



USAID
FROM THE AMERICAN PEOPLE

TAPRII
TECHNICAL ASSISTANCE
FOR POLICY REFORM

TRADE DATA NEEDS IN EGYPT

February 11, 2007

This publication was produced for review by the United States Agency for International Development. It was prepared by Yahya Jammal

TRADE DATA NEEDS IN EGYPT

TECHNICAL ASSISTANCE FOR POLICY REFORM II

CONTRACT NUMBER: 263-C-00-05-00063-00

BEARINGPOINT, INC.

USAID/EGYPT POLICY AND PRIVATE SECTOR OFFICE

FEBRUARY 11, 2007

AUTHOR: YAHYA JAMMAL

DISCLAIMER:

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

CONTENTS

I.	BACKGROUND & APPROACH	1
II.	FOREIGN TRADE & INDUSTRY SECTORS.....	4
	A. Foreign Trade.....	4
	B. Industry.....	11
III.	DOMESTIC TRADE SECTOR	17
	A. Organizational Structure.....	17
	B. Policy & Administrative Functions	19
	C. Data Collection & Dissemination	i
	1. <u>Who Does What?</u>	i
	2. <u>Methodologies Used</u>	vi
	D. Improving the Process	vii
	1. <u>What Data to Collect?</u>	vii
	2. <u>How Often?</u>	viii
	3. <u>By Whom?</u>	viii
	4. <u>How?</u>	ix
	5. <u>A Proposed Action Plan</u>	xi
IV.	SHOULD DATA RELATED ACTIVITIES BE CENTRALIZED?	XII

LIST OF TABLES

Table 1: Typical Functions of a Ministry of Foreign Trade5
Table 2: Data Needed for Typical Policy Functions of a Ministry of Foreign Trade7
Table 3: Typical Functions of a Ministry of Industry12
Table 4: Data Needed for Typical Policy Functions of a Ministry of Industry13
Table 5: Possible Functions of the Domestic Trade Sector in the Ministry19
Table 6: Data Needed by Domestic Trade Sector21
**Table 7: Commodities for Which Prices Are Collected Regularly in Greater Cairo by the
 Department of Trade Data ii**
**Table 8: Commodities for Which Data Have Been Collected Regularly by the Department of
 Economic Studies and Information iii**
**Table 9: Example Showing Difference Between Computing Changes in Average Prices vs Changes
 in Average Price Relativesx**
Table 10: Proposed Action Plan for Domestic Trade Activitiesxi

LIST OF FIGURES

Figure 1: Organizational Chart of the Domestic Trade Sector18
Figure 2: Proposed Contents of the Questionnaire for the Planned Census of Industryxvi

LIST OF BOXES

**Box 1: Example of Reconciliation of Value of Goods Exports in 2005 from the
 Three Existing Sources8**
**Box 2: Officially Stated Functions of the Department of Trade
 Data18**
**Box 3: Officially Stated Functions of the Department of Economic Studies and
 Information20**
**Box 4: Officially Stated Functions of the Department of
 Meats21**
**Box 5: Officially Stated Functions of the Dept. of Fisheries &
 Poultry22**
**Box 6: Officially Stated Functions of the Dept. of Dairy
 Products22**

I. BACKGROUND & APPROACH

This is a report on a four-week consultancy in Cairo, Egypt between January 14 and February 8, 2007. The Scope of Work (see Appendix A) was somewhat broad including the following tasks:

- Review the work of the Assistance for Trade Reform project on the functions performed by the Ministry, specifically as it relates to data collection and dissemination.
- Meet with the team working with the TEP-A project to propose a data dissemination strategy for trade data.
- Meet with the staff of the data collection and dissemination offices to determine exactly what data is being collected and disseminated at this time.
- Meet with government officials and private sector representatives to gain a better understanding of the data that is needed by both parties for policy making.
- Prepare a report based on the work above and international experience in this area on how the Ministry's data collection and dissemination systems can be improved.

On the first day, we were advised that a committee had been formed by Dr. Samiha Fawzi, First Assistant to the Minister of Trade and Industry, to oversee the work of this mission. Counselor Hesham Fathi Ragab, Deputy Minister of Legal and Legislative Affairs, was the committee leader and the following were members:

- Mr. Ayman Saad El-Din Mohamed (appointed as official counterpart),
- Dr. Samir El-Gammal (also member of the IT Committee of the TEP-A Project),
- Dr. Mona Toema El-Garf,
- Mr. Tarek Hussein El-Baz and
- Dr. Khaled El-Halaby (also member of the IT Committee of the TEP-A Project).

Another member joining a later meeting of the committee was Eng. Hossam EL-Cheikh,

the director of projects of international donors and chairman of the IT Committee of the TEP-A project.

After a week of meetings covering all three areas of the ministry, a briefing of the committee was held on January 22 and I was told to focus my efforts in the remaining time on the domestic trade area. This report naturally reflects this focus, but also documents some of the work done in the foreign trade and industry areas as well.

In evaluating a particular ministry's data collection or dissemination activities, our approach involved first trying to understand the various functions that the ministry undertakes in order to determine whether those activities fulfill its necessary needs. As the ministry has three broad and distinct functional roles (foreign trade, industry and domestic trade), the approach is applied separately to each role.

In my view, in building any system for the ministry, one needs to follow a three-stage process:

- The first step is to identify the necessary functions that need to be fulfilled by the ministry by determining the policy and administrative questions that it needs to address,
- The second step is to identify the statistical data necessary to achieve these functions properly, and
- The third is to build the necessary IT infrastructure to ensure that the data, as collected, are delivered adequately for their intended uses.

This should be the logical order of that process: even if successful, starting from either the second or third step may provide good solutions but to the wrong problems. Only by taking the three steps in their right order would the right solution to the right problem be determined in an efficient way. Yet, anecdotal evidence suggests that the ministry may have allocated substantial resources into addressing the IT problem before first addressing the first two steps. Hopefully, the contents of this report will provide the ministry with a basis for addressing the first two steps.

The methodology used starts by asking the following question: what are the typical types of functions that a ministry of trade and a ministry of industry generally have? The answer is two broad distinct functions: the first is a policy function covering its sector and the other is an administrative (or enforcement) function. Section II addresses briefly such issues in foreign trade and industry and Section III does it in

more detail for domestic trade.

One overriding concern expressed to the committee was whether data collection activities in the ministry need to be centralized. Section IV addresses specifically that issue, recommends an alternative formulation of that question and a particular course of action.

II. FOREIGN TRADE & INDUSTRY SECTORS

A. Foreign Trade

Foreign trade data generally have two main equally important sources, each designed to answer particular questions. The first is the Balance of Payments, based on monetary flows derived from the banking sector. Given the nature of these sources, only monetary values are possible to obtain from it. The second source is customs authorities. These are usually based on customs declarations of importers and exporters, which include data on value as well as quantities at some detailed level of the Harmonized System classification (in Egypt it is at the 10-digit level). This source is what is used in analyses requiring information related to physical movements of goods and services between countries, whereas the first source is used in analyses requiring only financial flows between residents of different countries.

The existence of more than one source produces, by necessity, more than one result, given differences in conceptual coverage, origin, collection techniques etc. That does not mean that one source is necessarily good and another necessarily bad. In fact, existence of two sources has the advantage of allowing cross checking of the reliability of data from the other source. Reconciliation of data on the same variable from the two sources for the same time period is a very useful exercise, as it helps highlight strengths and weaknesses of each source and possible magnitudes for under- or over-reporting in various sources.

What are the typical functions of a ministry of foreign trade in a country with a market economy? As Table 1 shows, besides licensing and product quality control, such a ministry addresses several policy questions such as:

- What are the commodities that the country has a comparative advantage in?
- Should some commodities be considered “basic” or “strategic”¹ for

¹ A “basic” commodity is defined here as one that is essential for consumption of every individual. This usually covers a staple food such as bread. A “strategic” commodity is defined here as one that the government considers as important to have for special reasons such as national security or social cohesion. Cement or steel may fall under this category.

particular reasons and therefore subject to preferential treatment and why?²

- How to ensure international competitiveness of domestic production?
- How to promote exports of commodities with comparative advantage?
- How to make the local market attractive to foreign producers?
- What terms should be negotiated in trade agreements?

Table 1: Typical Functions of a Ministry of Foreign Trade

	Policy	Administrative
Questions	<ul style="list-style-type: none"> - determine commodities with comparative advantage - determine "strategic"/"basic" commodities - ensure international competitiveness - export promotion - opening local market to foreign producers - negotiating WTO/trade agreement 	<ul style="list-style-type: none"> - licensing/registration - product quality control
Some of the Data Needed	<ul style="list-style-type: none"> - macroeconomic variables (GDP, inflation, ...) - labor market: employment, wages (by sector) - regulations: licensing, investment, tariffs, non-tariffs - international commodity prices - production of main commodities: ex-factory/retail prices, quantities - exported commodities: values, quantities - imported commodities: values, quantities 	<ul style="list-style-type: none"> - license applications - license approvals - technical product specifications

These are not unrelated questions. Some, like the last four, I believe have been asked, at least implicitly, within this ministry and therefore have been addressed one way or another. As for the first two, particularly the first one, I have not seen any evidence that they have been properly addressed. Accordingly, what follows provides a few observations about their importance.

The issue of comparative advantage is the single most important trade policy question that any country needs to ask because it has significant implications on other

² This question, and the discussion of its implications in this section, apply to domestic trade policy as well.

areas (e.g. industrial policy) as well. Does Egypt have a comparative advantage in sugar? If the answer is yes, then this will trigger a set of downstream policy questions: how best to develop that industry? Should exporters be given special incentives to export? Should producers of raw sugar be supported or should sugar processors or both? How best to support them: through subsidies, legislations or other means? If through subsidies, how best to direct them: through price support, covering operational losses, or other means? To answer these questions, the cost of each option needs to be assessed so that the government would know the implications of each scenario. If Egypt is found not to have a comparative advantage in sugar, then none of these other questions needs to be asked.

How does one determine if a country has a comparative advantage in a particular commodity? The long established standard methodology is to measure the “domestic resource cost” of various commodities to determine which has the lowest such cost.

As to the determination of “basic” and “strategic” commodities, these have to be done based on an analysis not only of its political/economic/social importance, but also in terms of their cost as well. Every commodity that is deemed “basic” or “strategic” which requires preferential treatment involves costs to the economy. In other words, given the country’s limited resources, the government needs to realize that every penny that goes into supporting one commodity is a penny that cannot support something else. So the government needs to know the cost of supporting a particular preferential treatment of one commodity and compare it with the potential benefit that such a treatment is designed to achieve. Only by conducting such an analysis would the government be able to make an informed decision on whether commodity A should be considered “basic”, and therefore be accorded special support, and commodity B should not.³

Assuming that the ministry asks the above questions, then the type of data needed to answer them are at least those summarized in Table 2.

³ Criteria for determining candidates for “basic” commodities may include, among others, importance in the basic Egyptian diet (that is, that of the rural and urban poor, not that of the urban rich segment of the population), nutritional value, social necessity or a combination of these. The World Food Program lists 23 commodities that it supports worldwide (based on their nutritional value) which include staples varying by country. In Egypt, obvious candidates would be wheat flour, ful and oil. Less obvious are different types of vegetables or meats.

Table 2: Data Needed for Typical Policy Functions of a Ministry of Foreign Trade

Needed Data	Originating Source	Dissemination Source	Available Data	Frequency	Note
Macroeconomic	CBE	CBE	GDP by sector/expenditure	Annual	IMF: quality acceptable
	CBE	CBE	Interest rates	Monthly	
	CBE	CBE	Exchange rates	Daily	Expect high reliability
	CAPMAS	CAPMAS	CPI, WPI	Monthly	IMF: CPI quality acceptable
	CBE	CBE	Balance of Payments	Quarterly	IMF: quality acceptable
Labor market:					
Unemployment by sector	CAPMAS	CAPMAS	Uncertain availability by sector		
Employment by sector	CAPMAS	CAPMAS	Uncertain availability by sector		
Wages by sector	CAPMAS	CAPMAS	Uncertain availability by sector		
Regulations					
Licensing	Various agencies	MTI/Research dept.	Government decrees	Irregular	
Investment	?	?			
Tariffs/non-tariff required	Various agencies	MTI/Research dept.	Government decrees	Irregular	
International prices	Country records	Various websites	Import/export prices of highly traded commodities	Monthly	Expect high reliability
Main commodities					
Ex-factory prices	Should be CAPMAS	Should be CAPMAS	Not available		
Retail prices	MTI/DT Sector/Data	MTI/DT Sector/Data	Prices of 268 commodities in Egypt	Daily/bi-weekly	
	MTI/DT Sector/Studies	MTI/DT Sector/Studies	Prices of 62 commodities in Cairo	Weekly	Data collected for use in studies
Quantities	MTI/DT Sector/Studies	MTI/DT Sector/Studies	Quantities of some commodities	Weekly/ad hoc	Data collected for use in studies
Exports	MOF/Customs	CAPMAS	Values by 2-digit HS	Monthly	
	MOF/Customs	MTI/GOEIC	Values, quantities by 10-digit HS	Monthly	
	CBE	CBE	Total value from BOP	Quarterly	

Imports	Partner countries	MTI/ITP	Values, quantities by 10-digit HS	?
	MOF/Customs	CAPMAS	Values by 10-digit HS	Monthly
	MOF/Customs	MTI/GOEIC	Values, quantities by 10-digit HS	Monthly
	CBE	CBE	Total value from BOP	Quarterly
	Partner countries	MTI/ITP	Values, quantities by 10-digit HS	?
	quantities	Should be MOF/Customs	Should be MOF/Customs	Not available

As the table shows, some of the data are available, some from multiple sources, but some are not and will need to be eventually developed. Our recommendations on this sector, therefore, begin with those addressing policy questions:

Recommendation 1: Determine whether identifying commodities in which Egypt has a comparative advantage is an important policy for the ministry. If so, then conduct analytical studies to do so.

Recommendation 2: Define explicit criteria to determine “basic” and “strategic” commodities (a good starting point are those provided in this section) and measure the cost to the economy of potential preferential treatment to each one.

Once these questions are answered, then data requirements for them as well as for the other questions would become clearer. As Table 2 shows, some data are not available and therefore need to be developed, preferably by other agencies such as CAPMAS:

Recommendation 3: Hold discussions with CAPMAS to develop a program for obtaining regularly and on a timely basis data on: employment, unemployment and wages by sector of economic activity; ex-factory prices of selected locally produced commodities destined for exports, and possibly others.

The most important data, however, i.e. those involving imports and exports, are available but present challenges. On this issue, I was going to recommend conducting a reconciliation of annual values of goods imports and exports from the different existing sources (similar to the illustrative example in Box 1), followed by reconciliation of annual values at more disaggregated levels (ideally at the 10-digit HS level) to help highlight emerging weaknesses in the data. However, our meetings with various parties produced highly conflicting (even contradictory) accounts of data sources and processes. The only way to sort this out in my view is to hold a high-level technical meeting of all parties and verify their claims by visiting a sample of data collection

offices from each source.⁴ That was beyond the capability of this mission and in any case appears to have been overtaken by events. We learned that an EU-funded Trade Statistics Project at the Ministry of Finance plans to produce a system which captures all important information available in the customs declaration forms and transfer them electronically to a data warehouse which would be available to select users (including the ministry) electronically in real time. We were told that the design of this system is already underway and the expectation is that the system would be fully operational within one year.

Box 1: Example of Reconciliation of Value of Goods Exports in 2005 from the Three Existing Sources

Annual total exports from CBE (\$ million)	13,833	
- petroleum products exports	?	obtained from the ministry of petroleum, significant ¹⁾
+ exports of free zones	?	significant ¹⁾
+ fiscal year basis adjustment	?	unlikely to be significant. It can be fully accounted for from existing quarterly data
+ exchange rate adjustment (daily to monthly)	?	unlikely to be significant, unless huge swings took place
+ accrual vs cash basis	?	unlikely to be significant
+ duty drawback adjustment	?	unlikely to be significant
+ temporary permit adjustment	?	unlikely to be significant. It can be fully accounted for from existing monthly data
+ re-export adjustment	?	unlikely to be significant
+ unexplained discrepancy	?	residual which may include: foreign exchange portion kept overseas by exporters, underreporting in the BOP
= Annual total exports from CAPMAS	10,718	
+ adjustment for estimation of free zone exports	?	unlikely to be significant
= Annual comparable exports from CAPMAS	?	
+ unexplained discrepancy	?	residual which possibly includes: transcription error by Customs offices (if a form other than the declaration form is used), data entry/processing errors by CAPMAS
= Annual total exports from GOEIC	8,897	(may include possible underreporting in Customs forms, data entry/processing error by GOEIC)

1) Estimation for 2005/06 done by the Minister's Economic Unit found that these two components accounted for about 98% of the difference between the two estimates.

⁴ Two important observations need to be mentioned here about GOEIC. The first is that based on my understanding of the process described by GOEIC of its recording of data on exports (which relies on the original customs declaration form and involves verification of entries in that form against the shipping invoices, entry of data in that form and various validation rules and checks of data entry), that source is likely to provide an accurate representation of covered exports. However, some of these claims were challenged by the Customs office, which stated that GOEIC's verification of documents took place only when Customs officials requested it, implying that it did not apply to all commodities. The second observation is that ultimately the job of recording and verifying export and import data should be done at the source, i.e. by the Customs office, as is the practice elsewhere in the world. So GOEIC's current system covering exports, which seems to be working well, will eventually need to be transferred to Customs. The ideal way to do that would be for the two agencies to coordinate the development of the new system being developed for the Customs office, by including all the successful features of GOEIC's current system, to ensure that the new system works as designed. Once the new system is fully operational in a satisfactory way, then GOEIC could be gradually eased out of the data recording and entry function, as it has apparently started to do.

This is certainly a step in the right direction. If successful, it would provide the ideal solution that policy makers have been seeking for years: a single source of data on commodity exports and imports. Given such development, the only reasonable recommendation that one could give at this point on this issue is the following:

Recommendation 4: coordinate work currently undertaken by the TAPR-II project in setting up a new customs management system with the Trade Statistics Project of the Ministry of Finance to ensure that whatever systems are produced can communicate properly.

If such coordination is not done, one runs the risk of facing a new problem after one year in trying to reconcile results produced by different systems.

B. Industry

The typical functions of a ministry of industry are mentioned in Table 3. besides licensing and product quality control, such a ministry addresses the following two main policy questions:

- Once an industry is determined to provide a comparative advantage, how to develop such an industry? Through special incentives, temporary preferential legislations (e.g. protective tariffs, duty exemptions etc.), special financing, technical support etc.?
- For industries considered as “strategic”, how to make sure that they develop in an efficient way so as not to become a net drain on the country’s finances?

Table 3: Typical Functions of a Ministry of Industry

	Policy	Administrative
Questions	<ul style="list-style-type: none"> - develop industries with comparative advantage through possibly: <ul style="list-style-type: none"> improving competitiveness removing entry/exit barriers providing incentives - develop efficient strategic industries 	<ul style="list-style-type: none"> - licensing/registration - anti-trust - product quality control
Some of the Data Needed	<ul style="list-style-type: none"> - macroeconomic variables (GDP, inflation, ...) - labor market: employment, wages (by sector) - regulations: licensing, investment, tariffs, non-tariffs - international commodity prices - produced commodities: price/quantity of outputs, inputs, labor, capital .. 	<ul style="list-style-type: none"> - license applications - license approvals - technical product specifications

In order to answer these questions, the usual data needed are presented in Table 4. As the table shows, most of the needed data, particularly those on the structure of production, are not currently available and will need to be developed.

Table 4: Data Needed for Typical Policy Functions of a Ministry of Industry

Needed Data	Originating Source	Dissemination Source	Available Data	Frequency	Note
Macroeconomic	CBE	CBE	GDP by sector/expenditure	Annual	IMF: quality acceptable
	CBE	CBE	Interest rates	Monthly	
	CBE	CBE	Exchange rates	Daily	Expect high reliability
	CAPMAS	CAPMAS	CPI, WPI	Monthly	IMF: CPI quality acceptable
	CBE	CBE	Balance of Payments	Quarterly	IMF: quality acceptable
Labor market:					
Unemployment by sector	CAPMAS	CAPMAS	Uncertain availability by sector		
Employment by sector	CAPMAS	CAPMAS	Uncertain availability by sector		
Wages by sector	CAPMAS	CAPMAS	Uncertain availability by sector		
Regulations					
Licensing	Various agencies	MTI/Research dept.	Government decrees	irregular	
Investment	?	?			
Tariffs/non-tariff required	MTI/IDA?	MTI/IDA?			
Produced commodities					
Outputs: price, quantity	Should be CAPMAS	Should be CAPMAS	Not available		
Intermediates: price, quantity	Should be CAPMAS	Should be CAPMAS	Not available		
Labor: price, quantity	Should be CAPMAS	Should be CAPMAS	Not available		
Capital: price, quantity	Should be CAPMAS	Should be CAPMAS	Not available		

What is the current status of this sector in the ministry? The Industrial Development Agency (IDA) is currently the authority legally responsible for industrial policy in Egypt. Its website states the following “mission”:

“To set, control and organize all needed industrial policies - which were set by the Ministry of Trade and Industry - to motivate and encourage investments in the industrial sector to achieve the contribution in solving the problem of unemployment”

and the following “goals”:

- “- Set the rules to attract & motivate investors for increasing the foreign investments.
- Preparing the industrial studies & plans by sector& geographically and following up their implementations
- Set the policies of industrial parks allocation.
- Set the pricing rules and subsidizing funds.
- Subsidize the industrial development at south Egypt & Sinai.”

To date, its responsibility has been practically limited to licensing. Industrial licensing generally follows a four-step process:

- First is obtaining IDA’s approval for the proposed plant,
- The second step is to obtain a license for construction of the plant,
- The third step is to obtain an operation license from the governorate, and
- The final step involves obtaining an official industrial register from IDA.

Operating without an industrial register carries a very low penalty (100 LE) and is not observed by a large number of operators, especially small ones. However, any firm planning on exporting its products or on participating in bidding for government contracts is required to have such a register.

According to IDA, the current number of enterprises with an industrial register in Egypt is about 27,000 and an additional 16-17,000 have an operation license but lack an industrial register and several tens of thousands of others lack both. IDA has already made arrangements with various governorates to obtain available data on enterprises with operation licenses. The only data currently available to IDA are those contained in the register, which include:

- Identification: name, address, contact information, geographic location, ownership,
- Type of industrial activity and main products,
- Type of capital
- Summary measures of the following main aggregates: area of plant, expected production capacity, number of product lines, number of workers
- Detailed breakdown of expected annual cost structure
- Detailed breakdown of expected production by product: unit, capacity (by shift) and value
- Detailed breakdown of expected energy needs (in quantities of six types) and expected energy production/storage units
- Detailed breakdown of expected value and capacity of fixed assets with a differentiation between domestic and imported items
- Detailed breakdown of intermediate inputs by unit, quantity, value and source (domestic, imported).

Needless to say, the only data reflecting the enterprise's true condition that can be derived from the register are those covering the enterprise's identification and possibly the plant area. All other information relate to the enterprise's *expected* activities, not its real actions. As such, this information cannot be used to track industrial production or employment or any development of economic activities in that sector other than firms' expectations, which may or may not materialize.

Another agency, the Industrial Modernization Center (IMC), is also involved in many areas touching on industrial policy. IMC's website states its mission briefly as:

"To support all industrial enterprises, according to their development needs, through comprehensive and customized business competitiveness"

and in a more detailed way as:

"to provide business development support to Egyptian industrial enterprises to position them competitively in Egypt's global markets in order to increase job creation and prosperity for all. Out of more than 24,800 registered enterprises, totalling 1.2 million employees in the industrial sector, IMC mandate focuses on companies employing more than 10 workers ; IMC therefore aims at addressing the needs of about 10,300 enterprises. This unique positioning on a vital sector of the economy allows to concentrate resources, generate impact and be complementary to and coordinated with programmes contributing to sustainable economic development."

IMC has commissioned several dozen good studies of particular industries and appears to be working closely with IDA. It is currently planning to carry out a one-time census of all industrial establishments in the country for the first time, in order to have a more complete count of the number of such establishments and their production structure.

Given current conditions, therefore, there is little that one can recommend besides the following:

Recommendation 5: Make sure that an industrial census is conducted as soon as possible. The importance of data obtained from the census cannot be overstated: it would provide the benchmark for all future industry surveys. A sample questionnaire is provided in Appendix A to use in that census containing the necessary data for industrial policy making.

It should be mentioned that given the specific statistical skills required and the need to have strong legal backing for this operation, such censuses are generally conducted by central statistical agencies. In addition, such activities are most useful for policy makers when they are part of a system of surveys: the census used as a benchmark and more frequent updates are conducted to track changes in critical variables.

Recommendation 6: After the census is completed, IDA needs annual updates of the major aggregates obtained from the census, namely total output, total intermediate inputs, total employment and possibly wages. A simpler questionnaire can then be used and applied to a sample of establishments.

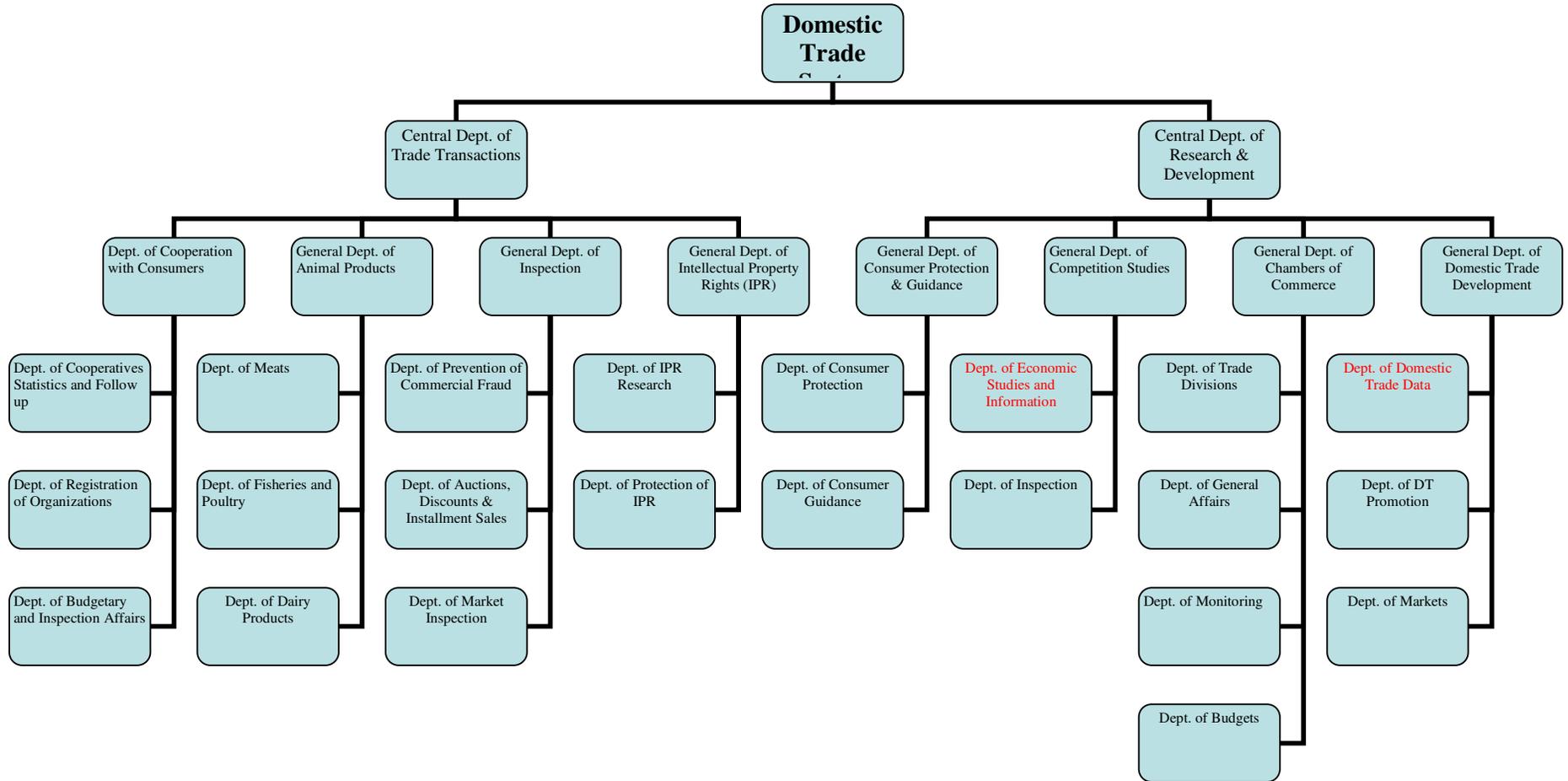
In both the census and the annual updating operation, the participation of CAPMAS will be essential.

III. DOMESTIC TRADE SECTOR

A. Organizational Structure

Since its merging with the current Ministry of Trade and Industry, this sector continues to undergo organizational changes. Its existing organizational structure, provided in Figure 1, has not been officially decided, but is expected to be finalized soon.

Figure 1: Organizational Chart of the Domestic Trade Sector



B. Policy & Administrative Functions

Besides the licensing/registration function, it is not clear that there is “typical” role of a ministry of trade, as is the case with ministries of foreign trade and industry. Based on its organizational structure, Table 5 provides a list of possible policy and administrative roles that could be played by that sector.

Table 5: Possible Functions of the Domestic Trade Sector in the Ministry

	Policy	Administrative
Questions	<ul style="list-style-type: none"> - ensure adequate and stable supplies of “basic”/”strategic” commodities - should government subsidize commodities? - if so, how best to do it: directly/indirectly; to farmers/traders? 	<ul style="list-style-type: none"> - licensing/registration - anti-trust - product quality control
Some of the Data Needed	<ul style="list-style-type: none"> - prices of “basic”/”strategic” commodities - quantities of “basic”/”strategic” commodities - prices of raw materials - farmers’ cost structure - transportation cost - wholesalers/retailers trade margin 	<ul style="list-style-type: none"> - license applications - license approvals - technical product specifications

The first policy question that can be asked is: how to ensure adequate supplies for “basic” (and possibly “strategic”)⁵ commodities and affordable and stable prices? A related question is: should the government subsidize a particular commodity? Why would the government do that? Possible answers may include that the commodity is a critical staple that the government decides that it is obligated to provide to all its citizens at a low enough price (e.g. bread or ful in the case of Egypt). If it decides to do so, the next question would be: what is the best way to do that? A variety of actions can be taken which may have different distorting implications on the market: direct payment of the difference in price (between market and target price) for every unit sold by the retailer/wholesaler or to the farmer (to deliver the product at the target price); special

⁵ For a discussion of issues of selecting and defining “basic” and “strategic” commodities, refer to Section II.A.

incentives (e.g. duty exemptions) to importers of the final product or raw materials;
incentives (e.g. tax exemptions) to local producers etc.

Given the many forms in which a subsidy can be directed, the government needs to know the magnitude of its cost (explicit as well as implicit) for proper assessment of the potential costs and benefits of its policies. Only by doing such analyses can one say that the government's decision, whatever it may be, was fact-based rather than ad hoc or based purely on political considerations.

Table 6: Data Needed by Domestic Trade Sector

Needed Data	Originating Source	Dissemination Source	Available Data	Frequency	Note
Prices of "basic"/"strategic" commodities	CAPMAS	CAPMAS	Price change by commodity group (part of CPI)	Monthly	IMF: quality acceptable
	MTI/DT Sector/Data	MTI/DT Sector/Data	Prices of 268 commodities in Egypt	Daily/bi-weekly	Methodology sound
	MTI/DT Sector/Studies	MTI/DT Sector/Studies	Prices of 62 commodities in Cairo	Weekly	Data collected for use in studies
	MOI/Supply Police	MOI/Supply Police	Average prices of 30 commodities	Daily	
	MTI/Research Sector	MTI/Research Sector	Prices of 56 commodities in 14 governorates/zones	Monthly	
	Cairo Chamber of Commerce	Cairo Chamber of Commerce	Prices of ? commodities	Weekly	
	Fathallah Stores	MTI/Minister's Office	Prices of 49 commodities	Daily	
	Unknown	PM/Information center	Prices of 53 commodities	Daily	
Quantities produced/sold of "basic"/ "strategic" commodities	MTI/DT Sector/Studies	MTI/DT Sector/Studies	Quantities of some commodities	Weekly/ad hoc	Data collected for use in studies
	Min. Agriculture?	Min. Agriculture?	Stocks of "basic" commodities?	?	
Prices of raw materials	Min. Agriculture?	Min. Agriculture?	Uncertain availability		
Farmers' cost structure	Min Agriculture?	Min. Agriculture?	Uncertain availability		
Transportation cost	Should be CAPMAS	Should be CAPMAS	Uncertain availability		
Wholesalers/retailers trade margin	Should be CAPMAS	Should be CAPMAS	Uncertain availability		
License applications	MTI/Register Agency	MTI/Register Agency	Number of applications	Monthly	
License approvals	MTI/Register Agency	MTI/Register Agency	Number of approvals	Monthly	
Technical product specifications	?	?			

C. Data Collection & Dissemination

1. Who Does What?

The sector has two general departments that actually collect data and one which receives data from other sources. This section will discuss in some detail the work of the first two and will mention briefly the functions and available tabulations of the third.

Department of Domestic Trade Data (of the General Department of Domestic Trade Development)

The official functions of this department as stated by the General Office of Management and Administration, which is the civil service agency that dictates governmental official functions, is provided in Box 2. It conducts data collection operations on a regular basis but is limited to prices only. As Table 1 shows, the department collects daily prices of 68 food items from private and public sources, and bi-weekly prices of 268 non-food items in greater Cairo. In addition, it obtains daily prices from various governorates, the list of items varying depending on consumption patterns in these areas, and sends bi-weekly, monthly and quarterly reports on price ranges (minimum and maximum) to higher level sector officials.

Box 2: Officially Stated Functions of the Department of Trade Data

- Set up a comprehensive database about domestic trade activities in all its branches and for all commodities used in the markets and their prices, domestic and international,
- Study regular reports originating from chambers of commerce and other trade unions in order to be aware of various commercial activities and their implications on the markets and the flows of various commodities
- Contact agencies and organizations under this Ministry to monitor their various activities
- Set up a database on non-food commodities produced domestically, their availability, price changes and consumption to determine the surplus to be exported or deficit requiring imports.
- Study international systems of domestic trade to learn from them when the current system needs improvement or modernization.
- Contact the Trade Information Center to exchange information and data necessary for all domestic trade activities and present it to those responsible with recommendations for adequate solutions.

Source: General Office of Management and Administration

Table 7: Commodities for Which Prices Are Collected Regularly in Greater Cairo by the Department of Trade Data

Commodity Groups	Number of Commodities	Frequency	Note
Food			
Grains and beans	7	Daily	Collection from private and public sector
Tea and sugar	4	Daily	Collection from private and public sector
Dairy products	9	Daily	Collection from private and public sector
Wheat products	2	Daily	Collection from private and public sector
Vegetable oils	4	Daily	Collection from public sector
Butter and margarine	5	Daily	Collection from public sector
Local and imported meats	7	Daily	Collection from public sector
Fresh and frozen fish	7	Daily	Collection from private and public sector
Frozen poultry and eggs	3	Daily	Collection from public sector
Tahina and products	6	Daily	Collection from private and public sector
Canned goods	8	Daily	Collection from private and public sector
Other food products	6	Daily	Collection from private and public sector
Total food items	68		
Non-Food			
Appliances and household goods	83	Bi-weekly	Collection from public sector
Consumer goods	48	Bi-weekly	Not specified
Construction materials	15	Bi-weekly	Not specified
Metal goods	19	Bi-weekly	Not specified
Leather goods	6	Bi-weekly	Not specified
Petroleum goods	9	Bi-weekly	Not specified
Fertilizers	6	Bi-weekly	Collection from private and public sector
Chemical goods	14	Bi-weekly	Not specified
Total non-food items	200		
Total items	268		

Note: the number of items may vary from one governorate to another depending on consumption patterns. The numbers provided in the table should only be used in an indicative way, not to represent the actual numbers in all areas.

Department of Economic Studies and Information (of the General Department of Competition Studies)

The official functions of this department are provided in Box 3. The key function that its director focuses on is that of conducting economic studies. In the course of doing

these studies, however, it ends up collecting data that may not be available from other sources in the required quality or within the necessary time. The first such data collections have included cement and sugar, but, as Table 8 shows, currently includes several more commodities totaling about 62 items. Collected data need not be limited to prices although, with the exception of cement, only prices are collected for all other commodities. Although the department does not produce regular price reports, it shares its data tables with other units and produces reports and recommendations to higher sector officials on an irregular basis depending on its findings and/or requests from higher authorities for investigations of a particular issue.

Box 3: Officially Stated Functions of the Department of Economic Studies and Information

- Set up a comprehensive database about markets and various commodities in all governorates and attempt to link it to various relevant parties whether internal or external, for example (International Trade Point, National Information Network, Trade Information Center, chambers of commerce etc.)
- Prepare technical, economic and marketing studies aiming at evaluating and analyzing behavior, patterns and types of management in various sectors of the economy and trade in order to uncover any potential instances of activities which hurt fair competition or which hurt consumers
- Establish a cost unit with a mission to estimate the cost of commodities suspected of being subject to dishonest competition or monopoly, to compare with real prices and to follow up in the markets
- Contact the media with regard to exchanging ideas and information on a regular basis in the area of protecting competition, preventing monopolies and coordinating between the two
- Study inspection reports, prepare necessary reports about them and recommend actions to be taken in this regard.

Source: General Office of Management and Administration

Table 8: Commodities for Which Data Have Been Collected Regularly by the Department of Economic Studies and Information

Commodity Groups	Number of Commodities	Frequency	Data Collected
Cement	1	Weekly	From 11 companies operating nationally, covering production, opening/closing stocks, sales to various agents and markets (domestic and import)
Sugar	9	Weekly	Price from ? outlets in greater Cairo
Wheat	7	Weekly	Price from ? outlets in greater Cairo
Eggs	4	Weekly	Price from ? outlets in greater Cairo
Fresh vegetables	12	Weekly	Price from ? outlets in greater Cairo
Frozen vegetables	6	Weekly	Price from 6 outlets in greater Cairo
Rice	4	Weekly	Price from ? outlets in greater Cairo
Noodles	2	Weekly	Price from ? outlets in greater Cairo
Tea	4	Weekly	Price from ? outlets in greater Cairo
Oils	3	Weekly	Price from ? outlets in greater Cairo
Margarine	2	Weekly	Price from ? outlets in greater Cairo
Butter	2	Weekly	Price from ? outlets in greater Cairo
Beans	6	Weekly	Price from ? outlets in greater Cairo
Total items	62		

Note: the department says that collection of the data in the table is for the purpose of conducting its market studies and policy recommendations, not for the provision of data to other users.

Department of Meats (of the General Department of Animal Products)

The official (non-inspection) functions of this department are provided in Box 4. To do that, the department obtains regularly relevant data from governorates as well as local offices under the Ministry of Agriculture. Data obtained are entered into its system and the following tabulations are provided and reported regularly (including a comprehensive annual report) along the chain of command:

Box 4: Officially Stated Technical Functions of the Department of Meats

- Work towards ensuring availability of meats and animal products in the markets with adequate quality and prices and during religious occasions
- Study regularly prices of domestic and imported meats
- Monitor slaughtering activities in various slaughter houses in all governorates
- Set up a comprehensive database about meats and meat products in its various forms, its production, imported quantities related to improving production, its consumption, prices and consumption behavior in the governorates.

Source: General Office of Management and Administration

- Average prices of meats by geographic area,
- Meat consumption by geographic area,
- Number of meat processing plants and their stocks
- Number of meat “freezers” and their stocks
- Number of slaughter houses and their monthly activities
- Slaughtered animals: number, weight and average prices
- Monthly meat imports (quantities and average prices)
- Monthly meat exports by destination
- Meat distribution by company

Some of these data are available on the shared network of the Central Department of Trade Transactions, but others are saved in files available only on the department’s computers.

Department of Fisheries and Poultry (of the General Department of Animal Products)

The official (non-inspection) functions of this department are provided in Box 5. To do that, the department obtains regularly relevant data from governorates as well as local offices under the Ministry of Agriculture. Data obtained are entered into its system and the following two broad sets of tabulations are provided and reported regularly (including a comprehensive annual report) along the chain of command:

Box 5: Officially Stated Technical Functions of the Dept. of Fisheries & Poultry

- Measure production of fresh fish for the whole country based on data obtained from the General Office for the Development of Fisheries and the directorate of supply in the governorates producing fish
- Monitor for the whole country average prices of various types of fish including fresh and frozen, as well as local poultry and eggs.
- Track legally registered slaughter houses in the whole country
- Participate in providing technical opinion to the project of measurement standards for fisheries, poultry, eggs and their products
- Monitor imported quantities of frozen and packed fish of various types, and their prices in the domestic market
- Prepare special studies about problems of production and marketing
- Prepare a plan for the companies under this ministry and “Egypt Marketing of Fisheries”(??) to determine the needs of each company to ensure availability during Ramadan and the Fitr Feast and Sham al-Nasim at adequate prices
- Monitor supply and demand of poultry and eggs and their prices in the whole country
- Prepare monthly and annual reports showing the situation of fisheries and poultry in the domestic market.

Source: General Office of Management and Administration

- Number of “freezers” and their stocks
- Average prices by area

Department of Dairy Products (of the General Department of Animal Products)

The two official (non-inspection) functions of this department are provided in Box 6. To do that, the department obtains regularly relevant information from governorates as well as local offices under the Ministry of Agriculture. Data obtained are entered into its system and the following two broad sets of tabulations are provided and reported regularly (including a comprehensive annual report) along the chain of command:

Box 6: Officially Stated Technical Functions of the Dept. of Dairy Products

- Prepare regular reports on dairy products including production, prices and the average per capita use
- Set up a database for dairy products.

- Number of dairy producers and their stocks
- Number of “freezers” and their stocks
- Quantities of dairy products by area
- Monthly imports
- Average prices by area

2. Methodologies Used

According to the Department of Trade Data, their data collection process is primarily aimed at understanding conditions in the markets with regard to the commodities for which they collect data (see Table 7). Their staff is sent daily (or bi-weekly) to several outlets to collect prices on a pre-determined list of commodities to determine two main things:

- Whether prices have gone up significantly, and
- If so, what are the apparent reasons for that increase. In other words, whether the increase is expected to be temporary or to become permanent.

This process is designed, we were told, to serve as an early warning system for decision makers in the ministry to take possible action to stabilize these prices. When asked about the typical problems in collecting consumer price data (such as quality differences, new and disappearing products etc.), the department appeared to be aware of these problems and to have remedies for them. In sum, the department appeared to have a good basic understanding of how to collect consumer price data in a meaningful way.

As for the other department collecting consumer price data, the Department of Economic Studies and Information, their data collection process seems geared toward other ends: unlike the Department of Trade Data, their data aims at helping them do their market studies and provide recommendations to the ministry for action. The data collection process is not necessarily systematic: it begins with a demand from the ministry for a particular study with special concerns about possible fraud, tampering with quality or illegal manipulation of the market. However, once collection of data for a particular market starts, it seems to continue, ostensibly to ensure that whatever originally discovered problem does not occur again. That naturally results in some duplication of work done by the Department of Trade Data, as a cursory look at Table 7 and Table 8 would indicate.

D. Improving the Process

Although it appears to provide frequent data to policy makers in the ministry about prices for a large number of commodities, the current system, in my view, suffers from four main problems:

- It seems geared towards collection of price *levels* when the critical need of the ministry is in price *changes*,
- It includes far more commodities than is necessary,
- It is done too frequently, and
- There is obvious duplication in data collection.

In what follows, I will try to provide alternative solutions to these problems.

1. What Data to Collect?

If the ministry's objective is to ensure adequate and stable supplies of "basic" commodities, then it needs to monitor both their prices and available quantities in the local economy. In a market economy, the price of a commodity is the best signaling system of the market condition for that commodity. Therefore, the government's effort in monitoring the situation would be most effective if the bulk of that effort focused on monitoring prices. Monitoring quantities may also be necessary, but need not be done as frequently, since many "basic" commodities are storable and therefore quantities projections may be done with relative accuracy in advance if reliable prices are available. Given this mission's limited time, our focus was on collection of price data. In the future, the ministry will need to assess collection of quantity data as well, after first evaluating the frequency and quality of data produced by other agencies (such as the Ministry of Agriculture and CAPMAS).

The first observation with regard to prices is that the ministry need not collect data on about 300 commodities as it does currently. There is no logical reason in my view for collecting data on household appliances, leather goods, chemical goods and other non-food items. Nor is there any reason to cover any food items other than what the ministry decides should be considered a "basic" commodity. This should be done as suggested in Section II.A above. Once a decision is made, I believe that the ministry will have a list of no more than 10 or 20 commodities that it will consider as "basic".

Recommendation 7: Limit the number of commodities for which regular prices are collected by the ministry to only those to be considered as "basic".

2. How Often?

From a policy perspective, daily price data are not very useful, as they may result primarily in statistical noise rather than actual signal. A sudden increase in prices one day (due to whatever reason) which is reversed the next day (for whatever reason as well) should not be a concern. It is when a price increase (or decrease) is sustained that it may require the government's attention for possible intervention. For that, a weekly or even bi-weekly average price may be sufficient and is less costly to obtain as well.

Recommendation 8: Replace daily price collection with one done weekly or bi-weekly, depending on policy needs.

3. By Whom?

Given the Department of Trade Data's mandate and their current practices, I think that they are best equipped to do the necessary data collection, provided they are given the necessary guidance and tools to do so. Data produced by this department will then need to be entered into a database available electronically in real time to all other departments within the ministry authorized to conduct studies or analyses requiring these data. The role of this department should be limited to data collection and reporting, since this is what it is best equipped for and in any case would not have time to do anything else if it performed its assigned job properly.

The Department of Economic Studies will need to focus on its role in conducting market analyses rather than collecting data. The bulk of what it has been doing has been more related to enforcement (e.g. fraud detection, checking proper application of quality standards) rather than analysis. It has the capability to do some analysis (its current director and deputy director are certainly capable of doing that) and should be given the task of evaluating data collected by the Department of Trade Data and doing market analysis using these data. With the other policy questions that recommended in this report for this sector (i.e. determining "basic" and "strategic" commodities, determining whether to subsidize or not, if so, how, at what cost?) there will be plenty of analyses that could possibly be addressed by this department (and other departments as well). This, I believe, would be a far better use of the existing talent in that department than the current situation.

Recommendation 9: Assign the responsibility of data collection for "basic" commodities to the Department of Trade Data, with the Department of Economic Studies and Information assigned the task of evaluating these data and conducting analyses based on them rather than collecting primary data.

4. How?

In order to cover adequately measurement of price changes in the chosen commodities, it is important to keep the following in mind:

- The methodology used must be geared toward measuring price *changes* rather than *levels*. Although the two are obviously closely related, people often lose sight of what is more important.
- Prices to be covered should be *actual* prices that consumers are paying, i.e. after discounts, sales, special promotions etc. Advertised, or openly displayed prices are irrelevant.
- Prices to be covered should be *market* prices that consumers end up paying, not those set artificially at a certain level by various authorities.

With these things in mind, for proper measurement of price changes, one must cover exactly the same commodity between two periods: in other words, the same specification, quality, unit, brand, size, etc. Any deviation in any of these specifications would result in changes reflecting a statistical illusion instead of price behavior. This has important implications: data collectors need to cover, to the extent possible, the same outlets and the same products, which is not always easy to do, especially in cases where there are no pre-specified brands e.g. when covering fruits, vegetables, fish, meat etc.

The main reason for mentioning these things is to emphasize the fact that if the Department of Trade Data is to be given the sole responsibility of collecting data on changes in the prices of “basic” commodities, it is important to ensure that both managers and data collectors understand what it is that they are doing and what the best ways of tackling different problems are. Statisticians computing the Consumer Price Index (CPI) in CAPMAS are presumably aware of these issues, but the department’s staff need to be provided some training in that area if they are to collect their own data.

Recommendation 10: Provide training to staff of the Department of Trade Data in basic concepts and methods of collecting data for measuring changes in price. Such training would include, among others, what to do with changing product quality, disappearing products, new products, changing outlets etc.

Once data are computed, then what needs to be reported by the department is not the average price for a particular commodity, but the average *price relative* (i.e. price change) for the period. For example, when reporting on the behavior of rice prices in

Cairo between period 1 and period 2, the department should not be reporting, as it is currently doing, the average price in period 1 and that of period 2 then taking the ratio to represent changes in the price of rice. Rather, it should be measuring the average *price relative* in period 1, the average *price relative* in period 2, then take the ratio of the two *price relatives*. Although in most cases results may be close between the two methods, the second method provides a more accurate representation of the true magnitude of the “average” change in prices between the two periods. Table 9 provides a good hypothetical example. By comparing the average price in period 1 with the average price in period 2, the current method suggests that prices had gone up an average 12.3% between the two periods whereas the average price change was actually 15%.

Table 9: Example Showing Difference Between Computing Changes in Average Prices vs Changes in Average Price Relatives

Prices in	Period 1	Period 2	Price Relative
Outlet 1	1.000	1.300	1.300
Outlet 2	1.300	1.430	1.100
Outlet 3	2.000	2.100	1.050
Average (current calculation)	1.433	1.610	1.123
Preferred calculation			1.150

Recommendation 11: When calculating changes in average prices between different periods, compute the change in average price *relatives* rather than change in average price *levels*.

Another issue regarding computation of averages is whether policy makers in the ministry would benefit from having a single summary measure of changes in “basic” commodities (in the form of one index) rather than the dozens of measures on individual commodities in several dozen cities. Such an index would present at least two significant advantages:

- The first is that busy policy makers would have only one number sent to them regularly reflecting the situation with “basic” commodities instead of several dozen ones. In most cases, when prices are stable and no actions are required, the issue would be settled within minutes instead of the current hours or days. When significant issues arise in the underlying commodities, the staff could provide the necessary analysis. But that would only happen when there are indications that something is happening.
- Such an index, if designed properly, could be used to predict changes in the food component of the CPI, which would not be available until

several weeks later. Such information may provide the ministry with advance warning for taking necessary action in anticipation of the more widely advertised CPI available to the public.

Recommendation 12: Evaluate the possibility of computing a price index for “basic” commodities computed using the data collected by the Department of Trade Data.

If it is determined that such an index is useful, then two subsequent questions need to be asked. The first is: who should do it? The obvious candidates are the Department of Trade Data and the Department of Economic Studies and Information. There would be advantages and disadvantages to having either department, although as an analytical tool requiring more than data collection skills, the latter department may be better placed to produce it. Whichever department is chosen, the second question would be: will they need training in computing such index. The clear answer is yes. Whichever department is determined to compute the index will need training in basic indexing concepts and practices and will need to devise a methodology which may use commodity weights extracted from the latest available household expenditure survey.

5. A Proposed Action Plan

Table 10 captures all essential recommendations regarding the domestic trade sector within a proposed action plan for the ministry’s evaluation. Proposed actions that can be undertaken in the first year are tabulated by quarter, while those proposed for future years are tabulated by year given the difficulty of assigning shorter time frames to them.

Table 10: Proposed Action Plan for Domestic Trade Activities

Activity	Q1	Q2	Q3	Q4	Year 2	Year 3	Year 4	Year 5
<i>Immediate Term: Year 1</i>								
1. Select a list of commodities to be considered as “basic” based on the criteria suggested in this report. Evaluation would be based on quick “back-of-the-envelope” calculations until more rigorous analyses are done. The list is expected to include no more than 20 items.	X							
2. Select a list of commodities to be considered as “strategic” based on the criteria suggested in this report. Evaluation would be based on quick “back-of-the-envelope” calculations until more rigorous analyses are done.	X							
3. Determine frequency of collecting price and quantity data (quantity data need not be collected with the same frequency as prices)		X						

4. Set up system in the Department of Trade Data for collecting price data		X	X					
5. Train staff in concepts and methods of collecting price data			X					
6. Set up system for collecting quantity data			X	X				
7. Train staff in collection of quantity data				X				
8. Provide necessary hardware/software for data collection operation			X	X				
9. Set up system in the Department of Economic Studies and Information for evaluating data quality and computing price index				X				
10. Evaluate options for allowing user accessibility to all databases in the ministry	X							
11. Implement chosen option		X	X	X				
Medium Term: Year 2-5								
1. Evaluate data produced by the Department of Trade Data					X	X	X	X
2. Evaluate "price index for basic commodities" and possibly introduce improvements					X	X	X	X
3. Set up system for predicting behavior of the CPI's food component based on the "price index for basic commodities"							X	X
4. Conduct studies of the cost of current subsidies (both explicit and implicit) of "basic" commodities					X	X		
5. Revise list of "basic" commodities based on the analysis of the cost of subsidies							X	
6. Conduct studies of the cost of subsidies (both explicit and implicit) of "strategic" commodities						X	X	

IV. SHOULD DATA RELATED ACTIVITIES BE CENTRALIZED?

This section addresses the critical question of whether the ministry should centralize its data collection activities? The short practical answer is: no. What follows provides a more detailed argument supporting that answer.

The first thing to consider is what data are actually collected by various sections of the ministry? As the above sections show, data collection within the ministry, that is collection of primary data, is limited to five areas:

- Administrative data in the commercial register,
- Administrative data in the industrial register,⁶

⁶ Another administrative data source, I was informed, was GOEIC, which issues import and export licenses. I have not been able to investigate this source in the time available and therefore cannot comment any further on it.

- Price data for the commodities covered by the domestic trade's Department of Trade Data,
- Price and quantity data collected by the domestic trade's Department of Economic Studies and Information, and
- Price data for commodities collected by representatives of the foreign trade's Research Sector.

All other data in the ministry are secondary, that is they are collected by some other agency but obtained by this ministry, as a user, in some way. One could make a case for considering GOEIC's export data close enough to being primary, since that agency obtains them at the source and enters them itself (although the true primary source is Customs and that agency enters them as well). However, as was argued in Section II.A above, such activity should only be considered as temporary until the new data management system currently being developed in the Customs office is fully operational.

The first data source in the above list has a specific objective (tracking the number of establishments with non-agricultural economic activities), binding registration requirements⁷ and its data are collected by one agency. The second data source has a different objective (tracking operation of industrial plants), looser registration requirements⁸ and its data are collected by another separate agency. There is no strong rationale for necessarily consolidating both operations, particularly given the impracticality of doing so with separate well-established bureaucracies having their own long history.

With regard to the next two primary data sources in the ministry, the previous section has argued for consolidating data collection under the Department of Trade Data with the Department of Economic Studies and Information given the task of evaluating these data and conducting analyses. As for the final data source in the list, the foreign trade's Research Sector, Its data collection operation seems redundant: that sector's functions and skills should be directed to conducting relevant analyses such as the ones mentioned in this report, not data collection.

Having three separate data collection activities within the ministry (one in the Trade Register Agency, one in IDA and one in the Department of Trade Data) is not

⁷ Although the monetary fine for non-registration is small, it is the subsequent threat of court-ordered closure of the establishment that ensures compliance with registration laws.

⁸ Here again the monetary fine for non-registration is small. The further requirement of an industrial register for engaging in an export activity or for eligibility to bidding on government contracts ensures compliance with registration laws. However, a business that does not intend to export or to bid on government contracts does not have a strong incentive to comply.

necessarily ideal, but I think it is better than the alternative: trying to consolidate all three activities under one umbrella would potentially create more problems than it will solve. The real question, in my judgment, is not one of consolidating these operations but rather one of ensuring accessibility of these data to all users within the ministry. The same applies to all other secondary data available in various sectors and departments. How best to provide real time online user access? Should it be done by downloading the various databases into a central warehouse, by linking independent databases or by allowing individual access to unlinked independent databases? What are the costs and benefits of each one of these options? If the first option is chosen, should the warehouse be physical or could it be virtual, and where should it be located within the ministry?⁹ These are some of the important questions that need to be addressed, but they are all IT-related questions, not statistical or economic, and as such are not in an area in which I can give competent advice.

What about data analyses? There are two types of analysis that I believe need to be conducted within this ministry:

- The first is descriptive analyses on various issues of interest to policy makers. Examples include, among others, market developments in sectors of “basic” and “strategic” commodities, general trends in foreign trade with particular partners or regions, etc. The main objectives of such analyses would be to inform policy makers about current developments in anticipation of the possible need for government intervention.
- The second is more in-depth analytical pieces aiming at helping the ministry make policy decisions. Examples include studies of comparative advantage, or whether a particular industry needs government support, or the cost and benefits of particular types of subsidies. These require higher analytical skills than descriptive analyses but are critical for proper functioning of the policy side of the ministry.

The ministry currently has several departments conducting the first type of analysis. Those that I am aware of include the Economic Unit of the Minister’s Office, some of the general departments of the Market & Commodity Research, Foreign Trade and Domestic Trade sectors. There may well be more departments conducting such analyses. So requisite technical skills in this area are certainly

⁹ One option to consider would be the International Trade Center, given the center’s existing equipment (over 200 personal computers) and network (currently used to connect 8 chamber of commerce. If Although the monetary fine for non-registration is small, it is the subsequent threat of court-ordered closure of the establishment that ensures compliance with registration laws.

available and potentially plentiful. As for the second type of analyses, I have not seen any evidence that they have been conducted. The reason, I suspect, is not necessarily the lack of skill (in fact the ministry has a number of economists, some with Ph.Ds, who would be great potential candidates for such work) but rather lack of demand for such studies because the right questions have not been asked. Channeling these high skills into such analytical work (with occasional help from local universities if needed) would be a far more effective use of resources for the ministry's policy-making process than their current use in descriptive work.

APPENDIX A:

PROPOSED QUESTIONNAIRE FOR INDUSTRY CENSUS

Figure 2 provides sample contents of an industry census questionnaire based on general international guidelines and providing policy makers with requisite data for industrial policy. These contents will hopefully serve as a guide for the census planned by IMC in 2007.

Figure 2: Proposed Contents of the Questionnaire for the Planned Census of Industry

Survey Year	<input type="text"/>	ID	<input type="text"/>
Governorate	<input type="text"/>		
City	<input type="text"/>		
District	<input type="text"/>		
Name	<input type="text"/>		
Address	<input type="text"/>		
Phone	<input type="text"/>		
Is this establishment part of a larger enterprise?			
If Yes, give name and address of the enterprise			
Name of enterprise	<input type="text"/>		
Address of Head Office	<input type="text"/>		
Ownership Status		Legal Status	
Public	<input type="text"/>	Sole	<input type="text"/>
Private	<input type="text"/>	Partnership	<input type="text"/>
Joint	<input type="text"/>	Limited Liability	<input type="text"/>
Other: specify	<input type="text"/>	Other: specify	<input type="text"/>
Main Economic Activity			
State in detail the main activity (ies) of this establishment			<input type="text"/>
<input type="text"/>			
What is the first year in which this establishment started operation in this location?			<input type="text"/>

Employment

State the average number of full-time employees during the year, including working paid workers, unpaid family workers etc. State separately an annualized average full-time of part-time employees.

Nationality	Status	Full-timers	Part-timers: full-time equivalent
Nationals	Paid		
	Unpaid		
	Sub-total		
Foreigners	All		
Total			

Occupation	Nationals	Foreigners	Total
Manager			
Professional			
Administrative			
Other			
Total			

Wage Bill

State total payments made to the above employees including wages, allowances, remunerations (e.g. social insurance etc.).

Nationality	Status	Wages &	Other Remunerations
Nationals	Paid		
	Unpaid		
	Sub-total		
Foreigners	All		
Total			

Intermediate Inputs

Raw Materials Used

State in the following table the quantity and value of various raw materials used be at the actual acquisition price. Items which amount to less than 5% of the total cost lumped together under "Other material".

Description	Domestic			Imported		
	Unit	Quantity	Cost	Unit	Quantity	Cost
.....						
.....						
.....						
.....						
Other Material						
Total						

Other Intermediate Inputs

Description	Amount
Cost of Fuel	
Cost of Water & Electricity	
Cost of goods bought to be sold in	
Other	
Total	

Production

Outputs Produced

State in the following table the quantity and value of various items produced during the year. Products for which the value can be lumped together under "Other products".

Description	Unit	Quantity	Cost
.....			
.....			
.....			
.....			
Other products (specify)			
Electricity			
Water			
Gas			
Total			

Other Revenues

Description	Amount
Value of goods sold in the same condition as they	
Industrial Services Rendered	
.....	
Other	
Total	

Fixed Assets

Type of Asset	End of Year Book	Acquisitions During the Year	Disposals & Sales During the	Accumulated Depreciation at Beginning	Depreciation During the Year
Land					
Buildings & Vehicles					
Machinery & Furniture & tools					
Total					

Value of Stocks

Stock of Finished Goods (valued at producer prices)

Item	Value at Beginning	Value at End of Year
.....		
.....		
.....		
.....		
Total		

Stock of Materials, Fuels & Supplies (valued at purchased prices)

Item	Value at Beginning	Value at End of Year
.....		
.....		
.....		
.....		
Total		

APPENDIX B:

SCOPE OF WORK OF CONSULTANCY

BACKGROUND/OBJECTIVE

USAID, through BearingPoint, Inc. (Contract #263-C-00-05-00063-00) is providing technical assistance to the government of Egypt in a variety of Economic Governance activities across several broad sectors:

- Trade Environment
- Financial Sector Modernization
- Enabling Policy Environment from Business
- Macroeconomic Stability
- Facilitating Services from the Private Sector
- Human Resources

The project is designed as a comprehensive, fully integrated program to provide a consolidated source from technical assistance (and related training, grants, and commodity support) from economic policy formation and private-sector development to support USAID/Egypt's overall goal of promoting a globally competitive Egyptian economy benefiting Egyptians equitably.

This activity will fall under Component A and will advance the trade reform agenda of the project and the government of Egypt. The Trade Environment Component is in need of a statistics specialist to review the data collection efforts of the Ministry and make recommendations on how those efforts can be improved. In particular, the consultant will review the existing data collection and dissemination activities of the Ministry and make recommendations on how these could be consolidated and revised to better meet the requirements of the Ministry and the economy as a whole.

TASKS

The Advisor will work in Cairo, Egypt from on/about 14 January 2007 to on/about 9 February 2007.

In this context, the short-term consultant will complete the following discrete tasks:

- Review the work of the Assistance from Trade Reform project on the functions performed by the Ministry, specifically as it relates to data collection and dissemination.
- Meet with the team working with the TEP-A project to propose a data dissemination strategy from trade data.
- Meet with the staff of the data collection and dissemination offices to determine exactly what data is being collected and disseminated at this time.
- Meet with government officials and private sector representatives to gain a better understanding of the data that is needed by both parties from policy making.
- Prepare a report based on the work above and international experience in this area on how the Ministry's data collection and dissemination systems can be improved.

OUTPUTS AND DELIVERABLES

The key outputs and deliverables will include:

- A report on the data needs of the Ministry and the private sector that can reasonably be met through an agency or agencies of the Ministry.
- Prepare a draft action plan for implementing the recommendations of the report.

APPENDIX C:

LIST OF PEOPLE MET

Ministry of Trade and Industry

Dr. Hussein Omran, First Undersecretary, International Trade Point and Market & Commodity Research Sector

Eng. Hossam Aly El-Cheikh, International Donors Project Coordinator

Mr. Khaled Ibrahim Abdallah, IT Manager, Trade Agreements Sector

Dr. Mustapha Abul-Einein, Chairman, Agency for Commercial Register

Dr. Samir El-Gammal, CIO- Minister's Advisor on Information technology and Decision Support

Dr. Fouad Issa, Economist, Economic Unit, Technical Office of the Minister

Mr. Gamal Abdel-Lateef, Economist, Economic Unit, Technical Office of the Minister

Mr. Tamer Ghali, Economist, Economic Unit, Technical Office of the Minister

Gen. Hamza Abdel-Fattah El-Berri, Chief, Central Department of Domestic Trade Research and Development

Mr. Ibrahim Zayed, Chief, Central Department of Trade Transactions

Dr. Sayed Ibrahim El-Haggag, Chief, General Department of Competition Studies

Mrs. Fatin Aziz, Chief, Department of Economic Studies and Information

Dr. Ahmad Abbas, Chief, General Department of Animal Products

Mr. Salah El-Biheiry, Chief, general Department of Trade Inspection

Mr. Nisan Henry, Chief, General Department of Development of Domestic Trade

Ms. ?, Chief, Department of Chambers of Commerce

Eng. Tarek Saleh, Director, Trade Information Center

Mr. Amr Assal, Chairman, Industrial Development Authority

Industrial Modernization Program

Mr. Adel Noureldin, Manager, Regional Development Programs

Ministry of Finance

Mr. Mohamed Nabih Hamza, Advisor to the Minister on Customs Reform

Mr. Mohamed Abu El-Einein, Chief, Central Department of Statistics, Customs Office

CAPMAS

Mrs. Effat Shukri, First Undersecretary for Statistics Sector

USAID

Ms. Manal El-Samadony, Senior Economist, Policy and Private Sector Office

TAPR-II Project

Dr. Timothy S. Buehrer, Trade Environment Team Leader

Mr. Alan Morley, Team Leader, Trade Component

Mr. John Yates, IT Director

Other

Mr. Magdy Tolba, Chairman, Ready Made Garments Export Council

Eng. Aly Moustafa Moussa, Chairman, Cairo Chamber of Commerce

Technical Assistance for Policy Reform II
BearingPoint, Inc,
18 El Sad El Aali Street, 18th Floor,
Dokki, Giza
Egypt
Country Code: 12311
Phone: +2 02 335 5507
Fax: +2 02 337 7684
Web address: www.usaideconomic.org.eg