

ASSISTANCE FOR TRADE REFORM ATR MID-TERM ASSESSMENT

February 26, 2004

Submitted to:

USAID/Egypt
Strategic Objective 16
Environmental for Trade and Investment Strengthened

Under:

MOBIS Contract No. GS-10F-0185K
Task Order No. 263-M-00-03-00006-00

Prepared by:

Paul O'Farrell
Senior Trade Economist/ATR Assessment Team Leader

William Thomas
Senior Institutional/Management Specialist

Abdel Hamid Mahboub
Trade Economist

Heather Dale
Evaluation Specialist



Submitted by:

Development Associates, Inc.
Results Reporting Support Activity
20 Aisha El-Taimoreya St., 1st Floor, Suite 2,
Garden City, Cairo

TABLE OF CONTENTS

1	Executive Summary	1
2	Principal Findings and Recommendations	4
2.1	Progress Towards Achieving the ATR’s Objectives	4
2.2	Organizational and Management Issues	7
2.3	Coordination and Outreach	8
3	Introduction	9
3.1	Approach and Methodology Used for Evaluating the ATR Activity	10
4	Principal Findings for Each of the Five ATR Activities	11
4.1	Task 1 – Establish a WTO Unit	11
4.2	Task 2 –Trade Liberalization and WTO Compliance Policies.....	13
4.3	Task 3 – Institutional Development	15
4.4	Task 4 – Organization of In-Country and Off-shore Training Activities, Workshops and Seminars	17
4.5	Task 5 – Implementation of Information Technology Plans for Cooperation Divisions and WTO Unit and Procurement of Equipment and Software	22
5	Adequacy of Reports and Documentation	25
6	The Effects of Cross-cutting Themes	27
6.1	Do the MOFT, USAID and the ATR contractor share a common understanding of the goal, purpose, outcomes and inputs?.....	27
6.2	What flexibility exists in the activity to accommodate changes in MOFT needs and conditions?	28
6.3	What is the influence of organizational and management structures on results?.....	28
6.4	Budgetary management.....	29
6.5	How has GOE coordination and guidance affected the conduct of the activity?	29
6.6	How has USAID’s role affected results?.....	29
6.7	How have the composition, management and support of the TA team affected results?.....	30
6.8	What modalities have proven more efficient and effective?	30
6.9	How has the activity reached out to relevant GOE entities and USAID activities?.....	31
6.10	Sustainability and institutionalization issues.....	31
ANNEXES		
Annex I	List of Interviews Conducted.....	33
Annex II	List of Acronyms	35

1 Executive Summary

In April 2002, USAID initiated support to the Ministry of Foreign Trade (MOFT) under the Assistance for Trade Reform (ATR). The activity was part of USAID's larger efforts to support the liberalization of trade in Egypt. ATR contained five tasks: Establish a unit to manage the GOE's affairs with the World Trade Organization (WTO); support the development of more liberal trade policies; complete reengineering efforts with key units of the MOFT; provide a wide variety of relevant training to MOFT staff; and facilitate automation of the participating units with information technology (IT) solutions.

This evaluation assesses the progress of ATR's support in terms of the results expected at the end of the base period as outlined in the activity's Scope of Work (SOW). Included in this evaluation are assessments of management structures, reports, issues that have influenced implementation and potential sustainability problems.

The evaluation finds that ATR has made significant progress in implementing activities in all task areas for the three cooperating divisions that have been active with ATR since initiation of the activity: the Foreign Trade Policy Sector (FTPS), the General Organization for Export and Import Control (GOEIC), and the Central Department for the WTO (CD/WTO) within the Trade Agreements Sector (TAS). While many activities are too new to assess impact, the team has seen examples of how ATR has strengthened and improved institutions within the MOFT and assisted MOFT staff to develop policies aimed at improving laws and regulations affecting trade liberalization and WTO compliance.

Task 1, the establishment of a WTO unit, was partially completed at the start of the activity with the issuance of Ministerial Decree #411 (2002). The reorganization of the MOFT approved by the Decree created a Central Department for WTO affairs (CD WTO) with a mandate to coordinate, disseminate, facilitate, and liaise on all matters related to the WTO. The structure and functions of the CD WTO reflected prior reengineering work carried out by the Ministry itself with some input from previous USAID-financed studies.

ATR has continued the development of the CD WTO through the preparation of a mission statement, the development of a more comprehensive list of functions, the design of alternative arrangements for sub-units, and the provision of a substantial amount of staff training. The team found that significant progress has been made in carrying out the sub-tasks stipulated in the SOW, with all specific SOW immediate actions and all but one of the short-term actions implemented. The action remaining to be done is the implementation of the final reorganization plan now awaiting Ministry approval. In the meantime, the CD WTO is substantively engaged in coordinating GOE actions that relate to the WTO and providing important information about the WTO to the business community through its website and other outreach programs.

In Task 2, Trade Liberalization and WTO Compliance Policies, work has been carried out or attempts were made by ATR to carry out all sub-tasks, and most results for the base period have been achieved. Three of the five assessments of compliance have been completed and ATR is

deeply involved in the effort to change Egyptian law to enable foreign quality and conformity marks to be recognized in Egypt.

The team noted that there seemed to be an initial reluctance on the part of the MOFT to fully engage the ATR in policy development work. However, as Task 2 has proceeded, the MOFT gained an appreciation of the skills available in the ATR and is now more fully utilizing the contractor.

Task 3, Institutional Development, aims to complete the reengineering for the participating Ministry units. Mission statements, objectives, and functions have been prepared and approved for FTFS, CD WTO and GOEIC. These include comprehensive organization and management structure options for these units. In addition, proposals for TAS are under discussion. Job descriptions for heads of Central Departments are prepared, and two major work process reviews (administrative and technical) are underway.

Reengineering efforts have taken longer than anticipated due to the size and complexity of the units and the need for many discussions and iterations of intermediate products. The reengineering approach itself requires more time than alternative approaches such as Total Quality Management (TQM) since it employs a top-down sequential process for developing the participating units. The team feels that more progress could have been made, particularly in the area of job descriptions, if the TQM approach, which targets specific organizational development needs, had augmented the reengineering effort.

Task 4 entails in-country and off-shore training activities, workshops, and seminars for MOFT staff in topics relevant to their responsibilities. ATR has provided or facilitated an impressive amount of training in the base period, which included training 1300 participants in various programs, completing over 8,000 days of training, and enrolling 28 staff in Masters Degree programs. In addition to formal training, ATR is rightly proud of what it refers to as “mentoring.” In the context of ATR, this refers to one-on-one, on-the-job training between ATR and MOFT staff. MOFT senior management told the evaluation team that they highly value this training modality and see its continuation in the option period as essential.

Despite these accomplishments, the team does have two important concerns concerning Task 4: how training needs were determined, and how the impact of training is tracked and analyzed. The team recommends that individual training needs assessments take place during the option period. Additionally, the lack of benchmark indicators for defining what the performance of individuals should be has made measuring the results of training difficult. Evaluating the impact of training should also be a critical activity for the option period.

Task 5 entails the implementation of information technology plans for participating units and procurement of equipment and software. In spite of initial delays in the project, ATR has made significant steps towards completion of the majority of Task 5 activities specified in the SOW. Most information technology activities are now on schedule, with procurement proceeding and most major equipment in place. The assessment team has additionally found that in the process of developing and implementing IT solutions for the cooperating units, ATR has been highly

responsive to comments and recommendations of USAID's Information Resources Management (IRM) reports.

In addition to reviewing the progress in the five task areas, the assessment team also examined several themes that cut across all tasks. Perhaps the most important is the extent to which USAID and MOFT share a common understanding of the project's goal, purpose, outcome and inputs. In this regard, the team found that there has been a shared vision on the need to streamline the MOFT, rationalize its functional responsibilities, clarify job descriptions, and improve skills. However, in spite of an extensive negotiation to develop the SOW for ATR, a significant amount of disagreement developed early in the project between USAID and the MOFT concerning the budget and timing of commodity procurement. While this problem has not entirely gone away, it is no longer distracting management's attention from the pursuit of the other key activities of ATR.

While a substantial effort has been made in the areas of coordination and outreach, ATR could benefit from more institutional contacts with Egyptian universities and policy centers that analyze trade policy issues. In addition, ATR needs to ensure that there is close coordination between its activities and the activities of other USAID export-related programs and the programs of other donors.

Finally, with respect to sustainability, a good portion of the "brains" in the CD WTO and the policy unit in FTSP are not part of the career Egyptian civil service. They are employed as contractors so that they can be paid a competitive wage, commensurate with their qualifications. The team was told that the government was trying to incorporate these people into the career civil service, but the process may take three years more. Should the MOFT lose these people, the next generation of MOFT employees will have no supervisors and "mentors" teaching them and pushing them to continuing pursuing the goals that are core to the ATR.

Based on our findings, the team recommends that the activity be extended through the option period. While a more detailed list of recommendations follows this Executive Summary, two are worth highlighting here. First, the organizational development methodology should be less locked in to the reengineering approach. Other methodologies such as TQM should be utilized in concert with reengineering. Second, as the performance of the participation units matures during the option period, a fresh look at procurement needs would be in order, particularly related to GOEIC's goal to clear imports within 48 hours through accredited procedures.

2 Principal Findings and Recommendations

2.1 Progress towards achieving the ATR's objectives

This section summarizes the findings, conclusions and recommendations of the ATR activity. Overall, our evaluation found that while start-up problems introduced an initial delay in implementation, the activity is now on course and producing intended results. The evaluation found no significant shortcomings in the activity which would require substantial redesign for the option period. Rather, our report and the recommendations offered below are meant to suggest areas for refinement and deepening within the basic SOW for ATR. Important work remains to be done in strengthening the MOFT in order for it to play its part in liberalizing the trade regime in Egypt. Principal among these are strengthening the Ministry's policy analysis capabilities, improving its management of its relationship with WTO, completing the automated work flow processes, and reducing obstacles that impair the smooth flow of imports and exports through the quality control processes. In our view, exercising the option for the next period will produce measurable improvements for Egyptian exporters and importers.

2.1.1 Task 1 – Establish a WTO unit

Finding

The WTO unit has been established and is operational in terms of the base period expectations in the SOW. The final organizational plan for the unit is under review by the MOFT.

Finding

The CD WTO is providing secretariat support to the Interministerial Committee.

Conclusion

The CD WTO and ATR are positioned to implement the reengineering option that is ultimately approved by the MOFT.

Conclusion

While still on the learning curve, the CD WTO is engaged in all of its functional responsibilities.

Recommendation

Early in the option period, ATR should prepare a report that identifies all of the GOE committees related to WTO. The report should describe their composition, function and level of activity. Such a report would be instructive for determining if the CD WTO is meeting all of its coordination opportunities.

2.1.2 Task 2 – Trade liberalization and WTO compliance policies

Finding

Three of the five assessments of compliance have been completed. The remaining two are in process. The FTPS is also providing policy analysis on a variety of issues as needed by the Ministry.

Conclusion

The three assessments of compliance that have been completed are well-structured, well-written, informative and actionable.

Recommendation

ATR should avail itself of every opportunity to assist the MOFT implement the compliance areas that need strengthening.

Recommendation

Consistent with Task 2, expected results #4, undertake a fresh look at procurement needs, particularly as they relate to GOEIC's goal to clear imports within 48 hours through accredited procedures.

2.1.3 Task 3 – Institutional development of the operating divisions working on foreign trade

Finding

ATR is now working in all of the areas envisioned in the SOW, albeit somewhat behind schedule.

Conclusion

Reengineering activities have taken longer than expected because of early delays in this component, the complexity of the MOFT organizations, the MOFT's need to carefully scrutinize unfamiliar documents, and the stepwise nature of reengineering itself.

Recommendation

ATR should incorporate aspects of Total Quality Management (TQM) in its approach to institutional development.

2.1.4 Task 4 – Organization of in-country and off-shore training activities, workshops, and seminars

Finding

ATR has provided a significant amount of training for personnel at various levels in the cooperating departments and GOEIC.

Finding

Training needs assessments do not fully assess the skill levels of individual training candidates.

Finding

There is no systematic method in place for measuring the improvement in skills as a result of training.

Finding

ATR has established viable mentoring relationships with the cooperating departments to provide real-time, real-work capability enhancement.

Conclusion

The mechanisms and relationships are in place for ATR to continue facilitating and providing training, and, in the case of the GOEIC Training Center in Dekheila, build the capacity of indigenous staff to manage the training process and deliver training programs.

Conclusion

As a method of training, “mentoring” has proven to be highly effective, particularly in terms of creating a sense of “ownership” of the product in the MOFT staff.

Recommendation

Training assessments should be tailored to identify specific training needs for individuals as compared to the expected training a person in a particular position should have.

Recommendation

A skills achievement monitoring system should be put in place by ATR in the option period.

Recommendation

An impact evaluation system to measure the effects of training should be set up by ATR in the option period.

Recommendation

“Mentoring” as a modality of training should be continued throughout the option period.

2.1.5 Task 5 – Implementation of information technology plans for cooperating divisions and WTO unit and procurement of equipment and software

Finding

In spite of initial delays, most IT activities are now on schedule, with procurement proceeding and most major equipment in place.

Finding

ATR has been highly responsive to recommendations and comments from USAID Information Resources Management (IRM) division.

Conclusion

The IT task, while initially a contentious issue for all parties, is now contributing to ATR's institutional development and trade policy reform objectives.

Recommendation

ATR's scope of work states that the contractor shall “establish an operational computer network linking the cooperating divisions under this task...” ATR has prepared a proposal for this and this activity should be incorporated into the option period workplan.

2.1.6 Overall conclusion regarding progress

The initial dispute over IT procurement delayed progress during the first six months of the activity. However, ATR made a good effort to accelerate activities in 2003 and has brought the activity close to being on-schedule. Nevertheless, the achievements thus far are fragile due to the lack of operational experience and the need for stronger staff skills.

Recommendation

USAID should approve the option period in order to complete and institutionalize the work started in the base period. Without the continued catalytic assistance of the ATR, there is likely to be some erosion of gains made through reengineering. In addition, there is essential work remaining within the MOFT to strengthen skills, institutionalize coordination and redirect approaches from “control” to “facilitation” in order for the activity’s goals to be met.

2.2 Organizational and management issues

Finding

The overall organizational structure of the MOFT, including the placement and functional responsibilities of the CD WTO, was approved in 2002.

Finding

The ATR is located within the office complex of two of its principal clients and has good access to the others.

Finding

The Project Coordinator and Steering Committee are operational and have kept the activity from being “captured” by any of the constituents.

Finding

There is substantial documentation for all of the ATR activities.

Conclusion

The structure of the MOFT is efficacious to achieve MOFT and the ATR activity goals.

Conclusion

The ATR is organizationally and physically well positioned to deliver assistance to all of its constituents.

Recommendation

A suggestion was made to the evaluation team that the MOFT was considering moving all or part of the ATR to the Adly Street office. This suggestion should be resisted for the option period.

2.3 Coordination and outreach

Finding

Linkages and coordination within the GOE on WTO issues are generally in place but are not yet fully effective.

Finding

ATR's linkage and outreach to other USAID activities and to the larger Egyptian research community has not yet been fully established.

Finding

Both the English and Arabic versions of the CD WTO website are completed and the English version is up and running.

Finding

There is little written documentation describing the activity's relationship with other donor activities.

Conclusion

The option period is important for facilitating the development and institutionalization of GOE coordination.

Conclusion

ATR could benefit from greater linkages and interaction with other USAID activities and the Egyptian research community.

Recommendation

ATR should develop and maintain an institutional liaison with other related USAID activities (particularly ACTF) and Egyptian policy research centers such as the ECES.

Recommendation

ATR or the CD WTO website should report on the activities of other donors and the cooperation, if any, among programs.

3 Introduction

“Economic deregulation, progress toward a market economy, a growing role for the private sector, greater integration in the global economy: all these developments have given rise to new domestic political imperatives, including wider participation in decision-making, a solid pro-reform consensus, and a stable policy framework.”

— H.E. Atef Ebeid¹

The Prime Minister’s statement provides the context for ATR activities. As a result of its fundamental shift in national economic policy, Egypt now makes its economic growth, and to a large extent public welfare, dependent on its success in expanding its trade within the increasingly global economy. This requires Egypt to respond to world market realities rather than just the pressure put on by the IMF, the World Bank and bilateral donors.

A key member of Egypt’s reform leadership heads the Ministry of Foreign Trade (MOFT) and he is pursuing a significant agenda to open new markets, engage in international trade conventions, particularly the World Trade Organization (WTO), ensure internationally accepted standards of product quality and safety to protect consumers, and modernize and streamline the government’s institutions involved in facilitating and overseeing trade.

To expand trade, the Minister’s immediate interests are to place Egypt in the leadership role of creating a free trade zone for the rest of Africa. Egypt is now a member of the Pan Arab Free Trade Agreement (PAFTA) and the Common Market of East and Southern Africa (COMESA). The Ministry is negotiating an agreement for West Africa and is in discussions with South Africa. In addition, Egypt has initialed a Partnership Agreement with the EU and seeks a free trade agreement with the United States.

In international organizations, particularly the WTO, Egypt is seeking to aggressively engage in the formulation and negotiation of the international rules of trade. On the table at this time is the preparation of positions for the trade agreements being developed for intellectual property and for government procurement. Egypt is largely in compliance with WTO requirements on other matters and successfully defended herself in the WTO with regard to the remedies she imposed in the anti-dumping case against Turkish rebar exporters. At the present time, Egypt appears to have taken appropriate actions to resolve a textile trade dispute with the United States that was referred to the WTO for formal consultations.

In 2002, the Minister accomplished a reorganization of the MOFT to rationalize functions, improve competence and institutionalize coordination. It is this aspect of reform that is the goal of the Assistance for Trade Reform (ATR) activity. Specifically, the ATR activity is designed to reshape attitudes and perceptions, further the reorganization and improve staff skills in both policy and technical areas. USAID has requested this evaluation to assess ATR’s progress in this regard.

¹ Investing in Egypt 2004, a publication of the Ministry of Foreign Trade, Cairo, 2002.

3.1 Approach and methodology used for evaluating the ATR activity

This evaluation was conducted during a two-week visit to Egypt from January 18, 2004 to January 29, 2004. A final week was spent in country to prepare the draft of the final report. The evaluation team consisted of a senior economist Chief of Party, an institutional management specialist, a local trade economist and an IT evaluator. The team critically reviewed a large sample of the key documents produced by ATR, including work plans and progress reports, reengineering proposals, training plans, IT assessments and policy documents such as the assessments of compliance with WTO requirements. Members of the team interviewed MOFT officials, USAID managers, ATR staff, private sector representatives, and other knowledgeable observers. Members of the team also visited the training facility and inspection laboratories of GOEIC at Dekheila port near Alexandria.

The authors of this report would like to apologize for the heavy use of acronyms. While this is a common problem in government reports, the subject of foreign trade seems to have more than its fair share. (See list of acronyms in Annex II).

4 Principal Findings for Each of the Five ATR Activities

4.1 Task 1 – Establish a WTO Unit

For this Task, the ATR SOW describes approximately 11 sub-tasks grouped under two headings for the base period. The option period was intended to strengthen the WTO unit's performance. The main expected results were:

- 1) The WTO is established with the appropriate organizational structure and responsibilities
- 2) Procedures and guidelines are set for the GOE to follow when dealing with WTO
- 3) Inter-ministerial communication and coordination system is set in place.

Task 1 of the Scope of Work (SOW) for the ATR requires the contractor to "...assist the MOFT with the establishment of a WTO unit..." whose functions and responsibilities are subsequently described by the Task. In fact, the WTO unit was organized in 1999 and established as a Central Department (CD) by Ministerial Decree #411 of 2002. This Decree was issued shortly after the ATR contractor was mobilized. Thus, the reorganization of the MOFT, including the establishment of the Central Department for WTO (CD WTO) reflects prior reengineering work carried out by the Ministry itself with some input from USAID-financed studies under the Development Economics Policy Reform Activity (DEPRA) and the Bridging Activities managed by the Technical Assistance for Policy Reform (TAPR).

The SOW for ATR called for a WTO unit that is largely self-contained. The unit is to "...be responsible for the formation and execution of trade policy, the coordination between ministries, and the negotiation of trade agreements." Further, the head of the unit would "...report directly to the Minister," and the unit would "...serve as the 'national notification agency'..." What emerged from the reorganization described by Ministerial Decree #411 and two subsequent amendments (Ministerial Decree #226 of May 19, 2003 and Ministerial Decree #193 of April 24, 2003) is a Central Department whose mandate is primarily coordination, dissemination, facilitation and liaison on all matters related to the WTO. The CD WTO is a second level office within the MOFT containing three General Departments (Goods, Services including IPR, and Trade Negotiations within Rounds), which relies on other offices within the MOFT and elsewhere in the GOE to prepare essential policy and strategy documents, negotiate treaties and represent the GOE at the WTO. Its director does not report directly to the Minister (except informally).

The functional responsibilities of the CD WTO are in broad agreement with those suggested by the USAID-financed advisor provided by TAPR under the Bridging Activities. They also conform to the experience of other countries as reported by the same advisor.

Under Decrees #411, #226 and #193, the notion of a “stand-alone” unit gave way to a more functionally specialized distribution of responsibilities throughout the MOFT with significant attention paid to integrating work products for topical purposes and coordinating activities among the various departments. Thus, trade policy, such as the assessments of WTO compliance required by the DSP, is carried out by the policy unit of the Foreign Trade Policies Sector (FTPS). Similarly, the cognizant office for notifying the WTO of changes in Technical Regulations is the Egyptian Organization for Standards (EOS) under the Ministry of Industry. While the ATR SOW outlined a somewhat different unit, there now appears to be general agreement in USAID, the MOFT and ATR that the structure and functions now being developed for the CD WTO are appropriate.

The ongoing ATR reengineering efforts for the CD WTO are within the general parameters of this approved reorganization. ATR has proposed alternative sub-structures for the CD WTO. One fleshes out the responsibilities of the three General Departments established by Decree #411. Another reconfigures the General Departments so that the substantive responsibilities are unified under one General Department, but managed topically through a structure of “desks”. The concept of “desks” builds on the recommendation of the Bridging Activities advisor. The first alternative would not have to be sent to the Central Agency for Organization and Administration (CAOA) for approval and may therefore be favored by the MOFT. The second may need CAO A approval and if so, will likely require substantial dialogue and patience if it is to be the option installed. In our conversation with senior MOFT officials, there seemed to be some reluctance on their part to reengage with the CAO A so quickly after having their reorganization plan approved by Decree #411 and then amended by Decrees #226 and #193. Thus, completion of the SOW’s B.2 (Upon the approval of the MOFT, implement the organizational plan for the unit) now awaits a MOFT decision on which option to pick.

While internal MOFT discussions of the reengineering options are proceeding, substantive work of the CD is ongoing and ATR is engaged in its support. ATR has worked on issues relating to negotiations on services and agriculture, prepared assessments of liberalization on services sectors, and provided intensive mentoring on IPR and transparency in government procurement issues, among other. ATR has carried out all of its specific SOW Immediate (year one) actions and all, except B.2, of the Short-term (years one and two) actions. The procedures and guidelines needed by the GOE in dealing with the WTO appear to be understood and followed, although the assessment of compliance studies pointed out a few areas that needed strengthening. To some extent, these problems will be resolved upon completion of the on-going Automated Work Processing effort. In addition, adherence to procedures is likely to improve as the relatively new CD WTO staff gain more experience in their jobs and develop routine relationships with other elements of the MOFT and counterparts in other Ministries.

The two principal preoccupations of the CD WTO appear to be coordination and the provision of information about the WTO. In this regard, they have become the effective “kitchen” for the Inter-ministerial Committee. This committee, which goes by various names in different documents, includes private sector participation in the form of a representative of

the Federation of Egyptian Industries (FEI). While the committee is a forum for working out issues within the GOE, the private sector's participation was nominal at first. This arose because the FEI had limited knowledge of the WTO and the implications of the multilateral negotiations and agreements for the business community. As they became aware, they chose to voice their views directly to the MOFT, rather than relying solely on their presence on the committee. This approach was taken for several reasons. First, it is more in keeping with traditional methods by which the private sector addresses the government to insure its voice is heard. Second, the FEI feels that the Commodity Councils within the MOFT were partly established to provide the MOFT with an alternative private sector view, should they not like the position being developed by the FEI.

With respect to the CD WTO's efforts at outreach, the FEI's management told us that the organization's activism on WTO issues is a direct result of a workshop it sponsored for members at which two young professionals from the CD WTO briefed the businessmen. Their presentation was described as extraordinary in terms of the information provided and the interest of the members that they elicited. The Deputy Director of the FEI told us that they had never expected that government staff could be so captivating, particularly given the tedious nature of international trade negotiations and agreements.

The CD WTO also manages a website, developed with ATR support, that is very informative, although for technical reasons only the English version was operating during our visit. In addition, as in the case of the FEI, it is reaching out to improve general awareness of the WTO.

4.2 Task 2 – Trade liberalization and WTO compliance policies

For this Task, the ATR SOW describes approximately 19 sub-tasks grouped under five headings. The main expected results were:

- 1) An economically rational policy framework that is conducive to trade liberalization and WTO compliance (base and option periods)
- 2) The Egyptian Rules of Origin is developed and notification is sent to the WTO (base period)
- 3) Clearly defined export promotion policies and strategies (base period)
- 4) The conformity assessment procedures practiced by GOEIC are more transparent, clearly defined, and consistent with international norms and practices (option period)
- 5) Egypt makes significant movement towards WTO compliance (base period).

Progress reports, documents and conversations with MOFT and ATR personnel indicate that work was carried out or attempts were made by ATR to carry out all of the sub-tasks. However, in terms of results, only numbers 2, 3 and 5 were expected at the end of the base period. Result 2 was achieved in that the assessment was completed and the WTO was notified. But the assessment noted that Article 19 of the Customs Law 63/1963 does not address the comprehensive non-preferential rules of origin. The assessment suggested that the GOE should adopt and implement the WTO harmonized system for non-preferential rules

of origin. Although follow up of this finding was expected to occur in the base period, it has not yet been completed because the WTO itself has not yet adopted a final set of non-preferential rules of origin. Progress report 3 (April 2003 – September 2003) points out that while the ATR wanted to work on this issue using an interim set of rules, the MOFT preferred to wait until the final rules were adopted by the WTO.

Similarly, for result 3, while ATR was collecting materials to support the development of an export promotion strategy, the MOFT indicated that it was not interested in ATR's assistance in developing a strategy at this time. This was postponed to the option period.

With regard to result 5, three of the five assessments of compliance with the WTO agreement were finished. The findings are, in general, positive and show no significant areas of non-compliance. The ATR is providing follow-up assistance to resolve those areas needing improvement. These include revising a few procedural regulations related to anti-dumping investigations and determinations, improving public awareness and accessibility to the procedures and forms for anti-dumping claims, seven specific recommendations related to Technical Barriers to Trade, and the Rules of Origin follow-up mentioned above.

Expected result 1 is broad and long run (encompassing both base and option periods). A determination regarding its achievement may ultimately be subjective. Is it to be based on minimum compliance with the WTO agreements? Or, how "reformed" the policy framework is compared to a period in Egypt's recent past? Or, how close it approximates a liberal trade regime such as Singapore? Or, whether the policy framework was the cause of the growth (or lack of growth) in trade? Clearly, the three assessment studies (Rules of Origin, Technical Barriers to Trade, and Antidumping) are important to this expected result. Implementation of follow-up recommendations will improve the policy framework and will be one signal to the public and trading partners that Egypt is committed to trade liberalization. However, the ATR was not invited by the GOE to be a full partner in a number of policy developments and it is clear that certain measures such as the specific tax on textile imports issued in early 2003 (rescinded in January 2004) and the requirement that exporters and tourist companies sell 75 percent of their foreign exchange earnings to banks contradict the movement towards trade liberalization.

In the first half of this twenty-month activity, the MOFT's requests for policy assistance were restricted mainly to training in analytical techniques and the gathering of materials. For example, the ATR prepared 15 papers related to Egypt's obligations under the WTO, reviews of the existing policy framework, and suggestions for policy in light of Cancun and other international meetings, among others. While the earlier works informed policy formulation, the actual preparation of policy positions and the evaluation of their impacts were confined to GOE personnel. The assessments of compliance were somewhat of an exception because they were first seen as more important to USAID than the MOFT. Thus, in these three cases, the evaluation team was told that the MOFT contributed approximately 20 percent of the effort while ATR did the rest. This situation appears to have changed in the latter half of the period as the MOFT now has a greater appreciation of the skills and facilities available in the

ATR and has become comfortable that the ATR is assisting their agenda rather than writing and dictating policy in isolation.

Currently, ATR is deeply involved in the effort to change Egyptian law to enable foreign quality and conformity marks to be recognized in Egypt. If adopted, this policy will dramatically reduce the amount of conformity assessment activity that is required. In addition, ATR has provided training to the staff of the CD WTO and the GOE's government procurement organization on the issue of transparency in government procurement. Through that training, these staff members came to realize that Egypt's law is very strong in this area and that engaging in WTO-related negotiations on this issue would benefit Egypt.

We were given several explanations for this change. One is that the MOFT originally distrusted the motives of the ATR because the previous project (DEPRA) was limited to providing studies done by outside experts. It was also managed by the same consultant firm. Not only did the MOFT feel that DEPRA was a missed opportunity for MOFT staff development, but the objects of criticism in one or more of these studies were the current counterparts themselves. The *modus operandi* of the ATR as facilitator, mentor and source of skills training, is now seen by the MOFT as diametrically opposite the DEPRA approach and consistent with their needs. Thus, we were told that the ATR staff is increasingly being brought into the policy formulation process.

A second explanation arises from the confidential nature of policy formulation. As in the US, the GOE has internal rules of confidentiality. In the past, these were pervasive, preventing any outsider from access to data and papers, which in most countries would be in the public domain. While significant improvement has occurred, one should expect the MOFT to keep confidential the development of policies, strategies and regulations until the government has reached agreement on the matter. In particular, strategies and positions to be taken in negotiating international agreements will likely remain generally hidden from the ATR and other providers of assistance who do not have security clearance until the GOE decides to make them public. The legacy of internal secrecy is likely to remain for some time to come, even on matters that are not in the policy or strategy arena. Clearly this behavior was evident in the unwillingness of the MOFT to provide the ATR with its reorganization plans until after Decree #411 was published.

With regard to result 4, which carries over to the option period, MOFT officials seem to be quite satisfied with the human development assistance provided to GOEIC. ATR's collaboration with USDA to develop the Meat and Poultry Laboratory was particularly valued. This package of assistance, from their perspective, addresses one of the most important obstacles to trade, namely, the need to improve the facilities, staff skills, timeliness and the credibility of inspections.

4.3 Task 3 – Institutional development

For this task, the expected results were:

- 1) Reengineering efforts are completed for the cooperating divisions (base and option periods)
- 2) Practical tools are in place for FTS staff to analyze trade-related data (base period)
- 3) The reengineering plans for the CRS and GOEIC shall reflect the GOE's trade liberalization reform agenda (base period)
- 4) Procedures, guidelines and manuals will be developed for use by the cooperating divisions to attain their new mission and goals; (base and option periods)
- 5) The research capabilities of economic researchers within the cooperating divisions are enhanced (base and option periods)
- 6) CRS has an established system for work procedures and defined responsibilities as related to export promotion (option period)
- 7) GOEIC has defined organizational structure and responsibilities that enable it to participate in a liberalized trade regime (option period).

Reengineering proposals, including structural options, have been prepared and are under discussion for all of the units of the MOFT included under the ATR SOW except for the Egyptian Commercial Service (ECS). The ECS removed itself from the activity for most of the base period but is now in discussions with ATR to rejoin the program. The documentation indicates that the relevant laws, decrees, regulations and prior studies were consulted and informed the preparation of the proposed reengineered management structures and functional responsibilities for the FTPS, TAS, CD WTO and GOEIC.

The process of moving from organizational assessments to mission statements to functional statements to organization options was lengthier than anticipated due to the size and complexity of the units, particularly GOEIC, and the need for many iterations and discussions of the intermediate products. In addition, ATR's approach to institutional development may have been made more difficult (and less effective) because of USAID's use of the term "reengineering" and the encouragement of this approach. Reengineering requires a sequential approach to improving an organization's efficiency and effectiveness. It starts from the most encompassing descriptions of the organization and works down. That is, mission statements must precede functional statements which must precede job descriptions. Given the entrenched nature of the Egyptian bureaucracy and the immediate counterparts' different assessment of needs, the organizational development aspects of ATR were slow. Had a Total Quality Management (TQM) approach, which is not sequential, been taken, technical assistance could have been more focused earlier in the period on the key areas which needed organizational strengthening. A TQM approach may have made more sense given the extent of reengineering embodied in Decree #411 and the MOFT's reluctance to go back to the CAO with another revision of its structure.

The above is not to imply that the participating units of the MOFT did not need or have not benefited from the development of mission statements intrinsic to reengineering. Rather, certain specific problems, particularly at GOEIC could have been addressed simultaneously through a TQM approach. While reengineering and TQM are rivals in academia, they can be combined on the ground. To some extent, without knowing the name, the MOFT may have been arguing for the TQM approach, although this may have been masked by their drawing the battle line between the approaches in terms of IT equipment.

Despite these conditions, the project did achieve some milestones. Mission statements, objectives and functions have been approved by FTPS, CD WTO, and GOEIC. Comprehensive organization and management structure options are written and are under discussion at the senior ministry level. Job descriptions of heads of Central Departments are prepared. These job descriptions have focused on management responsibilities, since previously job descriptions had paid little attention to these concepts. The head of the CD WTO has found this to be extremely helpful.

Two major work process reviews are underway: administrative (development of the annual work plan for the Central Departments) and technical (the steps needed to prepare an anti-dumping case). These activities are significant in themselves to efficiency improvement. But they are also valuable exercises in helping the participating units realize that the kinds and amounts of IT equipment and software procured thus far are adequate for their needs. While not yet ready to fully give up their desire for more IT equipment, the participating units now appear satisfied that their immediate needs have been met by the activity.

As a final comment, whether one reengineers or applies TQM or both, the outcome requires that one have the capability and the freedom to “think outside the box.” In the Egyptian context, this is very difficult. A key variable, the number of employees, is essentially a given. Further, the pride Egyptian bureaucrats have in their membership in a 7,000-year-old bureaucracy offers a real challenge to anyone who suggests modifying its structures, processes and mandates. That the participants have accepted new mission statements and functional statements is a major achievement. That they now welcome further assistance in organizational development is a major achievement. Attitudes of the management of departments have changed and this change is captured by the Minister’s decision that the “C” in GOEIC be changed from “Control” to “Certification.” While the man on the street may not appreciate the difference, “certification,” or the assurance of quality, is a far more accurate description of GOEIC responsibilities than “control” of trade. While the design and implementation of this activity has been difficult, the process can take credit for making this possible.

4.4 Task 4 – Organization of in-country and off-shore training activities, workshops, and seminars

For this Task, the expected results were:

- 1) Technical capacities of the cooperating divisions and the newly established WTO unit are improved (option period)
- 2) Private/public awareness in respect to trade and WTO issues is elevated (base period)
- 3) Negotiation skills for MOFT staff are strengthened (base and option periods)
- 4) Skills used in economic modeling and quantitative analysis are improved (base and option periods)
- 5) Analytical, writing & reporting as well as management skills of MOFT staff are strengthened (base and option periods)
- 6) MOFT's capacity to promote Egypt's rights in WTO is enhanced (option period).

The amount of training provided by or facilitated through ATR so far in this project is impressive. The Project's January 15, 2004 Briefing Notes identify the following achievements:

- 1) Over 1300 participants in various training programs
- 2) Over 8,000 days (25 person-years) of training
- 3) 28 staff enrolled in Masters Degree programs
- 4) Over 50 Ministry staff enrolled in other diploma or certificate programs
- 5) 47 people provided with overseas training
- 6) Ministry staff given day-to-day mentoring.

This is all the more impressive given that the workplan was not approved until five months after the project began and there were initial difficulties in establishing mutually agreed upon priorities for project activities. Despite these accomplishments, there are two important concerns we would like to raise. The first concerns how training needs were determined and the second is the "so what" question, or what has been the impact of the training.

With regard to the need for training and how it was determined, ATR identified "possible training needs" in the November 2002 HR Review and a proposed program of training interventions in the ATR/DT2 Training Plan 2003. The genesis of these needs was less than optimal because of a convergence of factors. When the project began, ATR had to balance the administrative needs of DT2 (which was funding much of the training) with the desires of GOE counterparts. DT2 required a significant amount of lead-time in order to arrange for training, meaning that ATR had to move forward quickly in identifying possible training

needs with less than optimal input from counterparts. Because of this, ATR was caught between the desires of the counterparts and the administrative needs of DT2. Further conversations with the counterparts produced the 2003 plan. GOEIC had a lot more specialized training needs and one ATR staff person worked closely with GOEIC, but did not do an independent assessment.

A short-term consultant report prepared in February 2003 took issue with the earlier plans on a number of points. For example, it said:

The list of technical training for specific individuals is very thin on “management tools” training themes. The risk of weighting the training so heavily towards individual technical training interventions for specific individuals is precisely that in doing so, the Project will end up improving individual technical capabilities and knowledge, and when the newly-informed or skilled employee returns to the workplace, he/she will be going back to the same system which is compromising his/her performance in the first place, despite the new skills and knowledge attained in training.²

The question pertaining to the purpose concerns whether the activity is only interested in training individuals to meet immediate needs or is it also concerned with sustainability. Generally, there seems to be little evidence of a needs analysis based on the individual needs of persons holding specific positions and competencies required, although ATR did prepare an individual skills assessment for the CD WTO and used it to formulate the training plan that is currently being implemented.. One difficulty, which may explain this situation, is that good job descriptions used for identifying core competencies for each position did not yet exist, as identified by the author of the February 2003 report cited above. The process, therefore, seemed rather “menu-driven.” That is, typical training courses for people in similar positions are identified and then established as needs. However, given the requirement to take advantage of DT2 training funds in the early months of the project, this approach was probably the most expeditious. With the exception of language courses, there is little evidence that trainees are assessed or “pre-tested” in any way to determine the appropriateness of their taking a certain course. The Director of GOEIC did state that individual training needs assessment would take place in the option year of the program. We concur that this would be a critical activity not only for making the training program more responsive to actual needs, but also for placing individual development within the rubric of institutional development.

In his February 2003 report, the consultant also mentioned the lack of benchmark indicators for defining what the performance of individuals should be. This lack of benchmarks has an important impact on assessing the “so what” of training in any quantitative way. In other words, it is difficult to say if individuals have improved their performance if there is no standard by which to measure them. Ministry representatives agreed in the interviews we

² ATR document, “Proposal for Training Interventions”, February 2003.

conducted that the training had been beneficial to their staff members, but did not identify specific cases. Further anecdotal data included the comments of one short-term consultant who returned in 2003 to work with a group he had assisted in 2002 and found them asking much more sophisticated questions than they had before training.

Evaluating the impact of training seems to us to be a critical activity for the option period. It will provide both the GOE and USAID with a clearer sense of the efficacy of the project. It would take coordination with the institutional development efforts of the project and the compilation of some benchmark data in the early stages of the option period. For example, the English language proficiency levels for individuals within the groups can be collated and compared with levels after the training. Even more to the point, however, would be assessing work processes in terms of the amount of time required and comparing sample times after training. A third way to assess impact would be to coordinate data tracking with the customer satisfaction surveys being prepared. Using data from the cooperating departments in the ATR project as benchmarks, these customers could be sampled again toward the end of the project.

The establishment of the Dekheila Training Center was cited as a project success by various sources and it certainly is an impressive facility. It contains a state of the art computer training room and a computerized language laboratory. A well-appointed and equipped “lecture” room contains state of the art audio-visual equipment as well but its name and its physical layout belie a knowledge and use of adult education techniques, i.e., experiential exercises. However, their use is not precluded. In some of the documents reviewed, a proposed Training of Trainers contains modules on facilitation rather than lecturing. There is a detailed strategic plan for the center but the details seem to stop before describing when training will be held and who will attend it. This raises the issue of the approach to the development of this facility, which seems to have been “if you build it, they will come.” In this case, this approach may be the most realistic, given the level of other HR systems and processes in the MOFT. There is a training plan for 2004 based on the need to bring their staff up to speed on English language ability, computer skills, inspection techniques, and especially the management of such a facility. One long-term goal is to make the center self-sufficient with respect to providing training. The Training of Trainers course would be essential for this objective. At present, the center is using resources from the Arab Academy, AUC and other groups.

In terms of training resources, this center has access to materials from a number of sources, including other parts of the MOFT as well as other GOE agencies and US sources. During our tour, for example, we looked at a USDA-produced self-tutorial CD for use by grain inspectors. In this case, the inspection lab was set up so that an individual could practice the steps of the inspection on the actual equipment portrayed on the CD. While the personnel showing us the training centers were knowledgeable in the use of the equipment for self-paced learning, we hope that capacity is being transmitted to students.

One striking omission in the training plans and materials was a significant emphasis on industrial health and safety. We recognize that the most immediate training need is that

inspectors be qualified to meet accreditation standards, but in the labs we visited, there was a noticeable absence of eye, ear, and other protections for working in potentially hazardous areas, such as those employing chemical or radiological equipment. If this concern is not treated in separate training, hopefully it could be integrated into equipment procedure training, as is done in similar facilities elsewhere.

We did see examples of certificates granted for training by the Dekheila Training Center but did not receive satisfactory answers about how participants were measured on their acquisition of knowledge and skills or what remediation might be available if a person were deemed to have “failed” a course. This bears further attention from ATR in the option period since it directly relates to the capabilities of inspection personnel and impacts GOEIC’s goals to reduce inspection times.

In addition to the formal training, ATR is rightly proud of what it calls “mentoring.” Although not referring to what this term normally implies (a senior person *within* the organization taking an employee under his or her wing and providing not just technical guidance but also an appreciation for the organizational culture), but rather more one-on-one, on-the-job training, it has nevertheless proven effective in the minds of the management of the cooperating divisions. The manager of the CD WTO particularly mentioned its value and it is clear from observed interactions that he is working closely with ATR staff. Another manager did mention that he would prefer to see the focus shift a bit so that more work is done by his staff with review by ATR than vice versa. This would seem to us to be a natural progression as more competency-based training is integrated into individual development plans.

The situation with regard to ECS and training bears special note here. The new head of the Commercial Representation Service seems to be a very viable client for ATR. He is particularly interested in developing the performance of his people and would also welcome help around developing the structure of the organization. ATR has already provided a plan for delivery of initial training and it seems that this will be a good first step. This is a particularly important contact point for impacting future Egyptian Ministry and diplomatic personnel. The director recalled some of his early training and development experiences and the positive view it gave him of the host country. He feels there would be a similar long-term benefit to the US if his commercial representatives had a similar training experience in the US. Since the bulk of the assistance to be given to ECS is yet to come, we recommend serious consideration of the director’s suggestion. Also, since these personnel would be new-hires, the approach provides a “tabula rasa,” as it were, for development initiatives within the scope of ATR.

ADS 253 says that in training plans, “distance learning must be investigated and utilized to the fullest extent possible.” Given the hardware already in place at GOEIC’s Dekheila Training Center as well as at the MOFT in Shoubra, this option should certainly be explored in the option period. This would offer more flexibility in training, especially given the time demands on personnel cited by the CD WTO.

4.5 Task 5 – Implementation of information technology plans for cooperating divisions and WTO unit and procurement of equipment and software

For this Task, the expected results are:

- 1) IT system is established in the cooperating divisions, within the budget limit (base and option periods).
- 2) The usage of IT is increased and the established IT system (hardware and software) is improved in the cooperating divisions (base and option periods).

In spite of initial delays in the project, ATR has made strong moves towards completion of the majority of activities specified in the SOW. Most information technology activities are now on schedule, with procurement proceeding and most major equipment in place.

In the process of developing and implementing IT solutions for the cooperating units, ATR has been highly responsive to comments and recommendations of USAID's Information Resources Management (IRM) reports. For example, in December 2002 IRM evaluated the Duty Drawback and Temporary Admissions system, and issued 16 recommendations.³ When IRM returned in July 2003, 14 of the 16 recommendations were being addressed by ATR. The evaluation team has found similar responsiveness to IRM recommendations for the other IT activities.

In the CD WTO, ATR has worked on two primary tasks: procurement and development of the CD WTO website. ATR is in the process of providing each analyst with a network-based workstation to improve analysts' access to information, permit document sharing, and access the internet. By March 2004, all analysts will have their own workstations with standard office software package. The CD WTO website has been operational on a trial basis in English since January 2003. While the Arabic version of the website has been ready since November, difficulties with the FTPS server have delayed launch. ATR has submitted a proposal to IRM for the necessary upgrade of equipment for FTPS and TAS. This website provides information about the WTO, contact points related to grievances, and relevant trade related studies. To promote sustainability of the website, ATR has trained five staff from CD WTO who are now responsible for maintaining and updating the content of the website. Utilizing forms designed by the project, the website can be fully maintained and updated by the assigned staff.

Within GOEIC, ATR is assisting in the establishment of the Dekheila Training Center, the Duty Drawback and Temporary Admissions System and the Trade Service Center. At the Dekheila Training Center, site preparation and procurement were completed in September

³ USAID Information Resources Management, "Appendix F: Independent Verification and Validation Review of the Duty Drawback and Temporary Admission System," Cairo, Egypt, July 13 – 26, 2003.

2003, and network and hardware installation was finished in October. The Center has been operational since the end of 2003.

In October of 2002, the Ministry requested ATR to assist GOEIC implement a new system for recording data on the import and export of goods involved in the duty drawback and temporary admissions systems. ATR began work with three field offices: Suez, Port Said, and Damietta. Procurement of hardware started in August and most of the hardware equipment was in Egypt in October. Suez and Port Said are now fully operational, awaiting final GOEIC acceptance. Damietta will be ready in the near future. The delay at Damietta is due to a problem in the Egyptian Customs authorities with the wireless link equipment. The equipment arrived on October 10, 2003 but was only released from Customs on January 26, 2004.

Objectives, functions and organizational arrangements for the Trade Service Center were drafted and approved in early 2003, and physical space for the Center was allocated and is undergoing renovation. Information technology requirements have been defined and equipment has been procured. ATR is waiting for GOEIC to finish renovations of the Center's space before installing and commissioning equipment.

Within the TAS, ATR is working with the trade remedies group to implement an automated work flow system to improve the maintenance of records on trade remedies cases and provide better access to automated tools for analyzing trade remedies issues. This system is designed to reduce congestion, improve efficiency, and promote transparency. It is intended to ensure that the myriad procedures of the WTO related to disputes is accurately followed. This has not always been the case under the current manual system. The subcontractor is starting customization of the software, and hardware procurement is near completion. The final version of the system is expected the last week in February, with acceptance testing in early March.

ATR is working with FTPS and CD WTO to create an Electronic Research Center that will improve the ability of the staffs of those two organizations to analyze trade policy issues. The focus of the Center has been on providing access to information and analytical tools to the staff of FTPS and the CD WTO as well as providing support for training in trade policy analysis. Initially, ATR acquired key data and software resources and made them available to the staff through computers in the ATR offices, increasing interaction and opportunities for mentoring between the ATR staff and the staff of the Ministry. All of the hardware equipment and software was received by October, and the ERC has been in operation since January 2004.

The second result listed in the SOW concerning usage of IT cannot be evaluated at this time, as IT procurement and installation are too recent. There is also a question of how to measure "usage," which will need to be explored by the contractor and USAID. As with our recommendation concerning training, ATR should establish baseline indicators of IT "usage" to measure change and impact over time.

The one activity stipulated in the SOW not included in ATR's current workplan is the establishment of an operational computer network linking the cooperating units. An integrated computer network will facilitate communication and the exchange of information between cooperating divisions, and will contribute to coordination efforts underway in the MOFT. ATR has prepared a proposal for central IT infrastructure for upgrading e-mail and websites. This activity should be incorporated into the option period workplan. As part of this process, ATR will need to work with the management of cooperating units to ensure that they have a clear understanding about the nature of an integrated network system as well as the potential benefits such a system would provide. While GOE officials do have a general understanding of IT systems and their impact on participating divisions' functions, structures, and reporting, the team heard from more than one official that they would not want their division networked with other cooperating MOFT divisions, nor did they want all files available on the division's own network. They explained that some information was confidential, and should not be made public either vertically within the division or horizontally between divisions. This reticence reflects a lack of understanding of a network's capabilities, as well as its security functions.⁴

⁴ A network system can encompass several levels of security permissions and privileges according to the hierarchy of the organization.

5 Adequacy of Reports and Documentation

A sample of ATR's reengineering documents was reviewed in the course of this evaluation. Overall, the proposals are consistent with the requirements of the SOW. They are comprehensive and present the MOFT with alternative configurations of structures and functions. The evaluation team understands that these documents are working documents and even when "finalized" would not be the document submitted to CAO for its approval of the proposed changes if that step becomes necessary. Nevertheless, we feel that the interaction between the contractor and the MOFT would benefit from smaller (more concise) documents that more clearly distinguish between the current and proposed functional statements and have been more carefully edited for content and consistency. For example, the working draft for reengineering the TAS states one responsibility of the CD WTO to be "3.1 Follow up implementation of FTPS strategy for systematic compliance with WTO related obligations..." In the working draft for the CD WTO, this same responsibility is stated as "Develop strategy for systematic compliance with WTO obligations (3.1)..." This editorial error could introduce a substantive misunderstanding among the various readers of the two proposals in terms of the responsibility for strategy development.

In the working document for reengineering FTPS, the organization chart in Annex C is not the organization approved by Ministerial Decree #411. While the text reflects Decree #411, stating the Sector to have four CD's, the chart shows three, suggesting its preparation after Ministerial Decree #193. The proposed reengineered structure is incorrectly drawn in the English version but correctly in the Arabic version. This could produce a misunderstanding among the English only readers. More importantly in this document, the distribution of functions presented in Annex I shows both the policy CD and the administration CD to have parallel responsibilities for developing and managing the systems required to ensure the enforcement of policy, laws and regulations. Hopefully this is only a typographical error, but it is a source of confusion nevertheless.

Finally, the evaluation team feels that the mission statements are cumbersome. In particular, the complex relationship among trade, benefits and employment is not creditably described by the phrase "...attaining maximum benefits through trade arrangements leading to job creation and derive maximum economic and social benefits for Egyptians," which appears in the statements for FTPS and TAS. The statement does not adequately encompass other actions that must accompany trade reform, particularly efforts which must be made to deal with structural unemployment.

The above comments do not apply to the assessment of compliance reports. The three that have been completed are well structured, well written, informative and actionable.

Technical reports produced by ATR staff have become more detailed and comprehensive over time. For example, the initial action plan for GOEIC's trade service center lacked detailed information of hardware and software requirements, and provided only a general vision of the steps to be taken to finalize completion of the center. Action plans and

technical documents produced more recently have provided more in-depth, complete solutions with technical requirements more carefully specified.

The contractor's work plans and progress reports, while tedious and detailed, do convey a sense of the level of effort being made and the problems encountered. The SOW's distinctions between the tasks are reflected in the structure of the workplans and progress reports, but require the reader to go through the sections simultaneously in order to gain an understanding of what has been accomplished. While progress reports indicate accomplishments in the various time periods, there is not a clear link back to what was expected to be accomplished and any details on whether goals were missed or achieved.

6 The Effects of Cross-Cutting Themes

6.1 Do the MOFT, USAID and the ATR contractor share a common understanding of the goal, purpose, outcomes and inputs? How have they dealt with any disagreements?

The SOW for the ATR took a year to develop and negotiate with the MOFT. During the process, there had been disagreement over the amount budgeted for the procurement of IT commodities. After much discussion, USAID agreed to increase the amount for this line item from \$300,000 to \$3 million. Thus, from USAID's perspective, the agreement that was ultimately reached implied that a common understanding of the activity's content and objectives existed.

In fact, there was consistency between USAID and the MOFT on the need to streamline the MOFT, rationalize its functional responsibilities, clarify job descriptions and improve skills. The Minister, in his opening meeting with the ATR contractor, informed the group that the Ministry was shortly to receive approval from the CAO of its proposed structural reorganization of the Ministry. While their plan was not shared with the contractor, the Minister felt there was ample room in the plan (once approved) to clarify functions and responsibilities and strengthen the effectiveness of the Ministry.

However, as implementation got underway, a significant, lengthy and confrontational dispute arose again between the parties over the commodity procurement budget. This dispute reflected the continuation of a fairly deep-seated divide on the correct approach to improve the performance of the participating units of the MOFT. USAID's view was that the formal establishment of the WTO unit, the policy work and institutional development of the participating units was the priority. The procurement of IT equipment was planned to meet the basic needs of these three priorities. The MOFT felt that a comprehensive modernization of their IT capability was essential ("the backbone") to achieve their policy and institutional objectives and they felt that even the revised budget was inadequate. There was a perception that the ATR contractor abetted this view. Ultimately, the dispute was resolved in USAID's favor after substantial and difficult discussions, changes in two ATR personnel and a decision by the MOFT to just stop arguing.

This dispute negatively affected the activity. It not only delayed procurement but at its height, it seems to have distracted the leadership from aggressively pursuing the remaining objectives. Moreover, the resolution left a negative legacy. One senior official at the MOFT told the evaluation team quite bluntly that he feels very little sense of "ownership" and very little sense of collegiality with USAID in the management of the activity. Rather than a cooperative effort, he viewed the debate as reaching a "win-lose" conclusion, with the MOFT losing.

The evaluation team's conversations with each of the parties suggest truth to the old adage that "time cures all ills." The units of the MOFT that most firmly believed in a technical

solution to efficiency problems now concede that aspects of the reengineering have been helpful and their interest in this work has increased. The training, both formalized and through mentoring is highly valued. And those involved in the Sharm el Sheikh workshop were demonstratively appreciative of the activity. However, a genuine difference of opinion still remains regarding the importance of IT commodities and related technical training to the achievement of the mutually understood objectives. In the case of GOEIC, IT is defined to include laboratory equipment as this is seen as essential to their strongly held desire to have their laboratories accredited. Differences on the need for IT procurement are still affecting the mutual level of trust needed to collaboratively implement the activity.

The evaluation team feels that time is not the only explanation for the improvement in the project during 2003. A key factor has been the current Chief of Party of the ATR team. *All* MOFT personnel interviewed during this evaluation pointed to the Chief of Party as the individual responsible for renewing their interest and involvement in the activity.

6.2 What flexibility exists in the activity to accommodate changes in MOFT needs and conditions?

The Project Coordinator would like to see the activity expanded to most of the rest of the MOFT. He feels that the disparity between the participating units and the rest of the MOFT will become too great and will affect morale. The participating units did not seem to share this view. Rather, they were anxious to expand their own needs, such as GOEIC's interest in having the activity more involved in specific assistance for accrediting the laboratories.

In 2002, ATR was asked to assist MOFT in implementing a new system for recording import and export data involved in the temporary admissions and duty drawback systems. While not initially part of ATR's workplan, the project worked with USAID and the Ministry to incorporate this newly identified activity into Task 5. The request was issued in October, and by December ATR had contracted a team of experts to analyze the proposed system and provide the necessary documentation for USAID to authorize financing of the effort. Two of the three centers are now operational, and the third is scheduled to begin operations in the near future. In our view, this demonstrates that there is sufficient flexibility in the project to handle new ideas and urgent requests, as long as they are closely related to the activity's intent, i.e., facilitating trade.

6.3 What is the influence of organizational and management structures on results?

The organization and management structures of each of the partners pose no obstacle to the implementation of the project, particularly in light of the reorganization of the MOFT under Decree #411. However, the personality and position of individuals in the structures do influence operations and outcomes. When disagreements arose early in the activity among forceful personalities, the implementation schedule became a second priority until the conflict was resolved. With some personnel replaced and with greater experience with each

other's interests and methods of operation, the pace of implementation has noticeably improved.

The delegation and distribution of work within the ATR is acceptable. While this has been suggested as an explanation for the late delivery of some deliverables, we do not believe this seriously affects the project at this time.

For the option period, ATR is planning to assign staff to have overview responsibility for each of the cooperating departments. We concur that this would be a good idea since it would allow for closer interaction with each and insure that the institutional development, training and IT activities are in sync with each other. There are some implications for staffing in this approach, with regard to the mix of Egyptian and expatriate staff, but it would not affect the level of effort. We also concur in the plan to hire an Arabic-fluent person for institutional development work. As this work proceeds further down into the day-to-day operations, the advisor will encounter less fluency in English and will need to be able to communicate easily for maximum efficiency.

6.4 Budgetary management

ATR's budget is on target, and the contractor's annual financial planning is sound. The activity will in fact be leaving some savings on the table. At the end of the budgetary period, ATR will have run down the training and procurement budgets almost precisely, with savings coming largely from the short term technical consultant budget and funds allocated to ECS. Overall, ATR has effectively utilized staff without exceeding the overall budgets and costs allocated to manage the activity.

6.5 How has GOE coordination and guidance affected the conduct of the activity?

In order to prevent one or two units from capturing all of the assistance under the activity, the MOFT appointed a member of the Minister's staff to be the "Project Coordinator" with the unit heads acting as a "Steering Committee." The Project Coordinator clearly sees his job as coordination and not the micromanagement of the activities. The MOFT personnel involved in this oversight structure appeared satisfied with its operation and the facilities offered by the activity seem to be disbursed in accordance with the SOW. However, since there was such consistency of views within the structure regarding the IT procurement issue, the structure was not capable of efficiently resolving the IT procurement dispute with USAID.

6.6 How has USAID's role affected results?

USAID's management of the project has focused on reengineering and skills training. USAID staunchly resisted efforts to shift resources from these categories to procurement. The team feels that this stance was appropriate during the base period as it was unlikely that a correct assessment could have been made of the long term, comprehensive IT needs of the Ministry. As the organizations mature and become fully conversant with their

responsibilities, a fresh look at procurement needs may be in order during the option period. Included in this review, whether done under ATR or a companion activity, should be an assessment of the needs of GOEIC to help it meet its goal of 48-hour clearance of imports using accredited procedures.

The role of USAID has been a learning experience for the MOFT. Those who had prior experience with donor-assisted activities were not prepared for the close oversight and frequent interaction with USAID staff that occurs on a USAID-funded activity. Today, this close oversight does not seem to be a problem for the participation units.

6.7 How have the composition, management and support of the TA team affected results?

The contractor's leadership in the initial period of the activity appears to have been so consumed by the IT dispute that other components of the ATR did not get underway expeditiously. There is a consensus that the original COP did not make for a good match with the parties involved. Also, the workplan itself was late in submission and approval. While these problems are not unique to this activity, we noticed that the senior home office representative of the contractor made only one visit to Egypt. While activities are on-track now, a greater presence of home office management earlier in the project could have produced a greater adherence to the schedule for all activities. Differences among the parties could emerge in the future and we believe it would be in the best interest of the contractor to have more frequent visits to the activity.

There does not seem to be any internal evaluation function in the project. For example, the training coordinator records participation of staff from the cooperating agencies but does not include any evidence of assessment of the training's impact on these participants. It may be that this function would be beyond her scope. It should be remembered that Project management had recommended hiring a training specialist but this was rejected by the GOE in favor of a macro-economist. The loss to the project and the GOE, therefore, is an internal capacity for measuring the impact of their interventions and immediate evidence of the addition of value.

6.8 What modalities have proven more efficient and effective?

Since there is little documentation on the effectiveness of training under the activity, one can only speculate on which modality was the most efficient and effective. Long term training is universally regarded in the GOE as efficient and effective in improving skills. However, at this stage in implementation, the MOFT has become quite enthusiastic over the "mentoring" modality. The evaluation team was told by all MOFT managers that the approach has had positive results and they plan to utilize it more heavily in the option period.

The Sharm-al-Sheikh retreat seems to have been a very productive and positive experience. Those who we spoke with who were involved had nothing but praise for this event. Similar

comments were made about the GOEIC retreat. It helped get managers on the same page in terms of the activity's approach and objectives and it afforded an opportunity for departments to identify areas for cooperation and synergism. It would make sense to use this modality more often.

6.9 How has the activity reached out to relevant GOE entities and USAID activities?

ATR has reached out to most of the relevant entities through its support of MOFT interministerial committees, its public awareness programs and through its studies and assessment which examine the work of other ministries and organizations. However, this is an area which could be strengthened. In particular, ATR could broaden and deepen its interaction with other Egyptian policy centers, such as the Egyptian Center for Economic Studies and local universities, for the mutual benefit of all parties. Often these centers are more involved in trade policy research than the MOFT and their conclusions and recommendations are not bound by the corporate culture of the MOFT.

A more regular interaction with other USAID activities that assist exporters would also be valuable as these activities have data and evaluations which could help ATR reality-test the effectiveness of trade policy reforms to date. Special attention and close coordination will have to be given to the ACTF activity as there is a real potential for duplication of effort with this project and ATR.

Finally, the evaluation team heard comments from the MOFT of other donor activities. For instance, ATR is being urged to channel their training through the Foreign Trade Training Center (JICA funded). This center is presently offering training for traders and could become a locale for basic training for Ministry personnel in Cairo. The possible relationship with ATR deserves to be explored since it might offer another vehicle for sustainability of the training interventions and resources developed by ATR. In our evaluation, we could not find a clear description of other donor activities and how they affected the ATR. While ATR has made contact with EU activities, more attention needs to be given to this subject in the option period.

6.10 Sustainability and institutionalization issues

As noted above, the 7,000 year legacy of the Egyptian bureaucracy poses a formidable challenge to policy reformers and reengineers. Egypt's reform leadership has known this for quite some time but little was done until the early 1990's. Then a decision was made to hire a carefully selected group of young college graduates as "contract" staff. These individuals were some of the best graduates from some of the best schools within Egypt. They were paid substantially higher than regular civil servants and were given special training (originally with help from the World Bank). However, they had no tenure in the civil service.

The MOFT now has 55 of these “contract” employees in FTPS and TAS. While still a small percentage of the 523 civil servants in these two departments, they are a large percentage of the “brains” of the CD WTO and the policy unit in FTPS. These people still do not have tenure and, if it were not for the recession, their retention would prove challenging to the MOFT. The Project Coordinator said that the government is working on this problem and he believes that it will be resolved “in three years.” Ultimately sustainability is embodied in people, not the organizational structures or IT equipment. Should the MOFT lose these people, the next generation of MOFT employees will have no supervisors and “mentors” teaching them and pushing them to continuing pursuing the goals that are core to the ATR.

ANNEX I

Interviews Conducted

MINISTRY OF FOREIGN TRADE

H.E. Youssef Boutros Ghali
Minister of Foreign Trade

Ali El-Meligy
ATR Coordinator

Amina Ghanem
Special Assistant to the Minister on Policy

GOEIC

General Mohamed El Banna
Chairman of GOEIC

Youssef Labib
Head of Food Laboratories

Osama Abdel Moneim

DEKHEILA TRAINING CENTER

Ibrahim Abdallah
Head of Training Center

FTPS

Sayed Abu El Komsan
First Undersecretary of Foreign Trade Sector

TAS

Abdel Rahman Fawzy
First Undersecretary of TAS

CD WTO

Walid El Nozahy
Head of the Central Department of Central Department/WTO

ECS

Sharkawy Mohamed Hefny
Head of Commercial Representation Sector

ASSISTANCE FOR TRADE REFORM (ATR)

Timothy Buehrer
Chief of Party

Sahar Tohamy
Senior Macro Economist

Amr Hegazy
IT Specialist

Nadir Satti
IT Specialist

Rasik Joshi
Institutional Development Specialist

Rachid Benjelloun
Trade Specialist

USAID

Anthony Chan
Division Chief Sector Policy and Privatization

Ali Kamel
Team Leader TASER

Manal El Samadony
Economist/ATR CTO

Hani Takla
Contracting Officer

EGYPTIAN FEDERATION OF INDUSTRIES

Mr. Khaled Abdel Azim, Deputy Director

Mr. Mohsen, Public Relations Director

TECHNICAL ASSISTANCE FOR POLICY REFORM (TAPR)

Yomna Mustafa
Deputy Chief of Party

LIST OF ACRONYMS

ACTF	Assistance for Customs and Trade Facilitation
ADS	Automated Directives System
ATR	Assistance for Trade Reform
CAOA	Central Agency for Organization and Administration
CD WTO	Central Department World Trade Organization
COMESA	Common Market of East and Southern Africa
DEPRA	Development Economics Policy Reform Activity
DSP	Development Support Program
DT2	Development Training 2
ECES	Egyptian Center for Economic Studies
ECS	Egyptian Commercial Service
EOS	Egyptian Organization for Standards
ERC	Economic Research Center
EU	European Union
FEI	Federation of Egyptian Industries
FTPS	Foreign Trade Policies Sector
GOE	Government of Egypt
GOIEC	General Organization for Export and Import Control
GTCD	GOEIC Training Center in Dekheila
IMF	International Monetary Fund
IRM	Information Resources Management
IT	Information Technology
JICA	Japan International Cooperation Agency
MOFT	Ministry of Foreign Trade
PAFTA	Pan Arab Free Trade Agreement
TAPR	Technical Assistance for Policy Reform
TAS	Trade Agreements Sector
TQM	Total Quality Management
USAID	United States Agency for International Development
USDA	US Department of Agriculture
WTO	World Trade Organization