
Support to the Development

of a

National Energy Efficiency Strategy

Ninth Progress Report:

September 1st, 2001 to December 31st, 2001

Prepared for:

United States Agency for International Development

Mission to Egypt

Cairo, Egypt

Prepared by:

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San Francisco, CA, USA

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Section 1: Status Report

This report is the ninth and last progress report providing implementation updates on the technical assistance activities covered under the United States Agency for International Development (USAID) Mission to Egypt and Nexant Inc. (Nexant) contract number: LAG-I-00-98-00006-00, Task Order number: 805. Since the project inception in September 1999, Nexant submitted eight quarterly reports, each covered achievements and results of a quarterly period. Being the last progress report, this report will provide updates on activities covered during the last remaining period in the task order; Sep 1st, 2001 to Dec 31st, 2001.

1.1 Background

Nexant Inc. (Nexant) is assisting the Government of Egypt (GOE) in formulating a National Energy Efficiency Strategy (NEES) aimed at creating a sustainable energy efficiency market through strategic partnerships between the public and private sectors. The activity falls under the USAID-sponsored Egyptian Environmental Policy Program (EEPP), a policy reform program to help the GOE to meet its priorities for the environment and provide a platform for sustainable economic development.

Nexant's responsibilities under this task order were to:

1. Assist the GOE in formulating a NEES that creates a sustainable energy efficiency market through strategic partnerships between public and private sector entities.
2. Support the creation of a task force within the Organization of Energy Planning (OEP), to manage, monitor, evaluate, coordinate and direct the development and implementation of a national strategy targeting Global Climate Change through reducing/avoiding emissions of greenhouse gases (GHGs).
3. Support other NEES partner working groups established to further specific EEPP-related energy policy initiatives.
4. Engage the public and private sectors in meaningful dialogue to formulate a policy reform agenda that rationalizes energy use based on optimum environmental and economic considerations, and encourages a leading role for the private sector.
5. Assist a transformation from a public sector led market to a robust and competitive energy efficiency market dominated by private sector investments and business.
6. Stimulate trade and technology transfer to promote sustainable economic growth, enhance Egypt's competitiveness and ability to enter the global market.

1.2 Expected Results

The scope of work was subdivided into three tasks with specific target outputs:

Task 1 - Development of NEES

Output: A National Energy Efficiency Strategy developed by the Energy Efficiency Council and the Technical Secretariat. A report on the proposed re-engineering of the OEP.

Task 2 - Market Transformation and Development Initiatives

Output - Programs and initiatives - including institutional development, capacity building, and promotion and outreach - to stimulate private sector participation in implementing energy efficiency in the country.

Task 3 - Management/Administration

Output - Appropriate management/administration of activities under the task order.

1.3 Report Activities

1.3.1 Task 2: Market Transformation and Development Initiatives

1.3.1.1 Business Planning and Development Support for Natural Gas Energy Services

Nexant continued its ongoing support to the private energy services community with a focus on those involved in developing the natural gas market. Nexant provided a range of business planning support to energy service companies operating in the natural gas field including local distribution companies. Efforts included:

- Preparing a series of technical reports containing data and information on natural gas-related engineering issues including: evaluating the performance of fuel switching equipment, assessing the capabilities of local equipment suppliers, outlining the key steps required to conduct an investment grade energy audit, and discussing different methods for sizing natural gas-fired co-generation units.
- Developing business tools to facilitate the evaluation of investments in natural gas energy service projects including the continued development of an energy services financial model and a cost estimation tool for natural gas projects.

1.3.1.2 Private Sector Development Support

Activities related to the development of the energy service market in general continued through the Egyptian Energy Service Business Association (EESBA). Nexant assisted EESBA in conducting a business planning session for its members to help update the vision and the mission of the association. The association sponsored a 3-hour evening session on October 23rd at the Pyramisa Hotel. Ten member companies participated in the session and engaged in a lively discussion exchanging views about the status of the industry. The group agreed to form small teams of 2-4 persons per team to develop plans for 2002 in areas related to policy advocacy, donor coordination, membership promotion, interface with financial institutions, and marketing to energy end-users.

1.3.1.3 Supporting the Development of New Financing Options

During this last period of the task, Nexant continued its work associated with the development of new methods for financing energy efficiency projects. Key results include:

- Evaluating options for using lease financing to stimulate local investment in energy efficiency. As part of this effort, Nexant worked with Orix Leasing Egypt to promote local awareness of lease financing. Orix prepared a leasing fact sheet that describes how lease financing can be used to develop energy efficiency projects (e.g., through sale leaseback arrangements, etc.). The fact sheet was sent out to all EESBA members.
- Conducting one-on-one meetings with energy service companies and financial institutions in order to discuss the potential financing of projects that are being considered by local project developers. Several of these meetings focused on evaluating opportunities for investments in natural gas energy service projects.

1.3.1.4 Capacity Building

Certified Energy Managers Course

A second round of these courses were held in Hurghada and in Cairo during the month of September, where 22 engineers were certified and taught by instructors from the U.S. Association of Energy Engineers (AEE) in Atlanta GA. Eleven energy professionals received their CEM certificates during the first course, which was held at the Hilton Plaza in Hurghada during the period September 9–15, 2001. Eleven more professionals were certified after the completion of the second CEM course, which was held at the Heliopolis Sheraton Hotel in Cairo during the period September 16–22, 2001.

The courses provided a comprehensive training for mechanical and electrical engineers on energy efficiency technologies and applications. The team of the U.S. instructors was complemented by an Egyptian consultant to help adapt the course's contents to the local market. The courses were conducted with support from the Environment Division of the USAID Mission/Cairo, and are part of EESBA's continuing effort to enhance the local capacity of energy professionals through a series of CEM workshops.

1.3.1.5 Outreach

"Environment 2001" Conference

Nexant participated in the bi-annual conference of the EEAA: Environment 2001. Nexant's participation included:

1. Sponsoring a session on energy efficiency to discuss the role of the private sector in providing energy efficiency solutions to the market. The workshop took place immediately following the inauguration session of the Conference, and was attended by more than 30 professionals interested in the efficient use of energy resources. Dr. Sherif Kandil of AED, moderated the session and stimulated discussions about how to promote investments in energy efficiency to support economic growth and meet global climate change objectives.

The 2-hour discussion included representatives from public & private joint venture banks, leasing companies, international financial organizations such as the IFC, public and private energy end users, energy service companies (ESCOs), research institutes, senior USAID

representatives, UNDP representatives, electric utilities, members of the media, and other energy efficiency stakeholders. Through an interactive dialogue, participants agreed that the potential for investments in energy efficiency was a) too large to be missed, and b) provides an attractive rate of return on investment compared to other areas especially in light of current global economic challenges.

As a result, several issues were highlighted as critical to unlock this market opportunity including: A) a more engaged role for non-government organizations such as EESBA in communicating pertinent issues to government authorities and financial institutions on behalf of the EE industry, and B) the need to develop financing mechanisms for energy efficiency projects.

2. Hosting an energy efficiency booth to display various related activities as part of the well coordinated EEPP booth coordinated by the PSU and AED.
3. Chairing a session on Energy Efficiency and Renewable Energy, which included a paper submitted by Bob Hinkle of Nexant on "Using Public-Private Partnerships to Deliver Natural Gas-based Energy Services".

Al Ahram Book on "Energy & Development"

In December 2001 and with support from AED, Nexant finalized the production of Al-Ahram's book entitled "Energy and Development". The book covers the dialogue that ensued during the Al-Ahram co-sponsored Workshop of June 2001. Two thousand copies were issued in Arabic and will be distributed by AED to the various stakeholders.

Journalists Briefing

On December 26, the AED, with assistance from Nexant, held a media briefing on "Energy Efficiency and Future Challenges" to establish a positive dialogue on energy efficiency with members of the press in order to clarify the energy efficiency objectives of the EEPP. The media briefing took place at the Journalists' Syndicate and consisted of two information sessions. The first session provided a perspective on the relationship between the efficient use of energy and economic growth and development of Egypt. The second session addressed the environmental benefits of efficiency with a focus on the climate change objectives.

Approximately 80 journalists were in attendance. Dr. Ibrahim Abdel Gelil, CEO of the EEAA, Dr. Ahmed Amin, Director of Tabbin Institute for Metallurgical Studies, Mr. Salah Hafez, President of EESBA, and Mr. Emad Hassan of Nexant made several presentations and were at hand throughout the sessions to respond to questions and inquiries from the attending members of the media. The daily "Good Evening Egypt" TV program interviewed both Mr. Salah Hafez and Mr. Emad Hassan.

Energy Efficiency Video Documentary

In November 2001, AED and Nexant worked closely and finalized the production of the 12-minute Arabic video entitled "Efficient Use Of Energy Over Time". The one thousand copies produced will be distributed by AED to a number of schools as part of AED's efforts to

educate the youth on energy efficiency.

Energy Efficiency Press & Public Awareness Kit

During November and December, AED supported the production and finalization of the ten following fact sheets:

1. "Supply and Demand of Energy in the Egyptian Market"
2. "Energy Efficiency Potentials in the Egyptian Industries"
3. "Energy Efficiency and its Implications on National Economy"
4. "Coordinating Energy Efficiency Efforts: Organizations and Legislation"
5. "Competence of Cars"
6. "Wind Energy"
7. "Solar Energy"
8. "Data on Energy: A Starting Point"
9. "Pollution Abatement"
10. "Factor 4"

The above ten fact sheets are the last output of the AED-supported fact sheets package.

1.3.2 Task 3: Management and Administration

1.3.2.1 Management

Development of the EPPP Tranche 2 Initiatives

Throughout the remaining period of Sep-Dec 2001, Nexant participated in several activities related to the development of the policy measures of Tranche II. Specifically, work was focused on negotiating the language and scope of Objective 10 of the Tranche with the Egyptian General Petroleum Corporation (EGPC). Nexant, and the USAID representatives met with the EGPC team to discuss general issues related to the role that EGPC and Nexant would play in the program. Subsequently, Nexant assisted the EGPC team to develop a work plan for implementing the policy measure over a period of 6 quarters.

In September, H.E. Engineer Sameh Fahmy, Minister of Petroleum announced the formation of the Egyptian Holding Company for Natural Gas (EGAS) under the Ministry of Petroleum, to focus on developing the natural gas industry. In October, Minister Fahmy responded to a letter from H.E. Nadia Makram Ebeid, the former Minister of State for the Environment, asking for clarifications on the continued participation of the Ministry of Petroleum in the next phase of EPPP. In his response, Minister Fahmy indicated the willingness of the Ministry of Petroleum to participate in Tranche II through EGAS as an implementing agency for objective 10. He nominated Dr. Mahmoud Badran, Vice Chairman of Car Gas, to be a member on the Executive Committee of EPPP representing the Ministry. The Minister's response did not include OEP.

Nexant believes that the formation of EGAS signals a clear indication of the Government of Egypt's intention to focus on the development of the natural gas business as a major industry in Egypt. Nexant met with the Chairman of EGAS, Engineer Mohamed Tawila, and agreed on the main areas of implementation and coordination.

1.3.2.2 Administration

Extension of the Energy Efficiency Task Order

To continue to work on the requirements of this task order, Nexant was granted a no-cost extension to the completion date of the task through December 31, 2001. Agreements for Cooperating Country Nationals and other service providers were modified accordingly.

A budget realignment was submitted to the USAID/Cairo to amend the ceiling limits to some of the budget categories without increasing the overall ceiling limit of the task established in September 1999.

Section 2: Administrative Information

The following tables provide a summary of the expended resources during the last period of the task order (September-December 2001). Table 1 titled "Level of Effort Activity Summary Data" provides an itemized level of effort by each of the job category listed in the task order. Table 2 titled "Financial Data" provides a summary of actual expenditures during this quarter.

Table 1: Level of Effort Activity Summary Data (Sep-Dec 2001)

TECHNICAL SPECIALISTS		Budgeted Level of Effort (Days)	Modified LOE (Aug 01) (Days)	LOE In Period (Days)	Cumulative Activity (Days)
US Technical Specialists					
Task Manager Private Sector Development	<i>Emad Hassan</i>	312	687	102	698
Market Development Specialist	<i>Richard Smith</i>	312	398	0	398
HO Manager	<i>Amedeo Simoncini</i>	240	332	0	332
Logistical Support	<i>Mezey, Neal & Babcock</i>	160	161	6	161
Technical Writer/Editor		150	3	0	3
EE Specialists		300	104	0	105
Energy Policy Specialists	<i>Julia Curtis</i>	500	91	0	91
Energy Economists		320	257	0	257
HRD Specialists	<i>Beryl York</i>	168	105	0	105
Climate Change Specialists	<i>Paul Worhach</i>	140	19	0	19
Communication Specialist		20	0	0	0
ESCO Specialists		240	71	0	71
Energy Financial Specialists	<i>Robert Hinkle</i>	172	512	47	516
Energy Law Specialist		40	0	0	0
Sub Total		3,074	2,738	155	2,753
CCN Technical Specialists					
		1,326	2,130	302	2,116
Total		4,400	4,868	457	4,869

Table 2: Financial Data (Sep-Dec 2001)

LINE ITEMS	CONTRACTUAL BUDGET	MODIFIED BUDGET (Aug 01)	SPENT AS OF 12/31/01	REMAINING Funds
Technical Specialist Labor	\$3,108,990	\$3,032,677	\$3,031,071	\$1,606
Other Direct Costs	\$ 887,670	\$ 963,983	\$ 963,983	\$0
TOTAL	\$3,996,660	\$3,996,660	\$3,995,054	\$1,606

Support to the Development

of a

National Energy Efficiency Strategy

Eighth Quarterly Implementation Report:

June 1, 2001 to August 31, 2001

Prepared for:

United States Agency for International Development

Mission to Egypt

Cairo, Egypt

Prepared by:

Nexant Inc.

San Francisco, CA, USA

September 2001

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Section 1: Status Report

This report outlines activities undertaken during the period June 1, 2001 to August 31, 2001 under the United States Agency for International Development, (USAID), Mission to Egypt and Next Inc. contract number LAG-I-00-98-00006-00, Task Order number 805.

1.1 Background

Nexant Inc. (Nexant) is assisting the Government of Egypt (GOE) in formulating a National Energy Efficiency Strategy, (NEES) aimed at creating a sustainable energy efficiency market through strategic partnerships between the public and private sector. The activity falls under the USAID-sponsored Egyptian Environmental Policy Program (EEPP), a policy reform program to help the GOE to meet its priorities for the environment and provide a platform for sustainable economic development.

Nexant's responsibilities under this task order were to:

1. Assist the GOE in formulating a NEES that creates a sustainable energy efficiency market through strategic partnerships between public and private sector entities.
2. Support the creation of a task force within the Organization of Energy Planning (OEP), to manage, monitor, evaluate, coordinate and direct the development and implementation of a national strategy targeting Global Climate Change through reducing/avoiding emissions of greenhouse gases (GHGs).
3. Support other NEES partner working groups established to further specific EEPP-related energy policy initiatives.
4. Engage the public and private sectors in meaningful dialogue to formulate a policy reform agenda that rationalizes energy use based on optimum environmental and economic considerations, and encourages a leading role for the private sector.
5. Assist a transformation from a public sector led market to a robust and competitive energy efficiency market dominated by private sector investments and business.
6. Stimulate trade and technology transfer to promote sustainable economic growth, enhance Egypt's competitiveness and ability to enter the global market.

1.2 Expected Results

The scope of work was subdivided into three tasks with specific target outputs:

Task 1 - Development of NEES

Output: A National Energy Efficiency Strategy developed by the Energy Efficiency Council and the Technical Secretariat. Preparing.

Task 2 - Market Transformation and Development Initiatives

Output - Programs and initiatives, including institutional development, capacity building and promotion and outreach, to stimulate private sector participation in implementing energy efficiency in the country

Task 3 - Management/Administration

Output - Appropriate management/administration of activities under the task order

1.3 Eighth Quarter Activities

1.3.1 Task 1: National Energy Efficiency Strategy Development

1.3.1.1 Organizational Development Assessment of the Organization for Energy Planning (OEP)

In June 2001, Richard Smith and Emad Hassan of Nexant presented its completed assessment of the OEP's Organizational Development efforts to the Chairman of the OEP, and to the USAID. A set of 14 reports were completed and submitted along with the presentation. These reports included:

1. OEP Organizational Development Activities Overview, June 2001
2. Survey Form OEP, January 2000
3. Organizational Development Workshop Presentation Materials, February 2000
4. Organizational Development Assessment Report, May 2000
5. Organizational Development Assessment Summary, May 2000
6. Final Report, OEP Employee Assessment Study, June 2000
7. OEP Leadership Assessment Study, July 2000
8. OEP Leadership Development Program Concept Paper, July 2000
9. Organizational Development Workshop, Hurghada – Participants' Material, July 2000
10. Final Report: Strength, Weakness, Opportunities & Threats (SWOT), September 2000
11. DT2 Strategic Planning Workshop, September 2000
12. OEP Strategic Planning Report, November 2000
13. Re-Engineered OEP: Management Job Descriptions, February 2001
14. Proposed Organizational Chart, January 2001

The above deliverables were completed over the course of the task order by the Nexant team including Dr. Beryl York, Ms. Elizabeth Boustagui, and Mr. Richard Smith.

1.3.1.2 Capacity Building

During this quarter, Ms. Elizabeth Boustagui, Nexant's training consultant, worked closely with DT2 and successfully implemented the following in-country training courses:

Training Program Title	Training Provider	Dates	Number of Participants Trained
Managerial Accounting	CDC	June 17-21, 2001	7
HR Management Skills	CDC	June 24-28, 2001	8

Recipients of the managerial accounting course were selected members of the Finance Department of the OEP, and participants in the Human Resource management skills course were members of the Personnel Unit of the Administrative Department of the OEP.

Furthermore, Ms. Boustagui attended a meeting with the training staff of all other technical assistance contractors in the EEPP. The meeting was held at the premises of DT2 with the

purpose of revisiting the crosscutting training plan from Tranche 1 and exploring methods for expediting the implementation of some of the programs on that plan.

1.3.2 Task 2: Market Transformation and Development Initiatives

1.3.2.1 Delivering Energy Services through Natural Gas LDC's

During this quarter, Nexant completed a series of activities that would help foster the development of the local market for energy services. Activities included providing continuing support to one of the leading energy service organizations in the natural gas market: EK Holding and its natural gas LDC subsidiary company NatGas. Nexant provided assistance to NatGas in various areas which lead to the formation of a new company specialized in the delivery of energy services to industrial and commercial customers. In the short term, the new company: the Egyptian Energy Service Company (EESCO) will focus on natural-gas conversion projects, with an interest to evolve as an integrator of all demand-side energy service solutions to energy end users.

Nexant's technical assistance team included, Robert Hinkle, Ihab EL Masry, and Emad Hassan. They completed the following activities:

- *Business Seminar on Natural Gas-based Energy Services:* NatGas sponsored a one-day seminar on the energy services business for over 25 of its employees (including the company's Chairman and Chief Financial Advisor). Nexant played a key role in the seminar by demonstrating how business development tools, such as financial models and energy audit surveys, can be used to facilitate the implementation of natural gas-based energy service projects (e.g., fuel switching and co-generation).
- *Development of a Financial Model:* As part of the development of business tools for natural gas LDCs, Nexant created a draft final version of a financial model that can be used to evaluate a range of investments in natural gas-based energy projects. The model, which is operated after a series of technical and financial inputs are entered, conducts multiple scenario analysis of natural gas-based energy service projects thereby facilitating the identification and mitigation of potential project risks.
- *Business Planning Session:* Representatives from EK Holding, NatGas, and Nexant conducted a half-day business planning session aimed at outlining the main issues associated with NatGas' formation of a new energy services company. The session included a discussion of key business planning issues, including: new services and products, target markets, organizational structure, operations, and marketing strategies.

1.3.2.2 Supporting the Development of New Financing Options

Nexant continued its ongoing efforts in promoting energy efficiency to local and international financial institutions operating in Egypt. Nexant also facilitated several discussions between local energy service companies and commercial banks regarding the financing of energy efficiency projects. Related support activities completed this quarter include:

Emad Hassan and Robert Hinkle joined representatives from the IFC local office and experts from the U.S. in a series of meetings with local financial institutions to assess the potential development of a customized loan guarantee program in Egypt.

- Energy Efficiency Credit Guarantee Program: Based on an expressed interest from the International Finance Corporation (IFC) in developing a credit guarantee facility for energy efficiency financing, Nexant met with representatives of the IFC who visited Egypt in June to identify areas for cooperation. The proposed program would strongly encourage local financial institution to enter into the energy efficiency financing area. Nexant facilitated the completion of a pre-appraisal mission in Cairo for this program that was conducted by the IFC in June. Emad Hassan and Robert Hinkle joined representatives from the IFC local office and experts from the U.S. in a series of meetings with local financial institutions to assess the potential for developing this long needed program.

Nexant leveraged its ongoing work in energy efficiency financing to arrange a series of meetings with key stakeholders in the Egyptian energy services market, including: local commercial banks, leasing companies, natural gas LDCs, members of the Egyptian Energy Service Business Association (EESBA), USAID, and UNDP/GEF. These meetings provided the IFC with insight into the emerging market for energy efficiency projects in Egypt.

- Emad Hassan met with Nadine EL-Hakim of the USAID Mission in Cairo to discuss a similar program considered by the USAID's Development Credits Authority (DCA). It was agreed that efforts should be coordinated on both fronts to insure maximum benefits.
- Promotion of Local Investment in Energy Efficiency Projects: Nexant conducted one-on-one meetings with energy service companies and financial institutions in order to discuss the potential financing of energy efficiency projects that are currently being considered by local project developers. The objective of these meetings was to establish linkages between local energy service companies, commercial banks, and leasing companies as well as to test out alternative methods of financing energy efficiency projects.

1.3.2.3 Capacity Building

In support of capacity building efforts to prepare for market transformation, Nexant Inc., through the DT2 program, and in collaboration with the Egyptian Energy Service Business Association (EESBA), has completed preparations for the next round of the Certified Energy Managers course. The 5-day CEM course provides a comprehensive training for mechanical and electrical engineers on energy efficiency technologies and applications. This will be the second of a series of four rounds in an effort to entirely localize the course for sustainability.

1.3.2.4. Outreach

"Energy Efficiency & Sustainable Development" Workshop at Al Ahram Newspaper

As a result of Nexant's efforts to promote the link between energy efficiency and sustainable economic development, Al Ahram Newspaper agreed to co-sponsor a one-day ministerial

workshop titled "Energy Efficiency & Sustainable Development". Al Ahram is the most popular and widely distributed public daily newspaper in Egypt. The workshop was held on Saturday June 9, 2001 at the Newspaper's headquarter in Cairo and was attended by approximately 130 participants from public and private stakeholder organizations.

The main panel of participants included H.E. Dr. Nadia Makram Ebeid, Minister of State for Environmental Affairs, H.E. Engineer Sameh Fahmy, Minister of Petroleum, H.E. Dr. Ali EL Saeidi, Minister of Electricity and Energy, and Mr. Mahmoud Mourad, Chief Editor at Al Ahram. By marking its advocacy to energy efficiency, Al Ahram has positioned the issue in a remarkably visible spot on the Egyptian political agenda. Coverage of this important event was published on 4 full pages on the Friday edition of Al Ahram (1,250,000 distribution).

Both the Minister of Petroleum and Minister of Electricity the lead two sessions throughout the day focusing on natural gas and electricity strategies, energy end-use pricing, and the general public's lack of awareness about the linkage between energy supply and economic development. Responding to a comment that energy subsidies encourage unsustainable energy use, the Minister of Petroleum replied that subsidy misuse deserves a seminar on its own in order to start a dialogue on the subject and develop recommendations.

The Minister of Electricity announced that the affiliation of the OEP would soon be moved to the Ministry of Electricity. He pointed out the importance of energy efficiency on both the supply and demand sides of the economy and he asked for a separate seminar on the topic. Several comments were made about the need for legislation to encourage the use of renewable energy in buildings, especially in new cities. The seminar also helped embed among participants that natural gas is a win-win energy solution for sustainable growth.

Al Akhbar and Al Gomhuria Newspapers also published articles covering the main highlights of the workshop. Nexant's efforts in outreach activities were coordinated through its media and outreach consultant, Mr. Abdel Megueed Al Razik.

Energy Efficiency Video Documentary

AED and Nexant worked closely on the production of a 12-minute video for education and outreach purposes. The video is titled "Energy : its past and future". Completion date is expected in late October.

Energy Efficiency Press & Public Awareness Kit

In August 2001, AED supported the production and finalization of the four following fact sheets:

1. "Energy Efficiency and the National Economy"
2. "Organizations and Legislation"
3. "Energy Efficiency in Egypt: supply and demand"
4. "Industrial Energy Efficiency Opportunities"

These four fact sheets are the first output of an AED-supported 12 fact sheets package.

Outreach Plan for Tranche 2

During this quarter, the outreach plan for Objective 10 of Tranche 2 was drawn and finalized to reflect and project outreach efforts needed to support the various components.

Emad Hassan appeared on the English speaking Nile TV discussing energy efficiency and its importance for economic development.

1.3.3 Task 3: Management and Administration

1.3.3.1 Management

Development of the EEPP Tranche II Initiatives

During this quarter, Nexant actively participated with other EEPP counterparts and consulting units in the planning of Tranche 2 activities. Specifically, activities included the development of the energy efficiency related elements of the Policy Matrix (Annex A) and associated description (Annex B). These are planned for Objective 10: "Reduced emissions of Greenhouse Gases by promoting the use of cleaner energy sources and contributing to energy efficiency codes and standards". In June, based on the request of the Chairman of the OEP, Emad Hassan participated in the Executive Committee meeting, in which both Annexes A and B were approved.

Nexant also facilitated the work-planning process for the OEP and the EGPC for their expected participation in the program. A kick-off meeting was held on Saturday June 30 at the Pyramisa Hotel to initiate the process. Approximately 10 members of the OEP lead by the Chairman, as well as representatives from the USAID, PSU, MVE, and DT2 were present. Following the kick-off meeting, Nexant held several planning meetings with sub groups within the OEP to identify the specifics of each initiative on the policy matrix. At least 2 main meetings with the OEP participants were held under the leadership of the Chairman to finalize the work plans.

Additional individual and group meetings were also held between Nexant and representatives from the EGPC, and consensus reached on the proposed work plans. By mid August, a set of work plans representing Objectives 10.1, 10.2, and 10TA, were reviewed, verified by both EGPC and OEP, and then submitted to the National EEPP Coordinator.

Nexant also participated in all coordination and planning meetings related to the EEPP in which, COPs or both COPs and USAID representatives participated.

1.3.3.2 Administration

Extension of the Energy Efficiency Task Order

To continue to work on the requirements of this task order, Nexant requested a no-cost extension of the completion date of the task through September 30, 2001. The extension was approved by the USAID.

1.4 Planned Activities

The following list indicates planned activities during the remaining period of this task order (September 1st, – November 1st, 2001):

1.4.1 Capacity Building

- Crosscutting Training: Proceed with the preparation for conducting five, already procured training courses. Three of these courses will focus on strategic analysis and evaluation, teambuilding and coordination, and action planning for strategy implementation. They will aim to expedite and facilitate the implementation of the National Energy Efficiency Strategy (NEES).
The two other courses will focus on monitoring and evaluation skills, as well as teambuilding and coordination.
- Certified Energy Manager Course: A second round of courses of this program was scheduled for the first half of September. The 5-day program will be offered in Hurghada (September 9-15) targeting energy professionals in the tourism sector, and in Cairo (September 16-22) for other stakeholders at large. Approximately 35-40 participants are expected to attend this course which will be coordinated with the Egyptian Energy Service Business Association (EESBA) as the marketer of the course, and the Association of Energy Engineers in Atlanta, GA, the provider of this certification course.

1.4.2 Outreach & Awareness Building

“Environment 2001” Conference

Nexant will participate in the upcoming bi-annual conference sponsored by the EEAA titled Environment 2001. With support from the AED and EEAA, Nexant will organize a plenary session on Energy Efficiency and Development, and a special dialogue workshop on the use of economic instruments for environmental management..

Energy Efficiency Press & Public Awareness Kit

Nexant will continue to work with the AED on finalizing three additional more fact sheets on energy efficiency related topics. These fact sheets will cover:

1. “Switching to Natural Gas”
2. “Global Warming”
3. “Energy Co-generation”

Al Ahram Book on “Energy Efficiency & Sustainable Development”

Nexant will draw on AED’s support to produce a book documenting the dialogue that ensued during the workshop that Al Ahram co-sponsored in June 2001. The book will be an addition to a series of publications that Al Ahram is producing on nationally important topics.

Section 2: Administrative Information

The following tables provide a summary of the expended resources during the eighth quarter. Table 1 titled "Level of Effort Activity Summary Data" provides an itemized level of effort by each of the job category listed in the task order.

Table 2 titled "Financial Data" provides a summary of actual expenditures during this quarter.

Table 1: Level of Effort Activity Summary Data (Eighth Quarter)

TECHNICAL SPECIALISTS		Budgeted Level of Effort (Days)	Quarter Activity (Days) ¹	Cumulative Activity (Days)
US Technical Specialists				
Task Manager Private Sector Development	<i>Emad Hassan</i>	312	76	596
Market Development Specialist	<i>Richard Smith</i>	312	5	398
HO Manager	<i>Amedeo Simoncini</i>	240	0	332
Logistical Support	<i>Mezey, Neal & Babcock</i>	160	12	150
Technical Writer/Editor		150	0	3
EE Specialists		300	0	105
Energy Policy Specialists	<i>Julia Curtis</i>	500	1	91
Energy Economists		320	0	257
HRD Specialists	<i>Beryl York</i>	168	1	105
Climate Change Specialists	<i>Paul Worhach</i>	140	4	19
Communication Specialist		20	0	0
ESCO Specialists		240	0	71
Energy Financial Specialists	<i>Robert Hinkle</i>	172	64	469
Energy Law Specialist		40	0	0
Sub Total		3,074	359	2,213
CCN Technical Specialists				
Total		4,400	571	4,069

Table 2: Financial Data (Eighth Quarter)¹

LINE ITEMS	CONTRACTUAL BUDGET	OBLIGATED FUNDS	SPENT AS OF 8/24/01 ¹	OBLIGATED FUNDS REMAINING
Technical Specialist Labor	\$3,108,990	\$3,108,990	\$2,797,223	\$311,767
Other Direct Costs	\$ 887,670	\$ 887,670	\$ 809,685	\$77,985
TOTAL	\$3,996,660	\$3,996,660	\$3,606,908	\$389,752

¹ Labor and Other Direct Costs (ODC's) are based on actual invoices submitted to USAID through the August 24, 2001. Labor and ODC's for the remainder of August have been estimated.

Support to the Development of a

National Energy Efficiency Strategy

Under the Egyptian Environmental Policy Program

Contract LAG-I-00-98-00006-00 Task Order 805

Seventh Quarterly Report:

March 1 - May 31, 2001

Prepared for:

The United States Agency for International Development

Mission to Egypt

Cairo, Egypt

Prepared by:

Nexant Inc., San Francisco, CA, USA

June 2001

23865-805-0008

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Section 1: Status Report

This report outlines activities undertaken during the period March 1, 2001 to May 31, 2001 under the United States Agency for International Development, (USAID), Mission to Egypt and Nexant Inc. contract number LAG-I-00-98-00006-00, Task Order number 805.

1.1 Background

Nexant Inc. (Nexant) is assisting the Government of Egypt (GOE) in formulating a National Energy Efficiency Strategy, (NEES) aimed at creating a sustainable energy efficiency market through strategic partnerships between the public and private sector. The activity falls under the USAID-sponsored Egyptian Environmental Policy Program (EEPP), a policy reform program to help the GOE to meet its priorities for the environment and provide a platform for sustainable economic development.

Nexant's responsibilities, under the task order, include:

1. Assisting the GOE in formulating a NEES that creates a sustainable energy efficiency market through strategic partnerships between public and private sector entities.
2. Supporting the creation of a task force within the Organization of Energy Planning (OEP), to manage, monitor, evaluate, coordinate and direct the development and implementation of a national strategy targeting Global Climate Change through reducing/avoiding emissions of greenhouse gases (GHGs).
3. Supporting other NEES partner working groups established to further specific EEPP-related energy policy initiatives.
4. Engaging the public and private sectors in meaningful dialogue to formulate a policy reform agenda that rationalizes energy use based on optimum environmental and economic considerations, and encourages a leading role for the private sector.
5. Assisting a transformation from a public sector led market to a robust and competitive energy efficiency market dominated by private sector investments and business.
6. Stimulating trade and technology transfer to promote sustainable economic growth, enhance Egypt's competitiveness and ability to enter the global market.

1.2 Expected Results

The scope of this task order and the activities therein are divided into three main tasks:

Task 1 - Development of the NEES

Expected Output: National Energy Efficiency Strategy developed by the Energy Efficiency Council and the Technical Secretariat

Task 2 - Market Transformation and Development Initiatives

Expected Output: Programs and initiatives that stimulate private sector participation in the local energy efficiency market, including: institutional development, capacity building, and promotion and outreach activities.

Task 3 - Management/Administration

Expected Output: Appropriate management and administrative coordination of the various activities included in this task order, as well as of other cross-cutting elements at the EEPP level.

1.3 Seventh Quarter Activities

1.3.1 Task 1: National Energy Efficiency Strategy Development

1.3.1.2 OEP RE-Engineering

During this quarter, work continued on the development of job descriptions for senior management personnel. These were based upon the proposed organizational structure that was developed and presented to the OEP Chairman in January 2001. Dr. Beryl York, HRD Specialist, completed this work under the oversight of Mr. Richard Smith of Nexant, who was the coordinator of the element of the task order. The job descriptions were submitted to OEP for their internal review in March 2001. A summary of all Organizational Development activities that have been carried out under this Task Order is in the process of being prepared. The intent is to present this summary to the USAID early in the next quarter.

1.3.1.2 Developing a Framework for the NEES

The technical assistance team included 2 expatriate members: Emad Hassan and Bob Hinkle, and 4 CCNs: Mr. Alaa Farid, Ms Elizabeth Boustagui, Ms. Dina El Shafei, and Mr. Ihab El Massry. The team revised the NEES Framework to incorporate the latest comments of the five working groups of the Technical Secretariat, and issued a final draft dated March 11, 2001 in both English and Arabic. The draft framework was presented by the OEP Chairman to the Energy Efficiency Council at their quarterly meeting which was held at the CAPMAS on June 3, 2001. The Council approved the framework and requested that their written comments that had been provided to OEP in May be incorporated.

1.3.2 Task 2: Market Transformation and Development Initiatives

1.3.2.1 Delivering Energy Services through Natural Gas LDC's

During this quarter, Nexant conducted a range of activities aimed at strengthening the role of emerging energy service providers in the natural gas area. Continuing on its previous support to EK Holding Company and its natural gas Local Distribution Companies (LDC) Natgas, Nexant identified a set of business development tools for use by EK Holding and Natgas' personnel as they gear up to market natural gas to industrial and commercial end-users in their designated territory. Specifically, Nexant has:

- Provided EK Holding and Natgas with a set of example performance contracts that can be used as a template to create energy service agreements for natural gas projects.

- Developed an energy audit survey that can be used to identify potential investment opportunities for fuel switching and/or natural gas-fired co-generation projects.
- Prepared a project development checklist that can be used by natural gas LDCs to assist with the implementation of energy services projects.

1.3.2.2 Supporting the Development of Energy Efficiency Financing Vehicles

The International Finance Corporation (IFC), the private financing arm of the World Bank contacted Nexant regarding a conceptual interest on behalf of the IFC to create an IFC-GEF project guarantee facility for financial institutions to stimulate their interest in providing finance to energy efficiency projects.

IFC's interest came as a result of realizing an increased momentum in Egypt for energy efficiency as evident by the formation of an Inter-Banking Working group (IBWG) which was created in late 1999 to identify compatible financing mechanisms for energy efficiency projects. The NEES task order has created the interest within the financial community and continued its support to the IBWG as a critical mass for pursuing this activity.

Emad Hassan of Nexant attended a series of meetings in Cairo between the IFC representative Mr. Dana Younger and various financial institutions to gauge their interest in the new guarantee facility. Other meetings were also held with members of the ESCO community and the Chairman of the EEAA to discuss the concept. Based on the outcome of these meetings, the IFC decided to launch an appraisal mission in July in which IFC experts from the U.S. and local representatives from the Cairo office will evaluate the economic and institutional feasibility of this facility.

Nexant will continue to monitor and support this effort due to its strong linkage to the NEES framework recommendations.

1.3.2.3 Capacity Building

In the seventh quarter, Nexant completed a series of capacity building activities with private sector ESCOs and local financial institutions. Work completed during this quarter includes facilitating meetings between private sector stakeholders and discussing new methods for financing energy efficiency projects.

1.3.2.3.1 ESCO and Financial Community: Business Forum at Waste 2001

On March 1st, 2001, the Egyptian Energy Service Business Association (EESBA) sponsored a business forum on "Investment Opportunities in Energy Efficiency Services" at the Waste 2001 Conference. EESBA assembled a panel of representatives from local industrial, energy services, and financial organizations (including IBWG members). The business forum participants discussed different actions that can be taken in order to capture the significant economic and environmental benefits that can be generated from investments in energy services. A consensus emerged from the forum regarding the need for following actions:

- *Increased Advocacy for Energy Efficiency-related Policies:* EESBA representatives commented that they can play a leading role in advocating for the adoption of policies and regulations that foster the development of energy efficiency projects.
- *Certification of Energy Service Providers:* Financial community representatives and industrial end-users commented that a standard certification process is needed to ensure that local energy service providers meet a minimum threshold of qualifications.
- *Creation of an Energy Services Financing Protocol:* Business forum participants recommended that local financial institutions establish a consistent protocol or set of criteria that is used to evaluate lending opportunities for energy services projects.
- *Capacity Building in the Financial Sector:* It was recommended that capacity building activities be carried out to assist financial institutions with the evaluation of project financing-based energy services opportunities.
- *Evaluation of a Special Purpose Equity Investment Fund:* End-users and project developers commented that a special purpose equity investment fund should be evaluated as a potential option for financing for energy services projects.

1.3.2.4 Training through the DT2 Project

During this quarter, the following training-related activities were accomplished in collaboration with DT2:

Ms. Elizabeth Boustagui participated in an evaluation panel to evaluate proposals received by DT2 from different training providers in response to a Request for Proposals (RFP) to design and implement tailored training for the EEC and OEP. The RFP included five training courses, three for the EEC and two for OEP. Training for the EEC is to focus on strategic analysis and evaluation, teambuilding and coordination, and action planning for strategy implementation. These three courses will aim to expedite and facilitate the implementation of the National Energy Efficiency Strategy (NEES). The two courses for OEP will focus on monitoring and evaluation skills, as well as teambuilding and coordination. The evaluation panel led to the selection to one training provider that was capable of demonstrating a solid understanding of the training objectives underlying these courses, and the needs of the Egyptian partner institutions involved (namely SPAAC). It is expected that training design and development will take place during the next quarter, while program implementation is tentatively scheduled to begin in October 2001.

Training Implementation:

The following table summarises training implemented during this reporting period:

Training Program Title	Location	Training Provider	Dates	Number of Participants Trained
Change Management and Implementation I(Leading with Impact: Linking People, Strategy and Results)	US	Penn State University	March 22- April 1, 2001 (including travel dates, Actual program dates are March 25-30)	1
Change Management and Implementation II (Leading Change and Organizational Renewal)	US	Harvard Business School	May 3 - 12, 2001 (including travel dates, actual program dates are May 6 - 11)	4
Financial Analysis and Budgeting	Egypt	Career Development and Consultations Academy (CDC)	April 17 – 21, 2001	7
Strategic Human Resource (HR) Planning	Egypt	CDC	April 29 – May 3, 2001	8

In addition, Ms. Boustagui worked closely with DT2 to make the necessary arrangements for implementing the following two in-country training courses during the next quarter:

Training Program Title	Location	Training Provider	Dates	Number of Participants Trained
Managerial Accounting	Egypt	CDC	June 17-21, 2001	7
HR Management Skills	Egypt	CDC	June 24-28, 2001	8

1.3.3 Task 3: Management / Administration

1.3.3.1 Management

Support Tranche 2 Development Initiatives under EEPP

During this quarter, Emad Hassan coordinated the planning and development of the proposed elements of Tranche 2 of the EEPP. Working with the USAID Environment Division, the OEP, other member organizations of the technical assistance team, and the EEPP Executive Committee, he negotiated and completed an agreeable set of energy efficiency related policy measures under Objective 10: "Reduced emissions of Greenhouse Gases by promoting the use of cleaner energy sources and contributing to energy efficiency codes and standards". The related policy matrix (Annex A) and the supporting Annex B and were completed and approved by both all stakeholders from both the USAID side and the and the GOE counterparts.

In a letter dated April 25, 2001, the Egyptian General Petroleum Corporation (EGPC) expressed its willingness to engage in Tranche 2 of the EEPP as an implementing agency responsible for a policy measure (10.1) focused on accelerating the domestic use of natural gas. Further preparatory work was needed to engage the EGPC into the specifics of the program and its documentation.

The OEP has agreed to implement a policy measure (10.2) related to the development of "best practices" design manual for energy efficient office buildings and a national certification program for energy engineers. A complete set of documentation approved by both EGPC and OEP were submitted to the USAID for its internal approval and the Executive Committee's consideration.

1.3.3.2 Administration

During the seventh quarter, the following administrative activities were carried out:

- Upon receiving USAID approval to extend the completion date of the Task Order through June 30, 2001, consulting agreements for CCN consultants were modified to account for the new date, and approval for expatriates were processed for the period March 1, 2001 through June 30, 2001.
- Started preparations to adapt subcontracts and consulting agreements for CCNs and scope of work for expatriates as appropriate in accordance with the anticipated extension of the Task Order's completion date to September 30, 2001.

1.4 Planned Activities

The following list indicates planned activities during the next quarter (June 1st, – August 31st, 2001):

- A high level dialogue workshop on Energy & Sustainable Development” to be co-sponsored by Al-Ahram Newspaper. The session will be attended by the Ministers of Petroleum, Electricity & Environment – Planned for early June.
- A one day seminar on delivering natural gas-based energy services to the Natgas Company as it is gearing to launch an energy service affiliate company. Planned for mid June 2001.
- Delivering the final documents of the OEP Organizational Development Assessment activities – Planned for Late June 2001.
- An IFC appraisal mission for the proposed Credit Guarantee Facility for financial institutions – Planned for mid July 2001.
- Complete work planning activities with OEP and EGPC – Planned for late July.

Section 2: Administrative Information

Contract administrative data is presented in the following tables. Financial information is summarized in the table entitled "Financial Data", while level of effort information is shown in the table "Level of Effort Activity Summary Data".

Level of Effort Activity Summary Data (Seventh Quarter)

TECHNICAL SPECIALISTS	Budgeted Level of Effort (Days)	Quarter Activity (Days)	Cumulative Activity (Days)
US Technical Specialists			
Task Manager	312	78	520
Private Sector Development Specialist	312	0	393
HO Manager	240	0	335
Logistical Support	160	9	143
Technical Writer/Editor	150	0	3
EE Specialists	300	14	105
Energy Policy Specialists	500	25	90
Energy Economists	320	0	257
HRD Specialists	168	13	108
Climate Change Specialists	140	0	15
Communication Specialist	20	0	0
ESCO Specialists	240	0	71
Energy Financial Specialists	172	60	405
Energy Law Specialist	40	0	0
Total	3,074	204	2,332
CCN Technical Specialists	1,326	326	2,077

Financial Data (Seventh Quarter)¹

LINE ITEMS	CONTRACTUAL BUDGET	OBLIGATED FUNDS	SPENT AS OF 5/25/01 ¹	OBLIGATED FUNDS REMAINING
Technical Specialist Labor	\$3,108,991	\$3,108,991	\$2,600,949	\$508,042
Other Direct Costs	\$ 887,670	\$ 887,670	\$ 743,590	\$ 144,080
TOTAL	\$3,996,661	\$3,996,661	\$3,344,539	\$ 652,122

¹ Labor and Other Direct Costs (ODC's) are based on actual invoices submitted to USAID for the months of March 2001 through May 2001..

***Support to the Development
Of a
National Energy Efficiency Strategy***

Sixth Quarterly Report:

December 1, 2000 to February 28, 2001

Prepared for:

United States Agency for International Development

Mission to Egypt

Cairo, Egypt

Prepared by:

Nexant Inc.

San Francisco, CA, USA

March 2001

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Section 1: Status Report

This report outlines activities undertaken during the period December 1, 2000 to February 28, 2001 under the United States Agency for International Development, (USAID), Mission to Egypt and Nexant Inc. contract number LAG-I-00-98-00006-00, Task Order number 805.

1.1 Background

Nexant Inc. (Nexant) is assisting the Government of Egypt (GOE) in formulating a National Energy Efficiency Strategy, (NEES) aimed at creating a sustainable energy efficiency market through strategic partnerships between the public and private sector. The activity falls under the USAID-sponsored Egyptian Environmental Policy Program (EEPP), a policy reform program to help the GOE to meet its priorities for the environment and provide a platform for sustainable economic development.

Nexant's responsibilities, under the task order, include:

1. Assisting the GOE in formulating a NEES that creates a sustainable energy efficiency market through strategic partnerships between public and private sector entities.
2. Supporting the creation of a task force within the Organization of Energy Planning (OEP), to manage, monitor, evaluate, coordinate and direct the development and implementation of a national strategy targeting Global Climate Change through reducing/avoiding emissions of greenhouse gases (GHGs).
3. Supporting other NEES partner working groups established to further specific EEPP-related energy policy initiatives.
4. Engaging the public and private sectors in meaningful dialogue to formulate a policy reform agenda that rationalizes energy use based on optimum environmental and economic considerations, and encourages a leading role for the private sector.
5. Assisting a transformation from a public sector led market to a robust and competitive energy efficiency market dominated by private sector investments and business.
6. Stimulating trade and technology transfer to promote sustainable economic growth, enhance Egypt's competitiveness and ability to enter the global market.

1.2 Expected Results

The task order scope of work is subdivided into three tasks, as follows:

Task 1 - Development of NEES

Task 2 - Market Transformation and Development Initiatives

Task 3 - Management/Administration

The anticipated outputs from the three tasks are:

Task 1 - a National Energy Efficiency Strategy developed by the Energy Efficiency Council and the Technical Secretariat

Task 2 - programs and initiatives, including institutional development, capacity building and promotion and outreach, to stimulate private sector participation in implementing energy

efficiency in the country

Task 3 - appropriate management/administration of activities under the task order

1.3 Sixth Quarter Activities

1.3.1 Task 1: National Energy Efficiency Strategy Development

Activities related to the development of the NEES that were performed during the sixth quarter (December 2000 - February 2001) include:

1. Continuation of the OEP re-engineering process by working with the OEP Chairman to develop a new organization chart and materials for submittal to the OEP Board of Directors and to the relevant GOE administration authority.
2. Development of training specifications for submittal to the USAID-sponsored DT2 project for training of OEP and Technical Secretariat staff.
3. Finalization of a framework for the National Energy Efficiency Strategy (NEES) that summarizes the efforts and the recommendations developed by the Technical Secretariat and its five working groups, and coordination of a formal presentation to the Energy Efficiency Council (EEC) at their January 2001 quarterly meeting.
4. Identification of key areas in the NEES completed framework as possible policy reform options for inclusion in Tranche 2 of the EEPP.

The following provides more details of these activities listed in each of the sections provided in the NEES Scope of Work and Work Plan.

1.3.1.1 OEP Re-Engineering:

Work continued in the area of re-engineering the OEP. Activities in this quarter focused on the development of a proposed new structure for the OEP with the associated organizational chart highlighting the reporting relationship between different departments. This work was done directly with the Chairman of the OEP, and was based upon the Organizational Development Assessment (ODA). The ODA was performed as part of the technical assistance to the Strategic Planning process that was developed by the OEP Strategic Planning Committee with help and guidance from the NEES technical assistance team.

Once agreement had been made with the OEP Chairman on the new Organizational Structure and associated Organizational Chart, work began on developing materials for submittal to the OEP Board of Directors and to the relevant administration authority in the GOE. The main focus at this stage was developing job descriptions for the OEP management and senior staff under the new proposed structure. Beryl York, HRD Specialist, and Richard P. Smith provided technical assistance in completing these activities. The materials were presented to the OEP Board at their meeting held in February 2001.

1.3.1.2 Developing a Framework for the NEES

In the sixth quarter, the technical assistance team continued their day-to-day support activities to the five working groups toward the finalization of a framework that summarizes the overall direction and main focus of the strategy. A key milestone for continuing with the framework towards the development of a final strategy was presenting the framework to the members of the EEC to reach consensus on the main theme and direction of the Strategy.

Realizing the busy schedule of the EEC members during regular week days, and to increase participation, the OEP and the technical assistance team agreed to hold the EEC January quarterly meeting in Sharm El Sheikh followed by a two-day workshop to discuss the elements of the framework. The two-day workshop was designed to create a suitable environment for presenting and discussing the framework, and to allow for an interactive dialogue between the working group members and their technical assistance team, and the EEC members. Over the duration of the workshop, a total of ten hours were spent discussing the NEES whether at the EEC meeting or during the presentation sessions allowing for sufficient time for detailed comments and suggestions.

Technical assistance activities during the months of December and January focused on supporting the five working groups through the development and carrying out issue analysis associated with their relevant technical areas. The issue analysis formed the basis for the framework as well as for the materials for the EEC meeting in Sharm El Sheikh.

The material prepared for and presented in Sharm El Sheikh was discussed in a full meeting of the Technical Secretariat in Cairo in late January 2001 to permit critique and engender full support of the Technical Secretariat, as well as the members of the working groups. At the meeting, the proposed presenters to the EEC made presentations to the other members of the Technical Secretariat who provided comments and feedback. Further details of the inputs provided by the technical assistance team members are provided in the following paragraphs.

Overall Framework

Key members of the technical assistance team, Emad Hassan, Richard P. Smith, Bob Hinkle and Terry Fry (expatriate) and Alaa Farid, Elizabeth Boustagui, Dina El Shafei, and Ihab Elmassry (CCNs) continued collectively to finalize the draft framework during the quarter. The draft framework was then discussed and reviewed extensively by the various working groups in weekly working group meetings, and these comments taken into account in revisions to the framework. This process ensured that the draft framework, which was presented to the EEC in Sharm El Sheikh, had full endorsement of the Technical Secretariat and their working group members.

Quantitative Targets Working Group Activities

Terry Fry and Dina El Shafei supported the working group on the following:

- Supported group's efforts to incorporate emerging strategy approaches into target-setting methodology.
- Helped group prepare work-plan for reviewing each section of the revised draft NEES to ensure that quantitative targets are consistent with the final strategy approach, and that strategy elements adequately address how each quantitative target might be achieved.
- Provided, through local economic researcher, supplementary data and analysis to support group's consideration of preliminary targets.
- Suggested supplementary research & analyses to help group refine preliminary target estimates.
- Assisted preparation of the group's presentation to the EEC, including a table of draft quantified targets.

Information Integration Working Group Activities

Terry Fry and Alaa Farid provided the following support to the working group:

- Helped prepare work-plan for reviewing each section of the revised draft NEES to ensure that implicit information needs are addressed in the final strategy document.
- Worked to expand group's focus from narrow system-based solutions to broader institutional and strategic issues.
- Worked with OEP to broaden participation in the working group.
- Helped prepare the group's presentation to the EEC, including schematic representation of an integrated information network and institutional roles.

Public-Private Partnership (PPP) Working Group Activities

Robert Hinkle provided the following technical assistance to the PPP working group:

- Completed final report on "International Experiences in Developing Public Private Partnerships (PPPs)." The report was prepared in order to provide working group members with information on examples of programs / policies that have helped remove barriers to PPP development worldwide.
- Developed a set of recommendations on capacity building initiatives and awareness programs that could facilitate the implementation of PPPs in Egypt. A separate meeting was held with representatives from the Training & Outreach group in order to discuss PPP-related recommendations.
- Prepared a strategy memo that outlines how PPPs can be used to implement a wide range of the NEES initiatives. The memo contained recommendations on PPP-related activities to be conducted in both the short and long-terms.
- Prepared a PPP outline for the NEES Framework.

Codes and Standards Working Group Activities

Richard P. Smith and Ihab Elmassry provided the following support:

- Worked with the codes and standards working group to develop materials that described an approach to implementing Codes and Standards through a National Plan for Codes and Standards. The approach relied on materials developed during the "*Developing the Framework for Energy Efficiency Codes and Standards Seminar*" of November 2000. Also, worked with the working groups to ensure that the use of regulations and policies were incorporated into the framework to stimulate and promote the deployment of energy efficiency technologies.
- Prepared materials for the presentation by the Technical Secretariat at the Energy Efficiency Council Sharm El Sheik meeting.
- Participated in the Sharm El Sheik retreat.

Training and Outreach Working Group Activities

Elizabeth Boustagui and Richard P. Smith provided the following technical assistance to the working group:

- Continued developing the outline frameworks for how to integrate Training and Outreach activities into the National Energy Efficiency Strategy.
- Prepared and presented materials to the Energy Efficiency Council at the Sharm El Sheik retreat.

1.3.2 Task 2: Market Transformation and Development Initiatives

During the sixth quarter, various members of the technical assistance team provided support to helping transform the energy efficiency market through capacity building and resource mobilization with particular emphasis on delivery of energy efficiency services by the private sector. The following is a description of the support provided:

1.3.2.1 Delivering Energy Services through Natural Gas LDCs

Robert Hinkle, Emad Hassan, and others including Amedeo Simoncini and Ihab Elmassry, Energy Efficiency Specialist, provided the following support:

1.3.2.1.1 Natural Gas-Based Energy Services Business Strategy and Market Assessment

- Presented the final results of the "Energy Services Business Strategy and Market Assessment" report to USAID. The report assessed the local energy services market for EK Holding and its LDC subsidiary Natgas. The presentation summarized the key results of the report based on a series of detailed technical and financial analysis that were conducted in Natgas' 6th of October City service territory. Based on the results of this report, EK Holding is going to form a separate energy services company. The formation of a new company by EK Holding will represent a minimum 10 to 1 leveraging of USAID resources.
- Prepared Final Report entitled "Energy Services Business Strategy and Market Assessment" (Natgas report). The results of this report indicate that the development of natural gas-based energy services projects can create attractive business opportunities for local natural gas distribution companies (LDCs) and help Egypt achieve economic development and environmental objectives at the national level. The results of this report will assist private sector LDCs as they start to enter into the emerging energy services business.
- Met with representatives from EK Holding and Natgas to discuss the next steps associated with the formation of a new energy services company including forming joint ventures or strategic alliances with other private sector energy organizations.
- Developed an issue paper on key technical and economic elements relating to the upstream exploration, production, and transportation of natural gas. A key objective was to identify issues that may impact the downstream development of natural gas based energy services projects (by LDCs and industrial end-users).

1.3.2.2 Facilitating Energy Efficiency Investments

Robert Hinkle, Financing Specialist, provided the following technical assistance:

1.3.2.2.1 The Inter-Banking Working (IBWG) Group Activities

- Participated in a monthly meeting of the local leasing companies to discuss the potential role of lease financing in developing energy services projects. A key outcome was that the newly

formed CitiBank Leasing company joined the IBWG.

- Met with representatives from the Arab International bank in order to review a set of energy services studies (project examples in the industrial sector).
- Conducted one-on-one meetings between local energy service providers (EESBA members) and members of the IBWG (part of an ongoing series of meetings).

1.3.2.2.2 Equity Investment Fund

Continued discussions with members of the financial industry on the potential creation of an equity investment fund for energy efficiency projects.

1.3.2.3 Capacity Building

1.3.2.3.1 The Egyptian Energy Service Business Association

Emad Hassan, Robert Hinkle, and Mohamed Naiem provided support and guidance to the EESBA's operations, policy advocacy role, and outreach/promotion capabilities. Specific work included:

- Participated in EESBA meetings to facilitate developing an image campaign and increase membership. As a result, two new members joined EESBA: Shell Egypt, and NatGas, one of the seven natural gas Local Distribution Companies, making the total number of EESBA full members to 14.
- Facilitated a workshop titled "Energy Efficiency Investments: the Sleeping Giant" to discuss the role of private energy service companies and financial institutions in stimulating the large investment opportunities lying in energy efficiency projects. The workshop was held on March 1, 2001 as one of the sessions of the WASTE 2001 Conference. At the workshop, the audiences were informed of the development of the NEES.
- Continued assistance to the development of EESBA promotional and outreach materials including an EESBA brochure through the AED, and updated the EESBA web-site.
- Initiated an agreement between the Association of Energy Engineers in the U.S. and the EESBA to develop a sister agreement aimed at encouraging trade collaboration and technology transfer.

1.3.2.3.2 Training through the DT2 Project

Richard P. Smith, Emad Hassan, and Elizabeth Boustagui worked on providing training for the OEP staff and members of the EEC through the USAID-sponsored DT2 project during December 2000 through February 2001. A revised schedule for the approved training plan was developed on a quarterly basis through to the end of 2002 and submitted to DT2 together with training specifications for eight courses proposed to be held in the first and second quarters of 2001.

- International Certification for Energy Engineers:

Emad Hassan worked with the USAID-sponsored DT2 project to facilitate the launch of the first training course for the "Certification of Energy Managers" by the Association of Energy Engineers in collaboration with the EESBA. . The first of seven occurrences (January 2001-October 2002) was successfully completed during the period January 14-21, 2001 at the Pyramids Inter-Continental Hotel. Seventeen engineers sponsored by the EESBA members received this internationally recognized certification. The Course will be repeated in Cairo, Alexandria, Hurgada, and Aswan over the next 18 months.

- ***Delivering Performance-Based Energy Services:***

A Three-day course was conducted for representatives of the Egyptian Energy Service Business Association (EESBA) that highlighted the use of different approaches that local ESCOs could use to deliver performance-based energy efficiency services to customers.

The training course, procured through the DT2 project, was presented by a team of three international consultants and two local business and legal consultants to ensure local adaptation of the materials to the Egyptian market. Through the review of a series of international project case studies, the instructors provided an impact assessment of each of the various disciplines associated with delivering performance-based projects. Issues such as ESCO marketing & sales techniques, arranging project financing, mitigating technical and financial risks, measuring and verifying of energy savings, and preparation of bankable proposals for energy services projects were discussed.

- ***Financing Energy Efficiency Projects:***

A one-day seminar on energy efficiency financing was conducted for representatives of local commercial banks, leasing companies, and investment funds. The seminar was designed to build capacity in local financial institutions in the following areas: due diligence of energy efficiency projects, management of project risks, utilization of project financing schemes, and the development of energy services agreements (ESA).

The seminar was also attended by members of the energy service community, which enabled a healthy interaction and a dialogue between project developers and representatives of the local financial sector to discuss issues inhibiting the growth of this sector from a banking perspective. The seminar was also procured through DT2 and was delivered by the same instructing team that delivered the course above.

1.3.2.4 Promotion and Outreach

Technical assistance this quarter included support to the promotion and outreach activities of the AED to coordinate the USAID 25th Anniversary celebrations in Hurghada in late February. Additionally, regular activities related to the promotion and outreach function continued through the AED.

- ***USAID 25TH Anniversary:***

Emad Hassan, Richard P. Smith, Amedeo Simoncini, and Mohamed Naiem participated in developing energy efficiency promotional materials including a six-page handout summarizing the history of USAID's involvement in energy efficiency, and a two-CD-ROM package of past technical manuals and case studies. Furthermore, an energy efficiency booth exhibiting USAID's activities in energy efficiency was assembled and manned in conjunction with the 25th Anniversary celebration in Hurghada.

- ***EEC & NEES Press Coverage***

As part of the activities initiated in the fourth and fifth quarters, a series of press articles were prepared for media consumption in coordination with the AED. These included articles on the:

1. The EEC quarterly meeting in Sharm El Sheikh

2. The NEES framework and the main direction of the strategy
3. The Codes & Standards workshop, which was coordinated by the OEP and the UNDP in November 2000
4. The role of the private sector in developing energy efficiency projects

1.3.3 Task 3: Management / Administration

1.3.3.1 Management

1.3.3.1 Changes in Task Management

Mr. Ron Daniel was appointed as the USAID Cognizant Technical Officer (CTO) for this task during the quarter. Nexant Inc. also transitioned the task leadership to Emad Hassan replacing Richard P. Smith, who - going forward - will be available to the task as an advisor. Emad Hassan held various meetings with Ron Daniel to discuss various aspects of the task, and a meeting was held with the Chairman of OEP to discuss the status of the project in general and Tranche 2 proposed measures.

1.3.3.2 Joint EPPP Initiatives

As part of the EPPP activities, the NEES team participated in the following major activities:

- provided input into USAID's Strategic Objectives Performance Monitoring Plan
- participated in the October 11, 2000 EPPP Executive Committee Meeting
- participated in a meeting to discuss/develop EPPP coordination initiatives
- participated in an EPPP Tranche 2 meeting at the Meridien Hotel, 23 October 2000
- assisted the Energy Efficiency Agency Task Force (ATF) in preparing its progress report for the EPPP Executive-Committee meeting of 11 October 2000.
- provided input into the EPPP e-news

1.3.3.2 Administration

During the sixth quarter, the following administrative activities were carried out:

- received USAID's approval to extend the completion date of the task order through June 30, 2001.
- contracted two new CCNs to provide support to the administrative and the promotional functions of the task.

1.4 Planned Activities

The following list indicates planned activities during the next quarter (March 1st – May 31st, 2001):

Task 1:

1.1 Strengthen Capacity of NEES Stakeholders

OEP Re-engineering:

- continue preparation of position descriptions associated with the new proposed Organization Chart
- present proposed OEP Organizational Structure to OEP Board of Directors

- assist OEP staff develop a new document for submission to the Organization of Administrative Development for approval of new structure

OEP Work Process Improvement:

- developing with the OEP staff , new operating systems for use by the restructured OEP

1.2 National Energy Efficiency Strategy Development

- support the EEC and the Technical Secretariat finalize the NEES through assisting the working groups
- participate in presentation(s) of the National Energy Efficiency Strategy to the Energy Efficiency Council and others
- Support the April meeting of the EEC by having a one-day meeting to finalize the input of the members to the NEES framework.

Task 2:

- Continue to support the rising interest of natural gas LDCs in developing an energy service businesses, and in providing specific support on natural gas technologies, and other operational issues
- Continue supporting the Inter Banking Work Group
- Continue supporting the EESBA in the implementation of its work-plan
- Oversee training through DT2 for:
 - U.S.-based as well as local training scheduled for the OEP senior management staff
 - Certification of Energy Managers (CEM), planned for September 2001
 - ESCOs & the Financial community

Task 3:

- adapt subcontracts and consulting agreements as appropriate in accordance with anticipated contract modification/extension
- support Tranche 2 development initiatives under EEPP

Section 2: Administrative Information

Contract administrative data is presented in the following tables. Financial information is summarized in the table entitled “*Financial Data*”, while level of effort information is shown in the table “*Level of Effort Activity Summary Data*”.

Level of Effort Activity Summary Data (Sixth Quarter)

TECHNICAL SPECIALISTS	Budgeted Level of Effort (Days)	Quarter Activity (Days)	Cumulative Activity (Days)
US Technical Specialists			
Task Manager	312	76	426
Private Sector Development Specialist	312	41	413
HO Manager	240	30	335

Logistical Support	160	25	127
Technical Writer/Editor	150	0	3
EE Specialists	300	34	85
Energy Policy Specialists	500	11	61
Energy Economists	320	38	260
HRD Specialists	168	20	74
Climate Change Specialists	140	13	18
Communication Specialist	20	0	0
ESCO Specialists	240	0	71
Energy Financial Specialists	172	71	340
Energy Law Specialist	40	0	0
Total	3074	359	2213
CCN Technical Specialists	1,326	396	1341

Financial Data (Sixth Quarter)¹

LINE ITEMS	CONTRACTUAL BUDGET	OBLIGATED FUNDS	SPENT AS OF 2/28/01	OBLIGATED FUNDS REMAINING
Technical Specialist Labor	\$3,108,991	\$3,108,991	\$2,287,123	\$821,868
Other Direct Costs	\$ 887,670	\$ 887,670	\$ 621,035	\$ 266,635
TOTAL	\$3,996,661	\$3,996,661	\$2,908,158	\$1,088,503

¹ Labor and Other Direct Costs (ODC's) are based on actual invoices submitted to USAID for the months of December 2000 and January 2001. Labor and ODC's for the month of February 2001 have been estimated based on actual Level of Effort expended and an estimated amount for ODC's.

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