



Ministry of Electricity Capacity Building Steering Committee Progress Report 1 June - 30 September 2005



USAID-Funded Economic Governance II Project

Presented To: Ministry of Electricity

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Background

Objectives of the Presentation

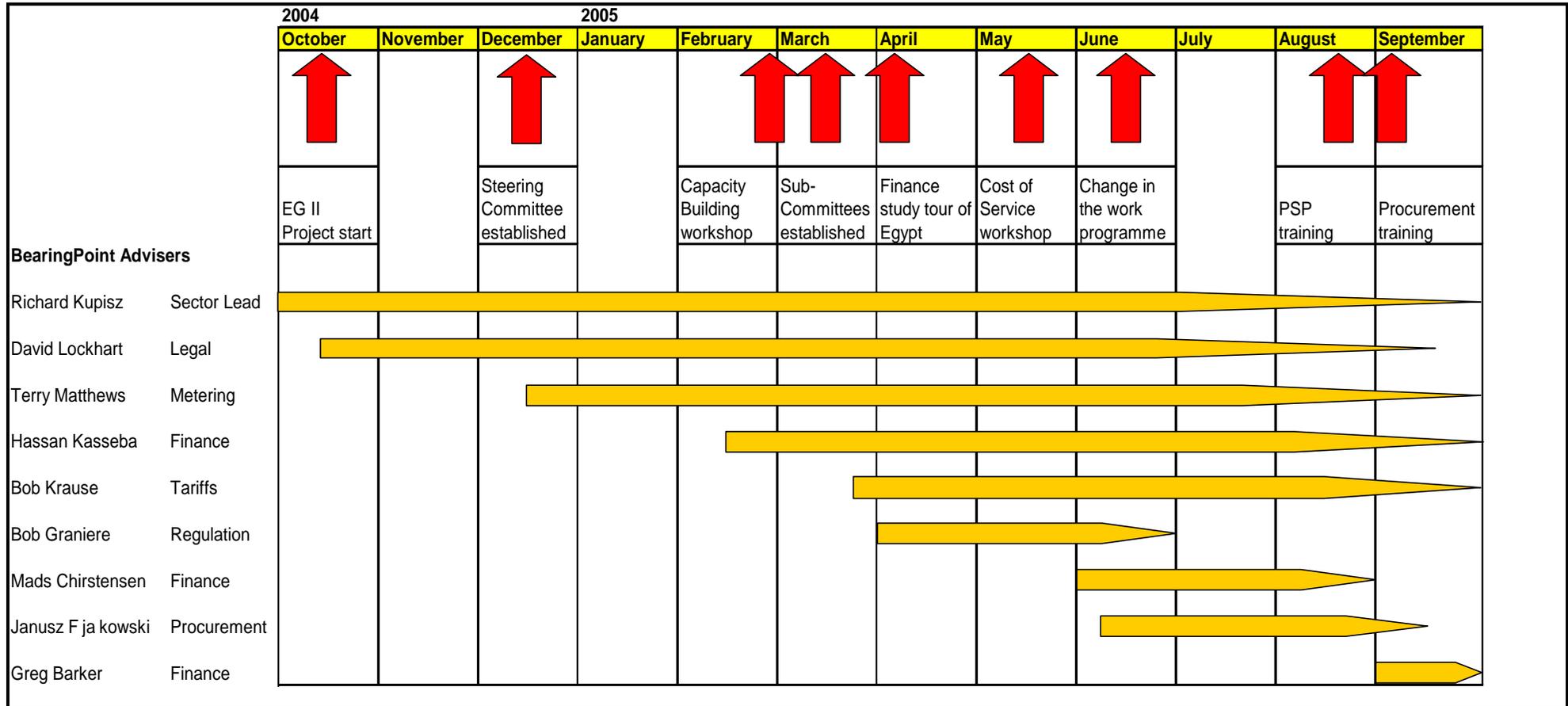


Under the USAID-Funded Economic Governance II Project BearingPoint has been working with the Ministry of Electricity since October 2004 in the following areas:

- **Financial information systems**
- **Procurement**
- **Metering**
- **Tariffs**
- **Capacity Building**
- **Legislation and regulation**
- **Restructuring**
- **Private sector participation**

The purpose of this Report is to describe progress in each area since May 2005, highlight the next steps and decisions required

Timeline and Milestones

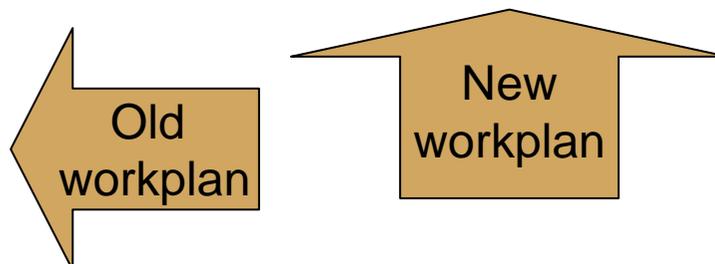
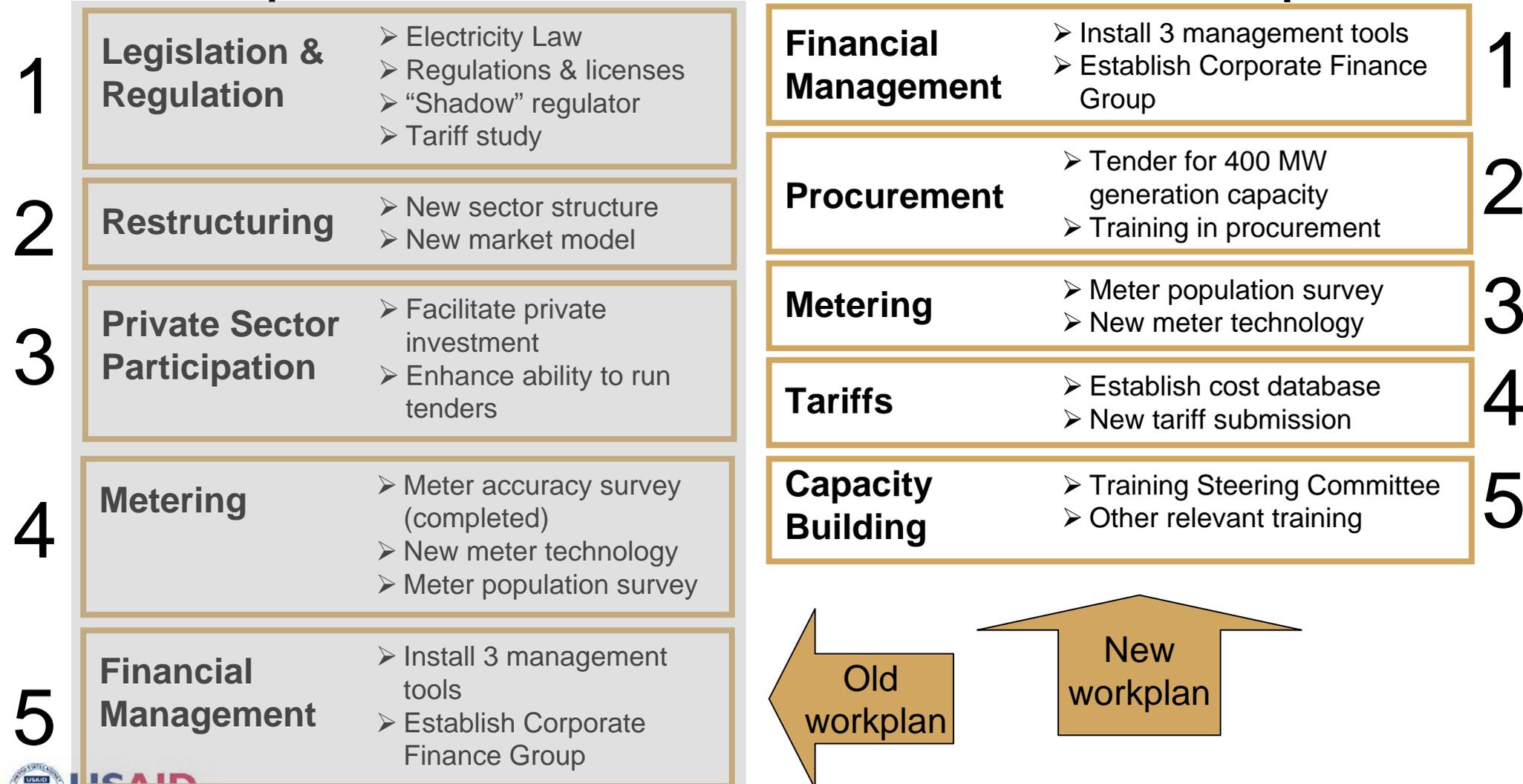


Resources have been adjusted to reflect the changing workplan

Revised Workplan



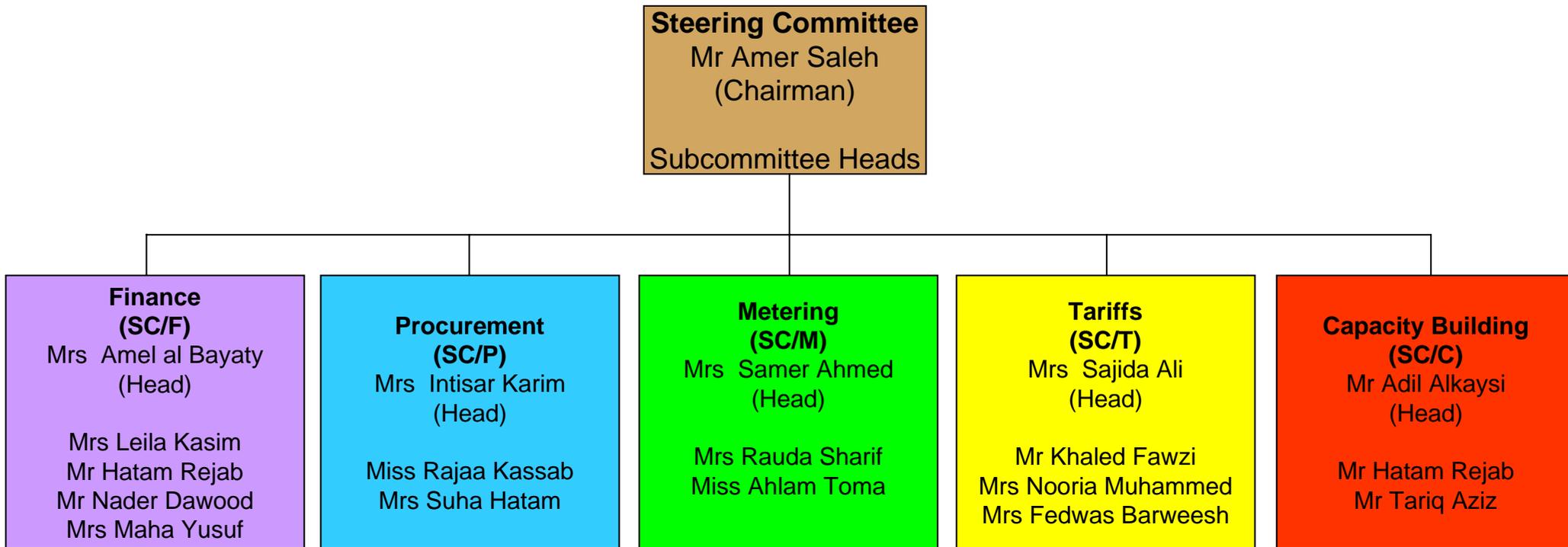
The workplan was revised in June to reflect the Minister's priorities



Committee Structure



The Subcommittee structure was revised to match the new workplan

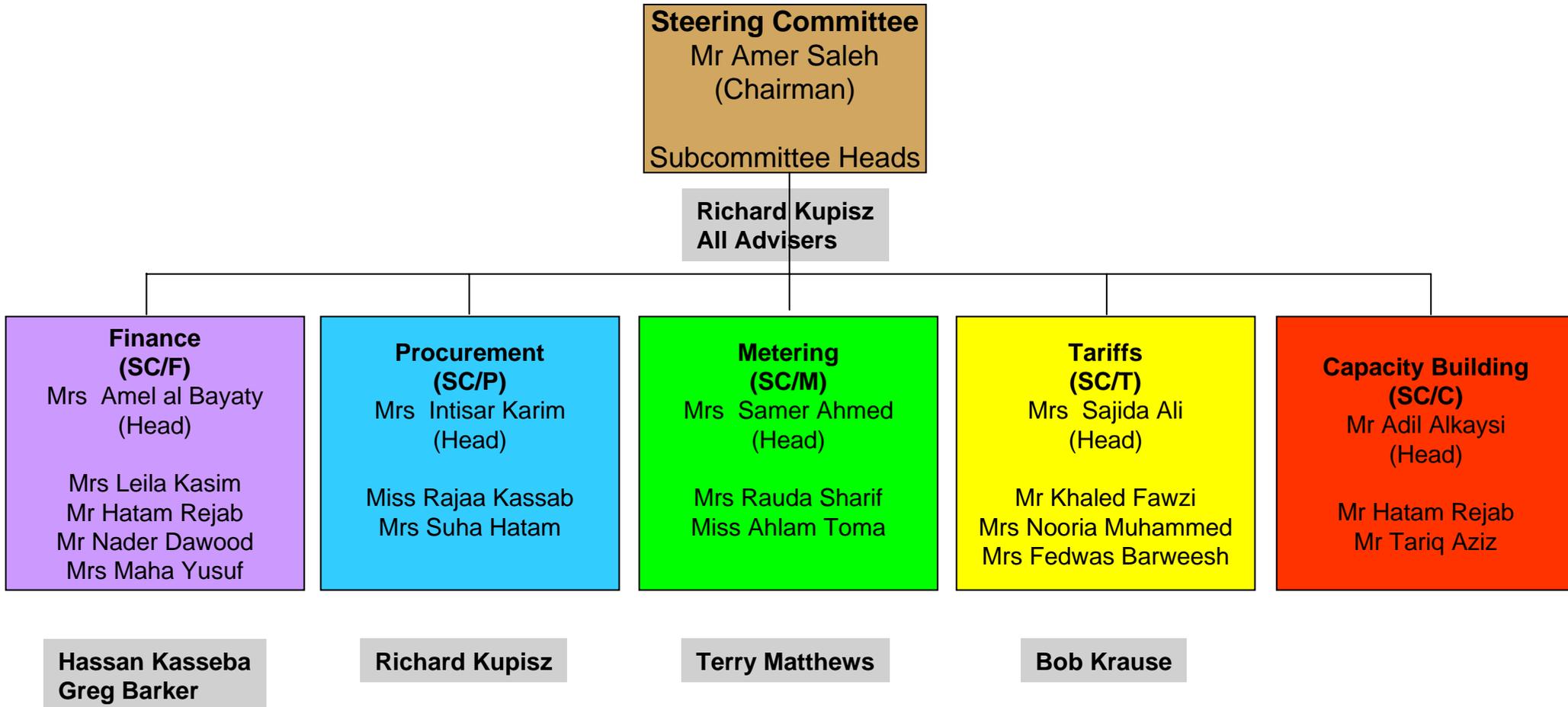


Other donors (World Bank, JICA) are planning to use this committee structure for their capacity building projects

Committee Structure



BearingPoint advisers work closely with the relevant Subcommittees



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
- Need to install, establish data collection and reporting systems and train users

Corporate Finance Group

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

Review Budget Process

- Upgrade the Ministry's budgeting processes to improve accuracy and timeliness

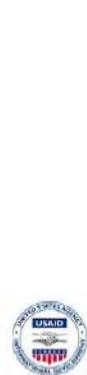
Achievements June - September



Financial Management Information

The Subcommittee has recommended three financial reporting and analysis modules used in Egypt. Since they were funded by USAID there will not be any license fees

- Prepared an implementation plan which includes conversion to Iraqi accounting terminology
- Prepared a data request form for collecting the necessary information from operating directorates
- The Economics Directorate is compiling a consolidated financial statement for the Ministry

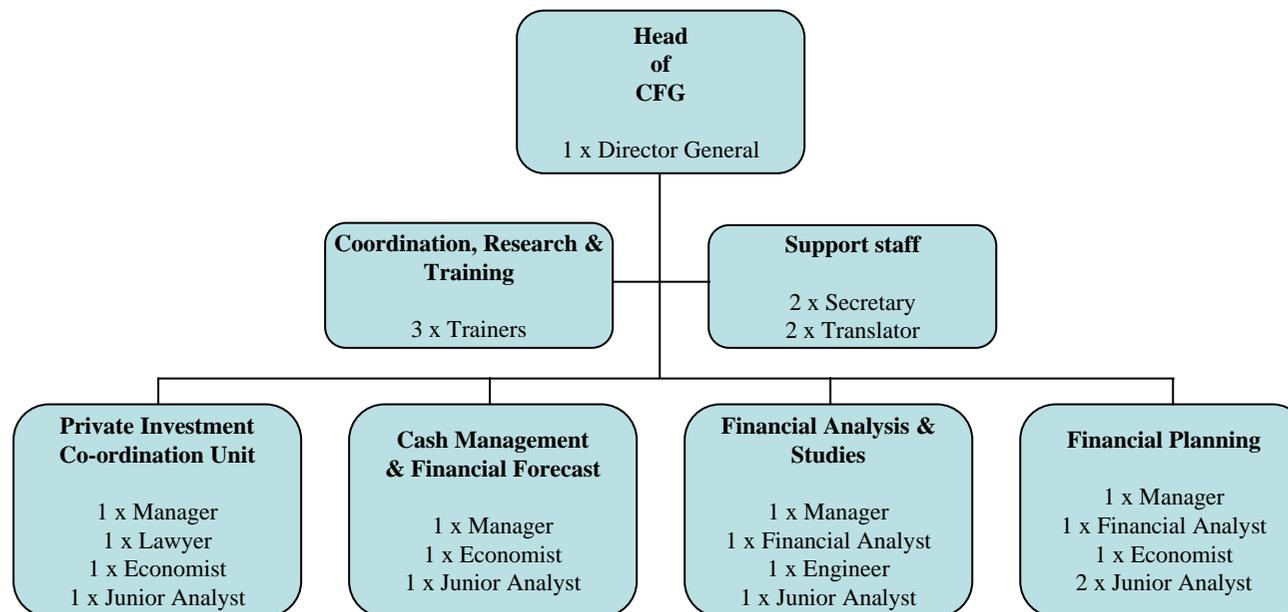


Achievements June - September

Corporate
Finance
Group

The CFG will be a key support unit to the Ministry's financial analysis, budgeting and policy development work

- Agreed the organisation structure of the CFG. It will initially be part of the Economics Directorate with sub-units in 21 operating directorates
- Designed a training programme combining a 3 week basic course in Egypt for 60 CFG staff with a longer “train the trainers” component
- Prepared a detailed Implementation Plan



Current Work and Next Steps



Further work on the CFG, financial models and the training awaits the Minister's approval to set up the new unit

Financial Management Information

- Select staff to “Iraq-ize” the 3 models
- Adjust the models to the MoE’s financial reporting system and Iraqi accounting standards
- Populate the models with the most recent data

Corporate Finance Group

- Identify staff who will be transferred to the CFG
- Ministerial Order to establish the CFG
- Training of CFG staff in Egypt (3 batches of 20)
- Identify office and equipment resources

Improve Budget Process

- Review MoE’s current budget system and processes
- Design and implement new processes

Procurement

Structure of the Work



The Ministry lacks experience of running large, competitive tenders

Procurement Training

- Train 30 staff in options for private sector participation
- Train 60 staff in modern procurement methods

Encourage Private Investment

- Tender for a management contract for billing and collections in Salahaddin and Basrah
- Identify opportunities for private investment in electricity generation

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

Achievements June - September

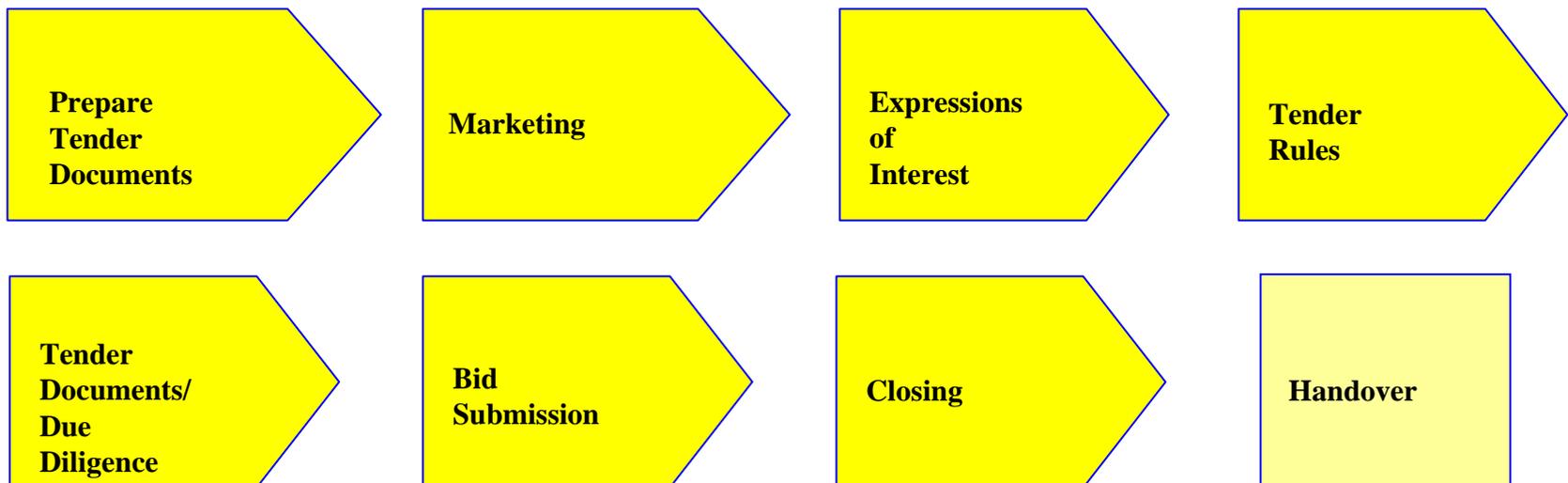


Procurement Training

- Delivered first training course in Private Sector Participation to 15 Ministry staff
- Delivered first training course in modern procurement practices to 30 Ministry staff

Encourage Private Investment

- Identified the key issues that will need to be addressed for a successful tender
- Prepared the structure and timetable for the tender
- First draft Request for Qualification prepared
- First draft Tender Rules prepared



Current Work and Next Steps



Procurement Training

- Deliver second training course in Private Sector Participation to 15 Ministry staff
- Deliver second training course in modern procurement practices to 30 Ministry staff

Encourage Private Investment

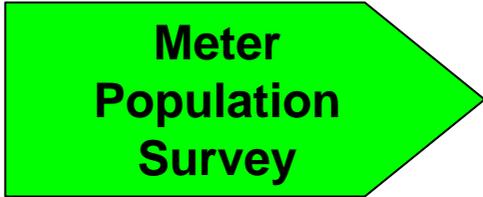
- Implement the Billing & Collections management contract tender
- Privatisation Unit to become part of the new Corporate Finance Group when it is established
- Identify potential generation projects that would benefit from private investment

Metering

Structure of the Work



As much as 30% of meters may be missing/damaged. The Ministry needs to introduce new meter technology to improve collections



- 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 reduce fraud



- Ministry has prepared its metering strategy to introduce new technology
- A meter replacement plan will be prepared
- A study tour has been arranged to review new meter technology (including prepayment) in the field

Achievements June - September

Meter
Installation
Survey

Rusafa and Karkh are the pilot projects

- IT applications completed, translated into Arabic
- Training for survey enumerators has begun
- Survey Implementation Plan has been completed
- Billing data has been prepared for uploading to the PDAs
- Hand held units (PDAs) have been delivered

Axim X50



Processor:	320 MHz Intel XScale PXA270 with WMMX
Operating System:	Windows Mobile 2003 Second Edition
Display:	3.5 inch 240 x 320 QVGA screen
Memory:	64 MB SDRAM; 128 MB flash ROM; 2*512 RAM CF CARD
Size & Weight:	4.68" x 2.87" x 0.63", 167 grams (5.9 ounces)
Expansion:	CompactFlash Type 2 and SDIO slots
Docking:	36-pin connector, standard USB cradle
Communication:	Integrated Bluetooth 1.2
Audio:	Internal monaural speaker; microphone; 3.5mm headphone/headset jack
Battery:	Standard 3.7 volt, 1100 milliamp-hour Lithium-Ion battery
Input:	6 remappable application buttons; 5-way directional pad; touch screen
Software:	Windows Media Player 10, 802.1x security client, Outlook 2002
Other:	Consumer IR, lock switch

Achievements June - September

Meter
Technology

The Subcommittee is awaiting formal approval of the new meter strategy and the study tour

- Presented the proposed meter strategy to the Minister
- Organised a study tour to four meter manufacturers to inspect different technologies in the field



Current Work and Next Steps



Meter Population Survey

- Complete training of enumerators
- Upload billing data to the PDAs
- Register the survey as a Ministry project
- Carry out the survey in Rusafa
- Carry out the survey in Karkh
- Roll out the survey to the rest of the country

Meter Technology

- Ministry to adopt new strategy
- Ministry to approve the Study Tour
- Carry out the Study Tour

Tariffs

Structure of the Work



**Electricity tariffs are too low to cover the Ministry's operating costs.
Cross-subsidies create economic distortions**



- Update previous cost of service study, recommend new tariffs
- Subsidy policy that more closely meets Government objectives
- Affordability analysis of consumers' ability to pay higher tariffs
- Feasibility of installing current limiters to reduce load shedding
- Training on tariff issues
- Improve accuracy of cost allocation and tariff calculations

Achievements June - September



Tariffs

With no increase in 2004/2005 a 450% tariff increase is needed to cover the Ministry's operating costs

- Cost of service study updated, new tariffs being calculated. Our analysis shows the cost of not increasing tariffs
- Analysis of 2005 Household Survey shows electricity only 3% of spending of the poorest customers
- Trained Subcommittee members on tariff issues
- Provided a Briefing Paper to the Minister on existing electricity subsidies

Subsidy	Estimated Cost	Received by	Funded by
Fuel Price	More than \$2,373 million	All customers (through MoE)	Ministry of Oil
Operating Cost	\$335 million	All customers (through MoE)	Ministry of Finance
Fuel Cost	(included above)	All customers (through MoE)	Ministry of Finance
Electricity Imports	(included above)	All customers (through MoE)	Ministry of Finance
Capital Expenditure (1)	\$484 million	All customers (through MoE)	Ministry of Finance
Capital Expenditure (2)	Not available	All customers (through MoE)	Foreign Governments, donors
Inter Customer Class	\$12 million	Domestic, Government Customers	Commercial, Industrial, Agricultural customers
Intra Customer Class	Not available	All Commercial, Domestic, Govt.	High use Commercial, Domestic, Govt. customers
Low User Domestic	\$2 million	All Domestic customers	High use Domestic customers

Current Work and Next Steps



Tariffs

- Finalise tariff recommendations
- Subsidy work is on hold, awaiting a response from the Minister
- Complete the affordability analysis to support future tariff increases
- Provide information on alternative methods of calculating tariffs
- Feasibility study on installing current limiters to limit electricity consumption

The tariff work programme will be completed at the end of 2005

Capacity Building

Structure of the Work



There is a need to co-ordinate training provided by donors in areas such as regulation and restructuring



Co-ordination Of Training

- Ensure appropriate MoE staff participate in the training
- Identify donor-funded training in areas covered by the Steering Committee

Achievements June – September and Next Steps



June – September

- Working with JICA to develop a series of workshops on key areas for reform
- Identified training in electricity reforms available from the Czech Government

Next Steps

- JICA workshops

Looking Ahead

Workplan



	2005			2006			
	October	November	December	January	February	March	Rest of 2006
Finance							
Implement 3 Financial Models	██						
Maintain 3 Financial Models			██	██	██	██	
Establish Corporate Finance Group (CFG)	██						
Training for CFG staff and trainers	██						
Budget process review	██						
Procurement							
Complete training programme		████████					
Prepare Billing & Collections tender	████████████████████						
Implement Billing & Collections tender		██					
Metering							
Train survey enumerators	████████████████████						
Pilot survey - Rusafa, Karkh		██					
Extend survey to next Governorates						██	
Meter technology Study Tour			████████████████				
Tariffs							
Finalise tariff recommendations	████████████████						
Complete affordability analysis	████████████████						
Feasibility study on demand limiters	██						
Capacity building in cost of service	██						
Capacity Building							
JICA training programme		██					

Planned Achievements to June 2006



Finance

- CFG established as a new unit
- 60 CFG staff and 3 trainers trained
- 3 financial models complete and being used by the CFG
- Improved budget process being used for 2007 budget

Procurement

- 30 staff trained in private sector participation
- 60 staff trained in procurement
- Privatisation Unit part of CFG
- Private companies managing Billing & Collections in Salahaddin and Basrah

Metering

- Meter Pilot Survey completed for Rusafa, Karkh
- Survey being rolled out to the rest of the country
- Study Tour of meter manufacturers completed

Tariffs

- New tariff structure agreed
- Policy on demand limiters adopted

Capacity Building

- JICA workshops completed

Immediate Decisions Required



Finance

- Approve establishment of the CFG
- Approve transfer of staff to the CFG
- Approve the training programme

Metering

- Approve the recommended meter strategy
- Approve the Study Tour
- Approve the Meter Population Survey as an official Ministry project

Tariffs

- Approve subsidy strategy