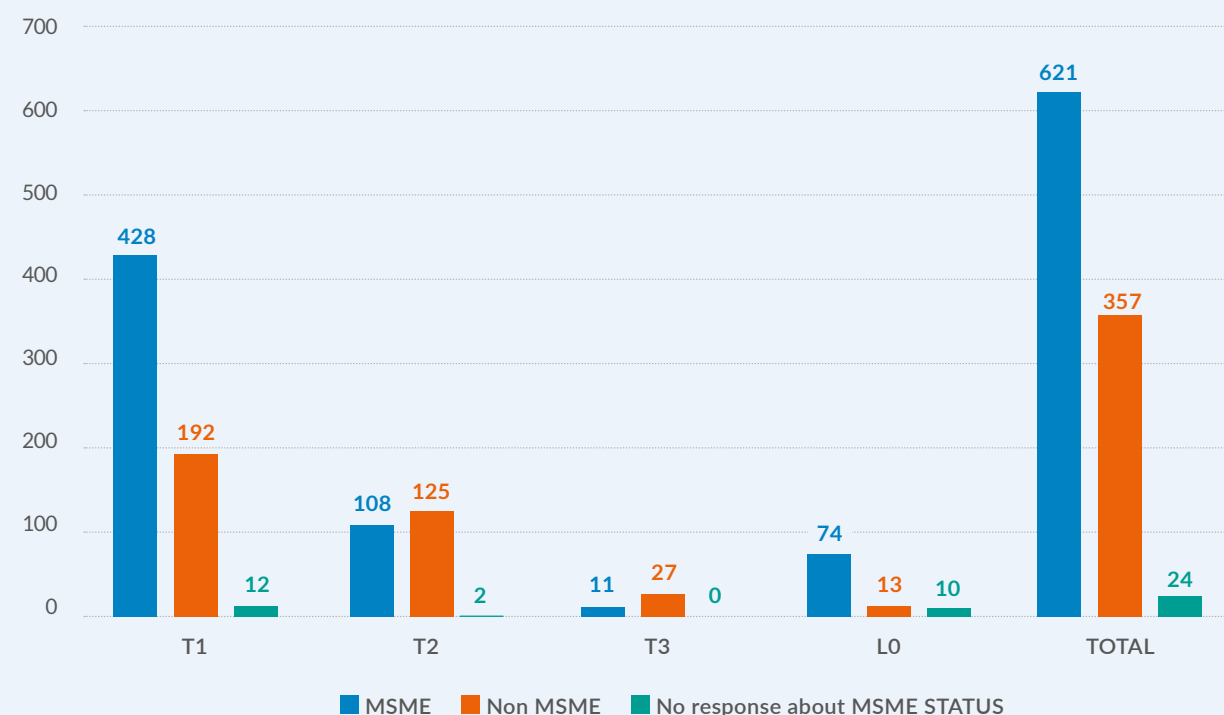


% of MSME AEOs who consider the programme benefits useful for MSMEs



More than 60% of the respondents were MSMEs – the split between MSMEs and non-MSMEs is illustrated in Figure 2 below.

Figure 2: Number of MSMEs out of total number of respondents



Challenges faced

1. Awareness gap: many MSMEs were initially unaware of the AEO programme or perceived it as a complex process. There was also a lack of awareness about relaxed criteria and benefits specific to their segment.
2. Resource constraints: limited financial and human resources hindered some MSMEs from investing in compliance measures.
3. Cultural shift: encouraging smaller businesses to adopt international best practices required sustained effort and trust-building.

4. Difficulty making use of Mutual Recognition Arrangement (MRA) benefits:
 - a. Lack of awareness of MRAs and their potential benefits.
 - b. Complex procedural requirements to claim MRA benefits in partner countries.

Steps taken

To address the challenges faced by MSMEs, CBIC introduced the HELP Framework. This initiative was designed to enhance awareness of the benefits available to MSMEs, such as faster processing, specific eligibility criteria and simplified procedures. The HELP Framework focused on the following four components:

1. **Handholding:**
 - a. Organized over 20 outreach programmes and workshops nationwide to educate MSMEs about the AEO programme's benefits, including those specific to their segment.
 - b. Collaborated with national MSME councils, trade associations, PGAs, Export Promotion Councils and zonal offices to disseminate information. Provided dedicated helplines, simplified user guides and email support to assist MSMEs in navigating the application process.
2. **Expansion of benefits awareness:**
 - a. Highlighted specific benefits tailored for MSMEs, such as reduced bank guarantees, faster Customs clearance and expedited application processing.

dedicated application processing.

- b. Showcased operational efficiency and cost savings for MSMEs under the programme through case studies and testimonials.

3. Reduction of the qualifying period:

Raised awareness about the reduction of the compliance history requirement and the reduction of the qualifying period from three years to two years, which made AEO certification more accessible for MSMEs.

4. Process simplification:

Promoted the digitalized application system, enabling MSMEs to apply online with ease. The HELP Framework played a pivotal role in spreading awareness of these simplified procedures, such as streamlining documentation by reducing the number of annexures from 11 to three while maintaining compliance with safety and security standards.

Outcomes

- a. MSME participation in India's AEO programme increased by 82% from 1,457 in 2023 to 2,663 in 2024.
- b. The percentage of MSMEs in the AEO base (T1 and T2) increased from 30.9% in 2023 to 55% in 2024.
- c. Over 1,200 MSMEs received AEO certification in the past year, benefiting from expedited Customs procedures and reduced operational costs.



Data comparison

AEO Tier	No. of Entities (2023)	MSMEs (2023)	% of MSMEs (2023)	No. of Entities (2024)	MSMEs (2024)	% of MSMEs (2024)
T1	3,635	1,275	35	3,639	2,203	60.5
T2	1,068	182	17	1,202	460	38.2
Total	4,703	1,457	30.9	4,841	2,663	55.0

Key inferences

- a. Substantial growth in MSME participation: from 2023 to 2024, MSME participation increased from 30.9% to 55%, showcasing the success of the HELP framework in attracting more MSMEs into the programmes.
- b. Higher share in Tier 1: the share of MSMEs in Tier 1 increased from 35% in 2023 to 60.5% in 2024, reflecting growing confidence in the programme’s benefits.
- c. Expansion in Tier 2: the share of MSMEs in Tier 2 grew from 17% to 38.2%, indicating that more MSMEs are qualifying for higher certification levels.
- d. Increase in absolute numbers: the total number of MSMEs rose from 1,457 in 2023 to 2,663 in 2024—an increase of 1,206 MSMEs, demonstrating the programme’s growing appeal.
- e. Sustained growth in overall AEO base: while the overall AEO base grew modestly by 3% (in the case of T1 and T2), the significant rise in MSME participation indicates a shift towards greater inclusivity.

Lessons learned

- a. Continuous engagement with stakeholders is critical for addressing misconceptions and building confidence in the programme.
- b. Simplifying processes without compromising compliance standards plays a key role in increasing participation.
- c. Collaboration between Customs authorities, Other Government Agencies (OGAs), Partner Government Agencies (PGAs), industry associations and larger trade entities can create a supportive ecosystem for MSMEs.

Future plans

- a. Dedicated MSME AEO portal: launch a portal with step-by-step application guidance, real-time tracking, and interactive resources.
- b. Sector-specific outreach: address unique challenges faced by MSMEs in various industries through tailored programmes.
- c. Global alignment: share experiences with global organizations to further align India’s AEO programme with international standards and provide additional incentives for MSME exporters.



Conclusion

India’s HELP framework has successfully demonstrated that targeted measures can significantly increase MSME participation in the AEO programme, fostering greater inclusivity and trade facilitation. By sharing experiences and lessons learned, India hopes to inspire other WCO Members to adopt similar strategies in their countries.

LACK OF CAPACITY WITHIN CUSTOMS

A key aspect of well-functioning AEO programmes is adopting good client management practices and embracing public-private partnership. However, this can sometimes be challenging due to historic approaches and entrenched office cultures.

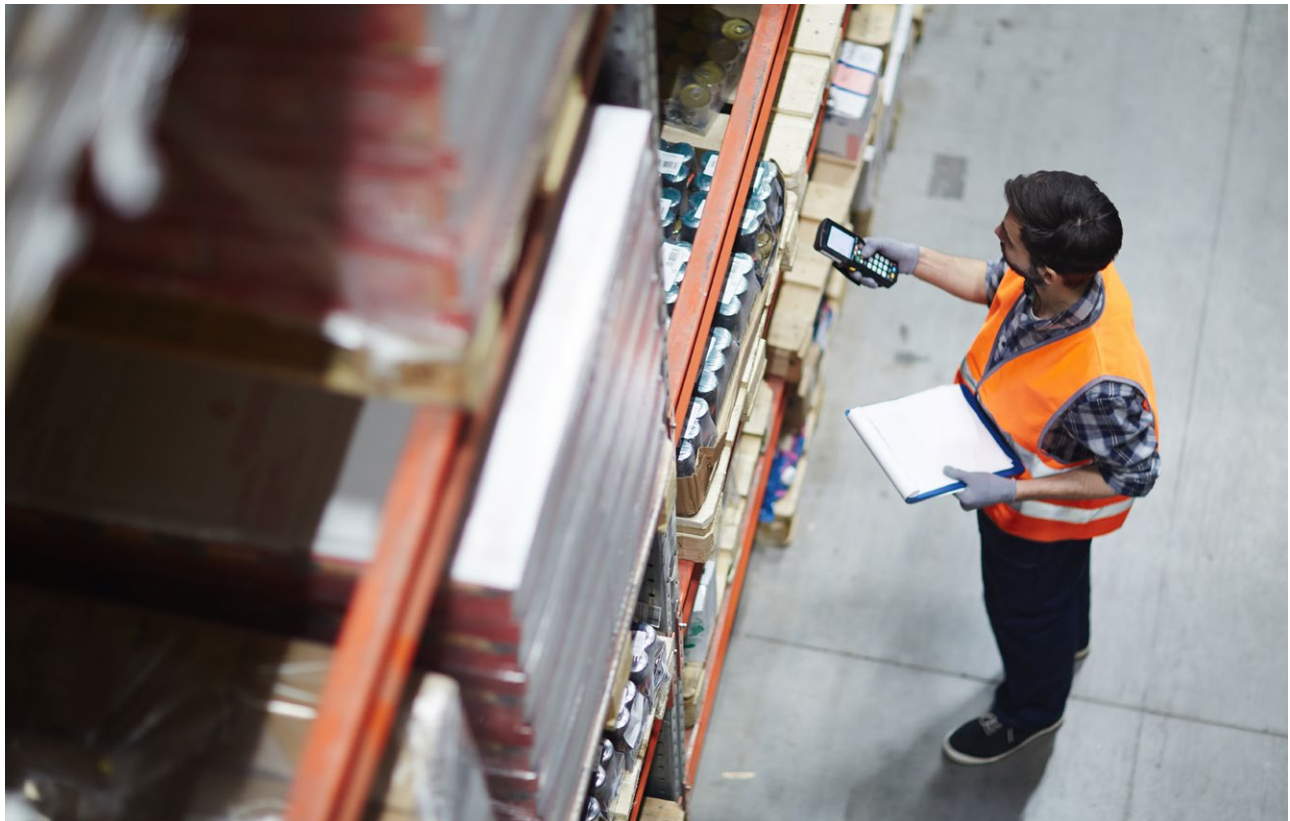
Furthermore, many Customs authorities face resource constraints, which lead to the inadequate allocation of resources to this critical aspect of AEO management. One contributing factor is the lack of internal understanding of AEO programmes, particularly among middle management. This often leads to precedence being given to other priorities (e.g. revenue collection and law enforcement activities).

Many Customs authorities do not provide enough capacity-building to help officers understand the importance of compliance management and the public-private partnership aspects of AEO programmes. In addition, frequent staff rotations further exacerbate this challenge.

To address these issues, Customs should prioritize capacity-building efforts. In particular, these should highlight the role of compliance management within AEO programmes and emphasize their connection to risk management, which is increasingly recognized

as vital for both Customs revenue and enforcement. By “piggybacking” on the established importance of risk management, this approach will lead to better resource allocation, enhanced cooperation and stronger public-private partnerships.

- ✗ Lack of good client management practices and resistance to partnership.
- ✗ Resource constraints within Customs.
- ✗ Lack of understanding of compliance management benefits for Customs.
- ✗ Insufficient capacity building.
- ✓ Introduce change management.
- ✓ Enhance internal capacity-building efforts for Customs.
- ✓ Link AEO and risk management.





Participation and current status of MSMEs in AEO programmes around the world

CASE STUDY

STRATEGIC INITIATIVES OF INDONESIAN CUSTOMS SUPPORTING SMES/MSMES TO OBTAIN AEO STATUS

Background

Small and medium-sized enterprises (SMEs)/micro, small, and medium-sized enterprises (MSMEs) play a critical role in the national economy, serving as key contributors due to their dominance in Indonesia's industrial landscape. In recognition of their significance, Indonesia Customs functions as both a trade facilitator and an industrial assistant, driving innovation in policy frameworks aimed at fostering the development of domestic industries, stimulating economic growth and enhancing export activities. A key initiative to further SME/MSME advancement is their integration into the Authorized Economic Operator (AEO) programme.

To enable SMEs/MSMEs to attain AEO status, Indonesia Customs needs to introduce innovative policy reforms and reassess the AEO criteria, which are often regarded as complex and inflexible. In 2020, the Directorate General of Customs and Excise of the Republic of Indonesia (DGCE) conducted a comprehensive study on "Incorporating SMEs/MSMEs as AEO Economic Operators through the formulation of criteria for SMEs/MSMEs to accommodate AEO inclusion". This study focused solely on exporting SMEs/MSMEs, as these were the economic operators who were encouraged to become AEOs, primarily to benefit from the AEO's Mutual Recognition Arrangement (MRA).

Research problem

1. The challenges encountered by SMEs/MSMEs in meeting the thirteen AEO criteria and requirements outlined in the WCO SAFE Framework of Standards (FoS).
2. Adjusting the AEO criteria to accommodate SMEs/MSMEs as AEOs.

Purpose

3. To analyse the challenges encountered by SMEs/MSMEs in meeting the thirteen AEO conditions and requirements in accordance with WCO SAFE FoS.
4. To analyse the adjustments of AEO criteria for SMEs/MSMEs to accommodate their inclusion as AEOs.

Methodology

To provide a comprehensive assessment of the inclusion of SMEs/MSMEs as AEOs and the necessary adjustments to AEO criteria for SMEs/MSMEs, the study adopts a qualitative research methodology. Specifically, a descriptive-analytic qualitative approach is utilized, involving data collection through surveys and field observations, followed by systematic compilation, presentation and analysis of the collected data.

The study was conducted by distributing surveys to 36 companies and visiting two (2) SMEs/MSMEs located in Jakarta.



Result and impact

1. Analysis of AEO criteria fulfilment by SMEs/MSMEs.

Based on the questionnaire data, the following results were obtained from the analysis of the 36 respondents:

No.	AEO Criteria	Implementation Status	Constraints
1	Demonstrated compliance with Customs requirements	Implemented (with Customs broker support)	Difficulty in requiring certified Customs experts for SMEs/MSMEs; reliance on Customs broker
2	Satisfactory system for management of commercial records	Partially implemented	Majority use Microsoft Excel/manual methods, high costs of specialized systems
3	Financial viability	Implemented	Audit requirements may need adjustment for SMEs/MSMEs
4	Consultation, co-operation and communication	Implemented	Requires AEO manager and mechanism for informing DGCE of unusual transactions
5	Education, training and awareness	Not implemented	Limited knowledge and resources for supply chain and security awareness training
6	Information exchange	Partially implemented	No written procedures or dedicated IT staff
7	Cargo security	Implemented	Difficulty for SMEs/MSMEs to adopt specialized warehouse systems
8	Conveyance security	Partially implemented	GPS tracking not feasible for SMEs/MSMEs; recommend using AEO-certified transporters

9	Premises security	Implemented	Security standards must balance SME/MSME capabilities and risk
10	Security personnel	Implemented	Drug testing and Certificate of Good Conduct requirements are challenging for SMEs/MSMEs due to cost
11	Trading partner security	Implemented	-
12	Crisis management and incident recovery	Partially implemented (internal audits conducted)	Few companies have hydrants or safety inductions for visitors
13	Measurement, analysis and improvement	Partially implemented (internal audits conducted)	Adjustments may be needed

In addition, the study found that respondents did not engage in the importation of raw materials, as these were sourced domestically, hence the benefits of AEO status in import activities were not realized. Furthermore, since export procedures in Indonesia have already been simplified, the benefits of AEO status in export activities have not been particularly appealing to SMEs/MSMEs.

2. Proposed adjustments to AEO criteria for SMEs/MSMEs.

Based on the analysis of respondent data, as outlined in section E, point 1, seven (7) AEO criteria can be met by SMEs/MSMEs, five (5) criteria can be partially met, and one (1) criterion cannot be fulfilled. This will likely affect the interest of SMEs/MSMEs in participating in the AEO programme and their ability to meet all criteria for obtaining AEO certification. Thus, it is essential to establish more flexible criteria standards for SMEs/MSMEs to enable more businesses to benefit from the AEO programme.

Conclusion and recommendations

1. Conclusion.

Based on the survey results, the majority of respondents have implemented operational activities in line with the thirteen conditions and requirements, albeit to different standards compared to larger companies. It is concluded that the thirteen AEO criteria can still be applied to SMEs/MSMEs, but with varying sub criteria.

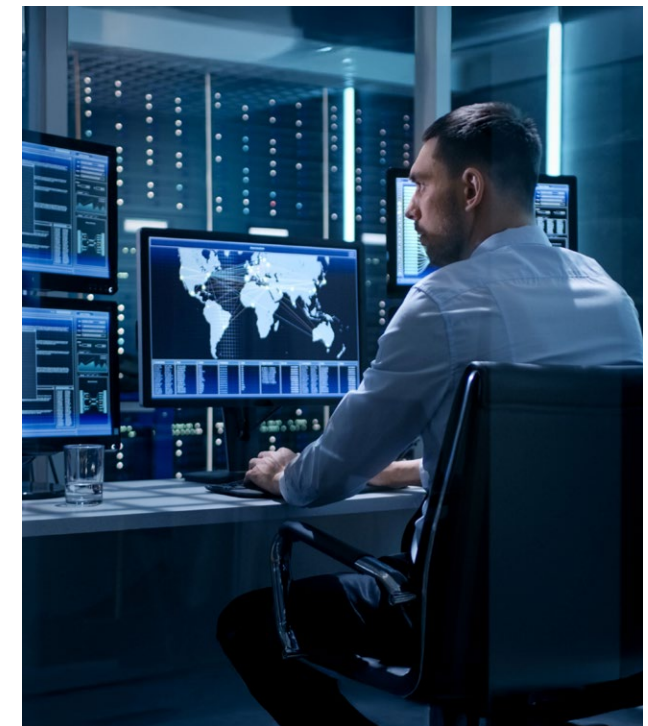
2. Recommendations:

- There is a need for international standardization regarding the criteria for classifying SMEs/MSMEs, for instance, by number of employees, investment value, asset value, or income. This standardization can then be used by members of the standardization system to determine whether a company qualifies as an SME/MSME.
- In accordance with the WCO SAFE FoS, thirteen AEO requirements must be met. For SMEs/MSMEs, these requirements are undoubtedly difficult to fulfil. Therefore, flexibility in applying for AEO should be provided to SMEs/MSMEs.

RESULTS OF THE WCO SURVEY ON MONITORING THE IMPLEMENTATION OF THE SAFE FRAMEWORK OF STANDARDS: ANALYSIS OF RESPONSES TO MSME-RELATED QUESTIONS

Based on the decision made by the 29th Meeting of the WCO SAFE Working Group (SWG) in November 2023, on 26 March 2024 the WCO launched the survey to monitor the implementation of the SAFE Framework of Standards (FoS). The key priorities of the survey included questions related to the harmonization of Advance Electronic Cargo Information (ACI), Automated Risk Management, Collaboration with Other Government Agencies, the use of the Trader Identification Number (TIN), as well as the benefits provided to Authorized Economic Operators (AEOs).

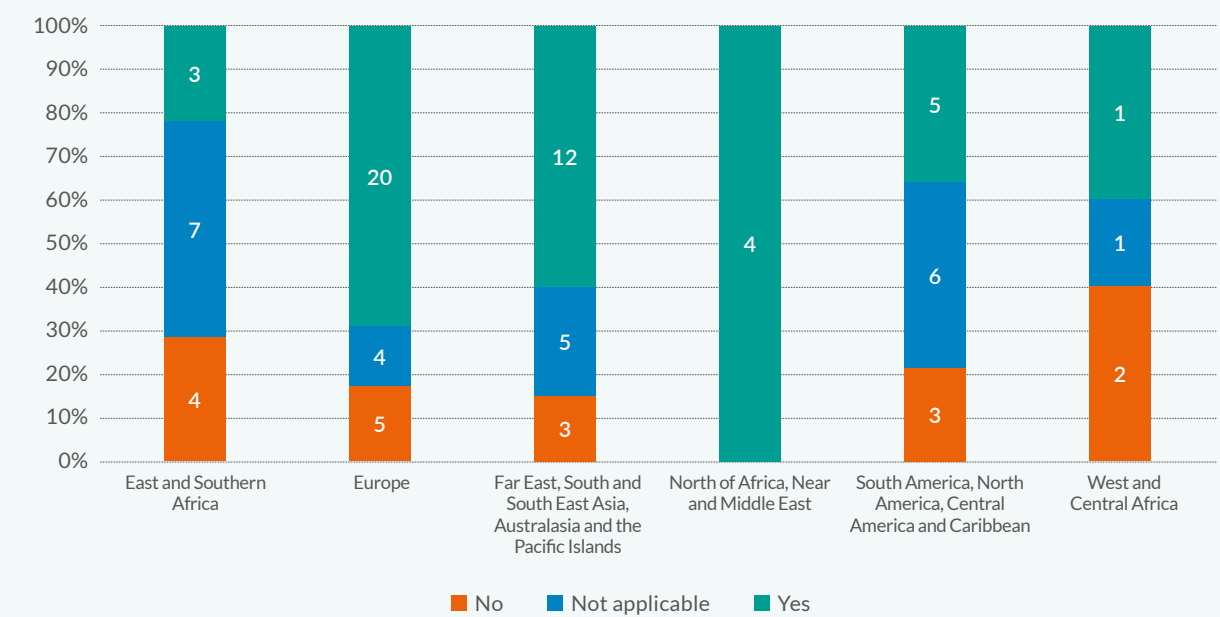
In addition to these core elements, the survey specifically explored the inclusion of MSMEs within AEO programmes. With responses received from 109 Members, representing 94% of administrations with established AEO programmes, the survey provided a detailed assessment of the current landscape of AEO implementation, identifying existing practices and barriers to MSME participation.



Key findings from Customs authorities

One of the significant findings from the survey was that slightly more than half of the respondents confirmed that their Customs-to-Business partnership programmes incorporated flexible and customized security plans tailored to the specific needs of AEOs based on their business models.

Does Customs allow for flexibility and the customization of security plans based on Member's business model (including Micro, Small and Medium Enterprises (MSMEs))?



These flexible validation approaches include customized assessments of perimeter security, capacity evaluations, and the adaptation of criteria according to the size and operational model of businesses. This flexibility aims to make the programmes more accessible, particularly for smaller economic operators.

Less than one-third of respondents indicated that their AEO programmes did not offer tailored approaches to accommodate different types of economic operators. A similar proportion of respondents selected “not applicable” when asked whether their programmes included such flexibility.

Benefits for MSMEs in AEO programmes

A small minority of respondents indicated that their administrations offered specific benefits to MSMEs participating in AEO programmes.²³



23 The EU AEO programme does not differentiate benefits based on company size. Instead, flexibility and tailored solutions are provided through the criteria assessment, which takes due account of the specific characteristics of economic operators, in particular of MSMEs. However, all the benefits granted to AEOs are equally provided to SME AEOs as well, with no distinctions (see Case Study Integration of SMEs into the European Union’s Authorized Economic Operator programme for additional details). Furthermore, the EU is in the process of discussing an ambitious customs reform, with further simplifications for certain economic operators, including MSMEs (<https://taxation-customs.ec.europa.eu/customs-4/eu-customs-reform-en>).

These benefits include:

- Reception of goods at their premises.
- Direct handling of seals.
- Choice of shipment routes.
- Priority in Customs processing.
- Flexible financial standards.
- Simplified cargo transportation.
- Reduced lead times.

Moreover, some respondents highlighted additional advantages such as exemptions from inspections, priority in tax procedures, and guidance on compliance and trade regulations. The AEO certification process itself enhances MSMEs’ reputation and market credibility, which can lead to greater business opportunities. Several administrations also reported offering tailored training programmes, reduced bank guarantee requirements and improved access to international trade practices to further support MSME participation. In some cases, credit cultivation services, online

training modules and interactive sessions are provided to help facilitate the certification process and expedite Customs clearance.

Challenges and Future Developments

Despite these positive developments, more than two-thirds of respondents indicated that they did not currently provide specific benefits to MSMEs participating in their AEO programmes. This finding underscores a significant gap in the integration of smaller businesses into these initiatives. However, there are signs of progress, as a small number of respondents reported that they were in the process of developing specific benefits tailored to MSMEs. Most of these administrations anticipated implementing these new measures within the next one to three years.

The survey results highlight the ongoing need for further efforts to enhance the inclusivity of AEO programmes and to address barriers that may prevent MSMEs from fully participating. By fostering more flexible approaches and providing targeted benefits, Customs administrations can better support the participation of MSMEs, ultimately contributing to more robust global trade practices and economic growth.

CASE STUDY

JAPAN’S CASE STUDY ON INTEGRATING SMES/MSMES TO THE AEO PROGRAMME

Overview

In Japan, regardless of their size, AEOs are required to establish legal compliance rules and develop a system to comply with such rules. They are therefore required to have the following sections:

1. An overall control section that oversees trade-related sections, including the operating section;
2. An operating section that is in charge of Customs clearance and other operations related to exports and imports; and
3. A legal audit section that conducts internal audit regarding compliance with laws and regulations.

However, it may be difficult for SMEs to establish new or independent sections as set out above. Japan Customs has therefore been making an effort to create an environment that facilitates the participation of SMEs in the AEO programme by providing advice tailored to the situation of each operator. It takes the view that, in establishing a compliance system, it is more important to ensure that the functions and roles expected of each section are properly performed than to establish the actual sections as a formality.

Challenges

1. Due to the small scale of SMEs, some operators have difficulty establishing the sections required for achieving AEO status.
2. The absence of an internal audit section, and difficulty in establishing a new, permanent audit section which is independent of the other sections, make it difficult to ensure the effectiveness of audits.



Methodologies

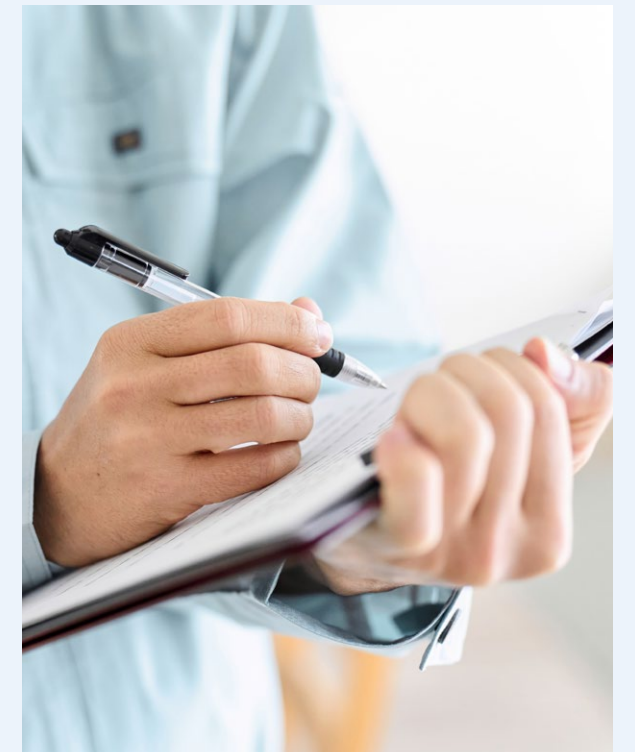
1. Customs laws and regulations require AEOs to establish a number of sections, such as the overall control section. The term “section” may give rise to the misunderstanding that AEO status cannot be obtained unless more than one person is assigned to each section. Japan Customs has therefore posted a template of legal compliance rules on its website which clearly states that companies do not necessarily need to establish a physical section consisting of several people, but that it is acceptable to designate a person in charge. In addition, provided that this does not impair the function of the overall control section, some of the tasks of the overall control section may also be delegated to other sections.

Example: Due to the stringent cost management required by its parent company, Business A had difficulties establishing an overall control section consisting of several people and, therefore, it as-

signed one designated staff member to play the role of the overall control section. In addition, it set up a committee consisting of the designated staff member and the managers of the different operating sections which played a supplementary role to the overall control section. The committee was required to meet regularly and to support the tasks of the overall control section, such as providing AEO-related education to operating sections and collecting feedback. As a result, the functions of the overall control section were deemed to be properly performed, and Business A was successfully approved as an AEO. Furthermore, requiring the heads of each operating section to participate in the committee meeting helped them to understand the functions and roles of the overall control section, which made them potential candidates to take over the post of the overall control section in the future, and thereby contributed to successor development. Through this process, Business A maintained the system required for AEO status.

2. For businesses that are unable to establish an independent and permanent legal audit section due to limited resources or for other reasons, the staff assigned to the legal audit section may also assume the post of other sections, provided that this does not impair the function of the legal audit section. Furthermore, businesses that are unable to establish their own audit section are permitted to outsource internal audit to different entities, provided that the relationships with these entities and the effectiveness of the audit have been clarified and guaranteed, as described in the FAQs on the Japan Customs website.

Example: Business B, which only has about 50 employees, had difficulties securing new personnel for internal audits but was successfully approved as an AEO on the following basis: Business B is a subsidiary company and its parent company is an AEO. The parent company’s auditing staff therefore understand the details of the internal audits required for an AEO as well as the operations of each group company, including Business B. The legal audit section in the parent company therefore conducted the internal audit of Business B and, in order to ensure the effectiveness of the audit, reported the audit results, etc. to Business B’s overall control section. In addition, with regard to the revision and update of legal compliance rules and various reg-



ulations, and the establishment and development of the system related to the AEO programme, the overall control section of the parent company and each group company, including Business B, has been cooperating closely with each other.

Outcomes

As mentioned above, Japan Customs helps operators, including SMEs, who are considering acquiring AEO status to improve their understanding of the AEO programme and to develop the necessary processes by disseminating useful information, and also by enhancing the content of the Japan Customs website.

Requirements and standards for AEOs are the same in Japan regardless of their size, but the path to achieving it varies depending on each company’s situation, e.g., its size, internal structure, business processing procedures, etc. By ensuring a proper understanding of each company’s current situation, Japan Customs has been providing tailor-made advice through multiple consultations on the most suitable way of acquiring AEO status.

Through these efforts, AEO security and compliance has been maintained regardless of the size of the company. Japan Customs will make further efforts to expand AEO numbers, including SMEs, without lowering the quality of AEOs.

INSIGHTS FROM THE WTO
MSME GROUP'S COMPENDIUM
OF SPECIAL PROVISIONS FOR
MSMES IN AEO PROGRAMMES

In 2024, the WCO and WTO MSME Group compiled a Compendium of special provisions for MSMEs in AEO programmes (WTO document INF/MSME/W/47/Rev.2)²⁴ to provide examples of good practices and insights on the options different economies have explored to facilitate MSME AEO programme participation. Actions taken include special flexibilities, outreach, tiered systems, financial support, capacity building and consultation, with feedback mechanisms all enhancing the participation of MSMEs. Each of these elements plays a crucial role in making AEO programmes more accessible and beneficial for MSMEs.

Special flexibilities within AEO programmes, especially when it comes to capital or security requirements, have been used to accommodate the reduced capacities of smaller businesses. For instance, in Argentina the solvency criteria have been adjusted to be less stringent for MSMEs and in Indonesia MSMEs benefit from facilities designed to ease financial requirements, acknowledging 'their often more limited financial resources. From a non-financial angle, the Republic of Korea has established specialized security criteria with lower eligibility requirements for small businesses, while other Members, like Japan, allow for general flexibility in how to meet AEO requirements based on company circumstances, and the Philippines' AEO programme can provide tailored models and benefits for MSMEs.



The use of AEO programmes by MSMEs relies on effective outreach and capacity-building, and economies have taken different measures to increase awareness and provide training. Australia allocates specific budgets for AEO outreach, fostering greater understanding and participation. Brazil has offered lectures and seminars, along with a comprehensive website with information on becoming an AEO, thereby enhancing knowledge about the programme. China has established an online service system which includes training courses and FAQ interactions to simplify access to information on becoming an AEO, and Fiji's MSME Support Centre provides free advisory services to support MSME capacity.

Tiered systems with different levels of requirements allow for varying levels of certification based on an enterprise's capabilities. For example, Hong Kong, China's two-tier certification system encourages MSMEs to engage by simplifying requirements with two fewer security criteria in Tier 1. The Dominican Republic launched a simplified Economic Operator Programme in 2021, and India's 'Liberalized MSME AEO Package' has relaxed compliance criteria for smaller enterprises.

Consultations with MSMEs, especially when AEO programmes are under development, are important for accessibility. Australia engaged MSMEs during the design phase of its AEO programme and Hong Kong, China conducted a pilot scheme to collect MSME inputs. Brazil similarly conducted public consultations that included MSME voices to inform the development of its AEO programme.

Beyond development phase consultations, methods to ensure regular feedback from MSMEs also serve as an important tool in refining AEO programmes to better suit their needs. For example, in India MSMEs are regularly contacted for their feedback and suggestions on the AEO programme, thereby ensuring the programme evolves in line with the requirements of small enterprises. The European Union has also established a trade contact group involving industry stakeholders, including MSMEs, to maintain ongoing dialogue about the programme's development.

These examples highlight the range of options developed so far to address the unique challenges faced by MSMEs for AEO programme access. Such dedicated efforts can lead to increased MSME participation and support trade inclusiveness.

24 A Compendium of Special Provisions for MSMEs in Authorized Economic Operator (AEO) Programmes.



CASE STUDY
INTEGRATION OF SMES/MSMES
IN THE AEO PROCESS IN MOROCCO

Since the launch of the AEO programme in 2006, given that Morocco's economic fabric is essentially made up of small and medium-sized enterprises (SMEs) and micro, small and medium-sized enterprises (MSMEs), Morocco Customs has spared no effort to support these companies and encourage them to join the AEO programme. Of particular note are the following:

Regulatory framework governing
the AEO programme

The AEO programme does not exclude SMEs/MSMEs; it is open to any company established in Morocco, irrespective of its size and level of activity.

Article 53 bis of Decree No 2-10-121 of 23 Rajab 1431 (6 July 2010) states that:

"The administration grants the status of authorized economic operator (AEO) to companies established on the national territory and engaged in industrial, commercial or service activities linked to international trade, both for import and export".

Cost of compliance with AEO criteria

Since compliance with the criteria for granting AEO status requires investment, particularly in terms of organization, supply chain security, information system security, staff training, formalization of procedures, etc., Morocco Customs has signed a partnership agreement with the Moroccan National Agency for the Promotion of Small and Medium-sized Enterprises (ANPME) or MOROCCO SMEs to finance up to 70% of the cost of investments in compliance, as part of the national programme for upgrading Moroccan businesses.

Validation of AEO criteria

With regard to missions to validate AEO criteria, audit firms and Customs auditors are made aware, through training sessions and awareness-raising campaigns, of the importance of taking into account certain features specific to SMEs/MSMEs during validation visits without affecting overall compliance with these criteria (e.g. simplified measures relating to access, paper registers, safety vest requirements, training by in-house teams, sets of interfaced IT applications instead of a fully integrated IT system, etc.).





Key takeaways

04. Key takeaways

CASE STUDY

NEW ZEALAND'S CASE STUDY ON INTEGRATING THE SMES/MSMES TO THE AEO PROGRAMME.



The complexity of compliance was a major inhibitor for small to medium-sized exporters. From 9 August 2023, exporters, Secure Load Sites, and Transport Operators have been able to apply separately to become members of the Secure Exports Scheme (SES) online, in one place, through a new digital platform. Extending the SES to include Secure Load Sites and Transport Operators will provide those businesses with the opportunity to become an accredited SES partner in their own right.

The new horizontal structure makes it easier for small to medium-sized exporters to apply if they use Secure Load Sites or Transport Operators that are already part of the SES. Previously both the Secure Load Sites and Transport Operators had to be part of the exporter's application. This new structure allows small to medium-sized businesses within the supply chain to grow their business independently and reduces the complexity required to become an SES partner. Enabling all parties in the secure supply chain to become partners independently also gives Customs greater ability to assist with potential risks that the business and their goods could be exposed to. The New Zealand Customs Service has also launched a new digital application process through Business Connect. The new digital platform simplifies and streamlines the process, making it easier and more accessible for small to medium-sized exporters to apply and benefit from the scheme. As a result, the New Zealand Customs Service has seen an increase in the number of applications received.

In 2019 the New Zealand Customs Service had also extended the SES to include air freight packages, which further supported the business model of small to medium-sized enterprises.

SUMMARY OF MAJOR FINDINGS

The study confirms that while MSMEs are essential players in global trade, they continue to face significant challenges in accessing AEO programmes and their benefits. The WCO's 2024 SAFE Implementation Survey and various case studies demonstrate that Customs administrations are beginning to recognize the need for greater inclusivity in AEO programmes. However, progress is uneven, with many programmes still lacking tailored approaches for smaller businesses.

Key findings include the following:

- Despite representing a large portion of global trade, MSMEs remain underrepresented in AEO programmes. Many smaller businesses lack awareness of these programmes or perceive them as too complex and costly.
- MSMEs face challenges in navigating complex application processes, meeting financial and security requirements and understanding compliance obligations.
- Few Customs administrations offer specific benefits to MSMEs, although some have started implementing flexible approaches such as reduced security criteria, simplified application processes and tiered certification systems.
- Many MSMEs are unaware of the advantages of AEO certification. More targeted outreach efforts, combined with training and capacity-building programmes, are critical to improving their participation.



LESSONS LEARNED FROM EXISTING INITIATIVES

A review of successful AEO programmes highlights several insightful practices that can be adopted to enhance the participation of MSMEs.

For example, introducing tiered certification systems or reduced compliance requirements for smaller businesses can lower the entry barriers.

On the other hand, effective outreach campaigns that clearly articulate the benefits of AEO certification for MSMEs are essential.

Providing financial assistance or reducing the costs associated with AEO certification can encourage more MSMEs to participate.

Regular training sessions and capacity-building initiatives tailored to the specific needs of MSMEs can empower smaller businesses to meet AEO requirements.

Engaging MSMEs in the design and refinement of AEO programmes helps ensure that these programmes meet their needs.



According to Financing SMEs and Entrepreneurs 2022: An OECD Scoreboard, of the estimated 2.6 million micro, small and medium-sized enterprises (MSMEs) in South Africa at that point about 37% were considered formal. Of the total, 54% were micro-enterprises and 15% were in rural areas. The owners included individuals who had identified a business opportunity as well as those who were conducting a business out of necessity, and for whom no alternative sources of income were available. Two out of three SME owners ran their own enterprises and did not have any employees, while 32% provided between one and ten jobs. While the increase in the number of SMEs over the preceding ten years had been lower than economic growth, the contribution by these SMEs towards South Africa's gross value added (i.e. GDP before taxes and subsidies) had increased from 18% in 2010 to 40% in 2020.

Various trader engagement platforms have shown that MSMEs feel left out of the AEO programme due to its stringent criteria and requirements, and believe that they need to be considered and included in strategic initiatives like the AEO pro-

gramme. In a review, most MSMEs had been operating for less than 10 years and therefore needed to be assisted or educated to comply with regulatory requirements in cases where non-compliance was detected. Among other things, MSMEs reported that too much information was required at the application stage, most of which was irrelevant to them. Accordingly, the South African Revenue Service (SARS) needed to relax some of the criteria that were deemed unnecessary and burdensome for MSMEs. It was vital to ensure that the programme criteria did not add a financial burden for MSMEs.

South African MSME traders were not formally organized as a segment and as such did not have a structured association that could facilitate engagements and serve as a point of contact. However, they belonged to various trade associations that encompassed all sorts of traders, including large organizations. This notwithstanding, there was a pressing need for regular consultations and/or feedback sessions with these MSMEs.

CASE STUDY

CASE STUDY ON AEO FOR MSMEs IN SOUTH AFRICA



This case study seeks to evaluate the integration of South African micro, small and medium-sized enterprises (MSMEs) into the Authorized Economic Operator (AEO) programme, considering its role as a global standard for supply chain security and compliance. It explores the benefits, challenges, and strategies for successful integration, offering best practices and highlighting recommendations for MSMEs, government agencies and industry stakeholders.

Introduction

South African MSMEs face significant challenges in accessing global markets due to limited resources, inadequate infrastructure, and complex regulatory requirements. The AEO programme offers a solution by providing a framework for MSMEs to demonstrate their commitment to compliance, security and efficiency, thereby enhancing their competitiveness and access to global trade opportunities.





To achieve high levels of voluntary compliance, SARS seeks to provide clarity and certainty on the obligations of traders. Empirical evidence has shown that taxpayers and traders who understand their rights and obligations are more likely to fulfil their tax obligations without coercion. Through various and regular engagements, SARS has also made MSMEs certain of their obligations and encouraged consistency through webinars and various platforms offering MSMEs engagement with trader associations, Johannesburg Chamber of Commerce, the Department of Trade and Industry, and other pertinent structures.

Benefits for MSMEs

The launch of the AEO-MSME programme has provided both tangible and intangible benefits to traders participating in it. Some of these benefits include.

1. Improved compliance and risk management.
2. Enhanced supply chain security and efficiency.
3. Increased customer trust and confidence.
4. Simplified Customs procedures and reduced clearance times.
5. Access to new markets and business opportunities.
6. Competitive advantage and differentiation.
7. Faster turnaround time for excise refunds.

Feedback has shown that MSMEs welcomed the reduction in or exemption from the required bond as a return on investment, as they were instead able to invest the funds back into the business.



Challenges for MSMEs

During consultations MSMEs raised various challenges, some of which were creating barriers preventing them from attracting investors and making a meaningful contribution to the country's economy. These challenges include:

1. Limited resources and capacity.
2. Lack of awareness and understanding of AEO requirements.
3. Complexity of the application process.
4. High implementation costs.
5. Limited access to technology and infrastructure.
6. Unaffordability for audited financial statements.
7. Insufficient Customs knowledge.

What SARS has done

SARS has carried out consultations in line with its Strategic Objective 8: "Work with and through stakeholders to improve the ecosystem". The AEO division developed and implemented the MSME Forum to ensure an inclusive approach with regular consultations and continuous feedback.

Simplified criteria have been designed for MSMEs to accommodate their needs and avoid adding any additional financial burdens to an already strained business sector.

The requirements have been relaxed to address and meet the needs of MSMEs. Secured premises do not need to be in an office park, given affordability issues, as long as MSMEs can provide proof that the existing premises are secured even if traders are using a home office.

The application form has been simplified to cater for MSME requirements such as providing proof of financial viability instead of audited financial statements, etc.

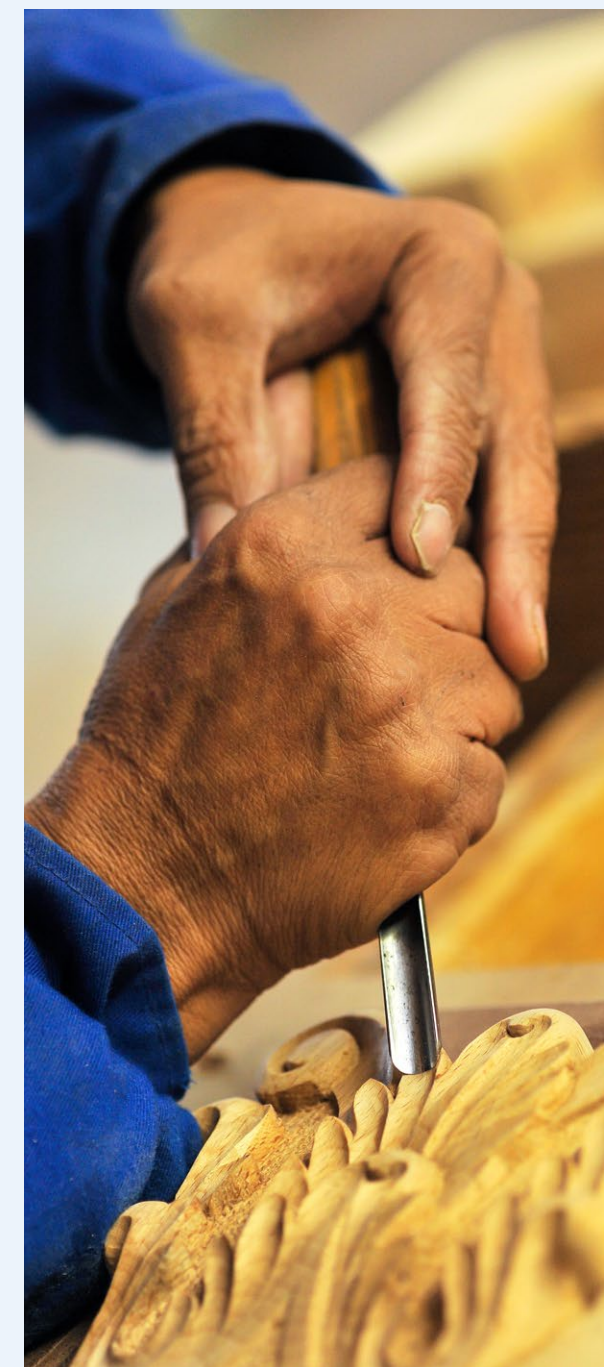
AEO-MSME pilot

SARS conducted AEO awareness sessions for MSMEs through associations and webinars.

It established the MSME AEO Forum for regular consultations throughout the programme development process. This opened the opportunity for MSME traders to participate in the pilot pro-

gramme that was designed to test the process and elicit lessons for improvement.

SARS officially launched the pilot in September 2022 with four volunteer traders. Only 20 MSMEs had obtained AEO status by the end of April 2024. The AEO-MSME Programme was launched in May 2024, with 20 traders conferred AEO status. By the end of November 2024 there were over 280 MSMEs in the AEO programme, equating to over 260 traders achieving AEO status within a period of seven months.



Lessons learnt

It is imperative to take an inclusive approach in developing a programme for AEOs by working with key stakeholders from the beginning, to ensure alignment. MSMEs showed a willingness to be assisted to comply where non-compliance was identified.

There was a need to collaborate with other government agencies on various MSME initiatives and programmes while ensuring alignment with the incentives or benefits available. This helped facilitate overall compliance with all other regulatory requirements beyond Customs.

Strategies for successful integration

1. Collaborative approach: Government agencies, industry stakeholders, and MSMEs must work together to provide support and resources.
2. Awareness and education: MSMEs need training and guidance on AEO requirements and benefits. In education and awareness campaigns, a special focus was placed on the needs and behaviour of different groups of traders with the aim of understanding the sector.
3. Simplified application process: streamlined

procedures and reduced documentation requirements are essential.

4. Financial support: there must be access to funding and incentives for implementation costs.
5. Technology and infrastructure: investment is required in digital solutions and logistics infrastructure.

Conclusion

The Integration of MSMEs into the AEO programme can unlock global trade opportunities, enhance competitiveness, and contribute to economic growth. By addressing the challenges and implementing strategies for successful integration, South African MSMEs can reap the benefits of AEO and become more resilient and competitive in the global market. Moreover, the AEO programme better equips this critical segment of our trade (MSMEs) to access new markets and grow existing ones. SARS will endeavour to administer tax and Customs laws that taxpayers can understand and apply to the greatest extent possible. SARS has committed to providing taxpayers with easy access to information and helping them understand it through continuous engagement and invitations to co-create solutions with trade.



KEY CONSIDERATIONS FOR CUSTOMS AUTHORITIES

The WTO TFA Article 7.7 requires Members to adopt authorized operator programmes. 61 developing and LDC Members have placed this Article or parts of it in the category C commitment, signalling the need for technical assistance and capacity building. A major effort is underway to support these Members in addressing their capacity needs. Whilst the TFA does not have MSME-specific language, a MSME-friendly adoption or reform of Members' authorized operator programmes should be supported by providing technical assistance and sharing MSME-oriented practices in the Committee on Trade Facilitation.

Many Customs administrations today actively strive to increase the numbers of MSMEs in their AEO programmes by providing various targeted facilitation efforts. For Customs to understand what MSMEs want or what holds them back from applying requires communication. Communication is key for a good AEO partnership, which the ICC has found is one of the most important benefits for MSMEs.

ICC's experience shows that one main challenge for not getting MSMEs on board is poor marketing. Additionally, AEO programmes are often introduced without a national strategy taking into account aspects other than those Customs, or without thorough consideration of how to make the programme successful, which means attracting the right kind of participants.

If a Customs administration aspires to attract greater AEO participation or target MSMEs, it needs an AEO strategy with a concrete plan that includes communication.

These governing documents need to be developed by Customs in cooperation with various other relevant government entities tasked with trade, commerce and economic development, as well as collecting and considering the opinions of AEOs and non-AEOs. Specifically, the following aspects are critical in improving the attractiveness of AEO programmes for MSMEs:

- a. The need for more tangible benefits, such as priority Customs clearance or cost reductions for inspections, to make the programme more appealing to smaller enterprises.
- b. Flexible compliance options: for MSMEs, establishing scalable or flexible compliance measures that consider their limited resources could reduce entry barriers. For example, Bolivia's AEO programme includes different certification categories, which could serve as a model for supporting smaller businesses at various compliance levels.
- c. Inter-agency collaboration: promoting the recognition of AEO certification across government agencies would facilitate the integration of MSMEs. This recognition could streamline their interactions with Customs and other regulatory bodies, making certification more advantageous.



Conclusion

The integration of MSMEs into AEO programmes is a critical step toward making global trade more inclusive and resilient. While these enterprises form the backbone of the global economy, they remain underserved in many Customs-to-Business partnership initiatives.

This study highlights that a one-size-fits-all approach to AEO programmes does not adequately address the unique challenges faced by MSMEs. To unlock their potential, Customs administrations should consider adopting more flexible and inclusive AEO models, enhance outreach efforts, and provide tailored support that accounts for the financial and operational constraints of smaller businesses.

Customs administrations can improve the participation of MSMEs in global trade facilitation frameworks, including AEO programmes. A successful partnership between Customs authorities and the private sector in the context of AEO programmes will not only foster economic growth but also strengthen supply chain security and resilience on a global scale.

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