



USAID | Iraq Economic Governance II Project

Presentation to Minister of Electricity



-May 2005-

Outline

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Program Objectives

“To assist the Iraqi Government in structuring and quickly implementing an operational legal, fiscal, regulatory & institutional framework within which policy can be formulated to foster an investment-friendly, market-based economy.”

Fiscal, Tax, and Customs Reform

Enhanced non-oil revenues & improved budgetary discipline

Monetary Policy and the Central Bank

Sound monetary policy & effective financial regulation

Financial Reform

Strong banking sector & real estate financing

Comm. Law and Institutional Reform

“Rule of Law” that is fair, speedy & reliable

Utilities/Reg. Reform and Gov.-wide IT

Commercially viable electricity & telecoms sectors with improved regulation and modern e-gov framework

Social Safety Net and Pension Reform

Immediate help provided to displaced workers & sustainable pension benefits

Areas of Focus

Fiscal, Tax, & Customs Reform

Tax Policy & Revenue Analysis

Tax Administration

Customs Reform

Budget Planning

Budget Execution (FMIS)

Macro-Economic Analysis

Inter-Govt. Finance

Monetary Policy & Central Bank

Central Bank Operations

Inter-Bank Payment System

Government Securities

Bank Supervision

Macro-Economic Policy

Monetary Policy

Central Statistics Organisation

Insurance

Financial Reform

Bank Restructuring

Problem Bank Resolution

Housing Finance

Commercial Law/Institutional Reform

Commercial Law:
Property Rights, Secured Transactions
Intellectual Property Rights

Strengthening Judicial System

Strengthening Civil Society

Dispute Resolution Reform

Trade & Investment

Business Registries

Utilities/Regulatory Reform & Gov't Wide IT

Electricity

Telecoms

Govt-Wide IT

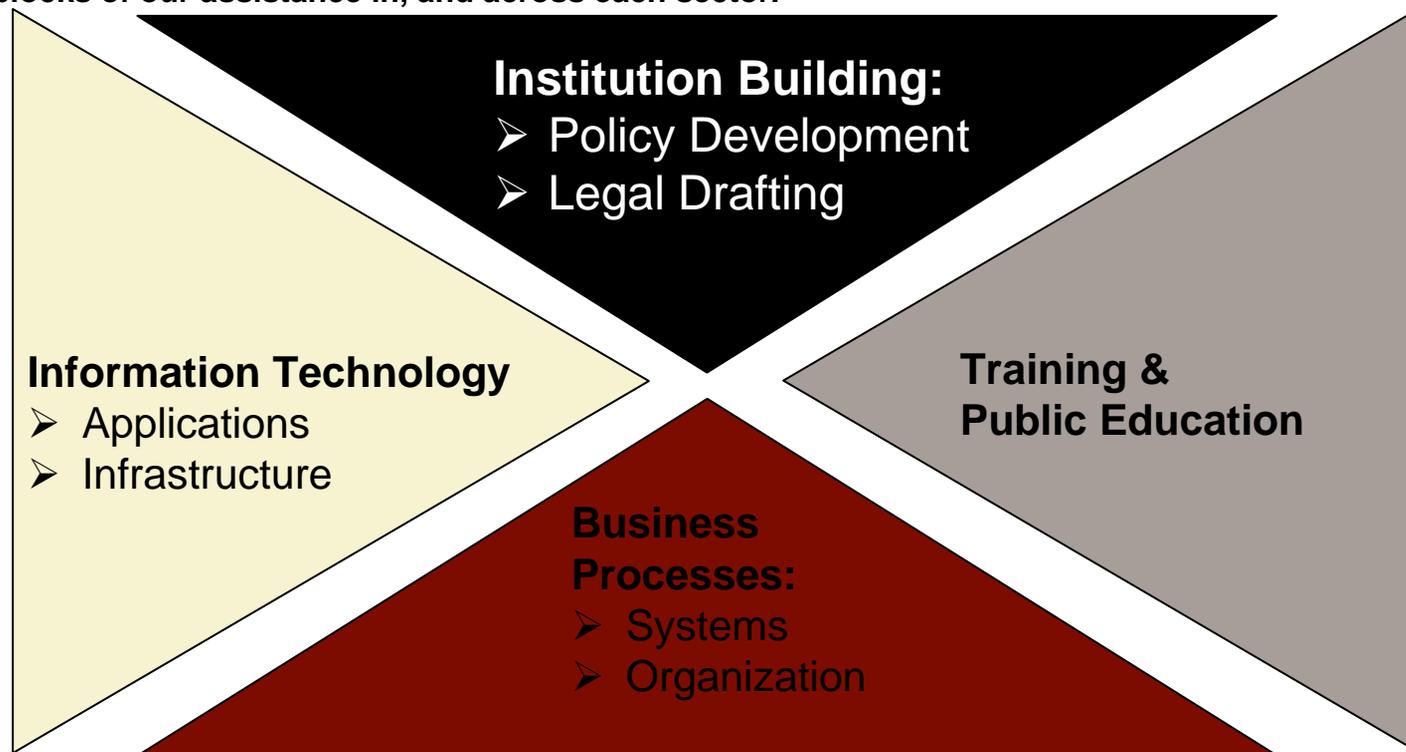
Social Safety Net and Pension Reform

Social Safety Net

Pension Reform

The BearingPoint Approach

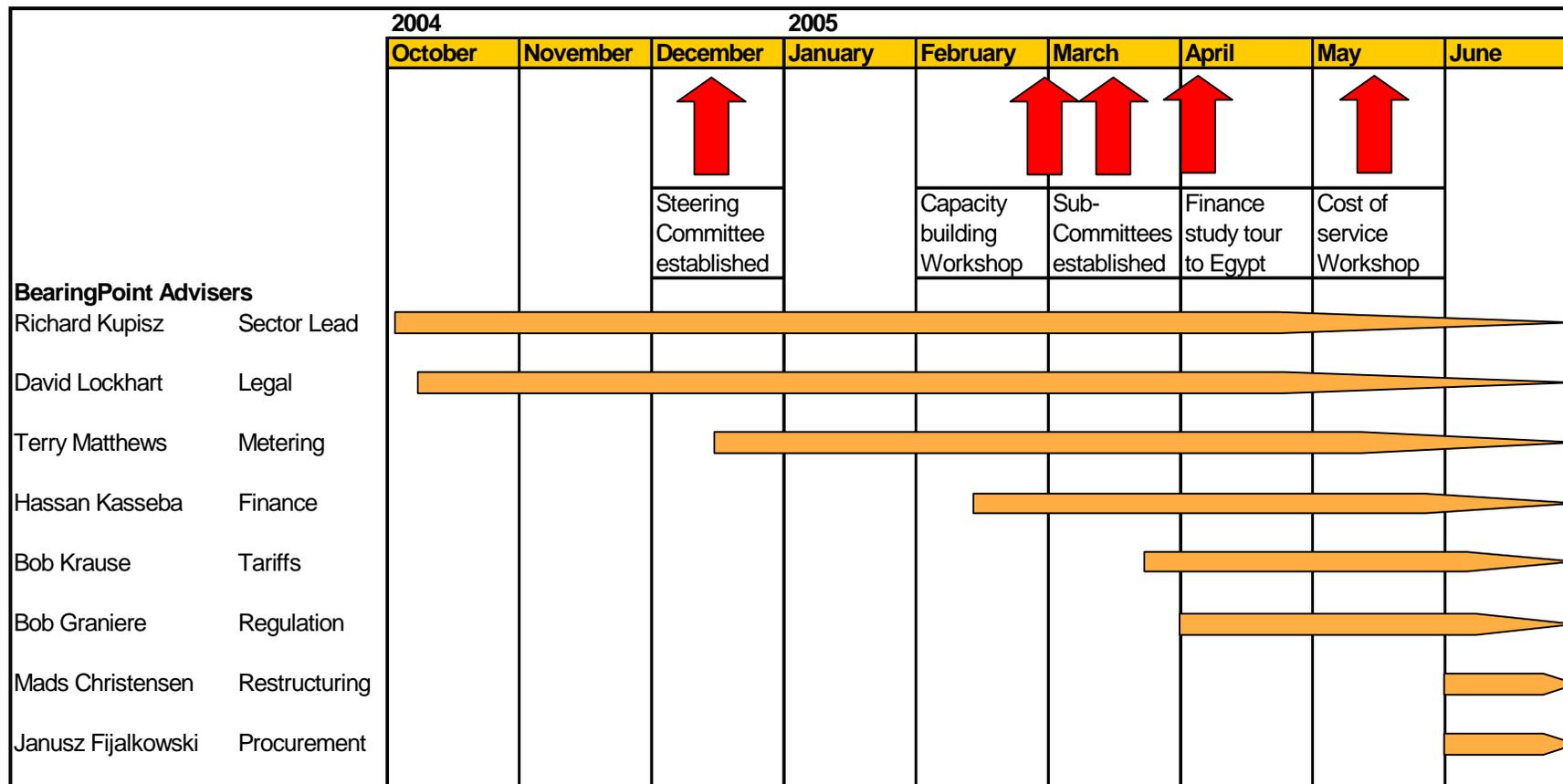
BearingPoint's approach is driven by an attempt to deliver comprehensive, inter-related assistance, working with the Government and USAID to develop and effect institutional reforms. These cross-cutting activities form the building blocks of our assistance in, and across each sector.



Close co-operation with our Iraqi counterparts, implementing partners, donors & other stakeholders is fundamental to our approach.

Background

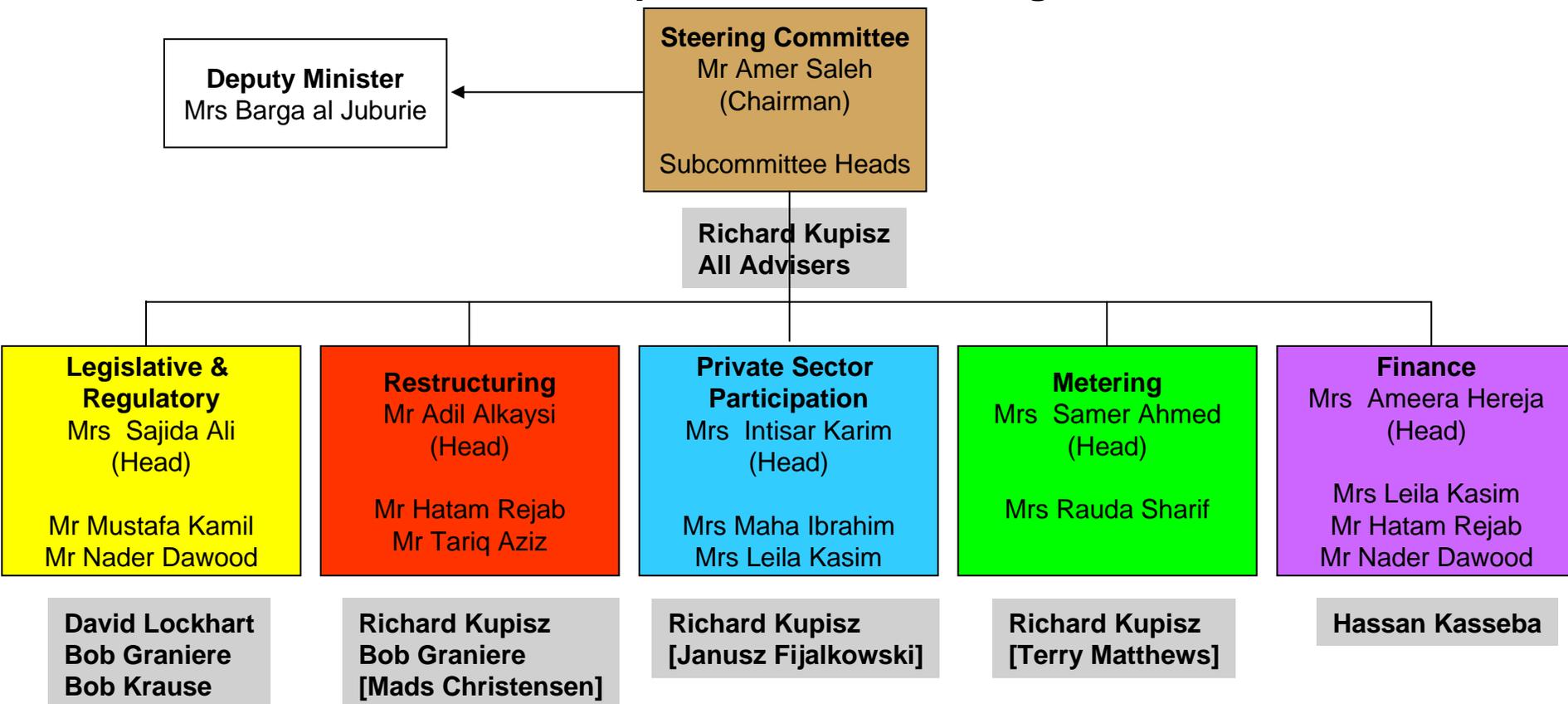
Timeline and Milestones



▪ As resources have been mobilised the scope and workload have increased

Committee Structure

A Capacity Building Steering Committee and Subcommittees have been established to work as counterparts with the BearingPoint team



Subcommittees meet weekly or more frequently, the Steering Committee every 2 weeks

Legislative and Regulatory

Structure of the Work

A new Electricity Law is required to provide a legal basis for regulation, restructuring and private sector participation

Legislation & Regulation

- Draft new Electricity Law
- Draft associated regulations and procedures
- Draft licenses

Regulator

- Establish “shadow regulator” within the Ministry
- Training on regulatory issues
- Draft regulations and procedures
- Prepare structure and procedures for independent regulator

Tariffs

- Update previous cost of service study, recommend new tariffs
- Develop tariffs for unbundled electricity sector
- Draft tariff regulation
- Training on tariff issues
- Improve accuracy of cost allocation and tariff calculations

Current Work and Next Steps

Legislation & Regulation

- Subcommittee to comment on draft Law
- Continue to refine draft Law as decisions are taken on the regulatory and market structure
- Draft regulations, including: interconnection, tariffs, regulatory procedures

Regulator

- Ministry to approve 10 – 12 names for shadow regulator
- Establish shadow regulator within Ministry
- Train shadow regulator staff in regulatory principles
- Finalise organisation and staffing for Iraq Electricity Regulatory Commission
- Participate in Middle East Regulators' Network meetings

Tariffs

- Complete update of cost of service study, develop tariff recommendations
- Prepare disaggregated tariffs for generation, transmission, distribution & supply
- Draft tariff regulation
- Develop subsidy policy, design subsidy mechanism
- Prepare program of research to improve cost allocation

Restructuring

Structure of the Work

Fundamental changes are required to facilitate the future development of the electricity sector

Restructuring the Sector

- Create a simpler, more efficient organisation structure
- Clear reporting lines, separation of responsibilities
- Separate policy, operations and regulation functions
- Unbundle operations: Generation, Transmission, Distribution/Supply

Market Model

- Establish a model that promotes efficiency and facilitates investment
- Considering: Single Buyer, Bilateral Contracts, Power Pool
- Significant overlap with the Regulation work

Current Work and Next Steps

Restructuring the Sector

- Complete the design of the detailed organisation structure
- Submit to Ministry for approval
- Prepare detailed Implementation Plan

Market Model

- Complete analysis of market model options and recommend the best approach
- Incorporate the agreed market model into the sector restructuring

Private Sector Participation

Structure of the Work

Private sector capital and expertise are needed to fill the investment and performance gaps in electricity operations

**Encourage
Private
Investment**

- Facilitate private sector participation to increase investment and improve operations
- Strengthen the Ministry's capabilities to implement international competitive tenders for private investment

The focus is on new investment and performance improvement, not privatisation of existing Ministry assets

Current Work and Next Steps

A blue arrow pointing to the right, containing the text "Encourage Private Investment".

**Encourage
Private
Investment**

- Implement the reorganisation/renaming of the Privatisation Unit, appoint additional staff
- Work with PCO/World Bank to mobilise BOO transaction advisers
- Work with advisers to co-ordinate the next BOO tenders
- Prepare tender for the Billing & Collections management contract tender
- Training in procurement, tendering, management contracts, BOOs

Metering

Structure of the Work

As much as 30% of meters may be missing or damaged. The Ministry needs a plan to replace/repair/upgrade metering to improve collections

Meter Accuracy Survey

- Older electromechanical meters slow down – risk of under billing
- Sample survey used to estimate average accuracy

Meter Technology

- Ministry is reviewing its metering strategy
- The Subcommittee is providing information on options for metering technology
- A meter replacement plan will be prepared

Meter Population Survey

- Significant revenue is lost from missing/damaged meters and fraud
- Records of the meter asset based are missing or incomplete
- Complete survey of all meters/customers will identify the priorities for replacement and help reduce fraud

Current Work and Next Steps

Meter Accuracy Survey

- Completed, no further action required

Meter Technology

- Undertake study tour (June)
- Select preferred technologies
- Design and implement pilot projects for new technologies

Meter Population Survey

- Finalise pilot areas
- Finalise implementation plan
- Select and train enumerators
- Complete IT application and load on to PDAs
- Load billing data on to PDAs
- Complete pilot survey(s)

Finance

Structure of the Work

The Ministry and operating companies need financial tools to support policy and strategy development

Financial Management Information

- Adopt three management tools: Financial Forecasting, Cash Management, Loan Tracking
- An Excel-based system is available in Arabic from the Egyptian electricity sector
- Need to install, establish data collection and reporting systems and train users
- This is not the FMIS system being installed for reporting to the Ministry of Finance, nor is it an accounting system

Corporate Finance Group

- Establish Corporate Finance Group in the Ministry and operating units
- Would be responsible for reporting, financial analysis and strategy development

Current Work and Next Steps

Financial Management Information

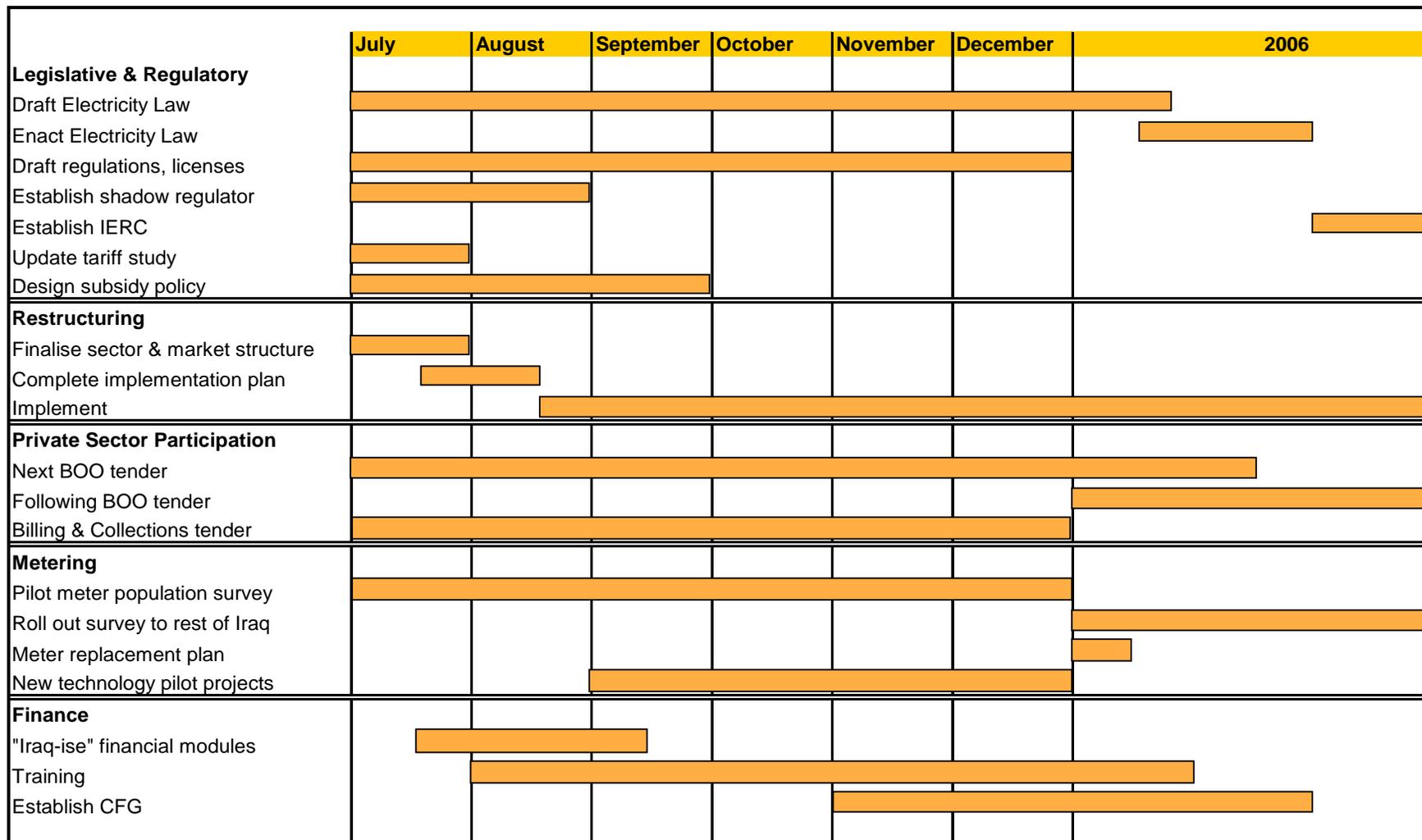
- Ministry to agree to adopt the three modules
- Finalise implementation plan
- “Iraq-ize” the three modules
- Identify the trainees/members of the CFG and operating units
- Begin training program

Corporate Finance Group

- Ministry to agree to establish the Corporate Finance Group
- Finalise implementation plan
- Training program to include financial management and analysis techniques

Looking Ahead

Timeline



Contacts

- For questions regarding this presentation, please contact:

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