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QUARTERLY PROGRESS REPORT 2

APRIL—JUNE 2009

**EGYPT WATER AND WASTEWATER SECTOR SUPPORT
PROJECT**

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PROJECT

Contract No. EPP-I-00-04-00020-00

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The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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EXECUTIVE SUMMARY

This progress report details activities and accomplishments of the USAID Water and Wastewater Sector Support (WWSS) Program from April 1, 2009 to June 30, 2009 the program's second quarter. This report identifies activities undertaken by WWSS staff during the quarter, upcoming activities to be implemented in the following quarter, performance monitoring, and program administration.

Business planning sessions in Cairo and participating subsidiary companies underscore the objectives targeted during the quarter. They provide the forums for subsidiary company chairmen and management to interact with their peers, identify issues specific to each company, and move forward on strategy formulation to meet their particular needs.

During the second quarter, WWSS has provided expert analysis to our counterpart, the Holding Company for Water and Wastewater (HCWW) through necessary interventions in IT capabilities. The nation-wide Human Resources Database, once completed, will provide the information and technology needs for efficient HR development, at both the national and Governorate levels.

WWSS has also collaborated with HCWW and other partner organizations to issue an RFP for a Customer Satisfaction Survey of serviced zones in five Governorates. The survey will provide an essential baseline for average service delivery in subsidiary service zones.

With our Utility Management Subcomponent, training and on-the-job training has moved into the operations phase through multiple technical and managerial interventions with five participating subsidiary companies: Assiut, Giza, Luxor, Menofiya, and Sohag. Our experts work closely with local technical staff to assure proper standards and accurate methods are in place at water and wastewater treatment plants. We are continually collaborating with subsidiary Chairmen in implementing pilot programs and formulating their company's strategy to meet customer's needs.

HCWW and WWSS leadership developed pilot programs during the second quarter as a cost-effective test strategy for initial implementation of technical assistance projects. The following programs are planned and will become operational in the third and fourth quarters of 2009:

1. Southern Giza: Rural Mobile Workshop Project
2. Luxor City: Non-Revenue Water Reduction Program
3. Luxor: Water Production Bulk Meters
4. Sohag City: Customer Service Center Portal Program
5. Assiut: Billing Department Program
6. Menofiya: Utility Warehousing Improvement Program

Pilot programs combine the expertise of our Utility Management consultants in performance management, utility finance, and operations and maintenance management.

The Program Management Team's activities involve planning and agreement with other sector agencies and decision-makers, such as the Ministry for Housing, Utilities and Urban Development (MHUUD) and USAID's other institutional development water project, Water and Wastewater Policy and Regulatory Reform (WWPRR) Program.

The Human Resources Development Team has spearheaded focused and timely training events and conferences. As our key cross-cutting activity area, the HRD Team has taken part in many essential features to WWSS progress during the quarter, and will continue to do so into the future.

WWSS administration and management continues to refine the planning process for our activities, remaining flexible and results-oriented. Our Performance Monitoring Plan is drafted and the data collection schedule has been approved by subcomponent team leaders.

The WWSS team encountered changes in program scheduling and client needs in the second quarter 2009 which led to some deviation from the original work plan.

Specifically, our client-approved strategies of pilot project implementation and performance management, while generally covered in the initial iteration of our work plan, will need to be made more explicit in our new upcoming work planning editing sessions in the third quarter. WWSS staffing will be altered in four subcomponent positions for Quarter 3, 2009.

WWSS' reporting structure has included both weekly and monthly activity reports for the Holding Company and USAID. Regular contact with both USAID and HCWW is successfully maintained through monthly meetings, bi-weekly meetings of USAID water sector chiefs of party, intermittent high-level advisory meetings with HCWW and USAID, and through WWSS' inaugural Board of Directors meeting in May.

In general, communications with HCWW have been elevated during the quarter, through regularized meetings with Chairman Dr. Abdel Kawi Khalifa, Vice Chairmen Gen. Said Nasr, and Eng. Mamdouh Raslan. HCWW has appointed Dr. Hossam El Kashif as the program liaison for all matters pertaining to work planning and WWSS outputs.

SECTION I: PROJECT OVERVIEW

The Water and Wastewater Sector Support project is the \$17 million, USAID program to create the sustainable framework for continuation of successful institutional, service, financial, regulatory, and infrastructure progress seen under previous USAID programs in the water and wastewater sector in Egypt. For the past several decades, USAID has had great success in assisting the Egyptian Government in sector reform. In an effort to continue progress toward well-functioning public institutions, the Egyptian Government push to reform led to the creation of the Holding Company for Water and Wastewater in 2004. The long-term vision for the sector sees the Holding Company efficiently managing investment planning, and the recently-formed subsidiary companies managing all aspects of the utility operations, such as operations & maintenance (O&M), asset management, billing and customer service.

The overall objective of the WWSS project is to support the Government of Egypt to develop and implement programs that:

1. Increase the financial and commercial viability of existing water and wastewater companies;
2. Establish new regional water and wastewater subsidiary companies;
3. Develop and implement a capital investment planning and program/project monitoring and management mechanism, and
4. Build the capacity of staff; increase managerial, technical and operational efficiency; improve the quality of services; and expand access to water and sanitation.

WWSS intervenes directly in several Governorates, and indirectly through HCWW management in nine other Governorate-based utilities. In all, WWSS supports institutional improvements in 11 Governorates and the central Holding Company.

The Strategic Approach to the WWSS has three main characteristics, focused on serving our principal clients, the Holding Company for Water and Wastewater, and its subsidiary companies:

1. *Customer-Driven:* In collaboration with our primary clients, and MHUUD as needed, in addition to a diverse group of public, private and non-governmental institutions and organizations working in the sector, we work to achieve the objectives in our scope of work.
2. *Strategic, Flexible and Responsive:* We will assist our clients to evaluate progress towards goals and to identify adjustments in activities that appear to be needed in light of progress achieved, lessons learned, or changes in the environment. Our team will: (a) closely monitor the political and institutional environment; (b) assess the prospects for key reforms in the sector; (c) assess progress made by the HCWW and each Subsidiary Company; and (d) shift resources in a timely fashion out of areas where progress is unlikely into areas where opportunities emerge. Based on changing needs we will recommend adjustments to the Annual Work Plan to de-emphasize less promising activities and/or to capitalize on targets of opportunity.
3. *Results Oriented:* Results-oriented management is an essential element of the project. Project results and impacts will be measured in accordance with the final project performance monitoring plan which will be reported on a regular basis and incorporated into the annual work-planning process.

The WWSS project responds to the sector demands as they currently exist. As such, four main project component areas have been formulated and approved as the structural framework through which project interventions are carried out.

Component 1: Support to the Holding Company

Under Component 1, WWSS works with the Holding Company for Water and Wastewater to assure efficient implementation of technology, training, procedures, and management of programs with the subsidiary companies.

Recognizing the need to focus their strategy on the longer-term emphasis of water and wastewater management, HCWW is currently reviewing its organization's structure and developing a business plan that can focus its strategy on long-term growth.

To accommodate HCWW's needs and ensure responsiveness as new long-term strategies evolve, Component 1 focuses on specific HCWW interventions and collaboration with HCWW and other projects.

These targets will include assisting HCWW's business plan efforts, HCWW staff development, reporting structures and management communications between subsidiaries and HCWW and finally guidelines, rules, regulations, procedures, incentives and structures for the sector as a whole.

The WWSS support for business planning at the central and local levels creates the essential baseline for strategy formulation, implementation, and sustainability into the future.

Component 2: Utility Management

In order to create new organizations and to reform existing ones to take on the responsibilities of their mandates, WWSS assists in creating solid technical, managerial and financial skills in participating subsidiary companies. The long-term objective envisions sustainable, customer-oriented Subsidiaries with well-functioning professional service delivery, sound tariff policies and full cost recovery through revenue generation from customers.

Interventions in the Utility Management component comprise performance management, utility finance, and operations and maintenance activities.

Component 3: Program Management

Presently, master planning activities are ongoing in many Governorate subsidiaries. One of the central roles for WWSS' Program Management Component Team is to review and guide those master planning efforts in assurance of appropriate emphasis and correct implementation of investment planning and program management tools.

Component 1 Targets

1.1 Roles and Relationships of HCWW and Subsidiaries Improved

1.2 HCWW Performance Improved

1.3 Subsidiary Companies' Performance Improved

1.4 Outsourcing of Subsidiary Functions Considered

1.5 Ad-hoc activities for HCWW

Component 2 Targets

2.1 Subsidiary Companies in Selected Governorates Established and Functioning Using Modern Systems

2.2 New Subsidiary Companies in Selected Governorates Efficiently Managed

2.3 Assist HCWW to Develop World-Class Operations and Maintenance at Each New Subsidiary

The annual budgeting process is a subcomponent of the Program Management’s intervention strategy. In the future, subsidiary companies will be expected to meet their financing needs and future service demands through their proper income streams, unattached from the current subsidy regime of the central Egyptian Government toward the utilities. As such, careful, clear, and sustainable plans must be in place at the Governorate level to assure financial planning and budgeting are in step with concurrent changes at the central Holding Company level.

Capital investment planning and Program Management will form essential components of the subsidiary companies’ performance into the future. A long-term objective of the Program Management Component is to ensure the success of these programs past the end of the WWSS project itself. To do so, our PM Team is collaborating with the WWSPR project to refresh the PMMES program of the preceding project, while implementing a training schedule for employees.

The Program Management team will create more streamlined and efficient procedures in a number of program aspects for the subsidiary companies and HCWW. Project Management Units will be established for all ongoing projects; establishing clear procurement guidelines and indicators for all program activities will be important aspects of the financial and technical capacity of the organizations.

Component 3 Targets

3.1 Capital Investment Planning and Program Management in the HCWW and Selected Subsidiaries Improved

3.2 Annual Budgeting Process Tied to Master Planning Process Implemented

3.3 Program Management Functions in the HCWW and Subsidiaries Equipped, Staffed, and Improved

3.4 HCWW Capacity to Monitor and Manage Capital Investment Planning and the Project Cycle Strengthened and Sustained

Component 4: Human Resources Development

Human Resources Development is perhaps the most critical overarching activity sector in the WWSS project. Without the human capabilities at a local and central level, most if not all project objectives would be severely impeded. Overstaffing, low pay rates, no incentive structures, and a lack of trained staff has led to ineffective workforces in the past in the water and wastewater sector in Egypt.

The long-term objective of the HRD Component, then, is to facilitate the adoption of a more competitive human resource approach in the sector, to attract, develop, and retain qualified personnel, including the next generation of leaders in the water sector.

In addition, HRD must also seek improved skills at each subsidiary. It must clearly define not just the education of each staff member but experience requirements and succession plans. Structures must be developed to enhance the skills of each staff member, match these skills with organizational needs and provide for a career path to encourage staff to maintain and enhance performance.

The HRD Component activities are cross-cutting to other project sectors. These activities include critical analyses of skills gaps at all sector levels, formulation or revision of job descriptions to more accurately identify duties, and identify performance improvement results that should be targeted at both HCWW and Subsidiary levels. HRD plans will be vital

Component 4 Targets

4.1 Comprehensive Human Resources Development Plans in HCWW and Selected Subsidiaries Adopted

4.2 World-Class HCWW Training Institution Established

4.3 HCWW and Selected Subsidiary Participation in International Events and Study Tours Planned

components to the future sustainability of the selected subsidiary companies and HCWW.

SECTION II: PROGRESS ON PROJECT COMPONENTS

Business planning sessions in Cairo and participating subsidiary companies underscore the objectives targeted during the quarter. They provide the forums for subsidiary company chairmen and management to interact with their peers identify issues specific to each company, and progress on strategy formulation to meet their particular needs.

Business planning activities signify an awareness that each subsidiary must change in outlook, from a government-owned and managed not-for-profit entity, to a business enterprise focused on providing quality utility services to each community and customer. The business planning exercise is unique for each company, and allows each to define its mission and vision, goals, customer needs, staffing needs, and to develop a comprehensive strategy consistent with these goals, targets and needs. We understand that the character of this program requires new skills and behavior changes. For this reason, the program is geared toward utilizing the creativity, imagination and hopes of each subsidiary company's management and staff.

Business planning sessions are a collaborative process for the WWSS team as well. During the second quarter, our team has pooled its expertise to provide objective-focused interventions across the breadth of our activities, in the following sessions:

1. Training workshop targeting senior management from five subsidiary companies (Assiut, Sohag, Luxor, Menofiya, and Giza).
2. Middle management workshops for Luxor, Giza, Menofiya, and Assiut WWCs. The Sohag workshops will begin in early July.



Middle Management Business Planning, 10-11 June, Luxor



Component 1 Activities

During the second quarter, WWSS has provided assistance to HCWW through necessary interventions in IT capabilities. The nationwide Human Resources Database, once completed, will provide the information and technology needs for efficient HR development, at both the national and Governorate levels.

Holding Company Support Quarter 2 Activities and Related Work Plan Tasks

1.1: Roles and Relationships of HCWW and Subsidiaries Improved

- Business Planning meeting, Intercontinental Citystars, Cairo
- Board of Directors Meeting, Intercontinental Citystars, Cairo

1.2.2 Increase public awareness of water quality issues

1.2.2.1 Develop public perception (customer satisfaction) survey

- Customer Satisfaction Survey Development for five Governorates

1.3 Improved performance of Subsidiary companies

1.3.1.3 Develop a strategy for introducing new hardware/software

- HCWW IT capabilities report
- Financial Software Application Evaluation

1.3.2.1 Determine institutional arrangements in conjunction with HCWW Chairman

- Meetings between WWSS management and HCWW, WPRR project, and GTZ, for collaboration on operator certification program

1.5 Ad-hoc Assistance to HCWW

- Human Resources Database continuing progress

The IT needs analysis for HCWW and three subsidiary companies established the state of existing IT architecture and analyzed the systems, controls, capabilities, and readiness to undertake support of subsidiary companies in the future. It also determined HCWW's readiness to provide e-services, collaborative computing, online connectivity, and resource integration. Complementary to this, the financial software capability evaluation gives an accurate cost-benefit analysis for the two industry standard software applications for financial management software.

WWSS has also collaborated with HCWW and other partner organizations to issue an RFP for a Customer Satisfaction Survey of serviced zones in five Governorates. The survey will provide an essential baseline for average service delivery in targeted subsidiary companies.

Component 1 Upcoming Activities

Holding Company Support Upcoming Activities, Quarter 3

- Customer satisfaction survey activities carried out in five Governorates; reports with findings released
- HRD database finalized
- Hold the first press club meeting at HCWW, after consultation with the Public Outreach staff.
- Procurement Plan finalized for primary need purchases for all WWSS project sectors
- Development of the IT Master Plan for HCWW
- Scope of work formulation for subsidiary company Service Companies at HCWW, to serve activities outside of subsidiary core functions

Component 2 Activities

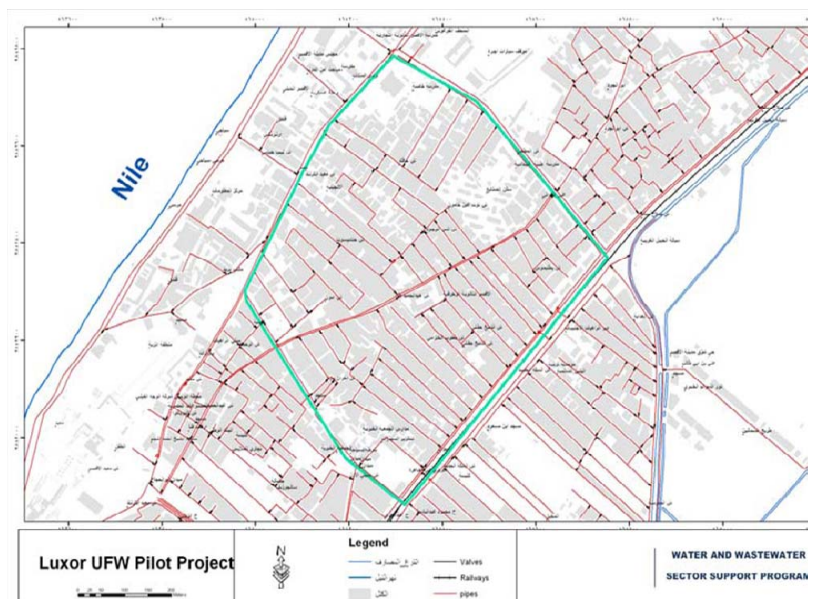
Comprising Utility Finance, O&M, and Performance Management, the Utility Management consultant team is active in the field and Cairo area, carrying out focused interventions to improve utility efficiency, customer service, reduce water loss, and increase billing efficiency, among many other activities.

Training and on-the-job training has moved into the operations phase through multiple technical and managerial interventions in the five participating subsidiary companies. Our experts work with local technical staff to assure proper standards and accurate methods are in place at water and wastewater treatment plants. We work with subsidiary Chairmen in implementing pilot programs and formulating company strategy to meet customer's needs.

The program objective of the Utility Management team's work is to elevate utility management of water and wastewater services to meet the needs of each community. During the second quarter, WWSS has assisted several Governorate companies, most notably Luxor, to operationalize dormant or previously nonexistent systems. Positive results from collection rates in Luxor already demonstrate our work with incentivizing the company staff: in one area of Luxor, collection rates increased from 56% to 76% on a month to month basis. Our non-revenue water analysis begins with information provided by Luxor's staff responding to questionnaires prepared by our WWSS consultant team. The analysis noted below (Table 1) sets the baseline for subsequent interventions after validation of the figures provided. It should be

Pilot Projects: Non-revenue Water

Part of our strategic and flexible vision involves testing innovative methods for utility management. We have starting work with our local counterparts to create effective testing grounds for water system upkeep and technologies - including non-revenue water - a major issue in many areas of Egypt. We tackle the problem from both technology and management perspectives, with leak detection equipment, GIS mapping, and metering and billing training.



GIS Mapping of the NRW pilot zone



Illegal and Unmetered Connection in Luxor

noted that perceptions may be far different than what we validate. By way of example our questionnaire response on illegal or unmetered connections (unauthorized consumption) rates from 3 – 5 per 100,000 connections. Our team’s preliminary analysis turned more than 10 such illegal or unmetered connections in the small section analyzed.

Table 1: Results of the Non-revenue Water Analysis for Areas of Luxor

(ILI)	(Unauthorized Consumption) % of water distributed	(Real losses) %of water	(Commercial Losses) % of water distributed	(NRW) % of water distributed	District
٢٠	٠.٠٠٥	٢٥	٢٨.٩٩٥	٥٤	Luxor
٨	٠.٠٠٥	١٥	٣٢.٩٩٥	٤٨	Elbayadya
١٥	٠.٠٠٥	٢١	٢٢.٩٩٥	٤٤	Elgorna
٧	٠.٠٠٤	١٢	١٦.٩٩٦	٢٩	Elzenya
٢١٣	٠.٠٠٣	٩٣	٠.٩٩٧	٩٤	Teba

Our NRW consultants use the “water balance” software to input the results of their system analysis. In Table 1, ILI is the Infrastructure Leakage Index. This measures current losses, against annual unavoidable losses in m³. To better understand the nature of this index, in the Egypt context, we feel that any ILI measure under 5 is a reasonably good index. Of course the lower the ILI ratio the more efficient water losses and NRW control. Where an ILI exceeds 10, immediate remedial action is warranted.

Utility Management Quarter 2 Activities and Work Plan Tasks

2.1 Subsidiary Companies established and functioning using modern systems

- Installation of GIS software and on-the-job staff training

2.1.3 Prepare Business Plans for Selected Subsidiaries

- Business planning training sessions for Sohag, Assiut, Menofiya, Giza, Luxor

2.2 New Subsidiary Companies Efficiently Managed

- Treatment plants using newly-established standard operating procedures
- Selection of pilot areas for :
 - Mobile workshop Giza
 - District Metering Area— responses plan for mitigation of unaccounted-for water levels.
- Stores management in Menofiya

2.2.3 Assist in the implementation of capacity building activities to improve staff capabilities and improve customer service

- Unified Accounting System Training and software analysis in Assiut and Luxor
- Water balance training and implementation sessions in Giza, Luxor, Sohag

Component 2 Upcoming Activities

Business Planning workshops will be concluded at the beginning of Quarter 3 for targeted senior and middle managers. Once concluded WWSS will provide direct assistance to each subsidiary management staff in formulating, writing, and editing Business Planning documents. We will be initiating a set of professional development programs for the selected subsidiary staff including O&M Managers, Utility IT Managers, and Customer Service staff.

HCWW and WWSS leadership developed pilot programs during the second quarter as a cost-effective test strategy for initial implementation of technical assistance projects. Planning was carried out for initiation of the pilot mobile workshop program for compact and small water units in Giza, which will soon get under way.

Utility Management Upcoming Activities, Quarter 3

- Initiating plant classification program for operator certification
- Finalizing a consolidated need-based procurement list for supporting the 5 utilities
- Support all technical units in Sohag, Assiut, Luxor, Giza and Menofiya.
- Initiation of Utility Management pilot programs:
 1. Southern Giza: Rural Mobile Workshop Project
 2. Luxor City: Non-Revenue Water Reduction Program
 3. Luxor: Water Production Bulk Meters
 4. Sohag City: Customer Service Center Portal Program
 5. Assiut : Billing Department Program
 6. Menofiya : Utility Warehousing Improvement Program
- HCWW Senior Management Field Visit to Miyahuna Facility in Amman, Jordan
- Support five subsidiary companies in drafting Business Planning documents

Component 3 Activities

The objective of the Program Management Component is to make capital investment planning and program management not only a skill at the subsidiary companies, but a necessary management tool.

The Program Management Team's activities involve planning and agreement with other sector agencies and decision-makers, such as MHUUD and USAID's other partner water project, WPRR, which is focused on policy and regulatory reform.

Capital Investment Planning and Program Management Quarter 2 Activities and Work Plan Tasks

3.1 Capital Investment Planning and Program Management in HCWW and Selected Subsidiaries Improved

PRISM and program management essentials training for Assiut, Luxor, and Sohag companies

3.2 Annual Budgeting process tied to Master Planning Process Implemented
Reviewed Master Plans for 5 subsidiaries

3.3 Program Management functions in HCWW and subsidiaries equipped, staffed, improved

PMU planning and implementation underway

Establishment of PMUs in Assiut and Sohag: 17 and 8 staff trained, respectively

Component 3 Upcoming Activities

Program Management will continue with the progress made during the second quarter. The PM Team Leader is finalizing the WWSS procurement plan, the first round of needed procurement for all project sectors. These purchases will be carried forward next quarter.

Plans for construction management are being finalized and implemented at the Governorate level as well.

Capital Investment Planning and Program Management Upcoming Activities, Quarter 3

- Submit a report detailing recommendations on improving the Master Planning process
- Progress on Capital Investment Planning report
- Work with Assiut and Sohag on Capital Investment plans
- Maintain existing PRiSM program
- Continue capacity building support on PRiSM analysis
- Follow up on PMU and PCU implementation
- Establish indicators to measure actual progress of construction: provide training and reporting



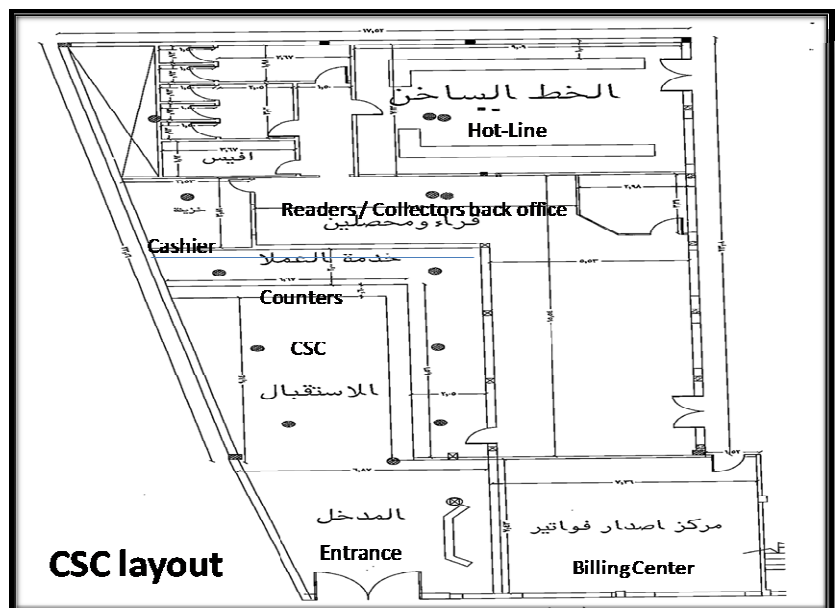
Sohag and Giza Customer Service Centers (CSCs)

WWSS demonstrates our customer-driven project strategy through CSC rehabilitation and development.

WWSS project will introduce tangible benefits to the company CSCs:

- Participate in the selection of the CSC staff crew members (front office)
- Train the front office staff in communication and computer skills
- Develop work procedures and work flow maps
- Design and develop all needed documents including the customer satisfaction checklists
- Provide internet connectivity to link the CSC with the associated billing system
- Develop customer complaints database
- Supply office stationary needs and promotional materials

Giza Water and Wastewater Company serve 370,000 people in the greater Cairo area. Due to the transition from Cairo WWC control to being an independently managed company, some aspects of customer service and billing continue under Cairo WWC supervision. The objective in Giza and other newly-established companies, such as Sohag and Menofiya, is to establish efficient new Customer Service Centers to cover a variety of activities, including billing, hot-line management, and efficient service counters. WWSS' immediate task is to create a model for new CSCs, including floor plans and equipment needs.



Proposed layout for the Sohag Customer Service Center

Component 4 Activities

Human Resources Development is recognized as integral to WWSS as an overarching, multi-sector discipline which lies at the heart of creating sustainable utilities. The goal of this component is to reach HR capacity levels of well-managed progressive international water and wastewater utilities in all five companies currently collaborating with the WWSS project.

Our HRD Team has engaged in formulating, planning, and carrying out strategic capacity building sessions during the second quarter. Business Planning forms a core strategy for the entire WWSS program, with support from multiple sectors. Numerous sector-specific training and on-the-job sessions form the core of our technical training program.

The areas of expertise where WWSS training facilitates growth with subsidiary company staff include:

- GIS mapping
- Unaccounted-for Water
- Standard Operating Procedures
- Performance Management software implementation and usage
- Program Management system implementation
- Finance and accounting

Our training accomplishments for the second quarter are shown in Annex A, and our planned capacity building activities for next quarter are shown in Annex B. In the mark of the WWSS project's strategy of flexibility based on assessment of existing conditions, our HRD Team will work with other sectors of WWSS in the next period to deliver timely training and OJT, with systems for accountability and measurement of staff learning from WWSS sessions.

SECTION III: PERFORMANCE MONITORING

WWSS utilizes our constant field presence in the Governorates for reporting work progress to our stakeholders, with forthcoming collection of performance information. The Performance Monitoring Plan (PMP) is a management tool which will assist WWSS leadership in guiding project resources. In coordination with USAID Egypt, Chemonics International, and the WPRR policy and regulatory reform project, we have developed a sector-wide results framework (Annex C), which covers both USAID institutional development projects. WWSS performance indicators (Annex D), data collection by our team, and reporting mechanisms, will assist project planning and review.

As described in detail in the WWSS Performance Monitoring Plan, our activities are measured against achievement of the following result areas:

1. Management and operational efficiency of targeted institutions increased
 - 1.1 Operations and maintenance planning, systems, and procedures improved
 - 1.2 Financial planning, systems, and procedures improved
 - 1.3 Performance management planning, systems, and procedures
2. Capital investment planning and program management improved
 - 2.1 Capital investment planning strengthened
 - 2.2 Program management strengthened

Cross-cutting Key Result Area: Capacity of staff in targeted institutions increased

The WWSS team has formed realistic and accurate performance metrics, which will have the dual purpose of assisting our team to measure progress, and to let our client and USAID see quantitative data demonstrating progress. For example, many of our performance indicators will be reported earlier in Luxor, due to its relative advancement, compared to Sohag or Assiut, which will be ready at a later date.

Moving into the third quarter 2009, WWSS is compiling baseline data on all major program aspects. This includes the Customer Satisfaction Survey, which will demonstrate current service status in zones of the five Governorates where WWSS is presently active.

SECTION IV: ADMINISTRATION AND MANAGEMENT

During the second quarter, there have been no major changes in the management structure of the WWSS project. Modifications in activity scheduling and staffing, and coordination with WWSS stakeholders, are elaborated below

Second Quarter Project Challenges and Organizational Changes

The WWSS team encountered changes in program scheduling and needs of the client in the second quarter 2009 which led to some deviation from the original work plan.

Specifically, our client-approved strategies of pilot project implementation and performance management, while generally covered in the initial iteration of our work plan, will need to be made more explicit in our new upcoming work planning editing sessions in the third quarter.

Four members of the WWSS staff left the project at the end of June: Project Management and Contracting Specialist Ashraf Salah, Cost and Budget Analyst Mostafa Said, Wastewater Specialist Sarwat el Masry, and Performance Monitoring and Reporting Coordinator Phillip McKissick. WWSS management is actively seeking and has identified viable replacements for these staff positions.

Coordination with Stakeholders

WWSS' reporting structure has included both weekly and monthly activity reports for the Holding Company and USAID. Regular contact with both USAID and HCWW is successfully maintained through monthly meetings, bi-weekly meetings of USAID water sector chiefs of party, intermittent high-level advisory meetings with HCWW and USAID, and through WWSS' inaugural Board of Directors meeting in May.

In general, communications with HCWW have been elevated during the quarter, through regularized meetings with Chairman Dr. Abdel Kawi Khalifa, Vice Chairmen Gen. Said Nasr, and Eng. Mamdouh Raslan. HCWW has appointed Dr. Hossam El Kashif as the official program liaison for all matters pertaining to work planning and WWSS outputs.

Financial Information

General Financial Summary

Current Obligated Funding	\$6,000,000	250,000 EGP
Total Contract Amount (base period)	\$15,651,550	943,500 EGP
Expenditures for October through December 2008	\$203,267	NA
Expenditures for January through March 2009	\$585,000*	NA
Cumulative Expenditures through March 2009	\$788,267*	NA
Remaining Unexpended Balance – Obligated Funds	\$5,211,733*	250,000 EGP
Remaining Unexpended Balance – Contract Total	\$14,863,283*	943,500 EGP

ANNEXES

Annex A: WWSS Second Quarter Training Events Schedule

Title	Duration	Assiut			Sohag			Luxor			Giza			Menofiya			Total # Participants							
		Dates	Participant #			Dates	Participant #			Dates	Participant #			Dates	Participant #			M	F	Total				
			M	F	Total		M	F	Total		M	F	Total		M	F	Total							
Unified Accounting System Phase I	5 days	14-19 March 09	7	9	16				26-30 April 09	13	9	22						0	20	18	38			
		4-9 April 09	13	9	22							0						0	13	9	22			
Unified Accounting System Phase II	3 days	13-15 June 09	6	8	14							0						0	6	8	14			
		16-18 June 09	9	11	20							0						0	9	11	20			
			35	37	72		0	0	0	13	9	22		0	0	0		0	0	0	48	46	94	
Water Chlorine Treatment	5 days	31 May - 4 June 09	15	2	17													0	15	2	17			
Water Balancing and Leak Detection Control	2 days	17-18 May 09	12	5	17	19-May-09	29	12	41	11-May-09	20			2-Jun-09	22	3	25	21-Jun-09	12		12	95	20	95
			27	7	34		29	12	41		20	0	20		22	3	25		12	0	12	110	22	132

Title	Duration	Assiut			Sohag			Luxor			Giza			Menofiya			Total # Participants							
		Dates	Participant #			Dates	Participant #			Dates	Participant #			Dates	Participant #			M	F	Total				
			M	F	Total		M	F	Total		M	F	Total		M	F	Total							
PRISM	(2 days) 8-9 June 09 / Assiut	8-9 June 09	2	4	6	8-9 June 09		6	6	8-9 June 09	2		2					0			0	4	10	14
Staffing Plan	1 day				0				0				0	13-May-09	18	5	23				0	18	5	23
Senior Mgmt Business Planning Workshop	2 days / 21-22 May/ Cairo	21-22 May 09	4	1	5	21-22 May 09	5		5	21-22 May 09	5		5	21-22 May 09	4	1	5	21-22 May 09	5		5	23	2	25
Middle Mgmt Business Planning Workshop	2 days	17-18 June 09	12	11	23				0	10-11 June 09	24	7	31	24-25 June 09	15	5	20	29-30 June 09	27	5	32	78	28	106
			80	60	140		34	18	52		64	16	80		59	14	73		44	5	49	281	113	394

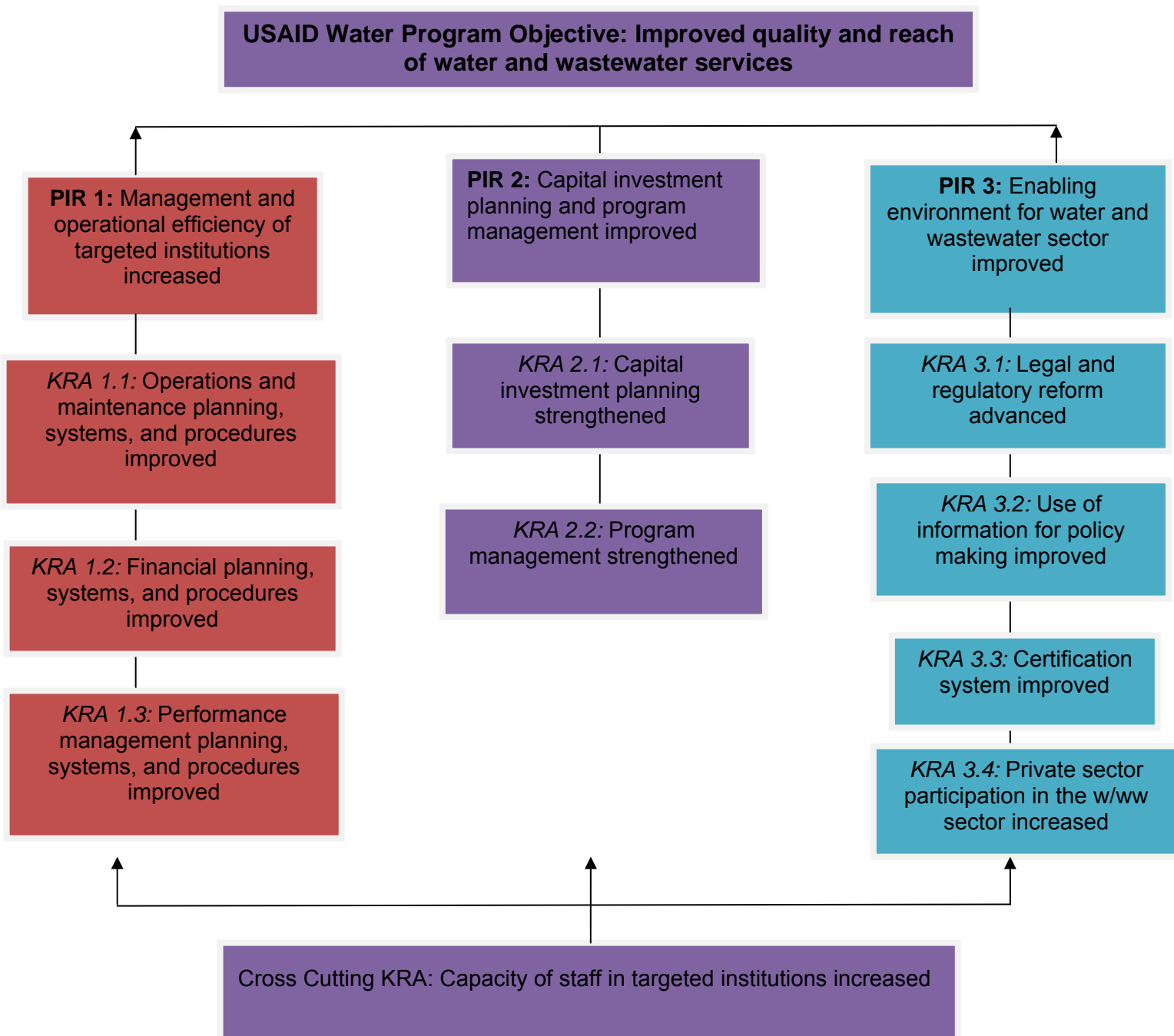
Annex B: Tentative Training Schedule for Third Quarter

Event	WWSS Component	Justification	Duration & Date	Objectives	Participants' Affiliation & Type	No. of Participants	Venue	Trainer/Facilitator
Training Need Assessment and Planning Skills	HRD	Building Training capabilities at Sohag, Assiut and Menofiya are required to enhance the performance of these subsidiaries	5 days July - September	1- understand the training and development 2-Performance based training 3- Conduct TNA and preparing training plan	Training staff and selected members of training committee	20 from each CO.	At each Gov.	TBD
Orientation to Staffing Plans and Organizational Charts	HRD	Staffing plans for HCWW and subsidiaries are WWSS deliverables	Duration: 2 day per subsidiary July and August	1- Understand Staffing Plans and Organizational Charts and the methodologies and basic steps to develop them	Assiut, Sohag Luxor and Menofiya Co.	30 from each	Giza Co.	Magdy Abd al-Wahab
Training: Water Treatment - Chlorination	O&M	Newly appointed technicians at the plants require the skill of applying proper Chlorine dosage	Duration: 5 days for Assiut Group # 2 11 – 15 July for Assiut Group #2 5-9 July for Sohag Luxor last	1- Learn water sterilization methods and the factors determining which method to use 2- Identify the characteristic of Chlorine, factors affecting chlorination, and how to choose the suitable Chlorine dosage 3- Identify the Chlorine	Assiut, Luxor and Sohag Co. Technicians in Water Treatment Plants	10	Assiut Treatment Station	Trainers: Yousry Orabi & Trainer from one of the subsidiaries previously

			week of July	<p>system and its components</p> <ol style="list-style-type: none"> 4- Applying Chlorine dosage and handling injection equipment 5- Identifying safety measures, leakage mitigation, personal protective equipment, Chlorine leakage treatment systems, and first aid for excessive Chlorine exposure 				trained by GTZ Facilitator: Medhat Tolba
Human Resources Management	HRM	HRM staff are lack the required skills and knowledge on how to manage the Human resources.	Duration: 2-3 days July-September	<ol style="list-style-type: none"> 1- Recruiting and hiring 2- Performance appraisal systems 3- Motivation system 	HRM staff from the 5 subsidiaries	20 from Each	At each Com.	TBD
O&M Planning, Budgeting, and Asset Management	O&M	Planning and budgeting skills are essential for engineers and equipment specialists	Duration: 5 days July-August	<ol style="list-style-type: none"> 1- Engineers and equipment specialists are able to perform planning and budgeting for properly for operation and maintenance. 2- Asset management skills. 3- Application on asset management software. 	20 participants from each subsidiary: Head of O&M Department and from Water and Wastewater Equipment Section	20	Assiut	Ahmad Allam Mahmoud Bakr Magdy Awad Allah
Planning, and Scheduling	PM	Project management staffs lack the required skills and knowledge to plan and managing	Duration: 3 days Second week of July	<ol style="list-style-type: none"> 1. Introducing the participants to the basic concepts planning and scheduling. 2. Providing the participants with the tools and techniques to plan and schedule their work through hands-on training on 	4-6 from each Luxor, Sohag and Assiut (Project management unit)		Luxor	TBD

		projects		computers.				
Workshop: Business Plan for Middle Management	Management	Introduce the middle managers of the five subsidiaries to the concepts and tools of business planning to develop sub plans for all the tasks of their companies	Duration: 2 days 1-2 July for Sohag	<ol style="list-style-type: none"> 1- Understand the concepts and tools of business planning 2- Produce draft sub business plans for each subsidiary 	Middle managers Sohag	40	Sohag	WWSS Team
UAS Training – Phases 1 & 2	Finance	Qualify the accounting staffs of the subsidiaries to apply the UAS	Duration: 6 days 2 course for each subsidiaries during July - September	<ol style="list-style-type: none"> 1- Understand the components of the UAS and successfully apply it 	Financial Departments at Giza and Luxor	20 -25 participants from each company Total: 60-75	Each workshop in respective governorate	Dr. Osama Mohy al-Din
Leak Detection Training	O&M	Qualify Luxor technicians to use leak detection equipment	Duration: 5 days Second week of July for Luxor	<ol style="list-style-type: none"> 1- Calculating water loss 2- Identifying types of pipes, their advantages, disadvantages and attachments 3- Planning for leak detection 4- Operating leak detection equipment and making use of it 	Technicians	20	Luxor Plant	Facilitator: Sherif Morsi

Annex C: USAID Combined Results Framework for Egypt Water Sector Programs



Annex D: Performance Monitoring Plan Consolidated List of Indicators

Number	USAID/ WWSS Result	Type	Proposed WWSS Indicators
1	PO	Impact	Customer satisfaction in targeted governorates
2	PIR 1	Context	Full cost recovery in targeted subsidiaries
3	PIR 1	Context	Percent change in volume of unaccounted for water
4	PIR 1	Outcome	Cash flow in targeted subsidiaries
5	PIR 1	Outcome	Percentage of collection from period's bills
6	PIR 1	Outcome	Percentage of collection (from arrears)
7	PIR 1	Outcome	O&M cost recovery in targeted subsidiaries*
8	KRA 1.1	Outcome	Percentage change in the volume of leakage
9	KRA 1.1	Outcome	Average number of samples taken per day
10	KRA 1.1	Outcome	Percent of samples meeting Egyptian water quality standards
11	KRA 1.1	Outcome	Percent of samples meeting Egyptian effluent wastewater quality standards
12	KRA 1.1	Outcome	Adherence of labs to QA/QC procedures
13	KRA 1.2	Outcome	Number of project-targeted subsidiaries producing regular financial and accounting statements
14	KRA 1.2	Outcome	Difference between actual and budgeted expenditures
15	KRA 1.3	Output	Number of meters repaired or installed with project support
16	KRA 1.3	Output	Number of project-targeted subsidiaries producing quarterly MARS reports
17	KRA 1.3	Outcome	Sales (amount billed)
18	KRA 1.3	Outcome	Percent of customers billed
19	KRA 1.3	Outcome	Satisfaction of HCWW with information from MARS

20	PIR 2	Outcome	Number of project targeted subsidiaries updating PRISM monthly
21	PIR 2	Outcome	Quality of information generated by PRISM
22	PIR 2	Outcome	Use of PRISM and other data for decision-making
23	PIR 2	Outcome	Number of construction contracts monitored using indicators to measure progress
24	CC KRA	Output	Number of people trained
25	CC KRA	Output	Number of subsidiaries updating training/HRD plans annually
26	CC KRA	Outcome	Number of subsidiaries with an in-house training center
27	CC KRA	Outcome	Knowledge acquired from project-supported training courses
28	CC KRA	Outcome	Application of knowledge/skills gained in project-supported training courses