
Corporate Finance Group (CFG)



USAID | Iraq Economic Governance II Project

Presented To: IRAQ MINISTRY OF ELECTRICITY

Date: May 29, 2005

Authors



Hassan A.Kasseba

Senior Consultant

BearingPoint

16776 International Drive

McLean, VA 22102-4828

Tel Iraq: 0790-191 9639

: +1.703 994 4674

E-mail: hassan kasseba@
bearingpoint.com

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Introduction:

- The Electricity Industry is one of the main economic units in the economy structure of any country.
- It is required in today's market economy to operate in the most efficient and transparent way.
- The financial markets in Iraq will be participating in globalization and associated commercial activities as thus, it needs to encourage private investment participation to perform side-by-side with the government-owned enterprises currently and in near future.



Corporate Finance Group (CFG)



In accordance with the best international practices on the matter, the common vehicle for the management of activities and provision of the related financial information for both internal and external purposes in a commercialized environment is through the establishment of a Corporate Finance Group (CFG) within the entity (e.g. Electricity Ministry Companies, State Own Enterprise or Private Enterprise Companies).



Corporate Finance Group (CFG)

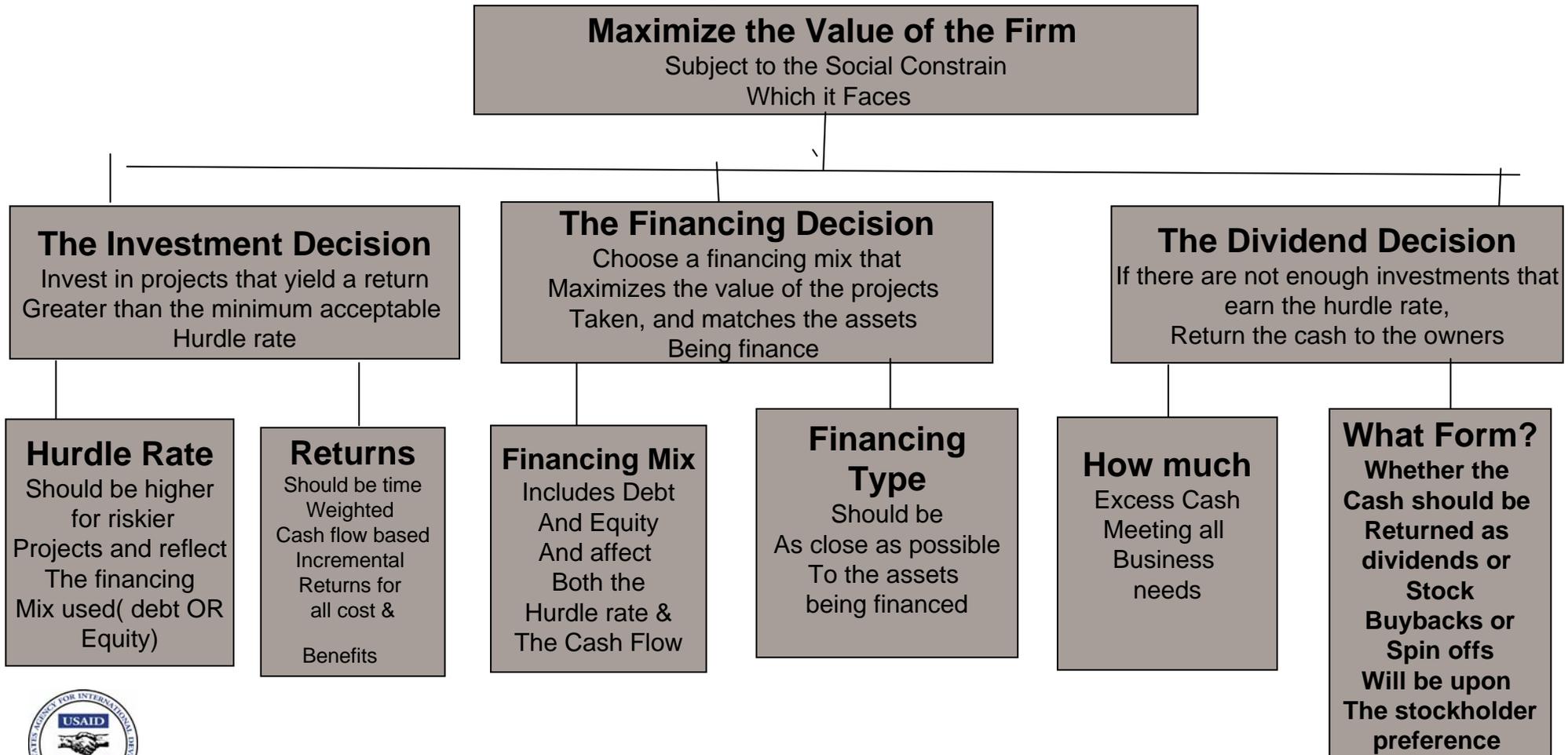


What is The Corporate Finance Group (CFG):

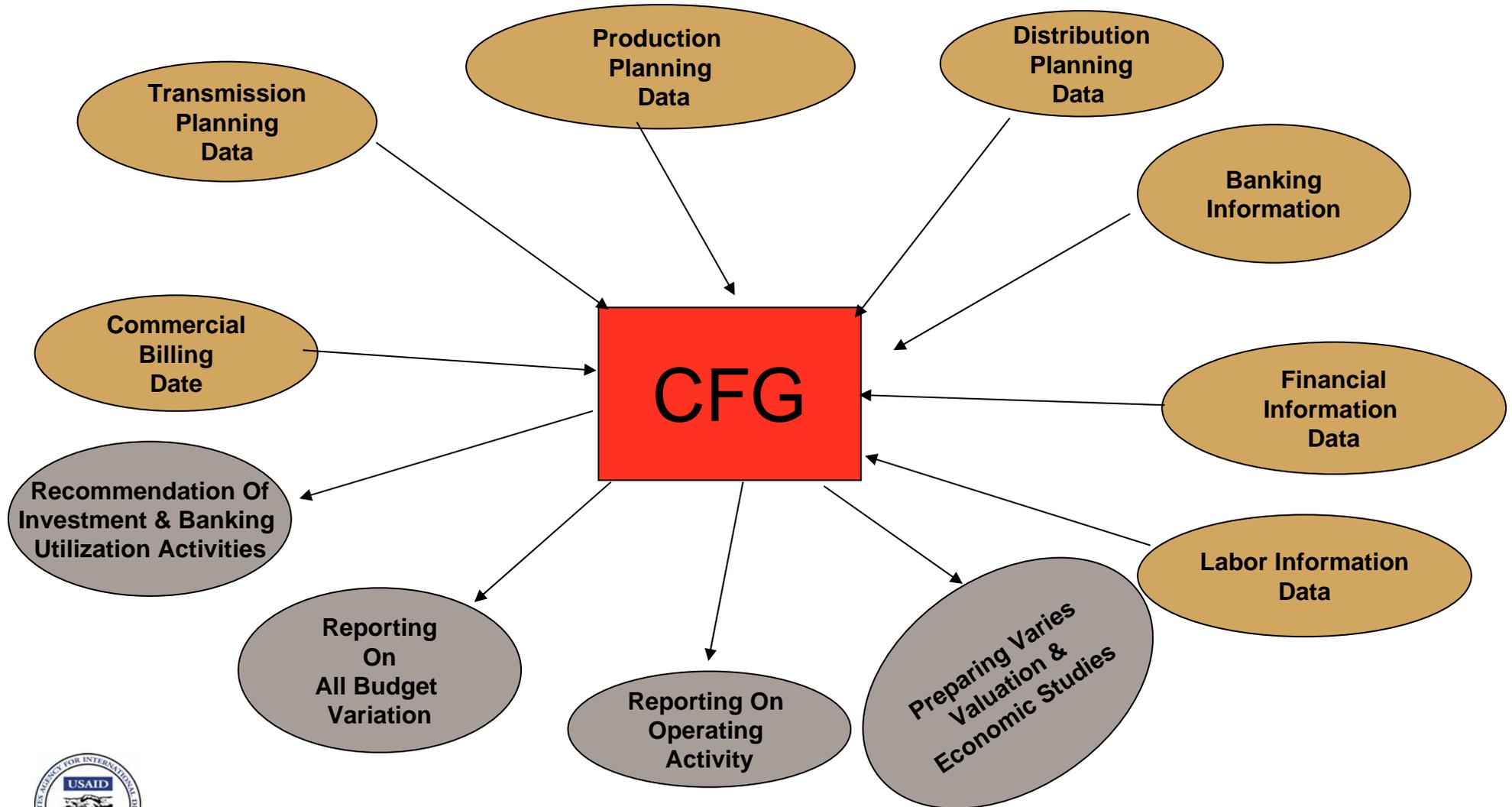
In general, corporate finance may be defined as the management of the official financial information source of the overall Integrated Financial Management Information System (IFMIS). This information provides the basis for management decision-making purposes and is used to respond with uniformity to government, public institutions, state own enterprise or private enterprise companies, as well as the public at large.



Corporate Finance: First Principles



Corporate Finance Group (CFG)



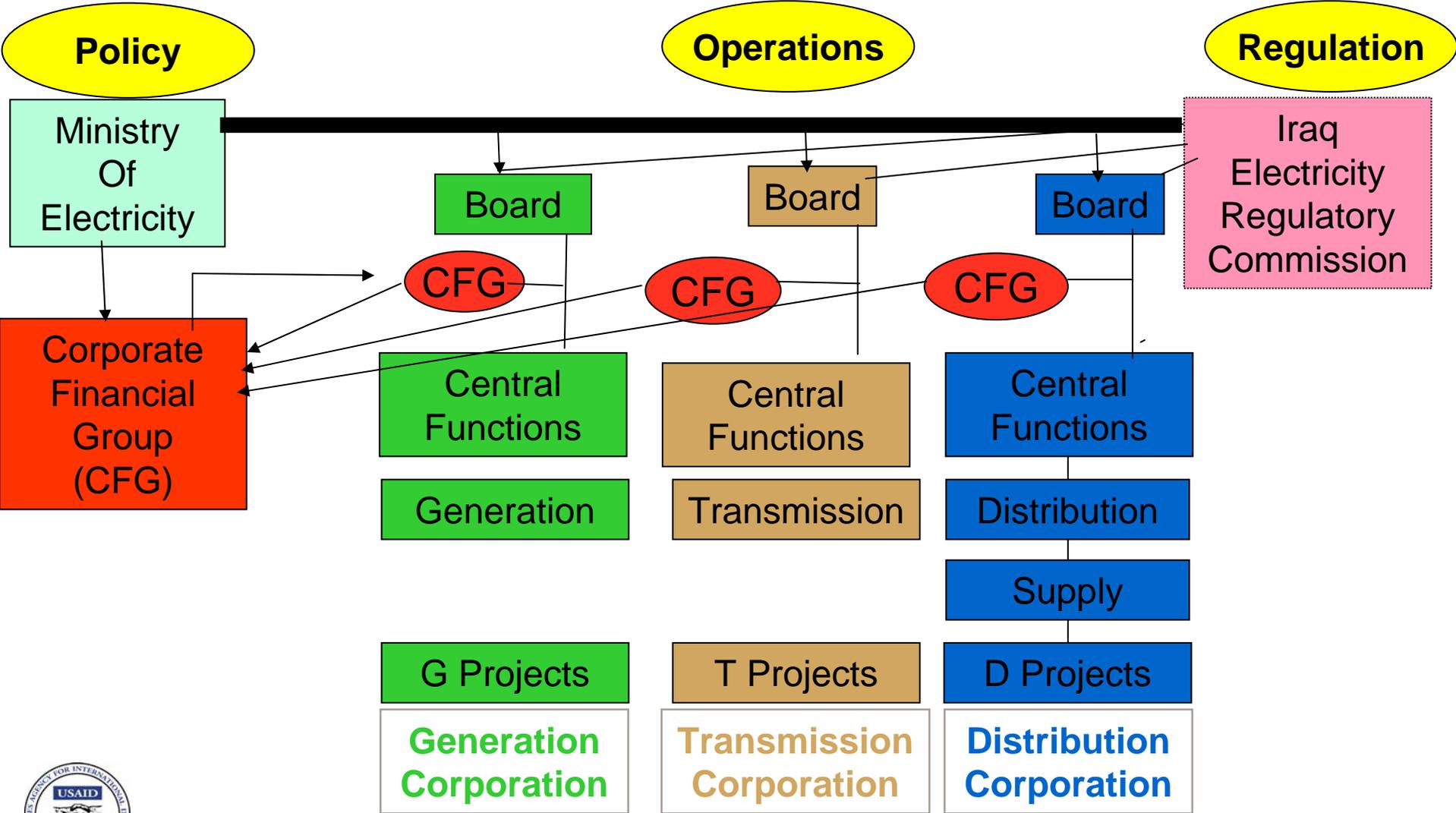
Corporate Finance Group (CFG)



The following proposed restructuring of the Iraqi Ministry of Electricity into three state owned corporation: Generation, Transmission and Distributions, will be helped by our proposal to set-up a Corporate Finance Group (CFG).



Recommended Structure: Independent Regulator (end position)



Corporate Finance Group (CFG)



CFG deals primarily with finance rather than pure accounting issues. The direct reporting of the CFG will be to the top Executive of the organization and or to top Directory demonstrates the importance of the role that CFG plays in management decision making.



The management use of information can be broadly categorized as follows:

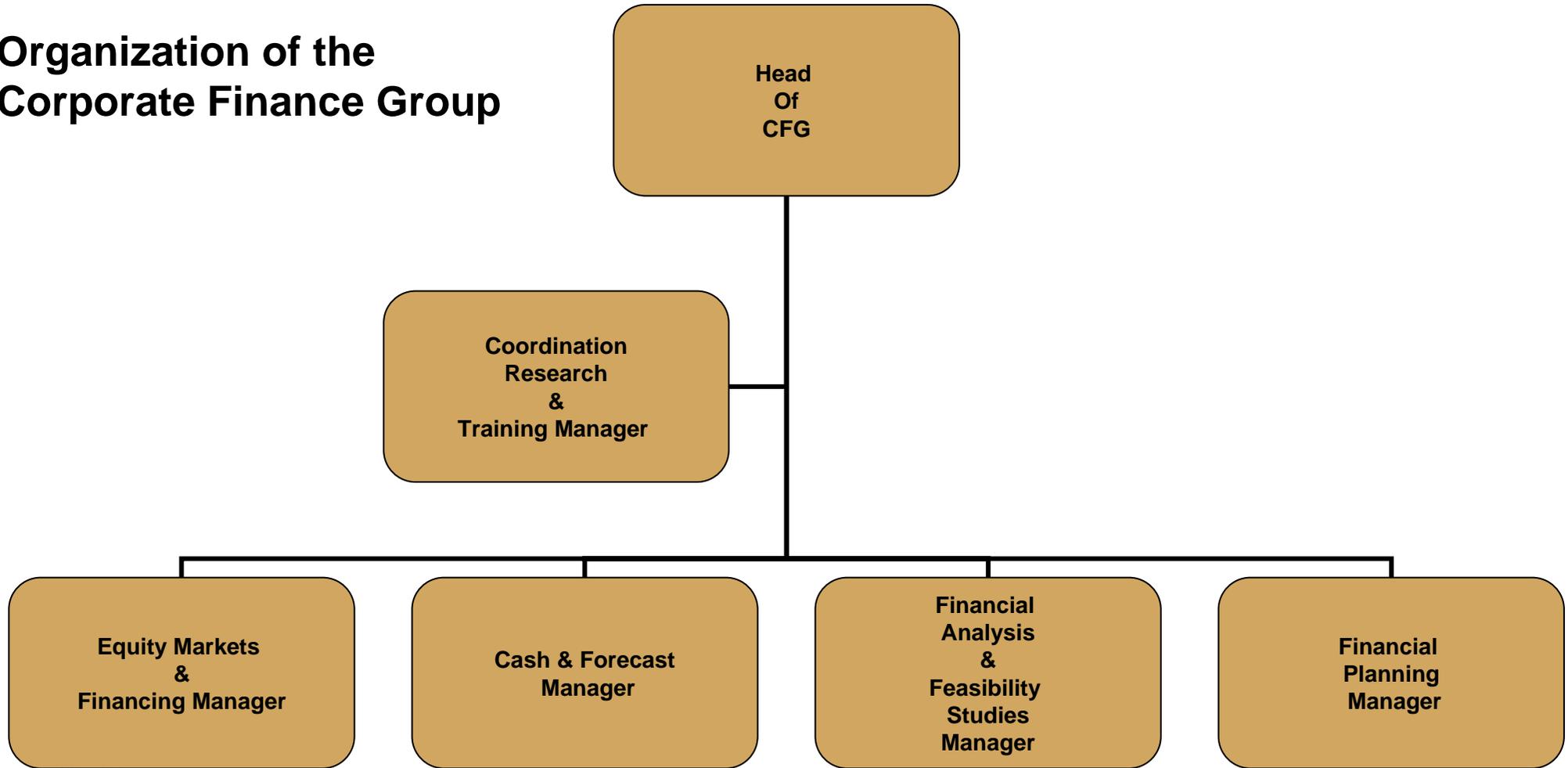
1. Use of information for internal business operations and management purposes
2. Provision of information to sources outside of the company, in line with and as part of the regular conduct of business activity.
3. To prepare and submit reports to the management for decision making purposes.



Corporate Financial Group Organization



Organization of the Corporate Finance Group



Organization of the Corporate Finance Group

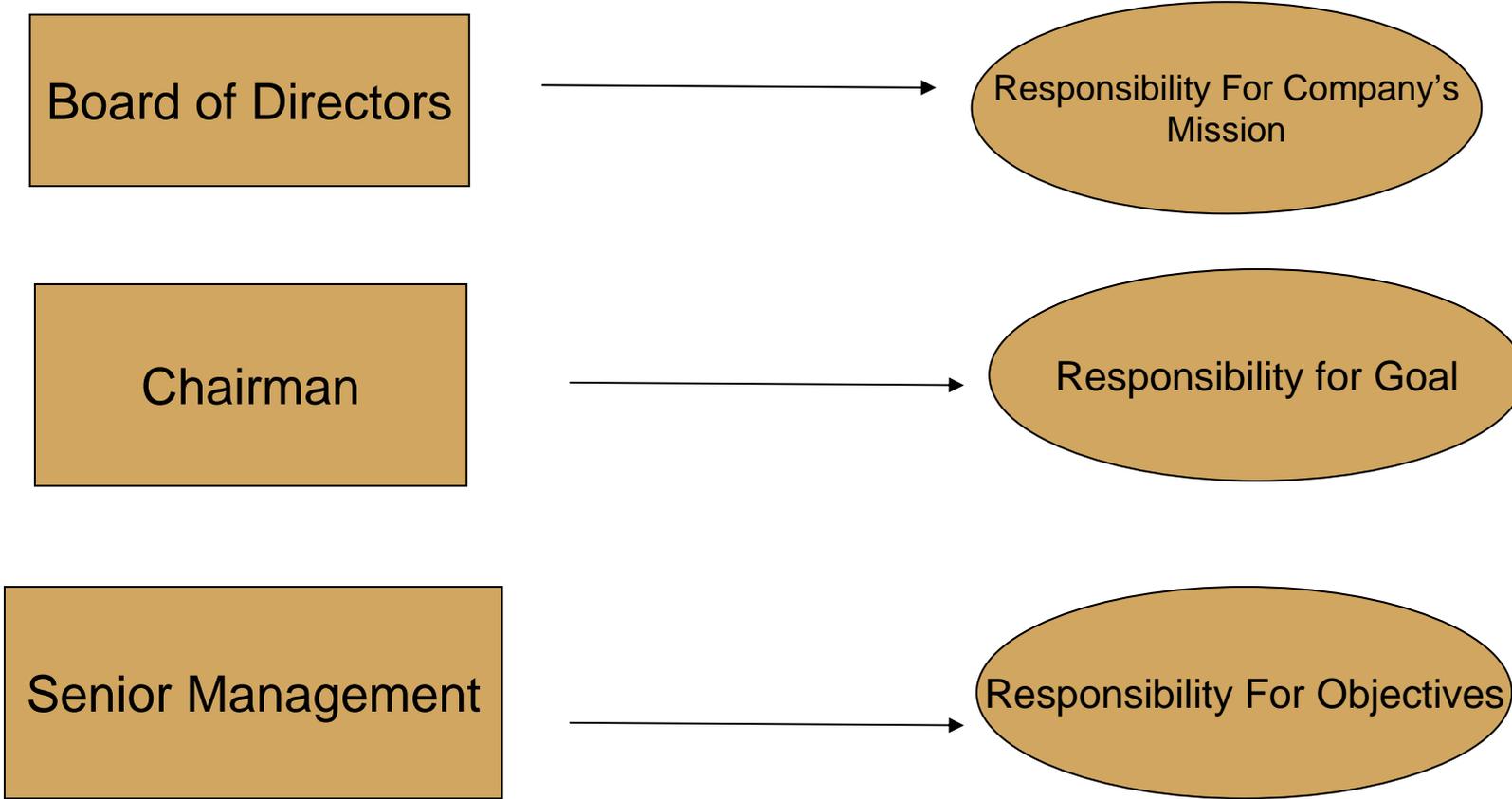
The above organization structure is proposed to institutionalize the Corporate Finance activities through the framework of the Iraqi Ministry of Electricity and could be utilized in any reorganization changes in the future.



Corporate Finance Group (GFG)



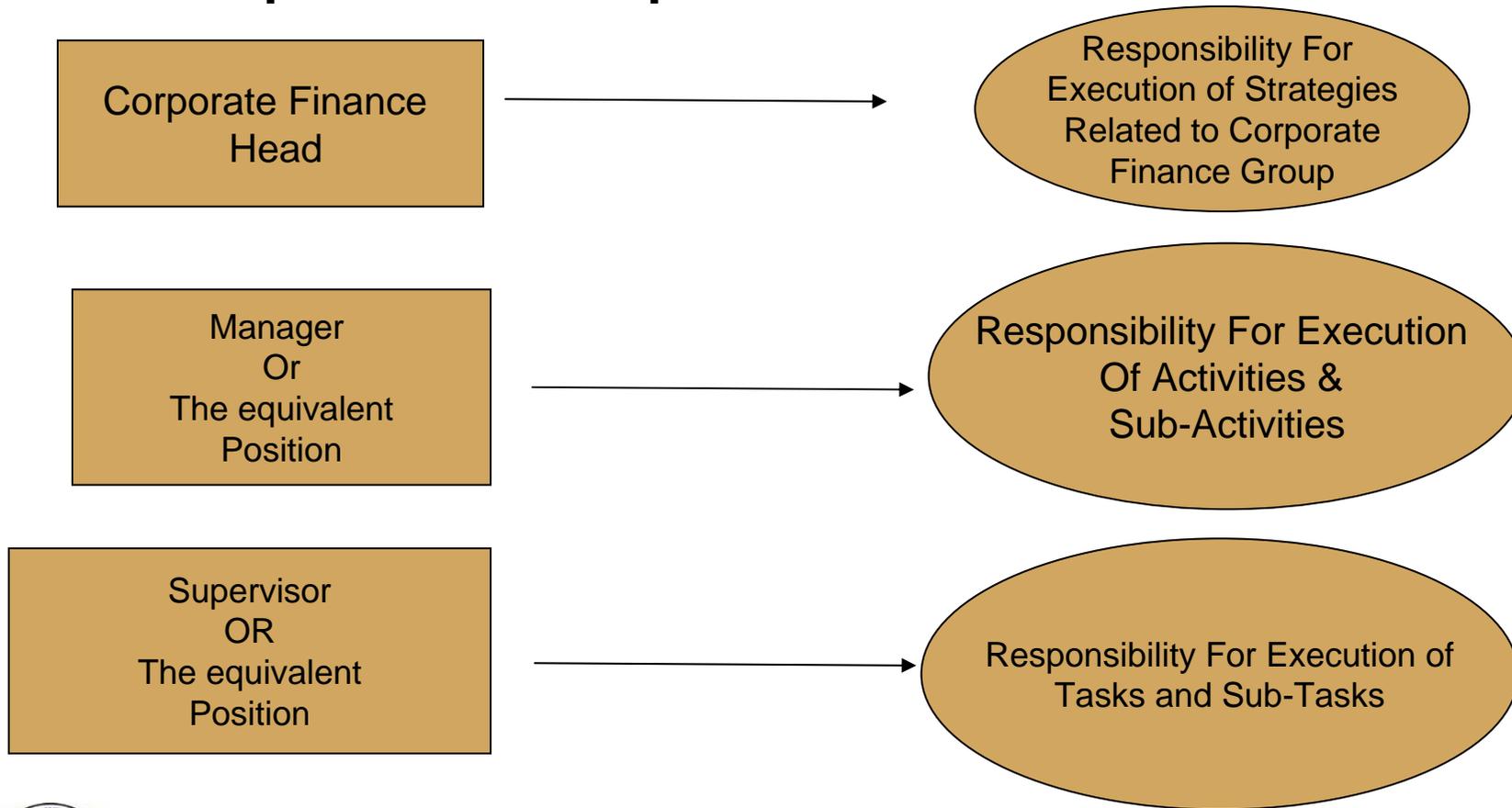
Relationship Between Responsibilities :



Corporate Finance Group (CFG)



Relationship Between Responsibilities:



Corporate Finance Group (CFG)



Financial Reform Subject:

Creating the Corporate Finance Group (CFG) will help in the current reform effort for the Iraqi Ministry of Electricity. It should be noted that this is part of the overall plan to reform the Financial management system in order to operate on a commercial basis to achieve financial viability and focuses on seven critical financial management functions:

1 - Financial Planning

2 – Cash Management

3 – Long- Term Debt Management

4 – Budgeting

5 – Inventory Management

6 – Cost Accounting

7 – Fixed Assets Accounting



Corporate Finance Group (CFG)



First Step in The Financial Reform:

As a first step in the on going reform of the financial sector our plan is to introduce the following three financial tools to be used by the Corporate Financial Group (CFG):

- Financial Planning Module**
- Cash Management**
- Loan Tracking System**



In comparisons with some of the regional countries it was found that Egypt has been implementing a similar system and utilizing three financial management tools, Financial Planning, Cash Management and Loan tracking Modules.

Financial Planning Module (FPM)

Financial planning, by definition, requires planning on how to best structure the overall financial operations of the company. The natural place for this function is therefore through a sector in charge of corporate finance. Corporate Finance generally comprises a number of activities, of which financial planning is one



Corporate Finance Group (CFG)



Cash Management Module (CMM)

Cash forecasting is a core segment of the Company's cash management program. Realistic forecasts of cash in-flows and out-flows are fundamental for effective cash management and planning.

Loan Tracking System (LTS)

The intent of the LTS is to provide a tool that can be useful for the financial related activities that focus on the needs associated with managing and operating long-term credit facilities.

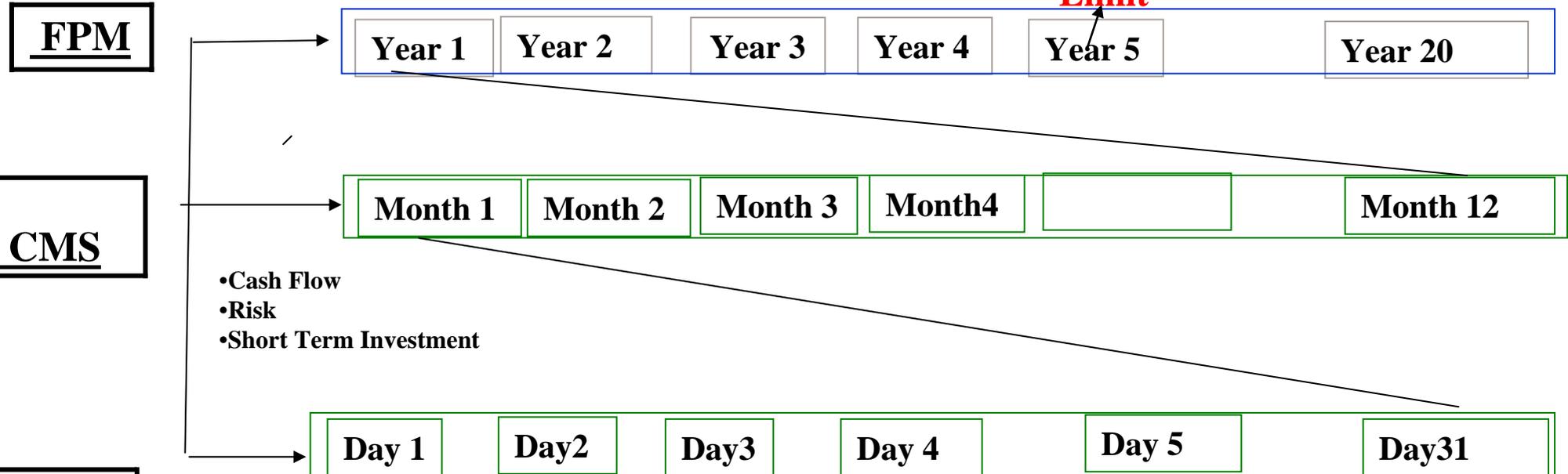


Relationship Between the Three Financial Tools

Minimum Planning

- Forecast Future Revenue
- Investment Planning Requirement
- Capital Requirement
- Balance Sheet Forecasting

Limit



FPM

CMS

LTS

- Cash Flow
- Risk
- Short Term Investment

- Cost
- Payment schedule
- Foreign Change Risk



Short Description of the Three Financial Tools:

Financial Planning

Financial Planning provides a long time forecast of the future financial position of the ministry for the purpose of identifying the specific action that should be taken to match cash receipts and cash requirements, in order to be able to predict the overall impact on projected consolidated financial position.

Financial planning, by definition, requires planning on how to best structure the overall financial operations of the company. The natural place for this function is therefore will be in Corporate Finance Group. Financial planning comprises a number of activities:

- Preparation of financial forecasts for a minimum of five years.
- Submission of reports to the top management for decision-making purposes



Cash Management

- **Cash forecasting is a core segment of the company's cash management program. Realistic forecasts of cash inflows and outflows are fundamental for effective cash management and planning.**
- **Cash Management planning and forecasting provides company management with information concerning the company's actual and projected future cash flows in size, duration and currency.**
- **The cash flow forecasts will show surplus liquidity available for investment and deficits that requires funding.**



Corporate Finance Group (CFG)



Objectives of Cash Forecasting:

Forecasting cash flows is vital for any organization's successful accomplishment of the following:

- Liquidity Management
- Financial Control
- Meeting Strategic Objectives
- Capital Budgeting
- Managing Costs
- Managing Currency Exposure



Corporate Finance Group (CFG)



Loan Tracking System

The Loan Tracking System (LTS) is one of the financial tools that helps the management in many areas of the financial planning such as :

- **Evaluation of new loans**
- **It has the capabilities to make evaluation using; Net Present Value (NPV), Internal Rate Of Return (IRR) and the average interest cost.**
- **It is easy to operate and is a user friendly tool.**
- **The system is built on date base to provide the following:**
 - **Planning for financial resources**
 - **Track the utilization of the loans.**
 - **Track the repayment of both interest and principal**



Corporate Finance Group (CFG)



- Maintain records of all the financial institutions and their contacts.
- Calculate the gain or loss on foreign currency rate fluctuations.
- Feed the financial planning model (FPM) with the loans financial data for the forecasted years.
- Feed the cash management model (CMS) with related financial data in order to achieve proper cash management.
- Keep data of loan payments triggers.
- Maintain the loan terms for refinancing analysis.
- Keep a record of all payments and the status of each.

This is some of the feathers of the loan Tracking System



Thank you, With my best Wishes

Hassan Kasseba

