



USAID
FROM THE AMERICAN PEOPLE



SEMIANNUAL PROGRESS REPORT, CONTRACTOR'S NARRATIVE

July 1 – December 31, 2012

January 2013

This publication was produced for review by the United States Agency for International Development. It was prepared by the advisers supporting USAID's Trade Facilitation Project in Egypt. The authors' views expressed in this publication do not necessarily reflect the views of USAID or the United States Government.

SEMIANNUAL PROGRESS REPORT, CONTRACTOR'S NARRATIVE

July 1 – December 31, 2012

Egypt Trade Facilitation Project

Contract No. AID-263-C-11-00003

Contractor: Nathan Associates Inc.

Contents

1. Contract Objective	1
2. Expected Results	2
3. Performance during the Reporting Period	3
Result 1— Trade Facilitation Measures Improved	3
Task 1: Improve Current Export/Import Executive Regulations	3
Task 2: Establish a Coordinated Risk Management System for Imported (and Exported) Goods	4
Risk Management	4
Lab Preparation Department	5
Task 3: Streamline Egyptian Mandatory Standards	6
Task 4: Finalize Customs Reforms/Restarting NCIS	7
New Customs Law	8
Customs Export Procedures	8
Task 5: Strengthen the Role for Public-Private Dialogue	8
Export Showcase	9
SME Export Awareness Event	12
Task 6: Support Reduction of Non-Tariff Measures (NTMs)	13
Task 7: Improve the Enforcement of IPR Border Measures	13
Task 8: Other Trade Facilitation Activities	13
SMEs	13
GSP	14
Result 2—Domestic Market Strengthened	15

Task 1: Promote the Distribution/Retail Sectors	15
Task 2: Overcome Deceptive Advertisement	15
Task 3: Support the Food Safety System	15
Task 4: Improve and Promote the Application and Enforcement of IPR Systems in the Domestic Market	16
Task 5: Improve Environmentally Sustainable Production	16
Task 6: Other Tasks	Error! Bookmark not defined.
QIZ Unit	14
4. Training Courses Conducted	17
Generalized Systems of Preference	17
Workshop for Senior Trademark Examiners	17
Basics of Trademark Examination for New Examiners	17
Risk Management Unit Training	18
5. Gender	19
6. Direct Procurement To Activities	20
7. Contractor Assessment of Current Status	20
8. Performance Results and Indicators	21
9. Financial Expenditures	21

1. CONTRACT OBJECTIVE

As written in the contractual statement of work (SOW), 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 help 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 in the global commerce, 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.

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 for the project is the Ministry of Industry and Foreign Trade (MIFT). 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 third semi-annual report covers the third six months of the project, the period from July 1 – December 31, 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. At the time of the writing of this document, USAID is considering amending contract tasks. This will be reflecting in the next six-month report.

Shift in Priorities

The Statement of Work (SOW) for the Trade Facilitation Project was written before the revolution and anticipated major reforms such as passage of a new customs laws, reforms in export-import regulations and creation of a food safety agency. Although the current government is intensely concerned with reviving the economy, increasing exports and assisting SMEs, the priority placed on addressing trade policy reforms has been superseded by other policy concerns, and progress has been handicapped by the absence of a Parliament and lack of political consensus about fundamental governance issues.

3. PERFORMANCE DURING THE REPORTING PERIOD

Egypt's revolution in January 2011 has been followed by a twenty-four month period of political uncertainty, frequent turnover among ministers and agency heads and periodic episodes of social unrest. The Egyptian people elected a president at the end of the last semi-annual reporting period – June 2012. The Parliament was dissolved by the Judiciary, however, and Parliamentary powers assumed by the President and later given to the Shura Council. The new President, Dr. Mohamed Morsi, appointed his cabinet in August 2012. In September, after the appointment of the Morsi Cabinet, communication and engagement with the TFP Project improved. The Ministry of Supply and Internal Trade contacted the project in October to activate assistance in the Internal Trade Sector. Activity in some, but not all of the project tasks picked up as the government was preoccupied with the economic crisis and the national referendum on a new constitution. 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. Additionally, political unrest has made it challenging for the project to effectively engage with counterparts and focus attention on trade policy priorities.

With USAID's agreement, early in the six-month period of this reporting period, the project continued to explore options for working more closely with the quasi-governmental Export Councils in the Ministry Industry and Foreign Trade, private sector business associations. The objective was and is to develop a plan for working with export-ready SMEs hoping for more traction with these entities than there has been in the area of trade-related policy reform. Although working specifically with export-ready SMEs in not mentioned explicitly in the contract, the export councils are a creation of the Ministry of Industry and Foreign Trade and assisting them helps boost exports and strengthens the numbers and network of stakeholders committed to trade facilitation reforms needed in Egypt's future.

Result 1— Trade Facilitation Measures Improved

Task 1: Improve Current Export/Import Executive Regulations

There was no activity on this task in the past six months. Initially promising efforts have been halted since January 2012. The project tried several times during the year to re-engage the Ministry of Industry and Foreign Trade on this topic without success. Most recently, in September and October of 2012 following appointment of the new Minister of Trade, the project met with Ministry officials to discuss the importance of improving the Import-Export Regulations. A matrix was created delineating the recommended priority changes to the Import-Export regulations to make Egyptian regulations more in line with best international practice. The matrix was also given to the new Minister in a meeting with USAID and US Embassy officials in September. The matrix included topics such as rules of origin, but also more importantly for the Project, the required changes needed in the regulations before GOEIC can implement an automated risk management system. The project was informed by Nermin Abulata (designated coordinator to TFP from MIFT) that GOEIC and the Foreign Trade Sector of the Ministry would meet internally first without the project to discuss the Export-Import Regulations with regard to risk management and would revert to the project. As far as the project knows, this

meeting has still not taken place, although the project regularly brings up this issue at the bi-weekly meetings with the Ministry coordinator. TFP has been informed that the only portion of the current export/import regulations for which the Foreign Trade Sector of the Ministry would like TFP technical assistance is Chapter 9, IPR Border Measures (see Task 7).

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

Risk Management

During this reporting period, the momentum on the risk management task, which was building during the last reporting period (Jan-Jun 2012), slowed as the legal analysis revealed that an automated risk management system based on best international practice could not be implemented without the issuance of a ministerial decree that must originate from the Foreign Trade Sector (FTS). Leadership and willingness from Sector head and higher officials to amend the Export-Import regulations at this time is not evident.

Discussions and contact with the Risk Management Unit created in GOEIC in March 2012, continued during the period but without additional expatriate-led capacity-building efforts. The Unit's continued to practice risk profiling skills continued to improve as they developed profiles of a number of industrial and food product commodities. The Unit requires additional capacity building in risk classifications, weighting and developing Excel-based Risk Management Routines.

During the last reporting period, GOEIC's 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 to develop a "high-level" strategic plan for significantly upgrading GOEIC's current IT system governing cargo inspection (new infrastructure, centralized architecture, an improved version of the current Automated Inspection Systems (AIS) software that would incorporate Risk Management as a new functionality.) He argued that the challenge of trying to integrate a new RM system into the old, existing AIS would be less effective, and possibly destabilizing, 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 in 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. Mr. Fulvio's report was completed and delivered to GOECI in early September. Reaction and comments were not received until November, when a final report was submitted. The final section of this report includes sample tender documents and guidelines for issuing a two-stage tender for new AIS with RM. To date, b

the project has not received any feedback from GOEIC on the high level plan, but has received requests for financing, which are estimated at between \$1.5 and \$2.0 million.

In his report, Mr. Carbonaro agreed that it would be best for GOEIC to rebuild its' AIS that to try to add a risk management module and module's huge data requirements to the existing system. This change in approach will contribute to GOEIC's overall strategy for upgrading its AIS platform to one that includes automated risk management, but it is problematic for the project as the project does not have sufficient procurement funds to re-build GOEIC's AIS and although Dr. Samir said he had the funds for this and would put the system out for tender by December, this has not happened and the project is concerned that GOEIC and the government may not have funds for a new system.

As a result TFP efforts in this task currently face two critical challenges: lack of authority (decree) from MIFT/FTS to proceed with adoption of a risk-management approach to cargo inspection and lack of funds on the part of the government to implement a computer-based RM system. Without a solution to both of these challenges, continued investment in capacity building of personnel to utilize RM might not yield actionable results.

Lab Preparation Department

At the request of GOEIC, TFP has been providing organizational development assistance to the General Department for Laboratory Preparation for GOEIC. 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. As testing at laboratories is a key element of the conformity assessment system it is important for the sector that this department function properly and accurately.

During this reporting period, TFP designed and conducted a training needs assessment for the staff of the department, from which it then developed a training plan and began implementation of the initial activities in that plan. In addition, an assessment was conducted of the equipment needs of this department and recommendations were made as to office equipment required for the proper functioning of this office. The Department also requested that the Project provide a significant amount of equipment for the maintenance and repair of lab equipment throughout Egypt. After some discussion with the Vice Chairman of GOEIC, it was decided that it was preferable for GOEIC to continue to have a system of outside maintenance contracts and maintain a simple repair facilities for small/minor repairs rather than develop large in-house maintenance and calibration facilities.

In October, TFP engaged a local lab specialist, Dr. Youssef Labib Aziz, to develop procedures for all the job functions of this Department. These TFP developed procedures were drafted in October and November and were approved and adopted by GOEIC's Chairman through a decree issued on January 8, 2013. The next step for this Department is determining the linkages between this Department of other GOEIC entities and then draft clear roles and responsibilities of the Department vis-à-vis other GOEIC Departments.

Task 3: Streamline Egyptian Mandatory Standards

In December 2011, 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 2012, 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. 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. EOS never provided these standards, only a listing of what standards existed in Arabic. In August, September and October there were a number of inquiries from EOS to which the project responded. These included requests for information about:

1. The top 25 products Egypt exports to the U.S.
2. The top 25 products Egypt imports from the U.S.
3. Imports from Egypt rejected at the U.S. border by US FDA and the reason for those rejections.
4. The meaning of misbranding and how medical devices are treated.
5. And information about U.S. standards and product testing.

EOS also asked the project to compare U.S. food standards to Egyptian food standards product-by-product. This was a complicated task as the U.S. does not have a single standards making agency. The project engaged Dr. Ehab Mourad to undertake this task because of his expertise in food safety and also because EOS had not provided the Project with its standards in English as requested. A document was prepared for EOS which provided listing of the EOS standard and a link to the corresponding US standard. The project also provided listing of suggested additional food standards EOS should consider adopting particularly in the area of food labeling for health and nutrition and standards related to egg shells which are not sufficiently regulated in Egypt and which might be a major cause of the prevalence of salmonella in Egypt.

Additionally, EOS was provided with the portion of the U.S. federal regulations that are part of the EPA's jurisdiction that sets limits on pesticide residues (Maximum Residue levels "MRLs"). We also provided them with Canada's maximum residue limits; the U.S. sea food inspection program of the national Oceanic and Atmospheric Administration, and guidelines issued by the FDA in the area of sanitation of fish and fishery products.

All the above mentioned documents were provided to EOS in September and October as well as the proposed workplan, scope of work for consultants and consultant CVs. EOS has not provided any feedback on these documents since early October nor indicated it wanted further technical assistance in revising Egypt's food standards.

Task 4: Finalize Customs Reforms/Restarting NCIS

For the six month period of July 1 to December 31, TFP continued efforts to re-start a program for completing the National Customs Information System (NCIS), a \$10 million new information systems solution for ECA that was not completed under a previous USAID-funded project and contractor (TAPR II, Deloitte) which had been idle since October 2010.

During this reporting period, Customs created an 8-person ECA NCIS task force charged by the Commissioner of Customs with exploring and creating a feasible plan for continuing the NCIS project and preparing for the project definition phase. Position descriptions were written and the task force staff met with the Commissioner who promised them the full support of the Customs Authority and the Ministry. TFP's role has been to advise and assist this task force in their efforts. During this period, TFP IT advisor, Mohammad Sha'ban made 15 trips to Alexandria and worked directly with the ECA/NCIS task force for 26 days. Good communication channels and operating arrangements between ECA/NCIS and ICS have been established with TFP's support, after more than two years of no dialogue between the two entities.

In addition, TFP expatriate IT advisor, Fulvio Carbonaro travelled to Egypt twice in August and September on assignments to work with the ECA/NCIS task force and to attend a key meeting with the NCIS software vendor ICS in September 27-29, 2012 in Alexandria. At this meeting, the ICS chief solution officer and the project manager met with the ECA/NCIS task force to try and finalize the operational procedures and to detail the technical subtasks and their milestones for the project. The key output of this meeting was a detailed "approach to work" document that the parties have agreed will serve as a memorandum of understanding covering interim cooperation steps between ECA and ICS. While a few points remain unresolved, both parties consider this document useful and both agreed to sign it by the end of December 2012. Although, it still has not been signed at the writing of this report, possibly due to the change in the Minister of Finance, ECA Commissioner, and other key persons on the Egyptian side during this period. If signed, this document will represent an important milestone, as it will be the first agreement in writing ever between the ECA and the software vendor.

As part of the plan that emerged from the September meeting, ECA/NCIS team was requested to determine when ECA will be ready to start the project definition phase (PDP). TFP requested Mr. H. Shams Hera, ECA/NCIS team member responsible for infrastructure to validate operational effectiveness of the NCIS equipment. Mr. HS assured the team there were no issues with the equipment and a start date of November 17, 2012 was set to begin the PDP phase, which is expected to involve an approximate of 3 months visit by the ICS technical team to Alexandria. Unfortunately, there has been some underperformance on the part of the ECA team which has led to delays. The project informed the ECA Commissioner with its concerns.

A number of steps have been taken including: regular online Skype communications between ICS and ECA; ECA sending backup reference data to ICS; joint agreement on a Collaborative Testing Management Software to document, monitor and track resolution of issues uncovered in testing; ICS provided ECA/NCIS with web-based demonstrations; the ECA/NCIS technical team made 12 trips to different ECA branches to contact and prepare employees and small task forces at the branches for their roles in defining resource requirements and testing; TFP arranged for 12,000 LE of procurement assistance to cover minor repairs to equipment found to have defects.

New Customs Law

In meeting with the ECA commissioner on September 11, 2012 the Commissioner asked TFP to review the new draft Customs Law. The Commissioner provided TFP with the latest version of the draft law in Arabic. TFP completed a translation of the law and identified a customs expert for a short term technical assistance (STTA) assignment to review the translated law and prepare a table of correspondence between the Egyptian law and WCO's requirements and recommended best practices. This assignment is scheduled for first quarter 2013.

Customs Export Procedures

The TFP DCOP and USAID task Manager made a visit to Alexandria on October 3, 2012 to meet with ECA export branch managers to discuss possible project assistance. The managers indicated that currently no export procedures are automated which leads to delays and issues with payment of the export rebate due to lost documents and slow manual procedures. Several managers also asked for assistance with the control and inspection system as some branches did not have x-ray machines and these machines were broken in a number of other branches. In the same month, TFP received a letter from the Alexandria Business Association asking the project to help ECA enhance its current information system and the control and inspection system especially through procurement of new X-Ray machines.

TFP does not have procurement funds to repair or procure new x-ray machines. The project did investigate how to improve the lack of automation of export procedures. The proposed NCIS system mentioned above has export modules which would automate these procedures if ECA adopted the software.

Task 5: Strengthen the Role for Public-Private Dialogue

TFP, responding to a request from USAID/Cairo and the government of Egypt, confirmed by the Minister of Industry and Trade in September, to begin to work with Export Councils to increase Egyptian exports as a way to improve the economic condition of the country and to increase employment worked with several export councils during this reporting period. These activities were approved and undertaken under Task 5, Strengthen Public-Private Dialogue.

Export Showcase

One of the most prominent activities of the project during this reporting period was the sponsoring of a Showcase (or Trade Show) in Egypt for a major international chain buyer with four Egyptian Export Councils. The Egyptian Engineering Export Council (EEEC) initially requested TFP's support in the organization of a showcase for TESCO which had requested the Council arrange for a show of exporters capable of meeting TESCO's quality and quantity standards. The aim of the activity was to build a platform for Egyptian companies and the international buyer to meet, review potential goods for export, negotiation terms, and ultimately export Egyptian products for sale in large international retail outlets. The Export Councils and the companies selected to participate in the showed cost-shared with the project.

EEEC, USAID and the project agreed, that TFP would provide procurement and technical assistance in organizing a professional showcase for Tesco on October 23, and that the project would invite other buyers to the showcase on October 22, 2012, as TESCO did not want any other buyers on the day they were to spend visiting the show's presenting companies. The EEEEC (focusing on white goods and cutlery subsectors) was the lead council and three other councils also participated; the Egyptian Furniture Export Council (EFEC) (focusing on office furniture, outdoor furniture, and metal light furniture), the Home Textile Export Council (HTEC) (focusing on carpets, bed sheets, blankets, beach towels, and upholstery products), and the Chemical and Fertilizers Export Council (CFEC) (focusing on plastic, tissue paper products, and stationary products). Thirty-six companies which were already exporters participated in the showcase, in addition to 5 SMEs.

The showcase event took place at the Cairo International Conference Center (CICC) Gallery Hall. Invitations were sent to multinational buyers such as; Target, El Corte Ingles, and Ikea; buyers through the Egyptian Commercial Service were also invited in Bucharest, France, Lisbon, Prague, Spain, Sudan, UAE, Saudi Arabia, and Jordan; commercial attaches from embassies in Egypt, and Hotel Purchasing Officers.

The showcase captioned as "From Egypt to Your Home" included both a selection of goods presented in a house concept (shown in the first photograph below) and the traditional individual booths concepts of tradeshow (shown in the second photo with a buyer from an international chain speaking to a home textile exhibitor in the foreground).



The project engaged consultants to design, construct stage and manage the showcase event for the Export Councils.

The Chair of the Engineering Export Council reported that Tesco shortlisted 27 out of the 36 exhibiting exports for possible sales, eight of which were identified as High potential sourcing companies. As of the writing of this report, five companies have reported making sales agreements with Tesco (although companies have not provided sales volumes yet for commercial reasons), and seven additional companies report being in negotiations with Tesco. Additionally, one company reports making a new deal with Target and additional companies are in discussions with Target and Ikea.

SMEs

The Showcase also included five Small and Medium Enterprises which were not currently exporting but were near export-ready as a learning experience. The five SME's were as follows: Nefertari Co. (specialized in beauty care products and home textile, and ready-made garments), Mamluk Glass (specialized in the manufacturing of glass home accessories products), Oxygen Propaganda (an advertising agency that specializes in home art and photography art wall canvas), Malaika (specialized in handmade bed sheets), and Sting for Decoration and Furniture co. (specialized in furniture manufacturing). The photograph below shows some SMEs exhibiting in the Showcase.



DIRECTORY

A company directory was requested by the EEEEC to facilitate the buyers' job in locating the sources of the types of goods they were interested in purchasing. It was agreed that the councils would pay for the production and printing of the directory while TFP would develop and edit the content and in some instances re-draw company logos to meet the quality level of the director. The project has printed 200 copies of the directory which was given to buyers, companies participating in the show, and the councils for further distribution. The directory was very popular as the first of its type produced by an export council and the project has since received request for assistance to develop similar directories. The cover of the directory is shown below.



Although, the buyers did not want any publicity before the tradeshow event, the showcase was reported in about 21 publications after the event.

As of the writing of this progress report, four of the shortlisted firms have sent sample product shipments to TESCO and are continuing negotiations for export orders expected in 2013. TESCO reports that prospects for orders with two of the firms look promising.

In addition the chairwoman of the EEEEC shared the directory produced for the show with the UK catalogue/store company, Argos. Argos has also contacted some of the presenters listed in the catalogue about having their products listed in the Argos catalogues. TFP is following up with TESCO and Argos as well as the individual companies.

SME Export Awareness Event

In addition, to the showcase, the project held a 3-hour SME Awareness event at the Alexandria Business Association in October for SMEs hoping to export. Only eleven SMEs attended the event but this event and the questionnaire results were used as a starting point for the project work on developing SME exports described in Task 8 below. The awareness event was attended by 20 men and 1 woman.

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 channels and over 20 newspaper/magazine articles alone.

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

There are no specific activities planned for this task during the project's first or second year. However, 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. All related activities were then put on hold. The Ministry has recently indicated it would like to re-start some limited work in this area, related mainly to information sharing between MIFT and the trademark agencies. TFP has added provision for these tasks to the 2013 for implementation in March, 2013.

Task 8: Other Trade Facilitation Activities

SMEs

In the past 6 months, TFP continued activity on assisting export-ready SMES. This follows from a request of the COTR in the previous reporting period (Jan-Jun 2012), and initial work done with advisor Oliver Clark. This new activity was further developed with the short-term technical assistance assignment of Mr. Herbert Williamson to create and initiate a program of support activities for a pilot group of six to ten Egyptian Small and Medium Enterprises (SMEs) seeking to enter the export market or to significantly increase their export volumes. Mr. Williamson met with three of Egypt's network of fifteen Export Councils, the Center for the Promotion of Imports from Developing Countries (CBI), the African Export-Import Bank and the Social Fund for Development, and several multinationals in an effort to identify the most promising sectors with export market opportunities.

The final report, to be delivered in January 2013, will provide TFP and potential partners with a plan for selecting and assisting SMES in two promising sectors along with basic MOUs for proceeding as a partnership in a pilot project.

The recommendations from the draft report have been used in the revision of the project Year 2 work plan to include two pilot program to focus on promoting and marketing SMEs that are either almost export-ready or already exporting and needing a push to accelerate their export activity. The pilot program will provide SMEs both group- and firm-level training and technical

assistance of at least six months in duration which will include, among other things, the following:

- Promotion material development
- Website development
- Trade show and trade mission preparation
- Working with traders

The sectors selected for focus by the pilot projects are: the automotive component sector and the home textile sector. The pilot program also recommends the provision of training and technical assistance to the export councils and other relevant organizations in order to strengthen their ability to support and sustain SME export development activity after TFP has closed. The program will begin early in 2013.

GSP

In early 2012, 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. This resulted in a request from the Alexandria Business Association for training for their staff in general systems of preferences (not just the United States GSP system). In late October, the project provided 3 days of training for 5 persons employed by ABA on generalized systems of preference Egyptian exporters could take advantage of. In a letter to the project, ABA stated it intended to create a Help Desk on GSP, posting information on its website about GSP. They also stated they would circulate information to their members about the newly created helpdesk.

Additionally, the project offered to provide this same training to the Foreign Trade Sector, which is expected to schedule it for early in 2013.

QIZ Unit – Needs Assessment

In final months of the last reporting period, the US Embassy/Egypt asked USAID to commission TFP to undertake a trade impact analysis of the proposal to increase QIZs in Egypt. The final report was completed and delivered to USAID and the US Embassy staff in June 2012. In November, the USAID asked the project to revisit the QIZ issues and to meet the new head of the QIZ Unit, Mr. Amin Sabry. The Project mobilized trade advisor Jane O'Dell the end of November to apply business and trade analysis techniques to identify promising export opportunities that qualify for QIZ status and create much needed jobs in Egypt, and (2) provide recommendation on how to improve the capacity of QIZ unit in MIFT to administer and manage the QIZ program so that Egyptian companies are aware of opportunities and requirements and so that compliance with requirements is achieved. The assessment revealed that the Unit needed additional office equipment, which the project promptly procured five laptops and two printers for the Unit. A report was drafted included recommendations on training for the Unit staff, how QIZ exports might be increased and equipment needs.

Draft recommendations and the draft report are currently under discussion with USAID and the head of the QIZ Unit. The report recommends capacity building assistance and that the Unit work to expand use of QIZ by producers of goods other than just ready-made garments. The project will work with the QIZ Unit to implement the proposed recommendations in 2013.

Result 2—Domestic Market Strengthened

Task 1: Promote the Distribution/Retail Sectors

During the first year of the project, many of TFP's Results 2 tasks to Strengthen Domestic Market were not activated as the activities were never approved for implementation by the then Minister for Supply and Internal Trade, Dr. Gouda Abdel-Khalek. In August a new cabinet was appointed and a new minister named to the Ministry of Supply and Internal Trade. In term many of the senior personnel with whom the project was interacting were replaced. The Project met with the new Chairman and Vice Chairman of ITDA in September, October, November and December. The previous work plan was given to these individuals and several possible new tasks discussed. The new leadership at ITDA requested support in dealing with street vendors, creating new discount wholesale grocery stores, and with the tender process for the retail and logistic parks. After discussions with USAID, a draft work plan was developed and several MOUs drafted and presented to ITDA for their consideration. At the writing of this report, the project is awaiting the signing of the MOUs by ITDA and finalization of the proposed work plan. Work should begin with ITDA in February 2013.

Task 2: Overcome Deceptive Advertisement

No activities were undertaken for this task in TFP's Year One due to lack of engagement with the Ministry of Supply and Internal Trade. It is unclear whether this activity will be activated in Year Two.

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 and lack of approval from EOS on scopes of work and consultants to work with EOS. The project also hoped to work with the Food Safety Management Unit in the Ministry after the enactment of some foods safety legislation.

Unfortunately, no food safety legislation has been enacted and the previous Minister of Industry and Foreign Trade, did not extend the contracts of the personnel of the Food Safety Unit in the Ministry, and in fact disbanded the Unit. The new Minister of Industry of Foreign Trade, Mr. Hatem Saleh, recreated the Unit by hiring only three consultants until December 31, 2012 giving them no budget. The project has repaired some of the Food Safety Management Unit's office equipment and held a number of discussions with them in order to determine what assistance could be provided in the absence of the law or decree formally creating a Food Safety Agency

that would be acceptable to USAID. After the Minister extended the consultants' agreements in January to all of 2013, it was been agreed that work would be undertaken with the Unit that related to other TFP counterparts, such as GOEIC and EOS. It is hoped that work will begin with the MIFT Food Safety Management unit in 2013 and that a law or decree creating a Food Safety Agency would advance under the new government.

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

In October 2012, the project arranged for the IPR Advisor, Judy Goans to return to Egypt at the request of the head of the Egyptian Trademark Office. The Trademark Office had recently hired twelve new employees who were assigned to be Trademark examiners. Ms. Goans provided one week of training (October 14-18) in the basics of trademark examination (nine topics were covered) for the twelve newly hired employees. New examiners were also invited to bring their difficult cases for discussion in the larger group, and most did so.

In addition, a one day workshop was held for senior examiners so that they could discuss difficult cases and decisions with Ms. Goans. The case discussions were often spirited and showed that examiners were moving toward a consensus as to how to apply the legal principles and how to analyze marks. During the course of that workshop (October 13), the senior examiners were invited to bring any additional cases to MS Goans during breaks or at the end of the Basic Examination course. The questions posed by senior examiners showed they were making better use of the USAID provided Examination Procedures Manual. This is very positive, as the use of the manual should strengthen the examination process, in particular by promoting consistency, improving quality, and creating a more transparent environment for business.

One finding from the training of new examiners related to the official form used for trademark applications in Egypt. Applications often include a label rather than a drawing of the mark, with the result that examiners do not know with certainty what elements are intended to be the subject of the application. Moreover, if examiners want additional information that is needed for examination, such as the pronunciation or meaning of a foreign word, they must prepare a letter requesting the information. The application used under the Madrid Protocol asks for this information, which greatly simplifies the examination process. The Project has recommended that the office use an application similar to the Madrid Protocol application for local applications to prevent confusion.

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 early December 2012, TFP deployed Ernesto Samayoa from the World Environment Council (WEC) to finalize agreement on the plan of work for implementation of this task over the next 18-months with the Industrial Development Authority (IDA) and the Egyptian National Cleaner Production Center (ENCPC). Agreement was reached and work will begin on industry surveys in early 2013, selection of company partners should take place in March 2013.

4. TRAINING COURSES CONDUCTED

During this reporting period, the project conducted four training programs as shown in table 1 and described briefly below in addition to the Export Trade Show which took place in October 2012 and included some SMEs as a learning exercise.

Generalized Systems of Preference

This three-day training program was provided by the project's Economist, Mahmoud Fathallah, for 5 employees of the Alexandria Business Association. The Generalized System of Preference is a formal system of exemption from the more general rules of the World Trade Organization (WTO). Specifically, it is a system of exemption from the most favored nation principle (MFN) that obliges WTO member countries to treat the imports of all other WTO member countries no worse than they treat the imports of their "most favored" trading partner. GSP exempts WTO member countries from MFN for the purpose of lowering tariffs for the less developed countries, without also lowering tariffs for rich countries.

The purpose of the training was to present the various generalized systems of preference which Egyptian businesses could make use of when exporting to other nations (not just the US system). The Program included how to find information about these programs and how to determine if a particular good is eligible for duty-free when entering another country under a GSP program. The ABA employees are expected to be able to better answer questions from Egyptian traders on GSP after this training.

Workshop for Senior Trademark Examiners

This one-day workshop was provided by the project's Intellectual Property Rights Advisor, Judy Goans for 16 attorneys and examiners from Egyptian Trademark Office on October 12, 2012. The objective of the workshop was to provide a forum for examiners and attorneys to discuss their difficult cases and decisions with each an IPR expert and each other in a forum away from their office. The discussions revealed that the examiners were now using the Trademark Procedures Manual developed through funding by USAID and were generally coming to a consensus on how to apply legal principles and the Egyptian law and regulations.

Basics of Trademark Examination for New Examiners

For five days, from October 13-18, the Projects IPR Advisor trained 12 new examiners at the Egyptian Trademark Office on the basics of trademark examination. The purpose of the program was to provide the new employees with the basic skills to do their new job in a transparent manner. Each examiner was given copies of the trademarks procedures manual, the use of which

was incorporated in the training program. During the training for new examiners, included the following presentations:

- 1) Introduction to Intellectual Property
- 2) Introduction to Trademark Examination and Examination Factors
- 3) Distinctiveness
- 4) Absolute Grounds for Refusal
- 5) Evaluating Similarity of Marks
- 6) Evaluating Likelihood of Confusion
- 7) Identifying Conflicting Marks and Devising an Effective Search Strategy
- 8) Actions the Trademark Office Can Take
- 9) Trademark Examination Reports

The new examiners are currently applying their training to the examination of actual applications for trademark registration. A photograph of the instructor and trainees is presented below.



Risk Management Unit Training

Four persons from the General Organization for Export and Import Control (GOEIC) working in the Project Risk Management Unit (PRMU) were provided with mentoring/training in bi-weekly Skype sessions with Mr. Walter Hekala on risk profiling of commodities. Management Unit's progress on profiling various commodities and how the Unit was developing these profiles was discussed. This program extended over several months and included approximately 20 hours of training mentoring.

Table 1. TFP Training Events July – December 2012

Program Title	Organizations Represented	No. of Participants	No. of Males	No. of Females	Dates of Program	Number of Days
Generalized Systems of Preference	Alexandria Business Association	5	0	5	October 30- November 1, 2012	3
Senior Trademark Examiners Workshop	Egyptian Trademark Office	16	8	8	October 13 2012	1
Basics of Trademark Examination for New Examiners	Egyptian Trademark Office	12	5	7	October 14-18 2012	5
Risk Profiling	Risk Management Unit, GOEIC	4	3	1	June – August 2012	20 hours
TOTAL		34	14	20		

5. GENDER

TFP currently has a staff compliment of 16 persons, 8 male and 8 female. Additionally, there are six technical positions, occupied by 3 men and 3 women. . The project hopes to maintain a similar gender ratio in its training events with counterparts. Table 1 shows that during this reporting period, approximately, nearly 60% of the trainees were women. This is better than the project goal of a gender training ratio of 40%.

In November 2012, the project engaged gender advisor, Katrin Masharqa to identify gender issues and recommend specific approaches and techniques for TFP to effectively integrate gender considerations into the work plan, Performance Monitoring Plan, and M&E plan at the result and task level and to work with the TFP M&E advisor to develop specific and measurable gender indicators for the identified TFP activities. The report was drafted and is currently under revision and should be presented to USAID and applied during the next reporting period.

6. DIRECT PROCUREMENT TO ACTIVITIES

During this reporting period, the Project procured six laptops and two printers for the QIZ Unit in addition, to repairing the Unit's photocopier. TFP also bought RAMS for FSMU equipment and repaired the Unit's printer.

Additionally, TFP procured two vehicles from the United States for project use which were delivered and licensed during this period. Unfortunately, this task was more time consuming than it should have been. The vehicles arrived to the port of Alexandria October 25. The Ministry of Industry and Foreign Trade did not provide a letter for the release of the vehicles until November 12. The vehicles cleared Customs and were released to the Project on November 29 (one month after their arrival in port) with temporary license plates. Several letters (some from the ministry) were required, and several trips to Alexandria to obtain documents to finally transfer the car documents to Cairo and receive the permanent release license plates.

7. CONTRACTOR ASSESSMENT OF CURRENT STATUS

During this reporting period, the contractor asked for, and was granted, the release of the Results 2 lead, Ms. Jaleen Moroney, a key person, a for family reasons. In the original plan, Ms. Moroney was to stay until May 2014. She was released in November 2012. TFP has submitted candidacy for a replacement, and an STTA for the candidate is planned for 2013.

Also during the period, USAID carried out a performance audit of the TFP. This formal audit began in November and it is set for completion in early 2013, but submission of responses to audit documentation requests began in October. The audit took an unexpectedly large amount of management and staff time for direct meetings, documentation and arranging meetings for counterparts. It was unfortunate that the audit came just as the Results 2 lead had departed the project and the project was trying to engage with new initiatives with the private sector as well as respond to fresh overtures from the newly installed government.

During this period the Contractor also prepared a requested amendment to the contract along with a justification memorandum to better reflect current situation with government agencies and accommodate both revisions and new directions that TFP initiatives were taking within the context of advancing trade facilitation objectives. The contractor has had difficulty engaging the government on a number of tasks, particularly with certain key agencies. In addition, there has been substantial turnover in government officials which has resulted in lost time and the need for additional series of meetings and dialogues with new government officials and senior staff was required to re-visit and validate technical assistance priorities and assumptions dating back to before the revolution.

During this period, the contractor has begun working with the Export Councils and SMEs in a small way because these entities are not explicitly mentioned in the contract. The biggest result to date resulted from the Showcase with the export councils after just 2 ½ months of work.

8. PERFORMANCE RESULTS AND INDICATORS

During this third reporting period, TFP's recruited and oriented a new M&E advisor who has undertaken to update the results for the previous two quarters for TFP based on the indicators and PMP indicator reference sheets submitted to USAID. The PMP report will be 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 from July 1 December 31	1,107,431.33
Cumulative expenditures to date	3,105,415.24
Remaining unexpended balance	7,197,227.45

As of the end of December 2012, TFP had spent approximately 30% of its budget during the initial 50% of its project base calendar period