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SEMIANNUAL PROGRESS REPORT, CONTRACTOR'S NARRATIVE

January 1 – June 30, 2012

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Egypt Trade Facilitation Project
Contract No. AID-263-C-11-00003
Contractor: Nathan Associates Inc.

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1. CONTRACT OBJECTIVE

As stated in the contract, The Trade Facilitation Project (TFP) is “designed to address key constraints to improving Egypt’s trade environment while providing support to Egypt in fulfilling its commitments under the Strategic Economic Partnership.” TFP will contribute to USAID/Egypt’s assistance objective of improving conditions for trade and investment and support the overall USG strategic economic partnership with Egypt signed in May 2009. Improvements in trade facilitation will in turn support long term economic development objectives: promoting economic growth and job creation, and reducing poverty. The reduction in barriers to trade and the creation of a more efficient internal and external trading system will streamline the flow of goods at the border and lead to improved administration and growth in Egypt’s trade of goods and services within its borders. These improvements will reduce the transaction costs of trade and lower key components of the overall cost of production, leading to economic efficiencies and likely reductions in wholesale and retail prices. With lower costs, Egyptian firms can improve their competitive advantage and market share which will lead to jobs and wealth creation, the cornerstone of beneficial and broad-based economic growth. Lower costs of production combined with competition also mean lower retail costs to poor consumers. To achieve these objectives, the contractor shall assist the GOE in implementing a number of reforms which enhance trade and relate directly to the US-Egypt strategic economic partnership.



TFP team

Project results are categorized broadly in two groups: reform measures that take place at the border and others behind the border. There are two major results: 1) external trade made more efficient and consistent with international standards, and 2) internal trade processes improved and strengthened.

The main counterpart is the Ministry of Industry and Foreign Trade. The Ministry of Finance, represented by the Egyptian Customs Authority (ECA), and the Ministry of Supply and Internal Trade represented by the Internal Trade Development Authority (ITDA) are also important counterparts for the project. The Trade Facilitation Project is covered by amendment 8 to the USAID Assistance Agreement No 263-0289 between the Arab Republic of Egypt and the United States of America signed on September 16, 2010. USAID awarded contract no. AID-263-C-1-0003 to Nathan Associates Inc. of Arlington, VA on June 1, 2011. The TFP contract base period is for a total amount of \$10,870,663.03. This second semi-annual report covers the second six months of the project, the period from January 1 – June 30, 2012.

2. EXPECTED RESULTS

As stated in the award contract, the main results and illustrative tasks of the project are:

1. External trade made more efficient and consistent with international standards.
 - Improve the current export/import executive regulations
 - Establish a coordinated risk management system for imported commodities
 - Streamline Egyptian mandatory standards
 - Finalize customs reform measures
 - Strengthen the role of public-private dialogue relating to trade across borders
 - Support the non-tariff measures database initiated by MTI and the World Bank
 - Improve enforcement of IPR border measures
2. Internal trade process improved and strengthened.
 - Promote distribution/retail sector
 - Overcome deceptive advertising
 - Support the food safety system
 - Improve enforcement and application of IPR systems in the domestic market
 - Improve environmentally sustainable production

These are illustrative tasks, these tasks may be deleted and other tasks may be added.

3. PERFORMANCE DURING THE REPORTING PERIOD

Egypt's revolution in January 2011 has been followed by a seventeen month period of political uncertainty, governmental turnover, and social unrest – all of which have made it more challenging for the project to effectively engage with counterparts and focus attention on economic and policy priorities in the trade arena. High officials in the Ministry of Industry and Foreign Trade have not considered a number of the illustrative tasks mentioned in the contract to be on their priority list for assistance. This has meant a slower than expected rate of implementation in several areas. However, with the conclusion of presidential elections, TFP is detecting a change in outlook regarding priorities and assistance programming.

Result 1—Trade Facilitation Measures Improved

Task 1: Improve Current Export/Import Executive Regulations

Engagement on this task has been sporadic and unpredictable. Activity is now halted. In a December 2011 meeting, the Foreign Trade Sector and Trade Agreements Sector of MIFT confirmed to USAID and TFP its priority interest in reviewing the export and import regulations [770/2005] to improve consistency with international standards and with procedures adopted by the Egyptian Customs Authority (ECA). TFP drafted a work plan covering 9 months and made arrangements for the project's senior IPR expert, Judy Goans, to deploy to Egypt in January 2012 to begin work. Unfortunately a week before her deployment, the Trade Agreements Sector (TAS) of the MIFT decided it was no longer interested in proceeding with work on this task. This was reiterated in a letter addressed to Nermin Abulata (designated coordinator to TFP from MIFT) from Amany El Wasal, Manager of the EU Partnership Unit and received by the project on February 14, which stated that work on the Export/Import Regulations was “not viable.” The project met again with TAS on May 30 and June 19 to discuss the project work plan. We were informed during these meetings that there was no longer any interest in the project providing technical assistance on best international practice to deal with various issues and procedures related to facilitating international trade, such a labeling, source of origin, etc. The only portion of the current export/import regulations for which the Ministry would like TFP assistance is Chapter 9, IPR Border Measures (Task 7). This will be included in TFP's second year work plan.

Task 2: Establish a Coordinated Risk Management System for Imported (and Exported) Goods

Risk Management

During this reporting period, TFP rapidly increased the momentum under this task. Building on earlier field work conducted by a TFP team led by William Claypole in September and October 2011, TFP deployed Walter Hekala, a specialist in Trade Facilitation and Risk Management and former US Customs Investigator, to Egypt from January-March 2012 to lead the team designing a Risk Management Capacity Building Program for GOEIC. During the course of Mr. Hekala's



Walter Hekala conducting Risk Management (RM) training at GOEIC

7-week assignment, GOEIC took the initiative to create a Pilot Risk Management Unit (PRMU) and assign 12 people. (Chairman Decree No. 181/2012 date March 13, 2012). Mr. Hekala worked with the newly created unit, providing formal and on-the-job training (for this group plus 5 others from the Chairman's Office). This was followed by a program of online sessions for the core group of 5-7 people on Risk Management (RM) issues and developing case studies that Mr. Hekala has continued conducting after he left Egypt in March. In addition, five persons in the Unit, including the Unit Manager, were assigned to work with Mr. Hekala and TFP's Mahmoud Fath-Allah on case studies and to prepare and deliver a presentation to the Chairman of GOEIC and all his senior managers on the importance of Risk Management. The PRMU gave a very successful presentation to the Chairman of GOEIC (Eng. Mohamed Soliman Ali Shafeek) on February 14, prompting the Chairman to propose that the presentation should be presented to the Minister of Industry and Foreign Trade. Unfortunately, this presentation has not taken place as this report is being prepared due to the Minister's curtailed work schedule due to health considerations. As part of the training of the PRMU, five (5) GOEIC personnel attended a Project Management Institute (PMI) certified Project Management course and will take another course in MS Project in the next quarter. TFP has supplied 4 laptop computers and a printer to the PRMU and a license to use MS Project.

In February, TFP engaged a local attorney, Mr. Mahmoud Bassiouny, to research whether GOEIC has the legal authority to institute a selective approach to inspection based on an automated risk management methodology. Mr. Bassiouny reports that there is scope for such authority within the wording of existing law – specifically, Law No. 118/1975 for Export-Import is flexible enough to permit such an approach. However the legal analysis also revealed that based on the implementing regulations issued by the Ministry of Industry of Foreign Trade, GOEIC does not currently have the legal authority to institute a selective approach to inspection based on an automated risk management system. It appears GOEIC's implementing regulations will need to be amended, which will require a Ministerial Decree, but would not require new legislation. The Project plans to meet with the Minister's advisor for legal affairs in the next quarter to discuss this issue.

Following these two earlier assignments with GOEIC, TFP deployed Fulvio Carbonaro, IT Specification and Procurement Expert, in March to study the potential for applying a risk-management based inspection regime in GOEIC. Currently inspection decisions use protocols and procedures based in part on risk-related information and past performance, but without the benefit of a structured, computerized risk-management software and database analysis system. This assignment was part of an overall effort to better define the resource requirements and costs involved in transforming the current cargo inspection systems into a new regime based on computer assisted analysis of risks and risk management decisions. Mr. Carbonaro refined and confirmed specifications that were then incorporated into a Request for Expression of Interest (REOI) that was provided to 21 known vendors of risk management software. TFP received 12 responses to the REOI that have greatly improved TFP and GOEIC's understanding of available commercial off-the-shelf (COTS) software solutions for Risk Management and also have produced a range of cost estimates that will be fed into a "business case" analysis for RM at GOEIC. This report, developed by Mr. Hekala, presents a work plan along with a program of requirements, decision points, investments and "change management" challenges that introduction of RM into GOEIC will require. The "business case" analysis, that will be

completed in the next quarter, also includes an analysis of the benefits and costs of GOEIC of proceeding with the investment in changing its cargo inspection system from the current regime to one based on automated risk management.

Need to Consider AIS Solution Infrastructure

In the process of finalizing the specifications to be used in the REOIs, the Chief Information Officer and Minister's Advisor for Information Technology and Decision Support, Dr. Samir El-Gammal, requested that TFP (and USAID) provide technical assistance for helping with a higher level plan for significantly upgrading GOEIC's IT infrastructure including its current Automated Inspection Systems (AIS) software to incorporate Risk Management at the same time into the new design. At a subsequent meeting with USAID to discuss next steps in helping GOEIC to adopt and implement an inspection system using automated Risk Management principles and technology, Dr. Samir El-Gammal, repeated his request for a more strategic approach to upgrading GOEIC's IT infrastructure including updating its AIS solution to satisfy GOEIC's mission. The challenge of trying to integrate a new RM system into the old AIS might be less effective than re-building the AIS from foundation up. Potentially, the existing conglomeration of legacy systems at GOEIC may not be robust enough to incorporate a new automated Risk Management "module"—as well as other functionalities that GOEIC could be required to carry out the future such as expanded responsibilities for risk management and traceability.

In June, TFP again deployed Fulvio Carbonaro to assess the AIS system at GOEIC, and produce a high-level IT strategy for GOEIC that will include a design plan, and framework for issuing a request for bids from vendors to provide GOEIC an IT solution for its mission that is consistent/compliant with World Customs Organization requirements as those apply to the GOEIC's mission and operations in border management. This assignment began in late June and will continue into August. This change in approach was at the request of GOEIC and will contribute to GOEIC overall strategy for upgrading its AIS platform to one that includes automated risk management.

Lab Preparation Department

At the request of GOEIC, Nathan Associates deployed Dr. Beryl York, Organization Development Expert, to improve the performance of the General Department for Laboratory Preparation for GOEIC through the provision of organizational development assistance and training. The General Department of Lab Preparation is responsible for specifying and procuring all laboratory equipment, chemicals and supplies for all of GOEIC labs used in inspecting imports and exports according to Government of Egypt procurement rules, as well as building new and refurbishing old GOEIC laboratories. Department personnel need to be able to properly: evaluate the equipment justifications received from the labs, specify equipment needs, know the sources of equipment (including foreign sources) be able to write procurement tenders and be prepared to sit on procurement committees and provide input for evaluating responses to tenders according to Government of Egypt procurement rules. Dr. York developed recommendations on enhanced organization, produced draft job descriptions to reflect the new needs of the department, created job descriptions for new positions and recommended that the procurement of some IT equipment

for the department. A training needs assessment was also conducted and the training plan is currently being developed for this department and will be implemented in Project Year 2.

TFP is planning for follow-up visits by both Dr. York and Mr. Carbonaro to Egypt during the next reporting period to build upon their work with GOEIC.

Task 3: Streamline Egyptian Mandatory Standards

In December during the previous reporting period, TFP and EOS agreed on the basic methodology for focusing TFP assistance on selected sectors and products. TFP and EOS worked together on criteria for selecting sectors where TFP assistance would be most beneficial and measurable and produced a list of agreed upon activities for developing scopes of work for identifying and recruiting experts.

In January, TFP prepared a one-year work plan and several immediate scopes of work and identified consultants to review standards and the conformity assessment system for fresh produce. The focus of the initial scope of work was changed from “germinating seeds” to “fresh produce and consultancies to work on fresh produce standards were planned for the 1st quarter of 2012 to finish by end March. In January, however, responses from EOS stopped and the project was informed in February that the EOS Chairman had stepped down in January and all work with EOS was put on hold. A new EOS Chairman was appointed within several weeks, but, unfortunately, TFP was unable to meet with him until well into April. On June 20th, a delegation from EOS meeting with TFP and MIFT’s project coordinator reported that EOS was interested in proceeding with the work program developed in January, reviewing mandatory standards for fresh produce. The first step in the agreed-upon plan was for EOS to provide TFP with its existing 205 standards for fresh produce in Arabic, which it has not done at the writing of this report. EOS also emphasized its interest in developing its capacity for issuing standards for “Conformity Assessment”.

Additionally, EOS asked the Project to add public-private dialogue tasks to its second year work plan for EOS.

Task 4: Finalize Customs Reforms

Evaluated Status of NCIS

A National Customs Information System (NCIS) was developed, and partially tested under the TAPR II Project, a previous USAID-supported assistance project. Unfortunately, NCIS was not ultimately completed and put into operation. In response to a request from the Minister of Finance in February 2012, TFP prepared a memorandum/report reviewing the status of NCIS and challenges facing a restart and completion. TFP’s report was provided to the Minister in March 2011. TFP estimated that it would take considerable amount of time and effort to complete testing and roll-out of NCIS and that the first step required would be a new agreement to be reached between the Egyptian Customs Authority and the NCIS software vendor, ICS. The Minister of Finance wrote to USAID and to the Commissioner of Customs asking that USAID take the initiative to invite ICS to discussions with ECA. TFP arranged for this meeting in May of 2012

in Alexandria and prior to the meeting, TFP brought IT and Procurement Advisor, Fulvio Carbonaro, to Egypt in May to work with a special ECA task force on a high-level action plan to be discussed with NCIS. The task force included key ECA IT staff most familiar with the NCIS and MicroClear software programs and ECA's lawyer and procurement advisor. This high-level action plan contained recommended steps for re-starting user-acceptance testing that was underway in 2010 and completing testing to obtain final acceptance by ECA. In a meeting on Saturday May 19 at the Sofitel, Cecil hotel in Alexandria, senior officials from ICS joined in a discussion of challenges facing NCIS and agreed on the initial steps toward a framework agreement that would aim to re-start efforts and complete implementation of NCIS. The high-level action plan was communicated to the current Commissioner of Customs who authorized creation of an NCIS re-start task force consisting of eight persons.



TFP team meeting Customs Commission Ahmed Farrag Seoudi (Center) to discuss NCIS.

TFP has arranged for training for the nine persons in task force in the basics of project management (PMP) and in Micro-soft project management software in Alexandria. The Commissioner of Customs has issued instructions with titles and responsibilities for the team. ICS was asked to prepare a work plan, using Microsoft project, for re-starting and completing incomplete tasks. That plan was received and acknowledged by the ECA task force in June 2012. The task force is now in the process of examining the ICS proposed plan and preparing their questions and comments in response. The next step is to jointly agree on technical issues that need to be addressed in a negotiated agreement for restarting work.

Training for Customs Agents

In June, TFP provided the logistical support to the US Customs and Border Protection of the Department of Homeland Security for providing a five-day training program on *Ethics and Integrity* for Egyptian Customs officials and agents. Officers from US Customs and Border Protection trained 34 government officials from the Egyptian Customs Authority in the concepts and practical aspects of “ethics and integrity” required of a customs official. The U.S. Ambassador was a guest of honor at one of the training sessions.

Re-Equipping the National Customs Training Institute

From 2006-2010, USAID, through the Technical Assistance for Policy Reform II (TAPR II) Project, the Ministry of Finance, the EU, and Swiss Customs worked together equip and to develop training curricula, plans, manuals and procedures, for the new facility for the Egypt's National Customs Training Institute (NCTI). The new NCTI is located in the top several floors of the local Council Administration Building for the Governorate of Alexandria. Unfortunately, this building was broken into during the one of the periods of civil unrest that occurred during the

January/February 2012 revolution in Egypt. Looters entered the floors of the NCTI, and most of the equipment of the Training Center was either damaged or stolen, including more than 70 computers, video conferencing equipment, and the central unit of the simultaneous translation equipment.

In 2011, the Commissioner of the Egyptian Customs Authority (ECA) and the Head of the Training Institute asked USAID for assistance to replace the damaged and stolen equipment, and this task was added to the TFP's work plan. TFP met with the Institute's director and developed a plan for replacing NCTI's priority items, including computers and video conferencing and simultaneous translation equipment. The Re-equipping of the NCTI training facility will enable Customs to continue its program to improve the capacity of customs employees in Egypt and the MENA region.



TFP's Mohamed Sha'aban delivering computer equipment to NCTI

On June 27, 2012, the Egyptian Customs Authority, and USAID celebrated the re-equipping and re-opening of the Training Institute. The U.S. Ambassador to Egypt and the Mission Director were both guests for the event, and was the occasion for the Ambassador's first public speech following the presidential election. TFP assisted ECA and NCTI with preparations for the event. TFP also worked with USAID and the US Embassy including the American Center Alexandria on assisted with arrangements for significant media coverage including coverage by 2 television channels and, at last count, 20 newspaper articles.



Ambassador Anne Paterson cutting the ribbon re-opening the National Customs Training Institute

Task 5: Strengthen the Role for Public-Private Dialogue

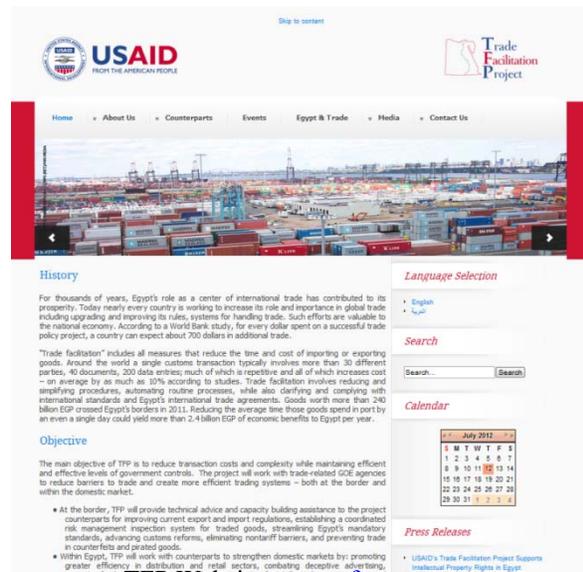
TFP, responding to a request from USAID/Cairo, has expanded its outreach to SME business associations and trade groups to strengthen the role of SME's in public trade facilitation initiatives. TFP deployed Oliver Clark, SME Specialist, to Egypt in May to prepare a briefing

paper for TFP and USAID on how other projects have used USAID-funded resources successfully to assist SMEs to take advantage of export opportunities and overcome challenges to make themselves export ready and actually engaged in export-related sales. Mr. Clark met with representatives of business associations and private companies in the course of developing his recommendation. The final briefing paper, including best practices, was submitted to USAID/Cairo for comments. In June, TFP personnel met with Associations to discuss TFP's suggested approach for increasing SME exports. Work will begin actively on this task in the next reporting period.

TFP Website and Media Coverage

TFP has printed a project brochure and developed a project website launched in early June. It has also written three articles for publication in the EGLINK newsletter.

Additionally, the project has had significant media coverage of several of its events, including the GSP workshops in Alexandria and Cairo, the Ethics Training for Custom's officials and the re-opening of the National Customs Training Institute (NCTI). The NCTI event resulted in coverage on three television channel and over 20 newspaper /magazine articles alone.



TFP Website: www.tfpegypt.org

Task 6: Support Reduction of Non-Tariff Measures (NTMs)

There are no specific activities planned for this task during the project's first year. Some of the work with MIFT, EOS, and GOEIC could also have the effect of eliminating or reducing some NTMs in Egypt, for example elimination by EOS of mandatory standards un-related to health and safety consideration.

Task 7: Improve the Enforcement of IPR Border Measures

TFP had arranged for work on this task to begin in earnest in January 2012 with the consultancy of IPR Expert, Judy Goans. Ms. Goans was to comment on draft regulations conformity with international agreements and best international practice. TFP also proposed assisting with efforts for public hearings and comment and presented a work plan for future assignments aimed at (a) developing implementation plans; (b) drafting implementing regulations and (c) program for change management within customs to begin with training for trainers in both MIFT and Customs (ToT). The initial task was cancelled by the Ministry of Industry and Foreign Trade's Trade Agreement Sector in January just before mobilization of Ms. Goans. Then all related activities were s put on hold until a recent (June 20) meeting at the Trade Agreement Sector, when the

Sector said they would like to begin work in this area again. TFP is awaiting a letter from TAS listed the tasks they would like included in TFP's year 2 work plan.

Task 8: Other Trade Facilitation Activities

On January 8 and 9, TFP assisted USTR (Office of the United States Trade Representative) to present the Generalized System of Preferences (GSP) to Egyptian exporters. Trade data had revealed that Egyptian exporters to the U.S. were not making much use to the GSP system which permits many products from Egypt to enter the US duty-free. The project translated USTR materials into Arabic and provided interpreters and interpretation equipment and refreshments at the AmCham Cairo event. Presentations were made in Alexandria in cooperation with the Alexandria Business Association (ABA) and in Cairo in cooperation with the American Chamber of Commerce (AmCham). The project followed up on this activity with ABA which requested assistance from the project to develop website and other materials in Arabic about using GSP. Over 400 businesspersons attended one of the two events.

One result of these events has been a request by business associations for specialized training in GSP and other US programs and requirements that they can then share with their membership. TFP will work during the next quarter to make Arabic-language instructions about GSP more readily available on websites with private sector associations and with GOE agencies.

Result 2—Domestic Market Strengthened

Task 1: Promote the Distribution/Retail Sectors

Many of TFP's Results 2 tasks to Strengthen Domestic Market have never been approved for implementation by the Minister for Supply and Internal Trade, Dr. Gouda Abdel-Khalek, or his advisor, Dr. Anwar El Nakeeb. The Ministry is anti-American and has not met with any USAID project working with internal trade in his ministry. Additionally, the Internal Trade Development Authority (ITDA), which belongs to his ministry, has filed a complaint with the Public Prosecutors because the Ministry will not sign on any of their activities. For this reasons, Task 1: Promote the Distribution/Retail Sector for Results 2 has not been activated. TFP met several times with the Chairman of the Internal Trade Development Authority (ITDA) and his senior managers during project year one. A work plan for this task was developed, along with an initial scope of work for consultants who would advise ITDA on best practices by other countries (e.g. Malaysia) in developing and managing large retail and logistics parks. Due to the lack of approval from the Minister's office for this task the ITDA Chairman advised that any collaboration be delayed until after the end of the presidential elections in June.

In addition to supporting the promotion of public/private dialogue, Oliver Clark, SME specialist, examined SMEs operating within distribution zones and retail parks and proposed new ways to promote trade opportunities for SMEs within the distribution and retail sectors. When work begins with ITDA, Mr. Clark's recommendations will be further discussed.

Task 2: Overcome Deceptive Advertisement

No activities were undertaken for this task in TFP Year (1) due to lack of engagement with the Ministry of Supply and Internal Trade.

Task 3: Support the Food Safety System

As mentioned earlier, the project had planned to work with EOS on standards and conformity assessment systems for fresh produce, but this task was halted due to the change in leadership at EOS. Additionally, the current Minister of Industry and Foreign Trade, has not extended the contracts of senior personnel of the Food Safety Unit in the Ministry, so no progress has been made on this task during this quarter. It is hoped that under the new Presidency which begins July 1, work may proceed on this task.

Task 4: Improve and Promote the Application and Enforcement of IPR Systems in the Domestic Market

IPR Treaty Issues

At the request of the Head of the Trademark and Industrial Designs Office, the project prepared three briefing papers during this reporting period on specific issues related to IPR agreements to which Egypt is a party. The briefing papers concerned the Hague Agreement, the Madrid Agreement and the Trademark Law Treaty as outline briefly below:

- 1) **Hague Agreement Concerning the International Registration of Industrial Designs, London Act 1934** – The Egyptian Industrial Designs Office asked whether or not there is any disadvantage to Egypt withdrawing from the 1934 Hague Act of Agreement facilitates the international protection of industrial designs. Egypt is one of only 12 members of the 1934 Act of that Agreement. The 1934 Act has been frozen, meaning that no new original applications can be filed since January 1, 2010, but renewals will continue for the entire term of protection under that Agreement. In effect, this Act is becoming obsolete and WIPO has inquired whether Egypt may wish to denounce the Act and rely solely on its membership in the 1999 Act. In reviewing materials related to the various Acts, it is clear that the 1934 Act contains a number of unhelpful provisions. For example, there is no possibility of refusing an application filed under that Act. The IPR expert, Ms. Judy Goans examined a number of points related to the 1934 Act and found that Egypt does not receive any significant benefit from remaining a member of that Act. In 2009, for example, when it was still possible to file an application under the 1934 Act, Egypt was designated in only one application that was filed from the five countries that are not members of the 1999 Act. Renewals do not generate income, and all but three members of the earlier Act are also members with Egypt of the 1999 Act. Consequently, there is no disadvantage to Egypt in withdrawing from that Act.
- 2) **Trademark Law Treaty** – The Head of the Trademark Office asked for a briefing memo regarding where Egypt's Trademark Law and practice do not conform to the Trademark Law Treaty. The Trademark Law Treaty (TLT) facilitates the international protection of

trademarks by harmonizing and simplifying trademark registration procedures. Reducing bureaucratic requirements makes it easier and less costly for applicants to register their marks in multiple jurisdictions. Egypt joined the Trademark Law Treaty in 1999 and has adopted a number of changes in its registration procedures to implement the TLT, but a few changes are still needed for full compliance. This memorandum outlines the changes required in Egypt's IPR Law and its executive regulations for Egypt to meet its Treaty Obligations.

3) **Madrid Agreement Concerning the International Registration of Marks – the Head of the Trademark Office asked for a report on the whether or not**

Egypt should denounce or retain its membership in the Madrid Agreement Concerning the International Registration of Marks as it is a member of the Madrid Protocol. The Madrid Agreement Concerning the International Registration of Marks and the Protocol to the Madrid Agreement are two agreements that facilitate international registration of marks. The Madrid Agreement was concluded in 1891 and has been amended several times, most recently in 1979. A Protocol to the Madrid Agreement was adopted in 1989. The two agreements operate in parallel but have different provisions and memberships. Both allow a party to register a mark abroad by filing a single application and designating countries where protection will be extended. Unless the designated country communicates a refusal within a specified period, the mark is automatically registered, even if that registration conflicts with domestic law. The Madrid Protocol is considerably more flexible than the Madrid Agreement in several key areas, most important of which is the time for communicating a refusal.

An application under the Madrid Agreement may only designate other Madrid Agreement countries, and an application under the Madrid Protocol may designate only other Madrid Protocol contracting parties. Where the relevant contracting parties are members of both the Madrid Agreement and Madrid Protocol, the provisions of the Madrid Protocol prevail *except on the critical issue of the time for communicating a refusal*, in which case Madrid Protocol Article 9*sexies* specifies that the Madrid Agreement applies. Thus, to obtain the full benefit of the Madrid Protocol, Egypt would need to denounce its membership in the Madrid Agreement. This would result in loss of relations under Madrid for only one country, Algeria, but would secure Egypt a longer time to refuse registration of marks that do not satisfy Egyptian law, for applications originating in the 55 countries that are members of both the Madrid Agreement and Madrid Protocol.

IPR Training

In addition, to the briefing reports on IPR Treaty issues, the TFP IPR Advisor, Judy Goans provided three training sessions for 18 trademark examiners and lawyers on February 1, 6, and 9, 2012. Two of these sessions involved presentations on the use of disclaimers in trademark examination. The third session was held at the request of the trademark examiners and the Head of the Trademark



Judy Goans (left) with Trademark Examiners

Office as a question and answer session to discuss specific issues that the employees had encountered in the course of their duties. These sessions were very profitable as shown by the level of participation of the trainees. Examiners asked pertinent questions that demonstrated a good degree of professional development since training programs. offered several years earlier. In addition, they showed considerable initiative in seeking answers, including developing a series of examples drawn from their work to be the focus of the question sessions.

Counterfeit Goods

FTFP initiated plans and preparations for the project to conduct a sample survey of selected products offered for retail sale to determine the level of counterfeit goods in the market. This survey produce information useful as a baseline and for planning, designing an evaluating improved IPR enforcement efforts in the domestic market. The survey design will first be discussed with private sector and government counterparts. Two major points need to be addressed in planning the survey. One relates to the choice of goods, and the other to the design of the survey itself so that it is statistically meaningful. An Action Plan for conducting the survey was developed as was an initial list of goods to be considered for inclusion in the survey. The task has not moved further however as neither the Ministry of Supply and Internal trade no the Ministry of Industry and Foreign Trade would champion this activity.

Unified IPR Office

During previous reporting period the project drafted a report on best practices regarding industrial property offices for the Egyptian Patent Office and the Trademark and Industrial Designs Office. This report was presented as part of a submission requesting the merger of Egypt's industrial property offices made to the Supreme Council of the Armed Forces (SCAF) for their action and consideration. SCAF requested a full cost-benefit study before making a decision. It is possible the project will be asked to make such a study in year 2.

IPR Training for SMEs

The Bedaya Center for Entrepreneurship and SME Development in the General Authority for Investment (GAFI) noticed that they were receiving numerous questions regarding intellectual property rights for entrepreneurs and small business owners which they could not answer. At the request of GAFI and the Entrepreneur Business Forum (EBF) of Alexandria, the project prepared a one-day training/workshop program to acquaint small business owners with the IPR offices



Jaleen Moroney, Eng. Tahany Osman, Mostafa El Shafie, Mohamed Hegazy and Amr Hegazy conducting training in Alex for entrepreneurs on IPR

their functions, the cost of registration and the benefits of registration. The workshop in Cairo took place on March 22nd with 25 participants. The one in Alexandria took place on April 8th with 49 participants. A considerable amount of time was allotted for questions from the business-owners. The week after the event in Cairo, 2 businesses applied to register

their marks and 2 applied to register their industrial designs.

Task 5: Improve Environmentally Sustainable Production

Egypt's recent growth rate in energy use has outstripped the world's annual energy use growth rate. There is a clear opportunity for Egypt to develop a successful environmentally sustainable production strategy to reduce energy bills for households and businesses, lower operating and capital costs for electric utilities, make better use of foreign exchange reserves, improve air quality, and pilot a more sustainable economic future. TFP's principal objective for technical assistance for improving environmentally sustainable production is sustaining trade facilitation gains through promoting environmentally sustainable economic development measures that impact business competitiveness, profitability, trade and growth. This activity seeks to create examples of successful, self-sustaining investment in environmental friendly technologies.

In May 2012, TFP deployed Ernesto Samayoa from the World Environment Council (WEC) to develop an action plan for implementation of this task over the next two years. The action plan is to address several issues, including: (1) sector/subsector/geographical area selection for project implementation; (2) how the GOE or project will identify and select appropriate firms to partner with in a process of planning and investment in environmental-friendly technology and operational changes; (3) recommendations on how TFP can accurately measure the impact of the technical assistance in this area; and (4) recommendations for the GOE counterparts for this activity – the Egyptian National Cleaner Production Center and the Federation of Egyptian Industries Environmental Compliance Office.

TFP will continue to refine the action plan in coordination with USAID/Cairo and GOE counterparts. After consensus has been reached, TFP will implement the agreed upon action plan.



Improvement of the Environmentally Sustainable Production for SMEs in the Food Sector Seminar

Task 6: Other Tasks

The USG is considering adding new Qualified Industrial Zones (QIZ) in Upper Egypt in an effort to spur Egyptian exports and employment. The US Embassy/Egypt asked USAID to commission TFP to undertake a trade impact analysis of the proposal to increase QIZs in Egypt. The analysis was to focus on projecting the likely products produced in new QIZs destined for import into the United States and to assess the likely impact of additional imports into the United States from

new Egyptian QIZs on production of similar goods in the United States. . The assessment concluded that while the addition of new QIZs could have a beneficial impact on employment and investment in Upper Egypt, the additional imports into the United States expected from the new QIZs are unlikely to have a material impact on U.S. production or employment. The draft final report was completed and delivered to USAID and the US Embassy staff in June 2012.

4. TRAINING COURSES CONDUCTED

During this reporting period, the project conducted ten training programs as shown in table 1 and described briefly below:

Use of Disclaimers in Trademark Examination Practice

This two-day training program was provided by the project’s IPR expert, Judy Goans, for 18 examiners and attorneys of the Egyptian Trademark Office. The purpose of the training was to present the concepts and practical aspects of how disclaimers should be used by trademark applicants and examiners when approving a new trademark for registration. An additional few hours of training was also provided by the IPR expert to answer questions trademark examiners had on applications currently under their review.

Risk Management

This four-day training program was provided by the project’s Risk Management Advisor, Walter Hekala for 17 officials from the General Organization for Export and Import Control (GOEIC). The objective of the training was to instill awareness among a core of GOEIC personnel about the concepts and usefulness of Risk Management as a tool for better managing inspection missions. The training group included the e newly created Risk Management Unit (5 persons) and a dozen others whose understanding of RM will be needed in the future when GOEIC begins the change management process. The training which continued for 10 days, approximately 4 hours per day included practical examples and exercises using GOEIC’s own data to illustrate the benefits of a risk management system and how it is applied. .

Basics of IPR for SMEs

This was a one-day training/workshop program developed by the project for entrepreneurs and small business owners. The program was developed at the request of the General Authority for Investment (GAFI). GAFI was receiving many IPR-related questions from entrepreneurs and did not know how to answer these questions. The day-long program provided background on various kinds of IPR and



Trainees interacting at the IPR for Entrepreneur’s workshop in Alexandria

how and where to apply for protection. A considerable amount of time was allotted for questions from the business-owners. The program was offered twice, once in Cairo on March 22 through GAFI, with 25 attendees, and once in Alexandria on April 8 through the Entrepreneur Business Forum with 49 attendees.

Project Management Professional (PMP)

Four persons from the General Organization for Export and Import Control (GOEIC) working in the Project Risk Management Unit (PRMU) were provided with a 10-day Project Management Profession certified course. This course is the most important industry-recognized certification program for project managers. The GOEIC personnel took the course from April 1-24, 2012 to enable them to best manage the Risk Management project GOEIC is introducing.

Making the Most of Egypt's Opportunities to Export to the U.S. under GSP

TFP assisted the Office of the United States Trade Representative (USTR) and the U.S. Embassy in Cairo to present two one-day workshops for Egyptian exporters in the Generalized System of Preferences (GSP). On January 8 a workshop was held in Alexandria in conjunction with the Alexandria Business Association and on January 9 a similar workshop was held in Cairo for 262 businesspersons. TFP provided logistics such as interpretation, interpretation equipment, translating materials into Arabic and preparing handouts, and arranging for refreshments.

Maintaining Integrity in the Global Environment

From June 3-7, TFP arranged for two officers from U.S. Customs and Border Protection (CBP) provided training for 34 Egyptian Customs managers and agents. The program is designed to help Customs Authorities maintain a high level of integrity in their daily operations. It emphasizes the need for assigning and maintaining managerial accountability for employees' performance and integrity. The program consisted of five days- (8 hours per day) of lecture and discussion on ethics and integrity.



Anne Patterson visiting the Customs participants in the Maintaining Integrity in the Global Environment Workshop

Introduction to Project Management

Eleven persons from the Egyptian Customs Authority (ECA) were provide with 15 hours of training over 3 days from June 9-14, introducing them to the concepts and terminology of project management through the use of examples and hand-on applications of project management principles. These people are expected to be involved in the National Customs Information System project.

MS Project

The nine people from ECA who will be working on the National Customs Information System (NCIS) project were provided with 4 days of training on the key tools and tips for using the Microsoft Project software. The training was provided from June 19-30, 2012.

Table 1. TFP Training and Workshop Events January – June 2012

Program Title	Organizations Represented	No. of Participants	No. of Males	No. of Females	Dates of Program	Number of Days
Disclaimer Use in Trademark Examination	Egyptian Trademark Office	18	6	12	February 1 and 6, 2012	2
Risk Management	GOEIC	17	7	10	February 22-28, 2012	4
IPR Basics for SMEs	SMEs and GAFI	25			March 22, 2012	1
Project Management	GOEIC	4	3	1	April 1-24, 2012	10
IPR Basics for SMEs	Entrepreneurs	49	43	21	April 8, 2012	1
Making the Most of Egypt's Opportunities to Export to the U.S. under GSP	Private Companies and AmCham Members	262	203	59	January 9, 2012	1
Making the Most of Egypt's Opportunities to Export to the U.S. under GSP	Private Companies and Alexandria Business Association Members	150	NA	NA	January 8, 2012	1
Maintaining Integrity in the Global Environment	Egyptian Customs Authority	34	29	5	June 3-7, 2012	5
Introduction to Project Management	Egyptian Customs Authority	11	11	0	June 9-14, 2012	3
MS Project	Egyptian Customs Authority	9	8	1	June 19-30, 2012	4

5. GENDER

TFP currently has a staff compliment of 15 persons, 7 male and 8 female. Additionally, there are seven technical positions, occupied by 3 men and 4 women. Four male expats and 4 female expats have been mobilized by the project. The project hopes to maintain a similar gender ratio in its training events with counterparts. As Table 1 shows, approximately, one-third of attendees in project events have been women to-date. Trainings conducted solely by the project (i.e., excluding trainings on GSP and Integrity for Customs Officials which were arranged through the U.S. Embassy) had a gender ration of 40% during this reporting period which is the project goal.

It should also be noted that while the GSP events in Cairo and Alex which were arranged through the U.S. Embassy and AmCham and the ABA, and attended by senior businesspersons of exporting companies in Egypt, were primarily attended by men (203 men and 59 women or only 23% women). The good news, however is that the IPR training events for young entrepreneurs and small business owners showed a much higher men-to-women ratio, 40% women, indicating more women are becoming business-owners.

6. DIRECT PROCUREMENT TO ACTIVITIES

TFP has made procurement directly for two agencies to date: GOEIC and ECA. TFP has procured 4 laptops, a printer and some software for GOEIC for approximately \$5,000. Additionally, the project has procured \$93,000 worth of equipment to replace equipment that was lost or damaged in in the ECA Training Institute in Alexandria during the security chaos un February 2011. In addition, the project has procured office equipment and furniture for the project offices in Maadi. The project budget for equipment procurement is \$500,000 total.

7. CONTRACTOR ASSESSMENT OF CURRENT STATUS

Nathan Associates considers progress to date satisfactory considering the situation and conditions facing the Government of Egypt, USAID and the contractor. Progress to date is also sufficient to proceed with the current structure of the project, which demands a high quotient of flexibility and responsive adaptation on the part of the contractor. Given the fundamental changes in government within Egypt, it has been logical and necessary for USAID and TFP management to proceed in a measured fashion. A complex series of meetings and dialogues with current government officials and senior staff was required to re-visit and validate technical assistance priorities and assumptions dating back to before the revolution. This process has been complicated by turnover among ministers and senior government officials, and transfer of agencies from one ministry to another. The validation effort has consumed time and energy but has been a necessary and valuable investment. The process has also enabled TFP to build rapport and trust with management level officials and staff – who recognize the need to focus on trade facilitation and capacity building even as Egypt proceeds with higher level political reforms.

Egypt has now elected a new President and the Cabinet and senior government officials will be changed in July. The potential for future disruptions have diminished and it is hoped that once the new Ministers and senior officials are in place, momentum will build for the project.

The TFP project is off to a very sound start in terms of program definition and cooperation with GOEIC and the industrial property offices. Work plans and cooperative relations with ECA and ITDA can also be considered sound and positive and implementation should begin early in project year 2. Work in the area of environmentally sustainable production is ready to begin once the GOE gives a go ahead to the work plan, and work with SMEs is ready begin in earnest during the next reporting period.

8. PERFORMANCE RESULTS AND INDICATORS

During this second reporting period, TFP’s M&E advisor updated the results for the previous two quarters for TFP based on the indicators and PMP indicator reference sheets submitted to USAID. The PMP report is provided in a separate document to this semi-annual report.

9. FINANCIAL EXPENDITURES

Type of Expenditure	Amount of Expenditure (\$)
Total estimated cost	10,302,642.69
Expenditures to May 31	1,179,670.17
Cumulative expenditures to date	1,806,252.00
Remaining unexpended balance	8,496,390.69

As of the end of June 2012, TFP had spent approximately 18% of its budget during the initial 36% of its project calendar period. This is approximately 2/3rds of the amount that TFP has expected to spend in its first year of operation.