

Memorandum of Understanding

Between

General Organization for Greater Cairo  
Water Supply  
42 Ramses Street  
Cairo, Egypt

and

Black & Veatch International  
@ MTSS Project Office  
42 Ramses Street  
Cairo, Egypt

Whereas, the General Organization for Greater Cairo Water Supply (GOGCWS) and the United States Agency for International Development (USAID) have entered into a grant agreement (Cairo Water Supply II project - USAID Project No. 263-0193) for capital works and institutional strengthening of the GOGCWS; and,

Whereas, under the provisions of said grant agreement, USAID has established a reserve fund of \$12,000,000 to procure equipment and other commodities to strengthen the GOGCWS; and,

Whereas, the GOGCWS has contracted with Black & Veatch International (BVI) to assist with the institutional strengthening activities of the Cairo Water Supply II project; and,

Whereas, under the terms of the MTSS contract and workplan BVI will assist the GOGCWS to procure equipment and commodities for institutional strengthening through the USAID reserve fund referenced above;

Now, therefore, the parties do mutually agree to enter into this Memorandum of Understanding (MOU) whereby BVI will provide home office assistance and advisory services in Cairo to facilitate GOGCWS access, through the USAID reserve fund, to the specific equipment and commodities which will have the greatest positive impact on improving the performance of the GOGCWS, and the GOGCWS agrees to undertake specific performance improvement and policy reform efforts as may be defined by BVI, and mutually agreed between the parties.

#### Section 1 - Performance Period

The performance period for this Memorandum of Understanding shall be from 1 October 1994 to 30 September 1996 or for such other periods as the parties may mutually agree.

#### Section 2 - Budget Categories

For planning purposes, procurement of equipment and commodities in the following amounts and categories is anticipated:

- |                               |             |
|-------------------------------|-------------|
| a. Operations and maintenance | \$5,000,000 |
| b. Financial systems          | \$2,000,000 |
| c. Inventory control          | \$2,000,000 |
| d. Project management         | \$1,500,000 |
| e. Training                   | \$1,500,000 |

BVI will establish and maintain accounting procedures which will record all obligations and expenditures for equipment and commodities and separately identify the costs of personnel, advertising, procuring and shipping equipment and commodities financed by the USAID reserve fund.

### Section 3 - Performance Improvement

As mutually agreed by BVI and the GOGCWS, the GOGCWS will establish a performance measurement and reporting procedure based on the following indicators of performance:

- a. Management Training Courses Developed and Conducted
- b. Management Trainees Actual / Management Trainees Planned
- c. Operating Profits (Losses) / Total Revenues
- d. Operating Revenues / Operating Expenses
- e. Revenue Collected / Revenue Billed
- f. Water Production Billed / Water Produced
- g. Arrears Collected / Total Arrears
- h. Actual Operating Expenses / Budgeted Operating Expenses
- i. Revenue / Employee
- j. Preventive Maintenance Work Orders
- k. Non-Household Connections / Total Connections
- l. Working Meters / Total Accounts
- m. Value of Scrap or Stagnant Material Sold or Recycled
- n. Government Agencies' Water Consumption / Government Accounts
- o. Inventory Items Coded / Total Inventory Items
- p. Total Receivables / Services Billed (Average Month)

Historical data for each indicator and the 1995 benchmark are contained in Annex 1 to this Performance Agreement.

#### 3.1 Performance Benchmarks

Based on past performance a 30 June 1995 benchmark (the end of Phase 2 of the MTSS project) has been established for each performance indicator. The benchmark for each indicator is as follows:

##### a. Management Training Courses Developed

The 30 June 1995 benchmark for this indicator is 10 management training courses developed.

##### b. Management Trainees Actual / Management Trainees Planned

The 30 June 1995 benchmark for this indicator is a minimum of 400 management trainees with a participation rate of 80% or better. The participation rate requires that at least 4 of every 5 individuals who register for management training actually attend the course and receive certificates of satisfactory completion.

##### c. Operating Profits (Losses) / Total Revenues

The 30 June 1995 benchmark for this indicator is for operating costs not to exceed 125% of total revenues. Operating costs will include current expenses (wages and commodities, exclusive of debt service and transfer payments to CGOSD). Total revenues include all current revenues (tariff income and connection charges, exclusive of sewerage surcharges). Revenue for capital works is excluded.

d. Operating Revenues / Operating Expenses

The 30 June 1995 benchmark for this indicator is 80% cost recovery. Operating revenues include tariff income and connection charges; operating expenses are wages and commodities, exclusive of transfer payments to CGOSD.

e. Revenue Collected / Revenue Billed

The 30 June 1995 benchmark for this indicator is to collect 82% of the total amount billed.

f. Water Production Billed / Water Produced

The 30 June 1995 benchmark for this indicator is to bill for 79% of the water produced by the GOGCWS.

g. Arrears Collected / Total Arrears

The 30 June 1995 benchmark for this indicator is to collect 12% of the cumulative arrears owed the GOGCWS by both governmental and non-governmental consumers.

h. Actual Operating Expenses / Budgeted Operating Expenses

The 30 June 1995 benchmark for this indicator is a ratio of 1.20 :: 1.00, which represents a comparison of the actual expenses for the entire 1994-1995 fiscal year to the authorized budget for the same period.

i. Revenue / Employee

The 30 June 1995 benchmark for this indicator is LE 13,750 actual revenue collected per employee for the 1994-1995 fiscal year.

j. Preventive Maintenance Work Orders

The 30 June 1995 benchmark for this indicator is 8750 preventive maintenance work orders for network operations and maintenance.

k. Non-Household Connections / Total Connections

The 30 June 1995 benchmark for this indicator is for 15% of the total connections to be for non-domestic consumers.

l. Working Meters / Total Accounts

The 30 June 1995 benchmark for this indicator is for the GOGCWS to have 37% of its accounts billed on the basis of actual metered consumption.

m. Value of Scrap or Stagnant Material Sold or Recycled

The 30 June 1995 benchmark for this indicator is for the GOGCWS to generate LE 500,000 in revenue from the sale or recycling of scrap or stagnant material.

n. Government Agencies' Water Consumption / Government Accounts

The 30 June 1995 benchmark for this indicator is an average of 22,416m<sup>3</sup> of government agency water consumption for a typical government account.

o. Inventory Items Codes / Total Inventory Items

The 30 June 1995 benchmark for this indicator is for 100% of the inventory @ two (2) water treatment plants to be coded and inventoried.

p. Total Receivables / Services Billed (Average Month)

The 30 June 1995 benchmark for this indicator is to reduce the cumulative receivables to the equivalent of 12 months of water billings.

### 3.2 Bi-Monthly Performance Indicator Status Reporting

For each indicator, a GOGCWS manager, appointed by the chairman, will be responsible for preparing for the chairman a performance indicator status report. BVI will consolidate and prepare the individual performance indicator status reports into a single, comprehensive report. Both the performance indicator status reports and the GOGCWS performance report will identify the performance achieved since the last report and the cumulative performance achieved for the performance periods relative to the benchmark for the performance indicators identified above. Indicators and benchmarks may be modified by mutual agreement between the parties.

## Section 4. Policy Reform

The GOGCWS will undertake to establish policies and, where appropriate, adopt procedures to implement policies in the following policy areas:

1. Social
2. Financial
3. Institutional
4. Personal
5. Technical
6. Informational
7. Environmental

Policies will be closely related to performance improvement and will support the mission of the GOGCWS and its strategy for cost effective service delivery.

#### 4.1 Bi-Monthly Policy Reform Status Reporting

During the performance period, the GOGCWS will prepare a bi-monthly policy reform status report which will identify and categorize each candidate policy according to the status of its approval by: technical staff, Steering Committee, Board of Directors and external agencies (where required).

#### Section 5. Technical Assistance for Equipment and Commodity Procurement

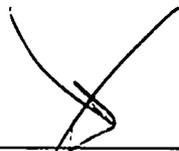
BVI will assist the GOGCWS to identify its needs for procuring the items of equipment and other commodities which will directly support performance improvement and policy reform. BVI program managers, working with their respective counterparts will identify equipment and commodities within the five categories identified in Section 2, above. For each separate package of items to be procured, BVI and the GOGCWS will jointly certify and justify, in writing, to USAID that the equipment or commodities will support performance improvement and policy reform. After USAID approval, the BVI home office will assist the GOGCWS to prepare the documentation needed to procure the performance- and policy-based equipment and commodities. The equipment and commodities will be funded under the USAID reserve fund referenced above.

#### Section 6. Incorporation of Terms

Nothing in this memorandum of understanding between the GOGCWS and BVI shall modify or limit in any way the provisions of either: 1) the Project Grant Agreement between the Arab Republic of Egypt and the United States of America for the Cairo Water Supply II project (USAID Project No. 263-0193) or 2) the Contract or workplan between the GOGCWS and BVI for the MTSS project.

Approved by:

Eng. Saad El Din El Deeb:  
Chairman GOGCWS



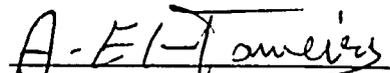
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Head of Central Department  
for Financial Affairs:



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Vice Chairman for  
Technical Affairs:



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## PERFORMANCE INDICATORS FOR THE GOGCWS PERFORMANCE CONTRACT

Performance Indicator	Frequency	Historical Trend			Benchmark 1995	Target
		1990-1991	1991-1992	1992-1993		
Management Training Courses Developed	Monthly	0	0	0	10	30
Management Trainees Actual/Management Trainees Planned	Monthly	0	0	0	80% w/500min.	90%w/1500min.
Operating Profits (Losses)/Total Revenues	Bimonthly	(39%)	(26%)	(41%)	(25%)	5%
Operating Revenues/Operating Expenses	Bimonthly	72%	79%	71%	80%	105%
Revenue Collected/Revenue Billed	Bimonthly	72%	70%	71%	82%	95%
Water Production Billed/Water Produced	Bimonthly	85%	85%	77%	79%	80%
Arrears Collected/Total Arrears	Bimonthly	5.7%	3.3%	7.0%	12%	90%
Actual/Budgeted Operating Expenses	Monthly	1.48	1.65	1.27	1.20	1.00
Revenue/Employee	Monthly	LE 7,2,83	LE 11,380	LE 11,890	LE 13,750	N/A
Preventive Maintenance Work Orders (Networks)	Monthly	0	0	0	8750	25% by 2000
Non-Household Connections/Total Connections	Bimonthly	9.8%	9.5%	9.4%	15%	30%
Working Meters/Total Accounts	Monthly	N/A	N/A	31%	37%	90%
Scrap or Stagnant Materials Sold or Recycled	Monthly	LE 122,000	LE 352,000	LE 4,000	LE 500,000	No Scrap
Water Consumed m <sup>3</sup> /Government Account	Bimonthly	27,134	28,962	24,907	22,416	N/A
Inventory Items Coded/Total Inventory Items (18,000 items)	Monthly	0	0	0	100% @ 2 plants	100% @ all plants
Total Receivables/Services Billed	Monthly	12.1 mos.	11.6 mos.	14.6 mos.	12 mos.	2 mos.

