



**USAID**  
FROM THE AMERICAN PEOPLE



**End of Assignment Report**  
**Egyptian Customs Modernization and Reform**  
**USAID/TAPRI II**  
**John G. Johnston**  
**HR and Organizational Design Consultant**  
*September 12-December 15, 2006*

## **1. Background**

The Organizational Realignment segment of TAPRI II arises from recognition that it is necessary to provide a modern Customs organization design both as a product of modernization and reform and as a platform for re-engineering initiatives. The stated objectives of Organizational Realignment have been developed as follows:

- *To create a modern, flexible and responsive Customs organization that supports Egypt's trading capacity and provides effective and efficient protection for Egypt's borders.*
- *To provide the platform for re-engineering and modernizing ECA Customs law, procedures and processes.*

On September 2, 2005, the Minister of Finance on the recommendation of the Commissioner approved a *Line/Staff* organization design for the ECA. This design closely conforms with modernized Customs organizations throughout the world, is consistent with WCO, World Bank and OECD criteria and provides the maximum degree of flexibility for strategic management and modernization initiatives. The design also streamlined the hierarchical shape of the organization and reduced the number of direct reports to senior managers to a more reasonable span of control. It also provides for single focused operational delivery, clear lines of responsibility and accountability and a logical pattern for delegation of authorities. From February to May, 2006 the consultant completed the detailed design of the organization. This involved the development of \_\_ General Directorates. This phase defined the direction of the organization and solidified the line/functional nature of the design. In addition, ECA Executives at the Central and General Directorate level were interviewed and assessed in accordance with "Leadership Styles Indicator" criteria. This exercise provided the Commissioner with independent assessment of potential senior executive candidates to assist him in making recommendations to the Minister on the Senior Management Team. *(An outline of specific work products and progress is contained in the attached End of Assignment Report for February-May/06—attached)*

## 2. Progress—September-December/06 Assignment

### *Identification of Management Team*

The initial part of this assignment was spent working with and on behalf of the Commissioner in identifying his immediate Senior Management Team. An SMT had been named in December of 2005. Many of those identified at that time never assumed the duties of their new positions and carried on in their substantive positions. Further, a number of these senior executives had retired or were about to retire. Accordingly, the issue of staffing the SMT had to be revisited with new nominations made. The new SMT was formalized by decree in October 2006 along with a formalization of a range of Central and General Directors. It should be noted that the latter process took place with little input from technical experts resulting in some degree of uncertainty as to whether or not the right individuals with the right qualifications are in the right jobs.

On December 6, 2006 Mr. Henriques and this consultant met with the Commissioner and the SMT in part to discuss and develop an approach to staffing the entire organization down at the General Directorate level. This is an important initiative since it:

- Creates a forum in which all Sector Heads have to work together to ensure all Sectors are fully staffed with the best people in key positions.
- Provides for acting assignments allowing for work to progress pending finalization of the staffing process for positions which are not yet encumbered.

The consultants and the CRU meet with the Sector Heads on December 11 to finalize this process and to report results to the Commissioner on December 13.

### *Directorate Design*

Following from the design of the General Directorates in the previous assignment, detailed design of Directorates was initiated at the beginning of this assignment. Directorate design is critical to success in implementation and operation since Directorates sit in the organizational structure closer to the point of program and operational delivery. In the course of this process, \_\_\_ Directorates were designed for the following Sectors and Central Directorates.

- **Operations Sector, Regional Core Services and Port Model.** It should be noted that in the implementation sequence, Regional Core Services positions down to the Directorate level will be staffed first. Regional Directors, with the support of their Regional Core Services expertise and the support of Technical Experts, will then redesign their Port Operations in accordance with the Port Model principles. Port Operation redesign is, therefore, second implementation phase.
- **Trade Compliance,** all directorates with the exception of the Central Directorate for Enforcement Technology. It will be important in the

implementation phase to re-assess this Central Directorate from the standpoint of integration into the Central Directorate for Enforcement.

- **Human Resources and Capacity Building.** This Sector has fully developed Directorates and is in final design state for implementation.
- **Strategic Planning and Initiatives.** This Sector has fully developed Directorates and is in final state for implementation.
- **Security, Finance and Administration.** All Directorates have been developed with the exception of the Central Directorate for Security. Some consideration should be given in the pre-implementation phase to integration of the General Directorates within this Central Directorate.
- **Customs Regimes and Policies.** Directorate design has been deferred until technical experts are able to work more closely with the new Sector Director and ensure that Directorates are closely aligned with operational re-engineering progress. This is particularly the case with respect to the Central Directorates for Special Regimes, TVO and Arbitration.
- **Corporate Affairs.** Directorate design has been completed for the Central Directorate for Audit and Evaluation. The balance of Directorate design has been deferred pending further discussions with the Sector Director. If particular concern is the Central Directorate for Legal Services. The principles of the New Organization Design are based on a Legal Services role that is much more corporate in nature, functionally based on advice and support. Traditionally, Legal Services in the ECA has been intimately involved in the clearance process, has investigated employee misconduct and has been more operationally based than is the norm. These issues will have to be resolved prior to Directorate design being initiated.
- **Technology.** Directorate design has been deferred until the appointment of a new Director of Sector.

The consultant, members of the TAPR II Team and CRU representatives have met with Sector Directors to discuss their specific organization design and open dialogue with respect to issues and potential modifications. These meetings also provided an opportunity to discuss Corporate and Sector specific expectations in draft format (see below)

### ***3. Instruments of Delegation***

The new Organization Design is premised on the ability to delegate decision making authority to lower levels of management and ensure that within a defined policy and procedural framework, decisions are made more quickly and consistently. This is key to developing a state of readiness for an environment that promotes trade

facilitation, improved border protection and provides room for senior executives to manage more strategically.

There are four key subject areas within which delegation should be initiated

- Human Resources
- Operations
- Finance
- Administration

During this rotation, the consultant designed the Instrument of Delegation for Human Resource Management. This Instrument provides a proposed legal framework for delegation, specifies levels of management to whom delegation should be extended and outlines a pattern of delegation for basic HR management authorities.

This Instrument is now under review by Legal Services. Subject to any modifications necessary, this Instrument will provide the template for the other Instruments in the above mentioned subject areas.

#### ***4. Readiness for Workforce Optimization (Adjustment)***

The consultant has been working with Mr. Henriques and members of the CRU to prepare for the process of migrating staff from the old organization to the new. This has involved confirming the present establishment and staff distribution and beginning to prepare for assignment of staff levels to each level of the new organization. This process is ongoing and by February, we should be prepared to begin moving and assigning staff to their new organizational locations. A key tool in ensuring an orderly and planned migration process will be Reverse Order of Merit (ROM)

#### ***5. Reverse Order of Merit***

The Reverse Order of Merit process provides a structured framework for HR and Technical Experts to work with managers in assessing current staff and developing an order of merit for workforce migration. The ROM process was developed under the Booz Allen phase of the project in November of 2005 and has been updated and refined for application. (see attached)

#### ***6. Expectations and Objectives***

A critically important step in implementing the new Organizational Structure is that of providing the Senior Management Team with clear objectives and expectations. These fulfill the following purposes:

- Provide an essential linkage to the ECA Strategic Plan
- Form the basis for Performance Management and Performance Assessment
- Establish key areas of accountability for each Sector

- Provide the framework within which functional Sectors develop policies and procedures
- Provide clear direction for each Sector
- Underline the key functional role of the staff based Sectors.

Corporate Expectations have been developed to apply to all members of the ECA Senior Management Team. In addition, Sector Specific Expectations have been provided to each Sector Head. These were signed by the Commissioner and presented to each Sector Head on December 6, 2006.

### ***7. Role Statements and Job Descriptions***

Immediately subsequent to the Port Said meeting on November 19-20, the CRU established four working groups to complete job descriptions and role statements for each job in the new organization down to the General Director level. The consultant has been acting as a resource for these working groups which are assigned as follows:

- Group 1—Operations and HRCB
- Group 2—Trade Compliance and Technology
- Group 3—Customs Regimes and Policies and Security, Finance and Administration
- Group 4—Corporate Affairs and Strategic Planning

These Groups have been meeting regularly throughout the balance of November and into December to clarify the roles of each Sector and job therein, ensure that the Line/Functional relationship is understood and established and construct job descriptions with the following elements.

- Clear statement of job role
- Clear statement of reporting relationships, both line and functional
- Proposed level of HR delegation
- Job Description

The Working Groups have been important to the task of building capacity within the ECA for both leadership and organizational implementation. They will form a core of expertise that will be able to offer continuous support in both the short to long term.

### ***8. Line/Functional Reporting***

The organizational design that was approved by the Minister of Finance on September 2, 2005 was of a line/functional nature that conforms, from a best practice viewpoint, to successful Customs organizations within the WCO. This design has been supported by the World Bank and IDB in other development projects. Amongst the various advantages of such organization designs, is flexibility,

single focus for program delivery, an ideal platform for effective delegation of authority and enhancement of staff support functions necessary for successful strategic and day to day management.

At the same time, it has to be noted that there has been some resistance to the principles of Line/Functional management. Some of this is based on lack of understanding and an unfamiliarity with the relevant principles. This is particularly the case where the demands of the line/functional organization conflict with more traditional methods of management. Lack of understanding and unfamiliarity can be addressed via explanations, training and by working closely with counterparts. The latter will be of utmost importance during the implementation stages.

On the other hand, the fact that some of the difficulty with the line/functional organization design arises from straightforward disagreement. In these cases, no amount of explanation and training can overcome this reality. Resolution of disagreement versus lack of understanding can only be reached through strong leadership and pointed setting of direction. This has to come from the line authority and is not the purview of consultants.

### **9. *Note on the Port Said SMT Meeting***

On November 19 and 20, 2006 a meeting/workshop was held for the Sector Heads in Port Said. The presentation at this meeting included

- Explanations of the theory and practice related to line/functional organizations
- Comparative analysis with other Organization Design
- A Sector by Sector outline of organization design down to the Directorate level
- Outline of draft Corporate and Sector specific expectations and objectives.
- A detailed outline of Next Steps and responsibilities.

It should be noted that at the opening of this meeting, the Commissioner outlined his specific direction to the Sector Heads with respect to the principles and design of the line/functional organization design. He also indicated his strong support for the principle of setting specific objectives. On December 6, he followed up by presenting to each Sector Head their Corporate and Sector specific objectives. Each Sector Head was required to sign that he had received and understood these objectives. The Commissioner noted that these objectives are the framework for accountability between them and him and that he would expect periodic reports on their progress in this respect.

This action on the part of the Commissioner was an extremely important step in setting specific direction, establishing accountability and demonstrating leadership with respect to the new Organization Design.

### **10. *Individual Meetings with Sector Heads and Management Teams***

Throughout November and into December, this consultant, Mr. Henriques and other members of the TAPR II Team have been meeting individually with Sector Heads to discuss their specific organization design, the line/functional relationship, staffing of

General Directorates and the roles and responsibilities of the various General Directorates and Directorates within the organization. These meetings have been most productive from the standpoint of clarifying understanding of the structure, functional relationships and roles and responsibilities. The consulting team will continue with these meetings as the implementation stage approaches.

## **Constraints**

### ***1. Staffing and the Egyptian Public Service Management Framework.***

In most organizational design and implementation exercises, controls over the staffing process are essential. Such controls serve to prevent overstaffing situations, assist in ensuring that the most qualified individuals are placed in key positions and avoid circumstances which have to be addressed by workforce adjustment and redeployment.

In addition, modernized and flexible Human Resource and Administrative processes support the Organizational Design process along with the vast array of issues that arise during the implementation phase.

In Egypt, the lack of control over these elements presents serious impediments to efficient and effective design, staffing and implementation. These impediments include

- A staffing process that is not integrated with the design and implementation process. This results in a situation in which staffing of key positions proceeds in a parallel but almost disconnected manner.
- An inability to staff key positions solely on the basis of merit and not on considerations of seniority or time in position. This can result in not having the best people in critical positions at a key phase of the design and implementation process and in placing individuals in key positions who are at or nearing retirement age and who therefore, have minimal stake in the outcomes.
- An organization design/classification system which is based on organizational "blocks" (i.e. Central Directorates, General Directorates) which inhibit efficient design and work to prevent the creation of organizational units which are based and sized on the work itself and not on the configuration of the specific "blocks"

These issues are not specific to the ECA and are rooted in the broader question of Egyptian Public Service Reform. It should be said, however, that the reform of the principles, practices and procedures of an entire public service has often proved to be a daunting task and has frustrated reform efforts in even the most developed countries. The result is that for the short term, ECA modernization initiatives take place within the existing rules and procedures of the broader public service.

On the other hand, it has been demonstrated that the creation of what are frequently called "Special Operating Agencies" has proven to be a successful means of reform within smaller more defined boundaries. Reforms implemented at the "Agency" level can then be migrated to the public service as a whole on a more measured and phased basis.

This consultant has taken note of the IMF “*Report and Analysis on Revenue Authorities*” authored by William Crandall and Maureen Kidd. While the Report reaches valid conclusions on the lack of success of Revenue Agencies, it assumes to make a “leap of faith” in concluding that Agencies in general are dysfunctional and an inappropriate means of reform. The facts are otherwise. Most western countries have found that some form of “Agency” status for key public service organizations has been an effective means of providing the management and administrative reform necessary for modernization, re-engineering and operation in a more business like manner.

It is unfortunate that this faulty study has inhibited further consideration of Agency status for the ECA. Such status would allow for more efficient streamlining of management and administrative practices including Human Resources, Organization Design and Financial Management and accelerate the overall process of re-engineering and modernization. It is this consultant’s recommendation that this issue be re-examined at the Ministerial level.

## **2. *Resourcing the Implementation Phase***

Implementation of the new Organization Design will be a very resource intensive process. Considerable progress has been made in committing CRU resources to Working Groups focused on development of role statements and job descriptions. As the implementation process accelerates towards February and March of 2007, more commitment of dedicated resources will be necessary.

In this context, the largest commitment will have to come from the Operations and HRCB Sectors. Each of these will need to assign staff to the implementation process to co-ordinate and manage the vast range of issues that will arise. Of particular importance is the need to assign HR staff to the process of working with managers on Reverse Order of Merit and subsequent deployments.

It will be necessary for technical experts to work closely with implementation staff, train them on the organization design and process and generally build internal capacity within the ECA. This will place a great deal of strain on existing consultant resources and it is an open question as to whether or not these resources are sufficient.