

CUSTOMS CLEARANCE

RESPONSIBLE ENTITIES:

- » The Egyptian Customs Authority
- » The General Organization for Import and Export Control (GOEIC)
- » The Ports Authorities



CHALLENGE	RECOMMENDATION	STATUS/NOTES
<p>Customs clearance is a very lengthy and redundant process in Egypt. Whereas customs processing time does not exceed two days in neighboring countries, such as Turkey and the United Arab Emirates, it ranges from two to five weeks in Egypt.</p> <p><i>According to the World Bank Group's Doing Business 2018 Report:</i></p> <p>-The customs clearance process for exports in Egypt consumes 136 hours at a cost of \$100 per container, whereas it consumes 37 hours, 20 hours, and 33 hours, in Morocco, Turkey, and UAE respectively; in OECD countries, the processes consume about 2 hours at a cost of \$35.4 per container.</p> <p>-The release of imported shipments takes up to 505 hours at a cost of \$1,554 per container in Egypt. In contrast, the cost per container reaches \$344 in Morocco, and \$126 and \$961 in Turkey and UAE respectively. In OECD countries, the process takes about 3.5 hours at a cost of \$25.</p>	<p>Set targets to reduce the customs clearance time for imports and exports by 2021, to be on par with developed countries: from 505 hours to 24 hours for imports and from 136 hours to 24 hours for exports; and eliminate financial penalties associated with delays.</p> <p>Introduce a customs risk management system and an import risk analysis scheme, under which source countries and goods are classified based on specific risks identified.</p> <p>The Ministry of Finance should sign a protocol agreement with the World Bank to develop the customs systems and facilitate cross-border trade in line with international best practices; this will increase the confidence of foreign investors in Egypt.</p> <p>The issuance of a final release permit should suffice to lift any reservation that may be placed on the shipment. This can be achieved by consolidating the efforts of the General Organization for Export and Import Control (GOEIC) and the various ministries; the issued consolidated final release permit, approved by GOEIC, should allow the importer to take the shipment out of his warehouses, regardless of its geographical location.</p>	

Delays in customs clearance result in many challenges, including:

- Disruption of production, undermining the ability of industrialists to meet deadlines and diminishing the efficiency of working capital. Ultimately businesses incur significant losses due to late delivery penalties that they have to payout.

-Burdening businesses with excessive storage fees, as trucks wait long in ports awaiting loading.

Several factors contribute to customs clearance delays, including:

- The procedures for inspecting, appraising, reviewing, and examining cargoes are laborious and lengthy.

- The opening and full inspection of export containers in the customs area, with no consideration given to putting into effect the whitelist, which includes exporters with a solid track record of fulfilling the customs requirements on time.

- Prolonged cargo clearance processes in airports, particularly with the introduction of one-stop shops (the process can take up to 3 months), noting that fees can reach LE 1,300 per shipment.

- Fees for laboratory analysis fluctuate, even when the volume/quantity of the sample remains fixed.

- In some instances, the Customs Authority will stop doing business with some inspection companies without notifying importers.

- Many spaces that are designated for cargo examination are located outside the customs area, which prolongs the time period for sample examination.

- The severe shortage of ultrasonic testing equipment, and the reliance on the manual examination and inspection, which entails opening the containers.

- The insufficient number of laboratories in customs points to carry out all kinds of analysis and testing.

Adequately furnish customs points with the necessary equipment, including detection devices, electronic gates, scales, floodlights, lighting, and cameras. Additionally, develop the laboratories of GOEIC and the Chemistry Administration, and provide them with sufficient lab equipment.

Recognize testing carried out by independent international laboratories and other scientific entities.

Ensure digital interconnectivity across all customs points; address the problem of recurring system failure; and establish a network to connect the Customs Authority with the CBE and other banks.

In line with Presidential Decree No. 106 of 2000, carryout all cargo examinations within the confines of the customs offices, under the supervision of GOEIC.

Bring all entities that engage with the Customs Authority under the umbrella of the Agreements and Foreign Trade Sector/ Ministry of Trade and Industry or the General Organization for Exports and Imports Control. Ensure the representation of all parties involved in the import and export process.

Increase staffing to adequate levels to ensure the completion of the clearance process within 24 hours, and resume the implementation of the decree issued by the former Prime Minister regarding increasing the number of shifts in customs points to facilitate the clearing of the incoming shipments.

Adopt an integrated approach to decision making when considering the suspension of a shipment; all parties should be involved in the making of the decision, in the lead, the foreign trade sector; the decision should not be made at the discretion of the customs officer.

The Prime Minister issued Decree No. 20 of 2019 forming a ministerial committee to monitor the implementation of the single-window system. The system, which aims at facilitating trade and improve the investment climate, is implemented by the Ministry of Finance.

The Minister of Finance issued Decree No. 74 of 2019, which stipulates that an Egyptian company, MTS Logistics, shall implement, manage and operate the national single-window system in accordance with the contract concluded with the Customs Authority.

The implementation framework for the single-window system was released.

The plan, including the timetable, for developing and implementing customs applications for the national single-window system for foreign trade was released.

A study prepared by the Ministry of Planning and Administrative Reform on rationalizing imports and developing exports included the following two key recommendations:

- Continue with the efforts to prevent smuggling at customs points and harshen the penalties against smugglers.

- Accelerate electronic connectivity between the Customs Authority, GOEIC, and IDA to reduce the time and cost of transactions.

- The continued reliance on traditional paper-based processes, rather than adopting digital communication methods for interacting with clients or other government entities.

- The less than adequate digital interconnectivity across the various customs points, especially in remote areas, which results in delays in cargo release.

- For cargoes that require a permit from the Ministry of Health, the Customs Law does not provide for a specific time frame for completing the sample inspection. In some instances, the inspection takes up to 25 days due to strikes by workers of the Central Laboratories (affiliated with the Ministry of Health) in the Port of Alexandria. As a result, samples are sent to Cairo for analysis, which leads to the accumulation of samples awaiting analysis, and thus delays in the clearance process.

- Due to the poor coordination among the different competent entities, customs officials sometimes issue arbitrary decisions to halt the clearance of shipments, which disrupts work. The following examples illustrate the problem:

- The release of shipments containing materials used in the manufacturing of cosmetics came to a halt in border customs points until the payment of the health stamp tax (retroactivity, going back to 2015). This decision was based on a decree issued by the Ministry of Health; however, the said decree did not pertain to cosmetics, but rather pharmaceuticals, and had no legal basis.

- Customs officials suspended export shipments of tea bags for weeks, on account of an internal circular concerning tobacco, which had nothing to do with tea.

- An examination of frozen corn shipments intended for human consumption came to a stop in response to a letter from the commercial representation office in Spain, the country of origin; the letter noted injuries in the corn crop, however, without providing any scientific evidence.

Duplication in the inspection of imported goods is burdensome; cargo is inspected twice: once in the country of origin, before shipping, and again, upon arrival in the receiving port; a practice which is superfluous and results in wasting time and resources.

Regulations allow a company to avoid obtaining a pre-inspection certificate by registering in the whitelist register of GOEIC, however, the registration process is complicated and time-consuming.

Customs officers challenge the invoice submitted by the importer even though it was approved by the Chambers of Commerce in the country of origin. Even though importers provide all the required supporting documents as proof of the true value of goods (e.g., the authenticated formal contract with the supplier, the supply orders), the dispute continues, and eventually, the invoice values are adjusted upwards "invoice price improvement", especially for raw materials imported from outside the EU.

Decree No. 394 of 2019 imposes fines for late submission of required documents to Customs, however, it does not impose any fines on Customs for clearance and release delays.

Review and amend the inspection-relevant provisions in the laws and regulations to align with the WTO Agreement on Pre-shipment Inspection. Destination inspection should be performed at random, in accordance with accepted random sampling techniques. Specifically, amend the relevant provisions of the Agriculture Law No. 53 of 1966 to align with Article 83 of the Executive Regulations of the Import/Export Law Regulations (issued via Ministerial Decree No. 770 of 2005) to eliminate duplicity of efforts in the import inspection process. In this regard, it should be noted that Decree No. 991 of 2015 perpetuates the system of duplicative inspection by mandating that any inspection company be barred (for a period of six months) from doing business with the competent government entities if the results of the random inspection of the tested sample differ from the results stated on the inspection certificate provided by the company (in the event the situation recurs; the company is to be barred permanently).

Reevaluate the reference prices of imported raw materials and other goods to combat evasion of customs duties, and periodically update them in coordination with the chambers of industry across the industrial sector. Correcting reference prices will help reduce opportunities for evasion, restore balance to the market, and promote fair competition.

Approve the adoption of the whitelist scheme for dealing with commercial invoices. Invoices submitted by companies included on the list should be accepted and fully recognized without the need for reverting to the use of reference prices. In the instance a company commits a violation, it should be penalized and fined, and removed from the list.

The Minister of Finance should issue a decree obligating the Customs Authority to set a maximum time frame for completing all customs-related transactions; the decree should also obligate it to pay penalties to the importer in the event the maximum time frame is exceeded due to bureaucratic hurdles.

Activate the inspection-related provisions of the Executive Regulations of the Import/Export Law, which mandate a single inspection of goods. In this regard, approving the inspection and review certificate issued either by a foreign entity accredited by the International Accreditation Federation or by an Egyptian or foreign

entity that has accredited laboratories specializing in the required tests for each commodity, approved by the competent minister, or carrying out an inspection in the laboratories of GOEIC should suffice.

Revisit the implementation procedures contained in Ministerial Decrees 992 of 2015, 43 of 2016, and 44 of 2019*, which set out the requirements for registering foreign manufacturers and companies before exporting specific products to Egypt. While a number of companies have fulfilled all the registration requirements two years ago, to date, they remain unregistered. The decrees in themselves are consistent with international agreements and the World Trade Organization, however, the implementation mechanisms are deficient, leaving behind many companies, including ones with a solid global reputation for high quality, unable to register despite fulfilling all requirements. Thus, if the factory has a solid quality control system in place, then a certificate confirming the existence of this system, issued by an accredited entity should suffice; this is consistent with Section 1 of Article 2 of Decree No. 43 of 2016, which states: ".....A certificate confirming that the manufacturer has a quality control system, issued by a body recognized by the International Laboratory Accreditation Cooperation (ILAC) or the International Accreditation Forum (IAF), or by an Egyptian or foreign governmental entity approved by the minister responsible for foreign trade."

Thus in this regard, the following is recommended:

- Ensure the proper application of the provisions of Decree No. 43 of 2016; submitting a certificate from an accredited international company attesting the adoption of a quality control system should suffice; obtaining a quality certificate should not be required.
- GOEIC should directly register companies that meet the requirements; there is no need to issue a ministerial decree to that effect.
- Publish a list of companies that meet the quality systems in the Egyptian Gazette.

* Decree No. 43 of 2016, which was issued before the floating of the Egyptian pound and was designed as a temporary measure; it amended Decree No. 992 of 2015, and included new rules for registering qualified foreign manufacturers prior to exporting their products to Egypt— it requires foreign manufacturers, their authorized distributors or companies owning the manufacturer products' trademarks to register with the GOEIC in order to clear their products into Egypt for trading purposes, and included a list of products to which the requirement apply. Decree 44 of 2019 expanded the list included in Decree No. 43 of 2016.

<p>The procedures involved in transferring samples between GOEIC and its central laboratories, as well as the analysis procedures are sometimes slow.</p>	<p>GOEIC and its central laboratories should consolidate their efforts to streamline the sample analysis procedures; the private sector can provide financing for laboratories or modern equipment.</p>	
<p>For releasing cargo, regulations require that certificates be authenticated by the Egyptian embassy in the country of origin, as well as the chamber of commerce of that country.</p>	<p>Abolish the requirement that import documentation has to be authenticated by the Ministry of Foreign Affairs, as it is superfluous.</p>	