Chapter 6
Export Phase

6. Export Phase

6.1. Introduction

In Egypt, as in other developing countries, there is a fundamental need to streamline the regulations and procedures governing the export process. As well, there is a need to ease the financial burden imposed on SMEs during the export operation.

The original intention of this part of the project was to streamline the export laws, regulations and procedures. However, it was very difficult to study the export procedures (especially temporary admission and drawback) in isolation from the import procedures. Accordingly, the scope of this part was extended to cover all import and export activities.

It should be noted that the Import and export procedures cover all activities and services provided by both the Customs Authority and the General Organization for Export and Import Control (GOEIC).

The expected results of streamlining import and export laws, regulations and procedures include:

- More suitable environment facilitating the development of international trade in general and export in specific
- Reduced smuggling
- More professional customs service
- Enhancing the public image of the Customs authority.

In the last year, the Egyptian government implemented several reforms with the objective of streamlining and simplifying Import and Export procedures. These reforms include:

- Introduction of Pre-Shipment Release system.
- Adoption of international coding standards.
- Adopting the “Selection Technique” to selectively examine shipments through the use of risk assessment techniques.
- More computerization in customs clearance.

In order to analyze the import and export phase, we grouped different features (characteristics) of this phase under several categories, which are:

- Laws and Licenses
- Import and Export Procedures
- Import and Export Inspection
- Temporary Admission and Drawback
- Automation
• Transparency and Predictability
• Measurement
• Human Resources

Each category includes several features that might be interrelated. Each category is presented in a separate sub-section. It is presented in terms of:
• Local status
• International comparative study between Egypt and the selected 6 countries.
• Recommendations for improving the Egyptian status in this category.

6.2. Laws and Licenses

6.2.1. Local Status

6.2.1.1. Laws governing the Import/Export activities

The import/export activities in Egypt are governed by 3 laws and a presidential decree, which are:
• Law 66/1963: Customs law
• Presidential Decree 1770/1971: Establishment of General Organization for Export and Import Control (GOEIC)
• Law 118/1975: Import and Export (with 41 ministerial decrees attached to it).
• Law 121/1982: Importers Registry

The Egyptian government is currently preparing for a new Customs law. The new projected law will cope with the up-to-date challenges in international trade (e.g. e-commerce and international obligations). In addition, it will allow for streamlining different procedures and will include all ministerial decrees within the law body.

6.2.1.2. Importer and Exporter Licenses

As stipulated by Law 121/1982 and Law 118/1975, any individual and/or company that are involved in the import/export activities should be registered in the importers/exporters registry and have a valid import/export license. The validity of the import/export license is 5 years.

6.2.1.3. The Importers/Exporters registration

The laws governing importers and exporters registration stipulates several pre-requisites that the applicant should comply with in order to be eligible for registration, which are:
• Importers should be of Egyptian nationality
• The applicant should have a commercial registry

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68 Article 4
• The minimum capital of LE 3000 for individual importers/exporters and LE 10000 for companies
• The applicant should posses a clean criminal record
• The applicant should not have been subject to bankruptcy.
• The applicant should not be working as a governmental employee.

The documents required for registration are:

• Application form
• List of product categories to be imported (based on product categorization in Customs)
• Criminal status sheet
• Official copy of commercial registry (no later than 3 months)

The following figure illustrates the activities conducted by a client to obtain an import or export license.

![Figure 22 - Exporter Registration Diagram](image)

6.2.2. Comparative Study (Egypt/International)

This subsection includes the comparative study for import/export laws, regulation and procedures.

<table>
<thead>
<tr>
<th>Feature</th>
<th>Egypt</th>
<th>Canada</th>
<th>Ireland</th>
<th>Jordan</th>
<th>India</th>
<th>China</th>
<th>Latvia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Published strategic plan for Customs Authority</td>
<td>✗</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✗</td>
<td>✗</td>
<td>✓</td>
</tr>
</tbody>
</table>
### Published strategic plan for Customs Authority

Modern government departments and agencies in the developed world have their own published strategic plan. Government agencies are economical firms that need to have a vision, a mission statement and strategic objectives and goals. Strategic plans should be published so as to provide information to all stakeholders about what the agency is planning to do, how and when.

In Canada, the "Canada Revenue Agency (CRA)\(^{69}\)" publishes its mission, vision and values on it dedicated website\(^{71}\) in the form of a "Business Plan". The Corporate Business Plan 2002-2003 to 2004-2005\(^{72}\) covers the following items in addition to the financial spending profile:

- The Strategic Framework, Planning and Reporting
- Change objectives and related strategies
- Business lines and the expected results

CRA reports annually to the parliament, the report covers the performance of the agency and the areas for improvement. It worth noting that the Canada Customs and Revenue Agency Act requires that the Auditor General of Canada periodically assess the fairness and reliability of the information in the agency’s annual report about its performance with respect to the objectives established in its corporate business plan.

The "Office of Revenue Commissioners (ORC)" of Ireland has a published strategic plan (Statement of Strategy 2003-2005). The plan covers its mission and goals as well as the strategies to be used for achieving these goals.

For each goal stated in the plan, a strategy is defined with expected outcome. For each expected outcome, a set of performance indicators is identified and clearly stated. Finally, the plan specifies who will receive the annual reports and who is responsible for evaluating the progress of the office.

### Customs are Revenue (R) or Service (S) oriented

<table>
<thead>
<tr>
<th>Customs are Revenue (R)/ Service (S) oriented(^{69})</th>
<th>R</th>
<th>S</th>
<th>S</th>
<th>S</th>
<th>R</th>
<th>S</th>
<th>S</th>
</tr>
</thead>
<tbody>
<tr>
<td>Import/Export license is limited for certain products</td>
<td>×</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>×</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

Table 40 – Laws and Licenses, International Comparison

\(^{69}\) Vision and Mission page of the Websites for customs in scanned countries, e.g. http://www.customs.gov.jo

\(^{70}\) Previously, Canada Customs and Revenue Agency

\(^{71}\) http://www.cra-arc.gc.ca/agency/programs_services/mission-e.html

\(^{72}\) http://www.cra-arc.gc.ca/agency/business_plans/2002/table-e.html
Historically, custom authority was perceived by governments as a revenue collection authority similar to the tax authority. In developing countries, Customs now are more service-oriented authority that is responsible for protecting the society and providing services to international traders (importers and exporters).

The word “service” is clear in the vision and mission of Canadian Customs as well as in many other countries such as New Zealand, Ireland, Latvia, China, India and Jordan.

The Latvian government believes that although revenue from customs duty decreases every year, it does not result in direct diminishing of the state budget, since it is compensated by the growing turnover of foreign trade. The main function of customs duties is to protect the domestic economy from unfair competition rather than to increase state revenue.

6.2.2.3. Customs Law Date

As it is shown in the comparative table, the Egyptian Customs law is considered the second oldest law (after India). This implies that all these laws are renewed to cope with the current needs and challenges (i.e. the electronic trade, the deregulation of import/export and free trade.)

6.2.2.4. Import/Export license is limited for certain products

In most countries, including Egypt, importers and exporters need to have valid import and export licenses in order to execute import or export activities. However, most of these countries allow companies to import and export small quantities without the need to have licenses.

Irish exporters need only to apply for a license if they are involved in exporting items categorized under certain categories including:

- Military goods
- Items covered by UN or EU sanctions against particular countries
- Items subject to the provisions of the catch-all clause

Canada developed a special system called Law Value System (LVS) with the objective of having a very simple system for small imported shipment under (US$ 1150)

6.3. Import and Export Procedures

6.3.1. Local Status

The main Import and Export procedures in Egypt are:

- Import
- Export
- Import & Export under the Temporary Admission System
• Import & Export under the Drawback System

The Import and Export procedures are discussed in this subsection, while the latter two systems are discussed later under the subsection "Temporary Admission and Drawback".

6.3.1.1. Import Procedure

Import procedure in Egypt are governed by the Egyptian Customs Law dated 1963 and related ministerial decrees. All goods imported into Egypt, except for goods destined for the free zones, should go through the complete clearance procedure irrespective of goods value.

It worth noting that the import system applied in Egypt obliges the importer to obtain, fill and certify "Form 11" from a bank. This form states the payment method according to the agreement with the vendor.

Required Documents for import

In order to clear imported goods, the importer is required to obtain the following documents:

- Form 11 (from bank)
- Customs Form 19
- Authenticated original commercial invoice
- Authenticated certificate of origin
- Bill of lading
- Packing list
- Inspection and quality control certificates from other authorities as required.

The diversity of required documents, in addition to time consumed in inspection and in shipment valuation, could be considered some of the reasons behind delays in shipments clearance.

6.3.1.2. Authenticate Certificate of Origin (COO) from Egyptian Embassies

Egyptian importers are required to obtain a Certificate of Origin authenticated by the Egyptian Embassy at the country of origin, which adds unnecessary cost and time to shipments.

6.3.1.3. Product valuation

The process of valuating imported products is not clearly defined in Egypt. In most cases, the final valuation of a shipment is somewhere between the value declared by the importer and a reference price, depending on "negotiations" during clearance.

The Egyptian Customs officer depends, in estimating the product payable value, on recorded historical transactions and on other sources such as products magazines and publications.
If the officer does not locate a similar product in these sources, then the value would be estimated based on personal judgment of the Customs officer and his superiors.

Based on the estimated value and defined tariff rate of imported products, the Customs define due cost for each shipment, which includes: customs dues, excise and sales tax.

6.3.1.4. Appeals procedures

Customs decisions may be appealed. The law stipulates that complaints regarding customs inspection procedures and results must be made in writing within 72 hours (48 hours for exports) to the relevant branch of Customs.

The complaint is examined by a committee formulated for this purpose. A decision must be made by the committee within 48 hours (24 hours in the case of exports) as stated by the law. In real-life situations, such a decision could take 5-6 months to be made.

6.3.2. Comparative Study (Egypt/International)

Foreign investors usually check the regulations of the establishment and the exit phases before making their investment decision. That is perhaps the reason that governments publish accurate data about streamlining laws and regulations, so that they gain the trust of foreign investors.

This is not exactly the case for import and export where actual operational details might not match the published data. Accordingly, we had to verify the data about import/export procedures in different countries from different sources. Only validated information is included and used in this report.

6.3.2.1. Historical Import barriers

A report issued by the World Bank in 1996 has estimated clearance time at Egyptian ports to be two to three times longer than any other Mediterranean port.

A study developed for trade-related policies in Honduras during 2001, investigated different import barriers in developing countries in terms of impeding characteristics of the customs operations. The following table presents a comparison between Egypt and other developing countries in terms of the characteristics of customs operations.

<table>
<thead>
<tr>
<th>Creating difficult customs procedures</th>
<th>Egypt</th>
<th>Chile</th>
<th>India</th>
<th>Indonesia</th>
<th>Malaysia</th>
<th>Morocco</th>
<th>Philippines</th>
<th>China</th>
<th>Vietnam</th>
</tr>
</thead>
</table>

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73 Article 91 of law 118/1975
74 “Trade-related policies and practices in Honduras”, a study conducted for the “Honduras Policy Enhancement and Productivity (PEP) Project” funded by the USAID
Allowing or tolerating corruption  ✓ ✓ ✓ ✓ ✓ ✓ ✓
Lowering tariffs but adding new taxes ✓ ✓ ✓ ✓ ✓ ✓ ✓
Keeping tariffs prohibitively high ✓ ✓ ✓ ✓ ✓ ✓ ✓
Difficult marking rules ✓ ✓ ✓ ✓ ✓ ✓ ✓
lower tariffs but imposing (specific) duties ✓ ✓ ✓ ✓ ✓ ✓ ✓
Changing customs rules without notification ✓ ✓ ✓ ✓ ✓ ✓ ✓
Changing applied rates frequently ✓ ✓ ✓ ✓ ✓ ✓ ✓
Valuing imports by ad hoc means ✓ ✓ ✓ ✓ ✓ ✓ ✓
Adhering to strange rules of origin ✓ ✓ ✓ ✓ ✓ ✓ ✓
Imposing arcane technical standards ✓ ✓ ✓ ✓ ✓ ✓ ✓
keeping distribution system difficult ✓ ✓ ✓ ✓ ✓ ✓ ✓

**Score**

<table>
<thead>
<tr>
<th>Feature</th>
<th>Egypt</th>
<th>Canada</th>
<th>Ireland</th>
<th>Jordan</th>
<th>India</th>
<th>China</th>
<th>Latvia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Customs Clearance Time (In days) source: WB126 (World Bank Report)</td>
<td>9.6</td>
<td>1.1</td>
<td>2.5</td>
<td>3.4</td>
<td>7.2</td>
<td>7.9</td>
<td>1.2</td>
</tr>
<tr>
<td>Use of Single Admission Document (SAD)</td>
<td>✗</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✗</td>
<td>--</td>
<td>✓</td>
</tr>
<tr>
<td>Standardization in custom procedures among various ports</td>
<td>✗</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✗</td>
<td>✗</td>
<td>✗</td>
</tr>
<tr>
<td>Average tariff rate (%)</td>
<td>9\textsuperscript{75}</td>
<td>7.1</td>
<td>8</td>
<td>11.8</td>
<td>15</td>
<td>11.6</td>
<td>V\textsuperscript{76}</td>
</tr>
<tr>
<td>Same tariff rate for different usage of imported goods</td>
<td>×✓\textsuperscript{77}</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>--</td>
</tr>
</tbody>
</table>

Table 41 – Import Barriers, International Comparison

As the above table shows, Egypt had the highest score in terms of impeding characteristics in the customs operations.

The Egyptian government has applied several reforms since this date in this area, as follows:

- Reduction of the applied tariff-rates to an average of 9%.
- Introduction of the Electronic Data Interchange (EDI) system in some ports (on-going).
- Implementation of the Harmonized System (HS) (on-going).
- Improvements to the infrastructures in ports (especially in New Damietta).
- Enhancements of the Temporary Admission system.

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\textsuperscript{75} Source: Ministry of Finance  
\textsuperscript{76} Varies between 0.5% to 15% based on trade agreements with other countries  
\textsuperscript{77} not applied to all products
Goods are released in parallel with other customs clearance activities | ✓ | ✓ | ✓ | ✗ | ✓ | ✓ | ✓ | ✓ |

No need to authenticate Certificate Of Origin (COO) from Embassies | ✓ | ✓ | ✓ | ✗ | ✗ | ✓ | ✓ | ✓ |

Applying a simplified procedures for small imported quantities | ✗ | ✓ | ✓ | ✗ | ✓ | ✓ | ✓ | ✓ |

Frequency of changing customs rates (High/Low) | H | L | L | H | H | H | -- | -- |

Table 42 – Import, International Comparison

The next paragraphs will compare the features of the import and export procedures between Egypt and the other six countries.

6.3.2.2. Use of Single Admission Document (SAD)

A "Single Admission Document (SAD)" is a document that consolidates all forms required by Customs authorities (other than original invoices and certificates of origin) within a single form to be used for a single import or export transaction.

Recently, the Single Admission Document (SAD) was introduced and used in many countries such as Jordon, Latvia and Philippine.

In 1998, the Jordanian Customs started to use "Single Administrative Document (SAD)", which conforms in content and layout with international standards. Clearance procedures have been reformulated and can be undertaken by clearance teams who can complete the procedures taking no more than two approvals (signatures). SAD replaced 8 previously used declarations.

6.3.2.3. Standardization in customs procedures among various ports

The same customs procedures should be applied in various ports. The comparative study showed that only Canada, Ireland and Jordan apply standardized customs procedures across various ports.

6.3.2.4. Average tariff rate

Recently, Canada and Ireland have lowered their tariff rates, also some developing countries such as Egypt and U.A.E decreased the tariff rate dramatically (specially for raw materials) to attract foreign investment, while Peru and India reduced the categories of tariff rates to only two categories (instead of 6 and 9 categories respectively). Reducing the tariff rate categories lead to more simplified import procedure in both countries.

Canada has amended its customs tariff to implement the results of the second major review of the "Harmonized Commodity Description and Coding System (HS)" adopted by

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78 Not a standard procedure
79 From Non-NAFTA Countries
the World Customs Organization in June 1999. As a result, some 441 HS codes were deleted, and about 780 new lines were added.

In addition to the changes in HS classification, Canada has lowered its tariff rates for 1,300 lines, or 16% of all tariff lines, which explains the decrease in the average tariff.

6.3.2.5. **Same tariff rate for different usage of imported goods**

The same imported product could be sold in the local market as a final product or be used as a component in a locally manufactured product.

All the countries studied (except for Latvia) apply the same tariff rate to imported products, regardless of their intended use industrial or commercial.

6.3.2.6. **Goods are released in parallel with other customs clearance activities**

Most of the studied countries, including Egypt (in the Model Customs and Tax Center MCTC), allow the release of goods in parallel with customs clearance activities to facilitate a quick release of goods.

6.3.2.7. **Authenticate Certificate Of Origin (COO)**

Canada obliges the importer to authenticate the COO when importing from countries other than NAFTA countries. Latvia also imposes this requirement for imported products, while it is not required in Jordan and China.

6.3.2.8. **Applying a simplified procedure for small imported quantities**

Several countries are applying a simplified procedure for quantities that are below a defined value threshold.

Canada applies a system of a "Consolidated Manifest" or a single document to declare the multiple shipments that are below the defined threshold (US$ 1600), thus the customs clearance only takes two hours for such shipments.

Ireland, India and China are also applying simplified import procedures for small quantities to facilitate import for SMEs.

6.3.2.9. **Frequency of changing tariff rates**

The stability of customs procedures and tariff rates is vital to enhance and facilitate international trade. Countries such as Canada and Ireland have fixed customs rates for long period. India is following this trend nowadays.

Other countries are trying to limit and fix the commodities and raw materials tariff rates to only two categories (e.g. Peru and India).

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[80] North America Free Trade Agreement
6.3.3. Recommendations

**X.01 Develop and apply standard procedures across ports**

Import and export procedures are defined by the management of the Customs units at the different ports. Accordingly, these procedures are different from one port to another. This differentiation represents an administration barrier to importers and exporters.

Import and export procedures should be documented and applied equally in all ports. The importer and exporter should follow the same procedure regardless of the receiving port.

**X.02 Eliminate the need to authenticate Certificate of Origin (COO) from Egyptian embassies**

The rationale for the need to authenticate the Certificate of Origin is to certify the seal of the chamber of commerce in the country of origin for the imported products. The Customs authority may use an alternative method for recognizing different seals, such as a database of seals that includes seal images for different chambers of commerce.

Eliminating the involvement of the Egyptian embassies will reduce cost and time for importers.

6.3.4. Recommendations Summary

The following table summarizes the recommendations listed in this subsection and their scope and level.

<table>
<thead>
<tr>
<th>No.</th>
<th>Scope</th>
<th>Level</th>
<th>Recommendation</th>
<th>Affected Law</th>
</tr>
</thead>
<tbody>
<tr>
<td>X.01</td>
<td>0</td>
<td>0</td>
<td>Develop and apply standard procedures across ports</td>
<td></td>
</tr>
<tr>
<td>X.02</td>
<td>0</td>
<td>3</td>
<td>Eliminate the need to authenticate Certificate of Origin (COO) from Egyptian embassies</td>
<td>--</td>
</tr>
</tbody>
</table>

Table 43 – Recommendations on Import Procedures

6.4. Import and Export Inspection

6.4.1. Local Status

Imported and exported shipments are subject to inspections. Import and export inspection are mainly the responsibility of the General Organization for Export and Import Control (GOEIC).

6.4.1.1. Import Product Inspection

Import shipments are opened and inspected by:

- Customs personnel to verify goods against the shipment documents
• GOEIC personnel to collect samples for inspection. They also assure that the sample represents the shipment. The collected sample is submitted to GOEIC labs and to other authorities’ labs for inspection.

Imported products could be categorized based on their import inspection as follows:

1. Products that do not need any inspection (ex. industrial components imported by Egyptian factories)
2. Products that are inspected and tested only by GOEIC.
3. Products that are inspected by GOEIC as well as other government agencies (Ex. Ministry of health for food products)

The following table summarizes the role of the different players in export inspection.

<table>
<thead>
<tr>
<th>Phase</th>
<th>Sample Collection by</th>
<th>Specifications/Approval</th>
<th>Testing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Import</td>
<td>GOEIC Personnel</td>
<td>Authorities responsible for testing Imports (Ex. Ministry of health for Food products)</td>
<td>Testing Labs (M. of Health)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>GOEIC</td>
<td>Testing Labs (GOEIC)</td>
</tr>
</tbody>
</table>

**6.4.1.2. Applied specifications for imported products**

Imported products have to abide by certain specifications as explained in the following table:

<table>
<thead>
<tr>
<th>Product Type</th>
<th>Requirement</th>
</tr>
</thead>
</table>
| Machines, Tools and Equipments | 1. The data written on Machines/Tools/Equipments should comply with data written on their package.  
                                  2. Country of Origin should be clearly displayed  
                                  3. An Arabic catalogue including the following data should be available.  
                                  • Schematic Diagram.  
                                  • Installation and Operation Instructions  
                                  • Maintenance Instructions.  
                                  • Electrical circuits.  
                                  • Security requirements. |
| Processed food             | 1. Processed food should be packed in clean, hygienic and scentless packages.  
                                  2. The shipment contents should be equal in terms of weigh |
and packing type.

3. Each package should clearly display either in Arabic (or any other foreign language) the following data:
   - Product name, type and category.
   - Importer’s name and address.
   - Production and Expiry date according to the product type.
   - Cooking instructions.
   - Ingredients and average nutritional information.
   - Storing instructions and the required temperature.
   - Net and gross weight as per the product type.
   - Additives, preservatives and flavoring agents if used.
   - Packages of poultry and Livestock except for fish should display statement “Halal”, (Slaughter according to Islamic religion).

4. Except for wheat and green coffee seeds, the remaining expiry period should exceed two times the duration between the production and the release date.

5. Production and expiry date can be written in Arabic or any other foreign language.

<table>
<thead>
<tr>
<th>Automotives</th>
<th>Release documents for vehicle imported for trading should include:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>A certificate authorized by the producing company stating chassis and motors numbers</td>
</tr>
<tr>
<td></td>
<td>A certificate authorized by the producing company attesting that the vehicle’s specifications suit using in Egyptian environment</td>
</tr>
<tr>
<td></td>
<td>A certificate authorized by the producing company specifying the gas to be used for the Vehicle</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Meat and slaughtered Poultry</th>
<th>1. Shipments should be directly shipped form country of origin to Egypt</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2. Products should be tightly packed in clean hygienic bags</td>
</tr>
<tr>
<td></td>
<td>3. The following data should be written in Arabic and clearly displayed on the packages, the bags inside and on a card to be inserted inside the bags:</td>
</tr>
<tr>
<td></td>
<td>• Country of Origin</td>
</tr>
<tr>
<td></td>
<td>• Product name and its brand name if available</td>
</tr>
<tr>
<td></td>
<td>• Slaughterhouse name</td>
</tr>
<tr>
<td></td>
<td>• Slaughtering date</td>
</tr>
</tbody>
</table>
International Comparative Study and Recommendations
Streamlining the Egyptian Laws, Regulations and Procedures
Governance of SMEs Establishment, Growth, Export and Exit

| Textiles                  | 1. Importer’s name and country of origin should be displayed on the parcel, they should be weaved on the top and bottom of the garb, knowing that the garbs’ length should be 3 meters at least
|                          | 2. Proforma invoice and final invoice should include the following data:
|                          | • The length of the garb in meters
|                          | • The width of the garb in meters
|                          | • The textile code
|                          | • Dying type
|                          | • Printing type
|                          | • Preparation type

| Cement steel sheets      | 1. Consignment is to be inspected within a week form the date of receiving the sample.
|                          | 2. Inspection is to be conducted by a joint committee including representative of the General Organization for Export and Import Control and representative of the Ministry of Housing Utilities.

Figure 23 – Applied specifications for imported products

6.4.1.3. Export Product Inspection

In the case of export, there are 52 items defined by ministerial decrees that are subject to inspection by GOEIC. In addition, some products are subject to approvals by other authorities as listed in the following table.

<table>
<thead>
<tr>
<th>Authority</th>
<th>Product Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministry of Health</td>
<td>Fish, Diary products, Honey, Veterinary food, Egg, Food and beverage for human use, Food additives and flavoring agents, Fertilizers, Infants’ milk</td>
</tr>
<tr>
<td>Ministry of Agriculture</td>
<td>Pets, Reptiles, Birds</td>
</tr>
<tr>
<td>Central Department for Zoos</td>
<td>Skeletons, leather, skulls, animals, shells and Reefs</td>
</tr>
</tbody>
</table>

Table 44 - Other authorities approving exports

The following table summarizes the role of the different players in export inspection.

<table>
<thead>
<tr>
<th>Phase</th>
<th>Specifications/Approval</th>
<th>Testing</th>
</tr>
</thead>
</table>

International Comparative Study and Recommendations
Streamlining the Egyptian Laws, Regulations and Procedures
Governance of SMEs Establishment, Growth, Export and Exit
The next subsection introduces the international experience in terms of import & export inspection features.

### 6.4.2. Comparative Study (Egypt/International)

<table>
<thead>
<tr>
<th>Feature</th>
<th>Egypt</th>
<th>Canada</th>
<th>Ireland</th>
<th>Jordan</th>
<th>India</th>
<th>China</th>
<th>Latvia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single employee for product inspection &amp; checking at ports (Customs employee)</td>
<td>✗</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✗</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Imported products are inspected by the same authority that inspect local manufactured products</td>
<td>✗</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Authority inspecting imports is different than authority inspecting exports</td>
<td>✗</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Using Risk assessment and selectivity technique in inspection</td>
<td>✓ ✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>International accreditation is obligatory for Inspection Labs</td>
<td>✗</td>
<td>✓</td>
<td>✓</td>
<td>--</td>
<td>✓</td>
<td>--</td>
<td></td>
</tr>
<tr>
<td>Private labs are used for products inspection</td>
<td>✗</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

Table 46 – Import and Export Inspection, International Comparison

Korean Customs established a database that screens goods, determines whether or not they are subject to inspection, and matches them with specific requirements. This innovation allowed clients to clearly determine whether their goods are subject to inspection and to plan their shipping schedules accordingly.

The Standards Council of Canada (SCC) is the focal point for standardization and conformity assessment in Canada. SCC approves national standards and represents Canada in international standards forums. The SCC heads and oversees the work of the National Standards System (NSS), a network of approximately 15,000 individuals and over 400 accredited organizations and partners involved in standards development, promotion, and implementation in Canada. The SCC participates in numerous international standardization activities with the ultimate goal of enabling Canadian exporters to use a single test, certification or registration to gain market acceptance anywhere in the world.

---

81 Not a standard procedure
Various federal and provincial authorities develop and implement technical specifications as part of their mandate, and also revise and review existing regulations as follows:

<table>
<thead>
<tr>
<th>Area</th>
<th>Main Responsible Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chemicals</td>
<td>Health Canada (Product Safety Bureau, Health Protection Branch), Environment Canada, Pest Management Regulatory Agency (relating to pesticides)</td>
</tr>
<tr>
<td>Building</td>
<td>Provincial/territorial agencies</td>
</tr>
<tr>
<td>Consumer products other than food</td>
<td>Industry Canada, Health Canada</td>
</tr>
<tr>
<td>Energy</td>
<td>Natural Resources Canada (Office of Energy Efficiency) and provincial agencies</td>
</tr>
<tr>
<td>Environment</td>
<td>Environment Canada, Health Canada, Canadian Food Inspection Agency, and provincial/territorial agencies</td>
</tr>
<tr>
<td>Food</td>
<td>Canadian Food Inspection Agency, Health Canada</td>
</tr>
<tr>
<td>Measuring devices</td>
<td>Industry Canada</td>
</tr>
<tr>
<td>Medical devices</td>
<td>Health Canada</td>
</tr>
</tbody>
</table>

In India, Customs authority conducts three types of quality control checking in addition to testing of samples.

1. The condition of the hold in which the products were transported. This is basically to see whether they meet the requirements of storage as per the nature of the product.
2. The physical/visual appearance of goods in terms of possible damage.
3. Compliance of labeling requirements under the Prevention of Food Adulteration Rules and the Packaged Commodities Rules.

The Customs authority in India is the entity responsible for sample collection, while testing is conducted by the nearest "Central Laboratory" or a laboratory authorized to conduct such testing by the Directorate General of Health Services.

6.4.2.1. Single employee for product inspection & checking at ports (Customs employee)
Many countries train Customs personnel to undertake the task of sample collection in addition to their duty for checking the shipments against submitted documents.

In Canada, Ireland and India, Customs authority is responsible for sample collection and inspection. The Customs authority performs the product inspection based on quality and specification requirements that are set by the concerned government agencies.

This co-operation is particularly important when physical examination is required, as the shipment is only opened once by Customs staff to satisfy the requirements of all parties.

This process ensures a quicker release of imported goods.

**6.4.2.2. Imported products are inspected by the same authority that inspect local manufactured products**

Different countries assign the responsibility of inspecting imported products from a certain product category to the same government agency responsible for setting the quality specification and for inspecting local products from the same product category.

Most of the scanned countries (except Jordan and China) assign the same authority that approves locally produced goods to inspect their imported equivalents.

**6.4.2.3. Authority inspecting imports is different than authority inspecting exports**

The objective of imports inspection is to protect the local welfare from hazardous or harmful products, while the objective of exports inspection is to ensure that the products exported comply with internationally accepted standards, thus protecting the country’s image in international markets.

The international comparison showed that only Canada and India separate inspection responsibility for import and export, where other countries assign the inspection responsibilities to the same authority/authorities.

**6.4.2.4. Using Risk assessment and selectivity technique in inspection**

Risk profiling is the means by which Customs puts risk management into practice. Instead of inspecting all shipments, inspection is done to a selected number of shipments based on risk analysis. Factors that affect the selection criteria could be:

- History of international trader (importer/Exporter)
- Type of goods
- Country of origin
- Shipping country

Most of the scanned countries, except for Ireland and India apply risk assessment and selectivity techniques in inspection.

The Canadian Customs authority believes that most of the clients voluntarily comply with the law once they understand their obligations and know how to meet them.
To determine the level or risk (high/law) of the goods, the Customs authority maintains compliance and commodity profiles to target shipments for examination based on risk-management principles.

When the clients comply with the law, their goods will be subject only to occasional random examination, which reduces their goods’ release time and their business costs.

6.4.2.5. International accreditation is obligatory for Inspection Labs

Only Canada and Ireland impose such obligation. China does not impose this obligation, however, the use of internationally accredited labs, whether local or branches of famous international firms, is available to the exporter as an option.

6.4.2.6. Private labs are used for products inspection

All studied countries except Jordan recognize the results of inspections conducted by private labs.

In China, as mentioned before, private labs (branches of famous international firms) are operating in China, and their test results are recognized by the Chinese Customs authority.

In Canada, the inspection authority (e.g. Canadian Food Inspection Agency) recognizes test results by private labs provided that they are accredited by the authority itself.

6.4.3. Recommendations

This subsection presents the recommendations developed for the inspection process.

X.03 Study and update the list of imported products that do not need inspection

Customs authority is to study, update and publish a list of import products categorized on the following basis:

- Products that need cursory inspection.
- Products that need to be tested in accredited labs.
- Products that need specific tests that can not be done at the labs of the inspection authority.
- Products that do not need to be inspected

X.04 Ensure no product is tested in non-accredited labs, encourage the establishment of private labs, to be accredited by inspection authorities and recognize testing results of such labs

In many cases, shipment samples are retested due to inaccuracy of inspection results. Such inaccuracy could be attributed to a number of reasons, including inadequacy of equipment in the testing labs, testing procedures are not up-to-date and/or the testing labs are not compliant with the international standards in this area.
Developed countries such as Canada and Ireland stipulate that inspection labs should be internationally accredited to ensure that the testing results are accepted anywhere in the world, thus saving both time and cost of product compliance with international standards. Inspecting the products, whether imported or exported in internationally accredited labs would ensure several outcomes:

- Inspection/analysis procedures are complying with internationally accepted standards
- Inspection results are accurate and reliable
- Time consumed in inspection is reduced to minimum required time as no re-inspection will be needed.
- Inspection results of exported products are accepted internationally

Based on the foresaid, the government should encourage the establishment of private testing labs that are internationally accredited by accepting the results of product test conducted in such labs.

6.4.4. Recommendations Summary

The following table summarizes the recommendations listed in this subsection.

<table>
<thead>
<tr>
<th>No.</th>
<th>Scope</th>
<th>Level</th>
<th>Recommendation</th>
<th>Affected Law</th>
</tr>
</thead>
<tbody>
<tr>
<td>X.03</td>
<td>2</td>
<td>2</td>
<td>Study and update the list of imported products that do not need inspection</td>
<td>Pres. Decree 1770/1971</td>
</tr>
<tr>
<td>X.04</td>
<td>2</td>
<td>2</td>
<td>Ensure no product is tested in non-accredited labs, encourage the establishment of private labs, to be accredited by inspection authorities and recognize testing results of such labs</td>
<td>Decree 106/2000</td>
</tr>
</tbody>
</table>

Table 47 – Recommendations on Import Standards and Inspection

6.5. Temporary Admission and Drawback (TADD)

6.5.1. Local Status

6.5.1.1. Introduction

Manufacturers, who export products composed of local and imported components, are allowed to import (whether by themselves or through others) the needed raw material under one of two systems: Temporary Admission and/or Drawback.

If the manufacturer is exporting 100% of the product, then the Temporary Admission system is the suitable solution. Temporary Admission permits the manufacturer to import the needed raw material without paying customs duties and excise against a Letter of
Guarantee (LG) with the value of customs duties and excise. The LG is released upon exporting the finished product.

Customs authority has developed recently a "White List" of manufacturers that are exempted from the stipulation of the LG. Inclusion of such list depends on the history of the manufacturer’s past performance in terms of fulfilling the requirements of the authority on time.

If the manufacturer is exporting part of the product and the rest is sold to the local market, then he has to use the Drawback system if he/she wishes to regain the customs duties of the components/raw materials used in the exported products. The Drawback system permits the manufacturer to claim customs duties and excise paid for the imported raw material related to the exported finished product.

It worth noting that goods have to be declared as imported under the temporary admission or drawback system at the time of import. In addition, it is not allowed to declare imported raw material that have local equivalents under the drawback system.

The finished products should be exported within one financial year (expandable by the Minister of Finance) following the date of payment of import duties. A partial drawback is available if the goods are shipped to an area receiving partial exemption from customs duties. All excise duties incurred on local inputs are also refunded.

To release the LG or be eligible for drawback, the manufacturer should settle his/her account with the Customs authority by matching imported goods to exported finished product, considering the waste percentages according to manufacturing process.

Currently, this matching and account settlement is conducted manually, where the manufacturer would group all import and export documents and meets the Customs staff member to calculate the percentage for each import shipment that is used in exported finished goods according to submitted documents.

This primitive system is one of the reasons for delays in LG release and duties rebate. A computerized system has been introduced, but it is still not operating efficiently, especially in subordinate exits where equipment is not available!

6.5.2. Comparative Study (Egypt/International)

<table>
<thead>
<tr>
<th>Feature</th>
<th>Egypt</th>
<th>Canada</th>
<th>Ireland</th>
<th>Jordan</th>
<th>India</th>
<th>China</th>
<th>Latvia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drawback without prior permission from Customs</td>
<td>×</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>--</td>
<td>×</td>
</tr>
<tr>
<td>Average time for customs rebate (days)</td>
<td>180</td>
<td>30</td>
<td>--</td>
<td>30</td>
<td>90</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Customs pay advanced percentage of duties rebate</td>
<td>×</td>
<td>✓</td>
<td>--</td>
<td>✓</td>
<td>×</td>
<td>×</td>
<td>×</td>
</tr>
<tr>
<td>Customs to pay interest rate in case of delays in</td>
<td>×</td>
<td>✓</td>
<td>--</td>
<td>--</td>
<td>✓</td>
<td>--</td>
<td>×</td>
</tr>
</tbody>
</table>
International Comparative Study and Recommendations
Streamlining the Egyptian Laws, Regulations and Procedures
Governing SMEs Establishment, Growth, Export and Exit
Temporary admission guarantees covered by insurance companies

Insurance companies are permitted only in Canada and Ireland to guarantee customs duties for temporary admitted imports.

6.5.2.6. ATA Carnets for Temporary Admission

In 1961, in order to facilitate world trade, the World Customs Organization (WCO) adopted the “Customs Convention on the ATA Carnet for the Temporary Admission of Goods”. ATA is an acronym of the French and English words “Admission Temporaire/Temporary Admission”. The Convention oversees three main categories of goods traded internationally:

- Commercial samples;
- Goods for presentation or use at trade fairs, shows, exhibitions or similar events;
- Professional equipment.

Carnets are issued and guaranteed by national organizations. They administer the ATA Carnet System under a set of conditions established by the World Chambers Federation (WCF), sponsored by the International Chamber of Commerce (ICC) in Paris. Customs authorities in over 58 countries and territories accept the carnet as a guarantee that all duties and taxes will be paid if acceptable proof of timely re-exportation cannot be provided.

Over the last 35 years, carnet system has spread from just a few western European countries to most of the industrialized world, including a growing number of developing countries. Since 1972, the Canadian Chamber of Commerce has been authorized to issue carnets in Canada.

6.5.2.7. International Experience in fixed rebate system

In many countries such as Canada, Ireland and Korea, once a product has had a long enough production history for its input and output coefficients to be fairly stable, it is switched over to the fixed rate method.

To work out the fixed rate, the Customs administration calculates the duties rebated on all inputs (direct or indirect) into the product over the previous twelve months compared with the combined value or volume of the corresponding exports for all makers of the product.

Once a fixed rate is in effect, exporters receive the stipulated amount of rebate only after providing evidence that they paid (directly or indirectly) duties and indirect taxes equal to that amount. Otherwise, they receive rebates equal only to the amount they actually paid. However, details are no longer examined.

If an exporting firm shows that its actual payments were more than certain percentage higher than the standard rebate, and it can give good reasons why it needs these extra
imported inputs, it can apply to an interagency committee for a redefinition of its export as a separate product eligible for a higher rebate.

6.5.3. Recommendations

This section lists different recommendations developed for Temporary Admission and Drawback systems in Egypt.

**X.05 Define waste percentage of imported raw material processed for all products, especially electrical and engineering products**

Well defined and completed database for the percentages of processing and waste raw material should be implemented to all types of semi and finished products, especially engineering products. This would eliminate personal judgments and disagreements between the manufacturer and the Customs personnel, leading to decrement of time consumed in rebate procedures.

**X.06 Allow drawback rebate for imported production material even if similar product is available locally**

Sometimes Egyptian manufactures are obliged to use defined raw materials according to their contracts with international clients or according to some international standards in order to be able to export their final products.

In certain cases, the international importer specifies a certain international brand of accessory to be used (e.g. zippers in ready-made garments), thus the manufacturer is forced to use the specified material, even if a similar product is available locally.

So we recommend allowing drawback rebate even if similar raw material or semi-finished product is available locally.

**X.07 Allow insurance companies to be included in the guarantee system of temporary admission**

Insurance companies can be introduced to provide guarantee for temporary admission as applied in developed countries.

This would ease the financial burden imposed on the manufacturers when using temporary admission system, as they would not be obligated to issue a letter of guarantee. In this case, rebate procedures with insurance companies would take less time and efforts and it would reduce the administrative burden on Customs side.

It would also permit and encourage small manufacturers to start importing raw material and exporting their finished goods, especially those who cannot freeze part of their limited financial resources.

6.5.4. Recommendations Summary
The following table summarizes the recommendations listed in this subsection as well as their scope and level.

<table>
<thead>
<tr>
<th>No.</th>
<th>Scope</th>
<th>Level</th>
<th>Recommendation</th>
<th>Affected Law</th>
</tr>
</thead>
<tbody>
<tr>
<td>X.05</td>
<td>0</td>
<td>3</td>
<td>Define waste percentage of imported raw material processed for all products, especially electrical and engineering products.</td>
<td>--</td>
</tr>
<tr>
<td>X.06</td>
<td>0</td>
<td>2</td>
<td>Allow drawback rebate for imported production material even if similar product is available locally.</td>
<td>Admin. directive 19/1999</td>
</tr>
<tr>
<td>X.07</td>
<td>0</td>
<td>0</td>
<td>Allow insurance companies to be included in the guarantee system of temporary admission.</td>
<td>New Law</td>
</tr>
</tbody>
</table>

Table 49 - Recommendations on Temporary Admission and Drawback

6.6. Automation

6.6.1. Local Current Status

The Egyptian Customs Authority has implemented a tailor-made software package (Management Information System MIS) to automate customs management and operations. The system was developed and deployed by an Egyptian software development company that was subcontracted by an international hardware vendor which was responsible for the delivery of the hardware system.

The current system lacks some of the fundamental functions, such as automated import and export comparison to serve the temporary admission and drawback systems adequately. As well, the system does not provide enough documentation, e.g. users, operation and technical manuals.

As the system is tailor-made, it was originally built based on the local requirements and Customs officials’ needs prevailing at the time of the development rather than being based on the international practices in the Customs area. Thus, the system needs constant re-development to cope with each new practice on the international level.

The network communication between the Customs headquarters, branches and the ports are not completed yet. As well, the PC terminals and peripherals (e.g. scanners and UPS units) installed in each port are not enough to cope with the daily transactions. This leads to delays in recording data necessary for different operations including the temporary admission and drawback system information.

The implemented system does not have a maintenance/disaster recovery plan. Thus, employees do not fully depend on the computerized system, and in some cases, recording is conducted manually on paper.
The implemented system is not available to inspection authorities, which means that the inspection results have to be recorded again on the system by Customs employees. On the other hand, GOEIC is developing its own computerized system, which is not linked to the Customs MIS.

Also, many of the Customs employees as well as GOEIC employees are not trained enough to use the Customs MIS. Moreover, many of these employees lack the basic computer skills.

6.6.2. Comparative Study (Egypt/International)

<table>
<thead>
<tr>
<th>Feature</th>
<th>Egypt</th>
<th>Canada</th>
<th>Ireland</th>
<th>Jordan</th>
<th>India</th>
<th>China</th>
<th>Latvia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Using a standard software program for customs administration</td>
<td>✗</td>
<td>✔️</td>
<td>✗️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>Disaster recovery plan is available</td>
<td>✗</td>
<td>✔️</td>
<td>✔️</td>
<td>✗️</td>
<td>--</td>
<td>✗️</td>
<td>✔️</td>
</tr>
<tr>
<td>Electronic link between Customs and other authorities</td>
<td>✗</td>
<td>✔️</td>
<td>✗️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>General E-government Capacity&lt;sup&gt;66&lt;/sup&gt;</td>
<td>1.73</td>
<td>2.52</td>
<td>2.16</td>
<td>1.75</td>
<td>1.71</td>
<td>1.04</td>
<td>1.88</td>
</tr>
</tbody>
</table>

Table 50 – Automation, International Comparison

6.6.2.1. Using a standard software program for Customs administration

On 1996, CCRA<sup>87</sup> introduced the new ACROSS<sup>88</sup> system in Canada with electronic data interchange (EDI) into the logistics of customs operations. ACROSS provides for the pre-arrival release of shipments based on minimum documentation. Appraisal quality data can be presented or transmitted within 5 business days following release to satisfy the documentation requirements. This makes it easier for clients (importers) to arrange releases than in the past where shipments are actually authorized for clearance before they arrive at the border.

In 1991, Ireland has applied an automation program to customs operation, which was given the title “Automated Entry Processing (AEP)” system. AEP system replaced manual

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<sup>82</sup> Standard SW application developed in Canada for the customs authority (ACROSS)
<sup>83</sup> Standard Automated System developed in Ireland for customs authority (AEP)
<sup>84</sup> Standard SW application developed in India for customs authority (ICES)
<sup>85</sup> Standard SW application developed in China for customs authority (H2000)
<sup>87</sup> “Canada Customs and Revenue Agency” at this time
<sup>88</sup> ACROSS – Accelerated Commercial Release Operations Support System
processing, selection and clearance of import and export documents depending on Single Administrative Documents (SAD) submitted by means of EDI.

The system assigns one of three possible routs to an imported shipment:

- GREEN for goods that have been cleared on the basis of SAD declaration received and may be removed immediately,
- ORANGE for goods where the hard copy and all supporting documents must be presented to Customs for documentary check prior to clearance, and
- RED for goods that have been selected for a physical examination against the hard copy SAD and all supporting documents.

It worth noting that this system proved to be very successful and beneficial to clients (importers/exporters) since its application where currently 93% of imports and 85% of exports are cleared under AEP system.

Jordan has adapted ASYCUDA\(^6\) system to the Jordanian environment by building tariff and control files with Jordanian data; adapting printouts and reports to Jordanian standards; configuring declaration and system functions to Jordan’s requirements; and building the communications network enabling the system to function nationally.

Indian Customs authority uses its own developed software package named "India Customs EDI\(^{90}\) System (ICES)" designed and developed by National Informatics Centre. ICES comprises of two main sub systems namely, India Customs EDI system/Imports (ICES/I) for processing of Bill of Entry and Indian Customs EDI System/Export (ICES/E) for processing of Shipping Bills.

Exporters, Importers and Custom House Agents (CHAs) submit (e-lodge) all needed documents online to the NICNET\(^91\) EDI Server which, in turn, submit them to Customs computer system for clearance. The client is not required to travel physically to the Custom House for submitting documents except at the last stage for physical examination and release of goods.

The General Authority of China Customs (GACC) has adopted Information Technology in the areas of administrative management and clearance control as part of its reform project.

The developed system (H2000) enables enterprises to go through all import/export procedures such as declaration, examination, conclusion of duty payment and export drawback through Internet. Hence, over 90% of export declarations and their related clearance procedures can be completed within one day, and 80% of import declarations and their related clearance procedures, within two days\(^92\).

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\(^6\) ASYCUDA – Automated SYstem for CUsomts DAta (http://www.asycuda.org/)

\(^90\) Electronic Data Interchange

\(^91\) National Informatics Center Net

\(^92\) "PRC’s (People’s Republic of China) Customs’ Efforts for Integrity", a paper presented in the APEC Seminar on WTO Trade Facilitation 2004 by China Representative, Dr. Peng Hanying
The Philippine Bureau of Customs (PBC) implemented the well-known and widely implemented ASYCUDA++ software package developed by UNCTAD\(^93\) and adapted the system to the Philippine Customs requirements. The results of computerization could be summarized as listed in the following table:

<table>
<thead>
<tr>
<th>Procedures</th>
<th>Before computerization</th>
<th>After computerization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Required Signatures</td>
<td>79</td>
<td>5</td>
</tr>
<tr>
<td>Cargo Release Time</td>
<td>6-8 days</td>
<td>4-6 hours for green lane; 48 hours for yellow and red lanes</td>
</tr>
<tr>
<td>Shipments examined</td>
<td>All</td>
<td>15% physical examination (red); 15% document examination (yellow); 70% no examination (green)</td>
</tr>
<tr>
<td>Place of examination</td>
<td>Specific area</td>
<td>Anywhere in the port Designated examination area</td>
</tr>
<tr>
<td>Accountable forms required</td>
<td>Many forms</td>
<td>Single Admission Document (SAD)</td>
</tr>
<tr>
<td>Inward manifest documents submitted to Bureau</td>
<td>13</td>
<td>3 copies in electronic format</td>
</tr>
</tbody>
</table>

Table 51 – Results of the computerization of customs operations in Philippines

### 6.6.2.2. Disaster recovery plan is available

A disaster recovery plan should cover the regular data back-up, the regular and emergency maintenance procedures and the back-up plan for the equipment used.

### 6.6.2.3. Electronic link between Customs and other authorities

This link allows different authorities to access the Customs system. For example, the inspection authorities may access the system to record the results of inspecting certain shipment on-line.

### 6.7. Transparency and Predictability

#### 6.7.1. Local Status

The Customs authority has its own Arabic language website (www.customs.gov.eg) which is still under development. A quick study of the current website showed that it includes several sections, presenting relative information about:

- Procedures for importing and exporting;

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\(^93\) United Nations Conference on Trade and Development
• Useful information for arriving and departing passengers;
• Customs law and International agreements;
• Scanned Forms (official import/export required forms).
• Customs Reference Database (including products price derived from historical import transactions, tariff rate items, ministerial and administrative decrees and the international agreements)

In spite of the amount of information provided by this website, it does not include any information about the inspection requirements, cost and time. And it worth noting that there is also a lack of public awareness about the presence of this new website.

6.7.2. Comparative Study (Egypt/International)

<table>
<thead>
<tr>
<th>Feature</th>
<th>Egypt</th>
<th>Canada</th>
<th>Ireland</th>
<th>Jordan</th>
<th>India</th>
<th>China</th>
<th>Latvia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Import and export Inspection Procedures are documented and published</td>
<td>✗</td>
<td>✓</td>
<td>--</td>
<td>✓</td>
<td>--</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Availability of international reference for price valuation in import</td>
<td>✓✗94</td>
<td>✓</td>
<td>✓</td>
<td>--</td>
<td>--</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Agreeing on of tariff rate and invoice value before importation of goods (Advance Ruling)</td>
<td>✓✗95</td>
<td>✓</td>
<td>✓</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td></td>
</tr>
</tbody>
</table>

Table 52 – Transparency and Predictability, International Comparison

6.7.2.1. Import and export Inspection Procedures are documented and published

The Canadian inspection agencies (e.g. Canadian Food Inspection Agency) have their own websites, where all related information is published. Inspection procedures are published according to the type of product to be inspected and in some cases to the exporting country96.

Moreover, the website includes different inspection manuals/codes of practice explaining in full details the inspection procedures of all types of domestic and imported products in addition to procedures unique to the inspection of imported products97.

In Latvia, the "Sanitary Border Inspection By-laws" issued by the Latvian cabinet under the reference "Regulation 148/1997” lists the regulations and responsibilities of the institute that is responsible for controlling and inspecting imports and exports of veterinary and

94 A reference database of historic transactions is available, however it does not show the date of the import transaction, hence the prices could not be validated in terms of their date
95 Not a standard procedure
96 http://www.inspection.gc.ca/english/plaveg/protect/dir/d-04-02e.shtml
plant products. This is also published on the web site and sent to importers/exporters by mail.

6.7.2.2. Availability of international reference for price valuation in import

A database that contains up-to-date price information based on recent trade transactions. Canada, Ireland, Jordan and Latvia use a database of international prices for the purpose of valuating imported products.

6.7.2.3. Agreeing on of tariff rate and invoice value before importation of goods (Advance Ruling)

"Advance rulings" is a facilitating service, offering legal certainty with respect to the application of provisions of existing customs legislation to an importation of a specific commodity. In this way it provides predictability for the clients in dealings with Customs authority and allows them to better plan their activities.

The validity of "advance rulings" may be revoked if the information submitted for obtaining them was inaccurate or incomplete, if the composition of the goods subsequently changes or if the laws and regulations on which the ruling has been based are amended in the meanwhile.

In addition to Canadian National Customs Rulings (NCR), which cover tariff classification, rules of origin, valuation, admissibility, duty drawbacks and other areas, CRA* issues advance rulings concerning the application of provisions of the free trade agreements, such as NAFTA, to which Canada is a party.

In Ireland, as in other European Union countries, Customs authority issue binding rulings with respect to the origin (Binding Origin Information) or the tariff classification (Binding Tariff Information) of goods to be imported or exported, on request by the concerned client. An advance ruling issued in one of EU Member States is valid in all other Member States.

In Jordan, the Customs Department avail the service of advance rulings provided that the importer applies to the department with necessary documents. Based on the included sample and/or brochure of imported product, the department issues a formal advance ruling of the tariff item, rate and sales tax.

6.8. Measurement

6.8.1. Local Status
Although the Customs authority in Egypt has exerted efforts in customs computerization and the use of EDI system, there is no formal or informal system to measure the authority performance and relate the improvements, if any, to applied reforms.

In particular, available information does not allow identifying whether savings in time or resources could be attributed to a specific reform.

The applied computerization system includes some basic measurement tools. However, these tools are not used. Also, performance data classified by port and product category should be used to give an analysis about the Customs performance.

### 6.8.2. Comparative Study (Egypt/International)

<table>
<thead>
<tr>
<th>Feature</th>
<th>Egypt</th>
<th>Canada</th>
<th>Ireland</th>
<th>Jordan</th>
<th>India</th>
<th>China</th>
<th>Latvia</th>
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</thead>
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<td>✓</td>
<td>✓</td>
<td>--</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Conduct Reforms Impact Assessments</td>
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<td>✓</td>
<td>x</td>
<td>--</td>
<td>x</td>
<td></td>
</tr>
</tbody>
</table>

Table 53 – Measurement, International Comparison

#### 6.8.2.1. Measure Customs authority performance

The Canada Revenue Agency (CRA) measures its performance annually by setting multiple indicators that would conclude the level of success in administrating Canada’s tax, customs, and social benefit programs.

These indicators include: Processing time for different forms and declarations, value of Customs seizures (illegal trade), access rates for peak-season telephone enquiries and implementation of planned activities.

Based on the outcomes of the annual assessments, areas where improvements are required, particularly those for which a significant performance gap or weak data quality have been identified, are identified, prioritized and addressed through various strategies and initiatives.

The "Office of Revenue Commissioners (ORC)" in Ireland has adapted in 2003 two of the "Best Practices" in the area of performance measurement, which are the "Balance Scorecard" and "European Foundation for Quality Management Excellence Model" to devise a new scorecard that would suit the ORC requirements.

Although the implementation of the new tool is still at an experimental stage, ORC claim that they have made significant progress in compiling comparative results of their performance. The scorecard is designed to measure performance in future years against
performance in each previous year and against the base year of 2002, thus providing a comparative timeline going forward.\(^9^9\)

One of the strategies of the CBEC\(^1^0^0\) of India is to measure its performance utilizing client satisfaction surveys for traveling public passing through various customs stations as well as for businesses, industry and individuals involved in manufacture and clearance of goods. Based on the outcomes of these surveys, CEBC plans to institute measures to improve service delivery performance.

6.8.2.2. International Best Practices in Measurement

**Hybrid Benchmarking (United Kingdom)**

It is an efficiency technique which compares departmental performance in chosen areas with public and private sector performance in similar areas using a structure similar to that of a market test.

The hybrid benchmarking technique provides a structured approach focused on the delivery of efficiency savings and improvements to quality; a method of ensuring that efficiency improvements are put in place and delivered through Service Level Agreements; a method of comparing price and quality through the identification of best practice; access for private sector involvement through the use of consultants; involvement for all the staff concerned in the process.

In 1995-1996, exercises were conducted in all the departments' regional units and headquarters. The activities examined included typing, personnel management, information technology support, accounts and finance, premises management and VAT Control Unit (processing returns).

In all, nearly fifty exercises were conducted covering 1,300 posts, with a total annual value of £30 million. The results of these exercises were remarkably similar to those using market testing with average savings of around 20 percent.

**INGRID (Indicator of Customs Internal Resources Management) - (France)**

The French Customs Administration is going to set up a database accessible to the offices of both the Directorate General and the regional directorates. The server, called INGRID (Indicateur de Gestion des Ressources Internes de la Douane, Indicator of Customs’ Internal Resources Management), contains data from two user programs. One program records, on a half-yearly basis, a number of indicators relating to Customs resources, the customs environment and the results and activities of the various departments, while the other covers the use of the departments’ operating funds, whose management is the responsibility of the regional director.

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\(^{99}\) Revenue Commissioners Office, Ireland – Annual Report 2003

\(^{100}\) Central Board of Excise and Customs
In bringing all this data together, INGRID constitutes a real management control system for evaluating the service’s efficiency, the suitability of the organizational methods chosen and the cost of various missions. The departments can consult some fifty tables on the most frequent studies. Using specialized software they can also conduct any specific studies as required.

6.8.2.3. Conduct Reforms Impact Assessments

Canada, Ireland and Jordan conduct reforms impact assessments. In addition, we are including examples of other countries conducting impact assessments and the conclusions of their assessments.

Japan Customs reduced the customs clearance time significantly from 1991 to 1998: the time required to file the import declaration after the arrival of the cargo was reduced from 50.3 hours to 30.8 hours for air cargo and from 142.1 hours to 81.1 hours for sea cargo; (and the time elapsing between the import declaration to the permission was reduced from 2.3 hours to 0.7 hours for air cargo and from 26.1 hours to 5.6 hours for sea cargo (Arichi, 1999, Mikuriya, 2001).

Philippine Customs reduced the time for cargo release from the Customs from 6-8 days to 4-6 hours for “green channel” shipments and 48 hours for other shipments by introducing an EDI system based on UNCTAD’s ASYCUDA++ (Maniego, 1999).

Chinese Taipei used to spend 10 to 15 hours for customs clearance of air cargoes. Thanks to the use of EDI and pre-arrival screening, actual clearance after the arrival of airplanes takes merely 2 to 4 hours (DSTI/DOT(99)1).

Chile Customs reported that the time required from import declaration to permission is 2.2 hours on average and 3.0 hours at maximum based on an EDI system, in comparison to 10.8 hours for the paper-based system and that controls based on risk management reduced the need for physical inspection by 5-12%, resulting in direct cost savings for the private sector of more than US$1 million per month (WTO, 1998, p.131).

Peru Customs announced that the use of PSI services shortened the customs clearance time from 10-30 days to 1-3 days, although the use of such services do raise some problems, such as costly user fees and procedural delays in the country of origin.

Lebanon: The World Bank reported that the Port of Beirut has accelerated customs clearance from 2 or 3 days to few hours thanks to the use of ASYCUDA++ and SAD (ibid., p.170).

UK Customs estimate that the replacement of the duty linked system for the collection of import VAT by a similar system to that used to collect domestic VAT may save businesses 175 million pounds sterling annually.

6.9. Human Resources
6.9.1. Introduction

There are several factors that could affect the overall performance of the whole authority; for example, under/over staffing, staff technical and personal skills, employees' work habits, presence or lack of performance motives and the management methodologies applied in the authority.

For example, a report introduced at WTO\textsuperscript{101} Symposium on Trade Facilitation showed that time wasted by starting work late and other idle time represents 23% of the working time in Indian ports. Port equipment in those ports is reported to be idle about 20% of the time.

Corruption is one of the major factors that affect the authority performance and integrity. It is a disease that is well known to the fiscal or business environments all over the world. It increases as the public servant (government employee) possesses the authority to influence a decision made by the authority based on his own personal judgment.

Whilst low level corruption in terms of small payments for performance of official duties required by law, widely described as speed or tea money, is often condoned or excused on the basis that the employee concerned is poorly paid and overworked, it is an unacceptable practice which makes more serious corrupt acts more socially tolerable.

Customs could be considered as one of the areas which are highly vulnerable to corruption. The staff members are authorized to use their own personal judgments, especially in terms of defining fees and duties to be paid.

6.9.2. Local Status

Egyptian Customs authority has no formal or informal "Code of Conduct" that defines what the obligations of employees are and which conduct they should avoid. There is no "Code of Practice" that specifies necessary actions and job descriptions for each position.

It is known that the salary structure governing the customs staff, as governmental employees, is below the average structure for similar positions in countries sharing the same economic characteristics. Also, the incentives scheme is based on the amount of revenue collected rather than the employee service performance.

6.9.3. Comparative Study (Egypt/International)

<table>
<thead>
<tr>
<th>Feature</th>
<th>Egypt</th>
<th>Canada</th>
<th>Ireland</th>
<th>Jordan</th>
<th>India</th>
<th>China</th>
<th>Latvia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Code of Conduct for Customs staff</td>
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<td>✓</td>
<td>×</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Minimal intervention by Customs officials in decisions about valuation and rates</td>
<td>×</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>×</td>
</tr>
</tbody>
</table>

\textsuperscript{101} World Trade Organization
6.9.3.1. Code of conduct for customs staff

Through its mission, which is to promote compliance with Canada's tax, trade and border legislation, the CRA\textsuperscript{100} works to ensure that its behavior toward "clients" and colleagues is guided by four basic values: integrity, professionalism, respect and co-operation.

Besides the mission and values statement, the Agency’s ethics infrastructure includes the Code of Ethics and Conduct, the Policy on Gifts, Hospitality and other Benefits, communication and training.

The CRA has adopted measures to ensure that its employees understand its values and the conduct expected of them, and that they have the means to report cases of misconduct. Other policies and procedures are in effect to ensure that these cases of misconduct are settled quickly and effectively.

As for Ireland, “Office of Revenue Commissioners” develops and publishes codes of conduct in the form of "Procedures Manual" that are intended for use by revenue officials employed on enforcement duties.

The procedures manual are reviewed and amended as necessary and provides an easy reference to the principal legislative provisions available to Customs and Excise staff for enforcement purposes; and guidance on the best practice to follow and an indicative list of proofs required to achieve a successful conclusion to enforcement action.

In India, the "Central Board of Excise and Customs (CBEC)" has issued and published 2 "Manuals" for customs and for excise. These manuals cover law provisions as well as detailed procedures for each area.

The "General Administration of China Customs (GACC)" has developed and established "Regulations on Customs Integrity" that set up essential integrity provisions for all customs staff to abide by. According to these provisions, Customs officers are prohibited from such conduct as soliciting and accepting bribes in their official capacities, accepting advantages, junketing held for Customs, domestic and overseas tour and entertainment invitation by importers and exporters, and from engaging in business or profitable agency and setting up companies and factories\textsuperscript{104}.

The Latvian government has developed and published a code of conduct in 2001 in cooperation with the "EU Phare" specialists under the "Corruption Prevention Legislation, Education and Public Information Programme" targeting Customs officials. The publication covered the following issues:

\textsuperscript{102} As stated in "Transparency International Corruption Perceptions Index 2003" published by "Transparency International Secretariat"

\textsuperscript{103} Canada Revenue Agency (previously Canada Customs and Revenue Agency)

\textsuperscript{104} PRC’s (People’s Republic of China) Customs’ Efforts for Integrity
• Ethics and conduct standards
• Fundamental principles of conduct
• Corruption and conflict of interests
• Restrictions towards custom officials
• Responsibilities of custom officials

The Latvian code of conduct was developed as an adaptation of "Customs Officials Code of Conduct" model developed by World Customs Organization (WCO). This model was the result of the recommendations issued by “Declaration of the Customs Cooperation Council Concerning Integrity in Customs” in 2001, also known as the Arusha Declaration.

6.9.3.2. **Minimal intervention by Customs officials in decisions about valuation and rates**

For low risk imports, the automated system uses "Machine Release System", which is a component of ACROSS\(^{105}\) implemented by CRA\(^{106}\), that provides automated release decisions and duty calculations for shipments that meet a variety of low-risk criteria.

In Ireland, AEP\(^{107}\) System is responsible for validation, processing, duty accounting and clearance of SADs which are input to the system. AEP system applies automated checking on SADs, thus keeping minimal interaction with Customs officials in terms of rates and valuation. When the system accepts a correctly submitted SAD, it automatically assigns a routing for the shipment; either GREEN, ORANGE or RED.

The Jordanian Customs started to apply the SAD\(^{108}\) scheme in 1998 to cope with the requirements of applied ASYCUDA system. The SAD scheme enables clients to fill the document with all necessary data, including shipment value and duties, thus restricting the Customs role to validating submitted data and collecting duties.

The automated system applied by GACC\(^{109}\) (H2000) allows clients to conduct all import and export procedures (declaration, clearance, duty calculations and drawback) online, hence it keeps interference of Customs staff to a minimum, thus minimizes the potentials for corruption.

6.9.3.3. **Corruption Ranking Index**

Transparency International (TI), founded in 1993, is an international non-governmental organization devoted solely to curbing corruption. TI International Secretariat is in Berlin, Germany with 90 national chapters around the world.

\(^{105}\) Accelerated Commercial Release Operations Support System (ACROSS)
\(^{106}\) Canada Revenue Agency
\(^{107}\) Automated Entry Processing
\(^{108}\) Single Admission Document
\(^{109}\) General Authority of China Customs
The main objectives of TI are to raise awareness about the damaging effects of corruption, advocacy for policy reform, work towards the implementation of multilateral conventions and subsequently monitor compliance by governments, corporations and banks.

TI issues an annual "Corruption Perception Index" that ranks different countries in terms of the degree to which corruption is perceived to exist among public officials and politicians. It is a composite index, drawing on corruption-related data in expert surveys carried out by a variety of reputable institutions. It reflects the views of business people and analysts from around the world, including experts who are resident in the countries evaluated.

The "Corruption Perception Index (CPI)" gives the scanned countries scores that range from 0 to 10, where 0 indicates high corruption and 10 indicates high clean environment.

The "Transparency International Corruption Perceptions Index 2004" published on TI website\(^\text{110}\) concludes that a total of 106 out of 146 countries ranked, scored less than 5 against a clean score of 10, Sixty countries score less than 3 out of 10, indicating rampant corruption. Corruption is perceived to be most acute in Bangladesh, Haiti, Nigeria, Chad, Myanmar, Azerbaijan and Paraguay, all of which have a score of less than 2.

A noticeable outcome of the index was that oil-rich countries like Angola, Azerbaijan, Ecuador, Indonesia, Iran, Iraq, Kazakhstan, Libya, Nigeria, Russia, Sudan, Venezuela and Yemen all have extremely low scores. In these countries, public contracting in the oil sector is plagued by revenues vanishing into the pockets of western oil executives, middlemen and local officials.

TI ranks the scanned countries (146) based on the CPI scores. According to TI ranking, Canada ranked 12, Ireland ranked 17, Jordan Ranked 37, Latvia ranked 57, China ranked 71, Egypt ranked 77 while India ranked 90.

The objective of recommendations listed in the next subsection is to reduce the potential for corruption among Customs staff. They are based on best practices in corruption fighting.

6.10. Annexes for Export Phase

6.10.1. Participation in Import/Export International Agreements

<table>
<thead>
<tr>
<th>International Agreements Participation</th>
<th>Egypt</th>
<th>Canada</th>
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<th>Jordan</th>
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¹¹¹ Transport International par la Route
¹¹² Central European Free Trade Agreement
¹¹³ Customs and Practice for Documentary Credits booklet