

Enclosure: 1)Statement of Work.
2)AID clauses
3)OIC certification
4)AID form (1420-17)

Statement of Work:

SCOPE OF WORK

I. TITLE

Initial Implementation Task for Customs (IITC)

II. PURPOSE

The purpose of this Task Order is to provide technical assistance under the Assistance for Customs and Trade Facilitation (ACTF) project to work with the CRU (Customs Reform Unit) Team appointed by the Minister of Finance to complete the following:

- Assessment of the current IT system at a modernized port and recommend the most appropriate software, hardware, and telecommunications system;
- Evaluation of the E-trade options necessary to enable the customs IT system to effectively interface with all stakeholders and related government agencies;
- A "Procedures and Time Study" documenting the existing clearance procedures for goods at one of the following ports: Alexandria, Damietta, or Port Said as well as El-Ain El-Sokhna modernized port; and define the steps needed to enable these ports to operate according to international standards;
- Assessment of the existing organizational structure of the Egyptian Customs Authority relative to best practice;
- Legal support for review of the new Customs Law upon request of the CRU;
- Assist the Customs Reform Unit draft an implementation plan and plans to meet relevant monitoring and evaluation needs;
- Assist in implementation of selected elements of the implementation plan, with short-term technical assistance and potentially a long-term advisor upon request of the CRU.

III. BACKGROUND

During the past decade, most customs administrations in developed and emerging countries around the world have undergone significant modernization and re-engineering of their systems, controls and procedures to keep pace with both increasing demands and new opportunities. These include: significant growth in the volume of international trade; rapid changes in trade patterns; new demands from

exponential increases in containerized sea cargo and time-sensitive air cargo and courier consignments; wide spread use of automated information systems and advances in telecommunications technologies which permit receipt and processing of trade documents/data prior to arrival of the means of transport of the goods, e-commerce/paperless trade transactions, the application of IT to assist customs in assessing risk and selectively targeting high risk consignments for detailed scrutiny; and advances in X-Ray technology to facilitate physical inspection of goods.

Due to its central position in all import/export trade transactions, customs must play a pivotal role in trade facilitation reforms. However, customs cannot facilitate trade on its own. It must work with and coordinate a diverse spectrum of parties involved in trade transactions, including: importers, exporters, customs brokers, freight forwarders, shipping agents, carriers, banks, air/port authorities and other government departments/control agencies. In doing so, modern customs services must continually strive to maintain an appropriate balance between competing goals of revenue collection and facilitating honest traders.

Despite Egypt's strategic location and ample natural resources, Egypt's share in world exports is still marginal and has been declining over time (from 0.17% in the period from 1983- 1986 to 0.07% in 1993-96). Comparing Egypt with more successful developing countries, one can identify the factors behind the poor performance of Egyptian exports in the international market. These are related to the degree of openness of the economy, the institutional capacities of the organizations involved with trade, the efficiency of trade-related services, transparency, and the lack of a proper regulatory framework. Trade facilitation and customs reform are therefore crucial for any sustainable economic growth. In fact, a clearance system that incorporates increased predictability, transparency, uniformity, and accountability will certainly result in a positive response from the business community, both in terms of increased investments and growth in employment. Customs and other ministries/control agencies must ensure that the import/export controls they administer do not hinder Egypt's ability to compete efficiently and effectively in the increasingly interdependent global marketplace.

Both USAID and the Government of Egypt (GOE) share the view that comprehensive reform in the customs and trade facilitation areas is vital if Egypt is to reap the full benefits of trade liberalization and global integration. In 2001, the GOE started a series of important and essential steps to design and implement a comprehensive reform program in customs in collaboration with both USAID and the IMF. In July 2002 the GOE received technical advice and recommendations from the IMF that resulted in a conceptual framework and specific recommendations provided in an IMF report "Tariff Policy and Customs Administration Reform." Subsequently in the fall of 2002, the Ministry of Finance (MOF) established a Customs Reform Unit (CRU) mandated to plan, implement, and monitor the progress of the customs reform program as well as its impact on the performance of the Customs Commission. The CRU team will also be responsible for coordination with USAID and other donors. The MOF also established a Supreme Council for Customs and Trade Reform, which is composed of representatives from MOF and other GOE agencies involved in the

clearance process (e.g., Ministry of Foreign Trade and Ministry of Transportation), the private sector, and think tank bodies, for the purpose of promoting reform.

In September 2002, USAID and the GOE signed the Technical Assistance for Customs and Trade Facilitation (ACTF) Project Grant Agreement, whereby USAID and the GOE agreed to work together to achieve enhanced trade through improved modernization of A.R.E. customs and facilitation of trade services in Egypt. Under this agreement USAID will provide support to the GOE to implement their reform plan in the customs and trade facilitation areas. The time span for ACTF is five years starting October 2002 and ending September 2007. ACTF includes the flexibility to investigate and examine different approaches and sequences of reform and hence, will be selecting from a comprehensive menu of reform needs in the customs and trade facilitation areas.

ACTF will contribute to the achievement of the following results:

- An improved policy framework for trade and investment;
- Increased private sector competitiveness; and
- Enhanced opportunities for business growth.

The ACTF Grant Agreement states that ACTF results will be measured using the following indicators: 1) the Global Competitiveness Index (an index of economic competitiveness published by the World Economic Forum); 2) non-petroleum exports and imports of goods as a percent of GDP; 3) progress in WTO compliance; 4) trade weighted average tariff (an indicator reflecting the reduction in trade barriers, measured by the total revenue collected from the tariff divided by the total value of imports expressed as a percent); and 5) value of exports in selected sectors. On the micro-level, results will include: 1) the reduction of average clearance time for goods at ports, 2) the reduction of clearance process steps, 3) reduction in the number of customs disputes, and 4) an increase in the percentage of customs goods declarations transmitted electronically. In addition, progress will be measured through reduction in time and cost involved in clearance of goods from customs.

USAID and the GOE have agreed that the first support under ACTF would include short term technical assistance to undertake needs assessments of five main areas under customs reform: IT, e-trade, procedures, organization structure, and legislation. Each assessment will include a detailed analysis of the area assessed as well as recommendations for future actions. Based on these assessments, an implementation plan will be prepared and the technical assistance provided under this Task Order may help initiate the implementation of some of the sub-tasks of the plan. On the basis of the assessments and implementation plan, additional short or long-term technical assistance may be provided in the future. Additional background related to the Purpose of this Task Order is provided below.

1. Information Technology:

Current Situation and Issues

Egyptian Customs began operating its first automated computer system in 1979. This original system, known as CGA, utilized software applications designed by French Customs. In 1997, the GOE tendered to replace/update the existing hardware, as well as migrate the CGA software applications and databases such that they would operate on a

Y2K compliant platform. NCR was chosen to undertake this work in partnership with Tabarak, a local system re-engineering and software development firm. The existing application software code was mechanically converted to run on a Windows/UNIX platform and operate on new NCR hardware and a new software was acquired (Sybase, which is a Relational Data Base Management System). Approximately 425 new dumb terminals and 35 servers were installed at Customs offices in Alexandria, Cairo and Suez. These computers are now linked via a national telecommunications network. The national network serves 26 distinct customs facilities, with the 19 separate offices in the Alexandria port considered a single nod. Sites within the Alexandria port are interconnected by high bandwidth fiber-optic cable.

The second phase of the NCR contract was for Tabarak to develop new software applications and support simplified clearance procedures, then to pilot test as a 'turn-key' operation at one of the clearance offices in Alexandria Port. A significant portion of the design and programming of many of the new software applications has been completed. To support valuation verification under the WTO, a data base has been created of prices and historic transaction information.

In addition, Tabarak also developed a software 'tool kit' to allow Customs to compile a valuation reference price database for use by estimators and another 'tool kit' application to allow Customs to apply automated selectivity criteria to assist Customs in targeting high risk consignments requiring document verification and physical inspection by other government ministries/control agencies.

Tabarak was contracted by the El-Ain El-Sokhna port's management to pilot test new, simplified clearance procedures and the Customs automated system at Ain Sokhna Port by October 2002. In addition to the simplified clearance procedures and import/export declaration processing applications, Tabarak intends to pilot-test at Ain Sokhna Port the following features:

- New NCR computer hardware procured by El-Ain El-Sokhna port for use by Customs personnel;
- An EDI interface to allow shipping agents to transmit advance ship's manifest details to Customs using the EDIFACT CUSCAR message (hard copy manifests will however continue to be required);
- An EDI linkage with other government ministries/agencies, with Customs and other agencies coordinating their inspections so they can be done at the same time;
- An Electronic Funds Transfer linkage with a commercial bank;
- A reduced rate of physical inspections;
- A requirement that Customs officers record inspection findings in the automated system;
- A wireless transmission of 'release authorizations' to Customs officers at the port's exit gates;
- A dedicated inspection area with electronic linkages to request the port authority to bring forward containers for physical inspection; and,
- A purpose-built, central Customs clearance office inside the port designed to minimize interfaces between Customs staff and traders and equipped with computer monitors to allow traders to follow the clearance status of each of their consignments.

It is to be noted that the computer system to be used by Customs at Ain Sokhna will not be stand-alone but will operate as an integrated part of the national Customs system (i.e., be a software application operated under the existing Customs mainframe located in Suez Customs central office);

2. Customs Procedures:

Current Situation and Issues

Egypt has four large ports: Alexandria, Dekheila, Damietta, and Port Said on the Mediterranean; and nine other ports on the Red Sea. These ports carry out all of the Egyptian foreign trade, which amounted to almost 50 million tons in 1998. Of this, 40 million tons were imported and about 10 million tons were exported.

Despite this geographical advantage, transport infrastructure as it relates to external trade has been identified as one of the main Non-Tariff Barriers facing traders in Egypt. The efficiency of the port services along with the freight transportation cost constitutes a real challenge to the Egyptian trade. Port services and management, rather than freight rates, are the main problems that need to be addressed.

To date, there are two ports that are under private management: Port Said (a BOT project), which is still under construction, and Red Sea's El-Ain El-Sokhna which has been officially inaugurated in October 2002. The GOE has contributed around LE1 billion in developing the infrastructure while the managing company, El-Ain El-Sokhna Port Development Company (SPDC) contributed around \$200 million. Tabarak was contracted by the Ain Sokhna port's management (private sector) to develop and implement new, simplified clearance procedures and the Customs automated system at Ain Sokhna Port by the end of 2002. The system needs to be reviewed to ensure the existence of an EDI interface with Customs brokers/importers to allow them to transmit goods declaration data, the existence of automated selectivity features, the built-in ability to calculate all the complex duty/taxes and fees and extra charges which national Customs currently collects, and the ability to apply the GATT valuation system properly.

3. Organizational structure of the Customs Authority:

Current Situation and Issues

Human Resource constraints undermine Egyptian Customs' ability to carry out its mandate in an efficient and effective manner. Unless underlying human resource issues are addressed at the outset of the reform program, and an environment conducive to implementing sustainable reforms created, it will be very difficult to modernize Egyptian Customs legislative framework, procedures, systems and controls.

The Customs Authority of Egypt derives its authority from the Ministry of Finance, through the Office of the Commissioner of Customs who is appointed as First under Secretary of State. The Customs Authority organization was created by Administrative Decree 99 of 1997.

Previous assessments concluded that some weaknesses exist in the customs organizational structure, namely:

- Customs headquarters are not centralized but fragmented between Cairo and Alexandria. For example, the following headquarters

policy functions are located in Alexandria (e.g. Legal Affairs; Valuation, Tariff Classification; Procedures; Automated Systems; Anti-Smuggling; Organization and Training; Customs Institute; Personnel). Indeed there are few if any policy-making units left in Cairo. This situation undermines the ability of the Commissioner to centrally manage the Department, undertake policy decisions and implement reforms.

- Many of the headquarters managers located in Alexandria port are directly involved in operational problems, disputes and cases involving individual consignments, as opposed to developing and ensuring that policies, procedures and systems operate efficiently and effectively.
- The Commissioner's wide span of control (16 managers) makes efficient and effective management control difficult. This leads to a need to strengthen central management and control over the entire organization.
- The organization is highly compartmentalized with individual senior managers responsible for very narrow/specialized fields of authority. The structure of the organization is designed to necessitate the employment of the largest number of managers and staff possible, but makes effective operation of management almost impossible. This narrow management focus fragments control and results in few senior managers rising through the ranks who have a sufficiently broad based technical knowledge and oversight to comprehend the larger challenges that the organization as a whole must face.
- The Customs Department is over-staffed relative to the current volume of Egypt's foreign trade, but also faces shortages of specific types of employees. In addressing the problem of number of staff, the skill mix will also have to be addressed. There will be much greater need for skilled auditors, analysts, information technology experts, and valuation experts and less need for lower skilled employees. Staffing issues may be magnified with the implementation of the automation plan, as the 100 percent checking of paperwork and shipments will be substituted by computer processing and selected in-depth reviews.
- Customs Department promotions are automatic and based largely on years of service/seniority. As a result the organization has accumulated large numbers of senior level managers without positions to occupy. This situation contributes to reduced management accountability, inefficiencies in productivity and unnecessarily high human resource costs for the GOE.

4. Legal and Regulatory Framework:

Current Situation and Issues

The Customs Law has been amended through decrees on numerous occasions since 1962. The structure and content of the Law and implementing decrees do not fully conform to the WCO's Kyoto Convention and its model legislation. Although the Law is relatively concise (consisting of 131 articles), dozens of implementing decrees have been issued by the Ministry of Finance and Commissioner of Customs over the years. Despite the number of implementing decrees in existence, there

continues to be a general lack of administrative/operational detail in many of them which adequately specifies Customs' internal processes, procedures, controls and systems, or the rights, obligations and requirements of the trading community.

The GOE recognizes that the present law is inadequate to support operations of a modern customs administration operating in a global economy. Requirements for physical inspection of all shipments, signatures on manifests and declarations, and presentation of information on paper only are examples of the requirements in the present law that highly obstruct the ability of the customs administration to modernize procedures. In addition, the absence of detailed implementing decrees and supporting Standard Operating Procedure (SOP) manuals, results in the lack of clarity and transparency in the Custom legal framework. This constraint is seriously undermining traders' voluntarily compliance with Customs requirements. Weaknesses in the Customs legal framework include: 1) creating opportunities for official discretion; 2) preventing Customs management from conducting effective operational internal audits to check whether or not procedures and controls are in fact being followed; and 3) allowing procedures, controls and requirements to vary significantly from one customs office to the next.

There is currently a committee entrusted with the drafting of the new law. The committee includes legal experts, customs experts, and other academic professionals. The committee is aware that the new law must be based on a set of principles that would provide customs administration with the legislative support to operate in the most efficient manner.

IV. Statement of Work

RELATION TO USAID STRATEGY

The proposed activity will contribute directly to the achievement of USAID/Cairo's Strategic Objectives (SO) 16 "Strengthened Environment for Trade and Investment", and support the Intermediate Result (I.R.) 16.1 "policy Framework for Trade and Investment Improved" and I.R. 16.2 "Increased Private Sector Competitiveness".

ACTF will contribute to the successful implementation of trade policies. It will assist the GOE in reducing the impediments to trade and in providing the necessary climate conducive to the growth of exports. It will also assist the GOE in achieving the policy measures identified in the first two years of DSP II and help in the design of future DSP II policy measures related to Customs and trade facilitation (IR 16.1).

The reduction of administrative impediments to trade will reduce the cost of production; thus, increasing private sector competitiveness domestically and internationally, thereby promoting exports (IR 16.2). Opening the economy to international competition through further liberalization of trade and capital movements (IR 16.1) will initiate and expedite the practice of outsourcing or subcontracting among large enterprises which will enhance opportunities for business growth (IR 16.3) in what is now mainly informal sector activity in Egypt. This

will, in part, also increase the utilization and investment in small and micro enterprises (IR 16.3).

PREVIOUS USAID ASSISTANCE

Needs Assessment for Customs Reform (2001): In the period June-August 2001, and upon the request of the Minister of Finance, a team of US experts prepared a needs assessment for customs reform in Egypt. The results and recommendations were shared with the Ministry of Finance, the Customs Authority, and the private sector in a seminar that was held in late August. The findings and recommendations focused on: the importance of the proper application of the new GATT valuation system and required changes in infrastructure, the dire need for revising the present training configuration and methodology, and the feasibility of the prompt application of an examination by-pass of 20% of imports. The assessment did include a volume on the organization of the Egyptian Customs Authority, but did not cover other important areas such as procedures, duty relief systems, and port infrastructure.

Customs and Trade Facilitation Reform (2002): The limited scope of the Needs Assessment together with the growing need to cover other aspects of trade facilitation necessitated the initiation of a more comprehensive study of customs and trade facilitation. This study was undertaken in April-July 2002 and analyzed in detail the major problems and recommended actions in the areas of regulations, procedures, automation, human resources, duty relief systems, inspection and testing, and infrastructure. It suggested a 5 year reform plan.

TASKS

The Contractor shall conduct a series of assessments and make recommendations for customs reform in the IT, regulatory, procedural, and human resources areas. The Contractor will also assist the CRU in preparing a detailed implementation plan for customs reform. This will include a monitoring and evaluation plan that enables the CRU to fulfill its assigned task to monitor the progress of the reform as well as its impact on the performance of the Customs Commission. The Contractor may be required to assist the CRU in the implementation of selected items in the reform plan.

As part of the background preparation, the contractor shall review previous work and available studies undertaken in Egypt, especially the Needs Assessment for Customs Reform (August 2001), the Customs and Trade Facilitation report (August 2002), and the IMF report on Tariff Policy and Customs Administration Reform (June 2002). The Contractor shall also review all decrees and laws pertaining to Customs and trade facilitation or impacting on these two areas (e.g. Customs Law, Ministerial Decree 765/2001 and recommended changes). The Contractor will also meet with the contractor working currently under the USAID funded Corporate Tax Project (Barents) to be acquainted with the operations of the newly established Model Tax and Customs Center (MCTC). The Contractor shall collaborate with the CRU and Egyptian authorities from the Ministry of Finance, especially from the Customs Administration. The Contractor would also need to meet with the Ministry of Transportation, the General Organization for Export and Import Control, the Foreign Trade Sector, the Egyptian Organization for Standardization, and representatives of the importing and exporting

community. These are the agencies and stakeholders involved in the trade operations and clearance procedures and would need to be connected with customs IT system.

The specific tasks include the following:

TASK 1: Work plan for STTA

The Contractor shall formulate the team's work plan, which consists of a schedule and approximate timetable of activities and deliverables. The draft work plan will be submitted to the Cognizant Technical Officer (CTO) no later than a week from the start date of the activity for approval.

TASK 2: Assessing the Current IT System at a modernized port:

This task will first recommend the most appropriate IT solution by developing the requirements that need to be met by the software, hardware, and telecommunications system. Requirements should comply with ISO 9001 IT standards. Afterwards, the task will assess the suitability of the existing IT system pilot tested at Al-Ein Al-Sokhna Port and its ability to undertake all the required functions within the predefined system requirements, and its ability to interface with relevant stakeholders and related government agencies. The IT assessment with IT requirements should be done in compliance with ADS 548 requirements to the extent applicable.

2.1. The Contractor shall evaluate the automated system (pilot test) at a modernized port (e.g., El-Ain El-Sokhna Port) to determine whether it can be safely deployed. Based on this evaluation, the Contractor will recommend whatever system enhancements/procedural improvements are needed to the clearance procedures and supporting automated system before rolling the system/procedures out nationally. The Contractor shall use the following guiding indicators in his evaluation:

a) Determine whether the following features are incorporated into the NCR/Tabarak computer system and pilot tested at a modernized port (e.g., Ain Sokhna port):

- A new Egyptian Customs goods declaration form with a layout/structure and content that conforms to the UN Layout Key and WCO Single Goods Declaration/Single Administrative Document;

- Capability of linking exit gate from the port to the automated system such that when the 'release document' is presented, its bar-code can be scanned/entered to authorize the exit and to update the status of the consignment in the system to show that it has been removed/delivered;

b) Ensure that an automated selectivity/channeling (a RED/GREEN/YELLOW) channeling capability is available/tested in the system, including the supporting risk assessment techniques which allow Customs to effectively reduce

physical inspection rates without compromising revenue collections or enforcement effectiveness.

c) Review critically the proposed simplified declaration processing/customs clearance procedures to be pilot tested at the modernized port (e.g., El-Ain El-Sokhna port) to ensure that they maximize trade facilitation;

This review should include strengthening procedures related to:

- Acceptance of certified supporting documents; and,
- Acceptance of 'transaction values' as required by the WTO agreement on customs valuation.

d) Attempt to pilot test a new Customs declaration form e.g., Single Goods Declaration or Single Administrative Document. The specifications for these documents and UN/WCO recommended data elements and codes are available in Arabic from such neighboring Arab states as Jordan and Lebanon that currently operate UNCTAD's ASYCUDA computer system;

2.2. Recommend whether or not to continue to invest/further enhance the NCR/Tabarak system or to implement another commercially-available customs software to support the entire modernization process. In addition to scrutinizing the customs administration's operational requirements, it is also important that the IT Advisor examine important technical requirements (e.g., response times, security, and reliability). The recommendations should explain the merits and drawbacks of each plausible option and the rationale behind the recommended scenario.

Task 3: Assess and Recommend different Options to Establish an EDI System for E-trade as it Relates to Customs:

The task will provide a review of the different possible options to integrate an Electronic Data Interface (EDI) system for e-trade. In addition, it will recommend the most appropriate EDI solution by developing the requirements that need to be met by different users of the system (e.g., exporters and importers, brokers, banks, quality control agency/agencies, ports, shipping agencies, and warehouses). To achieve this objective, the task will include assessment of the suitability of the existing EDI system modules pilot tested at Al-Ein Al-Sokhna Port and its ability to undertake all the required functions within the predefined EDI system requirements. The Contractor shall use the following guiding indicators in his evaluation:

- Capability of having an EDI linkage with other ministries/control agencies to the customs computer system to allow these agencies to: receive/examine declaration data; maintain their own selection criteria; and, place 'holds' and 'release' individual

consignments after inspection, sampling and laboratory testing has been completed;

- The system offers an effective EDI broker interface capability that will allow traders to create declarations in their own offices and to alternatively enter declaration data themselves using a keying facility/room with PC's linked to the Customs system located at/near the Customs clearance office

TASK 4: Document and Assess the Appropriateness of the Current Customs Procedures:

This Task will provide the necessary information on the current procedures in one of the major traditional ports such as Alexandria, Damietta, or Port Said. In addition, it will assess the procedures, regulations, and other requirements that would help the El-Ain El-Sokhna private port operate according to international standards and hence, become a successful pilot for adoption.

4.1. The Contractor shall conduct a "Procedures and Time Study" documenting the existing clearance procedures for goods at one of the following ports: Alexandria, Damietta, or Port Said. The study would describe in details the clearance process from the time of ship arrival till the final release of the good; including the different steps involved, the time spent in each step, the number of employees involved in each step and the signatures required. This study will serve as the base line data for future reform in customs and clearance procedures.

4.2. The Contractor shall identify the recommended system or best practices for clearance of goods from arrival of the ship till final release.

4.3. The Contractor shall assess whether El-Ain El-Sokhna port pilot-test of the new, simplified Customs procedures and supporting automated system incorporate the following process flow/features:

a) A clear physical separation between work areas where Customs performs internal processing of the goods declaration and areas where importers/brokers submit declarations and wait for clearance formalities to be completed (e.g. customs processing of declarations occurring behind counters with glass barriers, out of sight and away from the interruption of traders);

b) Hard copies of declarations are presented at a reception desk/counter manned by a single Customs officer to be checked quickly for completeness, to ensure that all required supporting documents are present and the declaration is signed. ;

- c) Implementation of a RED, YELLOW AND GREEN channeling system to reflect the risk and processing stream for each goods declaration;
- d) Utilization of a bar-code technology to control the declaration and eliminate potential for fraud;
- e) Having the automated system randomly select which officer/estimator is to be held responsible for the document verification and which officer is to be held responsible for conducting any physical inspection (the two should be different);
- f) Organizing the estimators according to specific chapters of the tariff (e.g. foodstuffs; electrical products; consumer goods; building materials; chemicals, pharmaceuticals);
- g) The inspection results are entered into the computer for use by the estimator and as feedback when periodically updating risk selection criteria in the automated system (i.e. to record if any discrepancies or offenses were found as a result of the document verification and/or physical inspection;
- h) The automated system automatically calculates the duties/taxes and other charges based on the daily foreign exchange rates maintained in the system, and the system is able to automatically print the amount of duty/tax/service charges assessed on the hard copy declaration or assessment notice;
- i) The existence of an Electronic Funds Transfer facility to allow funds to be automatically debited from the importer's/broker's bank account and transferred to the Customs account in the Commercial Bank;
- j) The existence of measures to mitigate against fraud and malfeasance from occurring (e.g. cash registers,

4.4. Make recommendation to institute whatever system enhancements/procedural improvements are needed to the clearance procedures and supporting automated system at Al-Ein Al-Sokhna Port before rolling the system/procedures out nationally.

TASK 5: Assess the organizational structure of the Egyptian Customs Authority relative to best practice:

5.1. The Contractor shall undertake a comprehensive assessment of the current organizational structure in Customs, describing in details the weaknesses and problems associated with this structure. The assessment should also cover an analysis of current staff complement and deployment against actual needs and provide recommendations.

5.2. Document the approaches to organizational structure that are used in selected countries (e.g., Jordan, Morocco, Turkey, Indonesia) addressing issues such as span of management, organizational models, and the appropriate geographic location of customs headquarters.

5.3. Provide a set of recommendations for the restructuring of the Customs Department. These recommendations should cover:

- a- The staffing and skills requirements according to best practices
- b- The working hours requirements
- c- The required new systems (e.g. management information system)
- d- A strategy for improving staff performance, management and promotion
- e- Means of implementing and operating a merit based promotion system.

TASK 6: Provide Legal Support for the New Customs Law Upon the Request of the Customs Reform Unit (CRU)

It is not expected that an immediate request for this task will be made by the CRU. The Contractor should include this task in his plan but the exact timing for it depends on the completion date of the first draft of the new Customs Law and the CRU request for assistance in this area.

6.1. Upon the request of the CRU, the Contractor shall assist the committee entrusted with the drafting of the new customs law in ensuring that the new draft is based on the following principles:

- a- "Self-assessment", whereby, importers and exporters or their agents present documentation and information to the customs administration and are held accountable for its accuracy.
- b- "Selectivity" which will allow low-risk goods to be released without documentary review and physical inspection.
- c- Fully automated systems and procedures to support declaration processing in a paperless environment with certain shipments being released without the need for a signed paper declaration.

6.2. Upon the request of the CRU, the Contractor shall also assist the committee in ensuring that Egypt's international obligations, such as those required by membership in the WTO, are incorporated in the new law. In addition, the new law should allow procedures to be developed based on internationally accepted practices, including the recommended practices of the World Customs Organization (WCO) and the Kyoto Convention.

6.3. Upon the request of the CRU, the Contractor shall also assist the committee to:

a- Ensure that the definitions and terms in the new law comply with the WCO's Glossary of International Customs Terms;

b- Ensure that the methods of valuation required under the WTO Agreement on Customs valuation are more clearly set out in the Customs Law (i.e. as opposed to the current situation of being found in the implementing decree) and that the incorrect/confusing term 'actual' value currently used in the amendment of the Law be replaced with the correct term 'transaction' value;

c- Ensure that clearer/more precise definitions of each customs offense is set out in the Customs Law and that these definitions clearly distinguish between clerical, procedural or administrative errors/mistakes and other minor customs offenses, from the more serious smuggling and commercial fraud related offenses.

d- Ensure that the penalties for each customs offense are progressive and are a suitable deterrent for each offense. An enforcement policy manual should be prepared to guide Customs management on how the progressive range of administrative fines and penalties should be applied (e.g. have a progression of fines for each repeat offense) so as to minimize official discretion to an absolute minimum;

e- Strengthen articles in the Customs Law regarding how Customs brokers are licensed as well as measures to improve brokers' professionalism and accountability;

f- Improve appeal/arbitration mechanisms for resolving disputes involving tariff classification, valuation and origin in the new law.

TASK 7: Assist the Customs Reform Unit in Drafting an Implementation Plan for Customs Reform and a Monitoring and Evaluation Plan.

The Contractor shall assist the CRU to develop a five year implementation plan based on both the analyses and recommendations developed by the IMF and the USAID consultant (Bert Cunningham) as well as the assessments described in Tasks 2, 3, 4, and 5. It is expected that this five year operational implementation plan to guide the Egyptian Customs Modernization Program would build on the CRU October 2002-March 2003 work-plan and longer term conceptual plan developed by the CRU in collaboration with the IMF. The five year implementation plan should take into consideration the comprehensive reform requirements, the inter-dependency between the different elements of the plan, and the available resources (ACTF, the GOE, and other possible donors' resources). Processes for increasing regular interaction between Customs and the trade community will be highlighted in the implementation plan. The implementation plan should include sufficient operational detail to

enable the CRU to fulfill its assigned tasks, as outlined in the Management Coordination Unit draft Implementation Plan, and to monitor the progress of the reform as well as the impact of the reform on the performance of the Customs Commission.

The Contractor shall work with the CRU and USAID, or designated representatives, to draft an M&E (monitoring and evaluation) plan to meet the relevant requirements of the ACTF Grant Agreement Section 6.3 for monitoring and evaluation, as well as Section III: Results to be Achieved and Section V: Performance Monitoring of the Grant Agreement Annex 1-Amplified Description.

Monitoring and evaluation plans will identify indicators and feasible processes to obtain information to measure the progress and efficiency of the reform process, as well as achievement of results.

TASK 8: Assist in the Implementation of Selected Elements of the Plan:

The Contractor shall, upon the request of the GOE assist in the implementation of selected items of the customs reform plan. Plausible requests may include: drafting the new customs procedures, drafting the training plan for the customs employees, coordinating with the Development Training Program (DT2) at USAID to recommend training courses and arrange for training, and/or providing training in risk analysis, post-audit or customs valuation techniques.

V. METHODOLOGY

Upon arrival in Egypt, the Contractor shall have regular coordination meetings with the USAID and CRU team members. The Contractor shall submit his work plan one week after his arrival. The plan will be revised by USAID and the CRU and should be ready in final by the middle of the second week of the Contractor's assignment.

The Contractor shall work closely with the CRU team members and should undertake numerous interviews with key players, namely: the Customs Authority officials, the Ministry of Transportation, the Port authority, the General Organization for Export and Import Control, major importers and exporters, members of businessmen associations, customs brokers, freight forwarders, and expeditors. The Contractor should make numerous site visits to El-Ain El-Sokhna Port and other selected ports to evaluate the port operations, especially in the IT and customs procedures areas.

The Contractor will also communicate with other USAID existing contractors working in related fields such as the Corporate Tax