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## **Gharbeya Water and Wastewater Company - Background**

- The Gharbeya company is located in the Delta
- Population: 4,170,000
- Water coverage: 90%
- Water accounts: 730,000
- Wastewater coverage: 35%
- Wastewater accounts: 348,000
- O&M cost recovery: 76%
- Collection rate: 76% (government accounts 30%)



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## **Gharbeya Water and Wastewater Company – Identification of Problem areas**

- Wastewater coverage
- Low collection rate
- Low O&M cost recovery
- Poor maintenance of wastewater treatment plants
- Low percentage of samples meeting standards (low quality of treated water)
- Low percentage of collected sewage treated
- Low interest in households connecting to ww collection system



## Selection of Outsourcing Option

- Given that the company is not profitable, money is not available to contract out expansion of the wastewater system and/or provision of household connections.
- The feasible outsourcing option, given the financial status of the company, is billing and collection which, if successful, will improve the financial position of the company and which, in addition, will not require funding by the company



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## Key Issues

- Length of the contract
- Method of compensating the contractor
- Will outsourcing create internal labor problems?
- Accuracy of billing, collection and meter status data
- Biggest non payer of water bills is government agencies
- How does the company protect cash collected by the contractor?



## SWOT and Conclusions

Streangths	Weaknesses	Opportunities	Threats
<p>90% of connections metered, 87% working</p>	<p><b>Weak management of the function</b>  <b>Not sure of the accuracy of the data on collection</b>            Not sure about data on working meters            Company can't cut the service for non-payment            Billing database may not be accurate            Difficult to redeploy staff            Service not considered to be good</p>	<p><b>Holding Company strongly supports improvement of collection rates</b>            Holding Company is managing a large procurement of domestic meters            Hand held units for recording meter readings can be introduced  <b>Companies specializing in billing and collection exist in the market</b></p>	<p><b>Government organizations don't pay</b>            Staff may oppose outsourcing</p>



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## **Parties to the Contract:**

- **The Client: Gharbeya Water and Wastewater Company**
- **The Contractor: TBD (private sector)**

## **Performance Objectives:**

- **Improve billing**
- **Increase collection efficiency**

**Type of Contract: Management**

**Duration of Contract: 5 years**



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## **Rights, Duties, and Responsibilities of the Parties to the Contract**

### **The Client:**

- **Supply of meters**
- **Clarify regulation on disconnecting the service**
- **Regularize illegal connection within a specified period of time**
- **Supply initial customer database**

### **The Contractor:**

- **Meter reading**
- **Billing**
- **Collecting**
- **Meter maintenance and replacement**
- **Report illegal connections**
- **Update customer database**
- **Provide a set of monthly management reports on billing, collection and meter replacement results**



## Compensation – contractual terms

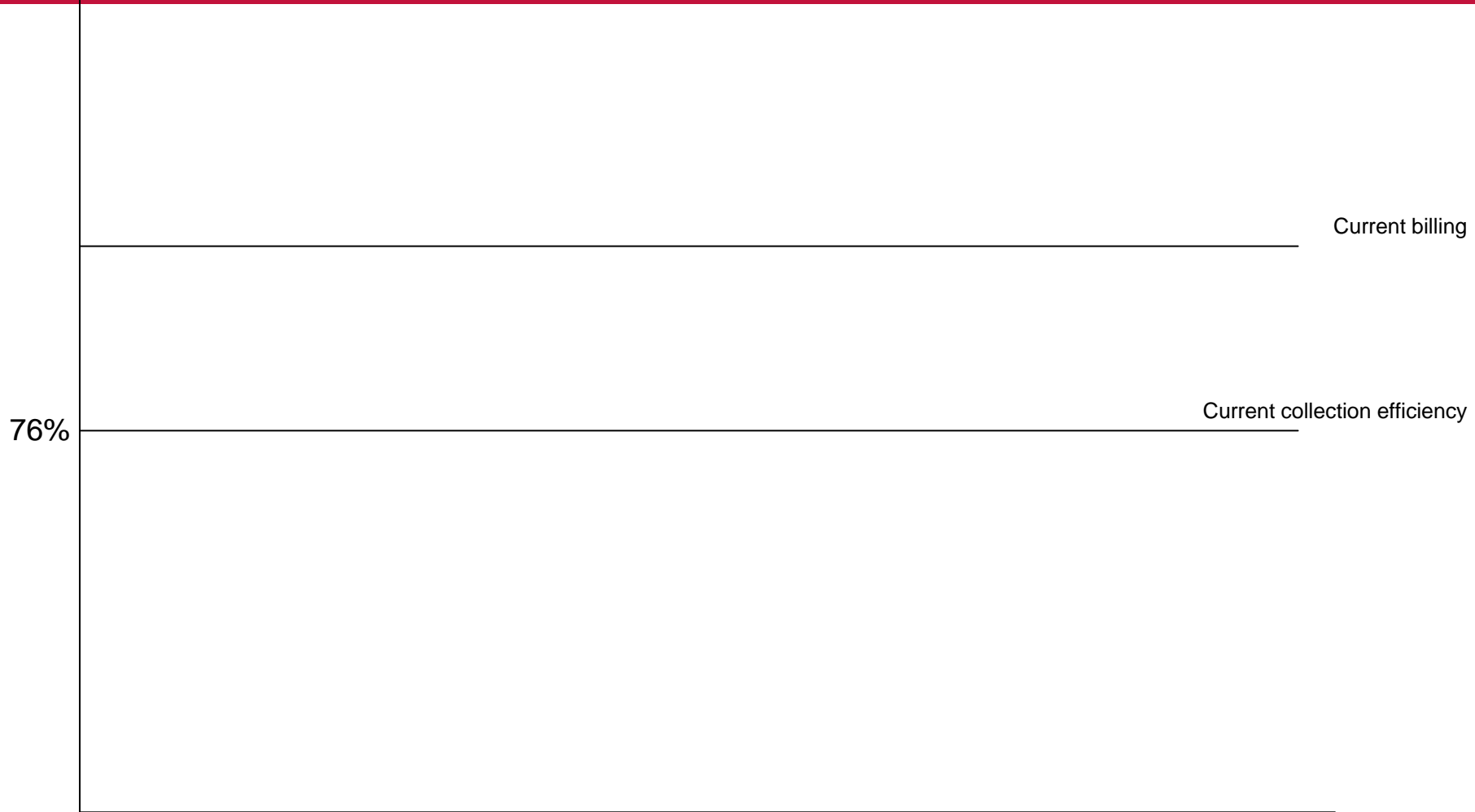
- An annual minimum for billing and collection will be established for each year of the contract
- A share of bills issued and money collected above the minimum will be a bid condition
- The contractor will be paid a share of the increase over the minimum
- If the contractor does not make the minimum he will take half of the agreed upon share.
- Client has the right to terminate if the contractor does not meet baseline levels.





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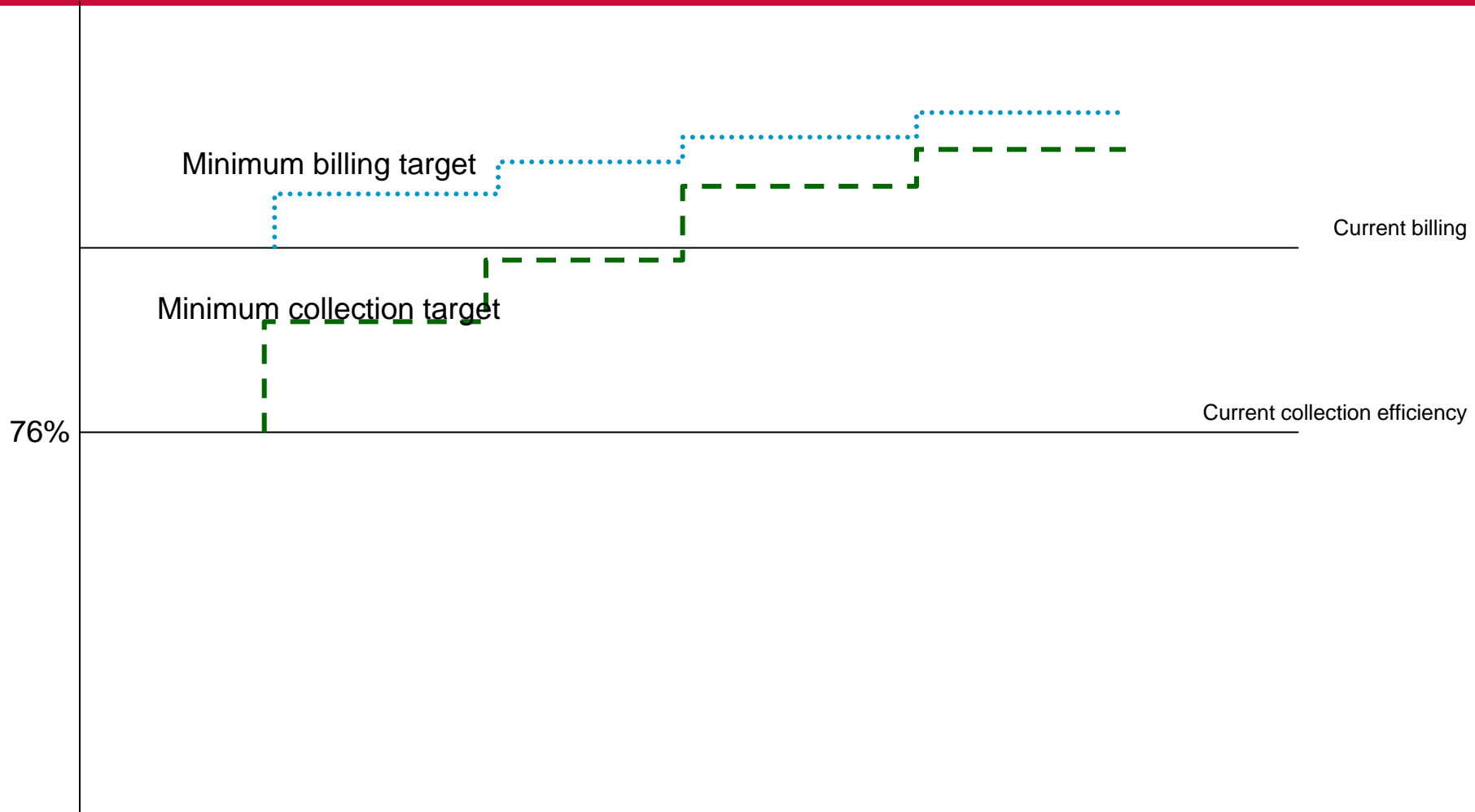
# Performance targets, incentives





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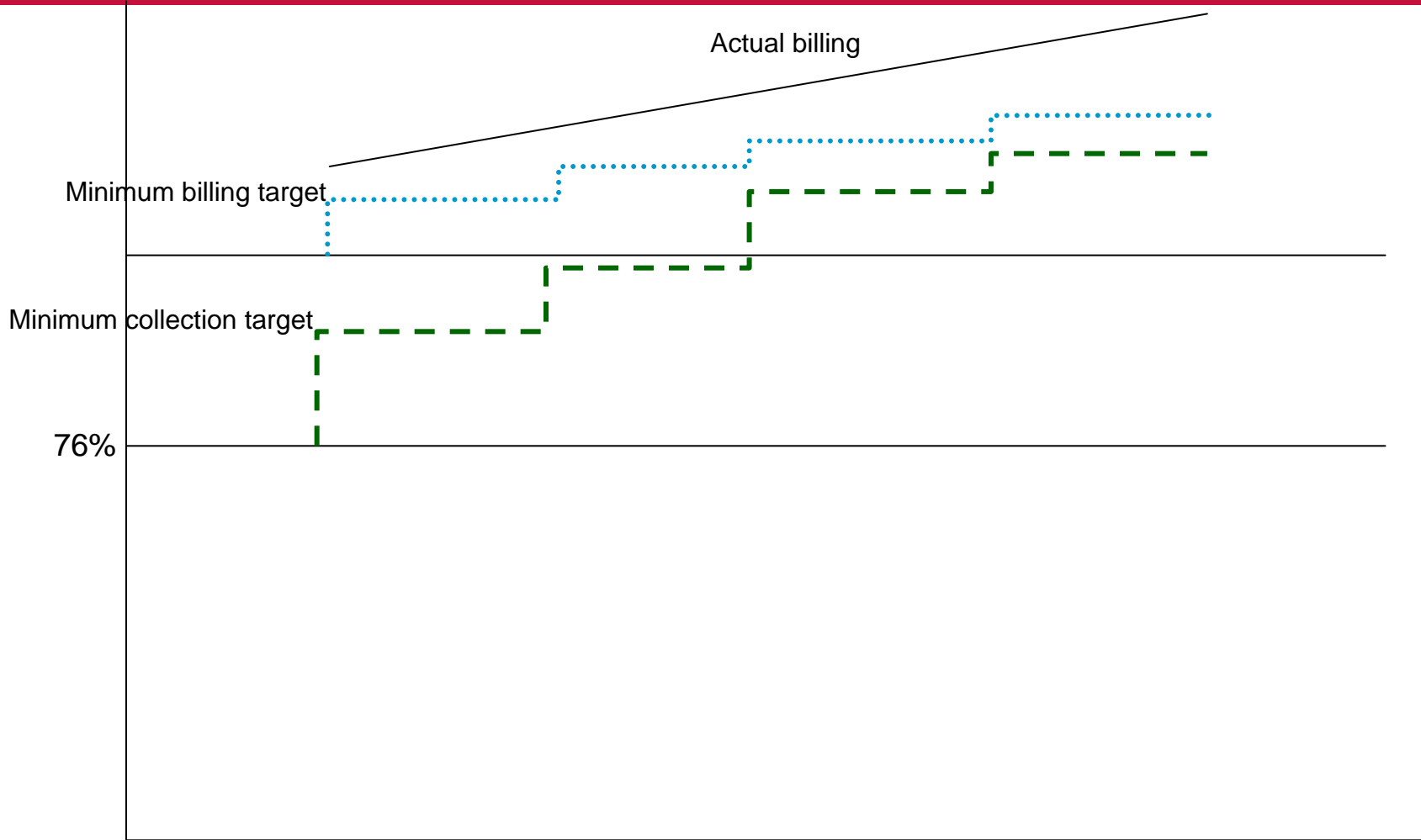
# Performance targets, incentives





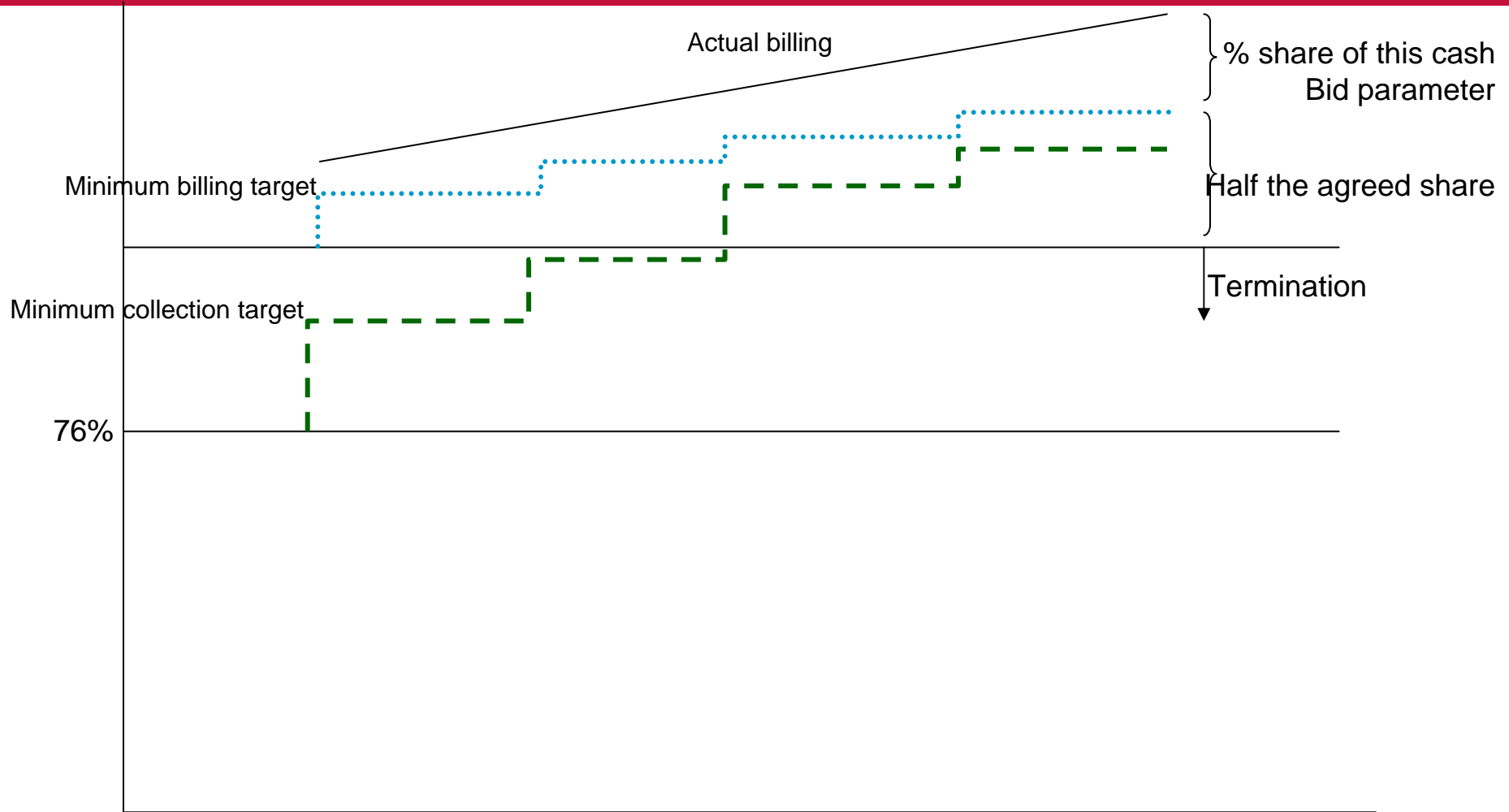
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# Performance targets, incentives





# Performance targets, incentives





## **Tender Issues – Determination of Eligibility**

Contractor eligibility will be assessed based upon:

- Billing and collection experience in water sector
- Billing and collection in any other sector
  - Gas
  - Telecom
  - Electricity
  - Credit cards
- No specific criteria to be established for local or international firms



## Tender Issues – Basis for Selection

- Bidders will be technically qualified based upon the technical proposal
- Financial envelopes opened for technically qualified bidders
- Bids to be weighted
  - Financial bids to be scored based upon a % of the low bid, with the low bid taking 100
  - Technical bids to be scored on
    - Methodology
    - Metering skills
    - Technology approach
    - Experience with billing, collection and identification of illegal connections



## Design of the tender - Issues

- Open for any firm/consortia – local and international
- Expressions of interest to be solicited
- Bid documents to be sent to firms/consortia expressing interest
- Separate financial and technical envelopes to be submitted
- Technical proposal evaluation criteria to be developed and made public
- Expert team to be selected for evaluation
- Evaluation of tenders to be weighted



## Selection Process – Key Risks

Key Risks	Solutions
Interest of Bidders Unknown	Survey conducted and EOI advertised
Political interference in evaluation and selection	Criteria to be made public
Quality of Evaluation May be Questioned	Expert committee including a legal specialist





## Possible adjustments to the Contract

Tariff increase	Targets to be revised up to 90% of the change
Disruptions in water supply	Targets to be lowered
If company negotiates payment of arrears from a government agency	Money collected is excluded from the scope



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## **Standards for Conditions of Assets upon Expiration of the Contract:**

**Not a critical issue**



## Management of the Contract

- **Responsible Party for Monitoring the Contract:**  
**Company**
- **Responsible Party for Enforcing the Contract:**  
**Company**
- **Responsible Party for Resolution of Disputes:**  
**Not discussed**



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## **Termination of the Contract**

### **Termination by the Client:**

- **Performance of contractor falls below current levels**
- **Contractor fails to deposit cash collected in accordance with contractual requirements**



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# Thank You