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TECHNICAL ASSISTANCE
FOR POLICY REFORM

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Cc:
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Component: Component A – Trade Policy and Trade Facilitation
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Subject: End of Mission Report

History/ Background

- With ATR ending in September 2006 the focus of TAPRII in the trade policy area was to turn more attention to reform rather than capacity building or, at least, reform paired with capacity building.
- Trade facilitation work consisted mainly of two activities; establishing a food safety agency in Egypt and starting up work with the Ministry of Transport.
- Resident staff for the trade policy and trade facilitation activities consisted of the Component lead until November 2007 and myself until my departure May 27, 2009, with support on particular activities from Alan Morley, Component A Customs lead, and short-term consultants.

Challenges Faced

- The project faced a lot of resistance in changing focus from capacity building to policy reform with the Trade Agreements and Foreign Trade Sectors at the Ministry of Trade and Industry. Much time was spent negotiating between TAPRII/USAID/MTI on Masters degree MOUs, US study tour, English language training participants, etc.
- Though the project was designed so that the MTI Minister's Office has a leadership and guidance role in policy reform, such leadership in the trade area was minimal and mostly ineffective.
- Work with the Ministry of Transport started out successfully but had to be pared down then stopped when the project faced funding difficulties.
- Challenges faced in the establishment of Egypt's Food Safety Agency are more "traditional" in the sense that they relate mostly to one ministry (Health) refusing, so far, to relinquish the lead of the FSA to MTI (though they do not doubt the need for an FSA). Food safety was the only area that gathered momentum since it began in summer 2007.

Results Achieved

Trade Policy

- Awarded nearly 40 graduate and doctoral scholarships to MTI TAS/FTS staff in economics and business fields. Most degrees have been completed or nearly completed (doctoral students have

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another year to go). This significantly strengthens MTI's management and analytical capacity for years to come.

- Analyzed reasons for stagnating exports of Egyptian textiles and apparel products and drew up plan to boost productivity at Egyptian factories.
- Helped MTI's services team and the Minister's Office analyze EU and COMESA services protocols, raising important issues about qualifications of "migrant" Egyptian labor (discussed further in a major AmCham-sponsored workshop).
- Helped MTI's TAS/FTS to conduct a major study analyzing the economic impact of the Egypt-Turkey FTA.
- Worked with the CLDP to support the establishment of an e-learning program on trade analysis. Most modules have been prepared and the program will be officially launched in a few months.
- Supported the establishment of the SPS and TBT Enquiry Points. The TBT EP was established by EOS administrative decree. Recruitment, training, and IT equipment support were provided to the SPS EP team, both at the Ministry of Agriculture and Land Reclamation (MALR) and MTI. MALR management of the SPS EP, however, leaves a lot to be desired. MALR staff were seconded to MTI, where the EP resides for the most part.
- Supported the establishment of three joint MTI-Customs committees on combating fraud, IT and data, and IPR border measures. Though the committees do not meet regularly, a mechanism now exists for forthcoming efforts to combat fraud and facilitate trade.
- Analyzed several critical areas in import/export regulations. Even though no reform ensued, discussions with TAPRII consultants have made MTI TAS/FTS leadership more amenable to significant initiatives, including consolidating inspection agencies, "single window", risk management, and IPR border measures reform.

Trade Facilitation

- Conducted a comprehensive assessment of the operational efficiency of the Port of Damietta, revealing organizational, structural, and IT challenges in port operations; presented findings to the Deputy Minister of Transport and his team.
- Conducted a preliminary assessment of how an Egyptian port regulator would make a difference in the competitiveness of Egyptian ports. The Ministry of Transport used the study to establish a port regulator with World Bank funding (that work is ongoing as far as we know).
- Established a Food Safety Agency Management Unit within MTI. Highlights included:
 - Led the establishment of an inter-ministerial food steering committee, including private sector, and working groups to establish an FSA in Egypt
 - Helped draft the law establishing the FSA, led working groups to conduct preliminary data gathering on inspection and labs, recruited FSA-MU staff through steering committee process, secured office space for FSA-MU, and procured and installed IT equipment for them
 - Developed and presented paper on use of risk analysis in food safety
 - Law establishing Food Safety Agency now in Parliament, significant momentum for its passing either in this session of parliament or next
 - Five-year FSA strategic plan and one-year workplan completed
 - General rules and procedures drafted for inspecting different types of food establishments; 10 training modules for inspectors prepared; several guidance for industry (e.g. HACCP)
 - Database of food labs in Egypt completed (first of its kind in Egypt)

- Held several meetings, including a roundtable event with consumer association NGOs, to coordinate plans to improve food safety with the informal sector and public awareness, including in schools
- Drafted several lab manuals including FSA lab policy, quality systems, safety requirements, lab classification, training policy, technical regulations for fish and fisheries products, technical regulations for packing, etc.
- Several workshops held for/with media, NGO consumer associations, and AmCham; dozens of newspaper articles and in-depth newspaper interviews, a dozen TV interviews
- First food safety consumer survey completed
- Engaged with donors to support the food safety activity, including the FAO, UNIDO, GTZ, Dutch, BSI/SWEDAC project, USAID, the US Foreign Agricultural Service, and New Zealand.

Lessons Learned and Recommended Areas of Further Assistance

- Trade policy reform pushed from the top, without real conviction it seems, did not work. It is difficult to judge whether reform would have happened with continued capacity building but it may have helped in convincing the next generation of leaders of changes that were needed.
- The TAS/FTS leadership’s dilemma is setting policies that facilitate trade while limiting opportunities for fraud, with the main driver for the leaders being the latter, i.e. the thinking may be that without adequate policies to combat fraud, trade facilitation will only lead to further border fraud.
- The way forward on USAID efforts at further trade policy reform could be to target specific areas where all parties are in agreement that change is needed (e.g. IPR border measures, industrial inspection, etc.). However, because all change requires coordination between different agencies and ministries, nothing will come easily unless leadership from the top (e.g. at the ministers level) agree on coordinated action and is able to persuade senior levels of government to take action.
- If such leadership does take place, a worthwhile effort for Egypt to undertake would be the establishment of a “single window”, which would aim both at facilitating trade and enforcing compliance. This would build on the customs information systems that TAPRII is putting in place right now as it would incorporate other agencies and ministries in the clearance process. This would take a Presidential or at least Prime Minister-level vision and commitment but other countries have moved in this direction and Egypt is already lagging behind.
- The effort to establish an FSA in Egypt involved all ministries and a strong Chamber of Food Industries effort from the start. Though there are no guarantees, this involvement has significantly increased the chances that the law will pass, if not in the current parliamentary session then in the next one.
- Further assistance to the FSA Management Unit is necessary, even if the law does not pass in the current parliamentary session (due to end July 1, 2009). Establishing a new organization that pulls functions from other ministries is never easy. However, the advantages of having a unified food safety agency in terms of economic impact are so significant that I believe they are worth USAID’s investment for another year until the end of the next parliamentary session. In all cases output from the FSA-MU, whether the legal review, PR, inspection, or labs, will be extremely useful.
- Another area deserving of USAID’s support, in my view, is the QIZ Unit. In a recent report TAPRII consultants recommended the establishment of a pilot Productivity Improvement Program for Egyptian apparel manufacturers, which would be managed by the QIZ Unit, whether through USAID or other funding. The PIP is based on a similar activity designed and implemented by Nathan Associates in Cambodia.

- For IPR border measures the drafted revised regulations seem like only a slight improvement over the current regulations. Therefore, regulations should be the first focus of USAID assistance. They need to clearly delineate responsibilities between Customs, TAS, and Commercial Registry, and allow Customs to take ex-officio action. A database will need to be established that can be accessed by Customs border posts that has information on registered IP and contact information for the IP holder.
- Unifying industrial inspection in Egypt, while reforming the process based on the EU New Approach directives and market surveillance procedures, would, I believe, have a significant impact on Egyptian industry and on trade facilitation (greatly reducing the need for border inspection of industrial products). However, I believe this area is best supported by the EU but with perhaps some support from USAID initially (if requested) until EU funding is provided.