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ISN 42741



Management Training & Systems Strengthening
for the
General Organization For Greater
Cairo Water Supply

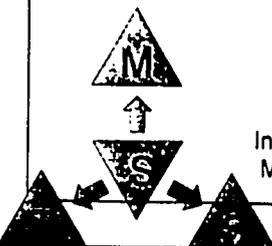
Black & Veatch International

Technical Report

GOGCWS Inventory Management
Structure and Procedures

31 March 1994

Cairo Water II - Institutional Development Component
USAID Project No. 263-0193



In Association with:
Montgomery Watson - National Education International - Sabbour Associates



Black & Veatch International

Management, Training & Systems Strengthening (MTSS) Project
General Organization for Greater Cairo Water Supply



5 April 1994

Eng. Afaf El Marakby
MTSS Project Manager
General Organization for Greater
Cairo Water Supply
42 Ramses Street
Cairo. A. R. E.

Subject: MTSS Contract No. 263-0193
MMP Transmittal

Dear Eng. Afaf.

On behalf of Black & Veatch International (BVI) and our affiliated subcontractors, I am pleased to submit the following report:

GOGCWS INVENTORY MANAGEMENT STRUCTURE and PROCEDURES

This report has been prepared by the Materials Management and Procurement program in accordance with the approved Management, Training & Systems Strengthening (MTSS) project work plan.

The professional efforts of Mr. Buck Osteen, Eng. General M. Wardany, and Eng. Hassen Ismail of the MTSS staff in collecting data and compiling this report are greatly appreciated.

Counterparts assigned to the Materials Management and Procurement program have contributed their time, effort and valuable insights to assist in the preparation of this report. This cooperation and assistance of the following counterparts are most appreciated:

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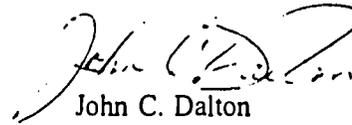
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5 April 1994

Mr. Said Abd El Fattah
Mr. Saber Mahmoud El Said

Your comments on this report are most welcome. Please feel free to contact Mr. Buck Osteen or myself about any matter related to this report.

Very truly yours,
Black & Veatch International



John C. Dalton
Team Leader

Enclosure

cc: BVI Home Office w/o enclosure
USAID w/o enclosure

TRANS3.wp

b

الملخص التنفيذي

أهداف الهيئة العامة لمرفق مياه القاهرة الكبرى ومشروع دعم الإدارة والتدريب والنظم

يجرى حاليا تنفيذ سياسة قومية جديدة ستحل فيها قواعد السوق والأعباء الاقتصادية محل الدعم. وستشجع الحكومة المؤسسات الاقتصادية كاليئة العامة لمرفق مياه القاهرة الكبرى لتؤدى عملها بأسلوب اقتصادى. ويترتب على ذلك تغطية المصروفات الجارية باليئة من دخل تعريفه المياه كما يتم التوسع الرأسمالى مستقبلا على أسس اقتصادية. ويطلق على هذا الوضع "الحيوية المالية" بمعنى الإصلاح المالى.

ولتحقيق الحيوية المالية وضمان استمرارها والتشغيل على أساس تجارى سيحتاج مجلس إدارة الهيئة وأدارتها العليا الى السلطة للعمل باستقلال فيما يتعلق بالخطط والموازنات وعمل الأفراد والشئون المالية وشراء المعدات وغيرها من الموضوعات. ويطلق على هذا الوضع "الأستقلالية المالية".

وللمساعدة على تحقيق هذين الوضعين المرتبطين بالحيوية المالية والأستقلالية الإدارية طلبت الهيئة العامة لمرفق مياه القاهرة الكبرى المساعدة من وكالة التنمية الدولية الأمريكية التى قامت بتوفير التمويل اللازم لمشروع دعم الإدارة والتدريب والنظم بالهيئة. ويعتبر هذا المشروع أداة لمساندة الهيئة فى أن تعمل كهيئة مستقلة إداريا وذات حيوية مالية تأخذ أولا شكل الممارسة الواقعية بوضعها القانونى الحالى وبعد ذلك تعمل تحت نظام قانونى وإدارى جديد إذا لزم الأمر.

سينفذ مشروع دعم الإدارة والتدريب والنظم خلال ٤٥ شهرا (١ يوليو ١٩٩٣ الى ٣١ مارس ١٩٩٧) وفقا للمراحل التالية :-

المرحلة الأولى : التخطيط وصياغة السياسات

المرحلة الثانية : تطوير الأداء وإعادة تشكيل السياسات

المرحلة الثالثة : تقيين الإصلاحات لتأخذ الشكل الرسمى بالتنظيم

المرحلة الرابعة : استمرارية التخطيط

وقد تم تقسيم المشروع الى خمسة برامج لها علاقة وثيقة بالتنظيم الداخلى للهيئة (حتى يحقق علاقة المشاركة المطلوبة لنجاح التنفيذ) كما أنها معدة لتمكين الهيئة من تحقيق أهداف كل من الحيوية المالية والأستقلالية الإدارية. وهذه البرامج الخمسة هي :-

- الحيوية المالية
- التنمية الإدارية
- الدعم الفنى للتشغيل والصيانة
- المشتريات والمخازن
- إدارة المشروع

وهذا التقرير عن "هيكل وأجراءات إدارة المخزون السلعى بالهيئة العامة لمرفق مياه القاهرة الكبرى" يشرح الإجراءات المستخدمة بواسطة الهيئة فى التخزين والمشتريات وصرف المهمات والمخزون بالهيئة.

وبشكل عام فإن نظام المخزون السلعى يعمل بفاعلية وسرعة. وفيما بعد سيضع مشروع دعم الإدارة والتدريب والنظم توصيات لتحسين كفاءة هذا النظام وتعزيز وضعه المالى داخل الهيئة. كما ستطور البيانات الأساسية الواردة بهذا التقرير كمعلومات إضافية وثيقة الصلة بنظام المخزون السلعى. ويشتمل الملحق "أ" على التوصيات ووصف الوظائف المقدمة من نظراء برنامج المشتريات والمخازن.

هيكل إدارة المخزون السلعى بالهيئة

الإدارة المختصة بنظام المخزون السلعى بالهيئة موجودة أصلا بالشنون المالية والإدارية بالهيئة وموضحة بالشكل "أ".

والإدارة العامة للأمداد والتموين مسنولة عن الأنشطة الأساسية للمخزون السلعى بالهيئة وتشرف على ثلاث إدارات وقسم هى إدارة المخازن وإدارة المتابعة والفحص والأستلام وإدارة المشتريات والعقود وقسم التخليص الجمركى.

وتخضع إدارة مراقبة المخزون السلعى مباشرة للشنون المالية والإدارية شأنها شأن الإدارة العامة للأمداد والتموين. وكانت إدارة مراقبة المخزون السلعى قد أنشئت بمقتضى قرار رئيس

مجلس الوزراء رقم ١٣٧ لسنة ١٩٧٨ ونفذت بقرار رئيس مجلس إدارة الهيئة رقم ٧٤ لسنة ١٩٨١

وتعتبر إدارة حسابات المخازن هي إدارة مساعدة مالية تابعة للإدارة العامة للمصروفات التابعة للإدارة المركزية للشئون المالية التي تتبع الشئون المالية والإدارية. وهذه الإدارة تختص أصلاً بالنواحي المالية لنظام المخزون السلعي.

أن التقييم التمهيدى لهيكل إدارة المخزون السلعي يبين أن بعض التعديلات البسيطة قد تكون ذات فائدة في تحسين العمليات وتشمل التعديلات التي تبحث :-

- رفع مستوى الإدارة العامة للأمداد والتمويل الى مستوى الإدارة المركزية
- إلغاء إدارة المتابعة والفحص والأستلام وأسناد مهامها الى إدارة المخازن
- رفع مستوى إدارة المخازن الى مستوى الإدارة العامة
- تعيين مدير لإدارة المشتريات، والعقود

أجراءات نظام المخزون السلعي

التخطيط والتمويل للحصول على المهمات :

كل إدارة بالهيئة تتبع إجراء موازنة موحد يبدأ في أكتوبر من كل عام ويستكمل عموماً في شهر يوليو التالي

مراقبة المخزون السلعي :

مراقبة وإدارة المخزون السلعي تتكون من الإجراءات التالية :-

- العقود والمشتريات

- أستلام وفحص المهمات

- صرف المهمات

- العهدة

- التخلص من المهمات غير المطلوبة

وعموماً فإن نظام المخزون السلعي بالهيئة يتولى شراء وصرف وتخزين المهمات بسرعة وكفاءة. وأجراء التخلص من المهمات غير المرغوب فيها لا تسهل تنفيذها بسهولة عموماً

كغيره من إجراءات إدارة المهمات الأخرى. وتبين الأشكال ٢، ٣، ٤، ٥، ٦ إجراءات الهيئة للمشتريات المحلية والمشتريات الخارجية وطلب المهمات والصرف من المخازن والتخلص من الخردة والراكد بالترتيب.

المراقبة المالية على المخزون السلعي :

تقوم إدارة حسابات المخازن بالتسجيل والتصنيف المالي لإدارة المخازن.

إدارة مراقبة المخزون السلعي :

أنشئت إدارة مراقبة المخزون السلعي بالهيئة فى عام ١٩٨١ لتساند وتساعد نظام المخازن بالهيئة. والآن أصبح لدى هذه الإدارة مشاكل تؤثر على تحقيق أمانياتها بالكامل.

معلومات النظراء :

يحتوى الملحق "أ" على معلومات مترجمة تم أستلامها من السادة نظراء البرنامج بشأن إجراءات التشغيل والمشاكل التى يواجهونها خلال العمل الروتينى اليومى فى أدارتهم.

Executive Summary

GOGCWS Objectives and the MTSS Project

A new national policy is now being implemented in which subsidies will be replaced by market principles and economic considerations. Economic organizations such as GOGCWS will be encouraged by the central government to operate in a business-like manner so that recurring expenditures are covered by water tariff revenues and future capital expansion is determined on economic principles. This condition is termed "financial viability".

To achieve and sustain financial viability and operate on a commercial basis, the Board of Directors and top management of GOGCWS will need the authority to act independently with respect to plans, budgets, personnel actions, financial affairs, equipment purchases and a host of other matters. This condition is termed "managerial autonomy".

To help it achieve these two interrelated conditions of financial viability and managerial autonomy, GOGCWS requested assistance from the United States Agency for International Development (USAID) which provided funds for an institutional support project entitled, "Management, Training & Systems Strengthening" (MTSS). The MTSS project is a vehicle to help GOGCWS operate as a managerially autonomous and financially viable organization, first in actual practice under its existing legal mandate and then under a new legal/institutional arrangement, if required.

The MTSS project will be implemented over a 45 month period (1 July 1993 - 31 March 1997) under a phased approach, as follows:

- Phase 1: Planning and Policy Formulation
- Phase 2: Performance Improvement and Policy Reform
- Phase 3: Institutionalization of Reforms
- Phase 4: Sustainability and Planning

The MTSS project is organized into five programs which are closely related to the **internal** organization of GOGCWS (in order to achieve the partnership relationship required for successful implementation) and which are each geared to enable GOGCWS to achieve both the financial viability and managerial autonomy objectives. The five programs are:

- Financial Viability
- Management Development
- Technical Support for Operations & Maintenance
- Materials Management & Procurement

Project Management & Administration

This report, GOGCWS Inventory Management Structure and Procedures, describes the inventory procedures used by GOGCWS in storing, purchasing and issuing materials and stock in the organization.

In general the operation of the inventory system is functional and prompt. Later in the MTSS Project, recommendations will be made to improve its efficiency and enhance its financial status within GOGCWS. The baseline data contained in this report will also be upgraded as additional pertinent information concerning the inventory system is obtained. Included in Appendix A are recommendations and department descriptions provided by MMP counterparts.

GOGCWS Inventory Management Structure

The departments concerned primarily with the GOGCWS inventory system are located in the Financial & Administrative Affairs Branch of GOGCWS and are shown in Figure 1.

The Supply & Stores General Department is responsible for the primary inventory activities of GOGCWS and oversees the activities of three departments and a section. It supervises the Stores Department, the Follow Up, Inspection & Receiving Department, the Procurements and Contracts Department and the Customs Clearance Section.

The Inventory Control Department reports directly to the Financial & Administrative Affairs Branch, as does the Supply & Stores General Department. The Inventory Control Department was established by the Prime Minister's Degree No. 137 in 1978 and implemented by Decree No. 74 by the GOGCWS Chairman in 1981.

The Supply Accounts Department is a financial support department within the Expenditures General Department of the Financial Affairs Central Department of the Financial & Administrative Affairs Branch. This department is primarily concerned with the financial aspects of the inventory system.

The preliminary evaluation of the inventory management structure is that several minor revisions could be beneficial to its operation. Revisions under consideration include:

- Promote the Supply & Stores General Department to the status of central department
- Eliminate the Follow Up, Inspection & Receiving Department and assign the duties of this department to the Stores Department

- Upgrade the Stores Department to the status of general department
- Appoint a manager for the Procurements and Contracts Department

Procedures of GOGCWS Inventory System

Planning and Budgeting for Materials Acquisition:

Each GOGCWS department follows a regimented budgeting procedure which is initiated each October and is completed generally in the following July.

Inventory Control:

The control and management of inventory consists of the following procedures:

- Contracts and Purchases
- Materials Receipt and Materials Inspection
- Materials Issuance
- Material Lending
- Disposing of Unwanted Materials

In general the GOGCWS inventory system procures, issues and stores materials promptly and efficiently. The procedure for disposal of unwanted materials, in general, is not as easy to implement as the other procedures in materials management. Figures 2, 3, 4, 5, and 6 show GOGCWS procedures for local purchases, foreign purchases, material requisition, inventory issue, and disposal of scrap and stagnant inventory, respectively.

Financial Control of Inventory

The Supply Accounts Department performs the financial recording and verification of the inventory departments.

Inventory Control Department

The Inventory Control Department was formed in GOGCWS in 1981 to support and assist the inventory system. To date this department has had problems achieving its full potential.

Information from Counterparts

Appendix A contains translated information received from the MMP counterparts in regard to the operational procedures and problems encountered during their daily work routine in their respective departments.

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APPENDIX A

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I. GOGCWS Objectives and the MTSS Project

The General Organization for Greater Cairo Water Supply (GOGCWS) was established in 1968 as an economic organization authorized to provide potable water and other water services to residential, commercial, industrial and governmental consumers in the urban areas of the Governorates of Cairo, Giza and Qaliubia. Over the past twenty five years the GOGCWS has improved the quality of services and extended the water treatment and transmission network to accommodate urban growth and development. The characteristics of physical system for water service in Greater Cairo reflects the technical accomplishments of the organization:

Treatment Plants	15
Pipelines	3500 km
Water Produced	1.250.000.000 cu.m/yr.
Population Served	9.300.000 (est.)

This concentration on service delivery and system expansion could only be accomplished through massive financial subsidies from the central government. Subsidies for both operating and maintaining urban water systems and constructing new facilities was the national policy and GOGCWS performed its role very well in that policy context.

A new national policy is now being implemented in which subsidies will be replaced by market principles and economic considerations. Economic organizations such as GOGCWS will be encouraged by the central government to operate in a business-like manner so that recurring expenditures are covered by water tariff revenues and future capital expansion is determined on economic principles. This condition is termed "financial viability".

To achieve and sustain financial viability and operate on a commercial basis, the Board of Directors and top management of GOGCWS will need the authority to act independently with respect to plans, budgets, personnel actions, financial affairs, equipment purchases and a host of other matters. This condition is termed "managerial autonomy".

To help it achieve these two interrelated conditions of financial viability and managerial autonomy, GOGCWS requested assistance from the United States Agency for International Development (USAID) which provided funds for an institutional support project entitled, "Management, Training & Systems Strengthening" (MTSS). The MTSS project is a vehicle to help GOGCWS operate as a managerially autonomous and financially viable organization, first in actual practice under its existing legal mandate and then under a new legal/institutional arrangement, if required.

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The MTSS project is organized into five programs which are closely related to the internal organization of GOGCWS (in order to achieve the partnership relationship required for successful implementation) and which are each geared to enable GOGCWS to achieve both the financial viability and managerial autonomy objectives. The five programs are:

- Financial Viability
- Management Development
- Technical Support for Operations & Maintenance
- Materials Management & Procurement
- Project Management & Administration

One of the basic tenets of the MTSS project is that the foundation for financial viability and managerial autonomy must be constructed by the GOGCWS management. The contractors advise, train and assist; GOGCWS managers develop, adopt and implement.

This report, GOGCWS Inventory Management Structure and Procedures, describes the inventory procedures used by GOGCWS in storing, purchasing and issuing materials and stock in the organization.

In general the operation of the inventory system is functional and prompt. Later in the MTSS Project, recommendations will be made to improve its efficiency and enhance its financial status within GOGCWS. The baseline data contained in this report will also be upgraded as additional pertinent information concerning the inventory system is obtained. Included in Appendix A are recommendations and department descriptions provided by MMP counterparts.

In the discussions with the counterparts of the Materials Management & Procurement program (MMP), it was determined there are no official policies for the GOGCWS inventory system. During the next quarter (1 April - 30 June), MMP will propose inventory policies for consideration by GOGCWS management.

II. GOGCWS Inventory Management Structure

The GOGCWS inventory system is composed of forty-six stores/warehouses most of which are located in the metropolitan Cairo area. These facilities are used to store parts and materials valued at approximately LE 130,000,000. GOGCWS is in the process of planning for the construction of four new stores/warehouses. Approximately LE 6,000,000 of the annual budget is designated for spare parts and store materials. The GOGCWS inventory system has approximately 550 employees classified as follows:

- Managers:	5	- Storekeepers:	97
- Accountants:	76	- Support Staff:	226
- Clerks:	146		

The departments concerned primarily with the GOGCWS inventory system are located in the Financial & Administrative Affairs Branch of GOGCWS.

The Supply & Stores General Department is responsible for the primary inventory activities of GOGCWS and oversees the activities of three departments and a section. It supervises the Stores Department, the Follow Up, Inspection & Receiving Department, the Procurements and Contracts Department and the Customs Clearance Section.

The Follow Up, Inspection & Receiving Department is authorized by the COAO; however, none of the positions in this department are filled. Currently, the Stores Department is successfully handling the responsibilities of the Follow Up, Inspection & Receiving Department. Also there is no official manager for the Procurements and Contracts Department; consequently, the manager of the Supply & Stores General Department has assumed this responsibility.

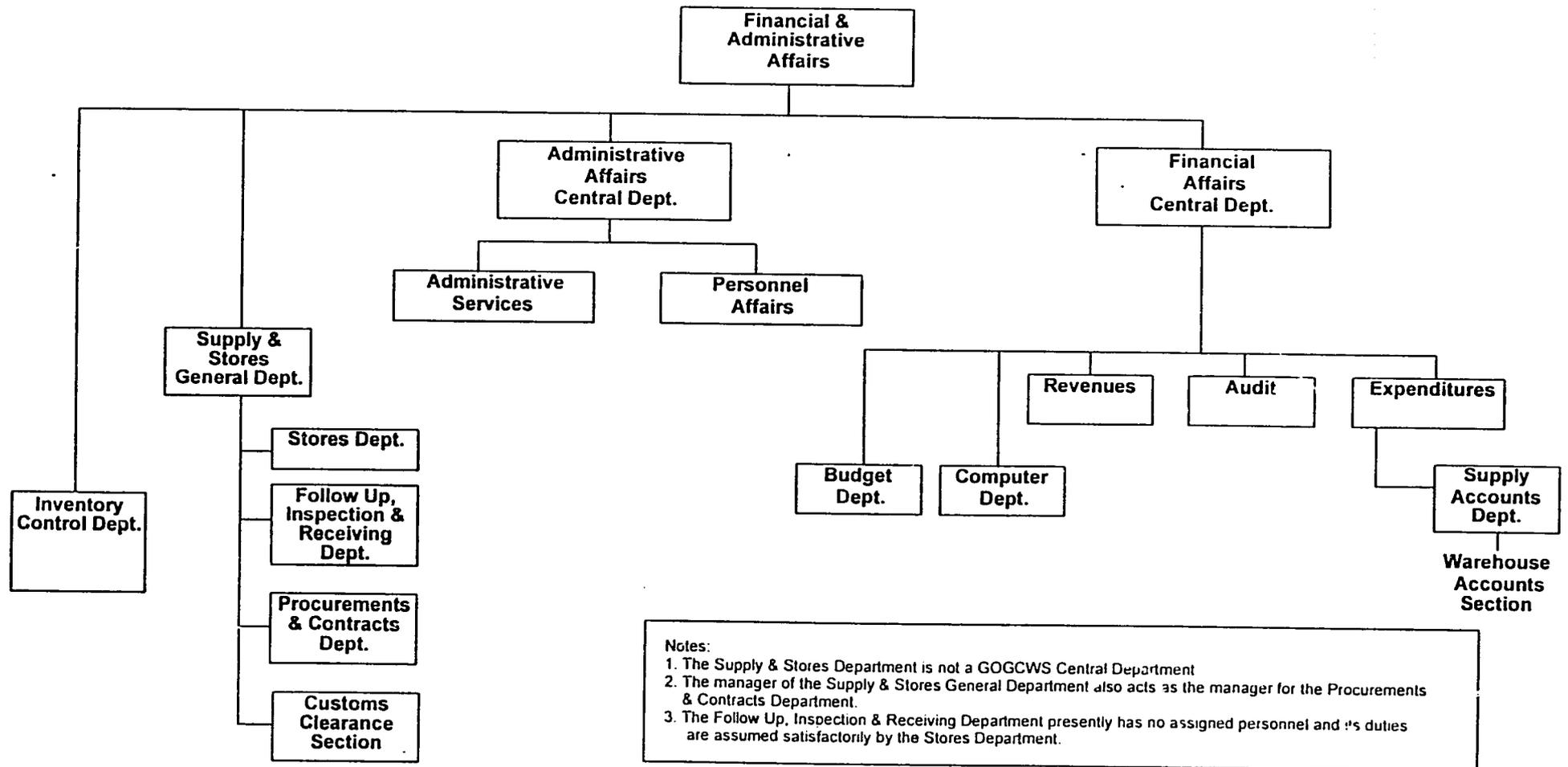
The Inventory Control Department reports directly to the Financial & Administrative Affairs Branch, as does the Supply & Stores General Department. The Inventory Control Department was established by the Prime Minister's Degree No. 137 in 1978 and implemented by Decree No. 74 by the GOGCWS Chairman in 1981.

The Supply Accounts Department is a financial support department within the Expenditures General Department of the Financial Affairs Central Department of the Financial & Administrative Affairs Branch. This department is primarily concerned with the financial aspects of the inventory system.

Figure 1 contains the organization chart of the departments primarily responsible for GOGCWS's material management and procurement activities.

Figure 1
GOGCWS Inventory Management Structure

Organizational Chart



Notes:

1. The Supply & Stores Department is not a GOGCWS Central Department
2. The manager of the Supply & Stores General Department also acts as the manager for the Procurements & Contracts Department.
3. The Follow Up, Inspection & Receiving Department presently has no assigned personnel and its duties are assumed satisfactorily by the Stores Department.

The preliminary evaluation of the inventory management structure is that several minor revisions could be beneficial to its operation. Revisions under consideration include:

- Promote the Supply & Stores General Department to the status of central department
- Eliminate the Follow Up, Inspection & Receiving Department and assign the duties of this department to the Stores Department
- Promote the Stores Department to the status of general department
- Appoint a manager for the Procurements and Contracts Department

All organizational recommendations will be finalized later in the MTSS project.

III. Procedures of GOGCWS Inventory System

The primary procedures of the GOGCWS Inventory System are grouped into four topics (A) Planning and Budgeting for Materials Acquisition (B) Inventory Control, (C) Financial Control of Inventory and (D) Inventory Control Department which are described in the following sections.

A. Planning and Budgeting for Materials Acquisition

The budgeting for the fiscal year (1 July - 30 June) is officially initiated with a notice from the GOGCWS Chairman to all departments in October that the draft budget, including materials, is due. It is a GOGCWS requirement that the draft budget submitted by each department must include estimated values and quantities for each item to be procured. The departments base their estimates of quantities on historical use and expected use for the next year. They also contact the Inventory Control Department, the Supply Accounts Department and the Stores Department prior to finalizing their draft. The Inventory Control Department informs the departments of existing stock or impending deliveries which will supply any of the requested items. Within 15 to 30 days the draft budgets are sent to the Financial Affairs Central Department for review and recommendations.

The department budgets identify final cost estimates for materials and are then transmitted to the Vice Chairman for Financial & Administrative Affairs for review and approval. Then they are sent to the GOGCWS Chairman for review. When the Chairman is satisfied with the budget, he finalizes it and sends it to the Ministry of Finance prior to the 15th of January. In general, discussions are held between the Ministry of Finance and a representative of GOGCWS concerning the budget prior to the 1st of February.

In April the budget is sent to the People's Assembly for approval. Representatives from the Ministry of Finance attend the People's Assembly and notify GOGCWS when the budget is approved. The notice of approval usually occurs in July.

The MMP's initial evaluation of this budgeting procedure is that it needs close monitoring to insure that the actual items purchased for the stores are generally the items proposed in the budget. Also, it appears that a very small amount of the budget is spent for spare parts. This is not a problem as long as all the equipment is properly maintained and available for duty. However, it may be necessary to increase this budget item substantially should maintenance problems increase.

B. Inventory Control

The Stores Department is responsible for management of the individual warehouses and stores. Administrative authority for the use of materials belongs mainly to the treatment plant and network departments.

1. Contracts and Purchases

Procurements are supervised by the Procurements & Contracts Department after receiving the purchase authorization from the Requirements Committee or the Foreign Purchase Committee for local and foreign purchases, respectively. There are three types of purchases - foreign contracts, local contracts and direct purchases. These purchases are maintained in separate ledgers which define the purchases and their status. The Stores Department is notified of the availability of each delivery by the Procurements & Contracts Department. Figure 2 shows the local contract purchase procurement procedure and Figure 3 shows the foreign contract purchase procurement procedure.

2. Materials Receipt and Materials Inspection

Before accepting the delivery of purchased materials, personnel from the Stores Department and from the technical department originating the request inspect its contents.

Responsible personnel inspect the shipment for: (1) complete delivery, (2) missing items, and (3) damaged stock. For missing items, the vendor is notified and the outstanding stock is supplied, or a check to cover the balance, is sent to GOGCWS. For damaged material, a claim is sent to the insurance company.

Figure 2
GOGCWS Procurement Cycle for:

Local Purchases



Copies of Contract for Execution
for Follow-up, Inspection & Delivery

Stores Dept

Supplier

Request Originator

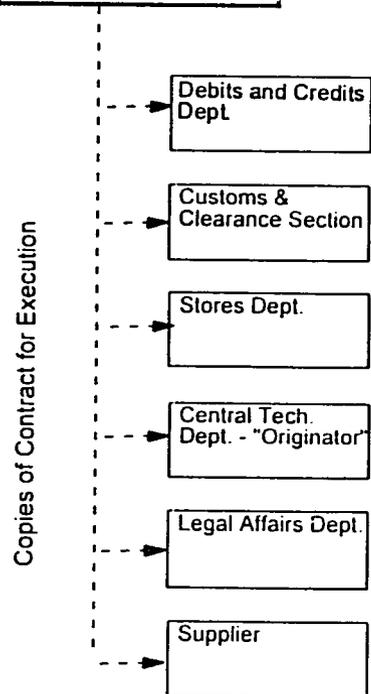
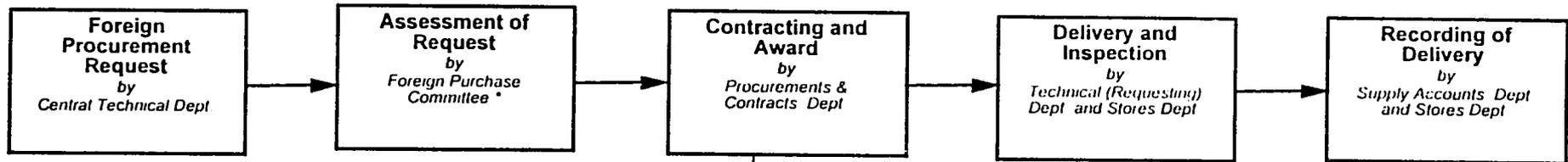
* The Requirement Committee is usually composed of representatives from the following departments:

- Budget
- Procurements & Contract
- Inventory Control
- Stores
- Plants Central
- Network Central
- Projects Central

** Technical Bid Committee evaluates the bid and recommends award to the competent authority for final approval.

- Sa -

Figure 3
GOGCWS Procurement Cycle for:
Foreign Purchases



Notes:

1. There are no representatives on the Foreign Purchase Committee from the Procurements & Contracts Department.
2. The personnel involved in foreign purchases feel that additional language training would be beneficial in accomplishing their work.
3. The petty cash limit for this department has not been increased in 10 to 15 years.

- * The Foreign Purchase Committee is usually composed of the following members.
- GOGCWS Chairman
 - Technical Deputy
 - Administrative Deputy
 - Central Department Heads of Financial Affairs, Network, Plants, & Projects.
 - Gen Manager of Supply & Stores Department
 - Representative from the Ministry of Finance
 - Representative of the Council of State

When the inspection is completed, inspection personnel prepare a statement identifying and approving the delivery. With this statement of approval, the contents of the delivery are added to the stores inventory.

3. Materials Issuance

Requisition forms for materials may be presented to the stores or warehouses by any department; but mainly they are initiated by the projects, networks, and plant departments. Full details are indicated on the form, including destination. Figure 4 shows the store's material requisition procedure.

Should the stock not be available in the sector store, then a system-wide stores search ensues. Ultimately it is the responsibility of the Inventory Control Department to verify that the item is not in the store system or cannot be located. Figure 5 shows the inventory issue and search procedures in GOGCWS.

If the material is located in the store system, it is issued. The store which issues the material notifies the Supply Accounts Department which records and verifies the transaction using the copy from the originator. In the event that the item cannot be located in the store, it must be procured.

4. Material Lending

Other governmental agencies or authorities can request materials from GOGCWS. The request is presented to GOGCWS and if there is sufficient excess stock, a discharge permit can be issued. The decision to issue this permit is made jointly by the GOGCWS Chairman, the Stores Department manager, and the applicable technical Central Department manager. The lending operation is completed by returning the materials which is processed as a delivery.

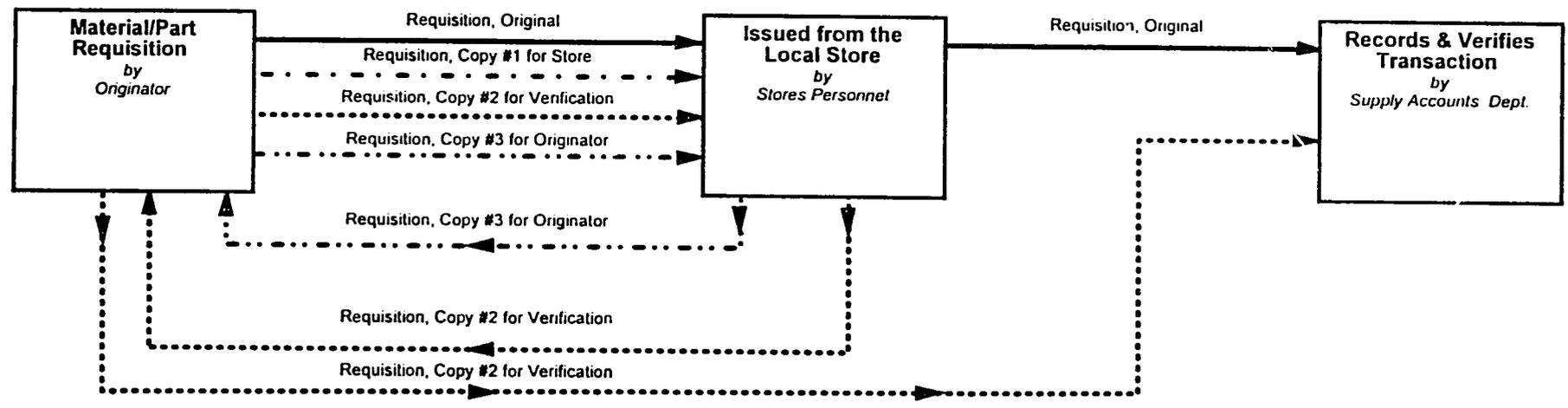
5. Disposing of Unwanted Materials

Stores initiate the procedure for removing scrap or stagnant inventory from its facility by appointing a committee, generally headed by the facility manager, to identify this material and prepare the proper paperwork to the GOGCWS Committee for Scrap and Stagnant Material.

With input from the technical Central Department managers, the Committee for Scrap and Stagnant Material inspects and confirms which items should be sold or recycled. This recommendation is sent to the GOGCWS Chairman for approval.

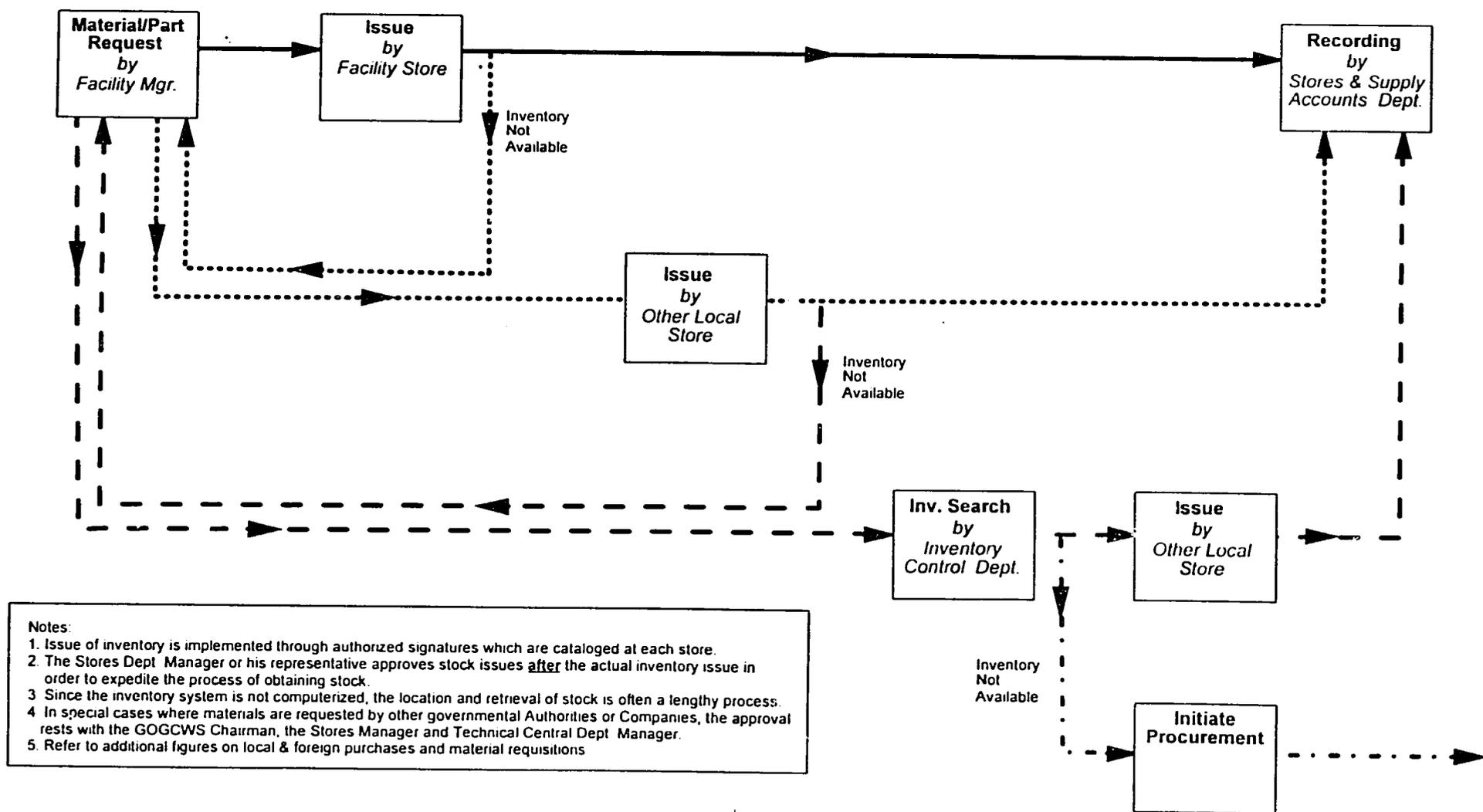
Figure 4
GOGCWS Cycle for:

Stores Material Requisition



- NOTES:**
1. In general, material issue is executed promptly and efficiently
 2. The Inventory Control Department is not notified of material issue. Consequently, this department sends representatives to individual stores to obtain this information
 3. Comprehensive updates of the material inventory, by the Supply Accounts Department, lags the transaction by approximately one month.

Figure 5
GOGCWS Procedures for
Inventory Issue



The items to be recycled, are recycled internally within the GOGCWS organization and stores inventory is subsequently revised.

The items to be sold or auctioned are presented to the Inventory Control Department which coordinates with the Governmental Authority for Services in the Ministry of Finance to accomplish this task. Upon completion of this transaction, the stores inventory is revised to reflect the elimination of these goods.

Figure 6 shows the procedure for the disposal of scrap and stagnant inventory.

C. Financial Control of Inventory

The Supply Accounts Department is responsible for maintaining the records of the value of inventory. At the end of each month the forty-six stores and warehouses send a file of the forms covering the receipt and issue activity for the month. Form 112 itemizes the stock received and Form 111 itemizes the stock issued.

At the end of each month after the ledgers have been posted, they are taken to the stores to audit the stores' records.

At the end of the fiscal year a physical inventory is taken of the stores and adjustments are made to the balances. This process takes about two months to complete. When the end-of-year inventory is completed, the adjusted inventory totals are then sent to the Supply Accounts Department. These totals are used to set up the books for the next year.

Preliminary information indicates that a minimum of 25 percent of the value of the inventory is not included in the total estimated inventory value due to the absence of invoice data.

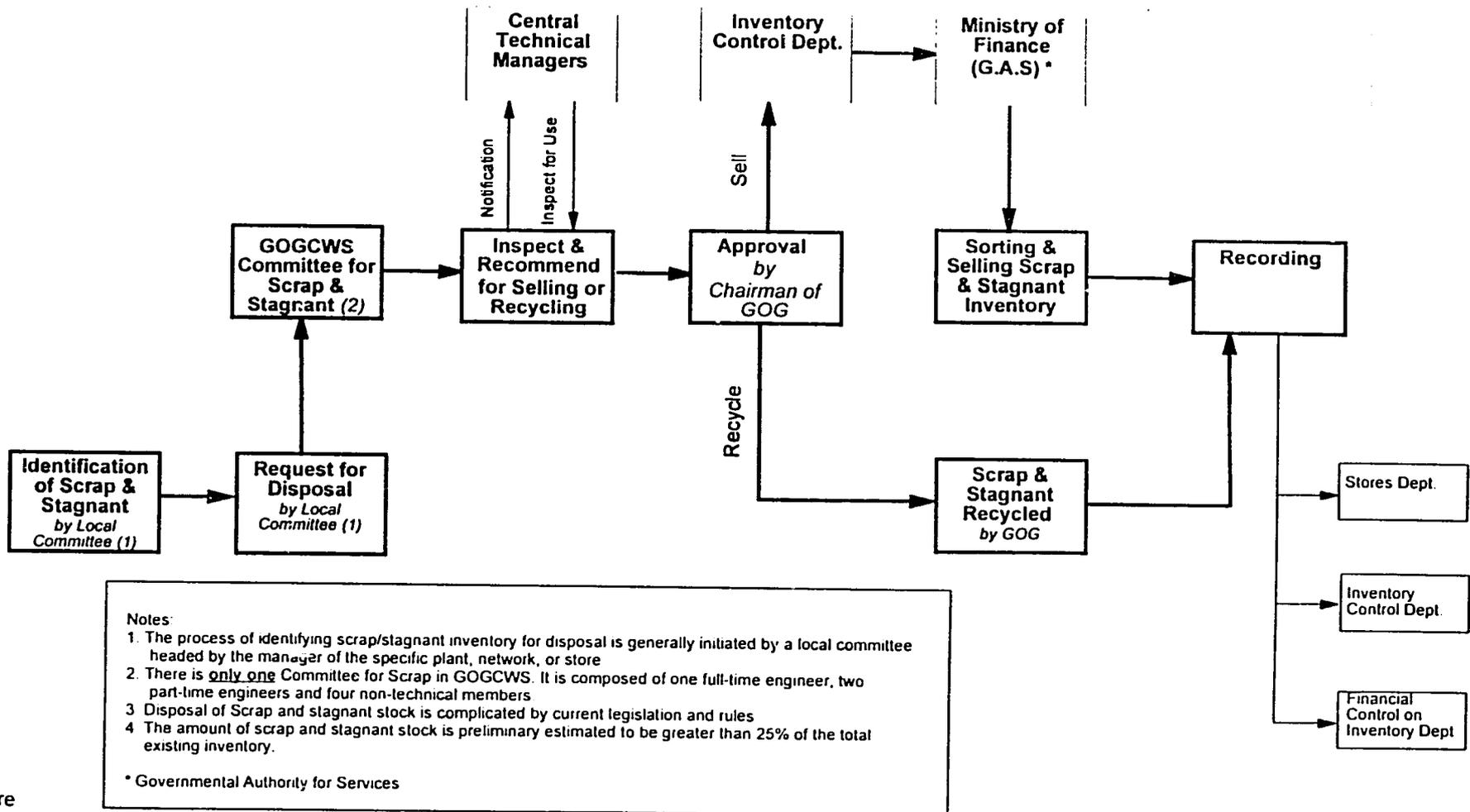
D. Inventory Control Department

As previously stated, the Inventory Control Department was established in GOGCWS in 1981. It was created to assist and strengthen the existing GOGCWS inventory system. Some of the main responsibilities of this department are listed below.

- Estimate actual needs of materials and commodities necessary for the administrative units.
- Calculate consumption rates for each item in quantity and value. This

Figure 6
GOGCWS Procedures for:

Disposal of Scrap & Stagnant Inventory



effort is to be coordinated with the technical departments.

- Determine the most economical purchase quantities for each item.
- Notify the Procurements and Contracts Department to purchase items when they reach the re-ordering point.
- Classify materials and numbering stock.
- Describe and code items for easy identification.
- Define minimum and maximum storage levels for each item and set its re-order point.
- Follow-up purchases made by the Procurement and Contracts Department to insure that items are delivered quickly and be knowledgeable of stock issued.
- Prepare statistics and data necessary for follow-up, inventory control and clarification for stagnant stock. Prepare information concerning the follow up and execution of purchase orders.
- Maintain the total value of inventory.
- Exercise objective control and supervision on technical aspects regarding stores affairs and preservation of items and define the stagnant inventory (its classification and grouping in order to study possibility of use before procurement of new items or arrange for their disposal).
- Notify the General Organization for Government Services with all data concerning the stagnant items classified and grouped in accordance with the classification mentioned in the Unified Arabic Classification Directory and the reasons for stagnation during the last month of the fiscal year.

To date this department has some problems functioning up to its maximum capability. Additional information concerning some of these problems was provided in more detail by the Inventory Control Department manager and is located in Appendix A.

IV. Information from Counterparts

Appendix A contains translated information received from the MMP counterparts in regard to the operational procedures and problems encountered during their daily work routine in their respective departments.

Note that recommendations made by the counterparts will be taken into consideration by the MMP/MTSS program at a later date and are included herein as collected baseline data.

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APPENDIX A

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CONTRACTS & FOREIGN PROCUREMENT SECTION - COMMENTS

It is one of the Procurements and Contracts Department's Sections which comes under The General Department for Supplies & Stores General Department.

- The duties of the Contracts & Foreign Procurement Section start as follows:-
 - receiving of a memorandum from Foreign Procurement Committee approving of inviting tenders for bidding with attached memo from the inquiring department (Projects - Waterworks - Networks) identifying materials required to be bought (name, type, quantity).
 - receiving copies of the technical specifications related to the Bidding or Negotiation process needed.
- Formulation of Bidding Advertisement (either International Public Adjudication or Limited Negotiation Bidding), in Arabic and foreign languages in formal newspaper. The Advertisement includes Process Title, Date of opening envelopes, price of specifications book, place and time of submitting bids.
- Communication with formal newspaper through notification by a letter with the Advertisement, following up appearance of the advertisement in the formal newspaper.
- Communication with various embassies by personal visiting and handing a copy of the advertisement in order to widen the scope of advertisement for bidding abroad and in home.
 - One member or more from foreign Contracts Section is to be nominated in the Permanent Sub Committee for studying bids comprehensively in collaboration with the Committee members for studying contracting aspects and general conditions and financial review and necessary corrections for bids if necessary.
- The Foreign Contracts member invites the permanent sub committee members after determining committee's meeting time. An invitation should be sent to State Council and Ministry of Finance to attend the meetings and complete the legal number for the committee.
- Subscribing in studying bids from Contracting and Financial aspects and preparing emptying statements and necessary reports and renewal bidding priorities from Financial and contracting aspects and showing the extent of

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compatibility to the general and specific condition of the bidding.

- Subscription in negotiating committee after inviting the companies.
- Preparing minutes for Permanent Sub-Committee which is formed by members from the foreign purchasing section.
- Execution of decisions by outside purchasing committee for awarding to different companies after decision in bids or negotiations. Letters of acceptance are sent to the companies which tenders are accepted in accordance with bidding conditions, or regretting for the other companies for not accepting their bids together with refunding the primary deposit kept by the organization.
- Carrying out financial and contracting study for invoices submitted by different companies, after awarding, to show the extent of compatibility to the financial and contracting conditions.
- Sending these invoices to the Technical Departments for review and showing the extent of technical compatibility of these invoices with the bidding conditions.
- Issuing importing agreement and preparing Amendments for Importing Agreements if necessary regarding Amendments related to Importing specifications after submitting to Foreign Purchase Committee.
- After reviewing the invoices submitted by the awarded companies and issuing importing agreements, the Foreign Contracts Section carries out the following:
 - sending a copy of acceptance letter to Stores Department & Customs Clearance Section.
 - sending original invoices and two copies to Loans & Credits Department to take necessary steps for opening bank credits.
 - sending original and copy of Importing Agreements to the bank.
 - sending copies of invoices and Importing Agreement to the Customs Clearance Section to follow-up material clearance.
 - sending a copy of invoices and importing agreement to the warehouses to follow-up materials when received.
 - sending a copy of invoices and acceptance letter to the Technical Department for follow-up.

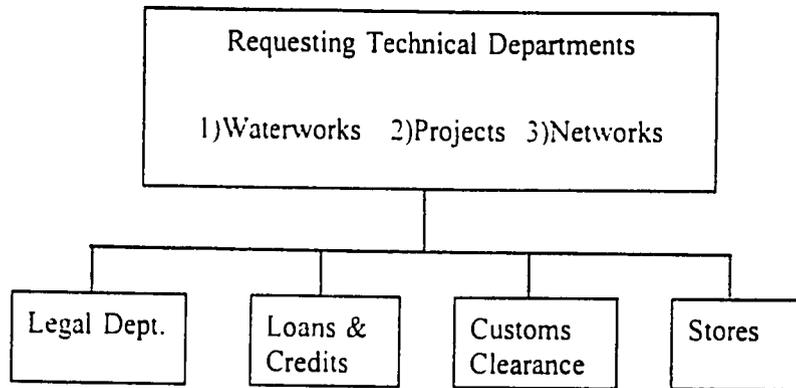
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- Preparing the Contract in its final form and formulating it from financial contracting and technical aspects in the form of memo of contract draft to be submitted to the Legal Dept. for review.
- After contract review by the Legal Dept. 30 copies are to be prepared and sent to the State Council with a covering letter from the Organization for review in accordance with Egyptian Laws.
- After review by The State Council, the Contract Section addresses the companies to come to the organization to sign the final contract in a fixed time.
- After signing the contract by all parties the foreign contracts section sends copies of the contract to the following departments :
 - Loans & Credit Dept.
 - Customs Clearance Section
 - Stores Dept.
 - Competent Technical Dept. (Project - Plants - Networks).
- Following up delivery with Custom Clearance Section, until cargo arrives in stores.
- Following up receiving and inspection with stores dept. where cargo is received.
- Returning the final letter of guarantee after finishing works of receiving, installing and final delivery.

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Foreign Contracts Section is considered the main core and the legal channel which transfers material requisition orders into actual materials in stores, through executing procurement orders received from the technical department after completing the necessary procedures.

1. Legal Affairs:

The Foreign Contracts and Procurement Section prepares a comprehensive Contract Draft by one of its members contributing in the study committees and sends it to the legal affairs dept. for review and stating the extent of its compatibility with the contracting and bidding conditions.

2. Loans & Credits:

It is the Department competent with execution of payment of materials required, through the different ways of payment (bank credits, direct obligation).

The Foreign Contracts Dept., after issuing the importing approval and reviewing invoices from the requesting departments, has to send the following documents to the Loans & Credit Dept. :

- Originals of Importing Approval.
- Primary Invoices after review.
- Copy of letter of Acceptance "Purchase Order"
- Copies of the Contract after signing by parties.

Foreign Contracts Section sends final letters of guarantee after receiving them from bidders to the Loans & Credits Dept. and orders release of Primary letters of guarantee.

3. Customs Clearance:

It is one of the sections that comes under the Contracts & Procurements Department through the General Department for Supply & Stores. This section is responsible for clearing cargo imported for the organization also materials exported to abroad.

The foreign contracts section supplies it with the following :

- a copy of importing approval
- a copy of the primary invoice
- a copy of letter of acceptance
- a copy of the signed contract

The customs clearance section receives the bills of lading and carries out clearance of the imported materials and delivers them to the Stores Department.

4. Stores Department:

It is the department competent with receiving the materials and entering them in the inventory of the competent store to issue from them as required.

The foreign contract section provides it with the following :

- a copy of the primary invoice
- a copy of the letter of acceptance
- a copy of the signed contract
- the foreign contracts section follows up supply and delivery of materials in the stores in execution of the contracts.

Obstacles and Problems within the Foreign Contracts Section:

1. The Section has no representative "account" in the Foreign Purchase Committee.
2. Training Courses in foreign languages, especially English, are not available in the field of foreign purchase in order to know about new methods of purchasing and for dealing with foreign vendors and suppliers.
3. Inadequacy of competent accountants in this Section.

INVENTORY CONTROL DEPARTMENT - COMMENTS

Obstacles Encountering the Inventory Control Department:

- The Department does not carry out inspection and unannounced inventory on GOGCWS' 46 Warehouses due to numerous locations and far distance covering Greater Cairo Area. There are insufficient labor necessary for that.
- The Inventory Control Department could not carry out works concerning Alum and Chlorine because the Waterworks Central Department in particular has taken possession of this task not knowing the importance of the participation of the Inventory Control Dept. in that task.
- The Depart. has seized coding task since almost 3 years before and after issuing decree No. 102 of 1991 on 17 Aug. 1991. That task has been assigned to the Stores Dept. by the competent authority without informing the Inventory Control Dept., thus the Dept. has been abandoned completely.
- Lack of appropriate Transportation means, does not enable employees of the Dept. to achieve tasks and perform work requested of it which in most cases requires urgency.
- Lack of Labor and appropriate "managerial, accounting and technical" personnel necessary to carry out duties and responsibilities of the Department towards the other GOGCWS Departments
- The location of the Inventory Control Dept. is far from all other departments. and sectors of GOGCWS which deal with the Dept. This is a general complaint from all those dealing with the Dept. (either dealers from within the Organization or outsiders).
- Unavailability of a direct telephone line to be used by the dept. for direct communications with all GOGCWS locations spread over different areas of Greater Cairo Region; as the importance and significance of the work of the dept. entails direct and rapid communications either with GOGCWS locations or with outsiders (the General Organization for Government Services, the Central Agency for Organization and Administration, the Central Agency for Accountancy, the GOGCWS main building Ramses ... etc..)
- Lack of obligation, slackness and delay of some GOGCWS Departments in fulfillment of data requested by the Inventory Control Dept. which is due to not knowing the duties of the Inventory Control; thus impeding work. Therefore, data required does not arrive in time; even though Decree No. 75 of 1984 has been

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issued which shows and defines the relation between the Inventory Control Dept. and other Departments mentioned in the said decree.

- Quantities and values estimations for yearly needs by the technical competent department are proposed without enough study resulting in increase or decrease of the required quantities.
- For the lack of unified classification numbers the Inventory Control Department encounters many difficulties when assessing the annual needs submitted by the technical departments.
- The Inventory Control Dept. prepared a preliminary study about the limits (maximum, minimum, reordering point) but this study could not be applied due to the storekeepers' difficulty in understanding this system, and difficulty of rapid communications from the various stores to the technical departments to inform them of near depletion of items in advance.
- There are great amounts stagnant, scrapped and ragged materials in different locations of the Organization. This results in occupying big areas which can be used for different purposes to store new materials. It also impedes the movement of ordinary activities. Therefore, this impedes good storage of items in a way to facilitate handling and impedes a good work plan.
- Methods of improper handling. Without using appropriate transporting equipment, new equipment is exposed to damage, thus it becomes useless for the purpose it was purchased for; and becomes one of the stagnant or scrapped items which increases the costs.
- Items remain stagnant in warehouses for a long time, for a simple reason that it is assumed that they will be used sometimes in the future. But this assumption has not proved correct due to the great accumulation of these stagnant items in the stores.
- Second hand (used) items returned to stores for replacement by other models, normally stay for many years until they become stagnant. The reason for this is that the technical dept. do not follow up and monitor the usage of these items in order to rapidly dispose of the unnecessary items before their destruction.
- Reconsideration of storage system especially in open stores where items are exposed to different atmosphere conditions resulting in perishability and obsolescent causing their scrapping, stagnancy or salvaging causing waste of great amounts of money.

General Recommendations for Improvement of the Inventory Control Department:

- Supply the Department with technical and specialized labor to participate in Inspection Committees and set up limits with the specialized technical departments.
- Care for training of employees in the department either internally or out of GOGCWS.
- Transfer the dept. to the Main Building in Ramses as a strategic location facilitating communication with all various locations of GOGCWS to achieve dept. works perfectly, rapidly and accurately.
- Making available of transportation means for employees in the dept. to achieve duties easily, or assessing transport allowances for all workers of the dept; or providing all employees with subscriptions in all transport means within Greater Cairo Region the same as followed with collectors, meter readers, receivers and cashiers.
- Providing the dept. with a telephone line.
- Participation of Inventory Control Dept. in all committees related to contracts and the foreign or local procurement committee as observatory member.
- All Departments of GOGCWS have to understand the Decree No. 75 of 1984 in order to have full cooperation with the Inventory Control Dept. to submit necessary data and statistics.
- Due to the fact that the employees of this dept. carry out extra ordinary works that need accuracy and promptness, we recommend increase of the incentive percentage paid to all employees in order to partly compensate the important works they carry out. The Head of the Dept. has to be at liberty to determine the percentage increase over the 70% stipulated for all workers.
- Generalization of the Coding System of items at all GOGCWS location levels just as the pattern followed in Rod El Farag and Ein El Sira Warehouses; which facilitates ordering and assuring operations of those items.
- Acceleration of generalization and insertion of Computer System in Warehouses, and connect the Warehouses together to rapidly retrieve the information in the right time and at the least cost so that no items are bought while they are available in other locations.
- Construction of new Warehouses to compensate and replace destruction and ruin of

Warehouses; thus preserving the Organizations property and saving lives of its employees.

- Training of the Warehouse employees particularly the Storekeepers to understand their duties more accurately and to cooperate completely with the Inventory Control employees. Local and outside training to understand the nature of the Departments work as an observatory and guiding authority.
- Strengthening guard on GOGCWS Warehouses particularly those distant and open ones. and constructing fences around them with guard towers. Increasing light and providing transport means. Improving standard of living for workers and providing those locations with first aid pharmacy and health and safety equipment.
- We recommend the cooperation between the Heads of Locations and the Storekeepers to transfer items from one Warehouses to another so that items do not accumulate resulting in stagnant items in the long range, although they can be used in other locations. This is supposed to happen as all locations are working for one Organization.
- To try to get rid of stagnant and scrap items continuously in order to make use of the areas occupied by those materials, thus providing cash flow which can be used from selling those materials and spending on other aspects of activities in the Organization.
- Revival of the duty of the Scrapping Sub-Committees in various locations; and the rapid adjudication in scrapping such materials present in each committee location.
- Compact paving of storage areas especially in open stores (K 74 Cairo/Alex Road), K 47 Cairo/Fayoum Road) or making wooden pallets to lay on those materials.
- Mobilization of all personnel and departments related to the scrap, stagnant and junk to follow set up policies and procedures to dispose of those materials.
- Acquaintance of the present situation of the problem of stagnant and scrap items and their rapid disposal because postponing making a decision or action would create in more of these materials and problems.
- Providing the Warehouses with machine and equipment for hydraulic handling, overhead cranes and clerks to facilitate storage and handling operations. Also providing necessary lorries.
- When designing new Warehouses, consideration should be given for adequate area with wide paths and aisles, and reasonable slope to facilitate traffic movement inside the Warehouses. The paths and aisles should be paved.

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- Providing the present Warehouses with health and safety equipment, also with fire fighting equipment.
- Care is to be given to more cleaning of Warehouses and generalization of using wooden and metal shelves.

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CUSTOMS CLEARANCE SECTION - COMMENTS

Description of department procedures :

After the contract is signed with foreign suppliers, the External contracts department sends a contract photocopy and its related records to the Customs Clearance Section to begin the customs clearance process :

- Create a file (envelope) to contain all related records & documents .
- GOGCWS is notified by the supplier or by the bank before articles arrive.
- Customs Clearance Section prepares all clearance documents and sends them with a deputy to the seaport .
- In case of the loss of the original shipping documents, they can be replaced by a letter of marine guarantee from the bank .
- Customs Authority inspects , prices and estimates customs fees .
- The Deputy informs GOGCWS about the customs fees value .
- GOGCWS prepares a irrevocable check and sends it to the Deputy to submit it to Customs Authority and obtains release permission .
- Loading packages by transporter company and carrying it to the proper store/stores.

Note : In Alexandria there is a GOGCWS clearance customs resident office.

Recommendations by the Department Head :

- Petty cash amount is not adequate for new prices and needs to be increased.
- Deputy salary (overtime) needs to be increased.
- Customs clearance section needs to be re-organized and promoted to a department to fit workload.
- It is needed to use and acquire modern tools to help in documents preservation, data storing and mail & messages exchanging (Computerization).