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**EGYPTIAN CUSTOMS AUTHORITY  
ORGANIZATIONAL REALIGNMENT  
GENERAL DIRECTORATE  
PRE-IMPLEMENTATION PHASE**

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ORGANIZATIONAL REALIGNMENT  
GENERAL DIRECTORATE  
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TECHNICAL ASSISTANCE FOR POLICY REFORM II

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# **EGYPTIAN CUSTOMS AUTHORITY**

## **ORGANIZATIONAL REALIGNMENT**

### **GENERAL DIRECTORATE PRE-IMPLEMENTATION PHASE**

#### **BACKGROUND**

On September 2, 2005 the Minister of Finance for the Government of the Arab Republic of Egypt approved the conceptual organizational design for the Egyptian Customs Authority. This design was intended to achieve two primary objectives.

1. Create a modern organizational structure that would support growth and expansion in Egyptian trade and provide improved levels of risk management and border protection;
2. Provide the organizational platform for the modernization and re-engineering of Egyptian Customs law, procedures and processes.

On October 4, 2005 the Minister of Finance approved the specific organizational design down to the Central Directorate level in Decree format for subsequent approval by the Ministry of Administrative Development. It was understood that subsequent design for General Directorates would take place throughout the balance of 2005 and into early 2006.

The preliminary design of the organization was based on analysis and recommendations made by Booz Allen Hamilton under the auspices of USAID.

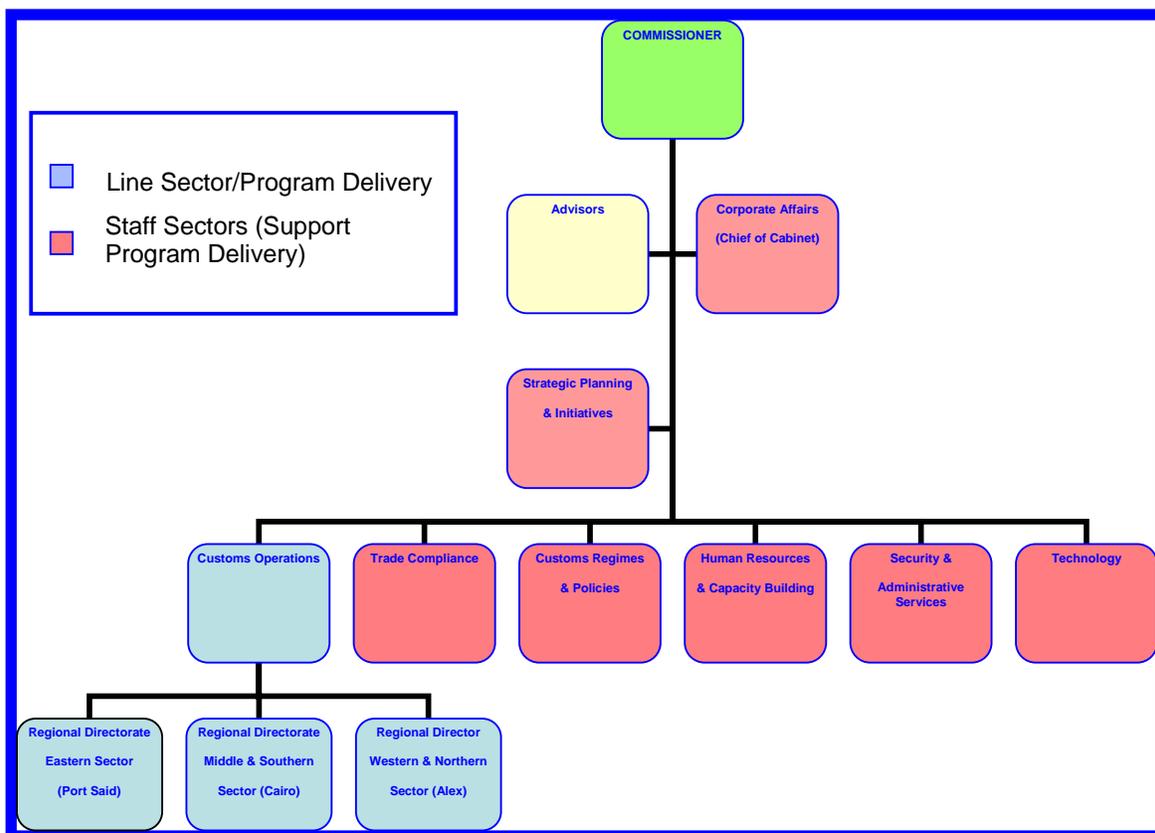
#### **ORGANIZATIONAL DESIGN RATIONALE**

The rationale for the Organizational Design is based on a number of design principles found in modern Customs organizations and endorsed by the World Customs Organization (WCO).

1. The design separates program delivery functions from non program delivery functions into line (program delivery) and staff (non program delivery) business streams.
2. The design requires that the primary mission of staff functions is to support program delivery.
3. The design creates a functional relationship between staff functions and the parallel functions in the line sector. For example, Human Resource officers in a Sector are under the line authority of the Regional Director and the functional authority of the HR Sector at Headquarters. (see Example 1 below)
4. The design creates reasonable spans of control at all levels and minimizes circumstances in which an overabundance of direct reports can severely inhibit the ability of managers to perform effectively.
5. Construction of the organization provides a platform for a logical and effective delegation of authority from the Ministerial/Commissioner level to subordinate manager levels. This would encompass HR, Financial, Administrative and Operational Authorities. Such delegation is essential for the efficient operation of a Customs service in a modernized environment.

6. The organizational design discourages “territorial management” and encourages joint co-operation and teamwork.
7. The design provides specific focus on compliance/enforcement and risk management in order to enhance the ability to target high risk people and cargo and facilitate the movement of low risk people and cargo.
8. The organization structure provides for clear lines of responsibility and accountability. This will allow for implementation of strategic and operational plans along with performance assessment processes which set out measurable goals and objectives.
9. The organization is designed to be self monitoring through Internal Audit (Corporate Affairs Sector), Operational Review and Monitoring (Regional Directors' Offices), integrated Financial Monitoring and Control (Security and Administrative Sector) and Work and Volume analysis (Customs Regimes and Policies Sector). In addition, there is an Internal Affairs capacity within the Corporate Affairs Sector to investigate employee misconduct and corruption.

**Example 1: LINE/STAFF RELATIONSHIP**



## **WORKSHOPS AND THE DESIGN OF GENERAL DIRECTORATES**

Throughout January into early March of 2006, the Customs Reform Unit of the ECA organized a series of Organization Design Workshops under the authority of the Commissioner. These Workshops were held on a Sector-by-Sector basis and involved managers down to the General Director level. The intent of these Workshops was to involve managers in the design process at the General Directorate level and report results to the Commissioner. Technical experts from Bearing Point and Crown Agents along with representatives of the CRU were also in attendance at each session.

These Workshops were successful in that they involved managers in the design of their own organization and created a sense of ownership of the result. The workshops also moved the organizational design process forward and identified a number of areas that required further development. Senior leaders and technical experts reviewed the results of the workshops and modified some recommendations to create a solid organizational proposal that supports modernization and re-engineering. In the case of the ECA, many of the various Workshop recommendations are found in the final draft contained herein. This is particularly the case in the Regional designs at levels below core services, although it can be expected that these areas will change significantly as Customs law, procedures and processes are re-engineered.

## **ROLE CLARIFICATION AND DEFINITION OF RESPONSIBILITIES**

The Organization Design provides for a clear array of responsibilities in specific areas of the Customs program. It is essential that each Sector, Central Directorate and General Directorate understand these responsibilities and fulfill them within the context of their specific mandate. It is anticipated that in the implementation process some difficulties in this area will be encountered. These generally arise from the fact that in the present organization some organizational components have undertaken activities that go beyond their mandate because either no organizational component exists to address these activities or an existing organizational component has failed to address these activities.

For example, in the ECA, the role of Security Services has expanded far beyond what is traditional and appropriate. Security Services in modernized Customs services deals with both security of physical and human resource assets, namely buildings, people and premises. This is an extremely important set of responsibilities since it can have significant impact on the integrity of the Customs program, Customs stakeholders, employees and the reputation of the organization amongst other agencies.

In the ECA, however, this role has expanded to include what in modernized services is referred to as border protection or border security. Border protection is an operational responsibility and includes the processing of people and cargo, application of risk management practices and in some settings, border patrol. Security Services in the ECA are reported to be dealing regularly with other agencies such as police and immigration services on matters related to the movement and/or interdiction of cargo. While they might be commended for "filling a vacuum" it will be extremely important in the successful implementation of the new organization that they cease and desist from acting in those areas that go beyond the appropriate mandate of Security Services.

Specifically, in the new Organization, much of what Security Services is currently doing more correctly falls within the mandate of the Operations Sector and the Trade Compliance Sector. It will be critical to the success of the new ECA that these Sectors fully undertake and fulfill their mandates in the areas of border protection and security and that this process is not impeded by another area of the organization acting outside its defined role and mandate.

## **NOTE ON TRADE FACILITATION AND ENFORCEMENT**

Trade facilitation and enforcement in the new Organization Design will be highly dependent on the correct and efficient functioning of the Operations and Trade Compliance Sectors. In a modern Customs organization, trade facilitation is an important by product or result of an effective enforcement program. This is one of the areas that were not satisfactorily addressed by the Design Workshops. In the final draft design, Trade Compliance performs a number of critical functions. First, it builds an intelligence and information process that originates from all available sources and builds a data base that allows for identification of both high risk and low risk cargo and people. This data base creates the ability to concentrate activities on high risk areas and to develop facilitated systems for workload identified as low risk. Analysis of intelligence leads to the development of targets and profiles that provide clearer focus on what should be examined in the import/export stream. Such targets and profiles also allow for better use of enforcement technology such as X-ray or VACIS. Trade Compliance supports the Operations Sector in these activities from the standpoint of both expertise and specialization.

## **OPERATIONS SECTOR**

The Operations Sector is central to the delivery of the Customs program in the ECA. It is organized into three Regions which are reflective of the geography of Egypt, its ports of entry and its workload distribution. Each Regional Director's office is organized as the headquarters for the Region with core services that are common to each and provide the ability to monitor, direct, control and co-ordinate the activities of the Region. The core services area of the Regional Office also allows the Region to respond to functional direction from parallel areas at Headquarters, implement and monitor national policy and measure results on an ongoing basis.

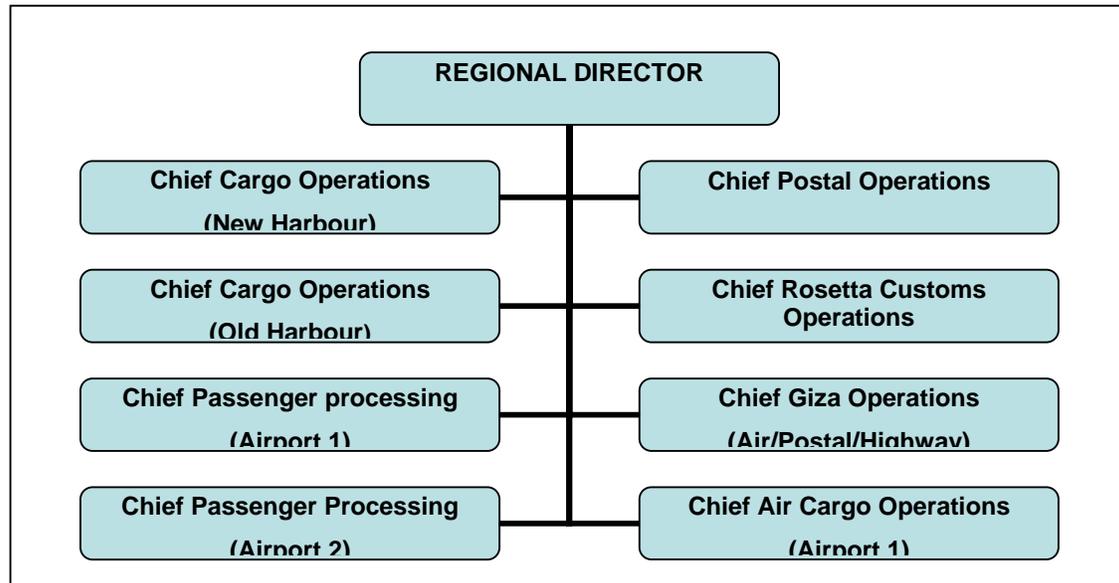
It should be noted that General Directorate design at the Port operational levels is largely reflective of the Workshops held in these areas. As highlighted in the Booz Allen Hamilton report (see Appendix A) present operation organization tends to be commodity driven. To this extent, the organization proposed herein is transitional in that as Customs processes and procedures are re-engineered, the organization should migrate to one based on business/transportation streams. These are normally described as follows

- Travelers Stream—the processing of passengers and their goods of a non commercial nature, seeking admittance either by land border, air, marine or rail
- The Cargo Stream—the processing of commercial goods either for import or export in any mode.
- The Postal and/or Low Value Shipment (LVS) Stream—the processing of inbound or outbound mail at a postal site or on the premises of a courier company (e.g. UPS) or LVS Forwarder.

Sub-organizations at the operational level are normally organized into these three streams and by mode of transportation. As a result, Customs activity reporting to a Port Director would normally be organized into work groupings within these streams e.g. Passengers Air, Passengers Marine (cruise ships), Air Cargo, Marine Cargo, Rail Cargo, as applicable. Application of the stream/mode methodology is influenced by geography, volumes, staff complements etc. For example, Air Passenger at a large airport may be split into components based on the number of arrival terminals. Marine Cargo may be split by separate sites within a large marine port. At smaller operations, streams are combined at the

senior Regional level and split into appropriate streams at a lower management level. A typical Customs operation using this methodology might look as follows:

**Example 2: SAMPLE CUSTOMS OPERATIONS ORGANIZATION**



It should be noted that a number of locations within the ECA are organized in this manner, for example, Cairo Airport. Many are not. As ECA systems and procedures are re-engineered, it is recommended that the Stream/Mode methodology of operational organization be fully implemented on a phased basis.

**ISSUES AND RECOMMENDATIONS**

There are a number of issues arising from the Workshops and from ongoing discussions with senior ECA executives that can be described as unresolved. These will have to be addressed in a conclusive manner prior to any presentation to the Minister of Finance. These issues, while they vary in scope of importance, are of sufficient weight as warrant highlighting in this document.

- The Scope and Reporting Relationship of Security Services**—As outlined above, in the current ECA organization and operations, Security Services has taken on a mandate that goes beyond what is common and advisable for such a function. In addition, there exists a Decree which stipulates that Security Services must report to the Agency Head. This has been interpreted as a requirement that Security Services form its own Sector or at the very least be removed from the Administrative Services organizational framework and reported separately to the Commissioner. It is the recommendation of the Technical Experts that either of these two options is inadvisable and unnecessary. Creating a separate Sector unnecessarily compromises the Organization Design and adds to the number of direct reports to the Commissioner. It is the opinion of the Technical Experts, supported by legal opinion from within the ECA, that the spirit and intent of the subject Decree is fulfilled by renaming the applicable Sector “Security and Administrative Services”. The recommended organization for that Sector contained herein provides General Directorates that fulfill an appropriate role and mandate for Security Services.

These General Directorates enjoy a functional relationship with the General Directorates within each Region thereby providing sufficient weight and influence to advance and maintain an appropriate Security Services program.

- **Design of Trade Compliance**—Many of the Workshop recommendations in this area were viable and were included in the final draft design. However, it is the opinion of the Technical Experts that a range of additional elements and functions are required to ensure that the ECA is fully able to address critical changes arising from modernization and re-engineering. Specifically, as part of a robust Risk Management program, there is a requirement to create and render functional active Intelligence and Analysis and Targeting capabilities. This provides the ability to begin a logical separation of workload into high and low risk categories, create facilitated systems for low risk and focus enforcement and screening resources on high risk. These elements have been built into the final draft recommendation
- **Organization Placement of X-ray**—Workshop recommendations included that of removing the current responsibility for X-ray from its present organizational placement to the Administrative Services Sector. The reasoning in this case related to the removal of Technology from that Sector and the proposed removal of Security Services along with considerations related to budget scope. It is the opinion of the Technical Experts that such placement is not advisable and is inconsistent with the objectives of Risk Management/Enforcement mandates. The Technical Experts recommend that the responsibility for X-ray be located in the Enforcement Technology General Directorate of the Trade Compliance Sector. The scope of Enforcement Technology should be broadened to include technology such as VACIS (Vehicle and Cargo Imaging Systems), Fibrescope and other technologies currently emerging as applicable within Customs Services. Such technology is essential in ensuring the effectiveness of targeted examinations adds significant efficiency to the release process and enhances effectiveness in border protection. Enforcement Technology should be under the management and control of the Trade Compliance Sector in support of the Operations Sector.
- **Design of the Security and Administration Sector**—Workshop recommendations in this area are, in addition to the issues raised above, viewed by the Technical Experts as incomplete. These recommendations did not contain key responsibilities that are common to Administrative Services in modernized organizations. These include responsibilities such as Archives, Fleet Management and Facilities Management. These responsibility areas have been included in the final draft design.
- **General Directorates for Technical Offices**—Such General Directorates are common in the current ECA organization structure and are intended to provide executive support and analysis of technical issues. These General Directorates tend to be heavily staffed and their maintenance would severely overlap with the support structure provided for in the final draft design. It is recommended that these General Directorates be replaced with small General Directorates that are confined to providing support for immediate office functioning and maintenance. These have been reformulated as General Directorate for Executive Support and General Directorate for Finance and Administration. In the final draft design they have been placed at most Central Directorate levels but could be expanded to other Directorates based on compelling requirements.

## **APPENDIX**

Egyptian Customs Authority Final Organizational Realignment Design

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