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ARAB REPUBLIC OF EGYPT

**ALEXANDRIA GENERAL
ORGANIZATION FOR
SANITARY DRAINAGE**



**ACTION PLAN
FOR INSTITUTIONAL REFORM**

**PRESENTED BY:
GEN. ENG. M. FARID SEWELAM
CHAIRMAN, AGOSD**

**PRESENTED TO:
MR. HENRY BASSFORD
MISSION DIRECTOR, AID/CAIRO**

16 DECEMBER 1992

AGOSD ACTION PLAN

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I. Introduction

The Alexandria Wastewater Project is nearing the completion of Phase I of the work. The project has consisted of the design and construction of a system of wastewater facilities to improve the public health of the people of Alexandria.. (See Appendix I for a list of the major facilities) The project has been funded through a joint U.S./Egypt commitment valuing \$ 389 million and LE 298.

In July 1992, Gen. Eng. M. Farid Sewalem, the Chairman of the Alexandria General Organization for Sanitary Drainage (AGOSD) formally requested that USAID fund a Phase II of the Alexandria Wastewater Project. In response to that request, Mr. Henry Bassford, the Mission Director for AID/Cairo, has requested that AGOSD prepare an action plan for institutional reform as a precondition to consideration of USAID funding of Phase II. Chairman Sewalem agreed to prepare this action plan for institutional reform. (see Appendix II for copies of the relevant correspondence) A meeting was held at the offices of AGOSD in Alexandria on 22 October 1992 at which time the content and process for developing the plan were discussed. Mr. Reginald Brown, Assistant Administrator for Near East participated in the meeting as well as senior staff from the USAID Cairo Mission (see Appendix III for a list of attendees).

II. Purpose of the Action Plan

The action plan for institutional reform of AGOSD is intended to map specific milestones for implementing a set of specific reforms for AGOSD within the wastewater sector of Egypt. The action plan is designed to implement specific recommendations made in a report prepared by WWCG for AID/Cairo entitled "Preliminary Analysis of the Institutional Requirements – Alexandria General Organization for Sanitary Drainage: Milestones for Institutional Reform". That report is incorporated herein as Appendix IV.

The two fundamental objectives of the program are:

- Autonomy – To Improve Administrative Efficiency and Operating Capacity to Manage Wastewater Facilities
- Full Cost Recovery – To Rationalize Pricing and Eliminate Operating Subsidies by the Government of Egypt

In addition, the milestone activity of labor force adjustment has been identified as a key sub-component of the action plan.

The action plan utilizes discreet activities and milestones to measure progress in reaching the objectives of the program. It is clear that the accomplishment of the total objective is beyond the sole authority of AGOSD to implement. The Government of Egypt, through its legitimate channels of governmental policy-making and decision-making, must take action in order for the action plan to be realized. This includes several key Ministries of the GOE as well as the People's Assembly.

III. Actions of Chairman Sewalem in Support of the Action Plan

Chairman Sewalem has taken a series of actions to move AGOSD forward in a program of modernization and administrative strengthening. These activities include activities initiated by him independent of the AID-funded portion of the project, as well as activities initiated through the AID-funded project. Some of these actions were discussed at the 22 October meeting and all actions are not repeated again.

Since the meeting of 22 October Chairman Sewalem has presented this action plan to:

- High Committee on Policies, Ministry of Housing and Public Utilities
- Minister Kafrawi, Minister of Housing and Public Utilities
- Minister Kafrawi has authorized Chairman Sewalem to make the presentation of this action plan on behalf of AGOSD and the Ministry.

Additionally, Chairman Sewalem has initiated new actions including:

- Development of an Industrial Classification Program to control industrial wastes and to develop industrial user charges.

Chairman Sewalem has continued to pursue:

- Increase industrial surcharge in Alexandria from 20% to 50%, via approval from the Local Council.

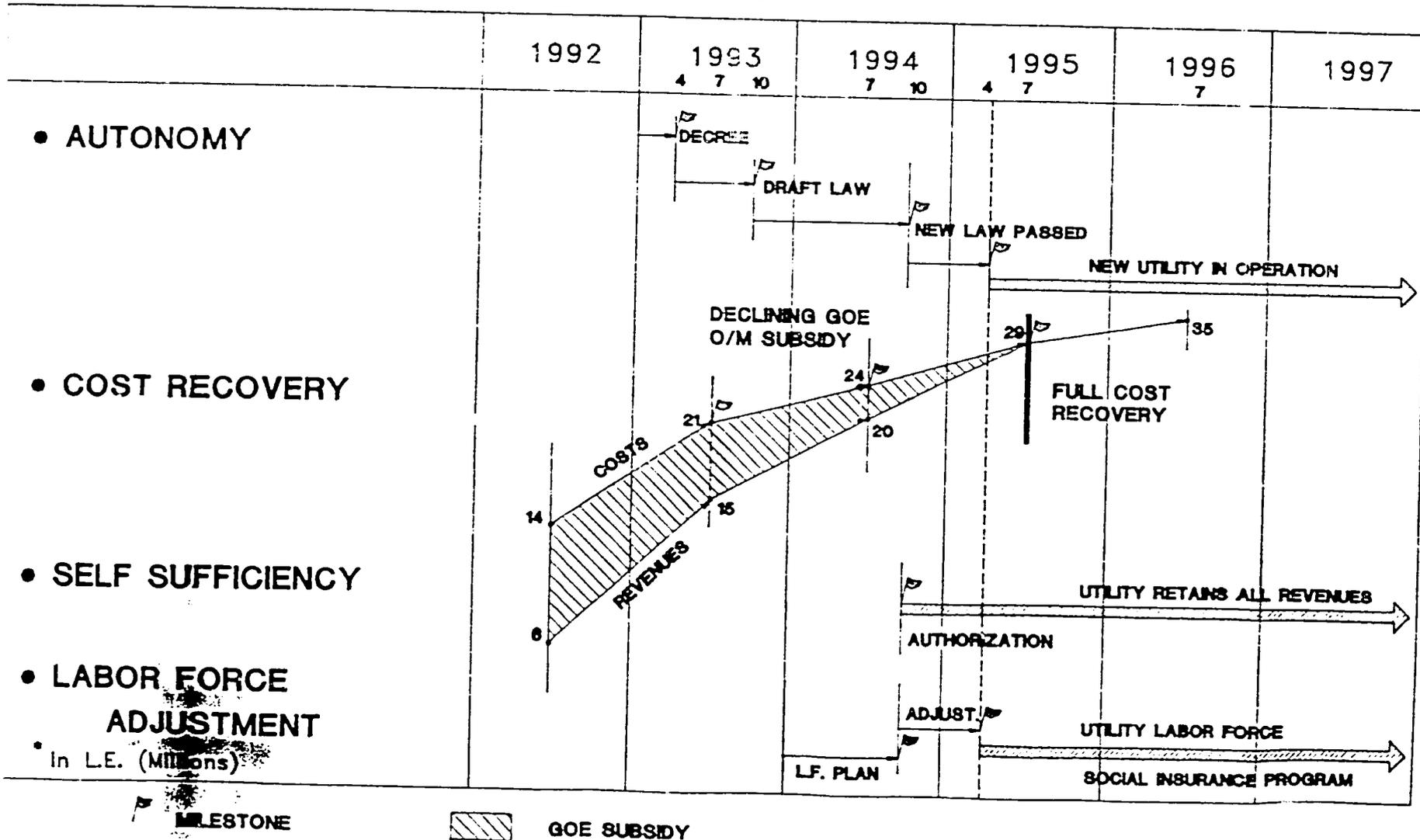
In order to increase the revenues to AGOSD (see Appendix VII) Chairman Sewalem had previously:

- Implemented new fees for buildings connecting to the network
- Increased fees for direct services provided by AGOSD
- Implemented fees for review and administration of North Beach developments
- Implemented fees for lab services provided to industry

All of these action demonstrate the commitment of Chairman Sewalem to the principles and implementation of the action plan.

GOE/AGOSD ACTION PLAN

MILESTONE SCHEDULE (10 DEC)



Milestone Schedule
A. Autonomy

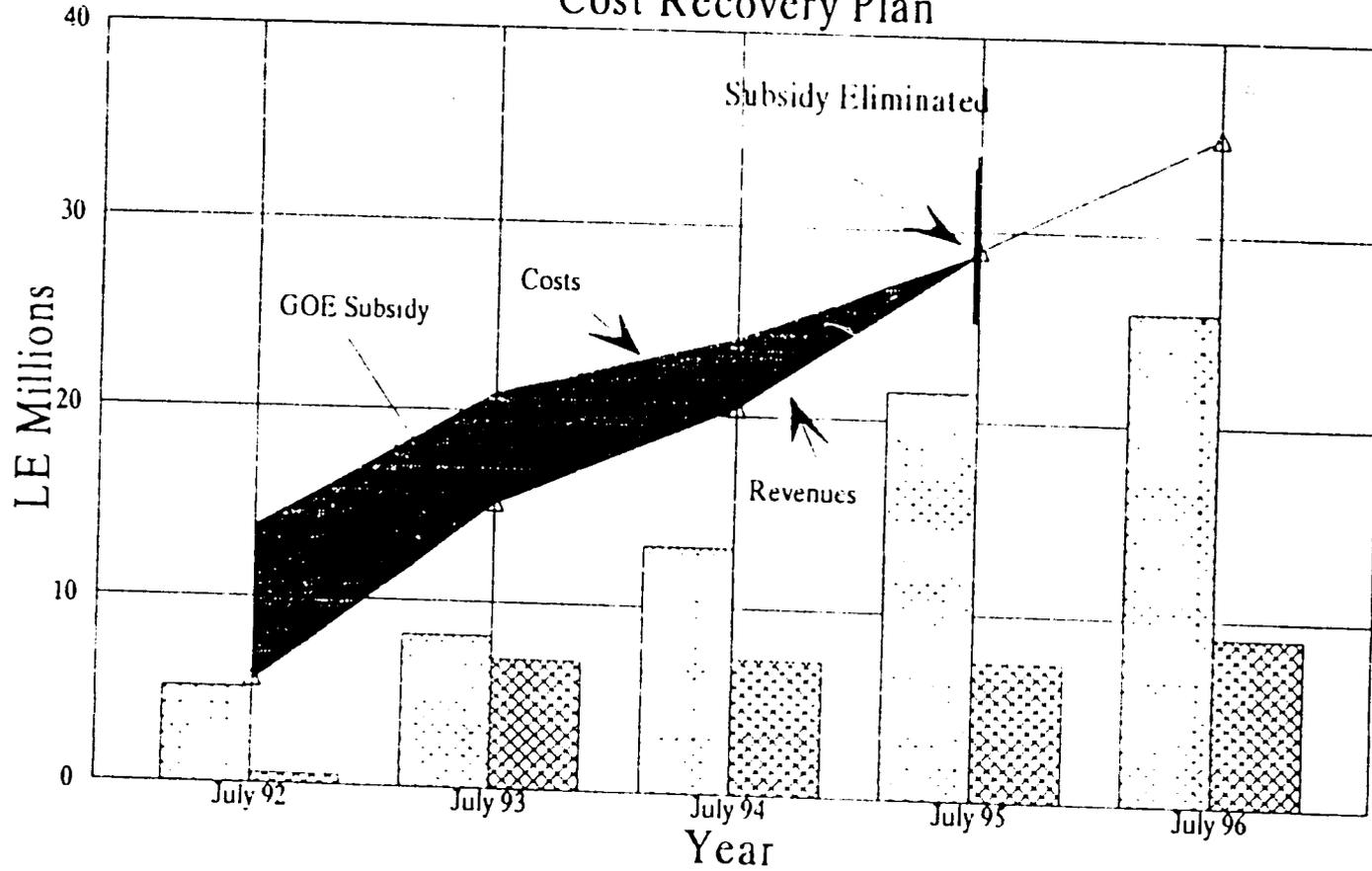
Milestone Activity: * **Autonomy**

Step	Objective	Completion Date	Compliance
A.1.	The issuance of a GOE decree/memorandum which directs that AGOSD and the various Ministries of the GOE develop the necessary laws and/or decrees to make AGOSD an autonomous utility company.	As soon as possible but no later than 1 April 1993	Decree/Memorandum
A.2.	To prepare the documentation necessary for the issuance of a new law to be introduced to the People's Assembly to establish AGOSD as an autonomous wastewater utility organization.	November 1993	Draft Law
A.3.	The passage of a new law, with approval of the People's Assembly, re-establishing AGOSD as an autonomous organization.	November 1994	New Law
A.4.	The establishment of an independent utility organization under the new decree to be issued as a result of A. 3. above.	1 April 1995	New Organization

Explanation: The process of legally authorizing a new wastewater utility company to succeed AGOSD in the operation of the Alexandria wastewater facilities. The process is a four step process beginning with the issuance of a decree/memorandum which directs that the relevant Ministries begin the process. The second step is documenting the requirements of a draft law. The third step is passage of new law and the final step is the implementing of the new law.

Compliance: Compliance can be measured by output of the four steps outlined above. In addition, AGOSD will provide AID/Cairo with semi-annual written reports which document the progress in developing the new legal framework for the new organization.

AGOSD ACTION PLAN Cost Recovery Plan



Tariffs

AGOSD fees

ALL FIGURES ARE PRELIMINARY ESTIMATES

AGOSD 1033-43

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Milestone Schedule
B. Cost Recovery

Milestone Activity: * Cost Recovery¹

Step	Milestone	Date of Completion	Report on Compliance
CR. 1.	To reduce the gross subsidy of the GOE to AGOSD O&M costs to under LE 6 million	1 July 1993	1 Oct 1993
CR. 2.	To reduce the gross subsidy of the GOE to AGOSD O&M costs to under LE 4 million	1 July 1994	1 Oct 1994
CR. 3.	To eliminate the subsidy of the GOE to AGOSD and provide that AGOSD O&M costs will be equalled by AGOSD dedicated tariff revenues and fees as an autonomous utility.	1 July 1995	1 Oct 1995
CR. 4.	To provide for one full operating fiscal year for the new wastewater utility without an operating subsidy from the Government of Egypt.	1 July 1996	1 Oct 1996

Explanation: The GOE and AGOSD have embarked on a program to increase the fees charged by AGOSD (see Appendix VII), as well as a program of increasing water tariffs and surcharges for wastewater service. This program will lead to an elimination of the currently estimated GOE subsidy of LE 8 million to the AGOSD O&M budget in less than three years. The program will combine increases in both tariffs and fees in each fiscal year. (See Table CR-1)

Compliance: The annual amount of the subsidy can be determined based upon the audited figures of AGOSD and the AWA. The compliance reports will be filed with AID/Cairo by 1 October following the completion of the fiscal year and audit reports for AGOSD and AWA.

¹ All figures are preliminary estimates and are subject to confirmation.

Table CR - 1
 Cost Recovery Plan
 Projection² of Costs and Revenues

	July 92	July 93	July 94	July 95	July 96
Collections from Tariffs	5.13	8.21	13.14	21.49	25.93
+					
Collections from AGOSD fees	0.5	7.0	7.3	7.51	9.07
=					
Total Collections	5.63	15.21	20.44	29.0	35.0
-					
Total O & M Costs	14.0	21.0	24.0	29.0	35.0
=					
DIFFERENCE (Subsidy)	(8.37)	(5.79)	(3.56)	0	0

² All Figures are Preliminary Estimates

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Milestone Schedule
C. Labor Force Adjustment

Milestone Activity: * **Labor Force Adjustment**

Step	Milestone	Completion Date	Compliance
LF.1.	Prepare a labor force adjustment plan for AGOSD which can be reviewed, discussed and ultimately approved by the GOE and the Governorate.	1 September 1994	semi-annual report
LF.2	Implement the labor force adjustment plan to insure that AGOSD has the proper level of staffing and the proper mix of skills to operate as an autonomous utility.	1 April 1995	semi-annual report

Explanation: In order to rationalize the labor force AGOSD will prepare a detailed labor force adjustment plan. That plan will provide for specific actions to establish a dual-funded workforce within AGOSD. The utility labor force will be funded totally from revenues and fees and will be dedicated to the operations and maintenance of the wastewater facilities. The governmental labor force will be funded from governmental funds and that workforce will be engaged in secondary activities associated with the public works functions of AGOSD.

In addition, the labor force adjustment plan will identify all appropriate means to reduce the labor force through conventional programs such as early retirement.

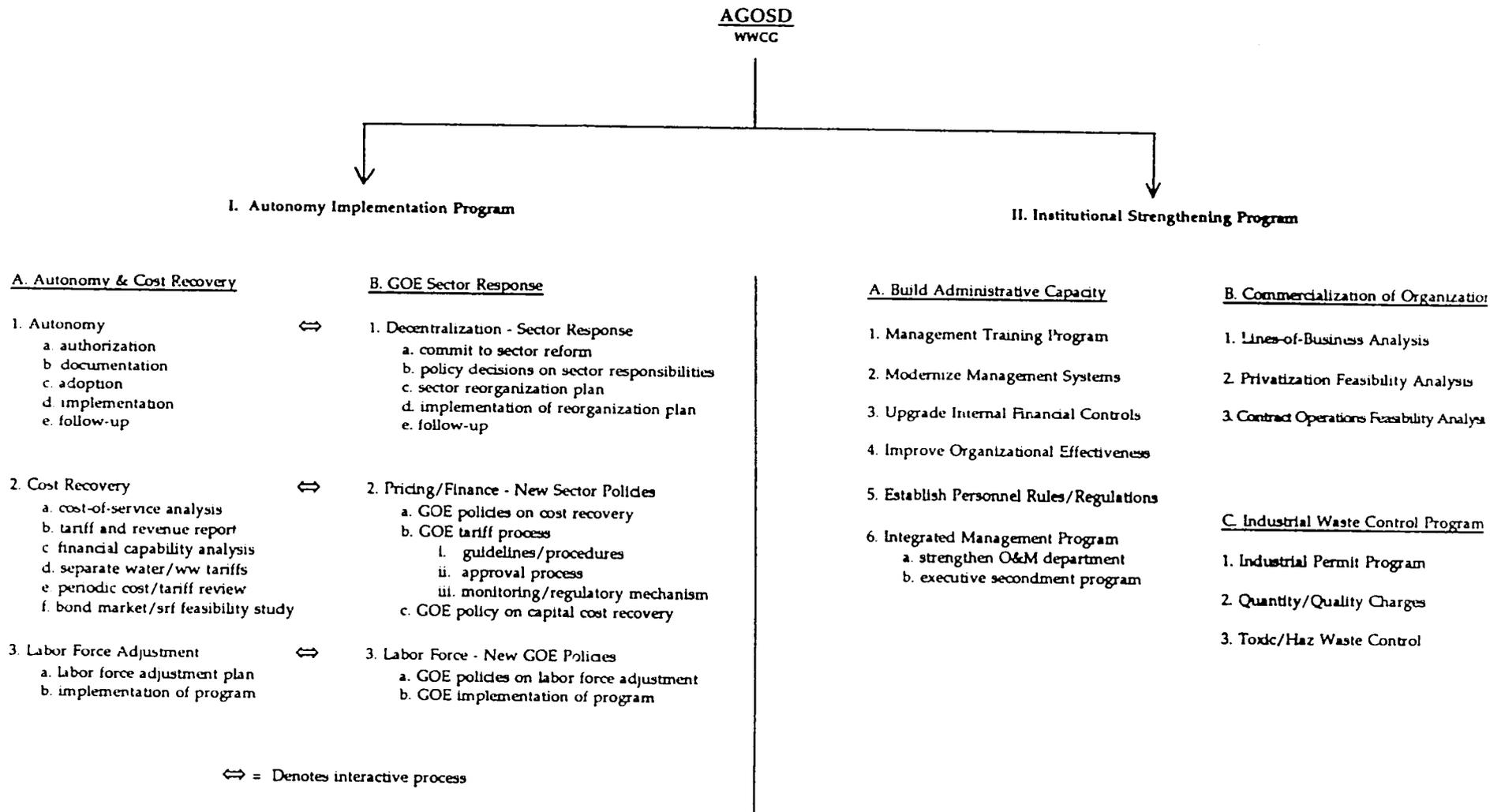
Compliance: Compliance will be reported by AGOSD to AID/Cairo in the semi-annual reports to be prepared by AGOSD.

IV. Follow-Up Requirements

In order for the action plan to go forward several next steps must be taken together by USAID and AGOSD. The process of implementing the action plan within the Government of Egypt system will require a an evaluation of the current technical assistance program. This evaluation is required in light of the additional complexities that are demanded of AGOSD relative to the ambitious program for rapid implementation that has been proposed. Substantial new and additional interactions with the Government of Egypt will be required in support of the process of autonomy and full cost recovery. A special and detailed process of evaluating, and approving by consensus, policy options regarding new relationships within the current management of the sector by the GOE will be required. Table FR -1 details a structural matrix of the components that need to be evaluated by AID and AGOSD to support both an autonomy implementation program and an institutional support program.

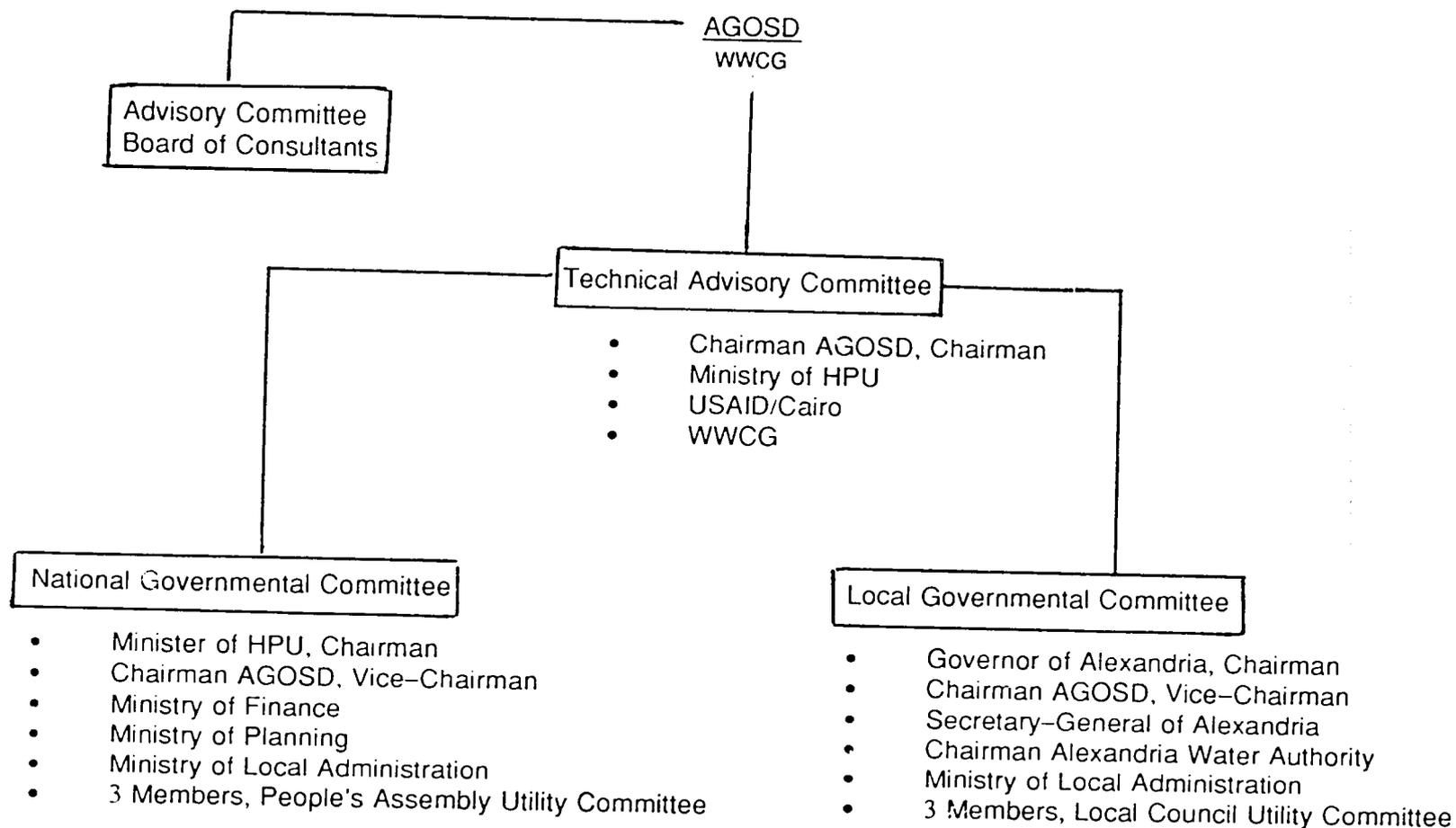
AGOSD has identified a committee structure to move forward and build a consensus both within the Governorate of Alexandria and the Government of Egypt. Subject to USAID approval of the action plan, Table FR - 2 outlines the proposed committees structure. The Technical Advisory Committee will act as the secretariat for the autonomy implementation process, setting the agendas and providing policy research and data to the National and Local governmental committees. The National and Local governmental committees will provide a forum for discussion and consensus building regarding the policy issues and decisions which must be taken in the autonomous implementation process. The Advisory Board provides advice and recommendations directly to the AGOSD Chairman.

SUMMARY OF AGOSD ACTION PLAN PROGRAM



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Committee Structure for AGOSD Action Plan



VI. Next Step

AGOSD presents this action plan to AID/Cairo as the official policy of the Government of Egypt. The action plan represents a logical extension of the principles of privatization of the governmental sector to the wastewater sub-sector. The actions outlined herein should be initiated and implemented because the plan will lead to improved management, operations and maintenance of the wastewater facilities in service to the people of Egypt. The concepts behind the plan, and the plan itself, stands on its own and AGOSD is committed to its full implementation.

The USAID, the Government of Egypt and AGOSD have made substantial progress in the Alexandria Wastewater Program. Serious pollution and public health problems confronting the people of Alexandria have been minimized during the period of construction of the Phase I facilities. Soon, in July 1993, the Phase I facilities will provide treatment to the total flows reaching the two new treatment plants. This is a major step forward in the protection of the public health of the people of Alexandria.

Now that the Phase I facilities are nearing completion and start-up will occur in July 1993, serious attention should be given to the scheduling of Phase II activities. Phase II of the project should begin as soon as possible. There is still much work to be done to complete the Alexandria Wastewater Project.

AGOSD is ready to meet with AID/Cairo to discuss the mutual requirements and obligations of all parties in the logical and important continuation of the Alexandria Wastewater Project.