

June 2nd, 2024

Request for Proposal (RFP)

Subject RFP #:	Streamlining the Duty Drawback System in Egypt
RFP Issue Date:	June 2 nd , 2024, 2024
Terms of Reference / Specifications:	Streamlining the Duty Drawback System in Egypt
Project	Trade Reform and Development in Egypt (TRADE)
The Company	Palladium International, LLC
Country of Performance	Egypt
Closing Date and Time	June 16 th , 2024, 4:00 PM GMT +2
Contact Person	Ahmed Hadi, Procurement Advisor
Details for Submission	Submissions should be emailed to applyTRADE@thepalladiumgroup.com

Thank you for your interest in the above procurement. As implementer for the Project, Palladium invites you to submit a proposal for the terms of reference below. Your proposal must be valid for the Validity Period.

Please submit your proposal in accordance with the Details for Submission above by the Closing Date and Time. This RFP in no way obligates Palladium to award a contract nor does it commit Palladium to pay any cost incurred in the preparation and submission of a proposal. Palladium bears no responsibility for data errors resulting from transmission or conversion processes.

I look forward to your response. If you have any queries, please do not hesitate to contact us my email: applyTRADE@thepalladiumgroup.com

Yours sincerely,

Rachid Benjelloun
Chief of Party

Schedule - Terms of Reference

Purpose

The USAID TRADE Project is considering contracting a consultant, whether an individual(s) or an entity, to conduct a gap analysis and develop an action plan to streamline the Duty Drawback System in Egypt. The purpose of this consultancy is to assess and provide concrete recommendations for enhancing the existing system. The consultant is expected to provide the Egyptian Customs Authority (ECA) and Ministry and Trade and Industry (MTI) with a thorough analysis of the system's strengths and weaknesses. This analysis will encompass an understanding of how the system functions in comparable economies, in line with "best international practices." Furthermore, the assessment will identify the essential elements necessary for implementing changes in the system in Egypt. This may involve regulatory adjustments if deemed necessary, as well as any required technical and institutional modifications.

Type of Contract

Fixed price Subcontract

Anticipated Contract Term

Starting date: June 2024

End Date: December 2024

Project

The goal of the USAID Trade Reform and Development in Egypt (TRADE) Activity is to boost Egypt's international trade by increasing exports from Egyptian Small and Medium Enterprises (SMEs)¹, and New and Expanding Export-Ready Enterprises (NEEREs)². To achieve the Activity's goal, the project seeks to attain the following three Results:

1. Enhanced Export Capacity of SMEs, in particularly NEEREs, in selected sectors
2. Strengthened public and private Trade-Support Institutions - TSIs (e.g., Trade Associations, Export Councils, etc.)
3. Improved trade and investment policy, regulatory, and institutional environment

To achieve those targets TRADE will provide assistance to NEEREs and TSIs in the following sectors:

- Food processing
- Engineering
- Ready-made garments (RMG)
- Home textiles
- Chemicals
- Building materials
- Packaging and printing

TRADE is implemented by Palladium International.

² NEEREs are defined as new and expanding export ready enterprises, a subset of SMEs. According to the Central Bank of Egypt (CBE), Small sized enterprises have a business volume between EGP 1 million and 50 million and medium sized enterprises have a business volume from EGP 50 million to 200 million. The project, however, may use other SME definitions used by MSMEDA or counterpart organizations, as guided by USAID.

Timeline

1. Issuance day: June 2nd,2024
2. Questions to be received by June 4th, 2024.
3. Answers to be send by May June 6th, 2024.
4. Submission deadline: June 16th, 2024

Background on the assignment

The Egyptian Customs Authority 'ECA' is one of the authorities operating under the Ministry of Finance (MoF) of Egypt. The agency's mandate is to collect tariff duties and fees on imported products and to control the movement of imported goods to Egypt. An essential role of the agency is to safeguard the country's revenues by preventing smuggling and ensuring the payment of customs tariffs and other duties. Additionally, the authority plays a crucial role in overseeing and managing warehouses and storage facilities. ECA is mandated in coordination with other regulatory authorities to control imported and exported goods. The Customs Law provides for some arrangements that aim at encouraging and promoting Egypt's exports, including the Duty Drawback system. This system grants exemption from duties and taxes for the production of goods intended for export and is widely utilized in Egypt. ECA may allow the use of this system in conjunction with other procedures, such as temporary admission. Under the Duty Drawback system, imported goods are used to process or manufacture goods for export by domestic industries where use of domestic labour and processing or manufacturing of goods add value to the finished goods for export. The repayment of duties and taxes paid on the imported goods enables domestic industries to offer the goods at competitive prices on international markets. However, what practically happens in Egypt is that the system operates in a manner that adds barriers to exporters and consumes more time than necessary, as outlined in the Export and Import Business Process Analysis (BPA) reports conducted by the project. Among the general Bottlenecks in the current Duty Drawback system pointed out by the BPA³ are the following:

- The real problem lies in the customs' request to obtain an Industrial Control Authority's letter for raw materials to be used in production, for instance, 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.
- The process for obtaining the ICA letter must be completed during production and before export.
- Delays in calculating allowances often arise from the administrative logistics, which involve significant back-and-forth communication, particularly when there is a disagreement over the allowance amounts. In such instances, multiple visits by different audit committees are necessary to resolve disputes, posing a significant challenge for small exporters and exacerbating the problem.
- According to the executive regulations of the customs law to benefit from the drawback system, exporters must import the raw material themselves, 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.
- The entire process of reimbursing the money is very slow, which limits the availability of liquidity for exporters; to benefit from the incentives provided by the drawback, the exporter needs to submit the photographic copy of the export certificate to release the letter of guarantee and get reimbursed for

³ For more information on BPA, please find below the link:

BPA Booklets and summary: https://eces.org.eg/en/eces_event/business-process-analysis-on-exporting-and-importing-few-specific-products-export-of-ready-made-garments-and-home-textiles/

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 reimbursed⁴.

Among the proposed corrective actions and recommendations of the BPA is the complete revision of the drawback system as per South Korea and Türkiye's experiences:

- Exporter would calculate the allowances as per several approved predetermine formula (acknowledged internationally).

Scope of Work and Standards

The Duty Drawback system is associated with a process of measuring "allowances". This task is carried out by the Industrial Control Authority – (ICA), an entity affiliated to the Ministry of Trade and Industry (MTI), through visits to exporting enterprises by technical committees. The process is complex and if not completed in the correct sequence the export enterprise cannot retrieve the drawback incentive or release its letter of guarantee associated with the temporary admission system. The process can be tedious and take a long time given the limited technical capacity of ICA.

The project aims to support MTI and ECA in developing the drawback system to ensure it operates efficiently to better serve the interests of Egypt's exporters. The goal is to simplify and streamline the process and achieve transparency and predictability for exporters.

Primary Duties and Responsibilities

The consultant is required to perform the following tasks:

- Review BPA findings for the Duty Drawback system, main deficiencies, and key recommendations.
- Conduct a gap analysis of the current Duty Drawback system (as it is meant to function in accordance with existing regulatory requirements) and the role of each relevant entity, compare each key aspect of the system with best international practices, and outline specific recommendations for a more effective and efficient system that supports exporters.
- Conduct a workshop for customs, MTI officials, and other relevant authorities on best international practices.
- Develop an action plan for the new Duty Drawback system that includes organizational assessment/requirements, technical/capacity building/training requirements, regulatory adjustments, and general IT needs based on best international practices to implement the more streamlined system.
- Conduct a Public Private Dialogue workshop to discuss consultants' findings and recommended improvements.

⁴ Recently, ECA issued a customs circular that mandates all customs offices linked to NAFEZA to exchange "certificate of exportation" by sending customs release permits or complete exportation to the custom of registry, and the later will verify the data sent and compare it to the quantities exported. As for Customs' areas not yet linked to NAFEZA, they will use official emails to exchange "complete exportation" to a designated focal point assigned by the Head of the Central Department or the concerned general manager (exchanging export certification between registry office and exportation port). This newly published circular will simplify the process and reduce time.

Main Deliverables and Payment Terms

Required deliverables are described below:

Milestone	Payment Percentage of Total contract award
<p>Milestone 1</p> <ul style="list-style-type: none"> - Draft report outlining the “as is” process based on meetings conducted with public and private sector stakeholders, including the Foreign Trade Policies Committee at the Federation of Egyptian Industries, Export Councils, Business Associations, and other stakeholders. 	<p>20% of the total contract upon acceptance and approval of TRADE project.</p>
<p>Milestone 2</p> <ul style="list-style-type: none"> • Detailed Report (in MS Word) and PowerPoint Presentation to be presented to TRADE that includes the “to be” recommended streamlined system, gap analysis, and detailed action plan to implement specific recommendations. 	<p>20% of the total contract upon acceptance and approval of TRADE project.</p>
<p>Milestone 3</p> <ul style="list-style-type: none"> - Conduct two workshops with stakeholders as described above (these are in addition to meetings with stakeholders to better understand the existing system and develop consensus for reform). 	<p>20% of the total contract upon acceptance and approval of TRADE project.</p>
<p>Milestone 4</p> <ul style="list-style-type: none"> - Final Report in MS Word and PowerPoint presentation to be presented to TRADE (English and Arabic Languages) incorporating all project team’s comments covering the following: <ul style="list-style-type: none"> • Comprehensive executive summary • Methodology and workplan • Action plan for the new Duty Drawback system 	<p>40% of the total contract upon acceptance and approval of TRADE project.</p>
<p>Performance Delay Penalty:</p> <ul style="list-style-type: none"> - Vendor understands and agrees that timely delivery/performance as outlined in the delivery schedule is essential to satisfactory completion of the required suppliers/services. Both parties agree that failure of the vendor to provide the supplies/services within the required delivery/performance dates (for reasons other than a “force majeure”) may result an assessment of the delay and apply penalty that will be deducted from the vendor payment. 	

Evaluation and Award Process

Evaluations will be made on a best value, trade off basis. Proposals must meet the following criteria to be considered eligible:

- This solicitation is open to individual consultants or companies.
- Individual consultants may be of any nationality.
- Companies might be from any nationality that is not restricted by geographic code = 937 (Please refer to Source, Nationality and Origin Restrictions section below). Companies may form partnerships to bid for this solicitation.
- All documents must be submitted as per the instructions below.
- Offerors must demonstrate:
 - A track record of successfully conducting gap analysis for customs and trade-related issues and have detailed first-hand knowledge of the Egyptian import and export processes.

- Ability to pass Palladium's due diligence standards.
- Not barred from working with the US government.

A selection committee will review the technical approach, price, and professional references. The selection criteria are based on the following:

1. Technical approach.
2. Personnel qualifications.
3. Management approach.
4. Customs experience, with specific experience in duty drawback and temporary admission systems, strong international customs experience, including in duty drawback systems, and excellent knowledge of export and import processes.
5. Price proposal.
6. Professional references.

The selection process will thus be as follows:

- 1) Offerors submit proposals to TRADE,
- 2) TRADE will contact short-listed candidates and ask clarification questions as appropriate and needed,
- 3) TRADE will select and send a Fixed Price Subcontract for review and signature.

Palladium reserves the right to award under this solicitation without further negotiations. The offerors are encouraged to offer their best terms and prices with the original submission. The offerors are encouraged to offer their best terms and prices with the submission.

SOURCE, ORIGIN AND NATIONALITY RESTRICTIONS

The geocode 937- encompasses the United States, Egypt, and developing countries other than advanced developing countries, but excluding any country that is a prohibited source. Only service providers falling within this specified geographic code will be eligible for consideration for the award.

References:

- USAID ADS Chapter 310: <https://www.usaid.gov/ads/policy/300/310>
- USAID List of Prohibited Source Countries: <https://www.usaid.gov/ads/policy/300/310mac>

PROCUREMENT INTEGRITY AND ETHICS

It is Palladium's Policy that no gifts of any kind and of any value be exchanged between vendors/contractors and Palladium personnel. Discovery of the same will be grounds for disqualification of the vendor/contractor from participation in any Palladium's procurements and may result in disciplinary actions against Palladium personnel involved in such discovered transactions.

Instructions to the Offerors

The following items are required to be submitted as part of the proposal:

Your proposal must comprise the following submission documents. The technical proposal and price proposal must be prepared as separate files, per the below instructions. Technical proposals must be submitted as a 15-slide presentation, except for the past performance statement and references, which should be separate from the presentation and limited to 5 pages. CVs must be provided as attachments and do not count as part of the 15-slide limit. Submissions in PowerPoint or in PDF are acceptable, although PDF is preferred.

The following items are required to be submitted as part of the proposal:

- **Technical proposal** will consist of technical approach, personnel, management, and past performance information, which are listed in order of importance for evaluation purposes. Please limit your technical proposal to no more than fifteen (15) slides, except for the past performance statement and references (attached separately and limited to 5 pages). Offerors will detail their

technical approach to fulfilling RFP objectives including outlining the approach and methodology. The technical approach will clearly indicate how the proposed activities will result in the successful completion of all deliverables and milestones and achievement of outlined objectives.

The technical proposal must also include **personnel** and **management** information, including key personnel that will manage and conduct the analysis (CVs must be provided as attachments and do not count as part of the 15-slide limit), and how the offeror will ensure quality and timely submission of deliverables, including whether and how the offeror plans to partner with Egypt- or foreign-based consultants, partners, and networks. Offerors must submit a past performance statement with previous experience in developing Duty Drawback systems. Offerors must submit a past performance document that speaks to the Consultants' experience in Customs and Duty drawback systems (as outlined above). Offerors must also submit three professional references, including email and phone number contract information and outlining the nature of the relationship between the offeror and reference. This requirement can be submitted either in Word or PDF (maximum of five pages) and will form part of the technical proposal. It is separate from the 15-slide presentation.

- **Price Proposal.** The contract type for the presumptive award will be Fixed Price deliverable-based, awarded as a subcontract by Palladium International, LLC. Please include your total proposed fixed price along with details for specific deliverable pricing.

Upon selection, offerors must complete Due Diligence Questionnaire within 5 days if selected for award. Organizations must have a UEI number or obtain one within 5 days of being notified of selection.

Attachments

Please review the additional documentation and proposed contracts terms and conditions which should be given consideration when preparing your proposal. By submitting your bid, you will certify that that you agree with the contract terms and conditions as included in this solicitation and that all prices include all aspects of the required compliance with the terms and conditions of the proposed contract.

- Annex A – USAID TRADE FFP Subcontractor under USAID CPFF – Consulting Firms (Organizations),
- Annex B – Palladium Due Diligence Form(s),
- Annex C - Palladium Business Partner Code of Conduct,
- Annex D - Certifications: Terrorism, Anti-Kick Back, Debarment, Foreign Corrupt Practices Act, and
- Annex E – Budget Template.
- Annex G – TRADE Business Process Analysis (BPA)
- Annex H – TRADE Fees & Charges Study

You can access the annexes using this link:

https://palladiumgroup-my.sharepoint.com/:f/g/personal/ahmed_abdelhadi_thepalladiumgroup_com/EscscydzEKmFPiedoWAcSPIsB9M3bKXrpUdD5ATafd5OEbg?e=97eIHu

Any contract/purchase order resulting from this solicitation must be signed by both parties to be considered valid and in force. All costs associated with, but not limited to, production, preparation and/or delivery of goods or services, including deliveries, accepted by Palladium staff, without a fully executed (signed by both parties) contract/purchase order, are at the vendor's risk only. Palladium shall not pay for any costs, without limitation, associated with production, preparation or delivery of goods and/or services under this or any other contract/purchase order, which has not been signed by both parties.

If your proposal is successful, you will be required to enter the Company's standard contract for the types of goods or services being provided. In the provision of the Goods and Services, you will be required to comply with the Company's policies, including (without limitation) its Business Partner Code of Conduct and any

relevant client terms and conditions. Potential suppliers must also comply with the Company's Business Partner Code of Conduct in the submission of any proposals pursuant to this RFP.

If you are bidding as part of a joint venture, partnership or similar, please make this clear in your submission. Likewise, if you propose to subcontract any part of the goods or services provision, then disclose this fact within your submission. The Company may require additional information from you and approval for subcontracting will not be automatic as subcontractors will be subject to Palladium's Due Diligence process.