

Public Service Agreement on the delegation of public water supply and sewerage service of the city of Osh

Agreement between the city of Osh and Oshvodokanal
2013

PREAMBLE TO THE AGREEMENT

The Mayor's Office of Osh City, Kyrgyz Republic, represented by the Mayor, **Myrzakmatov Melis Jooshbaevich**, acting in accordance with the Law of the Kyrgyz Republic on Local Government, hereinafter referred to as the "Mayor's Office" and / or the "Delegant", and the Production and Management Enterprise "Oshvodokanal" represented by the General Director, **Kokochorov Doolotbek Kurmanbekovich**, acting in accordance with Oshvodokanal Charter, hereinafter referred to as "Oshvodokanal" and / or the "Operator", for the purpose of this Agreement referred together as the "Parties",

Have entered into the following Agreement (hereinafter referred to as the "Agreement") regarding the strengthening of cooperation between the Parties for the purposes of providing potable water and wastewater services.

1. SCOPE AND DURATION OF THE AGREEMENT

Article 1

The object of the Agreement is the provision and operation of water supply and sewerage services in the service area.

The service area corresponds to the city of Osh.

The duration of the Agreement is 10 years.

Article 2

The objective of this Agreement is the improvement of the quality of the water and sewerage services provided to the clients, which shall be obtained with:

- the modernization of the water and sewerage networks and facilities
- the improvement of the management of the water and sewerage services
- the financial support (loans and grants) of International Financial institutions and Development Agencies

Article 3

This Agreement shall contribute to the improvement of the quality and efficiency of the water supply and sewerage services by providing a solid and predictable framework in which:

- the Operator can operate under satisfying conditions

- the Operator is accountable, and gives regular accounts of its technical, organizational and financial results to the stakeholders
- the Operator is encouraged to make progress

Article 4

The establishment of the tariff and the conditions of operation of the water and sewerage services should be established and organized in such manner that the financial independence and sustainability of the Operator is secured.

2. GENERAL PROVISIONS

Article 5

In the course of their business, each Party remains completely independent. Neither Party is liable for the other Party in fulfilling its obligations under this Agreement and before third Parties.

Article 6

This Agreement, as well as any protocols and amendments therein, signed by both Parties, and the current legislation of the Kyrgyz Republic (Laws of the Kyrgyz Republic on “Local Government”, “On Potable Water”, “On environmental protection” and others), shall serve as the basis for the rights and obligations of the Parties.

In the event that this Agreement and / or its amendments conflict with the legislation of the Kyrgyz Republic, the Parties shall act in accordance with existing legislation of the Kyrgyz Republic.

Article 7

The Parties declare that by concluding this Agreement, they will not violate any of the commitments made in previous agreements, as well as decrees which are based on mandatory regulations governing their activities. The Parties also express their desire and willingness to make every effort to fulfil their obligations under this Agreement and will respect the rights and interests of each other contained in this Agreement.

3. RIGHTS OF THE PARTIES

Article 8

The Delegant shall have the following rights:

- a) to review and approve the reports prepared and submitted by the Operator.
- b) to contract and guarantee, in compliance with the laws, loans to finance the investment programs for the modernization of the water and sewerage services.
- c) to control the fulfilment of the obligations (provision of the service and compliance with regulations and performance targets) assumed by the Operator under this Agreement, without applying any interference in the management of the Operator, or creating unnecessary bureaucratic obligations.
- d) to coordinate the planning and execution of the major investment and repair programs, so that to ensure a continuity in the implementation of long-term strategies.
- e) to implement a subsidy system regarding the payment of the services provided by the Operator by financially unsecured customers, at the condition that the subsidy system does not impact negatively the revenue of the the Operator.
- f) to develop and approve targeted programs and action plans for the development of systems of drinking water to the city of Osh.
- g) to monitor the implementation of new technologies and materials in the production of the Operator.
- h) within the limits of its competence, to make amendments and additions to the regulations related to water supply and sewerage issues.

Article 9

The Operator shall have the following rights:

- a) to operate the assets and perform, on his own risk, the activities requested under this Agreement.
- b) to collect any amounts for the services provided and, in case of late payment, to discontinue the provision of services, using legal measures to recover the debts and all related costs.
- c) to propose the annual tariff revision according the schedule and methodology proposed in the section 8 of this Agreement.
- d) to propose extraordinary tariff revisions in case of objective factors worsening the economic and financial situation, which would occur before the next annual tariff revision.
- e) to conclude contracts with third parties in order to facilitate the provision of services, except for the sub-contracting of core business.
- f) to have access to the public infrastructure located in the service area, within the legal limits, in order to make repairs or prevent damages.
- g) to perform in the service area, both at surface and underground, maintenance, repair and renovation works on the networks and on the facilities which are related to the provision of water and sewerage services.

h) to increase the operating efficiency of water supply and sewerage facilities through the implementation of effective management techniques, automated management programs, development of projects and design estimates.

i) to carry out analysis and provide the Delegant with suggestions on amending regulatory acts and developing the conditions for involvement of investments in certain projects for the upgrading of the water supply and sewerage systems of the Operator.

j) to install water meters, and bill by meters instead of billing by norms.

Article 10

The billing by meters shall be progressively generalized. To this end, meters will be installed in all connections. However, it is not yet decided which party (Delegant, Operator or client) shall bear the cost of the purchase and installation of the meters.

In any case, the type of meter and the condition of installation must comply with the Operator's specifications, and must be checked and approved by the Operator.

The Operator is entitled to have access and check all meters installed at the water connections.

In the case that the type or the installation of the meter does not correspond to the Operator's specifications, the Operator is entitled to ask for any necessary modifications.

4. OBLIGATIONS OF THE PARTIES

Article 11

The Delegant shall have the following obligations:

a) to review and approve the reports submitted by the Operator.

b) To review and approve the annual tariff revision submitted by the Operator according to the provisions of the section 8 of this Agreement, and to provide support to the Operator to obtain the validation by the Anti-Monopoly Agency.

c) to provide support to the Operator in finding and implementing the financing of investment programs aimed at developing and upgrading the water supply and sewerage systems.

d) to monitor the observance by the Operator of the applied standards, the service quality, the performance indicators, the measures taken to remove the faults found and to inform and provide proper services to consumers.

e) to ensure decision-making autonomy for the Operator, so that to minimize the influence of the public authorities and institutions in the management of the water and sewerage services.

f) to facilitate the authorization of the works and investments made by the Operator related to the provision of water and sewerage services.

g) to fully compensate any decrease of the Vodokanal's revenue which would be the result of the decision of the Municipality to implement any subsidy system regarding the payment of the services provided by the Vodokanal.

h) to provide the Operator with legal, administrative and other types of support, including interaction with governmental agencies at all levels, to prohibit the drilling and operation of individual wells, to take measures aimed at preventing pollution of underground waters, as well as in other cases which do not contradict the legislation of the Kyrgyz Republic.

i) to carry out timely the financing of the budgetary city organizations to ensure appropriate payment for the services rendered by the Operator.

j) to assist the Operator with legal, administrative and other matters relating to undertaking rightful measures in collecting payments for rendered services, in prevention and termination of unauthorized connections to the network, in ensuring sanitary and hygienic safety of the Operator's facilities and network, and in other appropriate activities.

k) To compensate losses of the Operator in cases where tariffs for the services provided by the Operator are insufficient to cover the actual costs of the Operator.

Article 12

The Operator shall have the following obligations:

a) to deliver the water supply and sewerage services to all users in the service area, on a permanent basis and in compliance with the quality standards required by the relevant legislation.

b) to carry out systematic monitoring of the condition and operation of the water supply and sewerage networks and facilities.

c) to keep the water supply and sewerage networks and facilities in good operating conditions, and with sufficient capacity to provide the services in the service area with the required quality standards.

d) to prepare and submit to the Delegant the reports indicated in the section 9 of this Agreement.

e) to prepare and submit to the Delegant the annual tariff revision in accordance to the provisions of the section 8 of this Agreement.

f) to control the operating costs in such manner that they remain inside the Budget indicated in the Annual Business Plan agreed by the Delegant.

g) to prepare, finance and implement the Annual Maintenance Program, and to implement and finance any additional maintenance action which could result from unexpected events.

h) to prepare and implement the Annual Investment Program, which shall be financed according to the annual investment financing scheme approved by the Delegant.

i) to develop a modern system of accounting in accordance with generally accepted accounting standard and with a separation for water and sewerage services.

j) to monitor the Performance Indicators and to observe the Performance Targets as indicated in the section 7 of this Agreement, and to take the necessary measure to elucidate and remove any cause of non-monitoring or non-observance thereof.

k) to inform the Delegant of any incidents affecting, or which could affect, significantly the provision of the service or the quality of the service provided.

l) to provide the Delegant and any other relevant public authorities with any information they are entitled to obtain and to ensure access, according to their competence, to any information necessary to verify and assess the service operation and development.

m) to use management techniques which lead to significant reduction of the operating costs and, in particular, the water losses.

n) to keep, on his own, the necessary number of staff in order to ensure the proper fulfillment of the contractual obligations.

o) to ensure, on his own, the continuous training and retraining of the staff.

p) to take the necessary measures regarding the occupational health and safety.

q) to implement environmental measures and measures aimed at reducing environmental risks to water facilities by performing sewage treatment up to the level of the approved maximum allowable discharge.

r) to provide consultation to every interested person about its policies in respect of water and wastewater services upon request as well as organise activity with local communities to increase public knowledge of water supply issues, personal health and hygiene best practice, and the importance of water conservation.

s) to inform its customers about increases in the water and wastewater tariffs and norms of usage via relevant media.

Article 13

The Operator shall organize regular customer consultations which shall examine and discuss the quality of the service provided by the Operator, the level of the performance Indicators and the performance targets, new services expected by the public and all other relevant issues.

A particular attention shall be paid by the Operator about the establishment and optimization of the water supply schedule in the different areas as long as 24h supply is not achieved.

Article 14

In the event of inappropriate monitoring of the Operator's business by the Delegant, the Operator shall not be relieved of the fulfillment of his obligations.

Article 15

If the Delegant does not meet his contractual obligations, and this causes an injury to the Operator, the Operator shall continue to provide the services, but he shall also be entitled to receive from the Delegant compensation equal to that injury.

5. MANAGEMENT METHODOLOGY AND TOOLS

Article 16

The Operator shall managed the services with proper methodology and modern and computerized tools

Article 17

The Operator shall indicate in the Annual Activity Report the situation and the progress in this matter for the different activities, and particularly regarding at least:

- the general accounting
- the analytic accounting
- the billing and collection
- the customer database
- the recording of the customer complaints
- the monitoring and control of the operations (scada system...)
- the registration of the assets (geographical information system...)

6. HUMAN RESOURCES

Article 18

The Operator shall ensure that the staff hired for the provision of services is adequate in number, properly qualified, skilled and experienced to perform the tasks assigned.

The staff wages shall be set by the Operator according to the requirements of the regulatory system.

The Operator shall develop and implement a program of continuous training and development of the staff. Special attention shall be paid to the training on health and safety.

Article 19

The Operator shall ensure a high productivity through appropriate working conditions and use of modern information technologies.

The number of employees shall be adapted to the evolution of the operating condition deriving from new computerized tools and increase of productivity, and shall be reduced appropriately in accordance with the existing regulations.

Article 20

The Operator shall ensure that the staff uses appropriate identity cards and, according to the requirements of the regulatory system, uniforms and protection clothes with identification marks. The Operator shall ensure the application of marks on trucks and other vehicles.

Article 21

The human resources management is under the sole responsibility of the Operator, and the Delegant should not interfere in this matter, other than in appointing the General Director

The Delegant, or any person attached to the Delegant, shall not exert any pressure to recruit, dismiss, favor or attack any employee of the Operator within the scope of his, professional activity

7. PERFORMANCE INDICATORS AND TARGETS

Article 22

The Performance Indicators and the Performance Targets are shown in Annex 1 of this Agreement.

The Performance Indicators and Performance Targets represent:

- a) criteria to evaluate the Operator's activity.
- b) criteria that this Agreement is implemented in a satisfying manner by the Delegant and the Operator, in particular in what regards regular tariff revisions.
- c) the minimum or, as appropriate, the maximum quality level of the services provided.
- d) the insurance that specific regulations of the water management and environmental protection are observed.

Article 23

The Performance Indicators and the Performance Targets shall be revised and approved annually by the Delegant and the Operator, in a manner that should reflect any change in the operating conditions, the regulatory framework and the objectives assigned to the Operator.

The definition and the calculation of the Performance Indicators shall be established in a clear manner with supporting examples.

For each Performance Indicator, it must be checked that the Operator's management organization and technical equipment can provide the data necessary to the establishment of the Performance Indicator with sufficient reliability and regularity.

Article 24

The Delegant shall monitor the observance of the Performance Indicators by the Operator and may ask the Operator to take the necessary measures to comply with the Performance targets.

The Performance Indicators shall be disclosed and commented by the Operator in the Annual Activity Report.

8. THE TARIFF SYSTEM

Article 25

The tariffs of the water and sewerage services shall be proposed by the Operator, agreed by the Anti-Monopoly Agency and approved by the Delegant.

Article 26

The revision of the tariff shall be proposed annually by the Operator.

The revised tariff shall be prepared by the Operator at the end of the year n , transmitted to and agreed by the Anti-Monopoly Agency, and eventually approved by the City Council by the 31 January of the year $n+1$.

The revised tariff shall be based on the following documents which must be prepared by the Operator and transmitted to the Delegant:

- a) the Budget of the year $n+1$ where the operating costs and the debt service of the international loans should appear in a transparent manner, and the actualization of the quarter 3 of the Budget of the year n ;
- b) the Annual Investment Program of the year $n+1$ with the financing scheme attached, and a progress report on the implementation of the Annual Investment Program of the year n ;
- c) the Annual Maintenance Program of the year $n+1$, and a progress report on the implementation of the Annual Maintenance Program of the year n ;
- d) the forecast of the billed volume by category for the year $n+1$, and the actualization of the quarter 3 of the billed volume by category of the year n ;
- e) the evolution of the operating cost between the year n and the year $n+1$
- f) the audited IFRS Financial Statements of the year $n-1$

Article 27

The Delegant shall review and approve the Budget of the Operator, the Annual Investment Program with the financing scheme, the Annual Maintenance Program and the forecast for the billed volume by category for the year n+1.

The revision of the tariff shall be based on these approved documents. The average revised tariff shall be set above the minimum average tariff. The minimum average tariff is the tariff which is sufficient to cover at least:

- a) the operating costs, as indicated in the approved Budget
- b) the debt service of the international loans, as indicated in the approved Budget
- c) the investment directly financed by the Operator, as indicated in the financial scheme of the approved Annual Investment Program

Article 28

The revised tariff by category shall be calculated by applying the cross subsidies system to the average revised tariff. The application of the revised tariff by category shall generate the same level of revenue as what would be generated by the application of the average revised tariff without cross-subsidies.

The system of cross-subsidies shall be progressively suppressed over the next 10 years.

Article 29

For each category, different tariffs may apply for clients billed by norm or by meter. However, the application of these tariffs shall not have negative consequences on the revenue of the Operator.

Article 30

The tariff established for the domestic customers should observe a reasonable level of affordability for a family living in the Municipality of Osh. The affordability ratio is defined as the ratio between the average bill and the average revenue of the households. A maximum level of 3% for the affordability ratio is usually recommended.

Article 31

In case of objective factors worsening the economic and financial situation, the tariffs may be revised extraordinarily. The revision shall be prepared and approved on a case by case basis, with all necessary supporting documents.

9. FINANCIAL SUSTAINABILTY

Article 32

The parties agree that the following issues constitute a serious threat to the financial sustainability of the Operator in which they must cooperate to find acceptable solutions and arrangements:

1. Tariffs that are lower than cost recovery
2. Budget customers do not pay
3. Poor households cannot pay because of the city's fault on social safety system

Article 33

The tariff setting process described in the section 8 of this Agreement shall not conduct to tariff which is not regularly revised, or which do not allow a proper recovery of the cost.

The effective annual revision of the tariff constitutes a performance target and a performance indicator which is extremely important to meet.

If the Operator considers that the revised tariff is lower than what is needed to recover the cost of the service that it provides, it is entitled to call to an independent expertise which shall be conducted by an expert approved by the EBRD.

If the expert comes to the conclusion that the revised tariff is set at a level which constitutes a prejudice for the Operator, this prejudice shall be compensated either:

- By an increase of the revised tariff at a level agreed by the expert
- Or by a subsidy paid by the Delegant to the Operator at a level agreed by the expert.

Article 34

The Delegant shall make sure that the municipal budget customers pay the services provided by the Operator in a timely manner. If it is not the case, the Operator is entitled to ask assistance to the Municipality in collecting the unpaid amounts.

The Delegant shall also provide assistance to the Operator to collect the unpaid bills of the non-municipal budget customers.

Article 35

The Delegant commits to studying, and if necessary to implementing, a social safety system which is intended to help the financially insecure population to pay for the services provided by the Operator.

If such system is not implemented or is inefficient, and if the Operator considers that it constitutes a threat to its financial sustainability, the Operator is entitled to call to an independent expertise conducted by an expert approved by the EBRD.

If the expert comes to the conclusion that this situation constitutes a prejudice for the Operator, this prejudice shall be compensated either:

- By a subsidy paid by the Delegant to the Operator at a level agreed by the expert.
- Or by any other action proposed by the Delegant and approved by the expert

10. ACCOUNTING, REPORTING AND COMMUNICATION

Article 36

The Operator shall be accountable of its actions and performance to the Delegant, the clients and the other stakeholders. For this matter, the Operator shall report and communicate regularly, and in a fair and transparent manner.

Article 37

Regarding the past activities of the year n-1, the Operator shall prepare and transmit to the Delegant before 1 May of the year n the following reports:

- a) the Annual Activity Report of the year n-1, where the Operator shall give a complete and fair view of the operations, the realization of the Budget and the level of the Performance Indicators with respect to the Performance Targets.
- b) the Annual Investment Report of the year n-1, which shall give a fair presentation and a list of all investment actions taken by the Operator and their corresponding cost
- c) the Annual Maintenance Report of the year n-1, which shall give a fair presentation and a list of all maintenance actions taken by the Operator and their corresponding cost

In addition, the Operator shall transmit to the Delegant before 15 June the audited Financial Statements.

Article 38

Regarding the future activities of the year n+1, the Operator shall prepare and transmit to the Delegant before 15 November of the year n the following reports:

- a) the Annual Investment Program, which indicates the proposed investment actions for the year n+1 to n+3 and the corresponding costs. It shall also contain the financing scheme which indicates the share of the international loans, the grants and the direct operator's funding in the financing the investment of the year n+1.
- b) the Annual Maintenance Report of the year n+1, which indicates the proposed maintenance actions for the year n+1 and the corresponding costs.

c) the Annual Business Plan, which presents the operational and financial forecast for the year n+1 to n+3. The Budget and the forecast of the billed volume by category for the year n+1 are contained in the Annual Business Plan.

These reports form the basis on which the revised tariff is established, and shall be approved by the Delegant before 15 December.

Article 39

The list of reports with corresponding the delivery dates is indicated in the List of Reports indicated in the Annexe 2.

Article 40

The Operator shall communicate regularly to the clients on the quality of the service which is delivered. In particular, the water supply schedule, the level of the Performance Indicators, the issues discussed during the regular customer consultations, and other relevant key information shall be advertised and published in the relevant media. The creation and use of the internet web site of the Operator is recommended.

11. ENTRY INTO EFFECT ADAPTABILITY AND TERMINATION OF THE AGREEMENT

Article 41

This Agreement shall enter into effect as of the signing thereof by the Parties.

If by the expiration date of this Agreement, none of the Parties expresses its desire to terminate it, this Agreement shall be automatically considered as extended for the same term and under the same conditions.

Article 42

This Agreement is exposed to the change of the laws and regulations of the Kyrgyz Republic, and the evolution of the context and environment in which the Operator operates.

The Delegant and the Operator shall envisage at any time the compliance of the Agreement with the law and regulations of the Kyrgyz Republic, and the relevance of the Agreement with respect to the context and environment in which the Operator operates. If necessary, the relevant modifications shall be introduced in the Agreement.

Article 43

Any of the Parties to the Agreement shall have the right to terminate it by providing a written termination notice 90 days prior to termination.

12. DISPUTE RESOLUTION

Article 44

The Parties shall make every effort to resolve all disputes arising from this Agreement by way of negotiation.

Article 45

Disputes not settled by way of negotiation shall be subject to resolution by the Courts of Common Jurisdiction in accordance with the legislation of the Kyrgyz Republic.

13. FORCE MAJEURE

Article 46

The Parties are not responsible for partial or complete failure to fulfil obligations under this Agreement if this failure was the result of force majeure arising after the conclusion of the Agreement as a result of extraordinary events, which the parties could neither foresee nor prevent through reasonable measures.

Article 47

Force majeure events include events which the parties cannot influence or control, and for the occurrence of which the Parties shall not be liable, such as military action, strikes, earthquakes, floods, fires and other natural disasters.

A Party that is unable, due to occurrence of a force majeure event, to perform the obligations under this Agreement shall, subject to the provisions of the Agreement, make every effort to compensate such failure.

Article 49

In case of force majeure events, the term of the obligations under this Agreement shall be extended in proportion to the time during which the force majeure events occurred and for the period of the extension the same obligations and their consequences should also apply.

14. Final Provisions

Article 50

This Agreement is made in three copies.

Article 51

All changes and amendments to this Agreement shall be made in writing and signed by the authorized representatives of both Parties.

Article 52

If any provision of this Agreement becomes null and void by virtue of regulations, orders etc. issued by the state bodies of the Kyrgyz Republic, it shall not serve as basis for suspension of the remaining provisions. The provision held invalid shall be replaced by another provision that is valid in legal terms.

Article 53

This Agreement was signed by the Parties on this date [] in Osh City, Kyrgyz Republic in English and Russian versions. In case of contradiction, the English version shall prevail.

On behalf of Mayor's Office	On behalf of Oshvodokanal
Mayor's Office	Oshvodokanal
Lenin str. 221 - Osh	Chunsabaeva 256 - Osh
Mayor of Osh city	Head of Oshvodokanal
Myrzakmatov Melis Jooshaevich	Kokochorov Doolotbek Kunzharbekovich

Annex 1: technical, financial and managerial indicators

The production of the Performance Indicators and their reliability depends on the introduction of modern equipment and working procedures, in particular flow meters in all production points and a modern Management Information System operated with proper procedures.

<i>Performance Indicator</i>	<i>Performance Target</i>
Delivery in time of the past activities reports (Annual Activity Report, Annual Maintenance Report, Annual Investment Report, Financial Statements)	Annual Activity Report, Annual Maintenance Report and Annual Investment Report reports delivered before 1 May Financial Statements delivered before 15 June
Delivery in time of the future activities reports (Annual Maintenance program, Annual Investment Program, Business Plan)	Annual Maintenance program, Annual Investment Program, Business Plan delivered before 15 November
Tariff revision regularity and compliance	Submission of the tariff revision by the operator before 15 November of the year n Approval by the Delegant of the tariff revision before the 15 December of the year n Application of a new tariff in year n+1 with respect to year n Application of the new tariff before 15 February of the year n+1
Annual Maintenance Program	Implementation of the Annual Maintenance Program (% of actual spending compared with the budget indicated in the program before revision) Target >80%
Annual Investment program	Implementation of the Annual Maintenance Program (% of actual spending compared with the budget indicated in the program before revision) Target >80%
Availability of water supply	Average number of hours of water supply for the population (A) A should be produced every week.

	<p>Specific time-bound indicator is set for A (see next table)</p> <p>Example:</p> <p>Zone 1 – 50000 pop. – 10 hours of water supply per day in average for week 25</p> <p>Zone 2 – 70000 pop. – 18 hours of water supply per day in average for week 25</p> <p>Zone 3 – 20000 pop. – 6 hours of water supply per day in average for week 25</p> <p>$A = (50000 \times 10 + 70000 \times 18 + 20000 \times 6) / (50000 + 70000 + 20000)$</p> <p>A=13.4 for week 25</p> <p>The calculation of A should be carried out on the basis of the water supply in a first place, and on the basis of the date provided by the pressure metering equipment once they are installed.</p> <p>The population attached to each water supply zone must be evaluated as correctly as possible.</p>
<p>Connection rate for to the potable water network</p> <p>Population of the city (A)</p> <p>Population of the city connected to the water network (B)</p> <p>Connection rate for water (C=B/A)</p>	<p>A, B and C should be produced annually</p> <p>Example:</p> <p>Population of the city = 200000 = A</p> <p>Population connected to the water network = 160000 = B</p> <p>Connection rate for water = $160000 / 200000 = 80\%$</p>
<p>Connection rate for to the sewerage network</p> <p>Population of the city (A)</p> <p>Population of the city connected to the sewerage network (B)</p> <p>Connection rate for sewerage (C=B/A)</p>	<p>A, B and C should be produced annually</p> <p>Example:</p> <p>Population of the city = 200000 = A</p> <p>Population connected to the water network = 120000 = B</p> <p>Connection rate for water = $120000 / 200000 = 60\%$</p>
<p>Production of water (A)</p> <p>Production of water measured by meters (B)</p> <p>Production of water measured by meters / production of water (C=B/A)</p>	<p>A, B and C should be produced every month</p> <p>C >=95% (suggested target, to be discussed)</p> <p>A and B are volumes</p> <p>Example:</p>

	<p>production of water in May 2013 is 8500000 m³ = A</p> <p>production of water in May 2013 is 8250000 m³ = B</p> <p>$C=B/A = 97\%$</p>
<p>Production of water (A)</p> <p>Billed volume (B)</p> <p>Non Revenue Water (C=A-B)</p> <p>Billed volume/Production of water (D=C/A) = Non-revenue water ratio</p> <p>Length of the water network (E)</p> <p>Non-Revenue-Water/length of the water network (F=(C/E) = linear losses</p>	<p>A, B and C should be produced every month</p> <p>D and F should be produced annually</p> <p>The Management Committee should establish the base level, and target levels which should be met for D and F</p> <p>Example:</p> <p>production of water in 2013 is 92000000 m³ = A</p> <p>billed volume in 2013 is 55000000 m³ = B</p> <p>non-revenue water is 37000000 m³ = C</p> <p>non-revenue water ratio=B/A=59.8%=D</p> <p>length of the network = 1600km = E</p> <p>linear losses = $C/(365 * E) = 63\text{m}^3/\text{km}/\text{day}$</p> <p>These indicators are subject to the installation of flow meters in all water production points</p>
<p>Number of analysis realized on samples of potable water (A)</p> <p>Number of analysis realized on samples of potable water and in compliance with the norms of quality (B)</p> <p>Number of analysis compliant / Number of analysis (C=B/A)</p>	<p>A, B and C should be produced every month</p> <p>$C \geq 97\%$ (suggested target, to be discussed)</p> <p>Example:</p> <p>Number of analysis in May 2013 = 70 = A</p> <p>Number of analysis compliant = 66 = B</p> <p>$C=B/A=94\%$</p>
<p>Number of analysis realized on samples of discharge water (A)</p> <p>Number of analysis realized on samples of discharged water and in compliance with the norms of quality (B)</p> <p>Number of analysis compliant / Number of analysis (C=B/A)</p>	<p>A, B and C should be produced every month</p> <p>$C \geq 90\%$ (suggested target, to be discussed)</p> <p>Example:</p> <p>Number of analysis in May 2013 = 30 = A</p> <p>Number of analysis compliant = 28 = B</p> <p>$C=B/A=93\%$</p>
<p>Number of complaints for low water</p>	<p>A and B should be produced every month</p>

supply (A) Average response time for low water supply complaints (B)	A should decrease, and B should be set in accordance to the regulations and the customer's expectations (to be discussed in the Management Committee).Committee.
Number of complaints for flooding incidents related to the water leaks or wastewater blockage (A) Average response time for low water supply complaints (B)	A and B should be produced every month A should decrease, and B should be set in accordance to the regulations and the customer's expectations (to be discussed in the Management Committee).
Number of requests from the customers Average response time for the requests of the customers (B)	The request should be classified in relevant categories of request, and in written complaints and phone call complaints. A and B should be produced every month for each category. A should decrease, and B should be set in accordance to the regulations and the customer's expectations (to be discussed in the Management Committee).
Amount billed (A) Amount collected (B) Amount billed / Amount collected (C=B/A) = collection ratio	A, B and C should be produced every month for each category of customers (domestic, budget organizations, commercial organizations) Specific time-bound indicator is set for C (see next table)
Number of water pipes burst (A) Number of water pipes repair (B) Average time to repair the water pipes (C)Number of leaks reported by leakage detection team (D)	A, B and C should be produced every month. The average time of repair should be calculated on the repair executed during the month. These numbers should be closely monitored. The Management Committee may set targets for A and C, which should decrease over time. Efficiency of leakage detection team % = D/ (A + B)
Number of wastewater pipes failure (A) Number of wastewater pipes repair (B) Average time to repair the wastewater pipes (C)	A, B and C should be produced every month. The average time of repair should be calculated on the repair executed during the month. These numbers should be closely monitored. The Management Committee may set targets for A and C, which should decrease over time.
Number of failure of pumps causing incidents to the customers (interruption	A should be produced every month

<p>of water supply or flooding of wastewater) (A)</p>	<p>A should be closely monitored. The Management Committee may set a target for A, which should decrease over time.</p>
<p>Volume of electricity consumed (A) Volume of electricity consumed for the water (B) Volume of electricity consumed for the wastewater (C) Production of water (D) Volume of wastewater treated in the WWTP (E) Overall ratio of electricity consumption (F=A/D) Ratio of electricity consumption for water (G=B/D) Ratio of electricity consumption for wastewater (H=C/E)</p>	<p>All numbers should be produced every month. F, G and H should decrease progressively.</p> <p>Example: Volume of electricity in 2013 = 110Mkwh = A Volume of electricity consumed for the water in 2013 = 90 Mkwh = B Volume of electricity consumed for the wastewater in 2013 = 17 Mkwh = C Production of water in 2013 = 92000000 m3 = D Volume of wastewater treated in the WWTP in 2013 = 45000000 m3 = E F = 110/92=1.19 kwh/m3 G =90/92= 0.98 kwh/m3 H=17/45=0.38 kwh/m3</p> <p>These indicators are subject to the installation of flow meters in all water production points</p>
<p>Number of employees at the beginning of the year (A) Number of accident at work (B) Population in the service area (C) Ratio of accident per employee (D=B/A) Ratio of employee per population (E=A/C)</p>	<p>A, B, D, E and F should be produced annually. C should be produced every month.</p> <p>Example: Number of employees at the beginning of 2013 = 1900 Number of accidents at work in 2013 = 37 Population in the service area = 790000 D= 37/1900=1.34% E= 1900/1600=1.19 employee/1000 pop</p> <p>Specific time bound target is set for A (see next table) Same as above</p>

<p>Annual turnover (A)</p> <p>Annual operating expenditures (B)</p> <p>Annual operating expenditures / Annual turnover ((C=B/A)</p> <p>Annual expenditure for electricity (D)</p> <p>Annual expenditure for staff (E)</p> <p>Annual other operating expenditure (F=B-D-E)</p>	<p>A, B and C should be produced annually.</p> <p>C should decrease progressively.</p> <p>The Annual operating expenditure (B) consists of the expenditures related to the electricity consumption, the salaries (including social charges), the maintenance of the infrastructure and equipment (excluding the operations which fall in the classification of the investments), the energy (gasoline, gaz, fuel, other than electricity), the bank and insurance, the telecommunication, the computers, the transportation, the taxes (other than the profit tax), the goods and materials, and all other relevant expenditures.</p> <p>The annual operating expenditures (B) do not include any depreciation, amortization, reimbursement of loans, payment of interest, or profit tax.</p> <p>The Annual expenditure for electricity (D) consists of the expenditures related to the electricity consumption.</p> <p>Annual expenditure for staff (E) consists of the salaries of the staff, including the social charges.</p> <p>A, B and C should be produced annually.</p> <p>C should decrease progressively.</p>
<p>Financial Covenants related to the loan agreement</p> <p>Debt Service Coverage Ratio (A)</p> <p>Current ratio (B)</p>	<p>A and B should be produced on an annual basis.</p> <p>A and B should remain below 1.3 limit.</p> <p>The calculation of these ratios requires high financial analysis skills, and should be carries out by the financial auditors.</p>

The evolution of the indicators should be interpreted with care. Some evolution may be misleading particularly during the transition period when the performance of the service is improving quickly.

For example, the efficiency of the pumping system may improve while the overall consumption of electricity and even the ratio consumption of electricity per m³ increase, which could seem contradictory. It may indeed be the case when the operator is able to increase the pressure in the network to deliver a service of better quality.

The performance Indicators and the Performance targets shall be revised annually by the Delegant and the Operator to take into account any change in the condition of operations and in the institutional, regulatory and economic framework.

Proposed time-bound Performance Indicators for key Performance Indicators

Indicator	2013 (factual observation)	2016	2018	2022
Availability of water supply	Baseline	>5% increase from baseline	>20% increase from baseline	+ 30% increase from from baseline
Collection ratio	Baseline	domestic > 85% budget > 90% commercial > 85%	domestic > 85% budget > 95% commercial > 90%	domestic > 95% budget > 95% commercial > 95%
Overall ratio of electricity consumption	Baseline	>5% reduction compared with baseline	>20% reduction compared with baseline	>20% reduction compared with baseline
Number of employees at the beginning of the year	Baseline	Reduction of 5% employees (at least) compared with baseline	Reduction of 10% employees (at least) compared with baseline	Reduction of 20% employees (at least) compared with baseline

Annexe 2: list of reports and delivery schedule

<i>The Reports to be produced on year n</i>		
<i>The reports on the past activities</i>		
The Annual Activity Report	Regarding year n-1 Complete and fair view of the operations, the realization of the budget, the level of the Performance Indicators with respect to the performance targets, and the Customer Satisfaction Survey	Prepared and transmitted by the Operator Before 1 May
The Annual Maintenance Report	Regarding year n-1 Fair presentation and a list of all maintenance actions taken by the Operator and their corresponding cost	Prepared and transmitted by the Operator Before 1 May
The Annual Investment Report	Regarding year n-1	Prepared and transmitted by the

	Fair presentation and a list of all investment actions taken by the Operator and their corresponding cost	Operator Before 1 May
The Financial Statements	Regarding year n-1 The annual accounts (Balance Sheet, Income Statement, Cash flow Statement and comments by the auditors) according to local and IFRS accounting norms	Prepared by the auditors and transmitted by the Operator Before 15 June
<i>The reports on the future activities</i>		
The Annual Investment Program	Regarding year n+1 to n+5 The proposed investment actions for the year n+1 to n+5 and the corresponding costs; The financing scheme which indicates the share of the international loans, the grants and the direct operator's funding in the financing the investment of the year n+1	Prepared and transmitted by the Operator Before 15 November
The Annual Maintenance Program	Regarding year n+1 The proposed maintenance actions for the year n+1 and the corresponding costs	Prepared and transmitted by the Operator Before 15 November
The Annual Business Plan	Regarding year n+1 to n+5 The operational and financial forecast for the year n+1 to n+5, including the budget and the forecast of the billed volume by category for the year n+1	Prepared and transmitted by the Operator Before 15 November

The list of reports and the delivery schedule may be revised by the Delegant and the Operator to take into account any change in the condition of operations and in the institutional, regulatory and economic framework.

Annexe 3: budget template and minimum tariff calculation

Budget for year n

Expenses 1000 KGZ	Actual year n-1	Forecast Dec. n-1	Forecast March n	Forecast June n	Forecast Sept.n	Actual year n
Salaries						
Social taxes						
Electricity						
Fuel						
Materials						
Contracted works						
Taxes (other than social taxes)						
Security						
Bank and Insurances						
Communications						
Other operational expenses						
Total expenses						

The Budget table indicates the forecast for the expenses of the year n for each category of expenses.

The initial forecast should be indicated in the second column in December of year n-1, and the actualization of the forecast should be indicated every 3 month of the year n on the same table (column 3 to column 5). Eventually, the actual expenses by category should be indicated in column 6 at the beginning of year n+1.

Annexe 4: Calculation of the minimum tariff for the year n

C1 is the forecast of the total expenses of year n as indicated in the budget forecast of Dec. n-1.

C2 is the debt service forecast of year n which includes:

- The reimbursement of the debt which shall be made in the year n
- The interest of the debt which shall be paid in the year n

C3 is the forecast of the investment which shall be paid directly by the Operator in the year n, in addition to the investment which shall be financed by loans.

Vb is the forecast of the billed volume of the year n.

Cr is the forecast of the collection rate of the year n.

MAT is the minimum average tariff for the year n.

C1, C2 and C3 are expressed in KGS.

Vb is expressed in m³

Cr is a percentage between 0% and 100%.

$MAT = (C1 + C2 + C3) / (Cr \times Vb)$ in KGS/m³