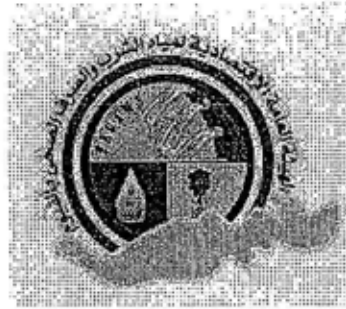
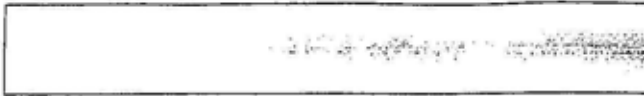


	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
GENERAL MANAGEMENT					
PRODUCTION	M3 157,002,500	161,628,550	171,270,360	171,270,360	172,190,360
SOLD WATER	M3 86,865,301	95,751,314	104,324,568	110,288,690	116,471,820
TOTAL UPW					
		41%	38%	36%	33%
UPW (M3)					
PRODUCTION	LE 35,529,908	36,982,244	42,466,558	44,835,958	45,914,169
SOLD WATER	LE 37,326,848	40,468,154	44,582,748	47,311,140	49,748,190
TOTAL UPW					
		95%	95%	95%	94%
COST RECOVERY (%)					
TOTAL REVENUE	LE 18,698,697	18,021,822	17,290,674	17,924,634	17,892,986
TOTAL COSTS	M3 167,092,500	161,628,550	171,270,360	171,270,360	172,190,360
COST RECOVERY	LE 0.100	0.099	0.101	0.102	0.104
		422	422	422	422
PRODUCTION TOTAL COSTS					
PRODUCTION	LE 3,382,618	3,638,274	3,900,974	4,169,092	4,440,612
TOTAL COSTS	M3 167,092,500	161,628,550	171,270,360	171,270,360	172,190,360
UNIT PRICE	NR 2.722	2.813	2.769	2.788	2.848
NR. OF STAFF	NR 346	351	351	351	351
		91%	91%	91%	91%
NETWORK					
TOTAL COSTS	LE 21,000	10,200	10,200	10,200	14,862
PRODUCTION OF WATER	M3 21,000	10,200	10,200	10,200	14,862
TOTAL CONNEX	NR 8	8	8	8	8
NR. OF STAFF	NR 15	15	15	15	15
		12%	12%	12%	12%
SERVICE DEPARTMENT					
TOTAL COSTS	LE 21,000	10,200	10,200	10,200	14,862
PRODUCTION OF WATER	M3 21,000	10,200	10,200	10,200	14,862
TOTAL CONNEX	NR 8	8	8	8	8
NR. OF STAFF	NR 15	15	15	15	15
		12%	12%	12%	12%
SANITATION					
TOTAL COSTS	LE 21,000	10,200	10,200	10,200	14,862
PRODUCTION OF WATER	M3 21,000	10,200	10,200	10,200	14,862
TOTAL CONNEX	NR 8	8	8	8	8
NR. OF STAFF	NR 15	15	15	15	15
		12%	12%	12%	12%
DESILTING					
TOTAL REVENUE	LE 33,906,181	37,415,393	40,886,368	43,300,000	45,297,868
TOTAL COSTS	LE 2,737,864	3,101,000	3,390,200	3,578,000	3,799,360
NR. OF STAFF	NR 240	250	260	260	260
		91%	91%	91%	91%
REVENUE					
TOTAL REVENUE (ISSUED BILLS)	LE 29,808,000	30,738,000	31,020,000	32,700,000	33,354,000
TOTAL COSTS	LE 8,700,000	8,874,000	9,051,480	9,234,510	9,417,160
NR. OF STAFF	NR 240	250	260	260	260
		91%	91%	91%	91%
TOTAL COLLECTED CASH/CHEQUE					
TOTAL COLLECTED CASH/CHEQUE	LE 1,130,662	1,210,141	1,294,776	1,372,418	1,451,282
TOTAL COLLECTED NON-CASH	LE 17,640	19,224	20,808	22,392	23,978
NR. OF STAFF	NR 14,076	15,802	17,296	18,630	20,404
		91%	91%	91%	91%
METER MANAGEMENT					
TOTAL COSTS	LE 1,130,662	1,210,141	1,294,776	1,372,418	1,451,282
METERS REPLACED (METER TEAMS)	NR 17,640	19,224	20,808	22,392	23,978
METERS REPAIRED (WORKSHOP)	NR 14,076	15,802	17,296	18,630	20,404

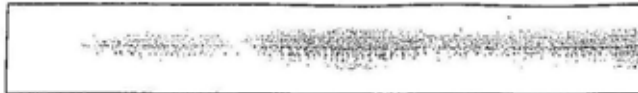
خطة الإدارة الاقتصادية
2003-2008



EMP 2003–2008

Under the Patronage of his
Excellency Governor of Fayoum
Dr. Saad Nasar





**Message of His Excellency / the Governor of Fayoum
Dr. Saad Nasar**

Dear brothers and sisters, staff of FEGAWS,

I would like to congratulate you for all your effort to promote your honourable authority. Your accomplishments in implementing EMP 1999-2003 was the first step to transfer FEGAWS into an economic entity next to its role as a serving sector for the population of Fayoum.

I invite you to continue your efforts and to implement the ambitious plan for the coming years (2003- 2008). The plan combined raising of FEGAWS economic performance level and continuing the improvement of the service levels for the population of Fayoum. From my side I promise full support to your efforts to reach the expected targets of the plan.

With Regards

Dr. Saad Nasar





**Message of the Chairman of FEGAWS
Eng. Mahmoud Massoud**

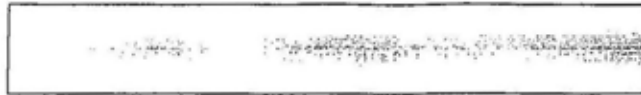
First of all I would like to thank all colleagues, staff of FEGAWS and FaDWaSP for all their efforts to make EMP a success. EMP was one of the most important plans to implement the Presidential Decree no. 81 year 1996 to establish a General Economic Authority for Drinking Water and Sanitation in Fayoum. The decision supports the idea to manage FEGAWS in an economic way to satisfy the reason of its existence.

FaDWaSP played a major role in co-operation with FEGAWS staff in the preparation and planning of EMP, specifying main targets dealing with the recovery of Operation and Maintenance costs through the period of the plan started in July 1999 and ended in June 2003.

Symposiums and workshops have been subsequently held at the levels of top management and departments to inform staff about the importance of the economic management for FEGAWS and to encourage them to accurately implement the plan to reach the EMP objectives.

FEGAWS in co-operation with FaDWaSP developed targets for each department to increase staff capability, to improve performance, and to reduce maintenance and operational costs. The plan concentrated on the main issues e.g. the reduction of costs, the increase of revenues, the reduction of UFW, and the improvement of the quality of service.





I am glad to announce with glory that the plan has reached its targets. Cost recovery for O&M increased from 50% at the beginning of the plan to 96% by its end at June 2003 (target was 85% by the end of the plan in June 2003). This achievement was the result of ideal operations, accurate maintenance and repairs, increased revenue, and the application of production related incentive systems for some of FEGAWS departments.

Another achievement of the plan was the reduction of UFW from 55% at the beginning of the plan to 45% by its end in June 2003. This result is due to the early discovery of leaks and immediate repairs by the distribution staff and UFW teams. Through the plan cost centres were established for all FEGAWS departments, cost department, computerise accounting, salaries, and stores, and improving Branch Customers Offices. We expect that the new revenue system will have a major role in improving the quality of FEGAWS revenue and collection

With these achievements during the last period, FEGAWS managed to make a good start for economic management that will be the main guidance to the Management for the coming period. FEGAWS staff in co-operation with FaDWaSP started to develop targets for the coming stage of EMP covering the period July 2003- June 2008. The Plan will maintain the achievements in the field of cost reduction through ideal operations, reduction of UFW, and increase of revenue to reach the highest percentage of cost recovery.

I would like therefore to invite all colleagues working in FEGAWS to give more effort to make the new five-year plan a success (July 2003- June 2008). The new plan can be considered as a working protocol for all FEGAWS departments. The new plan will be applied and monitored by FEGAWS staff (FaDWaSP in its last phase). We would like to thank all staff of FaDWaSP for their effective participation in planning and making the plan succeed. They provided technical and financial assistance to raise staff capability and develop FEGAWS performance. Their support helped FEGAWS to become one of the pioneers in administrating economic program and plans. I would like to remind my colleagues that the success of EMP in the coming period, which was developed by your efforts, will register as continuation distinguish of FEGAWS staff to run the authority with an economic management.

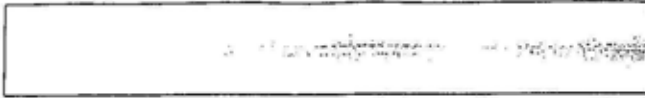
I herewith would like to thank his Excellency Dr. Saad Nasar, Governor of Fayoum, the General Secretary of Governorate of Fayoum, the Assistant General Secretary, the Royal Netherlands Embassy, the FEGAWS Board of Directors and colleagues in the Governorate for all their support to FEGAWS during the last period. Their support influenced positively the success of EMP. Continuous support during the coming period will help to achieve next EMP targets.

May God gave you His mercy, blessing

FEGAWS Chairman

Eng. Mahmoud Massoud.





**Message of Fayoum Drinking Water and Sanitation Project
Herrie Heckman, Team Leader**

It is a privilege and a source of deep satisfaction that I may introduce a new edition of the Economic Management Plan of FEGAWS.

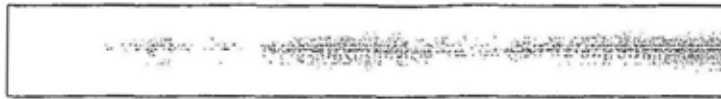
We note that EMP has become a generally accepted tool of management in FEGAWS. This new version considers the previous experiences gained during the last five years (1998-2003). These experiences guided FEGAWS to better performance.

EMP is a business plan for FEGAWS. It guides the staff to do their roles. I invite all to accept the challenges presented in the plan and wish FEGAWS good luck to achieve its mission.

Herrie Heckman

Team leader
FaDWaSP



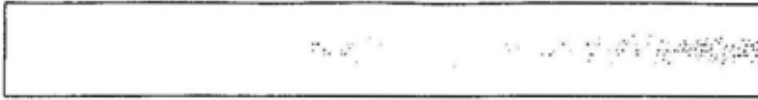


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ANNEXES

- I. EMP Targets Details
- II. Administration Decree and Templates





Chapter One

The Need for an EMP



2



1 The Need for an Economic Management Plan

Economic Management Plan

The Economic Management Plan (EMP) is a Business Plan that defines targets for the various departments in FEGAWS and monitors the realisation of these targets. FEGAWS applies EMP since 1999.

Advantages of the EMP:

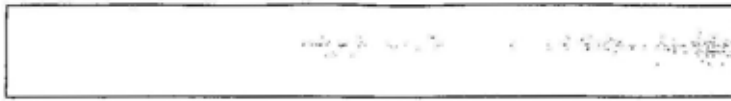
- Delegation of responsibilities: each Department Manager has full responsibility to achieve his EMP targets
- Accurate data registration and easy exchange of information to facilitate decision making
- Optimal use of human resources to achieve FEGAWS targets
- Transparency of operations: information is available for the in- and outsets of the departments:
- Achievable working plan
- Supports the process towards an economic entity
- Permits to relate production and performance to incentive schemes
- Changes the concepts of FEGAWS staff to be more economical dealing with cost recovery

New version of EMP

The new version of EMP is based on the experiences with the implementation of the old version (1999-2003). Improvements were made in the areas of:

- Targets developed in line with the official FEGAWS budgets
- Design data collection sheets for different departments
- Design new templates for EMP



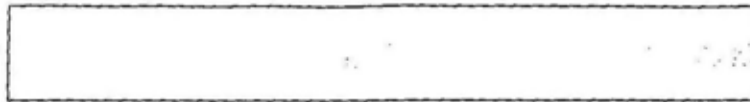


Chapter Two

EMP 1999 - 2003



4



2 The Economic Management Plan 1999-2003

2.1 Targets 1999-2003

EMP implementation started by the end of 1999 as a new approach to manage FEGAWS as an Economic Authority. The first EMP aimed to cover 85% of the Operation and Maintenance costs by the year 2003 through reductions of the different cost components (salaries, fuel and electricity, materials) and at the same time through increases of revenue.

The EMP did not ignore indicators to achieve the main objectives of FEGAWS i.e. improving drinking water and sanitation service levels in Fayoum. The main challenge for FEGAWS is to provide high quality service at the lowest cost.

FEGAWS was divided into units based on its basic process, starting with water treatment (Production Department), water distribution (Network Department), sales (Revenue Department) and collection and treatment of supplied water (Sanitation Department). Each department has its own specified targets. EMP can be considered as a tool for top management to evaluate staff performance in each department in relation to the realisation of its targets.

The system of target setting led to the development of performance related incentive systems connecting production and targets. The results presented in Table 2-1 demonstrate the achievement of the EMP targets by increasing the cost recovery from 50% at the start until 96% by the end of the plan period.

The Production Department achieved remarkable progress in terms of technical and economic performance. Annual water production increased from 112 Mm³ at the beginning of the plan to 152 Mm³ by the end, in addition to a remarkable reduction of production costs of 8.1 piaster/m³ at the end of the plan compared to 11.9 at the start.

The priority for distribution management was to reduce the technical UFW by creating UFW teams for each district. The teams did great effort to reduce technical UFW.

Correcting illegal connections and replacing out-of-order meters led to a reduction of commercial UFW. More progress in this field is expected in the coming years. FEGAWS considers this as one of its top priorities. During the last two years we recognise the large increase in revenue as a result of collecting governmental arrears and big clients. Cost recovery jumped to 96%.

Delays in the implementation of sanitation projects led to the inability of the sector to improve the planned sanitation service levels. The expected losses of FEGAWS due to the high sanitation costs was consequently limited. Revenue covers only 20% of actual cost.

Supporting departments e.g. the Projects Department, Central Workshop, and the Laboratory were also considered. Technical indicators were set for the supporting departments as part of improving services and performance in FEGAWS. The lessons learned from implementation EMP should not be ignored but considered during the EMP 2003-2008.



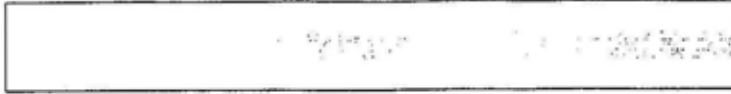
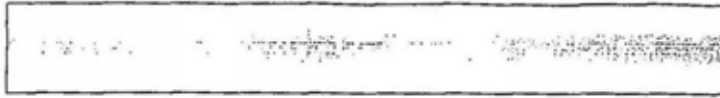


Table 2-1 : planning and Realisation EMP 1999-2003

FEGAWS General Plan										
General	1998 - 1999		1999 - 2000		2000 - 2001		2001 - 2002		2002 - 2003	
	Planned	Achieved	Planned	Achieved	Planned	Achieved	Planned	Achieved	Planned	Achieved
UFW m3										
Production million m3	101	82	115	101	119	124	128	152	142	163
Sold water million m3	46	38	55	51	55	59	65	82	77	89
Sold water(%)	46%	43%	48%	50%	46%	47%	51%	54%	54%	55%
UFW (%)	54%	57%	52%	50%	54%	53%	49%	46%	46%	45%
Revenue	Planned	Achieved	Planned	Achieved	Planned	Achieved	Planned	Achieved	Planned	Achieved
Governmental revenue	3548,982,718	70,364,589	4,005,808,535	38,767,935	4,385,173,932	39,121,095	3,880,323,231	1,151,441,806	3,618,581,419	610,175,804
Bills issued	8,880,000	107,120,601	1,211,192,046	116,269,054	1,330,053,344	127,277,955	152,709,452	1,781,530,694	1,797,413,474	2,525,636,828
Desludging	360,000	274,136	360,000	249,308	360,000	371,673	360,000	143,459	360,000	174,000
Total	1,276,698,272	18,022,655	16,477,127	17,153,008	1,804,570,737	19,011,578	1,851,128,843	26,473,384	2,215,271,616	315,321,263
Cost recovery	Planned	Achieved	Planned	Achieved	Planned	Achieved	Planned	Achieved	Planned	Achieved
Total revenue	1,276,698,272	137,169,876	16,477,127	1,655,602,716	1,804,570,737	1,703,372,586	1,851,128,843	3,328,303,718	2,215,271,616	30,119,821
Total cost	2,531,523,338	2,425,785,365	2,822,067,501	2,425,785,365	2,362,699,528	2,512,978,107	2,409,515,603	2,882,047,111	2,712,469,517	3,114,954,183
Cost recovery (%)	50%	57%	58%	68%	76%	68%	81%	116%	82%	96.7%
Collection	Planned	Achieved	Planned	Achieved	Planned	Achieved	Planned	Achieved	Planned	Achieved
Total collection cash and cheque	8,880,000	8,764,488	1,435,583,046	114,170,494	13,235,318	1,128,583,902	15,270,945	13,159,822	1,797,413,474	1,986,822,767
Total governmental collections	3,550,000	3,570,568	4,005,808,535	486,283,376	4,385,173,932	5,570,588,782	3,880,323,231	1,998,480,318	3,618,581,419	1,025,169,331
Total collection	12,410,000	12,335,056	18,361,437	1,627,988,316	1,762,049,183	168,384,078	1,915,128,823	3,314,462,518	2,179,271,616	3,011,992,118



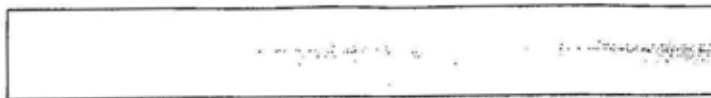


EMP 2003 - 2008

Chapter Three



7



3 The Economic Management Plan 2003-2008

3.1 Introduction

The targets of the EMP for the main departments are presented in table 3-1. These departments concern (i) top management, (ii) production, (iii) distribution, (iv) sanitation, (v) desludging, (vi) revenue and, (vii) meter management. Details are presented in Annex II

Table 3-1 : Targets EMP 2003- 2008

FEGAWS General Plan					
	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008
GENERAL					
UFW					
Production (m3)	157,062,560	161,829,560	171,270,360	171,270,360	172,190,360
Sold water (m3)	86,986,301	95,751,314	104,324,555	110,288,898	115,471,529
Sold water (%)	55%	59%	61%	64%	67%
UFW (%)	45%	41%	39%	36%	33%
Revenue (LE)					
Drinking water	24,934,336	27,242,176	29,471,418	31,050,419	32,422,276
Sanitation	3,652,277	4,603,213	5,582,159	6,105,686	6,500,246
Fees	5,319,574	5,570,003	5,832,791	6,097,695	6,375,346
Desludging	275,000	270,000	265,000	260,000	255,000
Other Revenues	500,000	500,000	500,000	500,000	500,000
New Connections	771,619	706,229	741,083	747,052	782,997
Total	35,452,806	38,891,621	42,392,451	44,760,853	46,835,865
Cost (LE)					
Salaries	18,407,181	19,711,105	21,898,125	24,206,265	26,471,228
Electricity	10,976,986	11,539,845	12,084,169	12,832,523	13,373,412
Materials	3,617,868	3,722,028	4,839,520	4,839,520	4,969,496
Out-of-store	4,556,299	5,515,176	5,952,803	5,438,841	5,156,379
Total	37,558,334	40,488,154	44,774,617	47,317,149	49,970,515
Cost recovery					
Total revenue	35,452,806	38,891,621	42,392,451	44,760,853	46,835,865
Total cost	37,558,334	40,488,154	44,774,617	47,317,149	49,970,515
Cost recovery (%)	94%	96%	95%	95%	94%
Collections (LE)					
Cash and by cheque	27,600,000	28,200,000	28,200,000	30,000,000	30,600,000
Governmental collections	7,700,000	7,931,000	8,168,930	8,413,998	8,666,418
Total collection*	35,300,000	36,131,000	36,368,930	38,413,998	39,266,418





3.2 Detailed targets

3.2.1 Top Management

The targets for the top management comprise UFW and cost recovery. These parameters depend on the activities of large number of department and can only be managed at top management level. A detailed breakdown is given in Annex I-I: General

Reduction of UFW shall be effected by the following measures:

- Improve metering
 - calibrated meters at WTPs
 - Zoning, using bulk meters to measure in- and outflow of water in order to calculate accurately water losses
- Continuation of the programme for UFW reduction (UFW teams)
- Reduction of commercial losses through EDAMS Billing system

Cost recovery will be stabilised around 95% and will be achieved through:

- More effective billing and collection through EDAMS Billing
- Better cost control through improved management information (EMP)
- Improved accounting system through a new accounting system, including stores

The targets are based on the following assumptions:

- Average salary increase around 40 £E per employee per month for each year
- Staff distribution improved over the correct cost centres (done at the end of 2002)
- Desludging revenue is set at 280,000 £E for the first year and slightly going down for the coming years
- Other revenue is selling old scrap, selling tender document, services to third parties, etc.
- The costs are given in Annex I-I "Overview Departments" and include 15 £E incentive for each new connection, issued by 2003-2004
- Taxes & stamps are not considered revenue

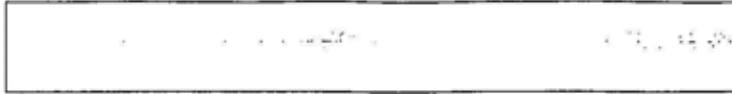
3.2.2 Production

The targets for production comprise unit prices for the various units. A breakdown for the unit prices is given in Annex I-2: production

The plan is based on the following strategy

- Maintain or reduce average unit costs of water production
- Close all Compact Units within 2 years
- Close other Compact Units in Tamia if new WTP Tamia will become operational





The targets are based on the following assumptions:

- Units shall also comply with pressure targets which are established on an annual basis and the water quality norms
- Small CUs have high unit costs (av. 0.25 £E/m³), low water quality, too frequent back washing (every 5 hrs), and operate only 2 shifts, max. cap. is 22 l/s due to dosing/ contact time
- Upgraded CUs have low unit costs (av. 0.10 £E/m³), better water quality and will operate 3 shifts
- Production of Old and New Qohafa WTPs will be at avg. (=max) capacity, 24 hrs/d. for the whole year
- Old El Azab WTP capacity. 850 l/s until 1/1/2004 (repair Bamag completed); thereafter: avg. 1350 l/s (winter and summer)
- New El Azab WTP: avg. 2,200 l/s (6 pumps) in winter and 2,575 l/s (7 pumps) in summer until 1/7/2005. Thereafter: 2,575 l/s (7 pumps) in winter and 2.800 l/s (8 pumps) in summer flow incl. 1 pump less in night
- New El Azab WTP production will increase after 1/7/2005 to cope with additional demands and after completion new transmission lines (Gabel Saad and Qalamshah lines).
- New WTP Tameya will be operational after 2008.
- Avg. dosing of chlorine (5 mg/l) and aluminium sulphate (40mg/l) will remain constant (as now)
- Price for aluminium sulphate and chlorine will increase by 50%
- Average electricity consumption per unit will remain the same (per m³)
- Total number of personnel will remain the same, but personnel will be reduced at Old El Azab and after closing small CUs and increased at NEAT and some upgraded CUs
- Data 2002-2003 are estimated based on monthly reports until May 2002-2003. Historic data is based on different methods of calculation (by pump curves and pressure) planning data for next years are based on flow tests at the outlets.

3.2.3 Network

The targets for distribution comprise cost, pipe and connection leaks, staff, and service delivery. A breakdown is given in Annex I-3: Distribution.

The plan is based on the following strategy

- Continue with control of leaks and reduce leaks per km or 1,000 connections during next 5 years (so reduce UFW by leaks)
- Reduce gradually the number of public taps in line with the increase of house connections
- Achieve good water supply (service delivery) in all areas in Fayoum within 3 years (level A or B)



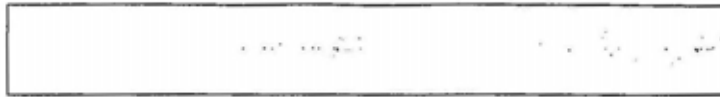


Table annex (I-3) is based on the following considerations

- Service delivery levels are defined as follows:
 - Level A ($p > 20m$, 24hrs/d)
 - Level B ($5 < p < 20m$, 24hrs/d)
 - Level C ($5 < p < 20m$, 16hrs/d)
 - Level D ($p < 5m$, 24hrs/d)
 - Level E ($p < 5m$, $< 16hrs/d$)
- Increases of the network length depend mainly on new projects of FaDWaSP, EgyCo, NOPWASD, UNICEF, Shoroukh, etc. and are not controlled by FEGAWS
- Total staff will increase, mainly due to a new markaz (Yousef Sedik) with a need for a separate Maintenance Centre and staff
- Average number of pipe leaks per km will decrease in the next 5 years due to improve network and new lines
- Average number of connection leaks (saddles, etc.) per 1,000 connections will decrease due to improved and new connections
- Actual leaks (pipe or connection) may increase or decrease per district during the next 5 years, based on the conditions in the district
- The number of Public Taps will decrease by 25% in the next 5 years, mainly due to increase of House Connections
- Public Tap policy of FEGAWS is to maintain sufficient Public Taps open in districts (e.g. minimum 1 in villages) with strict control of the condition of the Public Taps
- Service delivery will be expressed in % of population affected (good or poor water supply), and depends on the timely completion of new projects
- The cost for out-of- store and others are estimated to increase 9% for the coming years
- The number of staff is estimated around 350 for the coming years.
- The average salary will increase around 9.5% the coming years. This covers inflation (7%) as well as salary increases.
- Electricity costs increases are estimated at 5% per year

3.2.4 Sanitation

The EMP targets for sanitation comprise total cost, number of sewerage connections, and number of staff. A breakdown is given in Annex I-4: Sanitation.

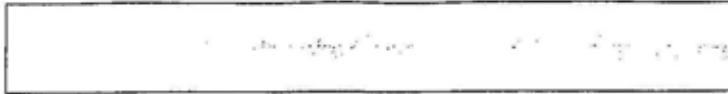
The Sanitation Sector will expand significantly due to the large number of new sewer schemes that will be set into operation. The strategy to ensure smooth operations of these schemes comprises the following measures:

- Retraining of existing staff and recruitment of new staff
- Revolving fund
- Performance improvement
- Outsourcing O&M of the WWTPs for the first two years .

The targets are based on the following assumptions:

- No non-financial targets were set because of lack of good business practice and information gathering within the current department
- The moment of setting each system into operation has been based on intensive discussion. However, the experiences in the past raise some uncertainties whether these targets are realistic





- O&M of WWTPs constructed through NOPWASD will be outsourced during the first two years to a contractor. The costs are estimated at 20,000L £E/month for the small systems and 30,000 £E/month for the large systems
- The total number of sewer connections are the current customers with a water connection in that area. All of them will receive a 30% sewer charge on their water bill.
- Total costs of personnel is determined by increasing the average costs of personnel for the second half of 2002 by a monthly 40 £E on top of the basic salary (or between 6-7% of the total salary). Besides for 2003-2004 an extra 6% on top of the total salary is added because it is expected that all basic salaries in the authority will increase with 10% (this is around 6% of total personnel costs).
- Energy costs are set as a factor of the total personnel costs (40%) for the coming years. Mechanical plants will use a lot of electricity
- Chemicals used in sanitation department are put in the out-of-store/other component
- Out-of-store and others is put as factor of personnel costs and will be decreased in the coming years.

3.2.5 Desludging

The EMP targets for desludging comprise revenue, costs, and number of staff. A breakdown is given in Annex I-5: Desludging.

3.2.6 Revenue

The EMP targets for revenue comprise revenue (issued bills), costs, unit price, number of staff and collected cash/cheque or non-cash. A breakdown is given in Annex I-5: Customers (1) and I-5: Revenue.

The targets are based on the following assumptions:

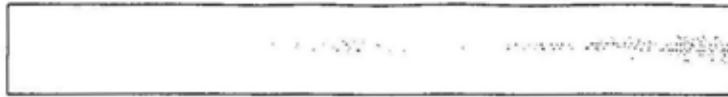
Customers

- Number of clients with a sewer connection is based on information from Sanitation Department and the number of operational systems per year
- Number of Public Taps are taken from Network Data
- Increase of commercial and domestic clients is based on the detailed targets for each Branch Office and set at an average around 4-5% per year.

Revenue

- Average consumption is derived from total water sold by each client category in 2000-2001 and 2001-2002
- The growth of average domestic consumption will be 5% (2003-2004) and go down to 1% in five years
- The growth of average commercial consumption will be 5% for sewer and 3% for non-sewer clients (2003-2004). This growth will decrease to only 1% in five years time for both types
- With the installation of new meters for many governmental and commercial clients the average consumption will increase
- The average consumption billed for public taps will be set higher the coming years at approximately 10m³ per day per tap





- Total water sold = average consumption per day * 365 * number of clients
- Water prices or other tariffs are assumed to remain to be stable
- The average sewer charge is set at 35% for domestic sewer clients, 50% for commercial and 61.5% for government. This is based in the 2000-2001 and 2001- 2002 data
- The cash/cheque collection will increase from 1.1 M€E in 2001- 2002 through 1.4 M€E in 2002-2003 to 2.3 M€E in 20-03-2004 until a maximum of around 2.55 M€E in 5 years time
- The adjustment is believe to decrease in 2003-2004 by 1M€E and slowly increase (3% a year) by additional water sold to governmental clients
- The cost of salary/personnel is based on two categories: temporary readers, who cost 35,000 £E per 2 months and permanent staff. The total number will increase from the current 240 until 260 coming years and the average cost of salary will increase by 7% inflation in the next year and 6% fixed for each 5 years
- Other costs will increase because of the outsourcing of IT, lease lines (80,000 £E per year), more paper, print-cartridges and maintenance of more and more expensive hardware
- Collection includes old- arrears, unpaid bills, and meter instalments
- For the coming two years the bills will contain a lot of old arrears, afterwards no sharp increase.

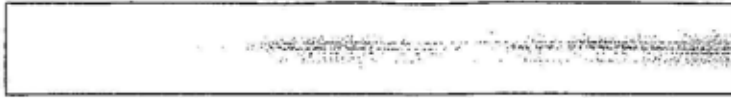
3.2.7 Meter Management

The target for meter mangment comprise costs, meter replaced (meter teams), and meters repaired (workshop). A breakdown is given in Annex I-6: Meter Management.

The targets are based on the following assumptions:

- improved central workshop in Qohafa will be ready
- Meter replacement by UFW-teams is set at 225 meters per month per team (=1800 per year)
- Only 80% of meters can be repaired ("black type", etc.) this will improve to 85% in 5 years time
- Number of teams will increase to 12 in the coming years
- The daily number of meters replaced per team shall increase from 5 (2003-04) to 7 per day (2007-2008)
- The price of a new meter is set at 90 £E, costs of an average repair 15 £E
- Increase of salary costs in set at 12% (6% autonomous and 6% for inflation correction) for the next year, then 8% and then 6% the other years.





3.2.8 Other Department

No direct targets have been set for the "Other Departments". There is not enough information on what will happen within the departments. Only an aggregate target is set for all departments as a whole.

Meter Management and Revenue departments are dealt separately with and are not mentioned here although considered part of the "Other Departments".

3.2.9 Cost Overview

A breakdown of all costs is given in Annex I-I: Overview Departments.

Here the following remarks are made.

- The explanation of the costs can be found at the specific paragraph of each department except for Desludging and Other Departments.
- Personnel costs of Desludging will not increase due to the natural reduction of staff from 69 to around 55 in 5 years. The same is expected for out-of-store and others
- The costs for the Other Departments are combined into an aggregated total
- The costs for personnel will increase with a 6% for inflation correction next year and around 6% autonomous for the coming five years. The total number of staff shall remain stable.
- Electricity costs increases by 3% each year
- Out-of-store costs are put as 30% of personnel costs

3.3 Procedures for Implementation

3.3.1 Monitoring

Good monitoring (reliable data on time) is the key to success for EMP. The experiences of the 1st EMP has shown that data collection is complicated. To address this problem monitoring at 3 levels are proposed, i.e. monthly, quarterly and annually. Data will be collected and presented by using the templates enclosed as Annex II in according to the fixed deadlines.

Data shall be submitted to the Technical Office of the Chairman. It is the responsibility of the Sector Heads to respect the deadlines. Non-respect of the deadlines will lead to disciplinary actions including the suspension of performance-related incentives. The Administrative Decree regulating the collection and submission of data is enclosed in Annex II.



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3.3.2 Feedback and comments

The Management Team, i.e. the Chairman, the Vice-Chairman and Heads of Sectors (Finance & Administration, Water and Sanitation) shall review all monthly monitoring reports. The responsible managers shall clarify the performance of their Department and corrective actions shall be decided upon, if necessary. These actions will be reviewed during the next EMP Session of the Management Team.

The monthly EMP Monitoring reports comprise a number of key performance indicators without additional analysis while the quarterly monitoring reports will be elaborated with analysis. These reports will be reviewed and approved by the Board of Directors.

The annual monitoring report shall contain full details of the concluded year and will be presented in a general meeting with the involved management (top and middle).

