

**Japan International Cooperation Agency (JICA)
and
Iraqi Ministry of Electricity**

Third Country Training Programme

on

Institutional System and Regulation (ISR)

Planning Workshop Report

November 27th – December 2nd, 2005
Amman, Jordan.

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I. Introduction

The Government of Japan, represented by Japan International Cooperation Agency (JICA)–Jordan/ Iraq Unit is implementing the Japanese Technical Assistance part of the reconstruction of Iraq. This workshop is dealing with the Electrical Sector in Iraq.

Power facilities in Iraq have been seriously deteriorated due to conflicts, lack of investment and maintenance, and looting occurred after the outbreak of the war. Though installed power capacity was 9,295 MW in 1990, about 70 percent of total capacity was damaged during the 1991 Gulf war. It has been recovered to 4,000 MW through the Oil for Food Programme assisted by the United Nations, but it dropped to 3,300 MW after the last conflict.

The Jordanian National Electrical Power Company (NEPCO) and JICA have organized various technical cooperation projects in this sector such as Power Network System (SCADA), TIG Welding, Cable Jointing, Optical Fibre Splicing, Operation & Maintenance on Thermal Power Plant, and Training Center Management in close consultation with the Iraqi Ministry of Electricity (MOE).

The National Development Strategy, which was made public at the donor conference held in Tokyo in October 2004, clearly stipulates that the government should concentrate on policy and regulation, while public services should be enhanced through private sector participation.

The state-run power sector legislation, such as laws, regulations and tariff system need to be reviewed in order to be prepared for the expected sector reforms.

II. Objectives and methodology

The purpose of this TCTP is to let a group of MOE staff learn about knowledge, lessons and know-how on institutional system and regulations concerning electricity sector reforms of other countries such as Japan, Jordan and some Asian countries. Those lessons from other countries will be of great importance for MOE which is preparing to implement sector reform to market oriented economy.

During fiscal year 2005, that is until the end of the March 2006 JICA plans to introduce basic background information and know-how on sector reforms in electricity to MOE staff, and identify priority issues to materialize a sector reform. Items that identified as priorities would be taken up next fiscal year (after April 2006) for further technical assistance. The priorities and scenarios will be put together as a Sector Reform VISION at the end of the program.

The training course is reviewing and examining the Strength, Weakness, Opportunities and Threats (SWOT) of current status of laws and regulations in electricity namely 1) Laws, regulations 2) private sector participation, 3) metering and tariffs, 4) restructuring, and 5) finance information system which were being discussed under the Steering Committee of MOE (SC).

While the objectives of the planning workshop, which is part of the training programme:

- Identify the current issues/problems facing the Ministry of Electricity in Iraq, in view of ISR,
- Analyze the identified issues/problems in terms of cause and effect,
- Identify the priority of the identify issues/problems,
- Examine the SWOT of MoE, and
- Propose a VISION for MoE.

The planning workshop has been conducted by applying the initial part of the Project Cycle Management (PCM) within a participatory approach: Brain storming, using cards, clustering ideas, reaching consensus, and finally acceptance by all.

III. Workshop Programme

Minor modification to the planned programme occurred, the final programme went as:

Day	Date	Training Item	Res. Person
1	11/26	Arrival in Amman.	
2	11/27	10:00 Opening Ceremony. 11:00 Orientation. 12:00 Presentation (1) Current status of the Steering Committee (SC): (a) Steering Committee (general issue). (b) Tariffs Sub-Committee.	(1) JICA (2) Iraqi Participants.
3	11/28	09:00 Presentation (1) (a) Regulatory body of electricity. 10:00 Presentation (2) Current status of the SC: (b) Procurement (Privatization) Sub Committee. (c) Metering Sub Committee. 13:15 Presentation (3) (d) Privatizing of NEPCO.	(1) NEPCO (2) Iraqi Participants
4	11/29	09:00 Presentation (1) (a) Tariffs & Billing Systems. (b) Procurement. 13:00 Presentation (2) (c) Basic concepts of the Laws & Regulations and other relevant sector reform issues. (JICA Expert)	(1) NEPCO (2) Dr. NIWA Akira
5	11/30	09:00 Presentation (1) (a) Update on USAID assistance on institutional reforms and future prospect. 11:30 Presentation (2) Current status of the SC (b) Financial Sub-Committee. (c) Human Resources Sub-Committee. 14:00 Cause & Effect Analysis A participatory workshop by a facilitator.	(1) USAID Expert (2) Iraqi Participants (3) PCM Facilitator
6	12/1	08:00 Cause & Effect Analysis. 11:00 Wrap Up.	(1) PCM Facilitator
7	12/2	Departure for Baghdad.	

IV. Participants

The participants of the Workshop consisted of the Iraqi delegation, the team of NEPCO, USAID Sector Lead, the team of JBIC and JICA Experts.

V. Problem Identification and Problem Analysis (Cause and Effect)

Problem analysis starts with defining issues and or problems most affecting the work of MoE, mainly issues related to the electrical institutional system and regulations.

The participants were asked to name these problems. After clustering the defined problems/issues into administrative & management, technical, financial, and others, the outcome was the following,:

- Administrative corruption. (5)
- Management not so good. (4)
- Electricity Sector needs restructuring. (6)
- Illegal uses. (0)
- Insufficient generation capacity. (2)
- No new power stations. (6)
- Existing power stations operating below capacity. (0)
- Outdated power stations and distribution network. (1)
- Insufficient distribution network capacity. (3)
- Insufficient financial resources. (7)
- Weaknesses in billing and collection. (1)
- High cost of running (O&M) old generating stations. (0)
- Insufficient financial planning. (1)
- Tariffs are too low. (5)
- Outdated legislations. (7)
- Insufficient capacity (Management and technical). (0)
- In effective information and Communication Technology (ICT)
- Absence of historical data. (0)
- No IT network (infrastructure) at MoE. (0)
- The security situation. (*)
- Ineffective coordination with other ministries. (*)

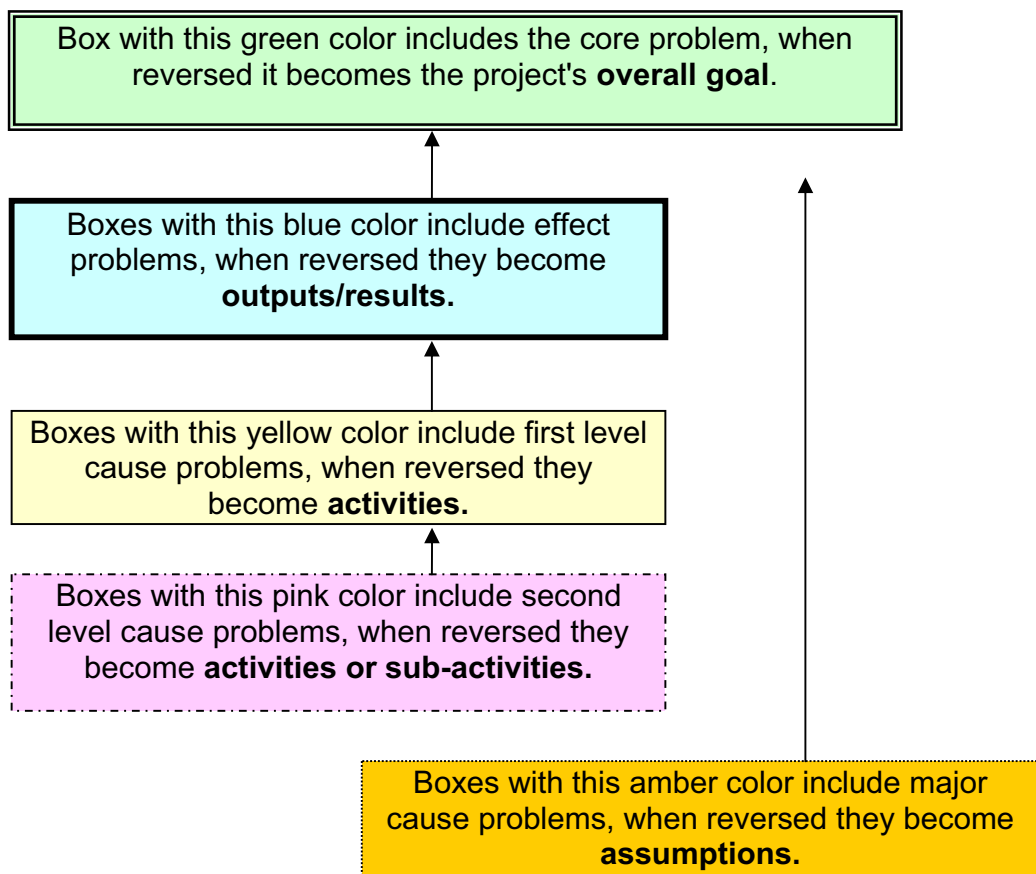
(number): *The number between the two parenthesis shows the priority of the problem in the eyes of the participants; the larger the number the higher the priority. In the Problem Tree, it is shown in a red square.*


(*): *These two problems are very serious ones, yet they are beyond the scope of MoE. They are considered as indicative problems.*

Problems can be classified as problem(s) causing other problem(s) and we call them "cause problem(s)", or problem(s) affected by the cause ones and we call them "result problem(s)". For illustrating the first part of the planning purposes, a diagram called "Problem Tree" is drawn by having the cause problems start from the bottom upward into the result problem.

VI. Problem Tree

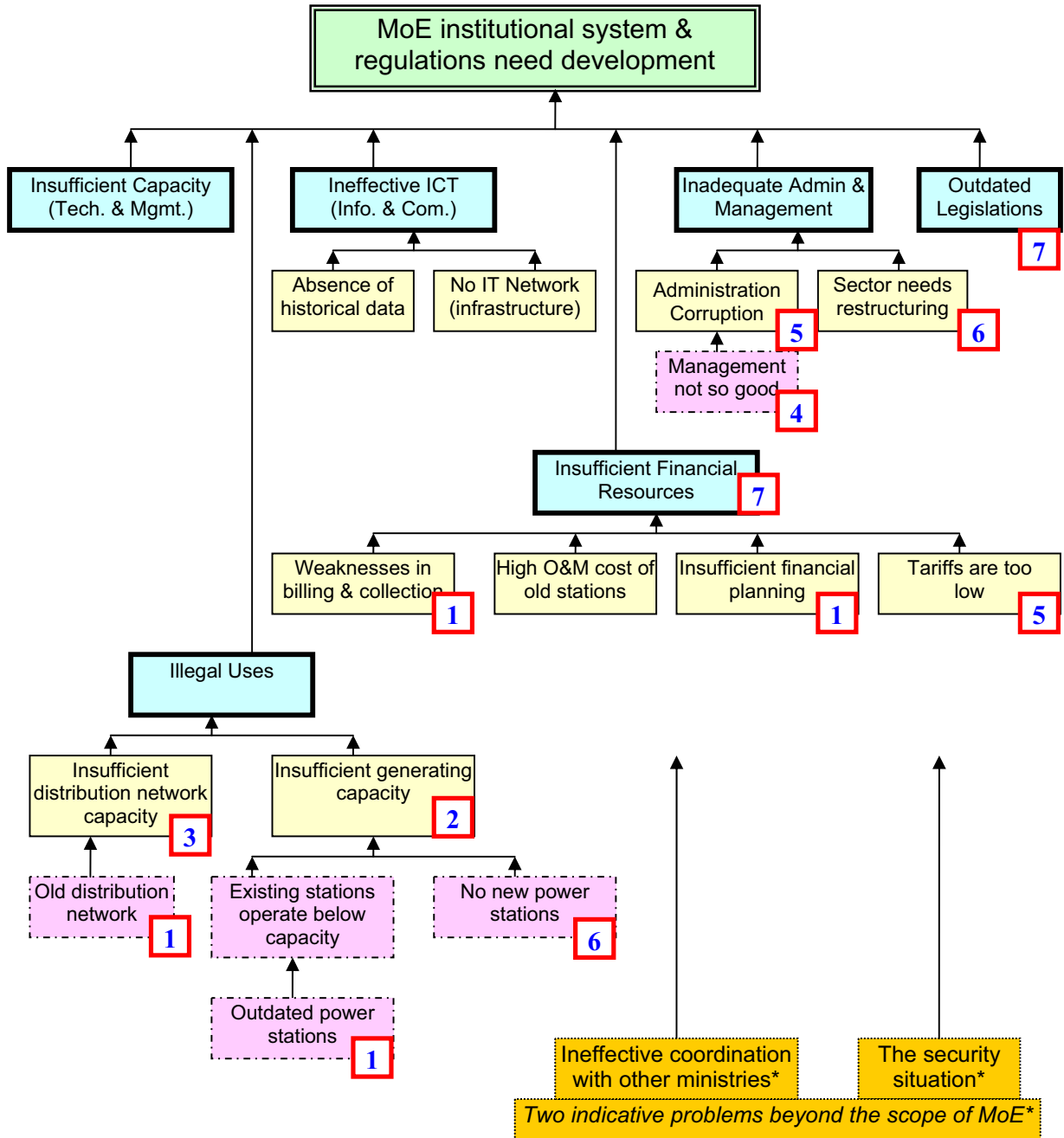
The identified problems are analyzed according to the cause and effect of each to other problems. To make the Problem Tree visual, that is to differentiate between the types of the problems, each type of the problems within the problem tree was given different colour and border as in the following example:



-  The red square with a number at the lower left corner of a problem's box shows the priority of the problem.

After the discussion among the participants, the Problem Tree turned out to be like the following:

The Problem Tree



VII. SWOT Listing

The participants were asked to define the strength and weakness points of MoE, the available opportunities, and the existing threats facing MoE. Because of this stage of planning is very initial, it was decided to limit SWOT analysis to the listing only, without further analysis. A brief explanation was given to the participants to remind them that Strength represents positive internal issue, Weakness represents negative internal issue, Opportunity represents positive external issue, and Threats represents negative external issues. The conclusion of the work came as:

Strength points:

- The availability of high technical skills.
- The existence of a draft Law.
- Steering Committee framework for implementing changes.
- Long experience.
- Willingness and readiness to change.
- Abundant workforce.

Weakness points:

- Decision making process (centralization).
- Instability of decisions (short-term).
- Weak institutionalization.
- Corruption.
- Duplication of authority.
- Political interference (MoE authorities).
- Resistance to change.
- Overstaffing (poor staff distribution).
- Nepotism.

Opportunities:

- Available resources (fuel, roads, water, etc.).
- Donors' assistances (technical, financial, capacity building).
- New government.
- Prospect for security.
- Prospect for political stability.
- Good history (customers).
- Clean slate (opportunity to start from scratch).

Threats:

- Security situation.
- Illegal uses.
- Sabotage.

- Donors' conditions (obstacles).
- Perception of negative investment opportunity.
- Difficulties facing the Ministry of Oil (affecting the fuel supply).
- Regional autonomy.
- Customers' reluctance to new tariffs and change.
- Drain brain.
- Political instability.
- Fluctuation of fuel prices.

VIII. MoE Proposed Vision

As part of the modern trend in Strategic Planning, each institution (i. e.: ministry, company, .. etc.) is recommended to discuss, define, approve, and then promote among its employees a vision that will be achieved after a number of years of working efficiently.

When the question of "What is the vision of the Iraqi MoE?" was asked, a number of answers came from the participants. Those answers were ranging from a simple wish to a strategic but single goal; for example:

- Supplying electrical power 24 hours a day,
- Having new power stations,
- Making use of the available and experienced technical staff
- Applying market economy when running the Electricity Sector,

After a presentation on what vision is, and why a ministry needs to have a vision, a thorough discussion among all the workshop participants have come to a consensus to the following points:

- MoE directly supplying 100% of the electrical power, or contracting others to supply part of the power under its supervision,
- Power supply is to be continuous,
- MoE can ensure supplying the electrical power if the Ministry of Oil ensures the supply of the fuel,
- The cost of the electrical power is to be adjusted.
- MoE is to manage its financial and human resources efficiently,

In conclusion all the participants felt that the proposed vision for the Ministry of Electricity can be stated as:

Ensuring the supply of
reliable, sustainable, and cost
effective electrical power by
utilizing the best available
technical resources.

IX Comments and Recommendations

This workshop is the initial step of PCM. At this stage, it is recommended that:

- In addition to the technical training MoE has received, wider training on institutional building, needs assessment, and project management is needed for most of the members of the Steering Committee and the sub committees.
- More Japanese expertise (JICA and JBIC) seems to be required for more Japanese involvement.
- Increased co-ordination with USAID-BearingPoint Inc. will be very helpful for the coming stages of the project.
- A thorough planning workshop seems to be needed, in order to come up with a proposed project plan.