



Twining Fiche

Project title: Strengthening the Administrative and Operational Capacities of the Egyptian Customs Authority

**Beneficiary Administration:
The Egyptian Customs Authority (ECA)**

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TWINNING INSTRUMENT

TABLE OF CONTENTS

Abbreviations:	3
1. Basic Information	4
2. Objectives	4
2.1 Overall Objective(s):	4
2.2 Specific objective:.....	4
2.3 The elements targeted in strategic documents i.e. National Development Plan/Cooperation agreement/Association Agreement/Sector reform strategy and related Action Plans	4
3. Description	6
3.1 Background and justification:	6
3.2 Ongoing reforms:	8
3.3 Linked activities:.....	8
3.4 List of applicable Union <i>acquis</i> /standards/norms:	10
3.5 Results per component:	10
3.6 Means/input from the EU Member State Partner Administration(s):	12
3.6.1 Profile and tasks of the PL:	12
3.6.2 Profile and tasks of the RTA:.....	13
3.6.3 Profile and tasks of Component Leaders:	14
3.6.4 Profile and tasks of the short-term experts.....	15
4. Budget	15
5. Implementation Arrangements	15
5.1 Implementing Agency responsible for tendering, contracting and accounting:	15
5.2 Institutional framework	16
5.3 Counterparts in the Beneficiary Administration:	16
5.3.1 Contact person:	16
5.3.2 PL counterpart.....	16
5.3.3 RTA counterpart	16
6. Duration of the project	17
8. Sustainability	17
9. Crosscutting issues	18
10. Conditionality and sequencing	18
11. Indicators for performance measurement	18
12. Facilities available	20
Annex 1: Logical Framework Matrix	21

Annex 3: OECD trade facilitation indicators and their status of implementation in Egypt 30
Annex 4: Gap Assessment..... 33

Abbreviations:

AA	Association Agreement
ACTF	Assistance for Customs and Trade Facilitation
AfTIAS	Aid for Trade Initiative for Arab countries
AEO	Authorised Economic Operator
BA	Beneficiary Administration
BC	Beneficiary Country
CAOA	Central Agency for Organisation and Administration
CEN	Customs Enforcement Network
ENSW	Egyptian National Single Window
GOEIC	General Organization for Export and Import Control
ECA	Egyptian Customs Authority
ENP	European Neighbourhood Policy
EU	European Union
EUD	European Union Delegation
FTA	Free Trade Area
JAP	(EU-Egypt) Joint Action Plan
MCCs	Modern Customs Centres
MoF	Ministry of Finance
MS	Member State
NCTI	National Customs Training Institute
OECD	Organisation for Economic Co-operation and Development
PL	Project Leader
PPs	EU-Egypt Partnership Priorities
PSC	Project Steering Committee
RKC	Revised Kyoto Convention
RTA	Resident Twinning Advisor
SAD	Single Administrative Document
SDS	Sustainable Development Strategy
STEs	Short – Term Experts
SMEs	Small and Medium Enterprises
SW	Single Window
TFA	Trade Facilitation Agreement
TRADE	Trade Reforms and Development in Egypt
TRS	Time Release Studies
UCC	Union Customs Code
USAID	United States Agency for International Development
USD	United States Dollar
WCO	World Customs Organisation
WEF	World Economic Forum
WTO	World Trade Organisation

1. Basic Information

1.1 Programme: EU Facility for Inclusive Growth and Job Creation, CRIS number: ENI/2016/039-543 financed under the European Neighbourhood Instrument, direct management mode.

For British applicants: Please be aware that eligibility criteria must be complied with for the entire duration of the grant. If the United Kingdom withdraws from the EU during the grant period without concluding an agreement with the EU ensuring in particular that British applicants continue to be eligible, you will cease to receive EU funding (while continuing, where possible, to participate) or be required to leave the project on the basis of Article 12.2 of the General Conditions1 to the grant agreement.

1.2 Twinning Sector: *Finance, Internal market and economic criteria FI*

1.3 EU funded budget: 1,900,000 million EUR

2. Objectives

2.1 Overall Objective(s):

To contribute to a gradual harmonisation of Egyptian customs legislation, regulation and practices with relevant EU standards, norms and best practice, and support the on-going institutional reform measures aimed at enhancing the trade facilitation environment and creating the framework for modern customs procedures for businesses, including Small and Medium Enterprises (SMEs).

2.2 Specific objective:

To strengthen the administrative and operational capacities of the Egyptian Customs Authority (ECA) to perform more efficiently its core functions, by reducing bureaucracy and responding in an effective way to the needs of the trade community.

2.3 The elements targeted in strategic documents i.e. National Development Plan/Cooperation agreement/Association Agreement/Sector reform strategy and related Action Plans

The project falls under the EU Facility for Inclusive Growth and Job Creation (Result 1: improved ease of tax and customs compliance for all tax payers, and in particular for SMEs) and reflects the commitments of Egypt under the Vision 2030 Sustainable Development Strategy (SDS), the EU-Egypt Association Agreement (AA), and the EU-Egypt Partnership Priorities (PPs).

Launched in March 2016, the Vision 2030 **SDS** draws a strategy aimed at attaining long-term socio-economic sustainability through, *inter alia*, creating a more conducive environment for inclusive growth and job creation, particularly for youth and women, also by encouraging integration of the informal sector into the economy. Vision 2030 attaches great importance to SMEs, as they are deemed to play a central role in the economic development of the country.

The **Association Agreement (AA)**, signed in 2001 and effective since 2004, forms the legal basis of EU-Egypt relations in several fields, included customs. It establishes a free-trade area between the two Parties over a transitional period not to exceed 12 years from the entry into force of the Agreement, based on the gradual removal of tariffs and quantitative restrictions on both industrial and agricultural products. The AA affirms the commitment of the Parties to: a) simplify controls and procedures concerning the customs

clearance of goods; b) introduce the Single Administrative Document (SAD) and; c) develop a system to link up the Community's and Egypt's transit arrangements (art. 55).

The SAD form was introduced in Egypt in 2017, with the Decree of the Minister of Finance No. 10/2016, and is currently used for all customs regimes, with customs declarations and supporting documentation which is transmitted by traders (or their customs representatives) mainly electronically (via the ECA website, after registration). Electronic copies of the supporting documents, however, have no legal binding effect, so that such documents need to be submitted by operators to Customs also in original.

In 2007 Egypt and the EU adopted a **Joint Action Plan (JAP)** where the two Parties reaffirmed their commitment to further deepen their political, economic and social relations on the basis of their close cooperation and strategic partnership. The plan lists the intervention areas where specific activities will be developed with the aim of supporting the socio-economic and political reform agenda in Egypt. In the customs field, the JAP affirms, *inter alia*, the commitment to: a) further modernize the customs administration and simplify customs legislation and procedures, including computerization; roll out Egyptians pilot projects on model tax and customs centres and ports' automated one-stop-shop procedures; b) develop an Integrated Border Management Strategy by strengthening co-operation between Customs and other agencies working at the border and by implementing a single-window approach at all entry points; c) promote further public access to customs-related information and complaint procedures; d) exchange experience and know-how with a view to strengthening measures against pirated or counterfeit goods through the reinforcement of customs controls; e) strengthen administrative co-operation to combat irregularities and fraud in customs and related matters; f) develop the EU-Egypt co-operation with regard to risk-based customs control ensuring safety and security of goods imported, exported or in transit, and defining standards for certification of operators (exporters and transporters); g) examine possibility of further convergence of customs related legislation. The Action Plan also indicates as an additional area of cooperation the reinforcement of the fight against piracy and counterfeiting and the promotion cooperation between the authorities involved, in particular police, judiciary and Customs. Although progress in achieving these objectives is not documented, significant steps have been made by Egypt in particular with regard to three (3) main areas: a) modernization of the customs administration and simplification of customs legislation and procedures; b) establishment of Modern Customs Centres (MCCs) serving as single points of interaction between customs and stakeholders involved in international trade transactions; c) development of an electronic Single Window (SW) where exporters and importers can submit regulatory and commercial documents to customs and other cross-border regulatory agencies.

On 16 June 2017, the JAP was replaced by the EU-Egypt **Partnership Priorities (PPs)**, adopted by EU-Egypt Association Council in the context of the revised European Neighbourhood Policy (ENP), the main financial instrument for EU cooperation with Egypt. The PPs, that set out the priorities that will guide their partnership for the 2017-2020 period, recognize the importance of SME development for inclusive growth in Egypt, pointing out the need to further strengthen the existing trade and investment relationship and to ensure that the trade provisions of the EU-Egypt Association Agreement establishing a Free Trade Area (FTA) are fully implemented.

In December 2016, the EU and Egypt also signed the EU Facility for Inclusive Growth and Job Creation, a key mechanism for the EU to support the implementation of Egypt's economic reforms aimed to

improve the environment for business creation and to facilitate access to finance for Small and Medium-sized Enterprises (SMEs).

3. Description

3.1 Background and justification:

An assessment of ECA operations and organisational structure was undertaken in February 2019, which together with the consultations made during the preparation of the current project fiche, came to the conclusion that Egypt faces many challenges in cross-border trade.

The environment in which Egyptian businesses operate is particularly complex, particularly for SMEs, that have to deal with a fragmented customs framework, and cumbersome, outdated and little automated cross-border procedures. Trade and customs-related rules lack of transparency and are not easily accessible, which compels economic operators to engage agents to research, verify and fulfil formalities required by Egyptian regulatory authorities. This leads to significant burdens, slow movement of goods, and costly delays at ports and various entry/exit points.

Cargo, especially at import, is subject to strict controls by border agencies. To date, only a few goods are being directed through the green channel, as Customs and other security agencies use to implement rigid inspection procedures, with low level of coordination among them and practices of sharing of information and joint intelligence exercises that are still weak and mostly based on informal communications. After the January 2011 revolution, the use of risk analysis for targeting cargo for controls was suspended because of the significant flow of smuggled goods, drugs, weapons and ammunition that were introduced in the country. The system was reactivated in the end of 2014, but is still underused. Moreover, feedback mechanisms for upgrading and measuring the effectiveness and efficiency of risk profiles are not properly implemented. In 2018, about 40% of imports were selected by ECA for the green channel, but most of these operations were re-routed from the green to the red channel, so that the real percentage of goods released without control in 2018 was 6.5%. Before going to the risk analysis systems, consignments are also subject to a scanner control, carried out on 100% of imported goods.

The last edition of the World Bank's Doing Business 2019 Egypt ranks Egypt 171th out of 190 economies in terms of ease of trading across the border, with a cost for documentary compliance formalities labelled as very high, as traders have to pay on average 1,000 USD for obtaining, preparing and submitting all the documents required for transport, clearance and inspections at the origin, transit and destination points (against a regional average in the Middle East & North Africa of 269 USD). Similarly, to complete border compliance formalities for import, a trader in Egypt has to wait 240 hours, for a cost of 554 USD, against the regional average of 105,4 hours and a cost of 536,0 USD. The World Bank's study ascribes the length of border clearance operations at import mainly to the handling operations at ports or border posts, as they take on average 240 hours, for a cost of 232 USD¹.

¹ The inspection processes of authorities other than Customs, such sanitary, phytosanitary, agricultural authorities, etc., are indicated as not effective, as they take on average 96 hours, for a cost of 165 USD. Concerning Customs, clearance and inspections procedures on import take on average 48 hours, although the relevant cost is relatively high (156,7 USD), when compared (in proportion) with the time/cost for the interventions of agencies other than Customs for handling operations at ports or border posts.

According to the Organisation for Economic Co-operation and Development (OECD), thanks to the reforms implemented in the last years, Egypt has reached significant results in all the areas of trade facilitation, despite its performance remains weak when compared with other countries, especially those of the Middle East-North Africa Region. In particular, performance has improved between 2015 and 2017 in the areas of information availability, involvement of the trade community, fees and charges, formalities (documents, automation, procedures), and governance and impartiality, while little has been done with regards to the advance rulings issued by Customs². Taking into account the trade flow increase and costs reduction potential of such policy areas, the OECD's conclusions are that the country should focus its efforts mainly in six main areas: 1) Information availability; 2) Involvement of trade community; 3) Advance rulings; 4) Appeal procedures; 5) Fees and charges; 6) Formalities. Based on the assessment made in February 2019, an evaluation is given in the Table enclosed in Annex 3, on how Egypt performs in each one of these areas.

Risk assessment methods, as well as data mining techniques, are also little used by ECA in support of its decision-making process. Strategic criteria adopted by customs offices in their day-to-day activity are more aimed at achieving quantitative, rather than qualitative objectives, as they mainly take into account factors such as the amount of levies collected, the number of sanctions applied and of frauds detected, neglecting other aspects, such as the time for release of goods and for processing requests of access to economic regimes or other facilitation schemes (e.g. advance rulings), etc., which are aimed at responding to the needs of the Egyptian trade community. In 2017, however, ECA adopted a **Strategic Plan (2017–2020)** setting out strategic objectives and goals of the administration, with a series of performance indicators aimed at measuring the results of Customs initiatives in terms of simplifying and harmonizing customs practices and processes. Such a plan, however, is not leading to the desired outcome in terms of simplification of the trade facilitation environment for Egyptian business. Moreover, the plan is not publicly available and this makes the private sector little or no aware of the functions and strategic objectives of the administration.

Unduly long clearance delays or excessively burdensome, excessive or costly border procedures have an unnecessary restrictive effect, especially on imports. In Egypt, the dependence on raw materials, investment goods or semi-finished products is high, being such goods needed in the production process of companies. Excessive bureaucracy and red tape in the import process compromise the competitiveness of the manufacturing and assembling industry, as extra-costs generated from lengthy border procedures are incorporated by logistic chain actors in the final cost of imported goods, leading to high prices for consumers.

ECA, which operates under the Ministry of Finance, is structured in Sectors, Central Directorates, General Directorates and Directorates (see Annex 3), with functional overlaps and conflicting roles that make their coordination difficult. In particular, several organisational levels which have been created within the structure of the ECA have similar scope of work and responsibilities, while others are overwhelmed with too many responsibilities. At geographical level, the administration is divided in 3 Regions: 1) the Central-Southern Region; 2) the North-Western Region; and 3) the Eastern Region. Some offices of ECA are overstaffed, while others have minimal human resource capacity, and a gap exists in the middle managerial line as a result of the policy, implemented by the Egyptian government in the last years and culminated in the adoption of a new civil service law (Law No. 18 of 2015), that suspended

² <http://www.oecd.org/trade/topics/trade-facilitation/>

hiring in the public sector until the appropriate number of employees required in the public sector will be reached.

3.2 Ongoing reforms:

Since 2000, a variety of reforms have been implemented by the Egyptian government aimed at modernising the customs administration by transforming it into a trade facilitation agency and away from its traditional roles of revenue collection and controlling trade. A draft of New Customs Act is expected to be approved by the House of Representatives during the Parliamentary session 2019-2020, beginning on the first Thursday in October 2019. Such a draft, which is currently pending before the Cabinet of Ministers (where it is undergoing additional changes), was prepared after extensive consultations with private stakeholders in order to ensure that customs activities match the needs of the Egyptian businesses and incorporates, *inter alia*, some amendments aimed to implement the WTO Trade Facilitation Agreement (TFA), the World Customs Organisation (WCO) Revised Kyoto Convention (RKC) and other international agreements and conventions of which Egypt is part. A draft of Executive Regulations to the new Customs Act is also being prepared by the Egyptian Ministry of Finance.

The new Customs Act is expected to improve the business climate in Egypt, in particular by simplifying and accelerating the customs clearance process, reducing the cost of release of goods and encouraging investments, in line with the government's orientation of enhancing the business environment. The new modernized Customs Act is largely inspired to the Union Customs Code (UCC)³, as it establishes the principles of electronic declarations and electronic exchange of information between Customs and other government agencies involved in international trade transactions (art. 86), with the possibility for traders to submit electronically the support documents to the customs declaration (e.g. invoice, certificate of origin, packing list, etc.). An electronic signature law (Law No. 15/2004, supplemented by the Decree N° 109/2005) was adopted in 2014 but is not yet implemented. The draft also regulates the **Authorized Economic Operator (AEO)** status, already launched in Egypt in 2013 with the Decision of the Minister of Finance N° 204/2013, amending the decree of the Minister of Finance N° 10/2006 (Executive Regulations of the Customs Act). The programme, which aims to facilitate trade and improve safety and security, is currently opened only to importers and exporters.

It is noted however that the new Customs Act mainly sets out general principles that will need to be further specified by secondary legislation. Such a framework will be made up of: a) new Executive Regulations which are currently under preparation, to be adopted within 6 months from the entry into force of the new Customs Act, b) a decree of the Customs Commissioner that will further detail the customs procedures and systems regulated in the draft Customs Act.

3.3 Linked activities:

In June 2017, with the Presidential Decree No. 119 of 2017, Egypt ratified the WTO Trade Facilitation Agreement (TFA). The instrument of ratification to the TFA has been deposited by Egypt to the WTO Secretariat on 24 June 2019, after completion of the list of the trade facilitation measures categorized as "Category B" and "Category C" commitments under the TFA. This list was submitted to the WTO on 20 June 2019 (Doc. G/TFA/N/EGY/1). The document also indicates the measures for whose implementation

³ Regulation (EU) No 952/2013 of the European Parliament and of the Council of 9 October 2013 laying down the Union Customs Code OJ L 269, 10.10.2013, p. 1-101

the country needs assistance. To date, no other donors have mounted programmes of assistance to Egypt with regard to the implementation of such specific measures.

Most of reforms implemented in Egypt in the last years have been supported by USAID, the most active donor in the customs field. Between 2002 and 2005, technical assistance projects have been implemented on risk management systems, post-clearance inspection, pre-clearing, performance monitoring, and modern customs management practices. A number of sector-specific and general laws and regulations have been updated and modernized to support private sector-led investment and growth. X-ray devices have been installed in most customs posts to facilitate controls (by inspecting imports without opening consignments) and training and technical assistance have been delivered to Customs staff and senior management. A new IT Customs management system was provided to ECA (which however has never been rolled out), and technology and video conferencing equipment has been procured to ECA and the National Customs Training Institute (NCTI), which also benefited from training programmes aimed to strengthen its staff capacity.

From 2002 to 2007, USAID implemented the **Assistance for Customs and Trade Facilitation (ACTF)** project, aimed to decrease average clearance time for imports; simplify customs procedures; reduce the number of customs disputes; and increase the percentage of electronically transmitted customs declarations. The ACTF project also included a component focusing on organizational development, training and mentoring as an integral part of an overarching Customs Reform Implementation Plan, aimed, *inter alia*, at developing a more decentralized organizational structure of Customs. In 2004, USAID also provided assistance to the ECA for conducting rigorous Time Release Studies (TRS) at the major ports of the country, according to the methodology recommended by the World Customs Organisation (WCO)⁴, but such studies have been subsequently abandoned, so that clearing time for each port, airport or border post is currently calculated by Customs on the basis of the data provided by the Egyptian IT customs management system. Such results are not made available to private stakeholders.

In 2008, the ECA developed, with the assistance of USAID, an IT-based risk management system for selection of goods subject to customs control, but this system is still underused. USAID also recently launched new a technical assistance programme through the US Trade Department, which involves two activities focused on capacity building actions aimed at reinforcing competences of the ECA in the area of customs valuation. The **Trade Reforms and Development in Egypt (TRADE)** project is being designed to assist the country in undertaking economic reforms and build the capacity of SMEs to take full advantage of new trade opportunities created by ongoing reforms.

Within the regional project **Arab Economic Integration for Sustainable development (AEISD)**, technical assistance and capacity building is also being provided to the ECA by the United Nation Development Program (UNDP) in the following main areas: a) improvement of the risk management system of ECA and integration of the General Organization for Export and Import Control (GOEIC) into the system; b) business process reengineering and data harmonization and standardisation in preparation for the establishment of the Egyptian National Single Window (ENSW), for which test runs have been already carried out at specific sites; c) improvement of the efficiency and effectiveness of the National Customs Training Institute (NCTI) in providing appropriate technical training to customs officers. The

⁴ http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/facilitation/instruments-and-tools/tools/time-release-study/time_release-_study.pdf?db=web

project, which is still ongoing aims, *inter alia*, at expanding and strengthening the operation of the Authorised Economic Operator programme and to enforce the capacity of Customs in issuing advance rulings. UNPD from 2014 to 2016 also implemented the project Aid for Trade Initiative for Arab countries (AfTIAS), aimed at supporting trade policy reform in Arab countries as an integral part of the regional trade and economic integration agenda to promote economic and trade competitiveness towards more diversification of their economies. AfTIAS supported initiatives aimed at improving performance of cross border operations at selected border posts, along specific trade/transport corridors to facilitate flow and movement of goods, means of transport and people.

3.4 List of applicable Union *acquis*/standards/norms:

The EU *acquis* in the customs sector is made up of the following legal texts, known in their complex as the “Union Customs Code (UCC) legal package”:

- Regulation (EU) No 952/2013 of the European Parliament and of the Council of 9 October 2013 laying down the Union Customs Code;
- Commission Delegated Regulation (EU) 2015/2446 of 28 July 2015, supplementing Regulation (EU) No 952/2013 as regards detailed rules concerning certain provisions of the Union Customs Code;
- Commission Implementing Regulation (EU) 2015/2447 of 24 November 2015 laying down detailed rules for implementing certain provisions of the Union Customs Code;
- Regulation 2019/632 allowing customs authorities and economic operators to continue using transitional arrangements (i.e. existing IT systems or paper based arrangements), until 2025 at the latest, for the completion of a small number of customs formalities.

3.5 Results per component:

Mandatory Result A: Legislative and Regulatory Reform

Sub-result:

RA1: The draft of new Customs Act is reviewed and, if needed, amendments are proposed to this text after its approval by the House of Representatives, in view of ensuring further alignment and convergence to the EU regulation, standards and best practice in the area of customs, in particular with the rules contained in the UCC legal package. The draft of Executive Regulations is also reviewed for the same purpose. Such revisions will be aimed to ensure that the environment in which Egyptian businesses operate is effectively simplified via an appropriate streamlining of customs legislation and regulation impacting on their trade and customs procedures.

Specific attention will be paid to ensure that legal approximation process supported under this Twinning project will be carried out according to the better regulation approach supported at the EU level⁵. A better regulation approach requires that policies and legislation are prepared on the basis of the best available evidence (impact assessments) and according to an inclusive approach involving both internal and external stakeholders.

Mandatory Result B: The ECA’s organisational structure is streamlined and rationalized to ensure a more efficient and effective implementation of its tasks and responsibilities.

Sub-results:

⁵ https://ec.europa.eu/info/law/law-making-process/planning-and-proposing-law/better-regulation-why-and-how_en

RB1: Organizational effectiveness is achieved within the ECA through a better balancing and distribution of tasks and responsibilities among the various internal areas, sectors and units, so that the currently existing dysfunctions, functional overlaps and conflicting roles within the administration can be resolved.

RB2: A revised, streamlined, more effective and efficient structure of the ECA is designed where internal functions are realigned with the new tasks and responsibility of such administration according to the new modernized customs framework currently under development.

***Mandatory Result C:** The usage of data mining and analytics in border management and customs operations is enhanced.*

Sub-results:

RC1: ECA is gradually transformed into a data-driven administration and its capability to efficiently respond to the needs of Egyptian business community in terms of trade facilitation is enhanced through the incorporation of data mining and analytics techniques in decision-making process.

***Mandatory Result D:** The Authorised Economic Operators programme is expanded and upgraded in line with the EU acquis and international best practices.*

Sub-results:

RD1: The AEO scheme is enhanced and expanded to all the actors of the supply chain and the awareness of the supply chain actors on the benefits and incentives related to the AEO status is raised and enhanced.

RD2: Voluntary compliance to the programme by the different types of stakeholders is promoted.

RD3: ECA officials are equipped with practical knowledge about best practices in the field of AEO auditing techniques for granting the AEO status

***Mandatory Result E:** Capacities of the ECA on anti-smuggling and fight against smuggled, pirated and counterfeited goods are increased*

Sub-results:

RE1: The capacity of the ECA anti-smuggling units is enhanced through the adoption of modern techniques to target and prevent smuggled, pirated and counterfeited goods from entering the country.

RE2: Cooperation mechanisms and effective information/risk profile sharing methods with other control and security agencies are fostered.

RE3: New measures and practices are developed for improving the methods and procedures adopted by the ECA anti-smuggling units for the exchange and dissemination of intelligence information.

RE4: Anti-smuggling officials are equipped with practical knowledge about best practices in the field of inter-agency cooperation (e.g. Customs, police and judiciary) and information sharing.

RE5: Effective inter-agency joint risk-profiling/measurement systems are developed.

3.6 Means/input from the EU Member State Partner Administration(s):

The project will be implemented in the form of a Twinning contract between the Beneficiary Country (BC) and the EU Member State (MS). The implementation of the project requires a Project Leader (PL), responsible for the overall coordination of project activities, one Resident Twinning Advisor (RTA), responsible for the management and implementation of the activities foreseen in the project, and a pool of short-term Experts. It is essential that the team have sufficiently expertise to cover all the areas included in the project description. The interested Member State(s) Twinning team shall include in its proposal the CVs of the designated Project Leader, Resident Twinning Advisor, and the proposed Short-Term Experts as Component Leaders. The details of implementation of the Twinning Project will be agreed upon during the preparation of the work plan.

3.6.1 Profile and tasks of the PL:

The MS Project Leader will continue to work at his/her Member State administration but will devote some of his/her time to conceive, supervise and co-ordinate the overall implementation of the Twinning project and ensure the attainment of the projected outputs. The Project Leader is fully responsible for coordination of the work of the experts.

The MS Project Leader will manage the implementation of the project with the Project Leader from the BC and is expected to devote a minimum of 5 days per month to the project in his/her home administration with an on-site visit at least every 3 months. The Project Leader's seniority will ensure his/her ability to mobilise the necessary staff in support of the efficient implementation of the project. In addition, he/she should coordinate, on the Member State side, the Project Steering Committee (PSC), which will meet in Egypt at least every three months and which s/he will co-chair.

He/she will be supported by his/her Member State administration for logistic, accounting and administrative affairs.

Tasks for the PL:

- Conceive, supervise and coordinate the overall preparation of the project;
- Prepare the project progress reports with the support of the RTA;
- Coordinate MS experts' work and availability;
- Co-chair the Project Steering Committee;
- Communicate with the beneficiaries, the Delegation of the European Union to Egypt and the Ministry of Investment and International Cooperation, involving the Project Manager from the European Union Delegation (EUD) in all activities;
- Ensure the backstopping functions and financial management;
- Guarantee from the MS administration side, successful implementation of the project.

Profile for the PL:

- High-ranking public servant or equivalent staff of a Member State administration, or mandated body.
- Minimum Bachelor Degree in one of the following domains: Law, Economics, Public Finance, Customs or, in its absence, an additional equivalent professional experience of at least 5 years in

a domain relevant to the assignment (the equivalent experience must be above the general experience duration fixed below). Master degree would be an asset.

- General Professional Experience: At least 3 years of professional experience in a Customs administration and/or as consultant in the sphere.
- Minimum 3 years of specific professional experience in the field of trade facilitation and similar service in EU Member States.
- Proven IT literacy with knowledge of common software applications such as MS, Word, Excel and PowerPoint;
- Demonstrated knowledge of EU policies, international standards, legislation and institutional set up related to the customs field;
- Verifiable experience in project management will be an asset;
- Demonstrated communication skills in written and spoken English
- Strong inter-personal skills.

3.6.2 Profile and tasks of the RTA:

One Resident Twinning Advisor (RTA) will be appointed, and he/she will be located in the ECA's premises in the BC. The secondment of the RTA will last 24 months.

He/she will work on a full time and day-to-day basis with the Beneficiary Administration (BA). The Resident Twinning Advisor will have a key role in the coordination of the inputs required for the successful implementation of the project activities under the overall guidance of the MS Project Leader. He/she shall be supported by a pool of Short-Term Experts (STEs).

The RTA will have good knowledge of the project field and will have substantial recent experience working as senior manager or senior consultant in similar services, with specific experience and knowledge in the area of customs, trade facilitation, and project management.

S/he will need to have good interpersonal and communication skills. Prior experience in coordinating complex customs reform projects would be an advantage, especially in the context of transition countries.

The RTA will work closely with the Egyptian Counterpart to deliver the project, as specified in the Twinning Contract, and part of the task will be to negotiate the Contract and work plan after the project has been awarded. The RTA will be responsible for the selection and supervision of the STEs. S/he will be responsible for drafting the quarterly and final project reports for the Steering Committee. RTA will closely coordinate with the EUD and the Ministry of Investment and International Cooperation.

The RTA can serve in a series of maximum four Twinning projects. No more than two Twinning assignments can be successive, without a break between them. A break between Twinning projects must have an uninterrupted duration of at least twelve months, calculated from the day following the end of the latest assignment until the deadline for the submission of proposals for the next Twinning project⁶.

Profile for the RTA:

⁶ Twinning Manual, revision 2017 – update 2018, page 31.

- Minimum Bachelor Degree in Customs/law/economy/public finance or minimum equivalent general professional experience of 8 years;
- Minimum of 3 years specific professional experience in a Member State customs administration Demonstrated knowledge of EU policies, legislation and institutional set up related to customs and trade facilitation;
- Demonstrated experience in developing and/or delivering training programmes and capacity building activities;
- Verifiable experience in project management;
- Demonstrated excellent communication skills;
- Excellent command of both written and spoken English.

Tasks of the RTA are:

As to the general responsibility of the day-to-day implementation of the Twinning project in the BC, the RTA's tasks will include:

- Coordination of all project activities and experts' inputs in the country;
- Provision of technical advice and assistance to the administration or other public sector bodies in the BC in the context of a predetermined work-plan to ensure timely completion of project outputs;
- Drafting of the Terms of Reference for STEs, coordination, facilitation and monitoring of their work during implementation;
- Liaise with the MS and the BC Project Leaders; daily contact with the RTA counterpart
- Co-preparation of project progress reports with the Project Leaders;
- Ensuring day-to-day implementation of the Twinning project in the BC;
- Ensuring smooth correlation between the activities, deadlines and the envisaged results in the Work Plan;
- Taking corrective actions, if necessary, inside the terms of the signed contract.

3.6.3 Profile and tasks of Component Leaders:

One Component Leader for each of the aforementioned 5 components will be designated. These Component Leaders will ensure continuity and consistency within each of the fields concerned. While Component Leaders will not be resident in Egypt, they are expected to visit Egypt and work locally with the BA at least 4 times per working year. CV's and proposed activities of each Component Leader shall be an integral part of the MS proposal. The detailed expert input shall be established when drawing up the Twinning Work Plan.

General profile

- University Degree in a field relevant for the assignment or equivalent professional experience of 8 years.
- A minimum of 3 years of professional experience in the area relevant to the component he/she is proposed for.
- Be a civil servant or a staff member in a Member State public administration
- Excellent command of written and spoken English
- Excellent written, oral and inter-personal communication skills

- Computer literate (Word, Excel and Outlook)

Specific experience and skills

- Proven experience of minimum 3 year in implementing similar or related assistance and cooperation projects will be considered an asset

Tasks

- Contribute directly to individual activities, as Component Leader.
- Coordinate in close cooperation with the RTA.

3.6.4 Profile and tasks of the short-term experts

Other specialist staff will be made available by the Twinning Partner to support the implementation of activities. Specific and technical matters not directly covered by the Resident Twinning Adviser can be taken over by a pool of STEs within the limits of the budget.

The project activities are estimated to require the mobilisation of at least 15 STEs, the majority with different profiles, from the MS partner administration in order to complement the technical qualifications and skills of the RTA. However, some STEs may have the qualifications, skills and experience to be involved in more than one activity in a component and more than one component of the project.

The detailed expert input shall be established when drawing up the twinning work- plan.

STE Profiles - general experience:

- A university degree in a relevant subject or equivalent professional experience of 3 years in the field of customs;
- A minimum of 3 years of experience in a member state customs administration;
- A good command of written and spoken English.

Tasks of the Short-Term experts:

- Prepare and implement specific tasks based mainly on practical cases and experience in compliance with their mission definition and in accordance with project activities;
- Provide practical advices to relevant staff for execution of different tasks related to the Project;

The twinning partners are invited to define the specific STE profiles during the preparation of the twinning contract.

4. Budget

Maximum Budget available for the Grant is 1,900,000 Euro

5. Implementation Arrangements

5.1 Implementing Agency responsible for tendering, contracting and accounting:

The European Union Delegation (EUD) Office is the Contracting Authority and in charge of the coordination of all activities and the administrative management of the Support to the Association

Agreement Programme. The EUD will be the responsible institution for the management of this twinning project. It manages the tenders, contracts and payments in accordance with the procedures defined in the Practical Guide to contract procedures financed from the general Budget of the EU in the context of external actions.

European Union Delegation contact details:

Francesca Mazzucco (Programme Manager – Private Sector and Trade, European Union Delegation to Egypt): Francesca.Mazzucco@eeas.europa.eu

Moreover, all correspondence must be sent in copy to:

Bozkurt Eralp (Head of Finance and Contracts, European Union Delegation to Egypt):
Bozkurt.eralp@eeas.europa.eu

5.2 Institutional framework

The Beneficiary Administration (BA) will be the Egyptian Customs Authority (ECA) under the Ministry of Finance (MoF) of Egypt.

5.3 Counterparts in the Beneficiary Administration:

The Egyptian Project Leader (PL) is a civil servant at a decision-making level. The PL will act as the counterpart of the Member State PL and will ensure the overall steering and coordination of the project from the Egyptian side, including proper policy dialogue and political support. The PL's seniority will ensure the mobilisation of the necessary staff in support of the efficient implementation of the project. H/She will lead/coordinate the Project Steering Committee (PSC) from the Egyptian side.

The RTA Counterpart is a senior civil servant who will work with the RTA on a daily basis to ensure proper coordination and implementation of all the activities of the project and achieve an efficient transfer of knowledge and information. The RTA counterpart may be involved in one or more of the components of the twinning fiche and should have a good command of both written and spoken English.

5.3.1 Contact person:

RTA counterpart in the BC.

5.3.2 PL counterpart

Mr. El Sayed Kamal Negm, Commissioner of the Egyptian Customs Authority
Towers of the Ministry of Finance, Tower no.3
Imtedad Ramsis street,
Nasr City, Cairo
Egypt

5.3.3 RTA counterpart

Ms. Nesma Naguib Farag, Head of Central Directorate for Customs Reform and Modernisation
Customs Reform Building - 3rd floor,
Gate 6, Alexandria Port,
Alexandria

Egypt

6. Duration of the project

27 months (24 months for implementation and 3 months for closure).

7. Management and reporting

7.1 Language

The official language of the project is the one used as contract language under the instrument (English / French). All formal communications regarding the project, including interim and final reports, shall be produced in the language of the contract.

7.2 Project Steering Committee

A project steering committee (PSC) shall oversee the implementation of the project. The main duties of the PSC include verification of the progress and achievements *via-à-vis* the mandatory results/outputs chain (from mandatory results/outputs per component to impact), ensuring good coordination among the actors, finalising the interim reports and discuss the updated work plan. Other details concerning the establishment and functioning of the PSC are described in the Twinning Manual.

7.3 Reporting

All reports shall have a narrative section and a financial section. They shall include as a minimum the information detailed in section 5.5.2 (interim reports) and 5.5.3 (final report) of the Twinning Manual. Reports need to go beyond activities and inputs. Two types of reports are foreseen in the framework of Twinning: interim quarterly reports and final report. An interim quarterly report shall be presented for discussion at each meeting of the PSC. The narrative part shall primarily take stock of the progress and achievements *via-à-vis* the mandatory results and provide precise recommendations and corrective measures to be decided by in order to ensure the further progress.

8. Sustainability

The project will have impact on improving the skills, practices, mechanisms, rules, regulations and strategies of the relevant institution. The BA is fully committed to ensuring a long-term impact of the activities of this Twinning Project. A continuing medium term strategic approach to customs activities will provide a sustainable basis for consolidation of administrative and control improvements arising from this twinning project. Even if probable changes in government may present some risks, the specific commitment of the respective leaders and the improved customs legislation in full compliance with EU and international standards in the field are supposed to counter balance the possible negative effects of some changes. The development and implementation of formal agreements on inter Ministry co-operation in border controls and the implementation of the associated Integrated Border Management Strategy will also ensure sustainability.

An on-going review of key issues impacting on sustainability will start from the beginning of project implementation, based on the results and outcomes that should be achieved over time. The objective of this review is to facilitate the sustainable impact of outcomes beyond the end of the project. After project completion, the key elements of the mechanisms are expected to be in place and operational.

9. Crosscutting issues

The principle of equal opportunity will be integrated into all stages of the project implementation. Practices in ensuring equitable gender participation in the project will be guaranteed. Equal participation of women and men will be secured through appropriate information and publicity material, in the design of projects and access to opportunities they offer. The main criteria for staff recruitment will be appropriate qualifications and experience in similar projects, not sex or age. Both men and women will have equal opportunities and salaries.

Implementation of the project will have no adverse effect on the environment.

Cross cutting issues will be taken into consideration and mainstreamed in all phases and aspects of the project, including in the definition of the work plan, selection of project staff/participants/stakeholders and implementation of activities.

10. Conditionality and sequencing

The project includes the following conditionality elements:

- Proactive involvement of ECA in the implementation of the project;
- Organisation, selection and appointment of members of working groups, steering and coordination committees, workshops, training events by the beneficiaries as per work plan of the project;
- Appointing the relevant staff by the beneficiaries to participate in training activities as per work plan and according to a set of agreed upon selection criteria;
- Sufficient managerial and technical human resources;
- Close collaboration and complementarity with on-going donors funded projects.

11. Indicators for performance measurement

Detailed indicators for performance measurement with regard to the overall and the specific project objectives and with regard to each component of this fiche are summarised in the following table:

	Mandatory results/outputs	Indicators (with relevant baseline and target data)
Mandatory result A: Legislative and Regulatory Reform	<ul style="list-style-type: none"> • The draft of new Customs Act is reviewed and if needed, amendments are proposed to this text after its approval by the House of Representatives, in view of ensuring further alignment and convergence to the EU regulation, standards and best practice in the area of customs, in particular with the rules contained in the UCC legal package. The draft 	<ul style="list-style-type: none"> • Commissioner’s approval on the proposed amendments in the new Customs Act and its Executive Regulations • Prime Minister Cabinet’s approval of the new Customs Act and its Executive Regulation • Referring the amendments to the

	of Executive Regulations is also reviewed for the same purpose. Such revisions will be aimed to ensure that the environment in which Egyptian businesses operate is effectively simplified via an appropriate streamlining of customs legislation and regulation impacting on their trade and customs procedures.	Customs Act to the House of Representatives for voting
Mandatory Result B: The ECA's organisational structure is streamlined and rationalized to ensure a more efficient and effective implementation of its tasks and responsibilities	<ul style="list-style-type: none"> Organizational effectiveness is achieved within the ECA through a better balancing and distribution of tasks and responsibilities among the various internal areas, sectors and units, so that the currently existing dysfunctionalities, functional overlaps and conflicting roles within the administration can be resolved A revised, streamlined, more effective and efficient structure of the ECA is designed where internal functions are realigned with the new tasks and responsibility of such administration according to the new modernized customs framework currently under development. 	<ul style="list-style-type: none"> Relevant legal instrument approving the new organisational structure of ECA ECA Strategic plan 2017–2020 updated with the description of the new organisational structure of Customs and the revised tasks and responsibilities of its internal levels.
Mandatory Result C: The usage of data mining and analytics in border management and customs operations is enhanced	<ul style="list-style-type: none"> ECA is gradually transformed into a data-driven administration and its capability to efficiently respond to the needs of Egyptian business community in terms of trade facilitation is enhanced through the incorporation of data mining and analytics techniques in decision-making process. 	<ul style="list-style-type: none"> Time Release Studies Results from customers satisfaction surveys/questionnaires and other similar tools to measure the degree of satisfaction with regard to services provided by Customs
Mandatory Result D: The Authorised Economic Operators programme is expanded and upgraded in line with the EU acquis and international best practices	<ul style="list-style-type: none"> The AEO scheme is enhanced and expanded to all the actors of the supply chain, and the awareness of the supply chain actors on the benefits and incentives related to the AEO status is raised and enhanced. Voluntary compliance to the programme by the different types of stakeholders is promoted. ECA officials are equipped with practical knowledge about best practices in the field of AEO auditing techniques for granting the AEO status. 	<ul style="list-style-type: none"> The procedure describing the requirements for accessing to the AEO status and the different types of AEO certificates/authorisations is incorporated in the text of the Executive Regulations to the new Customs Act Other “soft law” materials (e.g. ECA Circulars, guidelines and instructions, AEO Self-Assessment Questionnaires), are drafted in order to provide better guidance and support to AEO applicants on how to fulfil the requirements for accessing the AEO programme and on the benefits related to acquisition of the AEO status. Establishment of an AEO database with the list of all the AEO-certificate/authorisation holders
Mandatory Result E: Capacities of the ECA on anti-smuggling and fight against smuggled, pirated and counterfeited goods	<ul style="list-style-type: none"> The capacity of the ECA anti-smuggling units is enhanced through the adoption of modern techniques to target and prevent smuggled, pirated and counterfeited goods from entering the country. Forster cooperation and effective information/risk profile sharing methods with 	<ul style="list-style-type: none"> Number of seizure cases for smuggled and counterfeited goods all across Egyptian Customs Territory increased by 5% every year. Repositories and other encrypted communication tools for the exchange of information and intelligence among

are increased	<p>other control and security agencies.</p> <ul style="list-style-type: none"> • New measures and practices are developed for improving the mechanisms and procedures adopted by the ECA anti-smuggling units for the exchange and dissemination of intelligence information. • Anti-smuggling officials are equipped with practical knowledge about best practices in the field of inter-agency cooperation (e.g. Customs, police and judiciary) and information sharing • Effective inter-agency joint risk-profiling/measurement systems are developed. 	<p>Customs, the judiciary and other enforcement agencies are adopted.</p>
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12. Facilities available

The RTA and his/her team members (assistant, translator, STEs, etc.) will be provided an office in the ECA headquarters in Alexandria. The offices will be equipped with all necessary equipment (computer, printer, phone, internet access, etc.). Detailed hardware and software requirements should be discussed at the beginning of the project.

Trainings and presentations will take place in conference rooms or in the National Customs Training Institute (NCTI), equipped with projector and computer for presentations, flipcharts and other necessary items can be provided on requirement.

ANNEXES TO PROJECT FICHE

1. Logical framework matrix in standard format (compulsory)
2. ECA's Organizational Chart
3. OECD trade facilitation indicators and their status of implementation in Egypt
4. Gap Assessment

Annex 1: Logical Framework Matrix

	Description	Indicators (with relevant baseline and target data)	Sources of verification	Risks	Assumptions (external to project)
Overall Objective	To contribute to a gradual harmonisation of Egyptian customs legislation, regulation and practices with relevant EU standards, norms and best practice, and support the ongoing institutional reform measures aimed at enhancing the trade facilitation environment and creating the framework for modern customs procedures for businesses, including Small and Medium Enterprises (SMEs).	The national customs legislation/regulation is approximated to the EU standards, norms and best practice with reduced costs for businesses resulting from the introduction of procedural simplifications and new trade facilitation measures.	<ul style="list-style-type: none"> Monitoring/assessment reports by international organisations (e.g. WTO trade policy review, WB Doing Business, WB Logistics Performance Index, WEF Global Competitiveness Report, OECD trade facilitators indicators, etc.) Customers satisfaction surveys/questionnaires and other similar tools to measure their degree of satisfaction with regard to services provided by Customs. Twinning final report. 	<ul style="list-style-type: none"> Agreed legal and procedural changes are not implemented. 	<ul style="list-style-type: none"> Strong political commitment Availability of relevant legislation/regulation in English language Agreed legal and regulatory changes promptly implemented.
Specific (Project)	To strengthen the administrative and operational capacities of the Egyptian Customs Authority (ECA) to perform more efficiently its core functions, by	<ul style="list-style-type: none"> Based on the recommendations suggested by the Twinning experts, ECA adopts a new legal 	<ul style="list-style-type: none"> Legislative/regulatory amendments; Twinning documentation (mission reports, 	<ul style="list-style-type: none"> Agreed legal, regulatory, procedural and organizational changes are not 	<ul style="list-style-type: none"> Strong and continuous support from the Government in relation to

Objective(s)	reducing bureaucracy and responding in an effective way to the needs of the trade community	framework with procedures in adapted the new modernized customs environment, in line with the EU standards, norms and best practice. • Data mining and analytics techniques adopted by ECA and incorporated in its decision-making process.	Twinning interim quarterly and final reports, recommendations, training materials, workshop materials, etc). • Customers satisfaction surveys/questionnaires and other similar tools to measure their degree of satisfaction with regard to services provided by Customs	timely approved by ECA and the competent Egyptian Institutions.	legislative amendments and achievement of overall objective of customs modernization. • Strong support and commitment from the senior management of ECA. • Experts' service provided in time and of good quality.
Component A: Legislative and Regulatory Reform					
Mandatory results/outputs Results Component A	RA1: The draft of new Customs Act is reviewed and if needed, amendments are proposed to this text after its approval by the House of Representatives, in view of ensuring their further alignment and convergence to the EU regulation, standards and best practice in the area of customs, in particular to the rules contained in the UCC legal package. The draft of Executive Regulations is also reviewed for the same purpose. In particular, such revisions will be aimed to ensure that the environment in which Egyptian businesses operate is effectively simplified via an appropriate streamlining of customs legislation and regulation impacting on their trade and customs procedures.	• Draft Commissioner decree detailing the customs procedures and systems to be adopted by ECA within the new modernized Customs framework. • Training manuals and other training materials are adopted, with training sessions organised to the benefit of customs staff to provide the guidance and information needed to fully understand and guide the application of the principles and main features of the new Customs Act and its Executive Regulations, including the powers of	• Summary reports indicating deficiencies in Egyptian legislation/regulation with recommendations for aligning with the EU acquis. • Twinning documentation (mission reports, Twinning interim quarterly reports, recommendations, training materials, workshop materials, etc).	• Agreed legal, regulatory, procedural and organizational changes are not timely approved by ECA and the competent Egyptian Institutions.	• Draft legal documents approved by major stakeholders (ECA and MoF) and provided to the Cabinet of Ministers for further consideration. • Strong continuous support from senior management of ECA. • ECA to authorize implementation of new procedures. • Agreed changes promptly implemented.

		customs officers under the new modernized customs framework.			
Sub-results Component A				<ul style="list-style-type: none"> • Lack of support from senior management of ECA. • Limited participation of private stakeholders to the workshop/s. • Private stakeholders not providing feedback on the proposed legislative and regulatory changes. 	<ul style="list-style-type: none"> • Strong continuous support from senior management of ECA.
Component B: Streamlining and rationalizing the ECA's organisational structure					
Mandatory results/outputs Results Component B	The ECA's organisational structure is streamlined and rationalized to ensure a more efficient and effective implementation of its tasks and responsibilities.	<ul style="list-style-type: none"> • Ministerial decree or other relevant legal instrument approving the new organisational structure of ECA. • ECA Strategic plan 2017–2020 updated with the description of the new organisational structure of Customs and the revised tasks and responsibilities of its internal levels. 	<ul style="list-style-type: none"> • Ministerial reports and other official documents or studies, such as white papers. • Monitoring/assessment reports by international organisations. 	<ul style="list-style-type: none"> • Lack of human resources and/or budget resources to be allocated for the redistribution of tasks and responsibilities among the organisational levels resulting from the revised organisational structure of ECA. 	<ul style="list-style-type: none"> • Strong support and commitment from the senior management of ECA • ECA to authorise implementation of organisational changes • The new organisational structure is approved by major stakeholders (ECA,

					MoF, CAO) and provided to the Cabinet of Ministers for further consideration
Sub-results Component B	<p>RB1: Organizational effectiveness is achieved within the ECA through a better balancing and distribution of tasks and responsibilities among the various internal areas, sectors and units, so that the currently existing dysfunctionalities, functional overlaps and conflicting roles within the administration can be resolved.</p> <p>RB2: A revised, streamlined, more effective and efficient structure of the ECA is designed where internal functions are realigned with the new tasks and responsibility of such administration according to the new modernized customs framework currently under development.</p>	<ul style="list-style-type: none"> • Report to be presented and agreed with the beneficiary describing dysfunctionalities within the ECA organisational structure (e.g. understaffing, overstaffing, redundancy or duplication of competences, etc.), with recommendations aimed to revise it. • The revised organisational structure is submitted to the Central Agency for Organisation and Administration (CAOA) and other major stakeholders (ECA, MoF, etc.) for approval. 	<ul style="list-style-type: none"> • Ministerial decree or other relevant legal instrument is adopted approving the new organisational structure of ECA. • The ECA Strategic plan 2017–2020 is updated with the description of the new organisational structure of Customs and the revised tasks and responsibilities of its internal levels. • New organisational structure approved by the Central Agency for Organisation and Administration (CAOA) and other major stakeholders (ECA, MoF, etc.) 	<ul style="list-style-type: none"> • Agreed organizational changes are not timely approved by ECA and the competent Egyptian Institutions. 	<ul style="list-style-type: none"> • Report on the ECA organisational structure analysing vulnerabilities and dysfunctionalities of Customs with staffing plan. • Administrative support to the STEs missions by ECA. • Recommendations on the future organisational structure of ECA promptly adopted by ECA.
Component C: Enhancement of the usage of data mining and analytics in ECA					
Mandatory results/outputs Results	The usage of data mining and analytics in border management and customs operations is enhanced.	<ul style="list-style-type: none"> • Time Release Studies. • Customers satisfaction surveys/questionnaires and other similar tools to measure the performance of 	<ul style="list-style-type: none"> • Monitoring/assessment reports by international organisations (e.g. WTO trade policy 	<ul style="list-style-type: none"> • Private stakeholders not participating or responding to 	<ul style="list-style-type: none"> • Administrative support to the STEs missions by ECA.

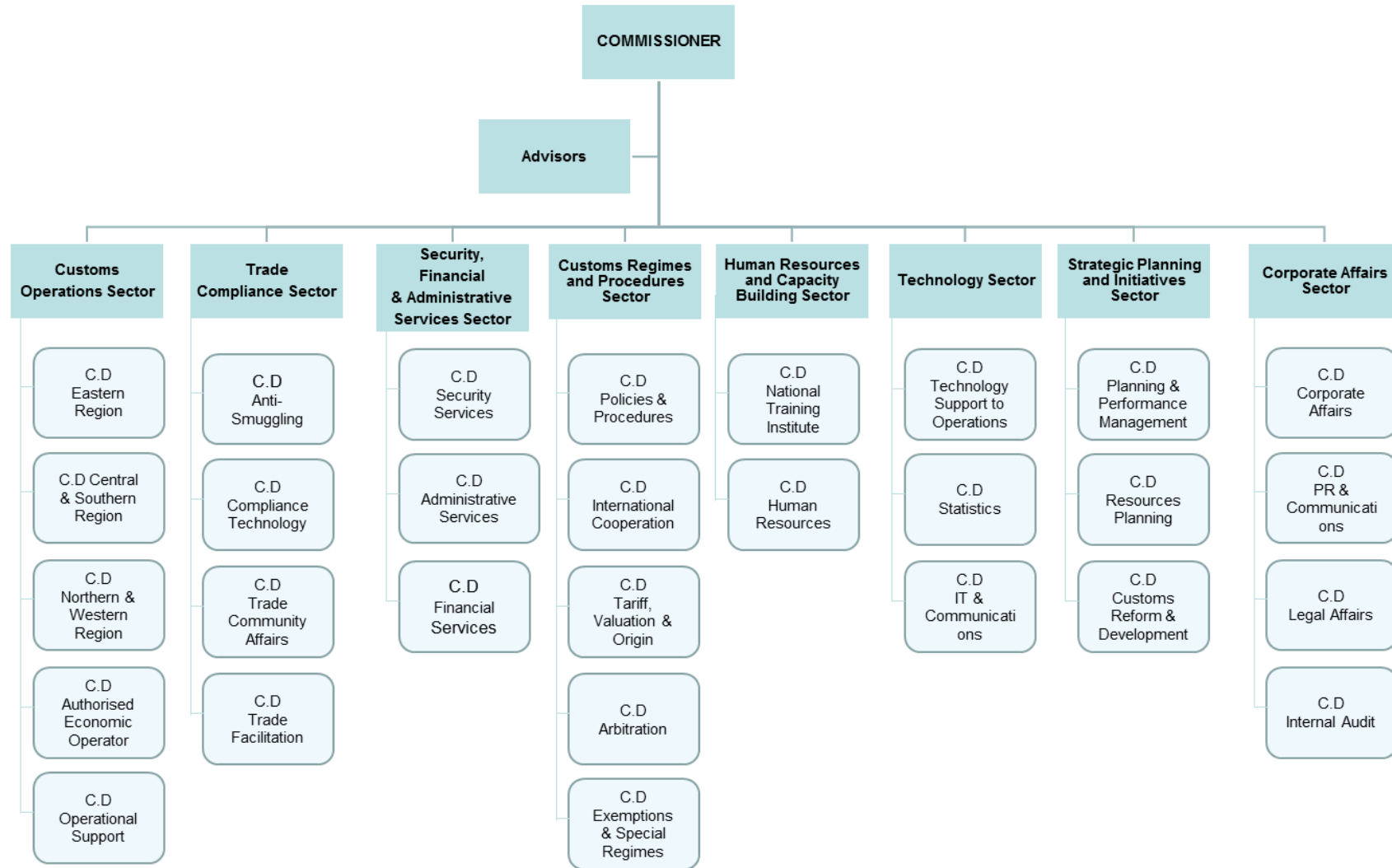
Component C		Customs and other border agencies and the degree of satisfaction with regard to services provided by Customs.	review, WB Doing Business, WB Logistics Performance Index, WEF Global Competitiveness Report, OECD trade facilitators indicators, etc.)	customers satisfaction surveys/questionnaires, etc.	
Sub-results Component C	RC1: ECA is gradually transformed into a data-driven administration and its capability to efficiently respond to the needs of Egyptian business community in terms of trade facilitation are enhanced through the incorporation of data mining and analytics techniques in decision-making process.	<ul style="list-style-type: none"> Monitoring mechanism (including Time Release Studies conducted according to the methodology recommended by the WCO and customers satisfaction surveys/questionnaires and other similar tools to measure the performance of Customs and other border agencies and the degree of satisfaction with regard to services provided by Customs) to ensure that the use of data analytics effectively supports the decision-making process in the ECA, as well as the formulation, prioritization and implementation of actions for trade facilitation. 		<ul style="list-style-type: none"> Resistance from ECA's staff in using new data mining techniques Trade facilitation indicators are not adequately taken into consideration in the periodic assessment of the quality and reliability of data used by Customs for decision-making purposes. 	<ul style="list-style-type: none"> Report on the use of statistics and data analytics systems by ECA Trade facilitation indicators to be identified and integrated in ECA's decision-making processes Change management programmes to be mainstreamed in all phases of the Component.
Component D: Upgrade and expansion of the Authorised Economic Operator (AEO) programme					

<p>Mandatory results/outputs</p> <p>Results Component D</p>	<p>The Authorised Economic Operator programme is expanded and upgraded in line with the EU acquis and international best practices.</p>	<ul style="list-style-type: none"> • The procedure describing the requirements for accessing to the AEO status and the different types of AEO certificates/authorisations is incorporated in the text of the Executive Regulations to the new Customs Act. • Other “soft law” materials (e.g. Circulars, guidelines and instructions, AEO Self-Assessment Questionnaires), are drafted in order to provide better guidance and support to AEO applicants on how to fulfil the requirements for accessing the AEO programme and on the benefits related to acquisition of the AEO status. • Freely accessible AEO database with the list of all the AEO-certificate/authorisation holders 	<ul style="list-style-type: none"> • Twinning documentation (list of participants from various meetings, training materials, recommendations , etc.). • Mission reports, Twinning interim quaterly reports • Guidelines and other instructions on the AEO programme. 	<p>Limited availability of ECA’s staff and Egyptian private stakeholders to participate in training events to explain the requirements and benefits that can be gained in achieving the AEO status.</p>	<ul style="list-style-type: none"> • Criteria and benefits related to the AEO scheme specifically tailored to the role played by each stakeholder within the supply chain.
<p>Sub-results Component D</p>	<p>RD1: The AEO scheme is enhanced and expanded to all the actors of the supply chain.</p> <p>RD2: Voluntary compliance to the programme by the different types of stakeholders is promoted.</p> <p>RD3: Increase ECA’s AEO auditors</p>			<ul style="list-style-type: none"> • Limited availability of ECA’s staff and Egyptian private stakeholders to participate in training events to explain the requirements and benefits that can 	<ul style="list-style-type: none"> • ECA allocates sufficient staff to the auditing activities. • Concerned ECA’s auditors to speak English fluently. • Concerned ECA’s auditors to be well versed in auditing

	capacity in conducting the audit process for granting the AEO status.			<p>be gained in achieving the AEO status.</p> <ul style="list-style-type: none"> • Lack of qualified interpreters fully conversant with customs terminology. 	<p>standards and principles.</p> <ul style="list-style-type: none"> • Study on the features and the current status of implementation of the AEO programme in Egypt • Ability of ECA's auditors to absorb training provided and to independently accomplish tasks in the future • Training manuals for AEOs are developed and available. • Quality of training materials and professional delivery of training by STEs
Component E: Increased capacities of ECA on anti-smuggling and fight against smuggled, pirated and counterfeited goods					
<p>Mandatory results/outputs</p> <p>Results Component E</p>	The capacities of ECA on anti-smuggling and flight against smuggled, pirated and counterfeited goods are increased.	<ul style="list-style-type: none"> • Number of seizure cases for smuggled and counterfeited goods all across Egyptian Customs Territory increased by 5% every year. • Repositories and other encrypted communication tools for the exchange of information and intelligence among Customs, the judiciary and 			<ul style="list-style-type: none"> • Strong support and commitment from the senior management of ECA.

		other enforcement agencies are adopted.			
Sub-results Component E	<p>RE1. The capacity of the anti-smuggling units of the ECA is enhanced through the promotion of targeting and prevention techniques for avoiding smuggled and counterfeited goods to enter the country.</p> <p>RE2: Promoting more effective information and risk profile sharing methods with other control and security agencies.</p> <p>RE3: New measures and practices are developed for improving the methods and procedures adopted by the ECA anti-smuggling units for the exchange and dissemination of intelligence information.</p> <p>RE4: Anti-smuggling officials are equipped with practical knowledge about best practices in the field of inter-agency cooperation (e.g. Customs, police and judiciary) and information sharing.</p> <p>RE5: Effective inter-agency joint risk-profiling/measurement systems are developed.</p>			<ul style="list-style-type: none"> • Lack of support, and cooperation of security agencies and other key stakeholders who are not the direct beneficiaries of this project (e.g. police, immigration, judiciary, etc.). 	<ul style="list-style-type: none"> • Evaluation report produced with a description of the current practices of the ECA in the areas of customs intelligence, Customs investigations and control, cargo and baggage inspection, reporting mechanisms regarding irregularities and risk management. • Full cooperation of other security agencies and key stakeholders who are not the direct beneficiaries of this project (e.g. police, immigration, judiciary, etc.).

2: ECA's Organizational Chart






Annex 3: OECD trade facilitation indicators and their status of implementation in Egypt

Area/Indicator	Recommendations	I	PI	NI	Comments
1 Information availability (of Customs and other government agencies)	<ul style="list-style-type: none"> Improve the comprehensiveness of information on import and export procedures, in one of the official WTO languages. 				The ECA website is available at the moment exclusively in Arabic
	<ul style="list-style-type: none"> Make all forms and documents required for border procedures available online 				Forms and documents required for customs and other border procedures should be gathered in specific areas of the ECA's website and other Government-built websites (e.g. trade portals), in order to be better accessible to private stakeholders
	<ul style="list-style-type: none"> Provide an interval between the publication of trade related regulation and its entry into force 				Implemented
	<ul style="list-style-type: none"> Provide access to rules and examples of customs classification 				To date, only the Egyptian Tariff is available (also on-line), but rules for the valuation of products for customs purposes and examples of customs classification are not published by Customs (as required by art. 1.1.d of the TFA)
2 Involvement of trade community	<ul style="list-style-type: none"> Provision of adequate and timely information on regulatory changes 				Regulatory changes in some cases are not timely and clearly communicated to private stakeholders
	<ul style="list-style-type: none"> Provide the private sector with the opportunity to comment prior to the introduction or amendment of trade-related regulation 				Feedback is not always given to private stakeholders on the comments transmitted to Customs and other government agencies with observations on regulatory changes
3 Advance rulings	<ul style="list-style-type: none"> Introduce the possibility to request advance rulings about the Customs treatment of goods prior to their importation 				Advance ruling on tariff classification of imported goods are available. Advance rulings on origin (i.e. determining the eligibility of goods for preferential tariff treatment under free trade agreements), are not adopted by Egyptian Customs.
4 Appeal procedures	<ul style="list-style-type: none"> Availability of information on appeal procedures (on customs decisions) 				Appeal procedures are regulated in the Customs Act, which is publicly available. Access to information on appeal procedures should be further expanded by publishing such information on the ECA and other Government-built websites (e.g. trade portals).
5 Fees and charges	<ul style="list-style-type: none"> Availability of comprehensive information on applicable fees and charges on the Customs website 				A specific area should be created on the ECA's website and other Government-built websites (e.g. trade portals), where all fees and charges imposed by Customs, Port Authorities and other governmental agencies on (or in connection with) importation, exportation or transit are published.

		<ul style="list-style-type: none"> Reduce the number and diversity of fees and charges collected 				To be improved
		<ul style="list-style-type: none"> Reduce the fees charged for services during normal working hours 				In Egypt, Government agencies involved in international trade-related transactions do not apply extra charges for services during normal working hours.
6	Formalities	Documents				
		<ul style="list-style-type: none"> Expand the acceptance of copies of documents 				Electronic copies of the supporting documents to customs declarations have no legal binding effect and the originals of such documents still need to be submitted by operators to Customs
		<ul style="list-style-type: none"> Reduce the number of documents required for import and export and the time necessary to prepare such documents 				To be improved
		Automation				
		<ul style="list-style-type: none"> Complete the development of automated risk management procedures 				Automated risk management procedures have been adopted by ECA, but their status of implementation is limited
		<ul style="list-style-type: none"> Improve the capacity of IT systems to exchange data electronically 				Interconnection between the IT systems of Customs and other government agencies involved in international trade is still partial. Needs to be improved
		<ul style="list-style-type: none"> Improve the quality of telecommunications and IT supporting the automation of border processes 				The ECA website is not web-based, this limits its interconnectivity with the IT systems of other border agencies. However, specific interfaces can be developed to allow such interconnectivity. In the EAC, the “Revenue Authorities Digital Data Exchange” (RADDEx) were implemented to enable information exchange between the East Africa Community (EAC) Partner States. The RADDEx 2.0 platform is a software application and data exchange system that allows near real-time transmission of customs documentation to authorized public and private sector users that are working at key transit border posts and cities across the five countries of the EAC.
		Procedures				
		<ul style="list-style-type: none"> Reduce the average clearance time and the per cent of physical inspections 				Physical inspections are conducted on an high percentage of goods because of the underuse of the risk management system by Customs
		<ul style="list-style-type: none"> Promote pre-arrival processing of import 				Implemented. A specific regulation has been introduced in the new Customs Act

	documentation				and its Executive Regulations.
	<ul style="list-style-type: none"> • Provide accelerated controls for perishable goods and preferential treatment concerning the separation of release from clearance 				Coordination between border agencies on controls on perishable goods is still needs to be improved
	<ul style="list-style-type: none"> • Expand the possibility to have goods released prior to final determination and payment of Customs duties 				Implemented
	<ul style="list-style-type: none"> • Expand the use of Authorised Economic Operator programme 				The AEO programme is implemented only with regards to importers and exporters. Other categories of actors of the supply chain should be introduced in the programme. The criteria for the access to the status are restrictive, and benefits related to the programme should be expanded in order to further encourage operators to apply for this status
	<ul style="list-style-type: none"> • Further simplify procedures in terms of associated time and costs 				ECA in the last years has worked in the simplification of customs procedure, but the coordination with the procedures of other inspecting agencies has still to be improved

-  Implemented
-  Partially implemented and to be improved
-  Not implemented

Annex 4: Gap Assessment

A Gap Assessment analysis was prepared through EU Framework Contract ref. 2018/400307. It summarizes the outcomes of a desk phase and a field mission carried out by two experts during the period from 29 January to 21 February 2019. It gives a preliminary assessment of the status of alignment of the Egyptian customs environment with the relevant EU customs standards, norms and best practice in order to further integrate the country into the global economy, by exploring areas of possible convergence of customs-related legislation.

It also explains the main trade facilitation instruments and policies implemented by Egypt so far and their impact on expediting cross-border trade and streamlining traders' relationships with the customs administration and other border agencies. In trading with the rest of the world, Egypt has a negative trade balance. This means that the export competitiveness of the country needs to be strengthened so as to improve the current account balance. The development of export competitiveness and subsequent growth in exports entails more challenges than developing import capacity. Thus, export development and promotion and trade facilitation are essential in order to improve the trade balance of Egypt. Trade facilitation, however, is not just a matter of improving customs procedures, as it also targets the growing range of controls being implemented at point of entry and exit of the country by other authorities with inspection powers. Accordingly, procedures associated with sanitary, phytosanitary and security controls, are also assessed, being areas where many controls are being implemented and where it is imperative that a rational, transparent and standardized approach is adopted.

The analysis assesses the needs of the Egyptian Customs Authority (ECA) in terms of technical assistance in the areas of organizational restructuring and for approximating its customs legislation and procedures to the EU *Acquis*. This assistance is expected to contribute to the achievements of the following results: (a) an improved customs environment for businesses and investment; (b) increased private sector competitiveness; and (c) enhanced opportunities for business growth.

The aim of this analysis is to identify possible support actions to strengthen the operational capacity of the ECA and improve its efficiency and transparency, taking into account the need to facilitate the business environment for Egyptian businesses - especially SMEs - reducing their costs and administrative burdens, enhancing their competitiveness and creating economic growth, in line with the goals set by the "Sustainable Development Strategy: Egypt Vision 2030" Plan (hereinafter "Vision 2030") adopted by the Government of Egypt (GoE), and as established in the EU-Egypt Action Plan (2007) and the EU-EGYPT Partnership Priorities 2017-2020. Vision 2030 also encourages integration of the informal sector into the economy. To this purpose, it is observed that informal business groups, especially at land borders, can significantly contribute to creating wealth and to stimulating growth in Egypt, as such activities can pave the way for regular businesses, by generating an attraction effect on "formal" entrepreneurial activities. The development of specific policies by the GoE aimed at encouraging such a sector (even with the support of the micro-finance institutions) and the adoption of a strategy by Customs aimed at further simplifying formalities and requirements for low value transactions (in particular for small-scale traders), are measures that can encourage informal traders to move to the formal sector, because of the reduction of both direct and indirect trade transaction costs arising from mandatory import-and export-related procedures.

1 Customs-related international agreements/Conventions of which Egypt is part

Egypt has been a member of WTO since 30 June 1995 and a member of GATT since 9 May 1970. Egypt also became a member of the WTO's **Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)** on 18 April 2008, thus accepting to put in place in its territory an adequate intellectual property framework and enforcement measures to provide full protection of intellectual property rights, including copyright, trademarks and patent rights. To this end, Egypt adopted the Law N° 82/2002 Pertaining to the Protection of Intellectual Property Rights⁷, which provides the basic framework for definitions and standards for all IP rights, including patents and patentability. The Government of Egypt is also a signatory of the WTO's **Agreement on Sanitary and Phytosanitary Measures (SPS)**, which aims to harmonize sanitary and phytosanitary measures at international level. The SPS Agreement regulates the conditions under which national authorities may set and enforce health and safety standards that directly or indirectly affect international trade and covers any measure, regardless of the specific form it may take, adopted with the aim to protect consumers and animals and plants from food and feed-borne risks, animals pest or disease-related risks (e.g. import bans, technical specifications, process and product standards, information tools, and labelling requirement). Egypt identified bovine spongiform encephalopathy, leucosis, brucellosis, FMD and Rift Valley fever as animal health problems affecting its trade. Accordingly, the country has implemented strict regulations to prevent the entrance of any of these diseases.

Egypt is also a Party to the **International Plant Protection Convention (IPPC)**, a multilateral treaty that aims to protect plant resources from harmful pests (phytosanitary measures), which may be introduced through international trade, by promoting appropriate measures for their control. The IPPC was adopted by the Food and Agriculture Organisation (FAO) in 1951 and sets international standards for plant health (phytosanitary) measures in line with the WTO's SPS Agreement. It also covers vehicles, aircraft and vessels, containers, storage places, soil and other objects or material that can harbour or spread pests. Egypt regularly communicates to the IPPC Secretariat any update to its quarantine pest list (specifying the plants and plant products subject to control with the aim of avoiding the introduction of exotic plant pests and diseases in the country). The last updates to the Egyptian pest list, available on-line on the FAO's website⁸, have been communicated on 18 November 2018.

On March 5, 1951 Egypt became a member of the World Intellectual Property Organization's (WIPO) **Madrid Agreement on the International Registration of Marks** (1891) and on June 3, 2009 deposited to the instrument of ratification of its **Supplementary Protocol** (1989), which entered into force in Egypt on September 3, 2009. The Madrid Agreement makes it possible for Egyptian companies to obtain an international registration that gives them the right to have their mark protected in each of the designated Contracting Parties (119 countries). Trademarks registered under the Madrid system are published in a freely accessible on-line platform (WIPO's Global Brand Database)⁹.

As a WTO member, Egypt accessed to the **Trade Facilitation Agreement (TFA)**, which was approved on 22 June 2017 by the Egyptian House of Representatives and ratified by Presidential Decree No.

⁷ <http://www.egypt.gov.eg/PDFs/law2002e.pdf>

⁸ <https://www.ippc.int/en/countries/egypt/reportingobligation/2018/11/updated-list-of-regulated-pests/>

⁹ <https://www.wipo.int/branddb/en/>

149/2017. The instrument of acceptance of the Agreement however, has still to be submitted to the WTO. A Trade Facilitation Sub-Committee (TFSC) has been also established by the GoE in 2002 and reformed in 2011 by the Ministerial Decree No. 183/2011. The TFSC includes members both from the public and the private sectors, namely: ECA, GOEIC, the Central Administration of Plant Quarantine; the Central Administration of Veterinary Quarantine; the Egyptian Organization for Standardization and Quality (EOS); the Ministry of Transport; the Ministry of Health; the Egyptian Businessmen Association; the Federation of Egyptian Chambers of Commerce; and the Federation of Egyptian Industries. The Committee meets to discuss and coordinate the implementation of the provisions of the TFA, performs the functions of study proposals submitted by WTO Members, formulates the Egyptian negotiating position, follows up the implementation of WTO negotiations at the national and international level, and discusses matters related to trade facilitation with the aim of improving export and import measures. It also strives to reduce the documentation, time, and costs associated with exports and imports. Funding comes from government budget¹⁰.

The TFA entered into force on 22 February 2017 after it reached the required two-thirds acceptance from the 164 WTO members, and is made up of 24 articles, divided into 3 Sections. Section I deals with approximately 35 technical measures aimed to facilitate trade. Section II contains some flexibility arrangements for developing and least developed countries (otherwise known as “Special and Differential Treatment” - SDT), while Section III contains final provisions related to the overall implementation of the agreement.

The trade facilitating technical measures contained in the TFA are set out in 12 articles, arranged as follows:

Figure 1-1: Main trade facilitation measures in the TFA

TFA Art.	Description
1	Publication and availability of information
2	Opportunity to comment, information before entry into force, and consultations
3	Advance rulings
4	Procedures for appeal or review
5	Other measures to enhance impartiality, non-discrimination and transparency
6	Disciplines on fees and charges imposed on or in connection with Importation and Exportation and Penalties
7	Release and Clearance of Goods
8	Border Agency Coordination
9	Movement of Goods Intended for Import under Customs Control
10	Formalities Connected with Importation, Exportation and Transit
11	Freedom of Transit
12	Customs Cooperation

The first 12 articles of TFA can be divided in three types of provisions: a) **mandatory measures** (provisions that the Member States are obliged to introduce in their legislation); b) **“Best Effort” measures** (provisions that, although not mandatory, Member States are encouraged to implement “to

¹⁰ COMCEC, Establishing Well Functioning National Trade Facilitation Bodies (NTFBs) in the OIC Member States, September 2015

the extent possible” and/or “as practicable”); c) **conditional measures** (provisions that member States must introduce within the limit of their available resources).

Essentially, the mandatory measures are binding commitments that further specify and complement Articles V, VIII and X of the General Agreement on Tariffs and Trade (GATT) 1994, as these articles are deemed to capture the essence of what trade facilitation is about. In particular, such articles cover:

GATT article	Corresponding TFA article(s)
Freedom of Transit (Article V)	Art. 11
Fees and Formalities Connected with Importation and Exportation (Article VIII)	Art. 6, art. 10
Publication and Administration of Trade Regulations (Article X, GATT)	Art. 1

Egypt also acceded in 2008 to the **WCO International Convention on the Simplification and Harmonisation of Customs Procedures** (Kyoto Convention), entered into force in 1974 and revised in June 1999 to introduce new tools aimed to facilitate international trade, like IT-based methodologies for customs controls (e.g. risk analysis and management techniques), post-clearance audit, public-private partnership programs¹¹. The Revised Kyoto Convention (RKC) is considered as an instrument for the harmonisation of customs techniques at global level and aims at ensuring that customs regulations are not a barrier to international trade and growth. To this end, the RKC builds on a series of key principles such as:

- transparency and predictability of customs actions;
- standardization and simplification of the customs declaration and supporting documents;
- simplified procedures for authorized persons;
- maximum use of information technology;
- minimum customs control to ensure compliance with regulations;
- use of risk management and audit-based controls;
- coordinated interventions between Customs and other border agencies;
- Customs-trade partnership.

Egypt is also a member of the Common Market for Eastern and Southern Africa (COMESA). As such, the country is bound by the COMESA **Common Market Customs Management Regulations (CMRs)**, a set of uniform customs principles and rules in line with international standards and best practices, including the Revised Convention of Kyoto and other tools developed by the WCO. CMRs were adopted by the COMESA Council at its 26th Meeting (held from 2nd to 4th June 2009 at Victoria Falls, in Zimbabwe). According to the Treaty establishing the Common Market for Eastern and Southern Africa (article 10),

¹¹ The revised version of the Kyoto Convention has placed all Standards and recommended Practices in one single General Annex, that the Parties are supposed to observe in full. In addition, language has been made more incisive and the suggestion that Customs “may” implement a rule or a procedure was replaced by the instruction that they “shall”.

Regulations adopted by the Council - which include the CMRs - are binding for all Member States in their entirety, and each Member State must ensure that COMESA Council Regulations have the force of law within their national legal systems (Article 5.2, b)¹². Most of the CMRs provisions have been modelled upon the Council Regulation (EEC) No 2913/92 of 12 October 1992 establishing the Community Customs Code of the European Union (now replaced by the EU Regulation No 952/2013 of the European Parliament and of the Council of 9 October 2013 laying down the Union Customs Code, entered into force on 1st May 2016), like in the cases of incurrence and extinction of the customs debt, third party representation, binding tariff and origin information, summary declarations, types and articulation of customs procedures, simplified procedures, and rules of functioning of the Customs Regulations Committee (a body made up of representatives of each COMESA Member States and that is competent for monitoring the implementation and application of CMRs, ensuring uniformity in their interpretation, proposing amendments, considering questions raised by Member States and exercising any other powers necessary to give effect to the CMRs).

The aim of CMRs is to introduce in the COMESA Region a set of harmonised, uniform, modern and state-of-the-art customs procedures intended to significantly reduce border control inefficiencies and transaction costs for traders, thus facilitating trade in the Region and contributing to further achieving regional integration, boosting intra-African trade. To date, however, Egypt's intra-African trade remains minimal, compared to commercial exchanges that the country has with the EU, USA and Asian countries. In 2017, Egypt imported US\$1.8 billion of goods from Africa (accounting for 3% of Egypt's total imports), while the country's exports to Africa amounted to US\$3.2 billion, corresponding to 12% of Egypt's total exports. Among the main export destinations in Africa are Tunisia (14%), Libya (13%), Morocco and Algeria (12% each), Kenya (9%), South Africa (5%), Ethiopia (4%), Ghana, Eritrea and Nigeria (3% each). In the same year, Egypt's main import origins from Africa were Nigeria (accounting for 22% of Egyptian total imports from Africa), Algeria (21%), Kenya (15%), Zambia (10%), South Africa (9%), Morocco (7%), Angola (4%), Tunisia (3%), Libya and Burkina Faso (3% each)¹³.

Egypt is also one of 16 of the 19 COMESA member States participating in the **COMESA Free Trade Area (FTA)**¹⁴ and a member of the **Arab-Mediterranean (Agadir Agreement, 2001)**¹⁵ and of the **Pan-Arab (PAFTA) Free Trade Areas**, the latter being also known as the greater Arab Free Trade Agreement. As a member of such FTAs, Egypt grants duty-free access to all products originating from participating

¹² According to the clarifications on the practical implementation of these provisions provided by the Legal Office of COMESA Secretariat, a regulation binding in its entirety "simply means that all provisions of the regulation are mandatory and Member States are required to comply with them. It also means that a regulation is directly applicable and a Member States using its own procedures has to ensure that it is domesticated. In some Countries it does not need to be ratified. In some countries it needs to be ratified as a matter of course since it is already binding on the Member States by virtue of the Authority of the Treaty". CMRs therefore, being directly applicable in the territory of member States, do not need to be transposed in the national legislation of member States through the implantation in their legal systems of similar rules. Such legislations however, need to be adapted ("domesticated") to CMRs rules in order to full comply with such rules.

¹³ Source : International Trade Centre (ITC) TradeMap database.

¹⁴ The COMESA Free Trade Area (FTA) was launched on 31 October 2000 between 9 COMESA Member States who decided that no tariffs had to be levied on goods produced and traded in their respective territories, whilst each one of such Countries continued to apply its own regime of tariffs to goods imported from outside the region. Its members are: Burundi, Comoros, Djibouti, Democratic Republic of Congo, Egypt, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Uganda, Zambia and Zimbabwe. Ethiopia, Eritrea and Swaziland (now e-Swazini) have not yet joined the COMESA FTA.

¹⁵ The Agadir Agreement was signed in 2001 by Egypt, Jordan, Morocco, Tunisia with for the purpose of setting up a Free-Trade Area through a progressive dismantlement of customs duties and other duties and taxes of similar effect. The Agreement also promotes the approximation of legislation between the Member Countries in economic domains, with the aim of creating a favourable climate for economic integration between the Member Countries.

territories. Egypt has also Free Trade Agreements with Turkey (signed on 27 December 2005 and entered into force on 1 March 2007) and with the European Free Trade Association (EFTA), signed on 27 January 2007 and entered into force on 1 August 2007.

Lastly, Egypt is among the 44 countries that signed the **African Continental Free Trade Area (AfCFTA)** Consolidated Text at the 10th Extraordinary Session of the African Union on 21 March 2018 held in Kigali, Rwanda.

2 Situation analysis

The aim of this situation analysis is to identify the main challenges of Egyptian Customs, according to international standards, and what they can do to improve their performance. The status of approximation of the Egyptian customs legislation to the EU regulation, standards and best practice is also analysed and a mapping is made of the reforms implemented in Egypt in the customs sector in the last years, with a focus on the progress made by the country towards achieving trade facilitation improvement gains able to boost the competitiveness of Egyptian businesses, especially SMEs.

2.1 Trade performance and Trade facilitation

Egypt faces many challenges in cross-border trade, especially in imports. The last edition of the World Bank study “Doing Business 2019 Egypt”, ranks Egypt in the bottom of the list of analysed countries (**171th out of 190 economies**) in terms of ease of trading across the border. Although the World Bank recognizes the positive outcomes of the last years in terms of improvement of the customs administration, the cost for **documentary compliance** formalities is still labelled as very high, given that a trader has to pay on average **1000 USD** for obtaining, preparing and submitting all the documents required for transport, clearance and inspections at the origin, transit and destination points, against a regional average in the Middle East & North Africa of **269 USD**. Similarly, to complete border compliance formalities for import, a trader in Egypt has to wait **240 hours**, for a cost of 554 USD, against the regional average of 105,4 hours and a cost of 536,0 USD (see next table).

Table 0-1: Time and cost to import/export in Egypt

Indicator		Egypt	Middle East and North Africa
1	Time to export: Border compliance (hours)	48	58
2	Cost to export: Border compliance (USD)	258	442.4
3	Time to export: Documentary compliance (hours)	88	67.9
4	Cost to export: Documentary compliance (USD)	100	244.6
5	Time to import: Border compliance (hours)	240	105.4
6	Cost to import: Border compliance (USD)	554	536.0
7	Time to import: Documentary compliance (hours)	265	75.5
8	Cost to import: Documentary compliance (USD)	1000	269.0

With particular regard to the “border compliance” indicator, the World Bank’s study provides more details. The length of a border clearance operation at import is ascribed mainly to the handling operations at the port or the border post (that take on average **240 hours for a cost of 232 USD**),

secondly to the inspection processes of authorities other than Customs¹⁶ (96 hours and a cost of 165 USD), while the responsibility of customs authorities for import clearing delays is deemed minimal, as their clearance and inspections on import take on average **48 hours**, although the relevant cost is relatively high (156,7 USD), when compared (in proportion) with the time/cost for the interventions of agencies other than Customs and for handling operations at the port or border post (see next table).

Table 0-2: Trading Across Borders in Egypt - Components of border compliance

	Time to complete (hours)	Associated costs (USD)
Export: Clearance and Inspections required by customs authorities	4.7	90
Export: Clearance and Inspections required by agencies other than Customs	0	0
Export: Port or border handling	48	168
Import: Clearance and Inspections required by customs authorities	48	156.7
Import: Clearance and Inspections required by agencies other than Customs	96	165
Import: Port or border handling	240	232

Regarding trade documents, Egypt performs relatively well, with 11 documents required for import and 8 for export (see next table). It must be noted however that the Form 4 is wrongly indicated by the World Bank in the list of trade documents, as this form is required neither by Customs, nor by the other border agencies.

Table 0-3: Trading Across Borders in Egypt – Trade Documents

Export		Import
1	Commercial invoice	Certificate of origin
2	Customs Export Declaration	Customs Import Declaration
3	Approval letter	Commercial invoice
4	Packing list	Delivery order
5	Shipping order	Cargo release order
6	Bill of lading	Packing list
7	Certificate of origin	Bill of lading
8	SOLAS certificate	Compliance certificate
9	-	Form 4
10	-	Receipt of administrative fees
11	-	SOLAS certificate

In the **Logistics Performance Index (LPI)**, 2018 edition, Egypt is ranked above the average (67th out of 160 countries) for trade logistics performance, which includes infrastructure, quality of service, shipment reliability, and border clearance efficiency. The LPI is an interactive benchmarking tool created by the World Bank to help countries identify the challenges and opportunities they face in their performance on trade logistics and what they can do to improve this performance. More specifically, the LPI is the weighted average of the country's scores in six (6) key areas:

- 1) The efficiency of customs and border management clearance (“Customs”);

¹⁶ E.g. Sanitary, phytosanitary, agricultural authorities, etc.

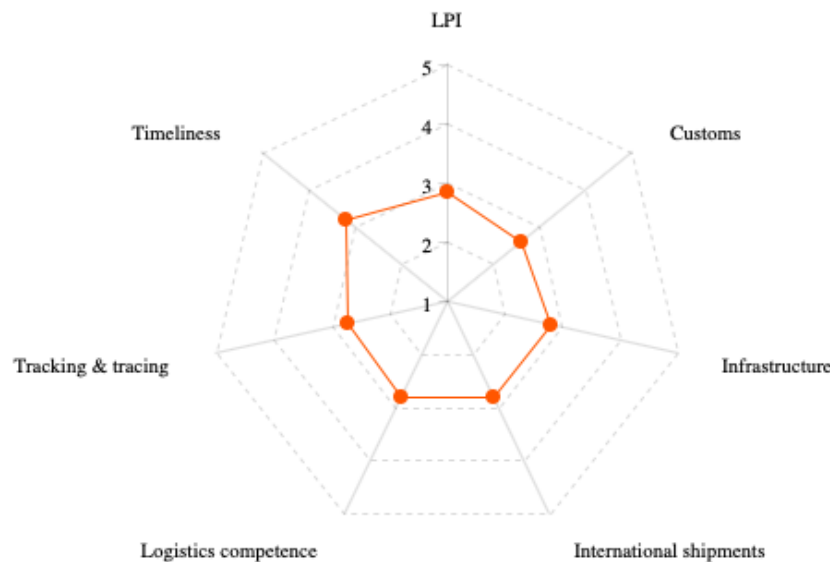
- 2) Quality of trade and transport infrastructure, e.g., ports, railroads, roads, information technology; (“Infrastructure”);
- 3) Ease of arranging competitively priced shipments (“Ease of arranging shipments”);
- 4) Competence and quality of logistics services, e.g. trucking, forwarding, and customs brokerage (“Quality of logistics services”);
- 5) Ability to track and trace consignments (“Tracking and tracing”);
- 6) Frequency with which shipments reach consignees within scheduled or expected delivery times (“Timeliness”).

It is worth noting however that, Egypt’s position in the LPI 2018 has worsened in all of the six sub-indices compared to the previous report. In particular, the 2018 report places Egypt in a middle position (77th) for efficiency of Customs and timeliness of shipments (74th), while a negative score is given to the country for what concerns the “tracking and tracing” index, where Egypt ranks in the bottom of the list.

Table 0-4: LPI rating - Egypt

Customs		Infrastructure		International shipments		Logistics competence		Tracking & tracing		Timeliness	
Position	Score	Position	Score	Position	Score	Position	Score	Position	Score	Position	Score
77	2.6	58	2.82	73	2.79	63	2.82	89	2.72	74	3.19

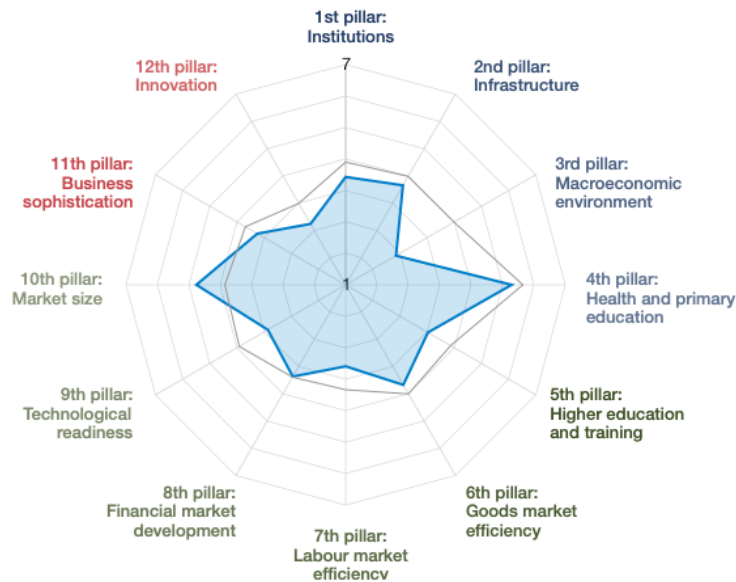
Egypt, Arab Rep. 2018



The **Global Competitiveness Report** published by the World Economic Forum (WEF), 2017-2018 edition, ranks Egypt in a low position (100 out of 140 countries), in the list of the most competitive nations in the world. In particular, for what concerns the quality of transport infrastructure, Egypt stands at the 51st position, with an overall score of 4.0 (in a scale from 1 to 7, where 7 is the best), and 4.7 for quality of

port infrastructure. With regards to the 6th pillar (goods market efficiency), the country ranks in the 81th position (with a score of 3.9) for burden of customs procedures and in the 85th position (with a score of 4.2) for prevalence of Non-Tariff Barriers (NTBs).

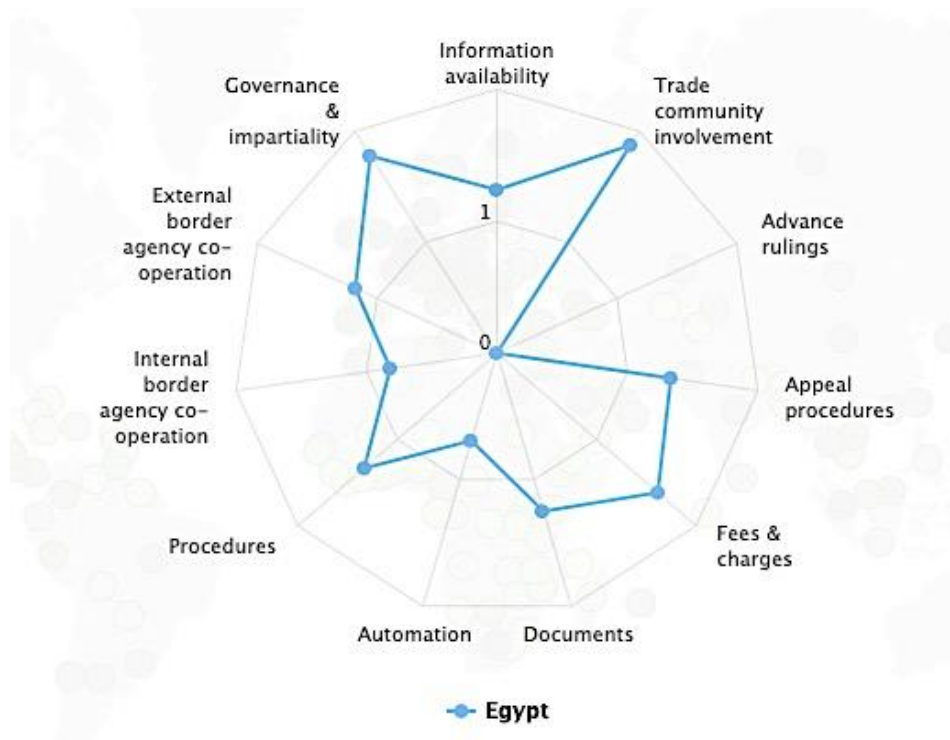
Figure 0-5: Egypt competitiveness ranking according to the WEF Global Competitiveness Report



To help governments improve their border procedures, reduce their costs, boost trade flows and reap greater benefits from international trade, the Organization for Economic Cooperation and Development (OECD) has developed twelve (12) **Trade Facilitation Indicators (TFIs)**¹⁷ corresponding to the 12 families of technical measures included in the first 12 articles of the TFA as described above. TFIs, in particular, identify areas for action of governments and enable the potential impact of reforms to be assessed. According to the OECD indicators, thanks to the reforms implemented in the last years, Egypt has reached significant results in all the areas of trade facilitation, despite its performance remaining weak when compared with other countries, especially those of the Middle East-North Africa Region. In particular, performance has improved between 2015 and 2017 in the areas of information availability, involvement of the trade community, fees and charges, documents, automation, procedures, and governance and impartiality, while little has been done with regards to the advance rulings issued by Customs, as shown in the next diagram.

Figure 0-6: Trade Facilitation Indicators in Egypt, OECD

¹⁷ OECD Trade Policy Papers No. 118 - Trade Facilitation Indicators, the impact on trade costs, 2011.



Taking into account the trade flow increase and costs reduction potential of the policy areas highlighted above, and considering the areas where Egypt has not yet reached best performance, the OECD's conclusions are that the country should focus its efforts mainly in six (6) areas, listed in the Table in Annex 2. For each one of these areas an evaluation is given regarding their status of implementation, on the basis of the results of this study, according to 3 criteria:

- 1) Implemented **(I)**
- 2) partially implemented and to be improved **(PI)**
- 3) not implemented **(NI)**

2.2 Reform programs in the customs sector and coordination with other donors

Since 2000, a variety of reforms have been implemented in Egypt, aimed at transforming the ECA into a trade facilitation agency and away from its traditional roles of revenue collection and controlling trade. Between 2002 and 2005, many technical assistance projects for Egyptian Customs have been implemented, mainly by USAID (the most active donor in the customs field), in particular on risk management systems, post-clearance inspection, pre-clearing, performance monitoring, and modern customs management practices. Furthermore, a number of sector-specific and general laws and regulations are being updated and modernized to support private sector-led investment and growth. Such initiatives included, *inter alia*: the installation of X-ray devices in most customs posts to facilitate controls - by inspecting imports without opening consignments -; training on the implementation of the WTO Customs Valuation Agreement; and other initiatives aiming to enhance the anti-smuggling capabilities of the ECA. USAID also procured a new IT Customs management system with the relevant

equipment, including technology and video conferencing equipment to the ECA and the National Customs Training Institute (NCTI). The new IT system provided by USAID has however never been rolled out. Specific training programs were delivered to NCTI to strengthen staff capacity¹⁸. Mechanisms for consultation with the private sector and the port community were also set up. E-payment of customs duties was introduced, and computer and English language training was provided to medium level management, together with technical training with regards to customs valuation, risk management, and post-clearance audit techniques.

The GoE, with the Decree of the Minister of Finance No. 10/2016, introduced in 2017 a Single Administrative Document (SAD) system for submitting customs declarations to ECA, as required by article 55 of the Egypt-EU Association Agreement and as a preliminary step towards the eventual implementation of an electronic single-window system in the country. The SAD form is currently used for all customs regimes, with customs declarations and supporting documentation (e.g. invoice, certificate of origin, packing list, etc.) transmitted by customs brokers or by the importer mainly electronically via a specific area of the ECA website which is accessible with a password that is released by ECA after registration to the system (see next figure).

Figure 0-1: Area of the ECA's website where traders can electronically submit customs declarations



It is however noted that electronic copies of the supporting documents have no legal binding effect and the originals of such documents still need to be submitted by operators to Customs. Standard commercial practice is for a broker to file such documents and the customs declaration as an agent of the importer.

Egyptian Customs also use social networks (Facebook, Twitter, LinkedIn, Youtube), for disseminating information on customs procedures, initiatives and programmes, as well as on the ECA's tasks and activities.

USAID Technical Assistance also included a series of initiatives aimed at further enhancing the capacities of the ECA. The **Assistance for Customs and Trade Facilitation (ACTF) project**, in particular, was launched in 2002 (covering the period 2002-2007) with the aim of improving customs and trade facilitation services, standards, inspection, export and import procedures and port services. At

¹⁸ USAID, Office of Inspector General, Audit of USAID/Egypt's trade facilitation project. Audit report N°. 6-263-13-009-P March 25, 2013

operational level, the ACTF sought to decrease average clearance time for imports; simplify customs procedures; reduce the number of customs disputes; and increase the percentage of electronically transmitted customs declarations¹⁹.

The ACTF project has significantly contributed to capacity building of the ECA, both directly and through a Customs Reform Unit expressly established at Customs. Organizational development, training and mentoring have been integral parts of a Customs Reform Implementation Plan, which was jointly developed by the USAID, the ECA Customs Reform Unit and the Ministry of Finance. The programme included, among others:

- a) **The design of a new, more decentralized, organizational structure of Customs.** A comprehensive organizational re-alignment of ECA, including revised organizational structure, human capital, technology, customs processes and performance measures was designed by USAID and approved by the Egyptian Ministry of Finance in September 2005. The functions of the organizational units were reviewed by reorganizing both horizontal and vertical relationships within the customs administration, inspired by best international practices. Capacity building activities within the context of the new strategic orientation of the ECA, covering a number of human resource development areas were also organised. The new structure was aimed at rationalizing the organization of Customs by reducing staff and increasing downward delegations of authority and empowerment. Three (3) Customs Regions were created, and a Customs Reform & Development Central Directorate was established within the ECA, placed under the Department of Strategic Planning and Initiatives, with the aim of supervising, coordinating and implementing reforms in the customs sector. The National Customs Training Institute (NCTI) was relocated in 2001 to new premises and put under the Department of Human resources and Capacity building. In 2003, the NCTI benefited from a programme of technical assistance provided by Swiss Customs. Training evaluations, along with Train-the-Trainer courses, were among the major assistance programs provided to NCTI.
- b) **The simplification of customs procedures to accelerate clearance of goods.** Reforms in this sector sought to reduce the number of documents required for import and export processes and allowing their presentation electronically. In 2008, clearance requirements were slashed from 26 to 5 approvals and the number of documents required for clearance was considerably reduced. Customs clearance has also been reduced to a single day for most exports. USAID assisted ECA to design commodity-specific customs procedures in each of the ports of entry in Egypt.
- c) **The creation of Model Customs Centres acting as one-stop shops.** ECA launched in 2005 the establishment of Modern Customs Centres (MCCs) designed to serve as single points of interaction with stakeholders. Subsequently, MCCs have been enlarged to include other border agencies, particularly General Organisation for Export and Import Control (GOEIC), to allow traders to deal with these agencies at a single location. MCCs have been established in many Egyptian ports, such as Alexandria, El Dekheila, Damietta and Sokhna. In Alexandria this has led

¹⁹ USAID, Impact assessment of trade and customs reforms in Egypt, Final Report, September 26, 2005.

to more joint examinations between Customs and GOEIC, thereby reducing the previous practice of separate examinations of containers.

- d) **The development of an Accounts Management System (AMS).** The AMS, which became operational in November 2005, established company-level accounts with dedicated AMS account managers for Egypt's largest importers who carry out recurrent transactions. The project was aimed at the 500 top importers accounting for 80% of Egyptian imports. Importers qualifying for the AMS by virtue of their size and track record of prior compliance with import requirements, benefited from more personalized service and streamlined procedures and inspections. Post-clearance audits were used to ensure continued compliance with import requirements.
- e) **The reduction of the average level and dispersion of tariff rates to cut down Customs valuation disputes.** Significant tariff reforms took place in September, 2004 when the GoE revised the Egyptian tariff code, reducing the number of tariff bands from 27 to 6, and lowering the weighted average tariff from 14.6% to 9%. In addition, tariff surcharges ranging from one to three (3) per cent were eliminated. Of particular note, the tariff reform eliminated the significant specific tariffs on garments and replaced them with ad valorem rates that are within Egypt's bound rates from the Uruguay Round. Steps were also taken during 2004 to review Egypt's conformity with the SPS Agreement and to begin to bring Egypt's process for developing new SPS regulations into conformity with its international obligations. A review mechanism was put in place in 2005 to generate notifications to the WTO of key SPS activity and making the process of adopting new regulations more transparent.

USAID is currently implementing a technical assistance programme through the US Trade Department, which involves two activities focused on capacity building actions aimed at reinforcing competences of the ECA in the area of customs valuation, with the first event planned to take place in April 2019. A new project of assistance named "Trade Reforms And Development in Egypt" (TRADE) is being designed, with a total budget of 40 million USD, to assist the GoE to undertake economic reforms and to assist SMEs to build the capacity to take full advantage of new trade opportunities created by those reforms. The project has also a customs component, but the areas of assistance in this particular field have yet to be identified.

The ECA has also worked closely with other inspection agencies, particularly with the General Organization for Export and Import Control (GOEIC), to coordinate the use of improved risk management in order to reduce the excessive number of tests and inspections. In 2003-2004 the Ministry of Foreign Trade and Industry (MOFTI) engaged in a systematic effort to reform its trade regime. Reforms have included the revision of the export and import regulations to reduce Non-Tariff Barriers (NTBs), improved compliance with the WTO Agreements, and international accreditation for some of the GOEIC laboratories.

In 2008, the ECA developed, with the assistance of USAID, a risk management system for selection of goods subject to customs control. Currently however, a few commodities are being directed through the green channel, as explained in the following Chapters of this report.

In January 2017, the World Customs Organization (WCO) provided strategic support and technical advice to the ECA with a five-day workshop in Alexandria on strategic planning and performance management, followed by a second workshop for the ECA General Management and relevant senior staff held in Cairo on 16-18 May 2017. Both activities led to the adoption by the ECA of a **2017–2020 Strategic Plan** which identifies a clear vision, mission and strategic objectives and goals of the administration, by establishing a series of performance indicators aimed at measuring the results of Customs initiatives in terms of simplifying and harmonizing customs practices and processes, in line with the TFA, RKC and related international instruments. The ECA Strategy Plan aims at making Customs more efficient and transparent, and addresses principles of performance measurement, result-based management, performance measures and indicators. The ECA Strategic Plan, however, is not published and this makes the private sector little or not aware of the functions and strategic objectives of the administrations despite its mission and vision are published on the ECA’s website.

Within the regional project “Arab Economic Integration for Sustainable development” (AEISD)²⁰, technical assistance and capacity building is also being provided to the ECA by the United Nation Development Program (UNDP) in the following main areas: a) improvement of the risk management system of ECA and integration of the GOEIC into the system; b) business process reengineering and data harmonization and standardisation in preparation for the establishment of the Egyptian National Single Window (ENSW); c) improvement of the efficiency and effectiveness of the National Customs Training Institute (NCTI) in providing appropriate technical training to customs officers. The project, whose customs component started in 2018 and will end in 2020, also aims at expanding and strengthening the operation of the Authorised Economic Operator Programme currently put in place by the ECA and to enforce the capacity of Customs in issuing advance rulings. Before the AEISD project was launched, UNPD implemented another project called “Aid for Trade Initiative for Arab countries” (AFTIAS)²¹. The project, which covered the period 2014-2016, was aimed at supporting trade policy reform in Arab countries as an integral part of the regional trade and economic integration agenda to promote economic and trade competitiveness towards more diversification of their economies. In the customs field, AftIAS included support initiatives aimed at improving performance of cross border operations at selected border posts, along specific trade/transport corridors to facilitate flow and movement of goods, means of transport and people.

Other reforms implemented by the ECA in the last years include the development of an e-freight system for facilitating air transport. The system is based on a system of electronic messages that replace paper-based documents used for clearance of goods transported via air (like the cargo manifest, and in some cases, the invoice, certificate of origin and packing list).

The ECA's website has also been upgraded and populated with information which is being updated on a daily basis. A questions-and-answers system has been activated and an interface has been created for private operators and customs brokers for the electronic transmission of customs declarations. The ECA

²⁰ AEISD is aimed at providing technical assistance to the League of Arab States and member states of PAFTA with the purpose of deepening integration in these regions, including preparations for the Arab Customs Union

²¹ <http://aftias.org>

website is currently available only in Arabic, although the administration is working on its translation in English.

3 Main areas for which gaps have been identified

This Chapter summarizes the areas where a specific gap has been identified, in terms of lack of alignment of the Egyptian customs regulation, legislation and procedures with the relevant EU customs standards, norms and best practice.

The ECA also raised the problem of the administrative cooperation with the Customs authorities of EU member States, in particular for what concerns the verification of proofs of origin (EUR1 certificate), which is considered not effective. Pursuant to art. 32.5 of the EU-Egypt Association Agreement, where customs authorities request a verification of the EUR1 certificate to the Customs of the exporting country, they must be informed of the results of this verification as soon as possible. Art. 32.6 clarifies that in cases where there is no reply within ten (10) months from the date of the request or where the reply of Customs does not contain sufficient information to determine the authenticity of the document in question or the real origin of the products, the requesting customs authorities can, except in exceptional circumstances, refuse entitlement to the preferences. ECA pointed out that in many cases the answer of the Customs authorities of some EU member States are received with huge delays (up to 9 months). Pending the reply, the importer can be authorized to obtain the release of the goods if they lodge a financial security (irrevocable letter of guarantee) issued by an Egyptian bank, equivalent to the full amount of customs duties and other taxes due on the goods being imported, which represents for them a financial burden, especially if the level of such duties and taxes is particularly high, as the relevant amount must be available on their bank account. The importer also bears the financial charges of opening the letter of guarantee and no interest is paid on the deposited amount if the release of the guarantee occurs after many months, in cases where the answer of Customs in the exporter's country is delayed. If the customs administration of the exporting country confirms the authenticity of the EUR1 certificate, the guarantee is released. Conversely, a negative answer causes the loss of the right to preferential treatment, with the guarantee forfeited by Customs. However, if the goods are included in the list of imports for which an indication of the manufacturing country ("made in") is mandatory and goods do not bear such specification, GOEIC can refuse the release of the goods, that will be re-exported to the importer's expenses or destroyed by Customs. Art. 102 of the decree of the Ministry of Trade and Industry N° 770/2005, issuing the Executive Regulation to Implement the Import and Export Law N° 118/1975 lists the products that must bear a label indicating the country of origin as a condition for their import in Egypt.

3.1 Regulatory and legislative framework

In Egypt, when it comes to carrying out a cross-border transaction, importers, exporters and their customs representatives must struggle with a fragmented and not-transparent regulatory and legislative framework, with provisions scattered around many legal texts, not easy to read and in some cases not publicly available and/or easily accessible. Most of the operators interviewed explained that information on regulatory changes introduced by Customs and other inspection agencies is not always provided in a timely manner. Furthermore, they raised the problem of customs regulation and procedures that are not sufficiently clear and not uniformly interpreted, with a frequent arbitrary application of such rules

and procedures by the different customs offices. For instance, products that are denied entry in some ports because of alleged documentary discrepancies, inexplicably are accepted in other ports of the country despite being accompanied by the same set of documents.

A fragmented customs framework, with cumbersome, out-dated and not-automated customs procedures, inevitably leads to significant burdens on businesses, slowing movement of goods and causing costly delays at ports and various entry/exit points in Egypt. In particular, unduly long clearance delays or excessively burdensome, excessive or costly border procedures - including inspection requirements - have an unnecessary restrictive effect especially on imports. As in Egypt the dependence on raw materials, investment goods or semi-finished products is particularly high (as such goods are needed in the production process of Egyptian companies), this situation compromises the competitiveness of the Egyptian manufacturing and assembling industry. Moreover, extra-costs generated from lengthy border procedures are reflected in the final cost of imported goods, negatively impacting on final prices of manufactured products, hence on Egyptian consumers.

The basic customs legislation of Egypt is contained in the Law No. 66 of 1963 (lastly amended by Law no. 95/2005), and the decree of the Minister of Finance No. 10/2006 (Executive Regulations to the Customs Law No. 66/1963). The Egypt Customs Law provides for the administration, management and control of Customs, the imposition and collection of customs duties and includes several articles on customs clearing agents, sale of goods under disposal of customs and customs offences, with the related penalties.

Other important sources of customs law are:

- the Presidential Decree No 39/2007, lastly amended by the Presidential Decree no. 419/2018²², effective from September 13, 2018, which amended some customs tariff categories previously listed in Presidential Decree No. 184/2013. This Decision conformed Egypt's customs nomenclature to the World Customs Organization's 2017 version of the Harmonized Commodity and Description and Coding System (SA system) and established a Supreme Council for Customs Tariffs, mandated with the task to propose amendments to customs tariffs and to develop the customs system in response to economic changes.
- Act No. 186/1986 (lastly amended by Law No. 8/2005) on customs exemptions.

Other customs-related legislation is contained in a number of Acts, Ministerial Decrees and secondary legislation or regulations, like:

- Act No 121/1982 on the registration of importers (lastly amended by Law N° 7 of 2017 issued on 7 March 2017), complemented by the Executive Regulations (Ministerial Decree N° 846 of 2017 on 1 June 2017).
- Act No 118/1975 on import and export with its implementing decree (decree of the Minister of Foreign Trade & Industry No. 770/2005).
- Ministerial Decree N. 765/2001 on valuation of goods for customs purposes

²² Official Gazette of Egypt, issue 36, September 9, 2018

- Presidential Decree no. 106/2000 on facilitating inspection and control procedures of exported and imported goods.
- Ministerial Decree No. 991/2015, dealing with pre-shipment inspection to ensure conformity of the products with the relevant accredited Egyptian standards. The decree requires entities exporting to Egypt to maintain a quality control system to confirm that the products specified in the Decree and that are used by natural persons are the outcome of a quality controlled production process.
- Dumping Law No. 161/1998.
- Prime Minister's decree no. 1635/2002 and its amendments on the Temporary Admission procedure.

A New Customs Law has been recently submitted by the Egyptian Ministry of Finance to the Council of State (which has a Legislative Department that reviews draft legislation and renders legal opinions for the government), and is expected to be approved by the House of Representatives during the current session. The draft new Customs Law was finalised after extensive consultations with private stakeholders (such as Associations of customs brokers, freight forwarders, shipping agents and businessmen, Chambers of Commerce, etc.), and incorporates, *inter alia*, some amendments aimed to implement the WTO Trade Facilitation Agreement (TFA), the WCO Revised Kyoto Convention (RKC) and other international agreements and conventions of which Egypt is part.

The new Customs Act, which comprises a total of 97 articles, is expected to improve the business climate in Egypt, in particular by simplifying and accelerating the customs clearance process, reducing the cost of release of goods and encouraging investments, in line with the government's orientation of enhancing the business environment. The new Customs Law is largely inspired by the EU Customs Regulation (in particular the EU Customs Code), as it establishes the principles of electronic declarations and electronic exchange of information between Customs and other government agencies involved in international trade transactions (art. 86). The Law also mentions the possibility for traders to submit electronically the support documents to the customs declaration (e.g. invoice, certificate of origin, packing list, etc.), with an electronic signature system to be used for the authentication of such documents. Egypt adopted an electronic signature law with Law No. 15 of the year 2004, regulating Electronic Signature and establishing the Information Technology Industry Development Authority, which however is not yet implemented. The law is supplemented by the Decree N° 109 Of The Year 2005, issuing the Executive Regulations of the Electronic Signature Act.

The supervisory and enforcement powers of the ECA are also expanded in the new Customs Act, which gives a legal basis to post clearance audits (art. 8), entering the premises of importers, exporters, customs brokers, shipping and transport companies and other agents of the supply chain, in order to access their records, accounting systems and paper-based documentation. The payment of customs duties by traders is also facilitated by the new Act, as it allows them to pay customs duties and fees on imported goods in instalments, while the AEO status is partially regulated, as the requirements for accessing such status and the relevant facilitations to be granted to trusted operators, pursuant to Art. 95, will be defined by the Executive Regulations. Specific provisions have also been introduced to allow traders to inquire about applicable customs rates and procedures pertaining to specific imports before

importation (Art. 45, advance rulings), thereby enabling them to accurately plan their import operations. The terms and conditions to be applied to advance rulings will be detailed in the Executive Regulations. In addition, the law formally regulates the pre-clearing procedure (art. 59), which is already in use in Egypt for all type of shipments (maritime, air, road). The pre-clearing is a particular procedure aimed to speed up the release of goods that allow importers to anticipate the submission to Customs of the documents needed for clearance and the payment of relevant customs duties and other taxes, before the arrival of the goods, as explained in Chapter 5.5.

It must be noted that the new Customs Law will not be applicable until a supplementary regulatory framework is adopted, as this law mainly sets out general principles that will need to be further specified. Such a framework will be made up of new Executive Regulations which are currently under preparation and planned to be adopted within 6 months from the entry into force of the new Customs Law, and of a decree of the Customs Commissioner that according to Art. 88 of the new Act, will detail the customs procedures and systems to be adopted by ECA. The new Executive Regulations will repeal and replace the decrees of Minister of Finance N° 10/2006 and N° 765/2001, as well as all the decisions and instructions previously adopted regulating customs matters. A need for technical assistance has been identified in revising the Executive Regulations of the new Customs Law, to further detail the new tools and procedures introduced in the draft Customs Act, by aligning them to the EU *acquis communautaire* and to the EU and international best practices. ECA in particular, expressed an interest to be assisted in the development of new regulations and procedures on e-commerce, single window, advance ruling and Authorised Economic Operator.

3.2 Organizational structure of ECA

Operating under the Ministry of Finance, the Egyptian Customs Authority (ECA) is responsible for clearance of good imported or exported to/from Egypt. The ECA has a complex and multifaceted mandate, which includes the protection of the fiscal and financial interests of the State and of the national economy from illicit movement of goods and unfair international trading practices, such as the smuggling of goods, under-invoicing, origin fraud, tariff misclassification and intellectual property rights infringements. In addition to its traditional role of collecting duties and taxes on imports, the also plays an essential role in facilitating trade, in view of promoting the competitiveness of the Egyptian economy.

ECA staff is made up of 10,000 units, included high and medium management. Its structure is articulated on 2-layers, placed under the authority of the Commissioner of Customs:

- 1) **Sectors:** 8 in total, some of them located in Cairo, at the ECA's headquarters, and other at the port of Alexandria. The Sectors are: 1) Customs Operations; 2) Trade Compliance; 3) Security, Financial and Administrative Services; 4) Customs Regimes and Procedures; 5) Human Resources and Capacity Building; 6) Information Technology (IT); 7) Strategic Planning and Initiatives; 8) Corporate Affairs.
- 2) **Central Directorates:** established within each Sector, they are further articulated in General Directorates and Directorates.

Geographically, ECA is divided in three (3) Customs Regions, placed under the Customs Operation Sector: 1) Central and Southern Region, 2) Northern and Western Region, 3) Eastern Region (see next figure).

The analysis carried out reveals that the organizational structure of the ECA is not effective in terms of carrying out the required tasks and delivering its services in an effective and efficient way. In particular, it has been observed that many Directorates with similar scope of work have been created within the structure of the various Central Directorates/Sectors (e.g. legal affairs, administrative affairs, etc.), with some conflicting roles and difficulty to define and delimit their exact responsibility. Moreover, each Directorate reports to different Sectors, which complicated the coordination of their activities. The Customs Operation Sector has too many responsibilities, as it supervises all the Customs Regions. The ECA however, is considering a review of its organizational chart to redistribute responsibilities of Central and General Directorates, include Customs Regions among the main Sectors, and establish a new Central Directorate for Temporary Admission. Furthermore, a gap exists in the middle managerial line, as a result of the adoption of the new civil service law and the decision taken in the last years by the GoE to suspend new hiring in Government Sector.

Technical assistance can be provided to streamline and rationalize the ECA's current organisational structure by introducing the re-alignment required to balance responsibilities and avoid the current functional overlaps within the administration, to support an efficient and effective implementation of ECA's tasks and responsibilities, as provided for in the new Customs law and its Executive Regulations.

3.3 IT customs management system

The ECA uses the ECAS customs management system (Egyptian Customs Authority System), which is not web-based, although an interface has been developed on the ECA's website allowing traders and their customs brokers to send customs declarations electronically as indicated above. The ECAS is made up of a central Data Warehousing located at the Alexandria port, linked to local databases that have been set up in most customs offices, some of them not being automated yet. The system is partially interconnected with the IT systems of GOEIC and the Port Authority (in particular for what concerns the sharing of data of the cargo manifest), that also provided the infrastructure, but frequent connectivity problems have been reported by Customs that do not make this interconnection stable and fully usable. The system needs to be further developed and training needs have been identified for the staff in the ECA's IT Department, in particular for what concerns: data mining and data analysis techniques to detect false or incorrect information and fraud behaviours in customs declaration data submitted by traders; data access and sharing; applications and services, tools and techniques; architecture and technologies. The use of data analytics in Customs is an extremely powerful tool for improving the way Customs administrations work, both at operational and strategic level. Customs worldwide generate a massive amount of data that in most cases is underused by such administrations²³. Enhancing the ECA's ability to perform increasingly sophisticated analytics using the available data is crucial in order to improve the performance of the administration.

²³ WCO, Regional Workshop on data analytics, Doha, Qatar 2 - 6 December 2018.

A better interconnectivity of the ECAS system with the cargo manifest data electronically transmitted to Customs would also allow such administration to carry out anticipated risk analysis before the arrival of goods, accelerating their clearance.

ECAS is made up of made up several components, which include a risk management and customs valuation database modules. The customs valuation database collects the value of each HS code at import and export allowing comparison and analysis by product, industry and country of origin or trader, allowing Customs to better assess the truth or accuracy of the value for imported goods declared by traders. Data feeding the database is generally extracted by import declarations and supporting documents of previous importations that, in order for the database to properly perform its functions, must be constantly updated. To date, however, the customs valuation database is not used by the ECA for all operations. In most cases, the suppliers' commercial invoices values for shipments are assessed and re-evaluated on the basis of not-transparent criteria, taking into account the values of similar goods collected by Customs on world market prices and shared with the customs offices via circulars and other internal instructions or communications not accessible to traders. It must be noted that art. 1.1.d of the TFA sets the obligation for member States to publish the rules for the valuation of products for customs purposes. In case of re-assessment of the customs value by Customs, operators are usually given the right to request for an arbitration process to prove the fairness of the declared value. Customs however, by means of law, is entitled to refuse the request.

It must be pointed out that it is not appropriate to apply simple statistical or price indicators to all imports as a means to measure potential risk with regard to the truth or accuracy of Customs value. Consequently, the development and use of a valuation database should be selective and targeted, by taking into account risk assessment and management techniques²⁴. To this end, a need of support has been identified, in particular for the staff of the ECA's IT Sector, for what concerns the use of data mining and analysis, use of customs valuation databases, and establishing monitoring mechanisms to ensure that the use of data analytics effectively support decision making within the Decision Support General Directorate (Corporate Affairs Sector).

3.4 Risk assessment for targeting customs controls

In 2008 with the assistance of USAID, the ECA developed a risk management system for selecting goods subject to customs control. Currently however, few consignments are being channelled through the green channel, due to security concerns. Moreover, the current import regulation states that all products imported in the country have to be inspected, regardless of their compliance history, country of origin, exporter, shipper, or importer. Consequently, to date, almost all cargo is subject to physical verification, with limited use of post-clearance audits. According to the data provided by the ECA, in 2018, although about 40% of imports had been selected by the ECAS risk management module for the green channel, most of these operations were re-routed from the green to the red channel. In the end, the real percentage of goods released without control in 2018 was **6.5%**. The risk management routes imports into two different channels: green (visual verification for security purposes without physical inspection) and red (documentary and physical inspection). The main risk assessment factors (indicators)

²⁴ WCO, Guidelines on the development and use of a national valuation database as a risk assessment tool, G/VAL/W/242, 4 April 2014.

that are taken into account for profiling risks are: country of origin, port of shipping, supplier, shipping agent, importer, broker, HS tariff heading, tariff rate, trade agreements, exemptions, and special customs regime. Before going to the risk analysis systems, consignments are subject to scanner control, carried out on 100% of imported goods.

The reason why Customs and other border agencies physically inspect almost all international trade operations is that after the January 2011 revolution, a significant flow of weapons and ammunition were introduced through the Egyptian border. Smuggling of prohibited products, including drugs and counterfeits was particularly high, with significant losses of revenue and harmful effect for producers, retailers and customers. It must be also pointed out that profits coming from smuggling can be used to finance terrorism and this justifies the stricter controls implemented by Customs and other security agencies in Egypt. After an initial suspension of risk analysis by Customs, the system was reactivated in the end of 2014, but is still underused. Since the revolution, security measures put in place by security agencies in Egypt have been tightened, but their level of coordination is still low. Practices of sharing of information between such agencies, and between border agencies in general, are mostly based on informal communications, on notifications and oral dissemination of verification findings. It is therefore advisable that automated risk-profiling/measurement systems and joint intelligence exercises among such agencies are improved, possibly by exchanging risk profiles. To this purpose, the ECA plans to adopt a joint risk analysis with GOEIC. It should be appropriate to include other authorities in this initiative, like the Port Authority.

3.5 Inspection procedures of Customs and the other border agencies

Inspection activities conducted at Egyptian ports, airports and other points of entry/exit in/from the country are under the responsibility of many border agencies. Apart from the ECA, an important role is played by the General Organization for Export and Import Control (GOEIC), a government agency established by Presidential Decree no 1770/1971, which is affiliated to the Ministry of Economy and Foreign Trade. The Organization carries out its tasks under 3 main pieces of legislation:

- (a) Law N° 118/1971 on import and export (as supplemented by its executive regulations, promulgated by the ministerial decree No. 275/1991);
- (b) Law N° 120/1982 on the register of importers (supplemented by its implementing regulation, ministerial decree N° 342/1982 and by Law N° 121/1982 on registration in the commercial agents' registers and its implementing regulation, ministerial decree N° 343/1982);
- (c) Presidential Decree N° 106/2000 on facilitating inspection and control procedures of exported and imported goods.

According to art 76(c) of the Decree of the Minister of Foreign Trade & Industry N° 770/2005 issuing the Executive Regulation to implement the Import and Export Law N° 118/1975, GOEIC supervises inspection and control of exported and imported goods subject to control regulations governing literary and artistic works, combat of fraud and deception, practice of pharmaceutical activity, toxic and non-toxic material used in industry, precious metals, the protection of antiquities, and weight and measurement. GOEIC acts as coordinator for almost all import inspections, while ECA is responsible for the final release of goods.

GOEIC's strategic tasks include consumer protection. The administration has the responsibility to verify that imported goods comply with the mandatory standards set by the Egyptian Organization for Standards and Quality (EOS), and that exported products meet export standards. Apart from GOEIC, verification of compliance with standards and technical regulations is also the responsibility of other agencies, including the Ministry of Health and the Ministry of Agriculture. To this purpose, it is observed that each border agency in Egypt operates within its own mandate and legislative framework, with little awareness of the roles, procedures and tasks of other border agencies, with often diverging interests in the performance of controls, and in some cases overlapping roles. Regulations and procedures are applied differently at each seaport, airport and land border post in Egypt. Sampling and inspection functions for instance are mainly carried out by GOEIC, but some products (mainly food) may be subject to inspection by other agencies, in which case multiple controls can be conducted on the same goods. For the food industry, for instance, there are three to four additional agencies involved that have the right to take samples from an imported shipment. The government has issued Law No. 1/2017 to establish a new National Food Safety Authority in order to overcome these overlaps, and to task a single agency with control of the flow of all food products from farm and ports to table. The GoE is organizing the new authority, which is not yet fully functional.

Joint inspection procedures (with joint manuals of procedures and guidelines, etc.) for all points of entry/exit in Egypt should be designed, aimed at gathering the regulations to be applied by each border agency, hence improving their coordination.

EOS was established in 1957 and its organizational structure was revised by the Presidential Decree N° 83/2005. Affiliated to the Ministry of Industry and Foreign Trade, EOS has developed up to 8,500 standards of which 5000 are Egyptian technical regulations or mandatory standards. EOS reports that it has harmonized mandatory standards with international standards to the point that nearly 80 per cent of its mandatory standards are based on international standards such as those issued by the Geneva-based International Standardization Organization (ISO)²⁵.

For conducting lab test analysis, GOEIC has a network of laboratories, most of which internationally accredited, that conduct tests on samples taken by the agency and other inspection bodies. Government specialized laboratories affiliated to different entities can be used for tests to be conducted on particular categories of products (e.g. chemicals or food products). For exports of fresh products and controls of heavy metals and pesticide residues in agricultural products, when the Central Agricultural Pesticide Laboratory (CAPL – under the Ministry of Agriculture) doesn't have sufficient capacity for conducting tests, private laboratories accredited by EOS can be also used. In some cases, laboratories are located far from the customs office where goods are inspected, which can delay the availability of test results with tests taking more than 1 week. A number of other agencies have access to samples of import shipments for purposes of further inspection and testing.

GOIEC is also responsible for ensuring that imported goods and their packaging do not bear false or misleading indications of origin ("made in" controls). GOEIC carries out controls on marking

²⁵ COMCEC, "Improving the Delivery of Trade Facilitation Services in the Organization for Islamic Cooperation" Project (2015-UGATRADE-163) Project Report, November 2016

requirements on most commodities imported into Egypt. “Made in” controls are also carried out on goods accompanied by a preferential proof of origin (e.g. EUR1 certificate). Moreover, pursuant to the Presidential Decree N° 106/2000, GOEIC controls that imported goods comply with the Egyptian labelling requirements, which are specified in art. 102 of the decree of the Ministry of Trade and Industry N° 770/2005, issuing the Executive Regulation to Implement the Import and Export Law N° 118/1975. The Decree N° 553 of 1998 stipulates that imported products can leave the inspection area only if the shipment is in accordance with labelling conditions.

Usually, upon arrival of a shipment to a point of entry in Egypt:

- (a) If available at the site where goods are imported, cargo is scanned by using X-ray technology;
- (b) At the arrival of cargo at the point of entry in the Egyptian territory, an inter-agency committee is established, made up of ECA, GOEIC, and officers of other agencies responsible for conducting inspections on the shipment. In most cases, forming a committee for inspection and performing the relevant inspections takes no less than 5 days. In case of AEOs however, an expedited procedure is adopted in establishing committees, in order to allow such operators to benefit from an accelerated release of their consignments.
- (c) The importer submits the documentation required to clear the shipment to Customs. Usually customs duties and other taxes are paid after the clearance of cargo. However, a pre-clearing procedure has recently been implemented in Egypt that allows traders to submit the required documentation and pay customs duties and other taxes prior to the arrival to the Egyptian points of entry.

3.6 Advance rulings

As described above, specific provisions have been introduced in the new Customs Law allowing traders to obtain from Customs an advice about applicable customs rates and procedures pertaining to specific imports before importation (so-called “advance rulings”). Advance Rulings (ARs) are a proven means of facilitating trade, promoting transparency and consistency in customs operations and fostering the participation of enterprises of all sizes in global commerce. ARs aim to provide greater certainty to companies by facilitating business decisions on investing and making correct declarations to Customs. The ECA already issues ARs with respect to tariff classification of imported goods, which help traders solve their doubts regarding how to calculate their customs value, so providing greater certainty about the level of duties and other taxes to be paid to Customs. Conversely ARs on origin (i.e. determining the eligibility of goods for preferential tariff treatment under free trade agreements), are not regulated. It is also noted that the ECA’s rulings are not binding neither for Customs, nor for operators. Moreover, rulings are not published and not accessible to other traders. ARs are required by the TFA, the WTO Agreement on Rules of Origin, and the COMESA CMRs. Article 3.5 of TFA establishes that advance rulings must be binding for the issuing Customs administration, while Art. 3.8 of TFA stipulates that Member States, to the extent possible, must make publicly available any information on advance rulings which it considers to be of significant interest to other interested parties, taking into account the need to protect commercially confidential information.

As advance rulings are currently not binding for Customs, such a principle should be introduced in the Executive Regulations of the new Customs Law. A searchable database of advance rulings made available online to Customs and traders (protecting commercially confidential information) would be also a significant facilitation for private operators that could greatly contribute to uniform the application of customs regulations in Egypt, in particular for what concerns tariff classification and origin. In most countries, like the EU, Australia, Canada, and the United States, customs administrations take different approaches to making advance rulings available to the general public. All of them, however, agree that customs officers must have easy access to such rulings. This means that rulings must be well organized for identification and retrieval, preferably by means of an automated database using easily searchable criteria such as category, item description, tariff classification, and party to whom the ruling was issued²⁶. Traders should be able to reference the advance ruling, ideally through an advance ruling number that Customs can access on an electronic database, to facilitate processing and ensure that the ruling is honoured by customs offices competent for the place where the declaration is submitted.

3.7 Single window

A project for the establishment of an electronic Single Window (SW) system in Egypt was launched with the Prime Minister Decree No. 2295/2015, which established a Ministerial Steering Council for Egyptian Trade Facilitation (EgyTrade), chaired by the Minister of Trade and Industry, and including the Minister of Finance, the Minister of Transportation, the Minister of Investment and International Cooperation, the Deputy Governor of the Central Bank of Egypt, the Chairman of the Federation of Egyptian Industries, the Chairman of Egypt's Federation of Commercial Chambers, and businessmen associations. A series of working teams were established within the ECA, the Ministry of Transport, the Maritime Transport Authority, the Ministry of Trade and Industry and the GOEIC, operating in 4 main areas: 1) legislation, 2) documents, 3) procedures, and 4) technology. The Prime Minister Decree No. 20/2019 subsequently appointed the ECA as the lead agency for the development of such a system in Egypt, endowed with the task to re-engineer international trade procedures and review all documents related to international transactions, in view of their simplification. Subsequently, a public-private partnership named "Egyptian Company for Trade Technology" (MTS), participated 80% by the public sector and 20% by the private sector, has been entrusted for the management and implementation of the Egyptian SW, as well as for software development and for maintenance of the system and relevant equipment. A pilot project is planned to be launched at the logistics centre of Cairo Airport on mid-February 2019 for air consignments. The project will ensure a full interconnectivity between ECA and GOEIC that will allow both administrations to access the data of customs declarations and other documents electronically submitted by traders. Banks will also be linked to the system, in particular for what concern the submission of the Form 4 for the payment of the supply to the exporter. In a preliminary phase, the SW users will key the data of customs declarations and register required documents from a computer room located in the logistics centre facility and equipped with a network of computers interconnected to the SW available to traders and customs brokers. Once completed the formalities, they will receive via SMS information on the controls to be performed on their consignments so that they can attend the relevant

²⁶ USAID, « Advance Rulings Resource guide », October 2011

inspection and sampling operations by the competent control authorities. In the future, the system will be made accessible remotely directly from the SW users' offices, via Internet.

Once the testing phase of the SW at Cairo airport is completed, the system will be gradually extended to the major ports of the country. The GoE's plans are to fully implement the SW at all customs point of entry/exit in Egypt by mid-2020²⁷. However, it is noted that import/export licenses, permits and/or certificates related to foreign trade (e.g. importers/exporters registration certificates, certificates of origin, warehouse licenses, etc.) are still largely paper-based and treated manually, which represents a bottleneck to the integration of the relevant procedures into the SW system²⁸. In addition, commonly agreed standards to facilitate the electronic exchange of information still need to be developed by Egyptian border agencies. To this purpose, it is noted that the electronic transmission of data and documents requires the use of standardized documents in electronic format such as the WCO Customs Data Model.

3.8 Authorized Economic Operator (AEO) programme

An Authorized Economic Operator (AEO) programme has been launched in Egypt in 2013 with the Decision of the Minister of Finance N° 204/2013, amending the decree of the Minister of Finance N° 10/2006 (Executive Regulations of the Customs Law). The AEO scheme has been adopted by customs authorities to facilitate trade and improve safety and security. It is managed by the ECA in accordance with the WCO SAFE Framework, in order to facilitate and expedite clearance procedures for AEO operators. The instructions for accessing the programme are contained in the ECA Circular N° 36/2013. A Protocol for the AEO implementation has also been signed between the ECA and GOEIC in order to ensure that AEO-certified operators can benefit of a priority treatment in the inspection processes also by GOEIC and the other agencies acting under its supervision²⁹. As explained above, an additional facilitation is the expedited procedure adopted in composing the inter-agency committee responsible for conducting inspections on the AEO's shipments.

The AEO status is granted to operators that satisfy criteria such as customs compliance, management of commercial records, financial solvency and appropriate security and safety standards. As an additional requirement, importers and exporters must have, respectively, a yearly turnover of at least 40 million or 5 million LE. This additional requirement makes the access to the programme particularly restrictive and the conditions for accessing to the AEO disproportionate to the benefits that such status offers.

A special area in the ECA website gathers all the regulation and instruction accessing the program, including the application forms and the questionnaires to be filled by applicants to the AEO status. To date, however, no guidelines have been developed for private operators, and the perception of the benefits/advantages related to the programme is still limited, which restricts the access to the programme. Currently, only 119 operators are AEO-certified in Egypt, and the programme is open exclusively to importers and exporters, thus excluding the other agents involved in the logistic chain (e.g. customs brokers, freight forwarders, shipping agents, warehouse keepers, terminal operators, etc.).

²⁷ Egypt Independent, "Cairo Airport to see single-window system for foreign trade services", February 2019

²⁸ UNCTAD, "ICT policy review: national e-commerce strategy for Egypt", 2017

²⁹ WTO, Trade Policy Review Egypt, minutes of the meeting, *Addendum*, WT/TPR/M/367/Add.1, 30 May 2018.

The ECA is however considering the inclusion of other categories of agents in the programme, but the potential facilitations to be granted to such operators are still under evaluation. For some of them (warehouse keepers and customs brokers), specific application forms have been designed and published on the ECA's website (see next figure).

Figure 3-1: AEO section on the ECA website



A need for technical assistance has been identified for the expansion of the AEO programme to other categories of stakeholders and the design of the trade facilitation to be granted to such operators. The ECA also pointed out that the staff dedicated to AEO audits is insufficient (they have only 3 auditors, but some time they rely on staff of the post clearance audit teams for conducting AEO audits). Technical expertise of AEO auditors needs to be enhanced and capacity building actions in this regard are needed.

3.9 Time Release Studies

Time Release Studies (TRSs) are one of the measures recommended by the WCO in order to assess the performance of Customs and other border agencies, so that relevant authorities can identify bottlenecks in the clearing process and take corrective measures. TRSs measure the average time taken between the arrival of the goods and their release, as well as other relevant aspects of the effectiveness of operational procedures carried out by Customs and other regulatory actors in the standard processing of imports, exports and in transit movements. TRSs are therefore particularly useful in improving the efficiency/effectiveness of border procedures. TRSs are also recognized in the TFA (Article 7.6) as an important methodology in order to identify bottlenecks, increase effectiveness of clearance procedures and ultimately design and monitor trade facilitation measures. At the moment, Egypt does not conduct structured and rigorous TRSs at the main points of entry by following the methodology recommended by the WCO. In particular, the WCO TRS Guidelines (2002) recommend measuring the clearance process

for import consignments by reconstructing and analysing separately the time needed for completing each of the following activities:

- 1) **Arrival of the goods:** the date and time of the arrival of the means of transport conveying the goods at importation or under customs control.
- 2) **Unloading of the goods:** the period of time elapsed between the beginning and the end of unloading of the goods from the means of transport that brought them to the customs territory.
- 3) **Delivery to temporary storage:** the time from the arrival to the removal of goods from the temporary storage location for customs clearance purposes.
- 4) **Lodgement and acceptance of the declaration:** the date and time from the lodgement of the customs declaration at the Customs office to its acceptance.
- 5) **Inspection:** the time from the beginning to the end of the examination process carried out on the customs declaration and accompanying documents (documentary control). The inspection may be based on a risk management approach from intelligence sources, or random sampling. Initially the inspection may be conducted by X-Ray equipment or other non-intrusive measures. Inspections are not limited to customs authorities and include other regulatory agencies. In the Egyptian context these may include the GOEIC, Quarantine, etc. The inspection may also include other interventionist measures, such as fumigation, disinfection and disinfection.
- 6) **Release of goods by Customs:** indicates the date and time at which release of goods is granted by Customs. It should be noted that in the case of advanced declaration or release (*pre-clearing*), the date and time of release may precede the date and time of arrival.
- 7) **Removal of goods:** identifies the date and time when the goods leave the area of customs control.

Each of the above seven steps measures a portion of the overall period of time from arrival of cargo into areas under customs supervision or control, until its physical release by customs authorities. There may be slight differences to the sequence of events listed above due to country-specific considerations and the type of imported goods.

Clearing time for each port, airport or border post is currently calculated by the ECA on the basis of the data provided by the Egyptian IT customs management system, but such results are not made available to private stakeholders. To date, the average time for customs clearance is calculated in 3 days. This time does not include the duration of the clearance processes of border agencies other from Customs.

To date, the most rigorous study of customs release times in Egyptian ports was carried out by a USAID contractor in 2004 and determined an average release time in January 2004 for all ports of approximately 8.3 days from registration with Customs to the final issuance of the tariff invoice. The same study determined that overall port clearance times (including time in port prior to customs

registration, time in Customs, and time with other port inspection agencies such as GOEIC, Ministry of Health, etc.) was approximately 22.3 days from unloading to leaving the port³⁰.

A need for technical assistance has been identified for the design and adoption of TRSs and the development of statistics, data mining and data analysis capabilities for customs officers assigned to this task.

3.10 Electronic Cargo Tracking System for goods in transit (ECTS)

An ECTS is a system that allows to remotely monitor goods electronically while in transit, so as to control goods as they move along a route from source to destination. Cargo is electronically sealed at the beginning of a trip, at the port of entry, and seals are removed at the border post of exit from the country. ECTS technology eases trade flows, as it leads to the complete elimination of physical escorts, improving the security of goods in transit, avoiding delays and reducing transit time, with significant cost savings for transport companies, as witnessed by countries that already implemented such a system. Moreover, ECTS provides cargo visibility by providing real-time location and status of the cargo and expedites clearance at loading and off-loading points. It also enables quick inspection and clearance of cargo, by providing ready-data that help in decision-making processes of Customs.

Lastly, real-time remote tracking and monitoring solutions like ECTS can also help prevent thefts and fraud in the transport of goods (transit trucks are considered as one of the most dangerous means of smuggling goods), as well as provide actionable information in order to retrieve goods or minimize loss of cargo.

To date, Customs escorts are arranged by the ECA in synergy with Police for particular categories of goods in transit (e.g. goods subject to high excise duties or for goods that are destined to other countries, but are forbidden in Egypt). As arranging such escorts negatively affect the time of transport of transit cargo, the development of an ECTS system in Egypt should be promoted.

A need of technical assistance has been identified for what concerns the design, development and implementation of an ETCS for transit goods.

3.11 Post clearance audits

Post clearance audits (PCA) or audit-based controls are defined by the Revised Kyoto Convention as measures by which Customs checks the accuracy and authenticity of declarations submitted to Customs through the examination of the relevant books, records, business systems and commercial data held by persons concerned, relevant to customs declarations. The ECA already conducts PCAs aimed at examining traders' accounting and bookkeeping systems, financial and non-financial records, and relevant documentation, despite there is no legal basis for such examinations. However, as explained above, the new draft Customs Law introduces an express provision (art. 8), that gives the power to customs officers to enter the premises of importers, exporters, customs brokers, shipping and transport companies and other agents of the supply chain, and access to their records, accounting systems and

³⁰ Public library of US diplomacy, "Progress with customs and trade reform in Egypt", 2005 November 29

paper-based documentation. Audit teams have been established in all 3 Customs Regions, with additional staff occasionally taken from the AEO Central Directorate for conducting PCAs. The human resources assigned to conduct audits are not sufficient to undertake the number of audits to be carried out by Customs. To date, the ECA has 30 customs auditors (20 are in Northern and Western Region, 3 in the Central and Southern Region and 2 in Eastern Region). The AEO Central Directorate, as indicated above, has only 3 auditors. In some cases, operators are asked to contribute to the coverage of the transport cost of audit teams for reaching their premises. Selection of companies subjected to post-release audits is not based on risk assessment, but mainly on quantitative criteria, such as: size of the company, financial violations and referrals from other customs officers (e.g. anti-smuggling units). The audit results are communicated to the IT Department so that risk rating for the business/commodities can be adjusted accordingly.

The field visit determined that PCA staff and AEO auditors need to receive support in terms of capacity building actions aimed at enhancing their technical expertise. In particular, the areas where they need a specific support are the following:

- audit techniques and in the use of computer-assisted auditing packages and techniques;
- bookkeeping and IT applications for financial accounting and reporting;
- risk management principles and techniques;
- safety and security programmes adopted by other government or inter-governmental agencies (for example Regulated Agent/Known Consignor, ISPS code, and others), and relevant commercial standards and certifications (for example ISO, TAPA, BASC and others);
- internal control measures, accounting and internal control;
- development of validation plans/control plans, drafting of validation reports.

Capacity building actions also need to be designed for ECA post clearance audit staff in order to expand their technical capacity in the above indicated areas of expertise.

The ability to treat sensitive and confidential information appropriately, to communicate at multiple levels within the company, to liaise with Customs, partner government agencies and economic operators, in a consultative process; and to gather and evaluate evidence (including information from third party experts/service providers or other public authorities) also need to be covered by the assistance.

3.12 Reinforcement of capacities of ECA in the anti-smuggling field

As observed in the Chapter 5.4, to date, the particularly strict security measures adopted by control agencies in Egypt are having a negative effect on business, hampering international trade because of the high percentage of controlled consignments. The efficiency of the anti-smuggling units of ECA and the capability to target and prevent illegally transported goods to enter the country should be improved, taking into account that with the reactivation of the risk management system for selecting goods for customs controls will lead in the future to a significant reduction of physical and documentary inspections of goods, with higher risks that illegal, counterfeited or smuggled items will introduced in

the country. To increase the efficiency of anti-smuggling operations, specific capacity-building activities need to be put in place on modern investigative techniques and new *modus operandi* to prevent smuggling and duty evasion, improve the exchange and dissemination of information with/to other security agencies (e.g. by sharing details of important smuggling cases through issuance of alert circulars addressed to all security agencies), promote the conclusion of Customs Mutual Assistance Agreements and Memoranda of Understanding with other countries to share intelligence, and develop joint risk-profiling/measurement systems. Such actions need to be supported by training activities aimed to enhance the skills of anti-smuggling units of ECA on change management, data mining and analysis, and on international best practices in anti-smuggling to effectively improve the execution of their tasks.