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THE MODERN CUSTOMS CENTER IN CAIRO

Initial documentation of status and observations

April 25, 2006

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TECHNICAL ASSISTANCE FOR POLICY REFORM II

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BEARINGPOINT, INC.

USAID/EGYPT POLICY AND PRIVATE SECTOR OFFICE

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BACKGROUND:

The Modern Customs Center in Cairo started as part of Modern Customs and Tax center (MCTC) located in the 10th District of Nasr City, on July first 2003.

On September 1st 2005, the Modern Customs Center in Cairo (MCCC) moved out to its current location on the second floor of the ECA building at 3 El Tayaran Street, Nasr City. When MCCC moved out of the MCTC all computers were kept for Tax Center use, while MCCC had to get new computers. The MCCC has now 25 computers, and a few printers with a LAN network. The MCCC is connected to the computer network of the ECA /IT Department in Alexandria, for the purpose of receiving new information concerning tariff and other internal customs related matters.

Alan Morley and Samer Shoukry of TAPR II met with officials of the Cairo MCC on April 13 to obtain information on the current status and functioning of the Cairo MCC. This report sets out their observations and conclusions.

The meeting with the Head of Sector and head of the MCC showed their interest and enthusiasm towards what BearingPoint has to offer especially in the field of technical assistance and international exposure to international common custom practices. The TAPR II advisors believe the meeting was a good introduction to both Head of Sector and Head of the Cairo MCC. They appear ready to support and commit to the TAPR II Trade Facilitation efforts and work plan.

Meeting Date	April 13th 2006
Meeting time	10:30 A.M.
Location	MCC Cairo
Meeting attendees	Mr. Mohamed Mohamed Salem / Head of Cairo and Southern region Sector. / ECA Mr. Mohamed Shaker Morgan / Head of MCC Cairo. Mr. Alan Morley / TAPR II Mr. Samer Shoukry / TAPR II
Purpose of Meeting	Orientation to the Cairo MCC, Introduction to the Head of Sector, Head of Cairo MCC and Plan for further visits

THE ROLE OF MODERN CUSTOMS CENTERS (MCC):

Four MCC processes have begun in Egypt. The MCC process has begun in Cairo, Alexandria, Port Said and Suez. The MCC at the CRU in Alexandria is the model for the other MCCs.

MCCs are designed to implement and facilitate the Customs assessment, accounting and release process and to implement international best practices. They have or are in the process of implementing the following programs:

1. Presenting customs declaration and its attachments to the reception unit at MCC electronically.
2. Receive customs release order after payment.
3. Apply risk management criteria and operate a green door/red door release system
4. Provide a Client Service Center
5. Coordinate joint inspections of goods with GOEIC
6. Become the single client window for client and stakeholder customs service
7. Advance electronic payment and remote inspection and release programs

MODERN CUSTOMS CENTER IN CAIRO (MCCC):

The MCCC is located at the ECA premises located at 3 El tayaran Street, Nasr City. In Addition the MCCC has ten satellite units located in remote customs areas as follows:

- Alexandria Port: 3 satellite stations: one in each of Alexandria, Dehkila, and Mahmoudia.
- Cairo Airport: two satellite stations: one in Egypt Air Cargo village and another services all other cargo (Swissair, Lufthansa, Saudia Arabia, and Eldawlia cargo villages).
- Suez: two satellite stations: Sokhna and Adabia.
- Nuweiba: one satellite station.
- Demmietta: one satellite station unit.
- Port Said: one satellite station.

Each satellite station is composed of four Customs officers. Each unit includes different custom functions, inspector evaluator and auditor.

THE ADVANTAGES OF USING MODERN CUSTOM CENTER IN CAIRO (MCCC)

- MCCC has advantage over all other MCCs, in that MCCC custom clearance can be processed on import shipments arriving at any port / airport in Egypt.
- Through MCCC, the importer is able to launch a custom clearance process for his imported goods, whether these goods arrived to Egyptian Port / Airports or only just shipped from port of origin and has not yet arrived at Egyptian Airports/ Ports.
- Problems or conflicts that may arise during custom clearance process can be dealt with and solved prior to goods arrival. Thus the required time for release of goods after its physical arrival at Egyptian Ports/ Airports is can be reduced.
- Lower release time for goods results in lower costs for importer (lower warehousing, demurrage), less risk of damage and loss of goods.
- MCCC claims that goods inspection is done once in the presence of representatives for the following parties: the importer, MCCC corresponding satellite station, control agencies / GOEIC, this is when control inspection is required.
- MCCC claims to have selected highly experienced customs officials.
- MCCC being out of the customs area, no Customs Area Pass is required for MCCC, whereas passes are necessary for other customs areas.
- Importers may approach MCCC with their inquiries concerning custom tariff import regulations, valuation issues.
- MCCC claims to have an average clearance time of two hours in case no controls are required. and between one –two days at the port of arrival.
- Importer also enjoys the privilege of fixing currency exchange rate to that of date of registration in book 46, regardless of actual goods arrival date exchange rate.
- The custom Tariff rate applicable on the date of verification and inspection of goods shall be applied, Article 6 of the Executive Regulations for Customs Law. Accordingly importers will benefit from any tariff changes that are declared prior to goods arrival to Egyptian Ports/Airports.
- Electronic payment has just been implemented, only a week ago, where importer has the facility to pay in any of a list of banks.

CUSTOMS CLEARANCE PROCESS THROUGH MCCC

1. Importer approaches MCCC with original documents (or copies).
2. Customs declaration is registered in book 46, customs formalities finalized. Importer pays custom duties and receives release order.
3. Importer approaches the satellite station of MCCC at the concerned customs with the release order together with original documents, if not already presented to MCCC. Control agencies /GOEIC inspection, where applicable, is carried out in the presence of the Satellite Station officials.
4. If satellite station inspection of goods proves that extra custom duties are to be charged, importer has to pay it to be able to release his goods. In case the inspection shows that custom duties already paid is higher than what importer should pay, then importer releases his goods, and revert back to MCCC to claim the difference.

POINTS NEEDING FURTHER INVESTIGATION:

- Pre paying custom duties, as per article 6 of the executive regulations to the Customs Law states that "With regards to pre-release, custom duties collected in advance, under settlement, till goods arrival, inspection, and verification". Pre-payment may be more trouble than benefit. If prepayment is not affected by the on site inspection, it could be a benefit. This is a current probability of 1:3.
- If the prepaid custom duties are affected, whether increased or decrease, the importer must go through the problems of amending the entry and paying more duties or asking for a refund. This has the probability of 2:3.
- There are questions on valuation to be explored. Questions were raised on the MCCC assessment process when importers do not have a catalog or a sample, or if sample is not applicable due to nature of imported goods
- Advisor has real concern regarding the assessment process through the MCCC, especially with regards to the mechanism the MCCC and the satellite station use for communication. There appears to be no network or computers available.
- Article 14 of the Executive Regulations, declares that "the value for customs purposes for products/ goods is the transaction value, or in other words, the price actually paid or payable for sale of those products or goods to be exported to Egypt, in addition to costs to the extent that they are incurred by the importer but are not included in the price."
- Article 14 also states that these costs include: Freight charge, off loading charges and insurance in Egypt. This costs as declared by MCCC manager are estimated to be included in the goods value for custom. This estimation raises doubts that customs will tend to be over evaluating to safe guard their interests with regards to the importer.
- MCCC satellite stations are not computerized. As per MCCC manager, the satellite stations have computers but are not in use and are still in their boxes since these computers are the property of Tax Authorities. Accordingly there is no computer networking between MCCC and satellite stations
- The fact that importer has to be in direct contact with a satellite station officials at port of arrival raises doubts as to whether MCCC has achieved "the one window stop" slogan.
- It is recommended that at some point the satellite stations be amalgamated with the port MCC process.

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