

Final Report

Strategies for Re-Engineering the Foreign Trade Sector

Prepared for

The Ministry of Economy and
Foreign Trade

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Introduction

In late 1999, as part of the joint United States Agency for International Development (USAID) and the Ministry of Trade and Supply (MOTS) - Development Economic Policy Reform Analysis (DEPRA) Project, Nathan Associates Inc. was asked to review the current status of the Foreign Trade Sector (FTS) and make recommendations on ways to enhance its performance. The idea of enhancing the decision making process through sound analytical economic and policy analysis is enthusiastically embraced by the Minister of Economy and Foreign Trade, the First Undersecretary of the FTS and his executive staff. They readily concede that the skills, knowledge and abilities of the FTS technical corps and the processes applied must continually be strengthened in order to meet the challenges of the new economic and foreign trade environment of Egypt.

Based on the above, DEPRA prepared and issued a report in October 1999, entitled "Strategies for Enhancing the Foreign Trade Policy Analysis/Decision Support Activities". This report defined practical operational steps to upgrade FTS over a three to five year period. The plan logically related the nature of MEFT's goals, FTS's strategic objectives and offered a straightforward implementation plan. This action plan included five different phases to facilitate the transformation of the FTS from its current status of traditional reactive approach to a modern proactive, technology-driven decision support organization. It made specific institutional enhancement recommendations affecting the vision, organizational structure and processes of FTS.

On October 10, 1999, the Foreign Trade Sector unit and associated functions were transferred to the Ministry of Economy and Foreign Trade (MEFT). Subsequently, the Minister requested USAID to ask DEPRA to begin immediate implementation of the FTS enhancement report recommendations. The requested technical assistance was to focus on improving FTS's performance and upgrading its research and analytical capabilities in order to better support the GOE obligations as a member of WTO, trade policy analysis and guidance for the Minister's office, and perform research or analysis to underpin trade remedies activities

In response to the Minister's request, DEPRA assigned two senior experts (management and technical) to assist in implementation of specific initiatives designed to accelerate the modernization of FTS management procedures and processes and upgrade its human resources capacity.

This report reflects achievements made to date in support of FTS's reengineering program. The authors of this final report are Dr. Rollo Ehrich and Mr. Mike Samra, with input from Mr. Abdel Wahab Heikal, all of the DEPRA long-term staff.

The opinions, conclusions and recommendations expressed in this report are those of the authors and do not necessarily reflect those of the Ministry of Economy and Foreign Trade or the United States Agency for International Development.

I. Summary and Conclusions

Following completion of The Re-Engineering Assessment in October 1999, and enjoying the full support of the Minister of Economy and Foreign Trade and the top managers in the Foreign Trade Sector of that Ministry, DEPRA launched a very ambitious, nine-month program aimed at starting a process of complete institutional reform of FTS. It was estimated at the outset that over three years would be required to accomplish this aim. The nine-month program was comprised of 14 distinct activities, to be implemented by two long-term consultants, one managerial and one technical/economics, and 24 person months of short-term specialists.

Principal accomplishments were:

- Reviewed and analyzed the FTS mandate, including its legal structure
- Reviewed and analyzed the FTS organizational structure and suggested different models
- Assessed existing technical capabilities of the current staff, designed a program to enhance existing technical capacity, and outlined training requirements
- Interviewed over 300 candidates (Phase I) and selected 15 new employees, including 8 having a high degree of economic skills, and assisted in an orientation program for them. Interviewed another 200 candidates in Phase II of the recruitment process and had 60 complete the written examination.
- Developed recommendations for forming a new economic research unit, training the members of the unit, and developing a management structure for it
- Delivered hands on advice to top managers on organization, management techniques, and structural requirements.
- Broadened the knowledge base of over 40 employees through a program of awareness seminars, a US Study Tour, and several short conferences
- Provided computer equipment and office furniture primarily for use by newly recruited employees

Certain activities that will be critical to the overall re-engineering process were not completed as planned. One reason for this was limitation in available resources under DEPRA. Other reasons included changed priorities of MEFT. Critical activities that should be carried out in the near future are:

- Continuation of the selection of new employees
- Orientation and development of newly selected staff
- Tailored management and technical training for existing high potential staff
- Assessment of the IT system
- Establish a Library, Docket, and Electronic Filing System
- Assess the Interfaces between FTS and other trade-related agencies, public and private
- Implementation of a conference on institutional development for trade liberalization
- Implementation of a collaborative economic research project (textiles)
- Direct transfer of research technology

The experience of carrying out re-engineering activities over the past nine months suggests the following conclusions:

- The planned interventions were feasible and efficacious
- Re-engineering is a long-term process and requires ingenuity, adequate technical, financial and managerial resources, and requires full collaboration from the host institution
- Courses, lectures, and other formal training methods do not suffice. Advisors must be prepared to work directly with employees on a daily basis, transferring knowledge by “doing”
- Given the inherent complexity of the re-engineering exercise and the need to coordinate many activities, plans for continuing the process should be precise, roles well defined, and resources must be sufficient.

II. Planned Activities and Scope of Work

This project, which began in mid November 1999, consists of three parts:

1. New employees selection and development
2. Upgrading the remainder of the existing organization by producing new research and reports, developing skills, and providing training while they continue with their existing work, and
3. Select an FTS reengineering team for FTS and develop a "customer" model to begin the development of an enhanced FTS processes and organization structure.

These three parts are the first two phases of the recommended full re-engineering process. They are to be completed during the first year of the stipulated required timeframe. In addition, a world library and a docket office will be established in FTS, and the computer system will be upgraded.

A 1999/2000 work-plan was developed and approved to guide in the implementation of the reengineering activities. This plan which is included as Annex I contained over sixteen proposed activities to be implemented between December 1999 and October 2000.

III. Achievements

1st. Mobilization

Developed a detailed mobilization plan with required supporting tasks, secured premises from FTS management, procured computers and office furniture and relocated in January 2000. Also, recruited an office support person.

2nd. Review and analysis of FTS mandate

Analyzed laws and Decrees relevant to FTS mission, functions and operation. A timeline was developed summarizing relevant laws defining the FTS mandate and mission. The timeline was translated and a copy provided to FTS executives for information and comment.

Obtained and reviewed FTS employee database summarizing names, age, education and position. Also obtained current organizational charts and submittals to the Central Organization for Administration describing FTS roles, responsibilities and functional structure.

Obtained and analyzed decrees establishing the private sector commodity councils and their role as related to FTS.

Completed translation of the most recent submission by FTS to the Central Organization of Administration. This submission provided great detail regarding FTS functions in support of trade policy. These are summarized as follows:

- Propose and implement export and import policies
- Prepare studies, develop legislation and draft laws
- Monitor application of laws and trade regulations
- Participate in trade agreement negotiations
- Monitor and evaluate trade agreements
- Participate in the preparation and setting of customs policies
- Prepare studies on balance of trade and investigate trade remedies
- Set and monitor quality control standards

C. Review and evaluation of FTS organization structure

Reviewed, studied and analyzed the FTS existing structure, functions and departmental responsibilities. Met with senior managers and discussed their role in supporting the current FTS mandate. Reviewed and translated the latest FTS submission to the Central Organization of Administration concerning its structure, division of responsibilities, overall mandate, and functional breakdown. This provided the basis for developing recommendations on structural changes that should accompany the FTS re-engineering process. One proposed organizational model is explored below in section III G, Development of a Baseline Model.

D. Capacity Building

1. Conferences

Planned, organized and implemented a one day reengineering retreat on February 6/2000 with over 60 FTS senior personnel. The objective of this conference was to introduce the reengineering concept, share information concerning change management, upcoming employee evaluation, and learn about FTS's existing activities and responsibilities. Speakers included FTS's First Undersecretary, Under Secretary, Heads of Central and General Departments and Mike Samra from DEPRA.

Prepared an outline for a one-day reengineering conference under the sponsorship of the Minister of Economy and Foreign Trade, reviewed with senior FTS executives and obtained approval. The purpose of this activity is to engage public sector leaders who will influence the future direction of FTS, in a dialogue concerning the importance of reengineering and FTS's role towards achievement of Egypt's expectations regarding export growth and trade liberalization. This conference was scheduled to take place in March and immediately upon the return of study tour participants. However due to the delay of the tour, this conference was also delayed. It was later cancelled owing to a lack of funds.

DEPRA's senior management advisor at FTS, Mike Samra, participated and presented the reengineering concept and organizational change issues at the GOEIC reengineering conference. This conference was attended by over 60 senior GOIC employees and designed to introduce them to the reengineering study being conducted by DEPRA.

Conducted a reengineering retreat with FTS executives on Saturday May 27, 2000. The aim of this informal event was to review DEPRA's progress to-date, discuss current activities, future plans and observations to date.

The following were in attendance:

Mr. El Said Abou El Komsan	FTS First Undersecretary
Mr. Abdel Rahman Fawzy	FTS Undersecretary
Mr. Mike Samra	DEPRA Senior Management Advisor
Dr. Rollo Ehrich	DEPRA Senior Technical Advisor
Mr. Abdel Wahab Heikal	DEPRA Export Trade Senior

Planned, organized and implemented a half-day "Young Professional Awareness" conference at the Marriott hotel on June 5, 2000. Then purpose of this event was to inaugurate this initiative, recognize the 28 selected FTS professional employees, and to introduce the program to potential host speakers. Over 80 public and private sector leaders, FTS managers, USAID and DEPRA representatives, and newspaper correspondents attended this event. Mr. Ahmed Ezz, Chairman of the Ezz Group and member of the President's Council was keynote speaker. Other speakers included Ambassador Gamal El Bayoumy, Ministry of Foreign Trade, Roger Freeman, First Undersecretary U.S. Embassy, Abdel Rahman Fawzy, FTS Undersecretary, and Mike Samra, DEPRA Senior Management Advisor.

Developed the FTS “Young Professional Awareness” program outline, met with senior FTS executives and obtained approval. This program is designed to broaden the knowledge and experience of young FTS employees in the international trade environment. Currently, we are proceeding in identifying and obtaining final approval of FTS executives concerning potential program speakers, participants and topics. The program was launched in early April.

2. Study Tour:

Coordinated, facilitated and implemented a study tour to the United States. Also, monitored participants selection process, nomination, processing (medical and visa), orientation and accompanied them on the tour.

The aim of this tour was to provide GOE participants with a greater understanding of the mechanics of trade policy development in the United States. Accordingly, participants met with key institutions within government (Executive and Legislative Branches) and the private sector to learn first hand about their individual operation and policy making strategies.

This study tour began on June 13 and ended on July 8, 2000. It was based in Washington, DC. The Institute of International Education (IIE), under the DT2 project, planned and facilitated the visit and the program agenda. Also, Nathan Associates Home Office planned and facilitated several meetings focusing on competition law and administration in the U.S.

Participants included representatives from the GOE and private Sector Commodity Councils:

FTS/Ministry Participants:

Mr. Abdel Rahman Fawzy	FTS Undersecretary
Mr. Waleed Nabil El Nozahi	Head of the Policy Unit
Mr. Khaled Abd Alla	Researcher
Ms. Shereen Abdel Hamed	Researcher
Mr. Sherief Abd El Galeel	Researcher
Ms. Amany El Wassal Abdel Elhafz	Researcher
Ms. Fatma Khtaab	Advisor to Minister on Foreign Trade

Private Sector Participants:

Dr. Ahmes Hassan Sobhy	Executive manager of clothes exporters Assoc., Member of the Textile Commodity Council
Dr. Ashraf El Shazly	Member of the Agricultural Commodity Council

Other Ministries

Hamdy Masoud	First Undersecretary, Ministry of Planning
Mohamed Kamel El Fiky	Central Organization for Management, Ministry of Administrative Development

DEPRA

Mike Samra
Abdel Wahab Heikal

Senior Management Advisor
Export Promotion Specialist

Participants were very pleased with the content and quality of the tour program and felt that it was very informative. They indicated that while the U.S. trade policy processes appear to be complex in nature, they felt that the overall policy-making system does yield an integrated approach, with different checks and balances. Thus ensuring accuracy, clarity, transparency and balances. Thus ensuring accuracy, clarity, transparency and independence of policy analysis and formulation. They were also impressed with the organization, capabilities, and significant role that the private sector-lobbying group plays in influencing trade policy making

Furthermore, they felt that the success of the U.S. system is due to the fact that it evolves around qualified professional support staff who are well educated (many with a PHD degree), well trained, and well compensated. Many of this staff has worked at different trade agencies or organizations, they have accumulated in depth experience of the trade processes and understand the broader environment impacting policy making.

Study tour participants felt that there is a need to develop a cross – pollination professional development program, between FTS and other trade agencies, such as CRS. They believed that such a program could enhance employee’s knowledge and understanding of the trade environment and policy – making, and expedite their overall professional development.

Several concerned participants also had two workshops sponsored by Nathan Associates, at the Federal Trade Commission, Nathan, and the Justice Department on the subject of anti-trust.

3. Young Professionals - Awareness Program

Following selection of the 30 most promising, currently employed, technical employees, DEPRA and FTS management together designed an initial enhancement program, the “awareness” program. The objective was to expose the technically most qualified employees to a broad range of organizations, ideas, and individuals that are important to trade and trade policies in Egypt. Participants in the awareness program numbered 32. About half were from the private sector, twenty percent from other government agencies, and 25 percent were experts from the US and the EU.

Topics covered included export finance, product inspection, investment, international agreements; the economics of trade, trade policy and Egypt’s trade negotiation experiences. Overall, the program was a resounding success, based on comments from the 30 technical employees themselves, on observations by the DEPRA Team, and from the high level officials in MEFT. In fact, the latter expressed a strong desire to continue the program and to use the program as a model for transferring the “awareness” of employees of other trade related agencies.

Synopsis of Awareness Program

- 1- Total number of speakers (32):

A) The Government	7	
B) Private Sector and Associations	15	
C) Banks and capital market	2	
D) Foreign Expertise	8	From U.S. 5 From E.U. 3

- 2- Some topics were absolutely new to the members of the awareness program such as:
 - Export guarantees
 - Inspection and superintendence
 - Some international and regional financial organizations and developments bank.
 - The role of capital market and stock exchange that may affect foreign trade

- 3- The program was of great interest to its members, judging from the following facts:
 - Absence was at minimum level.
 - Discussions often took much more time than was scheduled.
 - Each member kept making inquires to get all printed matters of the program.

- 4- The impression we got from the speakers was very good regarding members of the program.

- 5- The awareness program was well received by other entities of the MEFT and some of them indicated their desire to take it as a model and a way to open doors and build bridges between all bodies concerned with foreign trade (government – private sector – associations).

- 6- See Annex II for full details of the program.

E. Employees Assessment

E1. Current Employees

At the request of the Minister of Economy and Foreign Trade (MEFT), DEPRA prepared an assessment of the organizational and manpower requirements of the Foreign Trade Sector, in order to upgrade their capacity to carry out policy analysis and a wide range of other, trade-related functions. The assessment provided a step-by-step outline of the proposed process by which the institution should be re-engineered. The process is to be carried out in five phases over about a three-year period: preparation; developing the FTS customer model; developing the strategic operational vision; the solution; and transformation of FTS. Preparation and part of the customer model will be completed by October 22, the ending date for the DEPRA Project.

While many important activities envisioned at the outset were not completed, the project made progress in many key areas, and succeeded in having a positive impact

on the institution. Most importantly, it has laid a firm foundation for completing the process of re-engineering in two or three more years. Specifically, the existing employees have been systematically assessed, training needs identified, and re-organizational outlines developed. New employees have been selected and launched on an orientation program. Finally, a draft model organization was developed to identify processes, organizational units, customers and FTS interaction with them, and a plan for re-engineering the process over time was outlined.

Existing Employees: Results of interviews:

A comprehensive evaluation of the existing 185 professional employees was conducted. Supervisors received training on the performance evaluation process and forms, and then evaluated their respective employees. Also, DEpra conducted own assessment with a team of five technical experts who focused on evaluating the technical and management competencies of the subject employees

Results of the diagnosis indicated that most employees were weak in economics and research skills, only five employees showed strength in these areas. Seven had adequate English skills, while only eight had good computer skills. Virtually all interviewees will require intensive training in economics and research methods.

No systematic economic research tasks are being carried out, except in the Trade Remedies area. Three major processes seem to define the functions of these employees. Those working in Trade Remedies follow precisely defined procedures, laid out in the WTO Dumping, Subsidy, and Safeguard Agreements, beginning with a complaint from manufacturers and leading to determination of violation. Workers in the Consumer Goods Department do carry out industry analysis based on request from the Minister's Office or requests from exporters. These are generally quite descriptive in nature. Other studies are carried out to develop export promotion strategies, but there is no evidence that a sufficient database is developed nor adequate methods of analysis applied, such as quantification of industry efficiency, trends in foreign markets and the like. The foreign trade "cases" group receives complaints from importers having trouble with customs or from banks having problems with importer payments. Their job seems to be, under Decree, to determine whether rules are followed. The investigation seems to consist mainly of checking documents and determining the importers culpability under the rules. FTS, in other words, has responsibility under the law to arbitrate disputes between customs and the importer, between banks (non-payment) and the importer, and has a role in smuggling cases in determining the penalty to be levied.

Virtually no broad and comprehensive policy research is done, despite the fact that economic policy research is part of the FTS mandate. Rather, FTS occupies itself with dealing with a range of trade-related disputes including:

1. Trade Remedies,
2. Import and export "cases", usually involving importer or exporter complaints, and
3. Setting the penalty in smuggling cases.

The lowest knowledge scores of the interviewees were related to computer literacy. This is attributed mainly to limited training and limited access to computers. Most interviewees had to go to the computer center or borrow from a colleague to get access to a computer. Very few had any experience with the Internet or with programs more sophisticated than basic word processing or Excel. About two-thirds of the interviewees do not use computers in their reporting of the various cases they are dealing with, or in their investigations.

English capabilities are generally weak, although about one-third scored above three (of a possible five) in the interview. Almost all interviewees require significant amounts of training for speaking, writing and reading English. The English speaking interviewees appeared to possess a more sophisticated understanding of the world economic environment.

A low level of knowledge of the fundamentals of economics as applied to international trade, particularly new trade-related issues in multilateral, bilateral and regional trade agreements, trade and non- trade barriers, anti-competitive practices, disputes settlements within WTO under TRIPS, safeguards, antidumping, and concessionary preference programs like GSP, was apparent in most interviewees. They seemed to be limited in economic literacy partly owing to their training and jobs in non-economic areas, such as law and accounting. Most interviewees seemed very interested in learning economics because it is relevant to their jobs.

While the average score for research methods was fairly high, a number of respondents were scored high because they seemed to be applying sound research methods to their jobs as lawyers and investigators. None of the respondents used the sophisticated research methods required for economic policy analysis.

Summary and Conclusions:

Training

1. Twenty-six of the thirty employees require extensive training in basic economics and beginning research methods.
2. Only seven of the thirty have superior English skills.
3. Twenty-one of the thirty requires training in computer skills.
4. Training could be segmented. Advanced management and technical training should be provided for the six highest-potential employees. Another 24 could be given remedial technical training to create a cadre of economic researchers and certain other high priority skill categories.

Extent and nature of economic research activities

It is clear that little economic research per se is carried out in FTS at the present time. Activities are largely confined to determination of trade remedies and case analyses for importers and exporters that have problems with customs.

Reorganization into no more than six technical departments

It is recommended that six functional departments be formed, led by the most promising employees. A two-phased training program would seem to be a promising avenue for restructuring the technical capabilities of FTS.

It is recommended that the future organization of FTS should include six technical or functional departments:

1. Trade Remedies
2. Economic Policy Research
3. Support for the Private Sector for Import and Export Disputes
4. Trade Agreements
5. Secretariat for Commodity Councils
6. Antitrust

Two additional units, IT and administrative services, will support these six functional units.

A two-phased program of training should have the following tracks:

1. Management and advanced research techniques for a “leadership” group of about six employees, and
2. Basic training in economics, research methods, English, and computer skills for a mid-range group of 24-30 employees.

E. 2 New Employees Selection

Phase I:

In addition to evaluating the technical and management capabilities of existing employees, the DEPRA Project was asked to assist FTS in recruiting new employees to fill out the anticipated technical requirements. Over 300 university graduates holding a bachelor or a master degree applied for 45 newly created positions at FTS. A three-step screening process was devised, which heavily involved several DEPRA staff in collaboration with senior FTS staff:

1. An initial screening for English language, critical thinking, computer knowledge and self-presentation. The 300 candidates were reduced to 120 in a series of 5-minute interviews.
2. A written examination was given, covering seven disciplines: 1) Economics and Foreign Trade, 2) Information Technology, 3) Statistics, 4) Administration, 5) Translation, 6) Law, and 7) Accounting. Eighty-four candidates took the written examination.
3. Twenty-five candidates who scored acceptable on the written examination were asked to attend a comprehensive interview to ascertain their capacity to grow technically and managerially in the newly re-engineered FTS. Finally, Fifteen out of the total of 300 applicants were selected for employment.

Written Examination Results:

Economics and Foreign Trade

A total of 30 candidates (although 34 were invited) took the examination. The average score was 49 of possible 100 points. Eleven candidates were selected for the final interview, whose scores ranged from 58 to 72.

Information Technology

A total of 12 candidates (of 15 invited) took the examination. The average score was 65 % for MIS (overall), 60 % for NET and 67 % for PROG. Four candidates were selected whose scores ranged from 65 to 81 for MIS, for the final interview.

Statistics

One candidate took the examination and scored 52 %. It was therefore decided not to invite the candidate for a final interview.

Administration

One candidate was interviewed at length and judged to be outstanding in all aspects related to management. This candidate was invited for a final interview.

Translation

Seventeen of the nineteen candidates invited took the written examination. Five candidates, with scores ranging from 78 to 94, were selected for the final interview.

Law

Six candidates of seven invited took the written examination. No one scored more than 61%. However, given the inherent difficulty in judging expertise in law, and given the critical need for employing lawyers in FTS, two candidates were interviewed.

Neither did well on the interview, so no legal candidates were invited for employment.

Accounting

Fifteen of the twenty-three candidates invited took the written examination. Five candidates, with scores ranging from 41 % to 56 %, were selected for the final interview.

Political Science

Two candidates of the three invited took the written examination. One scored well, demonstrating a good grasp of the science, good critical thinking skills, and an excellent command of English, and was therefore invited for a final interview.

Summary and Recommendations Based on the Written Examination and Interviews:

Twenty-five candidates in seven categories were selected through the written examinations. Although the number is less than the projected 45, it was advisable to pause at this number, perhaps considering a follow-on advertisement if warranted and

proposed by top FTS management. Interviewing 20 more of the existing candidates would not be advisable. As noted in the documents describing the selection process in detail, many of the candidates, even some of those selected to be interviewed, are really not very strong in many of the categories of employment. For example, scores averaged less than 50 % in Economics, Accounting, and Law and these are the critical categories for a re-engineered FTS.

Considering the results of the written examination, and FTS's projected needs, we recommended the following procedure:

1. Reduce the field of candidates to 10 or 15 by applying rigorous interview criteria.
2. Select the final 10 or 15 to be contracted, and allocate them according to departments having the greatest need.
3. Constitute a high-level FTS Committee to further develop a follow-on strategy aimed at completing the manpower needs of FTS within the next year or so. DEPRA will assist in this through October 22, 2000, if requested.

The latter process could follow a number of alternative approaches. One could simply re-advertise without restrictions, as was done originally, hoping to select an additional 10 or 20 candidates from the same pool from which the current candidates emerged. In our view, this would be somewhat problematic, as one might reasonably expect that only BS candidates would again apply. This is likely, as the original advertisement was made only a few months ago. Alternatively, one could target MS and Ph.D. graduates, using a more personal approach, contacting department chairmen, setting up an employment fair, carrying out on-the-campus interviews, and the like. Or, and this may be the optimal strategy in the long run, one could contact more senior, skilled professors or "think-tank" personnel in precisely the skill areas required by FTS's newly-defined mandate and set them up to lead the new employees in research and other activities required. This approach might require enhancing the budget of FTS significantly, as such personnel would command salaries several times higher than "junior-level" employees would. A variation on this theme might be to engage such advanced personnel on a part-time basis, using them to expand FTS's capacity to deal with the most urgent and difficult tasks.

Overall Recommendation:

DEPRA recommends a combination of training for selected current employees, hiring an additional 20 or so "junior" employees, and contracting local consultants that possess the advanced skills in IT, Economics and Law that are critical to fulfilling FTS's mandate. Of course, DEPRA stands ready to assist in the development of both employees and consultants that may be brought in under contract until the end of the project.

Results of the Final Interviews:

Fifteen candidates in five skill categories were recommended to FTS for employment. These were subsequently employed by FTS,

Proposed Orientation and Training for New Recruits:

A preliminary sketch an orientation program, to be used for further discussion with senior FTS management is:

1. Prepare office space and computers
2. Assign senior management personnel as “mentors”.
3. Create a “mini” awareness program to be provided for 2-3 months.
4. Place in the Economic Theory Course to be offered September 17 – October 19.
5. Formal tests and interviews.
6. Explore placement strategies during the month of October.
7. Place in units and develop a longer-term skill enhancement program.

E. 2 Selection of New Employees (cont.)

Phase II:

Since phase I of the recruitment process completed in the 2nd quarter of this year didn't yield the desired number of new employees needed by FTS (only fourteen candidates were offered employment and twelve accepted), a new recruitment phase began during this quarter. The following approach was taken in pursuit of qualified candidates:

A. Visits to Cairo University were made where meetings took place with the Dean of the school of Economics - English Section as well as with the Dean of the school of Law - English section. The purpose of these visits was to identify those graduates who accelerated in their field of study and could be potential candidates for the FTS. Both Deans offered the 1999 and 2000 lists of graduates with phone numbers and addresses.

B. Provided training and advice to the FTS administrative staff on employment fairs attendance and participation. Attending, participating and setting up a booth at an employment fair hosted by the Future Generation Foundation (FGF) followed this. The FGF is an Egyptian private sector initiative where new university graduates are selected and enrolled in a six-month training program. This program was designed to increase new graduates' chances of employment by enhancing their English language, report writing, computer, and basic business skills. Over 200 candidates completed the FTS applications.

Selection Process

Immediately following the above two events, DEPRA worked closely with the FTS team on inviting and processing potential candidates according to the previously agreed upon three-tier selection process and methodology applied in Phase I:

1. An initial screening for English language, critical thinking and self presentation
2. A written examination in one of six technical fields, and

3. A final interview to ascertain potential candidates' trainability, managerial and leadership potential.

Over 160 candidates that met the preset general criteria were interviewed under tier one above. Forty candidates with a major in economics and twenty candidates with a major in law were invited on October 9th, 2000 to complete the written exam under tier two above. Over 60% of the applicants were females and 40% males.

Written tests were turned over to the FTS management for their review and evaluation. In addition and due to the conclusion of the DEPRA project on October 22, tier three of the selection process will not be completed. A comprehensive database was specifically established to track the selection process and provide applicant's details such as name, age, university, degree, grade point average, graduation year, test scores, and other personal data.

F. Briefings and Meetings

Daily meetings were held with key FTS officials to explain re-engineering concepts, review proposed actions, review documents, and obtain agreement on next steps. Setting of priorities for use of resources, progress briefings, and direct advice on organizational development issues were the main concerns covered in these meetings. These meetings were also the venue for transferring advice on specific managerial concerns, assisting FTS top management in reviewing their managerial practices.

G. Development of a Baseline Model

A "baseline model" of a re-engineered FTS is developed in this section to serve as a framework for discussion with FTS leadership. It is based on interviews with leaders and employees, analysis of Laws and Decrees laying out the current mandate of FTS, interviews with clients and organizations interfacing with FTS, analysis of the requirements of trade policies, trade agreements, and trade remedies, and observation of the organization and structure of trade decision support institutions in other parts of the world. The final "model" will be developed following completion of: (1) further review and analysis of organizational interfaces with FTS, (2) an assessment of information technology needs, (3) completion of a pilot policy research project, (4) completion of the awareness program, and (5) completion of initial training.

The model comprises functions, structure, process and client requirements. FTS's: new mission may be summarized as: "providing sound advice and leadership in implementing, monitoring and regulating Egyptian trade policies, toward attaining growth and prosperity." The mission will be carried out through policy analysis, supporting trade negotiations, understanding trade issues confronting the business community, linking to other trade-related organizations, and maintaining a comprehensive, trade-related data base. The goal of the FTS is to institutionalize information, data processing and analysis related to trade, establish itself as the primary trade policy decision support unit in the GOE, to generate timely and accurate trade policy analysis, and to execute trade-related laws.

Structure:

The new Central Department for Technical Support in FTS, toward achieving the stated goal, should be composed of six functional departments and two support units:

- (1) Trade Remedies
- (2) Trade Dispute Settlement
- (3) Trade Agreements (monitoring, negotiation, support, implementation)
- (4) Trade Policy Analysis
- (5) Secretariat for Commodity Councils
- (6) Anti-trust
- (7) Information Technology
- (8) Administrative

The six action units are to be supported by an Administrative Unit (personnel, procurement) and an Information Technology Unit. Each proposed functional unit is discussed below.

Trade Remedies:

Three functions define the activities of this unit: 1) dumping, 2) subsidies, and 3) safeguards. This unit is already fully staffed and has been functioning since 1995. Full documentation and information about its operations are readily available in FTS.

Trade Disputes:

This unit will combine the old cases and experts group with the export and import units. Their tasks will continue to be fielding of importer and exporter complaints and arbitrating between them and other trade-related GOE institutions, including customs, GOEIC, the Ministry of Agriculture, Health, etc.

Expertise in engineering, food technology, and other scientific skills, required on a case by case basis, will be acquired through liaison agreements, universities and from the private sector.

Trade Agreements:

Agreements include the WTO (28 separate agreements and other declarations and decisions), the EU Partnership, COMESA, and various regional agreements. FTS functions *vis-a-vis* trade agreements include: (1) impact analysis, (2) support of negotiations, (3) monitoring compliance, and (4) reporting on events relating to the agreements. In addition, FTS has direct responsibility for implementing seven WTO Agreements. These are dumping, subsidy, safeguards, TBT, TRIPS, ___ and SPS.

With regard to the seven agreements, FTS's responsibility is of course much more involved than is the case for other agreements. For the seven agreements, FTS must 1) monitor progress, 2) report annually on major events involving the agreements, 3) analyze the economic benefits and costs of the agreements (in collaboration with the Trade Policy Analysis Unit), and 4) support policy makers in negotiating modifications, protests and the like.

With regard to the other 21 agreements, FTS's responsibility will be confined to monitoring progress and annual reporting on major events, in collaboration with other GOE units having primary responsibility for implementing the agreements.

Trade Policy Analysis:

Creation of this new unit will be one of the major activities for creating a newly re-engineered FTS. At present, few of the required functions of research and policy analysis are being carried out by FTS. Thus, the unit must be created from the ground up and personnel must be trained, hired or contracted that have the needed skill levels. Three broad classes of analysis are required: 1) monitoring economic trends in the variables related to trade, including production, factors of production productivity, investment, employment, wages and prices; 2) analyzing the welfare impact of the full range of trade policies and trade policy reforms; and 3) preparing recommendations to decision makers on trade policy reforms based on precise quantitative measures of the expected impact of such reforms. Impact analysis will involve prices, quantitative measures of the expected impact of such reforms on industry and consumer welfare. Other variables include employment, trends in exports, economic growth, and the distribution of trade benefits among economic sectors.

Policy issues are wide-ranging, including tariffs, exchange rates, technical barriers to trade (safety and health, phyto-sanitary controls), and the impact of specific trade agreements on economic performance. Skill requirements of personnel are equally wide-ranging and demanding.

Employees in four general categories are required: 1) economists and econometricians, 2) industry specialists (agriculture, general manufacturing, transportation); 3) trade agreements and international law; and 4) information technology; especially experts in data bases and statistics. Other specialists will be required on a demand basis to complement the technical teams needed for specific tasks. For example, analysis of a change in commodity inspection policy and procedures may require the services of scientists trained in chemistry, engineering, and industrial processes. Thus, FTS must build a system for accessing these specialists on a short-term basis.

Staffing Requirements for Trade Policy Analysis:

- (1) An Economist/generalist (MS- level and ten years of experience) to serve as team leader, for managing all resources and to exercising quality control over the research ;
- (2) Five economists/econometricians to serve as section heads for five basic sections:
 - Economic trends
 - Industry studies
 - Tariff and NTB policy studies
 - Impact analysis of Trade Agreements
 - Trade Data Base and modeling

At least five junior economic analysts are required for each of the basic units. These analysts should have at least a BS in Economics, Commerce, or Business Administration, and should receive basic training in economic theory, statistics, computer use, and English. Thirty-one employees are required at minimum to staff this unit. Lawyers, industry specialists, and other scientists, when required for a specific research study may be accessed from other GOE units or the private sector on

a short-term basis. (See Annex V for an illustrative policy analysis agenda for this unit).

Secretariat for Commodity Councils:

Twenty-two Commodity Councils have been authorized, but 14 have been formed thus far. The Councils have been designed to facilitate the flow of information on matters of trade policy and trade barriers and other issues facing exporters and importers. Their fundamental purpose is to generate policies that reflect the issues and concerns facing the private sector. The role of FTS is to serve as a technical secretariat to these councils. As such, they must provide information to council members on economic conditions, analysis of trade policies and developments within the GOE concerning trade policy reform. In turn the FTS secretariat must determine the problems and concerns facing private traders, consumers, and manufacturers in order that GOE decision-makers may make informed changes on relevant policies.

Economists/generalists and industry specialist are required to carry out the tasks envisioned. At least BS in Commerce or Economics, with 5-10 years of experience, would be required for the lead person for each council (14). At least one additional junior (economist) with excellent skills in writing and reporting would be required. Other specialists from within FTS or from other GOE units should be accessed on a demand basis to meet specialized requirements.

Anti Trust Unit:

In early 2000, the Minister requested FTS to develop and implement a competition policy unit under its auspices. During the study tour to the US, FTS representatives met with the Justice Department and the Federal Trade Commission Anti-trust specialist who shared information concerning the US structure, application, and resources needed to effectively implement such a policy. FTS requested technical assistance from both the FTC and Justice Department in setting the unit at MEFT. Currently senior FTS executives are reviewing different models in order to determine which one would be most applicable for Egypt.

Options for Enhancing Technical and Managerial Capability

In the above sections, we have described the system of assessment and selection of both existing employees and new applicants, both for technical and for managerial strength. A proposed training plan for three groups of existing employees: advanced, intermediate, and managerial, was discussed. It is proposed that the training program be carried out. However, at least 2-3 years will be required to bring FTS up to technical capacity merely by training existing employees and new recruits. Thus, two additional options are suggested.

Two Additional Options for Capacity Enhancement:

Given that none of the employees are very advanced, either technically or managerially, indicating a long period of training before outputs will begin to improve, an alternative solution should be considered. The solution is two-fold. First, recruiting should target technically advanced (MS and Ph.D.) people so that some technical expertise is “imported”, rather than solely built from within. Second, anticipating some difficulty in attracting technically advanced personnel, given constraints imposed on government salaries and other incentives, the FTS should

consider contracting technical advisors from the university community, the private sector, and from “think tanks”.

Two problems may hamper such an effort: budget constraints and technical leadership. A new USAID-program could help alleviate the budget constraints, especially if the policy-related cash transfer mechanism is modified to direct financial transfer to specific “line” ministries. Such a subsidy may only be needed in the short-run (say 5 years), until training programs develop in-house technical capability to the required level. Technical leadership, on the other hand, is somewhat more complicated. University researchers would not necessarily have sufficient experience in the field to design and implement the highly specialized policy studies required in FTS. They themselves would require a significant amount of guidance from FTS managers, whom, as already discussed, are weak both managerially and technically.

Relieving the latter constraint could take one of two tracks. First, the technical supervisor, and contracted experts could be placed directly under the Director of FTS in a sort of FTS “think tank”. Critical and complex research would thereby be carried out directly by a special unit under the direct management of FTS top leadership, in effect putting the existing technical staff “aside”; perhaps to carry out less critical and less complex work. The second, and preferred option, contracted, technically highly qualified experts could be placed in each of the new “units”, being paired with the best FTS technical personal and managed by the strongest managers found on the existing staff. This solution has two advantages and perhaps only one disadvantage. One advantage is that both the expert and “paired” FTS employee would gain from each other’s strengths. A second advantage is that existing employees would be involved in research and would learn from working with the expert. The disadvantage is that the expert’s contribution might be diffused if not concentrated under strong leadership at the top.

It is expected that at least five, highly qualified “outside” experts will be required in the interim while capacity building in FTS proceeds. These are:

1. Macro-Economist, specializing in trade-related policies, including tariffs the exchange rate, fiscal and monetary policy and employment. This expert should be fully qualified in econometric analysis and economic modeling.
2. Economist/Legal Expert, with years of experience in analysis of international trade agreements, negotiating strategy and legal aspects of international agreements.
3. Micro-Economist, industrial economist with years of experience in analyzing industrial efficiency markets prices, production and supply and demand relationships. This expert must be fully qualified in both theory and quantitative analysis techniques, and must have many years of experience in sectoral studies.
4. Statistician/econometrician.
5. IT specialist.

Formation of an Economic Research Unit and Initial Training in Economics and Management

From the list of current employees enrolled in the “Awareness” Program we propose designating twelve technical employees to form an Economic Research Unit. This will be the first of six functional units to be formed under the proposed “Model” for restructuring FTS. Another name for the unit might be the Trade Policy Analysis Unit. It is further recommended that at least 15 of the new recruits be added to this unit. Economics training will be the primary criteria for hiring these new employees. Thus, the newly formed Economics Research Unit will be composed of approximately 30 researchers and, in addition, we propose special management training for five potential managers of the Economics Research Unit.

Two types of training should be offered to the members of this unit (1) economic theory for the core members and (2) management principles for the potential leaders. Computers are also being procured to insure that each researcher and manager will have the appropriate PC and software to begin their research tasks. The structure of this key unit is set in place on “paper”, some basic training in economic theory and managerial science will have been provided soon, and office space and computer equipment should be in place. Thereafter, if funds are available through some other project, we submit that the “Model” and training outlines provided here will provide a useful point of departure for a new advisory team.

Purpose:

Provide those members of the “Awareness” group that may form a core economic research unit upon completion of the re-engineering program, with an understanding of the basic economic principles that govern research choices as related to liberalization of trade.

Summary of Initial Proposed Training:

The forces shaping supply and demand are fundamental concepts that must govern economic research related to liberal and open economies. Therefore, much emphasis will be given to truly understanding supply and demand theory and the derivation of welfare measures from this theory. Applications will then be broadened to look at trade and its role in overall economic growth and development. Finally, Egypt’s trade policies will be examined in light of their effect on economic growth, development and employment.

See Annexes VI and VII for more details on the Economic Research Unit.

H. Upgrading the FTS Computer System

At the request of the DEpra coordinator, DEpra purchased \$99,000 in computer equipment and made available \$36,000 for purchase of related office furniture and air conditioners.

The list of computer equipment is:

1. One IBM Netfinity 3000 Mail server, software and accessories
2. 25 IBM PC 300s, monitors and Windows 2000 licenses
3. Six HP 4050 network b&w laser printers
4. Three Techtronics Phaser 740 plus color laser printers
5. Three Switch CISCO Catalyst 2924 XL
6. Two Firewall Machines (CISCO PIX 520 entry level 233 MHz with 3 Network Interface Cards in each
7. Three Compaq laptop computers like the presario 1700 series model, 64 MB RAM. 600 MHz pill processor, 6GB hard drive

Recommended for purchase locally in Egypt:

1. Three APC UPSs
2. Structure cabling system

The purpose of the equipment is to provide adequate computer capacity for 45 new recruits and to upgrade the existing FTS system by adding a mail server and adding firewalls.

I. Ad Hoc Activities.

Reviewed several documents upon request and provided translation services, attended meetings where reengineering issues were discussed, reviewed reports or documents and discussed content, and assisted in orientations.

IV. Activities Not Completed

The following planned and approved activities were not completed:

- Re-engineering Conference
- Assessment of IT Processes
- Technical Transfer: Agreements, Report Writing, Manual on Injury Analysis, and Quantitative Analysis Methods
- Special Sector Study (Textiles)
- Library, Docket System, and Electronic Filing
- FTS Interface Assessment

The above activities were included in the 1999-2000 FTS Work Plan. However, due to budget constraints and reallocation of resources to higher priority ones the above activities were not completed as planned.

ANNEXES

- I 1999/2000 FTS Action Plan**

- II Awareness Program Agenda**

- III Skill Enhancement Program for Technical Employees**

- IV Analysis of Employee Self Evaluations**

- V Illustrative Policy Analysis Agenda**

- VI Steps toward Forming the Economic Analysis Unit.**

- VII Economic Research Unit**

Annex I

January 6, 2000

Ministry of Economy & Trade Foreign Trade Sector (FTS) Enhancement

December, 1999 – October, 2000
Draft Work plan

Activity	Duration	Comp. Date
1. Mobilization	1 Month	December, 1999
DEPRA Staff Selection		
Identification of office space		
Preparation of office space		
Furniture procurement		
Computers procurement		
Relocation to new offices		
FTS team selection	1 month	January, 2000
Information gathering		
FTS detailed structures		
Employees background		
Development of new employees recruitment plan		
Meeting with Org. of Central Plan		
Meeting with Ministry of Finance		
Meeting with Minister's office		
2. FTS Existing Employee Evaluation	2 Months	March 7, 2000
Develop Criteria		
Gather employee data		
Conduct evaluation		
Select 10 employees		
Assign employees to work plan tasks		
3. Re-engineering Conference	1 day	February (TBD)
Prepare outline		
Obtain Approvals		
Invite speakers		
Arrange logistics		

4. **Study Tours & FTS Mission Development**
- | | | |
|--|---------|---------------|
| A. Executive study tour | 15 days | February 25th |
| B. New Employees | 15 days | May 25th |
| Scope development | January | |
| Identify countries to be visited | | |
| <ul style="list-style-type: none"> • USA • Malaysia • Thailand • Brazil • Canada • Singapore • Etc... | | |
| Make contact | | |
| Schedule visit | | |
| Arrange logistics | | |
| Arrange for Medical & Visa | | |
| Conduct visits | | |
| Prepare report & preliminary mission statement | | |
-
5. **Conduct Awareness Seminars**
- | | | |
|----------------------------------|----------|---------|
| A. Existing FTS Employees | 4 Months | June |
| Develop Topics | | |
| Obtain Approvals | | |
| Invite speakers | | |
| Arrange Dates | | |
| Conduct Seminars | | |
| B. New FTS Employees | 4 Months | October |
6. **Select new employees**
- | | | |
|--|-------------|---------|
| A. 30 Core employees | 10 months | October |
| B. 5 Support professionals | | |
| Identify professional mix and qualifications | January | |
| Organize selection process training | February | |
| Contract trainers | | |
| Arrange training | | |
| Facilitate training | | |
| Assist in advertisement development | January | |
| Assist in screening process | Feb - March | |
| Arrange study tour for | | |

selected employees	May	
Develop training program for selected employees	June	
Conduct training	July – October	

- | | | | |
|----|--|-----------------|----------------|
| 7. | Develop IT Processes | | |
| | A. Complete Existing work | 1 Month | January |
| | B. Develop New Processes | 9 Months | October |
| | Develop work plan | | |
| | Select FTS team | | |
| | Map needed systems | | |
| | Design structure | | |
| | Identify required hardware & software | | |
| | Develop Data Bases | | |
| | Train Employees | | |
| | | | |
| 8. | Develop Egypt's
Agreements Summary Report | 7 Months | June |
| | Select 5 employees | | |
| | Provide training on report structure | | |
| | Develop outline | | |
| | Assign responsibilities | | |
| | Develop work schedule | | |
| | Monitor and evaluate progress | | |
| | Provide guidance | | |
| | Generate report | | |
| | Review and issue final report | | |
| | | | |
| 9. | Develop Special Sector Studies | 5 Months | May |
| | A. Textile Sector Policy Reform | | |
| | Select 5 employees | | |
| | Employ U.S. Consultant | | |
| | Train FTS employees on report
structure | | |
| | Develop outline | | |
| | Assign responsibilities | | |
| | Develop work schedule | | |
| | Monitor and evaluate progress | | |
| | Provide guidance | | |
| | Generate report | | |
| | Review and issue final report | | |

10.	Establish Docket Room & Library Identify Space Prepare Space Furnish Space Procure computer and connect to LAN Assign staff Establish procedure and document archiving process Train staff Implement procedures	6 Months	June
11.	Information Technology Select 5 employees Introduce employees to IT Perform needs analysis Map out existing system Prepare requirements plan Develop specifications Procure additional equipment Install and integrate equipment Identify data sources Develop data gathering and management procedures Train employees Turnover system	8 Months	September
13.	Informal Training (Tech. Or Mgt.) Select FTS coordinator Identify topics Develop outline Prepare material Conduct training	7 Months	September
14.	Respond to Ad-Hoc requests	10 Months	October
15.	Develop Progress Report	6 Months	June
16.	De-mobilization Finalize all deliverables	2 months	September

Turnover equipment
Complete final report
Conduct exit meetings
Turnover offices & furniture

**Annex II Awareness Program
June 5 – September 26**

Date	Subject	Speaker
June 4	Trade issues of interest to private sector	Mr. Khaled Abo Ismail, Head of Alexandria chamber of commercial and others
June 5	Official inauguration of the awareness program. It was attended by 70 persons from different bodies including private sector – Government – Associations	1- Dr. Ahmed Ez, Chairman of Iron and steel complex and vice-chairman of Federation of Egyptian Industries. He is also chairman of the commodity board of Metal products 2- Mr. Abdel Rahman Fawzi, Under Sec. MEFT 3- Mr. Mike Samra 4- Amb. Gamal Bayoumy 5- Mr. Roger Freeman 6- Dr. Osama Khiereldin, chairman of the commodity of board for Agriculture crops 7- Mr. Ahmed Amer (Exporter)
June 6	International changes and its impact on Global Economy	Ambassador Gamal Bayoumy
June 10	Arab/Eu Relation	Ambassador Gamal Bayoumy
June 13	Egypt/Eu partnership Agreement	Ambassador Gamal Bayoumy
June 25	Trade in services	- Roger Freeman - Geza Faketekuty

July 17	Credit Guarantees for Egyptian Exports	Omar El Shennawy, Director General of Egyptian Company for Export Guarantees
July 18	Credit Guarantees for Egyptian Exports Goods inputs makes good Trade Policy	Omar El Shennawy, Director General of Egyptian Company for Export Guarantees Irv. Williamson, consultant WTO Agreements
July 19	Credit Guarantees for Egyptian Exports	Omar El Shennawy, Director General of Egyptian Co. for Export Guarantees
July 22	Negotiation skills	Ambassador Gamal Bayoumy
July 25	Egypt/ EU partnership Agreement	Ambassador Gamal Bayoumy
July 29	Arab Economic Integration (comparison with the EU case)	Ambassador Gamal Bayoumy
August 6	Intellectual Property Rights Technical Barriers of Trade	Dr. Hassan Badrawy, Counsel, Ministry of Justice Dr. Abdel Baset El Sebaie, Director of Technical affairs, Federation of Egyptian Industries
August 8	Settlement of Trade disputes under WTO Agricultural package within GATT and Blairehouse Agreements	Ambassador Dr. Magda Shahin
August 13	Anti-dumping, and Safeguard under WTO Agreements Trade protection as negotiated under Egypt/EU partnership Agreement	Abdel Rahman Fawzi, Under Sec. MEFT, Head of cent. Dept. of International Trade Policies

August 14 August 15	<ul style="list-style-type: none"> - E. Commerce - Preferential Treatment - World Custom organization - Demo on S.G.S. activities - Facilitation of Trade Procedures - Customs Valuation 	<ul style="list-style-type: none"> - President of S.G. S. Co. for Inspection and Superintendence Osman M. Osman - Gil Martigance, SGS, Economic Affairs Division (Geneve) - J. Richard Giggall, Valuation Specialist, SGS U.K. - George Bottomely Economic Affairs division (Geneva)
August 21 August 22	International and Regional Financial Organizations (I.M.F.W.B. (I.B.R.D. – I.D.A. etc) Arab Funds – African Development Bank etc...	Samir Korayem, President of Orbit Co. for Brokage and: <ul style="list-style-type: none"> - Former Executive Director of African Development Bank - Former 1st Under Sec., Ministry of International Cooperation
August 23	Members of the Awareness program were request to conduct specific researches	Ambassador Gamal Bayoumy
August 28	Economics of Customs	Dr. Mohamed Ahmed El Ghawalby, Director General of Information Center, Custom Administration
August 29	Wooden product Industries	<ul style="list-style-type: none"> - Captain Redaallah Helmy, President of Al Fiber Co. and Chairman of wooden product Commodity Council - Mohamed El Shabrawy, Vice Chairman of Wooden Product Commodity Council - Adham Nadim, Arabesque Co.

August 30	Economics of Customs	- Dr. Mohamed Ahmed El Ghawalby, Director General of Information Center, Custom Administration
September 4	Role of Egyptian International Trade Point	Eng. Mostapha Said, First Under Sec. MEFT, Head of Egyptian International Trade point
September 5	Capital Market Stock Exchange	Dr. Ashraf Shamseldin Vice President of Capital Market
September 6	<ul style="list-style-type: none"> - Economic and Trade Environment of Egypt - Impediments facing doing business in Egypt - Role of Egyptian Businessmen Association (E.B.A.) 	<ul style="list-style-type: none"> - Khaled Hamza, Chairman of Cellopac. Co. and Chairman of Import Committee at EBA - Mohamed Youssef (New) General Sec. Of EBA. - Maye Salem, Director of Public Relation at EBA.
September 11	Export enviroment in Egypt, International Developments and their impact on Egyptian Export of Textiles	- Mohamed Kassem Chairman of the International Co. for Trade and General Sec. Of Exporters of readymade garments Association
September 12	<ul style="list-style-type: none"> - Role of Egyptian Export Promotion Center - Impediments facing Egyptian Exports 	Dr. Hamdy Salem, Head of Egyptian Export Promotion Center
September 26	- Trade in Services (GATS Agreement)	Dr. Sahar El Tohamy, Senior Economist, Egyptian Center for Economics Studies (ECES)

Annex III

Skill Enhancement Program for Technical Employees

Employee Types:

This Program assumes that two groups of employees are identified: advanced, future managers of sub-units (6 employees) and intermediate, future technical staff for six technical units.

The latter group requires a broad range of training experience, largely in English, computer applications, economic principles, and economic research methods. Courses will begin at the elementary and intermediate levels and advance through advanced levels over the period of at least one year. The former, advanced group has already demonstrated proficiency in the four basic areas. They will require training in advanced economic analysis, advanced training in computer applications, and leadership training to prepare them to manage the six technical teams identified below.

A Broad Outline of the Aims and Structure of the Organization:

The reorganized FTS will focus on six major functions:

- Trade Policy Analysis,
- Trade Agreements,
- Trade Remedies,
- Exporter/Importer services,
- Antitrust, and
- Secretariat to Commodity Councils

The nature and structure proposed for three of these functions, Trade Policy Analysis, Trade Agreements and Trade Remedies, is elaborated below. The proposed structures for the remaining functions will be the subject of a separate report. A detailed discussion of the aims and structure of the proposed, reengineered FTS is outlined in Section III H of the main report.

The exporter/importer services, and experts/cases functional group are already carrying out their mandates, and are therefore not addressed in this report. The tasks therein do not seem to require an enhancement of already existing skills.

The principal customer for the output of the three functional units discussed here in this report is the Minister of Economy and Foreign Trade and other high-level decision-makers. These three units are decision-support units and must provide precise technical analyses of trade policies, trade agreements, and remedies for unfair trade practices under the WTO Agreements. Examples of their expected output are the welfare impacts of proposed policy reforms, reporting, monitoring and implementation of trade agreements, and handling of allegations of unfair trade practices under the trade remedies provisions of the WTO.

There are several ways of organizing units to carry out the functions and processes identified above. First, one could establish line departments, which system would work well if tasks are fairly fixed and skill requirements vary little over time. Our assessment of the future functions of FTS indicates that many of the tasks will be periodic and demand driven, and other tasks will require varying skill mixes according to the specific trade problem encountered. Thus, the line organization is probably not suitable. Second, one can organize according to function. In this case, such an organization would place a fixed number of employees with a mix of skills needed to carry the functions listed under each of the categories above. The problem with this type of organizational scheme is that it is somewhat inflexible. The nature of tasks and work load varies in FTS, suggesting that flexibility in number and kind of employee in each unit is desirable. Thus, the third type of organizational scheme, the matrix system, might be optimal for FTS. Basically, the matrix scheme provides for a minimum core staff of technical experts located in designated units, which are augmented by technical staff, organized in separate units, when the task so dictates. The technical staff in turn are organized according to professional expertise under the management of a technically qualified leader. Certain technical tasks can be carried out independently by these specialized groups, but their primary function would be to work as a part of teams set up upon demand, according to the requirements of the task or problem being addressed.

A matrix scheme would require a somewhat different training program, as experts located in special units might have to have a somewhat different mix of skills embodied in each individual than would be the case if one attempted to establish a unit containing, permanently, the required skill mix. This issue need not be addressed at this stage of the re-engineering project, but should be addressed in Phase III, developing the strategic operational vision, as outlined in “Strategies for Enhancing the Foreign Trade Policy Analysis/Decision Support Activities”.

Technical Functions of Three Units:

Trade Policy Analysis Unit: This unit will conduct economic analysis in support of the formulation, reform and implementation of policies affecting Egypt’s trade with the rest of the world. Three broad classes of analysis must be carried out: 1) monitoring trends in key economic indicators for major Egyptian industries, including production, factor productivity, exports and imports, returns to factors of production, employment and wages and price relatives; 2) analyzing the impact of the various trade policies on the welfare of producers and consumers, (critical policies include tariffs, NTB’s, competitive behavior and import/export regulations and processes) and 3) prepare recommendations for trade policy reforms, supporting the recommendations with precise quantitative measures of impact on industry and consumer welfare.

Specific requirements and actions:

- 1) Develop and maintain a comprehensive data base on international trade and domestic industry;
- 2) construct and maintain a data base on industry production, productivity employment, investment, technological change, input /output coefficients, and trends in trade; and

- 3) develop and maintain trade-related macro-economic models, partial equilibrium models for welfare analysis related to changes in trade policy and CGE models for overall measurement of the impact of trade policy on economic adjustment within industries.

Trade Agreements Unit: In close coordination with MFA, CRS and other ministries (Agriculture, Health, etc.) charged with implementing WTO Agreements and regional agreements, develop a comprehensive monitoring report that: 1) reviews progress toward meeting obligations under each agreement, 2) assesses the benefits accruing to Egypt under each Agreement and 3) develops negotiating positions regarding each agreement.

Specific requirements and actions:

- 1) Develop detailed computer files on each agreement, requirements under the agreement, communications regarding the agreement, past decisions, and WTO actions;
- 2) develop regular reports to policy makers on progress, problems, and recommendations for action;
- 3) upon request of policy makers, develop recommendations and supporting analysis for modification of those agreements that may have problems; and
- 4) conduct impact analyses for the most important Agreements, reporting to policy makers on the economic welfare implications of aspects of the Agreements.

Trade Remedies Unit: Following the highly specific and detailed rules and procedures set out by the WTO for determining and remedying unfair trade practices, this unit must conduct a range of sophisticated, quantitative measurements to determine the existence of unfair practices, measure the margin of impact of the practice, and determine injury to the firms and the economy. Price/cost margins, relative domestic prices and prices in the importing market, market shares, measurement of injury, and fixing of countervailing duties are among the analytical requirements of this unit.

Specific tasks include:

- 1) Determination if dumping or other unfair trade practices have occurred;
- 2) measure the extent of price distortion and determine if there is injury;
- 3) determination of the countervailing duty or other remedy; and
- 4) justifying actions or remedies according to WTO rules.

Skill Requirements as Related to Technical Functions:

All of the functions and tasks identified above require a fairly high level of understanding of economic theory, quantitative economic analysis techniques, computer skills, writing ability, and proficiency in English. Judging by interviews with 54 technical and managerial employees of the FTS, only a few have an adequate level of skills in any of the categories. Six employees are highly skilled, requiring only training in management and advanced economic theory and research methods. The others must be trained first in fundamentals of economics and research and English and computer skills, and then, in a following year, some can be selected for more advanced training.

Annex IV Analysis of Employees Self – Evaluations:

1. Summary of Questionnaire results

- Teamwork is commonly practiced
- English and computer training are still the number one priority
- Technical training in trade remedies and WTO affairs emerges as vital.
- Other conclusions:
 - Training in economic analysis and statistics is critical to FTS functions, but has been neglected in the past.
 - Legal training as applied to trade is a must
 - Management and leadership training is needed.

Current Job Profile (#8)

<u>I. Departments</u>	<u>Number (of 26)</u>
Trade Remedies	19
Exports and Imports	2
Experts and Cases	4
IT	2
Other (Policy, Graphics, etc.)	3
<u>II. Tasks</u>	
-- Dumping, Subsidies, Safeguards (Complaints, correspondence, questions, visits, margins)	11
-- Legal analysis	7
-- Economic Analysis (and Statistics)	3
-- Importer/exporter complaints	8
-- Cost Accounting	7
-- IT	1
-- Monitoring WTO Agreements	3
-- Reports (writing and evaluation)	6
-- Supervision and Management	2
<u>III. Education</u>	
-- Accounting	10
-- Economics or commerce	8
-- Law	7
-- Computer Science	2
-- Other	3

Team Work Experience (#9)

Virtually all members of the group declared that they “almost always” work in teams, and that the team efforts were efficient. Furthermore, many had served as team leaders, either formally or informally. Teams are formed and later disbanded, according to the task at hand.

There didn’t seem to be much formal team creating by supervisors.

Analysis of Training in the Past, Training “Desired and Needed”, and The Most Difficult Tasks (Questions #10, 11, 12 and 13)

English language and computer skills, not surprisingly, have been the focus of past training carried out with FTS; and are still desired by members of the group, although not to the degree reflected in the past. These skills, on the other hand, judging by responses to the question: “what skills do you lack that are needed to do your job?”, are by far the most needed skills at the present time. Clearly, while past training has correctly focused on English and computer skills, training in these skills is felt to be still needed to a very sharp degree. Thus, one conclusion is that more and better training in English and computers would pay high dividends, even for this group who have received substantial training in both areas in the past.

There seems to be a contradiction between the above and responses to the eleventh question: “Describe the most technically demanding task that you are required to do.” Use of English and computers is apparently not viewed as very demanding or difficult by the members of the group. One explanation is that “demanding” lies with carrying out their primary tasks, which are trade remedies work and analysis of WTO Agreements. In the former case, trade remedies, analytical skills such as economics, legal, and accounting, are probably viewed as more difficult and demanding, given that most handle English pretty well and have some basic computer skills. In the case of WTO Agreements, anyone who has had to plow through stacks of arcane agreements, and compare them to Egyptian rules regulations, and conform the two will agree that it is a most demanding task.

There are then two major conclusions to consider from the above analysis and two lesser conclusions. First, training in English and computer skills should be accelerated, deepened and broadened. They are rightly identified as needed, such past training was on the right track, and it will impact positively on work performance. Second, technical training in the trade remedies area and the related WTO Agreements, especially in injury and margin determination, should be intensified.

Some additional conclusions should be considered: First, training in economics, statistics, and research methodology has been neglected is much needed, and could efficiently be combined with advanced computer training. Second, training in legal aspects of trade policy and trade agreements is desirable. Third, a few members of the group require management and leadership training in preparation for taking a leadership role in the newly re-engineered FTS.

Summary of Training

Most Demanding Task (#11)		(Past, Desired, Needed)		(#, base 26)
		Needed (#10)	Desired (#12)	Past (#13)
--	1. Study tour	--	1	5
10	2. Trade Remedies (Specific application)	9	8	10
--	3. English (and report writing)	18	6	9
4	4. Computers	17	7	10
5	5. Economic Analysis (and statistics)	9	8	6
2	6. Management	--	1	3
--	7. Negotiating	1	2	3
6	8. Legal Analysis	2	5	4
10	9. WTO Agreements	2	8	2
1	10. Cost Accounting	1	3	1
--	11. E-Commerce	--	5	--

Research Tasks Carried Out (#14)

As expected, much of the research reported was related to trade remedies, and most of that was specific to dumping cases. The methodology for the latter is largely prescribed in the trade remedies agreements. Such research is generally initiated by the local industry that perceives damage from alleged dumping cases.

Other research commonly reported could be described as investigation of violations of trade rules. For example, a trader alleged that customs procedures at Rafah were inhibiting trade. FTS investigated and recommended that the procedures in question should only be applied to goods in transit. Rafah complied and Egyptian traders received significant relief.

A financial analysis of a local industry was done to determine if dumping had had an impact on the industry. This is probably the kind of research that one normally expects a policy analysis unit to carry out. This example could well serve as a model of what the new policy analysis unit could do, and is probably the kind of economic analysis needed by MEFT decision-makers. Deepening and broadening the typical analyses done in the Trade Remedies Department is also a possible, practical means of developing full-blown policy analysis. Further, adding research on employment, consumer welfare, and export growth, for examples, to trade remedies research could be an efficient way to develop the policy analysis required.

Analyzing the effect of applying a duty to a particular commodity was carried out, using the typical tools of economic analysis (regression, computation of elasticities, etc.). Benefits and costs of the tariff were computed. This type of analysis is the basic substance of trade policy analysis, as is being applied in many countries around the world.

Other, descriptive studies are being carried out. These, and acquiring a suitable data base, are essential to developing trade policy analyses.

Would you like to do some other job in FTS (#15)

Fully 50 percent of the respondents indicated that they would not like to change jobs, indicating that they like their work, are trained for it and are satisfied with the job and their colleagues. Reasons for wanting to try other jobs, among the remaining 50 percent of respondents, varied considerably. Most frequently cited were:

- Have free time
- Gain new skills and experience
- Interested in broader aspects of trade
- Would like more responsibility
- Would like to do trade policy research

Would you like to have more responsibility? (#16)

Over 90 percent of the group expressed a desire to have more responsibility. Some qualified this by indicating they would like more responsibility but only after they had gained more experience. Others indicated that they had good experience and had good supervisory or leadership skills. A few directly expressed a desire for promotion into supervisory positions.

Those that expressed no desire for more responsibility usually indicated that they needed more experience. One person was already a supervisor and one had too many responsibilities already.

Do you get along with your supervisor? (#17)

Over 90 percent of the respondents got along well or “ok” with their supervisors. However, many had suggestions as to how to improve relationships with their supervisor. Examples of these suggestions include:

- need more regular meetings
- should be more participating
- should be more cooperative
- “I would supervise differently”
- not enough contact
- need more discussion
- should improve manner of speaking
- need better division of work load
- need more open discussion
- need to re-allocate tasks

Of those indicating that they didn’t get along with their supervisors, the reasons were:

- supervisor neglect
- impatient, discussions not good

Of those indicating only an “ok” relationship with their supervisor, the most common “complaints” were:

- need more regular meetings
- not cooperative
- not enough contact

--- need more discussion

Are you rewarded for doing an excellent job? (#18)

Seventy-five percent of the group indicated that they were rewarded at least “sometimes”. A third of these employees said they were often rewarded. All employees that indicated that they were often rewarded work in the Trade Remedies Department. All but one of the employees often rewarded was in the “young” group, with under 9 years of experience. Most of those with over 9 years of experience indicated that they are “seldom” rewarded.

How many hours do you work per day? Would work more if paid more? (#19)

Answers ranged from 6-7 hrs (the standard for a Saturday through Thursday work week) to 12 hours. Sixty percent of the respondents indicated that they would work more if paid more. Twenty percent definitely would work more, even if they weren't paid more.

How would you change the way things are done in FTS? (#20)

Responses ranged from no change needed to more computers, to major management concerns. The major suggestions are summarized as follows:

- better definitions of responsibilities and allocation of tasks
- more and better facilities, including computers, library.
- more incentives
- more training
- assess employees qualifications and performance. Hire qualified people.
- punish wrong doing and fire lazy employees. Use the money to increase salaries.
- delegate more authority to supervisors and even more widely.
- more coordination among departments.
- listen to employees.
- improve the system of training.
- early retirement, restructure departments and hire more young people.
- FTS lacks knowledge of managing computer systems
- evaluate everyone objectively according to their performance

Annex V Illustrative Policy Analysis Agenda for FTS:

Industry Response to Globalization

--- Diagnosis of competitiveness: develop a program of analysis of industry efficiency through the commodity councils (textiles, food processing, agriculture, furniture, etc.)

--- Strategy for change:

- Labor productivity and labor market adjustment
- Investment and technological change
- Coordination of technical assistance to industry
- Non-competitive market behavior (anti-trust)

Strategy for Acceleration of Tariff Reduction

--- Adjustment costs

--- Government revenue

--- Labor adjustments

--- Impact analysis:

- Trade
- Consumer welfare
- Producer profits
- Government revenue
- Employment
- Growth

Removal of NTB's

- Institutional changes required to reduce inspection costs at ports and to conform to WTO Agreements
- Re-engineering of GOEIC, Customs, Agriculture, Health, etc.
- Review of phyto-sanitary controls

Re-engineering of FTS

- Strengthening of technical capacity
- Definition of role in policy analysis and change
- Processes
- Organizational change

WTO Agreements

- Monitoring and reporting
- Coordination/interfaces with other GOE Agencies
- Support for negotiations
- Implementing agreements

Trade Data Bases

- Industry level indicators
- Macro-economic indicators
- Trends in imports and exports
- Monitoring of agreements

Policy Analysis Agenda: 2000-2005

- Tariff reduction
- NTB removal
- Strategy for adjustment
 - Labor
 - Industry
- Foreign direct investment
- Regional trade agreements (EU, US, Arab, COMESA)
- Textiles (removal of quotas in industrial countries)
- Food and agriculture exports and the EU Agreement
- Exchange rate policy

FTS Role in Policy Analysis, Interface With Other Agencies

- CRS
- MFA
- Private sector
- MEFT “technical”
- Ministry of Industry, Health, Agriculture
- Customs

Annex VI Steps Toward Forming the Economic Analysis Unit:FTS

Step #1 Technical and managerial screening

- Interviews
- Awareness seminars
- Assessment of current job characteristics
- Analysis of training needs

Step #2 Officially form the group as the nucleus of the new Trade Policy Analysis Group. Appoint a Team Leader. Relieve the group of previous duties (November 1).(FTS Leadership)

Step #3 Add 5 or 6 economists from the newly recruited technical employees. Deliver orientation actions to the group during November 2000. (FTS leadership and outside resources).

Step #4 Begin an intensive program of training in economic analysis, December 2000 through March 2001.

- Basic economic theory
- Guided practical research on jointly agree trade policy issues

Step #5 Continue the program of guided practical research, April 2001 through October 2001.

- One long-term economic advisor
- Ten short-term specialists:
 - Economic theory
 - Statistical methods
 - Economic modeling
 - Computer technology
 - WTO affairs
 - Reporting
 - Welfare analysis
 - Monopolistic competition
 - Trade and economic growth
 - Trade liberalization and employment

Step #6 Provide outside guidance for at least one more year, having an outside expert to mentor the unit in the more advanced aspects of economic analysis (October 2001 through October 2002). During this time also work on the leadership qualities of section heads should be carried out. Step #1 Identify the twelve existing economists with the highest potential.

Annex VII

FTS – Economic Research Unit, Core Team

Code (Master List)	Name	Basic Training	Degree	Current Job	Department
(48)	Amany El Wasal	Economics	BS	Research	Trade Remedies
(7)	Moheb Alawadly Mata	Agr. Econ.	BS	Senior Research	Export
(50)	Sherine Abd El Hamid El Sabagh	Foreign Trade	BS	Research	Trade Remedies
(8)	Fathi Ashry Mostafa	General Comm.	BS	Research	Import
(18)	Mohamed Sayed Sallam	Geography	BS	Foreign Trade	Experts
(25)	Faten Kased El Kareem	Foreign Trade	BS	Research	Experts
(26)	Gamat Amin Desouky	Foreign Trade	BS	Research	Research
(27)	Ayman M. Shoeib	Econometrics	BS	Investigat or	Trade Remedies
(32)	Noura Badr	Economics	BS	Investigat or	Trade Remedies
(2)	Hatem A. Moneim Mohamed	Accounting	BS	Investigat or	Trade Remedies
(51)	Dina Mohamed Mahmoud	*Accounting	BS	Research	Trade Remedies
(47)	Soad Khatab	Computer Science	BS	Computer Design	FTS, First Undersecretary

Profile:

- (1) All scored above 3.0 + on the interview
- (2) Three have formal training in economics, one in econometrics, five in Foreign Trade or commerce, two in accounting, and one in computers.
- (3) Seven are currently doing research, three are investigators, one does computer design, and one is in Foreign Trade.
- (4) Six are currently in the Trade Remedies Department, four are in import, export or experts, one is attached to the office of the First Undersecretary, and one is in the Research Department.

FTS – Economic Research Unit, Leadership Team

Code (Master List)	Name	Degree	Basic Training	New Proposed Title
(54)	Waleed El Nozahy	MBA	MBA	Coordinator, Economics Research Unit
(30)	Ahmed Foad Dawood	Law	BS	Coordinator, IT, Economics Research Unit
(31)	Khaled Ibrahim Abdalla	Science	BS	Head, Information System (FTS)
(52)	Hala El Dakroury	Law	BS	Head, Legal Dept, Economic Research Unit
(1)	Ibrahim Al Seguiny	Accounting	BS	Head, Accounting, Economic Research Unit