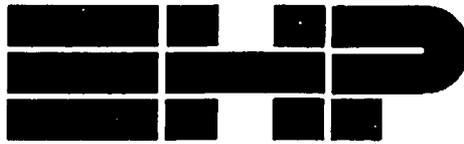


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ENVIRONMENTAL HEALTH PROJECT

ACTIVITY REPORT

No. 14

**EVALUATION OF THE INSTITUTIONAL
SUPPORT CONTRACT FOR CAIRO
GENERAL ORGANIZATION FOR
SANITARY DRAINAGE**

September 1995

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ACRONYMS

CIP	Capital Improvement Plan (unit)
CWO	Cairo Water Organization
UAS	Uniform Accounting System
O&M	operations and maintenance
A&F	administrative and finance (activities or units)
CAOA	Central Agency for Organization and Administration
COP	Chief of Party
MIS	management information system
SOP	Standard Operations Procedures (manual)
SMP	Standard Maintenance Procedures (manual)
WEF	Water Environment Federation
MMS	Maintenance Management System
ICS	Inventory Control System
USAID	United States Agency for International Development
MOU	Memorandum of Understanding
PACD	project activity completion date
ISC	Institutional Support Contract
CGOSD	Cairo General Organization for Sanitary Drainage
GOGCWS	General Organization for Greater Cairo Water Supply
AMBRIC	American-British consulting group, design consultants for Cairo Sewerage II project
GOE	Government of Egypt
OMI	Operations Management International, Inc.
WASH	Water and Sanitation for Health Project
WWTP	wastewater treatment plant

EXECUTIVE SUMMARY

The U.S. Agency for International Development (USAID) invested in the Greater Cairo Wastewater Program in 1977 with emergency repair work as part of a larger project, Cairo Sewerage I. This work was expanded with authorization of Cairo Sewerage II in 1984. Over \$900 million has been invested to date by USAID in sewerage infrastructure and related institutional support programs for the Greater Cairo area. In addition, major expenditures have also been undertaken by the Egyptian Government and other donors. A condition of this investment by USAID has been the agreement by the Egyptian Government to undertake institutional reforms regarding cost recovery, upgrading of staff skills and management capacity, effective operation and management systems, and creation of autonomous water and wastewater organizations. These institutional reforms were initially agreed to in a memorandum of understanding (MOU) signed in January 1984. The Cairo General Organization for Sanitary Drainage (CGOSD) was an indirect party to the agreement as it was represented by the joint Ministry of Reconstruction and Housing and Land Reclamation, while the construction of the facilities that it would later operate were being managed by the Cairo Wastewater Organization (CWO).

Institutional reform, as outlined under the MOU, progressed slowly. However, reform did bring about tariff increases and wastewater surcharges, which were returned directly to the Ministry of Finance. CGOSD had no responsibility for collections nor involvement in establishing funding required to meet operations and maintenance needs. By 1989, major infrastructure in the sector was nearing

completion, and the continuing lack of operational skills and disregard for maintenance became a concern. USAID funding for construction, as agreed under the MOU, had been provided while institutional reform was lagging. USAID initiated a new approach by providing direct technical assistance to key operational authorities including CGOSD.

An institutional support contract (ISC) for CGOSD was signed in February 1992, initially for a two-year period. Fifteen major items of work were scheduled. A workshop was conducted by the WASH Project in June 1992 and helped to focus both CGOSD and the ISC contractor on the project goals. A follow-up workshop was held in June 1993 (again, conducted by WASH). At that time, the project was struggling; it was obvious that the original goals could not be met in the scheduled time frame. As a result, the project work items were restructured and expanded to 26 tasks, with the project completion date extended to September 1996. Key staff changes in the expatriate contractor team were also made.

This report summarizes the assessment of the CGOSD Institutional Support Contract and the results of the third USAID-sponsored workshop (held August 1-3, 1995). The assessment and workshop were undertaken by a three-person team of specialists who were given the following tasks:

- (1) Evaluate the present contract and contractor performance, and determine the extent of success achieved toward overall project objectives and for each project element. Determine which project tasks

have been fully and satisfactorily completed and which are less than fully successful. Review and report on implementation by CGOSD of recommended reforms, policies, and programs.

- (2) Conduct a workshop with key CGOSD managers and contractor personnel to define, in as much detail as possible, the needs of CGOSD that should be included in the two-year follow-on ISC (October 1996 through the PACD, September 30, 1998). Consider continuation of the present ISC contract programs, as well as new work. Determine and report on the commitment of CGOSD to full implementation of the work efforts.

The evaluation team found that despite a slow start, the contractor has moved along well with the assigned tasks and is now doing an outstanding job. All tasks are well underway and on schedule for completion by the PACD. Several have been completed or are near completion (with delivery of draft and final reports). The contractor is committed to providing follow-up assistance to assure that recommendations are carried out rather than becoming "paper" accomplishments. This report describes each of the 26 tasks and provides both long- and short-term recommendations for each. Areas of greatest concern identified by the evaluation team are the following:

- management of the MIS and Computer Center, the key to accomplishment of many of the tasks
- development of a fully autonomous organization with qualified and experienced financial management
- inventory (stores) control

- progress toward an operator certification program
- approval of the reorganization plan

Strengths are noted in the areas of training, especially for the managers, and operations and maintenance.

Most of the key CGOSD staff have embraced the concept of autonomy and welcome reform and change. They are struggling with the mechanisms to bring this about, however, as the Egyptian Government bureaucracy tends to maintain a status quo. CGOSD has not yet been able to bring about the tariff increases agreed to by the Government of Egypt and USAID, and in this regard CGOSD's influence, unfortunately, is indirect and limited.

Significant gains have been made over the last two years by both CGOSD and the contractor. The evaluation team believes that the gains made by CGOSD will be reversed unless technical assistance continues for at least three more years and unless the central government adopts policies which provide increased autonomy over personnel decisions, the ability to set tariffs which cover operating costs, and the right of the utility to retain funds. Continued technical assistance will also be a critical factor in assuring the proper operation and maintenance of the \$900-million facilities financed by USAID that will be under CGOSD management. The success of the current ISC team warrants its continuation in order to minimize disruptions and the start-up time required to field a new contractor.

The August 1995 workshop was an outstanding success with over 60 participants. CGOSD key staff, including the Chairman, actively participated, with extensive ideas and

plans brought out for future consideration. A detailed summary of the activities is included in the report. A notable result of the workshop is that information flowed horizontally, with ideas openly offered and received by all levels and across division lines. (As a normal operating procedure, information tends to flow only vertically.) The acceptance and enthusiasm of the workshop format by the CGOSD staff was encouraging. The assessment team recommends that it be repeated on a six-month cycle, a suggestion endorsed by CGOSD's Chairman. To be most effective, the workshop should be designed and facilitated by outside or neutral interests. However, depending on the objectives, the contractor could serve in this role.

Based on the results of extensive interviews and discussions at the workshop, the evaluation team is convinced that CGOSD is fully committed to implementation of the USAID-funded program. This conclusion is amplified by two of the team members' personal past working experiences with CGOSD. In one case, seven years have passed and the improvement and change has far surpassed what was believed possible, while in another, substantial progress has been made over the past two years.

1 INTRODUCTION

1.1 Background

1.1.1 History

USAID investment in the water and wastewater sector in Egypt was initiated in 1977; by the end of 1983, projects totaling about \$600 million had been authorized, although expenditures totaled around \$200 million. The lag in expenditures was due to the planning and procurement time needed for large infrastructure projects. Projects included Alexandria Wastewater System, Cairo Water Supply, Canal Cities Water and Sewerage, Provincial Cities Development, and Cairo Sewerage I. The two Cairo projects provided \$91.4 million for an expanded water treatment plant at Rod El Farag and \$129 million for rehabilitation of the Greater Cairo sewerage system.

Because of the major needs in the sector, the Presidents of Egypt and the United States announced at a meeting in mid-1983 that they had agreed to a \$1 billion water and wastewater program with funding through 1987. This announcement was formalized into an agreement (Memorandum of Understanding), signed in January 1984 by the Minister of Reconstruction and Minister of State for Housing and Land Reclamation (one combined ministry at that time under Hassaballah El-Kafrawi), the Minister for Investment Affairs and International Cooperation (Wagih

Shindy), and the USAID Mission Director (P. W. Stone). A copy is included in Appendix A.

1.1.2 Memorandum of Understanding

The Memorandum of Understanding (MOU) provided for a \$1.2 billion funding program for the calendar years 1982 through 1987. The upward adjustment allowed for crediting previous expenditures in the sector.

The important elements of the MOU, however, focused on the institutional actions necessary to strengthen Egyptian water and wastewater institutions. Specific actions mentioned in the MOU are as follows:

- Tariff increases adequate to cover the cost of water and wastewater operations, maintenance, debt service, and routine improvements, as well as appropriate increases by the GOE in the size of the operations, maintenance, and investment budgets provided to fund the sector;
- Provision of adequate facilities for training and technical service to support the sector and also an incentive system to maintain and recruit qualified staff;
- The establishment of autonomous local water and wastewater organizations, with

the authority to retain service revenues for their own operating needs;

The retention during the program of a construction management firm to ensure on-time completion of the projects.

The parties recognized that the initial focus was to be the West Bank Cairo portion. The parties agreed to meet annually to review the performance of the program during the previous year and the anticipated performance during the following year, with an emphasis on progress being achieved toward the agreed institutional development and economic targets. A July 1989 target was set for the completion date.

The USAID response was to authorize the Cairo Sewerage II (project number 263-0173) targeted at \$816 million, with an initial authorization of \$165.3 million. The authorization level has since been increased to \$793 million. The original targeted project activity completion date (PACD) was September 30, 1994. This project is the basis for the ISC program in support of the Greater Cairo General Organization for Sanitary Drainage (CGOSD). The PACD has since been extended to September 30, 1998.

1.1.3 Annual Performance Review Meetings

The initial review of the USAID-sponsored project was held in February 1984, immediately after the signing of the MOU. The review was held in two sessions. The first, a technical meeting, included senior USAID project managers and the CGOSD Chairman and key staff of the participating water and wastewater institutions. The second was an

executive-level meeting between the Minister of Reconstruction/Housing and Land Reclamation, along with his senior staff, and the USAID Mission Director and his key staff. The technical meeting focused on needs and projects, while the executive-level meeting focused on actions outlined in the MOU. CGOSD was represented by Atallah Safwat, Chairman of both Cairo Water Organization (CWO) and CGOSD at that time. The technical session (followed by an executive review session) set the standard for later meetings, with MOU institutional and economic issues as key discussion points in both sessions.

The second annual review was held in February 1985. The Chairman of CGOSD, Atallah Safwat, was not present nor was the Chairman of CWO (the duties were now split). CGOSD was represented by Engr. Abou El Alla Mohamed El Sayed and Hussein Helmi. A significant step toward monitoring progress was made at this meeting with general acceptance of a matrix which identified MOU targets to be met for each year from 1984 through 1990. (See Appendix A, 1985 Annual Review Target Benchmarks). The dual ministries which had been headed by Eng. El-Kafrawi had been split, and the water and wastewater sectors were reassigned to a new minister, Mohsen Sedki, Minister of Housing and Public Utilities.

The third annual review was held in March 1986 (technical session) and May 1986 (executive session). The delay between the two was due to a change in ministers and the new incumbent's lack of background on sector issues. This was also the first test of the matrix monitoring format initiated in 1985. CGOSD was represented by Attala Safwat. Records of the 1986 meetings show that Cairo had

increased water and wastewater collections by 400% as a result of tariff increases, with a 10% wastewater surcharge being applied. The target of 35% of the water sector's O&M costs being collected from tariffs was determined to have been met. The autonomy issue was not being addressed at that time.

In the annual reviews in 1987 and 1988, good progress was reported on the financial front, with some governates reaching full recovery of both water and wastewater O&M costs. On the basis of these reviews, Cairo Water II was authorized at \$145 million in 1987, and a major \$350 million project was authorized for the Canal Cities in 1988. The last annual review between USAID and Egyptian officials was held in 1989, also the target year for completion of the MOU activities. Annual reporting on tariff increases was to continue until early 1992. Records of these later reviews and tariff studies were not readily available at USAID/Cairo as they had been archived.

During the years of the MOU dialogue and annual reviews, institutional change was always a struggle for the USAID staff working with the Egyptian water and wastewater authorities. The USAID requirement for sector-wide annual reporting and formal annual review meetings did result in significant progress, however, in meeting many of the institutional concerns addressed in the MOU, in particular the advancement of tariff rates and improved collections. The success of this approach and the value of joint high-level annual reviews with all key water and wastewater sector participants involved in USAID-funded programs may be worthy of reconsideration by USAID.

1.1.4 Institutional Support Contracts (ISCs)

In 1989, major construction activities were being completed, leading to a new approach of providing direct technical assistance to the key organizations tasked with their operation. At that time, the USAID funding commitment had substantially exceeded the MOU commitment, with authorized projects approaching \$1.7 billion. The Greater Cairo area project authorizations exceeded \$1.1 billion, with over \$900 million in support of CGOSD programs. Most of the financing was dedicated to the West Bank Cairo program for which CGOSD would be tasked with the management. AMBRIC's Work Order 4-A, completed at that time, specifically focused on institutional needs, economic viability, and autonomy. This work led to the current ISC in support of CGOSD. Similar support contracts were established with Alexandria CGOSD, the General Organization for Greater Cairo Water Supply (GOGCWS), and the Canal Cities. Each ISC had a mandate regarding institutional development and change, with the establishment of autonomous organizations with the authority to raise and manage finances as needed.

1.1.5 CGOSD Institutional Support Contract

An institutional support contract was signed on February 11, 1992, between CGOSD, CH2M Hill International Ltd., and Operations Management International (OMI), Inc. to provide services for technical operation and maintenance, training, procurement, and management services under USAID Grant No. 263-0173.01. The initial contract provided for 15 specific, action-oriented objectives that were

targeted for achievement by the end of the initial 2-year period. This proved to be a far too ambitious approach, and later amendments recognized that time was a critical factor in bringing about change in CGOSD. The initial contract did recognize, however, that persuasion and cooperation were as important as technical ability in achieving progress.

As of this writing, five amendments have revised the project direction and goals, with the major impact being the addition of time to complete the efforts. The original 15 objectives remain valid. The objectives were expanded, however, to 26 tasks in Amendment No. 4, based on the results of the third-year workshop, held in June/July 1993. Amendment No. 5 extended the contract completion date to September 30, 1996. Amendment No. 6 is under consideration. It will include the results of this report and will set a path to address recently defined needs to achieve the goals of the project.

1.1.6 ISC Contract Requirements

The purpose of the CGOSD project is to strengthen its institutional capacity to improve operation and maintenance of the physical facilities. The objective of the project is to provide a technical assistance package to improve the management systems so that CGOSD can solve problems, operate facilities, and practice sound preventive maintenance programs.

Specific action-oriented objectives that are expected to be achieved through the institutional support contractor in a supportive and fully coordinated role with CGOSD are summarized as follows (with detailed actions

and status of performance summarized in Appendix B).

- Strengthening of management capability
- Establishment of computerized data management systems
- Establishment of financial control systems
- Establishment of maintenance management procedures
- Establishment of an effective stores program
- Procurement of vital equipment and spare parts
- Attainment of financial viability
- Achievement of organizational effectiveness
- Establishment of internal policies and procedures
- Upgrading the capability of CGOSD personnel
- Strengthening of internal training capacity
- Strengthening of personnel management practices
- Improvement of safety management practices and procedures
- Strengthening of the Sewer Cleaning Department capability
- Implementation of a U.S. twinning relationship

Amendment No. 4 revised the work into a series of tasks and subtasks totaling 26 action items. The tasks have been divided into two major groupings: the "A group" concerns financial viability and the "B group" concerns sector reform. Each of the subtasks are discussed in detail in Chapter 3.

Task A Financial Viability

Task A1 Financial Development

A1.1 Annual Maintenance Replacement Estimates

- A1.2 Capital Facility Organization Plan
- A1.3 Utility Budgeting Design
- A1.4 Industrial High Strength Effluent Surcharge
- A1.5 Financial and Economic Analysis Unit
- A1.6 Billing and Collection Oversight Unit
- A1.7 Updated Wastewater Rate Recommendations

- Task A2 Computerization of Management Systems
 - A2.1 Supervision of Vender Installation of Hardware and Software
 - A2.2 Organize CGOSD Computer Center
 - A2.3 Data Entry
 - A2.4 Phased Transition from Manual to Computerized Systems

Task B Sector Reform

- Task B.1 Institutional Reform
 - B1.1 Institutional Regulations
 - B1.2 Legal Advisory
 - B1.3 Public Awareness Program
 - B1.4 CGOSD Reorganization
- Task B.2 Operator Certification Program
- Task B.3 Training
 - B3.1 Management Information Systems
 - B3.2 Operation and Maintenance Training
 - B3.3 Management Training
 - B3.4 Twinning Program
- Task B.4 Operations and Maintenance
 - B4.1 Maintenance Management System
 - B4.2 Collection System
 - B4.3 Material Service System

- B4.4 Instrumentation and Control Workshop
- B4.5 Industrial Flow Monitoring and Enforcement
- B4.6 Procurement of Equipment and Spare Parts

1.2 EHP Scope of Work

USAID/Cairo requested that the Environmental Health Project (EHP) provide a three-person team to accomplish the following tasks and objectives:

- Evaluate the present ISC and contractor performance and determine the extent of success achieved toward overall project objectives and for each project element. Determine which project tasks have been fully and satisfactorily completed and which are less than fully successful. Review and report on implementation by CGOSD of recommended reforms, policies, and programs.
- Conduct a workshop with key CGOSD managers and ISC personnel to define, in as much detail as possible, the needs of CGOSD that should be included in the follow-on ISC for the period of October 1996 through the PACD (September 30, 1998). Consider continuation of the present ISC programs, as well as new work. Determine and report on the commitment of CGOSD toward full implementation of the work efforts.

The workshop should be designed to obtain maximum input from CGOSD managers regarding:

- The extent of their involvement and participation in the ISC project activities during the term of the project.
- Their opinion regarding the success of the program in their particular sphere of activities within CGOSD.
- The remaining needs that should be addressed by the ISC during the remaining term of the contract (i.e. through the ISC contract's PACD of September 30, 1996

and through the Cairo Sewerage II PACD of September 30, 1998).

1.3 Organization of the Report

The report is organized into four chapters. Chapter 1 is this introduction. Chapter 2 describes the assessment approach. Chapter 3 details the specific findings by task. Chapter 4 provides the overall conclusions and recommendations.

2 ASSESSMENT APPROACH

2.1 Overview

Even though USAID requested EHP to carry out this evaluation team, the team recognized the importance of providing CGOSD and CH2M Hill/OMI and its affiliated contractors, Ernst and Young, A.A. Warith, and Team Misr, with opportunities for full input as well as feedback on its findings and recommendations. As a result, the team spent a great deal of time with the principals of the organizations in order to ensure that their concerns and ideas were included in the evaluation process. All of the individuals with whom the team worked were open and cooperative in their efforts to assist in the undertaking. The approach was designed to be a participatory process both during the interview process as well as in the workshop.

2.2 Data Gathering

With the assistance of the USAID Project Manager, the Chief of Party of CH2M Hill/OMI and the CGOSD Project Manager for the ISC Project, the team was able to schedule 64 interviews with representatives of all three organizations. See Appendix C for a list of the individuals interviewed during the data-gathering process. A lengthy long-distance telephone interview was held with a representative of Ernst and Young, one of the principal subcontractors for the ISC, since he

was not in Cairo when the EHP team was conducting its survey.

Field visits were made to a number of CGOSD facilities including the following:

- CGOSD Headquarters
- Berka Treatment Plant
- Siphon Office Building
- Balaks Treatment Plant
- Zenein Treatment Plant
- Zenein Training Center
- Industrial Effluent Lab and Office
- West Bank Manager's Office
- Central Stores Facilities

Documents were collected from USAID, CH2M Hill/OMI, and CGOSD regarding the organization, finances, and operations of CGOSD and the various ISC tasks.

Particularly useful were some of the legal founding documents and the legal opinions developed in connection with the institutional reform efforts. Appendix A contains some of the key legal documents regarding CGOSD.

2.3 The Workshop Process

2.3.1 Preparation for the Workshop

Individual and group interviews, which took place during the first week of the consultancy, were a major part of the preparation of the workshop. The interviews served to highlight

and illustrate critical concerns and issues of those directly involved in the Project, both from the contractor and from CGOSD.

Some of the interviews were done by the whole team, others by only one or two of the team members. But it was these interviews, and the documentation that the interviewees gave to the team, which provided the information upon which the workshop was designed. The interviews themselves were relatively unstructured. Based on their readings of current and historical documentation, the team was able to focus on issues and concerns relevant to the particular interviewees.

The issues themselves are addressed directly in Section 3.2 - ISC Tasks. For purposes of designing the workshop, the interviews provided the team with more than enough information to structure the content and the flow of the workshop. In addition, the scope of work for the team's activities specified that the workshop should draw maximum input from CGOSD managers regarding:

- The extent of their involvement and participation in the ISC project activities during the term of the project
- Their opinion regarding the success of the program in their particular sphere of activities within CGOSD
- The remaining needs that should be addressed by the ISC contractor during the time remaining (i.e., through the ISC PACD of September 30, 1996, and through the Cairo Sewerage II PACD of September 30, 1998).

Given the scope of work and the magnitude of information and issues emerging from the interviews, it quickly became apparent to the team that the two days

originally scheduled for the workshop would not be sufficient. Three days had been required in the previous years' workshops, and it was clear that no less would be required for this year's effort. The USAID Project Officer readily agreed, so that all that remained was to obtain space from the hotel for an additional day.

Based on all of this input, the workshop design team—consisting of the assessment team's organizational behavior specialist and a local counterpart—began the design process. The design of the workshop contained five phases over the three days. (See Appendix D.1, Workshop Design and Agenda).

- Phase one: identify the successes that CGOSD and the ISC have had over the past two years.
- Phase two: review and refocus on the basic objectives of the project for the coming year, as seen by the contractor, to establish a basis for planning for the future.
- Phase three: develop a list of "must do" activities for the next three years that would move CGOSD toward becoming an effective independent utility business.
- Phase four: "brainstorm" to identify the barriers, current and potential, to implementing the identified activities; set up working groups to develop strategies for removing these barriers to success.
- Phase five: develop an action plan for how CGOSD and the contractor would implement the strategies and activities over the next year and until 1998.

This design was reviewed and critiqued by the rest of the assessment team on July 29, and presented to the Chairman and the staff of CGOSD the next morning. The ISC staff was briefed that afternoon, so that by the end of

Sunday, July 30, the design and agenda were final. (The workshop was held from August 1 to 3, 1995.)

2.3.2 The Workshop Objectives

The objectives of the workshop were as follows:

- To review and celebrate our successes and accomplishments to date.
- To revisit and refresh our memories about the project objectives and organizational commitments to be met and fulfilled in the coming year.
- To explore what activities should be completed over the next three years, so that CGOSD becomes an effective public utility.
- To identify current and potential “barriers” to the successful implementation of project activities and the achievement of the goals for CGOSD.
- To develop strategies for eliminating and/or overcoming these barriers, including time lines and individual responsibilities.
- To sort the identified activities as well as the barrier “strategies” into two groups:
 - those that can be completed by September 1996
 - those that will take until October 1998 (or longer)
- To build action plans to address specific events, tasks, and actions required to implement the CGOSD activities and strategies for the next year(s).

2.3.3 Workshop Schedule

There were 67 participants at the workshop on the first day, the largest group ever for this kind of planning workshop. (For a list of participants and their organizational affiliations, see Appendix D.2) With the exception of a handful who were on vacation and one notable absentee, virtually everyone who was invited to attend did so. It is also important to note that two representatives from ODA participated throughout the workshop.

Phase One. The workshop began with welcoming speeches from the Chairman of CGOSD, the USAID Project Officer, the CH2M Hill Chief of Party, and ISC Project Manager for CGOSD. Following the welcome, the first session of the morning was on project accomplishments and successes to date. This session began with presentations from each of the project task groups giving their view of accomplishments. The task groups, which were used throughout the workshop, were as follows:

Tasks A1 and A2 - Financial Viability and Computerization

Task B1 - Institutional Reform

Tasks B2 and B3 - Operator Certification and Training

Task B4 - Operations and Maintenance

In this exercise, the CGOSD staff was asked to respond to what they had seen and heard about accomplishments and to add to the lists with their own perceptions of success.

Phase Two. The review and refocus of the objectives for 1996 served mostly to remind the participants that a great deal more needs to be done before CGOSD becomes an independent,

self-sufficient utility. The USAID Associate Mission Director for Development Resources reiterated the USAID position that CGOSD must achieve L.E 125 million in billings income by the end of this year before USAID will approve more funding. The CGOSD Project Manager urged the several committees working on various aspects of the project to make the hard decisions and move on to the next tasks, and for the ISC to complete all of the tasks in Amendments 4 and 5 by the end of the contract period.

Phase Three. With this guidance as a basic starting point, the group was given the challenge to define what activities CGOSD should undertake over the next three years to move ahead toward achieving independence and effectiveness as a public utility. In task groups, the participants were asked to use their imagination and creativity in responding to the following question:

“What are the activities that must be completed over the next three years, so that CGOSD can become an effective, independent utility business which is attractive to financial institutions?”

The task was to discuss and identify specific activities that need to be carried out during the next three years, and to write them up for presentation to plenary. There were four relatively equal-sized groups, with Certification and Training the smallest and O&M the largest. After the task groups completed their work, the Management Panel was introduced. Members of the Management Panel had been floaters during the task group work; they were given the responsibility to summarize comments from all of the discussions during the presentations, and to provide some senior management insight into

the process. Their observations were then incorporated into the various reports from the task groups. Management Panel Members consisted of the Chairman, the ISC Chief of Party, the USAID Project Manager, CGOSD's Project Manager, and the FHP evaluation team leader.

Phase Four. The afternoon began with the “Barriers Brainstorming” session. The task groups were asked to respond to the following question:

“What are the ‘barriers’, current and potential, to implementing these activities and achieving these goals for CGOSD?”

Phase Five. After the above exercise, the groups were asked to choose the five most critical barriers and develop strategies for overcoming or eliminating them. The specific task for the groups was:

“For each of the top five barriers you have identified, develop a strategy for overcoming or removing that barrier. *Strategies should include time frames and individuals responsible for carrying out the strategy.*”

As the task groups continued their work, it became clear that they were going beyond the strategic dimensions of overcoming barriers and were creating action plans for implementing their strategies. This approach actually combined two stages of the workshop design.

It was late in the day when the “strategy groups” finished, so it was decided to present the work of just one group as an example. Since some of the groups had not addressed the time lines or the individual responsibilities in

any depth, the facilitators (EHP team) hoped that one good example, where both time frames and responsibilities had been included, would catalyze the other groups to add those elements to their plans. The Operator Certification and Training Group (Tasks B2 and B3) was selected to make their presentation, and it had exactly the desired effect. The strategic plans were complete and well-conceived.

The morning of the third and last day, before the session began, found the rest of the groups revising their strategic plans and adding time lines and responsibilities. While it took a little more time before the session could start, the investment in upgrading or rounding out their plans was well worth it.

The remainder of the morning was given to presentations of strategic plans from the rest of the task groups. These were excellent pieces of work which reflected the diligence and creative discussion that went into them. Each of the presentations was followed by a discussion period, so that everyone got a chance to have input into each of the tasks. The last group to present was Institutional Reform (Task B.1). In many ways, the Institutional Reform tasks were the most difficult to address. These tasks are both highly political and sensitive, and the implementation strategies are more complex. By judicious synthesis and careful writing, the presenters were able to describe the work of their group and raise the delicate issues without starting a violent debate.

The discussion following this presentation was both restrained and constructive. The Management Panel gave its response, which created another round of discussion, but the

outcome was that the strategies presented by the group were accepted.

After lunch, there were only two hours left to do the last task and wrap up the workshop. Since the strategies to deal with the barriers had developed into action plans and the revised action plans now contained time lines and responsibilities to some degree, the new task was designed to take the group plans one step further. The wording of the task was:

“One more time in your task groups, identify what you can do following this workshop to continue GOSD’s progress in these strategic areas.

Describe what you *need* from the following to move ahead:

- List the organizational unit, committee, office, the ISC, an outside group, etc.
- List beside each group what it is you need from them in order to move CGOSD ahead.” (This listing became interpreted as a list of “responsibilities” each of the identified groups had to ensure for implementation of the strategic action plans.)

These reports were not made to the plenary, both because of a lack of time and because the groups were “reported out.” But when the EHP team reviewed these lists after the workshop, they saw that in a large number of cases, this exercise was the capstone that made the strategic action planning complete.

2.3.4 Outcomes of the Workshop

There were three major outcomes from this planning and assessment workshop:

1. The information and material generated during the course of the workshop provided the assessment team with a vast amount of data, insights, and issues for their consideration in writing the assessment report. Because of the stage-by-stage design of the workshop (which took participants from accomplishments, through barriers, to strategic plans and responsibilities), the outputs from the various working groups were highly detailed and extremely task-specific. This specificity greatly assisted the assessment team in its analysis of the project's progress.
2. This workshop regenerated the energy and enthusiasm of previous annual review workshops, and enabled the CGOSD staff and ISC advisors to demonstrate the strong collaboration that they had developed over the last two years. Evidence of such effective working relationships was extremely important to the assessment team because it demonstrated the assertions of good team work which had been described in the pre-workshop interviews.
3. The workshop provided a forum for all parties, including USAID and ODA, to participate in a significant review of the activities, progress, and issues over the last two years, and to establish a baseline of accomplishments and plans to carry the project forward for the next year and for

the two subsequent years. This forum was particularly important because it helped dispel some of the negative perceptions that had built up over the life of the project, and which had been the focus of the progress review and analysis done by the WASH Project in 1993.

To arrive at these outcomes required significant cooperation from the CGOSD and contractor staff. The team found both the contractor and the CGOSD staff to be open, thoughtful, and helpful. There was virtually none of the anxiety, resistance, and hostility one often finds in doing an assessment or evaluation.

During the course of the workshop, there were numerous occasions which illustrated various aspects of how CGOSD and the contractor had developed and made progress. As the groups reported their deliberations early in the workshop, it became clear that the CGOSD and contractor team had developed a great deal of self-confidence over the past two years. The nature of the discussions, the aggressiveness of the debate, indicated that the CGOSD organization has reached a point where it just might be able to take the next big steps toward autonomy. If the governmental political will and the bureaucracy allow, these lists of activities and objectives could become reality in the next three years.

3 FINDINGS AND RECOMMENDATIONS

3.1 Overview

The team organized its findings and recommendations on the basis of the 26 tasks being carried out under the current work plan. The CGOSD and ISC staff are accustomed to dealing with their work by task number, and all of the reports and file materials are organized on that basis.

Because of the number of tasks, the team decided to group findings and recommendations under each task to make it easier for the readers.

3.2 ISC Tasks

Task A1.1 Annual Maintenance Replacement Estimates

Purpose of Task: Establish a planning strategy and guidelines for estimating maintenance costs for capital infrastructure in the CGOSD system. The task also includes preparation of a five-year projection of these annual maintenance costs.

ISC Contract Requirements: This task addresses the general action-oriented objectives of the establishment of maintenance management procedures and the attainment of financial viability.

Deliverables: The major deliverable is a report presenting (1) valuation of representative CGOSD fixed assets, (2) five-year projections of annual maintenance costs for fiscal years 1995/96 through 1999/2000; (3) framework, formats, and required baseline input data that CGOSD will need to prepare the Replacement Maintenance Schedules on an ongoing basis; and (4) comparison of significant costs with other wastewater utilities as a benchmark on performance, and (5) strategies and plans for implementation.

Status of Task: A pilot study of Zenein Wastewater Treatment Plant (WWTP) is underway to identify and value representative CGOSD fixed assets and to determine useful life of representative CGOSD fixed assets. This will provide the basis for later studies and the

draft report which is scheduled for December 1995. Problems associated with the results of this task include obtaining reliable data on CGOSD fixed assets and the assumption that the Zenein Pilot study will be representative of other CGOSD facilities.

Recommendations for the Final Year of the ISC: After completion of the report, the ISC team should work closely with senior CGOSD officials to assure that the results of this task are incorporated into appropriate ongoing tasks and into planning and management considerations. Appropriate training should be included.

Recommendations for the Period Beyond September 30, 1996: The results of this study will provide a baseline for estimating future capital improvement costs and capital replacements. As an autonomous utility, such costs will be important in determining tariffs and budgeting for capital improvements. Any follow-on project should assure that this work is continually updated and incorporated into GOSD's accounting, financing, and maintenance program activities. To assure this, a training program addressing key elements of annual maintenance needs and replacements, costs, scheduling, and standards should be included in a follow-on activity.

Task A1.2 Capital Facility Organization Plan

Purpose of Task: Design a Capital Improvement Planning (CIP) unit and define responsibilities and establish policies for a facility-planning function to be used as a basis for CGOSD to establish such a unit.

ISC Contract Requirements: This task addresses the action oriented objective of attainment of financial viability.

Deliverables: A report is to be delivered describing the key processes, structure, and responsibilities of the CIP unit. The report will also define the relationships with functions of facility master planning, capital and financial planning, and wastewater rate setting and present an implementation plan.

Status of Task: The subcontractor, Ernst and Young, has completed a draft report (2 volumes) and is currently revising it based on comments received. Volume I presents the plan for the proposed unit. Volume II presents a model CIP, which is proposed as a prototype for CGOSD. A final report is expected in September 1995.

Recommendations for the Final Year of the ISC: The task will have been completed with

the delivery of the final report. ISC should, however, continue to assist in the development of a staff and the organization necessary to establish the CIP unit as may be desired by CGOSD. In this regard, CGOSD should proceed immediately to establish the new Capital Improvement Planning Organization as a unit under the Financial Department, a procedure within their authority, rather than considering the alternative of creating a new department which requires the slow and cumbersome approval of the CAO. This will allow an adequate start-up and training period under the guidance of the ISC.

Recommendations for the Period Beyond September 30, 1996: Subject to the establishment of the proposed CIP unit by CGOSD, any follow-on program should provide oversight and developmental support, as CIP activities will be new and strange to the organization.

Review the merits of a merger between the Cairo Water Organization (CWO) and CGOSD, since CWO has worked primarily on capital projects since its separation from CGOSD.

TASK A1.3 UTILITY BUDGETING DESIGN

Purpose of Task: Design an effective utility-wide budgeting process, develop a plan to implement it, and assist CGOSD in the first phase of the implementation.

ISC Contract Requirements: Task A addresses three of the specified, action-oriented objectives listed under the ISC contract requirements: strengthening management capability, establishment of financial control systems, and attainment of financial viability.

Deliverables: The major deliverable is a document describing the process and components of an annual utility operating budget, responsibilities for implementation, timetables for key budget completion, and an implementation plan.

Status of Task: The responsible subcontractor, Ernst and Young, describes this as the largest task for which it is currently responsible. The work is proceeding ahead of its current schedule, which calls for delivery in December 1995. A draft copy of the report is expected in September 1995 and a workshop is planned for the same month. The budget format is being developed to match the Uniform Accounting System (UAS)¹ currently being implemented

¹It was not clear to the consulting team how far along the new utility budgeting format will take CGOSD toward development of an enterprise-fund approach to accounting and budgeting.

The legal opinions prepared under Task B1.2 indicated that CGOSD does not have the authority to establish its own format for accounting and budgeting and must use the systems called for under the law pertaining to economic organizations. The team did not have sufficient time to explore the

by CGOSD and automated as part of the work being undertaken by CH2M Hill/OMI and its subcontractor, IBM. No software will be developed by Ernst and Young as part of its task.

The subcontractor's charge does not include the development of work standards for the budget, although justification will be required for all budget items.

details of the UAS currently being implemented by CGOSD. However, the format is not based on enterprise-fund accounting practices. In its rate study and five-year financial plan for CGOSD, Ernst and Young recommended that the accounting for CGOSD be "established as an enterprise fund."

Because of legal constraints, CGOSD is not free to change to an enterprise-fund type of accounting and budgeting format. As a result, CGOSD is not in a position to use a business-type approach to its budgeting. The decision makers involved in the rate-setting process are not receiving the right type of information at the time they make their decisions. In addition, agencies approached for financing CGOSD activities and facilities have no basis for making a determination.

Depending on the success of implementing the budgeting system, USAID may consider providing necessary technical assistance to CGOSD beyond September 1996 to develop accounting and budget formats based on enterprise-fund practices. Technical assistance (TA) should include development of the necessary software to support the new approach, together with a crosswalk mechanism, so that the UAS required by the GOE can be maintained on a parallel basis. CGOSD managers and policymakers should be encouraged to utilize the new enterprise-fund format in making decisions regarding the annual budget and rate increases.

A major training effort will be needed to enable CGOSD middle managers to implement the new utility budgeting system being developed by Ernst and Young. If the new format is to be useful to the top managers and policymakers in CGOSD, it will need to focus attention on the true costs of the organization vs. costs for unneeded personnel, the impact of uncollected revenues, the cost of processing unnecessary wastewater arising from the inadequate water and wastewater rates, and the absence of sufficient water metering.

Recommendations for the Final Year of the ISC: 1. A major in-depth training effort should be designed and undertaken for the top and

middle managers who will be responsible for implementing the new utility budget format.

2. Technical assistance should be provided to CGOSD under the final stages of the ISC to assist in a true budgeting approach which identifies and segregates costs for unnecessary personnel as well as a budgeting process which results in the exploration of potential privatization, on a cost-benefit basis, of discrete O&M or administrative and finance (A&F) activities which are complex but essential for the proper functioning of the authority.

Recommendations for the Period Beyond September 30, 1996: Continue major in-depth training efforts for managers and staff on the new utility budgeting format.

Task A1.4 Industrial High-Strength Effluent Surcharge

Purpose of Task: Calculate surcharges based on the real cost of removing industrial-strength pollutants above a specified threshold.

ISC Contract Requirements: This task relates to the action-oriented objective of the attainment of financial viability.

Deliverables: The major deliverable is calculation of the industrial surcharge rate to be applied for each of GOSD's major treatment facilities for fiscal year 1995/96. This surcharge will be applied to high-strength industrial wastes entering the CGOSD system. Documentation used to develop the surcharge rate will be included as well as an implementation plan.

Status of Task: This task is being undertaken by Ernst and Young. It is about 75% complete,

with a draft report scheduled for submittal in August 1995.

Recommendations for the Final Year of the ISC: The task will be completed with the submission of the final report. However, ISC should continue to monitor the results of this work and assist CGOSD planners and administrators in implementing the recommendations.

Recommendations for the Period Beyond September 30, 1996: This task will require annual updating and incorporation into the tariff and billing systems. A follow-on project should include minimal oversight, technical assistance, and training activities to assist CGOSD in completely institutionalizing this process.

TASK A1.5 FINANCIAL AND ECONOMIC ANALYSIS UNIT

Purpose of Task: Design a Financial and Economic Analysis Unit for CGOSD and assist in its implementation.

ISC Contract Requirements: The task relates to two of the ISC requirements: strengthening of management capability and attaining financial viability.

Deliverables: A report which describes the key activities, reports, organizational structure, responsibilities, and staffing level of a proposed financial and economic analysis unit within CGOSD, including a formal outline of the framework, scope, timing of a new rate-setting procedure, and implementation plan.

Status of the Task: The draft report has been completed and given to the Chief of Party and his staff for review and comment. As soon as that review process has been completed and the comments incorporated, the draft report will be translated and circulated to the CGOSD staff for review and comment, following which the report will be finalized by Ernst and Young.

CGOSD does not currently have the staff capacity to handle the work envisioned in the report. In addition, the requisite skills are still somewhat scarce in Egypt, and CGOSD salary levels will be unable to attract qualified professionals from the private sector. Since the unit is intended to provide the basis for a business-like approach to GOSD's operations and finances, it represents one of the cornerstone activities of the ISC. It is unlikely that this cornerstone will be in place if the unit is filled by existing staff members or on the basis of current salary levels.

In addition, the report does not address the question of manpower planning or analysis. The CGOSD personnel has increased by 39% since the ISC work began, making financial viability more difficult. The work done by Ernst and Young in the five-year financial plan suggested that CGOSD might have approximately 25% more employees than it needed in 1994. Although new facilities have been completed and become operational, there is reason to believe that operational managers have requested more personnel than are required. CGOSD does not have a process whereby key A&F personnel interact with the O&M managers in decisions about hiring additional personnel. Clearly, the staffing decisions are not being approached on the basis of GOSD's operating on a business-like, financially self-supporting basis.

Careful thought by a manpower planner should be given to phasing out unneeded employees and taking steps to find alternate training and employment opportunities for those too young to retire.

Recommendations for the Final Year of ISC:

1. An addendum should be prepared for the report on the Financial and Economic Analysis Unit to indicate how manpower planning and analysis can be included in its work so that GOSD's top managers and policymakers can become more aware of the interrelationships between manpower costs and financial viability.
2. Training on manpower planning and analysis should be provided to A&F and O&M managers in CGOSD to ensure better collaboration on staffing decisions, based on a business analysis.

3. USAID should enter into negotiations with CGOSD and CH2M Hill/OMI to establish the unit on a contract basis for the first three years (at a minimum), using the services of a qualified private-sector Egyptian firm, to ensure that the proper skills are available to the unit. (This is particularly important in its formative years.) A new unit, filled by unskilled personnel who can't be removed from their positions if they prove not to be effective, could be worse than no unit at all. Contract personnel could be charged not only with doing the work initially, but training and *evaluating* CGOSD personnel, seconded on a probationary basis, for eventual assumption of the duties.

4. The unit should play a key role in the advocacy and use of an enterprise-fund

approach in the presentation of CGOSD finances to the top managers and policymakers.

Recommendations for the Period Beyond September 30, 1996: 1. Because creating this unit is a cornerstone in placing CGOSD on a business-like basis, USAID should find a way to help finance the continuation of the unit on a contract basis for at least two additional years beyond the end of the current ISC.

2. Since the techniques and skills to be employed by the new unit are relatively new to Egypt, considerations should be given to the provision of expatriate technical assistance to the unit, whether on a contract basis or not, in the form of either a firm or an individual with training and experience in utility economics and enterprise funds.

TASK A1.6 BILLING AND COLLECTION OVERSIGHT UNIT

Purpose of Task: CH2M Hill/OMI Hill/OMI to provide assistance to CGOSD in gaining control over its revenues and accounts payable.

ISC Contract Requirements: Task A1.6 speaks to two of the ISC contract requirements: establishment of financial control systems and attainment of financial viability.

Deliverables: A plan document describing the need for the oversight of the billing function, plus a description of the procedures, responsibilities, management reports, staffing levels of the unit, and an implementation plan.

Status of Task: Ernst and Young expects to deliver a draft copy of the report in August 1995 for review and comment. The collections

subcommittee of CGOSD is in the process of preparing for its negotiations with the water authority (GOGCWS), following receipt of the report.

Recommendations for the Final Year of the ISC: CH2M Hill/OMI and Ernst and Young should work with CGOSD to ensure effective communications between the Economic Analysis Unit and the Billing and Collection Oversight Unit to ensure that the data collected at the GOGCWS is available for inclusion in the economic analysis activities.

Recommendations for the Period Beyond September 30, 1996: It appears that no additional work will be necessary.

TASK A1.7 UPDATED WASTEWATER RATE RECOMMENDATIONS

Purpose of Task: Provide CGOSD with an update of the 1994 Wastewater Rate Study, with particular emphasis on residential rates, including recommendations for wastewater rates for the four fiscal years 1995/1996 through 1998/1999.

ISC Contract Requirements: The task addresses the ISC contract requirement concerning attainment of financial viability.

Deliverable: An addendum report to the 1994 Wastewater Rate Study including recommended wastewater rates for the four fiscal years beginning 1995/1996.

Status of Task: Ernst and Young has submitted several interim financial tables and

expects to make its final submittal in December 1995, using more recent data collected from CGOSD.

Recommendations for the Final Year of ISC: As mentioned in recommendations for future work under Task A1.5, the team recommends that Ernst and Young remain available for limited technical assistance regarding rate structure and the five-year financial plan to support the efforts of the Economic Analysis Unit.

Recommendations for the Period Beyond September 30, 1996: As mentioned under Task A1.5, USAID should continue technical assistance in support of the new unit.

TASK A2.1 SUPERVISION OF VENDOR INSTALLATION OF HARDWARE AND SOFTWARE

Purpose of Task: CH2M Hill/OMI must ensure the proper installation of hardware and software by IBM, including testing, training, and data entry. The task includes certification to CGOSD that the vendor has fulfilled all of its contractual obligations.

ISC Contract Requirements: The task addresses 7 of the original 15 ISC contract requirements as follows:

- Strengthening management capability
- Establishment of financial control systems
- Establishment of computerized data
- Establishment of an effective stores program management systems
- Attainment of financial viability
- Procurement of vital equipment and spare parts
- Strengthening of personnel management practices

Deliverables: The deliverables include schedules for hardware installation, software customization, communications hardware, and training courses. Reports will include one on computer skills development and one covering final acceptance of hardware and software installation and system procedures manuals.

Status of Task: The hardware includes 2 file servers and 70 networked PCs. Each LAN can support 25 PCs and the base units can support up to 256 terminals. The system has 18 gigabytes of memory. There is a 15-minute battery backup system and two backup tape units. Approximately 60% of the hardware has been delivered and installed. Specifications have been developed for customization of six financial and administrative software modules,

and the software changes are being made by IBM. A potential problem has developed in obtaining the necessary phone lines for the computer network. CGOSD and CH2M Hill/OMI analyzed the problem at the workshop and have developed a strategy for obtaining the lines on a timely basis from the telephone authority.

Additional software (DOS/Windows, Word, Excel, Fox and E-Mail) is being provided. There currently is no users' committee in existence to provide input in the installation and debugging of the systems. Three training centers are being created and equipped to handle the necessary training for the hardware and software. One center is complete, a second one is 90% complete and the third one is being built with E.C. Phare funds.

It is anticipated that IBM will complete its work approximately six months behind schedule, largely due to procurement difficulties in placing orders for the hardware.

Recommendations for the Final Year of ISC:

1. Additional training for computer operators and users will probably be required as the hardware and software becomes operational and CGOSD staff run into problems and glitches.
2. A users' committee should be established by CGOSD to provide input into the design and installation of the system. It should be made up of representatives of the principal units involved in the installation of the various systems. Such a committee could be a valuable vehicle for providing timely feedback on

problems encountered during the installation and parallel-run phases.

Recommendations for the Period Beyond September 30, 1996: Additional requests for hardware should be discouraged until the new systems are up and operational and all of the glitches worked out. The only exception might be hardware and software to support activities of the Economic Analysis Unit. Any additional

hardware should be purchased on a 50% matching basis to ensure better cost-benefit decisions regarding equipment needs of CGOSD. In addition, any future hardware and software purchases utilizing USAID funds should be made conditional on having a qualified Systems Manager on the CGOSD staff. (See the comments regarding Task A2.2.)

TASK A2.2 ORGANIZE CGOSD COMPUTER CENTER

Purpose of Task: Provide technical assistance in planning the priority needs for furnishing the Computer Center, procuring the furnishings, and in preparing the budget for the center.

ISC Contract Requirements: The task indirectly addresses the seven ISC contract requirements mentioned in Task A2.1 above in terms of providing the necessary housing for the computer hardware.

Deliverables: The contractor will provide a variety of reports concerning renovation and furnishing of the Computer Center and satellite sites, security and safety of computer sites, an organization chart for the center, plus a policies and procedures manual. In addition, training programs will be developed for the center staff.

Status of the Task: An organizational chart has been developed; 17 individuals (15 engineers and 2 accountants) have been recruited from inside CGOSD and have received training. The policies and procedures manual has been written. Although the delivery and installation of the hardware is not completed, the Computer Center is essentially operational from a physical standpoint.

However, all of center's staff are new to their positions and have no operational experience. The current Computer Center Manager is serving in an acting capacity, and the task is being managed by the CGOSD ISC Project Manager who has taken a personal role in directing the work. IBM is responsible for standing behind its hardware and software installations for a one-year period following the acceptance of its work. Some people in

CGOSD see that guarantee as providing them with professional supervision of the center's activities. A careful reading of the guarantee indicates that it obligates IBM to respond only for the purpose of repairing or debugging problems with the hardware and software. It in no way provides professional oversight of GOSD's data processing activities. Some individuals in CGOSD see the Computer Center Manager as being primarily involved in hardware issues, which are the least difficult of data-processing problems.

CGOSD is about to be involved in the installation of several complex, interactive software applications spread over a wide geographical area. The organization will experience very difficult and frustrating problems as it goes forward with that process. CGOSD does not have anyone on its staff who is experienced in solving complex systems-installation problems.

USAID and CGOSD will have made significant investments in terms of equipment and staff time before the installations are complete and working satisfactorily. Furthermore, CGOSD could experience a severe embarrassment as an organization if the installation of the new systems fails or undergoes significant delays. No organization should attempt a major systems installation without having the full-time availability of an experienced systems manager. However, because of its salary schedule limitation, CGOSD is not in a position to hire a systems manager from the private sector. It is essential the USAID and CGOSD find some way to solve this difficult problem as soon as possible.

Another problem facing CGOSD is that the individuals being trained to staff the Computer Center will be attracted to private-sector positions where the pay is much better. Under Egyptian law, an individual receiving training for one year is obligated to remain with his or her organization for at least two years after completion of the training or else pay back the cost of the training. CGOSD has not given sufficient attention to increasing the compensation of the 17 Computer Center staff in order to retain their services as they become more proficient.

Recommendations for the Final Year of the ISC: 1. CH2M Hill/OMI, with the backing of USAID, should assign a full-time qualified local individual to the Computer Center as the Acting Systems/Computer Center Manager as soon as possible to serve for the remainder of the ISC contract period. This individual should have experience in systems software (as opposed to hardware). The existing ISC Computer Center Manager may have these qualifications; however, this was not verified by the team.

2. It is recommended that the Computer Center Acting Manager, in consultation with the CGOSD Project Manager, recruit two potentially qualified CGOSD staff to be

seconded to the Computer Center and trained as potential replacement managers. The Acting Manager should evaluate the two individuals at least every four months to determine whether they should be retained in the training slots and, if either should not, the individual should be replaced with another person so that at least two individuals are being developed.

3. The Chairman and the Personnel Manager should give careful consideration as to how the compensation of the 17 individuals staffing the Computer Center can become more competitive so that their services are not be lost to CGOSD.

Recommendations for the Period Beyond September 30, 1996: As an alternative to the recommendation above, USAID and CGOSD might jointly negotiate a three-year contract with a private firm such as IBM to supply a Systems/Computer Center Manager. USAID could agree to pay 100% of the first year and CGOSD would pay the full cost for the next two years. A variation might be a three-year contract with CGOSD paying 25% the first year, 50% the second year, and 75% the third year, provided USAID can draw up such a contract without an ISC being in place for the entire period.

TASK A2.3 DATA ENTRY

Purpose of Task: Provide technical assistance to CGOSD in developing a program for entry of operations and maintenance, accounting, personnel, and purchasing data into the data processing systems.

ISC Contract Requirements: The task addresses the same seven ISC contract requirements set forth in Task A2.1 above.

Deliverables: Finalized databases, ready for parallel runs. CGOSD has primary responsibility, with technical assistance from CH2M Hill/OMI staff.

Status of the Task: The job of gathering, verifying, and inputting the various personnel, financial, O&M, and purchasing records is proving to be a daunting job. IBM is responsible for the input of a limited number of records; the majority are being handled by CGOSD. Coding and entry at the warehouses is proving difficult since few of the qualified engineers appear willing to do the work.

Approximately 65% of the personnel records have been delivered to CH2M Hill/OMI for entry into the database, and 3,500 remain to be done. The Personnel Officer estimates that the job will be completed before the end of the year. It is quite possible that the slow pace of data entry work (resulting from extra collection and delivery) will delay the start-up

of running the software programs in parallel with the manual systems.

The focus for the O&M systems has been first to develop a workable manual system, such as is being done for the Material Service System, before moving to the computer system. In this regard, the team did not assess the actual percentage of data transferred for the O&M, accounting, and purchasing activities.

This task did not receive adequate attention at the workshop. It needs an analysis of barriers and an action plan to expedite the process. A significant delay in completing the data entry will make it difficult to test and debug the software modules.

Recommendations for the Final Year of ISC:

1. CH2M Hill/OMI and CGOSD should revise the plan of action for data entry to speed up the process and ensure that the data bank is completed and ready for IBM on a timely basis.
2. In the event that data entry continues to lag behind schedule, CH2M Hill/OMI and CGOSD staff should examine the possibility of contracting with a qualified local firm to undertake some of the slower-moving work.

Recommendations for the Period Beyond September 30, 1996: No recommendations are being made for future work on this particular task.

TASK A2.4 PHASED TRANSITION FROM MANUAL TO COMPUTERIZED SYSTEMS

Purpose of Task: Provide technical assistance to CGOSD for the transition from manual to computerized systems while two procedures run in parallel.

ISC Contract Requirements: The task speaks to the same seven ISC Contract Requirements listed under Task A2.1 above.

Deliverables: CH2M Hill/OMI will prepare a series of reports regarding software testing, status of databases, adequacy of manuals, and acceptance of systems.

Status of Task: Because of delays during the equipment procurement stage and potential delays during the data-entry stage, the phased transition period is behind schedule. In the case of the Accounting System, this is further complicated by the change from the old manual government system to the new computerized Unified Accounting System. The team is concerned that there will not be sufficient time during the final year of the CH2M Hill/OMI contract to work out all the operating bugs which are certain to develop in the course of such a complex systems installation. This task presents the most difficult stage of the entire computerization effort. If it goes badly, the CGOSD staff, the auditing agency, and MOF will all be very reluctant to leave the manual systems behind. In the absence of an experienced, hands-on Systems Manager working full-time with CGOSD, it could easily go badly and cause embarrassment to everyone connected with the effort. The potential of this undertaking to falter badly should not be underestimated by any of the participants—GOSD, CH2M Hill/OMI, IBM, and USAID.

Recommendations for the Final Year of ISC:

1. As recommended in connection with Task A2.3, the data-entry stage needs more attention by CGOSD and CH2M Hill/OMI. The IBM effort will be delayed if the databases are not completed.

2. As recommended in connection with Task A2.2, a way has to be found as soon as possible to hire for full-time, experienced Systems Manager on a contract basis. No organization should or could undertake a systems installation of this magnitude without a highly qualified Systems Manager to supervise the project on a full-time basis.

3. CH2M Hill/OMI should devote significant time to monitoring the phased transition and helping to ensure that the process goes forward.

Recommendations for the Period Beyond September 30, 1996:

1. As mentioned in connection with Task A2.2, USAID needs to negotiate a longer term contractual arrangement with CGOSD to ensure the presence of a full-time, experienced Systems/Computer Center Manager for at least three years. Preferably, this should be accomplished through a contract with an Egyptian firm (or qualified individual) because of the delays inherent in obtaining MOF and CAO A approvals for the necessary increased salary levels.

2. USAID needs to provide a mechanism for monitoring the phased transition and providing technical assistance and training as required.

TASK B1.1 INSTITUTIONAL RELATIONS

Purpose of Task: Assist CGOSD in negotiations with various GOE ministries and agencies to achieve the autonomy outlined in Presidential Decree 95 of 1994.

ISC Contract Requirements: Task B1.1 concerns four of the original ISC Contract Requirements:

- Attainment of financial viability
- Achievement of Organizational Effectiveness
- Establishment of internal policies
- Strengthening of personnel management and regulations practices

Amendment 4 to the scope of work places heavy emphasis on institutional reform, which was only indirectly addressed in the original ISC contract requirements. It represents a need identified by USAID.

Deliverables: CH2M Hill to assist in the design and delivery of a workshop on autonomy for representatives of various GOE ministries and agencies that impact on the operations of CGOSD. CH2M Hill/OMI was further charged with providing technical assistance to five CGOSD committees established around issues affecting autonomy and helping to develop a transition plan for each of the GOE agencies in order for CGOSD to achieve autonomy.

Status of the Task: Of the 26 tasks in the ISC work, this is the most difficult to define and implement. Furthermore, it is being undertaken in an atmosphere of indifference at best, and opposition in many cases, on the part of the GOE agencies involved. Although preparations for the workshop on autonomy

were completed, the Minister of Local Affairs and Utilities requested a year ago that it be postponed, and there is no sign that it will be rescheduled in the near future.

Any change in the personnel system, whereby CGOSD could assume the authority currently in the hands of the Central Agency for Organization and Administration (CAOA), will require the approval of the Prime Minister, who will feel obliged to contact the head of the CAO for his input. Discussions between CGOSD, with the assistance of CH2M Hill/OMI staff, and CAO representatives lead to the conclusion that CAO may oppose any move towards autonomy with regard to personnel decisions. It is interesting to note that the Cairo Water Organization (GOGCWS), which has much broader language in its Presidential Decree, dating back to 1968, regarding autonomy in personnel matters, has not made any progress towards autonomy in the area of personnel decisions.

The 1994 Presidential Decree changing CGOSD to an economic organization suggests the possibility of the agency being able to retain its revenues in its bank account and maintain its own accounting system. However, discussions between CGOSD and MOF representatives indicate that if CGOSD retains its revenues, all future subsidies, which will be necessary until revenues equal expenses, will come in the form of loans as is being done in the case of GOGCWS. CGOSD officials prefer not to receive their funds in the form of loans, although for all practical purposes, the loans are still grants. As a parallel example, GOGCWS has not been able to pay back any

of it operating loans because of its serious financial shortfalls.

Even if CGOSD were to become self-supporting financially, it would still need to maintain its financial records according to a series of general laws and MOF financial regulations governing the operation of economic organizations.

The board of directors has significant powers under the Presidential Decree to govern the affairs of CGOSD. The Governor of Cairo, rather than a minister as was the case in the past, oversees the activities of CGOSD and has the power to approve or disapprove (but not amend) actions of the board, including rate increases. Rate increases and the adoption of CGOSD personnel bylaws require the approval of the Prime Minister. In the case of rate increases, the de facto procedure is to have the Prime Minister refer them to the elected local government councils in the three governorates affected for their reaction before making his decision.

According to the 1981 Presidential Decree creating CGOSD, the 12-member Board of Directors is composed of the Chairman and two sector managers of CGOSD, one representative of each of the three governorates, two experts in the water and wastewater sector, a representative of GOGCWS, a representative of NOPWASD, and one representative each from the Ministry of Health and the Ministry of Irrigation. Although the Board is supposed to play a key role under the decree, in fact it seldom meets to decide policy issues; most policies are developed by the Chairman and the Governor of Cairo. Even if the Board were to meet on a regular basis, it has the wrong people on it for the purpose of serving as an advocate for the

needs of CGOSD. The Chairman of CGOSD is appointed by the Prime Minister, based on nomination by the Minister of Local Government.

If the Board of Directors were predominantly representatives of elected local councils, the needs of the users would receive better consideration. It would also facilitate the input of the local council members in the rate-setting process.

The key ingredients for a successful public utility are the following:

1. An active external Board of Directors acting as an advocate for the organization as well as an overseer.
2. A General Manager with utility experience who is responsible for the all operations of the utility.
3. The ability to retain its funds and utilize enterprise-fund accounting and budgeting practices.
4. The ability to set its rates, subject to an overall utility regulatory agency, making economic decisions based on professional staff analysis.
5. The ability to make business decisions regarding personnel matters, including appointment, removal, promotion, salaries, and benefits.

Using the above criteria, it is safe to say that CGOSD is not an effective public utility (and cannot operate as one) under the current legal and governmental constraints. The Presidential Decree and the general laws governing economic organizations do not even

establish the framework for an evolutionary change to a successful public utility. These directives result in a badly flawed mechanism which will not produce the results sought by USAID and other donor and lending agencies.

The central authorities in Egypt are reluctant to delegate authority to an agency like CGOSD both from a historical perspective as well as from a pragmatic standpoint. Many central government officials do not believe that CGOSD has the capacity to govern its affairs in a business-like manner and are concerned that autonomy would result in increased expenditures. At the same time, other GOE agencies, such as the Ministry of Labor, may bring pressure on CGOSD to hire more personnel in order to improve the employment picture.

The desire of the GOE to retain the final say on rate increases—because of the political sensitivities of the issue—is something that the utility can live with, provided the other criteria are met. In a sense, the Office of the Prime Minister acts as a sort of political regulatory agency in the rate-setting process.

In summary, the current mechanism makes it impossible to regard CGOSD as a business enterprise. There are far too many cooks in the kitchen, and the result is unacceptable to everyone involved, including the central ministries. The current level of USAID investment in institutional support is questionable unless a strategy can be worked out with the GOE which creates a utility organization which can begin to operate independently *as it demonstrates its ability to do so*, based on periodic evaluations.

The ninth amendment to the Grant Agreement between the GOE and the U.S. Government,

dated and signed on September 28, 1994, obligated the GOE (1) to provide evidence by January 1, 1996, that all wastewater revenues are being retained by CGOSD, and (2) that a minimum of L.E 125,000,000 in annual revenues be generated. The amendment further obligated the GOE to “complete all legal procedures necessary” to implement the agreement. To the team’s knowledge, the necessary legal actions have not been taken. At the present time, it appears that neither of the two requirements is likely to be met by January 1, 1996.

In addition to the items contained in the ninth amendment, the team suggests that a long-term requirement be established requiring specific progress on the creation of a *workable* public utility mechanism for Egypt along the lines suggested in Appendix E. Without the proper structure in place, any progress toward increasing revenues and decreasing expenditures will be halting and sporadic. The chances of CGOSD being self-supporting by the year 2000 are highly unlikely.

These issues are being addressed internally in CGOSD by five committees. The team understands that two were recently created and are not yet completely organized. Further, the team did not have an opportunity to participate directly with any committee. However, the team fully supports the concept with the guidance that committee work needs close monitoring and focus for effective progress. Without guidelines and close monitoring by ISC, the team believes that the committees will tend to be ineffective and consume a lot of time that can be devoted to more important activities.

Recommendations for the Final Year of ISC:

1. CH2M Hill/OMI, in consultation with

CGOSD and USAID, should develop a strategy for changing the way in which CGOSD operates, with particular attention to the Board of Directors, an enterprise-fund accounting and budgeting format, autonomy in key personnel decisions, and presentations of rate increase issues to the Prime Minister. Alternate strategies should be developed which might call for changes decree and in the general laws vs. development of de facto procedures which could be utilized within the limit of the existing laws and decrees. Appendix E suggests some strategies which might be considered, among others, as CH2M Hill/OMI, CGOSD, and USAID consider the issue.

2. In Alexandria, the Cairo Water Organization, the provincial cities, and the canal cities, other USAID contractors have grappled with the problems of institutional reform, experiencing very similar frustrations. USAID should bring together the specialists who have been working on institutional issues in Egypt at a workshop to share their ideas on possible solutions and strategies. Periodic meetings of institutional reform specialists should continue on at least a quarterly basis.

3. The Chairman of CGOSD should create a policy advisory board to serve as a prototype Board of Directors during the period in which amendments to the Presidential Decree and the general laws are being sought to change the makeup of the current board. Such a group could provide policy advice to the Chairman and the existing Board on topics such as rate increases, personnel bylaws, enterprise-fund accounting and budgeting, and strategic planning. The prototype Board should contain no more than 11 to 15 people and should not include national officials. It could include representatives of the local councils from the three governorates, business representatives,

bankers, lawyers, academics and retired national government officials. Individuals should be selected for their ability to influence public opinion, and CGOSD will need to pay a stipend for their attendance at meetings. The Board should meet at least every other month, perhaps even monthly during the early stages.

4. CH2M Hill/OMI should work with CGOSD to provide training to the newly appointed Board, utilizing a workshop format, so that the individuals understand the role of the Board and the major issues facing CGOSD, particularly the need for a business-like approach to its operation.

5. Research should be undertaken by the CGOSD and CH2M Hill/OMI staff working on institutional reform issues to examine the laws and regulations governing the more successful economic organizations, such as the telephone and the power organizations. Particular attention should be paid to the type of arrangements they have been able to work out with the MOF and CAO. There may be useful lessons to learn from their experiences.

Recommendations for the Period Beyond September 30, 1996:

1. Following development of more detailed strategies for creating workable public utilities in Egypt, USAID should enter into the necessary negotiations with GOE to implement those on which there is agreement. Additional capital investments in the water and wastewater sector should be made contingent upon year-by-year progress on the agreed-upon strategies.

2. Once satisfactory composition of the Board of Directors has been negotiated and implemented, an in-depth training program should be developed for Board members so that they fully understand their roles and

importance in the creation of a workable public utility.

3. Consideration should be given to conducting a management audit of the utility so that the new Board has an outside evaluation of the strengths and weaknesses of the organization which in turn will help the Board to do strategic planning. An Egyptian firm should be trained in performing management audits so that local capacity is developed.

4. USAID should continue to support CGOSD in moving steadily toward a negotiated, phased

approach to a business-like independent public utility.

5. USAID should consider working with the Sadat Academy to develop a diploma program in utility management, covering the key areas of strategic financial planning, enterprise-fund accounting and budgeting, independent merit personnel systems, and rate-setting. Such an academic program would be useful for both technical and administrative or financial managers in all types of government utilities so they can begin to understand the business aspects of the utility operations. (See the recommendation made in Task B3.3.)

TASK B1.2 LEGAL ADVISORY

Purpose of Task: Assist CGOSD in implementation of its Autonomy Action Plan by furnishing the services of a legal advisor.

ISC Contract Requirement: The task speaks to the same ISC contract requirements shown in Task B1.1 above.

Deliverables: The task calls for the development of a series of legal opinions regarding the provisions of the Presidential Decree as well as a discussion of the various general laws and regulations impacting CGOSD with regard to autonomy.

This task supports activities taking place in Task B1.1. The local special counsel selected for the task has developed a series of opinions setting forth the legal powers and constraints impacting on CGOSD.

The English translations of the opinions need polishing, in consultation with Dr. Attia (the Chief of Party indicated this will be done), and should receive wide distribution. They are extremely useful documents for those CGOSD, CH2M Hill/OMI, and USAID personnel interested in institutional autonomy issues in Egypt. Interviews by the team did not indicate an in-depth understanding of the contents of the opinions.

Recommendations for the Final Year of ISC:
1. The special counsel should be called upon to work with the CH2M Hill/OMI staff to polish and refine the existing opinions so that they

are fully understandable to all of the parties involved in the institutional reform efforts.

2. The services of the special counsel should be retained in the final year of the ISC to assist in the development of alternative strategies as suggested in the continuation work under Task B1.1 above. In addition, his services should be called upon for the proposed workshop on strategies to develop stronger public utilities.

3. Consideration should be given to holding a workshop for the key CGOSD, CH2M Hill/OMI, and USAID staff members who are working on institutional reform issues to ensure that the legal issues are well understood and accepted by all concerned. In addition, it might be useful to invite specialists involved with other USAID institutional reform programs to the workshop. The purpose of the workshop would also be to determine what further research needs to be undertaken. The team has no recommendations for specific legal issues to be addressed but suggests that the loopholes and implementation problems of the Presidential Decree would be a good starting place. (See Task B1.1 for further Presidential Decree issues.)

Recommendation for the Period Beyond September 30, 1996: The services of a special counsel with an in-depth knowledge of the laws and regulations governing CGOSD and similar organizations should be retained to assist USAID in the development of strategies for creating stronger public utilities and also to assist in the negotiation process with the GOE.

TASK B1.3 PUBLIC AWARENESS PROGRAM

Purpose of the Task: Develop and implement a public and employee awareness/information program and assist CGOSD to continue the efforts.

ISC Contract Requirements: The task addresses 3 of the 15 ISC contract requirements: attainment of financial viability, strengthening of personnel management practices, and achievement of organizational effectiveness.

Deliverables: The deliverables include an employee information newsletter, publication of CGOSD press releases on a periodic basis, a public opinion survey, public awareness training, and development of a 1995/1996 public awareness budget and program.

Status of the Task: Three issues of the quarterly newsletter for CGOSD employees have been published, the last one with substantial assistance from the CGOSD public relations staff. Two press interviews with the Chairman have been published. Seven educational and two service advertisements have been published. Three visits to CGOSD facilities have been held for members of the public.

The major program awaiting implementation is staff training in public relations. A training course outline is under review by CGOSD. The implementation of radio advertisements and newspaper articles about CGOSD and the preparation of a CGOSD documentary film have not been completed.

The principal impediment to progress in the public awareness program appears to be a lack of understanding or active support for the

program from the current CGOSD public relations staff. They do not appear to fully understand the relationship between the proposed public awareness program and financial viability for CGOSD. Hopefully, the forthcoming training program will increase CGOSD staff support for the program. The public awareness program is an important part of the effort to make CGOSD an effective utility business with public support.

One of the interesting aspects of the program is the low image that CGOSD has had over the years because of the public's view of people who work in the wastewater sector. It is surprising that CGOSD personnel have not recognized the contrast between the poor image their profession projects and the importance of their services to the health and well-being of the general public. This juxtaposition highlights the need for increased public awareness of the value of GOSD's services to the public weal.

Recommendations for the Final Year of the ISC: 1. CGOSD needs to take direct action in the public awareness program and the activities to ensure that the organization takes full advantage of the quality technical assistance currently being provided by CH2M Hill/OMI.

2. The public awareness training program should get underway as soon as possible. Efforts should be made to provide not only in-depth training for the public relations staff and the top managers of CGOSD, but also for middle managers of the organization so that they can come to understand the relationship between public awareness activities and the future financial health and prosperity of CGOSD.

Recommendations for the Period Beyond September 30, 1995: 1. Any future public awareness technical assistance should involve itself primarily with media material in connection with the need for rate increases and the economic and health benefits arising from CGOSD activities.

2. CGOSD should consider financing a contract with a public relations consultant to assist it in strengthening its programs and staff capacity. It is a very important program for the future well-being of the organization and deserves CGOSD financial support.

TASK B1.4 CGOSD REORGANIZATION

Purpose of Task: Provide technical assistance to CGOSD in the implementation of its reorganization plan.

ISC Contract Requirements: The task speaks to 2 of the 15 ISC Requirements: Strengthening of Management Capacity and Achievement of Organizational Effectiveness.

Deliverables: Technically, no deliverable is currently required for this task since the contractor's role is to supply TA to CGOSD in the implementation of its reorganization plan.

Status of Task: Over the three-year life of the ISC, a great deal of time and effort has gone into working with CGOSD on reorganization. A major report was developed in the past on the actual organization of CGOSD which was helpful to all of the parties working on various aspects of the institutional support activities.

Any reorganization plan has to be submitted to CAO for approval and to MOF for funding before it can be implemented. One problem frequently encountered during discussions about reorganization is the tendency of CGOSD staff members to view reorganization as a way to obtain promotions and salary increases, rather than as a way to improve the operation of the agency.

The most beneficial recent action toward reorganization is the creation of two Deputy Chairmen positions, one for A&F and one for O&M. Many observers of the CGOSD operation, both within and without, see the creation of the two positions as a way of reducing the Chairman's very broad span of control since he is burdened by a large number

of people who report to him. These observers also see it as a possible way to increase the amount of delegation of authority in CGOSD.

However, the creation of the two slots could also have adverse consequences for the organization if the situation is not thought through carefully. If the individuals selected are not knowledgeable concerning the areas under their supervision or if they are not willing to delegate, the sought-for improvements to the organization will not be realized.

There is also the problem of GOSD's salary schedule. In the case of the O&M Deputy, there are several promising candidates within the organization who would view it as an attractive promotion within the current salary schedule levels. In the case of the A&F Deputy, the position is being created partially to augment the shortage of personnel in CGOSD who are trained in modern business approaches to the operation of a utility. USAID has shown a strong interest in the position because of the needs of CGOSD. However, if it is filled from within because of the limited salary range, it could become a bottleneck and present an impediment to progress.

The team made only a cursory review of the reorganization plan at the unit levels, and had no specific issues other than to suggest that reorganization is best carried out as a series of necessary adjustments of individual units, rather than a blanket and potentially disruptive action.

Recommendations for the Final Year of ISC:
1. Two Deputy Chairmen should be hired on a one year probationary basis, with evaluations

by the Chairman, aided by CH2M Hill/OMI, before permanent appointments are made.

2. Training should be developed for the two individuals to assist them in undertaking their new responsibilities.

3. CGOSD, CH2M Hill/OMI, and USAID should explore the possibility of hiring the A&F Deputy on a contract basis so that an individual with experience in the utility, banking, or a similar field can be recruited for the position. It is an extremely important position for CGOSD and the effort to create the position will have been wasted if a way can't be found to fill it with a qualified individual.

Recommendations for the Period Beyond September 30, 1996: 1. USAID should explore ways to continue its support for a contract

person to fill the A&F Deputy position following the end of the ISC. It is an essential position if CGOSD is to continue its evolution to becoming a public utility with a business orientation.

2. In future ISC activities, USAID should explore the possibility of specifying that the contractor will have to supply a full-time expatriate consultant with extensive public utility business and/or general management experience. Such an individual could be seconded to the staff of the Chairman or one of the Vice Chairmen to provide continuing coaching and technical assistance. The individual could also work with the Economic Analysis Unit.

3. Reorganization at the micro level should proceed as a series of steps focusing on individual units.

Task B2 OPERATOR CERTIFICATION PROGRAM

Purpose of Task: Assist CGOSD in the design, development, and implementation of a pilot Operator Certification Program which will encourage the professional growth and development of CGOSD operations personnel.

ISC Contract Requirements: Task B2 is added specifically in Amendment 4 of the Contract, and it addresses two of the contract requirements: “upgrading the capability of CGOSD personnel” and “achieving organizational effectiveness.”

Deliverables: The official deliverables for this Task are:

- Attend all Certification Committee meetings
- Prepare Operator Evaluation Report
- Prepare draft exam with assistance of CGOSD Training Department
- Conduct three certification exams

Status of Task: This task is basically in paralysis. The Certification Committee has been appointed and some of the preliminary work has been done, such as the announcement of the program and its application, with some effort toward linking the program to personnel and salaries. But there is a deep-seated fear in the employees about such certification which causes them to shy away from applying for the program. This fear is probably based in a serious lack of understanding about certification programs in general and the proposed CGOSD program in particular.

This fear and misunderstanding lead to a variety of excuses being offered as to why the Certification Program is not moving forward. These excuses range from the allegation that

there are legal constraints to implementation of certification to the assertion that the members of the Certification Committee are very busy! One legitimate issue is the lack of incentives and a supporting budget for a Certification Program. The contention is that, without incentives, there will be ongoing resistance from the bureaucracy who much prefer the status quo. Unless it is perceived that it is in their interest, employees will not be motivated to accept and implement this change.

Recommendations for the Final Year of the ISC: 1. In order to address this fear and lack of understanding, this ISC should institute a series of seminar/workshops about operator certification; what it is, why it is important for the employees and for CGOSD, and what the advantages are for the individual operator and engineer. These workshops will help alleviate fear, reduce the resistance, and help to promote the idea that CGOSD can become a professional organization to be proud of.

2. The ISC and CGOSD should begin immediately to develop a mechanism to provide incentives for those who apply and are certified under this program. Motivation and rewards are at a basic level in this organization, so that financial incentives are still a useful motivator. Installation of pride in the program and system will come later, after these fundamentals are dealt with.

3. Following internal agreement on the certification incentives system, negotiations should be initiated with the CAO and the Ministry of Finance to gain their approvals. With these approvals in hand, CGOSD and the ISC will be ready for the implementation phase

of the certification incentives program in the final two years.

Recommendations for the Period Beyond

September 30, 1996: If the above recommendations for the next 6 to 12 months are implemented, and if they have the desired effect, then the ISC and CGOSD can begin to implement activities which are laid out in the new Work Plan. It is quite possible that these planned activities could begin before September 1996, particularly if they are

designed to dovetail sequentially with the proposed seminar/workshops on "what is certification?"

At the same time, the committee can announce implementation of the new incentives system for those who are certified under the new program, and most of the major hurdles to institutionalizing operator certification will have been overcome.

Task B3 TRAINING

Purpose of Task: Assist the CGOSD Training Department to become self-sufficient; strengthen its capabilities to provide training in all areas, including O&M, accounting, budgeting, personnel development, and management.

ISC Contract Requirements: To perform Subtasks B3.1 through B3.4 as described in Amendment No. 4. These subtasks address the Management Information Systems, the Operations and Maintenance Training, Management Training, and the Twinning Program.

Deliverables: The specific activities and deliverables will be shown in each of the Subtasks.

Status of Task: The CGOSD Training Department is one of the success stories of this project. In two years, it has gone from one man with a few assistants, to a department with three functioning training centers and a significant range of training activities underway. The details of this successful development will be assessed in the subtask analysis.

Another significant success has been the Management Information System (MIS) training effort. The Computer Information Center, just a dream two years ago, is now established; a modern, handsome, well-designed computer center had been set up in what used to be ancient, dusty offices. There is also a new computer center in the Budgeting, Materials and Accounting Department. All of these developments give the MIS training unit a strong basis for the increasingly sophisticated training activities planned.

Operations and maintenance training has had some major accomplishments as well. The training-of-trainers program has developed a cadre of CGOSD trainers who are capable of delivering various O&M courses, and the creation of the Standard Operating and Maintenance Procedures manuals for Berka station is a major stride forward.

Management training has also been extremely well received. Dr. Ahmed Ali, the training consultant, is highly regarded by the CGOSD staff, and the material presented in his workshops and seminars has been understood and, in several specific instances, effectively utilized.

The Twinning Program has had mixed reviews. Some feel that the program has been extremely valuable to the participants, while others are concerned that the trips have been, for some, a pleasant holiday in the United States. There have also been some complaints about the selection process. These issues will be explored further in the section on Subtask B3.4.

Recommendations for the Final Year of the ISC and for the Period Beyond September 30, 1996: The basic recommendation for this overall training task is to carry on the effort, increasing the number of persons trained and the scope and sophistication of the training offered, and to expand the number of CGOSD staff who can provide training to others in the organization. The accomplishments to date are a strong beginning, but the training needs of CGOSD are enormous and will continue to grow exponentially as the organization moves toward autonomy. Many of the skills which

will be required for an autonomous utility operation do not even exist in CGOSD today.

In order to meet that need, funding for training should be at least the same percentage of the whole as before, and perhaps increased in areas

of management and computer skills and applications. The only area that should be reexamined for its effectiveness is the Twinning Program.

Task B3.1 MANAGEMENT INFORMATION SYSTEMS

Purpose of Task: Assist CGOSD in the establishment of the Computer Information Department, to perform a training needs assessment for new positions, develop training materials and programs, and conduct MIS training courses.

ISC Contract Requirements: Task B3.1 directly addresses the contract objective, “the establishment of computerized data management systems.” It supports indirectly the objectives, “strengthening of management capability,” and “establishment of financial control systems,” as well as all the other operational and management systems needed for CGOSD. These systems (i.e., personnel, procurement, and stores) are all dependent on an effective computer-based information system operated by competent, well-trained people.

Deliverables: The major deliverable is the creation of a quality, effective and fully functioning Computer Information Department. The remaining deliverables are MIS training, the training needs assessments, and development of training materials and delivery of training programs. A critical measure of the success of this subtask will be evaluation of the effectiveness of CGOSD staff who have received training.

Status of Task: The Computer Information Department is now operational, with a staff of 16, and just two weeks ago the hardware arrived to set up the four remote sector sites networks.. The details of establishing the department are contained in Subtask A2.1; this subtask focuses on the MIS training necessary to achieve the objectives and produce the deliverables.

Forty-six staff members so far have been trained in various software applications by the department. Specifications have been developed for computerized financial and administrative systems, and 55 PCs have been installed at six locations. These accomplishments mean that the department can begin significant implementation of the planned MIS training in the coming year.

Recommendations for the Final Year of the ISC: 1. Continue the training program as planned, with particular focus on getting the operational staff in Budget, Personnel, Procurement, and Stores aware and involved.

2. Of particular importance is development of an assessment program to measure the effectiveness of the training. Without this assessment and the related follow-up and reinforcement training, much of the initial good work could be lost.

3. The other particular area of focus for the next year is to begin to develop internal staff capability to conduct the courses and deliver the packages now provided by the vendor. While continuation of the relationship with the vendor is crucial, internal staff development will pay long-run dividends for the organization.

4. ISC earlier developed a one-page management use summary report for key CGOSD activities. This has been held in abeyance pending installation of the computer system. Completion of the implementation of this activity is important, including the required training to assure that this activity becomes fully effective.

Recommendations for the Period Beyond September 30, 1996:

1. The longer-term strategies in the work plan seem to be appropriate and realistic for a three-year period, so that continuation and expansion of training and program development activities should bring the desired results.

2. During this longer period, the scope of involvement in Budget, Personnel, and Procurement should be widened greatly, and the numbers of staff trained in the use of these systems should be near 100% of the appropriate level. This accomplishment would be the big payoff for the organization, and for the ISC, since it would mean that CGOSD would have the systems *and the people* in place

to begin to function like an effective autonomous organization.

3. In terms of the training assessment program and the transition from vendor training to internal staff delivery, full implementation of these activities is key to institutionalizing the computer systems as a part of GOSD's day-to-day operations.

4. Maintenance of the Computer Information Center and its remote sites will be critical of the success of these programs. Refer to Subtask A2.1 for more details on this important dimension to the Computer Department's success.

Task B3.2 OPERATIONS AND MAINTENANCE TRAINING

Purpose of Task: Assist the CGOSD Training Department in developing a staff of highly qualified O&M trainers who can design and deliver site-specific training. This task also aims to train and assist CGOSD trainers in the development of Standard Operating Procedures (SOPs) and Standard Maintenance Procedures (SMPs) for specific sites. The goal is to create an O&M training capability and expertise in CGOSD that can be transferred to other authorities, both within and outside of Egypt.

ISC Contract Requirements: Task B3.2 addresses several of the contract requirements:

- Upgrading the capability of CGOSD personnel
- Establishing a fully functional and capable Training Department
- Strengthening GOSD's internal training capacity

Deliverables: The primary deliverables here are the specialized O&M training courses and the capability of CGOSD internal trainers to deliver them. The second set of deliverables is the development of training in the SOPs and SMPs for two facilities. The third deliverable is coaching and support of the CGOSD Training Manager and the three Training Center managers by the use of shadow counterparts.

Status of Task: Progress in this task has been remarkable. Two years ago the training program was just getting started, and the possibility of a Training Department, let alone three Training Centers, seemed remote. Today the Training Department is well established, substantial training is being conducted, and the number of trainees in various areas is impressive:

- Training-of-trainers program for ongoing O&M training ; 79 trainers trained by the contractor and 24 by CGOSD internal staff trainers.
- Trained 38 CGOSD laboratory staff in the QA/QC program at three treatment facilities and the Industrial Effluent Monitoring Department.
- Trained 17 CGOSD staff to develop Standard Operating Procedures(SOPs) and Standard Maintenance Procedures (SMPs). Task has been completed at the Berka plant, and is 40% complete at Balax.

Much still remains to be done, however. The new Training Department structure is only partially staffed, and there seems to be some resistance by the engineering staff to accept training positions. There is still no official budget for training in CGOSD, nor is there a budget for the rehabilitation of the old Atlas plant to make it into an O&M training site. Training materials need to be reviewed and upgraded wherever possible, and new materials must be developed for the specialized courses to be offered this year.

Training in CGOSD and the status of its Training Department are at a crossroads. It has been proven now that such a capability can be created in the organization. The question now is whether CGOSD will make the commitment to fund and staff the Training Department so that it is self-sufficient and can provide quality training when the ISC has ended.

Recommendations for the Final Year of the ISC: There is no magic in this task; it calls for hard work and commitment from CGOSD to

support it effort with money and staff. Training plans for the short term are in place and make good sense. The important issue for the future for training is that it be seen as a high-status activity, one that staff want to be a part of and contribute to, so that capable people will want to become involved.

In general, the major recommendation is to carry out the plan as specified and continue to build the capabilities of the O&M staff as well as the Training Department.

Recommendations for the Period Beyond September 30, 1996: 1. Over the next three years, CGOSD must put some of its own resources into the training effort. The Training Department should have its own budget and become fully staffed with competent people. *Under no circumstances* should the Training Department become “a dumping ground” for all the non-performers in CGOSD. The consultants have seen this happen in other organizations around the world, and it is a disaster.

2. Rehabilitation of the Atlas plant at Helwan for use as a training site is an excellent idea and should be pursued. Having such a site for direct, hands-on technical and operational training would greatly enhance the quality of the O&M training, even to the point that CGOSD could begin to offer it to other

wastewater authorities in Egypt, as envisioned in the long-term objectives.

3. A word of caution for the longer term: the quality of training materials must be reviewed regularly and should be modified based on each experience of teaching the course or giving the training. Without such regular updating and rewriting, course materials and training designs become obsolete, and the quality of the training program begins to decline.

4. The trainers developed through the TOT courses need to have regular refresher courses; otherwise they will become stagnant and will continue to do what they know in a rote fashion, without any growth or improvement in their training capabilities. Such refresher courses should be included in the training work plan for all subsequent years.

5. The Training Department must continue the extension and expansion of its courses and develop new ones as needed. There are some excellent ideas in the brainstorming list of three-year activities of courses which might be included, as well as the extension of the SOP/SMP process to all major CGOSD facilities. (See Appendix D, Activities to be Completed During the Next Three Years, which were developed in the Assessment Workshop.)

Task B3.3 MANAGEMENT TRAINING

Purpose of Task: Provide CGOSD management with a high-quality management development and training program which will significantly improve the capabilities and effectiveness of managers throughout the organization.

ISC Contract Requirements: This task directly addresses the first of the contract requirements, “strengthening of management capability.” It also contributes significantly to two others; “achievement of organizational effectiveness” and “upgrading the capability of CGOSD personnel.”

Deliverables: The major deliverables are three senior management seminars for top management and three managerial workshops for second-line managers. A second important deliverable is continuation and expansion of the degree program for CGOSD managers at the Sadat Academy.

Status of Task: The results of this task to date have been remarkably well received. Professor Ahmed Ali, from Ein Shams University, is highly regarded by every manager interviewed by the consultants. Over the past year and a half, he and the training staff have developed and presented two series of management courses: the first series of six modules to 62 line managers and the second series of three seminars to 30 senior managers. The choice of topics for these courses and seminars appears to have been quite practical; the material on meeting skills and internal communications was cited as particularly useful by several managers.

Another success in this task has been the link with Sadat Academy and its degree program

for managers. Seven CGOSD managers are in the program now, an outstanding result from such a new program.

The real test of any management training is the degree to which the trained managers actually change their behavior and begin to use what they have learned in their day-to-day operations. In the case of CGOSD, management capability has a long way to go to come up to standard for a utility business; thus, any improvement is welcome. On the positive side, CGOSD line managers have demonstrated a willingness to learn and to change behavior as far as the bureaucracy and culture will allow. While some of the senior managers have begun to use some of the ideas presented in the management programs, all of the managers are in fact part of the very organizational culture that is so difficult to change. The issues of directive power, centralized control, lack of true delegation, devious uses of information, and opaque decision making all make management in CGOSD a complicated and convoluted process.

This situation is the inherent problem in effecting organizational change and a constant source of frustration of anyone designing or delivering management training. The work being done at CGOSD so far gets high marks for its immediate impact. The next three years will indicate the effectiveness of the longer-term change.

Recommendations for the Final Year of the ISC: 1. The program as planned should move ahead as completely as possible. There are three more seminars for top management and three more modules for the other managers;

the subjects for the course modules appear to be appropriate and to build well on the material presented so far.

2. Continued support for the Sadat Academy degree program is also important, especially to ensure that those managers who are currently in the program are able to finish successfully and receive their degrees. Any new candidates for the degree programs, either Diploma or Master's, should be assured that there will be sufficient funding for them to complete the degree program.

3. The needs analysis workshop for Personnel and Training Departments, as proposed in the section on management training in the new work plan, is also an excellent idea. In fact, if more such sessions for other departments can be squeezed into the year, it would help increase the scope of the training impact into more of the operating departments.

Recommendations for the Period Beyond September 30, 1996: 1. Extension and expansion of management training will be the next major step. Continuation of the relationship with Dr. Ali, or someone like him, and funding for his consultation is imperative. New topics and new materials will need to be developed. The phrase "in light of organizational changes," which appears in the ISC Work Plan, should be a guideline for the choice of course and seminar topics. As CGOSD begins to change operationally and managerially, the criterion for subject selection

should be a strong focus on the skills required to manage those changes.

2. It will be even more important to develop and implement a series of management training reviews and updates. Follow-up is key to effecting long-term change in any organization. One-shot courses and training events do not by themselves induce change. The reinforcement of periodic reviews, as well as new material, helps the manager retain his/her focus on improving management capability and practicing the applications on a day-to-day basis.

3. A true management development program should be undertaken in the next three years, moving into the areas of team-building and organizational development. Such a program would add a significant emphasis to the change effort in CGOSD and would accelerate the management and organizational change process that is just now beginning. The ISC should develop a management training capability within the CGOSD training department.

4. Support for the Sadat Academy degree program should continue into the last two years but with the addition of course material on business management of public utilities. This proposed new direction for the program will assist managers in the degree program to also develop the knowledge and learn the skills required to operate and manage CGOSD as a utility business.

Task B3.4 TWINNING PROGRAM

Purpose of Task: Provide learning opportunities for CGOSD managers through exposure to the management and operational systems of a U.S. organization, specifically the Seattle METRO. This is an “observation tour” exchange program, sending two groups of senior managers from CGOSD to Seattle for four weeks, and bringing three senior members of the METRO staff to Cairo for two weeks.

ISC Contract Requirements: There is a specific objective listed in the ISC contract requirements for this task; “implementation of a U.S. twinning relationship.” This task is also intended to contribute to several other of these objectives: “strengthening of management capability,” “achievement of organizational effectiveness,” and “upgrading the capability of CGOSD personnel.”

Deliverables: The deliverables are the exchange visits mentioned above. There is also an evaluation process following the return of the CGOSD managers, from which a report is submitted to USAID. One other dimension to this program is GOSD’s participation in the Water Environment Federation (WEF) conferences.

Status of Task: At this time, 15 CGOSD staff have been to Seattle and three METRO staff have visited Cairo. The Twinning Program has had mixed reviews. Some have reported that it has been an excellent learning experience, both professionally and personally. Others have felt that too many participants went just for the opportunity to visit the United States and to go shopping. The program has also been criticized for the selection of participants, asserting that those selected were chosen as a reward for service rather than because they

could bring back new insights and capabilities to CGOSD to help make the organization more effective.

Most of these concerns are addressed on the new ISC Work Plan. With the Chairman’s approval, the contractor and CGOSD have developed a new selection process for the next two groups of senior managers. The first group will be made up of promising technical managers, the second of administrative and financial managers. Candidates will be interviewed by a joint committee and the recommended selections sent to the Chairman for his approval. It is hoped that this process will result in the selection of the best qualified participants, who will be able to make the most of this opportunity for professional growth and learning. Since everyone involved is aware of the “boondoggle” aspects as well, it is hoped that there will be no reoccurrence of this behavior on future trips.

Five CGOSD staff have participated in the WEF conferences to date. This year, the Chairman is invited to Miami to attend the conference.

Recommendations for the Final Year of the ISC:

1. With the new selection process in place, the plan for the coming year seems reasonable and appropriate. Whatever its faults, the Twinning Program should continue at least for another year.

2. Both CH2M Hill/OMI and CGOSD need to ensure that when the second group of senior managers is selected, the commitment to having this group be all administrative and financial managers be honored. It is very important to GOSD’s organizational

development to have business-oriented managers in administrative positions. Thus, the selection of the group of managers to participate in the exchange becomes even more crucial.

3. The major effort in the next year should be to manage the Twinning Program tightly, insisting on the formal evaluation process, and to build up the additional aspects spelled out in the Expected Outcomes, such as technical conferences, cultural education, and appropriate consultations.

4. If at all feasible, participants should be required to keep a journal while visiting and working in Seattle and to write a report when they return. It often works well to have two or three participants pool their experiences and write a joint report or make a presentation to their staff. Otherwise, the incentive to work hard during the exchange period is diminished, and the visit slides toward a vacation.

5. Attendance by the Chairman at the WEF Conference in Miami also seems to be an appropriate activity. This kind of professional association and affiliation can be valuable for senior managers in a transitional stage, though the cost/benefit is often vague.

Recommendations for the Period Beyond September 30, 1996: There are some "Expected Outcomes" from this Twinning Program in the original list of ISC Requirements which raise expectations about the program that go beyond the exchanges themselves: "a close working relationship will

have been developed with a twinning partner that will provide for exchange of technical and management personnel, training programs, attendance at technical conferences, cultural education, and consultations as needed." Such expectations are appropriate but often unrealistic in the short run. The problems that the Twinning Program has had until now are typical of such programs. What has happened here is minor. Most of the participants seemed to have had a valuable experience and made good use of their opportunity. The new processes and approaches for 1996 should improve substantially what is already a good effort.

As the Twinning Program matures over the last two years, assuming it is continued, there is reasonable hope that these additional dimensions will be realized. Therefore, the consultants recommend:

1. That the Twinning Program be continued until 1998, to accrue the benefits from the longer-term relationships and learnings.

2. That the nature of the program change somewhat to have longer-term visits for certain key managers. Rather than having four or five managers visit Seattle for four weeks, one or two managers could be placed in the METRO organization for three or four months. These participants would be placed in real jobs, with a mentor for guidance, and would learn the operation experientially and intensively. Upon their return, the managers would be far better equipped to transfer knowledge to their colleagues and subordinates.

Task B4 OPERATIONS AND MAINTENANCE

Task B4.1 Maintenance Management System (MMS)

Purpose of Task: Put in place both a manual and computerized maintenance management system at 18 major facilities. Data concerning all equipment will first be entered on cards and later transferred to computers. The system will serve as the basis for timely preventive and routine maintenance of all equipment included in the MMS. Maintenance costs will be identified in advance, as will spare part requirements.

ISC Contract Requirements: This task addressed the ISC requirement of establishing maintenance procedures. Key contract outputs include: (a) a card file and computerized preventive maintenance system in place for all major pump stations and treatment plants, (b) a parts numbering system consistent with other USAID programs in Egypt, (c) a formal repair and responsive maintenance program in place for the major facilities, and (d) a functioning emergency maintenance/quick response unit.

Deliverables: The major deliverables are an operating computer network, a computerized maintenance management system with data entered accurately from 18 facilities, and appropriate CGOSD staff fully trained.

Status of Task: The collection of data and card preparation are progressing rapidly; computerization is dependent upon installation of the system, which is currently in progress. The new system will result in a major change in the way CGOSD undertakes maintenance activities. Linking the MMS to the Material Service System will be a challenge. The process

of computerizing the system will also take special care. The main problem will be for CGOSD to use the MMS on a systems approach rather than on the individual initiative of those who are most interested. At this time, much of the challenging work remains—computerization of the system, developing the CGOSD staff to operate the system, and more importantly using it as a basis for scheduling maintenance and repair work.

Recommendations for the Final Year of the ISC: 1. Continue with the concentrated efforts to complete the task as scheduled.

2. Focus some of the training effort on how to make this into an efficient working system in support of operation and maintenance needs, rather than just a data bank.

3. Encourage broader participation by the CGOSD staff in system development and data collection.

Recommendations for the Period Beyond September 30, 1996: 1. If this system is to become an effective CGOSD operating tool, both technical assistance and training support will be required for at least two years beyond the contract completion date.

2. Preventive maintenance and emergency maintenance activities should be monitored during this period. The findings can be used as a basis for further training efforts, refinement, and continued development of the system.

Task B4.2 Collection System

Purpose of Task: Assist CGOSD in obtaining and recording information about the condition, size, and location of the collection system components. Three collection system crews are to be trained by the ISC to map the system components in their respective zones. Three pilot areas will be completed under the task leaving CGOSD the capability to implement the program system-wide. Work is being done with the assistance of an expert provided by ODA.

ISC Contract Requirements: This task directly addresses the contract requirement of strengthening the Sewer Cleaning Department. This is to be done through the provision of software and technical assistance to develop a mapping program, procurement of additional sewer cleaning and mapping equipment, and conducting the necessary training. A secondary requirement is that equipment previously procured by USAID be put in use.

Deliverables: Major deliverables are software, training, and the necessary technical assistance to guide the development of the mapping program.

Status of Task: This task is being managed by the ODA member of the team, who was not in country at the time of the assessment. Work is well underway with a computerized mapping and database for the entire CGOSD system has been obtained and is in use, a major accomplishment of this task. Over 5,000 manholes have been surveyed in the pilot areas, and initial training programs have been completed.

The contractor team is to assist CGOSD in producing collection system maps. CGOSD

has not met its commitment to provide dedicated staff to undertake the necessary manhole surveys, which is causing some delay in completion of this task.

The issue of the unused USAID-procured equipment still remains. The TV mobile trailer units have all been relocated to the Sewer Cleaning Unit, with two contracted out to other sewer authorities (Canal Cities) as a source of income for CGOSD. All three units are usable but, by U.S. standards, obsolete. Other equipment such as jetter trucks and bucket machines are reported to be held in reserve for assignment to East Bank facilities as they come on line. Key CGOSD employees are aware of USAID concerns and state that they are seeking ways to put this equipment into use, but this has not yet happened.

Recommendations for the Final Year of the ISC: 1. ISC should continue its work as planned.

2. A stronger and more dedicated commitment by CGOSD to completing the manhole survey is required if the full benefit of the contractor staff is to be gained. The problem of lack of staff support should be brought to the attention of the Chairman.

3. ISC should inventory unused major items procured by USAID and try to have them assigned to the Sewer Cleaning Department (or other appropriate unit) for immediate use.

Recommendations for the Period Beyond September 30, 1996: 1. Monitoring of this task should be included in any follow-on ISC activities to assure that the data collection and mapping continue in order to cover the entire

CGOSD collection system. This appears to be an ideal area for continued ODA support to ensure that mapping is completed, routinely updated, and used. Drainage area planning and mapping should also be incorporated into a follow-on activity.

2. Follow-on efforts should include a provision for training and an allowance for the procurement of specialized equipment related to data collection and mapping.

Task B4.3 MATERIAL SERVICE SYSTEM

Purpose of Task: Reorganize and computerize the inventory control program, to allow for the speedy recovery and use of spare parts now often lost in the system. Proper storage and disposition of obsolete or unusable parts and equipment are also target accomplishments.

ISC Contract Requirements: This task addressed the contract requirement to establish an effective stores program. The primary requirement is the selection and implementation of the computerized Inventory Control System (ICS). In order for this to be accomplished, the following subtasks are required:

1. Modification of the authorized procedure for warehouse requisitions, to give each O&M Sector manager the authority to issue materials as allowed by law.
2. Modification of the existing purchase requisition process.
3. Staff the new organizational units as allowed by law.
4. Implement a budget and cost-centered accounting system.
5. Renumber all active and inactive inventory items.
6. Install the computerized ICS software.
7. Develop a format for new accounting forms.

CGOSD, with the assistance of the contractor, is responsible for steps 1 through 5, while the contractor is to complete 6 and 7. Further, a parallel double-entry booking system has been

established to meet the requirements of the Ministry of Finance (MOF), until such time as the computer system satisfies their requirements. Extensive training is required to put the system in place.

Deliverables: Specific deliverables are identified as a series of reports recommending programs for the preceding identified subtasks, along with training and technical assistance to implement the approved recommendations. The combined results are to be a functional material service system in place.

Status of Task: This is the key task of the Operations and Maintenance cluster. It is by far the most complex, both from the standpoint of the number of systems and departments involved and one that is highly resistant to change. In spite of these obstacles, major progress has been made. The CGOSD stores warehouses have been clogged with surplus and obsolete inventory for years, with a control system that had little concern for the end-user, but rather was designed to assure that every item was accounted for forever. Finding parts for specific pieces of equipment became almost impossible, and even if found, there was a strong reluctance to release them for use.

At this time policies and procedures and the new material management system have been developed. Stores are to be decentralized, with each major CGOSD facility maintaining its own store of parts that are unique to it. This system is already in place for several facilities. The approval process to obtain a part has been simplified and delegated to a lower level. About 13,000 parts have been identified and renumbered in the new system, with entry into the manual booking system. The next step will

be to transfer the renumbered parts to the computer system when the system is operational. The reorganized store warehouses are orderly and greatly improved over the old system. However, much of the inventory still remains in the old system. For example, an estimated 100,000 parts are in the system; about half are believed to be of no further use. This project will attempt to inventory the balance, or up to 50,000 items. The process has been a major challenge, according to the contractor team. They note that CGOSD has been slow to provide adequate help in the inventory process, and those assigned generally do not appear. The target of inventorying 50,000 items cannot be met by the end of the project, unless CGOSD is willing to provide the staff necessary to complete the renumbering inventory.

Further, where decentralization has taken place, the facility stores are still tied to the central system and are run by storekeepers reporting to the central stores. Timely release and approvals remain a major problem.

Recommendations for the Final Year of the ISC: 1. CH2M Hill/OMI should emphasize this task in the final year of the contract with an all-out effort to complete all activities and to make the system work efficiently. Internal resistance to change will make any efforts in this area a continued challenge, which in part can be overcome through persistence and persuasion. The Chairman should be asked to be a partner in this process. The team believes that data collection and entry should continue as a concurrent process with implementation of all phases of the material service system. The new system should be fully used as logging is completed. Also, disposal of much of the surplus inventory should proceed immediately in order to maximize working and storage area.

2. A joint ISC-CGOSD-USAID assessment/working group is suggested to gain CGOSD commitment to the following:

- providing adequate support for the inventory process
- giving timely approval to new procedures and regulations being developed by the contractor; providing the direction and staff to implement them
- selling known surplus materials by the end of the year.
- developing a workable plan to expedite the approval process and the movement of parts

Recommendations for the Period Beyond

September 30, 1996: Strong resistance to change in the stores process will continue, supported by the GOE accountability regulations and penalties for even alleged losses. Such resistance tends to be exaggerated; however, it is fed by horror stories from within the system about those who have abused the process. Training will have to continue and clear concise protective regulations will need to be further developed or adapted to meet the needs of CGOSD as it evolves into an autonomous organization. This most important task will require continued contractor support if USAID-financed equipment is to be fully protected and efficiently utilized. This assistance should include:

1. Continued training on warehousing, inventory control, procurement, and related subjects.
2. A monitoring program to assure that the stores activities continue to operate as planned. The monitoring program should include the provision for an emergency fund to assist with

speciality and urgent purchases critical to the operation of the sewerage facilities or the administrative support system.

3. Provision for selected stores managers to be involved in twinning trips, with selection based on pre-established criteria designed to upgrade

CGOSD as a utility. Such criteria should be announced well in advance to allow qualified candidates to compete over a period of time.

4. Continued training, seminars, and workshops with key participants involved in carrying out this task.

Task B4.4 Instrumentation and Control Workshop

Purpose of Task: Develop a workshop for repair and testing of instrumentation and control devices. The workshop will also serve initially as a training facility with emphasis on operation, maintenance, calibration, and repair.

ISC Contract Requirements: This task is a contract action, added during Amendment No. 4, relating primarily to strengthening the internal training capacity of CGOSD and development of more effective operations, maintenance, and safety procedures through the use of accurate instrumentation.

Deliverables: The design of a workshop, specification and procurement of equipment, and the development of a training module.

Status of Task: At this time, only the equipment has been specified; the training materials are under development. Work is

being done in cooperation with ODA with a target of two Instrumentation and Control Workshops to be completed. ODA is providing the test banks with USAID providing the remaining equipment and training. The USAID-financed equipment will be tendered by September along with other items planned in the final procurement package.

Recommendations for the Final Year of the ISC: Work should continue as planned.

Recommendation for the Period Beyond September 30, 1996: CGOSD should be able to continue this activity without further ISC assistance, other than routine follow-up and monitoring. Major and sophisticated calibration and repair activities should not be undertaken by CGOSD; these should be contracted out to firms who have the skills.

Task B4.5 Industrial Flow Monitoring and Enforcement

Purpose of Task: This task is directed at monitoring industrial discharges to the collection system, establishing an enforcement system, and establishing a basis to levee surcharges on industries discharging high-strength wastes.

ISC Contract Requirements: This task primarily addresses the contract requirement of attainment of financial viability by emphasizing the collection of a surcharge for concentrated industrial loading. This task was added with the Amendment No. 4 program and requires the contractor to recommend regulation changes, provide software, develop standard reporting/monitoring forms, and develop a sampling schedule. In addition, the contractor will assist CGOSD in developing monitoring, collection, and enforcement policies and procedures and in designing the permit process.

Deliverables: The contractor will prepare reports recommending policies, procedures, and training activities. A software package should also be procured.

Status of Task: This is a new activity for both ISC and CGOSD with both groups actively proceeding ahead. A draft report on industrial flow monitoring and enforcement was recently completed and addresses most of the remaining

activities under this task. Procurement of software still must be finalized.

The current approach of the CGOSD Industrial Flow Monitoring and Enforcement Unit is to verify biological loading and to assess a fee for concentrated influent or for a deliberate increase of the hydraulic loading of the system, through dilution, as a means of escaping concentration surcharge fees. It appears that no consideration has been given to the control or exclusion of toxic or hazardous wastes that may enter the system, although the unit will have the capacity to identify such wastes in its testing program. Further, the team is aware of the Mission's Environmental Pollution Prevention Program (EP3) but did not have the opportunity to explore the interrelationships with CGOSD. There appears to be a role for the Industrial Flow and Enforcement Unit which should be explored further by ISC and USAID.

Recommendations for the Final Year of the ISC: Activities should continue as planned.

Recommendations for the Period Beyond September 30, 1996: A follow-on project should consider expanding the role of the Industrial Flow Monitoring and Enforcement Unit to the area of industrial pollution prevention and control, especially regarding the discharge, pretreatment, and ultimate disposal of hazardous and toxic effluent.

Task B4.6 Procurement of Equipment and Parts

Purpose of Task: This task is to make available specialized and needed equipment from USAID funding sources with procurement managed by CH2M Hill/OMI. Included are computer hardware and software, training equipment, stores equipment, facility maintenance and repair shop equipment, general sewer cleaning and maintenance equipment, critical spare parts, and the like. The primary purpose is to assure that CGOSD has the necessary spare parts and equipment (provided through donors and particularly from U.S. suppliers) to allow for the timely repair and replacement of facilities.

ISC Contract Requirements: The task addresses the action-oriented objective of procurement of vital equipment and spare parts and provides a contingency fund allocation of \$5,100,000 for procurement of such commodities by the contractor in support of CGOSD. USAID procurement procedures are to be followed and both USAID and CGOSD approvals are required prior to procurement of the proposed spare parts.

Deliverables: Deliverables are the commodities as agreed by CGOSD, USAID and CH2M Hill/OMI as outlined above.

Status of Task: This task has moved much slower than originally scheduled. This was reported to be, in part, because of the overwhelming number of small items originally requested by CGOSD, including a large number of U.S.-made vehicle spare parts no longer available off the shelf. Each item required a detailed specification and complicated competitive bidding procedure as

interpreted by the contractor. There appears to have been some complication or misunderstanding of the USAID procurement procedures. These past events were not reviewed in this assessment as the process now appears to be on track. At this time, approximately \$400,000 of procurement packages for which bids have been received are awaiting award approval from CGOSD, with another \$1,330,000 currently in the bidding process. This leaves a balance of \$850,000 planned for formal bidding by September 1995. Of the September package, \$150,000 was previously unsuccessfully tendered, and consisted of spare parts for older U.S.-made vehicles. The bidding approach has been changed, and it is believed the process will be successful this time.

USAID procurement procedures have been reported to have been fully followed. Time did not permit verification that local source alternatives were adequately used when available.

Recommendations for the Final Year of the ISC: No further procurement activity is recommended for the final year of the project, unless a true emergency arises and expedited procurement procedures are used.

Recommendations for the Period Beyond September 30, 1996: A contingency fund for the procurement of general items related to training, computer systems, general administrative support, and emergency repair, especially for the U.S.-supplied equipment, should be considered.

4 SUMMARY AND CONCLUSIONS

4.1 Performance to Date

4.1.1 General

Overall performance of the project is considered good, with substantial progress being made toward meeting the individual project objectives. After a very slow and troublesome start, both the contractor team and the CGOSD staff have greatly accelerated the pace of their activities and are now working together as a united team for the improvement of CGOSD. Although the EHP evaluation team was extremely pleased with the progress, they note that much still remains to be done. Two of the EHP team members had the opportunity to work with CGOSD in the past and are now viewing the organization from absences of 2 years and 7 years respectively. The improvements clearly stand out to both of these reviewers, especially operation and maintenance of the system, capacity to manage the design and construction of new facilities, and the general level of understanding and desire for organizational change, improved management skills, and training. The results of the workshops held over the past four years also bear this out, as participants continue to open up, bring forth new and innovative ideas, and support change efforts within CGOSD.

The USAID project manager has also played a critical role in this process by assuring that resources were made available as required

and as a mentor to keep both CGOSD and CH2M Hill/OMI focused on the objectives of the project. Continued close participation by USAID is very important to the success of this project. This relationship is especially important because of the trust and value placed on American expertise in utility operations and management and the great appreciation for the high-quality facilities provided under Cairo Sewerage I and II. CGOSD and the contractor also need continued guidance and encouragement from USAID regarding tariff and autonomy issues, which for many in CGOSD remain unsolved mysteries.

4.1.2 The ISC Team

The contractor team has found its niche over the past two years and has gained the full confidence of both CGOSD and USAID. The initial contract had anticipated much faster completion of activities by CGOSD and the contractor, with the result that the project time had to be extended. The EHP team's experience in working with GOE organizations is that a more productive start-up phase probably would not have been possible, and that the pace of development of CGOSD has been about the best that can be expected. Fortunately, progress is starting to accelerate; continued participation of USAID and CH2M Hill will be necessary if operational changes are to be fully institutionalized. It will take at least three more years of support to reach this goal.

Because of the successes and relationships of the current team, a change to a new contractor for the final two years would probably be detrimental and could even result in project setbacks. As with any team, the key personnel are critical to its success. The current team leader and his key staff are doing an exceptional job and should be fully complimented for their efforts and results to date.

A word of caution is needed regarding the contractor support activities. A close relationship has developed between CGOSD and the contractor. In some cases, it appears that the contractor is being asked to undertake and provide services that could and should be done by CGOSD. This is happening when barriers arise in procurement, in dealings with other GOE organizations, and simply when it is easier to ask the expatriate staff to undertake a task rather than the appropriate CGOSD staff. Encouragement of such practices could lead to an undesirable dependence on the contractor; in the extreme, the contractor could actually become the de facto manager of CGOSD.

4.1.3 CGOSD

CGOSD has blossomed and grown when compared to observations of seven or even two years ago. The workshops and training programs have brought a new perspective to CGOSD managers as well as to the Chairman. All participants laud the management training programs and ask for more, noting that they have changed their thinking, the way they plan their day and conduct meetings, and, most importantly, have increased their efficiency. The Chairman has attempted to bring qualified leadership into all key positions, especially

individuals who understand and support the mandate to evolve into an autonomous utility organization. This evolution is continuing. However, of specific note is the CGOSD's Project Manager for the ISC project. He has done an outstanding job and continues to grow and is a significant reason for the success of the last two years. The Chairman is a strong supporter of change, but lacks the tools to fully implement the intent of the Presidential Decree and increase tariffs, primarily because of his limited influence over external controls and political realities. Major organizational changes and staffing issues are being slowed by external influences. Ways will have to be found to negotiate with the Minister of Finance and the Central Agency for Organization and Administration to resolve many of these barriers. Further, major change also meets internal resistance, which must be worked through by the CGOSD staff. In such cases the contractor cannot always be helpful; however, background reports and studies by the contractor have been instrumental in bringing about much of the success to date.

CGOSD is also hampered in its move to autonomy because its top management team lacks experience in the private sector. This problem also exists for other water and wastewater organizations in Egypt that are seeking to develop financially autonomous utilities. As such, staff of these organizations do not have the knowledge or experience of a business approach that can be applied to their utilities. Changing the organizational culture is difficult and is proving to be slow and cumbersome. Change will continue to be slow unless a more radical approach is taken. This problem extends to the Board of Directors which, if properly constituted, should serve as a major advocate in developing CGOSD into a productive business utility. In this regard,

Appendix E, "Strategies for Independent Public Utilities," presents some alternative approaches. The problem is further complicated by the limited salaries within the GOE system. Qualified individuals with business skills generally are not attracted at current salary rates. This is especially true for experienced financial managers and computer systems managers. Such skills in particular are not available within the current CGOSD system. Here again alternative hiring arrangements must be found, even if on a consulting basis or through the contractor.

Barriers to moving rapidly toward autonomy, as noted above, are common to all water and wastewater organizations. One approach might be to address the issues jointly under the sponsorship of a senior GOE official, with coordination by the key donors. USAID could take a leadership role in bringing this about.

Tariff issues remain critical for CGOSD and USAID. CGOSD managers have a general feeling of helplessness. They feel powerless to do anything at this time because the Prime Minister and Governor have announced that tariffs will not be increased in Cairo until after the elections later in 1995. Elections have historically been a key reason given for delaying tariff increases since the beginning of the USAID program in Egypt; in reality, tariffs probably have little, if any, relation to the outcome of elections. (This appears to be the case this year.) What may be more important to the political decision makers is that the Cairo Sewerage II, Amendment No. 9, dated September 28, 1994, contains a condition precedent to any subsequent obligations: "Evidence that wastewater tariff rates and service fees should enable CGOSD to generate a minimum of L.E. 125,000,000 annually, in

1994 L.E." This agreement was ratified by the Parliament and presumably will be honored by the January 1, 1996, deadline given in the Amendment.

A second condition of Amendment No. 9 states, "Evidence that all revenues of the Cairo General Organization for Sanitary Drainage (CGOSD), including those derived from wastewater tariffs and service fees, are being fully retained by CGOSD and that CGOSD has full and exclusive authority to commit and disburse such revenues for its operations and maintenance requirements." Compliance with this condition is also required by January 1, 1996. CGOSD has established a bank account. At this time, however, CGOSD has not received the necessary approvals from the Ministry of Finance to receive collections from GOGCWS or to disburse them without jeopardizing the balance required to operate between expenditures and revenues. This situation remains a serious problem which CGOSD and the GOE must soon resolve.

The team also notes that many of the new facilities just completed or about to be completed have been financed by other donors. In this regard, an ODA team participated in the workshop and expressed interest in expanding their participation in an extended ISC project. They currently provide an expatriate member on the existing ISC team who serves with the Operations and Maintenance Group. The British have been major financiers of the East Bank projects and ideally should be participants in the ISC which supports the entire CGOSD organization serving the Greater Cairo area. The team strongly supports ODA involvement in any follow-on extensions to the project by USAID.

In summary, the ISC program with CGOSD has been successful to date. At least three more years of concentrated effort will be required to assure that capacity-building has reached a sustainable level. CGOSD senior managers appear to have the desire and willingness to make the desired changes for the organization to become an efficient and productive autonomous utility. They still lack the necessary understanding of enterprise management and business systems, and continue to be stymied by the GOE bureaucracy, which in part can be overcome only with the support of a strong ISC. CGOSD's current Project Manager for the ISC should play a senior role in any future extension of the ISC program.

4.2. Summary of Key Recommendations for the Final Year of the ISC

Individual task recommendations are covered in descriptions in Chapter 3. ISC should continue to complete these tasks in accordance with its "Extension Work Plan." The following are the highest priority recommendations.

- Considerable progress is being made toward establishment of an effective stores program. The contractor and CGOSD should give special emphasis to meeting this objective, including the assignment of productive CGOSD staff to complete the inventory process and computerize the system.
- The hardware and much of the software is generally in place for the computerized data management system. An experienced

system manager is needed to manage the system if it is to provide support to the financial, stores, maintenance management, administration, personnel, operations, and project departments. The required skills are not believed to be currently available within CGOSD and probably are not available at GOE salary scales. Support should be considered through the ISC.

- Legal opinions are not always properly understood or used by the CGOSD staff. Seminars and workshops should be considered by CH2M Hill/OMI to increase the awareness and value of such opinions.
- CH2M Hill/OMI and CGOSD need to implement the financial viability package and to assure that experienced financial managers are involved in operating the system. Required business experience and skills are not believed to be available within CGOSD. Support should be considered through the contractor.
- CGOSD has just finalized its proposed reorganization structure, including the provision for two deputy directors. Efforts should be made to expedite this process through the CAO, as establishment of an organizational structure is critical to proceeding expeditiously with the implementation of many other tasks.
- The contractor and CGOSD should carry forward the momentum of the last workshop using the work groups formed at the workshop to review and monitor activities through to their completion. One or two more workshops should be considered prior to the contract end date.

- CGOSD should take a proactive role regarding tariff and autonomy issues, calling on the contractor and USAID for support for increases in both areas.
- CGOSD (with USAID) should consider a joint effort with other Egyptian water and wastewater organizations, especially those with ISCs, for development of standard organizational procedures and polices to meet the requirements of MOF and CAO. A.
- Many tasks are nearing completion, and CH2M Hill/OMI will meet the contractual completion requirements with delivery of the final report. The contractor should, however, continue to work to assure that these tasks do not become just “paper” accomplishments and that the intended plans and strategies are implemented.
- The safety management objective should be revisited, as previous work seems to have been set aside for more pressing current issues.

4.3 Summary of Key Recommendations for the Period Beyond September 30, 1996

In the period beyond the PCAD, CGOSD (and the contractor) should consolidate and institutionalize the work done prior to September 1996, rather than undertaking major new activities. GOSD’s efforts should emphasize follow-on training, monitoring, trouble-shooting and emergency assistance, and procurement support, with special emphasis on

the key issues of financial viability, computerized data management, organizational effectiveness, stores, and tariffs. High priority recommendations follow:

- A fund should be established for procurement of selected spare parts and for updating testing, laboratory, and training supplies and materials.
- The follow-on program should review and update the computer network hardware, software, and management.
- Financial viability should be a major goal. Efforts to move toward this goal should include training, public awareness programs, and continued development of systems, policies, regulations, standards, and manuals.
- The assessment team recommends networking with other GOSDs, water utilities and ISCs to develop policies, strategies, and standards; resolve common issues; and develop professional affiliations and pride. USAID sponsorship of such collaboration is suggested.
- A program for increasing revenues from alternative sources is suggested.
- A task that addresses cost-saving measures and value-engineering approaches should be included. Finding areas for cost reduction would reduce the pressure for tariff increases.
- A study of the advantages and disadvantages of combining CWO and CGOSD is suggested.

- Consider expanding ODA support in a follow-on extension of the project.

APPENDIX A

LEGAL DOCUMENTS

Appendix A contains four key documents. Two of them concern the creation and changes made to the structure of GOSD. The other two are agreements made between the Government of Egypt and the Government of the United States regarding the strengthening of water and wastewater organizations in general and GOSD in particular.

1. Presidential Decree No. 133 of March 1, 1981, concerning the creation of CGOSD.
2. Memorandum of Understanding between the Governments of Egypt and the United States, dated January 22, 1984, recognizing the importance of improving Egyptian water and wastewater services. The memorandum is accompanied by Annex B listing the 1985 Annual Review Target Benchmarks.
3. Presidential Decree No. 95 of March 10, 1994, concerning the designation of CGOSD as a General Economic Organization.
4. Ninth Amendment to the Grant Agreement Between The Arab Republic of Egypt and the United States of America for Cairo Sewage II, dated September 28, 1994.

**Presidential Decree
No. 133 of 1981**

**Concerning Establishment of
General Organization for Sanitary
Drainage GOSD - Greater Cairo**

President of the Republic

Having reviewed the Constitution, and
Law No. 93 of 1962 on drainage of Liquid wastes, and
Law No. 61 of 1963 on issuing Law of General Organizations, and
Law No. 129 of 1964 concerning the Central Auditing Agency, and
Law No. 44 of 1965 concerning the organization of Accounts Control Departments of
general organizations, institutions, companies, & subordinate agencies, and
Law No. 53 of 1973 concerning the State General Budget, and
Law No. 62 of 1974 concerning some provisions on reconstruction, and
Law No. 47 of 1978 on issuing the State Civil Servants System, and
Law No. 43 of 1979 on issuing Law of the Local Administration System, and
Presidential Decree No. 2102 of 1965 on forming a higher committee for Planning of
Greater Cairo and Supervising its Projects, and
Presidential Decree No. 1637 of 1968 on establishment of General Organization for
Sewerage and Sanitary Drainage, and
After approval of the Cabinet, and
Based on the State Council opinion,

Decreed

Article 1: A general organization named "General Organization for Sanitary
Drainage Utility-Greater Cairo", shall be established, acquiring the artificial/juridical
personality, and shall be affiliated to the Governor of Cairo; and shall be subject to the
provisions of the applicable Law of general organizations.

Article 2: GOSD shall be the agency responsible for the public sewerage &
sanitary drainage projects & works in Greater Cairo. GOSD shall manage, operate &
maintain sewerage & sanitary drainage facilities within its administrative area. In order
to achieve said objectives, GOSD shall:

- 1- Develop general & detailed plans for sewerage & sanitary drainage projects &
works in Greater Cairo.
- 2- Manage, operate & maintain facilities of Greater Cairo sewerage utility; the
required works for utility expansion and support, and procurement of required
materials & equipment.
- 3- Conduct applied studies, researches, economic & financial studies for sewerage
& sanitary drainage projects, and setting up designs, standard & technical
criteria and specifications, in addition to formulating project
agreements/contracts.

- 4- Assume Local & International bidding & tendering of projects, in addition to concluding contracts/agreements and supervising implementation.
- 5- Apply provisions of Law on drainage of liquid wastes in public collection systems & drains.
- 6- Collaborate with concerned agencies in formulation of criteria for drainage of liquid wastes.

Article 3: GOSD Board of Directors shall be the supreme authority dominating all GOSD affairs, & shall be authorized to issue any decrees necessary to achieve the defined objectives for which GOSD is established, including the hereinafter stated in particular:

- 1- Forming GOSD general policy within the framework of the State General Policy.
- 2- Designing plans, projects and works implemented by GOSD, and setting up implementation programs.
- 3- Identifying criteria for resorting to local & foreign consultancy houses, and fixing compensations & remuneration thereto.
- 4- Issuing internal rules and regulations on GOSD financial and administrative affairs & employees, in accordance with the applicable laws.
- 5- Approving GOSD annual draft budget, final statement and planning budget.
- 6- Developing the training system to upgrade production efficiency.
- 7- Concluding Loan contracts according to the Law.
- 8- Accepting donations, grants and contributions.
- 9- Studying routine action reports on GOSD activities & financial status.
- 10- Discussing issues raised by concerned governors or Chairman of the Board of Directors, on matters within GOSD competencies.

The Board of Directors may partly empower the BOD Chairman or a committee formed therefrom, or may authorize any of its members and/or managers for a specific assignment.

Article 4: By virtue of a decree issued by GOSD Board of Directors, works may be implemented, or services may be rendered by GOSD outside its administrative area, for account of government agencies, or any other local administration units, in compliance with the enforced financial rules and regulations.

Article 5: GOSD Board of Directors shall be composed of:

- Chairman of the Board of Directors as "Chairman".
- Two of GOSD sector heads to be chosen by the Governor of Cairo, according to the Board Chairman proposition.
- Chairman of the concerned Legal Opinion Department of the State Council.
- Representative of General Organization for Water Supply-Greater Cairo GOGCWS to be selected by the Governor of Cairo.
- Representative of National Organization for Potable Water & Sanitary Drainage, chosen by the Minister of Housing.
- Representative of the Governorate of Cairo, chosen by the Governor.
- Representative of the Ministry of Health, chosen by the Minister.

- Representative of the Ministry of Irrigation, chosen by the Minister.
- Representative of the Governorate of Giza, chosen by the Governor.
- Representative of the Governorate of Qalioubia, chosen by the Governor.
- Two members of sewerage & sanitary drainage experts, chosen by the Governor of Cairo for two renewable years.

Article 6: GOSD Chairman shall call the Board of Directors to convene call once every month at least. Any of the concerned governors may call for convening the Board of Directors as necessitated. The Governor of Cairo, in case of attending the BOD meeting, shall have the right to chair the meeting. The meeting shall not be valid except on attendance of the majority of members. Decrees are issued at a majority of votes of attendants. On having equal votes, the chairman's side shall be favored. In case the Chairman of BOD is absent, the eldest member among sector heads shall call the Board for meeting, & shall chair its sessions. The minutes of session discussions & Decrees issued by BOD shall be registered, & signed by the Chairman.

Article 7: The Board of Directors shall notify the Governor of Cairo of Board decrees for approval within seven days of date of issuance. Said decrees shall not be enforced unless approved by Governor of Cairo, or after 30 days as of date of notification without objection.

Article 8: Chairman of GOSD Board of Directors shall assume management & responsibility of GOSD with respect to the provisions of Law of general organizations; and to this decree & regulations issued by the BOD. Chairman of BOD shall assume the responsibility of implementing BOD decrees. The Chairman may delegate authority to one manager or more for some competencies. The Chairman of Board shall represent GOSD before Courts, & in relation to other parties.

Article 9: GOSD resources shall be composed of:

- 1- Revenues accrued from GOSD activities.
 - 2- Appropriations thereto included in the State Budget.
 - 3- Donations & grants accepted by Board of Directors.
 - 4- Loan contracts within limits defined by provisions of the Law.
- GOSD funds shall be considered public funds.

Article 10: GOSD shall have an independent budget and a final statement, based on Law of the State General Budget. Chairman of the Board of Directors, or person delegated such authority, shall develop the draft budget and present it to the BOD for approval in deadlines fixed therefor.

Article 11: Auditing & controlling all GOSD accounts shall be subject to provisions of Laws & decrees issued on controlling & auditing accounts of general organizations.

Article 12: Necessary actions shall be taken to transfer employees of the Operation & Maintenance and Projects departments of the General Organization of Sewerage and Sanitary Drainage (GOSSD) at the same grades and service seniority to the General Organization of Sanitary Drainage Utility (GOSD). Funds allocated, for GOSSD shall also be transferred to the budget of GOSD.

Article 13: All assets, funds, rights & liabilities of the Sanitary Drainage Utility of Greater Cairo and its affiliate stations, collection systems, facilities & projects constructed by the General Organization for Sewerage & Sanitary Drainage in Greater Cairo, shall be handed over to GOSD by virtue of a decree issued by the Minister of Housing in collaboration with the Minister of Finance.

Article 14: GOSD, in order to achieve its rights, shall have the right to adopt the regulations stated in the Administrative Distrain Law.

Article 15: Systems, regulations & decrees applied on GOSD facilities, works & employees shall continue to be enforced without prejudice to provisions of this decree, pending issuance of GOSD organization regulations & decrees.

Article 16: This decree shall be published in the official gazette.

Issued at the Presidency on
24 Rabie II 1401 H.
1 March, 1981 G.

Original Signed by
President Anwar Al-Sadat

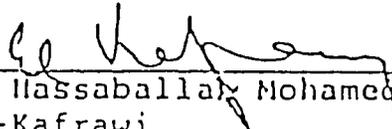
MEMORANDUM OF UNDERSTANDING

The Governments of Egypt and the United States, recognizing the importance of improving Egyptian water and wastewater services, jointly agree to the following:

1. The implementation of a \$1.2 billion funding program during the calendar years 1982 through 1987, such implementation being subject to U.S. Congressional approval of funds;
2. The need for certain management and administrative actions to strengthen Egyptian water and wastewater institutions, such actions being subject to the approval of the Egyptian Peoples Assembly and of relevant Egyptian local authorities:
 - Tariff increases adequate to cover the cost of water and wastewater operations, maintenance, debt service, and routine improvements, as well as appropriate increases by the GOE in the size of the operations, maintenance, and investment budgets provided to fund the sector;
 - Provision of adequate facilities for training and technical services to support the sector and also an incentive system to maintain and recruit qualified staff;
 - The establishment of autonomous local water and wastewater organizations, with the authority to retain service revenues for their own operating needs;
 - The retention during the program of a construction management firm to ensure on-time completion of the projects.

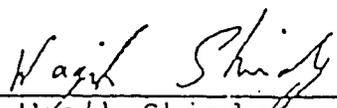
It is anticipated that the construction program will be completed on/or before July 1, 1989. The management actions described above will be phased in and will be fully in place by that time. Notwithstanding the 1989 completion date, every effort will be exerted by both parties to ensure completion of the West Bank Cairo portion of the program within three years of the availability of the final engineering design for that project.

Representatives of both parties will meet annually to review the performance of the program during the previous year and the anticipated performance during the following year. The reviews will include evaluation of funding for the program, construction implementation, institutional development, and progress being achieved toward the agreed economic targets.



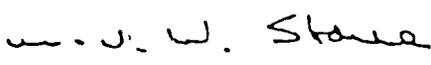
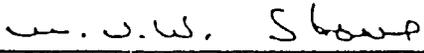
Eng. Nassaballah Mohamed
El-Kafrawi
Minister of Reconstruction
and Minister of State for
Housing and Land Reclamation

Date: _____



Dr. Wagih Shindy
Minister for Investment Affairs
and International Cooperation

Date: 22-1-84

M. P. W. Stone
Director
US AID/Egypt

Date: 4-1-84

WATER AND WASTEWATER SECTOR
1985 ANNUAL REVIEW TARGET BENCHMARKS

ITEM	1984	1985	1986	1987	1988	1989	1990
<u>Tariffs</u>	Develop New National Plan	National Assembly approval and implementation of rate at 35% of O&M levels for water and 10% for wastewater			(Incremental annual increases to meet 1990 goal)		Increase Tariff levels to 100% of O&M for water and 50% for wastewater with tariff rates to increase annually thereafter to finance capital recovery
<u>O&M Costs</u>	Study by National Committee for Tariff Base Line	Expand/update study to include new works under construction	Adjust tariff plan and local O&M budgets as appropriate	(Annually review O&M levels to assure adequate national subsidy to the Governorates.)			
<u>O&M Services</u> Cairo West Bank	Treatment works not performing satisfactorily	(Redesign Zenien works)	(Upgrade/Rehab. Zenien works)	Obtain Expatriate O&M service/training contractor for West Bank new works	(Annually reduce level of contractor support)		Review need to continue support
Alex Wastewater	Treatment works not performing	(Reconstruction of Treatment Works)		Obtain Expatriate O&M service/training contractor for new works	(Annually reduce expatriate staffing levels)		Review need to continue expatriate support
Canal Cities Wastewater	Treatment works not performing	Develop plan to meet temporary & long range treatment needs	Institute temporary treatment measures and design of long term works	Obtain expatriate O&M service/training contractor for New Works	(Annually reduce expatriate staffing levels)		Review need to continue expatriate support

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WATER AND WASTEWATER SECTOR
1985 ANNUAL REVIEW TARGET BENCHMARKS

ITEM	1984	1985	1986	1987	1988	1989	1990
Provincial Cities wastewater	Treatment works not performing satisfactorily	Develop comprehensive O&M needs/management plan	Obtain expatriate O&M service/training contractor for upgraded works	(Annually reduce expatriate staffing)		Review need to continue expatriate service	
<u>Training</u> Cairo West Bank	Minimal	Develop comprehensive training program Establish Regional Training Center at Zenien Treatment Site.	Trainer Training 160 persons O&M Training 100 persons	O&M Training 300 Mgt Training 50	O&M Training 500 Mgt Training 50	O&M Training 500 Mgt Training 50	O&M Training 500 Mgt Training 50
Alex Waste-water System	Selected management training	Develop comprehensive training program. Establish Regional Training Center	Trainer Training 50	O&M Training 200 Mgt Training 30	O&M Training 300 Mgt Training 30	O&M Training 300 Mgt Training 30	O&M Training 300 Mgt Training 30
Canal Cities System	Draft comprehensive training plan completed	Trainer Training 50 O&M Training 50 Mgt Training 25	O&M Training 150 Mgt Training 25	O&M Training 150 Mgt Training 25	O&M Training 150 Mgt Training 25	O&M Training 150 Mgt Training 25	O&M Training 125 Mgt Training 25
Cairo Water System	O&M Training 500	O&M Training 500	O&M Training 500	O&M Training 500	O&M Training 500	O&M Training 500	O&M Training 500
Provincial Cities Fayyum, Minia Beni Suef	Training Advisory Team mobilized	Complete detailed plan Mgt Training 50 O&M Training 50	O&M Training 100 Mgt Training 30	O&M Training 100 Mgt Training 30	O&M Training 100 Mgt Training 30	O&M Training 100 Mgt Training 30	O&M Training 100 Mgt Training 30

11

1985 ANNUAL REVIEW TARGET BENCHMARKS

ITEM	1984	1985	1986	1987	1988	1989	1990
NOPWASD		Complete training plan	Mgt Admin Training 100	Mgt Admin Training 300	Mgt Admin Training 300	Mgt Admin Training 300	Mgt Admin Training 300
General	Draft National Training Plan	Review, update and implement National Training Program					
<u>Incentives</u> bonus	Implementation of Law 26 providing wastewater worker bonus	Update Law with consideration of water workers and merit awards		Review effects of law and recommend revisions as needed			
Certification	None	Develop operator certification standards	Implement certification plan and certify 50	Certify 200	Certify 250	Certify 300	Certify 300
<u>Autonomy</u> Autonomous Organizations	Concept under development at Behera		Evaluate Behera project and adjust concept as appropriate				
Revenue Retention	Concept under study	Implement full retention at Governor level with tariff plan.					

memorandum

Farid Tanagho

DATE: April 21, 1994
 REPLY TO
 ATTN OF: LEG, Farid Tanagho

SUBJECT: Translation of the New Presidential Decree Regarding the
 Great Cairo General Organization for Sanitary Drainage
 Utility
 TO: AD/LEG, Vicki Moore
 DR/UAD, Jim Franckiewicz

"Official Journal issue No. 12 on March 24, 1994"

The President of the Arab Republic of Egypt decree number 95 of 1994.

Amending certain provisions of presidential decree number 133 of 1981 establishing the Greater Cairo General Organization for Sanitary Drainage Utility.

President of the Republic

After reviewing the Constitution,
 and the Law No. 93 of 1962 concerning the drainage of liquid wastes,
 and Law No. 61 of 1963 concerning the issuance of the law of the General Organization, and law No. 53 of 1973 concerning the State General budget.
 and the Law No. 43 of 1979 concerning the issuance of Local Administration Law,
 and the Presidential Decree No. 133 of 1981 establishing the Great Cairo General Organization for Sanitary Drainage Utility,
 and after the approval of the Council of Ministers, and in accordance with the opinion of State Council

Decided

"Article One"

The text of Articles 1, 2, 7, 9, 10, 11 and 12 of the aforementioned Decree No. 133 of 1981 are substituted by the following text:

Article 1: A General Economic Organization is to be established and nominated "the Great Cairo General Organization for Sanitary Drainage Utility". It is a legal entity, located in Cairo City and affiliated with Cairo Governor. The Organization Conducts its projects on an economic basis within the framework of the general policy of the State, in order to realize the balance between its resources and expenditures.

Article 2: The organization is the responsible agency for public sewerage and sanitary drainage works in Great Cairo. In this

OPTIONAL FORM NO. 10
 (REV. 1-80)
 GSA FPMR (41 CFR) 101-11.6
 5010-114

respect the organization may exercise the following functions:

- (1) Administrating, operating and maintaining Great Cairo Sewerage Utility, performing all that is needed to expand, support the utility and provide it with necessary materials and equipment in this connection.
- (2) Preparing the detailed and general plans for projects and works of sewerage and sanitary drainage.
- (3) Performing the studies and applied researches related to sewerage and sanitary drainage, as well as laying down the designs, conditions, technical and standard specifications and preparing projects contracts.
- (4) Launching projects for tendering, performing local and foreign bargaining as well as awarding contracts and supervising its execution.
- (5) Setting the rules and fixing the appropriate tariffs for the costs of sanitary drainage services, in order to ensure realization of the balance between resources and costs, according to the phasal programs stated by Board of Directors.
- (6) applying the provisions of law regarding liquid wastes discharge in the sewerage networks and participating with other concerned parties in determining the standards of liquid wastes discharge in this networks.

Article 7: The Chairman of Board of Directors of the organization notifies the Board's decisions to the Governor of Cairo within seven days of its issuance. These decisions will not be effective unless the Governor approves them or does not object them within 30 days starting from receiving day. However, decisions stated in section 5 of Article 2 and in Article 12 will not be effective unless the Council of Ministers approves them.

Article 9: The organization resources consist of the following:

- (1) financial credits provided by the state for the organization budget annually until the balance between its resources and expenditures is realized.
- (2) revenues earned by the organization as a result of performing its activities and providing the public with its services.
- (3) Donations, grants and voluntary contributions, accepted by the Board of Directors, in the field of the Organization activities.

- (4) Loans that the organization concludes within the limit prescribed by law.

The organization's funds are considered as public funds from all aspects.

~~Article 10:~~ The organization has an independent budget and annual final accounts. The rules of preparation the budgets and accounts of economic organizations are to be applied on the preparation of the organization's budget and accounts.

The organization's fiscal year starts and ends at the same dates of the State's fiscal year. The organization's funds are to be deposited into a special account and allocated for the expenditure of the organization to fulfill its objectives.

~~The Chairman of Board of Directors of the organization or his deputy, prepares the budget project and submits it to the Board of Directors for approval in its due time.~~

Article 11: The central audit agency undertakes reviewing the organization's accounts in accordance with the central audit agency jurisdiction stated in its law.

~~Article 12:~~ The rules of the State Civil Services System are to be applied to the organization's employees until the organization's Board of Director lays down its special regulations in accordance with the nature of its activities, without having to abide by government rules.

"Article Two"

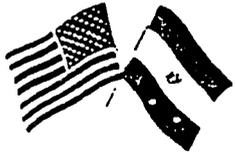
This decree shall be published in the official journal, and shall come into effect as of the day following the publication day.

"issued at the Presidency of the Republic on Ramadan 28, the immigrant year 1414.

March 10, 1994

Signature: Hosny Mubarak

I.1



U.S. ECONOMIC ASSISTANCE PROGRAM IN EGYPT

A.I.D. Project Number 263-0173

NINTH AMENDMENT
 TO
 GRANT AGREEMENT
 BETWEEN
 THE ARAB REPUBLIC OF EGYPT
 AND THE
 UNITED STATES OF AMERICA
 FOR
 CAIRO SEWERAGE II

Dated: 28 SEP 1994

FUNDS RESERVED	
App. 72-114/51037	Res. No. P940184
FOCC 41701	BPC. HES49423263IG18
Off. Code 604	Amount \$12,000,000.00
Agent Code 444470043	Acc. Basis
Obl. Str. Dt. 09/27/94	Obl. End Dt. 09/30/98
BY DA B & A	MACS Date 09/22/94
81	

Ninth Amendment, dated **28 SEP 1994** to the Grant Agreement, dated September 26, 1984, between the Arab Republic of Egypt ("Grantee") and the United States of America, acting through the Agency for International Development ("A.I.D."), for Cairo Sewerage II.

SECTION 1. The Grant Agreement, as amended on March 13, 1985, September 29, 1986, June 14, 1989, August 21, 1990, September 24, 1991, August 24, 1992, April 22, 1993, and September 27, 1993, is hereby further amended as follows:

A. Section 3.1 is amended by deleting "Seven Hundred Fifty-Eight Million, Nine Hundred Ninety-Nine Thousand, Eight Hundred Twelve U.S. Dollars (\$758,999,812)" and substituting "Seven Hundred Seventy Million, Nine Hundred Ninety-Nine Thousand, Eight Hundred Twelve U.S. Dollars (\$770,999,812)" therefor.

B. Section 3.2(b) is amended by deleting the first sentence thereof and substituting the following therefor:

"The resources provided by the Grantee for the Project shall be not less than the Six Hundred Fifty-Three Million, Eight Hundred Fifty-Nine Thousand Egyptian Pounds (L.E. 653,859,000), including costs borne on an "in-kind" basis."

C. Section 3.3(a) is amended by deleting "September 30, 1994" and substituting "September 30, 1998" therefor.

D. Article 4 is amended by adding the following new Section 4.7:

"SECTION 4.7. Conditions Precedent to Subsequent Obligations. Except as the parties may otherwise agree in writing, prior to any obligation after the obligation effected by the Ninth Amendment to the Grant Agreement, the Grantee shall furnish to A.I.D., on or before January 1, 1996, in form and substance satisfactory to A.I.D., the following:

"(a) Evidence that all revenues of the Cairo General Organization for Sanitary Drainage (CGOSD), including those derived from wastewater tariffs and service fees, are being fully retained by CGOSD and that CGOSD has full and exclusive authority to commit and disburse such revenues for its operations and maintenance requirements; and

"(b) Evidence that wastewater tariff rates and service fees should enable CGOSD to generate a minimum of L.E. 125,000,000 annually, in 1994 L.E."

E. The Amplified Project Description and the Illustrative Financial Plan of Annex I are deleted in their entirety, and the new Amplified Project Description and Illustrative Financial Plan attached hereto are substituted therefor.

SECTION 2. Ratification. The Grantee will take all necessary action to complete all legal procedures necessary to ratification of this Amendment and will notify A.I.D. as promptly as possible of the fact of such ratification.

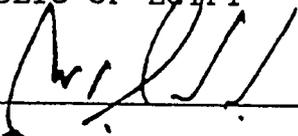
SECTION 3. Language of Amendment. This Amendment is prepared in both English and Arabic. In the event of ambiguity or conflict between the two versions, the English language version will prevail.

SECTION 4. Except as specifically amended or modified herein, the Grant Agreement shall remain in full force and effect in accordance with all of its terms.

SECTION 5. This Amendment shall enter into force when signed by both parties hereto.

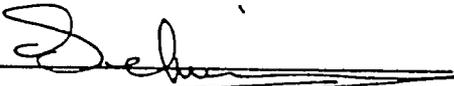
IN WITNESS WHEREOF, the Arab Republic of Egypt and the United States of America, each acting through its respective duly authorized representatives, have caused this Amendment to be signed in their names and delivered as of the day and year first above written.

ARAB REPUBLIC OF EGYPT

BY :  _____

NAME : Dr. Youssef Botros Ghali

TITLE: Minister of State for International Cooperation

BY :  _____

NAME : Dr. Hassan Selim

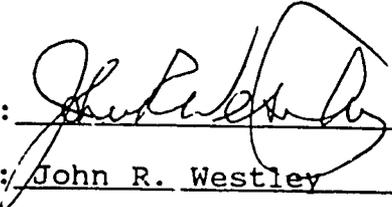
TITLE: Administrator of the Department for Economic Cooperation with U.S.A.

UNITED STATES OF AMERICA

BY : _____

NAME : Edward S. Walker, Jr.

TITLE: American Ambassador

BY :  _____

NAME : John R. Westley

TITLE: Director, USAID/Egypt

Implementing Organizations

In acknowledgement of the foregoing Amendment, the representatives of the implementing organizations have subscribed their names:

MINISTRY OF RECONSTRUCTION,
NEW COMMUNITIES, HOUSING
AND PUBLIC UTILITIES

BY : _____

NAME : Engineer Mohamed Salah El Din Hassaballah

TITLE: Minister

THE ORGANIZATION FOR THE
EXECUTION OF THE GREATER
CAIRO WASTEWATER PROJECT

THE GENERAL ORGANIZATION
FOR SANITARY DRAINAGE OF
GREATER CAIRO

BY : _____ BY : _____

NAME: Eng. Mohamed Talaat Abou Saada NAME: Eng. Ahmed A. Maksoud ElSaid

TITLE: Chairman TITLE: Chairman

(ANNEX I)

CAIRO SEWERAGE II AMPLIFIED PROJECT DESCRIPTION
263-0173

Elements of this Amplified Project Description may be changed by written agreement of the representatives named in Section 8.2 of the Project Grant Agreement without formal amendment of the Agreement, provided that such changes are within the general scope of the Project as set forth in the text of the Agreement.

I. General Project Description

This project, Cairo Sewerage II, is designed to improve, expand and assure proper management of the wastewater collection and treatment systems on Cairo's West Bank. The Project will provide access to adequate wastewater disposal for Cairo's West Bank population, thus assuring improved environmental health. Cairo Sewerage II will provide the core funding for construction, design and construction management; and system operations, maintenance, management and training activities on Cairo's West Bank. This funding will help to assure completion of a comprehensive system.

Cairo Sewerage II will finance the foreign exchange and local currency costs of equipment and construction for culverts, pump stations, wastewater treatment plants and sewers in the Zenein, Pyramids, Embaba and village areas of Cairo. The project will also finance the supervisory construction services by the present design consultants (AMBRIC), subcontractors, audits and technical assistance for improving the institutional capabilities of the Cairo wastewater institutions.

Total project obligations to date, including \$12 million obligated by the Ninth Amendment, are \$771 million. Future AID obligations will be subject to the availability of funds for the project and to mutual agreement of the parties, at the time of subsequent increments, to proceed. In addition, future obligations will be subject to the Grantee's satisfaction of conditions relating to revenue retention and increases in wastewater tariffs and service fees.

II. Project Components

The project consists of the following four components:

A. Construction Activities include the following sixteen subcomponents:

1) The Northwest Collection System (Contract 20A) provides the main collectors in Embaba. This includes the spine, the collection systems connecting directly to the spine, and a

collection system in the Embaba area flowing to the spine from presently sewered areas in Mohandesin.

2) The Northwest Pump Stations and Culverts (Contracts 21 & 22) are designed to remove wastewater from the Northwest area and discharge directly to the Abu Rawash Wastewater Treatment Plant. This element consists of four major pump stations and approximately 11 km of culverts.

3) Giza Relief (Contract 23 and 23A) will relieve the extensive flooding problems in Giza, and allow future expansion of sewage collection services in the area. This system will provide 660,000 people in the area with upgraded service.

4) Embaba Laterals and House Connections (Contracts 24A through 24X) provides for extension of sewer service and house connections financed through the Fixed Amount Reimbursement (FAR) Program.

5) Pyramids Culvert and Pump Station (Contracts 25 & 26) will remove wastewater from the Pyramids area. Collected wastewater in the Pyramids area will be raised by the Pyramids Pump Station, and flow by gravity in a culvert from there to the Junction Pump Station. This consists of approximately 7.5 km of large twin box culvert and the Pyramids Pump Station.

6) Pyramids Laterals and House connections (Contracts 27A through 27N) provides for extension of sewer services and house connections to unsewered neighborhoods in Pyramids area. This is financed through the Fixed Amount Reimbursement (FAR) Program.

7) Pyramids Collectors (Contract 27) is the major sewer, which in conjunction with the Pyramids laterals and house connection, Contracts 27A through 27N, will provide sewage collection in the Pyramids area. The collected sewage will be discharged to the Pyramids Pump Station.

8) Zenein Laterals and House Connections (Contracts 27Z1 through 27Z8) provide for extension of sewer services and house connections to unsewered areas in the Zenein area. This is financed through the FAR Program.

9) Cheops Pump Station (Contract 28) is the major pump station to be built for flows from the Pyramids Collectors.

10) Abu Rawash Wastewater Treatment Plant (Contract 29) will treat wastewater collected from the Embaba and Pyramids areas. It includes construction of civil works and supply and installation of mechanical and electrical components for primary treatment.

11) Abu Rawash Effluent Drain (Contract 30A and 30B) will improve the existing agricultural drainage system to accommodate the treated primary effluent from Abu Rawash Treatment Plant for final disposal. These contracts are financed through the FAR Program.

12) Zenein Wastewater Treatment Plant Rehabilitation (Contract 31) will upgrade facilities for treatment of sewage collected from the area covered by the Giza Relief contract and the islands of Zamalek and Roda. It includes extensive rehabilitation of all three modules of the Zenein plant for primary and secondary treatment.

13) Western Desert Sludge Disposal Facilities (Contracts 33A & 33B) provide for pumping stations and force main to discharge the sludge generated from the Zenein and Abu Rawash treatment plants out to a remote desert site.

14) Helwan Communities Sewer Connections (Contract 27H-1) will provide sewer connections to the Helwan Collector for seven upgraded communities which were financed under the Housing and Community Upgrading Project (263-0066). This contract is financed through the FAR Program.

15) Sludge Disposal Pilot Plant (Contract 35) will provide a testing site for anaerobic digestion and mechanical dewatering at Zenein Treatment Plant.

16) Villages Laterals and House Connections (Contracts 34A through 34M) provides for extension of sewer services and house connections in Ghatati, Kirdasa, Bani Magdoul and Abu Rawash (east).

B. Engineering and Studies and Support includes design and supervision of construction services and technical studies necessary for existing and planned systems expansion.

C. Operation and Maintenance Training and Support to insure that GOSD is sufficiently strengthened to operate and maintain the expanded system.

D. Institutional Development assistance will provide the GOE with support to complete the implementation of policy reforms toward institutional autonomy and full recovery of operations and maintenance costs (including emergency rehabilitation); refine budget, capital planning and revenue enhancing methodologies; and improve managerial, organization and administrative systems.

III. Contribution of the Parties

The Parties to the Project are USAID and the GOE represented by the Cairo Wastewater Organization (CWO) and the General Organization for Sanitary Drainage (GOSD).

USAID will provide the funding (local currency and foreign exchange) for construction, construction supervision, operation & maintenance assistance and studies.

The equivalent of U.S. \$57 million in Egyptian Pounds (LE) has been made available to USAID from the GOE-owned Special Account to finance some local currency costs of the various FAR programs and activities under the Project.

The GOE, represented by CWO, will provide funding for land, easements, rights-of-way, management support, construction and construction supervision. The GOE will also provide 21% of the local currency funding for the FAR Program. In consultation with USAID, CWO will coordinate, support and monitor the performance of the project consultants and contractors having to do with construction; in consultation with USAID, GOSD will coordinate, support and monitor the performance of technical assistance contractors and consultants having to do with operation, maintenance and management training and support.

IV. Financial Plan

The financial plan is presented for planning purposes. Changes to the plan may be made by the representatives named in Section 8.2 of the Project Grant Agreement without formal amendment to the Agreement if such changes do not cause (1) USAID's contribution to exceed the amount specified in Section 3.1 of the Agreement, or (2) the GOE's contribution to be less than the amount specified in Section 3.2 of the Agreement.

CAIRO SEWERAGE II FINANCIAL PLAN

PROJECT NO. 263-0173

AID Grant

Millions of U.S. Dollars

	<u>Previous⁽¹⁾</u> <u>Obligations</u>	<u>This</u> <u>Amendment</u>	<u>Total</u> <u>Oblig. to Date</u>	<u>Estimated</u> <u>LoP Budget</u>
Construction	618.00	0	618.00	618.00
Engineering	118.70	0	118.70	131.70
Studies	1.30	0.50	1.80	1.80
Training and O&M Support	21.00	11.50	32.50	32.50
Total	759.00	12.00	771.00	784.00

Government of Egypt Contribution
Millions of Egyptian Pounds
By GOE Fiscal Year (FY)

	<u>84/85</u> <u>Through</u> <u>93/94</u>	<u>FUTURE</u> <u>YEARS</u>	<u>ESTIMATED</u> <u>LOP BUDGET</u>
Construction ⁽²⁾	559.204	12.655	571.859
Engineering	43.827	23.173	67.000
Training and Support	1.000	7.000	8.000
Studies and Support	2.000	5.000	7.000
Total	606.031	47.828	653.859

(1) Reflects realignment of project budget by Project Implementation Letter No. 64.

(2) This amount includes:

- a) LE 187.4 million (equivalent of \$57 million) which were provided from the GOE-owned Special Account.
- b) LE 240 million (cost of land) granted by the Egyptian Government for the Project Construction.

APPENDIX B

ISC CONTRACT REQUIREMENTS

Background

An institutional support contract was signed on February 11, 1992, between the General Organization for Sanitary Drainage (CGOSD) and CH2M Hill International Ltd. and Operations Management International (OMI), Inc. to provide services for technical operation and maintenance, training, procurement and management services under USAID Grant No. 263-0173.01. The expected outcomes of this contract are summarized in the following text with the status noted in italicized text. The initial contract summarized objectives around 15 tasks. These were reformatted and expanded to 26 tasks in Amendment 5. Each of the 26 are discussed in detail in Chapter 3 of the main report. The purpose of this general review is to evaluate progress against the original contract "expected outcomes" which still remain valid.

Also important is that the statement of work tasked the Institutional Support Contractor (ISC) with the responsibility of achieving the above outputs in cooperation with CGOSD and GOE management noting: "It is expected that the ISC will work diligently and diplomatically to achieve that cooperation". Further the statement noted: "Failure to achieve a SOW item may reflect unfavorably on the ISC's power of persuasion rather than technical ability. They are equally important."

Objectives

The purpose of the project is to strengthen the institutional capacities of CGOSD to better operate and maintain its physical facilities. The objective of the project is to provide a technical assistance package to improve the management systems of CGOSD so that it can solve problems, operate facilities and practice sound preventive maintenance programs.

The specific, action-oriented objectives that are expected to be achieved, through the ISC in a supportive and fully coordinated role with CGOSD, can be summarized and categorized as follows:

- Strengthening of management capability
- Establishment of computerized data management systems
- Establishment of financial control systems
- Establishment of maintenance management procedures
- Establishment of an effective stores program

- Procurement of vital equipment and spare parts
- Attainment of financial viability
- Achievement of organizational effectiveness
- Establishment of internal policies and procedures
- Upgrading the capability of CGOSD personnel
- Strengthening of internal training capacity
- Strengthening of personnel management practices
- Improvement of safety management practices and procedures
- Strengthening of the Sewer Cleaning Department capability
- Implementation of a U.S. twinning relationship

Expected Outcomes from the Project

At the conclusion of the project, it is expected that the following actions will have been completed.

1. Management Capability

- Most capable managers within CGOSD identified and will have received management training courses

This activity has been successfully implemented, however activities continue

- An ongoing management training program directed from within CGOSD will be in place

This has occurred without the assistance of the ISC

- Evaluations will have been made on the advisability of a program of secondment of “manager on loan” to assist the CGOSD Chairman and of the potential for a university master’s program in Utility Management

This program has been implemented with a master’s program underway for CGOSD senior managers at Sadat Academy

2. Computerization

- Personnel, financial, and inventory programs will have been computerized and specific plans will have been developed for computerization of other important areas in a systematic manner

This activity is ongoing and is expected to be completed as scheduled

- Computerization of preventive maintenance schedules and records should be in place for the major CGOSD facilities

This activity is underway and is scheduled to be completed by the contract completion date

- Management reporting should be improved

Completion of this effort depends on the final installation of the computerized data management systems

- A technical reference library should be in place

Needs have been identified, however a working library was not observed by the EHP team

3. Financial Control

- CGOSD payroll, auditing, billing, purchasing, cost accounting, personnel, and inventorying systems will have been computerized

Much work needs to be done yet, but the process is underway (for example, only 5,000 employee records out of 16,700 have been processed)

- The Financial Department's basic needs for computerization will have been provided

Studies have been completed

- CGOSD financial managers will have been trained

This task is slipping because of the lack of an approved organizational structure

- New financial reports will have been institutionalized into CGOSD

Not yet

- A detailed chart of accounts system should be in place

This will be accomplished with the implementation of the UAS

- A computerized accounting system should be in the process of implementation (at least 50% complete)

This activity requires the identification of a qualified manager

- A full utility accounting system with fixed-asset accounting should also be in place

Development studies are continuing

4. Maintenance Management

- Card file and computerized preventative maintenance schedules will have been developed for all major pump stations and treatment plants within the CGOSD area of responsibility

Work continues and should be easily completed as scheduled

- The parts numbering system used in this program must be consistent with that used by other USAID programs in Egypt

Good progress has been made with 13,000 parts completed out of a target 50,000. This pace is inadequate to complete work by the contract completion date. CGOSD needs to be more supportive

- Formal repair/responsive maintenance programs must also be in place for the major facilities

Depends on completion of the implementation of card and computer systems

- Improved housekeeping and groundskeeping procedures will have been initiated

Visual inspection indicates great improvements

- An emergency maintenance/quick response unit should be functioning

Emergency units established and trained. Effectiveness should be evaluated.

5. Inventory Control

- Stores Department should be reorganized and systems put in place to allow speedy location of the correct parts and delivery to the site in a timely manner

This item has shown some progress with the decentralization of some stores with location at facilities where needed. New inventory numbering system and computerization is underway

- A computerized system of inventory recordkeeping should be in place and a program to identify critical spare parts to allow procurement before they are needed should be underway

In the planning stage

- Environmentally-protected storage facilities should be in place for those materials that require them

(not observed)

- CGOSD should have a program in place to dispose of obsolete or unusable parts and equipment and to remove them from their books

No action to date, however lots of promises

6. Procurement

- Sufficient spare parts and equipment should be in CGOSD stores or in the procurement process to allow the repair and replacement of facilities provided through donors and particularly from U.S. suppliers

Procurement activities continue by ISC toward this goal

- The contractor will have specified the needed materials, prepared prioritized lists for approval by CGOSD and USAID, and then procured the equipment

Contractor will have completed this activity later this year

- Manufacture's literature and training should have been provided where necessary

ISC has been responsive; however, needs continue to be identified for some older systems and equipment in the CGOSD system

- USAID procurement regulations will have been followed

No known problems

- The contractor will have reviewed products and equipment produced locally that might meet the needs of CGOSD, as an element of the above procurement

Contractor reports conducting reviews as well as being required to go offshore in some cases when materials may be available locally

7. Financial Viability

- CGOSD should have a comprehensive revenue study, a sewer rate analysis, and a comprehensive five-year plan that will lead specifically and directly to financial viability

ISC has completed necessary studies, but much work needs to be done on the path to financial viability

- The need for capital reserve accounts and employee incentive motivational bonuses will have been considered

These issues remain a concern

8. Organizational Structure

- CGOSD should have a revised organization, based on contractor recommendations

CGOSD is proposing a variation of the contractor's recommendations to CAO for approval

- Functional organizational charts, defined lines of communication and reporting, and delegations of authority will have been prepared and approved by CGOSD

Complete of this task awaits approval of the organization plan

- The contractor will have evaluated and advised CGOSD on alternative approaches to the organization, including the public sector company approach and private sector participation

(not reviewed)

- The revised reorganization will have resulted in some changes in office locations, office equipment, and office space allocation within the CGOSD organization

Not applicable at this time

9. Policies and Procedures

- Enforceable policies and implementing procedures for several of the important areas completed with others at the final approval stage by CGOSD

Underway

- CGOSD will have exhibited an increasing responsibility for the development of policies and procedures as the project proceeded

This is happening

- The development and distribution of initial versions of an employee manual based on policies and procedures should have been completed

A manual was developed and distributed to key managers. Updating will be required as organization structure is approved and policies and procedures continue to evolve

10. Staff Capability

- The training plan will have been reviewed and updated, with all training by contractors and others coordinated effectively and timed to match commissioning schedules

Successful

- An annual training rate of 20-25% of the CGOSD managerial, technical, and administrative staff would have been maintained

Successful

11. CGOSD Training Department

- The CGOSD Training Department will be fully functional and capable of meeting the majority of its training requirements, utilizing the fully equipped and staffed Zenein Training Center as the focal point of its training efforts

Successful

- The Training Department should be capable of establishing performance-based objectives that can be monitored to measure the effectiveness of its training programs.

Successful

- Curriculum development and planning of long-range needs should be part of CGOSD's training efforts

Successful

12. Personnel Management

- Personnel management practices of CGOSD will be improved

Evolving

- A competency-based operator certification program will be established

A point of contention is delaying startup but is believed to be temporary

- A motivation program, through incentives, will be established that will include competitive performance awards and rewards

A plan is in place but needs refinement and updating

- An action plan should have been developed that will lead to a personnel program that is as effective as the laws will allow

This area needs more work

13. Safety Awareness

- An enforceable safety policy will have been established with a clearly defined safety program implemented

This activity needs a mentor to get restarted.

- The CGOSD Safety Department will have been strengthened with increased and trained staff and increased budget

Needs work

- A Safety Committee or Committees would have been formed and initial activities underway

Needs work

- A safety recordkeeping system and statistical reporting program should have been developed, with CGOSD well on its way to becoming fully safety conscious

Not active

14. Sewer Cleaning

- USAID equipment, previously provided, will be in full operation

Some USAID equipment remains unused but is reported to have been designated for specific facilities that will soon come on line

- The performance and capability of the CGOSD Sewer Department will have been improved substantially

Successful

15. Twinning

- A close working relationship will have been developed with a twinning partner that will provide for exchange of technical and management personnel, training programs, attendance at technical conferences, cultural education, and consultations as needed.

Successful

APPENDIX C

LIST OF INTERVIEWEES

Sayed Abdallah	ISC Computer Specialist
Omar Afifi	ISC Field Follow-up, Task B4.2
Samir Sayed Ahmed	ISC Senior Advisor
Joseph Alexan	ISC Task Leader for B4.3
Mohamed Yosri Amin	ISC Institutional Reform Task Manager
Matthew Anton	O&M Advisor, Abu Rawash Treatment Plant, CDM
Peter Argo	Director of Institutional Support, USAID
Dr. Naim G. Attia	ISC Legal Consultant
Mohamed Abdel Aziz	General Manager of Finance Department, GOSD
Alan L. Canter	ISC Autonomous Development Manager
Najib Chaouch	ISC A1 & A2 Task Manager
Mohamed El Alfy	Project Manager, Canal Cities, USAID
Sayed Abou El Ela	Project Manager for ISC, GOSD
Omar El Mati	Senior FSN, USAID
Mustafa Abdel El Mohsen	Zenein Treatment Plant Manager, GOSD
Yosri El Mossalami	Chief of Organization Department, GOSD
Farouk El Sheikh	Deputy Manager, MTSS Project
Abdel Rahman Farid	ISC Organizational Specialist
Emad Faraq	ISC Task Leader for B4.1
Mohamed Abdel Fatah	General Manager for Electrical and Mechanical, GOSD
James Frankiewicz	CWO Project Manager, USAID
Dr. Moftah Galal	Management Development Specialist, MTSS Project
Douglas A. Griffes	ISC Chief of Party
Frederick J. Guymont	Associate Director for Development Resources, USAID
Hussein Helmi	General Manager for Administration Department, GOSD
Paul Hitchcock	ISC O&M Team Leader
Peggy Howe	Program Manager for Financial Viability, MTSS Project
Rafat Ibrahim	Ein Sham Training Center Manager, GOSD
Edward Kaempf	Senior Manager, Ernst and Young
Maha Khallaf	ISC Task Leader for B4.5
Dr. Ragia Kandil	ISC Public Awareness Program Task Manager
Sami Khafagi	Training Department Manager, GOSD
Mohamed A. Khattab	Chief of Follow-up, GOSD
Khairy El Kinawy	ISC O&M Training Advisor
Magdi Mabrouk	Assistant to Project Manager for ISC, GOSD
Mustafa Mahmoud	Berka Treatment Plant Manager
Ahmed Abdel Maksoud	Chairman of GOSD

Charles McElroy	Project Manager for ISC, USAID
Ali Metwali	MOF Representative at GOSD
Samir Abdel Moneim	West Bank Sector Manager, GOSD
Khari Morsi	Deputy Manager for Project Development, GOSD
M. Hassaan Morsi	Vice President, Dr. Ahmed Abdel-Warith Consulting Firm
Alvin Newman	Director of UAD, USAID
Dr. Vincent J. Niemeyer	Program Manager for Management Development, MTSSP
Mohktar Noureldin	ISC Senior Training Advisor
N. Paul Orr	ISC Sector Reform Manager
Adel Osman	ISC O&M Training Advisor
Bahgat Osman	ISC MIS Manager
Pankaj Patel	ISC Task Leader for A2
Hassan Radwan	ISC Accounting Specialist
Mohamed Abdel Rahman	Deputy Director for O&M, GOSD
Peter W.D.H. Roberts	Divisional Engineering Advisor, ODA
Fatma Sadek	General Manager of the Personnel Department
Saleh Selim	Zenein Training Center Manager, GOSD
Dr. Attia Shahin	ISC Task Leader for 4.4
Ahmud Shokr	Belaks Treatment Plant Manager, GOSD
Tarek Hussein Shaalan	ISC Assistant Institutional Reform Advisor
Stephen Sharples	Senior Government and Institutions Advisor, ODA
Tolba Ahmed Sayed	Assistant to the Project Manager for ISC, GOSD
Fatma Turk	Budget Manager, GOSD
Saleh Wanees	Director for Industrial Waste Control, GOSD
Ragei Yacoub	Director of Stores, GOSD
Dr. Mohamed I. Youssef	General Manager, Team Misr

APPENDIX D

WORKSHOP MATERIALS

1. Workshop Design and Agenda
2. List of Participants

PROJECT REVIEW AND ASSESSMENT WORKSHOP

GOSD/ISC

August 1, 2, and 3, 1995, Cairo Nile Hilton

Day 1 - Tuesday, August 1, 1995

- 9:00 Welcome and Introduction to the Workshop- Chairman
USAID
ISC
- 9:45 Overview of Project Accomplishments to date
- Presentations by each of the 6 Task Groups (A1 - B4)
(10 minutes each)
- 11:00 TEA BREAK
- 11:30 Task Leader Panel
Question & answer /discussion on Accomplishments
- 12:00 Review and Refocus on the Objectives of this Project for the remaining 3
years
Presentation : Sayed Abou El Ela
Chuck McElroy
Doug Griffes
- 1:00 LUNCH (and Prayers)
- 2:00 The Next Three Years

Task Groups- " What are the Activities that must be completed over the next
3 years, in order that GOSD can become an effective, independent utility
business, attractive to financial institutions?"
- 3:30 TEA BREAK

3:45 Task Group Reports on "Three-year Activities"

5:00 Conclude Day

DAY 2 - August 2, 1995

9:00 Management Panel (Chair, PIU, ISC, USAID, Assessment Team)

Review and comment on the Task Groups' "Three-year Activities" Reports, followed by Q & A and discussion from the floor.

10:30 TEA BREAK

11:00 Brainstorming Groups - "What are the 'barriers', current and potential, to implementing these activities and achieving these goals for GOSD?"

11:45 Task Group Reports on "Barriers Identified"
-Analysis and synthesis of "Barriers"
-Set up Barrier Clusters for discussion

1:00 LUNCH (and Prayers)

2:00 Set up "Barrier Removal" Groups
-Individual analysis of possibilities for removing Barriers
- sign-up for "Barrier Removal" Groups

2:15 "Barrier Removal" Groups work

3:30 TEA BREAK

3:45 Reports from the "Barrier Removal" Groups to Plenary
-Review and comments by the Management Panel
- Plenary discussion

5:00 Conclude Day

DAY 3 - August 3, 1995

- 9:00 Activities Sort
 - Based on the Activities generated in the "Three -year" exercise, and on the analysis of the "Barriers" just completed, sort the activities into those that can be accomplished before end Sept. 1996, and those that will take until 1998 (or longer).
 - Task Groups do the sorting
- 9:45 Reports from the Task Groups on the "Activities Sort"
 - Plenary discussion and Management Panel review
- 10:30 TEA BREAK
- 11:00 What Do We Need To Do To Make All This Happen?
 Action Groups: (For Example)
 Administration and Finance
 Organizational Development
 Personnel
 Skills Development
 Facilities and Systems Management

 - Heterogeneous Group assignments
- Task: Describe specific actions/events which will take place to facilitate the accomplishment of these GOSD Activities.
- 1:00 LUNCH (and Prayers)
- 2:00 Reports from Action Groups
 - Plenary discussion and Management Panel review
- 3:00 Summary of Workshop
 - Accomplishments
 - Workshop materials and reports
- 3:30 CONCLUDE WORKSHOP

List of Participants

GOSD Participants

Ahmed Abdel Maksoud

Magdi Mabrouk

Yehia El Sherif

Mohamed Abdel Aziz

Yosri Musalami

Fatma Turk

Fatma Sadek

Hussein Helmy

Obeid Fahim

Farouk Abdel Monsef

Ragaa Yaacoub

Tolba El Sayed

Abdel Gawad Abou Zeid

Khairy Morsi

Mohamed Abdel Rahman

Hamdy Massoud

Mohamed Zayed

Samir Abdel Moneim

Sami Khafagy

Sayed Abou El Ela

Ahmed Shoukr

Mansour Badawi

✓ Ali Metwali (MOF)

Doaa Goma (CAA)

ISC Participants

Douglas Griffes

Ahmed Lebda

Attia Shahin

Bahgat Osman

Emad Farag

Hassan Radwan

Joseph Alexan

Khairy Kinawi

Maha Khallaf

Paul Hitchcock

Nejib Chaouch

Paul Orr

Adel Osman

Samir Ahmed

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APPENDIX E

STRATEGIES FOR INDEPENDENT PUBLIC UTILITIES

A. Introduction

The appendix is designed to identify alternate strategies for developing independent, business-like public utilities in Egypt. Although the strategies were developed as part of the evaluation of the GOSD Institutional Support activities, many of the ideas can be applied to other situations in which USAID is trying to encourage the implementation of independent public utilities.

B. Criteria

The strategies are built around five criteria which are suggested as a basis for evaluating a successful public utility. These criteria are as follows:

1. Board of Directors

The utility needs to have an active external board of directors composed of elected local officials, representatives of business, law, the health sector, academic institutions, environmental NGOs plus the possible inclusion of retired national officials. It should not exceed 15 in number. The board should act as an advocate for the improvement of the utility as well as a watchdog. It should not contain current national government officials or utility officials, other than the Chief Administrative Officer on an ex-officio basis.

2. A General Manager with Utility Experience

The public utility should have as Chief Administrative Officer an individual with knowledge and/or experience in the operation of a public utility, including business aspects. He should be selected by the board following a competitive nationwide executive search. The most difficult problems facing the CAO of a public utility in Egypt are the economic aspects of the operation. Those skills are also the most difficult to recruit.

3. Enterprise Fund Accounting and Budgeting

it is essential for the public utility to utilize enterprise fund accounting and budgeting practices in order to provide the board and other policymakers with meaningful information regarding rate increases and financial planning. In addition, such information will be required by potential lenders.

4. Setting Utility Rates

The public utility needs to be able to establish its rates based on expenses and financial planning. Such rates can be subject to the approval of a national regulatory body or a principal national authority such as the Prime Minister as a safety valve or control point. It is not practical, however, to have the rate-setting authority divided among a variety of national and local officials since there is then no longer any accountability for the financial and physical well-being of the utility.

5. Personnel Policies

A utility business cannot be successful unless it has control over the appointment, promotion, and removal of its employees and the establishment of salaries and benefits. Otherwise, business decisions concerning personnel matters, which should be made by the board and the General Manager, are actually made by others who will not be held accountable for the success or failure of the utility.

C. Strategies for Meeting the Criteria in Egypt

There are two basic ways to approach the creation of public utilities which meet the criteria listed above. One is by changing the current laws, presidential decrees, and regulations through amendments or by the passage of a basic piece of legislation covering public utility entities. The other approach, as an interim step, is to work within the confines of the current laws to satisfy the criteria to the greatest extent possible. A series of permanent and interim strategies are suggested below for each of the five criteria.

1. Board of Directors

a. Legal Reform

A completely new law on public utilities, designed to replace all of the existing laws and decrees, could be passed; or the current Presidential Decree and other pertinent laws could be amended to allow for a board of directors as illustrated below:

- 5 local Councillors from Cairo Governorate
- 2 local Councillors from Giza Governorate
- 1 local Councillor from Qualibiya Governorate
- 1 Cairo private-sector banker
- 1 Cairo Chamber of Commerce representative
- 1 representative from the health sector
- 1 lawyer
- 1 academic
- 1 retired GOE official
- 1 officer of an environmental NGO

The 15 individuals should be selected by the Governor of Cairo for overlapping four-year terms—7 appointed at one time and 8 the other. Board members should continue to serve until their replacement takes office. No active GOE officials or utility executives should be appointed to the board. The General Manager should serve as an ex-officio member of the board. The board should select its own chairman on a two-year basis. Board members should receive reasonable compensation for their services and expenses based on their attendance at the board meetings.

The board should provide for annual financial audits of the utility, using a private-sector accounting firm, and management audits at least every five years, for an outside evaluation of the utility's activities.

b. Interim Steps

Short of achieving the necessary legal revisions, the Chairman of GOSD could appoint an Advisory Policy Committee which would have no legal authority. It could however serve as a prototype Board of Directors, advising the Chairman and the legally constituted board regarding the tariffs, finances, and planning for GOSD. If the members were carefully selected for their opinion-making and influencing capacities, they could demonstrate the value of having an active board that acts as an advocate for the organization.

Because the board is only an advisory group, the Chairman should have the authority to appoint the group. Funds would have to be identified for stipends for members, and training would have to be provided to get them off to a good start. When the legal amendments were implemented, the advisory board could step into the permanent seats.

2. General Manager

a. Legal Reform

A public utility bill or amendments to the current decrees and legislation would have to be enacted to provide for the position of a General Manager to serve as Chief Administrative Officer of the utility. The individual should be appointed by the board or at the very least, nominated by the board for appointment by the Prime Minister. Qualifications should be established for the position, specifying utility management experience with a knowledge of utility business practices. The individual should be responsible to the entire board and not just to the chairman of the board.

The General Manager should be responsible for supervision of all O&M as well as administrative and financial activities of the utility. The individual should be responsible for developing and presenting the annual budget to the board as well as a five-year capital plan and a strategic plan.

The individual should serve without tenure (other than perhaps a contract for two or three years), with the understanding that he or she could be terminated by the board based on performance.

b. Interim Arrangements

The Chairman could consider the possibility of creating the position internally and seek to have it approved by CAO and the MOF. Such an action would create an interesting precedent for GOSD and other public utilities in Egypt. The difficulties would come from the necessity to set a higher salary to attract the right type of person. Another problem could arise in terms of the willingness of the Chairman to delegate many of his current activities and to devote himself instead to some of the difficult external relations problems of GOSD.

3. Enterprise Fund Accounting and Budgeting

a. Legal Reforms

A new public utility law or amendments to the present statutes and decrees should call for the use of enterprise fund accounting and budgeting practices for the maintenance of the utility financial records. The laws should clearly permit GOSD to retain its revenues based on satisfactory annual negotiations with MOF for decreasing subsidies and increasing rates.

b. Interim Steps

During the interim period, there is no reason that GOSD (and other public utilities) can't utilize enterprise fund accounting and budgeting practices. Even though the accounting records may have to be

kept according to MOF UAS formats, the utility can maintain parallel financial records in the enterprise-fund format. A computer crosswalk process can be used so that both formats can be maintained side by side. The enterprise fund format should be utilized for board presentations as well as annual presentations to the MOF when subsidies are being negotiated.

Negotiations should begin with the MOF for the purpose of allowing retention of the revenues prior to a break-even point with the understanding that the annual approval of the budget and the subsidy figure would remain with MOF. The MOF individual stationed in GOSD should be given more authority to approve financial requests based on the annual negotiations and the approved annual budget. A step-by-step arrangement should be negotiated between GOSD and MOF for financial independence based on certain financial management milestones being reached and the demonstration of financial management capacity on the part of GOSD.

4. Rate Setting

a. Legal Reforms

A new public utility law or amendments to current laws and decrees should provide for a less complex rate-setting procedure with the principal responsibility residing in the board. With the addition of local council members to the board, the role of the Governor of Cairo in the rate-setting process becomes somewhat duplicative. If the Prime Minister remains the final approval point or safety valve in the process, he can call upon the advice of whichever officials he desires in making his decision.

b. Interim Arrangements

GOSD should continue its efforts to explain the need for its rate increases to the members of the local councils in the three affected governorates (or governorate areas) so that their support can be assured prior to the increase being referred to the Prime Minister. The use of the advisory policy committee recommended above might also help to speed up favorable approval of necessary rate increases. In addition, the use of the enterprise fund format for GOSD's financial presentations, as recommended above, should also help to achieve favorable approval of rate increases.

5. Personnel Policies

a. Legal Reform

A public utility law or amendments to the current statutes and decrees need to clearly provide GOSD with control over its personnel policies and procedures. Without it, the business decisions of the organization are severely constrained. In addition, the current labor laws in Egypt make it very difficult for any organization, public or private, to fire individuals. It is the understanding of the team

that those laws are currently under review and changes are expected. It will be important that GOSD be able to exercise any new powers which may be given to the private sector to eliminate unneeded or problem employees. This is particularly important in a utility business that is trying to become self-supporting and is estimated to have up to 25% more employees than it needs.

b. Interim Arrangements

The most important personnel powers needed by GOSD at the present time are in the area of setting salaries for scientific and professional positions requiring outside recruitment because of the scarcity of skills. Another important area of authority is in the promotion of promising employees. A final area of need is in the freedom to discipline employees who are not performing properly.

CAOA has an individual stationed in the GOSD headquarters. It is not clear to the team how much authority the individual has to make decisions on the spot. Negotiations should take place with CAOAs to allow more flexibility in making decisions in the key areas described above, both on the part of GOSD and on the part of the CAOAs representative. CAOAs and GOSD should negotiate an arrangement whereby the role of CAOAs moves from a decision-making mode to an auditing process, based on well understood standards, as GOSD demonstrates its ability to handle personnel decisions in a business-like and professional manner.