



## **BUSINESS PROCESS ANALYSIS OF EXPORTING AND IMPORTING FEW SPECIFIC PRODUCTS EXPORT OF HOME TEXTILES**

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## Abstract

Exports play a crucial role in boosting domestic production, foreign currency revenue, employment opportunities, and enhancing the balance of payments. Therefore, exports are a fundamental pillar for advancing the Egyptian economy and positioning it in the right direction. This study aims to comprehensively assess both the formal and informal procedures associated with the export 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 export processes on a global scale. Specifically, the study delves into the export process of home textiles, focusing on products categorized under HS Code 6302. 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

تلعب الصادرات دورا مهما في زيادة الإنتاج المحلي، وتوفير النقد الأجنبي والتشغيل، وتحسين ميزان المدفوعات، ومن ثم فإن التصدير يشكل أحد أهم الدعائم اللازمة للنهوض بالاقتصاد المصري ووضعه على المسار الصحيح وفي المكانة التي يستحقها. في هذا الإطار، أعد المركز هذه الدراسة بهدف تحليل جميع الإجراءات الرسمية وغير الرسمية المتعلقة بتصدير مجموعة من المنتجات؛ حيث طبق في دراسته للمنظومة الحالية نموذج توثيق الأعمال التجارية (BPA Model) الصادر عن منظمة الأمم المتحدة لتيسير التجارة (UN/CEFACT)، مستخدما، لأول مرة في مصر، لغة نمذجة موحدة عالميا بما يسمح بمقارنة الوضع في مصر مع باقي دول العالم. وتحديدا، تختص هذه الدراسة بتحليل إجراءات تصدير منتجات المفروشات المنزلية بالتركيز على منتجات رمز النظام المنسق HS Code 6302، بما في ذلك المستندات المطلوبة ذات الصلة، والمدة التي تستغرقها الإجراءات (رسميا وفعليا)، 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.

# **Export of Home Textiles (HS Code 6302)**

## ***Part I: "As Is" Situation***

## **Introduction**

This study focuses on analyzing trade processes of exporting home textiles from Egypt using Business Process Analysis (BPA) approach. The analysis is divided into two main parts. Part I analyzes the “As Is” situation and consists of five sections: 1) Overall description of the textile and home textile sector, including industry structure and current challenges; 2) The narrative for the production and trade processes in home textile products (HS Code 6302); 3) Identification of the similarities and/or differences between export processes related to HS code 6302 and that of the other HS codes within the home textile sector; 4) Detailed documentation of export processes associated with the specific product of focus (HS Code 6302); and 5) Time procedure for home textile exports from Egypt. Part II offers proposed scenarios for improving the process (“To Be” Scenario) and includes the methodology of preparing them.

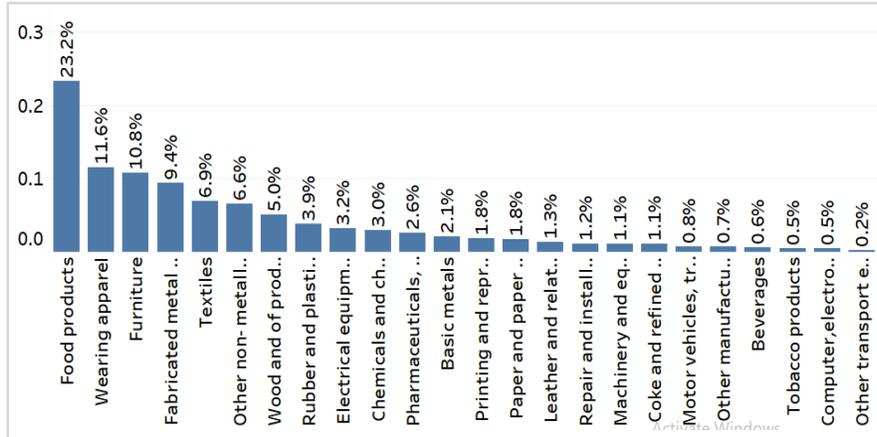
### **1. Sector Description: Textile and Home Textile Subsector**

The description starts by a detailed overview of textile industries as a whole and then proceeds with specific information about home textile subsector. This description includes the sector’s latest available enterprise and employment distributions over all Egyptian governorates and what they imply, the sector’s trade performance, and major challenges faced, particularly following the COVID-19 pandemic and recent global dynamics.

#### ***1A. The latest textile’ enterprise and employment distributions over all Egyptian governorates***

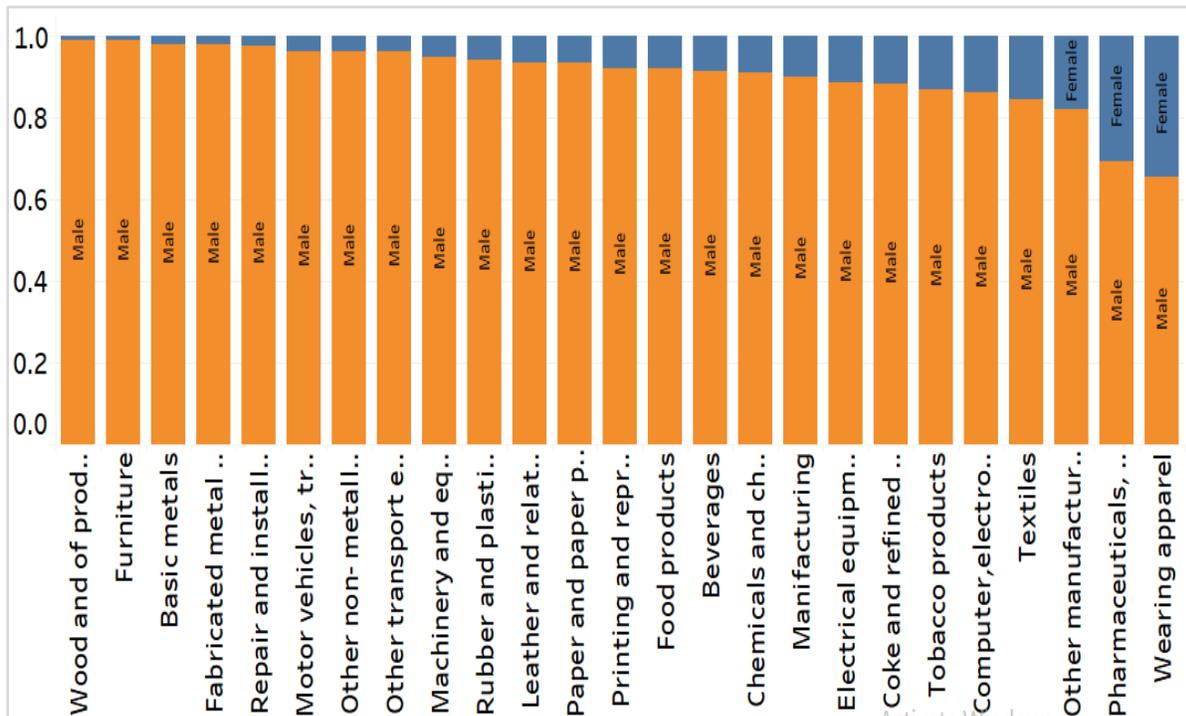
The textile sector comes as the 5<sup>th</sup> manufacturing industry in terms of number of workers out of a total of 24 other industries in 2019, as shown in (Figure 1.1). It accounts for 6.9 percent of total employment in manufacturing. The textile sector comes at top of the manufacturing industries that employs females, (Figure 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 and 1.5 & 1.6 present the distribution of textiles industries enterprises and employment over all Egyptian governorates. The total number of establishments in all 27

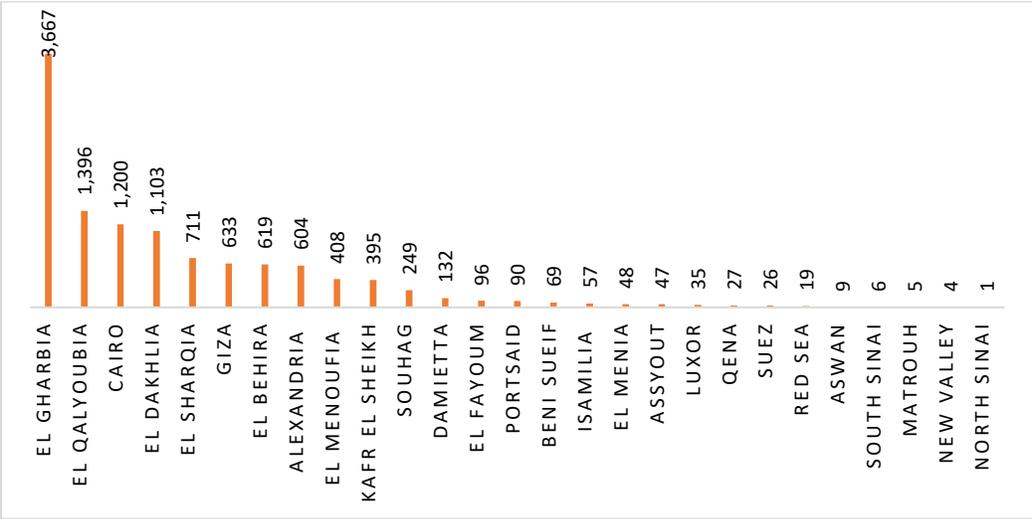
governorates is 11,656, with a total employment of 164,993. Textile firms have presence in all governorates across the country, highlighting its historical importance over the years and its market potential, suggesting that there is a demand for textiles all over Egypt.

However, there is high concentration of enterprises, with the top 5 governorates (El Gharbia, El Qalyoubia and Cairo, El Dakahliya and El Sharqia) account for 69.3% of total number of enterprises. There is also a concentration of enterprises in Delta governorates which account for 77.6% of total enterprises, compared to 10.3% only for upper Egypt governorates (including Giza).

As for employment, there is also a high concentration of employment in a few governorates with the top five governorates (Al Gharbia, El Sharqia, Alexandria, El Qalyoubia, and Cairo) employing 74% of all workers in the industry.

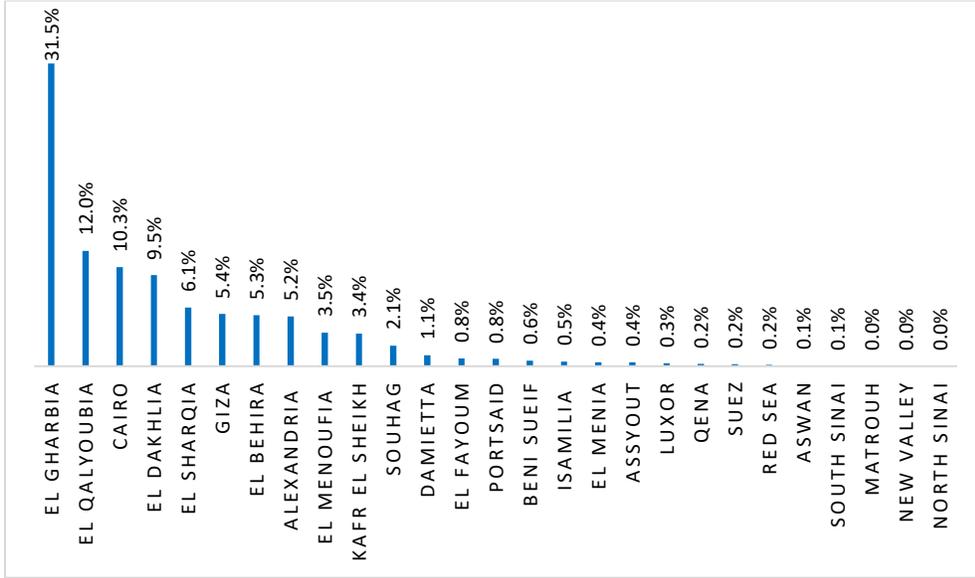
It should be noted here that there is a difference between the distribution of the number of enterprises and the number of workers among the governorates. While Sharqia and Alexandria rank 2<sup>nd</sup> and 3<sup>rd</sup> in terms of number of workers, they come in the 5<sup>th</sup> and 8<sup>th</sup> place, respectively in terms of number of enterprises. This discrepancy can be attributed to the difference in the size of the enterprises in each governorate.

**Figure 1.3. Total number of enterprises in textiles industry per governorate**



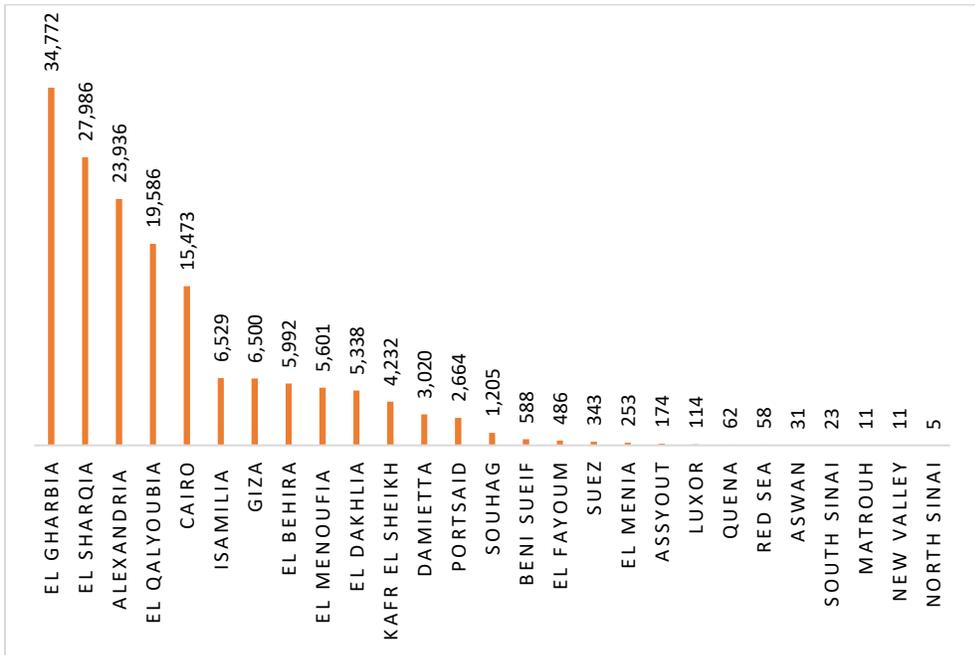
Source: ECES’s analysis of CAPMAS’ latest statistics on manufacturing industries (2019).

**Figure 1.4. Percentage distribution of textiles enterprises over governorates**



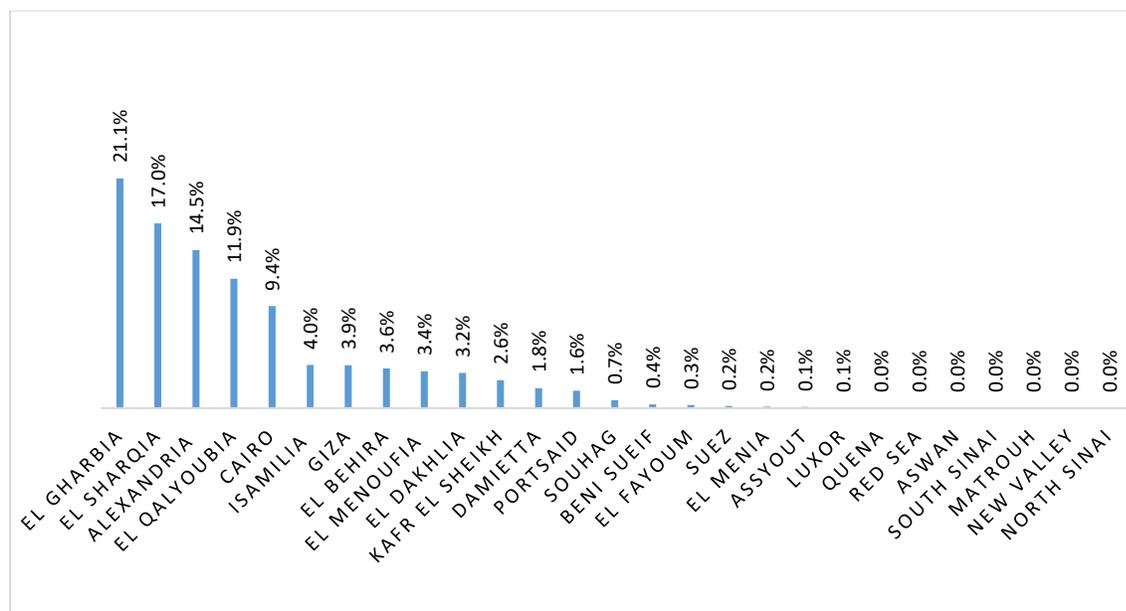
Source: ECES's analysis of CAPMAS' latest statistics on manufacturing industries (2019).

**Figure 1.5. Total number of employees in textiles industry per governorate**



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

**Figure 1.6. Percentage distribution of textiles industry employees over governorates**



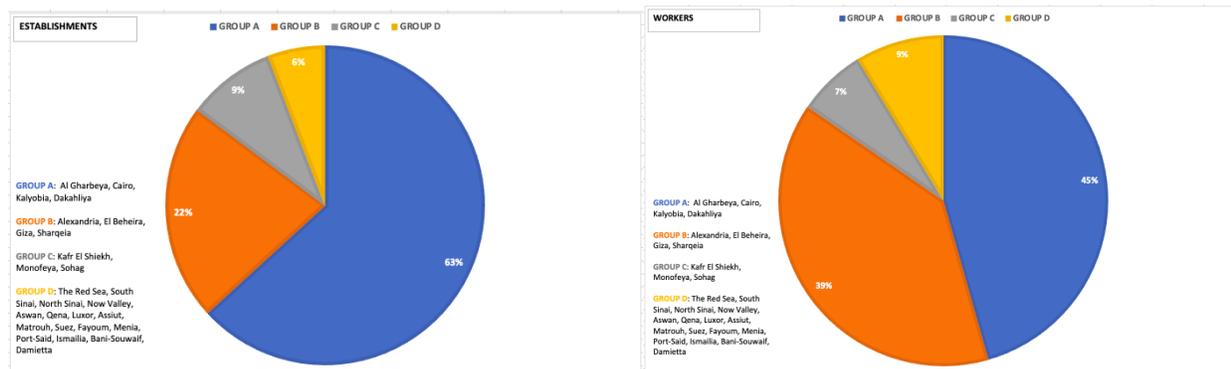
Source: ECES's analysis of CAPMAS' latest statistics on manufacturing industries (2019).

Table 1.1 (and following pie charts), confirms the concentration of the sector in terms of employment and number of establishments in governorate groups A & B, and the gap between these two groups and groups C&D.

**Table 1.1 Distribution of textile sector enterprises and employment per groups of governorates**

Governorate Groups	Establishment Dispersion	Workers Dispersion
A: Al Gharbia, Cairo, Qaliyubia , Dakahliya	63.2%	45.6%
B: Alexandria, El Beheira, Giza, Sharqia	22%	39%
C: Kafr El Sheikh, Monufia, Sohag	9%	6.7%
D: The Red Sea, South Sinai, North Sinai, New Valley, Aswan, Qena, Luxor, Asyut, Matruh, Suez, Fayoum , Minia, Port-Said, Ismailia, Beni Suef, Damietta	5.8%	8.7%

**Figure 1.7. Textile establishment and workers' dispersion**

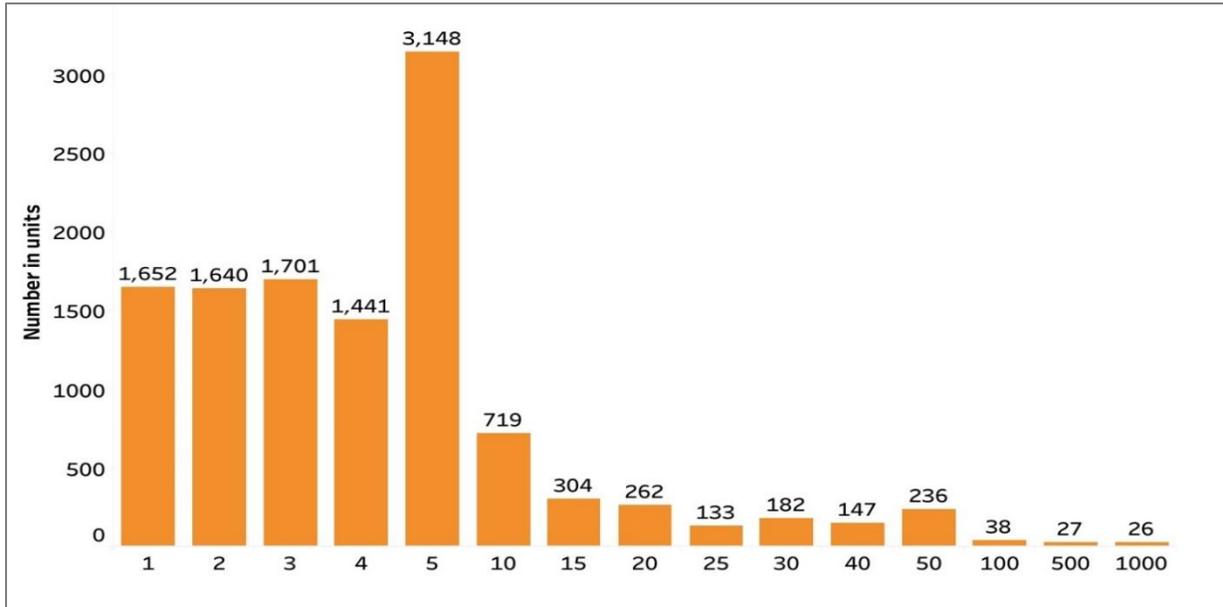


### The size structure of enterprises measured by the number of workers<sup>1</sup>

Figure 1.8 presents distribution of sector's enterprises by size while Figure 1.9 shows the same distribution in percentage. The data reveals the concentration towards the lower end of the spectrum with micro-enterprises (employing 1-5 workers) comprising 82.3% of all firms in the industry. While small enterprises constitute 15% of total enterprises, with a very small share of medium and large enterprise (2.7%). The size structure of the enterprises implies that there is a room for expansion in small and medium enterprises.

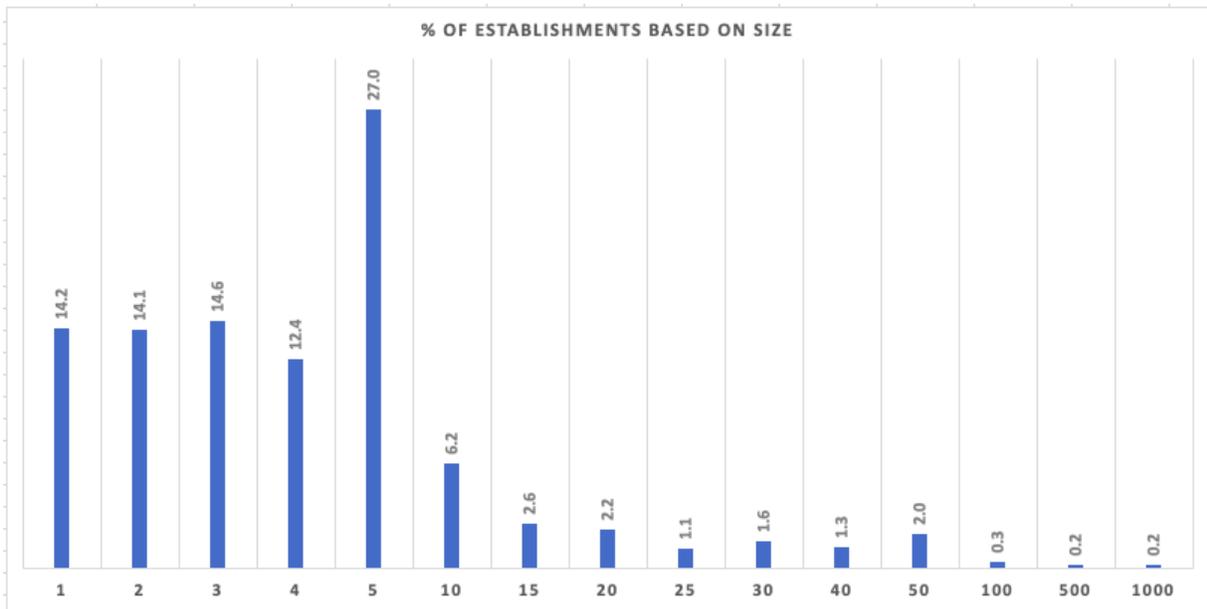
<sup>1</sup> In this study, size in terms of number of workers is categorized as follows: Micro enterprises (1-5 workers), small enterprises (more than 5 and less than 50), medium enterprises (from 50 up to 500), large enterprises (500 and above).

**Figure 1.8. Distribution of the sector’s enterprises by size (measured in terms of number of workers)**



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

**Figure 1.9. Percentage distribution of sector’s enterprises by size (measured in terms of number of workers)**



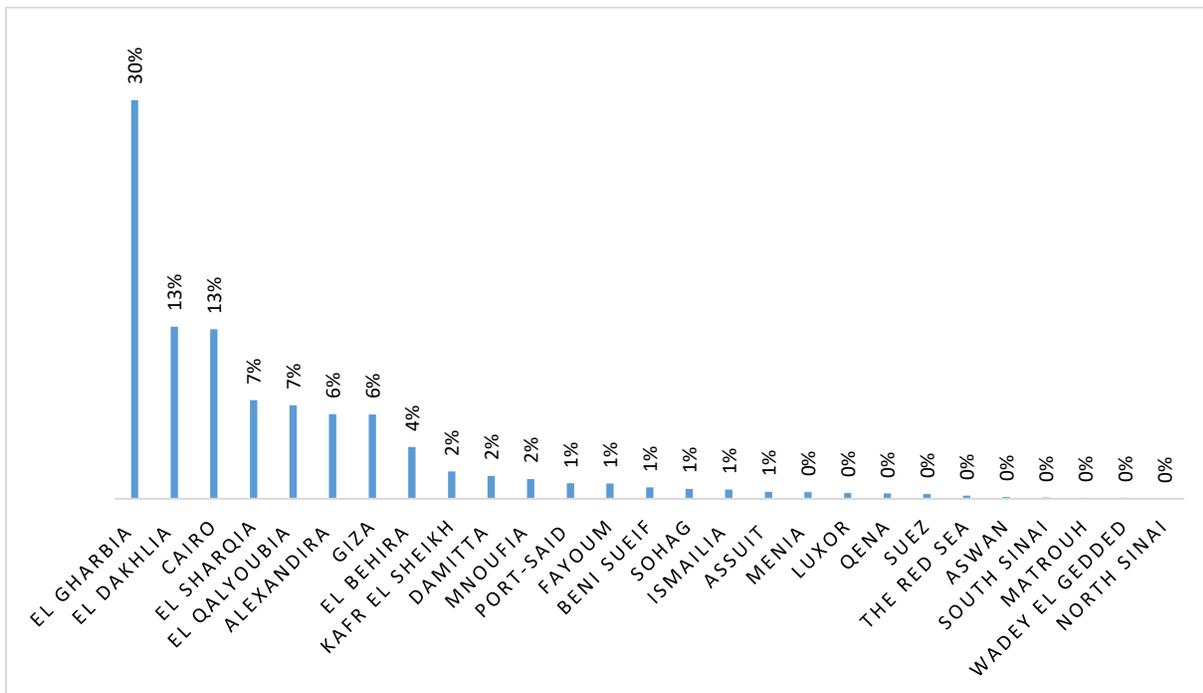
Source: ECES’s analysis of CAPMAS’ latest statistics on manufacturing industries (2019).

**1B. The home textile subsector’s enterprise and employment distributions over all Egyptian governorates**

The home textile subsector represents around 59% of total number of enterprises in the textile industry, and accounts for 33% of total employment in the textile industry.

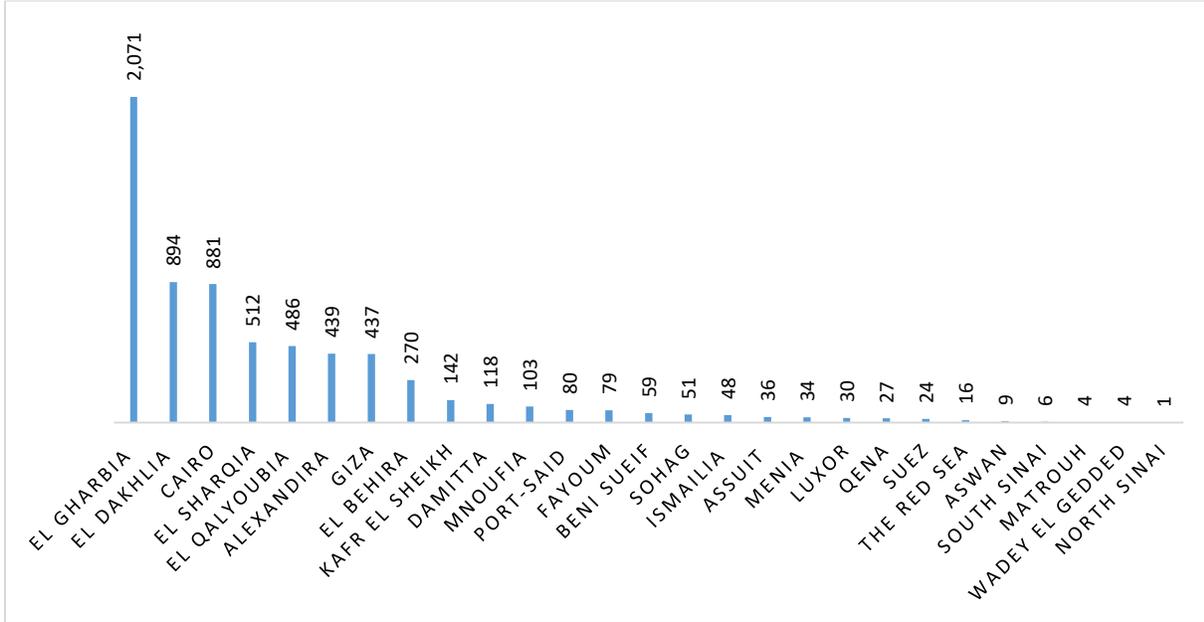
Figures 1.10 & 1.11 and 1.12 & 1.13 present the distribution of home textile subsector enterprises and employment over all Egyptian governorates in number of establishments and number workers in each governorate as well as percentage distribution of both variables. The total number of establishments in all 27 governorates is 6861, with a total employment of 54113 workers. Figures 1.10 & 1.11 clearly show that the home textile subsector is concentrated in a few governorates, whether in terms of the number of establishments or number of workers. El Ghariba has the lion’s share, accounting for 30% of total number of enterprises and 22% of the total number of workers. With the exception of El Giza, upper Egypt governorates accounts for no more than 1% of total number of establishments and workers individually. The industry is almost nonexistent in boarder governorates.

**Figure 1.10. Percentage distribution of home textile subsector’s enterprises per governorate**



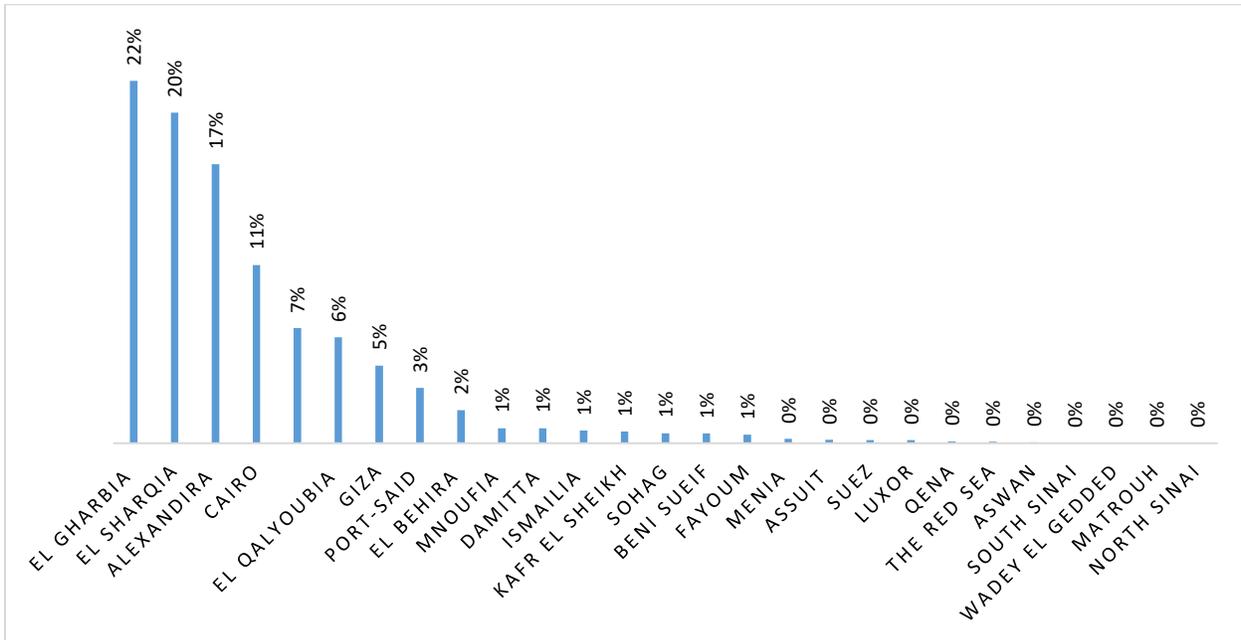
Source: ECES’s analysis of CAPMAS’ latest statistics on manufacturing industries (2019).

**Figure 1.11. Total number of home textile subsector’s enterprises**



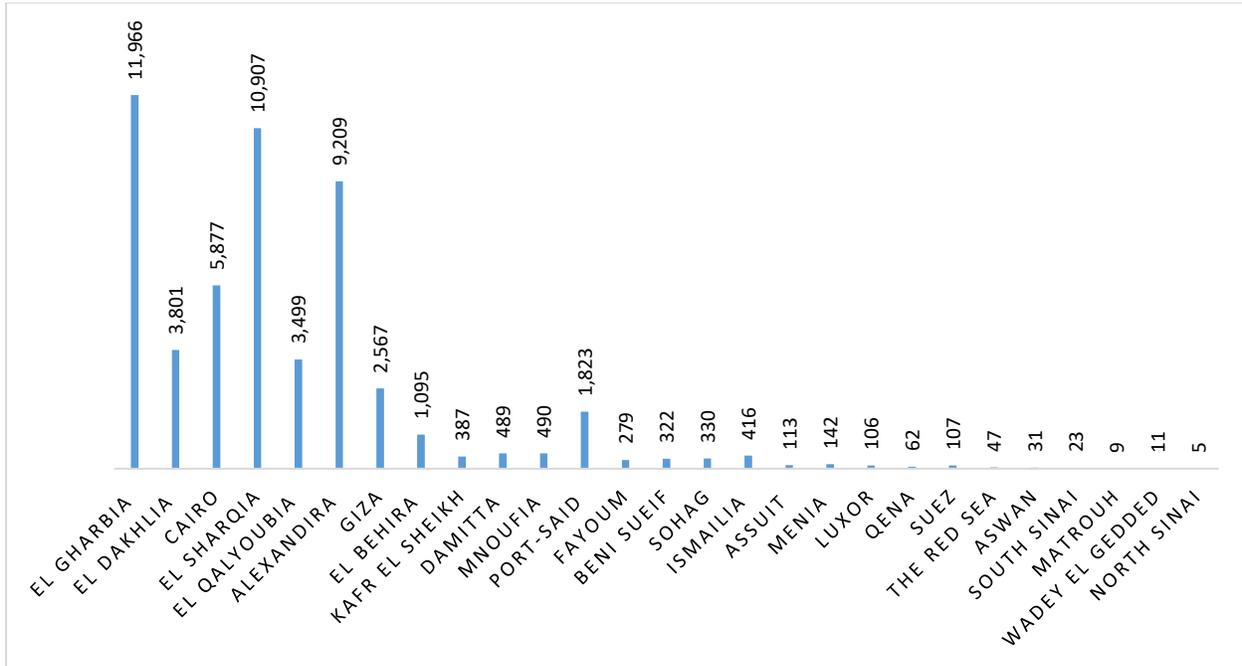
Source: ECES’s analysis of CAPMAS’ latest statistics on manufacturing industries (2019).

**Figure 1.12. Percentage distribution of home textile subsector’s workers per governorate**



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

**Figure 1.13. Total number of home textile subsector’s workers per governorate**



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

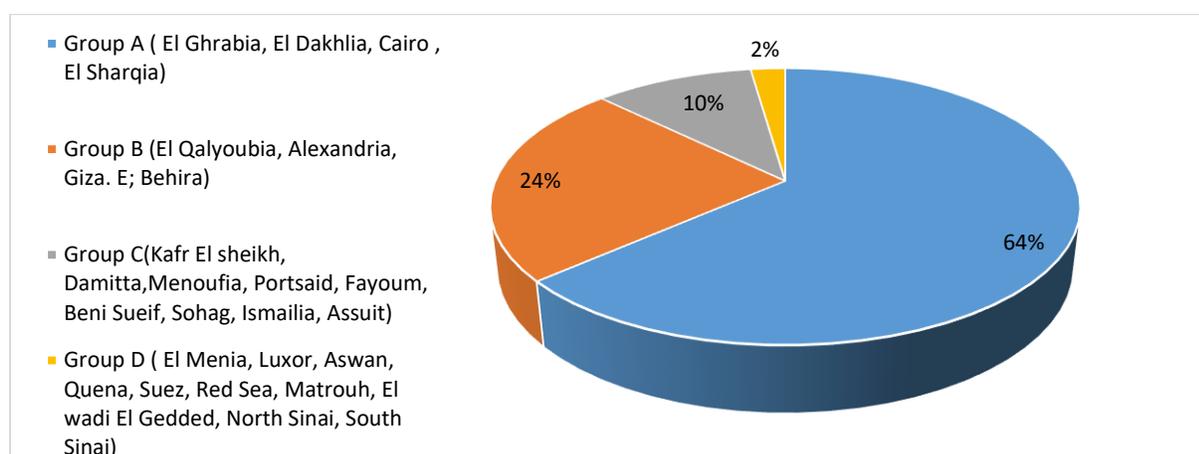
Table 1.2 (and following pie charts) confirms the concentration of the sector in terms of employment and workers. As previously seen in the charts for the textile industries as a whole, Group A governorates account for 64% of total enterprises and 60% of total employment. The group consists of El Gharbia, Dakahliya, Cairo and El Sharqia. Group B accounts for lower concentration of home textile industries enterprises (24%) and lower concentration of employment (30%). Group C, with even lower concentration at 10% of total enterprises and 9% of total employment. Groups A, B and C combined account for 98% of total enterprises and 99% of total employment. Group D, accounting for 2% of total enterprises and 1% of total employment, consists of all border governorates in addition to the red Sea, Suez, Luxor, Aswan, Suez and Qena, El Menia.

The limited existence of home textile industries enterprises in group D implies that there is room for the emergence of new enterprises in these governorates that could serve as a niche market that benefit from the cultural distinction of these governorates.

**Table 1.2. Distribution of home textile subsector enterprises and employment per groups of governorates**

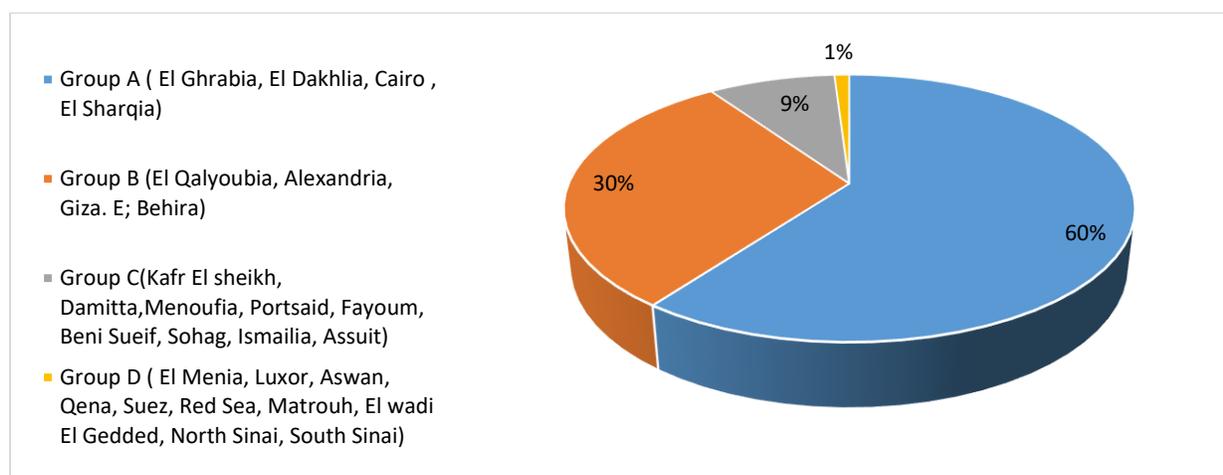
Governorate Groups	Establishment Dispersion	Workers Dispersion
Group A ( El Ghrabia, El Dakhlia, Cairo , El Sharqia)	63.5%	60.2%
Group B (El Qalyoubia, Alexandria, Giza. E; Behira)	23.8%	30.3%
Group C(Kafr El sheikh, Damitta,Menoufia, Portsaid, Fayoum, Beni Sueif, Sohag, Ismailia, Assuit)	10.4%	8.6%
Group D ( El Menia, Luxor, Aswan, Qena, Suez, Red Sea, Matrouh, El wadi El Gedded, North Sinai, South Sinai)	2.3%	1.0%

**Figure 1.14. Home textile subsector- establishments dispersion**



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

**Figure 1.15. Home textile - workers dispersion**

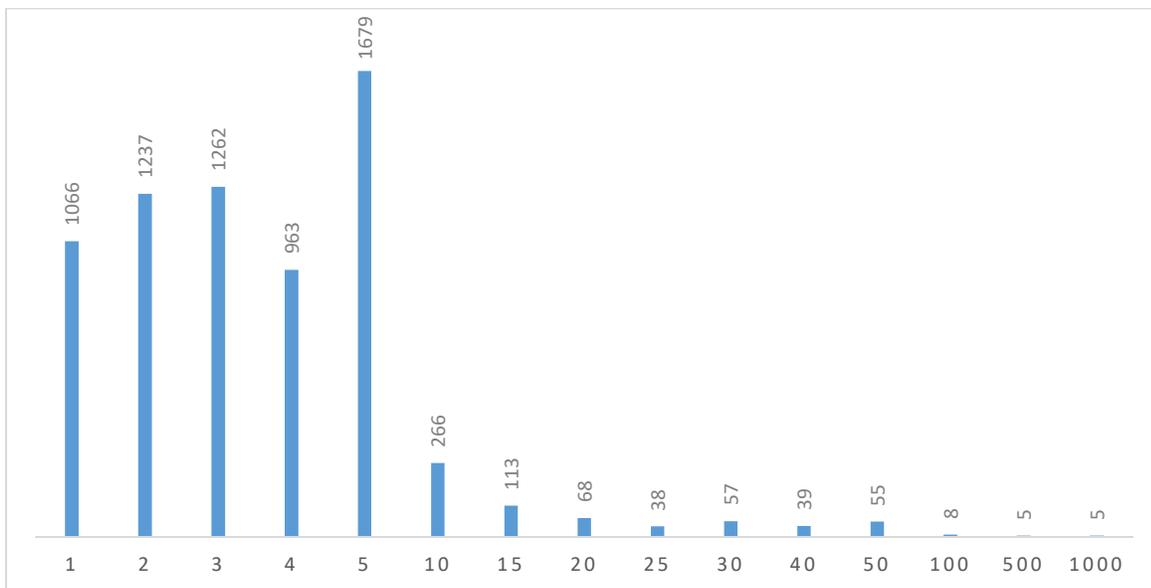


Source: ECES’s analysis of CAPMAS’ latest statistics on manufacturing industries (2019).

## The size structure of enterprises measured by the number of workers<sup>2</sup>

Figure 1.16 presents distribution of sector's enterprises by size while 1-17 shows the same distribution in percentage. The data reveal that the home textile shows a similar pattern to that of the textile sector in general with a high concentration of enterprises in micro enterprises (employing 1-5 workers) with a share of 90.5% of total number of enterprises. While small enterprises constitute 8.5% of total enterprises, and a very small share of medium and large enterprise (1.1%).

**Figure 1.16. Distribution of sector's enterprises by size (measured in terms of number of workers)**

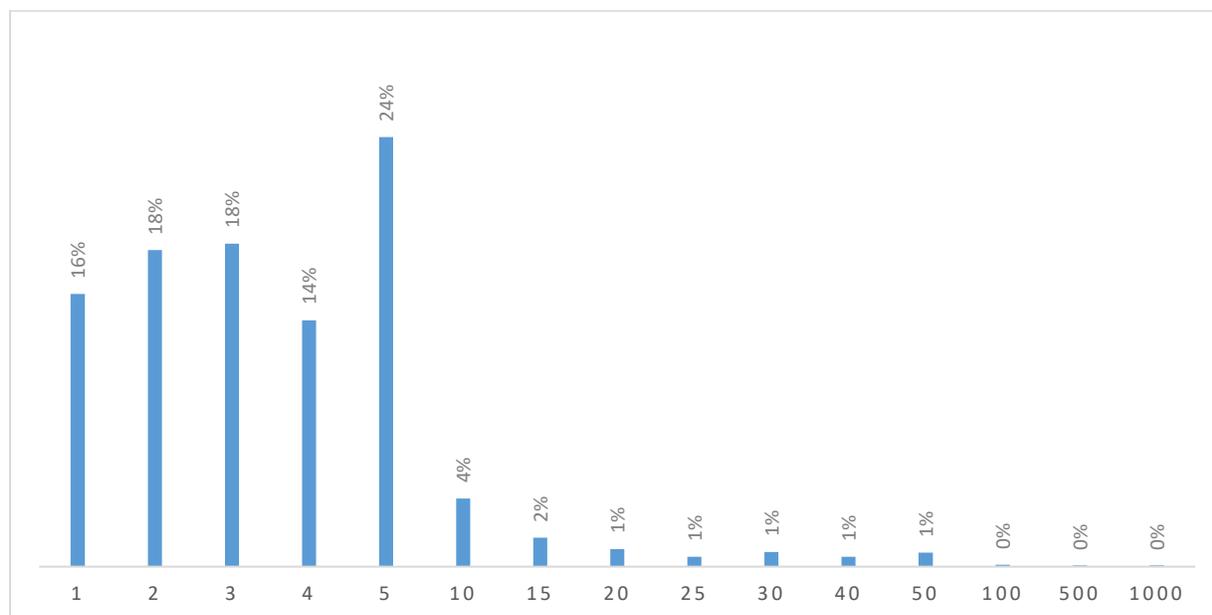


Source: ECES's analysis of CAPMAS' latest statistics on manufacturing industries (2019).

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<sup>2</sup> In this study, size in terms of the number of workers is categorized as follows: Micro enterprises (1-5 workers), small enterprises (more than 5 and less than 50), medium enterprises (from 50 up to 500), large enterprises (500 and above)

**Figure 1.17. Percentage distribution of sector's enterprises by size (measured in terms of number of workers)**



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

### ***1C. The trade performance of the home textile sector with focus on HS 6302***

The value of the Egyptian imports from HS63 textile products was \$56.6 million in 2021, and thus Egypt is achieving a positive trade balance in HS 63 textile products estimated at \$239.3 million.

The most important countries that Egypt imports from are: China, Turkey, Spain, India, United Arab Emirates, United States of America, Saudi Arabia, Jordan, and the United Kingdom, constituting together 85.5% of total Egyptian imports of HS63 textile products.

**Table 1.3. The textile industries sector's trade profile in 2021**

Imported value in 2021 (in thousand dollars)	Share in Egypt's total imports in 2021 (%)	Share in Egypt's manufacturing imports in 2021 (%)	Exported value in 2021 (in thousand dollars)	Share in Egypt's total exports in 2021 (%)	Share in Egypt's manufacturing exports in 2021 (%)
56,598	0.08	0.11	295,952	0.73	1.3

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

As for the value of Egypt's exports of textile products included in HS(63) was \$296 million in 2021. The most important countries that Egypt exports to are: Germany, Sudan, Italy, Netherland, Libya, France, Saudi Arabia, United States of America and Spain constituting together around 74% of total Egyptian exports from HS63 textile products

Concerning the specific product of interest in this study HS Code 6302 as shown in Table 1-4, this code accounts for 65.7% of total exports from the HS code 63 category.

The value of exports from this code is 194.6 US\$ million, while the value of Egyptian imports from this code is \$14.7 million, and thus achieving a positive trade balance of \$179.9 million.

**Table 1.4. Trade performance of HS 63 textile products and positioning of HS code 6302 (2021)**

Code	Product table	Imported value in 2021 in thousand \$	Share % of total product (63) imports	Exported value in 2021 in thousand \$	Share % of total product (63) exports	Trade balance 2021 in thousand \$
6301	Blankets and travelling rugs of (excluding table covers, bedspreads . . .	6,872	12.142	11,262	3.805	4,390
6302	Bed linen, table linen, toilet linen and kitchen linen	14,720	26.008	194,665	65.776	179,945
6303	Curtains, incl. drapes, and interior blinds; curtain or bed valances	1,221	2.157	20,196	6.824	18,975
6304	Articles for interior furnishing, (excluding blankets and . . .	9,263	16.366	5,975	2.019	-3,288
6305	Sacks and bags, of the kind used for the packing of goods	8,648	15.280	55,079	18.611	46,431
6306	Tarpaulins, awnings and sun blinds; tents; sails	813	1.436	210	0.071	-603

Code	Product table	Imported value in 2021 in thousand \$	Share % of total product (63) imports	Exported value in 2021 in thousand \$	Share % of total product (63) exports	Trade balance 2021 in thousand \$
	for boats, sailboards or landcraft; camping . . .					
6307	Made-up articles of textile materials, incl. dress patterns, n.e.s.	13,163	23.257	7,205	2.435	-5,958
6308	Sets consisting of woven fabric and yarn, whether or not with accessories, for making up into . . .	4	0.007	912	0.308	908
6309	Worn clothing and clothing accessories, blankets and travelling rugs, household linen and articles . . .	1,427	2.521	349	0.118	-1,078
6310	Used or new rags, scrap twine, cordage, rope and cables and worn-out articles thereof, of textile . . .	467	0.825	99	0.033	-368
<b>Total HS code 63</b>		<b>56,598</b>		<b>295,952</b>		<b>239,354</b>

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

#### ***1D. Trade performance of the home textile following COVID-19***

The home textile sector was among the list of industries that ECES classified as industries that were affected negatively with the crisis along with the ready-made garments and the other textile industries. However, amongst the three the home textile was the least affected, witnessing a drop in its exports by only 4% during the pandemic compared to the other three and was able to recover from the effect of the pandemic, achieving positive growth rates starting the third quarter of 2020. This mild effect of the pandemic on home textile exports can be attributed to the nature of the products from this sector, which are not seasonal and not subject to fashion compared to the ready-

made garments. Further, the home textile products are highly related to the daily life of the individuals, and thus the demand on these products is fairly stable.<sup>3</sup>

**Table 1.5 Ready-made garments and textile products exports growth rates (2019-2020)**

	Growth rate between (2019-2020)
Ready-made garments	-15%
Home textile	-4%
Textile	-12%

*Source:* ECES calculations, based on export council's data.

## **2. The narrative for the production and trade processes of (HS Code 6302)**

The product group (HS Code 6302) belongs to the category (HS Code 63) of other made-up textile articles. The products in this HS code basically use cotton yarn to produce a number of textile products including towels and bed linen. Egyptian textile makers use imported short-staple cotton yarn, mixed with Egyptian long staple cotton for higher value home textiles. Some producers purchase locally produced yarn from public sector enterprises

Buyers of these products focus mainly on the technical specifications of functionality specifically in terms of color stability and shrinkage.

Although the home textile is subject to the same horizontal observations as the rest of the exported products (Annex A), there are some specific observations related to the production and trade processes of home textile (HS Code 6302), which will be pointed out below.

### **Observation #1**

Due to the nature of the textile products, that is not subject to fashion, exporters tend to keep stock of the imported components, thus problems related to the importation of the raw material are less

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<sup>3</sup> For more details about the impact of the pandemic on the home textile sector, you can view the report prepared by the Egyptian Center for Economic Studies on the impact of the crisis on this sector as part of views in crisis series that monitored the impact of the crisis on the various sectors of the Egyptian economy.

urgent compared to other products such as a ready-made garment, as delays in customs clearance does not affect the capability of the exporters to meet the delivery time.

Although the home textile sector might be less negatively affected than others, however, it is still something that they complain about.

### **Observation #2**

Specific problems related to the importation of ready-made garments and home textile intermediate products are:

- The importation of the security label has to pass through a security check by the general security (El Amn El Aam), which both takes time (4-5 days) and adds additional costs. Some foreign exporters may refuse to register in CargoX, since its cost might exceed the value of the transaction itself. Further, it adds another financial burden on smaller companies.
- The importation of yarn from India and Pakistan specifically has to go through a quick drug check by the police before clearance of the shipment, which is strange and unconventional procedure.

### **Observation #3**

Determining the allowances by the Industrial Control Authority (Annex A, observation #5) is especially problematic for the home textile industry. Exporters suffer between the Industrial Control Authority and the Customs to determine the allowances. The waste measured by the Industrial Control Authority is in kilos of fabric produced out of every kilogram of yarn. In addition, the customs authority takes a sample of exported product to analyze to make sure it has the same imported yarn specifications. Any discrepancy between the two, even if small, is a serious felony, because it means that the producing company is exporting something different from what has been imported, thus suspicions of smuggling imported yarn meant for export to the local market.

Further, typically, the Industrial Control Authority requires that the process of determining the allowances is done immediately after the purchase of the raw material, which is impossible for home textile since exporters tend to bulk purchase the imported raw material without knowing

prior the specific product in which the raw material is going to be utilized. The decision to issue an industrial control letter for yarn was issued a year ago. The implementation of this decision was suspended for one year, meaning that the problem was postponed rather than resolved, knowing that the decision was not subject to a study at the time it was taken, and did not consider the problems related in its implementation for the yarn. Now this suspension has expired since July 2022, and the problem has come to surface again, negatively affecting the home textile exports and Egypt's competitiveness, since exporters will be forced to import the yarn in smaller quantities on a shipment basis, which kills their competitive advantage.

#### **Observation# 4**

In home textiles, sample production is not a simple process, rather it involves several processes, including weaving and dyeing, thus the cost of producing a sample is relatively higher than other products (e.g., ready-made garments). It might take up to 10 days to produce a sample.

Due to the long process of producing a sample and the costs involved, small exporters might be reluctant to produce a sample before concluding an agreement with the foreign buyer (Foreign buyer (importer))

#### **Observation #5**

There is an opportunity to expand in the Egyptian exports from code 6302 to niche markets, using the long stable Egyptian cotton. This is in addition to the opportunities in utilizing patterns and knits that reflect the Egyptian culture (Paranoiac, Islamic, etc.).

### **3. Similarities and differences between (HS Code 6302) and the rest of home textiles**

The rest of the products in (HS Code 63) are subject to the same export and import procedures as (HS Code 6302) to be documented in detail in the next section. However, the cost of sending samples to customers vary according to the weight of the product. Further, products from HS code 6302 are mainly cotton based as opposed to other textile products that might depend on synthetic fibers and / or wool like the case of rugs.

Finally, since the technical specifications of home textile are critical, the production of samples for some products might take longer time since it involves weaving and dyeing and testing either in the lab or even a simple testing through the appearance of the product and washing it

#### **4. Detailed documentation of export processes associated with the specific product of focus (HS Code: 6302)**

This section includes detailed documentation of the business processes that exporters have to go through in order to export home textile products from Egypt, specifically HS Code 6302. The section starts with a brief overview of the prerequisites that should be fulfilled before exportation

##### **Pre-requisites for Exporting**

- Registration at GOEIC (for inland companies) or GAFI (for free zones companies)
- Registration at IDA (industrial license)—The industrial license must include all the products to be exported. The firm cannot export any products that are not included in the industrial license, and to do so, a request to IDA is submitted to add these new products to the industrial license
- Export permit
- Registration at Export Development Fund (for imbursement of Export Support Program payments): The fee for registration varies according to the size of the exports. The documents required for registration include commercial licenses, industrial license, exporters licenses, ISO certificate, in addition to a declaration from the Customs Authority with all exports certificate to prove the size of the exports.

Fulfilling these pre-requisites is lengthy and complicated registration requirements with several organizations involved without enough coordination among them and hardly any automation of the process. For example, the process of registration in the Export Development Fund may take more than one month, depending on the speed of getting the customs declarations from all Egyptian ports

##### **Detailed documentation of export processes**

Figure 4-1 and Table 4-1 present a list of 16 core business processes that are typically carried out when exporting home textiles (HS Code: 6302) from Egypt and a list of 17 stakeholders that an exporter indirectly or directly deals with.

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

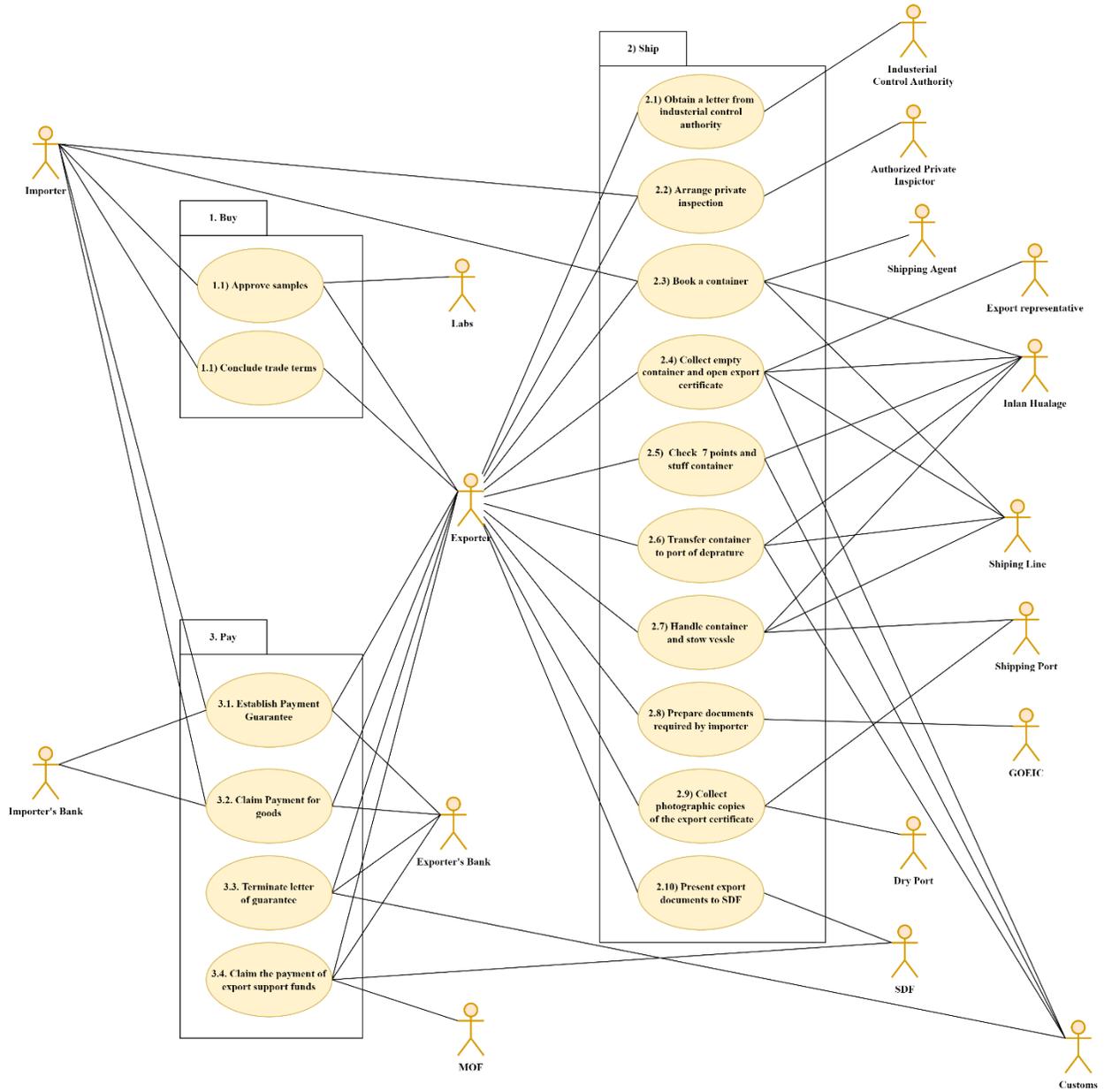
- **Buy:** the conclusion of trade terms and the establishment of sales contract.
- **Ship:** the arrangement for cargo movement and the completion of necessary actions to meet regulatory requirements of both export and import countries.
- **Pay:** the claim for the payment, the payment for the purchased cargo and the local payment.

As explained in Section 2, the production of almost all export orders by buyers involves some level of importation of components, which means that between “the placing of an order by a buyer” and actual “shipment” of the order, an import transaction takes place. Therefore, the main problems facing exporters when importing raw materials will be discussed between the documentation of “Buy” and “Ship” process areas.

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.

In the Egyptian case, the “Pay” process area does not only involve the payment for exported shipment, but also involves local payment from the Export Development Fund, and the drawback or temporary admission system (in the latter case release of the letter of guarantee). Therefore, an additional business process that discusses the settlement with the Export Development Fund, and drawback/ temporary admission will be documented.

**Figure 4.1. Use case diagram of business processes in home textiles exportation**



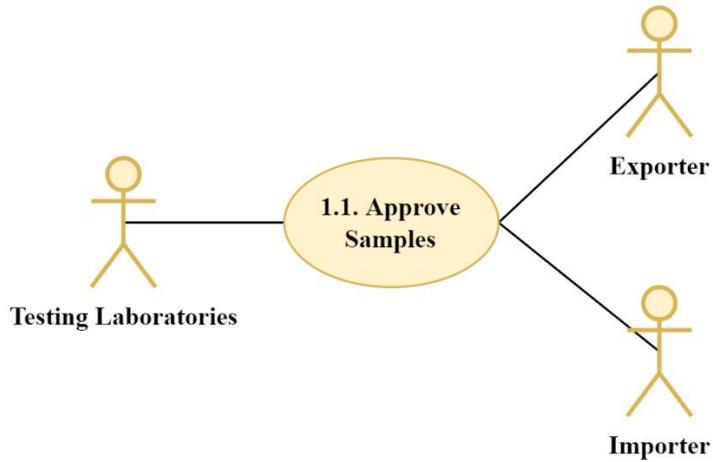
**Table 4.1. Core business processes and stakeholders involved in home textiles export**

Core Business Process	Party																
	Foreign buyer (importer)	Industrial Control Authority	General Organization for Import and Export Control	Authorized Private Inspector	Inland Haulage	Shipping Line	Shipping Agent	Customs	Exporter Representative	Exporter/ exporting company	Shipping Port	Dry Port	Exporter' s Bank	Foreign buyer (importer)' s Bank	Testing Laboratories	Export Development Fund	Ministry of Finance
<b>1. Buy</b>																	
1.1. Approve samples	X									X					X		
1.2. Conclude trade terms	X									X							
“Import” process of home textiles components																	
<b>2. Ship</b>																	
2.1. Obtain a letter from industrial control authority	X									X							
2.2. Arrange private inspection			X							X							
2.3. Book a container				X	X	X				X							
2.4. Collect empty container and open export certificate				X	X		X	X	X	X							
2.5. Check 7 points and stuff container				X		X				X							
2.6. Transfer container to port of departure				X	X		X			X							
2.7. Handle container and stow vessel				X	X					X	X						
2.8. Prepare documents required by Foreign buyer (importer)			X							X							
2.9. Collect photographic copies of the export certificate										X	X	X					



*Core business process area 1.1: Approve samples*

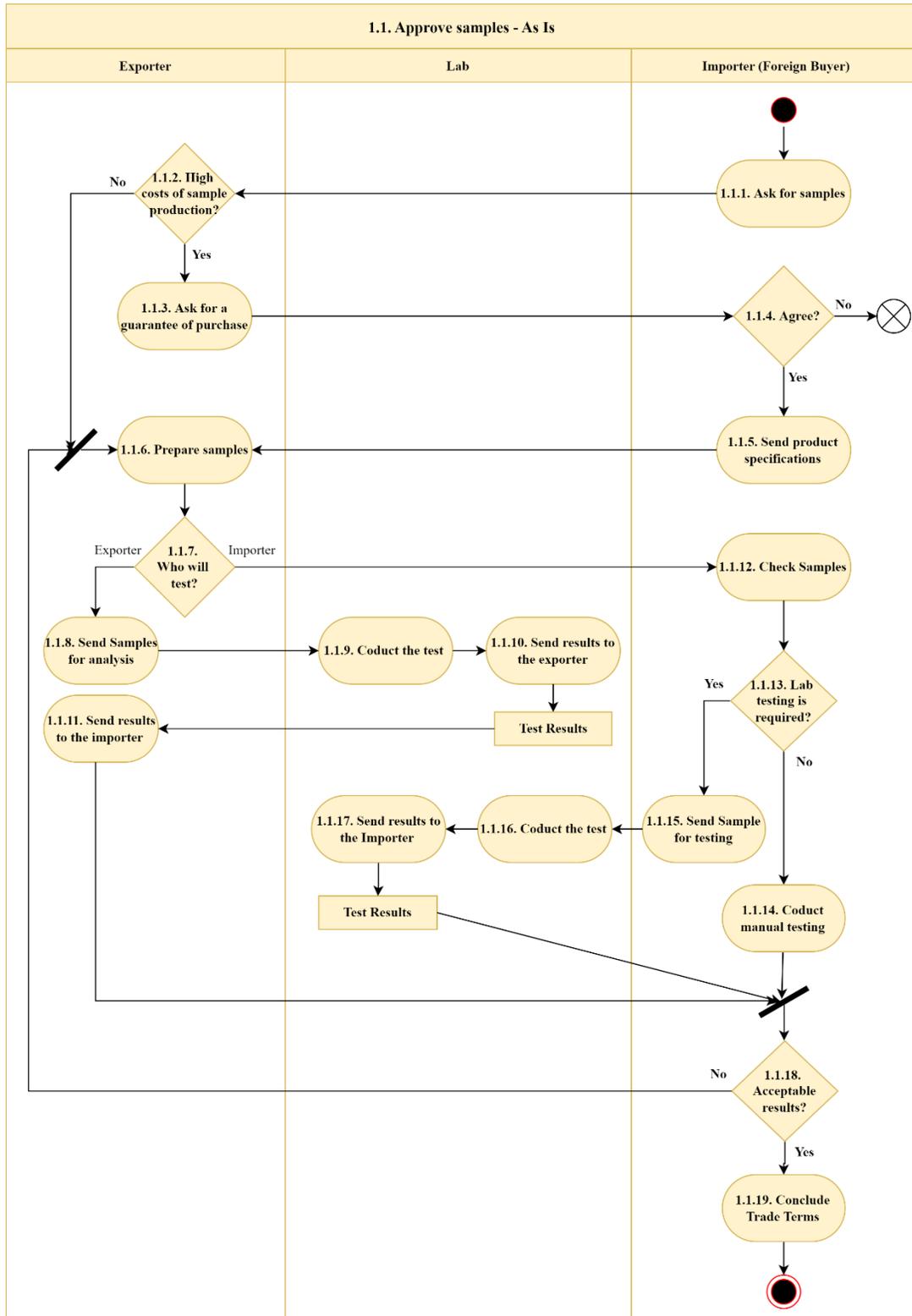
**Figure 4.3. “Approve Samples” use case diagram**



“**Approve Samples**” is the first core business process under “Buy” process area. The use case diagram in Figure 4.3 suggests that this core business process requires the participation of:

- Foreign Buyer (importer)
- Exporter
- Testing laboratories

Figure 4.4. “Approve Samples” activity diagram

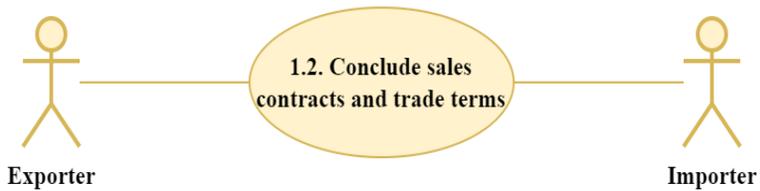


<b>Name of process area</b>	<b>1. Buy</b>
<b>Name of business process</b>	<i>1.1. Approve samples</i>
<b>Related laws, rules, and regulations</b>	-
<b>Process participants</b>	Exporter Foreign buyer (importer) Testing laboratories
<b>Input and criteria to enter/begin the business process</b>	Obtain all the required prerequisites to start the export process
<b>Activities and associated documentary requirements</b>	<p>1.1.1. The foreign buyer(importer) asks for a sample</p> <p>1.1.2. The exporter checks if the production cost is considerably high</p> <p>1.1.3. If it is very costly to produce a sample, the exporter asks for a purchase order in advance</p> <p>1.1.4. If the foreign buyer (importer) did not agree to send a purchase order before receiving a sample, the process is revoked</p> <p>1.1.5. If the foreign buyer ( importer )agreed or the cost of sample production was minor, the foreign buyer (importer) sends product specifications and asks the exporter to manufacture and send samples of a specific home textile product</p> <p>1.1.6. The exporter manufactures the samples</p> <p>1.1.7. The exporter and foreign buyer (importer) agree on who will perform the tests (color stabilization, shrinkage rate, absorption, and type of yarn used).</p> <p>1.1.8. If they agreed that the exporter will perform the tests, he will send samples for analysis either in private labs or at the textile consolidation fund.</p> <p>1.1.9. The laboratory conducts the test</p> <p>1.1.10. The laboratory sends the results to the exporter</p> <p>1.1.11. The exporter forwards test results to the foreign buyer (importer) (either by email or courier)</p> <ul style="list-style-type: none"> <li>• Test results are usually sent by mail.</li> <li>• In case of a courier the time of delivery varies according to the location (ex for USA it takes 7-10 days, for UK and Netherland it takes 3-4 days).</li> </ul> <p>1.1.12. If both parties agreed that the foreign buyer (importer) will perform the tests, the foreign buyer (importer) then receives the samples and checks them.</p> <p>1.1.13. The foreign buyer (importer) decides the method of testing and whether a lab test is required.</p>

	<p>1.1.14. Foreign buyer (Importer) might choose to check the samples informally by looking at the appearance and washing without resorting to formal labs.</p> <p>1.1.15. On the other hand, he might decide to send the samples to a lab for formal testing.</p> <p>1.1.16. The lab conducts the test</p> <p>1.1.17. The lab sends test results to the exporter.</p> <p>1.1.18. In both cases, whether a formal or informal test is conducted, the foreign buyer (importer) decides the samples are accepted or not. If the samples are not acceptable, he informs the exporter and asks him/her to modify them. The time taken for completing the modification depends on modification required.</p> <p>1.1.19. If the samples are accepted, both parties conclude the trade terms, otherwise the sample is re-produced.</p>
<b>Output criteria to exit the business process</b>	Sample approval
<b>Average time required to complete this business process</b>	14 days on average

*Core business process area 1.2: Conclude sales contract and trade terms*

**Figure 4.5. “Conclude Sales Contract and Trade Terms” use case diagram**

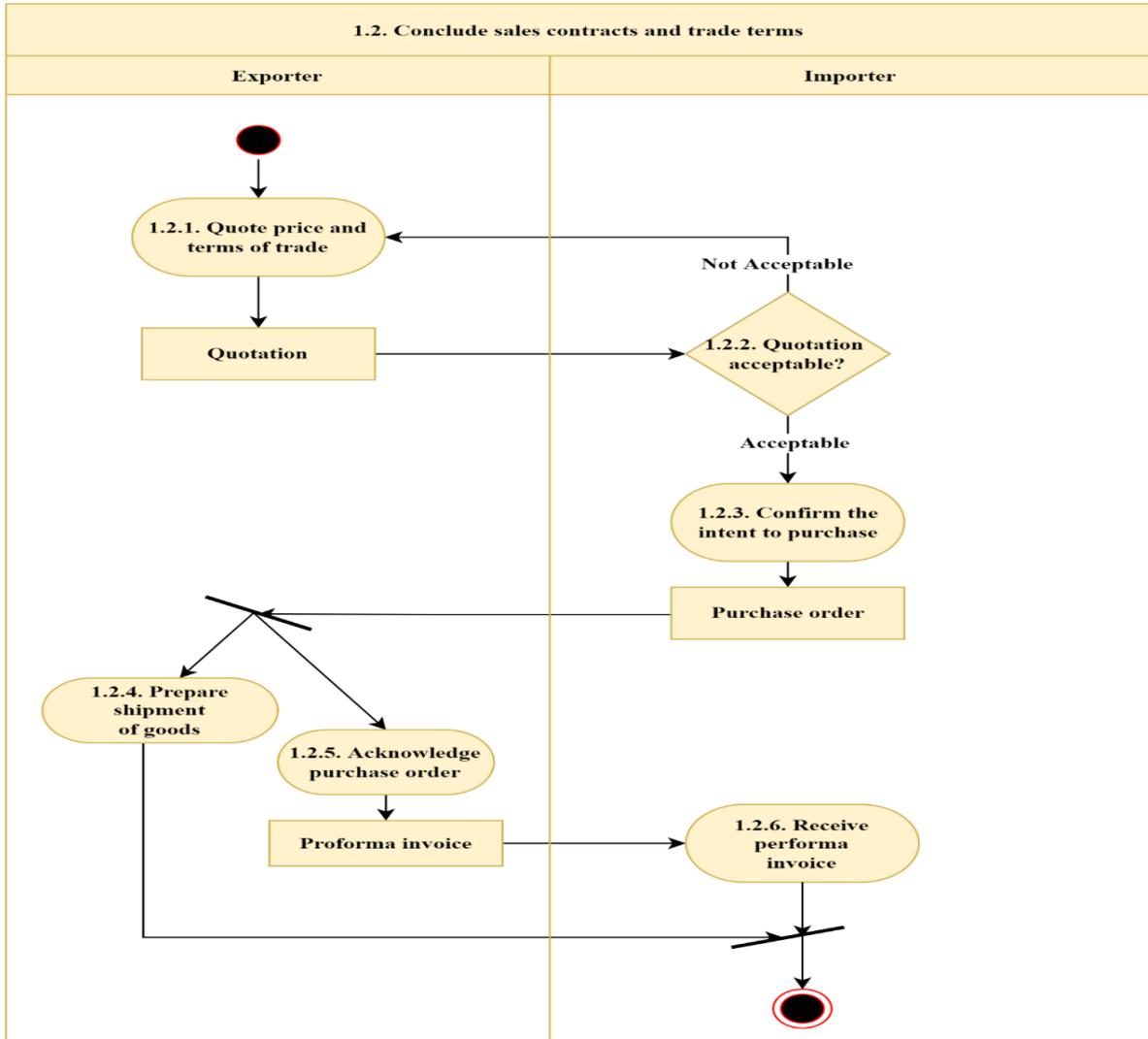


“Conclude Sales Contract and Trade Terms” is the second core business process under “Buy” process area. The use case diagram in Figure 4.5 suggests that this core business process requires the participation from:

- Foreign buyer (importer)
- Exporter

As mentioned in observation # 4 for small enterprises, concluding the sales contract might be prior to the sample manufacturing

Figure 4.6. “Conclude Sales Contract and Trade Terms” activity diagram



<b>Name of process area</b>	<b>2. Buy</b>
<b>Name of business process</b>	<b>1.2. Conclude sales contract and trade terms</b>
<b>Related laws, rules, and regulations</b>	
<b>Process participants</b>	<ul style="list-style-type: none"> <li>• Exporter</li> <li>• Foreign buyer (importer)</li> </ul>
<b>Input and criteria to enter/begin the business process</b>	Sample approved
<b>Activities and associated documentary requirements</b>	<p>1.2.1. Exporter prepares quotation to inform the Foreign buyer (importer) about quoted price and sales terms.</p> <p>1.2.2. Foreign buyer (importer) reviews the quotation and determines if the quoted price and sales terms are acceptable. If they are not acceptable, the Foreign buyer (importer) asks the exporter to revise the quoted price and sales terms.</p> <p>1.2.3. If the quoted price and sales terms are acceptable, the Foreign buyer (importer) confirms the intent of purchase with a “purchase order”.</p> <p>1.2.4. Exporter prepares the shipment of goods accordingly.</p> <p>1.2.5. Exporter acknowledges the receipt of purchase order and confirms that the “home textiles” will be delivered according to established conditions and terms by sending the Foreign buyer (importer) a “proforma invoice”.</p> <p>1.2.6. Foreign buyer (importer) receives the “proforma invoice”.</p>
<b>Output criteria to exit the business process</b>	<p>Proforma invoice between Foreign buyer (importer) and exporter that they have concluded trade contract and terms.</p> <p>Based on a purchase order, an exporter can prepare goods for export.</p>
<b>Average time required to complete this business process</b>	3 days

### **“Import” process of home textiles components**

Given that export transaction almost always involves some level of components importation, as demonstrated in the narrative section, which means that between the two processes “Buy” and “Ship”, an intermediate “Import” process takes place, yet this process will not be reflected neither

through the diagrams of core processes nor in the explanatory corresponding tables, because it is associated with the production process, while export transaction as per the Business Process Model (BPM) involves concluding terms of trade, shipment, and final payment.

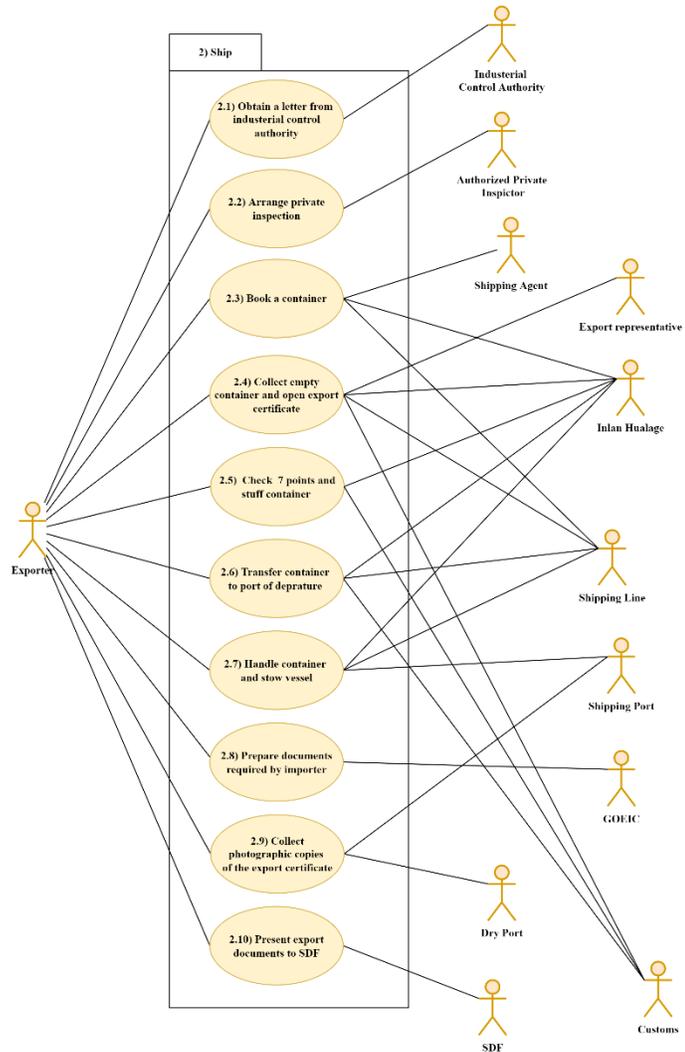
However, as mentioned in observation #1 due to the nature of the home textile products, that is not subject to fashion, exporters tend to keep stock of the imported components and any delays in customs clearance does not affect the capability of the exporters to meet the delivery time.

Furthermore, the stage of importation of components is often problematic due to complications related to the ICA and ACI system. In particular, the ICA process becomes relevant to the payment stage due to the drawback or temporary admission system, as seen in Observations #3 in section 2, and observations #1, #4 and #5 in annex A.

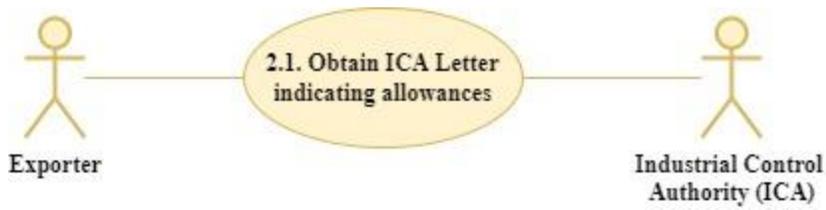
## Process area 2: Ship

In the context of home textiles export from Egypt, ship process area consists of 10 core business processes. As shown in Figure 4.7, 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 home textiles export requirements imposed by government agencies from Egypt.

Figure 4.7. “Ship” use case diagram



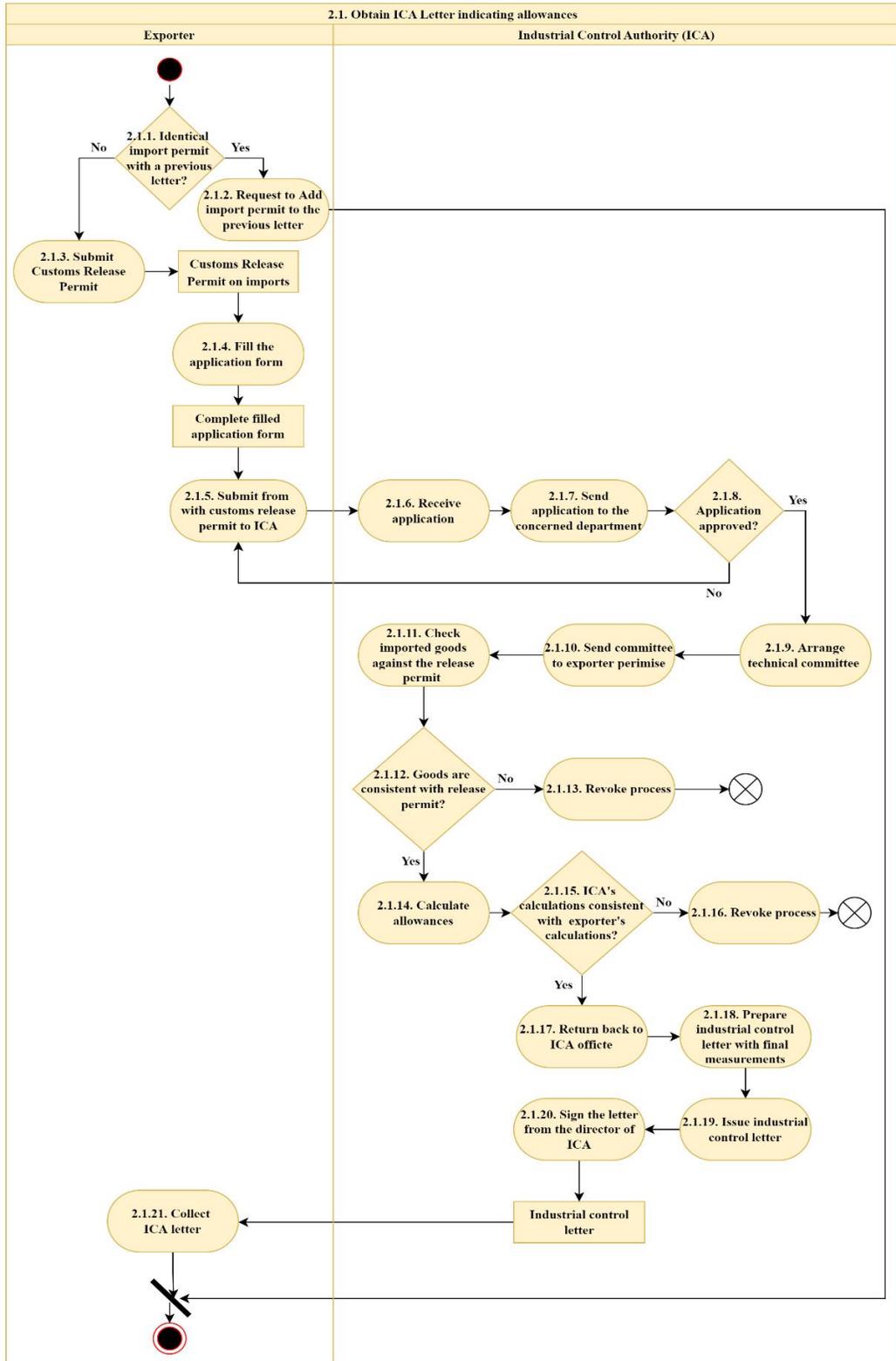
**Figure 4.8. “Obtain the ICA Letter Indicating Allowances” use case diagram**



The use case diagram shown in Figure 4.8 suggests that “Obtain the ICA Letter Indicating Allowances” process requires the participation of:

- Exporter
- Industrial Control Authority (ICA)

Figure 4.9. “Obtain the ICA Letter Indicating Allowances” activity diagram



<b>Name of process area</b>	<b>2. Ship</b>
<b>Name of business process</b>	<b>2.1. Obtain the ICA letter indicating allowances</b>
<b>Related laws, rules, and regulations</b>	<ul style="list-style-type: none"> <li>• Import and Export Law No. 118 of 1975 and its executive regulations issued by Ministerial Resolution 770 of 2005 and their amendments</li> <li>• Customs Law No. 207 of 2020 and its executive regulations issued by Minister of Finance Decree No. 430 of 2021</li> <li>• Prime Minister's Decision No. 1635 of 2002 regarding the rules and procedures regulating temporary permits and refunds of taxes and customs duties</li> <li>• Procedures Circular No. 8 of 2015 regarding temporary permits</li> </ul>
<b>Process participants</b>	<p>Exporter</p> <p>Industrial Control Authority</p>
<b>Input and criteria to enter/begin the business process</b>	<ul style="list-style-type: none"> <li>• The Custom Release Permit of imported raw materials is correct</li> <li>• Imported raw materials are already cleared from customs and stored at the factory premise</li> </ul>
<b>Activities and associated documentary requirements</b>	<p>2.1.1. Is the import permit completely identical to a previous one?</p> <p>2.1.2. If the answer is yes, then the exporter can add this particular import permit to the existing ICA letter.</p> <p>2.1.3. If the answer is no, then the exporter has to obtain a new ICA letter for the imported raw material. He starts by preparing the customs release permit to be submitted at a later stage to the Industrial Control Authority.</p> <p>2.1.4. Exporter fills in an empty form from the authority with the required information.</p> <p>2.1.5. Exporter submits the form to the ICA reception office.</p> <p>2.1.6. ICA Reception Office receives the filled in application form.</p> <p>2.1.7. ICA Reception Office forwards the form to the concerned department.</p> <p>2.1.8. ICA concerned department checks the application. If the application is not approved, the department asks the exporter to do necessary modifications.</p> <p>2.1.9. IF the application is accepted, ICA arranges a technical committee.</p> <p>2.1.10. ICA sends committee to the exporter premise.</p> <ul style="list-style-type: none"> <li>- The committee comes to the factory within 15-20 days of submitting the application due to the weak capacity of the Authority and the lack of sufficient committees and workers.</li> <li>- Committee delays are not suitable for express orders that may be manufactured and exported within 10 days.</li> </ul> <p>2.1.11. ICA committee checks the imported raw materials against the release permit.</p>

	<p>2.1.12. If raw materials specifications do not match those listed in the permit, the inspectors revoke the process.</p> <p>2.1.13. If raw materials specifications match those listed in the permit, the inspectors calculate their own allowances. The committee joins earlier at the process of cutting the fabric to calculate the corresponding allowances for each model.</p> <p>2.1.14. ICA checks if its calculated allowances are consistent with exporter’s calculations.</p> <ul style="list-style-type: none"> <li>- Usual allowances measurements (the amount of material that does not go into production or wasted during the cutting phase) (refer to observation #3) are calculated using advanced software programs. This avoids contradiction between the exporter and the committee.</li> <li>- Cases showed that large enterprises exporters are somehow sure of their own allowances amount calculations that if the committee rates are not converging with these rates, exporter insists and urges the committee to revisit its calculation until they do so.</li> <li>- However, small and medium enterprises might not be able to follow the same technique due to financial issues.</li> </ul> <p>2.1.15. If allowances calculated by the ICA committee are not consistent with the allowances submitted by the exporter and both sides did not come to an agreement</p> <p>2.1.16. the process is revoked.</p> <p>2.1.17. If ICA committee calculations came consistent with exporter’s calculations, the committee returns back to office for finalization.</p> <p>2.1.18. ICA prepares a letter indicating allowances for each product with final measurements.</p> <ul style="list-style-type: none"> <li>- If the exporter is designing exactly the same previous “product” with previous signed ICA letter, he/she might not go through this process and the letter could be reused as long as it is exactly with the same specifications.</li> <li>- If the exporter tried to add import permits to the letter of Industrial Control after goods being already exported, the Authority may find it problematic to do so if the permits to be added on the letter are not completely identical to the previous permits for which the letter was issued. If there is a difference of even one letter in the wording of the permits, the addition is not made.</li> <li>- This reveals that until now there is no one unified context or template for these letters that could ease the process for exporter and guarantee that they get their drawbacks.</li> </ul> <p>2.1.19. The ICA issues the industrial control letter.</p>
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	<ul style="list-style-type: none"> <li>- The real problem lies in the customs request to obtain an Industrial Control letter for yarn. Yarn is imported by the company without prior knowledge of the model that this yarn will be used in manufacturing. The company builds up a stock of yarn in its warehouse that allows it to respond to any future order quickly. Thus, it is impossible to determine the wastage rates at the time of importing the yarn.</li> <li>- The decision to issue an Industrial Control letter for yarn was issued a year ago, and when it caused problems for the industry and factory owners objected, its implementation was suspended for a year, ending July 1, 2022. Consequently, the problem was postponed and not definitively resolved, knowing that the decision was not subjected to a study at the time it was taken, and did not consider the inability of the Industrial Control Authority to examine all import permits.</li> </ul> <p>2.1.20. The ICA director signs the letter before being directed to the reception again.</p> <ul style="list-style-type: none"> <li>- The director has to sign the letter, given that there is only one active centralized office all over the governorates of Egypt.</li> <li>- Offices in other governorates (16 offices) are unfortunately not working and exporters there have to travel to get this signature, which is essential to release letters and take back their</li> <li>- In addition to the unavailability of the technical inspectors on the governorate level due to the low level of worker’s skills in local offices there (refer to Annex A, observation #5).</li> </ul> <p>2.1.21. Exporter collects the signed ICA letter.</p>
<b>Output Criteria to exit the business process</b>	Collecting the ICA letter
<b>Average time required to complete this business process</b>	35 days

## Core business process area 2.2: Arrange Private inspection

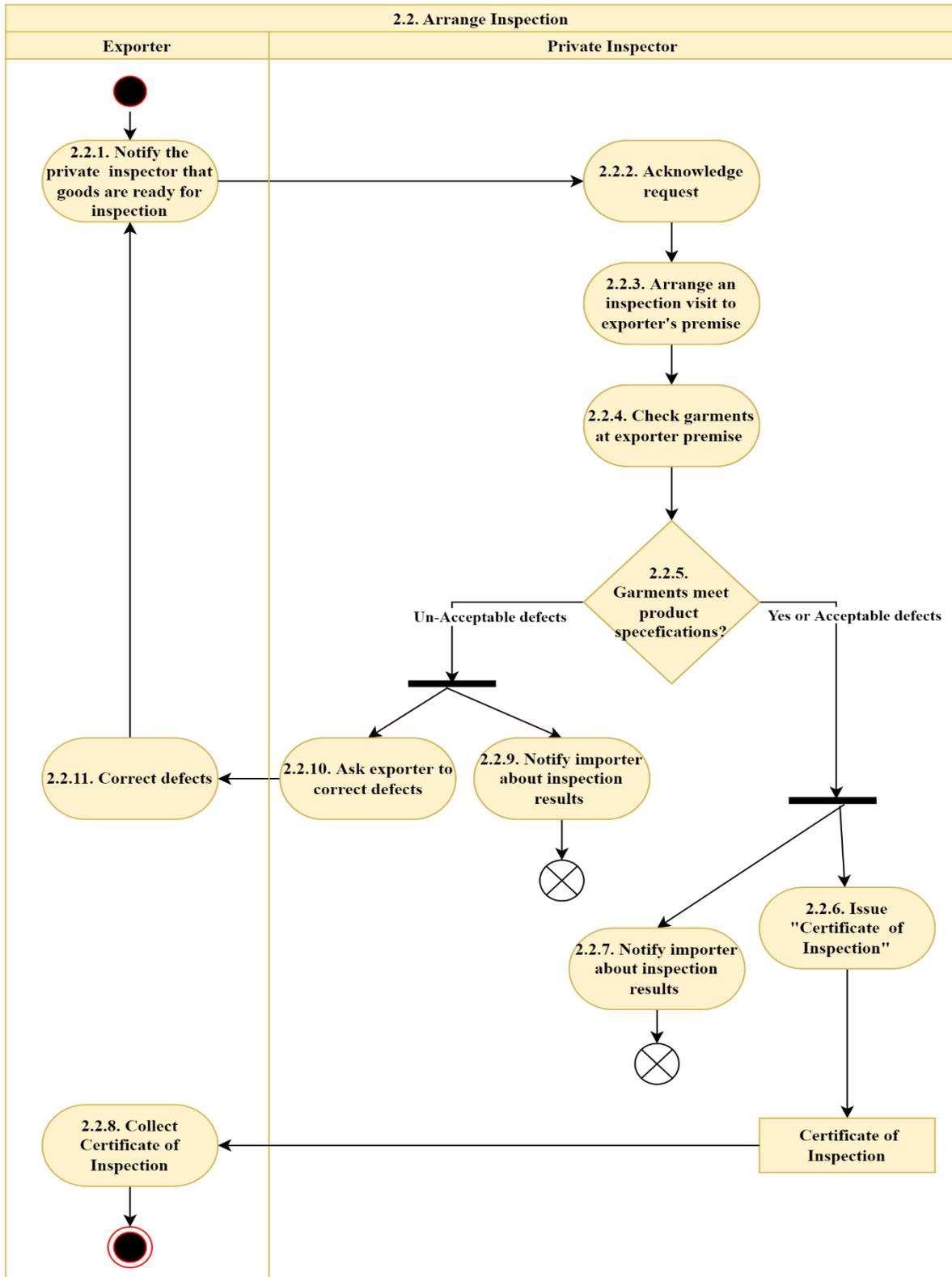
Figure 4.10. “Arrange Private Inspection” use case diagram



The use case diagram shown in figure 4.10 suggests that “Arrange Private Inspection” process requires the participation of:

- Exporter
- Foreign buyer (importer)
- Private Inspector

Figure 4.11. “Arrange Private Inspection” activity diagram

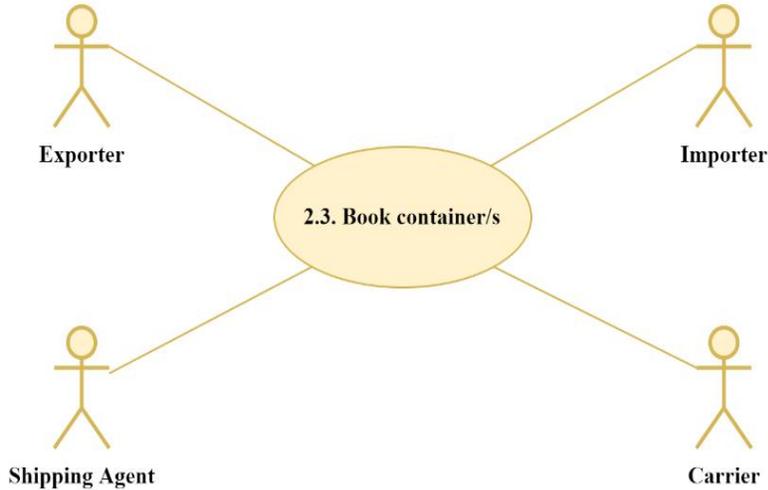


<b>Name of process area</b>	<b>2. Ship</b>
<b>Name of business process</b>	<b>2.2. Arrange private inspection</b>
<b>Related laws, rules, and regulations</b>	
<b>Process participants</b>	<ul style="list-style-type: none"> <li>• Exporter</li> <li>• Private inspector</li> </ul>
<b>Input and criteria to enter/begin the business process</b>	Production is completed and ready for inspection
<b>Activities and associated documentary requirements</b>	<p>2.2.1. The exporter notifies the private inspector that goods are ready for inspection.</p> <p>2.2.2. The private inspector acknowledges notification request.</p> <p>2.2.3. The inspector arranges an inspection visit to the exporter’s premise to randomly check home textiles.</p> <p>2.2.4. The inspector visits the exporter premise to randomly check the home textile products</p> <p>2.2.5. The inspector checks if home textiles meet specifications or have any defects.</p> <p>2.2.6. If home textile product meet specifications or have minor defects that are within the acceptable limits defined by the Foreign buyer (importer), the inspector issues a certificate of inspection.</p> <ul style="list-style-type: none"> <li>- Given that the inspection is conducted on random sample, the certificate of inspection does not absolve the exporter of full responsibility for the entire shipment.</li> <li>- In very few cases, the exporter does not make the deal with the client directly, but rather through an exporting company. In this case, the exporting company will be responsible for the inspection process. The exporting company does not only inspect home textiles after being wholly manufactured, but also inspects the entire process step by step which is safer for the client.</li> </ul> <p>2.2.7. The inspector notifies the Foreign buyer (importer) about the inspection results.</p> <p>2.2.8. The exporter collects the certificate of inspection.</p> <p>2.2.9. If home textiles do not meet specifications, the inspector notifies the Foreign buyer (importer) about the inspection results.</p> <p>2.2.10. The inspector also in this case asks the exporter to correct the defects</p> <p>2.2.11. Exporter corrects the defects and notifies again the inspector that goods are ready for re-inspection.</p>

<b>Output criteria to exit the business process</b>	Inspection certificate report.
<b>Average time required to complete this business process</b>	1 Day

*Core business process area 2.3: Book Container*

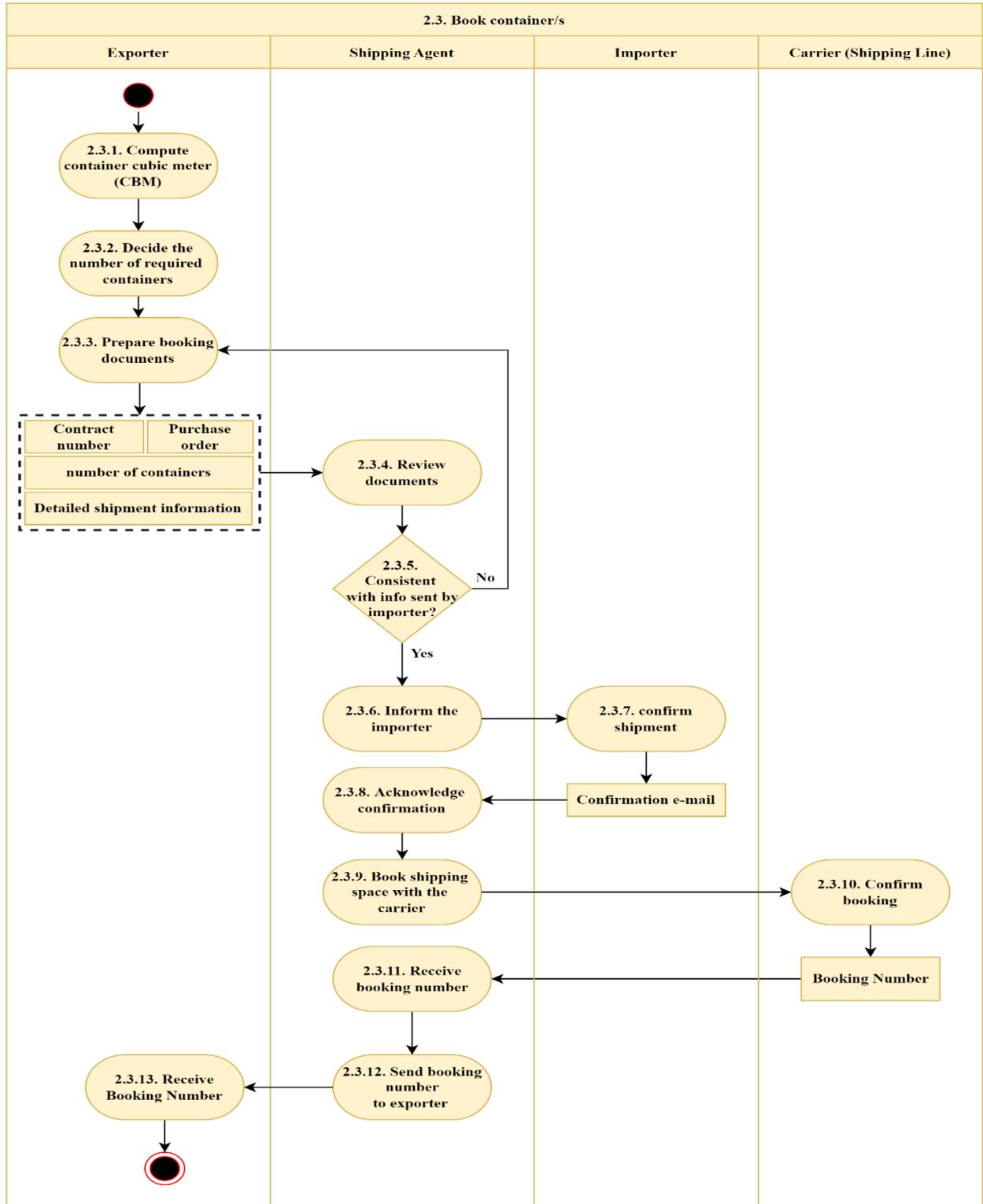
**Figure 4.12. “Book Container” use case diagram**



The use case diagram shown in Figure 4.12 suggests that “Book Container” process requires the participation of:

- Exporter
- Foreign buyer (importer)
- Shipping Agent
- Carrier

Figure 4.13. “Book Container” activity diagram

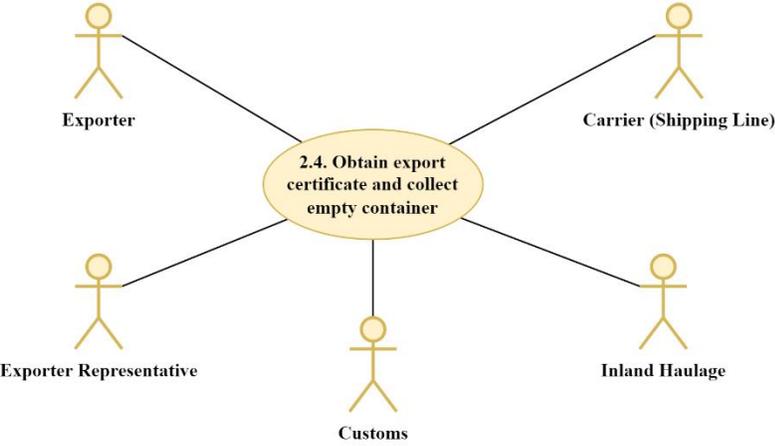


<b>Name of process area</b>	<b>2. Ship</b>
<b>Name of business process</b>	<b>2.3. Book Container</b>
<b>Related laws, rules, and regulations</b>	<ul style="list-style-type: none"> <li>• Resolution No. 800 of 2016 issuing a regulation regulating the conduct of activities and works related to maritime transport and fees for its usage.</li> <li>• Procedures Circular No. 1 of 2022 regarding the cycle of procedures for incoming and outgoing shipments.</li> <li>• Procedures No. 9 for the year 2022 regarding customs procedures regulating shipments of fabrics textiles and RMG.</li> <li>• Law No. 73 of 2019 establishing the internal and international land transport organization.</li> <li>• Ministerial Resolution No. 296 of 2011 regarding the commitment to production and handling in accordance with the standard specification for safety, health and data standards for textile products.</li> </ul>
<b>Process participants</b>	<p>Exporter</p> <p>Shipping Agent</p> <p>Foreign buyer (importer)</p> <p>Carrier (Shipping Line)</p>
<b>Input and criteria to enter/begin the business process</b>	Exporter already completed the manufacturing and packing process.
<b>Activities and associated documentary requirements</b>	<p>2.3.1. Exporter computes container cubic meter (CBM)</p> <p>2.3.2. Based on CBM, exporter decides the required number of containers to be booked.</p> <p>2.3.3. Exporter prepares the booking documents that include: Contract number, the purchase order and the detailed shipment information.</p> <ul style="list-style-type: none"> <li>- If the exporting agreement is done on a cif basis, the exporter does the booking. But if the exporting agreement is done on fob basis, the exporter communicates with the shipping agent/ freight forwarder in charge of the booking.</li> </ul> <p>2.3.4. The shipping agent reviews the documents to ensure consistency of information sent earlier by the foreign buyer (importer).</p> <p>2.3.5. If the information is not consistent with that sent by the foreign buyer (importer), the exporter prepares the documents again.</p> <p>2.3.6. If the information is consistent with that sent by the foreign buyer (importer), the agent informs the foreign buyer (importer).</p> <p>2.3.7. The foreign buyer (importer) confirms the shipment accordingly and sends a confirmation email to the shipping agent with all the detailed information of the shipment.</p> <p>2.3.8. The shipping agent then receives the email and acknowledges this confirmation.</p>

	<p>2.3.9. The shipping agent starts to book a shipping space with the carrier or the shipping line.</p> <p>2.3.10. The carrier confirms the booking and issues a booking number and sends it back to the shipping agent.</p> <p>2.3.11. The shipping agent receives this number.</p> <p>2.3.12. The shipping agent sends the booking number to the exporter.</p> <p>2.3.13. The exporter receives the booking number of his shipment.</p>
<b>Output criteria to exit the business process</b>	Booking number of the shipment, that is exporter has now a slot on the shipping line.
<b>Average time required to complete this business process</b>	1 Hour

**Core business process area 2.4: Obtain export certificate and collect empty container**

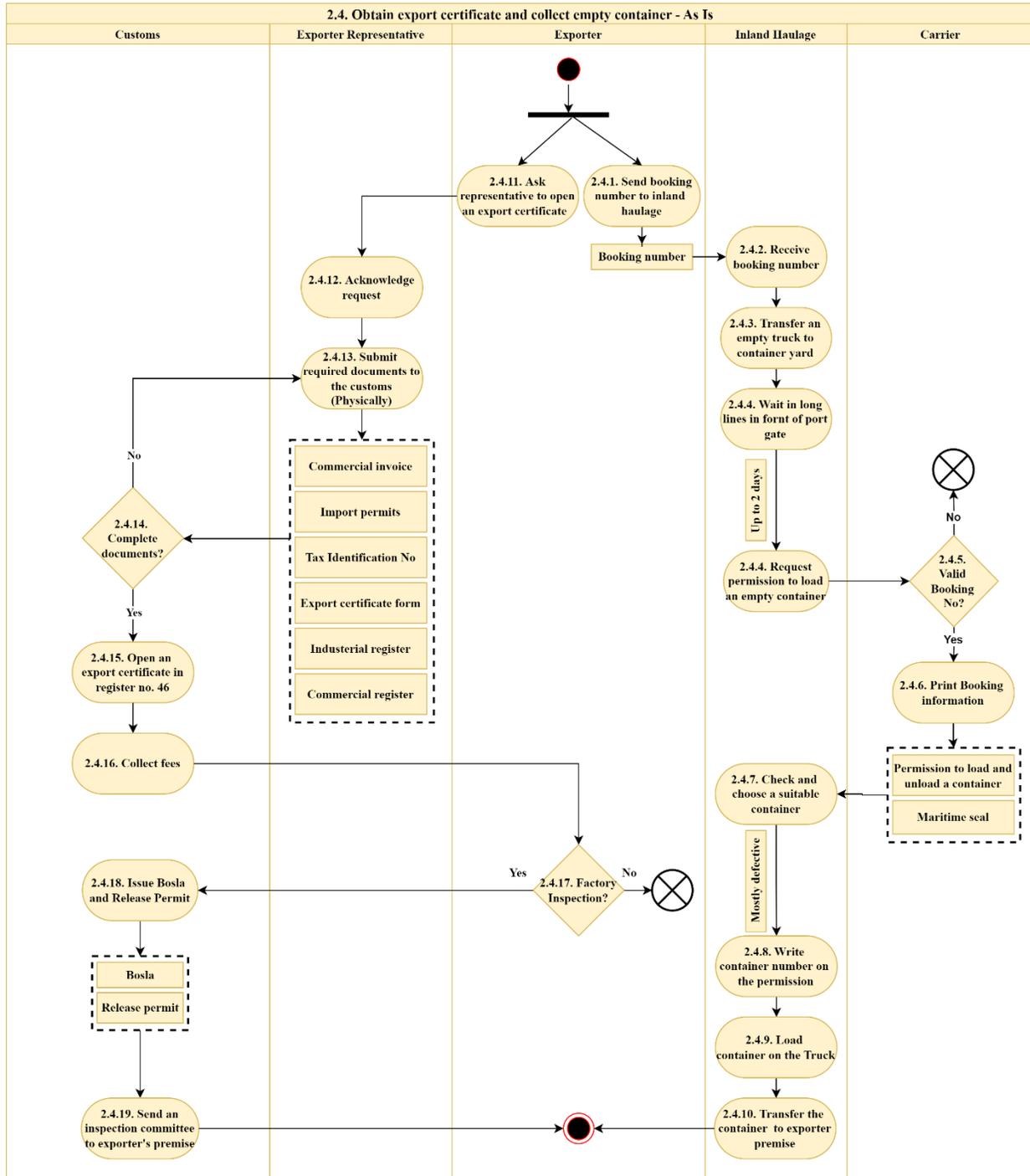
**Figure 4.14. “Obtain Export Certificate and Collect Empty Container” use case diagram**



The use case diagram shown in figure 4.14 suggests that the “Obtain Export Certificate and Collect Empty Container” process requires the participation of:

- Exporter
- Exporter Representative
- Customs
- Inland Haulage
- Carrier

Figure 4.15. “Obtain Export Certificate and Collect Empty Container” activity diagram



<b>Name of process area</b>	<b>2. Ship</b>
<b>Name of business process</b>	<b>2.4. Obtain export certificate and collect empty container</b>
<b>Related laws, rules, and regulations</b>	<ul style="list-style-type: none"> <li>• Customs Law No. 207 of 2020 and its executive regulations issued by Minister of Finance Decree No. 430 of 2021.</li> <li>• Decision of the Minister of Finance No. 40 of 2017 regarding the activation of the unified customs declaration SAD.</li> <li>• Procedures Circular No. 24 of 2019 regarding the used and developed pathways for customs declaration.</li> </ul>
<b>Process participants</b>	<ul style="list-style-type: none"> <li>• Exporter</li> <li>• Exporter Representative</li> <li>• Customs</li> <li>• Inland Haulage</li> <li>• Carrier</li> </ul>
<b>Input and criteria to enter/begin the business process</b>	<ul style="list-style-type: none"> <li>• Exporter already completed the manufacturing and packing process.</li> <li>• Container booking has been already made.</li> </ul>
<b>Activities and associated documentary requirements</b>	<p>2.4.1. Exporter sends the booking number to Inland Haulage.</p> <p>2.4.2. Inland Haulage receives the booking number that will allow the company to pick the container from the shipping line.</p> <p>2.4.3. Inland Haulage transfers an empty truck to the container yard to load the needed empty containers.</p> <p>2.4.4. Inland Haulage will request a permission from the carrier to load the empty container to the trucks.</p> <p>2.4.5. The carrier checks the validity of the booking number, if it is not valid the process provoked.</p> <p>2.4.6. If the carrier found that the booking number is valid, it prints out two booking information:</p> <ul style="list-style-type: none"> <li>- Permission to load and unload the container and</li> <li>- Maritime Seal.</li> </ul> <p>2.4.7. The Inland Haulage here checks the documents and chooses a container.</p> <ul style="list-style-type: none"> <li>- The lack of safe transport companies. Most trucks (trailers) in the shipping companies are old, dilapidated and constantly break down.</li> <li>- Containers are not constantly available. Sometimes there is a reservation on shipping freight, but there are no containers free of defects.</li> </ul>

	<ul style="list-style-type: none"> <li>- Containers always have defects: Cut, puncture or unacceptable smell. In many cases, the container is loaded with fish or herbs, and must be cleaned well and any odors removed before loading home textile to ensure these smells are not transmitted to the products.</li> <li>- There is an authority in the port affiliated with the shipping line entrusted with cleaning the containers, but their work is just paperwork and mere formalities with no real results.</li> <li>- The Inland Haulage company work is often delayed due to the presence of defects in the containers and the need to replace them (once or twice a week). If the Inland Haulage receives a defective container from the port, upon returning it to the port, the shipping line assumes that the transport company is responsible for these defects, and a repair fine of up to \$500 is charged.</li> <li>- There are many problems in the system of most shipping lines. When the driver is directed to the yard to load the container, he does not find containers, and is forced to wait.</li> <li>- Late arrival of empty containers to the port, and consequently late container pickup by the local transport company. It may take 3 or 4 days until containers are available.</li> <li>- The driver may wait a full day to load the container awaiting assignment by the Port Authority of the equipment to be used to lift the container onto the truck. The same is true for loading.</li> </ul> <p>2.4.8. Inland Haulage inserts the container number in the permission.</p> <p>2.4.9. Inland Haulage loads the empty container on the truck.</p> <p>2.4.10. Inland Haulage transfer back the empty container to the exporter premise.</p> <p>2.4.11. Exporter asks his/her representative, at the same time, to obtain an export certificate from customs.</p> <ul style="list-style-type: none"> <li>- Some ports have started to activate the NAFEZA to obtain the export certificate, however it is not operational yet in all ports</li> </ul> <p>2.4.12. Exporter representative acknowledges the request.</p> <p>2.4.13. Exporter representative submits the required documents to the customs, including:</p> <ul style="list-style-type: none"> <li>- Commercial Invoice</li> <li>- Import Permits</li> <li>- Tax Identification Number</li> <li>- Export Certificate Form</li> <li>- Commercial Register</li> <li>- Industrial Register</li> </ul>
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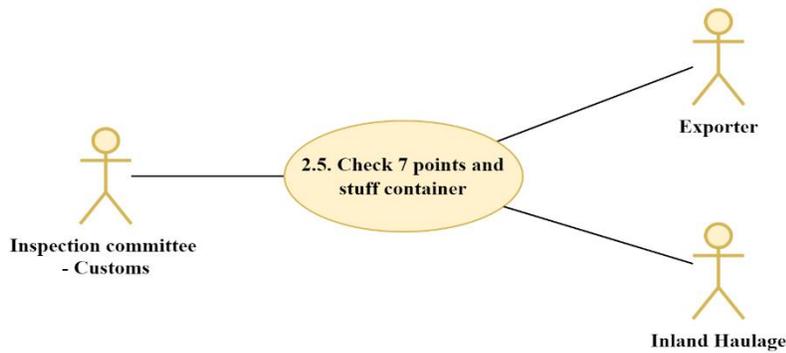
	<p>2.4.14. The customs office checks if the documents are complete, if they are not complete the exporter representative completes and resubmits them.</p> <p>2.4.15. If the documents are complete, a register certificate is opened for the exporter in register (NO. 46) that records all the shipment information.</p> <p>2.4.16. The customs office collects the fees.</p> <p>2.4.17. The exporter chooses whether to perform the inspection at the factory or the port. If he decided to opt for port inspection, then the process ends here and he moves on directly to next step (loading the container).</p> <p>2.4.18. If the exporter opts for factory inspection, the customs office issues the necessary documents:</p> <ul style="list-style-type: none"> <li>- Release permit</li> <li>- BOSLA: Documents containing detailed information about the exporter, the importer, and the shipment</li> </ul> <p>2.4.19. The customs office sends an inspection committee to the exporter premise based on his request.</p>
<b>Output criteria to exit the business process</b>	<p>Exporter has registered his/her shipment information on the system platform.</p> <p>Exporter has his empty container(s) ready for the next stage of stuffing with goods.</p> <p>Exporter has the maritime seal stamped on the container.</p>
<b>Average time required to complete this business process</b>	<p>Direct duration 5 hours</p> <p>Indirect time 3 days<sup>4</sup></p>

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<sup>4</sup> Indirect time is the time consumed during loading and transferring the container from the port to the factory and then returning it to the port again after being loaded.

*Core business process area 2.5: Check 7 points and stuff container*

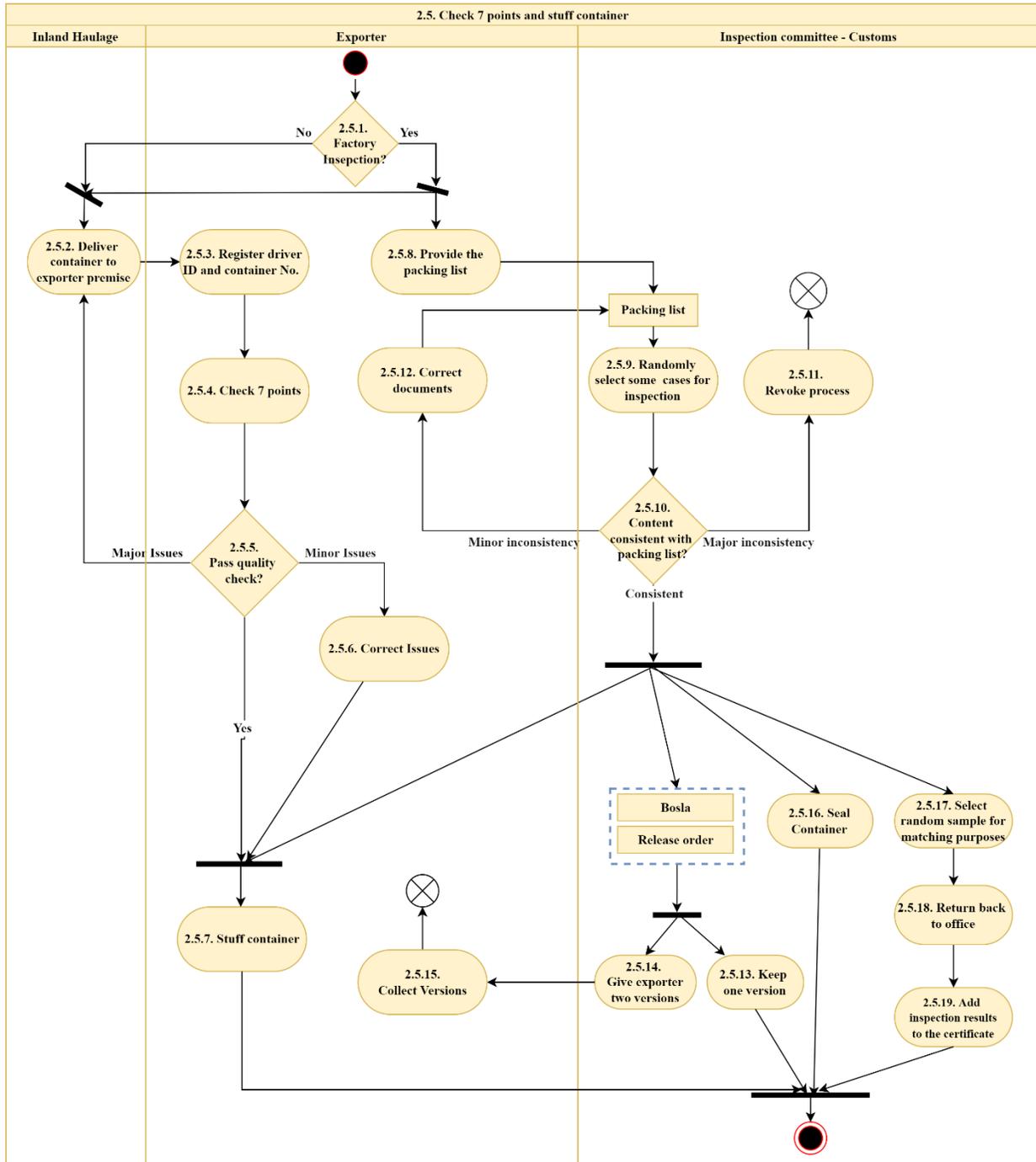
**Figure 4.16. “Check 7 Points and Stuff Container” use case diagram**



The use case diagram shown in Figure 4.16 suggests that “Check 7 points and stuff container” process requires the participation from:

- Exporter
- Customs Inspection Committee
- Inland Haulage

Figure 4.17. “Check 7 Points and Stuff Container” activity diagram



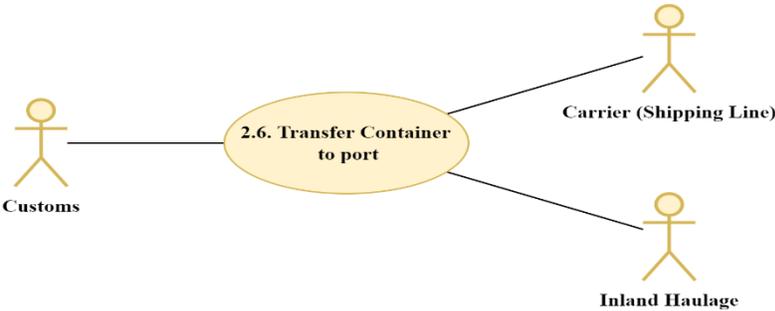
<b>Name of process area</b>	<b>2. Ship</b>
<b>Name of business process</b>	<b>2.5. Check 7 points and stuff container\</b>
<b>Related laws, rules, and regulations</b>	<ul style="list-style-type: none"> <li>• Customs Law No. 207 of 2020 and its executive regulations issued by Minister of Finance Decree No. 430 of 2021.</li> <li>• Decision of the Minister of Finance No. 40 of 2017 regarding the activation of the unified customs declaration SAD.</li> <li>• Presidential Decree No. 106 of 2000 Facilitating Examination and Control Procedures on Exported and Imported Goods.</li> <li>• Procedures Circular No. 20 of 2020 regarding the customs BOSLA</li> <li>• Procedures Circular No. 24 of 2019 regarding the used and developed pathways for customs declaration</li> </ul>
<b>Process participants</b>	<ul style="list-style-type: none"> <li>• Inland Haulage</li> <li>• Exporter</li> <li>• Customs inspection committee</li> </ul>
<b>Input and criteria to enter/begin the business process</b>	<ul style="list-style-type: none"> <li>• Exporter already completed the manufacturing and packing process.</li> <li>• Containers have been already transferred to the factory.</li> <li>• An export certificate has been already opened.</li> </ul>
<b>Activities and associated documentary requirements</b>	<p>2.5.1. The process will differ based on whether the exporter decided to perform the inspection at the factory or at the port</p> <p>2.5.2. In both cases, Inland Haulage delivers the empty containers to the exporter premise.</p> <p>2.5.3. Exporter registers the driver’s ID and the empty containers numbers.</p> <p>2.5.4. Exporter checks the list of the 7 points that the containers are in a good case, free of any defects or damages such as holes or bad smells, its ceiling and walls are intact.</p> <ul style="list-style-type: none"> <li>- Containers always have defects: cut, puncture or unacceptable smell.</li> </ul> <p>2.5.5. If there are major issues that appeared in the check, it is returned to the shipping line by Inland Haulage and another one is picked.</p> <ul style="list-style-type: none"> <li>- The internal transport company work is often delayed due to the presence of defects in the containers and the need to replace them (once or twice a week). If the transport company receives a defective container from the port, upon returning it to the port, the shipping line assumes that the transport company is responsible for these defects, and a repair fine of up to \$500 is charged.</li> </ul>

	<p>2.5.6. If the check revealed minor issues, exporter corrects them and moves to the next step.</p> <p>2.5.7. If no issues appeared during the check, and the condition of the container meets the condition specified in the check 7, the exporter can stuff the container with the goods.</p> <p>2.5.8. The exporter might decide to perform the inspection at the factory, in this case he/she provides the inspection committee with the packing list for the shipment, it serves as the basis for inspection. Each pack has certain number, specifications, and measurements.</p> <ul style="list-style-type: none"> <li>- The committee goes to the factory to inspect the goods before loading, to avoid unloading the goods and inspecting them at the shipping port for protection. However, inspection might be repeated at port gate again. For the case of free zones, customs inspections are done at the zone gate.</li> </ul> <p>2.5.9. The inspector randomly selects some cases for inspection to check their matching with documented specifications.</p> <ul style="list-style-type: none"> <li>- If the exporter or his representative does not pay the mandatory tip (an envelope with an average of EGP 500), the next customs committee will tighten the inspection of the goods in a way that may expose them to damage or delayed delivery at port.</li> <li>- There are no discernable service standards for any inspection by any agency. In particular, the customs do not provide the maximum time for its inspections or the information on the percentage of physical inspection.</li> </ul> <p>2.5.10. If the inspection revealed consistent contents with the packing list, it moves to prepare required documents:</p> <ul style="list-style-type: none"> <li>- BOSLA</li> <li>- Release Order</li> </ul> <p>2.5.11. If the inspection resulted in major issues, the process is revoked, and the exporter has to re-prepare the shipment.</p> <p>2.5.12. If there are minor issues during the inspection, the exporter corrects them and conducts a recheck.</p> <p>2.5.13. The inspector keeps one version of the documents (BOSLA and Release Order).</p> <p>2.5.14. The inspector gives the exporter two versions of the documents.</p> <p>2.5.15. The exporter collects the versions of necessary documents.</p> <p>2.5.16. The inspection committee seal the container</p> <p>2.5.17. The inspector returns to the customs office.</p>
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	2.5.18. The inspector adds the inspection results to the export certificate.
<b>Output criteria to exit the business process</b>	The container stuffed with goods and has the seal number and necessary documents for the next step (BOSLA and Release Order).
<b>Average time required to complete this business process</b>	6 Hours (assuming that there is no default in the container) Informal payments (money/goods)

*Core business process area 2.6: Transfer container to port*

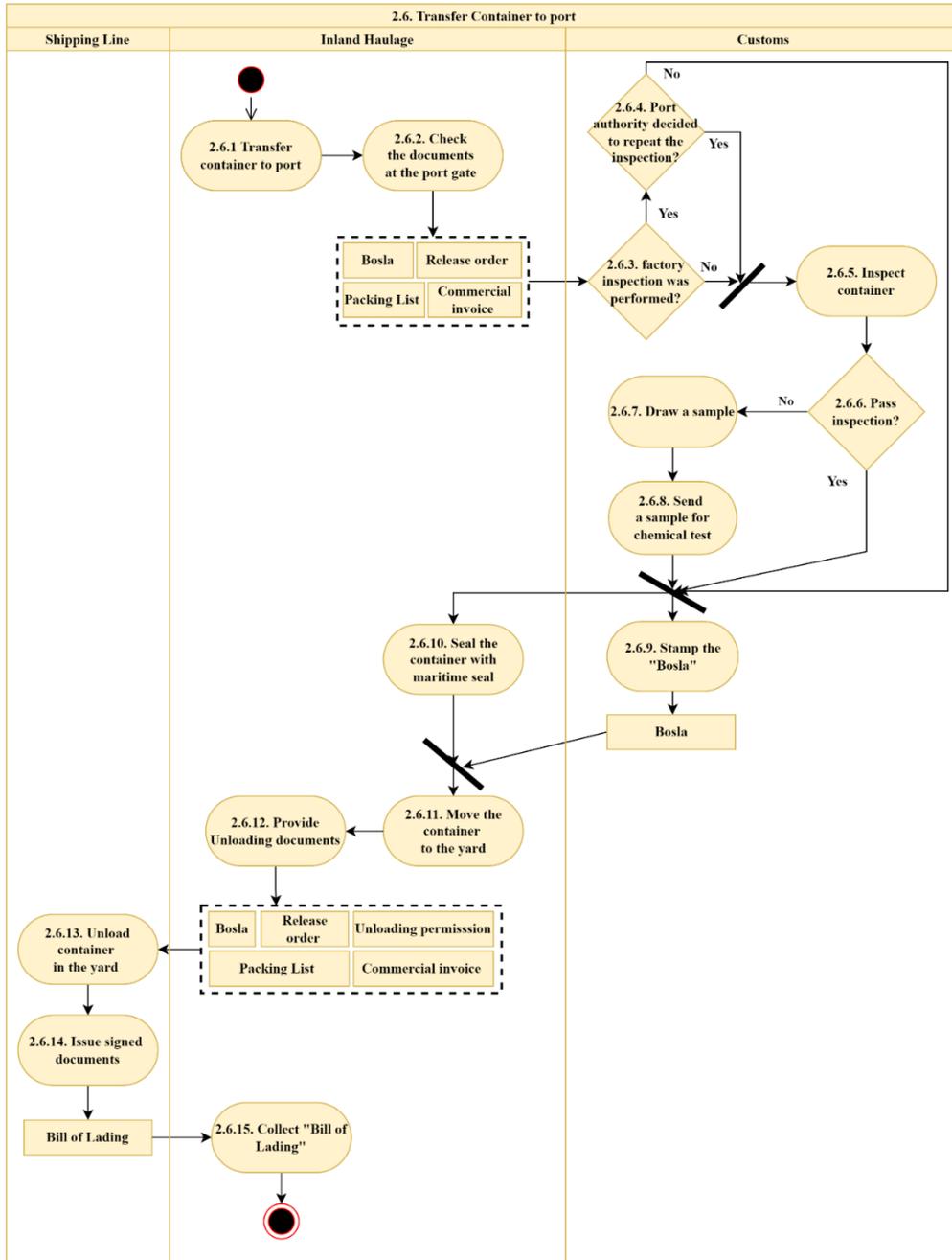
**Figure 4.18. “Transfer Container to Port” use case diagram**



The use case diagram shown in Figure 4.18 suggests that the “Transfer container to port” process requires the participation of:

- Customs
- Carrier (Shipping Line)
- Inland Haulage

Figure 4.19. "Transfer Container to Port" activity diagram



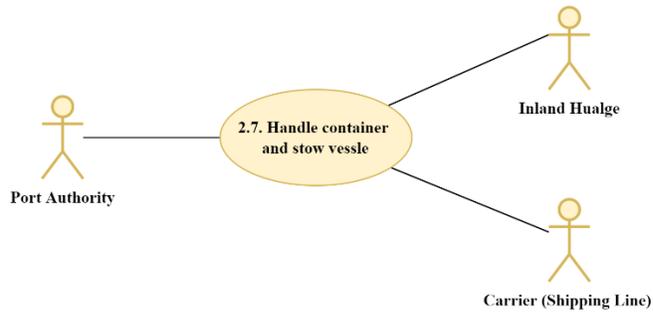
<b>Name of process area</b>	<b>2. Ship</b>
<b>Name of business process</b>	<b>2.6. <i>Transfer container to port</i></b>
<b>Related laws, rules, and regulations</b>	<ul style="list-style-type: none"> <li>• Customs Law No. 207 of 2020 and its executive regulations issued by Minister of Finance Decree No. 430 of 2021</li> <li>• Decision of the Minister of Finance No. 40 of 2017 regarding the activation of the unified customs declaration SAD</li> <li>• Presidential Decree No. 106 of 2000 Facilitating Examination and Control Procedures on Exported and Imported Goods</li> <li>• Procedures Circular No. 20 of 2020 regarding the customs BOSLA</li> <li>• Procedures Circular No. 24 of 2019 regarding the used and newly developed pathways for customs declaration</li> </ul>
<b>Process participants</b>	Shipping Line Inland Haulage Customs
<b>Input and criteria to enter/begin the business process</b>	<ul style="list-style-type: none"> <li>• Container has been already stuffed and sealed</li> <li>• BOSLA is filled in with the details of the shipment</li> </ul>
<b>Activities and associated documentary requirements</b>	<p>2.6.1. Inland Haulage company transfers container to the port.</p> <ul style="list-style-type: none"> <li>- Truck overcrowding and the long time it takes to enter or exit the port, as not all port gates are opened to trucks. Often only 2 out of 5 points are operated due to insufficient customs officers.</li> <li>- The port is closed to containers at 11 pm, and in the event of a football match or a personal circumstance for the gate staff, they may leave work at 7 or 9 pm.</li> <li>- Security men at the gates of the port, and inside it, represent a severe obstacle. The entry or exit of the truck is not allowed without the payment of an informal tip. Priority of standing in line to unload the container is also determined by the size of the tip. Ministry of Interior employees may give precedence to those who pay higher tips in the unloading process, and if any driver in the queue objects, his license is confiscated; so, everyone either stays silent or pays.</li> </ul> <p>2.6.2. Customs office checks documents provided by the Inland Haulage at the port gate before entering to the quay, that the seal number completely matches the one in the BOSLA and the other documents including:</p> <ul style="list-style-type: none"> <li>- Release Order</li> <li>- Packing List</li> <li>- Commercial Invoice</li> </ul>

	<p>2.6.3. The port customs check whether the inspection has been performed at the factory or not.</p> <p>2.6.4. Even if the shipment has been inspected at the factory, port inspection still has the right to break the seal and inspect the very same goods again.</p> <p>2.6.5. If factory inspection did not take place, or it took place, but port customs decided to re-inspect, they check the home textile against the specifications in the documents.</p> <p>2.6.6. Port customs decides the results of the check.</p> <ul style="list-style-type: none"> <li>- The exporter must pay a «mandatory tip yet again». If a mandatory tip is not paid, the customs officers will try to create any problem as an excuse to inspect the goods and unload the container.</li> <li>- The customs officer opens a box for inspection, and often does not return the box to its place. He rather keeps it for himself (a mandatory tip).</li> </ul> <p>2.6.7. If it is not consistent with the specifications in the documents, the customs officer draws a sample from the container to test.</p> <p>2.6.8. Customs committee sends the sample to the laboratory for doing a technical test to the concerned authority ‘Textile Consolidation Fund’.</p> <ul style="list-style-type: none"> <li>- The committee here contacts the original customs committee that inspected the container in the factory (exporter premise) and reports to it that inspection results were inaccurate and they will send a sample for chemical test – the analysis takes about 4 days.</li> <li>- If the analysis revealed that what is exported does not match what was originally imported (different types of materials), the customs fine the exporter for evasion and fraud. The fine is estimated at 25% of export value. Exporter will be also fined with 4% of value of exports for each month from the date of importing raw materials. Then, the exporter has to pay Tariffs and VAT.</li> </ul> <p>2.6.9. If there was no need for port inspection, or the inspection went without inconsistencies, the customs officer stamps the BOSLA and gives it to the transport agent (Inland Haulage).</p> <p>2.6.10. The customs officer seals the container with the Maritime Seal.</p> <p>2.6.11. The Inland Haulage transfers the container to the yard of the reserved shipping line.</p> <p>2.6.12. The Inland Haulage provides the necessary documents to prove that the container in place and ready to unload, documents include:</p> <ul style="list-style-type: none"> <li>- BOSLA</li> </ul>
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	<ul style="list-style-type: none"> <li>- Release Order</li> <li>- Unloading Permission</li> <li>- Packing List</li> <li>- Commercial Invoice</li> </ul> <p>2.6.13. The shipping line unloads the container to the yard.</p> <ul style="list-style-type: none"> <li>- Containers must be weighed by the shipping line before being loaded onto the ship to determine the exact size of the cargo. In most cases, not all scales are operational because there are not enough port personnel. Sometimes the weighing process can take a whole day.</li> <li>- Sometimes the ships are late, and the customer is forced to pay storage fees and fines, although the delay of the ship is beyond his control and is due to the shipping line itself.</li> </ul> <p>2.6.14. The shipping line issues the signed documents and the Bill of Lading.</p> <p>2.6.15. Inland Haulage collects Bill of Lading.</p> <ul style="list-style-type: none"> <li>- The bill of lading either is sent to the foreign buyer (importer) with the rest of the document, alternatively it is sent to the bank with the rest of the documents, or remains with the shipping line and issue a telex release</li> </ul>
<b>Output criteria to exit the business process</b>	<ul style="list-style-type: none"> <li>• The container unloaded to the shipping line</li> <li>• The Exporter has the Bill of Lading</li> </ul>
<b>Average time required to complete this business process</b>	<ul style="list-style-type: none"> <li>• Direct duration 6 hours</li> <li>• Indirect duration 2 days</li> <li>• Informal payments</li> </ul>

*Core business process area 2.7: Handle container and stow container into a vessel*

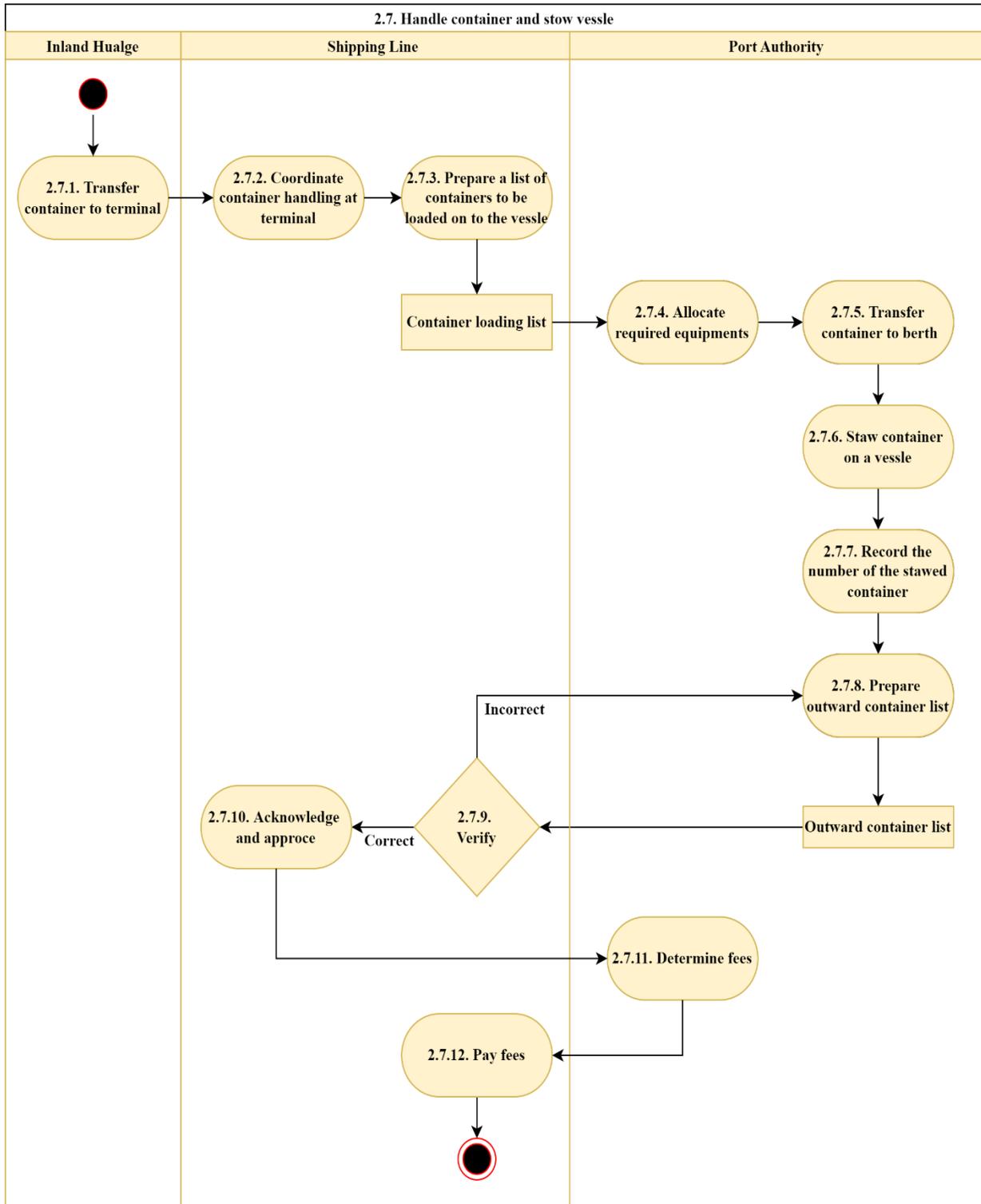
**Figure 4.20. “Handle Container and Stow Vessel” use case diagram**



The use case diagram shown in Figure 4.20 suggests that “Handle container and stow vessel” process requires the participation of:

- Port’s Authority
- Carrier (Shipping Line)
- Inland Haulage

Figure 4.21. “Handel Container and Stow Vessel” activity diagram

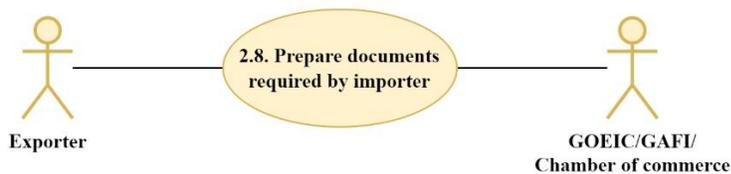


<b>Name of process area</b>	<b>2. Ship</b>
<b>Name of business process</b>	<b>2.7. Handle container and stow vessel</b>
<b>Related laws, rules, and regulations</b>	<ul style="list-style-type: none"> <li>• Resolution No. 800 of 2016 issuing a regulation regulating the conduct of activities and works related to maritime transport and fees for its usage.</li> <li>• Procedures Circular No. 1 of 2022 regarding the cycle of procedures for incoming and outgoing shipments.</li> <li>• Procedures No. 9 for the year 2022 regarding customs procedures regulating shipments of fabrics, textiles and RMG.</li> <li>• Law No. 73 of 2019 establishing the internal and international land transport organization.</li> <li>• Ministerial Resolution No. 296 of 2011 regarding the commitment to production and handling in accordance with the standard specification for safety, health and data standards for textile products.</li> </ul>
<b>Process participants</b>	<ul style="list-style-type: none"> <li>• Shipping line</li> <li>• Inland Haulage</li> <li>• Port's authority</li> </ul>
<b>Input and criteria to enter/ begin the business process</b>	<ul style="list-style-type: none"> <li>• Container has been already sealed with maritime seal and unloaded in the shipping yard.</li> </ul>
<b>Activities and associated documentary requirements</b>	<p>2.7.1. Inland Haulage transfers the container to the terminal.</p> <p>2.7.2. The shipping line coordinates the handling process at the terminal.</p> <p>2.7.3. The shipping line prepares a list of containers to be loaded onto the vessel and delivers a container loading list to the Port's Authority.</p> <p>2.7.4. Port's authority allocates the required equipment to load containers.</p> <p>2.7.5. Using the equipment, Port's Authority transfers the container to the landing place.</p> <p>2.7.6. Port's Authority stows the container into the vessel.</p> <p>2.7.7. Port's Authority records the number of the stowed container.</p> <p>2.7.8. Port's Authority prepares an outward container list.</p> <p>2.7.9. The shipping line verifies the outward list, if it is incorrect it returns to Port's Authority to prepare the list again.</p> <p>2.7.10. If the list is correct, the shipping line acknowledges and approves it.</p> <p>2.7.11. Port's Authority determines the service fees to be paid by the shipping line.</p>

	2.7.12. The shipping line pays the service fees, otherwise Port's Authority must prepare the list again.
<b>Output criteria to exit the business process</b>	Container loaded onto the vessel
<b>Average time required to complete this business process</b>	1 day

*Core business process area 2.8: Prepare documents required by foreign buyer (importer)*

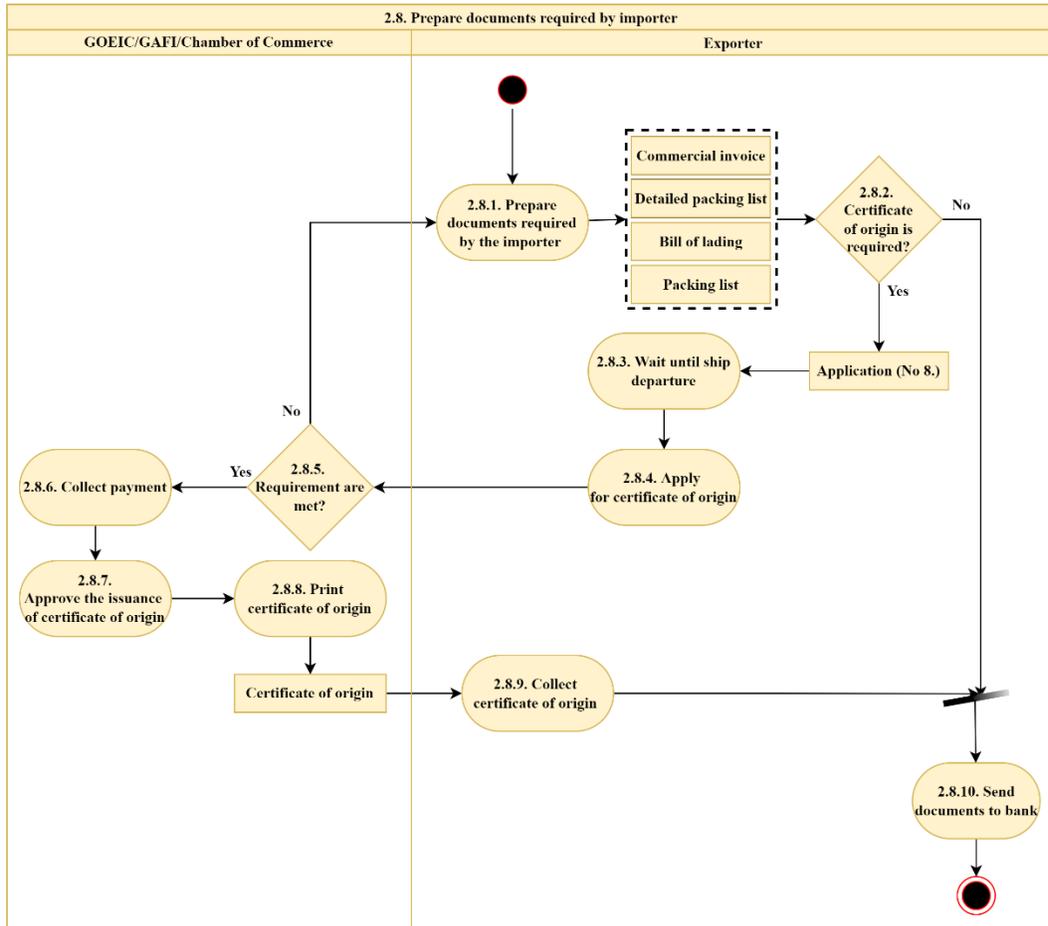
**Figure 4.22. “Prepare Documents Required by Foreign Buyer (Importer)” use case diagram**



The use case diagram shown in Figure 4.22 suggests that “Prepare documents required by foreign buyer (importer)” process requires the participation of:

- Exporter
- General Organization of Export and Import Control (GOEIC)/ GAFI/Chamber of commerce

Figure 4.23. “Prepare Documents Required by Foreign Buyer (Importer)” activity diagram

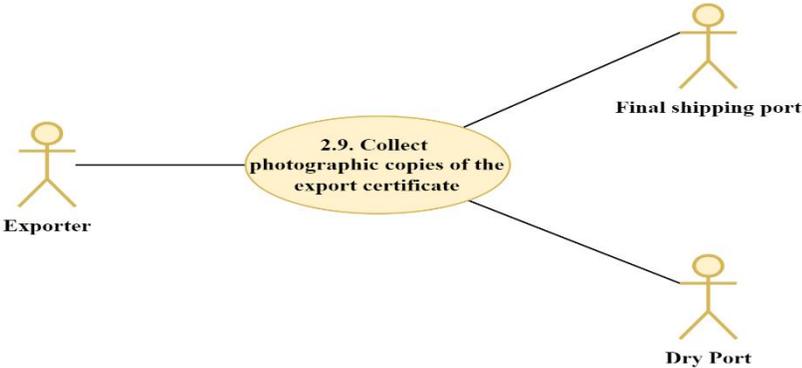


<b>Name of process area</b>	<b>2. ship</b>
<b>Name of business process</b>	<b>2.8. Prepare documents required by foreign buyer (importer).</b>
<b>Related laws, rules, and regulations</b>	<ul style="list-style-type: none"> <li>• Presidential Decree No. 1770 of 1971 establishing the General Organization for Export and Import Control.</li> <li>• Free Trade agreement with rules of origin clauses</li> </ul>
<b>Process participants</b>	<ul style="list-style-type: none"> <li>• Exporter</li> <li>• General Organization for Export and Import Control (GOEIC)/ GAFI/ Chamber of commerce</li> </ul>
<b>Input and criteria to enter/begin the business process</b>	Exporter already has an account for electronic services on GOEIC portal and it is activated.
<b>Activities and associated documentary requirements</b>	<p>2.8.1. The exporter prepares the documents required by the foreign buyer (importer), including:</p> <ul style="list-style-type: none"> <li>- Commercial Invoice</li> <li>- Detailed Packing List</li> <li>- Bill of Lading</li> <li>- Packing List</li> </ul> <p>2.8.2. If the foreign buyer (importer) does not ask for a certificate of origin, the exporter prepares only the aforementioned documents.</p> <p>2.8.3. If the foreign buyer (importer) asks for a certificate of origin, exporter prepares the application form and waits until the ship leaves the port.</p> <p>2.8.4. Exporter applies for the certificate at one of the following organizations:</p> <ul style="list-style-type: none"> <li>- The General Organization for Export and Import Control (GOEIC) (Application No. 8) for importing countries who are part of a trade agreement with rules of origin clauses <ul style="list-style-type: none"> <li>▪ The application process for obtaining the certificate of origin from GOEIC is not fully automated. Although the exporter applies for the certificate electronically through GOEIC website, he has to complete the application manually at GOEIC</li> </ul> </li> <li>- GAFI for the companies located at the free zones</li> <li>- Commercial chambers (otherwise)</li> </ul> <p>2.8.5. If the certificate requirements are not met, the exporter prepares the documents again.</p> <p>2.8.6. If the certificate requirements are met, the relevant organization collects the payment.</p> <p>2.8.7. The relevant organization acknowledges application and approves the issuance of the certificate.</p>

	<p>2.8.8. The relevant organization prints the certificate of origin.</p> <p>2.8.9. The exporter collects the certificate of origin.</p> <ul style="list-style-type: none"> <li>- According to GOEIC website, obtaining the certificate of origin should not take more than 10 min. However, exporters reported that it actually takes them two working days to obtain it.</li> </ul> <p>2.8.10. Exporter submits the certificate of origin along with the rest of the documents to the bank</p>
<b>Output criteria to exit the business process</b>	Certificate of origin and all other documents required from the foreign buyer (importer)
<b>Average time required to complete this business process</b>	<p>1 day</p> <p>2 days If the exporter requires a certificate of origin.</p>

**Core business process area 2.9: Collect photographic copies of the export certificate**

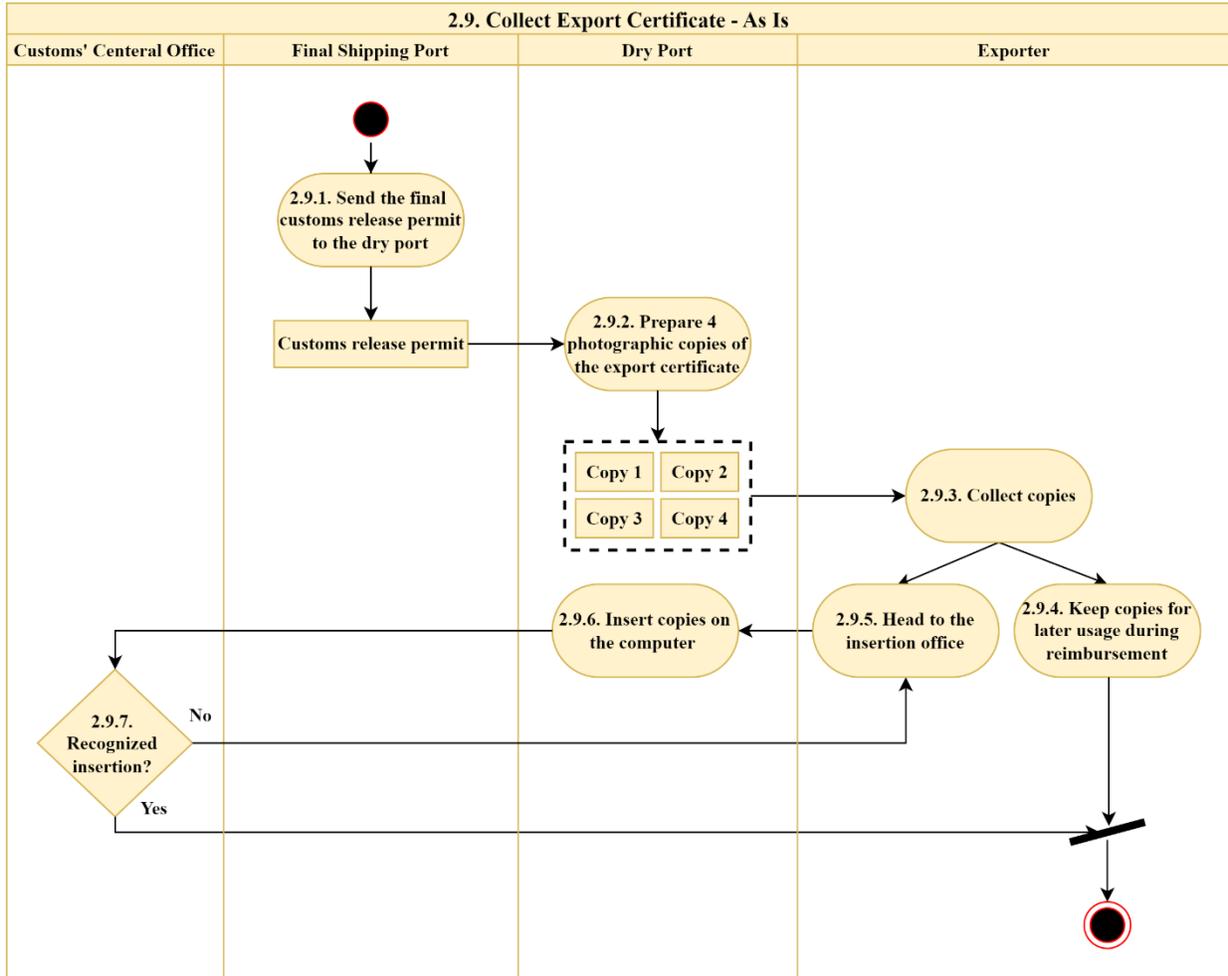
**Figure 4.24. “Collect Photographic Copies of the Export Certificate” use case diagram**



The use case diagram shown in Figure 4.24 suggests that the “Collect photographic copies of the export certificate” process requires the participation of:

- Exporter
- Final shipping port
- Dry port

Figure 4.25. “Collect Photographic Copies of the Export Certificate” activity diagram

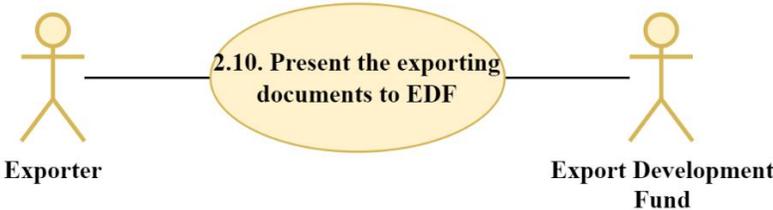


<b>Name of process area</b>	<b>2. Ship</b>
<b>Name of business process</b>	<b>2.9. Collect photographic copies of the export certificate</b>
<b>Related laws, rules, and regulations</b>	<ul style="list-style-type: none"> <li>• Customs Law No. 207 of 2020 and its executive regulations issued by Minister of Finance Decree No. 430 of 2021</li> </ul>
<b>Process participants</b>	<p>Final Shipping Port</p> <p>Dry Port</p> <p>Exporter</p>
<b>Input and criteria to enter/begin the business process</b>	<ul style="list-style-type: none"> <li>• The shipment already moved from the port</li> <li>• The final customs release permit is ready to be sent from shipping port to dry port</li> </ul>
<b>Activities and associated documentary requirements</b>	<p>2.9.1. Final shipping port sends the final customs release permit (of exports) to the dry port.</p> <ul style="list-style-type: none"> <li>- Companies deal with dry ports, such as the 10<sup>th</sup> of Ramadan and 6<sup>th</sup> of October ports, to facilitate procedures and shorten time. Some companies export through more than one port: Alexandria, Sokhna, and Damietta. Thus, the presence of one dry port that the company deals with, regardless of the final port of shipment, would facilitate procedures for the exporter (all transactions are in one place, even if the goods are exported from more than one port).</li> <li>- But the problem lies in the delay in sending the export confirmation (an acknowledgment from the final port that the container has already left the port) from the final port to the dry port for a period of up to three months in some cases, and hence obtaining photocopies of the export certificate from the dry port is delayed.</li> <li>- Without sending the export confirmation from the final port to the dry port, the photo certificate will not be issued.</li> <li>- The export confirmation should not take that long, and no one knows the reason for the delay.</li> </ul> <p>2.9.2. The dry port Prepare 4 photographic copies of the export certificate.</p> <p>2.9.3. The exporter collects the copies</p> <p>2.9.4. The exporter keeps these copies for later usage during reimbursement.</p> <p>2.9.5. The exporter, at the same time, heads to the insertion office at the dry port in order to insert the copies onto the computer.</p> <p>2.9.6. The insertion office inserts the copies onto the computer</p> <ul style="list-style-type: none"> <li>- The office is usually very crowded</li> <li>- In most cases, the exporter needs to pay a mandatory tip in order to speed up the process.</li> </ul>

	2.9.7. In some cases, when applying for the reimbursement or trying to settle the letter of guarantee, the exporter finds out that the insertion did not appear on the computer at the central customs office. In this case, the exporter or his representative has to return to the dry port to re-insert the copies into the computer and make sure that the insertion has been made correctly.
<b>Output criteria to exit the business process</b>	4 photographic copies of the export certificate
<b>Average time required to complete this business process</b>	90 days on average.

***Core business process area 2.10: Present the exporting documents to the Export Development Fund (EDF)***

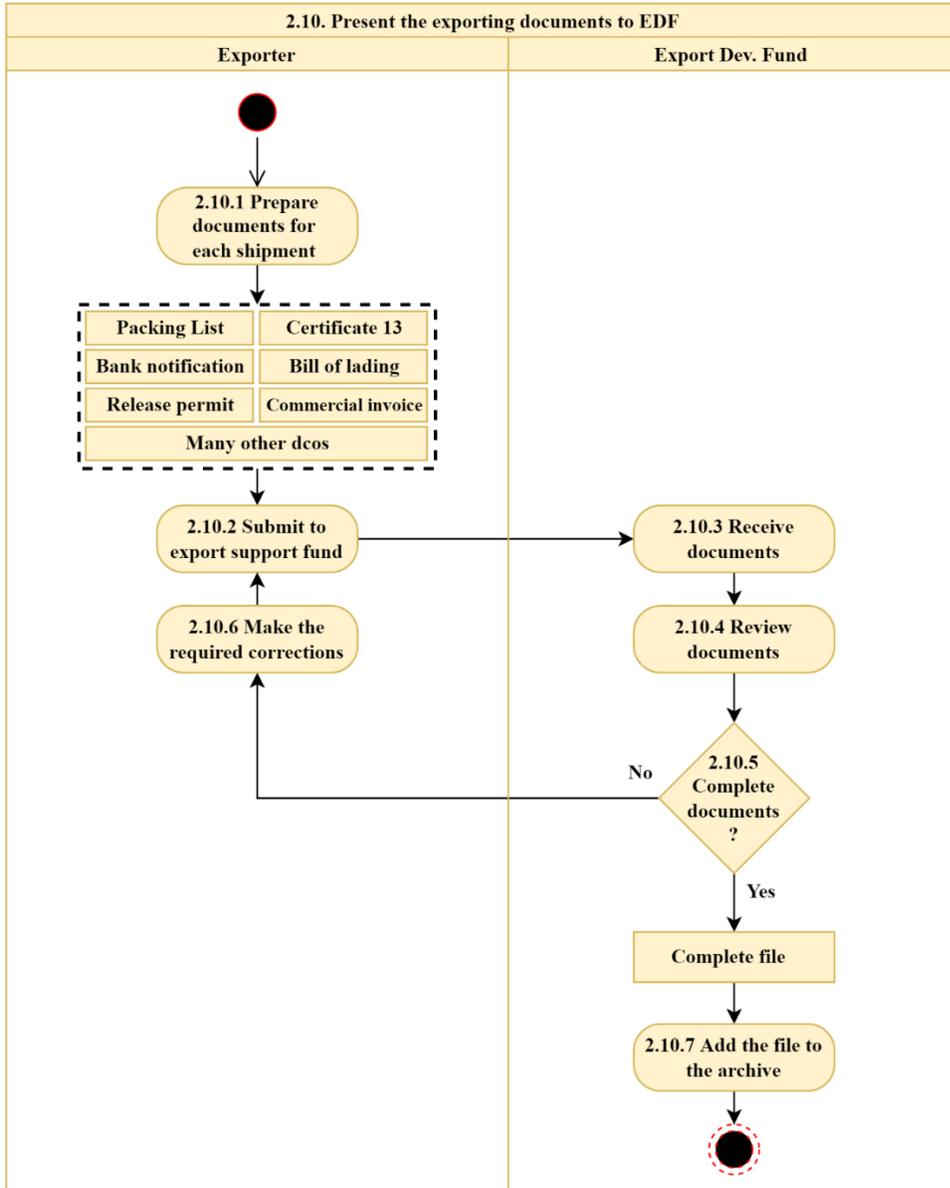
**Figure 4-26. Present the exporting documents to the Export Development Fund**



The use case diagram shown in Figure 4.26 suggests that “presenting the exporting document to the export development fund requires the participation of:

- Exporter
- Export Development Fund

Figure 4.27. “Present the Exporting Documents to the Export Development Fund” activity diagram



<b>Name of process area</b>	<b>2. Ship</b>
<b>Name of business process</b>	<b>2.10. Present the exporting document to the Export Development Fund</b>
<b>Related laws, rules, and regulations</b>	Announced Export Support Program and its regulations
<b>Process participants</b>	Exporter Export Development Fund
<b>Input and criteria to enter/begin the business process</b>	<ul style="list-style-type: none"> <li>• The company is registered at the Export Development Fund</li> </ul>
<b>Activities and associated documentary requirements</b>	<p>2.10.1 The exporter prepares detailed documents for each shipment. These documents are:</p> <ul style="list-style-type: none"> <li>- Application form</li> <li>- Commercial invoice</li> <li>- Customs release permit</li> <li>- Bill of lading.</li> <li>- Packing list</li> <li>- Bank notification, stating that the company has an Egyptian bank account in local currency and accepts the transfer of due funds to it.</li> <li>- Export certificate</li> <li>- Transportation Bill</li> <li>- Unified customs declaration for exports</li> <li>- ISO certificate</li> <li>- Copy of the commercial register</li> </ul> <p>2.10.2 The exporter submits the documents to the Export Development Fund.</p> <p>2.10.3 The Export Development Fund receives the documents</p> <p>2.10.4 The Export Development Fund forwards the documents to the concerned committee in order to get them reviewed.</p> <p>2.10.5 If the documents need correction, the Export Development Fund notifies the exporter</p> <p>2.10.6 The exporter makes the necessary corrections and re-submit the corrected documents</p> <p>2.10.7 If the file was complete, or the required corrections have been completely made, the Export Development Fund adds the file to the archive, meaning that the exporter is eligible to have his money reimbursed on that particular shipment once the ministry of finance launches a future initiative for the payment of export support</p>

<b>Output criteria to exit the business process</b>	Exporter is included in the list of exporters who can have their money reimbursed
<b>Average time required to complete this business process</b>	15 days

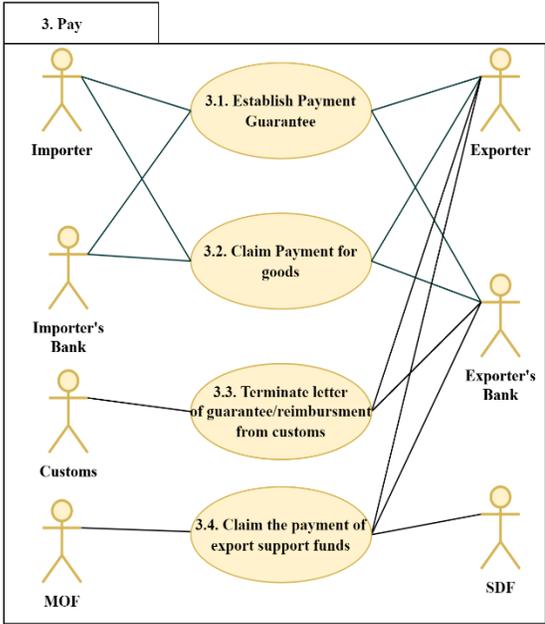
**Process area 3: Pay**

Pay process area for home textiles export transaction occurs at two levels. It first deals with the establishment of payment guarantee and the collection of payments for goods from the foreign buyer under the assumption that the payment for the purchased home textiles is made by Letter of Credit, as done in the rest of the world.

Second is the local payment through the drawback or release of letter of guarantee in case of temporary admission system, which applies only for the inland enterprises (Observation # 3, Annex A), and finally the payment from the export support system.

As shown in figure 4.28, pay process area consists of 4 core business processes emphasizing how to apply for letter of Credit, use it to collect payment for goods, get the draw back, and finally claim payment of export support.

**Figure 4.28. Use case diagram of core business processes in pay process area**



*Core business process area 3.1: Establish payment guarantee*

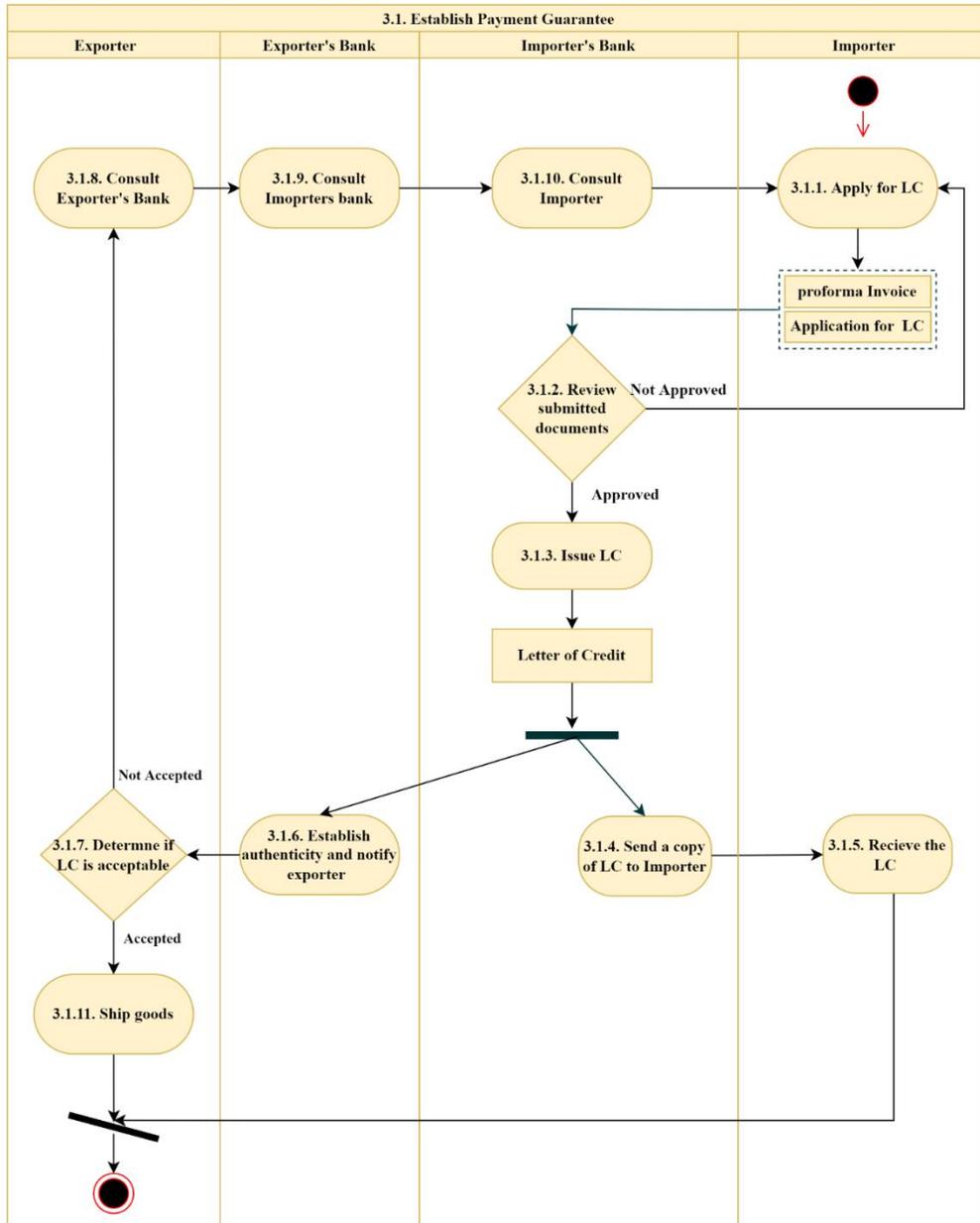
**Figure 4.29. “Establish Payment Guarantee” use case diagram**



The use case diagram shown in Figure 4.29 suggests that the “Establish payment guarantee” process requires the participation of:

- Exporter
- Foreign buyer (importer)
- Foreign buyer's (importer) Bank
- Exporter’s Bank

**Figure 4.30. “Establish Payment Guarantee” activity diagram**

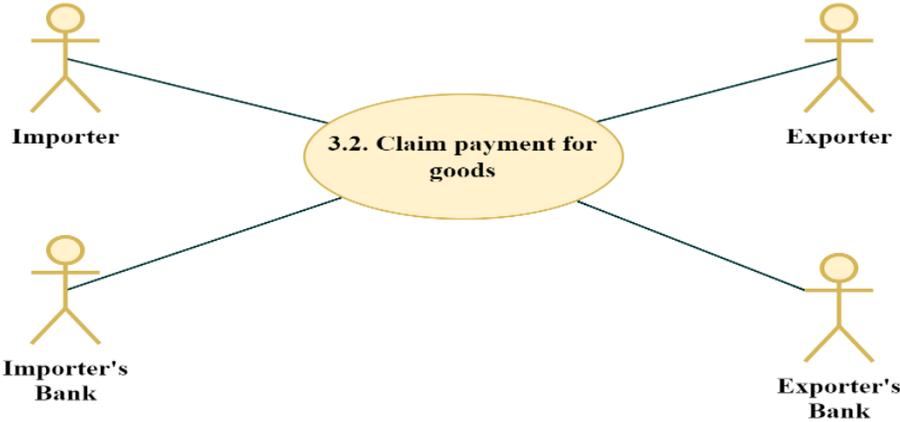


<b>Name of process area</b>	<b>3. Pay</b>
<b>Name of business process</b>	<b>3.1 Establish payment guarantee</b>
<b>Related laws, rules, and regulations</b>	<ul style="list-style-type: none"> <li>• Circular No. 27 of 2022 regarding the exclusion of production requirements and raw materials from the Central Bank’s instructions to stop dealing with collection documents.</li> </ul>
<b>Process participants</b>	<p>Exporter</p> <p>Exporter’s Bank</p> <p>Foreign buyer (importer)</p> <p>Foreign buyer (importer)’s Bank</p>
<b>Input and criteria to enter/begin the business process</b>	<p>Exporter and foreign buyer (importer) have agreed up on the method of payment for the goods.</p>
<b>Activities and associated documentary requirements</b>	<p>3.1.1. Foreign buyer (importer) applies for Letter of Credit by submitting Application for Irrevocable Documentary Letter of Credit (LC) and Proforma Invoice to Foreign buyer (importer)’s bank.</p> <ul style="list-style-type: none"> <li>• Other forms of payment like cash against documents and open account are also available depending on the agreement with the client and the level of trust.</li> </ul> <p>3.1.2. Foreign buyer (importer)’s bank reviews submitted documents and evaluates foreign buyer (importer)’s credit standing.</p> <p>3.1.3. If foreign buyer (importer)’s credit is in good standing, foreign buyer (importer)’s bank approves the application, issues letter of credit (LC), and forwards it to exporter’s bank.</p> <p>3.1.4. Foreign buyer (importer)’s bank sends a copy of the LC to the Foreign buyer (importer).</p> <p>3.1.5. Foreign buyer (importer) receives the LC from his/her bank.</p> <p>3.1.6. Exporter’s bank establishes authenticity of the letter of credit and informs exporter that letter of credit is ready for collection.</p> <p>3.1.7. Exporter collects letter of credit and determines if it meets contractual agreement and its terms and conditions can be satisfied.</p> <p>3.1.8. If exporter finds letter of credit unacceptable, he or she needs to consult exporter’s bank.</p> <p>3.1.9. Exporter’s bank consults foreign buyer (importer)’s bank.</p> <p>3.1.10. Foreign buyer (importer)’s bank then consults foreign buyer (importer) on the amendment of letter of credit.</p>

	3.1.11. If exporter finds the already issued letter of credit acceptable, he or she makes necessary arrangements for the delivery of goods.
<b>Output criteria to exit the business process</b>	<ul style="list-style-type: none"> <li>• Exporter accepted letter of credit.</li> <li>• Exporter started to take the necessary arrangements to deliver textiles to Foreign buyer (importer).</li> </ul>
<b>Average time required to complete this business process</b>	1 Day

*Core business process area 3.2: Claim payment for goods*

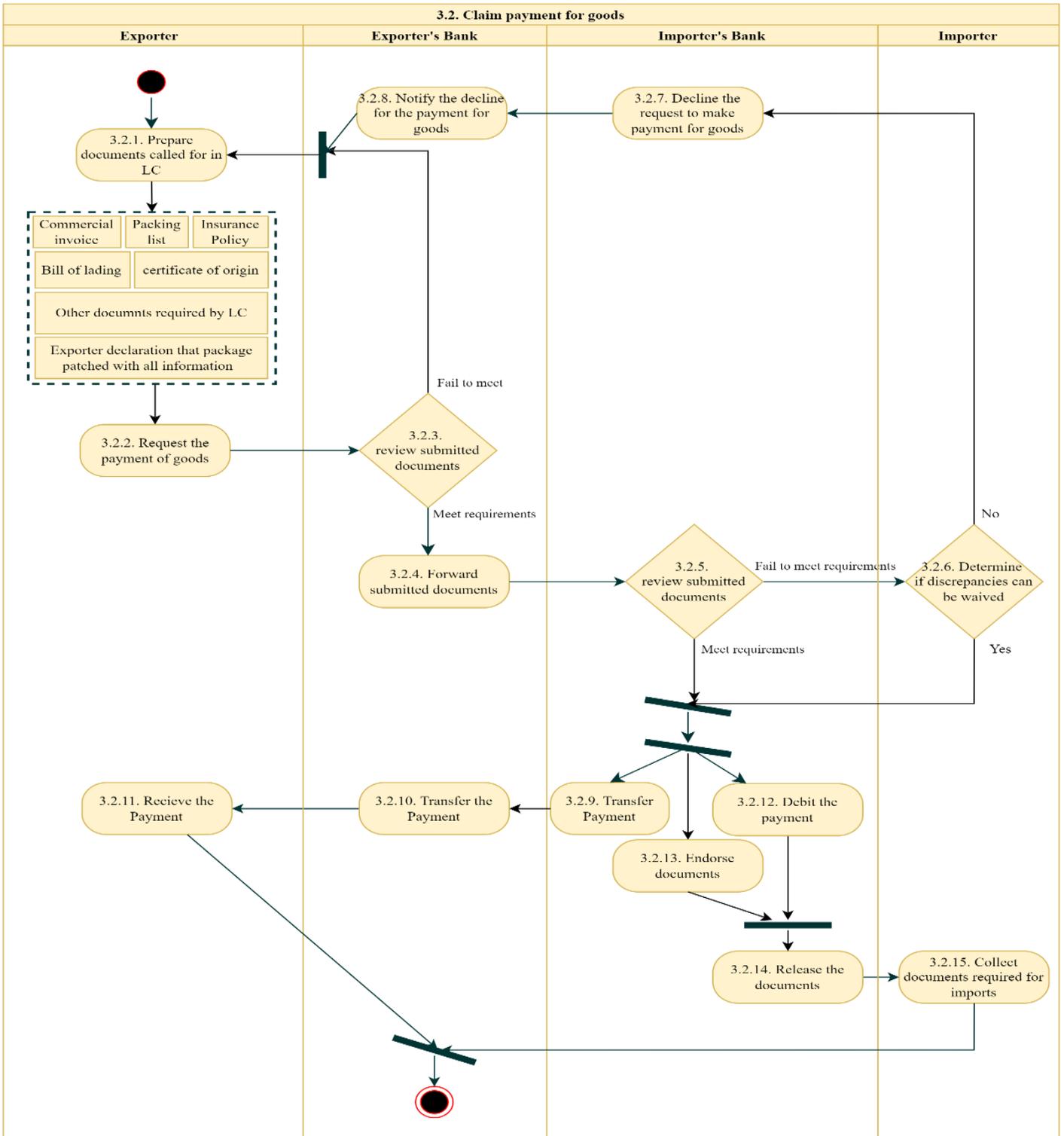
**Figure 4.31. “Claim Payment for Goods” use case diagram**



The use case diagram shown in Figure 4.31 suggests that the “Claim payment for goods” process requires the participation of:

- Exporter
- Foreign buyer (importer)
- Foreign buyer (importer)’s Bank
- Exporter’s Bank

Figure 4.32. “Claim Payment for Goods” activity diagram

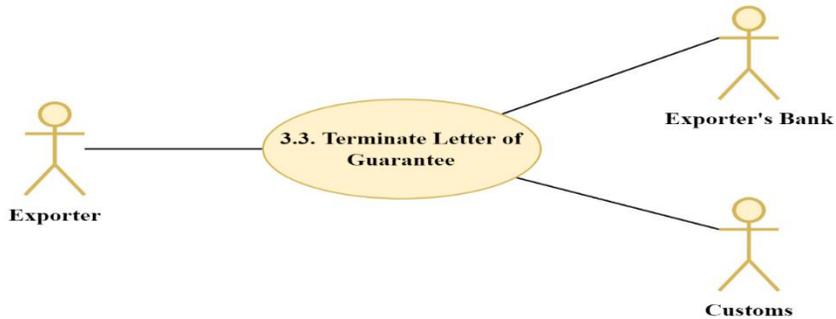


<b>Name of process area</b>	<b>3. Pay</b>
<b>Name of business process</b>	<b>3.2 Claim payment for goods</b>
<b>Related laws, rules, and regulations</b>	<ul style="list-style-type: none"> <li>• Circular No. 27 of 2022 regarding the exclusion of production requirements and raw materials from the Central Bank’s instructions to stop dealing with collection documents</li> </ul>
<b>Process participants</b>	<ul style="list-style-type: none"> <li>• Exporter</li> <li>• Exporter’s Bank</li> <li>• Foreign buyer (importer)</li> <li>• Foreign buyer (importer)’s Bank</li> </ul>
<b>Input and criteria to enter/begin the business process</b>	Exporter has already fulfilled contractual agreement.
<b>Activities and associated documentary requirements</b>	<p>3.2.1. Exporter also prepares documents called for in letter of credit. Those documents typically include:</p> <ul style="list-style-type: none"> <li>• Commercial Invoice</li> <li>• Packing List</li> <li>• Insurance Policy</li> <li>• Bill of Lading</li> <li>• Certificate of Origin, and</li> <li>• Exporter declaration that package patched with all its detailed information</li> </ul> <p>In addition to any other documents required by the letter of credit.</p> <p>3.2.2. With the documents called for in letter of credit, exporter requests from the exporter’s bank to advise the foreign buyer (importer)’s bank to proceed with the payment for goods.</p> <p>3.2.3. Exporter’s bank reviews submitted documents and determines if they are compliant with the terms and conditions as listed in letter of credit. If they do not meet the terms and conditions in letter of credit, the exporter’s bank informs the exporter about the discrepancies. In this case, the exporter needs to make necessary corrections.</p> <p>3.2.4. If the submitted documents meet the terms and conditions as listed in letter of credit, the exporter’s bank forwards them to foreign buyer’s (importer) bank.</p> <p>3.2.5. Foreign buyer’s (importer) bank reviews submitted documents and determines if they are compliant with the terms and conditions of letter of credit. If they do not meet the terms and conditions in the letter of credit, the</p>

	<p>Foreign buyer's (importer) bank informs the foreign buyer (importer) about the discrepancies.</p> <p>3.2.6. Foreign buyer (importer) determines if discrepancies can be waived.</p> <p>3.2.7. If foreign buyer (importer) does not waive the discrepancies, foreign buyer (importer)'s bank declines the request to make payment for goods.</p> <p>3.2.8. Exporter's bank notifies the exporter about the payment decline so that exporter makes necessary corrections.</p> <p>3.2.9. If the foreign buyer (importer)'s bank finds the submitted documents compliant with the terms and conditions listed in letter of credit from the very beginning, the foreign buyer (importer)'s bank transfers the payment for goods to exporter's bank.</p> <p>3.2.10. Exporter's bank transfers the payment for goods to exporter.</p> <p>3.2.11. Exporter receives the payment for goods.</p> <p>3.2.12. Egyptian exporters reported that if the Central Bank is facing a shortage in the foreign currency, they might get paid in Egyptian currency according to the prevailing exchange rate. Also in some cases, the CBE might ask exporters to keep the payment amount in the bank account and liquidize after one year if they wanted to get paid in foreign currency.</p> <p>3.2.13. Foreign buyer (importer)'s bank debits the payment for goods from Foreign buyer's (importer) account.</p> <p>3.2.14. Foreign buyer's (importer) bank releases documents collected from exporter.</p> <p>3.2.15. Foreign buyer (importer) collecte documents required for import.</p>
<p><b>Output criteria to exit the business process</b></p>	<ul style="list-style-type: none"> <li>• Exporter received the payment for goods.</li> <li>• Foreign buyer (importer) received documents required to complete import formalities.</li> </ul>
<p><b>Average time required to complete this business process</b></p>	<p>1 Day</p>

*Core business process area 3.3: Terminate Letter of Guarantee /Reimbursement from customs*

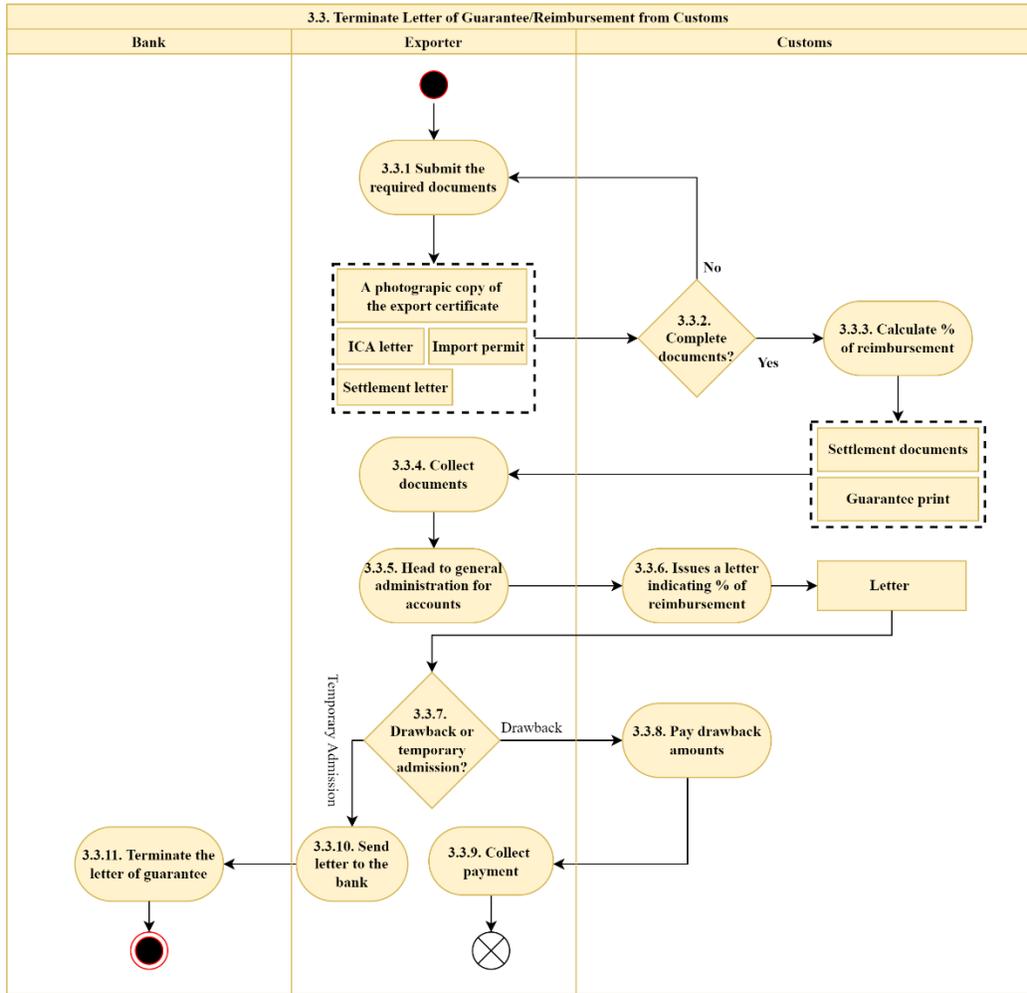
**Figure 4.33. “Terminate Letter of Guarantee/ Reimbursement from Customs” use case diagram**



The use case diagram shown in Figure 4.33 suggests that the “Terminate Letter of Guarantee” process requires the participation of:

- Exporter
- Exporter’s Bank
- Customs

Figure 4.34. “Terminate Letter of Guarantee” activity diagram

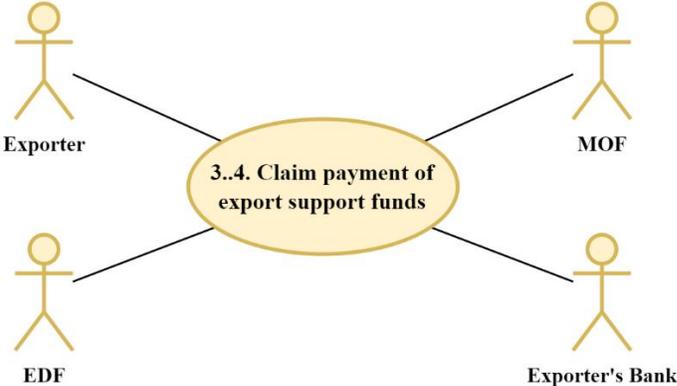


<b>Name of process area</b>	<b>3. Pay</b>
<b>Name of business process</b>	<b>3.3. Terminate letter of guarantee.</b>
<b>Related laws, rules, and regulations</b>	<ul style="list-style-type: none"> <li>• Decision of the Minister of Finance No. 367 of 2021 regarding prior customs clearance procedures.</li> <li>• Prime Minister's Decision No. 1635 of 2002 regarding the rules and procedures regulating temporary permits and refunds of taxes and customs duties.</li> <li>• Procedures Circular No. 8 of 2015 regarding temporary permits.</li> <li>• Procedures Circular No. 33 of 2020 regarding the export of goods previously received by the temporary allowance and drawback system.</li> </ul>
<b>Process participants</b>	<ul style="list-style-type: none"> <li>• Exporter</li> <li>• Exporter's Bank</li> <li>• Customs</li> </ul>
<b>Input and criteria to enter/begin the business process</b>	ICA letter and the photocopies of the export certificate are out and ready with the exporter.
<b>Activities and associated documentary requirements</b>	<p>3.3.1. The exporter submits the following documents to the customs:</p> <ul style="list-style-type: none"> <li>- Photographic copy of the export certificate,</li> <li>- ICA letter, and</li> <li>- Import permit</li> <li>- Settlement letter</li> </ul> <p>3.3.2. The customs check if the documents are valid and complete. If not, the exporter has to make the required corrections and re-submit</p> <p>3.3.3. If the documents are valid and complete, the customs calculate the amount of money to reimbursed by the exporter.</p> <ul style="list-style-type: none"> <li>- It is usually calculated as a % of the value of the import permit based on the letter of guarantee or the rate of temporary admission.</li> <li>- The settlement process usually results in the following documents: <ul style="list-style-type: none"> <li>▪ Settlement documents.</li> <li>▪ Guarantee print</li> </ul> </li> </ul> <p>3.3.4. The exporter collects these documents</p> <p>3.3.5. The exporter submits them to the “general administration for accounts”</p> <p>3.3.6. The general administration for accounts at the customs issues a letter indicating the percentage of reimbursement.</p> <p>3.3.7. The flow of procedures from this point depends on whether the exporter is subject to the drawback or the temporary admission system.</p> <p>3.3.8. If the exporter is subject to the drawback system, he submits the letter to the customs to claim for reimbursement</p>

	<p>3.3.9. The exporter collects the amount of reimbursement</p> <p>3.3.10. On the other hand, if the exporter is subject to temporary admission, he sends the letter to the bank to terminate the guarantee.</p> <p>3.3.11. The bank terminates the letter of guarantee.</p> <ul style="list-style-type: none"> <li>- The entire process is very slow, which limits the availability of liquidity for exporters.</li> </ul>
<b>Output criteria to exit the business process</b>	Letter of guarantee being terminated, and exporter gets his/her drawback.
<b>Average time required to complete this business process</b>	30 days

**Core business process area 3.4: Claim the payment of export support**

**Figure 4.35. “Payment of Export Support” use case diagram**



The use case diagram shown in Figure 4.35 suggests that the “Payment of export support” process requires the participation of:

- Exporter
- Exporter’s Bank
- Public bank
- Ministry of Finance (MOF)
- Export Development Fund (EDF)



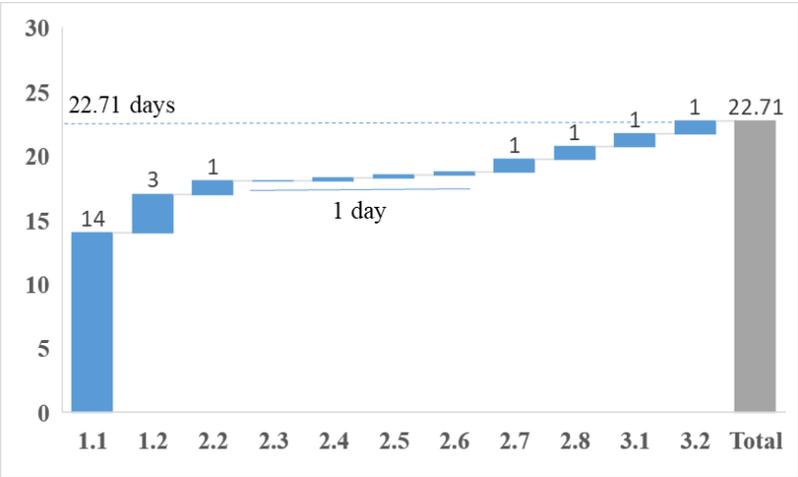
<b>Name of process area</b>	<b>3 Pay</b>
<b>Name of business process</b>	<b>3.4 Export Support Program payment .</b>
<b>Related laws, rules, and regulations</b>	The announced export support program and its executive regulation. The initiatives announced by the Ministry of Finance for reimbursing the money due to the exporters.
<b>Process participants</b>	Exporter Export Development Fund Ministry of Finance Exporter's Bank Public bank
<b>Input and criteria to enter/begin the business process</b>	Registration at the Export Development Fund
<b>Activities and associated documentary requirements</b>	<p>3.4.1 The Ministry of Finance announces the details of the initiative. The initiative usually entails payment of export support based on certain conditions.</p> <p>3.4.2 The exporter reads the terms and conditions of the initiative</p> <p>3.4.3 The exporter decides whether to participate in the initiative or not.</p> <p>3.4.4 In case of participation, the exporter must head to Ministry of Finance to sign a written consent declaring his approval to receive the money due to him according to the announced terms and conditions.</p> <p>3.4.5 The Ministry of Finance notifies the Export Development Fund to calculate the amounts due to the exporter.</p> <p>3.4.6 The Export Development Fund calculates the required amounts and prepares the list of exporters who can disburse the amounts due.</p> <ul style="list-style-type: none"> <li>- The Export Development Fund does not notify the exporter, and the exporter must periodically follow up</li> </ul> <p>3.4.7 EDF takes exporter's consent on the calculated amounts</p> <p>3.4.8 EDF notifies MOF with the amounts due to the exporter</p> <p>3.4.9 MOF calculates the taxes and bills due from the exporter to discount their amount from the funds due to him.</p> <p>3.4.10 The exporter goes to the EDF, yet again, to sign a document stating his approval on the money due to him after making all deductions.</p> <ul style="list-style-type: none"> <li>- Any payments due on the exporters to the tax authority are deducted from his payments</li> </ul> <p>3.4.11 EDF issues a signed/stamped payment certificate indicating the net amount of money due to the exporter.</p>

	<p>3.4.12 Now the certificate is ready, but the exporter will not receive it before writing and submitting 2 pledges of consent that he is fully reimbursed.</p> <p>3.4.13 Once the exporter submits the 2 pledges of consents, he receives a stamped certificate from the Export Development Fund with the amount of money due to him</p> <p>3.4.14 The exporter goes in the same day to one of the public banks to deliver the certificate.</p> <ul style="list-style-type: none"> <li>- The time taken in the bank depends on whether there is a customer in this bank or not</li> </ul> <p>3.4.15 The exporter receives the transfer of his money after a month from delivering the certificate</p>
<b>Output criteria to exit the business process</b>	Transfer of the exporters' money from the Export Support Program
<b>Average time required to complete this business process</b>	Minimum of two months

**5. Time procedure for home textile exports from Egypt**

Figure 5.1 presents a time-procedure chart listing core business processes that are required to be carried out to export home textiles from Egypt. The time procedure chart suggests that it takes, on average, 23 days for stakeholders to fulfill commercial and regulatory requirements of 11 home textiles export business processes. Notably, it shows the time taken during the home textiles exportation process in its narrow sense, as it excludes the impact of importation of components.

**Figure 5.1. Time procedure chart for home textiles narrow exportation process**

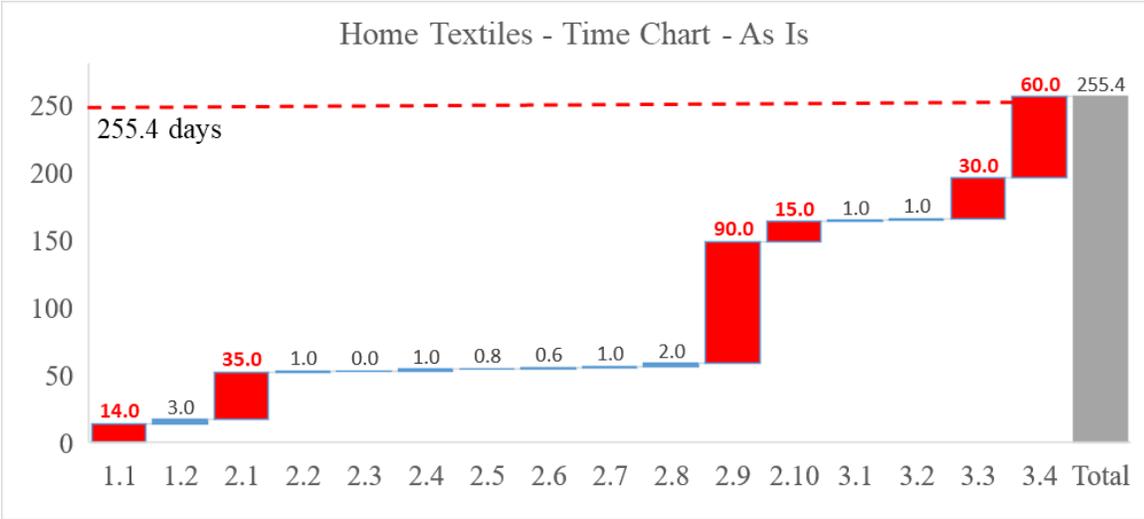


Source: Prepared by ECES.

Figure 5.2 below exhibits the time chart of the home textiles exportation transaction in its broader definition, as it considers the time taken to complete some procedures related to the process of importing components used in manufacturing, which have implications for export procedures.

Given the complexities associated with this process during the production procedure (Observations #2 & #3 in section 2), it takes the exporting enterprises longer time to finish the core processes, specifically, (2.1) issuing the ICA, (2.9) getting the photocopies of export certificate, (2.10) present the exporting documents to the Export Development Fund, (3.3) terminating the letter of guarantee, and (3.4) claim the payments of export support. These five processes cost the exporting enterprises 35 days, 90 days, 15 days, 30 days, and 60 days, respectively on average to finish. They are more than four times the above narrow BPM of exportation transaction “BUY” “SHIP” and “PAY”.

**Figure 5.2. Time-procedure chart for home textiles broad exportation process**



Source: Prepared by ECES.

The complexities associated with the importation of components does not only cause a delay in the production and shipment processes, and thus possible penalties imposed on the exporter (Annex A, observation #1) but also there is still a bigger problem. Continuous delay in getting the drawback from the customs or releasing letters of guarantee might cause shortages of liquidity for exporting enterprises. This, in turn, could lead to dwarfing export capabilities in the future.

## ***Part II: "To Be" Scenario***

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

It starts with identification of key problem areas and suggestions of corrective solutions based on stakeholders’ opinions, international experiences and ECES’s analysis and expertise. four key observations are to be made at this stage:

- 1- Increasing exports cannot be achieved without resolving the bottlenecks in the importation processes and those related to production.
- 2- A significant portion of all problems associated with trade processes are linked primarily to the Ministry of Finance with its different departments and 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 objective.
- 3- Most increase in cost and delay in trade processes are linked to importation of components necessary for the production of exported goods and related programs (the drawback system and temporary admission are financial compensations received by exporter after accounting for imported components). This means that improving the process of importation of all products takes top priority as it affects positivity both import and export trade processes.
- 4- International experiences in general reflect trust in the private sector and faster procedures simply because exports are envisioned as a top priority in these countries.
- 5- Radical changes in the system as per the Turkish and South Korean experiences can eliminate unnecessary steps and completely remove the role of some institutions in the export processes (e.g. Export Development Fund and Industrial Control Authority) and redefine the role of some institutions like the Export Development Bank to perform functions similar to those of the Turkish Eximbank

Detailed methodology is as follows:

Analyzing the business process for exporting home textile products revealed a number of bottlenecks. Generally speaking, those bottlenecks arise due to either a problem 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 system adopted is not consistent to 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, 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 bottleneck 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 (6months-year) (M). 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 in order to make sure that the "To Be" scenario is realistic and implementable.

A number of international experiences have been studied with respect to problems related to system design and system implementation. Reference is made in the table to the relevant international experience which is presented in details in Annex B of this document. 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 exporting Home Textiles - HS code (6302)**

Business process Area	Bottleneck	Nature of the problem	Relevant International Experience	Proposed corrective actions	Impact	
					Process of exporting	Others (increase in exports, decrease in informal payments.....)
<b>Pre-requisites</b>						
	<ul style="list-style-type: none"> <li>- Procedural requirements that potential home textile exporters have to follow in order to legally start exporting are complicated with several organizations involved without enough coordination among them. (“As Is “section 4)</li> </ul>	Failure in system design	Turkey’s experience (Annex B)	<ul style="list-style-type: none"> <li>- Digitalization of all business<sup>5</sup> services including linkages between the relevant organizations (M)</li> <li>- All information should be available on the internet in a timely, updated,</li> </ul>	quicker start of export process and removing duplicate documents submission	Improve the overall business environment which will eventually lead to a rise in actual exports.

<sup>5</sup> It is important to emphasize that digitization is not simply the automation of the as-is existing practices, it rather means introducing real reforms to make the process efficient before putting it online

Business process Area	Bottleneck	Nature of the problem	Relevant International Experience	Proposed corrective actions	Impact	
				and in a binding manner to all (I).		
<b>1. Buy</b>						
1.1 Approve samples	High cost and long time taken for sample production, as a result small producers, might be reluctant to produce a sample before concluding an agreement with the importer.	Lack of relevant policy action	-----	Incentive system to reduce the cost of sample production faced by small exporters criteria for incentive eligibility includes opening of new markets and/ or high export potential for that exporter (I)	Reducing the time, it takes to approve a sample and ensuring that the customer doesn't lose interest These two increase the likelihood that the overall export operation will be successful.	An increase in the exports from small producers
	<ul style="list-style-type: none"> <li>▪ The exportation of samples is treated as if it is a regular export process (full procedures)</li> <li>▪ Long time needed to send samples to distant locations (it takes 7-10 days to send the sample to USA)</li> </ul>	Failure in system design	Turkish experience (Annex B)	<ul style="list-style-type: none"> <li>▪ Abolish all customs regulation related to exporting samples (I)</li> <li>▪ Negotiate with large companies that imports from Egypt (especially those located in distant countries like the USA) to establish liaison offices in Egypt, these</li> </ul>	Simplified track for sending samples which will be reflected in reduction of the time needed to send the sample	Increase in export transaction

Business process Area	Bottleneck	Nature of the problem	Relevant International Experience	Proposed corrective actions	Impact	
				liaison offices will be responsible for sample approval instead of sending the samples abroad. Tax exemptions may be offered to encourage companies to establish liaison offices (S)		
<b>Trade steps of relevance to production</b>						
Import process of home textiles components	High cost of registering in the CargoX system, which in some cases might exceed the value of the deal itself	<ul style="list-style-type: none"> <li>Failure in system implementation</li> </ul>	-----	Revision of the cost of registering in the CargoX (I)		A reduction in the cost burden of the entire export operation
	Because its name includes the word “security” The importation of security label has to pass through general security (El Amn El Aam)	<ul style="list-style-type: none"> <li>Failure in system Design</li> </ul>	-----	Cancel this unnecessary step because the item has nothing to do with national security (I)	A reduction in time by 4-5 days	
<b>2. Ship</b>						
2.1 Obtain a letter from Industrial Control Authority	<ul style="list-style-type: none"> <li>Long time taken to calculate the allowances due to administrative logistics that</li> </ul>	<ul style="list-style-type: none"> <li>Failure in system implementation</li> <li>Failure in system design</li> </ul>	<ul style="list-style-type: none"> <li>Korean experience</li> </ul>	<ul style="list-style-type: none"> <li>Design one template for the ICA letter contents</li> </ul>	<ul style="list-style-type: none"> <li>Excluding yarn from allowance calculation would</li> </ul>	A reduction in the actual cost burden due to the

Business process Area	Bottleneck	Nature of the problem	Relevant International Experience	Proposed corrective actions	Impact	
(ICA) (needed for drawback and temporary admission)	<p>requires lots of going back and forth especially if there is a disagreement on the amounts of allowances. In such case more than one visit by different audit committees are needed in order to settle the disagreement. The problem is aggravated for small exporters</p> <ul style="list-style-type: none"> <li>▪ over centralization (the letter has to be signed from the director of the authority himself)</li> <li>▪ The process involved for obtaining the ICA letter has to be completed during production and before export.</li> <li>▪ The exporters have to import the raw material themselves and not through a trader or another producer</li> </ul>	<ul style="list-style-type: none"> <li>▪ Lack of relevant policy action</li> </ul>	<ul style="list-style-type: none"> <li>▪ Turkish experience (Annex B)</li> </ul>	<p>to be fulfilled by the exporter easily and with less possible mistakes that might revoke or distract the process (I)</p> <ul style="list-style-type: none"> <li>▪ Activate the local offices of ICA on the governorate level (decentralization) and provide them with technical experts to finish inspection work without travelling to the central office, and hire enough inspectors at the governorate level (I)</li> <li>▪ An electronic signature (of ICA director) could be</li> </ul>	<p>facilitate trade process for all home textile relying on yarn as a direct input however it has no impact on home textile relying on fabrics or any other necessary raw material used in production.</p> <p>what will make a big difference for all is full activation of the local regional offices (decentralization of ICA activities)</p> <ul style="list-style-type: none"> <li>▪ Reduction in the time for obtaining the letter from the industrial control to no more than 7 days in case</li> </ul>	<p>elimination in the informal payment</p>

Business process Area	Bottleneck	Nature of the problem	Relevant International Experience	Proposed corrective actions	Impact
				<p>used for exporters in remote areas to avoid travelling to central office just to get the director's signature. Another solution is to replace the director's signature by the signature of the local person in charge (I)</p> <ul style="list-style-type: none"> <li>▪ Design a program to Support SMEs for purchasing the relevant software used to calculate the allowances and train them on how to use it (S)</li> <li>▪ Return to previous implemented system where yarn was exempted from</li> </ul>	<p>of adjustment are made in the currently applied system, In case of complete revision of the system the time will be reduced to zero</p>

Business process Area	Bottleneck	Nature of the problem	Relevant International Experience	Proposed corrective actions	Impact	
				<p>calculating the allowances (I)</p> <ul style="list-style-type: none"> <li>▪ <b>Radical change:</b> complete revision of the drawback system as per South Korea's and turkey's experience:               <ol style="list-style-type: none"> <li>1- exporter would calculate the allowances himself as per a number of approved predetermine formula (acknowledged internationally.</li> <li>2- Cancelation of ICA letter all together</li> <li>3- Ex-post ICA revision of the calculations (S)</li> </ol> </li> </ul>		

Business process Area	Bottleneck	Nature of the problem	Relevant International Experience	Proposed corrective actions	Impact	
2.4 Collect empty container and open export certificate	truck overcrowding at port gates, and defects in the containers.	Failure in system implementation	-----	<ul style="list-style-type: none"> <li>Open all ports gate (I)</li> <li>Increase the efficiency of the port management system by designing a monitoring and evaluation system for ports efficiency with a clear time line and penalties applied , which will enhance port management efficiency (S)</li> </ul>	Reduction in time to collect empty containers and open the export certificate	<ul style="list-style-type: none"> <li>Increase in port operations efficiency</li> </ul>
	<ul style="list-style-type: none"> <li>- The export certificate is opened by the customs and not the exporter</li> <li>- Delays in opening the export certificate from the NAFZA</li> <li>- Difficulties in uploading the document</li> <li>-One unified system for inspection applying to all regardless of the risk whether risks related to the exported</li> </ul>	<ul style="list-style-type: none"> <li>Failure in system design</li> <li>Failure in system implementation</li> </ul>	Turkish experience (Annex B)	<p>Increase the efficiency of the currently applied NAFZA system as follows:</p> <ul style="list-style-type: none"> <li>Allow the exporter to upload the documents on the NAFZA instead of customs official (I)</li> </ul>		to a maximum of 5 hours (the current direct time needed (In case of adjustment in currently applied system)).

Business process Area	Bottleneck	Nature of the problem	Relevant International Experience	Proposed corrective actions	Impact	
	goods or those related to reliability of the exporter			<ul style="list-style-type: none"> <li>▪ Upgrade the IT infrastructure as follows:               <ul style="list-style-type: none"> <li>- Increase the capacity and the speed for uploading of the documents, to ensure the smooth operation of the NAFZA (I)</li> <li>- Forms should be electronic, freely available and downloadable, PDF fillable, capable of being signed electronically, with automatic fill-in data fields (for example, the date and hour of submission), with built-in spreadsheets and</li> </ul> </li> </ul>		

Business process Area	Bottleneck	Nature of the problem	Relevant International Experience	Proposed corrective actions	Impact	
				<p>controls (validation) to ensure correct submissions and error-free calculations. Time and data stamps should automatically apply (I).</p> <ul style="list-style-type: none"> <li>▪ <b>Radical change:</b> Revision of the NAFZA system along the lines of the Turkish applied system, where by the NAFZA system conducts instant risk analysis and decides whether the consignment should be forwarded for physical inspection. This risk analysis is</li> </ul>		

Business process Area	Bottleneck	Nature of the problem	Relevant International Experience	Proposed corrective actions	Impact	
				<p>based on a logarithm that calculates pre-defined coefficients determined for every risk factor. And the entire export processes are digitalized with minimum human intervention (S)</p>		
	<p>Most trucks (trailers) in the shipping companies are old, dilapidated and constantly break down with little influence by the exporter</p>	<p>Lack of relevant policy action</p>	<p>All Countries</p>	<p>slowly upgrading of the transport fleet by:</p> <ul style="list-style-type: none"> <li>- Categorizing the cost of entry to the port and raise the cost if the vehicles is very old.(I)</li> <li>- An initiative for upgrading the transport fleets fully starting by the trucks used by inland haulage companies</li> </ul>		<p>All cost related to transportation are incurred by the exporter (whether directly or indirectly) Hence, an upgrade in the fleet will be reflected in a reduction in the transaction costs and time</p>

Business process Area	Bottleneck	Nature of the problem	Relevant International Experience	Proposed corrective actions	Impact	
				supporting the exports. (S)		
2.5 Check the 7 points and stuff container <sup>6</sup>	<ul style="list-style-type: none"> <li>Observed problems in the containers provided by the port that do not meet the inspection criteria of the exporters due to the inefficiency of the relevant department at the port.</li> <li>If the transport company receives a defective container from the port, upon returning it to the port, the shipping line assumes that the transport company is responsible for these defects, and a repair fine of up to \$500 is charged.</li> </ul>	Failure in system implementation	All countries	<ul style="list-style-type: none"> <li>Increase the efficiency of the port management system by designing a monitoring and evaluation system for ports efficiency with a clear time line and penalties applied, which will enhance port management efficiency (S).</li> <li>If the container is originally defected, the transport company should not be fined upon returning it unless his liability is proven (I).</li> </ul>	Reduction in the indirect time spent by the exporter to clean the container and preparing it to stuff his products	Increase in port operations efficiency

<sup>6</sup> Exporter checks the list of the 7 points that the container is in a good case, free of any defects or damages such as holes or bad smells, its ceiling and walls are intact

Business process Area	Bottleneck	Nature of the problem	Relevant International Experience	Proposed corrective actions	Impact	
	<ul style="list-style-type: none"> <li>▪ Physical inspection by customs is obligatory irrespective of whether the exporter benefit from any advantages (export support, drawback, temporary admission, and also irrespective of the level of risks involved whether the risks related to the exported goods or those related to reliability of the exporter</li> <li>▪ High level of personal face-to-face interaction during custom inspection is time-consuming, costly in terms of staff effort, and conducive to bribery</li> <li>▪ Absence of discernible service standard for any inspection by any agency. In particular, the customs do not provide the maximum time for its inspection or the information</li> </ul>	<ul style="list-style-type: none"> <li>▪ Failure in system design</li> <li>▪ Failure in system implementation</li> </ul>	<ul style="list-style-type: none"> <li>▪ Turkish experience (Annex B)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Adopt the international practices where by only 5% of the shipment is subjected to physical inspection (I).</li> <li>▪ <b>Radical Change:</b> Revision of the NAFZA system along the lines of the Turkish system, where by the NAFZA system conducts instant risk analysis and decides whether the consignment should be forwarded for physical inspection. This risk analysis is based on a logarithm that calculates pre-defined coefficients</li> </ul>	<p>Reduce the time required for exporting to just the time needed to stuff the containers</p>	<ul style="list-style-type: none"> <li>- Reduction of the costs due to elimination of the costs related to bringing the customs officials as the factory</li> <li>- Reduction in the costs related to informal payments</li> <li>- Increase the efficiency of the use of government resources</li> </ul>

Business process Area	Bottleneck	Nature of the problem	Relevant International Experience	Proposed corrective actions	Impact	
	on the percentage of physical inspections.			determined for every risk factor. And the entire export processes is digitalized with minimum human intervention ( <b>Home textile is not subject to inspection.</b> (S)		
2.6 Transfer container to port of departure	<ul style="list-style-type: none"> <li>▪ Inefficiency in the port management resulting in Truck overcrowding</li> </ul>	Failure in system implementation	All countries	<ul style="list-style-type: none"> <li>▪ Allow multiple entry gates to the ports (I)</li> <li>▪ Ensure the availability of adequate numbers of customs official and other relevant employees at the port 24/7 (I)</li> <li>▪ Increase the efficiency of the port management system by designing a monitoring and evaluation system for</li> </ul>	Reduction in time of required to enter the port	Increase in port operations efficiency

Business process Area	Bottleneck	Nature of the problem	Relevant International Experience	Proposed corrective actions	Impact	
				ports efficiency with a clear time line and penalties applied, which will enhance port management efficiency (S).		
	<ul style="list-style-type: none"> <li>▪ If the inspection has been done at the factory, the customs still have the right to inspect the container and break the seal even if the inspection has already been done at the factory</li> <li>▪ If inspection is not done at the factory, physical inspection of the container will be done at the port irrespective of whether the exporter benefit from any advantages (export support, drawback, temporary admission, and also irrespective of the level of risks involved whether the</li> </ul>	<ul style="list-style-type: none"> <li>▪ Failure in system implementation</li> <li>▪ Failure in system design</li> </ul>	Turkish experience (Annex B)	<ul style="list-style-type: none"> <li>▪ Abolish the inspection at the port if the process has already been done at the factory (I).</li> <li>▪ Adopt the international norm where by only 5% of the shipment is subjected to physical inspection (I).</li> <li>▪ Monitor, penalize, and eliminate informal payments along the entire process stages (I).</li> </ul>	Reduction of time to a maximum 6 hours (direct time only) (In case of adjustment in currently applied system). Time is further reduced in case of a complete revision of NAFZA system to be risk based	<ul style="list-style-type: none"> <li>- elimination of the informal payments</li> <li>- Increase the efficiency of the use of government resources</li> </ul>

Business process Area	Bottleneck	Nature of the problem	Relevant International Experience	Proposed corrective actions	Impact	
	<p>risks related to the exported goods or those related to reliability of the exporter</p> <ul style="list-style-type: none"> <li>▪ During inspection at port, if a mandatory tip is not paid, the customs inspectors might come up with an excuse for full inspection and unnecessarily unload the container.</li> </ul>			<ul style="list-style-type: none"> <li>▪ <b>Radical change:</b> Revision of the NAFZA system along the lines of the Turkish system, where by the NAFZA system conducts instant risk analysis and decides whether the consignment should be forwarded for physical inspection. This risk analysis is based on a logarithm that calculates pre-defined coefficients determined for every risk factor. And the entire export processes is digitalized with minimum human intervention <b>(Home</b></li> </ul>		

Business process Area	Bottleneck	Nature of the problem	Relevant International Experience	Proposed corrective actions	Impact	
				<b>textile is not subject to inspection. (S)</b>		
2.7 Handle container and stow vessel	- Not all scales are operational Sometimes the weighing process can take a whole day.	Failure in system implementation	All countries	<ul style="list-style-type: none"> <li>▪ Ensure the availability of adequate numbers of customs official and other relevant employees at the port 24/7 (I)</li> <li>▪ Ensure all scales are operational (I)</li> <li>▪ Design a monitoring and evaluation system for ports efficiency with a clear time line and penalties applied (S)</li> </ul>	Reduction in the duration taken to handle the container and stow vessel to few hours	Increase in port operations efficiency
2.8 Prepare Documents required from importer	▪ Delays in issuing the certificate of origin due to the delays in uploading shipment documents on the MTS system	▪ Failure in system implementation	-----	<ul style="list-style-type: none"> <li>▪ Upgrade the IT infrastructure by               <ul style="list-style-type: none"> <li>- Increasing the capacity and the speed for uploading</li> </ul> </li> </ul>	▪ Reduction of time required to obtain the certificate of origin to few hours	Increase in export transactions

Business process Area	Bottleneck	Nature of the problem	Relevant International Experience	Proposed corrective actions	Impact	
				<p>of the documents, to ensure the smooth operation of the NAFZA (I)</p> <ul style="list-style-type: none"> <li>▪ <b>Radical change:</b> the entire export processes are digitalized with minimum human intervention (M)</li> </ul>		
2.9 Collect photographic copies of the export certificate	<ul style="list-style-type: none"> <li>▪ Delay in sending the export confirmation to the dry port for a period of up to three months in some cases, and hence obtaining photocopies of the export certificate from the dry port is delayed</li> <li>▪ The insertion office at the dry ports is usually very crowded</li> <li>▪ In most cases, the exporter needs to pay a mandatory tip in order to speed up the process</li> </ul>	<ul style="list-style-type: none"> <li>▪ Failure in system design</li> <li>▪ Failure in system implementation</li> </ul>	Turkish experience (Annex B)	<ul style="list-style-type: none"> <li>- Transfer of the export certificate should be done electronically only (I).</li> <li>- A maximum reasonable time for issuing the export certificate should be enforced and monitored (I).</li> <li>- <b>Radical Change:</b> Cancel the whole</li> </ul>	<ul style="list-style-type: none"> <li>▪ Reduction of time from up to 3 months to 1- 2 days</li> </ul> <p>In case of adjustment in currently applied system). Time reduced to zero in case of complete digitalization</p>	Reduction in the costs due to the elimination of informal payments

Business process Area	Bottleneck	Nature of the problem	Relevant International Experience	Proposed corrective actions	Impact	
				<p>step by digitizing the process completely and having shipment documents sent automatically to the relevant authorities which use these photographic copies (M)</p>		
2.10 Present the exporting document to the Export Development Fund	The long time needed to prepare the documents	Failure in system design	Turkish experience (Annex B)	<ul style="list-style-type: none"> <li>▪ Digitalize the all the operations of the export development fund, so that all relevant documents are up loaded/ sent electronically and the amounts due to the exporter are calculated electronically(S).</li> <li>▪ <b>Radical Change</b></li> </ul>	Reduction in time to maximum of 1 hour (Given the modification in step 2.9) is done	

Business process Area	Bottleneck	Nature of the problem	Relevant International Experience	Proposed corrective actions	Impact	
				Abolish the role of export development fund and establish a direct link between the customs and export development bank whereby the completion of the export transaction payment are notified to the bank and the amount due for the exporter are calculated automatically and payment to exporters account is made accordingly (M)		
<b>3. Pay</b>						
3.3 Terminate letter of guarantee/reimbursement form customs	<ul style="list-style-type: none"> <li>▪ The process of reimbursing the money is lengthy and costly. In many cases, exporters miss critical deadlines and thus lose eligibility for reimbursement due</li> </ul>	<ul style="list-style-type: none"> <li>▪ Failure in system implementation</li> <li>▪ Failure in system design</li> <li>▪ Lack of relevant policy action</li> </ul>	The Korean and Turkish experience (Annex B)	<ul style="list-style-type: none"> <li>▪ Extend the time to reimburse the money from the drawback system up to three years (I)</li> <li>▪ Allow the reimbursement to be done at the level of</li> </ul>	Reduce the time from a month to a maximum of 1 day	<ul style="list-style-type: none"> <li>▪ Increase in export transactions</li> <li>▪ Increase the number of small exporters benefiting</li> </ul>

Business process Area	Bottleneck	Nature of the problem	Relevant International Experience	Proposed corrective actions	Impact	
	<p>to the delay in receiving documents from customs.</p> <ul style="list-style-type: none"> <li>▪ Short time allowed for the exporter to apply for reimbursing the money from a drawback system (year and half)</li> <li>▪ Reimbursing is done at the central customs office</li> <li>▪ The limited benefit from the system by small exporters due to the complication of the system</li> <li>▪ Customs is the main authority where exporters get reimbursement (Tariff and Vat), but there are also reimbursement formalities with the ministry of finance (export compensation) and with the QIZ.</li> <li>▪ Key decisions regarding reimbursements are often</li> </ul>			<p>the local customs office (I)</p> <ul style="list-style-type: none"> <li>▪ Decisions impacting reimbursement from the customs or the ministry of finance should be discussed thoroughly with the business community before being enforced. In addition, proper dissemination and cascading should take place (I).</li> <li>▪ It is important that the compensation program keeps up with the level of exportation taking place, because exporters need liquidity and not giving them their due</li> </ul>		<p>from the drawback system</p> <ul style="list-style-type: none"> <li>▪ Availability of liquidity to exporters</li> </ul>

Business process Area	Bottleneck	Nature of the problem	Relevant International Experience	Proposed corrective actions	Impact	
	<p>being taken without proper cascading to the lower administrative levels responsible for implementation or communication with the business community.</p>			<p>revenues affects their ability to spend (I)</p> <ul style="list-style-type: none"> <li>▪ <b>Radical Change</b> Revision of the system to integrate a special track for small exporters to benefit from the drawback system along the lines of the Korean experience (S).</li> <li>▪ <b>Radical change</b> A complete digitalization of the export processes, so that the letter of guarantee is terminated automatically once exporting has been done (M)</li> </ul>		

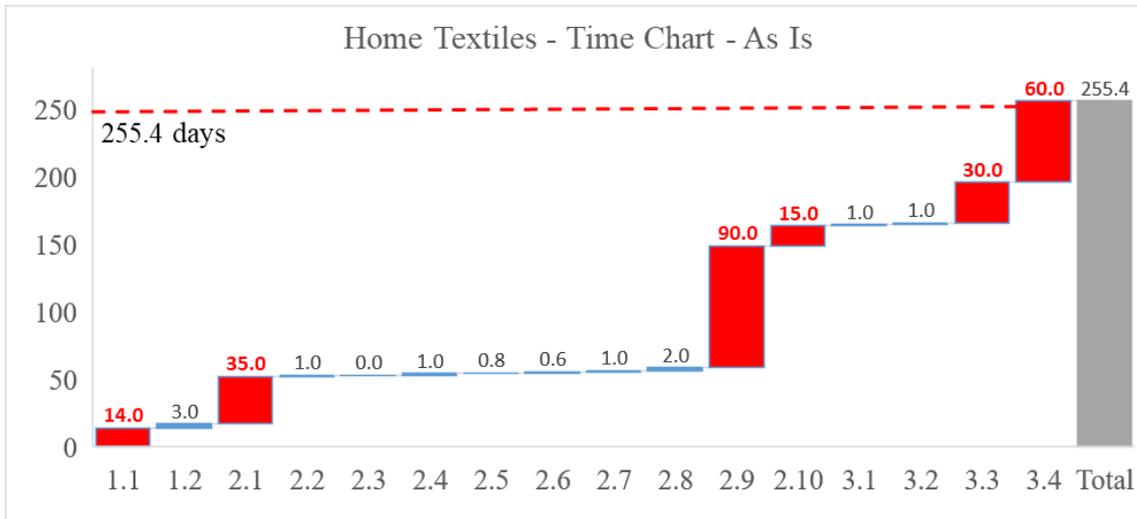
Business process Area	Bottleneck	Nature of the problem	Relevant International Experience	Proposed corrective actions	Impact	
				<ul style="list-style-type: none"> <li>▪ <b>Radical Change:</b> Include amounts of money due to exporters from VAT , customs ( or any other payments related to the ministry of finance) in a credit account that is used to subtract his due payments to the government in a timely way (clearance process) (S)</li> </ul>		
3.4 Export Support Program payment .	<ul style="list-style-type: none"> <li>▪ Long time and complicated process to reimburse of the money from the Export Support Program</li> </ul>	<ul style="list-style-type: none"> <li>▪ Failure in system design</li> </ul>	Turkish experience	<ul style="list-style-type: none"> <li>▪ Abolish the direct involvement of the ministry of finance and the assigned public commercial banks from the Export Support Program. (I)</li> <li>▪ <b>Radical Change</b></li> </ul>	Reduction of the time to few days	Increase in export transaction

Business process Area	Bottleneck	Nature of the problem	Relevant International Experience	Proposed corrective actions	Impact	
				Abolish the role of export development fund and establish a direct link between the customs and export development bank whereby the notification of completion of the export transaction payment are notified to the export development bank and the amount due for the exporter are calculated automatically and payment to exporters account is made accordingly (M)		

Finally, it should be stressed, that a dialogue with exporters should be done on a regular basis, through a weekly meeting with export councils, this is in addition to a consultation process with the exporters 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 re-trust between government and exporters and save efforts and time wasted with a definite positive impact on the business environment.

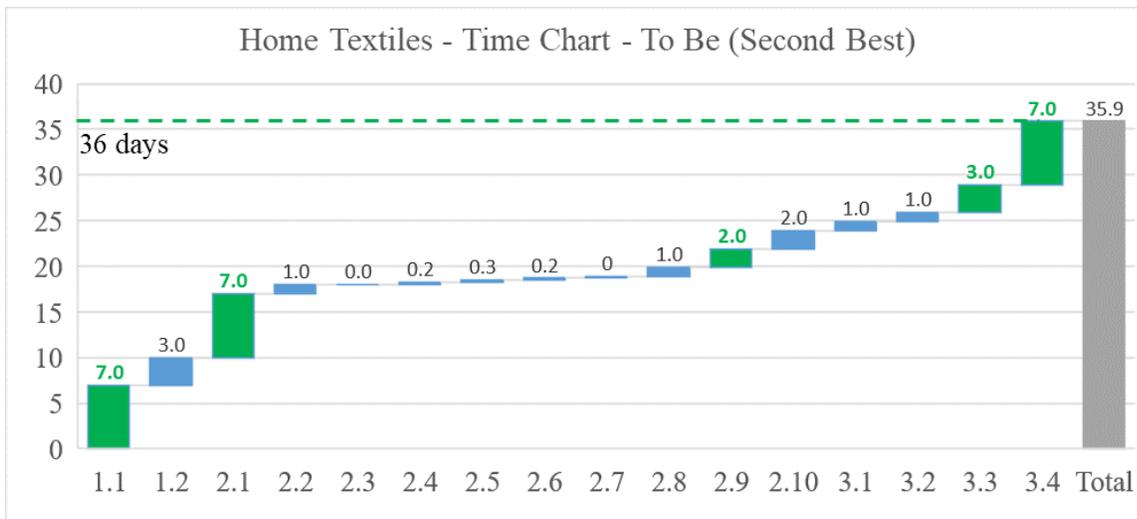
In conclusion, the time required to complete the business process for exporting home textile products will be reduced from currently 255 days (including indirect time) to just 36 days in the second best scenario, and to 16 days in the first best scenario as highlighted in charts (1), (2), (3) and table (3).

**Figure 1. Home textiles – time chart, "As Is" situation**



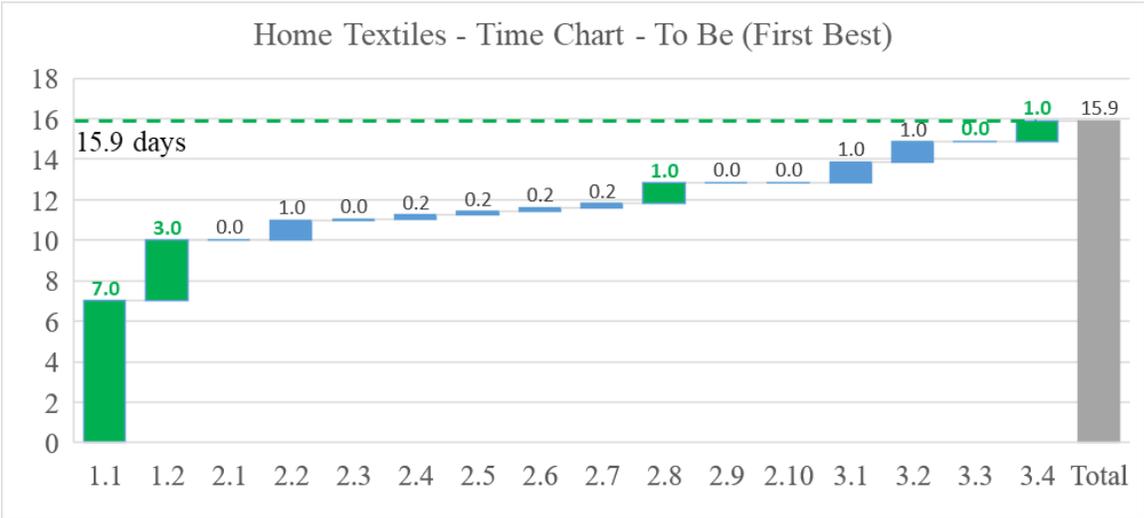
Source: Prepared by ECES.

**Figure 2. Home textiles – time chart, "To Be" scenario (second best)**



Source: Prepared by ECES.

**Figure 3. Home textiles – time chart, "To Be" scenario (first best)**



Source: Prepared by ECES.

**Table 3. Home textiles – timetable, first best vs second best scenario**

<b>ID</b>	<b>Business Process</b>	<b>As Is</b>	<b>To Be (Second Best)</b>	<b>To Be (First Best)</b>
1.1	Approve samples	14	7	7
1.2	conclude sales contract and trade terms	3	3	3
2.1	Obtain a letter from industrial control authority	35	7	0
2.2	Arrange private inspection	1	1	1
2.3	Book a container	0.04	0.0	0.04
2.4	Pick container and open an export certificate	1	0.21	0.21
2.5	Check 7 points and stuff container	0.8	0.25	0.15
2.6	transfer container to port o departure	0.6	0.21	0.21
2.7	Stow container on the vessel	1	0.2	0.21
2.8	Prepare documents required by importer	2	1	1
2.9	Obtain photographic copies of the export certificate	90	2	0
2.10	Present export documents to EDF	15	2	0.04
3.1	Establish payment guarantee	1	1	1
3.2	Claim payment of goods	1	1	1
3.3	Terminate Letter of Guarantee/Reimbursement from customs	30	3	0.04
3.4	Claim the payment of export support	60	7	1
<b>Total</b>		<b>255.4</b>	<b>35.9</b>	<b>15.9</b>

Source: Prepared by ECES.

# **Annexes**

## *Annex A: Horizontal Observations*

### **Observation #1**

The industry imports some of the components used in production, and thus it is forced to comply with Decree 43 as well as the unified window system (MTS), both are part of import procedures that are known to take a long time. In fact, the MTS system increased customs clearance procedures from 3 days to 8 days, if not more.

At another level, other than the resulting delays, especially in the case of decree 43, lots of problems with a weakly digitized process are faced. The whole process was seen as awkward by foreign suppliers leading many of them to stop supplying to Egypt, and finally corrupt behavior emerged as a certain stage of the process involved the approval of the Minister of Industry or other departments in the same ministry, which meant that employees in the Ministry have a say in how quickly the process can be completed.

The problem is bigger in case of small-value components, because the costs related to the cargoX system might be higher than the value of the product itself.

What is worse is that the producing company has to also comply with the central bank decision issued last March 2022 whereby “LCs” for the full value of the shipment irrespective of supplier’s facilitations, replace “document-based payment system” that has been used for the last 20 years or more. This new decision by the Central Bank literally put a complete hold on importation of all products, including components, in a way that paralyzed the production process in all sectors. Recently it has been announced that this decision will be cancelled by December 2022

### **Observation #2**

Meeting the delivery time is currently jeopardized by the limited availability of the shipping lines and containers. Not only does this problem affect the cost of shipping, but also extend the time for shipping and product delivery and thus erode the comparative advantage Egypt has vis-a-vis its competitors, which is its proximity to the importing countries and the time taken to import from Egypt.

### **Observation #3**

Exports come in three types depending on the location of the enterprise and whether or not it intends to export all product items using the imported material or to partially use it for export as well as produce some for the local market. If the enterprise is located in the free zone, then trade is called “transit trade,” the enterprise does not pay customs or value added taxes on the material it imports, and all imported material/component stay in the free zone, produced and shipped out. They must comply with Decree 43 though, which is the only complication they face, and it did not exist at all a few years ago as mentioned above.

Inland enterprises that follow the temporary admission system do not pay any customs on imported material but instead they provide the government with guarantees of different kinds: either a letter of guarantee or the net value of the enterprise itself. The latter choice requires the company to be operational for no less than three years

This is to protect the country’s right in case they do not export products that use up all imported material. Inland enterprises that follow the drawback system pay customs upon entry of imported components and cash back the value equivalent to what they have exported.

In both cases (temporary admission and drawback), exports are relieved from custom duties on the imported material used for production of these exports, but the relief itself is either done in advance or after calculation of what has actually been exported. Both systems necessitate going through the Industrial Control Authority as explained in detail in the next observation.

### **Observation #4**

As explained above inland enterprises are exempted from custom duties only if they export the product. The customs on imported material used for products sold in the local market have to be paid in full. Should the exporting enterprise smuggle the imported components in the local market or if it overestimates “allowances” (the amount of material that does not go into production or is wasted during the production) it would be evading payment of required custom duties which is a criminal act. Starting in the 1990s and to date there has been a big hidden mistrust by the government in home textiles exporters. The mistrust is based on a few limited instances of actual smuggling.

## **Observation #5**

In the case of inland enterprises big or small, the “payment” stage of the export transaction does not only involve the payment for exported shipment from the foreign buyer, but also involves local payment through the drawback or temporary admission system (in the latter case, release of the letter of guarantee. Both systems are associated with a process of measuring “allowances”. The task is performed by the Industrial Control Authority through visits to exporting enterprises by technical committees. The process involves paperwork of its own and more than one visit by the technical committees in case of disagreement on amounts of “allowances”. The process involves both the Industrial Control Authority and the Customs Authority. If not completed in the right sequence, the exporting enterprise cannot retrieve the drawback incentive or release its letter of guarantee associated with the temporary admission system. The methodology of measuring allowances is not transparent; even minor changes in specs of minor deviation from process call for a new ICA letter or render the existing one useless. With the mistrust in observation #4, the process can be tedious and take a long time, not to mention the involvement of informal payments to speed up the process.

In addition, the duration for completing Industrial Control Authority procedure is highly affected by the geographical location of the enterprise. The Authority has 16 branches, ten of which are in different governorates, including six in Upper Egypt. Such geographical spread is supposed to facilitate the service delivery, but unfortunately this is not the case because the team of technical experts that do the inspection and measurement of unused material is located primarily in the central office, which means that everything must be done through it. These committees must travel to different governorates to do the inspection. This unavoidable traveling is translated into longer time for completing that step even if the procedure itself goes smoothly without any disagreements between the enterprise and the member of the technical committee doing the inspection.

Finally, the letter from the Industrial Control Authority is currently issued yearly (as opposed to open time previously) and it takes around two months to finish the letter.

## **Observation #6**

In addition to local payments from the temporary admission and drawback system, home textile is one of the products that is eligible to payments from the Export Support Program.

The administration of this program is theoretically under the Ministry of Trade and Industry, but this has been transformed over the years with the direct involvement of the Ministry of Finance which decides when, and how much money the exporters is going to be reimbursed, which not only complicates the process but also affects the exporters' ability to continue in his activities and remain dynamic in the export operation.

#### **Observation #7**

The entire process of reimbursing the money whether from drawback system, temporary admission, or Export Support Program is very slow, which limits the availability of liquidity for exporters.

For example, to benefit from the incentives provided by the drawback and temporary admission, the exporter needs to submit the photographic copy of the export certificate to release the letter of guarantee and get reimbursed for already paid customs duties on imported components. Any delay related to the issuance of these photographic copies might subject the exporter to the risk of not getting reimbursed.

As for the Export Support Program in addition to the complication created from the involvement of multiple parties in the system, the timing of the actual reimbursement of the payments from the Export Support Program may take several months, depending on the availability of funding from the Ministry of Finance. Further, the transfer of the money from the banks to the exporter's account takes around one month from the date of delivering the certificate of payment to the bank.

#### **Observation #8**

The difference between big and small enterprises lies in the ability of the first to have an administrative team to handle the import and export procedures efficiently. The small enterprise cannot, so it must use the services of one of the 'facilitators' who are self-employed and handle more than one company at a time. The process of completing the needed steps can take double or triple the time depending on how efficient the facilitator is and how much effort he is dedicating for the company. Since the estimation of "allowances" translates into money, the inspection can be repeated several times until the two sides reach an agreement. The bigger enterprises typically have more leverage than smaller companies in reaching a conclusion in case of disagreement. Finally, smaller companies are a lot more likely to export via an exporting company or simply

produce for an exporting company. This way the transaction is simply a local order without going through any of the ordeals of exportation.

Another difference between the small and big enterprises relates to their ability to benefit from the drawback system. According to the executive regulations of the customs law to benefit from the drawback system, the exporter must import the raw material himself, which automatically limits the capability of small exporters to benefit from this system, since they sometimes resort to importing companies to import the required raw material.

#### **Observation #9**

The “Buy” stage either takes place by the producing enterprise directly with the buyer or through an exporting company that strikes deals with buyers and passes the order to a local producing enterprise. The actual technical sampling and bank documents are all done by the producing company, no difference at all. The only difference is that the approval certificate offered to the producing company following checking random samples of the finished product is not done by the buyer himself but rather by the exporting company on his behalf. Such quality and spec control by either of them and giving the certificate to the producing company does not mean that the producer is no longer responsible for the bulk shipment. He is still subject to fines if defects are discovered in tangible amounts.

#### **Observation #10**

In some cases, the exportation of samples are treated as a regular export transaction.

#### **Observation #11**

There are several institutional problems related to:

- The weak IT infrastructure in the Customs Authority. Many steps take a longer time than expected because the IT system is not functioning.
- The weak role of the Ministry of Trade and Industry, as opposed to the full power of the Ministry of Finance in the face of the exporters being in charge of customs including the administration of drawback and temporary systems. In addition to deciding on the exporters payments in relation to the Export Support Program.

- The lack of communication with the FEI chambers and the export councils when the decisions are taken.
- The inefficiency of the Egyptian Commercial Service in supporting the exporters with new business opportunities.
- Sudden change in the rules and regulations related to the exporting process, and the clarity about the implementation
- Lack of a communication with the exporting companies concerning any change in the technical specifications of the exported product from the importing countries.

## *Annex B: International Experiences*

### South Korea Drawback System

. In Korea, drawback system is applied on imported raw materials that are used for exporting purposes and then the exporter applies for the drawback system to get the money he paid already during the importation process.

However, this should be done under certain conditions:

- Products should be manufactured with the imported raw materials and exported within 2 years from the date of acceptance of the import declaration for the raw materials.
- There are 2 types of drawbacks:
  - Individual drawback which require the proof of tax paid and;
  - Simplified fixed drawback which do not require so.

#### **First: Individual drawback:**

A refund of customs duties paid for the quantity of raw materials used for export goods. The document required are

-Document verifying the export

-Document proving the tax paid

-Calculation bill of raw material requirements, Requirement statement, Ready reckoner, Material specification

- In the individual drawback system exporters calculate raw material requirements by choosing one of the 6 methods prescribed in the Directive on raw material requirements calculation, management and examination.
- An application for the refund of customs duty is to be made within 2 years from the date on which the raw material where provided for export
- After confirmation of information on application and submitted documents, the drawback is remitted to the exporter bank account
- Post drawback audit is done to ensure the accuracy of the drawback amounts after payment of the drawback except for those who have been punished for an illegal drawback.

#### **Second: Simplified Fixed Drawback**

This drawback system is designed for the benefit of small exporters, where refund done in accordance with the list of simplified fixed drawback rates, which presents fixed amounts of drawbacks for every KRW 10,000 in export value. To benefit from this system, the exporter is only required to present a document verifying the exports without submitting a certificate of tax payment for raw materials during importation and a calculation bill of raw material requirement.

## The Turkish export business process and export support

- The prerequisites for exporting is membership in the relevant export association, and to be registered is the BILEG software, further the exporter should acquire all licenses/ permits or letters of conformity as per the national law. Most of these authorizations are granted through an electronic system “Single Window System”, therefore it is not necessary to attach them in paper to the customs declaration.
- All the business processes related to exporting is digitalized. Customs declarations can be filled in data by the exporter in entry rooms at customs administrations or in exporter’s office through EDI, a web based software.
- For inspection Turkey adopt a risk based system. In this system goods are categorized from high risk to low risk and accordingly determine which imported or exported consignments will go through physical inspections. The method of inspection and customs officer who will carry out inspection is determined by the system automatically. Methods for inspection are as follows:
  1. Red line: Physical examination of the goods and document control of related customs declaration with attached documents.
  2. Yellow line: Document control of related custom declaration with attached documents. There is no physical examination of the goods
  3. Blue line: Post control of the customs declaration with attached documents. There is no physical examination of the goods or document control at the time of export.
  4. Green line: No physical/document control.

Home textile and RMG always belong to the green category except in the case of corruptive behavior. Such incidents are discovered through checking of random samples, and in such case the exporter is channeled to the red group and physical inspection takes place
- In turkey’s drawback system the exporter calculates the allowances.
- Samples are exempted from applying any rules regarding customs
- Institutionally all export associations are under the umbrella of a governmental organization called “TIM”. Each exporter firm has to be a member of the relevant sectoral and regional association. Specific role of TIM includes:
  - To represent the exporters in and outside Turkey
  - To provide coordination and solidarity among Exporter Associations
  - To participate in determination of export targets and policies; to perform works to achieve the determined export targets and to make contribution to the works performed by other bodies and organizations.
  - To perform works in coordination with public bodies and organizations on subjects related directly or indirectly with foreign trade and to make contributions to the works being performed

- This is addition to supporting innovation, entrepreneurship and providing and trainings to students and employees

TIM is managed by a private sector board of director, and it finance its activates through acquiring 0.5% of every export shipment.

- In addition to TIM, the Turkish Eximbank plays an important role is supporting exports. The Bank is a fully state-owned bank acting as the Turkish government's major export incentive vehicle in Turkey's sustainable export strategy. As Turkey's official export credit agency, Eximbank has been mandated to support foreign trade and Turkish contractors/investors operating overseas. The Bank currently supports Turkish exporters, contractors and investors through various credit, guarantee and insurance programs similar to export credit agencies of developed countries. It engages in direct lending activities as well as implementing insurance and guarantee schemes within the same institution. The bank provides serval credit scheme to finance short term, medium and long term needs of exporters and producers. The loans are provided against real export targets, the realization of which are monitored through the digital export transaction history of the exporter. Loans are given at 1/3 of the commercial bank's interest rate
- Other incentives given to exporters include a free zone status to the biggest 100 exporting companies irrespective of their location. Further there is a tax reduction for regions in turkey that still suffer from under industrialization.