



BUSINESS PROCESS ANALYSIS OF EXPORTING AND IMPORTING FEW SPECIFIC PRODUCTS

IMPORT OF PARTS AND ACCESSORIES FOR TRACTORS AND MOTOR VEHICLES

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Abstract

This study aims to comprehensively assess both the formal and informal procedures associated with the import process of a specific set of products. In this analysis, ECES has employed the Business Process Analysis (BPA) Model issued by the UN Centre for Trade Facilitation and Electronic Business (UN/CEFACT). Notably, this marks the first time in Egypt that a globally standardized modeling language has been used, enabling a comparative evaluation of Egypt's import processes on a global scale. Specifically, the study delves into the import process of parts and accessories for tractors and motor vehicles, focusing on products categorized under HS Code 8708. This analysis covers document requirements, the time required to complete various procedures, and the involved entities. To gather these insights, ECES conducted interviews with different stakeholders for each specific product and reviewed pertinent regulations and studies. International experiences were also studied to benchmark Egypt's trade process against global standards and extract valuable lessons for enhancing the Egyptian trade process. The study comprises two main parts. Part I examines the current state of the detailed trade process pertaining to the reviewed products, labeled as the "As Is" situation. Part II presents scenarios for improving this process, the "To Be" scenario, along with recommended corrective actions based on stakeholders' input, international best practices, and ECES' analysis.

ملخص

تهدف هذه الدراسة إلى تحليل جميع الإجراءات الرسمية وغير الرسمية المتعلقة باستيراد بعض المنتجات المحددة، بما في ذلك المستندات المطلوبة ذات الصلة، والمدة التي تستغرقها الإجراءات (رسمياً وفعالياً)، والأطراف المعنية؛ حيث طبق المركز في دراسته للمنظومة الحالية نموذج توثيق الأعمال التجارية (BPA Model) الصادر عن منظمة الأمم المتحدة لتيسير التجارة (UN/CEFACT)، مستخدماً، لأول مرة في مصر، لغة نمذجة موحدة عالمياً بما يسمح بمقارنة الوضع في مصر مع باقي دول العالم. وتحتص هذه الدراسة بتحليل إجراءات استيراد قطع غيار الجرارات والسيارات وملحقاتها بالتركيز على منتجات رمز النظام المنسق HS Code 8708، بما في ذلك المستندات المطلوبة ذات الصلة، والمدة التي تستغرقها الإجراءات (رسمياً وفعالياً)، والأطراف المعنية؛ حيث يعتمد التحليل على مقابلات مع مختلف أصحاب المصلحة/الأطراف المعنية بكل منتج، بالإضافة إلى مراجعة اللوائح والدراسات المختلفة ذات الصلة، ودراسة العديد من الخبرات الدولية من أجل مقارنة العمليات والإجراءات التجارية المتبعة في هذه الدول، مع تلك المتبعة في مصر، والاستفادة منها في تحسين الإجراءات ذات الصلة في مصر. وتتكون الدراسة من جزئين رئيسيين؛ حيث يستعرض الجزء الأول الوضع الحالي للإجراءات والعمليات التجارية المتعلقة بالمنتجات محل الدراسة، بينما يطرح الجزء الثاني بعض السيناريوهات المقترحة لتحسين الإجراءات، مع اقتراح حلول لها بناء على آراء الأطراف المعنية، وفي ضوء التجارب الدولية وتحليل الخبراء في المركز.

**Import of Parts and Accessories for Tractors,
Motor Vehicles (HS Code: 8708)**

Part I: "As Is" Situation

Introduction

This study focuses on analyzing trade processes of importing parts and accessories for tractors and motor vehicles using Business Process Analysis (BPA) approach. The analysis is divided into two main parts. Part I analyzes the “As Is” situation and consists of four sections: 1) Overall description of the manufacture of motor vehicles, trailers and semi-trailers sector, including industry structure; 2) The narrative for the production and trade processes in the tractor and motor vehicle parts and accessories sector (HS Code 8708); 3) Detailed documentation of import processes associated with the specific product of focus (HS Code: 8708); and 4) Time procedure chart of motor vehicles and tractors parts and accessories imports to Egypt. Part II offers proposed scenarios for improving the process (“To Be” Scenario) and includes the methodology of preparing them.

1. Sectoral description: The motor vehicles industry

The motor vehicle industry¹ is considered a strategic industry as it has strong backward and forward linkages with different industries particularly engineering, metal, chemical, textile, and leather. Being a capital-intensive and knowledge-intensive industry, it also plays a key role in socio-economic development. It is a job creator, a major innovator and recently doing a lot of effort to be an environmentally friendly industry.

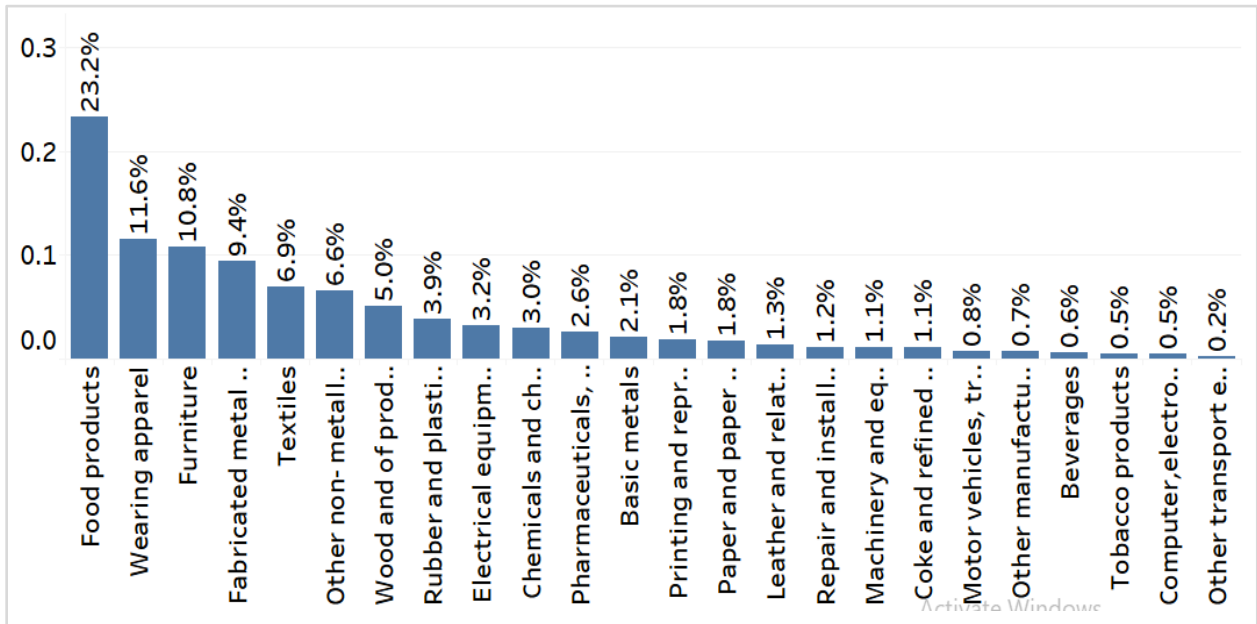
The description starts with a detailed overview of the motor vehicles industry (HS 87) as a whole and then proceeds with specific information about parts and accessories for tractors and motor vehicles (HS 8708). This description includes the sector’s latest available enterprise and employment distributions in all Egyptian governorates and what they imply, then the sector’s trade performance, and major challenges faced, particularly following the COVID-19 pandemic.

¹ Vehicles indicate all types of vehicles, from small passenger cars to buses, and all means of light and heavy commercial transportation.

1A. The motor vehicle industry: Enterprise and employment distributions in all Egyptian governorates

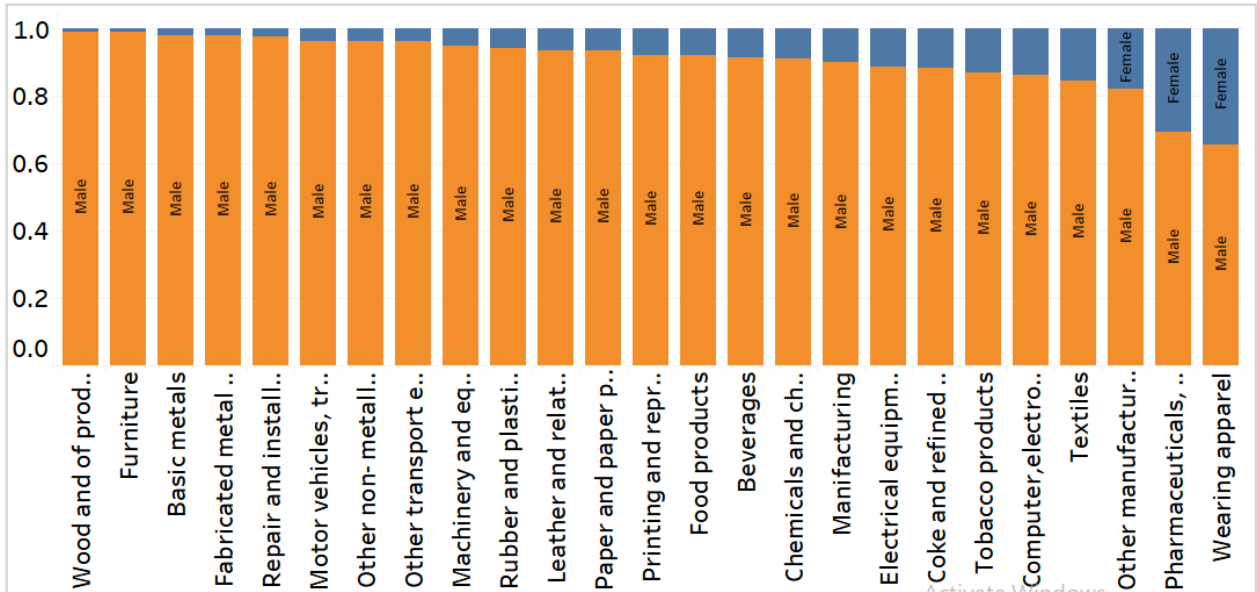
The motor vehicle industry contributes 0.8 percent to total employment in the manufacturing sector. Males dominate the motor vehicle industry as shown in Figures 1.1 and 1.2.

Figure 1.1. Ranking of manufacturing industries by % employment (2019)



Source: ECES's analysis of CAPMAS' latest statistics on manufacturing industries (2019).

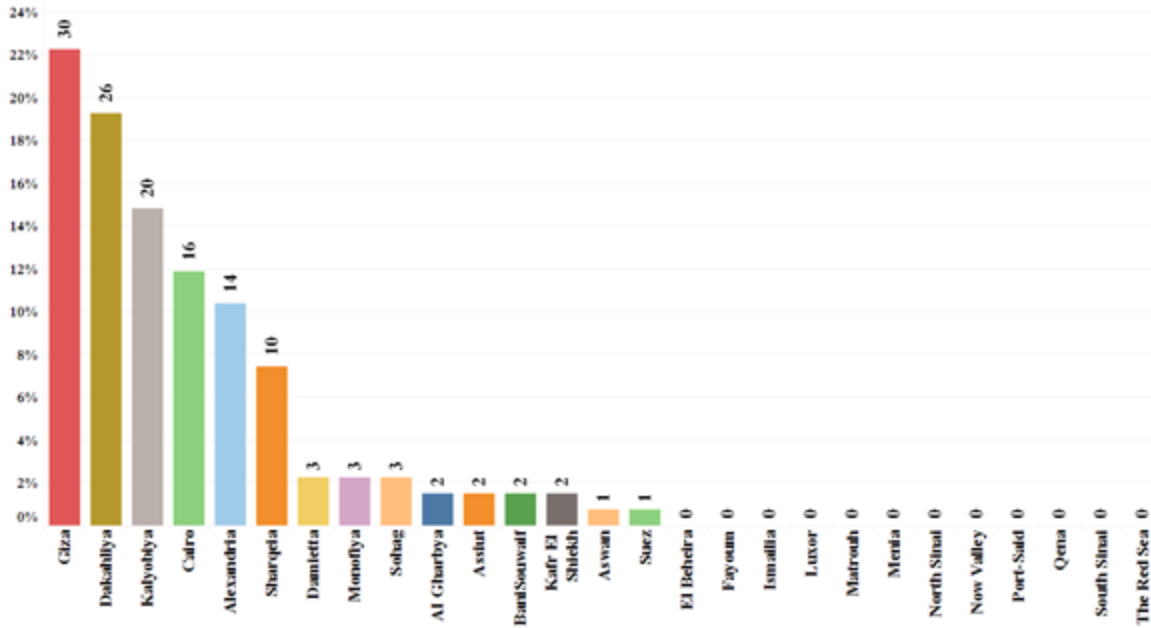
Figure 1.2. Distribution of manufacturing industries employment by gender (females in blue)



Source: ECES's analysis of CAPMAS' latest statistics on manufacturing industries (2019).

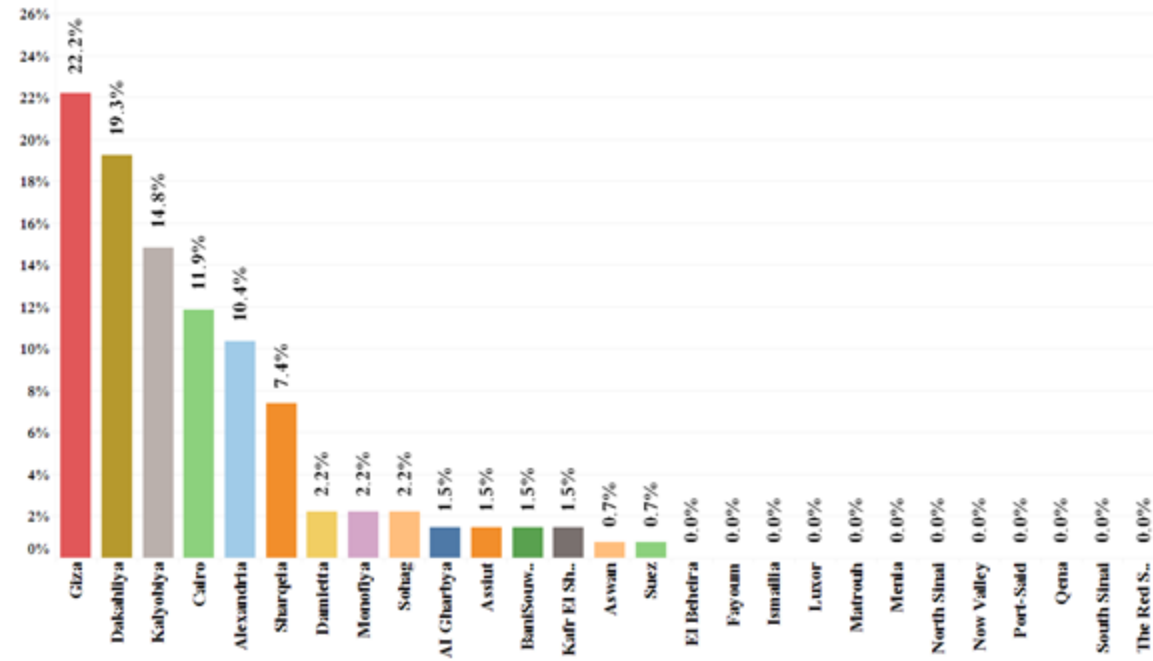
Figures 1.3, 1.4, 1.5 and 1.6 present the distribution of manufacturing motor vehicles, trailers and semi-trailers enterprises and employment in all Egyptian governorates in terms of the number of establishments and workers in each governorate, as well as percentage distribution of both variables. The total number of establishments in all 27 governorates is 135, with a total employment of 12,664. All figures clearly show that motor vehicles industries are highly concentrated in Greater Cairo and Dakahliya, accounting for 68 percent of total enterprises and more than 90 percent of total employment.

Figure 1.3. Total number of manufacturing enterprises of motor vehicles, trailers, and semi-trailers per governorate



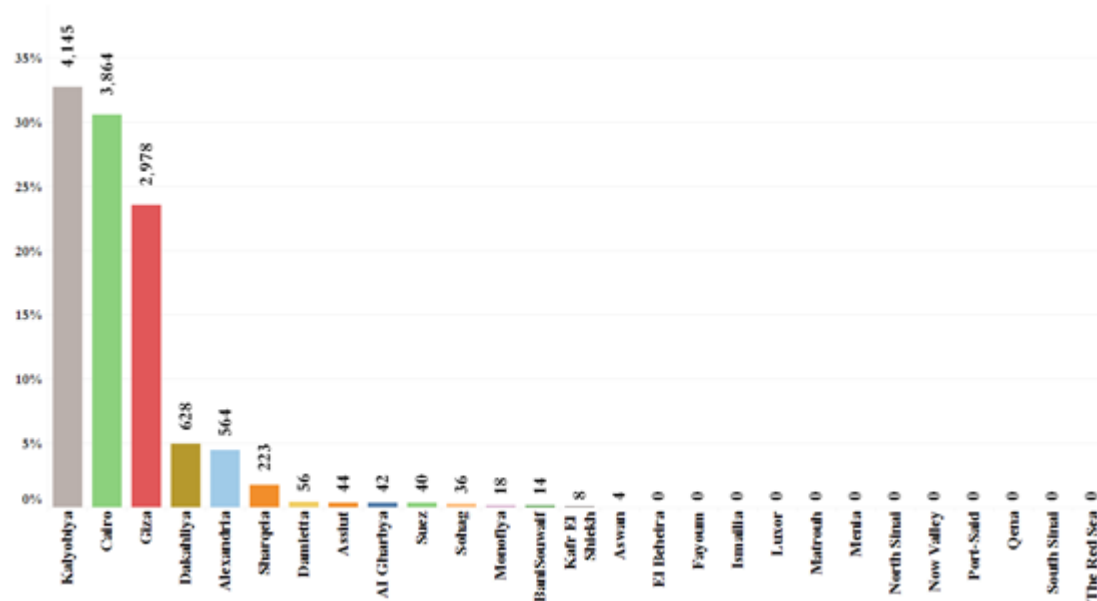
Source: ECES's analysis of CAPMAS' latest statistics on manufacturing industries (2019).

Figure 1.4. Percentage distribution of manufacturing enterprises of motor vehicles, trailers, and semi-trailers per governorate



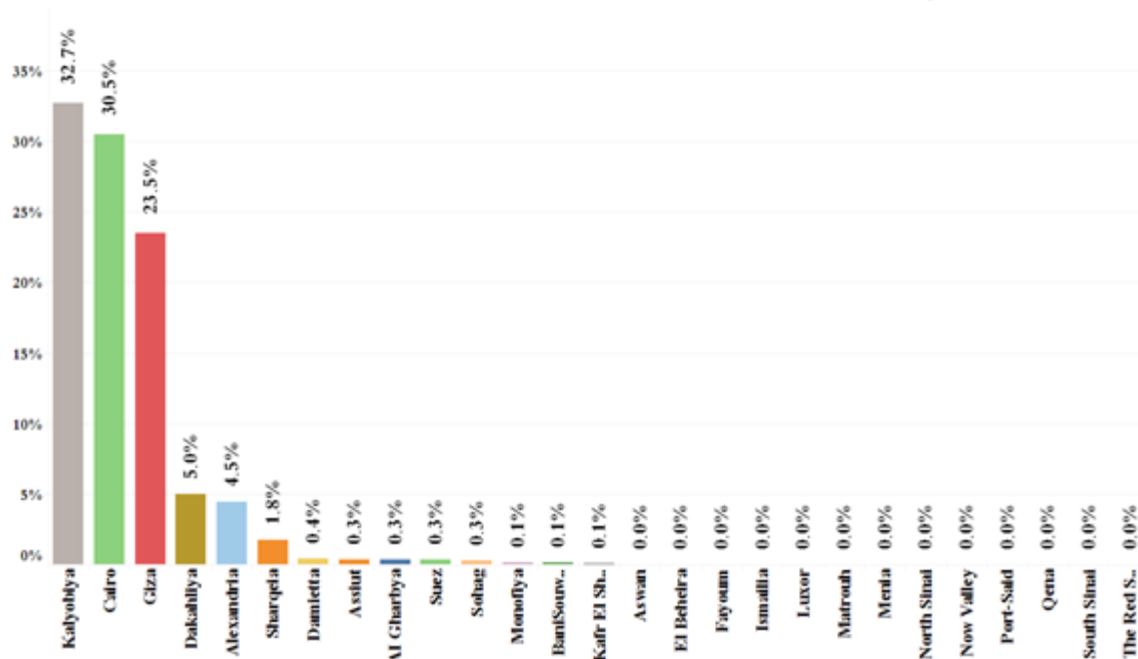
Source: ECES's analysis of CAPMAS' latest statistics on manufacturing industries (2019)

Figure 1.5. Total number of employees in manufacturing enterprises of motor vehicles, trailers, and semi-trailers per governorate



Source: ECES's analysis of CAPMAS' latest statistics on manufacturing industries (2019).

Figure 1.6. Percentage distribution of manufacturing enterprises of motor vehicles, trailers, and semi-trailers employees per governorate



Source: ECES's analysis of CAPMAS' latest statistics on manufacturing industries (2019).

Table 1.1 and subsequent pie charts below divide governorates into three groups as per the level of concentration of enterprises and employment. Group 1 governorates account for 56 percent of total enterprises and 61 percent of total employment. The group consists of Giza (23.50 percent), Dakahlyia (5 percent), Kalyubia (32.7 percent). Group 2 has a lower concentration of manufacturing motor vehicles, trailers and semi-trailers industries enterprises and employment, accounting for almost 22 percent of all enterprises and 35 percent of total employment. Group 3, with an even lower concentration of 21 percent of total enterprises and 4 percent of total employment, is mostly located around Sharqia (7.4 percent), Damietta (2.2 percent), Monofiya (2.2 percent), Sohag (2.2 percent), Al-Gharbya (1.5 percent), Assiut (1.5 percent), Bani-Souwaif (1.5 percent), Kafr El Sheikh (1.5 percent) and Aswan (0.7 percent). Groups 1 and 2, combined, account for 79 percent of total enterprises and around 96 percent of total employment.

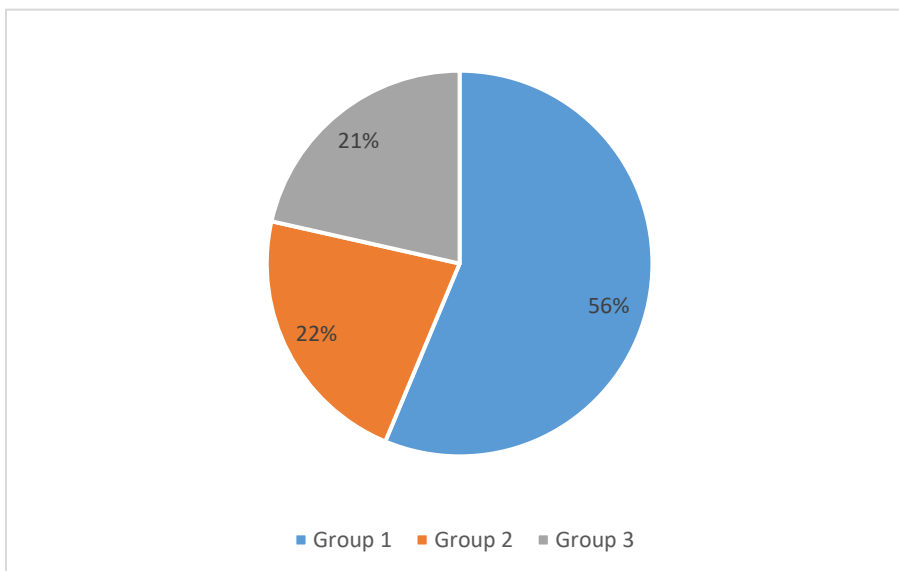
The limited existence of motor vehicle industries in Group 3 implies that there is room for the emergence of new enterprises in these governorates. This also coincides with the prevalence of poverty in these governorates, along with the high rate of women-headed households.

Table 1.1. Motor vehicle industry: Distribution of enterprises and employment per groups of governorates

Governorate Groups	Establishment Dispersion	Workers Dispersion
Group1: Giza, Dakahlyia, Qalyubia	56%	61%
Group2: Cairo, Alexandria	22%	35%
Group3: Sharqia, Damietta, Monofiya, Sohag, Al-Gharbya, Assiut, Bani-Souwaif, Kafr El-Sheikh, Aswan	21%	4%

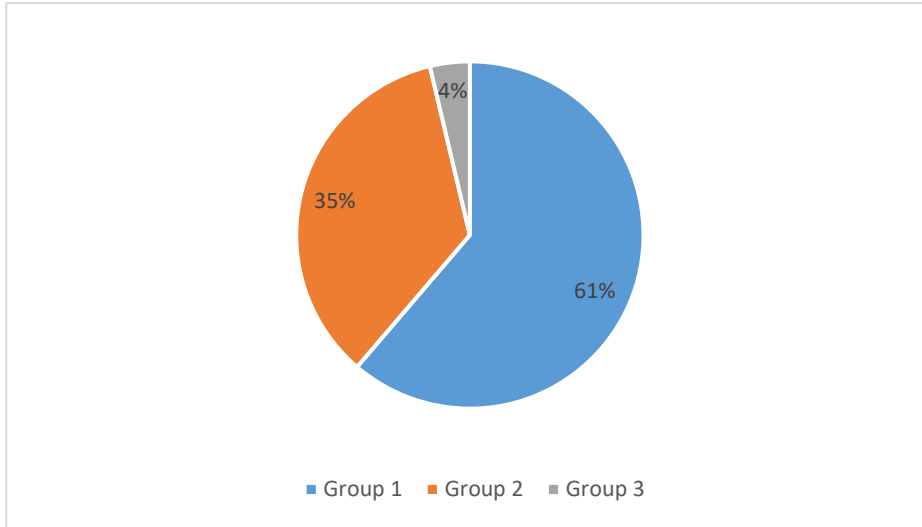
Source: ECES's analysis of CAPMAS' latest statistics on manufacturing industries (2019).

Figure 1.7. Total manufacturing enterprises of parts and accessories for motor vehicles: Establishments dispersion



Source: ECES's analysis of CAPMAS' latest statistics on manufacturing industries (2019).

Figure 1.8. Total manufacturing enterprises of parts and accessories for motor vehicles: Workers' dispersion

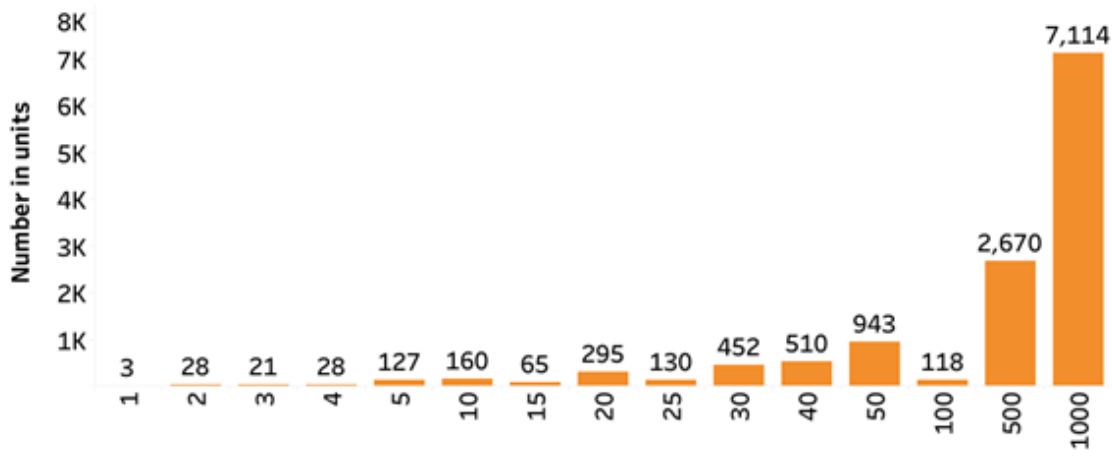


Source: ECES’s analysis of CAPMAS’ latest statistics on manufacturing industries (2019).

The size structure of enterprises measured by the number of workers

Figure 1.9 presents the distribution of enterprises by size, while Figure 1.10 shows the same distribution in percentage. The predominance of large enterprises in the manufacturing of motor vehicles is obvious, as employment in large enterprises accounts for 56 percent of the total, with an average of 1000 workers, and around 21 percent of enterprises employ 500 workers.

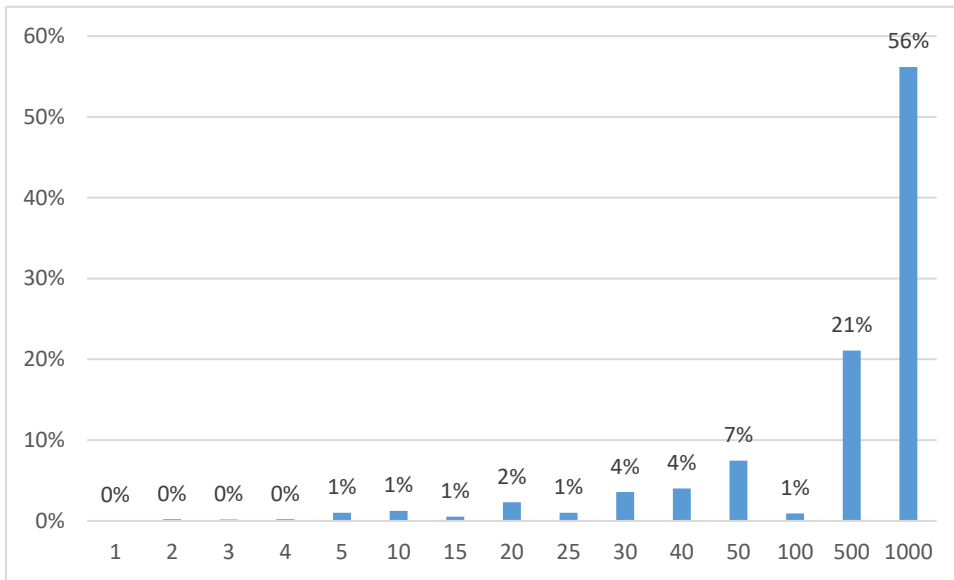
Figure 1.9. Distribution of sector’s enterprises by size



Source: ECES’s analysis of CAPMAS’ latest statistics on manufacturing industries (2019).

Figure 1.10. Percentage distribution of the sector’s enterprises by size

(Measured in terms of percentage of workers)

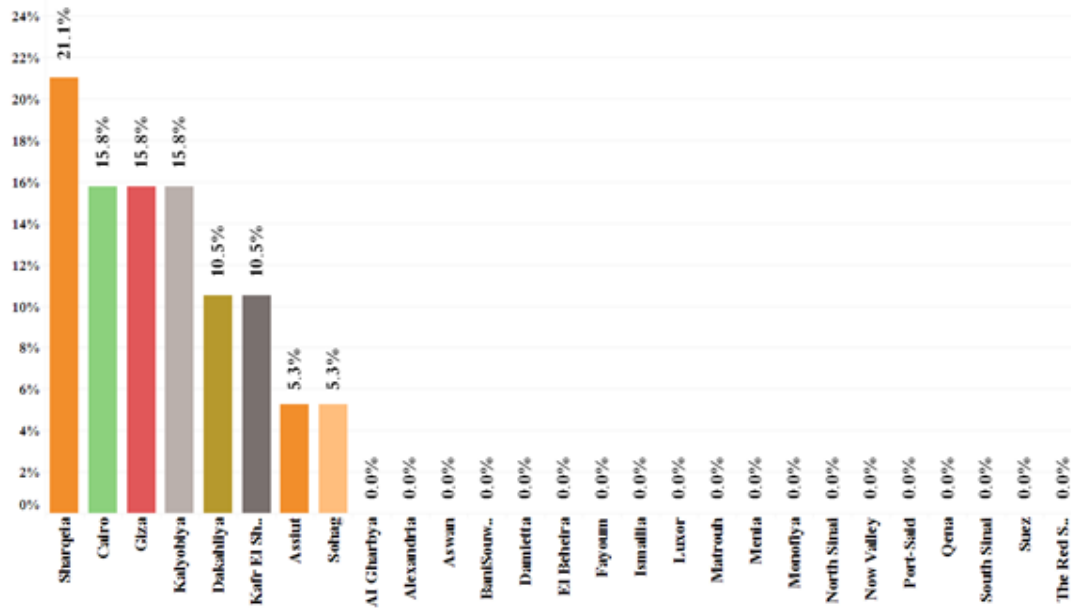


Source: ECES's analysis of CAPMAS' latest statistics on manufacturing industries (2019).

1B. The tractor and motor vehicle parts and accessories subsector: Enterprise and employment distributions in all Egyptian governorates

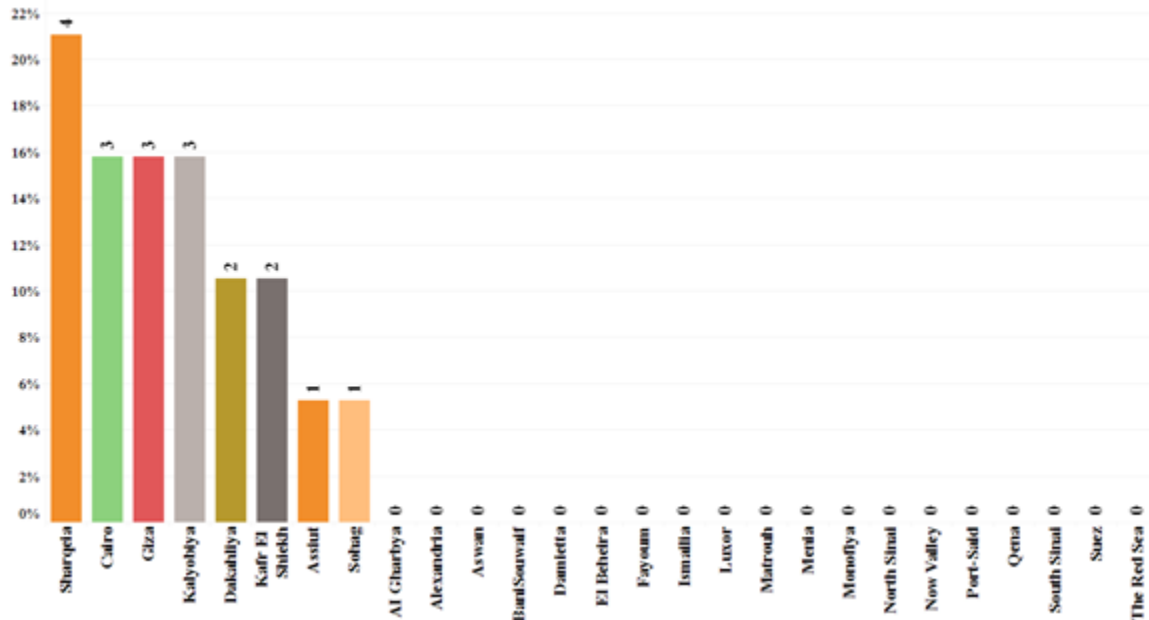
Figures 1.11, 1.12, 1.13, and 1.14 show the distribution of motor vehicle parts and accessories subsector enterprises and employment in all Egyptian governorates, in terms of number of establishments and number of workers in each governorate as well as percentage distribution of both variables. The total number of establishments in all 27 governorates is 19, with a total employment of 373. All figures clearly indicate that the tractor and motor vehicle parts and accessories industry is concentrated in lower Egypt, averaging 88 percent of total enterprises and 89 percent of total employment. Greater Cairo alone accounts for around 45 percent of total enterprises and 64 percent of total employment, followed by Sharqia, which accounts for 21 percent of total enterprises and 20 percent of total employment. Two governorates from upper Egypt (Assiut and Sohag) account for only 10 percent of total enterprises and 12 percent of total employment.

Figure 1.11. Percentage distribution of enterprises operating in the motor vehicles parts and accessories manufacturing subsector per governorate



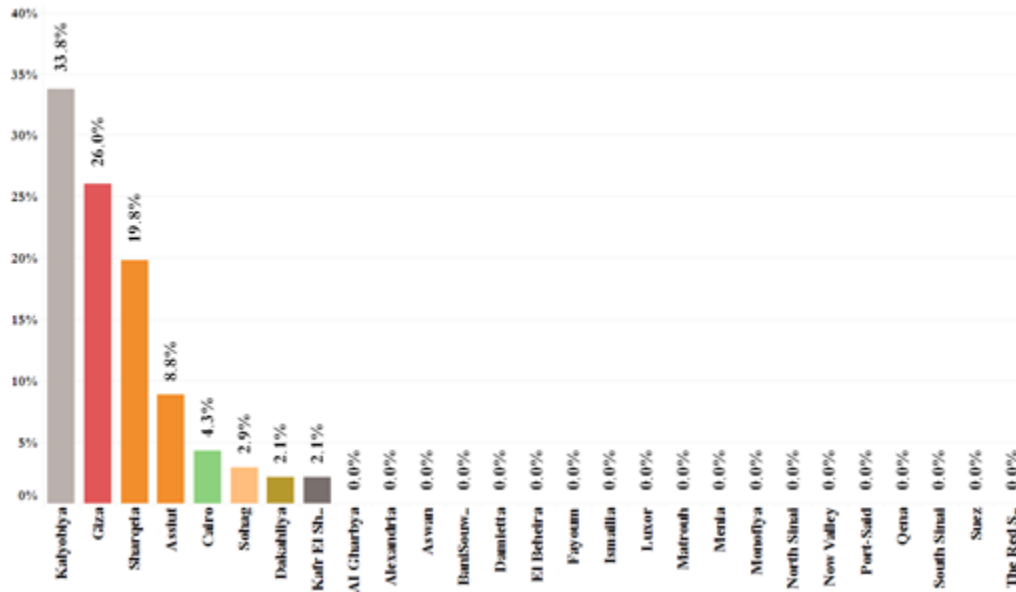
Source: ECES's analysis of CAPMAS' latest statistics on manufacturing industries (2019).

Figure 1.12. Total number of enterprises operating in the motor vehicle parts and accessories manufacturing subsector



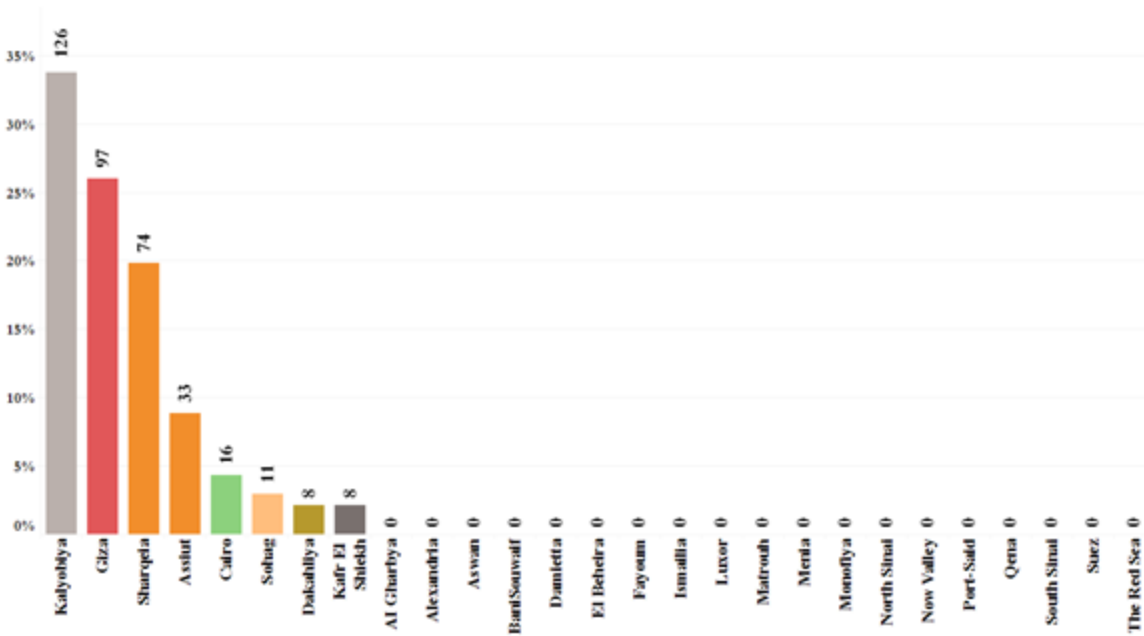
Source: ECES's analysis of CAPMAS' latest statistics on manufacturing industries (2019).

Figure 1.13. Percentage distribution of workers in the motor vehicle parts and accessories manufacturing subsector per governorate



Source: ECES's analysis of CAPMAS' latest statistics on manufacturing industries (2019).

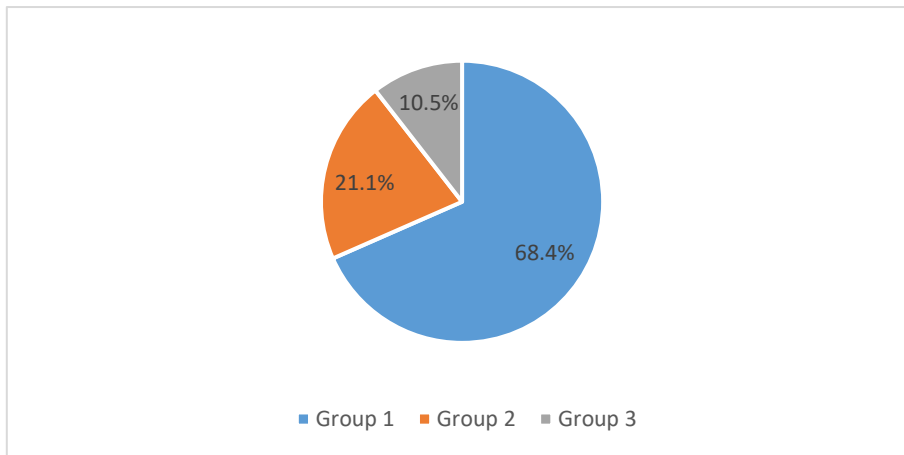
Figure 1.14. Total number of workers in the motor vehicle parts and accessories manufacturing subsector per governorate



Source: ECES's analysis of CAPMAS' latest statistics on manufacturing industries (2019).

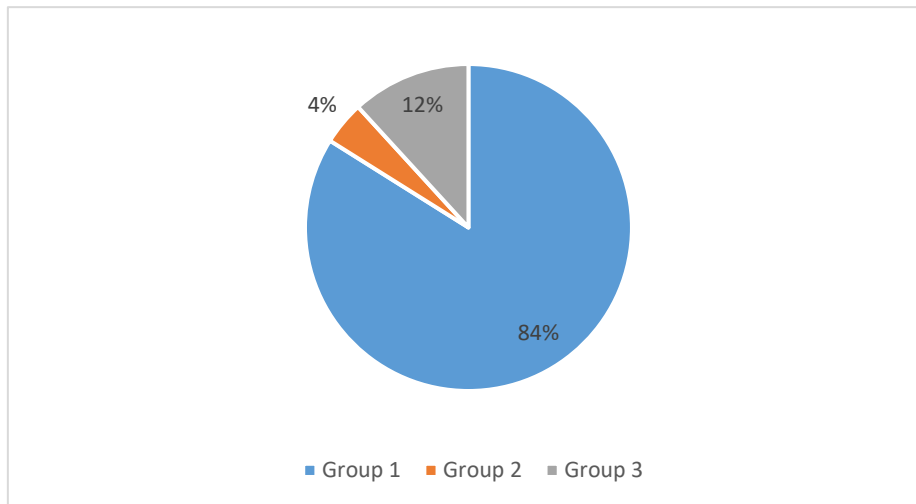
The pie charts below divide governorates into three groups as per the level of concentration of enterprises and employment in the motor vehicle parts and accessories manufacturing subsector. Group 1 governorates account for 68 percent of total enterprises and 84 percent of total employment. The group consists of Sharqia, Qalyubia, Giza, and Cairo. Group 2 accounts for a lower concentration of motor vehicle parts and accessories manufacturing industry, as it accounts for 21 percent of enterprises but 4 percent of employment. Group 3, with an even lower concentration at 10.5 percent of total enterprises and 12 percent of total employment.

Figure 1.15. Motor vehicle parts and accessories subsector: Establishments' dispersion



Source: ECES's analysis of CAPMAS' latest statistics on manufacturing industries (2019).

Figure 1.16. Motor vehicles parts and accessories subsector: Worker's dispersion



Source: ECES's analysis of CAPMAS' latest statistics on manufacturing industries (2019).

1C. Trade performance of the motor vehicle ² sector, with a focus on tractor and motor vehicle parts and accessories

According to Table 1.2, the value of Egyptian imports of motor vehicles (code 87) recorded around \$5 billion in 2021, which represents 7 percent of Egypt’s total non-oil imports. Germany and China are considered Egypt’s main suppliers of imports of motor vehicles, with 16 and 14 percent of total Egyptian imports. Egyptian exports of motor vehicles (code 87), however, recorded \$53.5 million representing 0.24 percent of total Egyptian manufacturing exports. Egypt exports mainly to Hong Kong, Cameroon, United Kingdom, with 22 percent, 21 percent, and 13 percent, respectively.

The value of Egypt's imports of parts and accessories for tractors and motor vehicles (HS code 8708) was \$490 million in 2021. The most important countries from which Egypt imports are China (30 percent), Thailand (12 percent), and Japan (12 percent).

As for exports, the value of Egypt's exports of parts and accessories for tractors and motor vehicles is \$4.01 million in 2021. The most important countries to which Egypt exports include Germany (36 percent), south Africa (18 percent), Saudi Arabia (7 percent), and Tunisia (6 percent).

Table 1.2. Tractor and motor vehicle parts and accessories sector: Trade profile in 2021

Code	Imported value in 2021 (in USD 000)	Share in Egypt's total imports in 2021 (%)	Share in Egypt's manufacturing imports in 2021 (%)	Exported value in 2021 (in USD 000)	Share in Egypt's total exports in 2021 (%)	Share in Egypt's manufacturing exports in 2021 (%)
87	4,902,413	7%	10%	53,514	0.13%	0.24%
8708	490,883	0.7%	1%	4,018	0.01%	0.02%

Source: Calculated based on trade map data (2021).

Table 1.3 shows the specific trade performance of all products under the HS code 87 category. Concerning the specific product of interest in this study, i.e., parts and accessories for tractors and motor vehicles (HS Code 8708), the table clearly shows it alone accounts for 10 percent of total imports from the HS code 87 category and 7.5 percent of total exports.

² HS Code 87 according to the Harmonized System (2-digit HS) or item 29 according to the 2-digit ISIC classification.

Table 1.3. Trade performance of HS Code 87 in engineering sector and positioning of HS Code 8708 (2021)

Code	Product label	Imported value in 2021 (in USD 000)	Share % of total product (87) imports	Exported value in 2021 (in USD 000)	Share % of total product (87) exports	Trade balance 2021 (in USD 000)
'8701	Tractors (other than tractors of heading 8709)	205632	4.195	53	0.099	-205,580
'8702	Motor vehicles for the transport of >= 10 persons, incl. driver	61339	1.251	41546	77.636	-19,793
'8703	Motor cars and other motor vehicles principally designed for the transport of persons	3358733	68.512	3121	5.834	-3,355,609
'8704	Motor vehicles for the transport of goods, incl. chassis with engine and cab	410283	8.369	0	0.000	-410,283
'8705	Special purpose motor vehicles (other than those principally designed for the transport of ...	165122	3.368	1	0.002	-165,121
'8706	Chassis fitted with engines, for tractors, motor vehicles for the transport of ten or more	22925	0.468	0	0.000	-22,925
'8707	Bodies, incl. cabs, for tractors, motor vehicles for the transport of ten or more persons	9946	0.203	99	0.185	-9,847
'8708	Parts and accessories for tractors, motor vehicles for the transport of ten or more persons,	490883	10.013	4018	7.508	-486,865
'8709	Works trucks, self-propelled, not fitted with lifting or handling equipment,	165	0.003	309	0.577	144
'8710	Tanks and other armored fighting vehicles, motorized, whether or not fitted with weapons,	3223	0.066	0	0.000	-3,223

Code	Product label	Imported value in 2021 (in USD 000)	Share % of total product (87) imports	Exported value in 2021 (in USD 000)	Share % of total product (87) exports	Trade balance 2021 (in USD 000)
'8711	Motorcycles, incl. mopeds, and cycles fitted with an auxiliary motor, with or without side-cars	34258	0.699	606	1.132	-33,652
'8712	Bicycles and other cycles, incl. delivery tricycles, not motorized	900	0.018	5	0.009	-895
'8713	Carriages for disabled persons, whether or not motorized or otherwise mechanically propelled	4394	0.090	0	0.000	-4,394
'8714	Parts and accessories for motorcycles and bicycles and for carriages for disabled persons	98864	2.017	69	0.129	-98,795
'8715	Baby carriages and parts thereof, n.e.s.	1536	0.031	0	0.000	-1,536
'8716	Trailers and semi-trailers; other vehicles, not mechanically propelled (excluding railway)	34211	0.698	3686	6.888	-30,525
Total HS code 87		4,902,413		53,514		-4,848,899

Source: Calculated based on trade map data (2021).

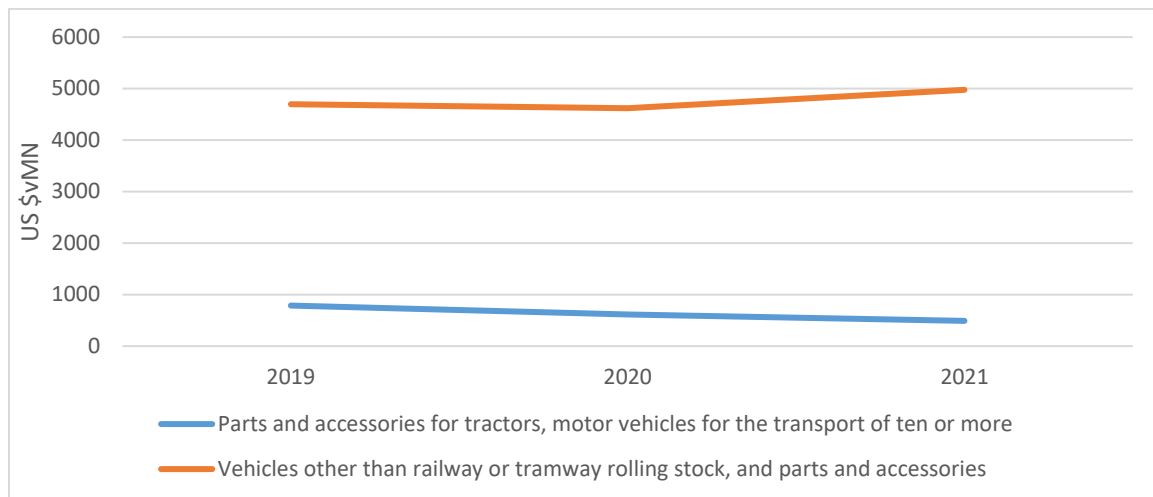
ID. Trade Performance of tractor and motor vehicle parts and accessories subsector during COVID-19

According to the International Organization of Motor Vehicle Manufacturers, Egypt's production of motor vehicles increased during 2020 by almost 28 percent compared with its value in 2019, while stabilizing at 23.7 thousand units during 2020 and 2021.

Egyptian exports in vehicle (HS 87) lags behind South Africa and Morocco as they exported around 10.6 and 5 bn USD respectively, while Egypt exported \$53.5 million in 2021. Regarding motor vehicle parts, South Africa and Morocco exported more than 700 million USD while Egyptian exports did not exceed \$4 million.

Trade performance of motor vehicles shows a limited decline in Egyptian imports estimated at 2 percent in 2020, while imports of parts and accessories for tractors and motor vehicles witnessed a sharp decline in 2020 (22 percent in its value compared with 2019) and continue to decline in 2021.

Figure 1.17. Egypt’s Imports of parts and accessories for tractors and motor vehicles: 2019 - 2021



Source: Calculated based on trade map data (2021).

Locally, the report issued by the Central Agency for Public Mobilization and Statistics (CAPMAS) showed a decline in the value of imports of car production components and spare parts by 18.3 percent during the first nine months of 2021 to reach \$486 million and \$299 thousand, compared to about \$595 million and \$47 thousand in the corresponding period of the previous year.

Several car manufacturers attributed the decline in imports of production components and spare parts to a key set of factors, most importantly tendency of most local manufacturers to reduce the volume of their imports, considering the rise in global freight rates, which doubled by rates ranging from 500 to 600 percent compared to the total fees, resulting in a rise in the import bill and production costs for local producers.

Also, irregular freight traffic by shipping companies, which led to delayed arrival of contracted shipments for a period ranging from 3 to 4 months.

The matter worsened following the Central Bank’s decisions issued in March 2022 regarding the replacement of collection documents with letters of credit, which caused a

severe shortage of spare parts, an increase in their prices, and disruption of maintenance and repair centers services.

2. The narrative analysis for the manufacturing of parts and accessories for motor vehicles and trade processes of (HS Code 8708).

With a country exceeding 100 million in population, Egypt's demand for cars is limited, not exceeding 400,000 annually. In 2021, car sales included around 170 thousand imported cars and 100-120 thousand locally produced cars. This makes the component market, especially the secondary is extremely active and highly sensitive to trade procedures due to the fact that a high percentage of car components are being imported.

Egypt's automotive industry is dominated by assembly-based supply chains and hundreds of automotive feeding companies are mostly informal micro workshops.

Egypt has 12 automotive producers with assembly lines. GB Ghabbour Auto (GB Auto), Mansour Automotive, and Nissan have the largest market share of production capacity.

There are 500 automobile feeding companies in Egypt today, serving 16 assembly plants. They mainly produce exhaust components, air conditioning units, radiators, plastics for interiors, windshields, mirrors and seats, supplying international brands assembling their models locally or selling manufacturer-approved spare parts.³

Two main tier 1 automotive suppliers are currently present in Egypt: Valeo and Brightskies Technologies. Tier 2 and Tier 3 components factories in Egypt manufacture several products including: Tires and inner tubes, glass and windshields, aluminum parts, electrical wires, batteries, leaf springs, oil filters, air filters, upholstery material and plastic parts and bumpers.

Egypt has a greater opportunity to produce components for the secondary market or sell to repair and maintenance centers locally than for car manufacturing, which are often few, large, specialized global companies that drive innovation and product development within the value chain.

³ <https://www.readkong.com/page/taking-egypt-s-automotive-industry-to-the-next-level-5003355>.

Several specific observations need to be pointed out in relation to the production and trade processes of HS Code 8708 in the case of Egypt:

Observation #1

Although the vehicle components and spare parts sector belongs to the same HS code 8708, the spectrum is highly diversified requiring different procedures by customs according to the nature of the commodity. Also, the customs treatment varies according to whether the import is for trading or manufacturing:

Observation #2

Trade in auto components is influenced by its technical specification. There are two technical specification systems worldwide regarding vehicle components and spare parts (HS code 8708) WP29 and the US System for Specifications for Automotive Components. First, the agreement of the United Nations Economic Commission for Europe, known worldwide as the World Forum for Harmonization of Vehicle Regulations (WP 29). It is considered a unified global framework, which dates to an initiative of the European Union in 1985 and began with four European countries and then expanded to include other non-European countries. Egypt joined the United Nations agreement in 2012 but did not subscribe to the US system.

American car components suppliers to the Egyptian market must comply with WP 29 technical specifications. They are consistently pushing Egypt to adopt the US standards. What is odd is that when they are exporting to non-Egyptian markets, they comply with WP 29, which they are unwilling to do for the Egyptian market.

Observation #3

Even though Egypt joined the United Nations agreement in 2012, it did not benefit from it sufficiently, as it did not create a value chain that would enable it to equip laboratories and conduct tests locally. Producers in Egypt are obliged to conduct tests in other countries that have made a better use of the agreement to serve their local producers, and to test and grant certification to non-local producers.

According to the United Nations specification, 140 specifications have been identified that must be adhered to so as to meet safety, security and environmental standards in any vehicle

that is produced and traded. Egypt imposes only ten of these specifications on its local producers.

Observation #4

In Egypt, there are no technical specification for a fully imported vehicle. In fact, imported vehicles enter Egypt with no auditing on its parts and components, which is considered totally unfair to local producers who must comply with the ten standards. In addition, there are no guarantees of the quality of what is imported; the local producers must bear the additional costs for compliance with specifications. Consequently, unfair competition between local products and imports.

On the other hand, imports of auto components suffer from weak internal controls over markets, which results in manipulation of documents on the origin of goods and the presence of products of lower quality, selling them to the consumer at the prices of original products. Hence, loss of revenues to the State and exposing consumers to fraud.

Observation #5

There is discrepancy in import procedures of auto spare parts according to the objective. Importing for trade differs from that for manufacturing.

Whereas importing spare parts for manufacturing requires the approval of the Industrial Development Authority on each shipment, as well as the approval of the Industrial Control Authority in the case of the drawback systems and temporary permission or re-export of cars from the free zone, importing for the purpose of trading requires approval of the General Authority for Export and Import Control (GOIEC) before signing the contract between the Egyptian importer and the supplier.

Observation #6

The reviewing entities differ according to the nature of the product. Batteries are presented to the Chemistry Department, while airbags are referred to Public Security, whereas audio devices, electronic applications and GPS are presented to the General Telecommunications Regulatory Authority (NATRA).

Duration and costs of the reviewing entities vary, but the longest in duration is the approval of the public security. In terms of cost, the approval of the public security and the fees of the Roads Authority are the highest.

Observation #7

While the “window” (Nafeza) system and the application of pre-registration of shipments pose a challenge to almost all sectors, the heterogeneous nature of the car component sector and the different treatment of each product according to its nature and to the purpose of importing increase the burdens on local producers. Being car assemblers, any delay related to one component will affect the production of vehicles itself.

3. Detailed documentation of import processes associated with the specific product of focus (HS Code: 8708)

Figure 3.1 and Table 3.1 present a list of 14 core business processes that are typically carried out when importing Parts and accessories for tractors, motor vehicles, (HS Code: 8708) into Egypt and a list of more than 14 organizations that an importer indirectly or directly deals with.

These core business processes are categorized into 3 process areas as per UN/CEFACT International Supply Chain Model:

Buy: The conclusion of trade terms and the establishment of sales contract.

Ship: The arrangement for cargo movement and the completion of necessary actions to meet regulatory requirements of both export and import countries.

Pay: The claim for the payment, the payment for the purchased cargo and the local payment.

It should be noted that this documentation focuses only on inland enterprises big or small, as free zone enterprises are not subject to any of the processes discussed in this report.

It should also be noted that the payment process is interlinked with the shipping process. In fact, concluding payment is required to be able to proceed with customs clearance and other subsequent business processes. Therefore, business processes regarding payment will be discussed at the beginning of the ‘ship’ process area. Also, any required prerequisites will be discussed separately before discussing the ‘buy’ process area.

Two important notes should be made: 1) The presentation of core processes of importation is preceded by a short but detailed presentation of how Egyptian importers get an import license for an item. The reason it is presented is the fact that it is a major precondition for importation that is often problematic to obtain. In such case, it will delay the beginning of the whole import process.

The import process is subject to many changes that enterprises are still adjusting to. Depending on the problems they might face, certain changes to the system can be introduced. In this study, we accommodated the total process with its full details to date. New changes can still take place in the future. Up to the final delivery date of the study, we shall continue to include changes as they emerge.

Figure 3.1. Use case diagram of business processes in parts and accessories for tractors and motor vehicles importation to Egypt

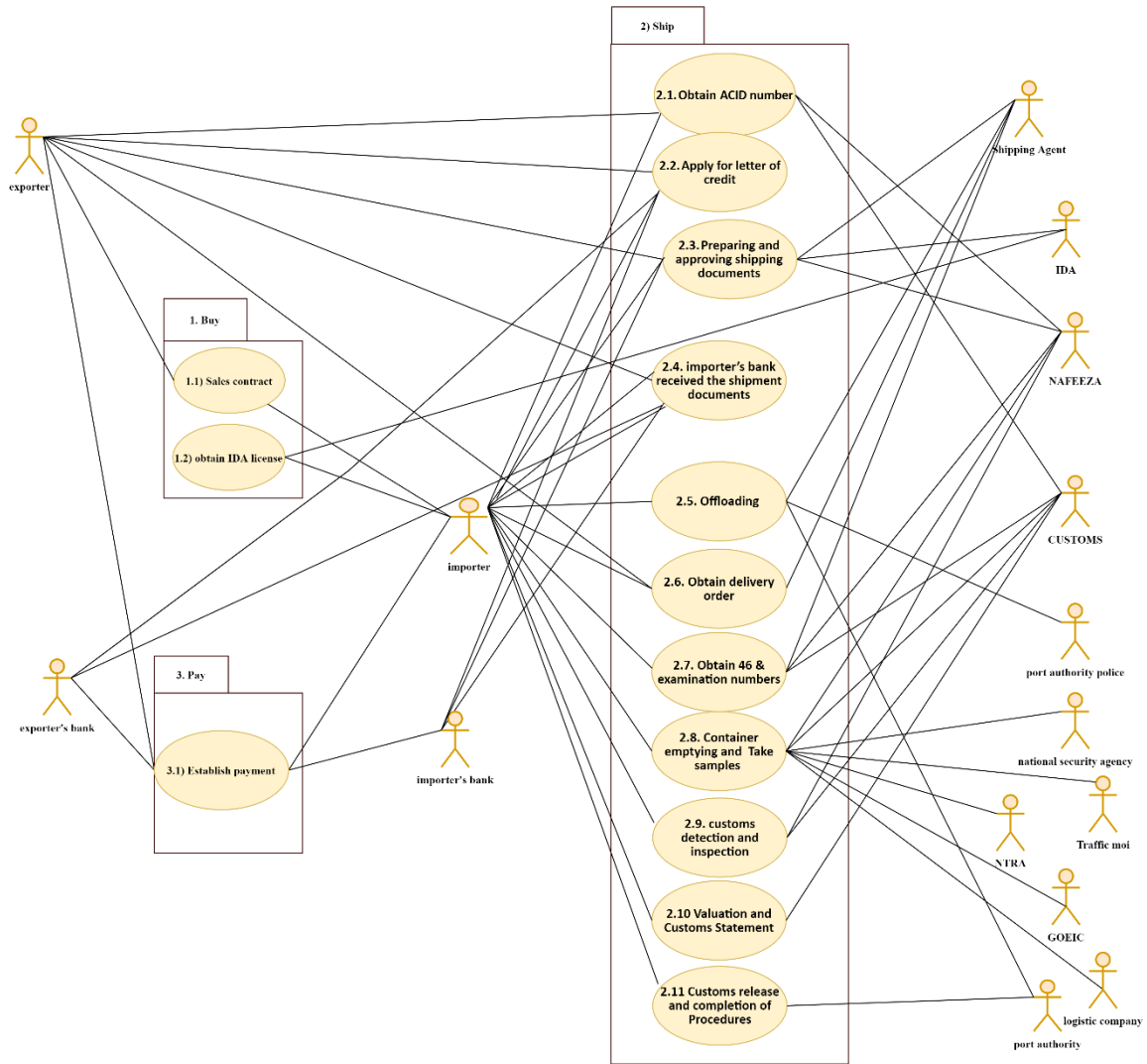


Table 3.1. Core business processes and stakeholders involved in parts and accessories for tractors, motor vehicles import

Core Business Process	Importer	IDA	GOEIC	Port authority	MTS company (NAFEZA)	Shipping Agent	Customs	Port authority police	Exporter	GENERAL SECURITY AGENCY	Exporter' s Bank	TRAFFIC MOI	NTRA	Importer' s Bank	Logistics company
1. Buy															
1.1. Sales contract	X								X						
1.2 Obtain IDA license*	X	X													
2. Ship															
2.1. Obtain ACID number	X				X		X		X						
2.2. Apply for letter of credit	X								X		X			X	
2.3. Preparing and approving shipping documents	X	X			X	X			X					X	
2.4. Egyptian importer's bank received the shipment documents,	X								X		X			X	
2.5. Offloading	X			X		X		X							
2.6. Obtain delivery order	X					X			X						
2.7. Obtain 46 & examination numbers	X				X	X	X								
2.8. Container emptying and take samples*	X		X		X					X		X	X		X
2.9. Customs detection and inspection	X				X		X								
2.10 Valuation and customs Statement*	X						X								
2.11 Customs release and completion of Procedures	X			X											
3. Pay															
3.1 Conclude payment*	X								X		X			X	

*Steps where sectoral relevance is seen the most.

- As mentioned before, the pay-process is considered completed. Since the money and document transfers are across two countries, payment is concluded in process 2.2 & 2.4

3A. Pre-import requirements

In the case of importing for trading; obtaining an import license. But in the case of importing for manufacturing; obtaining a production requirements card (needs card). The Export and Import Control Authority issues both the import license and the needs card.

1. Import license

It takes two days and is renewed every five years. It costs EGP 5000 (the total number of products is 21 according to the HS code). Adding a group of products costs EGP 1000 per group. Renewal fees are EGP 2000.

Documents required in accordance with the provisions of Law No. 7 of 2017 include:

- a) Registration application form signed by the person concerned or the authorized representative in front of the competent employee or signed by the representative.
- b) Official copy of the company's contract or the company's articles of incorporation, and amendments made to it, as registered, publicized and recorded in the commercial register, indicating that 51 percent of the capital is owned by Egyptians - the import activity - the paid-up capital is not less than two million pounds.
- c) Recent official copy of the commercial register.
- d) Copy of the tax card and presenting the original for viewing, and a certified copy of the tax statement for the previous year showing that the annual turnover of the company is not less than EGP 5 million.
- e) Original certificate of importing in the name of one of the general and limited partners or those responsible for imports as issued by the Foreign Trade Training Center at the Ministry of Industry and Trade.
- f) Receipt of depositing the insurance value, amounting to EGP 50,000 (for individuals), and up to EGP 200,000 (for companies) in the treasury of the Authority, or a letter from the bank stating that the amount has been deposited in the Authority's account

2. Production requirements card (needs card):

Issued by the Export and Import Control Authority (it takes one day and is renewed every five years). Issuance is free.

Documents required by law:

- a) Registration application form signed by whomever has the right to administer
- b) Industrial record/license if the project is industrial
- c) Recent official copy of the commercial register
- d) Copy of the ID card
- e) Letter to the General Investment Authority if the company is affiliated to it
- f) Obtaining a customs procedures certificate (transaction number) from customs (costs EGP 50)
- g) Establishing an account for the importing company on the Nafeza website with the registration of the person who has the right to sign electronically (E-token)
- h) Subscribing to the electronic signature service and obtaining the right to use the electronic signature through one of the companies (Egypt Clearing House or SNS). The cost ranges from EGP 700 to EGP 1000.
- i) Preparing a statement of foreign exporters in the Egyptian importer's import operations (tax registration number - trade name of the exporter - trademark).
- j) Register an account for the company exporting to Egypt on the CargoX platform
- k) Registering an account for the accredited customs brokers to the window and obtaining the electronic signature
- l) Steps 8 through 10 can take a long time depending on how easy it is for the exporting company representative to push the paperwork approval in the Ministry of Trade and Industry)

3B. Process area 1: Buy

Core business process area 1.1: Conclude sales contract

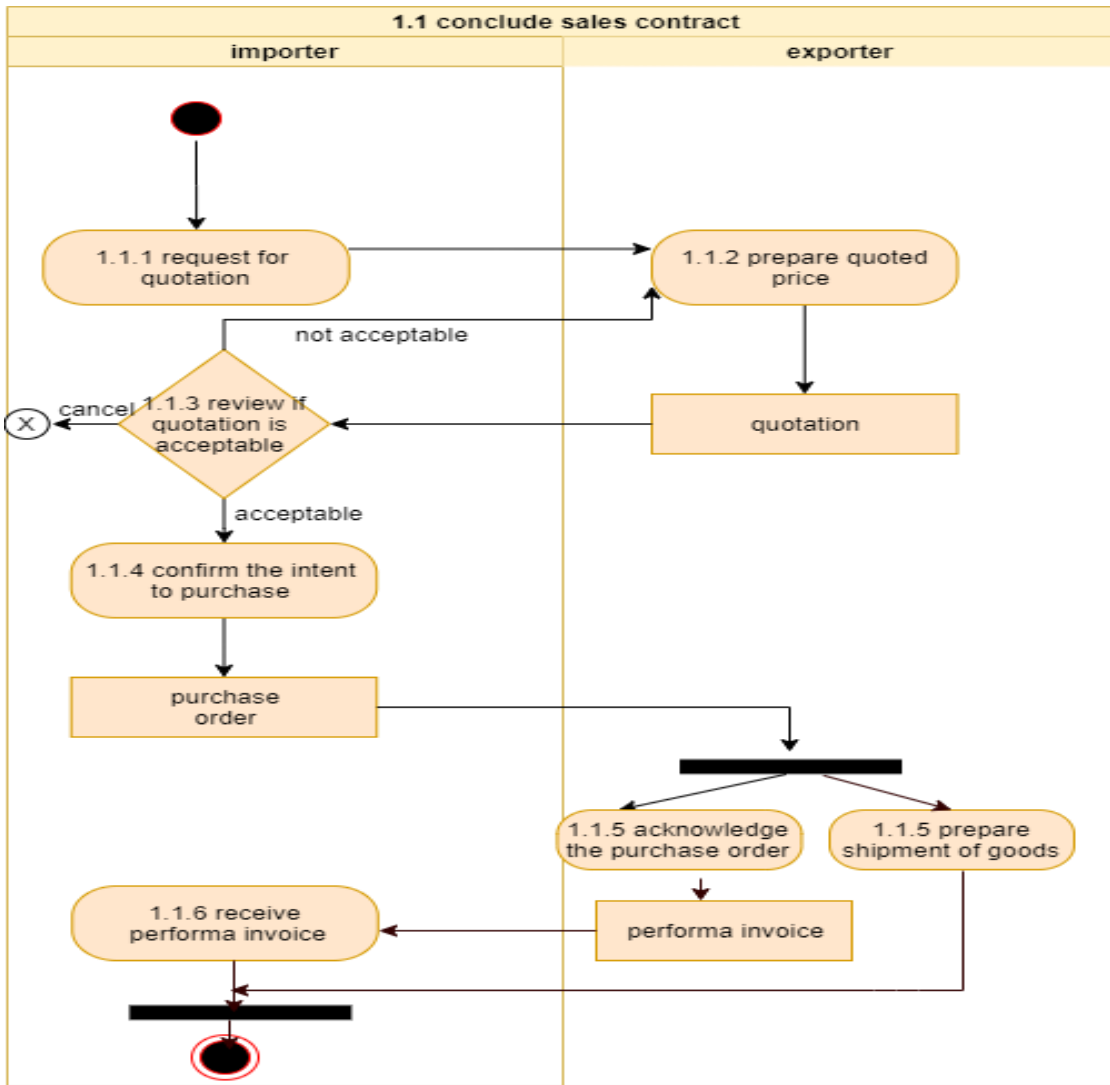
Figure 3.2. “Conclude sales contract” use case diagram



“Sales contract “is the first core business process under “Buy” process area. The use case diagram in Figure 3.2 suggests that this core business process requires the participation of:

- Egyptian importing enterprise
- Supplier (Exporter)

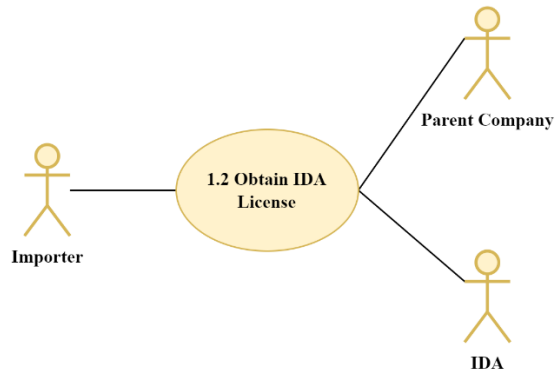
Figure 3.3. “Conclude sales contract” activity diagram



Name of process area	1. Buy
Name of business process	<i>1.1 Conclude sale contract</i>
Related laws, rules, and Regulations	<ul style="list-style-type: none"> • Law No. 118 of 1975 promulgating the Import and Export Law and its executive regulations issued by Ministerial Decision No. 770 of 2005 and their amendments.
Process participant	Egyptian importer Supplier
Input and criteria to enter/begin the business process	<ul style="list-style-type: none"> • Egyptian importer has a list of potential sellers. • Egyptian importer already registered at GOEIC
Activities and associated documentary requirements	<p>1.1.1 Egyptian importer requests a quotation from potential exporters.</p> <p>1.1.2 Supplier prepares the quotation (price and sales terms).</p> <p>1.1.3 Egyptian importer reviews the quotation and determines if the quoted price and sales terms are acceptable. If the quoted price and sales terms are not acceptable, the Egyptian importer negotiates with the exporter about revising the quoted price and/or sales terms.</p> <p>1.1.4 If the quoted price and sales terms are acceptable, Egyptian importer confirms the purchase of goods with a purchase order.</p> <p>1.1.5 Supplier acknowledges the receipt of the purchase order and confirms that the shipment will be delivered according to the agreed price and sales terms by sending the Egyptian importer a proforma invoice. In addition, the exporter prepares the delivery of goods.</p> <p>1.1.6 Egyptian importer receives the proforma invoice.</p>
Output criteria to exit the business process	<ul style="list-style-type: none"> • Supplier and importer agreed on the price and contract terms and have concluded the sales contract. • Based on the purchase order, the exporter starts to prepare for the export of goods
Average time required to complete this business process	2 days

Core business process area 1.2: obtain IDA license

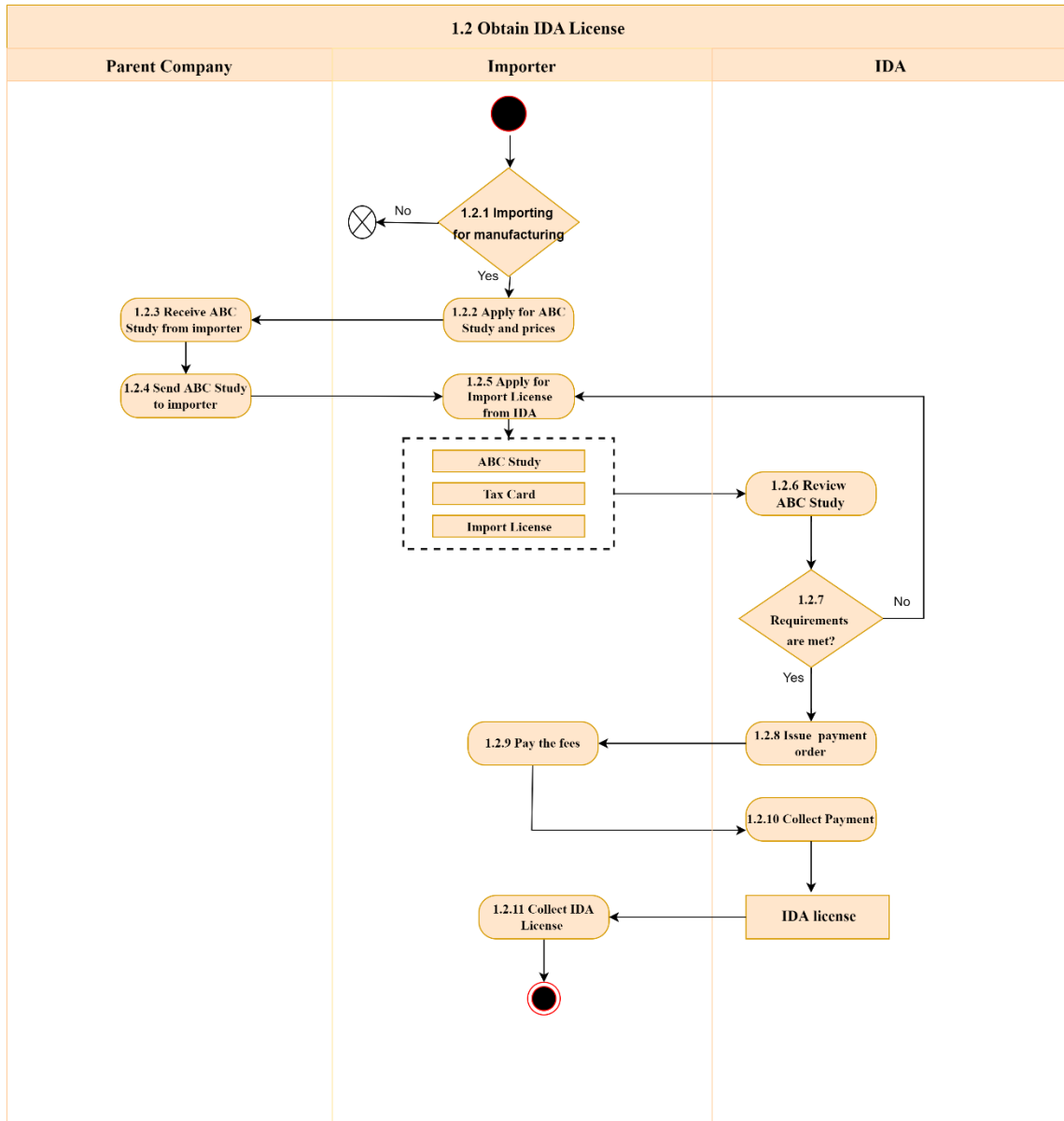
Figure 3.4. “Obtain IDA license” use case diagram



“Obtain IDA license” is the first core business process under “Buy” process area. The use case diagram in Figure 3.4 suggests that this core business process requires the participation of:

- Egyptian importer
- IDA
- Parent company

Figure 3.5. “Obtain IDA license” activity diagram

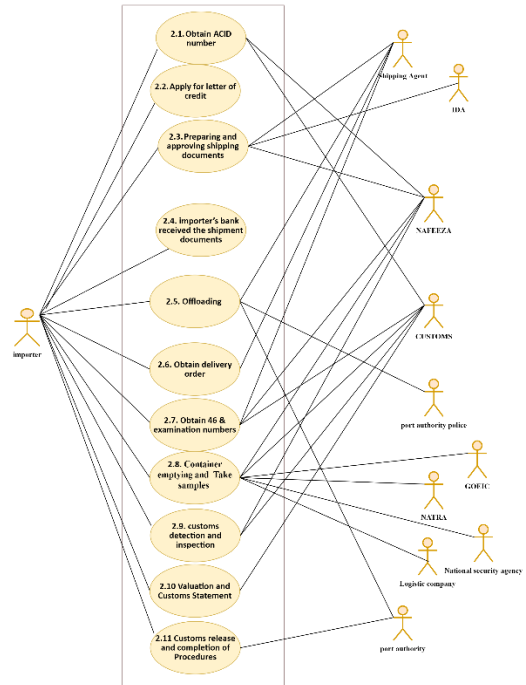


Name of process area	1. Buy
Name of business process	1.2. Obtain IDA License
Related laws, rules, and regulations	<ul style="list-style-type: none"> • Law No. 95 of 2018 regarding the issuance of the Industrial Development Authority Law
Process participant	<ul style="list-style-type: none"> • Egyptian importer • Parent Company • IDA
Input and criteria to enter/ begin the business process	<ul style="list-style-type: none"> • Supplier and Egyptian importer agree on the price and contract terms
Activities and associated documentary requirements	<p>1.2.1. If the Egyptian importer is importing but not for manufacturing, then they will not need to obtain the IDA License.</p> <p>1.2.2. If they are importing for manufacturing, then they will apply for ABC Study.</p> <p>1.2.3. Egyptian importer asks Parent company to send ABC study</p> <p>1.2.4. Parent company sends ABC study to the Egyptian Importer.</p> <p>1.2.5. Egyptian importer applies for import license from IDA attached with ABC study, Tax card and Import license.</p> <p>1.2.6. IDA review ABC study and check if it meets requirements, if it does not meet requirements ask Egyptian importer to apply again.</p> <p>1.2.7. If it meets requirements, IDA approved.</p> <p>1.2.8. IDA issues payment order.</p> <p>1.2.9. Egyptian importer pays the fees.</p> <p>1.2.10. IDA collect payment.</p> <p>1.2.11. Egyptian importer gets the final approved document from IDA</p>
Output criteria to exit the business process	ABC study and IDA license
Average time required to complete this business process	1 week

3C. Process area 2: Ship

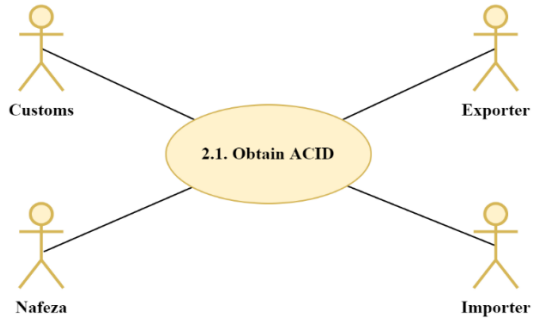
In the context of parts and accessories for tractors and motor vehicles import to Egypt, ship process area consists of 14 core business processes. As shown in Figure 3.6, these core business processes deal with both transport and regulatory requirements. They involve the arrangement for cargo movement as well as the completion of customs formalities and necessary actions to meet import requirements imposed by government agencies from Egypt.

Figure 3.6. Use case diagram of core business processes in ship process area



Core business process area 2.1: Obtain ACID number

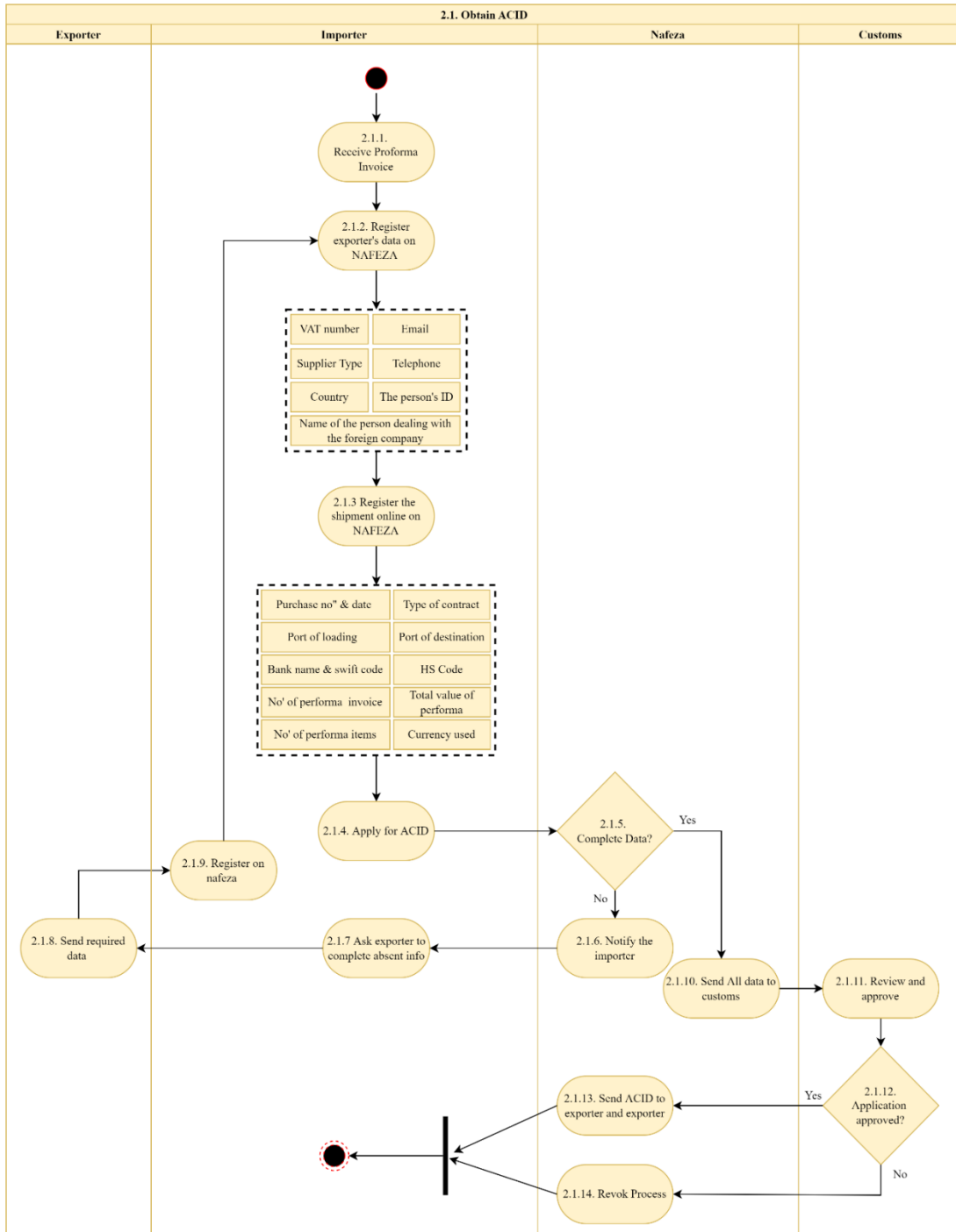
Figure 3.7. “Obtain ACID number” use-case diagram



The use case diagram shown in Figure 37 suggests that “Obtain the ACID number” process requires the participation of:

- Egyptian Importer
- Nafeza platform
- Supplier (exporter)
- Customs

Figure 3.8. “Obtain the ACID number from Nafeza” activity diagram



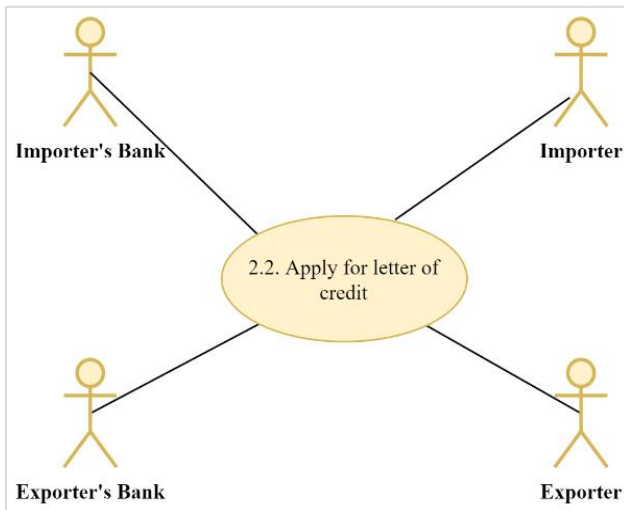
Name of process area	2. Ship
Name of business process	2.1. Obtaining a preliminary tariff number for the shipment through NAFEZA system (ACID). It became obligatory only in October 2021
Related laws, rules, and regulations	<ul style="list-style-type: none"> • Customs Law No. 207 of 2020 and its executive regulations issued by Minister of Finance Decision No. 430 of 2021 and their amendments • Law No. 118 of 1975 promulgating the Import and Export Law and its executive regulations issued by Ministerial Decision No. 770 of 2005 and their amendments • Circular No. 31 of 2021 regarding the customs manual for import and export rules, issued in August 2021 • Ministry of Finance Decision No. 38 of 2021 regarding Advance Cargo Information system (ACI) • Decision of the Minister of Finance No. 328 of 2021 amending some provisions of decision No. 38 of 2021 • Ministry of Finance Decision No. 490 of 2021 • Decision of the Minister of Trade and Industry No. 992 of 2015 regarding the rules governing the registration of factories qualified to export their products to the Arab Republic of Egypt • Decision of the Minister of Trade and Industry No. 43 of 2016 regarding amending the rules governing the registration of factories qualified to export their products to the Arab Republic of Egypt • Decision of the Minister of Finance No. 40 of 2017 regarding implementation of the customs' single administrative document (SAD) • Law of the Central Bank, the Banking System and Money • Law No. 194 of 2020 promulgating the Central Bank and Banking System Law • Procedures Circular No. 11 of 2021 regarding the procedures followed under the ACI system • Decision No. 7 of 2022 regarding the approval of import documents (invoice - certificate of origin) submitted electronically or on paper.
Process participant	<ul style="list-style-type: none"> • Egyptian importer • Nafeza • Customs

<p>Input and criteria to enter/ begin the business process</p>	<ul style="list-style-type: none"> • Egyptian importer already has an account on Nafeza • Egyptian importer is already licensed by GOEIC and have a valid tax and commercial register. • The company exporting to Egypt is already registered on the CargoX platform
<p>Activities and associated documentary requirements</p>	<p>2.1.1. The Egyptian importer receives the Proforma-Invoice from the exporter after the final purchase order is sent to them.</p> <p>2.1.2. The Egyptian importer on the Nafeza platform records all required exporter data, which includes (VAT number, supplier type if distributor or exporter), supplier country, name of the person dealing with the foreign company, the person’s ID number, telephone, e-mail).</p> <p>2.1.3. The Egyptian importer records all data on the shipment itself, which includes (purchase number and date, type of contract, port of loading, port of entry, bank name and SWIFT code, initial invoice number and date, number of invoice items, customs item, total value of invoice, value of each item, and the currency used).</p> <p>2.1.4. The Egyptian importer applies for ACID on Nafeza</p> <p>2.1.5. Nafeza checks whether the data is complete or not?</p> <p>2.1.6. If the data is not complete, Nafeza will notify the Egyptian importer that some data is missing</p> <p>2.1.7. The Egyptian importer should then ask the exporter for the missing information</p> <p>2.1.8. Supplier sends required data/information to the Egyptian importer</p> <p>2.1.9. The Egyptian importer uses the data sent by the exporter to register on Nafeza again</p> <p>2.1.10. One the data is complete, Nafeza send all the data to customs for security Clearance.</p> <p>2.1.11. Customs receive the data via Nafeza and conduct the checkup</p> <p>2.1.12. Customs decide whether the application approved or not.</p> <p>2.1.13. If the application approved, Nafeza will send ACID to both the Egyptian importer and the exporter</p> <p>2.1.14. If the application was rejected, Nafeza will revoke the process.</p>
<p>Output criteria to exit the business process</p>	<p>ACID Number</p>

Average time required to complete this business process	2 days (48 Hours)
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Core business process area 2.2: Apply for letter of credit

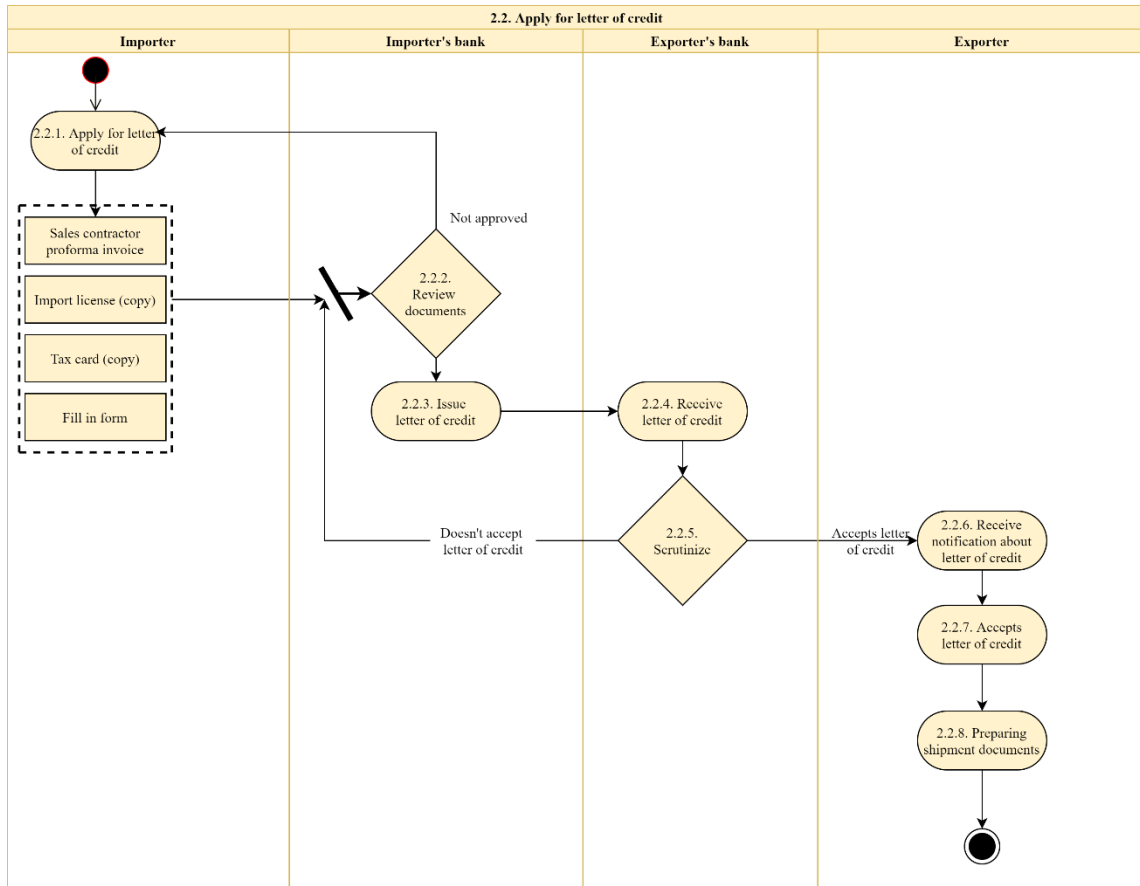
Figure 3.9. “Apply for letter of credit” use case diagram



The use case diagram shown in Figure 3.9 suggests that “apply for letter of credit” process requires the participation of:

- Egyptian importer
- Importer’s bank
- Exporter (supplier)
- Exporter’s bank

Figure 3.10. “Apply for letter of credit” activity diagram

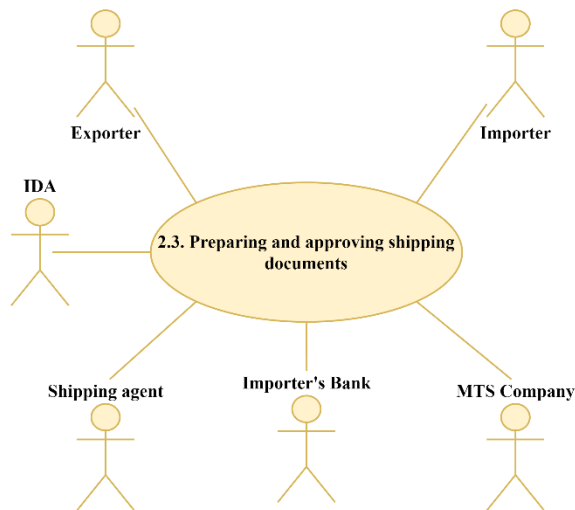


Name of process area	2. Ship
Name of business process	2.2 Apply for letter of credit
Related laws, rules, and regulations	<ul style="list-style-type: none"> • Law No. 118 of 1975 promulgating the Import and Export Law and its executive regulations issued by Ministerial Decision No. 770 of 2005 and their amendments • Law of the Central Bank, the Banking System and Money 2004 • Law No. 194 of 2020 promulgating the Central Bank and Banking System Law • Letter of the Central Bank issued in February 2022 and the e-mail issued to banks on February 21 and its updated version in March 2022 • Central Bank circular dated 6 June 2022 regarding updating the response to banks' inquiries regarding documentary credits • Procedures circular No. 6 of 2022 that each client notifies the Authority in writing of any changes to the registration data • Import circular No. 32 of 2019 regarding Form 4 (cases of not requesting it, and receipt of payment of administrative expenses)
Process participant	<ul style="list-style-type: none"> • Egyptian importer • Exporter (supplier) • Egyptian importer's bank • Exporter's bank
Input and criteria to enter/ begin the business process	<ul style="list-style-type: none"> • Sales contract has already been concluded
Activities and associated documentary requirements	<p>2.2.1. The Egyptian importer applies for a letter of credit (LC) at the Egyptian importer's bank and provides all required documents (Application form – Tax card – Copy of the import license – Sales contract- IDA license)</p> <p>2.2.2. The Egyptian importer's bank reviews all documents submitted, and evaluates the Egyptian importer's credit status, if the application is not approved the bank asks the Egyptian importer to re-apply for LC.</p> <p>2.2.3. If the application approved, the Egyptian importer's bank approves the application, issues a letter of credit, and sends it to the exporter's bank (advisory bank).</p>

	<p>2.2.4. The exporter's bank receives the letter of credit from the Egyptian importer's bank</p> <p>2.2.5. The exporter's bank and reviews all terms and conditions. If LC is not accepted, exporter's bank notifies the Egyptian importer's bank with the result.</p> <p>2.2.6. If LC is accepted, the exporter receives notification of the letter of credit.</p> <p>2.2.7. The exporter accepts letter of credit</p> <p>2.2.8. The exporter starts the preparation of shipment documents</p>
Output criteria to exit the business process	LC has already been opened
Average time required to complete this business process	Steps to apply and approve documents (1 – 3 months) depending on the size of the importing enterprise; The bigger the enterprise the faster the process.

Core business process area 2.3: Preparing and approving shipping documents

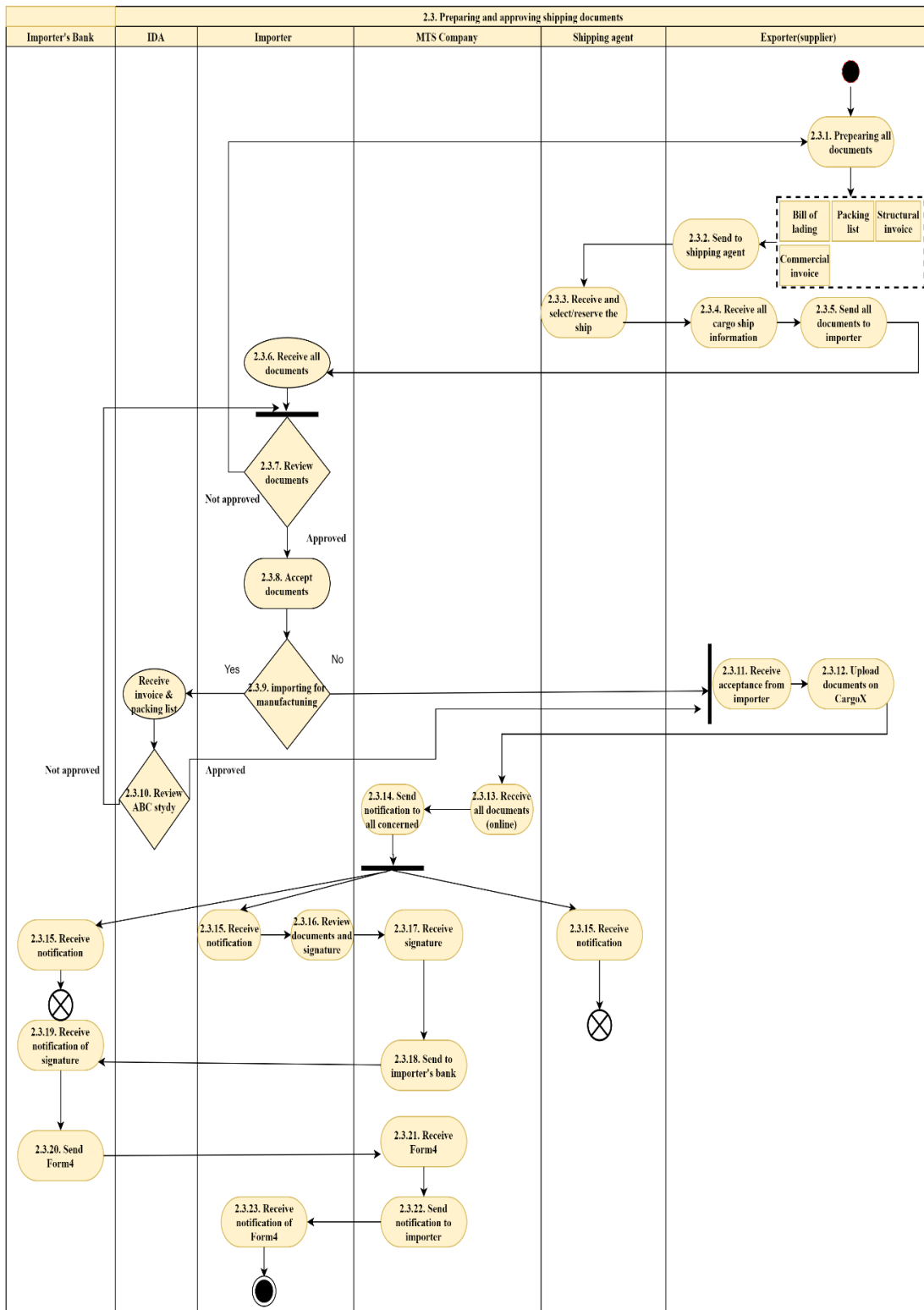
Figure 3.11. “Preparing and approving shipping documents” use case diagram



The use case diagram shown in Figure 3.11 suggests that “Preparing and approving shipping documents” process requires the participation of:

- Egyptian importer
- Exporter (supplier)
- Shipping agent
- Importer's bank
- IDA
- MTS company

Figure 3.12. “Preparing and approving shipping documents” activity diagram



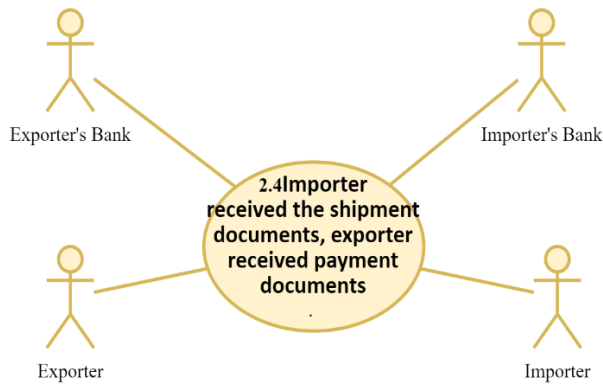
Name of process area	2. Ship
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Name of business process	2.3. Preparing and approving shipping documents
Related laws, rules, and Regulations	<ul style="list-style-type: none"> • Law No. 118 of 1975 promulgating the Import and Export Law and its executive regulations issued by Ministerial Decision No. 770 of 2005 and their amendments • Customs Law No. 207 of 2020 and its executive regulations issued by Minister of Finance decision No. 430 of 2021 and their amendments • Law of the Central Bank, the Banking System and Money 2004 • Law No. 194 of 2020 promulgating the Central Bank and Banking System Law • Letter of the Central Bank issued in February 2022 and the e-mail issued to banks on February 21 and its updated version in March 2022 • Central Bank circular dated 6 June 2022 regarding updating the response to banks' inquiries regarding documentary credits • Import Circular No. 32 of 2019 regarding Form 4 (cases of not requesting it, and receipt of payment of administrative expenses) • Law No. 95 of 2018 regarding the issuance of the Industrial Development Authority Law
Process participant	<ul style="list-style-type: none"> • Exporter • Egyptian importer • Egyptian importer's bank • MTS company • Shipping agent • IDA
Input and criteria to enter/ begin the business process	<ul style="list-style-type: none"> • Egyptian importer has obtained ACID number and sent it to the exporter to put it on all documents
Activities and associated documentary requirements	<p>2.3.1. The exporter (supplier) prepares all documents, including the shipping policy, trade bill, packaging list,, analysis certificate, structural invoice, and analysis certificates.</p> <p>2.3.2. The exporter (supplier) sends all the documents to the shipping agent</p> <p>2.3.3. The shipping agent receives documents and makes the reservation</p> <p>2.3.4. The exporter (supplier) receives all cargo/ship information</p> <p>2.3.5. The exporter sends all documents to the Egyptian importer including the shipping details such as vessel name and number, arrival dates, as well as the documents until the terms are settled.</p>

	<p>2.3.6. The Egyptian importer receives the documents</p> <p>2.3.7. The Egyptian importer reviews the documents, if not approved they will inform the exporter to re-prepare the documents</p> <p>2.3.8. If they approve, they will send to IDA to get a permission (if they import for manufacturing)</p> <p>2.3.9. IDA reviews the documents and make sure that details of importing products are consistent with the original ABC study</p> <p>2.3.10. IF IDA approves, the Egyptian importer will proceed, if not they re-prepare the documents</p> <p>2.3.11. The exporter (supplier) receives acceptance from the Egyptian importer</p> <p>2.3.12. The exporter uploads all documents on the CargoX platform, which is linked to the Nafeza platform</p> <p>2.3.13. Nafeza receives all documents</p> <p>2.3.14. Nafeza notifies all concerned partners that the documents are well received</p> <p>2.3.15. Shipping agent receives notification that the documents are well received, Egyptian importer’s bank receives notification that the documents are well received</p> <p>The Egyptian importer receives notification that the documents are well received</p> <p>2.3.16. The Egyptian importer accesses the Nafeza site, reviews the documents and places the electronic signature on them.</p> <p>2.3.17. Nafeza receives the signature of the Egyptian importer</p> <p>2.3.18. Nafeza sends documents to the bank</p> <p>2.3.19. The bank is notified, and the Egyptian importer awaits the bank’s approval to sign.</p> <p>2.3.20. The bank approves and sends the shipment Form 4 on the Nafeza platform (recent procedure)</p> <p>2.3.21. The Nafeza receives Form 4</p> <p>2.3.22. The Nafeza sends a notification to Egyptian importer that form 4 is received</p> <p>2.3.23. The Egyptian importer acknowledges notification</p>
<p>Output criteria to exit the business process</p>	<p>Approved shipping documents</p>
<p>Average time required to complete this business process</p>	<p>7 days</p>

Core business process area 2.4: Egyptian importer received the shipment documents, exporter received payment

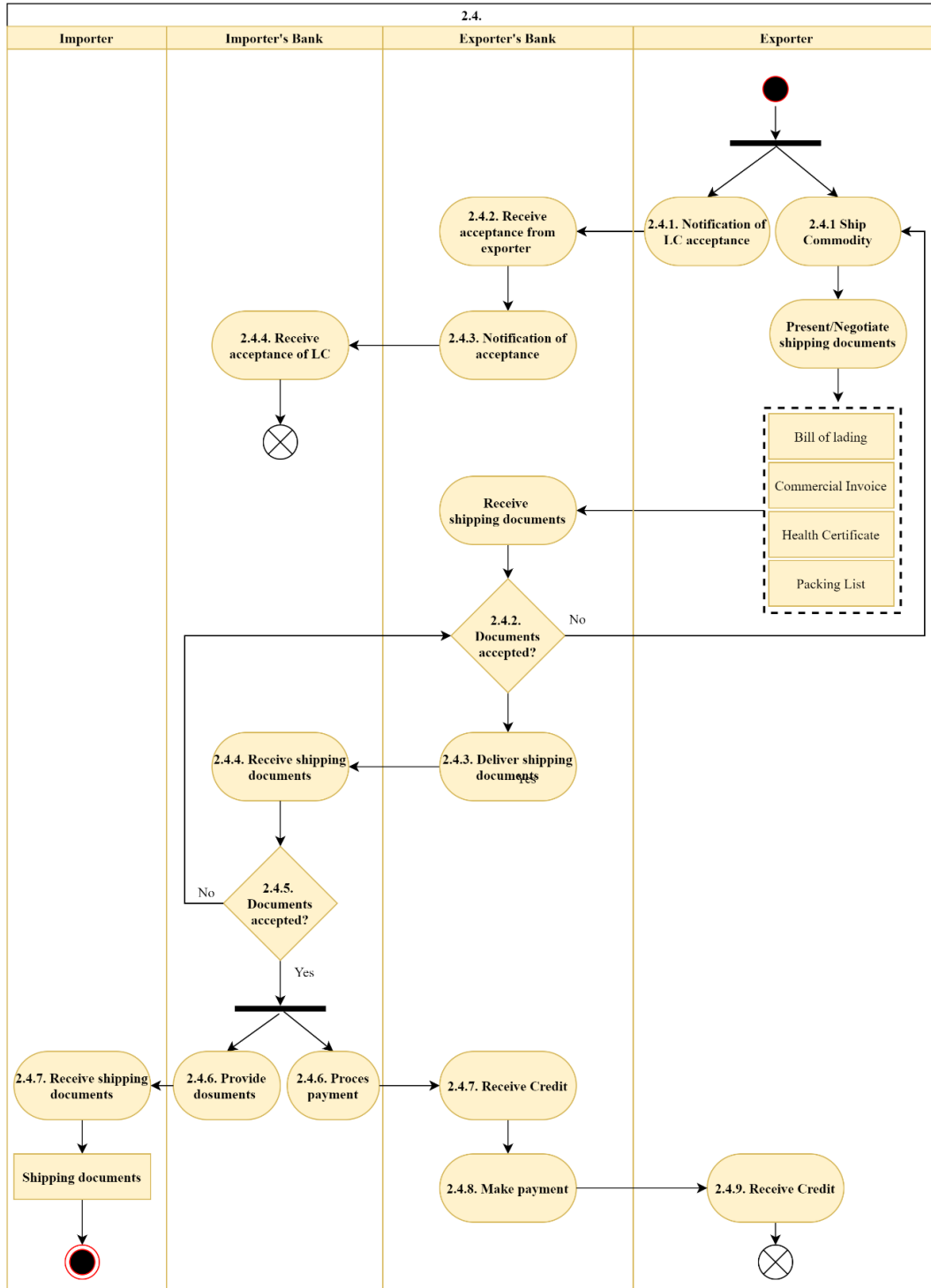
Figure 3.13. “Egyptian importer received the shipment documents, exporter received payment” use case diagram



The use case diagram shown in Figure 3.13 suggests that “apply for letter of credit” process requires the participation of:

- Egyptian importer
- Importer’s bank
- Exporter(supplier)
- Exporter’s bank

Figure 3.14. “Egyptian importer received the shipment documents, exporter received payment documents” activity diagram



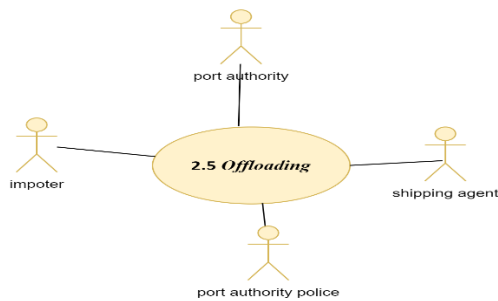
Name of process area	2. Ship
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Name of business process	2.4. Egyptian importer received the shipment documents, exporter received payment
Related laws, rules, and Regulations	<ul style="list-style-type: none"> • Law No. 118 of 1975 promulgating the Import and Export Law and its executive regulations issued by Ministerial Decision No. 770 of 2005 and their amendments • Law of the Central Bank, Banking System and Money 2004 • Law No. 194 of 2020 promulgating the Central Bank and Banking System Law • Letter of the Central Bank issued in February 2022 and the email issued to banks on February 21 and its updated version in March 2022 regarding documentary credits • Central Bank circular dated June 6, 2022, regarding updating the response to banks' inquiries regarding documentary credit
Process participant	<ul style="list-style-type: none"> • Egyptian importer • Egyptian importer's bank • Exporter (supplier) • Exporter's bank
Input and criteria to enter/ begin the business process	LC has been already opened
Activities and associated documentary requirements	<p>2.4.1.</p> <ul style="list-style-type: none"> • Supplier notifies the exporter's bank of acceptance of LC • The exporter reviews the terms and conditions. If the exporter believes that the Egyptian importer can meet all the terms and conditions, the goods are sent. The exporter then sends shipping documents to the exporter's bank. <p>2.4.2.</p> <ul style="list-style-type: none"> • The exporter's bank receives acceptance of the letter of credit from the exporter and checks the shipping documents in exchange for the letter of credit. • The exporter's bank receives shipping documents from the exporter and reviews the shipping documents. <p>2.4.3.</p> <ul style="list-style-type: none"> • If the documents meet the terms and conditions of the letter of credit, the bank sends the shipping documents to the Egyptian Importer's bank. • The exporter's bank gives notification of acceptance to Egyptian Importer's bank <p>2.4.4. The Egyptian importer's bank receives shipping documents.</p> <p>2.4.5.</p> <ul style="list-style-type: none"> • The Egyptian importer's bank receives and inspects shipping documents. If the documents meet the terms of the letter of credit, they are released to the Egyptian Importer. • The Egyptian importer's bank receives acceptance of the letter of credit. <p>2.4.6.</p>

	<ul style="list-style-type: none"> • The Egyptian importer's bank pays to the exporter's bank (credit). • The Egyptian importer's bank provides shipping documents to the Egyptian Importer. <p>2.4.7. The exporter's bank receives payment notice (credit) from the Egyptian importer's bank.</p> <p>2.4.8. The exporter's bank transfers the payment to the exporter.</p> <p>2.4.9. The exporter receives payments from it.</p>
Output criteria to exit the business process	<ul style="list-style-type: none"> • Egyptian importer received documents • Exporter (supplier) received payment
Average time required to complete this business process	1-3 months depending on the size of the importing enterprise. The bigger the enterprise the faster the process

Core business process area 2.5: Offloading

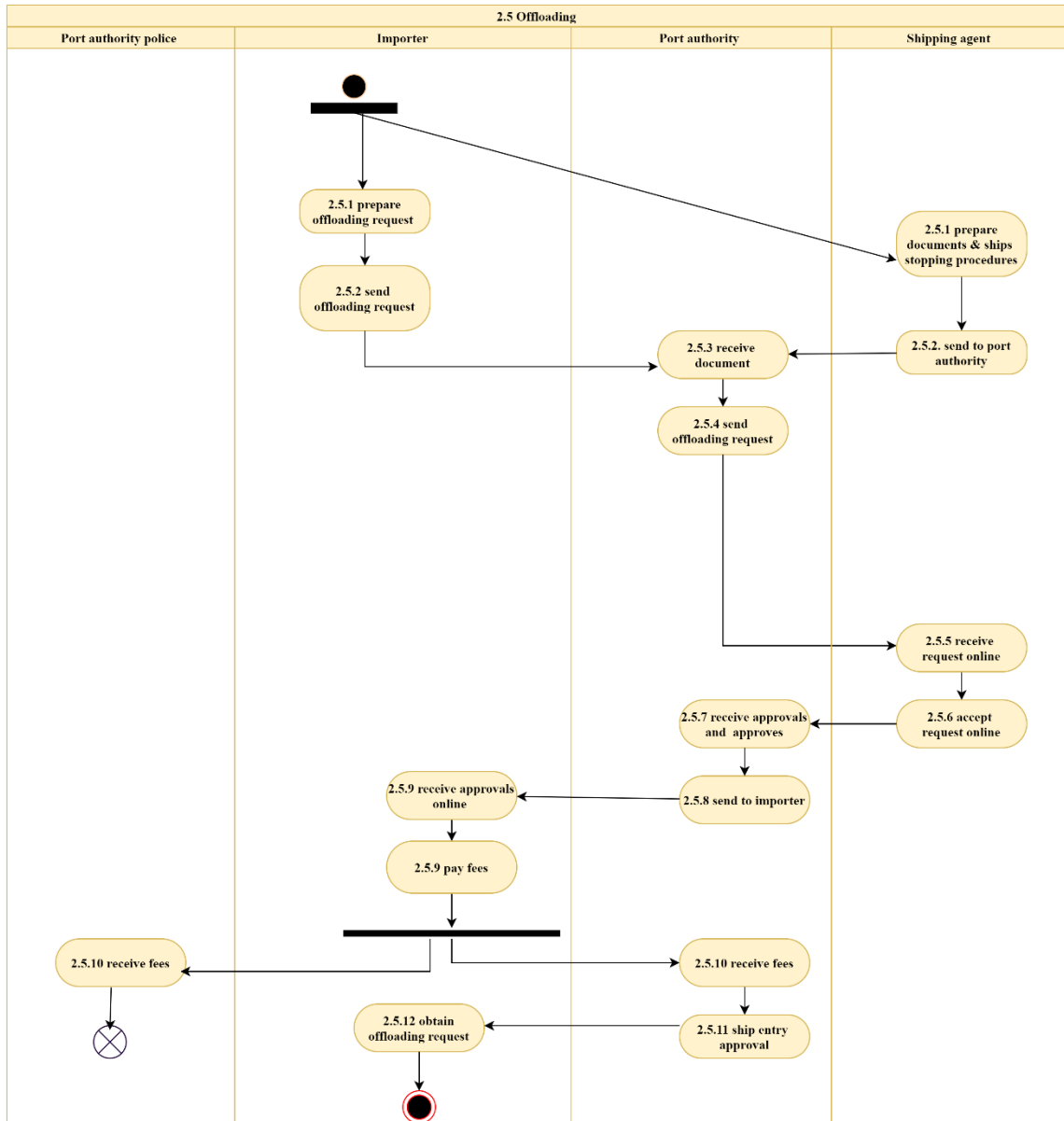
Figure 3.15. “Offloading” use case diagram



The use case diagram shown in Figure 315 suggests that “Offloading” process requires the participation of:

- Egyptian importer
- Port authority
- Port authority police
- Shipping agent

Figure 3.16. “Offloading” activity diagram

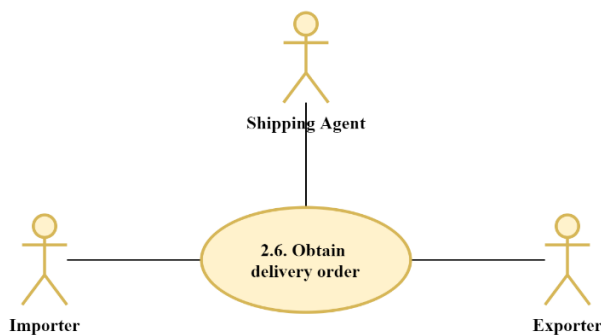


Name of process area	2. Ship
Name of business process	2.5 Offloading
Related laws, rules, and Regulations	<ul style="list-style-type: none"> • Law No. 118 of 1975 promulgating the Import and Export Law and its executive regulations issued by Ministerial Resolution No. 770 of 2005 and their amendments • Decision No. 800 of 2016 issuing a regulation governing the conduct of activities and works related to maritime transport and cost of their use • Customs Law No. 207 of 2020 and its executive regulations promulgated by Minister of Finance decision No. 430 of 2021 and their amendments
Process participant	<ul style="list-style-type: none"> • Egyptian Importer • Port authority • Port authority police • Shipping agent
Input and criteria to enter/ begin the business process	
Activities and associated documentary requirements	<p>2.5.1.</p> <ul style="list-style-type: none"> • The Egyptian importer or (customs clearing agent) processes an offloading order about 7 to 10 days before the shipment arrives (the average cost is EGP 25 per ton). • The shipping agent also prepares the procedures and manifest data and upload it online on NAFEZA at least 48 hours before the arrival of the shipment <p>2.5.2.</p> <ul style="list-style-type: none"> • The shipping agent submits a request to the Port Authority for anchor the ship on the quay • The Egyptian importer or customs clearing agent sends the offloading request to the port authority <p>2.5.3. Port Authority receives documents and offloading request</p> <p>2.5.4. Port Authority send to the responsible authorities for approval (like shipping agent).</p> <p>2.5.5. Each of these entities receives request from port authority</p> <p>2.5.6. Each of these entities sends their approval to port authority</p> <p>2.5.7. Port Authority receives approvals, and approves also</p>

	<p>2.5.8. Port Authority sends approvals to Egyptian Importer</p> <p>2.5.9. The Egyptian Importer receives approvals and pays the required payment to the Port Authority & the Port Authority police</p> <p>2.5.10. The Port Authority & the Port Authority police receives payment and issue receipts</p> <p>2.5.11.</p> <ul style="list-style-type: none"> • The Port Authority officer issues approval for the entry of the vessel • The quarantine officer boards the vessel, performs a visual inspection, and issues a permit for approval of the vehicle (CROLEST). <p>2.5.12. Egyptian importer obtains the obtains approval for the offloading request and offloading begins</p>
Output criteria to exit the business process	The Egyptian importer obtains approval for the offloading request
Average time required to complete this business process	3 hours

Core business process area 2.6: Obtain delivery order

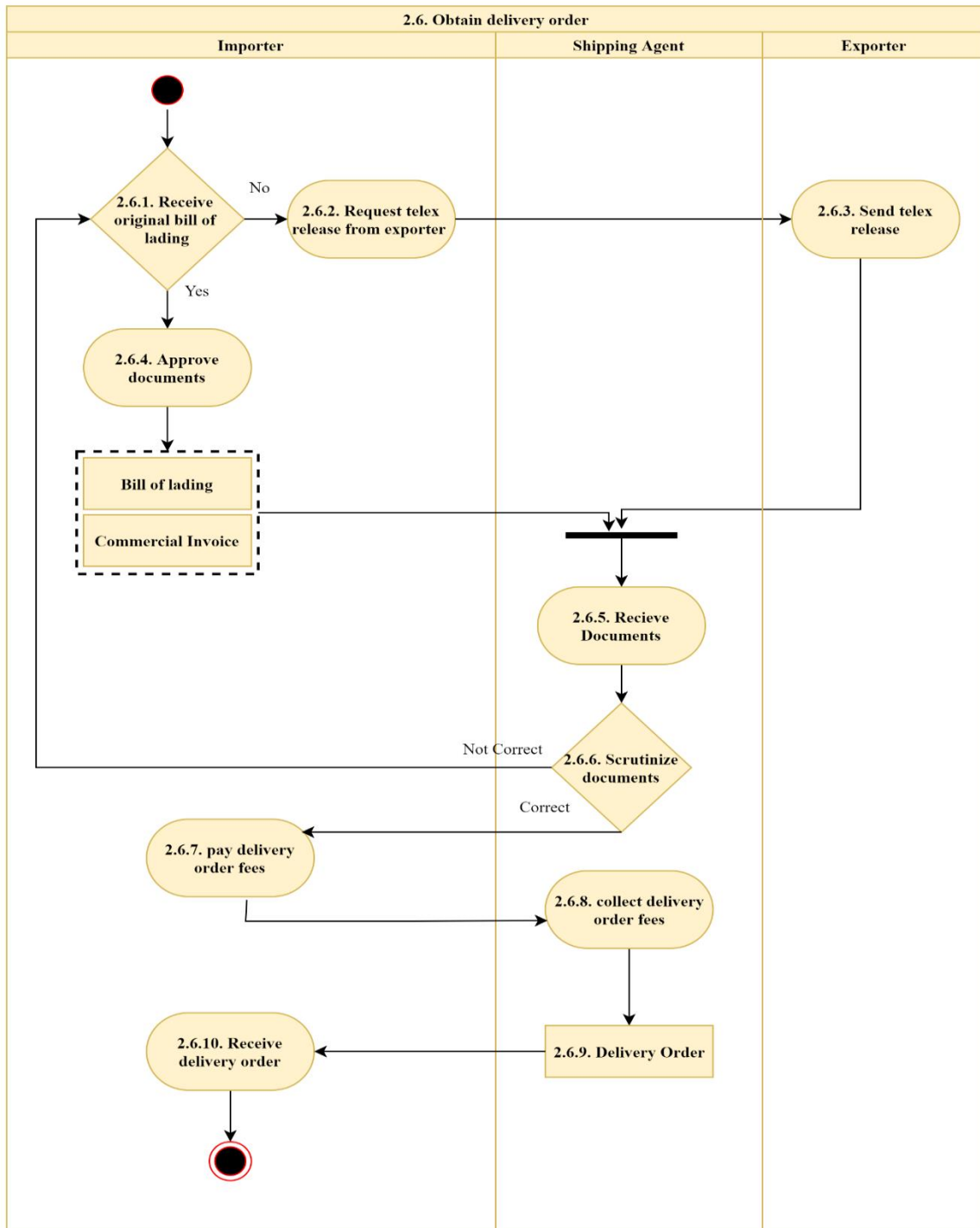
Figure 3.17. “Obtain delivery order” use case diagram



The use case diagram shown in Figure 3.17 suggests that “Obtain delivery order” process requires the participation of:

- Egyptian Importer
- Exporter (supplier)
- Shipping Agent

Figure 3.18. “Obtain delivery order” activity diagram



Name of process area	2. Ship
Name of business process	2.6. Obtain delivery order
Related laws, rules, and Regulations	<ul style="list-style-type: none"> • Law No. 118 of 1975 promulgating the Import and Export Law and its executive regulations issued by Ministerial Decision No. 770 of 2005 and their amendment. • Customs Law No. 207 of 2020 and its executive regulations promulgated by Minister of Finance decision No. 430 of 2021 and their amendments
Process participant	<ul style="list-style-type: none"> • Egyptian Importer • Shipping agent • Exporter (supplier)
Input and criteria to enter/ begin the business process	Egyptian importer has the bill of lading or the telex release
Activities and associated documentary requirements	<p>2.6.1 Has the bank delivered the documents to the importer on time?</p> <p>2.6.2 If the bank has not delivered the documents to the Egyptian Importer on time, they request a telex release from the exporter via email.</p> <p>2.6.3 The exporter sends Telex Release to the shipping agent.</p> <p>2.6.4 If the bank has delivered the documents to the Egyptian importer on time, the Egyptian importer approves the documents and uses the original copy of the bill of lading along with the commercial invoice to apply for the delivery order.</p> <p>2.6.5 The shipping agent receives either the original copy of the bill of lading or the telex release.</p> <p>2.6.6 The shipping agent reviews the documents, if they are not acceptable the Egyptian importer must start all over again</p> <p>2.6.7 If the documents were accepted, Egyptian importer pay delivery order fees to shipping agent</p> <p>2.6.8 The shipping agent collects delivery order fees</p> <p>2.6.9 The shipping agent signs the delivery order</p> <p>2.6.10 The Egyptian Importer collects the delivery order</p>
Output criteria to exit the business process	Delivery order

Average time required to complete this business process	3 hours (Depending on the steps above)
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Core business process area 2.7: Obtain 46 & examination numbers

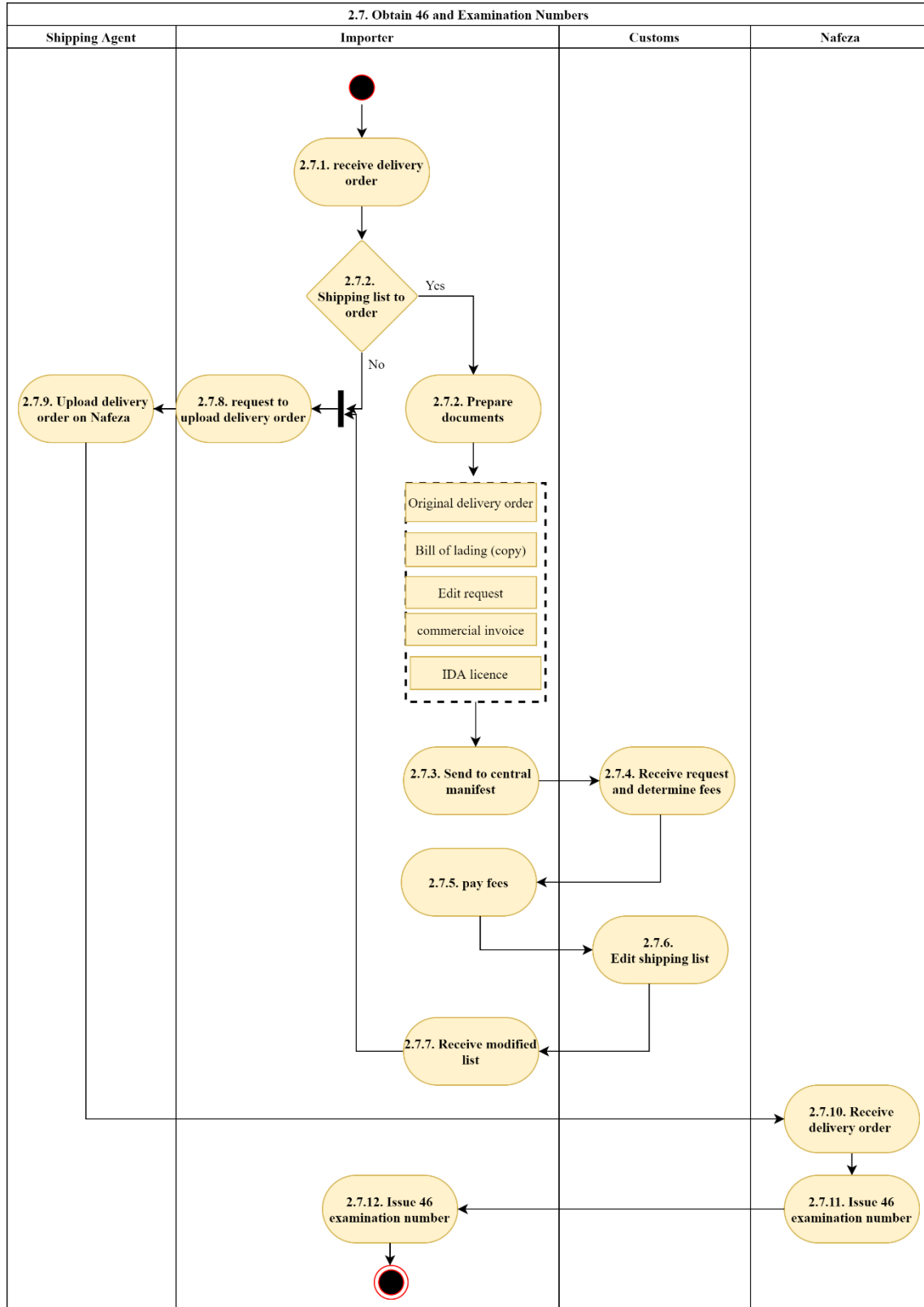
Figure 3.19. “Obtain 46 & examination numbers” use case diagram



The use case diagram shown in Figure 3.19 suggests that “Obtain 46 & examination numbers” process requires the participation of:

- Importer
- Customs
- Shipping agent
- NAFEZA platform

Figure 3.20. “Obtain 46 & examination numbers” activity diagram

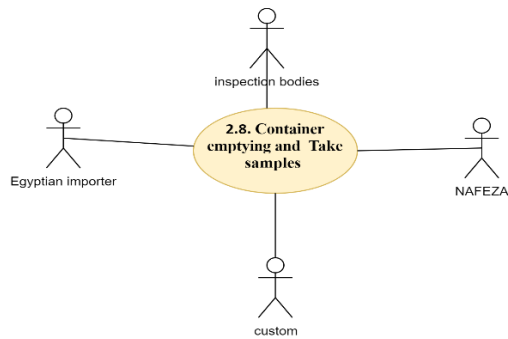


Name of process area	2. Ship
Name of business process	2.7. Obtain 46 & examination numbers
Related laws, rules, and regulations	<ul style="list-style-type: none"> • Customs Law No. 207 of 2020 and its executive regulations promulgated by Minister of Finance Decision No. 430 of 2021 and their amendments • Law No. 118 of 1975 promulgating the Import and Export Law and its executive regulations issued by Ministerial Decision No. 770 of 2005 and their amendments
Process participant	<ul style="list-style-type: none"> • Egyptian importer • Customs • Shipping agent • NAFEZA platform
Input and criteria to enter/ begin the business process	Egyptian importer already received the delivery order
Activities and associated documentary requirements	<p>2.7.1. Egyptian importer or customs clearing agent receives delivery order</p> <p>2.7.2. If the shipping list is "To order," Egyptian importer or customs clearing agent prepares documents like (original delivery order, bill of lading (copy), edit request, commercial invoice, IDA license)</p> <p>2.7.3. Egyptian importer or customs clearing agent submits central manifest at the customs authority to modify the shipping list</p> <p>2.7.4. Central manifest receives request and determine the fees</p> <p>2.7.5. Egyptian importer or customs clearing agent is notified to pay fees</p> <p>2.7.6. Central manifest edits shipping list</p> <p>2.7.7. Egyptian importer or customs clearing agent receives modified list</p> <p>2.7.8. Egyptian importer or customs clearing agent ask shipping agent to upload delivery order on NAFEZA (online)</p> <p>2.7.9. Shipping agent upload delivery order</p> <p>2.7.10. NAFEZA receives delivery order</p> <p>2.7.11. NAFEZA issue 46 & examinations numbers</p> <p>2.7.12. Egyptian importer receives 46 & examinations numbers</p>
Output criteria to exit the business process	<ul style="list-style-type: none"> • 46 Number • Examination number

Average time required to complete this business process	1 hour
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Core business process area 2.8: Container emptying and Take samples

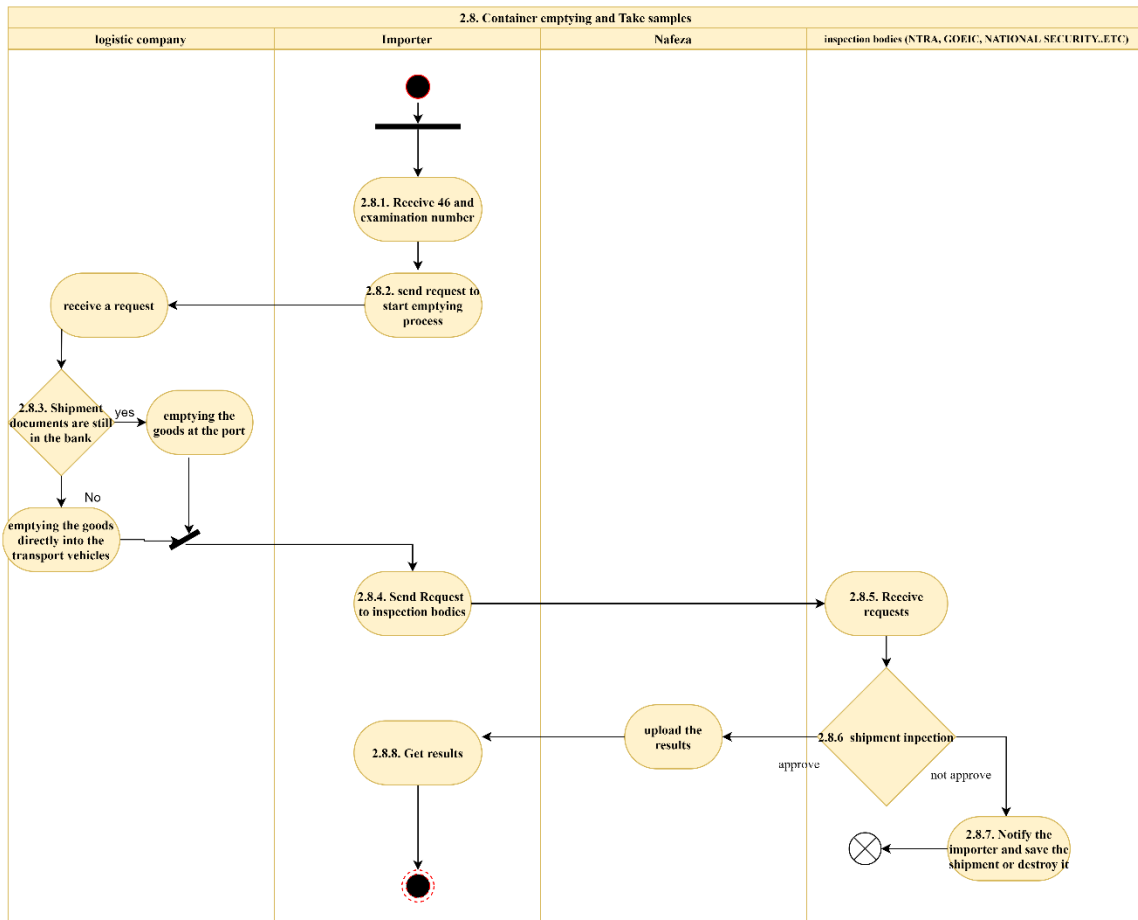
Figure 3.21. “Take samples” use case diagram



The use case diagram shown in Figure 3.21 suggests that “Take samples and receive shipment under reservation” process requires the participation of:

- Egyptian Importer
- Inspection bodies
- Customs
- NAFEZA

Figure 3.22. “Container emptying and take samples activity diagram”

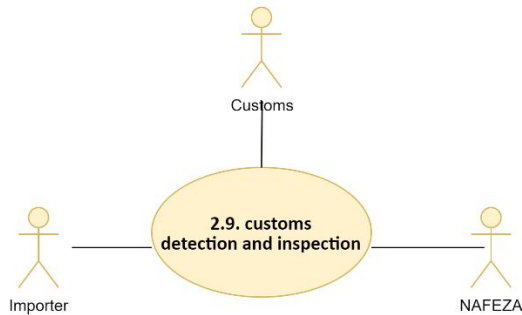


Name of process area	2.ship
Name of business process	2.8. Container emptying and take samples
Related laws, rules, and regulations	<ul style="list-style-type: none"> • Customs Law No. 207 of 2020 and its executive regulations promulgated by Minister of Finance Decision No. 430 of 2021 and their amendments • Law No. 118 of 1975 promulgating the Import and Export Law and its executive regulations issued by Ministerial Decision No. 770 of 2005 and their amendments • Circular No. 47 of 2021 regarding the display of some products to the General Telecommunications Authority • Circular No. 22 of 2021 regarding the display of transport vehicles to the Domestic and International Land Transport Regulatory Authority • Procedures Circular No. 4 of 2022 regarding cars that operate with two propulsion engines • Procedures Circular No. 47 of 2021 regarding the exact identification of the devices that include the car cassette, whether Bluetooth or NAVIG • Circular No. 43 of 2021 regarding the ban on importing basic components for three-wheeled vehicles • Procedures Circular No. 22 of 2021 regarding the display of equipment • Procedures Circular No. 21 of 2021 regarding displaying all messages of brake pads received for trade or production to the General Organization for Export and Import Control only • Procedures Circular No. 15 of 2021 regarding the conditions for releasing passenger cars that operate with an electric motor to be shipped or an import credit opened during the model year • Procedures Circular No. 21 of 2020 regarding Mercedes and the Egyptian German Company Aga • Procedures Circular No. 9 of 2020 regarding brake pads
Process participant	<ul style="list-style-type: none"> • Egyptian importer • Inspection bodies • Customs • NAFEZA
Input and criteria to enter/ begin the business process	Egyptian Importer already have 46 number and examination number

<p>Activities and associated documentary requirements</p>	<p>2.8.1. The Egyptian importer or clearing agent receives the 46 number as well as the examination number through the Nafeza platform</p> <p>2.8.2. The Egyptian Importer send a request to logistic company to start emptying process</p> <p>2.8.3.</p> <ul style="list-style-type: none"> • The company starts emptying the goods in the vehicles if the Egyptian Importer obtained the shipment documents from the bank (80 \$ /ton per day If there is a delay in emptying) • If the Egyptian importer does not obtain the documents, the goods are stored on a pier in the port (EGP 500 /ton per day) <p>2.8.4. The Egyptian importer sends a request to inspections authorities like GOEIC, NTRA, General security agency and etc. to start inspections</p> <p>2.8.5. The authorities receive a request</p> <p>2.8.6. The examination process begins</p> <p>2.8.7. If there is a problem with the results of the examination, the shipment remains at customs, or it is destroyed or confiscated</p> <p>2.8.8. Egyptian importer receives results from these authorities</p>
<p>Output criteria to exit the business process</p>	<p>Egyptian importer completed the regulatory requirements to receive shipment</p>
<p>Average time required to complete this business process</p>	<p>10 days</p>

Core business process area 2.9: customs detection and inspection

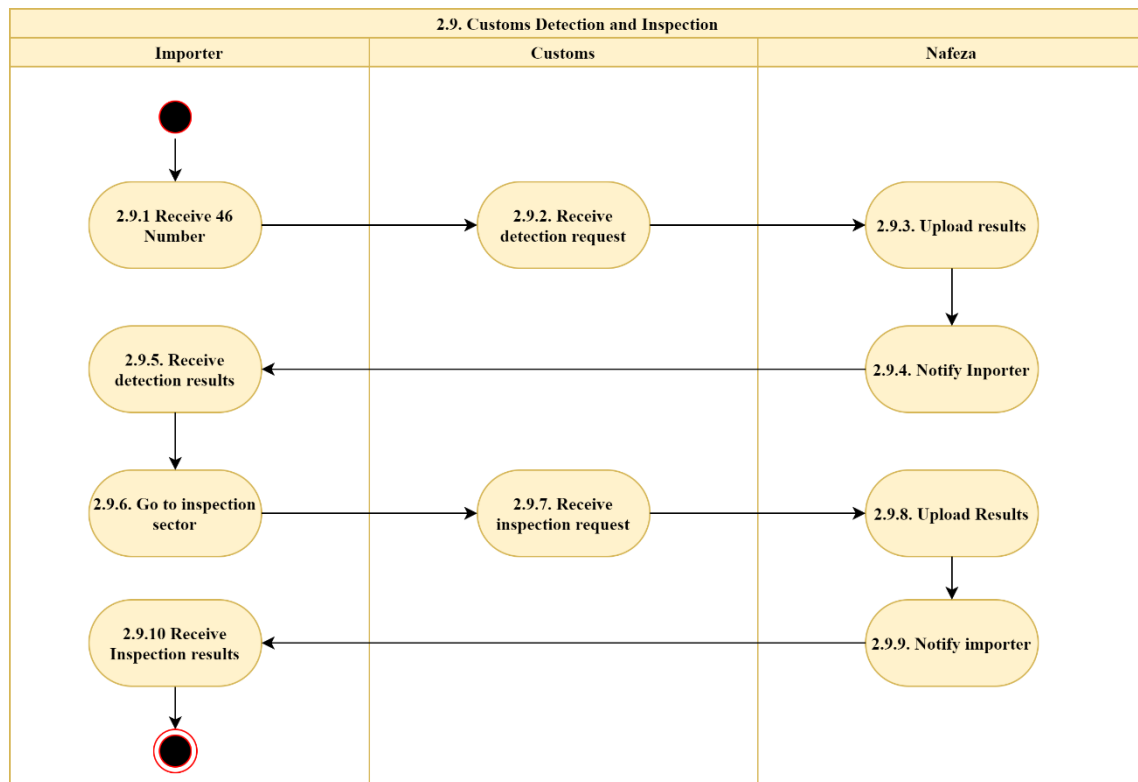
Figure 3.23. “customs detection and inspection” use case diagram



The use case diagram shown in Figure 3.23 suggests that “customs detection and inspection” process requires the participation of:

- Egyptian Importer
- NAFEZA
- Customs

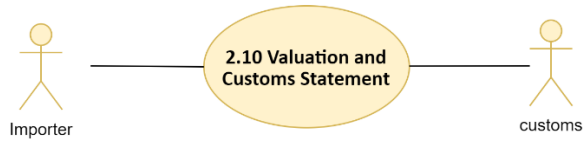
Figure 3.24. “Customs detection and inspection” activity diagram



Name of process area	2. Ship
Name of business process	2.9. Customs detection and inspection
Related laws, rules, and regulations	<ul style="list-style-type: none"> • Customs Law No. 207 of 2020 and its executive regulations promulgated by Minister of Finance Decision No. 430 of 2021 and their amendments • Law No. 118 of 1975 promulgating the Import and Export Law and its executive regulations issued by Ministerial Decision No. 770 of 2005 and their amendments
<ul style="list-style-type: none"> • Process participant 	<ul style="list-style-type: none"> • Egyptian Importer • NAFEZA • Customs
Input and criteria to enter/ begin the business process	Samples have already been drawn
Activities and associated documentary requirements	<p>2.9.1. Egyptian importer receives 46 number to begin the customs clearance procedures</p> <p>2.9.2.</p> <ul style="list-style-type: none"> • The Egyptian importer or customs clearing agent presents the shipment to the customs inspection officer to analyze and verify the goods • The officer of detection receives request and perform detection <p>2.9.3. The officer uploads the result on the Nafeza platform</p> <p>2.9.4. NAFEZA notifies Egyptian Importer</p> <p>2.9.5. Egyptian importer receives the results of detection</p> <p>2.9.6. Egyptian importer begins the procedures of the inspection to determine the type of good and customs classification of the shipment.</p> <p>2.9.7. The inspector receives request and perform inspection</p> <p>2.9.8. The inspector uploads the result on the Nafeza platform</p> <p>2.9.9. NAFEZA notifies Egyptian importer</p> <p>2.9.10. Egyptian Importer receives the results of inspection</p>
Output criteria to exit the business process	Inspected goods
Average time required to complete this business process	2 hours

Core business process area 2.10: Valuation and Customs Statement

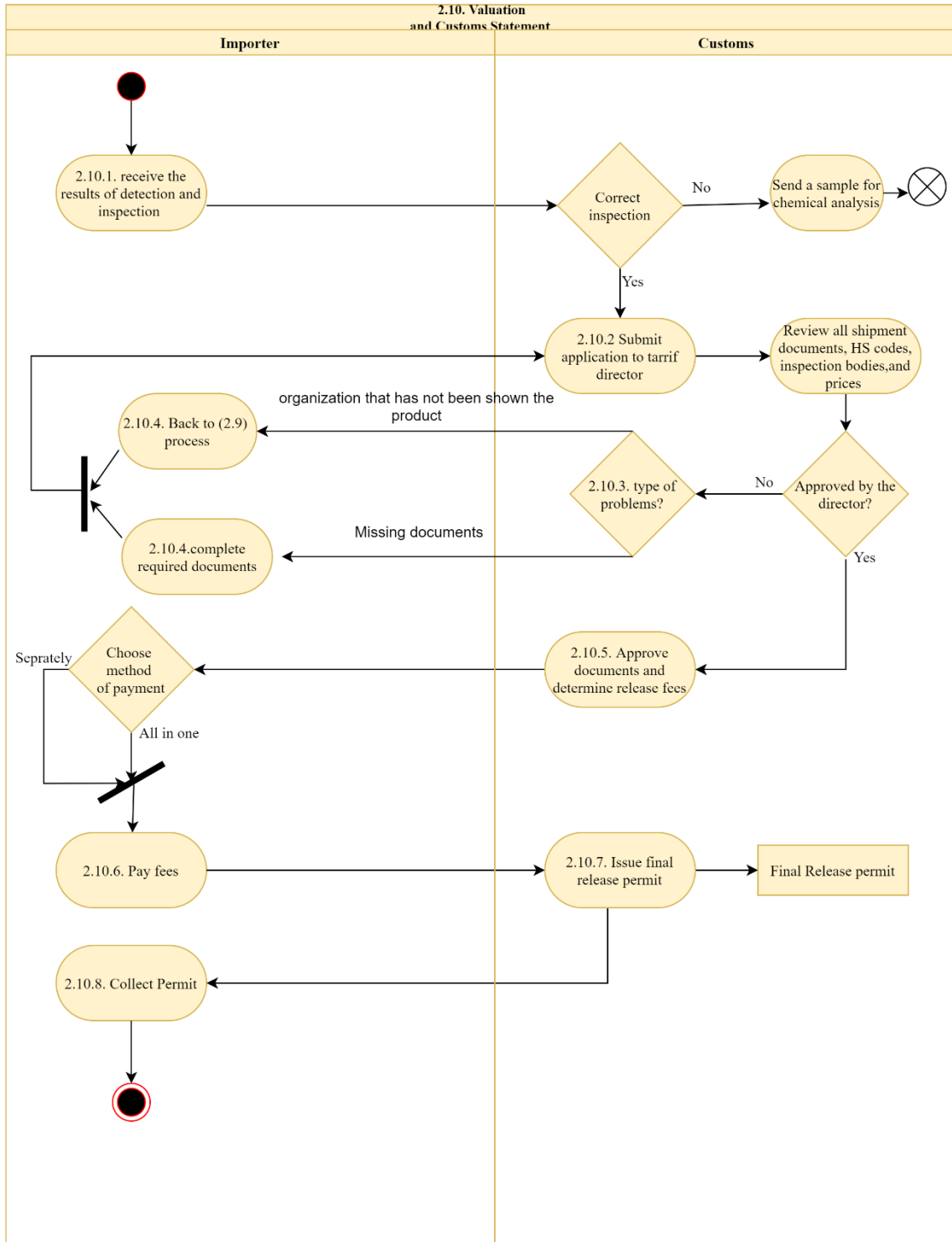
Figure 3.25. “Valuation and Customs Statement” use case diagram



The use case diagram shown in Figure 3.25 suggests that “Valuation and Customs Statement” process requires the participation of:

- Egyptian Importer
- Customs

Figure 3.26. “Valuation and customs statement” activity diagram

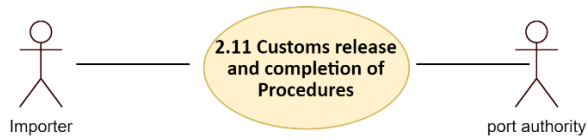


Name of process area	2. Ship
Name of business process	2.10. Valuation and customs statement
Related laws, rules, and regulations	<ul style="list-style-type: none"> • Customs Law No. 207 of 2020 and its executive regulations promulgated by Minister of Finance Decision No. 430 of 2021 and their amendments • Law No. 118 of 1975 promulgating the Import and Export Law and its executive regulations issued by Ministerial Decision No. 770 of 2005 and their amendments • Law No. 67 of 2016 promulgating the Value Added Tax Law and its executive regulations issued by the Minister of Finance Decision No. 66 of 2017 • Procedures Circular No. 4 of 2022 reminding of the procedures of Circular 43 of 2020 regarding valuation procedures under MTS • Procedures Circular No. 7 of 2021 regarding the competencies of the sampling appraiser by inspection and x-rays -- the competencies of the documentary appraiser, etc. • Import Circular No. 26 of 2019 regarding raising the value recognized by the concerned person on the customs certificate over the value of Form 4
Process participant	<ul style="list-style-type: none"> • Egyptian Importer • Customs
Input and criteria to enter/ begin the business process	Detection and inspection have been completed
Activities and associated documentary requirements	<p>2.10.1.</p> <ul style="list-style-type: none"> • Egyptian importer receives the results of detection and inspections, also tariff manager. • If the inspection is incompatible a sample is sent to the chemistry department for examination <p>2.10.2. Tariff Manager reviews all documents and makes sure that all import restrictions are met, and reviews prices to make sure of them</p> <p>2.10.3. If there are problems with the documents, the Egyptian Importer is notified</p> <p>2.10.4. If the problem is related to inspection, the Egyptian Importer goes back to step no. 2.9 to re-examine again and then returns to the tariff manager.</p>

	<p>If the problem is related to a lack of documents, the Egyptian Importer completes them and then returns to the tariff manager again</p> <p>2.10.5. Tariff manager approves the documents and sets the fees required for release which include (customs duties, value added, tax of with commercial and industrial revenue of 1%, and Nafeza fees at EGP 1780).</p> <p>2.10.6.</p> <ul style="list-style-type: none"> • The Egyptian importer or customs clearing agent pays the required amount and shows the payment status on the Nafeza platform • If the Egyptian importer chooses the one form to pay, all the amounts to be collected will appear in a standard form that appears to the Egyptian Importer on the Nafeza platform. • If another system is selected, two customs and regulatory invoices are shown. <p>2.10.7. Customs receives the amount and uploads the payment status to a NAFEZA platform, and a release permit is issued.</p> <p>2.10.8. After the payment process is completed, the Egyptian Importer or clearing agent can print the customs statement and customs clearance on the Nafeza platform.</p>
<p>Output criteria to exit the business process</p>	<p>Customs statement</p>
<p>Average time required to complete this business process</p>	<ul style="list-style-type: none"> • Average 1 day (customs clearance agents are still operating just as before only with automated procedures (not digitized)). Each approving authority at the other end is still following its own separate procedures/approval process without integration with others.

Core business process area 2.11: Customs release and completion of Procedures

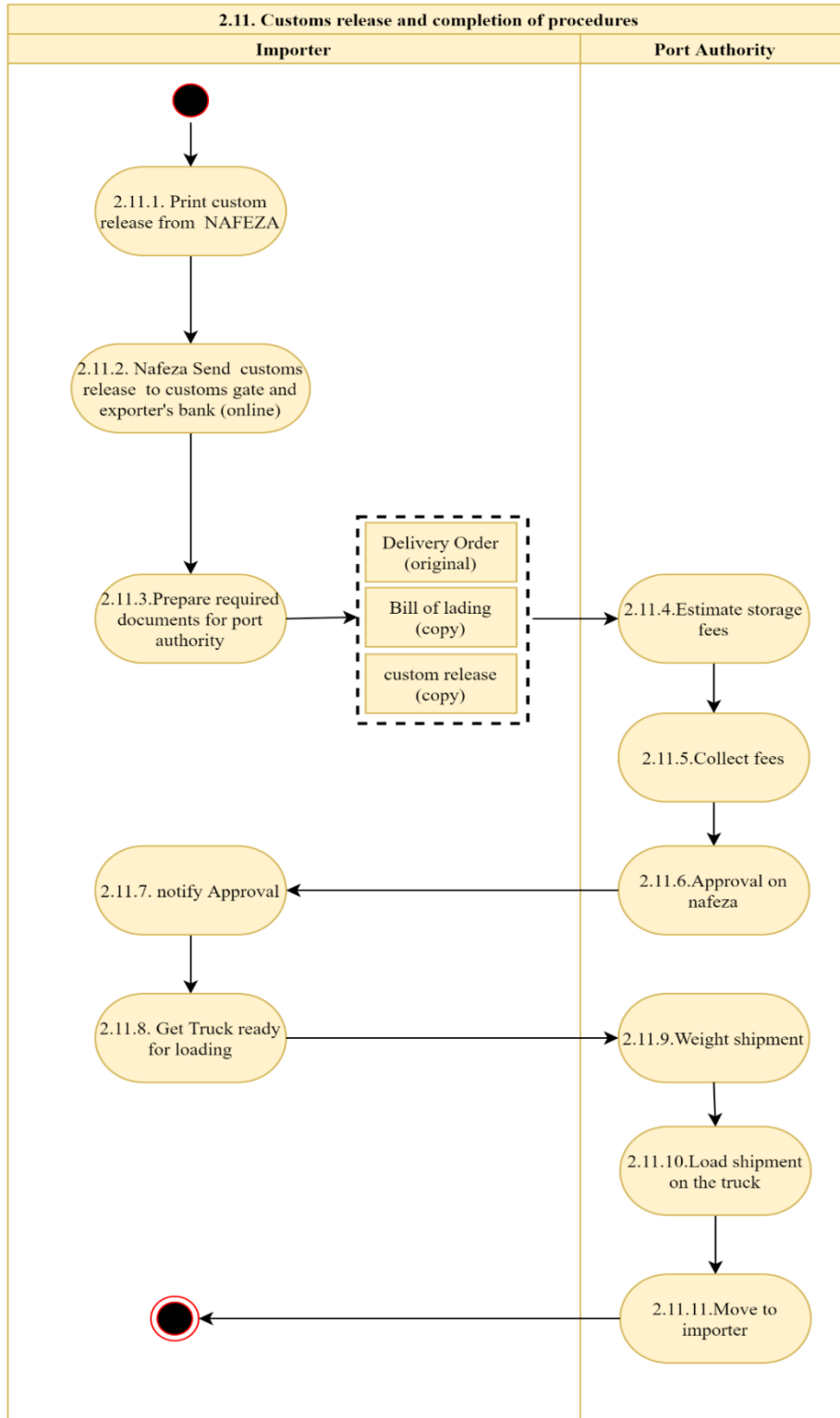
Figure 3.27. “Customs release and completion of procedures” use case diagram



The use case diagram shown in Figure 3.27 suggests that “Customs release and completion of Procedures” process requires the participation of:

- Egyptian importer
- Port authority

Figure 3.28. “Customs release and completion of procedures” activity diagram



Name of process area	2. Ship
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Name of business process	2.11. Customs release and completion of procedures
Related laws, rules, and Regulations	<ul style="list-style-type: none"> • Customs Law No. 207 of 2020 and its executive regulations issued by Minister of Finance Decree No. 430 of 2021 and their amendments • Law No. 118 of 1975 promulgating the Import and Export Law and its executive regulations issued by Ministerial Decision No. 770 of 2005 and their amendments • Decision of the Minister of Finance No. 367 of 2021 regarding prior customs clearance procedures • Procedures Circular No. 8 of 2021 regarding procedures of the specific tariff manager after completion of the appraisal process and turning the declaration into approved and under payment • Reminder Procedures Circular No. 2 of 2021 regarding the documents to be submitted for the release of imported and exported goods • Procedures Circular No. 23 of 2020 regarding prior release • Procedures Circular No. 5 of 2018 regarding the existence of six customs release tracks • Decision No. 25 of 2022 regarding the release of perishable goods for which no documentary credit has been opened, with the submission of a letter of guarantee or cash deposit for the value of the released goods • Import Circular No. 22 of 2020 regarding goods released under custody and not withdrawn from ports within 72 hours inspection appears, and a certificate of conformity is brought. • Decision of the Ministry of Industry to allow customs to exceed the increase on the final invoices by no more than 5 percent • Law No. 73 of 2019 promulgating a law establishing an authority for regulating domestic and international land transport
Process participant	<ul style="list-style-type: none"> • The port authority • The Egyptian importer
Input and criteria to enter/ begin the business process	All customs fees have already been paid
Activities and associated documentary requirements	<p>2.11.1. After the payment process is completed, the Egyptian Importer can print the customs statement and customs release on the Nafeza platform.</p> <p>2.11.2. Customs clearance is sent to the customs gate, the Egyptian Importer's bank, and the archive of the customs. By Nafeza</p> <p>2.11.3. The Egyptian Importer delivers to the port authority the following (an original document of the delivery permit, a copy of the bill of lading and a copy of the customs release document).</p>

	<p>2.11.4. The Authority appraises the storage fees at (EGP 1/per day/per ton + 14% added value).</p> <p>2.11.5. Collection of fees by the port authority.</p> <p>2.11.6. After paying the authority’s fees, the Egyptian Importer is given exchange approval on the Nafeza platform.</p> <p>2.11.7. Notify the Egyptian Importer that approval is done</p> <p>2.11.8. The Egyptian Importer can enter their trucks to load the shipment through the customs release number.</p> <p>2.11.9. The shipment is weighed before exiting the customs gate (EGP 1 per ton).</p> <p>2.11.10. The shipment is cleared from customs and transported to the Egyptian Importer's facilities.</p> <p>2.11.11. The shipment will be moved to the Egyptian Importer’s warehouse.</p>
Output criteria to exit the business process	The exit of the goods from the port and the arrival of the goods to the warehouse.
Average time required to complete this business process	1 day

3d. Process area 3: Pay

(Already concluded in shipment)

3.1 Conclude payment

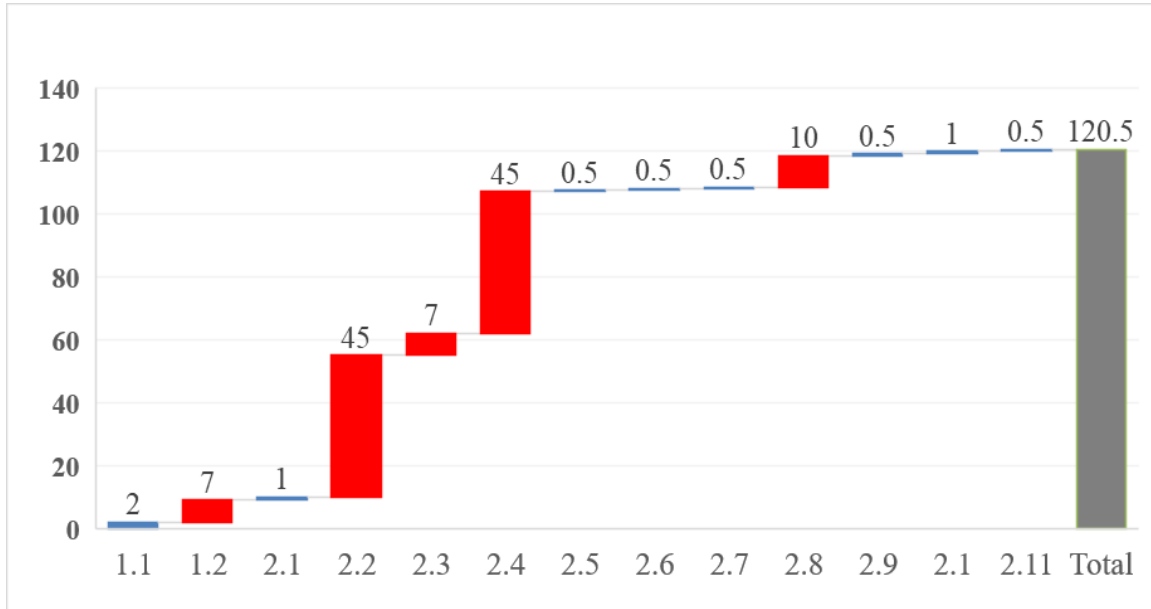
Once each party (buyer and seller) has fulfilled its commitments (seller: sending the shipping documents; buyer: making the payment), the pay-process is considered completed. Since the money and document transfers are across two countries, it can take up to 45 days. Payment for the iron and steel is concluded in process 2.2 & 2.4 “Letter of Credit.” Therefore, no extra graph is drawn for the pay-process.

4. Time procedure chart of parts and accessories for tractors and motor vehicles imports to Egypt

Figure 4.1 presents a time-procedure chart listing core business processes that are required to be carried out to import **parts and accessories for tractors and motor vehicles** into Egypt. The time procedure chart suggests that it takes, on average, 120.5 days for the importing enterprise to fulfill commercial and regulatory requirements of 14 **Parts and accessories for tractors and motor vehicles** business processes.

Figure 4.1 also shows that only 4 business processes consume more than 90 percent (107 days) of the time required to import **Parts and accessories for tractors and motor vehicles** into Egypt.

Figure 4.1. Time procedure chart for iron and steel imports



Part II: "To Be" Scenario

1. The Methodology of dealing with the “To Be” scenarios

The “To Be” scenario starts with identification of key problem areas followed by suggestions of corrective solutions based on stakeholders’ opinions, international experiences and ECES’s analysis and expertise.

Many key observations need to be made here before getting into the details of analysis of the specific product:

1- Even though the Customs Authority looks like it is the core of all bottlenecks associated with the importation process, the fact of the matter is that the Customs Authority is the interface window with several other organizations such as port authorities, many inspection organizations (around 38) among others. All deficiencies or weaknesses in these organizations are reflected in Egyptian importer’s dealings with Customs. As a matter of fact, the slowest junction determines the pace of the entire import process.

2- The interface system “Nafeza” itself has numerous deficiencies in its original design and implementation phase as it does not achieve the full depth integration of processes, which was originally promised, and which leads to the maximum efficiency needed. Instead, the system is expanding horizontally to additional organizations. This is complicating problems and adding unnecessary layers of bureaucracy.

3- The above does not negate the fact that the Customs Authority needs serious reform and complete digitization. The fact that the “documentation cycle” in Egypt is slower than the “product cycle” is clearly unlike the norm across the entire world.

4- There are significant differences in costs and procedures between different ports even for the same product. This problem means no proper estimation of duration or costs for the import process as a whole, not to mention the heavy traffic on ports with “easier” procedures.

5- Serious focus on solving all bottlenecks associated with import processes is needed to take full priority because it is the real heart of all problems regarding

trade process. In fact, solving it is a precondition for exportation itself, raising competitiveness and improving the business environment.

6- Governmental orientation needs to be changed drastically from targeting “import prohibition” to “export promotion” because both targets have the same positive effect on foreign exchange.

7- Both targets will not be achieved unless there is trust in the private sector. The perception and belief by authorities that private sector is corrupt until proven otherwise needs to be reversed to a belief that corrupt behavior is rare and cannot be the base upon which all policies, and surveillance actions are decided.

8- A sizable portion of all problems associated with trade processes is linked primarily to the Ministry of Finance with its different departments, with a secondary responsibility falling on the Ministry of Trade and Industry. The core of these problems lies in the fact that the Ministry of Finance has “collection of Money” as its main objective. Furthermore, the limited coordination between the Ministry of Finance and the Ministry of Trade and Industry deepens the misconception and misunderstanding of the industrial and export development objectives.

9- As per the best practices, increasing efficiency and transparency of the import process is dynamic in nature. It means that it requires continuous institutionalized involvement of and consultation with different stakeholders, especially the private sector, not to mention high flexibility in preparation of strategies, implementation mechanisms and regular monitoring and evaluation.

The detailed methodology is as follows:

Analyzing the business process for importing Parts and Accessories for Tractors and Motor Vehicles revealed several bottlenecks. Those bottlenecks arise due to a problem either in the design of the system itself, or in the implementation of the system and finally the lack of relevant policy action as clarified in Table 1 below.

Table 1. Definition of different types of problems

Nature of the Problem	Definition
Failure in system design	When the system fails to achieve the objective due to inadequate planning, missing elements, adopting partial solutions, or the system adopted is not consistent with what is adopted internationally.
Failure in system implementation	When the system fails to achieve the objective due to problems related to poor management, employees' resistance, or lack of human capabilities to implement the new system
Lack of relevant policy action	The problem has not been addressed by appropriate policy action, even though the system design and system implementation exist

The following table proposes a list of corrective actions to each of these bottlenecks and the expected impact. Corrective actions are classified by the time-frame of implementation, with immediate actions denoted by the letter (I), short term (2-5 month) actions denoted by the letter (S) and medium-term actions denoted by the letter (M) (6 months-year). The time-frame is intentionally short because the problems are very urgent to address. Several immediate measures are meant to reduce the extent of the problem until deeper corrective actions are adopted.

These proposed corrective actions fall into two categories as follows:

- Category (A): First-best solutions, which are radical changes based on international experiences
- Category (B): Second-best solutions, which are improvements the existing system

Both categories are included in our analysis to make sure that the "To Be" scenario is realistic and viable.

Several international experiences have been studied with respect to problems related to system design and system implementation. Reference is made in the table 2 to the relevant international experience. Following is the table of the modified business process. Charts are in a separate document due to different paper size.

2. Detailed table for the modified trade process (To Be)

Table 2. Proposed Corrective Actions in the Business Process of Importing Parts and Accessories for Tractors and Motor Vehicles - HS Code (8708)

Business Process Area	Bottleneck	Nature of the Problem	Relevant International Experience	Proposed Solution	Impact	
					Process of import	Others
Pre-requisites						
	<ul style="list-style-type: none"> - Importation of parts and accessories for tractors and motor vehicles requires multi-staged registration procedures with several organizations (namely GOEIC, IDA, GAFI and Customs Authority). - Although most of documents are almost the same. There is not enough coordination among the three organizations - IDA in particular is a major bottleneck regarding industrial 	Failure in system design and implementation	Turkey and Gulf countries	<ul style="list-style-type: none"> - Complete digitization of all services related to trade processes on the Nafeza platform. So, users can apply electronically through one online user-friendly platform (S) - All information regarding documents, time, fees should be available on the internet in a timely, updated format, and in 	<ul style="list-style-type: none"> - Speed up pre-requisites for import processes and remove redundant resubmission of duplicate documents 	<ul style="list-style-type: none"> - Improve the overall business environment, which will eventually lead to a rise in investment, production, and exports

Business Process Area	Bottleneck	Nature of the Problem	Relevant International Experience	Proposed Solution	Impact	
	<p>licenses and approving each import transaction</p> <ul style="list-style-type: none"> - The information about time, fees, documents, and procedures required is not necessarily available in an updated format on their websites. - Failure to renew any pre-requisite documents will stop the import process at any stage. 			<p>a binding manner all (I).</p> <ul style="list-style-type: none"> - IDA must implement law 15 / 2017 for easy issuance of industrial licenses, especially for low-risk activities (I) - There is a need to improve capabilities of IDA employees to be able to provide efficient services to business community in a professional way. (S) - Radical Change (M) - Expand vertical and horizontal digitization for all business services: trade, licensing, land 		

Business Process Area	Bottleneck	Nature of the Problem	Relevant International Experience	Proposed Solution	Impact	
				finance...etc..... So, users can apply electronically through one online user-friendly platform		
	Suppliers to Egypt face several difficulties regarding MTI Decree No 43 /2016, which involves: <ul style="list-style-type: none"> - lack of transparency and ambiguity in GOIEC registration procedures, duration, and high informal payments. 	Wrong policy action	There is no other country that applies such procedures	<ul style="list-style-type: none"> - Cancellation of Decree 43 altogether, since there is no benefit whatsoever from applying it to any of the parties involved 	<ul style="list-style-type: none"> - Widen the suppliers base for Egyptian imports 	<ul style="list-style-type: none"> - Improve Egypt's image in the trade world, and avoid reciprocal acts by other countries against Egyptian products.
1. Buy						

Business Process Area	Bottleneck	Nature of the Problem	Relevant International Experience	Proposed Solution	Impact	
Trade steps of relevance to production						
2. Ship						
<i>2.1 Obtain ACID number</i>	<p>Since October 2021, the Advance Cargo Information system (ACI) is applied. The Egyptian importers face many problems:</p> <ul style="list-style-type: none"> - System is not user friendly - Unnecessary details are needed for the registration process - the system accepts original documents only - Any change of information / correction is not allowed, 	Failure in system design and implementation	UAE, Brazil	<ul style="list-style-type: none"> - Improve system design to overcome the current challenges. (I) - To be user friendly - Remove unnecessary details for registration - To accept changes and edits - To accept photocopies - Strengthen the technological infrastructure to make 	<ul style="list-style-type: none"> - Facilitation of obtaining ACID number decrease duration through increasing system efficiency and eliminating step No. 2.1.3 (Figure 6-4). - Minimize human intervention across the 	<ul style="list-style-type: none"> - Improve cross border trading and increase the efficiency of trade procedures, time, etc. - Maximum efficiency of trade process will be achieved

Business Process Area	Bottleneck	Nature of the Problem	Relevant International Experience	Proposed Solution	Impact	
	<p>such as changing bank details or port.</p> <ul style="list-style-type: none"> - Weak technological infrastructure interrupts the registration process - Any small mistake in the registration process requires re-submission of all data. - The system cannot automatically fill the detailed required data from the documents uploaded. - Users of the system are not informed of periodic changes in a timely manner 			<p>sure the system is working efficiently</p> <ul style="list-style-type: none"> - Developing the system to fill automatically the detailed required data from uploaded documents. - Proper and timely communication with users on the latest changes in relevant procedures legislation, fees. etc. <p>Radical Change (M)</p> <ul style="list-style-type: none"> - Use 4IR technologies, especially artificial intelligence (AI), machine learning (ML) and big data (BD) to intelligently: 	<p>registration process and reduce errors</p> <ul style="list-style-type: none"> - Egyptian importers will get ACID number along with their risk category and all details regarding the import process including, risk factor for their product, upcoming steps across Customs procedures - Finally, they can predict the time and cost for 	

Business Process Area	Bottleneck	Nature of the Problem	Relevant International Experience	Proposed Solution	Impact	
				<ul style="list-style-type: none"> - Distinguish original from copies - Classify products according to their level of risk - Determine the future proper actions regarding Customs inspection and sampling percentage and frequency for each category based on two criteria: <ol style="list-style-type: none"> 1. The product risk predetermined factor based on logarithm 2. Credibility of Egyptian importers. - Categorize importers as per their historical behavior based on their 	the whole import process.	

Business Process Area	Bottleneck	Nature of the Problem	Relevant International Experience	Proposed Solution	Impact	
				<p>credibility and correctness of all previous procedures into red, yellow, and green.</p> <ul style="list-style-type: none"> - Identify a different process as per category (green is the fastest one) 		
	<ul style="list-style-type: none"> - The ACI system was implemented, with neither proper involvement of relevant stockholders, nor testing phase to improve the system upon the feedback from users. 	<ul style="list-style-type: none"> - Lack of a proper policy action - Failure in system implementation 		<ul style="list-style-type: none"> - Institutionalize the continuous involvement of different stakeholders in designing the system and its implementation mechanism, and dynamic changes needed 	<ul style="list-style-type: none"> - Remove bottlenecks, which are causing a lot of problems 	

Business Process Area	Bottleneck	Nature of the Problem	Relevant International Experience	Proposed Solution	Impact	
2.2. Apply for letter of credit	<ul style="list-style-type: none"> - Applying for LC requires submitting almost the same documents that were uploaded on Nafeza. - Shortage in foreign currency plus CBE March Decree resulted in long durations to issue LCs. - It resulted in fueling the prices of parts and accessories for tractors, motor vehicles locally 	Wrong Policy Action	Central bank direct intervention in B2B relation does not exist worldwide	<ul style="list-style-type: none"> - Cancel the CBE decree completely (as announced by CBE, it is expected to take place by December 2022) (I) - Banking system needs to give a higher priority to quickly cover importing intermediate products (I) - Involvement issuing LC on Nafeza platform - Establish Institutional mechanism for involvement of and consultation with different stakeholders in economic policy process (S) 	<ul style="list-style-type: none"> - Fast issuing of letter of credit and import process, especially for intermediate inputs - Decrease inflexible tendencies at all levels in the entire chain - Remove redundant resubmission of duplicate documents 	<ul style="list-style-type: none"> - Solve production problems and remove disruption of the whole supply chain - Keep Egypt's share in foreign markets and keep up with competitors -

Business Process Area	Bottleneck	Nature of the Problem	Relevant International Experience	Proposed Solution	Impact	
2.3. <i>Preparing and approving shipping documents</i>	<ul style="list-style-type: none"> - As per ACI system, the foreign supplier has to upload all documents related to the shipping transaction on the CargoX platform, which is linked to the Nafeza platform. - Suppliers claim that registration on CargoX is complicated, since it is not user friendly, requires much detailed information, and high costs of around \$165 per transaction 	Failure in System design & System implementation	Government direct intervention in B2B relationship does not exist elsewhere in the world	<ul style="list-style-type: none"> - It is necessary to allow any digital corridor service other than CargoX to be used by foreign supplier. (I) - Revisiting the cost of registering on CargoX. - Form 4 is automatically issued through Nafeza 	Facilitate preparing and approving shipping documents	Expand the supplier base for Egypt

Business Process Area	Bottleneck	Nature of the Problem	Relevant International Experience	Proposed Solution	Impact	
	<ul style="list-style-type: none"> - Enforcing suppliers to register on CargoX only is considered as Government interference into the B2B relation. - Usually, form 4 is issued manually 					
2.5. <i>Offloading</i>	<ul style="list-style-type: none"> - All procedures related to offloading are done totally outside the NAFEZA platform - There is low transparency regarding procedures, duration, cost for offloading process, especially that they are not unified across all Egyptian ports. 	Failure in system design and implementation		<ul style="list-style-type: none"> - Cancel separate application by having it take place automatically on NAFEZA. (I) <p>Radical Change (M)</p> <ul style="list-style-type: none"> - Completely digitizing the whole import process implies automatically applying for offloading - Adding fees to the unified invoice paid at final release. 	<ul style="list-style-type: none"> - Facilitate offloading process, increase transparency regarding the procedures, duration, and cost - Minimize human intervention 	<ul style="list-style-type: none"> - Facilitate another part of the import process that activates trade and increases Egypt's competitiveness

Business Process Area	Bottleneck	Nature of the Problem	Relevant International Experience	Proposed Solution	Impact	
<p>2.7. Obtain 46 & examination numbers</p>	<ul style="list-style-type: none"> - Egyptian importer will pay additional costs to Central Manifest to Modify any item in the main import documents - Actual costs are determined through negotiation with employee. - Egyptian importers often face mandatory modification due to simple technical problems in NAFEZA Platform. - (For example, the number of the container cell contains 19 digits, while Nafeza allows for only 9 digits) 	<p>Failure in System Design & System implementation</p>		<ul style="list-style-type: none"> - Increase transparency of obtaining 46 number and related costs paid by Egyptian importer (I) - Improving the Nafeza system to eliminate technical problems (I) - Modifying the Manifest can take place directly through Nafeza platform (I) <p>Radical Change (M)</p> <ul style="list-style-type: none"> - Completely digitizing the whole import process implies reviewing the importance of this step altogether, so it may be canceled if there is no need for it or turn to be 	<ul style="list-style-type: none"> - Facilitate obtaining 46 number - Without exaggerated costs borne by the Egyptian importer 	<ul style="list-style-type: none"> - Reduce the informal fees - Speed the import process and increase the efficiency and transparency

Business Process Area	Bottleneck	Nature of the Problem	Relevant International Experience	Proposed Solution	Impact	
				<p>fully automatically implemented.</p> <ul style="list-style-type: none"> - Adding the fees to final unified invoice paid at final release. 		
2.8. <i>Take samples</i>	<ul style="list-style-type: none"> - There are numerous inspection authorities, so duration and cost differ significantly - The importer cannot predict the time taken to get the inspection results of samples - There is usually miscommunication between the NAFEZA platform and inspection authorities, so the latter are not necessarily receiving inspection requests. - The determined date may be delayed if port is crowded 	Failure in System Design & implementation		<ul style="list-style-type: none"> - Develop Nafeza platform to be well linked with all inspection authorities so they properly receive the inspection requests. (I) - To set time-frame regarding the duration of sample inspection by the General Security Authority (Al Amn El Aam) (I) - Fees paid electronically to the 	<ul style="list-style-type: none"> - Speed up the sampling process and decrease its time 	<ul style="list-style-type: none"> - Increase the efficiency and transparency of another part of import process -

Business Process Area	Bottleneck	Nature of the Problem	Relevant International Experience	Proposed Solution	Impact	
	<p>(such as in case of Ain Sokhna port)</p> <ul style="list-style-type: none"> - Container emptying and the taking of samples process takes 10 days to complete the regulatory requirements to receive shipment from GOEIC, NTRA, General Security Agency etc. - Parts and accessories for tractors, motor vehicles take a long duration to get the approval of the General Security Authority (Al Amn El Aam) due to the following reasons: <ul style="list-style-type: none"> - The General Security Authority usually does not have a representative in each port, so the sample is 			General Security Authority (I)		

Business Process Area	Bottleneck	Nature of the Problem	Relevant International Experience	Proposed Solution	Impact	
	<p>inspected centrally in Cairo (CID).</p> <ul style="list-style-type: none"> - Representative of the General Security Authority may not travel and deliver the sample to Cairo (CID) immediately or in the same day. - Importers must pay the fees in the Cairo office. - After approval of General Security, importer should apply to get the approval from Civil Defense authority. 					
	<ul style="list-style-type: none"> - The Egyptian Customs and inspection authorities inspect each shipment even if it comes from the same supplier and are imported by the same Egyptian importers - The risk assessment system mentioned in new Customs 	<p>Failure in system design and implementation</p>	<ul style="list-style-type: none"> - Countries apply various risk management systems for imports - USA and Canada use 	<ul style="list-style-type: none"> - There is a need to specify the criteria on which risk will be assessed. (I) - Egyptian Customs in coordination with different inspection authorities should 		

Business Process Area	Bottleneck	Nature of the Problem	Relevant International Experience	Proposed Solution	Impact	
	law is not implemented and there are no clear criteria on which risk is assessed		scoring systems on a scale from 1- 10 - Turkey applies different colored tracks based on risk of imports	apply the risk assessment system mentioned in the new Customs law to easily categorize which products should be inspected and which should not. (S)		
			Most countries all over the world	<ul style="list-style-type: none"> - Radical Change (M) - Using 4IR technologies in complete digitization of the whole import process implies that the system will automatically: - Classify products according to their risk 	<ul style="list-style-type: none"> - Minimize the human intervention in the sampling process - Cancel the direct relationship between Egyptian 	<ul style="list-style-type: none"> - Facilitate another part of the import process that activates trade and increases Egypt's competitiveness

Business Process Area	Bottleneck	Nature of the Problem	Relevant International Experience	Proposed Solution	Impact	
				<ul style="list-style-type: none"> - Determine the following proper actions regarding Customs inspection and sampling percentage and frequency for each category based on two criteria: <ol style="list-style-type: none"> 1. The product risk predetermined factor based on an algorithm 2. Creditability of Egyptian importers. - One inspection window in each port receives the inspection request automatically - Egyptian importer can trace their transaction step by step through their account 	<p>importer and inspections authority (cancel step 2.9.6 of AS-IS scenario and all related steps)</p> <ul style="list-style-type: none"> - Minimize the duration and costs of inspection - Add all fees to the unified invoice paid at final release 	

Business Process Area	Bottleneck	Nature of the Problem	Relevant International Experience	Proposed Solution	Impact	
				<ul style="list-style-type: none"> - All fees will be paid electronically in one user friendly platform 		
<p>2.9 <i>Customs detection and inspection</i></p>	<ul style="list-style-type: none"> - In case of disagreement between the Egyptian importer and the Customs Authority regarding the HS code, the debate will be raised to the Chemistry Administration. It might take 15-20 days or more to resolve the problem, with the Egyptian importer bearing the costs of inspection, transportation, and additional storage costs. 	<p>Failure in system design & implementation</p>		<ul style="list-style-type: none"> - To set time-frame regarding the duration of solving disputes for product code. (I) - Improve the procedure of the Chemistry Administration to speed the process of solving disputes. (I) 	<ul style="list-style-type: none"> - Speed up the detection and inspection process 	<ul style="list-style-type: none"> - Increase the efficiency and transparency of the release process

Business Process Area	Bottleneck	Nature of the Problem	Relevant International Experience	Proposed Solution	Impact	
	<ul style="list-style-type: none"> - The Chemistry Administration is the only entity authorized to do so, and usually has multiple disputes awaiting resolution. 					
	<ul style="list-style-type: none"> - Customs detection usually takes place in absence of using 4IR technologies 		UAE Brazil	Radical Change (M) <ul style="list-style-type: none"> - Using 4IR technologies in complete digitization of the whole import process implies that the system will automatically be implemented. - What follows are proper actions regarding Customs inspection according to the risk category of product and importer. 	<ul style="list-style-type: none"> - Increase efficiency and transparency of inspection and detection - Decrease load on Customs - Minimize human intervention - For green products, the importer will shift to step 2.10.1 in AS-IS scenario and all steps before this 	<ul style="list-style-type: none"> - Facilitate another part of the import process that activates trade and increases Egypt's competitiveness.

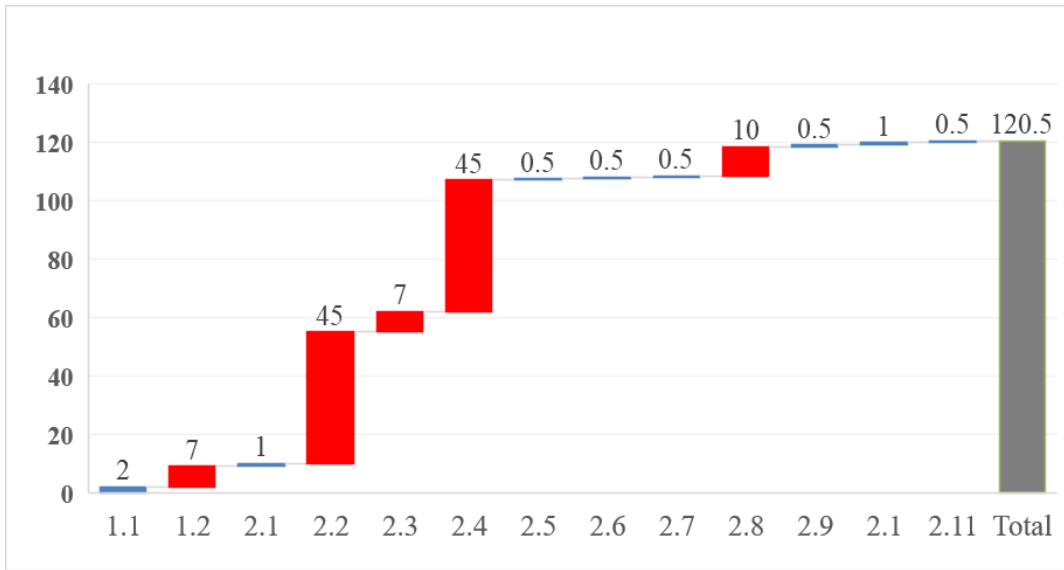
Business Process Area	Bottleneck	Nature of the Problem	Relevant International Experience	Proposed Solution	Impact	
					step will be canceled	
<i>2.10 Valuation and customs Statement</i>	<ul style="list-style-type: none"> - In case of approval on the samples, the results will be uploaded on NAFEZA platform, and the appraisal stage begins. - The appraisal stage is not necessarily held in the arrival port and as such might take a longer time. - There is a lack of transparency regarding all the fees paid by the Egyptian importer. As the unified invoice is not comprehensive, it excludes other fees such as fees of port authority and shipping agent 	Failure in system design and implementation	In most international experience, it is determined intelligently.	<ul style="list-style-type: none"> - It is necessary that the appraisal stage is conducted in the port of arrival, to save time and benefit from the experience of port employees regarding the products (I) - Linking the Nafeza platform with all relevant authorities and entities electronically, so that the Egyptian importer pays all fees once electronically. (I) 	<ul style="list-style-type: none"> - Valuation and release process - Increase transparency regarding the aggregated fees paid by Egyptian importer 	<ul style="list-style-type: none"> - Facilitate another part of the import process that activates trade and increases Egypt's competitiveness.
				Radical Change (M) <ul style="list-style-type: none"> - Using the 4IR technologies in the 	<ul style="list-style-type: none"> - Increase efficiency and transparency of 	

Business Process Area	Bottleneck	Nature of the Problem	Relevant International Experience	Proposed Solution	Impact	
				complete digitization of the whole import process implies that the system will automatically determine the total fees that should be paid electronically in one user friendly platform	Customs valuation	

Finally, it should be stressed, that a dialogue with importers should be done on a regular basis, this is in addition to a consultation process with the importers before implementing any new policy, with a feedback mechanism on the implementation. It is also very important to consider the capabilities of implementing government agencies before putting any policy into action. This will lead to rebuilding trust between government and importers and save efforts and time wasted with a definite positive impact on the business environment.

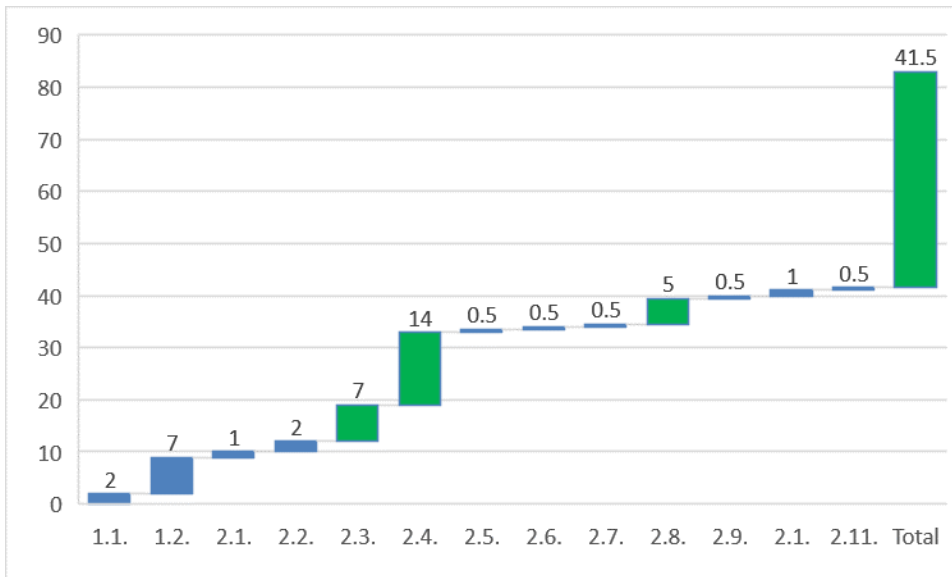
In conclusion, the time required to complete the business process for importing **Parts and Accessories for Tractors and Motor Vehicles** products will be reduced from currently 120.5 days (including indirect time) to just 42 days in the second best scenario, and to 16.5 days in the first best scenario as highlighted in charts (1), (2), (3) and table (3).

Figure 1. Parts and accessories for tractors and motor vehicles – time chart, "As Is" situation



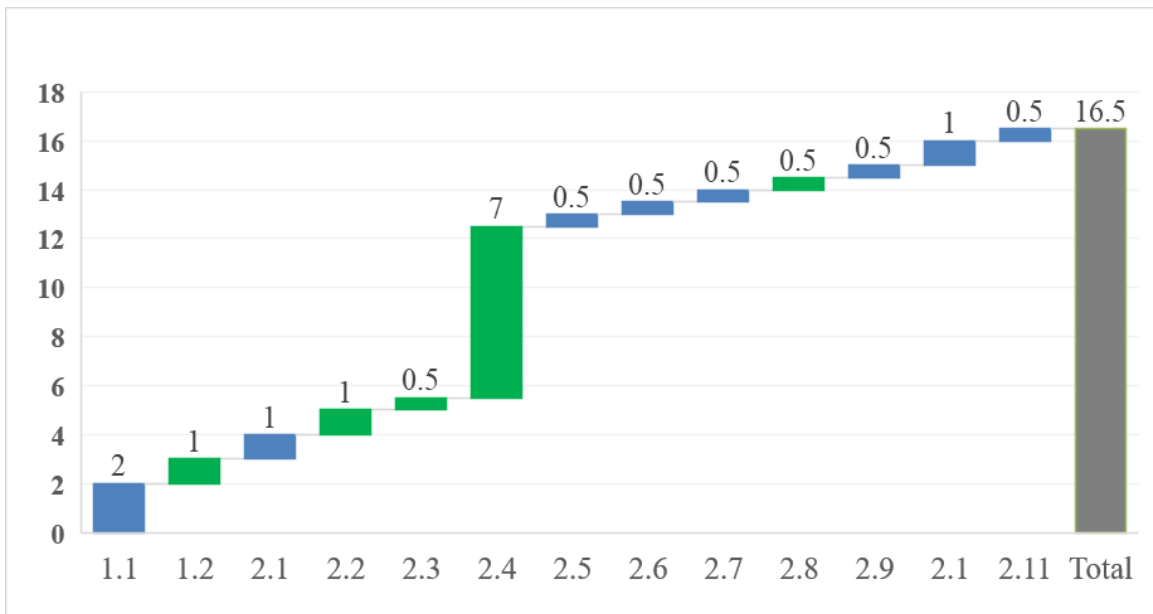
Source: Prepared by ECES.

Figure 2. Parts and accessories for tractors and motor vehicles – time chart, "To Be" scenario (second best)



Source: Prepared by ECES.

Figure 3. Parts and accessories for tractors and motor vehicles – time chart, "To Be" scenario (first best)



Source: Prepared by ECES.

Table 3. Parts and accessories for tractors and motor vehicles – timetable, first best vs second best scenario

Process Area		Business Process	AS IS	TO BE (second best)	TO BE (first best)
Buy	1.1	Conclude sales contract and trade terms	2	2	2
	1.2	Obtain IDA license	7	7	1
Ship	2.1	Obtain ACID number	1	1	1
	2.2	Apply for letter of credit	45	2	1
	2.3	Preparing and approving shipping documents	7	7	0.5
	2.4	Importer's bank received the shipment documents,	45	14	7
	2.5	Offloading	0.5	0.5	0.5
	2.6	Obtain delivery order	0.5	0.5	0.5
	2.7	Obtain 46 & examination numbers	0.5	0.5	0.5
	2.8	Container emptying and take samples	10	5	0.5
	2.9	Customs detection and inspection	0.5	0.5	0.5
	2.10	Valuation and Customs Statement	1	1	1
	2.11	Customs release and completion of Procedures	0.5	0.5	0.5
Total			120.5	41.5	16.5

Source: Prepared by ECES.

Annexes

Annex A: Horizontal Observations

Observation #1

Last March, the Central Bank of Egypt issued a decision to stop dealing with cash against documents (CAD) in the implementation of all import operations, and to work instead with letters of credit (LC), a decision that caused confusion in the import market in Egypt.

Recently, problems in securing hard currency have impeded the process of importing supplies and spare parts. Consequently, production has been disrupted, and Egyptian importers face liquidity problems, because of having to pay the value of imports in full at banks three months before the arrival of goods

Observation #2

The importing enterprise must comply with Ministerial Decree No. (43/2016) concerning modifying the organizing rules of qualified factories registration to export their products to Egypt; due to this new procedure (Decree 43 in 2016 & amendments in March 2022), which can cause serious shipment delays.

At another level, aside from resulting delays - especially in the case of decree 43- lots of problems with a weakly digitized process become apparent; the whole process was seen as awkward by foreign suppliers, leading many of them to stop supplying to Egypt. Finally, corruption emerged as a certain stage of the process involved the approval of the Minister of Industry or other departments in the same ministry, allowing employees in the ministry have a say in how quickly the process can be completed.

Observation #3

The Egyptian government has invested large sums of money in the electronic platform meant to link the various import authorities, but the system developed by MTS is more automation rather than complete digitalization, as it lacks a fully integrated system, which prolongs the duration of the processing and delays clearance. This means that each institution involved in the import process is still operating separately according to its own rules. As a result, the documents received by Nafeza platform are processed by each

institution separately, despite Nafeza being intended to allow user to conduct all the necessary dealings with all relevant institutions on a single integrated platform, and not separately in order to streamline the needed procedures; in reality, the result is that the time taken by such procedures is much longer than then before the platform was launched. There is no link between the fees of shipping agencies and the port authority on the platform “Nafeza.”