

# Visoko Water System Supply Project - Elaboration of a Financial and Operational Performance Improvement Programme (FOPIP) and a Public Service Contracting (PSC)

KOMMUNAL  
KREDIT  
PUBLIC CONSULTING

**Client:** EBRD

**Duration:** April-December 2018

**Location:** Visoko, Bosnia and Herzegovina



**European Bank**  
for Reconstruction and Development



The aim of the overall project was to expand the water supply system and repair the existing network in the city of Visoko. The expected outcome was to provide environmental and health benefits compared to the existing situation by improving the quality, reliability of drinking water supply and reducing water losses. The overall project included the reconstruction of the existing facilities and expansion of the water supply system to connect additional 3,000 households with total population estimated at 11,000.

The overall objectives of the assignment were to:

- Provide assistance to the Water Utility Company in developing an efficient and focused Financial and Operational Performance Improvement Programme (FOPIP) that cover technical operation of assets, monitoring of the quality of service and implementation of the Environmental and Social Action Plan ("ESAP"). Special focus was dedicated to the development of labour restructuring including preparation of detailed action plan towards full legal separation of water and wastewater operations from other activities and increasing labour productivity;
- Provide assistance to the Water Utility Company in developing and concluding a focused Public Service Contract ("PSC") with the Municipality that includes clear technical and financial performance requirements for the Company and obligations on the Municipality in support of achieving such requirements including development of formulae for calculation of tariffs based on full cost recovery.

Services provided:

- Assisting the team of Water Utility Company experts in the development of appropriate accounting system that satisfied requirements for accounting in conformity with International Financial Reporting Standards ("IFRS")
- Developing a plan for improving all aspects of revenue administration including billing system, collection, administration of arrears, lowering the cost of revenue collection and administration
- Developing a formula for automatic tariff adjustments that is based on full cost recovery (including operating and capital expenses) and enables the Company to achieve and maintain compliance with financial ratios included in the loan documentation. The practice of cross subsidies between various consumer groups was eliminated, the same for operating subsidies from the Municipality to the Company, and at the same time the affordability of services for the residential consumers maintained
- Developing a remuneration scheme that provides incentives for performance and links management and staff remuneration to performance indicators such as productivity and profitability