



# **Time of Release for Shipments Imported into Egyptian Ports**

## **A Two-Year Project on Monitoring and Reducing Time of Release**

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## **Abstract**

This study attempts to accomplish a number of objectives that collectively move time needed by Egyptian imports to go through the border toward internationally competitive levels. As a result, the first objective was to find estimates at a specific point in time that are reliable and accepted as benchmarks to monitor change or lack thereof over time. A related objective was to highlight, from studying the process the mechanisms and policies that can contribute to reducing the numbers, the contribution of each agency involved to any delays. This allows each agency to see the separate role it can play in reducing the overall time of release. The most important objective, in our perspective, was the collaboration between the study team and various border agencies over the two-year period that represented three phases of the study.

To estimate these indicators, we had to analyze the procedures that are responsible for the times required. This is an ongoing process that started before this current study, continued during its phases, and will continue in the future. Many components of these policies are ingredients of a comprehensive trade facilitation strategy that needs the cooperation of various agencies at and behind the border. Time of release estimates are accepted now as measurable indicators that can gauge the impact of changes in policies and procedures.

In terms of benchmarking and monitoring change, we find that on average, shipments arriving at Egyptian ports required 22 days to clear from the time of ship arrival until release for circulation in the market in January 2004. A year later, and using a more comprehensive coverage, this average fell to 14 days for shipments received in March 2005. Breaking this number by agencies involved, the estimated time for port procedures is 3 days, for customs procedures is 6 days, for GOEIC is 7 days. Shipments remain in warehouses for an average of 11 days.

Behind these country-wide averages, there is a wealth of details that highlights estimates for each of the agencies by port, by whether they were subject to inspection or not, by progress made between 2004 and 2005, and others. It is not feasible to highlight these details in the abstract. However, the report attempts to make available all these details for utilization by government agencies and researchers in their future work on policy reform in this area.

We are hopeful that the Government of Egypt will continue to monitor these indicators. As a matter of fact, we predict that a number of policies already adopted after March by Customs, some ports such as Damietta and Alexandria, internal GOEIC procedures, and some changes in foreign trade policies and regulations may have already

had an impact on the expected value for time of release indicators for 2006. A list of these policies appears in the last section of the study.

On the other hand, there are a number of areas that still need further work especially given that these averages remain high compared to countries that have made significant leaps in integration in the global economy and international supply chains. Areas where significant progress remains to be seen relate to an ambitious cross-agency risk management strategy, a clear(er) separation of the role of inspection agencies, and meaningful steps in coordination among agencies within ports. Breakthroughs in these areas are necessary to see concrete reductions on time of release in Egyptian ports.

Finally, we would like to emphasize the goodwill and sincere intentions that lie behind this work. Highlighting areas that need improvement assists in the government's efforts to set priorities and maximize impact of reform efforts. We hope this work played a small role in this direction.

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## **I. Introduction**

Egypt has always benefited from the global economy. Revenues from the trade through the Suez Canal support government programs. Tourism receipts strengthen the economy. Despite these connections, the Egyptian economy has not been as successful in exporting either industrial or agricultural goods to the rest of the world. But these are services. Goods exports have been less strong with exports as a fraction of GDP being very low for a country at Egypt's level of development. Moreover, those exports that do exist are concentrated in raw semi-finished materials, with exports of manufactured goods being traditionally weak. These facts have raised serious questions about Egypt's competitiveness in the world economy that have been extensively discussed in the recent Competitiveness Reports published by the Egyptian National Competitiveness Council.

One issue of concern for many participants in the Egyptian economy is that it seems that it is inherently difficult to engage in trade. To be able to import, often authorization must be sought from multiple bodies and various barriers crop up to slow both imports and exports. With the Government's expanded emphasis on increasing the integration of the Egyptian economy into global trade patterns, there is significant will to begin to address these problems and many steps have been taken to make it easier to both import and export goods. However there has been no objective way to measure the success of those efforts.

After much discussion, the Government now views the total time that it takes for goods to be released from various ports as a key performance indicator. This report represents an attempt to provide a baseline for measuring the effectiveness of the Government's trade facilitation efforts that are directed toward reducing bureaucratic procedures, eliminating overlap in jurisdictions, introducing risk management principles and enhancing cooperation among various entities in ports. As such, the figures reported are more important for how they will compare to data collected in the future than to what they show about trade delays in past years.

## **II. Summary of Previous Time of Release Work on Egypt**

One of the first reports on time of release was prepared by ESCWA which looked at the time required for shipments to move through a number of ports in Arab countries, including the Alexandria Port representing Egypt. The range for Alexandria was 3-10 days, while the range for Beirut was 5-7 days (red line), the range for Aqaba-Jordan was 4-6 days, while shipments cleared in Dubai Port in 4-6 hours.

USAID-Egypt supported a number of projects and initiatives on measuring time of release as a critical factor in Egypt's trade facilitation efforts. These initiatives, calculated average time of release of shipments using different methodologies and coverage. The

studies are the Booz-Allen-CRU sample of customs records in 2003, the TAPR survey of importers for shipments arriving in 2002, and the Commodity Import Program (CIP) managed by USAID for US imports into Egypt benefiting from assistance. As bi-product, the program monitors selected times during the process. Data used in calculating averages from this program cover the period 1998-2003. Table II.1 summarizes coverage of these sources and observations used in calculating estimates.

**Table II.1: Number of Observations by Port.<sup>1</sup>**

<b>Port</b>	<b>Booz-Allen-CRU 2003</b>	<b>TAPR 2002</b>	<b>CIP 1998-2003</b>
Alexandria	56	121	2984
Cairo Airport	0	83	314
Port Said	42	24	23
Suez	0	7	8
Ayn Sokhna	50	7	0
Damietta	46	4	18

**Table II. 2: Mean Times for Release from Three Sources**

<b>Port</b>	<b>Booz-Allen-CRU 2003</b>	<b>TAPR 2002</b>	<b>CIP 1998-2003</b>
Alexandria	16.0	15.0	22.0- 16.5
Adabiya			9.9
Damietta	22.2		
Ain Sokhna	10.6		
Port Said	18.3	8.9	21.5
Other		7.2	21.6

Means are only reported for ports with more than 20 observations.

*Source:* Buehrer (2004)

Each of the datasets used to produce these estimates, however, has its strengths and weaknesses. The combined strengths of the USAID-funded studies stem from the fact of introducing the principle of devising and attempting to quantify delays in clearance times. For the TAPR survey, an important strength lies in the attention given to documenting Customs steps as well as the strict adherence to guidelines from the World Customs Organization for measuring time of release.<sup>1</sup> The CIP dataset, which documents some clearance dates for all shipments arriving from US ports and benefiting from the program, can only represent time of release averages for the types of commodities and ports covered

<sup>1</sup> World Customs Organization (2002), Guide to Measure the Time Required for the Release of Goods.

by the program. The strength of averages of the CIP data is the fact that they are not estimates based on a sample; rather they are averages of the whole population that benefited from the program.

A weakness in the other two studies relates to the sampling processes used and whether estimates produced are representative of country-wide estimates. Especially in 2003-2004, when these were the first estimates to quantify a problem and when trade facilitation had not yet appeared on the policy reform list of the GoE, these estimates faced serious skepticism. As a result of the potential bias in estimates produced by all three works, attention to sample selection- sufficient size and elimination of possible selection bias- was necessary to ensure that estimates resulting from the analysis would be accepted as benchmarks for nation-wide estimates.

As a result of the appearance of all three studies, almost simultaneously, and because each of the studies used a definition for time of release that is different, the importance of ensuring consistency in a global 'total time of release' indicator became obvious. Especially if the exercise will be periodically repeated by government agencies, then a consensus on what constitutes time of release for goods was needed.

Finally, involving government entities in conducting the analysis and extensive consultation in each phase on issues and problems was necessary to produce "ownership" and confidence in the results. This approach was feasible to ATR because of the long term nature of the project and of the involvement of the project in other trade policy/facilitation issues.

Thus, the current work under the Assistance for Trade Reform Project (ATR) addresses most of these weaknesses, into its three phases of analysis. The results of all three phases are presented in Sections III – V below. Details of how each phase addresses various weaknesses are left to the discussion in each section. However, a main feature of the three phases is the continuous efforts towards refinement of methodology toward consistency and standardization of measuring time of release indicators.

### **III. Phase One: Time of Release Survey-January 2004**

This work was conducted in association with the General Organization for Export and Import Control (GOEIC) in 2004. The work built on TAPR survey in the design of the questionnaire for Customs, yet it addressed the weaknesses associated with sampling and with ambiguity about the beginning and end of the entire process of release of shipments. This phase will be referred to in the rest of the document as the GOEIC Survey.

### **III.1 Purpose of the Analysis**

The purpose of this study was to estimate the time of release for all agencies involved in the import process to create a baseline for measuring the impact of new trade facilitation policies. WICO has urged countries to use time of release surveys as a monitoring tool and Egypt was interested in exploring the use of this measure. Using a measure of the overall time that it takes to release goods is particularly important because many of the processes in ports happen in parallel and so attributing “delay” to a single party can be difficult. Moreover, importers are well aware of the time that it takes different entities to perform their duties and may well not press one agency to improve if another is slow. Thus, the survey was designed to determine the time that it takes for goods to pass through the port, that is the time from unloading to exiting the port gate.

That being said, the survey was also designed to identify the time taken at various steps in the process. This was done to assist agencies in pinpointing the bottlenecks that affect their performance in speeding release and identifying areas of technical or physical needs required to improve the process.

### **III.2. Sample Selection and Questionnaire Development**

This phase of the study was performed in cooperation with the General Organization for Export and Import Control (GOEIC). Thus the sample was drawn from GOEIC’s records of all shipments for the month of January 2004. Over 95 percent of all shipments referred to GOEIC from Customs<sup>2</sup> for inspection came from the following six ports: Alexandria, Dekheila, Damietta, Port Said, Ein Sokhna, Suez, and Cairo Airport. The relative importance of each port is maintained in the number of samples drawn from each port. As a result, the sample contained a large number of questionnaires for Alex and Cairo Airport and a limited number of questionnaires from Ein Sokhna and Damietta.

The sample size was 300 questionnaires, which represents around 10 percent of the total number of shipments that GOEIC received in that month. Table III.1 shows the distribution of the total number of shipments received by GOEIC for January 2004 across the main ports.

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<sup>2</sup> Lack of access to data from customs records in Phase One prevented the analysis from covering all shipments coming into Egyptian ports and producing results that may be biased in the direction of longer time of release estimates. This reservation on results for Phase One has been handled in Phase Two and Phase Three below.

**Table III.1. Distribution of Shipments Received by GOEIC in January 2004 (% of Totals)**

	Alex	Dekheila	Damietta	Port Said	Ein Sokhna	Suez	Cairo Airport	TOTAL
Agriculture and Food	9.1	0	6.5	6.8	0.9	0.01	6.3	30.2
Manufactured Goods	22.8	13.2	4.3	15.4	5.5	0.01	8.3	69.8
Port Share in totals	31.9	13.2	10.8	22.2	6.4	0.02	14.6	100

GOEIC records showed the distribution of shipments to be two-thirds industrial goods and a third of agricultural and food products. This study maintains the same distribution for the sample. In addition, within these two groups, the commodities were drawn from six categories of goods that correspond to GOEIC's departments: under industrial these are mechanical and engineering, textiles and garments, glassware and building material. For agricultural and food products, the sub-groups are meat and dairy products, cereals and legumes, other agriculture products.

Distribution of value of shipments, however, shows that agricultural and food shipments represent two-thirds of the value of all imports, reversing the pattern of distribution of shipments between agricultural and industrial shipments. (Table III.2). This indicates the nature of agricultural shipments that are typically large in value, of one type of commodity subject to one set of inspection and thus considered one shipment for inspection purposes by GOEIC.

**Table III.2: The Distribution of Value of Shipments Received by GOEIC in January 2004 (% of Totals)**

	Alex	Dekheila	Damietta	Port Said	Ein Sokhna	Suez	Cairo Airport	TOTAL
Agriculture and Food	47.7	0	3.1	6.2	0.6	8.0	3.0	68.6
Manufactured Goods	16.6	6.2	1.0	3.8	3.0	0.1	0.4	31.4
Port Share in totals	64.3	6.2	4.2	10	3.8	8.1	3.4	100

A questionnaire form was developed that follows procedures at the border for the three main entities involved: ports, customs and the general organization for import and export control (GOEIC) (See Annex A). The procedures were checked and validated with freight forwarders in Cairo and Alex Port, thus ensuring that the main steps are recorded in the questionnaire to be filled by importers or their representatives.

In an effort to ensure that we ultimately received 300 completed questionnaires, we selected 450 shipments from GOEIC's records. These records were stratified by port weight

in total records, by type of commodity (agriculture or industrial). Contacts for importers were supplied by GOEIC's importers' registration department.

This survey questionnaire was administered by a survey firm to the selected companies. Importers filled the dates for different steps of release for a specific shipment, in order not to bias importer responses to cases that were delayed at the port. This additional requirement, ensured that not only importers are randomly selected, but also that repeat importers were not biased in selecting from all the shipments they received in the month under investigation.

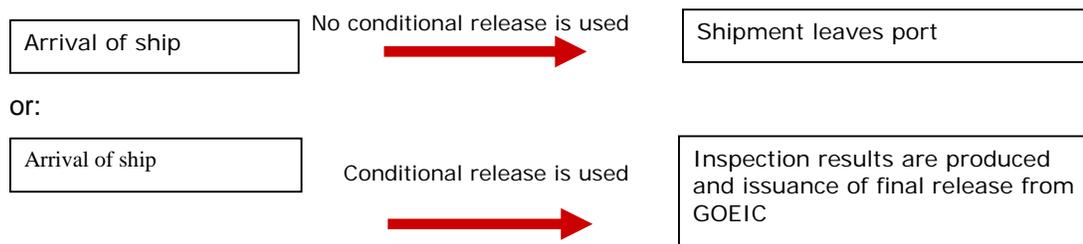
Due to some problems in locating addresses by field workers, and two instances of importers not willing to participate in the survey, only 289 questionnaires were filled. Out of the 289 questionnaires, seven were discarded because of incomplete or inconsistent information. Thus the results reported in Phase One are based on 282 completed questionnaires.

Cross checking against GOEIC records were performed for the questionnaires where the GOEIC time of release was longer than 15 days. These were around 45 cases and GOEIC records validated the delays for these shipments. In many these cases some treatment whether related to meeting labeling requirement, or to treatment required by the Ministry of Agriculture, or others was required.

### III.3. Definition of Total Time of Release

For the purpose of this survey, the total time of release is calculated as the time from ship arrival to one of the following: the date of physical release of shipment from port premises or the date of issuance of conformity certificate from GOEIC, when the importer relied on conditional release procedures.<sup>3</sup>

The following diagram clarifies the two possible scenarios estimated for total time of release, depending on whether or not the importer utilized the option of conditional release.

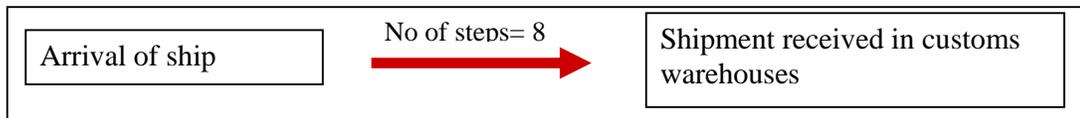


<sup>3</sup> Decree 515/2003 (article 11) allows importers to move and store shipment in warehouses outside ports until inspection results are final. Some conditions and procedure are required from importer while commodities are under conditional release. Importer is not allowed to use or sell commodity until he receives final release from GOEIC (inspection results). All customs procedures have to be finalized before goods are moved to importer warehouse.

At that time, three organizations were identified as responsible for aspects of the release process: the Port Authority, Customs, and GOEIC. Since then it has been recognized that other organizations, particularly warehouses and security agencies, play an important role as well. However, for the purpose of the first study procedures for those three organizations were studied in detail. The following sections define the beginning and end of the process for each of these organizations. These charts correspond to the averages presented in the results section of the report.

#### **A. Port Procedures**

For ports, the estimated average time required to complete port procedures is calculated as the shipment spends between arrival of ship and until it is received in the customs warehouses.



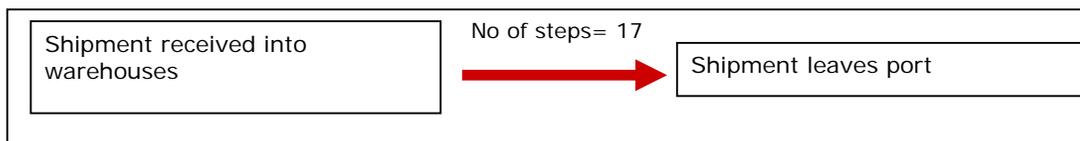
Three of the port steps relate to shipping agency transactions (some importers complete before ship arrival). The critical steps for port procedures focus on when the ship:

- Arrives at port
- Enters dock
- Starts unloading
- Finishes unloading

The last step for port procedures is when the shipment is received in warehouses.

#### **B. Customs Procedures**

For customs procedures, the calculated average time is based on the time a shipment spends from arrival at warehouses till release from port gates.



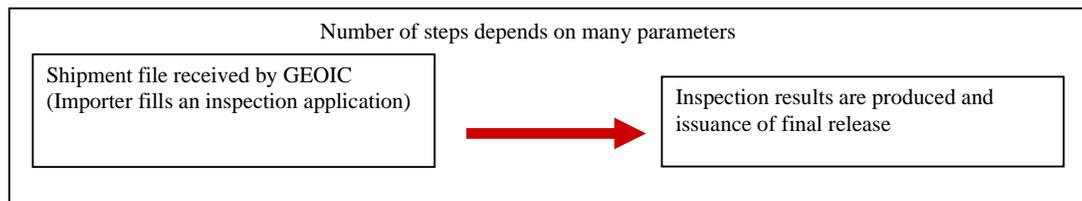
For Customs, the critical steps focus on:

- Shipment received in warehouse
- Registration in Record 46
- Customs inspection committee
- Verification of commodity type
- Tariff line assignment
- Verification of certificate of origin and commodity invoice
- Issuance of tariff invoice
- Payment of tariffs
- Shipment leaves port

Some steps were combined, as compared to those used in the TAPR survey. These combinations were a result of the recommendations of freight forwarders who indicated that some of the in-between steps vary significantly from one port to another and therefore should not be included in a multi-port questionnaire.<sup>4</sup>

### **C. GOEIC Procedures**

For GOEIC, the average time required for GOEIC procedures to be completed is calculated as the time between the importer filling an application for inspection, until the time of issuance of a conformity certificate from GOEIC. This latter date may be before or after release of the shipment from port gates, depending on whether conditional release is utilized or not.



Critical steps for GOEIC:

- Paperwork for conditional release
- Receipt of shipment file
- Identification of inspection committee
- Physical inspection
- Sample selection
- Sample delivery to lab(s)
- Issuance of lab results
- Issuance of conformity certificate

Some of the steps, especially those for inspection, are carried out simultaneously with customs steps. Importers, either to save time, or to ensure that they receive inspection conformity results, start GOEIC procedures, while finishing Customs procedures. This pattern is particularly important with respect receiving inspection results before payment of tariff bill. As a result, when estimating the total time of release, the total time does not equal the sum of the component agencies involved in the process of release.

For Phase One, the questionnaire included warehousing in the port in the segment of procedures covered by Customs estimated time. This component was separated later in Phase Three of the analysis. However, there seems to be multiple scenarios for

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<sup>4</sup> In early 2006, Customs Authority issued a unified set of executive regulations via a Ministerial Decree to Customs Law unifying all procedures of customs clearance across all Egyptian ports.

warehousing; public or private, and thus estimates for this part of the process still appear to require more scrutiny if policy recommendations are to be proposed in this area.

### **III.4 Main Results of Phase One**

Results of Phase One cover estimates of average time of release for each component of the process, in addition to information about inspection and fees details related to release procedures. Inspection procedures and fees, while they do not necessarily entail an extension of the time required for release of goods, can be considered as additional burden on the importer and consequently added cost in the whole process. Thus, the questionnaire asked importers on some details in these areas, such as fines for delays at the port, inspection fees charged by GOEIC, standards used in inspection, and others. The following subsections discuss time and non-time results of the survey.

#### **A. *Estimated Total Time of Release:***

The results of the survey depict an average time of release estimate at many levels. The most comprehensive definition that we use highlights the main point of the study which is the collective responsibility for the process for all agencies responsible for components of the process.

The overall time of release –from ship arrival and until either of the dates for final release is estimated to be 22.3 days. Thirteen percent of the total number of shipments cleared in 1- 7 days. Thirty-two percent of all shipments cleared in 8-15 days, 35 percent cleared in 16-30 days and 20 percent cleared in longer than 30 days. For around 44.3% of shipments this time is 15 days or less.

The overall average time of release is not the sum of averages for the three organizations because some of the procedures are conducted simultaneously. When splitting the overall time of release by agency, we find that, on average:

- port procedures require 6.6 days,
- customs procedures require 12.5 days,
- GOEIC procedures require 9.1 days.

Coverage of more than one port, contrary to previous studies, allows the evaluation of performance of ports that receive a large number of shipments such as Alexandria and Cairo Airport and smaller and newer ports such as Damietta and Ain Sokhna. Results by port are the following:

**Table III.3: Average Total Time of Release, by Port**

	Alex	Dekheila	Damietta	Port Said	Ein Sokhna	Cairo Airport	Overall
Total time of release:	<u>19.4</u>	<u>26.4</u>	<u>24.2</u>	<u>22.1</u>	<u>21.7</u>	<u>25.4</u>	<u>22.3</u>
Port	7.3	9.0	7.7	7.5	8.8	1.8	6.6
Customs	9.1	14.6	9.3	14.4	12.1	19.5	12.5
GOEIC	8.2	10.5	12.2	6.2	3.4	11.9	9.1

Separate estimates of time of release for industrial and agricultural shipments appear in Table III.4 and Table III.5, respectively. Differences are not significant for total time of release vs. industrial shipments while estimates for agricultural shipments are slightly lower. This result is an outcome of the limited amount of variation between industrial and agricultural shipments estimates and the relative importance of the number of industrial shipments in the sample and GOEIC population of records (close to 60 percent). They vary, however, in some cases such as the Alexandria average time of release for industrial shipments (5.7 days vs. 7.3 days overall). No, conclusion can be drawn from these variations.

**Table III.4: Average Total Time of Release for Industrial Shipments (166 shipments, 59% of sample)**

	Alex	Dekheila	Damietta	Port Said	Ein Sokhna	Cairo Airport	Overall
Total time of release:	<u>20.3</u>	<u>26.9</u>	<u>20.3</u>	<u>20.4</u>	<u>21.7</u>	<u>26.8</u>	<u>22.7</u>
Port	5.7	9.2	9.2	5.6	8.8	1.8	6.3
Customs	11.3	14.8	10.6	13.0	12.1	21.4	13.9
GOEIC	7.7	10.7	3.6	7.7	3.4	12.4	8.3

**Table III.5: Average Total Time of Release for Agricultural Shipments (116 shipments, 41% of sample)<sup>5</sup>**

	Alex	Damietta	Port Said	Airport	Overall
Total time of release:	<u>18.9</u>	<u>27.7</u>	<u>24.7</u>	<u>22.7</u>	<u>21.7</u>
Port	8.4	6.4	7.0	1.8	7.0
Customs	7.5	8.1	16.6	15.5	10.4
GOEIC	8.7	19.7	7.1	11.0	10.2

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When asked whether they exercised the conditional release option or not, results show that only around 35 percent of shipments benefited from the system, while 65 percent of shipments did not benefit from the system, despite the fact that the average total time of release or even the average port time is longer than the seven days that shipments are allowed to remain in ports free of charge. Whether or not this indicates that the relative cost of paying port fees is lower than the logistic complexity of relying on relying on the conditional release system is an issue worth investigation from the angle of whether fees are too low or from the angle of simplifying conditional releases managed by GOEIC.

We calculated averages for shipments benefiting from conditional release vs. those not using the system (Table III.6 and Table III. 7). Total time of release for shipments where conditional release is utilized is higher for overall estimates as well as estimates for individual ports in all but the Ein Sokhna Port. The same applies for the average time of release for the GOEIC component of the process. Whether these results support the hypothesis that importers adopting the conditional release option are less keen to complete their procedures compared with importers whose shipments remain at the port, or conversely, importers utilize the conditional release option in shipments that are expected to (and on average) take longer is not clear (cause and effect problem).

**Table III. 6: Average Total Time of Release for Conditional Release Cases (99 shipments, 35% of sample)**

	Alex	Dekheila	Damietta	Port Said	Ein Sokhna	Airport	Overall
Total time of release:	<u>24.4</u>	<u>35.1</u>	<u>28.4</u>	<u>25.4</u>	<u>16.7</u>	<u>34.6</u>	<u>27.6</u>
Port	6.4	9.1	5.3	7.2	6.7	2.3	6.5
Customs	10.6	19.8	8.1	13.9	6.3	19.1	13.1
GOEIC	13.6	15.1	22.0	9.3	5.3	18.4	14.1

**Table III.7: Average Time of Release for Non-Conditional Release Cases (180 shipments, 64% of sample)**

	Alex	Dekheila	Damietta	Port Said	Ein Sokhna	Airport	Overall
Total time of release:	<u>17.9</u>	<u>20.0</u>	<u>20.0</u>	<u>19.5</u>	<u>23.3</u>	<u>22.7</u>	<u>19.7</u>
Port	7.6	8.9	10.1	5.3	9.4	1.6	6.7
Customs	8.5	10.7	10.4	15.2	14.0	19.6	12.2
GOEIC	6.2	6.8	2.3	5.8	2.8	9.9	6.3

**Port Procedures**

Analysis of the time required to complete port procedures shows that 70.6% of shipments required 1-7 days in ports, and additional 19 percent complete the steps in ports in 8-15 days. Excluding shipments arriving via air, the distribution is similar but the magnitudes of the first two categories (1-7 days, 8-15 days) are smaller. (Table III.8).

**Table III. 8: Distribution of Port Time of Release:**

	<i>Total including airport</i>	<i>Maritime ports only</i>
1-7 days	70.6%	67.6%
8-15 days	18.8%	22.0%
> 15 days	8.9%	10.4%
1-15 days	89.4%	74.9%

**Customs Procedures:**

Variations exist across averages for different ports, whether for overall averages or for averages for customs procedures only. This pattern may be a function of the concentration of manufactured imports arriving at some particular ports (manufactured imports, on average, take longer in customs than agriculture and food imports).

For customs procedures, around 45 percent of the shipments in the sample completed customs procedures between 1-7 days. The percentage increases to 76.6 percent for procedures completed between 1-15 days (Table III.9).

**Table III.9: Distribution of Customs Time of Release:**

	cases	% of total
cases where customs released in 1 day	16	5.7
cases where customs released in 2-7 day	110	39.0
cases where customs released in 8-15 days	90	31.9
cases longer than 15 days	66	23.4
total cases recorded	282	
cases 1-15 days	216	76.6

The following table exhibits Customs estimated average time of release measured from time of registration in Record 46 to issuance of tariff invoice. This interval of procedures is that monitored by Customs records (See Section IV below).

The average number of days take to complete Customs procedures from registration in Record 46 and issuance of invoice for various ports is 8.3 days (Table III.10). But as can be expected variations across ports exist. The highest average was at the Airport office, with Damietta showing the smallest average time for this interval of Customs procedures.

**Table III.10: Customs Average Time of Release: Registration in Record 46 to Issuance of Invoice:**

Port	Ave # of days	cases
Alex	6.5	94
Dekheila	8.1	26
Damietta	4.8	28
Port Said	8.4	57
Ein Sokhna	10.5	10
Airport	15.7	33
Overall	8.3	249

Within this interval of Customs procedures, Table III.11 shows the time interval between each of the main steps and the one before it. Thus, for example the difference between registration in Record 46 and verification of commodity type is 4.1 days on average. Similarly, the average time between verification of commodity type and tariff line assignment is 2 days and so on. This, obviously does not mean that then end-period step requires the full amount of average calculated, it only shows the time-distribution of critical steps in the customs segment of procedures.

**Table III.11: Break-up of Customs Procedures by Critical Steps**

Critical steps in customs focus on:	Ave # of days	cases
1. Verification of commodity type	4.1	146
2. Tariff line assignment	2.0	20
3. Verification of certificate of origin and commodity invoice	4.7	60
4. Issuance of tariff invoice	5.0	76

***GOEIC Procedures:***

For GOEIC, sixty-two percent of cases completed GOEIC procedures in less than a week, and 85 percent of cases completed GOEIC procedures in 1-15 days. For inspection procedures at GOEIC, average time for conducting inspection for food and agriculture is less than the average time for manufactured goods.

Under GOEIC comes all the inspection agencies for which GOEIC should be the front office, as per Presidential Decree 106 that unified inspection under the umbrella of GOEIC. These agencies, however, continue to conduct their inspection as per various regulations including the food inspection, SPS regulations from the Ministry of Agriculture, and others. When asked about the procedures for inspection and the estimated time to

complete lab inspections by various agencies, many importers were not able to complete this information indicating their unfamiliarity with what goes behind GOEIC.

For those respondents who answered this section of the questionnaire, the results of their responses are reported in Table III.12. The total number of questionnaires used in calculating these averages is small (138 cases) Around 50% of those were sent to GOEIC labs as industrial commodities, the remaining majority of the rest of the samples were sent to Ministry of Health and Ministry of Agriculture labs, as per the requirements of regulation 1186, Executive Regulations to Presidential Decree 106.

**Table III.12: Estimated time of Inspection Agencies Under the Umbrella of GOEIC**

Average time required for lab inspection is 10.2 days (138 cases)		
Lab	days	cases
MOHP central labs	8.0	32
Local MOHP labs	8.7	14
Nutrition Institute labs (MOHP)	1.7	3
Central Lab for Food and Feed (MOA)	11.0	7
GOEIC (75% industrial products)	12.3	65
EOS	4.0	5

121 cases were subject to physical inspection only (73% of industrial cases). For these cases average GOEIC time (file received-final release) is 3.5 days.

**B. Responses Not Related to Time of Release**

Questions were included in the questionnaire that did relate directly to time estimates. These included questions that covered areas such as inspection against Egyptian standard or international standard, the fees charged for inspection, etc. Only 95 respondents (out of 282) answered the question on whether Egyptian standards were applied to their imported consignment. In 64 cases Egyptian mandatory technical regulations were used, in 27 cases an international standard was used and in 4 cases an Egyptian (voluntary) standard was used.

Inspection fees represent on average 1.9% of shipment value, or LE 2,300. While this cost is reasonable, on average, it varies significantly because of the fact that inspection fees relate explicitly to the size of the shipment. (Inspection fees are stated as a fee per unit of weight, count, etc. of the shipment.) The issue of inspection fees relating to the value of the shipment is problematic and has to be revisited by GOEIC. The introduction of fee-for-service principles and importers being charged the cost of conducting the test plus an

overhead percentage for GOEIC administration will move GEOIC closer to economic management of labs and better management of investment in lab equipment, thus addressing importers' problems with delays, etc.

It was not clear from importers' responses how these fees were split between GOEIC and other agencies such as the Ministry of Health, Ministry of Agriculture, etc. It is likely that importers will not know the decomposition of these fees and which agency receives them. Efforts to enhance coordination among inspection agencies on which test will be conducted and the economic cost of conducting test rather than the percentage of value charge is necessary to ensure the economic sustainability of inspection agencies.

Importers were asked about whether fees changed when international standards were used rather than Egyptian standards. Eighty percent respondents say that inspection fees do not change according to standard used (Egyptian vs. foreign). This issue is important in ensuring that importers who prefer to inspect against international standards (as per Ministerial Decree 180/1996) are not discriminated against. However, if fee-for-service principles are introduced then the cost of purchasing international standards for inspection agencies will have to be addressed.

We also asked importers whether they provided conformity certificates from country of origin as allowed for industrial goods as per the Import/Export executive regulations. Only 67 cases of the 166 industrial shipments provided these certificates. Of those only 23 cases (40%) resulted in physical inspection only. The cost issue of acquiring conformity assessment results from country of origin relative to fees charged by GOEIC, and the risk of GOEIC not accepting the results are the primary factors behind the limited reliance on this option despite its expected impact on reducing the time of release of shipments at the port.

### ***C. Obstacles and Recommendations, as Collated from Survey Results***

The questionnaire contained questions to importers or their representatives about the main obstacles/problems they face with respect to clearing goods. Annex A has the main areas of concern/problems and the frequency of mentioning the problem in the results of Phase One. Attached to each problem/concern is the team's proposed solution/policy recommendation. This question was also included in the questionnaire of Phase Three. Problems and recommendations from Phase Three appear in Annex B.

The main obstacles from both surveys, however, relate mainly to inspection requirements and the several agencies in the process. Additional problems relate to customs valuation, assignment of tariff line, requirement of catalogues and other documents in the

process. Labelling and verification of origin and delays in manifesto arrival were also mentioned.

***D. Action Plan Developed for Reducing Average Time of Release***

An action plan was prepared with the purpose of adopting policies that meet the target of reducing GOEIC time of release average to three days and accomplish the following:

- simplify conditional release procedures (FTS)
- limit standards and technical requirements for industrial products to areas of safety, health and environment (EOS)
- Expansion of white list principle (include retailers as well as producers, Egyptian and foreign suppliers)
- Expanding acceptance of country of origin conformity certificates
- Accepting international marks of quality/conformity
- Adoption of risk management principles, with strict penalties for failure to comply

***E. Collective Positions Reached among Customs, GOEIC and FTS to Reduce Average Time of Release- March 2005***

**First: Legislation:**

1. Regarding Law 118/1975 on Import and Export, that represents the major legislation governing foreign trade activities, it has been agreed to postpone possible modifications, despite consensus on the fact that many articles of the law are inconsistent with current economic environment and objectives of the country. The basis for the decision to postpone changing the law, however, is the expectation that the process of drafting a new law, referring it to the People's Assembly, discussion in the Assembly and the rest of the process is a lengthy process that is better suited for a medium to long term objective.
2. Special activity laws such as Law no. 10/ 1966 on Food Regulation, Law no. 44/1955 on Health Quarantine, Law no. 113/ 1962 on the Regulation of Import, Manufacturing and Trade in Pharmaceuticals, and other related legislations are not consistent with the provisions of Law no. 118/ 1975 on Import and Export. Therefore, it is envisioned that the proposed 'foreign trade law' must address all issues related to foreign trade and should override or annul all provisions related to foreign trade that are currently addressed in these special activity laws.
3. The principle of "fees for service" and the associated idea of converting GOEIC into an economic authority in order to be more independent in setting inspection fees, investments decisions in labs and other capital equipment were raised as a necessary

change in the structural framework for GOEIC operations. In order to fully accomplish such a change, fundamental modifications will be needed and complex legislative issues must be addressed. This task has been perceived as a medium to long term target. Several procedures, however, can be implemented in the meantime to direct GOEIC towards accomplishing the transformation in the long run.

**Second: Executive Regulations for the Import Export Law (Ministerial Decree no. 275/1991):**

1. Participants agreed to work together, in the short run (3 months) on updating the executive regulation in conformity with Egypt's current economic orientation. This should be done through laying the framework and the vision governing the modification and how the executive regulations will serve as a tool for the implementation of Egypt's foreign trade policy vision. The framework will be presented to the business community to get their feedback and comments – in line with the guiding framework- and then a draft executive regulation will be presented to the business community and associations.

2. These principles are the following:

**A. Egypt's commitment under international agreements**, especially commitments related to "countries not being allowed to use foreign trade regulations as tools to restrict trade", will govern drafting of the new regulations. Therefore, specifications, inspections and other related measures stated in the regulation should focus on health, safety and environment considerations. Measures to protect Egyptian industries from unfair competition in trade will be implemented through legitimate channels granted to Egypt under various international agreements. These mechanisms include protecting the economy from unfair trade practices (such as dumping and subsidies), the option to impose safeguards, and reliance on mechanisms to verify origin of goods benefiting from preferential trade agreements. Protecting Egyptian industry from trademark infringement must also be enforced through the application of border measures (a TRIPS Agreement obligation, as well as an obligation under Egypt's Intellectual Property Rights Law).

**B. Trade facilitation is a primary objective that underlies the new regulation** and this objective is the necessary principle that will allow the Egyptian economy (and foreign trade) to be further integrated in the global market. Articles of the new regulation will be evaluated in the context of their contribution toward serving this objective.

**C. Risk management principles** will be adopted as the framework underlying the choice of commodities subject to inspection, the frequency of inspections, and tests

to be utilized to verify conformity. This applies to GOEIC and all other agencies responsible for conducting inspections. Coordination mechanisms among agencies conducting inspection will enhance the information base (and parameters) utilized in risk management with the objective of facilitating trade. In the time being – until other laws are changed- risk management mechanisms will have to be developed within the framework of existing laws and regulations.

**D. Transparency in the application of all import-export regulations is a priority.**

It has been agreed that simplification of procedures will be a major factor toward achieving transparency and the reduction of the scope of “discretionary behavior” in implementation. Also, transparency serves to grant employees at the border the necessary protection against prosecution if they make a particular decision within their scope of responsibility.

**E. Reduction of the number of goods listed on Annex 8:**

It was agreed that this must be an objective in the near future. The approach to this reduction – it was proposed- relies on grouping commodities into sub-groups such as agriculture and food and then separating essential requirements in food and agriculture form “guidelines requirements” as separated in the new harmonized EOS standards.

**F- The introduction of the principle of “fee for service” in the determination of inspection charges.**

Moving toward this principle to enable GOEIC to expand its ability to provide services demanded (voluntarily) by importers and exporters interested in conformity certificates in private contractual arrangements.

**G- Reliance on coordination mechanisms among agencies involved in foreign trade regulations.**

In the meantime, and until laws are changed, the new executive regulation will rely on coordination mechanisms that facilitate release of goods until legislative changes are implemented in the medium and long term.

**H. Promotion of Egyptian exports.**

All parties agreed that provisions of the new executive regulations should not contradict or limit Egyptian exports to grow.

**Third: Ministerial Decree no 130/2005 and regulatory tests for conformity assessment regarding imports:**

The representative from EOS presented the main features of Ministerial Decree no 130/2005 on the separation of essential and ‘guideline’ requirements in food and agricultural standards. Two fundamental issues have been addressed, namely:

- A) The competence of the Minister of Foreign Trade with respect to the standards to be used in import inspection (Egyptian or others). The question is whether EOS

mandatory standard (or part of standard) is binding to both imports and local production or conversely, if it is only binding to local production.

- B) GOEIC's treatment of requirement stipulated in EOS standards if they are related to requirements only verifiable during the production process as opposed to requirements verifiable in the final product subject to conformity assessment. Cooperation with the Egyptian Organization for Standardization and Quality Control is underway with the aim of specifying cases where that pattern appears and determination of critical tests in the standard (to be applied on imports as final products at the border) in GOEIC's conformity assessment.

**Fourth: Coordination between the Ministry of Foreign Trade and the Customs Authority in setting risk management parameters and principles:**

- 1- This issue has been discussed in the context of introducing to GOEIC and the Customs Authority risk management schemes in other countries and assisting them in identifying the parameters that will be utilized in evaluating risk associated with different shipments (customs evasion risk and conformity assessment risk).
- 2- Mechanisms will have to be developed to assist GOEIC and Customs to share data and information. GOEIC will contribute to the system inspection results, Customs Authority will share data on practices related to tariff evasion, circumvention of rules of origin, attempts to manipulate preferential trade agreements to fraudulently benefit from duty-free entry, or manipulation to take advantage of temporary admissions and tax rebates schemes. The Anti-Dumping and Subsidy Department will contribute parameters related to the application of dumping duties. Data will be available to (shared by) the above mentioned authorities for use in assessing the magnitude of risk involved in different aspects of their work.

The Ministry of Foreign Trade and the Customs Authority agreed to conduct a survey that relies on a larger sample (600 questionnaires) for the year 2005. The sample will rely on a bigger sample (size to be determined) that is drawn from customs (rather than GOEIC records), with the possibility to check responses against official records kept by the Customs Authority for verification of information submitted by importers.

From this section we can trace the developments that happened between drafting of the action plan and the time of writing this report and the team's evaluation of whether these activities are sufficient to meet targets of reducing the average time of release to 3 days.

#### **IV. Phase Two: Analysis of Customs Computer Center Data (Shipments Cleared in March 2005)**

For this phase, work was conducted in cooperation with Customs Information Center (CIC). It represents the population of records maintained in CIC on regular basis.<sup>6</sup> Section IV. 1. highlights the main features and distribution of the dataset and the characteristics of certificates and shipments that arrived in Egyptian ports in this month. Section IV.2. analyzes time of release indicators for the population of all certificates cleared in March 2005. After the analysis of the information from the CIC data set we evaluate the quality of coverage of the CIC dataset relative to records kept by various Customs departments at different ports. Issues about the comprehensiveness of these records were raised by various Customs officials. Section IV.3 addresses this issue.

##### **IV.1. Characteristics of the CIC Dataset**

The Customs Information Center records information on shipments received in various ports and follows indicators such as certificate number, the tax ID number for the importer, the Port (and complex), CAPMAS classification of the goods according to categories of processing such as capital, intermediate, raw material, consumer durable or non-durable. Records all include the program of release, such as temporary admissions, free zones, and final release.

In addition to identifying information on the shipment records, the CIC monitors two critical dates for each shipment: 1) the date of recording in Register 46 (when all documents necessary for customs records were submitted by the importer or his/her representative and 2) the date at which the fees invoice has been issued by Customs. This is when the importer can pay tariff due and receive a release of his goods, if no action is still required by GOEIC or some other control agency. CIC records entries by the Harmonized Tariff Code for commodities (HS), as a result one shipment can have more than one entry if the shipment contains various commodities that fall under different HS codes.

CIC submitted to the team records for all shipments with invoices that were issued in the period between March 1<sup>st</sup> 2005 and March 31<sup>st</sup> 2005. The total number of these entries is 43,359 records. The following section highlights the distribution of these records by port/complex recorded in the CIC records. Table IV-1 shows the contribution of Cargo Village and other Cairo Airport Customs as well as Alexandria, Dekheila and Amereya Customs, together with Port Said in the total number of records reaching over 85% of the total number of records.

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<sup>6</sup> This work was conducted in July – August 2005.

**Table IV-1: Distribution of CIC Records/Certificates for Shipments Cleared in March 2005, by Port/Customs Complex**

Port/Complex	Records		certificates	
	%	numbers	%	numbers
Cargo Village-Cairo	18.52	8,030	19.31	4298
Central Department for Alex Customs	17.71	7,680	15.84	3527
Port Said Customs	15.96	6,920	12.79	2848
Swiss Air- Cairo Airport	11.46	4,970	10.50	2337
Dekheila Customs	10.48	4,546	12.74	2835
Ein Sokhna Customs	9.02	3,913	7.20	1602
International Airlines- Cairo Airport	6.28	2,724	7.16	1593
Suez Customs Department	1.97	856	3.82	850
Model Tax Center- Nasr City	1.63	705	2.15	478
Damietta Customs	1.54	669	2.06	458
Nowabaa' Customs	1.42	617	2.22	494
Amereya Customs Department	1.08	469	0.62	139
Alex Airport Customs	0.70	302	0.68	152
Saudi Airlines-Cairo Airport	0.64	279	0.74	165
Odaybeya Customs	0.51	219	0.93	208
Safaga Customs	0.46	198	0.64	143
Temporary Admissions- Airport	0.25	109	0.37	82
Suez Free Zone	0.19	83	0.14	31
Arish Customs	0.08	33	0.07	16
Free Zones	0.06	27	0.04	10
Temporary Admissions- Dekheila	0.02	10	0.03	6
Total	100	43,359	100	22,261

When classifying these records according to the categories of goods (raw materials, intermediates, etc. ) we noticed that 75% of all records belonged to either the intermediate or capital goods categories, while records classified as consumer goods (durable or non-durable) constituted only around 23% of total records, highlighting the importance of reducing time of release as a cost imposed on manufacturing in Egypt (Table III-2). In addition all certificates included at least one record of intermediate, raw materials, or capital goods.

When classifying certificates by clearance program, certificates cleared as final release represent 94% of total certificates released during the Month of March 2005. This indicates the limited application of special programs such as temporary release or duty drawback or even importation under free zone programs. The analysis of Phase Three, as result focused on certificates cleared under final release only, taking into consideration the prevalence of this program as well as the possible delays that other programs such as duty

draw back or temporary admissions may have on estimates of time required to release shipments.

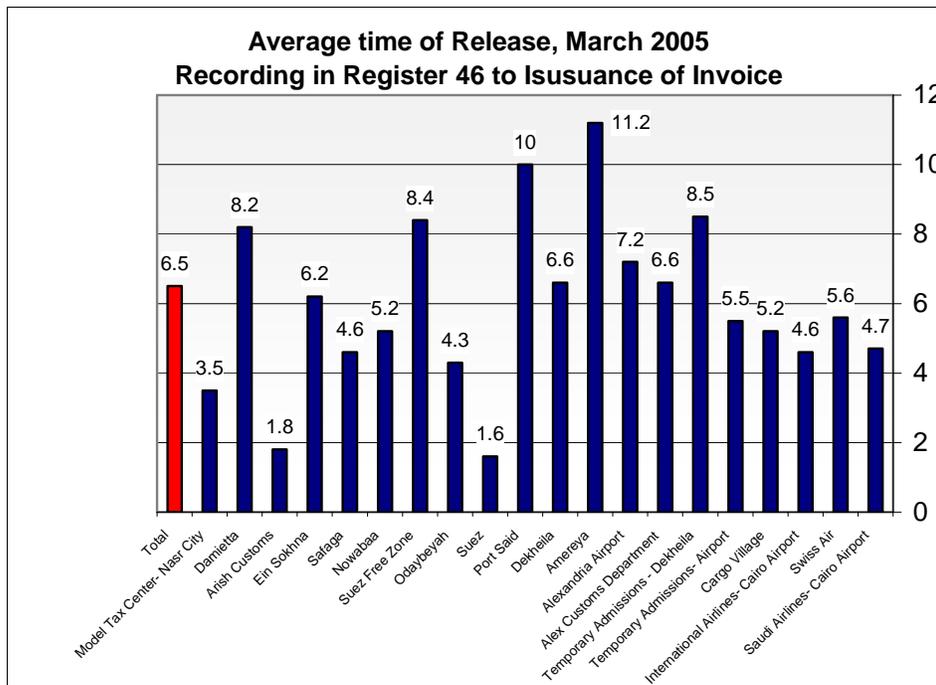
**Table IV-2: Distribution of Records by Categories of Goods**

Commodity Category	Number of records	%
Intermediate goods	22503	51.90
Capital goods	10507	24.23
Consumer non-durable	6839	15.77
Consumer durable	3149	7.26
Raw materials	326	0.75
unclassified	20	0.05
fuel	15	0.03
Total	43359	100

**IV.2. CIC Time of Release Averages**

Estimates of time of release averages for March 2005 indicate that the overall average is 6.5 days with averages for individual ports/complexes ranging from 1.6 days for Suez to 11.2 for Amereya (Figure IV. 1).

**Figure IV.1.: Average time of release, March 2005.**



The mode for the data set is 4-7 days, where thirty-two percent of certificates cleared in March 2005. An additional 20 percent of all certificates cleared in 8-15 days, while 12

percent of certificates complete all steps in one day. Sixteen percent of certificates cleared in two days and 14 percent cleared in three days. Five percent of all certificates cleared in 16-30 days, while the remaining 1.3% cleared in more than 30 days (Table IV.3).

In terms of averages at the port level, the Table shows that the column 4-7 days represents the modal interval for most Customs sectors, with some exceptions such as the Model Tax Center, Arish etc. Yet the relatively small share of these sectors in the total number of certificates reduce any impact their averages have on overall averages. Thus, from the CIC records, the picture still appears to be that either at the overall, or even at the single port level, the majority of certificates at most ports clear in the period under 15 days (76 percent), with a concentration in the 4-7 days group.

**Table IV.3: Frequencies of Certificates Clearing in a Day to over 30 Days.**

Customs/Complex	Time of Release- Record in Register 46 to Issuance of Invoice							Total
	One Day	Two Days	Three Days	4-7 Days	8-15 Days	16-30 Days	More than Days	
Alex Customs Sector	174	773	1006	2782	1489	348	70	6642
%	2.6	11.6	15.1	41.9	22.4	5.2	1.05	100
Cargo Village -Cairo	691	1008	674	1126	580	173	46	4298
%	16.1	23.5	15.7	26.2	13.5	4.0	1.1	100
Total International Airlines	843	864	560	971	663	139	55	4095
%	20.6	21.1	13.7	23.7	16.2	3.4	1.3	100
Port Said Sector	31	203	379	748	1009	391	87	2848
%	1.1	7.1	13.3	26.3	35.4	13.7	3.1	100
Suez Sector	715	381	103	361	143	17	6	1726
%	41.4	22.1	6.0	20.9	8.3	1.0	0.3	100
Ein Sokhna	43	176	253	751	301	65	13	1602
%	2.7	11.0	15.8	46.9	18.8	4.1	0.8	100
Model Tax Center- Nasr City	160	120	70	83	29	13	3	478
%	33.5	25.1	14.6	17.4	6.1	2.7	0.6	100
Damietta Customs	1	30	67	203	114	32	11	458
%	0.2	6.6	14.6	44.3	24.9	7.0	2.4	100
Temporary Admissions- Airport	0	12	29	26	9	6	0	82
%	0							
Arish Customs	9	4	2	1	0	0	0	16
%	56.3	25.0	12.5	6.3	0.0	0.0	0.0	100
Free Zones	0	0	0	0	1	0	9	10
%	0							
Temporary Admissions Dekheila	0	0	0	3	3	0	0	6
%	0	0	0	50	50	0	0	100
Total	2667	3571	3143	7055	4341	1184	300	22261
%	12.0	16.0	14.1	31.7	19.5	5.3	1.3	100.0

Notes: - Alex Customs Sector comprises Alex Customs, Mahmoudia, Alex Airport, Amereya, Dekheila, Saloom  
 - Total International Airlines comprise Saudi Air, Swiss Air, International Airlines  
 - Suez Sector comprises Safaga, Odaybeya, Suez Free Zone- Nowabaa (excluding Ein Sokhna)

This analysis, while comprehensive in terms of covering all shipments recorded in the computer center at customs, it still has two drawbacks which justified the need for sampling in Phase Three discussed in Section V of this paper, these drawbacks are:

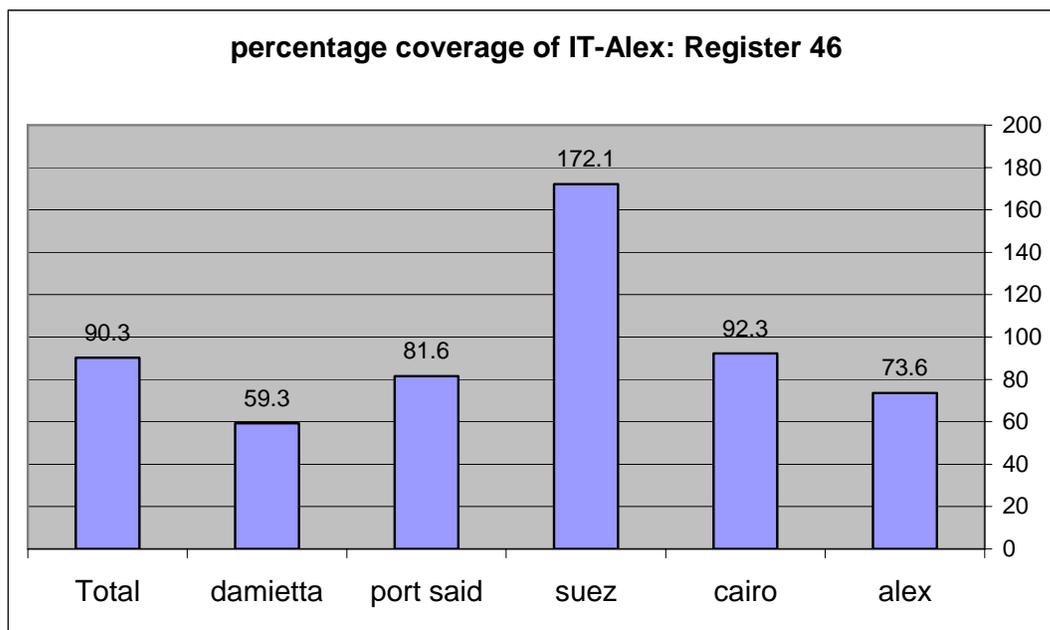
1. The dates only cover the interval of the process from declaration in register 46 till issuance of invoice. Pre-declaration entities, details of inspection of procedures, and other details are not clear from the data.

2. Doubts exist in the Egyptian Customs Authority concerning the comprehensiveness of CIC records.

The first drawback will be addressed in Phase III through conducting a field questionnaire to importers. The magnitude of the second drawback is discussed in Section IV.3.

### IV.3. Coverage of CIC Records

The overall coverage is in terms of numbers of certificates. It appears that while coverage varies from one port to another, the overall coverage is over 90 percent which is reasonable. Furthermore, coverage, for Alexandria and Cairo (the two main ports in terms of numbers of certificates), coverage is acceptable for Alex and very reasonable for the Airport. Estimation of average time of release from a sample of port records and comparison of these estimates with the population of the CIC dataset.



Using CIC records, overall average is 25 % larger (6.5 vs. 5.2 days from the sample from customs offices). For Damietta, the CIC average is 50% higher. For Alex and Mahmoudia the averages are comparable and for Cargo Village CIC average is 16 percent higher.

An attempt was made to cross check individual certificate numbers, but for classification differences and for reasons of continuous update, the CIC records certificates that were issued invoices in a particular period, while ports record certificates by date of registration in Record 46. All these discrepancies are expected to disappear once automation of customs field offices is generalized.

When Customs expands its risk management policies beyond the big accounts department, there will be a need to improve the quality of their data and the history of clients. Similar information will be needed as parameters in Custom's risk management strategy. No substantial progress will be made without serious attention to the issue of Customs records. Coverage of details of procedures for policy analysis purposes will and should not be covered in computer records. Periodic surveys will always be needed.

Because the information required is not recorded for all shipments, a sample needed to be drawn from Customs records at various ports to use its results as estimates for the population variables until Customs collect his information. If the detailed information is not collected by Customs, then the exercise of conduct an annual survey will be necessary to get better insights on policy areas that need to be addressed. This exercise will be required in addition to total times collected and generalized to customs offices.

## **V. Phase Three: Importers Survey Supplemented with Customs Records**

This phase of the analysis aims to accomplish a number of objectives, including:

1. Updating estimates based on the survey for January 2004 shipments for 2005
2. Ensuring that shipments that GOEIC does not inspect are taken into consideration, thus records were drawn from Customs documents. (GOEIC records cover between 50-75 percent of all shipments passing through Customs.)
3. Separating the role of port-warehousing-customs in the pre-recording in Register 46
4. Assessing the role of inspection by security agencies in addition to the role of GOEIC in adding to the time required to release shipments
5. Additional objectives include assessing the coverage of Customs records for total times of release

The analysis in this phase followed two parallel routes:

- 1- Reliance on documentation of various dates from customs records for the Customs interval of the process
- 2- Reliance on a field survey for the same sample of shipments to estimate the total time of release and estimate time of release for intervals of the process not documented in Customs records.

Section V.1 reports on results of the first route, Section V.2 reports on results of the second route and Section V.3 analyzes patterns of consistency or contrast in the results for the Customs interval results from both sources.

### **V.1. Customs Time of Release Estimates Calculated From Customs Records**

The following procedures were followed in performing this portion of our analysis.

- Customs files for the month of March 2005 were collected from all ports at the Customs Complex level. (34,000+)
- Customs officials from these ports filled information on a sample of 1050 shipments during December 2005 to February 2006. The information kept in Customs records covers the period between registration in Record 46 till release from port gates.
- Ports included in the survey represent around 97 percent of all shipments/certificates passing through Customs offices nationwide. These ports are Alexandria, Mahmoudia, Cargo Village, Express Mail, Suez, Port Said, Damietta. The total number of customs complexes is 34 complexes.
- The sample was stratified by the share of each port in the total number of certificates recorded in March 2005 and sub-stratified by the Customs complex within the port, which typically is associated with a category for shipments/certificates.
- The sample selected from Customs records for purposes of analyzing time of release consisted of 1050 shipments. 977 questionnaires were completed, representing 93 percent of the total number requested.
- By randomly checking information from the sample against random certificates from the Computer Center data, no systematic bias appeared in the information collected at each port.

Table V.1 presents estimated average time of release for various ports. Overall, shipments clear in 5.2 days, on average. Express mail shipments clear in an average of 2 days, while other port averages range between 7.4 days for Port Said and 4.5 days for Cargo Village at Cairo Airport. As can be expected, the overall median and medians for individual ports are smaller than means, indicating the presence of outliers that represent problematic cases. The significance of Cargo Village and Mahmoudia (32% and 23% of population and sample, respectively) point to the significant impact reductions in average time of release in these two ports can have on overall averages.

**Table V.1: Estimated Average Time of Release, Customs Records**

948 observations- Registration in Record 46 to Release from Gates

Customs	Observations number	%	Mean (days)	Median (days)
Alexandria	92	9.7	6.5	6
Express Mail	134	14.1	2.0	1
Suez	79	8.3	5.5	3
Mahmoudia	220	23.2	6.5	5
Port Said	89	9.4	7.4	3
Damietta	28	3.0	5.3	4
Cargo Village	306	32.3	4.5	2
Overall	948	100.0	5.2	3

Behind these averages, as expected, are patterns of distribution of shipments that were released within 2 days, 3-6 days, 7-10 days, 11-19, 20 or more. Table V 2 presents results at the overall and individual port level. Overall, 76 percent of all shipments are released in 6 days or less. This varies slightly across ports as presented in the table, but the

general pattern is consistent across ports, with the exception of express mail where the percentage rises toward shorter times for obvious reasons.

**Table V.2: Percent of Shipments Released in Selected Time Intervals %**

Port/ Time	Overall	Express Mail	Cargo Village	Suez	Damietta	Port Said	Alex	Mahmoudia
in 2 days	42.2	82.1	55.5	48.1	32.1	39.3	14.1	11.4
3-6	34.4	15.7	27.8	35.4	39.2	32.6	44.5	50.5
7-10	12.8	1.0	6.9	6.3	17.9	9	25.0	26.3
11-19	8.6	1.0	8.2	6.3	7.1	14.6	15.2	10
20 or more	2	1.0	1.6	3.8	3.6	4.5	1.1	1.8
Total	100	100.0	100.0	100	100	100	100	100

Because both importers and Customs officials perceive GOEIC inspection and security inspection to be responsible for delays on the part of importers to complete customs procedures in time, we recorded whether shipments were inspected for either compliance with standards (by GOEIC) or security. Of the total records where such information was available, 44 percent of shipments were inspected for security purposes, while 53 percent of shipments were inspected for conformity with standards basis.

Then the question was whether the estimated average time of release changed for shipments that were subject to either inspection. Table V.3 presents the results and indicate that on average, inspection by either agency added around two days to the estimated time required to (simultaneously) complete customs procedures for GOEIC and to (sequentially) receive security clearance.

	Yes	No
GOEIC	6.4	4.1
Security	6.2	4.2

Whether some ports face more inspection than others. Table V.4 shows that Mahmoudia Port receives the largest percentage of shipments that require GOEIC inspection (38.5% of total shipments inspected by GOEIC) followed by the Cargo Village. As for inspection by security agencies, Mahmoudia again leads by 46.8% followed by Port Said (19% of the total number of shipments inspected for security purposes) and Alexandria following with 13.2% of the total.

	GOEIC		Security	
	Observations	%	observations	%
<b>Port</b>				
Alex	53	11.8	46	13.2
Mahmoudia	173	38.5	163	46.8
Suez	14	3.1	36	10.3
Port Said	49	10.9	66	19.0
Damietta	21	4.7	14	4.0
Cargo Village	98	21.8	22	6.3
Express Mail	41	9.1	1	0.3

**Table V.5: Distribution within Ports of Shipments Subject to Inspection: GOEIC and Security Agencies**

Port	GOEIC				Security			
	yes	no	N/A	Total	yes	no	N/A	Total
<b>Port</b>								
Alex	52.5	42.6	5.0	100.0	45.5	43.6	10.9	100.0
Mahmoudia	78.2	21.8	0.0	100.0	72.4	26.7	0.9	100.0
Suez	17.5	72.5	10.0	100.0	45.0	21.3	33.8	100.0
Port Said	54.4	36.7	8.9	100.0	73.3	15.6	11.1	100.0
Damietta	75.0	14.3	10.7	100.0	50.0	46.4	3.6	100.0
Cargo Village	30.9	38.2	30.9	100.0	6.9	52.1	41.0	100.0
Express Mail	30.1	69.1	0.7	100.0	0.7	97.1	2.2	100.0
<b>Total</b>	<b>46.3</b>	<b>41.1</b>	<b>12.6</b>	<b>100.0</b>	<b>35.6</b>	<b>45.5</b>	<b>18.8</b>	<b>100.0</b>

Again, it appears that the inspection burden on Mahmoudia Port is relatively higher compared to other ports; 78% of all shipments passing through Mahmoudia Port are inspected by GOEIC and 73% are inspected by security agencies. Express Mail, as can be expected, is the port subject to the least inspections by either agency. For the remaining ports, variations appear depending on the composition and source of shipments that are typically received by the respective port.

## **V.2. Field Questionnaire to Importers**

The questionnaire focused only on dates and excluded questions related to standards, fees and other issues included in Phase One. The rationale for this was that the first exercise shed light on these policy issues and no significant changes in policies occurred to justify asking importers about them a year from the previous survey.

In moving to the survey, the original Customs sample of 1050 shipments was reduced by removing all shipments that belong to individuals and those with limited contact information. Ultimately we sought to obtain questionnaires relating to 840 shipments from 750 companies.

Poor quality of addresses, relocation, etc. produced results for only 534 questionnaires that are distributed consistently with the original distribution of shipments across ports. Despite the high percentage of certificates that we were not able to cover in the importers' survey, the distribution of final sample across ports was not biased. In other words, there was no bias in missing certificates to affect the any o the port's share in the sample.

**Table V.6: Distribution of Sample for Importers' Survey**

	Sample for Importer's Survey			Sample from Port Records	
	obs.	%		obs.	%
Alex	96	18		105	11
Express Mail	61	11		150	15
Suez	23	4		80	8
Mahmoudia	124	23		226	23
Port Said	34	6		93	10
Damietta	15	3		30	3
Cargo Village	181	34		366	37
	534	100		1050	100

To be consistent with Phase One, total time of release covers the time from ship arrival until either goods are released from port gates or until GOEIC issues conformity results, which ever is later. Warehousing is included as a separate section between port procedures and customs procedures to gauge for possible gaps in the process that is not accounted for by either port or customs procedures.

The following represent the start and end of procedures for each agency: Port, Warehouses, Customs, GOEIC.

**1- Port procedures:**



**2- Warehousing procedures:**



**3- Customs procedures:**



#### 4- GOEIC procedures:



Points of note with regard to the data reported below:

- Both warehousing and GOEIC procedures intervals run parallel with customs procedures. Thus, as in Phase One the sum of all components is larger than the total time of clearance.
- The fieldwork for the survey was conducted in the June, July, and August 2006. The questionnaire used appears in Annex E and the following are the main results<sup>7</sup>:
  - o Overall total time of release is estimated to be 14 days.
  - o The shortest average time of release was for Express Mail (6 days) and the longest average was for Suez (18 days) closely followed by Mahmoudia and Port Said (17 days).
  - o These averages are significantly shorter than estimates for 2004 as a result of two reasons related to better coverage of this sample. The first reason is the use of customs records from which to draw the sample. Thus, these results are more representative of all shipments. Also, this sample includes Express Mail shipments which are typically handled faster. While the two reasons combine to produce the smaller overall estimate (from 22 days to 14 days), the first reason impacts reductions at the individual port level (for example, for Alexandria, the estimated total time of release fell from 19 days in January 2004 to 15 days in March 2005).
  - o Actual improvements and changes between 2004 and 2005 and their impact on depicting change in average time of release will be discussed when we analyze estimates for the sub-sample that was inspected by GEOIC (a sample that is comparable in coverage to that used for Phase One).

**Table V.7: Average Time of Release: Overall Sample (534 observations)**

	Alex	Express Mail	Suez	Mahmoudia	Port Said	Damietta	Cargo Village-Cairo	Overall
<b>Total time of release:</b>	<b>15</b>	<b>6</b>	<b>18</b>	<b>17</b>	<b>17</b>	<b>12</b>	<b>12</b>	<b>14</b>
<b>Port</b>	6	2	4	4	4	3	2	3
<b>Warehouses</b>	11	5	11	13	13	6	11	11
<b>Customs</b>	6	2	7	8	9	5	4	6
<b>GOEIC</b>	7	3	12	9	12	11	3	7

<sup>7</sup> 3 Shipments of tobacco were excluded from analysis because tobacco imports remain in company warehouses until required for production. In some cases these shipments remained open for over 500 days.

Because warehousing is separated from port procedures and customs procedures (that distinction was not made in Phase One), port averages are smaller in magnitude. So are customs averages. GOEIC's interval of the process, which is strictly comparable to estimates a year before show a reduction of 2 days in overall estimates. In general, Mahmoudia and Port Said exhibit higher averages than others. These are partially explained by the incidence of higher inspection for these ports (discussed in analysis of the bigger sample in Section V.1.)

Warehousing estimates, analyzed separately in this sample, show that time spent at warehouses runs almost parallel to average Customs and GOEIC averages. This implies that any reduction in averages for Customs and GOEIC will be reflected in warehousing estimates. It does not appear that the time spent at warehouses is independent of the time required to complete clearance procedures, irrespective of the performance of warehousing facilities.

The sample which was stratified from customs records by port, however, did not provide a good representation of shipments subject to inspection by GOEIC or by security agencies. Thus, the share of shipments subject to GOEIC inspection in the sample is not necessarily representative of the share of shipments inspected by GOEIC in general. (Results from the sample drawn from customs records show 53 percent while in this sample they represent only 28% of observations.) A similar analogy applies to the case of inspection by security agencies.

Tables V.8 through Table V. 12 present the distribution of shipments cleared in selected time intervals for overall time of release as well as each component of the process.

**Table V.8: Distribution of Total Time of Release**

	<b>Cases</b>	<b>% of total</b>
cases where customs released in 1 day	23	4.3
cases where customs released in 2-7 day	170	31.8
cases where customs released in 8-15 days	179	33.5
cases longer than 15 days	162	30.3
total cases recorded	534	100
cases 1-15 days	372	69.7

**Table V.9: Distribution of Port Time of Release**

	<b>Cases</b>	<b>% of total</b>
cases where customs released in 1 day	290	54.3
cases where customs released in 2-7 day	201	37.6

cases where customs released in 8-15 days	28	5.2
cases longer than 15 days	15	2.8
total cases recorded	534	100
cases 1-15 days	519	97.2

**Table V.10: Distribution of Warehouse Time of Release**

	<b>Cases</b>	<b>% of total</b>
cases where customs released in 1 day	78	14.6
cases where customs released in 2-7 day	190	35.6
cases where customs released in 8-15 days	159	29.8
cases longer than 15 days	107	20.0
total cases recorded	534	100
cases 1-15 days	427	80.0

**Table V.11: Distribution of Customs Time of Release**

	<b>Cases</b>	<b>% of total</b>
cases where customs released in 1 day	125	23.4
cases where customs released in 2-7 day	293	54.9
cases where customs released in 8-15 days	89	16.7
cases longer than 15 days	27	5.1
total cases recorded	534	100
cases 1-15 days	507	94.9

**Table V.12: Distribution of GOEIC Time of Release**

	<b>Cases</b>	<b>% of total</b>
cases where customs released in 1 day	45	30
cases where customs released in 2-7 day	55	37
cases where customs released in 8-15 days	32	21
cases longer than 15 days	17	11
total cases recorded	149	100
cases 1-15 days	132	88.6

As for monitoring improvement in time of release since January 2004, we calculate averages for the sub-sample of shipments that were subject to inspection by GOEIC. Table V.13 presents results for this group. Overall time of release fell from 22.3 days to 20 days. Customs averages (registration to issuance of invoice recorded in January) have not changed and GOEIC's averages declined from 9.1 days in January 2004 to 7 days in March 2005. A similar picture applies to port averages. Taken collectively, this picture indicates that

the actual percentage reduction in time of release estimates between 2004 and 2005 is between 0-10%.

**Table V. 13: Average Time of Release: Shipments inspected by GOEIC (149 observations)**

	Alex	Express Mail	Suez	Mahmoudia	Port Said	Damietta	Cargo Village-Cairo	Overall
<b>Total time of release:</b>	<b>20</b>	<b>10</b>	<b>26</b>	<b>24</b>	<b>25</b>	<b>17</b>	<b>13</b>	<b>20</b>
Port	9	1	8	4	6	4	2	5
Warehouses	11	10	6	17	19	8	12	14
Customs	4	2	9	11	13	6	6	8
GOEIC	7	3	2	9	12	11	3	7

## VI. Assessment of Status in August 2006

Estimates in the study correspond to March 2005 shipments. During 2005 and 2006 the government initiated a number of policies that can have a potential impact on time of release. On the other hand, a number of policies that needed to be addressed are still not implemented. The following section briefly summarizes the two groups: policies adopted and policies that remain to be implemented.

### VI.1. Policies Adopted in 2005/06 and Expected to Have Had an Impact on the Average Time of Release

Over the past year and a half since the time that the shipments covered by this survey arrived, a number of significant changes in policy and regulations have occurred that were designed to facilitate trade and thus reduce clearance times. For instance, the Customs Authority adopted and expanded its AMS system that significantly reduces clearance times for certain large Importers. New procedures were adopted by Customs to improve operation and amendments were made to the Customs laws. Changes were made in the import/export regulations that eliminated inspection for some goods. Standards were modified by the Egyptian Organization of Standards, which should have reduced the length of time that it takes to inspect some shipments. At the same time GOEIC automated its registration process and began more closely monitoring clearance times.

We expect that these and other changes will have led to further reductions in clearance times. It is our view that the CIC data can and should be used on a regular basis to monitor improvements in Customs clearance times while the data being produced by GOEIC's new automated registration and inspection system along with its inspection monitoring system should be used to monitor GOEIC clearance times. With some work, it should be possible to combine those data to get a broader measure of the time of release.

## **VI.2. Recommended Changes in Policies**

While the purpose of this report was to provide a baseline against which future improvements in border procedures can be measured, the survey along with our interviews with importers and brokers provide some insights into areas where the government could consider reforming policies and procedures to facilitate trade and reduce clearance times.

Clearly one of the most important areas is coordination among entities within the port. Everyone involved in the process, whether from the Government or the private sector agrees with this point and significant efforts are being made in this area, particularly in Alexandria. But throughout the border system, improvements are underway. One example is the ongoing interconnection of the Customs and GOEIC IT systems that will allow Customs to perform many of the functions of a single window for clearance between the two entities. If this activity can be coordinated with improvements in the ports, a true single window may develop.

A closely related and important point is the electronic entry of manifest data. This would permit more rapid processing in shipments, including the potential for clearing shipments before arrival in the port.

Another area in significant need of reform is coordination in the inspection of food products. The current law that gives oversight to GOEIC but still allows involvement by other agencies is not working and should be revised.

Importers and brokers highlight issues that may seem mundane to some officials. For instance, they urge the government to keep their facilities open more hours to ensure that ships can be unloaded and cleared without waiting for the next day or over a weekend.

While the revision at the end of last year of the Import/Export Regulations included many improvements that are facilitating trade, more can be done. In particular the list of goods that must be inspected could be further reviewed and the provisions that allow for alternatives to testing, like reliance on certificates of conformity from other countries and the use of internationally recognized safety and quality marks, could be implemented more completely. The provisions of the regulations relating to risk management could be expanded to make it clear that no inspection of the goods by GOEIC or other control agencies should be required when goods are permitted to pass through the “green” channel.

Finally, the provisions of Prime Ministerial Decree 1186 of 2003 could be revisited as well. Importers and brokers are particularly critical of the requirement for radiation inspection of many food items, but other issues may be of importance as well.

This list is not meant to be comprehensive, but simply reflect some of the issues that have been raised by the respondents to our survey and in meetings with the private sector.

## **VII. Conclusion**

Despite tangible improvements on time of release estimates between 2004, work must continue on improving these times across Egyptian ports. Utilizing the momentum for reform in release agencies will ensure that overall averages decline drastically over the next two years.

This report accomplished an important objective in convincing government agencies that monitoring time of release estimates is critical tool for agencies to assess the impact of policy changes designed to facilitate trade and enhance Egypt's foreign trade performance. We expect the monitoring process to continue, collectively in terms of the total time of release or within each agency involved.

The importance of monitoring, however, lies in utilizing these estimates to target areas of policy and implementation reforms needed. As discussed in the paper, policies that need to change are numerous and each agency has its share of reforms that need to be implemented. We believe that each agency can (and will) work unilaterally to address issues related to its domain. Yet, all agencies involved will have to devise a comprehensive strategy to synchronize policy changes across agencies to produce meaningful reductions in time of release across the board. Otherwise, the expected changes in future total time of release averages will be minimal. This point cannot be over-emphasized.

We expect policies implemented in the past year by Customs, some ports and GOEIC to have had an impact on averages for 2006. Work remains, however, on a number of major problems such as inspection roles, re-evaluation of steps at the border vs. steps behind the border, the development of cross-agency risk management strategy and automated coordination of steps inside the port. Significant progress in these areas need to happen in the next year or so to produce a qualitative reduction in future averages. We acknowledge that work was initiated on a number of these issues, and as a result anticipate continuous movement toward reduction in time of release.

**Annex A: Importers' Problems and Recommended Polices: GOEIC Survey-January 2004**

<b>Procedure Required</b>	<b>Entity</b>	
1- Address a written letter	The Minister	-- A letter to:  1- GOEIC Board Chairman.  2- Head of the Foreign Trade Policy Sector (FTS)  3- Head of Trade Agreements Sector (TAS)  4- Board Chairman of the Egyptian Organization for Standardization and Quality Control (EOS)  The above authorities shall respectively take necessary measures to implement ministerial directives concerning GOEIC's reduction of the release period for goods to 3 days in average. This procedure should become effective as of 1-4-2005.
2- Track shipment release periods at the field office level	GOEIC Chairman	<u>The following administrative orders shall be issued:</u>  - Establish a follow up unit to track clearance periods in relation to imported shipments for each field office.  - Keep books on imported shipments subject of tracking.  - Unify incoming shipment records and focus on established dates of clearance.  - Install follow up data electronically to ensure central monitoring of shipments and replying to inquiries through GOEIC's website.
3- Update importers' records	--Chairman of GOEIC	Update registration records
4- Executive order	--GOEIC's Chairman	-- Heads of Central Departments and managers of field offices shall undertake to prepare proposals in implementation of the Minister's instructions to be submitted by the end of February.
5- Meetings with importers' and producers' representatives.	Head of the FTS,, GOEIC's Chairman and Minister's reps.	- Discuss proposals submitted by customers dealing with GOEIC.
6- Ministerial decrees	GOEIC's Chairman and Head of the FTS	- Prepare ministerial draft decrees based on proposals made by field offices and CD heads as well as outputs of meeting discussions with importers and producers
7- Ministerial decree	GOEIC's Chairman and Head of the FTS	- Prepare a ministerial draft decree designed to expanding the beneficiary base according to the effective white list and standard-setting systems with regard to different brands for multinational

		<p>companies.</p> <ul style="list-style-type: none"> <li>- Add a provision citing that "if as per random inspection of goods of a company registered at GOEIC, non-conformity with standards has been revealed, retaliatory measures shall be taken against the importer and the company concerned.</li> </ul>
8- Issue a ministerial decree harmonizing mandatory standards with world standards	The Minister upon recommendation of the Head of EOS	- The EOS should declare modified mandatory standards in compliance with world standards
9- Identify determinants in terms of modified mandatory standards	EOS	The EOS shall notify GOEIC regarding determinants of modified mandatory standards so as to focus lab inspection on sanitary and safety aspects as well as environment protection
10- Apply an advanced logistics system to track shipments, and prepare final composite reports.	GOEIC	<p><u>Review objectives:</u></p> <ul style="list-style-type: none"> <li>- Reduce the number of goods subject to quality control to the minimum, limited to certain regulations.</li> </ul>
11- Review goods listed in Annex 8 on commodities subject to quality control	FTS	<ul style="list-style-type: none"> <li>- Abide by internationally-recognized conformity assessment marks (set implementing regulation regarding Article 18 of Ministerial Decree no 515/2003.</li> <li>- Abide by conformity certificates issued by internationally recognized entities while setting clearer standards for recognition in Egypt.</li> <li>- Expanded abidance by certificates issued by local labs recognized by GOEIC, and set clearer standards governing this recognition.</li> <li>- Other GOEIC recommendations.</li> </ul>
12- Issue decrees expanding exclusive visual inspection	FTS	<ul style="list-style-type: none"> <li>- Customs refer file of shipments subject to quality control immediately for GOEIC procedures to synchronize with the Customs'.</li> <li>- Design a uniform and simplified GOEIC model of procedures and communicate with the Customs to reduce the duplication of requesting data from importers.</li> <li>- Collaborate with Customs to seek approval on duty drawback in case of shipment non-conformity with inspection standards at GOEIC or other inspection facilities.</li> </ul>
13-Synchronized GOEIC –Customs procedures.	GOEIC & Customs	<ul style="list-style-type: none"> <li>- Consider the possibility of applying work shifts.</li> <li>- Consider the possibility of working on weekends (concerning exclusive visual inspection cases in particular)</li> </ul>
14- Work hours	GOEIC	

## **Annex B: Phase Three: Problems in Release Procedures and Recommendations**

**First: Most important remarks outlined by Egyptian importing companies that participated in the study on time of releasing March 2005 shipments, concerning:**

- Customs
- General Organization for Import and Export Control (GOEIC)
- Other control authorities
- Ports/ shipping/ unloading/ transport/ handling/ storage

**Second: Most important of these companies' proposals to resolve problems and better facilitate trade**

- Proposals directed to all competent entities charged to release shipments
- Proposals on customs
- Other control authorities
- GOEIC
- Port Services (shipping/ unloading/ transport/ handling/ storage)

**First: Most important remarks outlined by Egyptian importing companies that participated in the study on time of releasing March 2005 shipments:**

### **Customs:**

- 1- Considerable improvement in the release time of shipments can be obviously observed, but these companies look forward to the sustainability of psychological rehabilitation and training for staff in customs points (whether from the customs or control authorities) and that training be inclusive of:
  - Technical aspects regarding some disputable goods codification wise or modern internationally circulated goods.
  - Full understanding of laws, regulations and flyers and their amendments.
  - Reasonable apprehension of the English language to enable dealing with documents and certificates.
- 2- Recommended further simplification of shipment registration procedures in book 46, while remedying causes of congestion on registration that results in wasting two-day time to have it done. One of the companies had reported that there being mostly one book and one official for this job.
- 3- Redress disorders of electronics thus leading to manual performances and thus delayed release. Therefore the updating and maintenance of electronic instruments must be sustainably in place mindful of their critical role in speedily performing custom clearance operations.
- 4- A number of companies requested the Customs to lay down a system ensuring the resolution of some problems caused beyond the will of the exporter such as:

- The foreign exporter's failure to dispatch the shipment in full
  - Damage to shipment
- Where Customs in cases as such collects fees and duties on the shipment in full (as per invoice)
- 5- Some companies reported that there is disparity in the release cost in ports and that cost is higher in El Sokhna and Demietta ports.
  - 6- Release of shipments in El Sokhna takes longer time as the port is beginning to suffer congestion which demands providing sufficient experts for goods' valuation, categorization and itemization.
  - 7- Several companies indicated that cash payment is not acceptable and disbursement shall be made by payable checks, with one of companies inquiring what about using the visa card.
  - 8- Some companies put forward the following remarks in connection with delayed release
    - Arrival of shipment at night which renders it difficult to start clearance process the same day.
    - Closure of treasury at 12:00 p.m.
    - Weekend vacation derails progress of customs clearance
    - Weekend days off are not the same, some entities take Fridays off, others take Saturdays.
  - 9- Some companies have put forward negative remarks concerning the goods' village:
    - Incompetence of the warehouses thus leading to damage to goods
    - Congestion and crowd within the village
    - Working hours in the village end at 1:00 p.m.
    - The need to train the staff (including inspectors, assessors and competent officials) to upgrade their job efficiency.
    - Non-commitment by the village staff to good treatment of dealers
  - 10- Some companies reported that time consumed in the accomplishment of part of clearance operations is broken down as follows:
    - Valuation --- takes from 2-3 days due to differences about codification
    - post-valuation review --- time-consuming
    - payment ----- takes two days
    - delivery of release permit ----- a one-day process plus obscurity of the permit form and difficulty of perusing its contents

Further, one of the companies has mentioned that the shipment release time according to the green line system is said to take 24 hours but sometimes it takes from 3-4 days.
  - 11- Some other companies have pointed to the necessity of paying more attention to parcels and interest in their safe-keeping.

- 12- The custom itemization problem still constitutes a contentious issue between the Customs and its dealers, with several companies underlining the following cases which mostly end up with imposing the highest tariff applicable.
- Some chemicals are imported as raw materials utilized in the manufacturing of a product; however the customs treat this raw material as finished product and not as raw material
  - A company has noted that there are spare parts with a “global” customs code (for example 10%) but the customs official sets a standard 15% as their code, otherwise release will be delayed pending the relevant catalogue is in place and a technician is provided to find out about the given spare part
  - On importing “parts of the product”, the latter shall pay customs duties as finished product.
  - If pricing was set to be improved, this will result in the customs applying the highest-rate tariff
- 13- A company remarked that custom treatment in one port is different from that in another port.
- 14- A company remarked that facilities offered by the Customs Authority are represented in the green line allowed to the importer for its container to pass through; however control authorities demand opening the container and putting it to inspection and testing.  
The given company requests that there must be coordination between the Customs Authority and control authorities regarding facilities offered by the former.
- 15- Some companies view that the establishment of key customer service centers indicates differential treatment compared to that extended to other customers.
- 16- On importing products unknown to customs officials, it is mostly the case clearance is deferred for a long period of time pending relevant catalogues are in place for study. The company concerned has made it a point that release was delayed despite that all product data and documents had been adequately submitted.
- 17- Some companies have requested that the following facilities and services be provided:
- Facilitate issuing licenses for entering the customs point since it is not possible to be well informed of procedures pursued inside the point while outside it.
  - Develop a surveillance system inside the customs point for anti-bribery
  - Flyers published by the customs must be clear and inclusive of explanations and interpretations for better understanding and application
  - The necessity of securing goods since uninsured opening of containers expose their contents to theft
  - Redress crowd and congestion in customs points
  - Simplify re-export procedures that are time consuming
- 18- A company reported that it has contracted CIF import (insurance inclusive) but because the insurance cost was not indicated in the invoice, the customs tend to impose it before calculating duties.
- 19- There being several interpretations in the process of applying Decree no 597/2005 on the fulfillment of rules of origin of imported goods.

- 20- There being customs distortions in tariff codes such as:
- Code 73/07 steel joints
  - Code 84/13 hydraulic pumps
  - Code 72/28 cold-drawn ferrous alloy bars
- 21- A company has demanded that it must be taken into account that the commodity price differs according to varying importer-importing company relationships.
- 22- Several companies have requested reconsideration of the following decrees and publications to ensure trade facilitation;
- Publication no 63 (stipulating for sorting and weighing varieties respectively alongside identifying net and gross weight as well as metrical weight of each product). One of the companies viewed that this publication is inappropriate as far as importers were concerned and account for unjustifiable lengthy procedures.
  - Article (9) of the Import and Export Regulation stipulates that shipments whose value is less than \$5000 do not necessitate filling out form (4). The importer complains that his shipment's value is less than \$5000 but still requested to submit form (4) since the number of imported units is more than 100 units.
  - Article (8) of the Import and Export Regulation obligates the importer to present a statement indicating the phone number, address and fax of the producer whereas the raw materials were imported from a trade firm which normally will not present any such data pertinent to the product manufacturer.
- 23- Companies request applying the Central Bank-declared exchange rate to pay the value in foreign currency and not in market price.
- 24- A company raised the problem of the lack of accurate metrology instrumental for weighing varieties.
- 25- A company outlined that overweight may ensue in respect of some shipments for reasons not having to do with the shipment such as laces or dust; however the customs impose additional fines, charges and duties which also causes delays in the time of release.
- 26- A company requested that the customs obtain the investment sheet only once but the customs insists on stamping the investment seal on each invoice.
- 27- A company requested that a system for free zone imports of large-sized shipments be developed to allow for portioning this sizeable shipment to be shipped in batches.
- 28- A company maintained that any production input imported for several times and proved conforming to standards may be eligible for the green line system.
- 29- Concerning samples taken for experiment and not for sale such as veterinary vaccines are valueless but the assessor places value on it, thus imposing customs duties.
- 30- A company highlighted the following problem that goes back to a date other than March 2005 the core of the current study:

An equipment shipment was imported from Britain but on inspecting items included in the consignment, the country of origin indicated on one of these items was found to China, which delayed clearance of the shipment for one whole year.

### **General Organization for Export and Import Control:**

- 1- Establishing more inspection and testing laboratories and equipment.
- 2- Sample-taking must be well-defined and organized and not randomly carried out or in a manner likely to cause shipment damage, taking into consideration that losses are not incurred on the importer, specially in the following cases:
  - When equipment are costly
  - When the shipment is imported upon the customer's request and for a limited number of units.
- 3- Difficulty of recovering the samples, being consumed in inspection and testing.
- 4- To consider reducing the period covered in the lab testing process since lengthy inspection costs the importer storage fees (the company gave the example of spare parts whose testing takes as long as one month besides car cassette, earphones and batteries).
- 5- The necessity of assembling inspection committees affiliated with all controlling agencies to perform their tasks as promptly and simultaneously because time lags are certain to prolong inspection and testing duration.
- 6- A decree mandating the importer to write down data in Arabic on items of imported goods perhaps may not be viable in connection with world manufacturers of international standard products and not designated to a particular state; therefore, companies concerned requested reconsideration of the given decree.
- 7- Another company indicated that data be inscribed in Arabic exclusively on the consumer pack.
- 8- A company requested access to remedies of consignments within Egypt to save money and heed speed in the clearance of remedy-demanding shipments.
- 9- Several companies requested that payment of inspection fees for the one sample and not the shipment in full.
- 10- Some companies remarked that the weekend vacation in GOEIC is Friday and Saturday, thus two days are excluded which prolongs the period of clearance of shipments

### **Other Control Authorities:**

- 1- Several companies share the opinion that the multiplicity of control authorities but lead to prolonging the time period of release of shipments which requires the presence

of all of these authorities in all ports and customs points for them to be stationed in one complex building to facilitate movement between these entities.

Following are the control authorities:

- **Ministry of the Interior:**
  - State Security
  - Drug-fighting
  - Explosives
  
- **Ministry of Finance:**
  - Customs Authority
  
- **Ministry of Trade and Industry**
  - General Organization for Exports and Imports Control
  - Industrial Control Authority
  - General Organization for Industrial Development
  - Hallmarking and Weights Administration
  - Chemistry Administration
  
- **Ministry of Communication:**
  
- **Ministry of Environment:**
  - Egyptian Environmental Affairs Agency
  
- **Ministry of Culture:**
  - Printing Press Organization
  - Antiquities Authority
  
- **Ministry of Electricity and Energy:**
  - Atomic Energy Agency and some electronics
  
- **Ministry of Agriculture**
  - Agricultural Quarantine
  - Veterinary Quarantine
  
- **Ministry of Health:**
  - Central Health Laboratories
  - Pharmacy General Department
  
- **Ministry of Transport:**
  - Roads and Bridges Organization (Some equipment)
  
- **Ministry of Investment:**
  - Investment Authority
  
- **Ministry of Information:**

## **2- Inspection by the Ministry of Health:**

- Inspection by the Ministry of Health takes 14 days
- Laboratories shut down at 7 p.m. and any samples brought to labs after that time will be tested the following day.
- Taking medicinal samples and their lab-testing takes 12 days
- The approval of the Medicinal Policies Committee is essential in connection with each shipment even if the same medicine has been imported short time ago.
- The Ministry of Health mandates that the original documents be submitted whereas the importer keeps exclusively copies of documents.
- Approval of health invoices takes 3 days
- The only laboratory assigned for analyzing residuals found in milk imported from Europe is located in Cairo, thus lab analysis takes time from 12-13 days, (thus derailing production, domestic sale and export)
- Dioxine inspection alone takes one month or more
- Medicinal inspection is performed in Alexandria with some companies preferring that it takes place in Dekheila

## **3- Inspection by the Hallmarking and Weights Administration:**

- It takes 7 days
- The Administration requests printing the serial number and origin on each item, a problem posed to importers that normally results in delayed release.

## **4- Inspection by the Ministry of Communication:**

- Presentation to the Ministry of Communication takes 3 days

## **5- Chemistry Administration:**

- Its inspection takes 14 days

## **6- Ministry of Agriculture:**

- A considerable shortage of staff for inspection processes in the Ministry of Agriculture is in place, which is likely to prolong the time bound for inspection.
- The Ministry's inspection is often delayed due to the wooden container problem since such containers need to be fumigated.
- The decision by the Five-Member Committee in the Ministry of Agriculture on shipment fumigation outside Egypt is not in its favor mindful of high cost involved.

7- Some companies view that the rejection of incoming consignments for the expiry of half the validity period of products is unrealistic since for example in the case of importing simple production inputs for other production processes, the newly manufactured product is to have new production and expiry dates.

8- Release of imports enjoying customs discount rates requires the issuance of a letter from the General Organization for Industrialization (the General Organization for Industrial Development), however this letter will only be drafted after the arrival of the ship into the port, therefore it is requested that the possibility of releasing the letter

immediately upon being informed of the date of ship arrival needs to be adequately considered.

- 9- Import of spare parts used to be conducted upon the approval on the incoming invoice by the Investment Authority, but the case has now changed demanding the addition of two declarations indicating personal use of spare parts that are sealed with valid signature. Delayed release of shipments can be attributable to the provision of these declarations.
- 10- One of the companies has given the example of overstated multiplicity of control authorities that the release of some equipment is associated with the approval of the Roads and Bridges Authority.

Some other companies regard that some types of telephone sets must be put for inspection by the State Security Organ.

### **Ports/ Shipping/ Unloading/ Transport/ Handling/ Storage**

- 1- Several companies requested the necessity of bringing together all competent authorities in the area of shipment release to be located inside ports and customs points.

Some companies inquire why all ministries and organizations involved in the release of shipments not send their delegates to ports and customs points to perform necessary processes of relevance to their competence in order to reduce time wasted in movement to remote places.

- 2- Some companies necessarily called for the upgrading of Port Said Port and improving its services on account of the fact that its current capacity is not commensurate with the volume of goods coming across it.

#### **3- Shipping Agency:**

Some companies requested that a system be designed for obligating the shipping agency to immediately send the manifesto to the customs concerned as delays have been recorded in some cases.

#### **4-Wenches and Cranes:**

Wenches and cranes in ports must be maintained where the dysfunctioning of a wench had caused its downfall on a washing machine container thus incurring damage that is so far irreparable.

#### **5- Shipping and Unloading;**

- Unloading takes long time that could amount to 7 days especially if a shipment of a container belongs to many companies.
- Demurrage as a corollary of lengthy unloading duration

- A differential treatment is in place as regards unloading ships carrying consignments for the government where dealing with private sector ships is stopped pending the former are entirely unloaded.
- Shipping and unloading charges applicable in Alexandria Port for example are less than those collected in Al Shokna Port.
- Complaint against dwindling shipping and handling equipment especially “Clark”.

#### 6- Quays:

There is complaint about insufficiency of unloading quays.

#### 7- Storage:

- Storage tariff hikes and fluctuations
- Bad conditions of storing places and warehouses due to shipment damage
- Shipments in storage are not arranged in a system to facilitate their identification easily and rapidly.
- Short grace period of storage in view of lengthy clearance procedures  
In Alexandria Port, no adequate storing spaces are in place to allow storage of single shipments.
- Lack of safety in storing goods or inappropriately dealing with them thus rendering them perishable or likely to be stolen.
- Storage marathon procedures
- The necessity of setting out a storage-based system for imported goods in containers for more than one importer where storing processes of such consignments are often delayed.
- Storing goods in Port Said Port takes place in a space outside the port borders while release procedures are substantiated inside the port thus time is unnecessarily wasted and congestion is manifest in clearing goods and accordingly higher costs are incurred.
- One of the companies has voiced concern over storing one shipment in more than one warehouse.

#### 8- Storing Spaces:

- Complaint against overstated levels of storing fees
- Storing fees are not uniformed in all ports.

#### 9- Transport and handling of shipment:

- Negligence in transporting and circulating the shipment while failing to give good care to goods requiring special treatment on their circulation which causes damage thereto (with special emphasis on fabric rolls, thus a full-time clearance agent needs to be provided to look after the shipment until its delivery).
- Transportation and circulation equipment are in bad condition and inconsistent with the magnitude of movement.
- Delayed carrying of goods from quays to storing places which normally leads to extra storage charges.
- Complaint by companies against higher cost of container circulation inside the ports

- Transporting containers to storing places usually takes long whereas some companies underscore the responsibility of the Alexandria Company for Container Handling for relevant delays which involve longer time and increased cost of shipment release.

**Second: Substantive Proposals by Companies to Resolve Problems and Promote Further Trade Facilitation:**

**Proposals directed to all competent authorities in the area of shipment release:**

- 1- Psychological rehabilitation and training should be constantly provided to staff in ports and customs points, to include in particular:
  - Full assimilation of laws, regulations and flyers and their amendments.
  - Reasonable knowledge of English language to enable dealing with documents and certificates
- 2- Generalize information about contentious cases in any of the customs points to be dealt with in a unified manner in all locations.
- 3- Respective control authorities shall review procedures and systems applicable with a view to simplifying them and removing any unnecessary procedures.
- 4- Each of the control authorities shall undertake to set out a system ensuring that weekends and holidays are working days for work not to be disrupted in customs points and inspection laboratories and that work can continue for the longest working hours possible.
- 5- All entities concerned with activities relating to shipment release in ports and customs points (including environment, nuclear energy and publications, etc...) must be brought together in the same location.
- 6- All control authorities (for inspection and testing) must be assembled in complex buildings to facilitate one-time exit of unified committees and simultaneous start-up of operations.
- 7- Consideration of a timetable aimed to locate inspection and testing laboratories in major ports receiving the highest rates of Egypt's imports.
- 8- Entities whose activities are related to shipment release must redress causes of dysfunction of electronics to avoid manual performances. Provisions must also be appropriated for the modernization and maintenance of this equipment.
- 9- Establishment of a coordination committee in each port or customs point whose task is to resolve problems or implement proposals bound for trade facilitation.
- 10- Avoid repetition of any kind of inspection in more than one entity.

**Customs-Related Proposals:**

- 1- Consider simplification of shipment registration procedures in Book (46) and the redress of causes of congestion on registration while increasing the number of competent officials in this regard.
- 2- Consider resolution of shipment shortage problems for reasons beyond the importer's will (for example damage caused, or error attributable to the exporting company).
- 3- Unify customs cost in all points regarding the same variety and do away with disparity in shipment clearance periods between ports.
- 4- Consider payment with visa card.
- 5- Consider modification of working hours for work to continue during days off and holidays for the longest daily time possible.
- 6- Handle positively negative remarks about the Cairo Airport Cargo Village in connection with invalidity of warehouses, congestion and crowd whereas working hours end at 1p.m.
- 7- Consider removal of reasons for delayed customs operations (valuation- audit- payment- release permit delivery).
- 8- Develop more interest in parcels and their safe-keeping
- 9- Consider setting out a system that grants adequate facilities to shipments already offered the green line treatment
- 10- Generalize outputs of an examined case of importing an unknown product in one of the ports for it to receive the same treatment in the remaining customs points.
- 11- Consider meeting requests of some companies for smooth issuance of permits for entering customs points and insurance of goods
- 12- Remedy some customs distortions (items 72/7 – 48/13 – 72/28)
- 13- Consider settlement of above mentioned problems such as:
  - Publication no “63”
  - Two articles “8” and “9” of the Import and Export Regulation
  - Application of the Central Bank-declared exchange rates
  - Portioning sizeable shipments
  - Certified country of origin is the country importing most varieties
  - No imposition of customs duties and charges on valueless samples
  - Obtain the investment sheet only once without stamping the investment seal on each invoice
- 14- Uniformity of procedures in all customs points for example companies maintain that “trust” amounts are being collected in some ports but not necessarily in others.
- 15- Consider the issuance of decisions on a certain date, monthly for example, while generalizing the publication of new decisions by all possible means.

- 16- Install equipment for inspection of shipments without opening boxes or containers to settle complaints against damage caused to goods due to bad handling of boxes or containers in the process of opening any of them.
- 17- Refrain from claiming catalogues of previously imported products
- 18- Consider payment of customs duties and charges through the computer
- 19- Activate the pre-inspection system in the shipping port
- 20- Equal treatment or in other words imports from Asia must receive the same treatment of US and European imports
- 21- Lay down a system facilitating refund of payments erroneously reimbursed to customs
- 22- Facilitate re-export procedures concerning rejected shipments
- 23- Assemble accounts in one entity based in the customs point, a method whereby all due payments can be settled
- 24- Consider cancellation of customs inspection and exclusively abide by the valuation process.
- 25- Several companies recommend intervention by the customs and port authorities with shipping agencies for the latter to abide by collecting security fees in their offices within maritime ports rather the management of these agencies outside maritime ports to save time and effort.
- 26- These companies also request the intervention by the customs and port authorities with shipping agencies for the latter to abide by submitting shipping lists immediately on the arrival of the ship and appropriately via an electronic agent to spare delayed delivery of the shipment to the “store-keeper” since this delay leads delayed signature on delivery permit to indicate arrival.
- 27- Generalize the use of computers in all customs points to ensure rapid release of goods while redressing dysfunctions and allocate provisions for maintenance of equipment.
- 28- Some companies requested that on conducting partial sample-taking from consignments, the signature of tariff director may be exclusively applicable for customs release of goods instead of three signatures as a time-saving measure aimed to reduce the number of signatures especially as there being an overall statement bearing all signatures and necessary audits.
- 29- Some companies inquire about the possibility of addressing the importer by mail to notify him of the value of duties required (as applicable in developed countries) and to replace the direct dealing system (involving the customs clearance agent and customs official) to spare any complaints in this connection.

- 30- Some companies propose integration of some procedures ..... (for ex: inspection and valuation are five-procedure processes whereas a cutback can be made to just one procedure (as previously indicated in no 24).
- 31- Some companies propose opening parcels and consignments only once and not thrice. (inspector and valuator – application – auditing).
- 32- Other companies propose that release procedures with respect to spare parts be substantiated in Dekheila Port rather than the Alexandria Port (companies had not specified reasons for this; perhaps inspection laboratories are better available in Dekheila).

**Other Control Authorities:**

- 1- The necessity of bringing together control authorities to be headquartered in all ports and customs points and to run their affairs as much as possible in one complex building to facilitate movement between entities involved.
- 2- Some control authorities are systematically based in ports and customs points while others are being referred to in specific cases in relation for example to environment – nuclear energy agency – publication authority – hallmarking and weights – Ministry of Culture – Ministry of Information – Investment Authority.

Bearing in mind the fact that the above mentioned entities are mostly headquartered in Cairo, the display of varieties appears to be a time-consuming process which leads to prolonged release time for only one reason namely their non-proximity from ports and customs points.

These entities are therefore requested to examine the possibility of seconding/ delegating a number of their staff to operate in ports and customs points.

Further, the feasibility of performing inspections will be examined with regard to:

- Radiation inspection, how far is it viable?
  - Telephone inspection by the Ministry of Communication
  - Inspection by the Roads and Bridges Authority of some types of equipment
  - Inspection by the Ministry of Electricity of some electronics.
- 3- Given that some companies have reported that one of the reasons for long periods of agro-inspections is the considerable shortage of staff specialized in this type of inspection. Thus the Ministry of Agriculture is requested to consider increasing the number of staff for inspection in ports and customs points.
  - 4- Consider exemption of some production inputs utilized in the manufacturing of new products provided that the validity period is not less than half the expiry period.
  - 5- Control authorities must undertake to study observations made on the part of these companies considering that the inspection of some goods takes long than required such as:

Inspection authority

Inspection period

- Hallmarking and Weights	7 days
- Dioxine	one month or more
- Medicine	12 days
- Residuals in milk	13 days
- Chemistry Administration	14 days

For the purpose of reducing release time periods of the previous inspections to the least period possible.

- 6- Some companies suggest that shipments are not be inspected by the Ministry of Agriculture if fumigation seal is in place.
- 7- Some companies propose that air cushions and safety belts are not inspected by the Explosives Department being airborne shipments and must have been inspected before loading.
- 8- Some companies suggest paying all control fees (health – veterinary – agriculture) in one voucher and to one authority in the bid to facilitate payment, save time and apply the one-stop-shop technique.
- 9- Rescind veterinary observation fees paid at the beginning of the process since this cost will have to be paid in full upon final release.

**General Organization for Export and Import Control:**

- 1- Working to place together inspection and testing laboratories and equipment in all ports and customs points.
- 2- Setting out a sample-taking system that ensures no damage is caused to the shipment and returns equipment samples inspected immediately and in good condition to be marketed, especially in the case of importing a fixed number of units recently imported.
- 3- Studying the possibility of limiting certain types of inspection and testing to internationally applicable regulations in order to reduce time for lab-testing.
- 4- GOEIC, as overseer of other control authorities, is responsible for laying down a system aimed to form inspection committees and take samples to ensure simultaneous running of this activity and the performance of seal-removing and inspection committees affiliated to the customs.
- 5- Reconsidering decisions on writing down data in Arabic on each unit while recommending exclusively writing this data on the consumer’s pack.
- 6- Studying the possibility of offering remedies of consignments inside Egypt to save money and achieve rapid release of shipments.

- 7- Considering the possibility of continuing work on holidays and days off to provide the longest working hours daily.
- 8- Considering cancellation of data-processing to exclusively abide by data in English.
- 9- Considering the fact that GOEIC exclusively abide by the quality certificate regarding products imported from the EU.

**Ports' Services (Shipping/ Unloading/ Transport and Handling/ Storage):**

- 1- Port authorities are requested to equip buildings within ports to group all authorities competent for release of shipments therein.
- 2- Port authorities are requested to follow up on the shipping agency concerned for the latter to send the manifesto immediately to the customs.
- 3- Port authorities are requested to provide for wenchers/cranes and other shipping, unloading, transport and handling equipment (especially "Clark") with this issue being also linked with the maintenance of this equipment and the provision of sufficient numbers of highly-trained staff.
- 4- The importance of supplying toeing equipment and adequate numbers of guides.
- 5- Port authorities are requested to consider the possibility of increasing the number of quays to expedite entrance of ships into ports.
- 6- Urging storage companies and warehouses to improve the condition of storing places and warehouses, to secure and supply handling equipment as well as apply an e-system to facilitate goods storage and identification.
- 7- The necessity of putting in place a system for storing imported goods in containers belonging to more than one importer.
- 8- Establishing cooperation between port authorities and all organizations involved in port services so as not to spare any demurrage cases.
- 9- Unifying shipping and unloading between ports
- 10- Transporting containers to storage houses must be carried out as soon as possible to ensure prompt start of shipment release processes.
- 11- Equal treatment for all ships carrying consignments for the government and others carrying consignments for the private sector
- 12- Providing adequate ground for storing containers and as appropriately as required to facilitate rapid identification of the shipment.
- 13- Shipping containers to their terminals to save time.

## **Annex C : Scope of Work: GOEIC Survey 2004**

### **ATR- Time of Release Survey – Phase One Scope of Work**

#### **BACKGROUND**

In the context of USAID assistance provided to the Government of Egypt (GoE), two projects currently provide technical assistance in support of the clearance of goods through the ports. These projects are Assistance for Trade Reform (ATR), which works The General Organization for Export and Import Control (GOEIC), and the support for the Customs Reform Unit in Customs (CRU).

ATR assists GOEIC on enhancing its ability to inspect goods quickly, cheaply, and accurately. This work is conducted through different channels including institutional development, training, and enhancement of information technology capabilities. Additional work with the Foreign Trade Policies Sector and the Trade Agreements Sector in the Ministry further supports trade facilitation through changes in the laws and regulations that lay the foundation for GOEIC's implementation role. These efforts are expected to produce tangible impacts on the time and cost of clearing imports and exports.

CRU is the other project financed by USAID in Customs. **[Get information form Rasha]**

The Egyptian and U.S. governments approved a Project Grant Agreement for Assistance to Customs and Trade Facilitation on September 30, 2002. Under Section 6.3 of this Agreement, the two governments agreed to establish a monitoring and evaluation program. This was defined to include:

1. systematic monitoring and reporting of progress on performance indicators,
2. formal evaluation or review of the Agreement to improve attainment of the Agreement's objectives, and
3. summarizing performance indicators and development impact achieved.

The project grant agreement specifies performance indicators, which include, among others, the average time and cost for importing into Egypt and monitoring developments made in this respect.

Strategic objectives (SO16.x.x) **[get the SO exact number]** also specify time and cost of release as one of the indicators under reduction of trade barriers and tariff reduction as performance indicators.

For performance of these two technical assistance projects and/or of progress made by government agencies in reducing trade barriers for the purpose of the SO indicators, the need to monitor progress is necessary. Because these data are not readily available through public sources, reliance on a baseline survey was chosen as the necessary tool for conducting evaluation.

#### **CONTEXT OF ATR 2005 TIME OF RELEASE SURVEY**

USAID, through its activities in 2003, supported two surveys assessing some aspects of the customs release projects. These are the Booz-Allen-Hamilton customs reform unit report) and the TAPR Customs Clearance Survey. In addition, the data collected and records kept under the Commodity Import Program (CIP) were used to produce indicators for the time involved in critical steps in port and customs procedures.

These studies contributed towards clarifying many of the details of the import release process and towards producing estimates of the average number of days required at the port, customs, and GOEIC. The results are roughly consistent, yet because of different terminology, different sample selection techniques and different focus of counterpart agency receiving the results, one-to-one comparison of indicators is not readily feasible. (Refer to the ATR Summary Analysis of the Data on the Time it Takes Goods to Pass through Egyptian Ports, for broad conclusions, weaknesses and further work that needs to be conducted in this area).

This previous work, however, shed light on the complexity and intricacies of the process of releasing imports in Egyptian ports. More importantly, the exercise highlighted the importance of evaluating different stages of the process in a comprehensive framework that relates different components, emphasizing the relative importance and share of each component in the process as a whole.

## **COVERAGE AND METHODOLOGY**

The current study benefits from previous work, building on it to produce results that are clear, comprehensive and replicable on a periodic basis. It also benefits from better access to contacts, and a close involvement and interest of MOFT counterparts, especially GOEIC as the agency directly responsible (with Customs) for the various steps of the import release process. (Possible cooperation from Customs may also be feasible through ACTF.)

### *Research framework:*

The following are emphasized in developing the framework for the current research:

1. Clearly defining the terminology of different stages and steps and ensuring that no ambiguity or confusion exist
4. Following the process from ship arrival, through the port, customs, GOEIC and when imports are 'moved and stored' outside the port (conditional release).
5. Ensuring comprehensive documentation to allow periodic replication of the survey.
6. Involving Ministry counterparts in the design of the questionnaire, in giving support to the survey (through a formal letter from GOEIC's Chairman), commenting on drafts and through participation in public awareness of survey results.
7. Seeking commitment from Ministry counterparts that survey results will be used to guide their efforts to facilitate trade.
8. Using survey results as input in identifying areas that require institutional and trade facilitation measures in which ATR can assist GOEIC in the next 3 years and in which ACTF can assist customs in the next 5 years.

### *Selection of a representative sample:*

1. Initial focus on shipments coming into Alexandria (and Dekhela) ports and Cairo Airport, giving them equal weights in sample. Other ports will be added once the methodology is tested.
2. Relying on GOEIC's comprehensive records for selecting a sample that is representative of the total number of shipments arriving in the Month of January 2004. Note: prior to Decree 1186/2003 and Executive Regulations (Ministerial Decree 515) Prior to Decree 1186/2003 and Executive Regulations (Ministerial Decree 515) GOEIC only received notice of commodities listed on Annex 8 of the Executive Regulations to Law 118/1975. Evidence of other inspections conducted by MOA or MOH would not, necessarily, be kept in GOEIC's records.
4. Stratifying the sample by main import categories, such as manufactured and agricultural commodities which require different procedures. (Ensuring that there is sufficient

coverage of particular tracks of inspection such as white list, import for retail, particular food products, etc. will allow conclusions to be drawn for commodity groups)

3. Randomly selecting from each category, depending on the size of the population.

*Questionnaire Preparation:*

1. Start from the TAPR, WCO-guided questionnaire.
2. Talk to GOEIC officials at ports to clarify the details of the process as they relate to GOEIC's role
3. Expand GOEIC's procedures in TAPR survey, using information from GOEIC's officials
4. Conduct interviews with freight forwarders and importers of particular goods and for retail/inputs into production
5. Fix the questionnaire according to input form clients

### **SUGGESTED WORK PHASES AND SCHEDULE**

The baseline trade facilitation survey is envisioned to require the following steps during the January to June 2004 period:

#### ***Component 1: Introduction of the survey concept and process to GOEIC***

*Completed by*

1. Introducing the concept of the survey to GOEIC management and securing their commitment to providing the records for sample selection, and accepting to send an official letter from GOEIC to participants of survey. (Completed January 2004)
2. Contacting GOEIC offices at ports and Cairo Airport to explain the process and get introduced to their statistics and information kept in their day-to-day records. (Completed January/February 2004.)
3. Flowcharts of the different processes prepared and discussion with GOEIC (and if possible Customs) representatives (Target: Feb 26<sup>th</sup>)

#### ***Component 2: Identifying the survey population for random selection and stratification of sample***

*Completed by March 14<sup>th</sup>*

1. Receiving from GOEIC records for shipments arriving in the month of January 2004 as population for sample selection
2. Random selection of a sample of around 300 records from GOEICs population. Requesting from GOEIC the customs registration number and contacts for the selected sample.

#### ***Component 3: Questionnaire Preparation***

*Completed by March 21<sup>st</sup>*

1. Expanding steps performed in the inspection component of clearance beyond coverage of the previous customs surveys, ensuring identification of customs/inspection processes for the different types of commodities (Agriculture and food, manufactured on Annex 8, manufactured not on Annex 8) and different sequences of steps by commodity type. (target: March 3rd)

2. Discussion with selected freight forwarders and importers of the proposed questionnaire questions and modification of draft questionnaire accordingly.
3. Incorporating comments and suggestions for modifications for proposed questionnaire
4. Finalizing changes in English and Arabic versions of the questionnaire

**Component 4: Conducting of survey**

*Completed by April 18<sup>th</sup>*

1. Identification of market survey company, explaining the project and contracting its services
2. Pilot, trial survey of 30 questionnaires
3. Reviewing of results, problems and modification of questionnaire
4. Completing the survey for whole sample.
5. Receiving tabulated results from survey company.
6. Random checks conducted on filled questionnaires

**Component 5: Statistical Analysis of results**

*Completed by May 2<sup>nd</sup>*

1. Summary statistics calculated and preliminary results collated
2. Preparation of summary tables to be included in text of report
3. Econometric/statistical testing of results

**Component 6: Report writing**

*Completed by May 28<sup>th</sup>*

1. Preparation of report outline
2. Drafting of report in English (May 16<sup>th</sup> )
3. Discussion of draft with USAID and for feedback and comments
4. Incorporating comments in draft
5. Translation of report to Arabic
6. Discussion of draft results with GOEIC (May 23<sup>rd</sup>)
7. Incorporating GOEIC's comments
8. Preparation of final draft

**Component 7: Public Awareness**

*Completed by June*

1. Organization of a public workshop for presentation of report results (under the auspices of GOEIC) (Steps and procedures to follow regular workshop preparation)
2. Preparation of press release for GOEIC's adoption of mechanism for periodic evaluation

**Component 8: Development of a manual for GOEIC to reproduce/generalize step monitoring technique**

*Completed by June*

1. Develop (in Arabic) the framework for reproducing the survey in GOEIC
2. Assist GOEIC in electronic data and record keeping to monitor all shipments (ongoing IT?)

**DELIVERABLES**

Presentations to small groups at USAID for stages of the work described above

Presentation of draft report to Egyptian counterparts at Customs/GOEIC and others

Public presentation of report results

Report in English and Arabic

	Sub-activity: Follow-up on 2004 survey	Time frame
1.	Meetings with business community and Ministry officials and presentation of results	Jan-Feb 05
2.	Action plan developed to reduce time of release to 3 days	Jan-Feb 05
3	Sharm retreat to identify areas to be tackled to meet this goal- coordination with customs	March 05
	Sub-activity: 2005 survey	
1.	Preparation meeting with CRU and customs- some guidelines laid down	April 05
2.	Letter drafted to Mr. Galal Abu Elfetouh and Gen. El-Banna outlining the phases of the study and requesting nomination of teams	May 05
3.	Evaluation of data requirements needed to base survey on customs shipment data	May 05
4.	Terms of reference prepared (upon approval from counterparts)	June 1-15 <sup>th</sup> , 05
5.	Finalization of draft questionnaire	End of June 05
6.	Selection of surveying company/Pilot conducted	July 1st -Mid July 06
7.	Sample selection	Mid July-mid August 05
8.	Survey conducted	Mid September – mid November 05
9.	Verification of results, preliminary analysis	Mid Nov-end Dec 05
10.	Presentation of results to counterparts and USAID	Jan 06
11.	Draft report prepared	Jan-Feb 06
12.	Public presentations of results	Feb-March 06

Annex D: Survey Questionnaire for Phase I: GOEIC Survey-2004

بيانات خاصة بالمقابلة

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**Annex E: Scope of Work Part III- Customs March 2005**

**MEMORANDUM**

**To:** Manal El-Samadony  
**From:** Timothy S. Buehrer  
**Contract:** PCE-I-00-98-00016-00, Task Order 827  
**Subject:** Approval for Hiring a Survey Company to Conduct Phase Two of the Time of Release Survey  
**Date:** 26 March 2006

I am a contractor for the U.S. Agency for International Development.

Your approval is sought to hire a survey company to conduct phase two of the Time of Release Survey. In 2004, ATR worked with GOEIC to prepare an analysis of the time that it took shipments to pass through the ports of Egypt. That effort, combined with work done by the TAPR project, clarified the nature of the problem faced by importers in our ports.

Shipments in that survey took an average of 22.3 days to clear the port and an average shipment spent 9.1 days in GOEIC. When he received the results of this report, the Minister challenged GOEIC to shorten its average clearance time to three days. Similarly, the Customs Authority was also challenged by those results to improve its clearance times.

While the 2004 survey was very useful to the government, it had a number of shortcomings. The most significant was that the sample was drawn from GOEIC's records, and thus was not necessarily representative of all imports. Also, it focused very heavily on the steps taken by GOEIC and less so on other steps in the process.

For these reasons, it was decided to do a second survey, this time drawing the sample from Customs records. ATR has been working with the Egyptian Customs Authority to analyze data for March of 2005 which will act as a comprehensive baseline for future data analysis. To date, we have collected information on over 900 declarations from Customs records. These data show that over 75 % of all shipments clear Customs within seven days. But the Customs declarations do not provide any information about time spent in the port before and

after dealing with Customs. Moreover, they do not give any information about steps taken by control agencies during the Customs clearance process.

To collect this sort of data it is necessary to go out and survey importers or their representatives, as we did in 2004. Thus we are proposing to perform a survey of as many of the 900 shipments that have been included in our sample as can be found by our chosen survey company. We expect to ultimately collect data on between 600 and 700 companies through this survey, representing a similar number of shipments. The survey will look more closely at the time before and after Customs as well as verifying the data from Customs. (A copy of the survey instrument is attached.)

The proposed cost for conducting the survey is LE XXXX and the field work will be completed in three months. The description of the method by which we selected our preferred survey firm is attached.

I hope that this request meets with your approval.

Approved:

Not approved:

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Ms. Manal El-Samadony, CTO, USAID

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Ms. Manal El-Samadony, CTO, USAID

Date \_\_\_\_\_

Date \_\_\_\_\_



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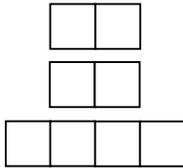
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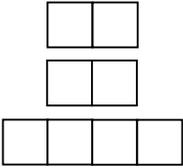
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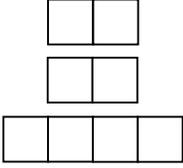


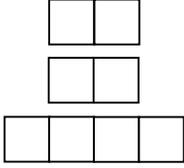


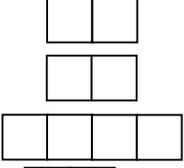
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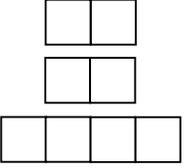
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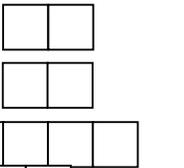
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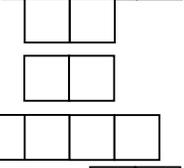
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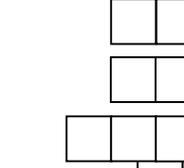
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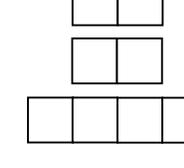
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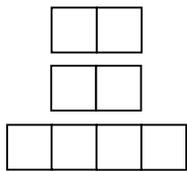
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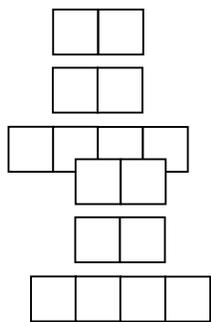
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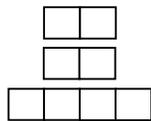
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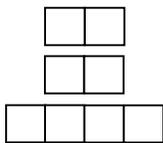
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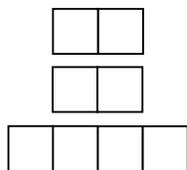
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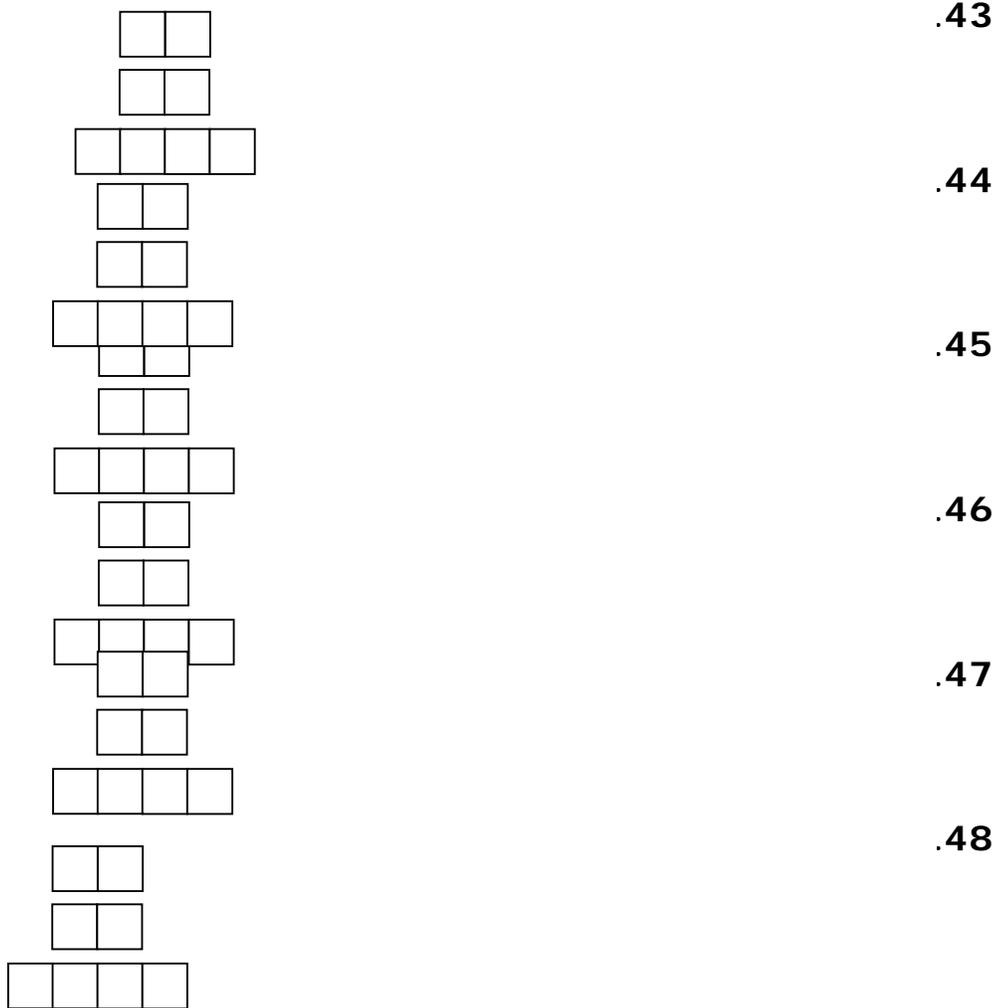
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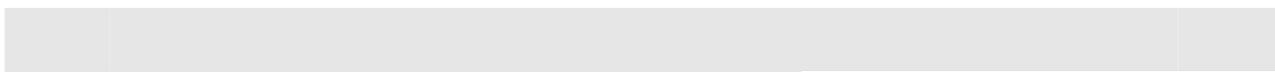
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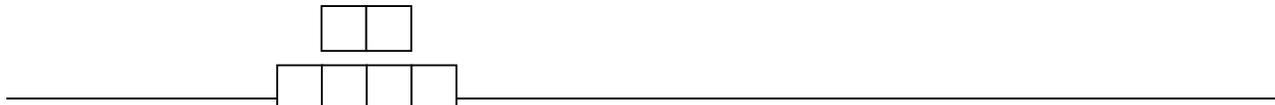
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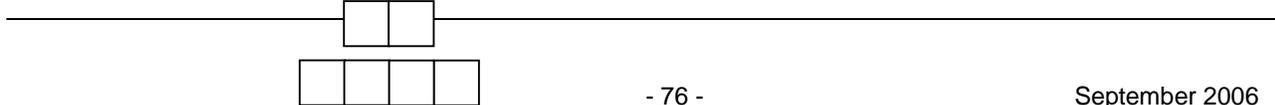
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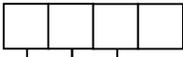


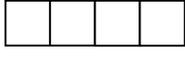
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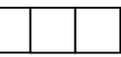


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**Annex G: Proposal for Maintaining Customs Records and Future Surveys on Time of Release**

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