



Module 4

Sanitation Provider Enterprises' Commercial Management Series

Past-due Collection
and Effective Cut-off Management



PERÚ

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Sanitation Provider Enterprises'
Commercial Management
Series:
Module 04

Past-due Collection
and Effective Cut-off Management

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Preface

Most Peruvian sanitation provider utilities (EPSs) face serious financial constraints preventing them from growing their business and delivering high quality services to users. This is accounted for by low collections the reasons for which can be grouped under two headings: a) low billing compared to actual consumption of drinking water and generally water use, and b) low bill collection.

To mitigate this problem, GTZ/PROAGUA have proposed a number of commercial management steps to increase EPSs collections without making significantly large investments and with minimum operational costs. These measures have been validated during implementation at EPSEL S.A. Lambayeque.

We trust that these measures will be useful for analysis, adaptation and implementation by other EPSs in the country. Together with the NGDO Cooperación Técnica Cultural y Ambiental Brüning (COTEC), we have developed a series of handbooks called «Commercial Management Series», where we broadly describe important aspects, procedures and impacts of proposed measures.

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Introduction

When someone asks why EPS users do not pay their bills or why clandestine restoration is a massive problem, you get easy and logical explanations: the people **do not have** money. Differently from other countries, Peru lacks payment culture.

It is interesting to check these arguments against **other services** provided to the same consumers.

While Sanitation Service Provider Enterprises face high default payment rates, electricity and telephone companies collect almost 100% of their invoicing, despite the fact that their services are **more expensive**, as we can see in the following graph:

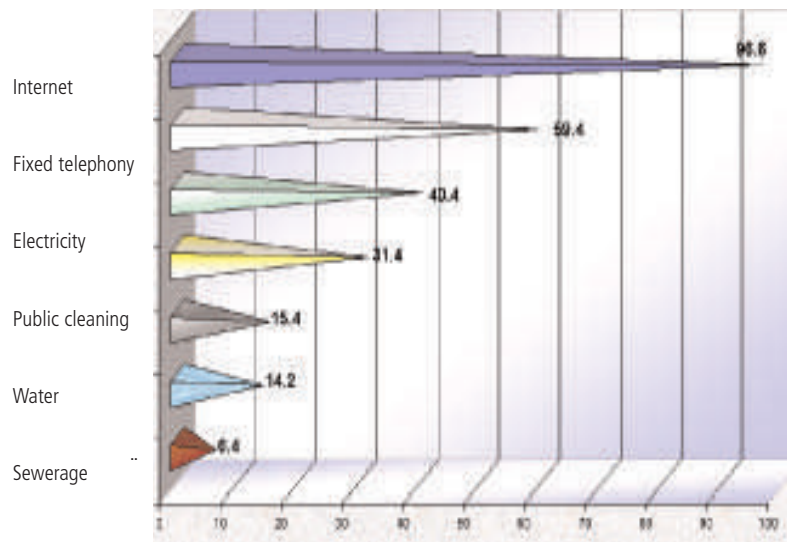


Fig. 1: Monthly utilities average cost in 2003 in soles (see Annex 01 for sources and calculation method).

Why then do users pay for the electricity and telephone service and not for the water service when you cannot supposedly live without water?

This guide attempts firstly at getting better supported explanations to then **propose** quick impact **measures** to be able to face the delinquency affecting many EPSs in Peru in an easy, cost effective and successful way.

The strategies proposed in this handbook have been successfully applied in the «10,000 Connection Plan» agreement signed between the GTZ/PROAGUA Program and EPSEL S.A. Approximately **one million** nuevos soles were recovered in 6 months.

This document aims at being used in training EPS personnel on **viable strategies** for the massive reduction of delinquency, using information and coercion actions together.

It is addressed primarily to EPS commercial area officials and **personnel involved** in the past-due collection, cut-off and restoration processes.

At the end of the document the annexes include forms, figures and **useful documents** that complement the necessary information and facilitate implementation of proposed strategies for the recovery of default payments and the improvement of cut-off efficiency.

This handbook «Massive Regularization of Clandestine Users» makes part of the series of handbooks called Commercial Management Series and aims at contributing to EPS **collection** improvement, and revert these benefits towards low income population by improving or expanding their drinking water and sanitation services.



1

Problem Analysis

1.1. Why does a user become delinquent?

(1) This didactic material deals with users who are formally connected to the company Networks and recorded in the cadastre for EPS invoicing. Other cases are dealt with in the other manuals of the series.

(2) In the introduction we saw that drinking water and sanitation services are at the reach of the population. We can also suppose that water as a service is appreciated at least as much or more than electricity or telephone services.

Why then are these services paid punctually while water is left unpaid, even if it is less costly?

(3) Each family manages their limited income. There is usually no money left, but they wish to improve their living conditions. Consumption categories practically compete for the family budget.

Let us try to imagine how a typical family optimizes their family budget:

(4) On the one hand, priorities for goods and services are clarified (water before light and before telephone). However, this order does not necessarily coincide with **payment priority**. Provided that paying does not necessarily mean not using, the category is offered to face expenditures without any implied living conditions loss.

(5) It is true that saving the tariff payment and not being left without the service is more likely in the water sector than in the electricity or telephone sector.

Fig. 2: The telephone service is effectively suspended.



(6) While users cannot restore their service when it is cut-off, they usually restore electricity and water in an arbitrary way. Since electricity always has a meter, the family is aware that they will have to pay undue consumption in the future and that restoring will be **detected and punished** with an additional fine.

(7) On the contrary, water is mainly billed by assigned consumption. Restoration does **not generate any service cost** or a punishment for infraction when detected.

Where do these users illegally take their energy from?

How do they justify their obvious abuse of the service system?

A.- On the one hand there are those who try to cheat on the company in a cold and calculated way. They let the service to be cut-off or even request suspension so they do not pay any longer to then restore the services themselves in an arbitrary way.

B.- There are others who, due to the bad example of the formerly mentioned users are irritated in their understanding of justice and solidarity. They do not accept to pay so that illegal users enjoy the service gratuitously, and instead of reporting them, they also become illegal users.

(8) Different reasons can be found for delinquency:

a) On the one hand there are those who try to cheat on the company in a cold and calculated way. They let the service to be cut-off or even request suspension so they do not pay any longer to then restore the services themselves in an arbitrary way.

b) There are others who, due to the bad example of the formerly mentioned users are irritated in their understanding of justice and solidarity. They do not accept to pay so that illegal users enjoy the service gratuitously, and instead of reporting them, they also become illegal users.

c) A third reason for not paying is that the debt amount has grown to an **unmanageable level**. This always happens when the EPS forgets to collect or sanction delinquents, thus they do not suffer any negative consequence and go on using the service without paying. Once they are detected and get cut-off, instead of having access to a payment in installments agreement so they can gradually pay the debt, they become illegal consumers. Likewise, in some cases the EPS had not offered any payment in installments that can be affordable for the family.

(9) Generally, the social economic situation of a large part of the population justifies -at least from their point of view- any attempt at profiting **at someone else's cost**, even more so at the cost of a partly state-owned institution.

(10) A bad image of the company or some of its representatives contributes to a **good image** of illegal users among the population. They are considered courageous and decided and their crimes considered as a great example for others.

(11) A deficient service gives a lot of arguments for complaints and claims, and helps in the **decision of not paying the tariff**.

(12) The user's decision against paying the tariff is the result of a **cost-benefit** analysis. To reduce delinquency and arbitrary restorations, the EPS has to decrease the attractiveness of not paying and increase the advantage of paying until payment of the tariff becomes the most efficient alternative for the families.



Fig. 3: Detected arbitrary restoration

1.2. How does the EPS contribute to delinquency?

(13) According to the mentioned cost-benefit analysis, there is high delinquency, low legal connection rates and high number of inactive when the following conditions exist:

A.- The institution or some of its representatives have a bad image among the public:

- There are political scandals.
- The money is considered badly spent.
- Representatives do not pay for the service.
- Service supply by the company is deficient.

(14) In these cases, users harbor revenge, protection and sanction feelings. In this way, they try to make a change or at least voice their disagreement. Consequently illegal users will be well seen and respected among the population.

B.- There is user discrimination by the EPS:

VVoluntary: The Company permits different large consumers, such as companies and institutions, not to pay the tariff, that is, it does not apply the respective sanctions to them.

Involuntary: The company is not able to implement the planned sanctions to all cases of delinquency.

(15) Any type of discrimination destroys users' trust in **justice and equity** concerning their responsibilities. This can affect the intention of some unprivileged clients to pay.

C.- Collection management is not transparent and it is not strict in its application:

- The EPS does not warn about sanctions it would apply in case of delinquency.
- The EPS does not comply with sanctions in a punctual and effective way.
- The cut-off technique is so simple that it allows low-cost arbitrary restoration.
- Cut-off connections are not frequently checked

(16) In these cases users **cannot foresee** if they will be punished and when for not paying the tariff. They do not know what eventual sanctions might be. Clients learn that the sanction (cut-off) modality and its monitoring will allow temporary arbitrary restoring.



Fig. 4: Peruvian family:

(17) Users face the great temptation of taking the risk and perhaps not being punished. They temporarily or permanently profit from free water service to compensate for economic problems in the family.

D.- The EPS permits debt to accumulate to unmanageable levels:

(18) Active connections are not cut-off punctually when the second month of billing is due, so users go on consuming the service without being stopped or obliged to pay.

Arbitrary or undue restoring of service, as a reaction of users in case of a cut-off or suspension action by the EPS.

(19) With the same effect, the absence of payment facilities and installments or the failure of the EPS to inform users about them increase users' difficulties for paying debts. This leads them to seek fraudulent solutions.

(20) Commercial management by the EPS is the main cause for low collection efficiency, low invoicing and high delinquency because it lacks:

- An efficient cut-off management: These are not applied to every delinquent user on a timely basis and/or are not monitored to prevent immediate restoration.

- An effective management for detecting arbitrary restorations: No regular revisions in the field are made to identify properties with unregistered service.

- An efficient management of delinquent collection promotion: There is no clear information of payment facilities for delinquent users. Similarly, procedures to achieve delinquent debt payment negotiations are complicated and cumbersome.

1.3. Delinquency drivers

(21) In many EPSs delinquency is accepted as an inevitable evil and they are satisfied with the revenues they are able to collect and focus their efforts only in reducing company operational costs.

(22) Reducing costs is a respectable objective, but the EPS can attain considerable effects with a relatively low-cost intervention, especially in the effective service cut-off and clandestine connection monitoring. They can increase collection and decrease the delinquent portfolio, impacting several factors that promote delinquency.

(23) A reduction of personnel or salaries in the sector readily causes more deficiencies in collection management, greater costs in administrative management and low collection.

What conditions increase delinquency?

Which ones can we influence?

(24) Let us analyze complying users. Why do most users punctually pay for drinking water service? These are times when money is scarce for most people. Why don't they act as delinquents do?

Users who pay consider that:

- The service has acceptable quality.
- Internal infrastructure requires water on a permanent basis. Improvised solutions such as right of way or carrying water in buckets are uncomfortable. Restoring is difficult or implies significant investments.
- Restoring will be detected, leading to more serious consequences and greater financial efforts in the near future.
- They fear service cut off. Arbitrary restoring will be considered wrong among neighbors (bad image for users).
- They foresee the problems brought about by an accrued debt (difficult situation).
- Punctual payment is chosen as the most efficient, cheaper, and more comfortable and more correct alternative.
- Once delayed in payment, they apply for an agreement to pay and installment so they can face their responsibilities in a continuous and affordable way.

Users who do not pay consider that:

- The service has unacceptable quality.
- Internal infrastructure does not need water permanently. Improvisations such as right of way or carrying water in buckets are valid alternatives.
- Restoring is easy and not very costly.
- Restoring will not be detected and if it is there will be no sanctions. Future consequences are not foreseen or are neglected. Service cut off is preferred.
- Arbitrary restorations will be well perceived among neighbors (EPS bad image).
- The problems of having an accrued debt are not known. Not paying and arbitrary restoration are chosen as the most efficient and appropriate alternative.
- Once delayed in the payment, since there is no hope for getting rid of accrued debts, they seek a solution by restoring the service arbitrarily and they dream about an amnesty.

Fig. 5: Perceptions for and against paying.

(25) The following are some useful measures to fight delinquency, aiming at **changing delinquent user perception** of some mentioned points towards good clients' perception.

1.4. EPS options against delinquency

(26) Theoretically, each one of the mentioned inconveniences requires a measure to improve the intention to pay. Some measures will give **short term** results. Others will yield mid or long term results. Besides, they vary in their potential impact and required efforts.

(27) This material will detail commercial management measures. Even if image or service quality problems exist, they **should not discourage** or provide an excuse for commercial managers to counter delinquency.

(28) It is very common to interpret service cut-off as the best way to collect payment from delinquents. This is why the percentage of inactive connections in many EPSs in Peru is so high.

(29) In fact the inactive state of the connection is not a desirable situation for the company or the user. The company does not get any revenues from a cut-off connection and when there is a sudden -not announced or reported cut-off-, users will **be countered in their wishes**. Cut-off application does not encourage users to pay, but pushes them to perform an arbitrary restoration, thus committing an infraction.

(30) Lack of **strict monitoring** contributes to delinquent user bad behavior because cut-off connections go on functioning in most cases.

(31) Drastic cut-off or connection suspension should be the last measures to be taken, only to guarantee credibility in EPS management, because they generate **another obstacle**, impeding them to go back to the legal and right way.

(32) To solve current delinquent cases and convert most users into good payers, the EPS has to establish **calculable and foreseeable** commercial management for users. These logical and manageable rules have to be communicated and executed in the field. Transparency gives users security when they decide on their behavior and prevents problem generation beforehand.

(33) From the beginning of the relationship with the company, users must know and trust:

- The service to be received.
- The obligations the service implies for them.
- Corresponding sanctions per infraction.
- EPS facilities in the case of accumulated debt.

(34) Billing must be punctual, correct and transparent so that users do not an **opposition argument**.

(35) Then, EPS offers and sanctions have to occur so users comply with paying. Sanctions have to become an **uncomfortable factor** for users. This can be done thanks to the type of sanction and appropriate follow-up. Arbitrary restorations have to be difficult or imply significant investment.

(36) An EPS with many cut-off connections only shows that its sanctions are not efficiently applied or else that it has allowed for the accumulation of debts, making it difficult for delinquents to repay.

(37) Accumulated debt problems can be solved by installment payment agreements. The EPS needs to establish **opportune** and efficient **coercion** including promotion and negotiation factors to gradually manage debt and apply efficient sanctions which have to be announced and executed on a timely basis.

THE CHALLENGE

USERS HAVE TO FEEL THAT IT IS BETTER TO PAY THE SERVICE THAN NOT TO PAY IT.

(38) A strict, efficient and foreseeable management clearly shows users that their cooperation and compliance is the most beneficial alternative for them. Out of the following measures, each one has the potential for contributing to improving collection and recovering delinquent debts.

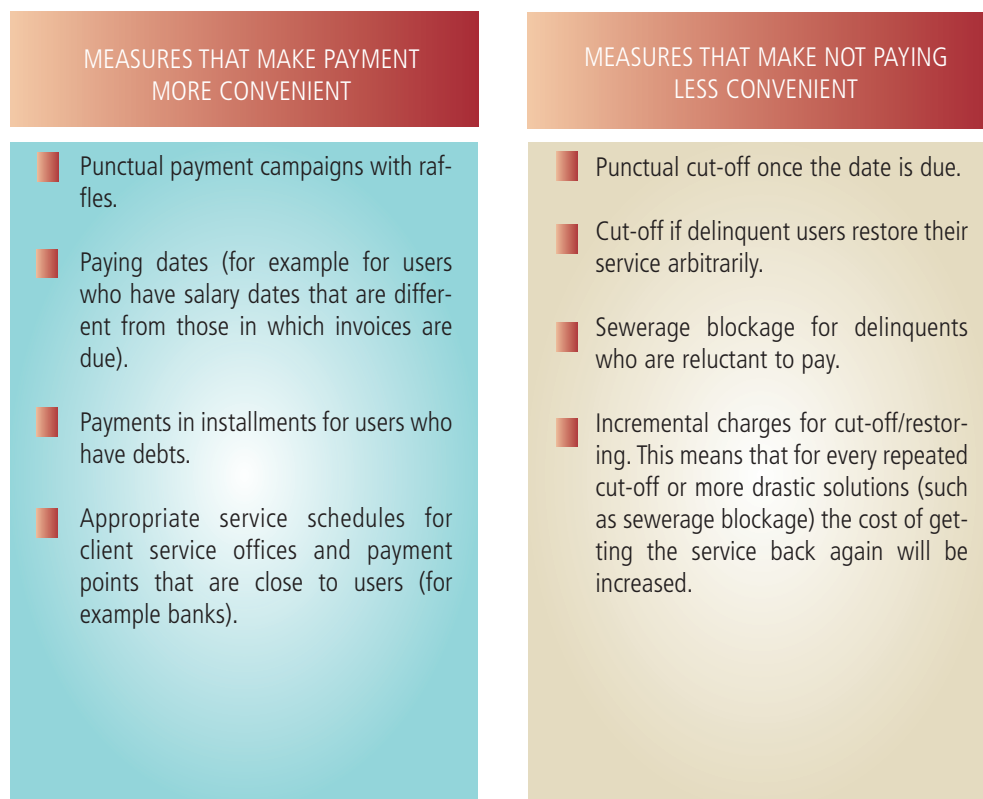


Fig. 6: Incentive and disincentive measures

(39) Commercial management measures proposed to improve collection can be summarized in two key elements:

KEY ELEMENT 1: Improving effectiveness of sanctions (cut-off, sewerage blockage, service expansion).

KEY ELEMENT 2: Establishing a system to communicate and negotiate with users (collection management).

1.5. Efficient sanctions

(40) As it has already been said, intention for paying for water depends on the priority we give it. Users should want to pay for water before they spend their money in other consumption categories, even though they are also important. Undoubtedly, access to drinking water is of the highest priority for users. They have to learn that access to drinking water service depends on mandatory payment. How to achieve this?

(41) The objectives of a successful strategy to achieve greater effectiveness in service cut-off are:

- No user with two months of debt should have an active service (except in case they have a payment in installment agreement)
- No user with an inactive service should have an active service (arbitrary restoration).
- No user with an agreement to pay in installments should have an active service if he/she is delayed for more than one month (failed agreement).

But how can cut-off effectiveness be improved?

A.- An easily applicable measure is permanently supervising cut-off connections.

(42) Cutting off the service in a usual basis makes users uncomfortable because they lack the service or at least they have to make many more efforts to restore the service permanently without mentioning the high risk of being found committing an illicit action. Although this work also implies a greater effort for EPS personnel, it yields positive results in a very short term.



Fig. 7: Cut-off employee doing his job.

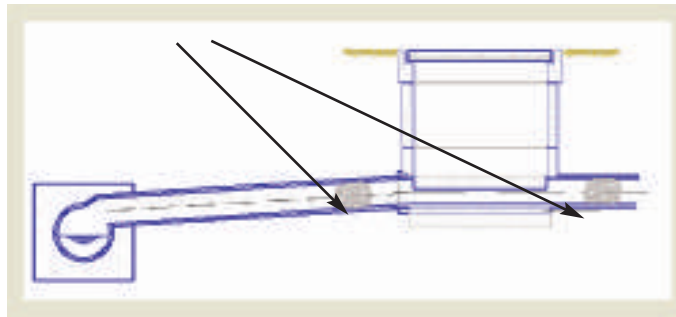
(43) An obstacle for the company is the incentive for the person in charge of cutting off who must be paid according to **successful cut-off**, that is, for cut-off that lead users to pay their whole debt or, in case of agreement, the down payment.

B.- Another measure that can be applied is the successive increase of restoring the service.

(44) If a cut-off user connects again, the EPS applies a more drastic cut-off, transferring the additional cost to the user. Between the simple drinking water connection cut-off and the suspension of the entire connection, there are other ways to suspend both the water and the sanitation service.

Blocking the sewer

Blocking the sewer connection consists in closing the sanitary sewerage service introducing a cementitious mass in the household connection stretch between the inspection box and the property and at the connection stretch towards the branch at approximately 0.5 m. This cementitious mass is known as **"diablo fuerte"** and is made up by cement, gypsum and water.



(45) Blocking the sewer is to be applied when users accumulate more than **six (06) months** of debt in spite of EPS follow-up. This technique is also offered in case it is impossible to cut-off the drinking water service, for example when internal control boxes cannot be located, when there are twin boxes or if there are direct connections without a control box in areas with pavements and sidewalks.

(46) For those EPS which still have no side cost approved by SUNASS, Annex N° 2 shows an example from SEDALORETO S. A. of Iquitos.

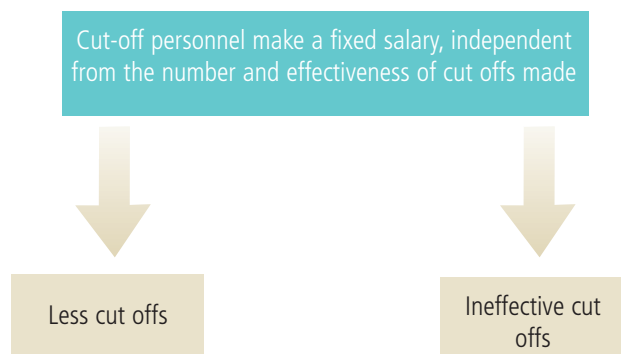
How to motivate the personnel so they contribute to success

How to finance the necessary cut-off personnel

These two very valid questions have one answer:

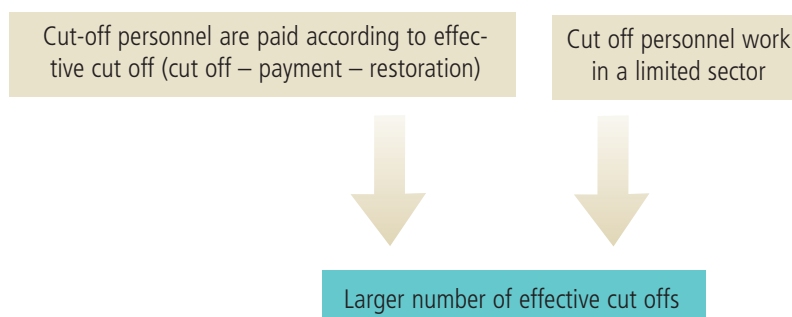
(47) To a great extent the personnel in charge of cutting off do inefficient work, are bribed by users and cut-off connections are seldom checked. In extreme cases EPS personnel even restore service to delinquent users in a clandestine way.

TRADITIONAL SITUATION



(48) Before performing successfully in the field, we must have our personnel share company objectives. It is necessary to modernize remuneration so that the personnel are paid **according to the connections** EPS restores thanks to their decided work. .

DESIRED SITUATION



(49) We propose cut-off personnel to work:

■ In a specific zone so they can check cut-off connections on a daily basis and keep delinquent users without the service until they pay, and that their salary is calculated depending on effective cut-offs and restorations, that is, that they earn their pay from user payment.

(50) In this way, cut-off personnel interests are connected to EPS interests. Their payment will depend on how much is collected from cut-off/restoration.

(51) The cut-off personnel will only be paid if they are able to collect payment from delinquent users. They will be motivated to apply sanctions effectively because they are interested in getting the funds from which they will be paid. **Self financing** also allows EPS to continue applying this strategy against delinquency even in dire situations.

1.6. Efficient facilities

(52) All kinds of sanctions aim at **making users pay their debts**. The idea is not to punish them or ban them from using the connection in the future. However, it has some important implications.

(53) If users need to decide between paying their debt and restoring the service arbitrarily, without having all the **relevant information**, they will decide in favor of a behavior EPS does not desire.

(54) Many users act inappropriately due to lack of knowledge. It is the task of collection to prevent unnecessary loss of clients due to suspension of connections, which makes it difficult to include them again. That is not good for users or for EPS.

(55) The facilities that help users make appropriate decisions before the service is cut-off or the debt has accrued are the following:

I. The first is the service contract itself when the company incorporates the new user. It foresees counterpart obligations and consequences in case of non compliance.

II. The second is the monthly invoice. If it reaches users punctually, they can become informed and schedule payment. The invoice must be legible and show the payment amount and date. It is also an appropriate means to remind about the signed contract and the consequences in case of breach.

III. Many EPSs offer users the chance to pay their invoice in different places and through different payment modalities: valid facility for users.

IV. In case of delay, users should be told that the company has noticed it and will apply formally agreed sanctions to this case. The cut-off date shall be told in advance as well as the additional cost for cut-off and restoration. It is also recommended to mention the consequences for detected arbitrary restorations and all the future problems so users feel that the current problem will turn worse with each additional infraction.

V. The decided execution of sanctions is also interpreted as a facility for users to make right decisions.

(56) If, in spite of the former measures, the user goes on without complying, they will receive a visit of the Collection Official. We propose to use the specialized personnel to inform delinquent users about the gravity of their situation. The Collection Official is the last instance to prevent cutting off the connection and will have different competences and facilities to propose.

I. PRESSURE:

- The Collection Official will guide users through the sequence of cut-offs and implications,
- Notifications announce pre-judicial and judicial consequences.

VII. NEGOTIATION:

- The Collection Official is empowered to extend payment terms without cutting off the service. He/she will do so in case an agreement of payment by installments is signed. The cut-off term will coincide with the date in which the third installment is due pursuant to the agreement.
- The Collection Official can offer payment facilities according to the delinquent's possibilities.

VIII. SUPERVISION:

- The Collection Official supervises cut-off connections to detect arbitrary restoration.

(57) Collection Officials should work under a commission scheme and be remunerated according to recovered debt. In other sectors this strategy is applied very successfully (for example: micro-financing, home appliances).

Collection Official's efficiency depends on cut-off effectiveness and vice versa. Therefore collection management and effective cut off are actions that have to go hand in hand.

1.7. Coercive collection and effective cut-off expectations

(58) Among EPSs in Peru it is common to see that the analysis of **payable debt** shows the following pattern. The coercive collection program which is explained here fundamentally contributes to attain the desired situation:

SITUATION OF A TYPICAL EPS

- There is a large quantity of inactive connections.
- There are many active connections that should be cut off.
- There are many connections with a debt of more than 2 months, which means they still receive invoices.

IDEAL OR DESIRED SITUATION

- There are no debts of more than 2 past due months.
- There are no active connections with more than 2 past due months.
- No user with breached agreement for paying in installments (on the first month) should have an active service.

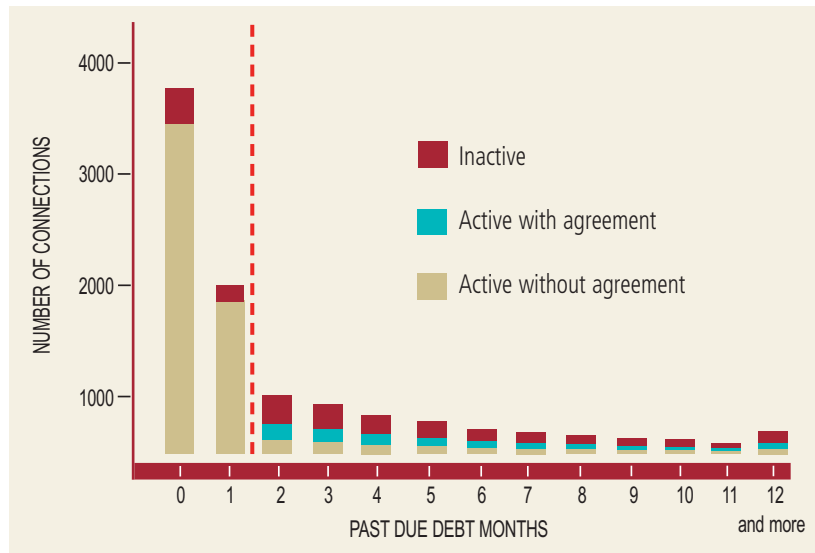


Fig. 8: Typical delinquent portfolio in an EPS

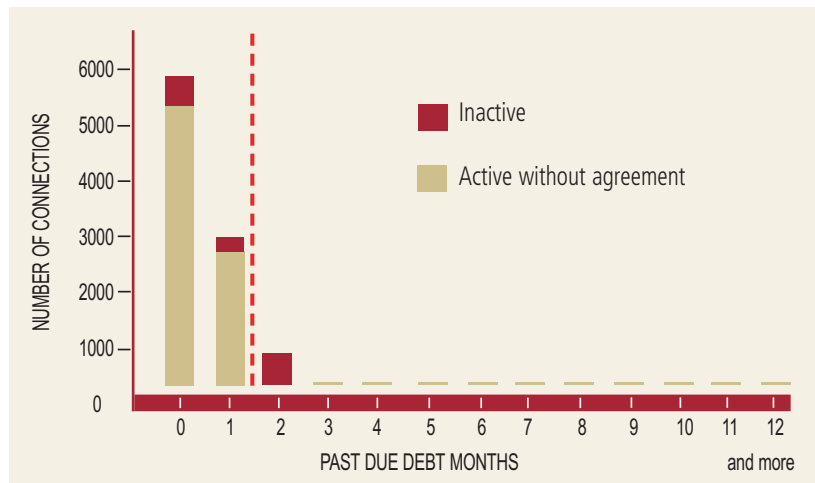


Fig. 8: Desired delinquent portfolio for an EPS

(59) The strategy being promoted has been successfully applied by EPSEL S.A. and GTZ/PROAGUA in the «10.000 Connection Plan», agreement, in an initial area of 6.000 connections which was successfully expanded up to 25.000 connections. The following results have been achieved in only 7 months:

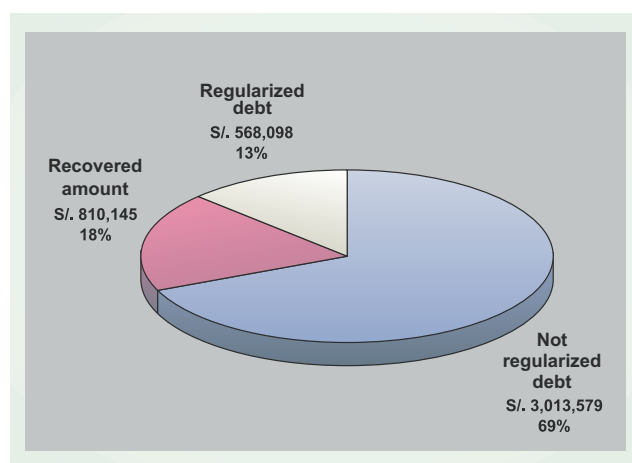


Fig. 10: Impact of the 10.000 connection program in Chiclayo.

(60) The following is reported so results can be interpreted:

- The fluctuation of new debt and that resolved without any intervention due to compensation were left aside.
- Although additional revenues are considerable, they do not influence through the ordinary tariff paid by restored users and regularized in agreements for paying in installments.



SUMMARY



QUESTIONS



TASKS



RECOMMENDATIONS

■ In order for EPSs to have high collection indexes it is necessary to apply an effective cut-off strategy and users have to know the facilities EPS offers, as well as the consequences of not paying.

■ Cut-off personnel's remuneration according to their successful work is fundamental so they act on behalf of the EPS.

■ How frequently is a cut-off connection checked at your EPS?

■ Review about 20 connections that have been cut-off for more than 15 days to check if the service is really inactive.

■ Ask different delinquent users if they know about the payment facilities offered by your EPS.

■ Cut-off personnel should be paid according to their effectiveness.

■ Collection Officials should be used to help users make the right decision: Pay for the service!



2

Recommended Strategy

2.1. Collection Officials' tasks

(63) The Collection Official visit to delinquent household serves several purposes. The mission is to make users aware about their precarious situation and help them to look for a future solution. While they present users an affordable way to get rid of their debt, they have to make clear that any opposing and illegal alternative is unfeasible. Service cut-off personnel will go with them as a backup for their arguments.

(64) The sequence of activities is developed as follows:

1 Revision: When the delinquent is registered with the connection as cut-off, the Collection Official controls if the connection is inactive in their visit. If tampering is observed, it will be directly considered in the argument with the dweller.

2 Information: Once Collection Officials communicate with family representatives, they inform them about their situation concerning EPS services. The debt accrued for not having paid the tariff and for having committed infractions, including an eventual interest rate are summarized.

3 Information: Collection Officials show users alternatives to handle the situation and prompt them to make a decision:

USERS DO NOT COOPERATE

- They will get a service cut off (with permanent control).
- In the future, restoration will be more expensive.
- The cut-off technique will be successively hardened.
- Every judicial instance will be used all the way up to the courts.

USERS COOPERATE

- Service will be continued.
- They will get help for the restoration procedure.
- Facilities will be offered such as the agreement for paying in installments.

4 Commitment: Only if the user decides to cooperate with the EPS and is restored as a good client, will the Collection Official agree with him/her and, according to company guidelines, some term for the total payment of the accrued debt. In case of payment in installments the amount, value and term of different installments are determined. Payment commitment is formulated, which will be signed by the user right then.



Fig. 11: User signing

Users are informed about the disadvantageous consequences if they do not comply with the agreement.

4B If dwellers say they do not want to cooperate, the cut-off personnel take the stance informing about debt increase due to this cut-off and about the following steps in case of an arbitrary restoration or similar infraction.

5 Guidance: Once the commitment is signed, Officials help users to prepare the application file. They guide them about all the necessary documents, facilitate forms and paper. Collection Officials should guide dwellers in correctly filling in the documents requested by the EPS to regularize their debts. User guidance aims at preventing mistakes during the filling in process and simplifying procedures for clients.

5B Having access to information on payments made by their users, Collection Official will instruct cut-off personnel when it corresponds to end the cut-off status and restore the service.

(65) After the visit, Collection Officials report the office on the connection revision results and the users' will to cooperate. If they cooperate, the payment commitment and application file will be submitted whether complete or incomplete.

(66) The Collection Official follows every delinquent case in their sector, particularly when they are cut-off. In their weekly report they inform Program Supervisors about the status and evaluation of the delinquent portfolio under their charge.

Recommended facilities to be offered:

- Give a few days as defined term. In this case a payment commitment will be signed.
- Employees receiving their salary on a specific day will be provided this facility and they may not pay before. Non compliance results in a cut-off on the day the commitment is past due.
- An agreement to pay the debt in installments. It will come into effect when users pay the down payment. If they do not make this down payment the service cut-off will be executed immediately.
- Advance payment: This modality will be used in specific cases, when the down payment of an agreement for paying in installments is too high (due to very high accrued debt), which makes it difficult for users to pay it immediately and entirely. Advance payments start immediately and they have to accumulate in one month at least the down payment to proceed with the agreement for paying an installment.

(67) We now show combined cut-off and collection strategies as they can be applied by the EPS. There are possible variations according to their *Service Provision Regulation*:

SANCTION	CAUSE	EPS ACTIONS		
		CUT-OFF TECHNIQUES	COLLECTION MANAGEMENT	LEGAL REGULATIONS
1. CUT-OFF AT BOX 1.1 Stage 1	02 months of debt	The passage valve is closed, when it exists. 1 or 2 dowels are totally introduced at the stretch from the box to the matrix network.	None if there are meter boxes. If meter boxes are not visible, inform users about the disadvantages of getting restored on their own and payments imposed by the EPS.	Art. 13° subsection. "f" - RPSAA D.S. N 09-95 Art. 56° subsection "c" - RLGSS Art. 23° subsection "c" - LGSS
1.2 Stage 2	more than 2 and before 4 months of debt 1 to 3 arbitrary restorations of the water service.	2 to 3 dowels introduced for 1.00 - 1.50 m in the connection at the stretch between the box and the matrix network.	Report users about the disadvantage of restoring their own services and payments imposed by the EPS. Letter of warning. Negotiate debt with user (payment commitments, terms, payment facilities)	Art. 13° subsection "g" - RPSAA Agreeing Art. 101° subsection "b" seventh paragraph D.S. N 09-95 Art. 73° subsection "b" - RLGSS
2. CUT-OFF FOLLOWING BOX	4 months of debt up to before 6 months of debt more than 3 arbitrary restorations of the water service.	More than 3 dowels introduced for 1.50 - 2.00 m in the connection at the stretch between the box and the matrix network and between the box and the property boundary. If users restore the box network stretch, the pressure will more deeply introduce the other dowel into the household. It makes restoration difficult. Internal pressure must be generated in the house to expel the dowel. Removal of household connection and accessories just leaving the clamp and plug instead of the corporation valve.	Strict warnings in writing and orally, report to Infocorp, which will prevent users from making any banking transaction. Negotiating debt with user (payment commitments, terms, payment facilities)	Art. 101° subsection "c" third paragraph RPSAA D.S. N 09-95 Art. 73° subsection "c" - RLGSS
3. WATER CONNECTION SUSPENSION	6 months of debt		Written and oral warnings. Negotiate debt with user (payment commitments, terms, payment facilities)	Art. 101° subsection "d" del RPSAA D.S. N 09-95 Art. 73° subsection "d" - RLGSS
4. SEWER CONNECTION BLOCKAGE	more than 6 months of debt Debts greater than S/. 500.00 Water cut-off impossibility (internal box, not located, twin or duplicated boxes, direct connections in areas with pavements and sidewalks)	A previously prepared mass of cement, gypsum and water (diablo fuerte) is introduced in the sewer connection.	Written and oral warnings. Negotiate debt with user (payment commitments, terms, payment facilities)	Art. 101° subsection "d" of the RPSAA
5. SEWER CONNECTION SUSPENSION	more than 6 months of debt Sewer restoration	Removal of sewerage household connections	Same as before Warning on prejudicial actions	Art. 101° subsection "d" of the RPSAA
6. PREJUDICIAL COLLECTION	Debts of more than S/. 3,000.00 Every cut-off technique has been used at no avail	None	Same as before Procedures with the signature of the EPS Legal Counsel warning about judicial collection	Art. 24° of the LGS
7. JUDICIAL COLLECTION	Debts of more than S/. 3,000.00 Prejudicial collection without positive results. User has no intention to pay	None	Judicial processes	Executive Mandate Obligation of Giving an Amount of Money Art. 697° of CPC Criminal Code

Fig. 12: Sanctions to delinquent users

NOTE:

- To increase the sanction level, user must have incurred in the previously mentioned causes.
- If the users pay or regularize their debt, the EPS will restore the corresponding service.
- Users are forbidden from sealing the meter or register box lid.

2.2. Visit arrangements

(68) Collection Officials need a number of **tools** and aids to be able to carry out their job:

- Accreditation badge
- Client portfolio
- Debt regularization file

Accreditation badge:

(69) So users believe the warnings and the fact that these visit results are official and valid and also for the EPS to accept and proceed as agreed in the field, Collection Officials need **to be accredited** as EPS authorized representatives.

(70) Besides the badge and official uniform (cap/vest), it is recommended to provide them with a special letter of attorney: This letter grants the carrier the power to **represent and act** on behalf of the EPS before the property owner for the subscription of an agreement with the EPS so that the user can pay in installments, per company guidelines and legal provisions in the Peruvian Civil Code.

Client portfolio:

(71) The EPS sector should be **divided into zones** to prevent different Collection Officials from being in the same area and also to guarantee good coverage. Each collection official should have a specific area under his/her charge.

(72) The EPS has information on delinquent users who have debts of more than two months. The Program Supervisor and those in charge of IT facilitate the Collection Official the updated list of the delinquent users in their respective zone.

(73) This list contains the following details on each one of the delinquent users:

- Name and address.
- Accrued debt total and components.
- Eventual background on agreements concerning payment in installments and infractions.
- Current connection status according to records (cut-off or active).

(74) The delinquent client portfolio is renewed every time the Collection Official goes to the field.

Debt Regularization Folder

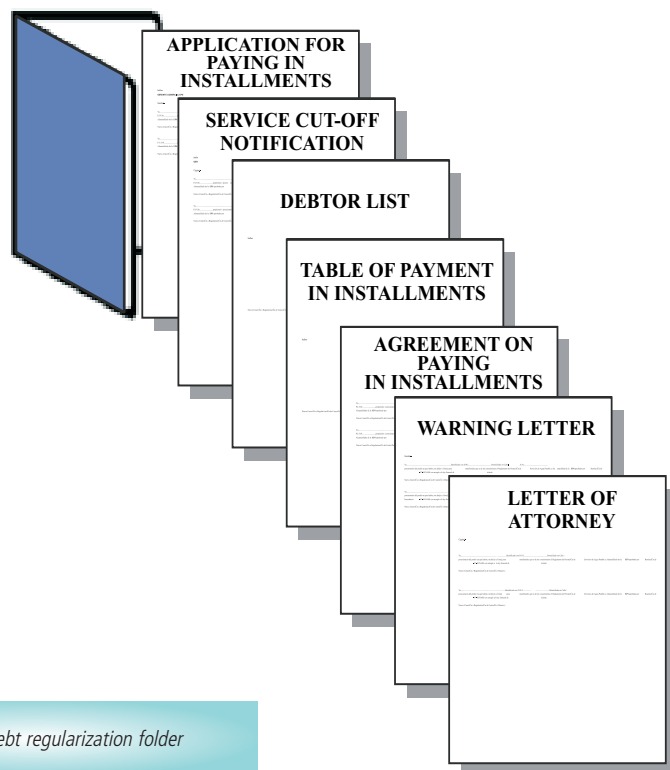


Fig. 13: The debt regularization folder

(75) This file contains all the necessary useful tools for orientation and **procedure** at the user's domicile. The EPS regulation is summarized there as well as information and arguments that guide and motivate users to cooperate:

- Benefits of being an EPS client.
- Information brochures on client rights and duties.
- Payment facilities (installments approved by the EPS).
- Documents to be submitted by the client.
- EPS office address and service to client schedule.

(76) Besides, it contains prescribed **forms** and documents to fill in and complete by hand and on the spot (including a guide for filling them in).

- Payment application for paying in installments.
- Agreement for paying in installments.

(77) Other important tools are:

- A table of payment in installments **facilitates calculation** of installments pursuant to EPS stipulations.
- **Warning Letter** to be filled in by hand and showing the company's decided position, thus preventing likely arbitrary service restorations.

(78) The individual file of each Collection Official need not be limited to these components. Any material that can help this job can complement this suggestion.

(79) Forms to be used by Collection Officials are shown in **Annex N° 01**.



Fig. 14: The Collection Official calculates the installment to be paid in the visit

2.3. File revision by the EPS

(80) Collection Officials submit their visit files to the Program Supervisor **on a weekly basis** so he/she revises them. These files can be totally or partially completed. Each file contains the following information:

- House cadastre code.
- Debt regularization or sanction application date.
- Payment commitment or agreement signed by the dweller.
- Total regularized debt.
- Agreed amounts and terms (down payment amounts, installments, advance payment, etc.)

(81) Each file is complemented with an individual report by the Collection Official. These progress reports deal with:

- Connection status at visit time (detection of arbitrary restoration).
- Actions undertaken (only collection work or collection work with coercion and effective cut-off).
- Non regularized debt (including the reasons preventing collection or effective cut-off: municipal entities, complaint codes, code duplication, boxes which cannot be located, twin boxes, uninhabited houses, not billed lots, owners that cannot be located, etc.).

(82) This is added in case payments or restoring have already been made:

- The copy with the proof of payment including the amount paid by users (partial payment: installment agreements, advance payment or total payment: total debt payment).
- Notification of regularized service restoring.

(83) The Program Supervisor is charged with **minutely assessing** the files and progress reports. Collection Official and cut-off personnel's report figures will be contrasted with those in the regularization file and the user account in the EPS cadastre, considering documented payments. This work will be supported by the SICI IT software.

(84) Any files left without observations or successful debt regularization will the base to **control the program's global impact** and to calculate the personnel's remuneration.

(85) Undertaken activities and applied sanctions will be recorded **in the cadastre** to update the user's account and future billing.

(86) **The Supervisor** will summarize any relevant results to remunerate each one of the Collection Officials and Service Cut-off Personnel. At the same time an individual list will be given to them.

2.4. Collection Officials' Remuneration

(87) The Supervisor needs to keep control of results (control form) of domicile Collection so that he/she can calculate the collectors' monthly liquidation.

(88) The EPS will pay the Collection Official a commission provided delinquent users regularize their debt either **totally or partially** as a consequence of their work.

	Payments for success	Total payment	Comments
Collection Officials	5 to 10 percent of the down payment paid by the user	800 to 1500 soles per month.	This depends on the area and the official's success.
Cut-off personnel	60 to 80 percent of the collection for service cut-off and restoration (for the simple cut-off they will depend on EPS collaterals between S/ 12 and S/ 15)	400 to 650 soles per month	It depends on the area and the cut-off personnel's own success. This amount will be slightly higher if the EPS decides that the materials are supplied by the cut-off personnel themselves (preferable).

Fig. 15: Proposed remuneration for coercive collection personnel.

(89) Based upon the experience obtained at EPSEL S.A. we propose EPSs to acknowledge Collection Officials a payment for success from 5% **up to 10%** of the down payment or the total debt amount when it is paid in a single installment. This percentage can vary and it depends on each EPS's specialist according to delinquent portfolio composition.

(90) The percentage proposed in Chiclayo (5%) has generated an average income of **S/. 1,200** per Collection Official.

2.5. Cut-off Personnel's Remuneration

(91) Collection Officials directly supervise the work done by Cut-off Personnel. They instruct them to perform the cut-off when they so deem and **inform** cut-off personnel to restore the service when the client has paid the due amount.

(92) The **cut-off personnel** are in charge of checking cut-off connections. If they find arbitrary restoring, they have the power to cut-off again. The technical sanction is more drastic every time. EPS regulations have to be complied with concerning the type of sanction in relation to terms and accrued debt amount.

(93) Cut-off personnel will keep Collection Officials informed about detected arbitrary restoration and repeated cut-offs, because these actions directly impact the user's debt and **the payment** received by the cut-off personnel.

(94) **Both parties**, Collection Officials and Cut-off Personnel, submit their report to the Program Supervisor on a weekly basis to calculate cut-off personnel's remuneration. They report regularized debts through combined actions of Collection Management and Effective Cut-Off. Reports provide details on cadastre codes, regularized debts and restoration notifications for regularized services.

(95) In turn, the Supervisor issues a control sheet with what has been collected as cut-off/restoration after evaluating and contrasting received reports. There, he specifies the number of cut-off and/or suspension **actions** carried out by the field personnel for their further liquidation.

(96) Based upon the Chiclayo experience, we propose a payment for success to Cut-off Personnel that equals **70%** of service cut-off and restoration payments. This percentage is also variable and it depends on EPS judgment.

2.6. Result control

(97) The Program Supervisor is responsible for collection and effective cut-off management. He is the control instance who:

- Supervises regularization results.
- **Approves** the agreements.
- Verifies delinquent portfolio evolution with payment due for more than 2 months.
- Instructs the personnel on changes to be made in invoicing.
- Coordinates liquidation for the personnel.



Fig. 16: Program Supervisor

(98) The Supervisor evaluates the yield of each one of the Collection Officials and Cut-off Personnel and **decides** upon adjustment measures to optimize personnel work and sector distribution.



SUMMARY



QUESTIONS



TASKS



RECOMMENDATIONS

■ Collection management efficiency depends directly on the Collection Officials and Cut-off personnel joint work

■ Guidance to clients on the facilities offered by the EPS and control of sanction application are key factors for program success.

■ What are the kinds of payment facilities that can be offered to clients?

■ If a client from your EPS comes to the offices to pay a lower amount than the down payment – do you receive the money?

■ Interview the teller personnel about the amount of people who approach the office to make payments and who leave without having done so.

■ Interview some delinquent clients at your EPS and ask them if they know how much cut-off and restoration cost and if they are aware about the sequence of cut-offs.

■ EPS clients who get to our offices aiming at paying part of their debt should not go without having left the cash they brought. In case this money is not enough to completely cover the down payment, the person signs a short term payment commitment.



3

Concrete Application at the EPS

3.1. Effective cut-off and collection management program approval

(99) So that the effective cut-off and collection management programs can be installed and institutionalized in the company's commercial management area, it is necessary for them to be approved by the Board of Directors and the General Manager. Guidelines need to be issued according to each EPS modality. Such guidelines can be first limited to a certain pilot sector and then be successively broadened in the future.

(100) The following elements should be specified both in the internal application made by the Commercial Manager and its approval:

- Intervention objectives
- Definitions
- Application area
- Impact measurable goals
- Affected users
- Collection Officials' powers
- Forms to be used by the Collection Official (see Annex N° 01).
- Cut-off personnel's powers
- Payment modalities and amounts for Collection Officials and Cut-off Personnel.
- References to other EPS guidelines and regulations

(101) Annex N° 04 is an example of a guideline approved by EPSEL S. A. In this case 50% of collected delinquent debt was approved to be used in expanding the drinking water matrix network. This voluntary commitment meant a moral advantage that Collection Officials could use when facing delinquent users, because they were the good guys, those who collect "to give water to those who do not have it". Each EPS should decide if they would apply such a measure or a different one.

(102) The following arguments should be taken into account so that the head can make favorable decisions and authorize installation and execution of an effective cut-off and collection management program.

- Delinquency size and structure.
- Geographic scope.
- Necessary personnel and their yield.

3.2. EPS problem analysis

(103) The cut-off and collection problem analysis is very important to be able to more clearly determine why there are high delinquency and inactive connection rates. This analysis is needed both to calculate the necessary resources and to convince decision makers about the urgency of implementing proposed measures. The data that will be gathered at the beginning together with those that will be gathered later on will help to monitor the impact of implemented measures and thus assess achievements.

A - Office analysis:

(104) A first useful and easily accessible data base is fed from the invoice cadastre. The EPS total debt structure should be analyzed and the areas with a larger accrued debt and past-due payments should be identified.

(105) The summary of the EPS debt structure and the most problematic sectors can be reported in a simple form (MS Excel spreadsheet) as follows:

Past-due debt	Active without agreement	Active with agreement	N° of inactive users	Total N°
0				
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12 and more				
TOTAL				

Fig. 17: Summary of connections according to individual characteristics.

(106) Analysis will detect the number of delinquent users who remain unpunished or have no payment agreement. A high number shows that there are probably deficiencies in the **information flow** and in the commercial area dispatch.

(107) This analysis will also detect how long connections remain in a cut-off-status. A high percentage of inactive connections for several months means there are many arbitrary restorations or considerable accrued debt that will be difficult to manage. Both effects are caused by EPS **deficient management**.

B – Field Sample

(108) Supposedly, any delinquent portfolio with past due payments for more than 2 months is a potential candidate for the effective cut-off and collection management program. However, there are factors that limit successful intervention: if the Collection Official does not find evidence of active or cut-off connection or if the connection lacks an inspection box or if the lot is simply uninhabited, it will be difficult for the officials to regularize the debt.

What percentage of connections is difficult or impossible to regularize due to these circumstances?

(109) We are interested in checking if the high percentage of cut-off connections is explained by the fact that there are many arbitrary restorations and ineffective or not performed cut-offs.

What is the percentage of connections which should be cut-off but have an active service?

(110) Responses to these questions will be helpful to justify the program and gradually improve our arguments before EPS main instances. It also allows us to make planning adjustments concerning necessary personnel and expected yield.

(111) A poll should be undertaken among delinquent users with debt older than 2 months to collect relevant field data. The number of lots to be checked for this poll to be representative is shown below. There are more details on this subject in Annex N° 2.

N (N° of total inactive connections)	Representative sample size
100	73
200	115
300	1743
400	162
500	176
750	199
1000	213
2000	238
5000	257
10000	263
250000	268

Fig 18. Sample size according to universe

(112) Data collection in the field is not done through a survey. It is not necessary to get cooperation from delinquent users. It can be applied to all the EPS's jurisdiction. It is recommended to get data in the **pilot zone** where the program is to be applied.

(113) The information will be obtained and filled in the following form or a similar one according to EPS status:

<input type="text"/> Verifier		<input type="text"/> Sample N°	
<input type="text"/> Address:			
<input type="checkbox"/> Un-inhabited buildings and lots <input type="checkbox"/> Inhabited buildings		<input type="checkbox"/> With surprise box <input type="checkbox"/> With open box <input type="checkbox"/> With sealed box <input type="checkbox"/> With a box that cannot be found <input type="checkbox"/> Without box	
<input type="checkbox"/> Active connections <input type="checkbox"/> Inactive connections <input type="checkbox"/> Connection cannot be located			

Fig.19. Poll format (example)

(114) Sampling results are entered into a user-friendly form (Excel, Access or SSP spreadsheet). The quantity of lots or uninhabited buildings related to those that lack the inspection box divided by the total is the percentage of **difficult cases** for negotiation and regularization.

☐ Beware of duplications: If a lot is recorded as un-inhabited and at the same time the box is impossible to locate, it should be counted only once and not twice.

(115) Once the sample results are standardized, they can be compared with those from other sectors and with the same or other EPSs.

3.3. Distribution by sector and other necessary resource calculations

(116) Office analysis helps us **identify the zones** where larger debts are accrued and a larger number of cut-off connections exist. A sector with such characteristics is the right sector to apply the Effective Cut-off and Collection Management Pilot Program.

(117) This pilot tests the validity of intervention as such and can undergo **different adjustments** to improve strategy, operation and efficiency

■ According to each case, a different client portfolio is entrusted to Collection Officials and Cut-off Personnel.

■ Regularization yield is verified and percentage is adjusted for personnel payment.

How many people in charge of cutting off work with a Collection Official?

(118) A team of cut-off and collection management is made up by one Collection Official and 3 or 4 Cut-off Technicians. The Collection Official leads the group and supervises his/her subordinates appropriately.

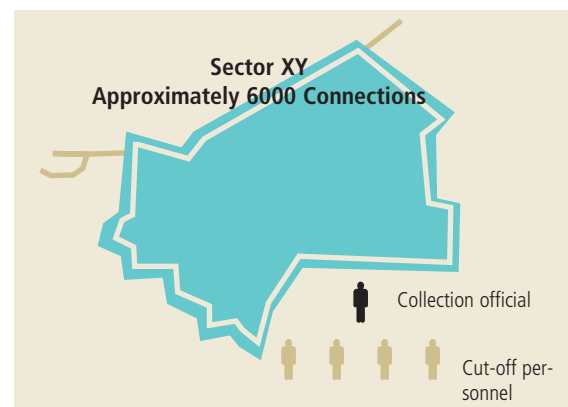


Fig 20: Scope of a coercion team

How many connections are included within a collection team scope?

(119) Each cut-off technician may have approximately 1,500 to 2000 connections (of all kinds). The manageable number depends on the percentage of delinquent connections. A Collection Official can lead 3 to 4 cut-off technicians to be able to appropriately direct and supervise them.

(120) A collection sector served by one of these teams may then have an approximate number of 6,000 connections, which can vary from one EPS to another.

(121) The number of connections to be served depends to a great extent on the following conditions:

■ The larger the number of cut-off connections and active connections with a debt that is older than 2 months, the larger the number of cut-off technicians which are needed.

■ The higher the accrued debt, the lesser connections can be served per official.

■ The larger the debt, the greater the difficulty to cut-off connections (difficult-to-find connections, nonexistent, deep, internal or sealed boxes). This means a larger number of cut-off technicians (at the same time cut-off/restoration payment has to be higher for these cases).

(122) Cadastre analysis, field polls and experiences in the pilot program will provide information to **better configure** the strategy.

3.4. I.T. system adaptation

(123) The I.T. system used by the EPS -usually SICI- must be adapted for coercive collection program management. The only way to manage the complexity of relevant data in the relationship with EPS data is through automated means.

(124) An I.T. application should be implemented to record collection and effective cut-off management so as to facilitate program result reporting.

(125) The following processes need I.T. support:

A Delinquent Client Identification

(126) This locates delinquent clients and new clients who can become debtors.

B Regularized Debt Control

(127) This module will help supervisors control personnel yield according to debt regularization operations:

Collection management: Only collection management should be recorded without cut-off team participation.

Effective cut-off + Collection Management: Debt regularization thanks to joint action.

(128) In both cases the system will allow to record and report the regularization modality.



Fig. 21. The I.T. application facilitates program management

C Advance Payments

- Down payments or total debt amount.
- Regular payments corresponding to installment payment.

D Personnel Payment Control

(129) The application will help the Supervisor to process personnel payments according to field information and to contrast it with Collection Officials and Cut-off Personnel reports. At the same time, it will help assess personnel yield and distribute workload proportionally among them to measure their efficiency.

E Monthly Billing Control

(130) Billing increase is a direct outcome of the program as a result of the use of new cadastre codes that show properties which have stopped receiving invoices due to an old cut-off status.

F Collection Increase Control

(131) This tool will allow to evaluate collection growth according to regularized debts during the program. This module is the main component of the application and reflects global yields.

G Target Compliance Control

(132) Results of analyzing cut-off connections/active connections with more than 2 past-due months from the field sample are kept. This is compared to impact monitoring polling. Then, the EPS schedules a repetition of the field sample and checks up the changes to be made and scheduled.

3.5. Collection Official Screening and Hiring

(133) The Collection Official needs to have collection background.

The Call

(134) Publicity ads should be used to call candidates for the Collection Official positions. These ads should be placed at EPS offices where clients are served or at the collection tellers for **at least two weeks** in those offices that receive the largest number of clients. They can also be placed close to institutions that work with collection (for example micro-financing institutions as CMACs and EDPYMES). We can also request recommendations from these institutions. Fortunately, collection work is quite popular in Peru and there is a high turnover, so it should not be difficult to find a good group of trained and interested people.

Requirements and Screening

(135) It is very rare to find personnel experienced in collection and at the same time sanitation. Therefore the latter should not be an indispensable requirement. Instead, we propose the following:

PRIORITY	REQUIREMENTS	RATIONALE	VERIFICATION MODALITY
1	Broad experience in door-to-door collection (home appliances, insurance and micro-credits)	Call objective	Verify CV and personal interview
2	Be honest and efficient	It guarantees success and prevents problems with clients	Call former employers
3	Time availability	This is a full-time job	Personal interview
4	Correct expression and good appearance	By being in contact with clients they represent EPS's image	Personal interview
5	Having led a team	Collection officials have to lead cut-off work	Verify CV
6	Knowledge of the kind of areas under intervention (shantytowns, human settlements, etc.)	It is important to know the type of client and zone because of security issues	Verify CV
7	Knowledge of the sanitation sector	This is not indispensable but could be of help	Verify CV and personal interview
8	Own vehicle	This facilitates field work	Personal interview
9	Commercial writing skills	This helps to improve strategies	Test during the personal interview

Fig 22: Prioritized resources for personnel screening

(136) Candidates who get better scores on these requirements will be selected. Besides, a waiting list can be prepared for project expansions or in case those selected fail, and then those on the waiting list can be hired. **Annex N°05** includes a contract specimen.

3.6. Collection Official Training

(137) The Collection Official team that will be selected and hired needs to be carefully trained on collection specificities in the sanitation sector. This is regulated by numerous **legal and internal** EPS provisions.

(138) Training will be under the charge of EPS personnel and will last 2 or 3 days. In the case of EPSEL S.A. Chiclayo, we have seen that intense and strict field follow-up should be done after training during the first 2 weeks of work until it becomes perfect routine.

Office Training

(139) A large part of regulation theoretical aspects are taught at EPS offices. These are the basic topics:

1. Knowledge of EPS service supply regulations and general sanitation law regulation (including the sequence of cut-offs applied by the EPS).
2. Knowledge of the EPS tariff structure.
3. Knowledge of the EPS collateral costs.
4. Internal activities related with EPS operational work.
5. Knowledge of EPS service quality and costs that justify collection for supplied services.
6. Cadastre activities:
 - a) Reading cadastre maps
 - b) Reading collection records and invoicing in the I.T. system
 - c) Distribution of cadastre sectors and codes

7. Correct filling-in of the Collection Official files that contain EPS requirements for debt regularization:

- a) Application for paying the debt installment
- b) Service cut-off notification
- c) Debtor list
- d) Agreement on paying in installments
- e) Warning letter
- f) Letter of attorney

8. Connection description and different types of cut-off applied.



Fig. 23. Office training

Field Training

(140) In the field, trainees will learn to locate delinquent users through cadastre maps. They will be taught about the different sanction (cut-off) modalities. Training in the locality basically includes:

- Criteria for a quick and appropriate guidance.
- Zone cadastre map interpretation
- Criteria to locate other properties with clandestine connections or arbitrary connections.
- Cut-off techniques to be used and quality criteria applied by the EPS (in-house training on daily cut-off work).

(141) Training will be in charge of EPS field personnel employed to identify clandestine users.

(142) **Annex N°08** shows a methodological script module to train Collection Officials.

3.7. Cut-off Personnel Hiring and Training

(143) It is easier to select cut-off personnel. Employees who already work in the company's cut-off area are usually considered. Contracting those who have shown the best yields in their work will be prioritized.

(144) In case personnel for this position are sought outside the EPS, those who are experienced in plumbing should be called. SENCICO is an example of construction school which can be contacted when making a list of trained **plumbers**.

(145) So as to find experienced service cut-off workers, training will be limited to explaining the new modality of team work and the remuneration calculation logic.

(146) They need to learn that they will work in a team, led by the collection official and that their remuneration will depend mainly on their yield.

(147) As for sanction techniques, they are instructed on blocking the sewer, since this very efficient technique is not well known at every EPS.

(148) **Annex N° 09** shows a methodological script for training cut-off workers in the new work system.



SUMMARY



QUESTIONS



TASKS



RECOMMENDATIONS

- A careful Collection Official screening process is essential for project success.
- Sewer blockage is a highly efficient measure.

- Does your EPS apply sewer blockage?
- What kind of informative actions are there in your EPS concerning payment facilities and sanctions?

- Choose a pilot sector and calculate the necessary human and financial resources.
- Formulate an appropriate guideline to execute the pilot project at your EPS.

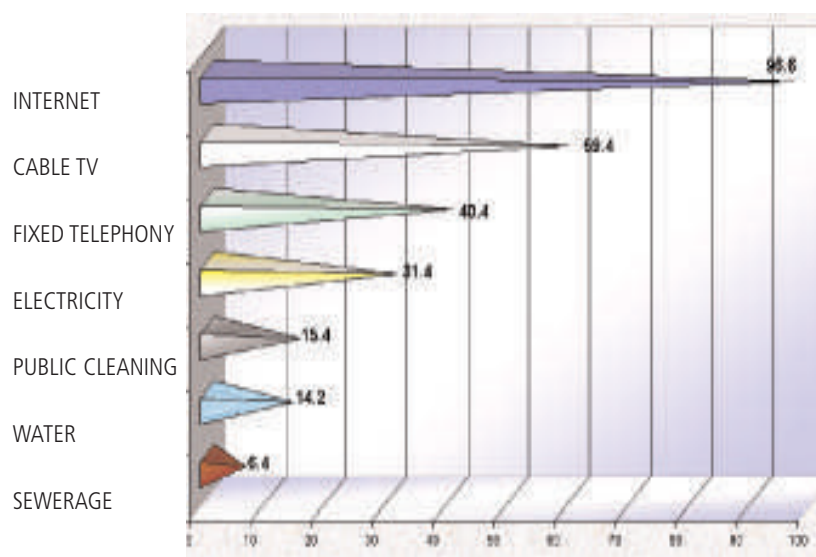
- The implementation of a pilot project is recommended to adapt incentives to the case of each EPS.

Anexos

ANNEX 1	<u>Table N° 1 Calculation Sources and Method</u>
ANNEX 2	<u>Sample of Size Calculation Method</u>
ANNEX 3	<u>Examples for Calculating Sewer Blockage and Restoration Side Costs</u>
ANNEX 4	<u>Debt Regularization Folder</u>
ANNEX 5	<u>Collection Official Contract Specimen</u>
ANNEX 6	<u>Cut-off Personnel Contract Specimen</u>
ANNEX 7	<u>EPS Guidelines Specimen</u>
ANNEX 8	<u>Specimen of Methodological Guidelines for Training Collection Officials</u>
ANNEX 9	<u>Specimen of Methodological Script for Training Cut-off Personnel</u>
ANNEX 10	<u>Module Planning Format (FPM)</u>

ANNEX N° 1

Table N°1 Calculation Sources and Method



■ **INTERNET:** Terra ADSL 100 – The most economic flat rate
(Source: Telefónica del Perú S.A. website)

■ **CABLE TV:** Cable Express – The cheapest TV Cable supply
(Source: Telefónica del Perú S.A. website)

■ **FIXED TELEPHONY:** Tariff Plan per Minute 1 – The lowest cost
(Source: Telefónica del Perú S.A. website)

■ **ELECTRICITY:** ENSA Sales (Clients with no voltage connection)
(Source: Electronorte S.A. website)

■ **PUBLIC CLEANING:** Chiclayo Province Municipality Average Rate
(Total invoicing/Number of invoices; SRC «Final Consulting Report for CEPRI – Chiclayo»)

■ **WATER:** Domestic A tariff class without a meter (The most common tariff)
Source: EPSEL S.A.: Tariff approved by SUNASS.

■ **SEWERAGE:** Domestic A tariff class without a meter (The most common tariff)
Source: EPSEL S.A.: Tariff approved by SUNASS.

ANNEX N° 2

Sample of Size Calculation Method

A 95% reliability level and a maximum error rate of 5% are proposed to calculate the sample size. This does not mean that there might not be a probability of more than 95% or that errors cannot be more than 5%. For the sample of inactive connections that is enough.

Methodology:

STEP 1: First probing is done by choosing some 30 inactive connections at random to then check them out. According to this, p factors (% of inactive connections with cut-off status) and q factors (% of inactive connections being used (1-p)) will be determined. These factors are used to calculate the sample size.

STEP 2: The number of inactive connections to be checked (n) will be calculated with the formula below.

STEP 3: "n" inactive connections will be chosen at random to check them out.

STEP 4: This will result in the number of inactive connections with service, i.e., arbitrarily restored

Example:

N = 100	Number of inactive connections at EPS, city or sector to be studied.
Z = 1.645	Value of the normal standardized distribution corresponding to the chosen level of reliability (95%)
p = 0.5	Percentage of connections that are supposedly inactive (after the first results)
q = 0.5	q = 1- p percentage of connections that (after the first results) are supposedly with service (restored)
E = 0.05	Error margin according to the chosen reliability level (95%)
The formula:	$n = \frac{Z^2 p q N}{E (N - 1) + Z^2 p q}$
Therefore:	n = 73.2 Questionnaires to be applied (sample size)

To facilitate the calculation of the number of connections to be reviewed (n) we now show the following calculation table:

N (N° of total inactive connections)	Percentage of inactive connections with service q (after polling)				
	50%	60% o 40 %	30% o 70%	20% o 80 %	10% o 90%
100	73	72	70	64	50
200	115	113	107	93	66
300	143	139	130	110	74
400	162	158	145	121	78
500	176	171	156	129	82
750	199	193	175	141	86
1,000	213	206	185	148	89
2,000	238	230	204	159	93
5,000	257	247	217	167	96
10,000	263	253	222	170	96
25,000	268	257	225	172	97

This table will be used as follows:

- (1) To determine the number of inactive connections in the Sector to be analyzed (EPS, locality, etc.) (N)
- (2) To choose some inactive connections at random and check them (probing). The percentage of inactive connections with service (q) will be determined according to this.
- (3) To look in the table for the most approximate sample size (n) according to values N and q.
- (4) To sample according to the found sample size.

ANNEX N° 3

Examples for Calculating Sewer Blockage and Restoration Side Costs



SEWERAGE SERVICE CUT-OFF BUDGET

Blockage with lime mortar at the sewerage inspection box

ITEMS	Unit	Quantity	MAXIMUM UNIT COSTS	
			S/. Unit	TOTAL
1. Direct cost				20.74
• MATERIALS				
CEMENT	Bag	0.050	15.20	0.76
PLASTER	Bag	0.500		0.00
SAND	M3	0.050	15.00	0.75
KK BRICK	Unit	6.000		0.00
• LABOR				
SUPERVISOR	h-h	0.300	7.75	2.33
LABORER	h-h	1.000	6.23	6.23
BRICKLAYER	h-h	1.100	6.03	6.63
• MACHINERY AND EQUIPMENT (RENT/DEPRECIATION)				
- Motorcycle	m-h	1.000	3.88	3.88
- TOOLS				
Shovel	m-h	1.100	0.020	0.02
Crowbar	m-h	1.100	0.010	0.01
Wheelbarrow	m-h	1.100	0.120	0.13
2. OVERHEAD				22.77
ADMINISTRATIVE AND COMMERCIAL EXPENDITURES				
*MATERIAL	thou.	0.01	15.00	0.15
Paper	thou.	0.01	120.00	0.72
Printing	est.	3.00	1.00	3.00
Inputs				0.00
*PERSONNEL	m-h	0.83	12.95	10.75
Specialist	m-h	0.66	6.29	4.15
Assistant	m-h	0.33	6.36	2.10
Storage				0.00
*SERVICES, EQUIPMENT AND LICENSES				
Premises	est.	1.00	0.20	0.20
I.T. Equipment	est.	1.00	0.70	0.70
Utilities	est.	1.00	0.50	0.50
Software	est.	1.00	0.50	0.50
SUBTOTAL (1+2)				43.51
3. PROFIT (10% OF THE OPERATIONAL COSTS)				4.35
TOTAL WITHOUT IGV* (1+2+3)				47.86

*NOTE: IGV is not charged in the Loreto department – Amazon Law N° 27037.



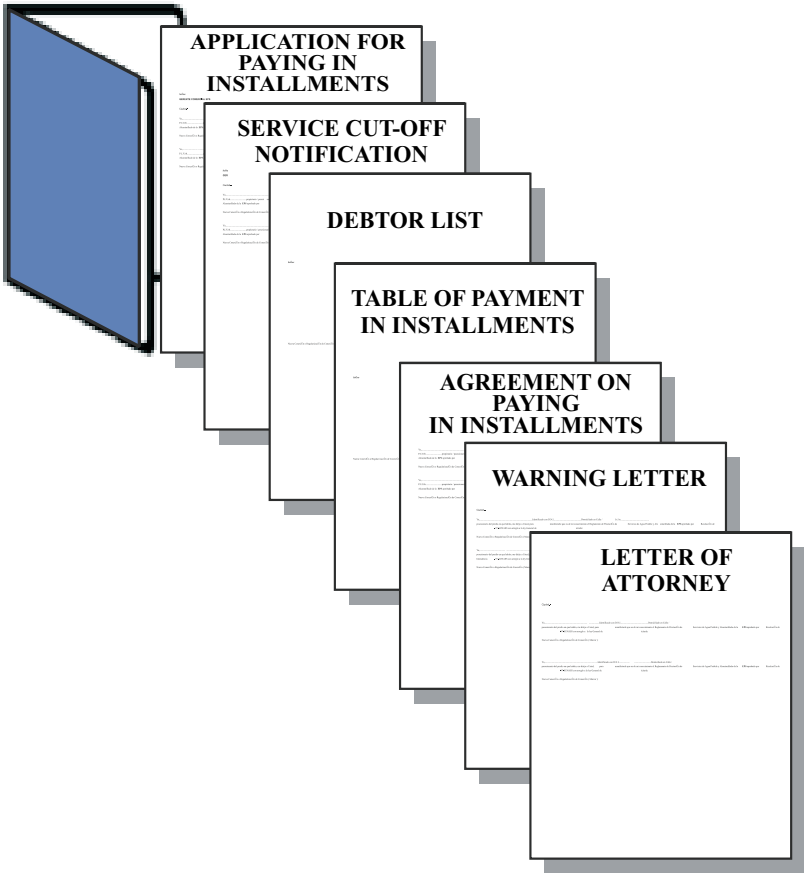
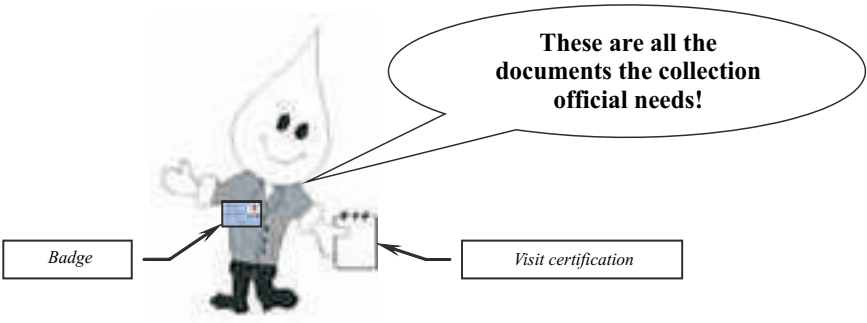
SEWERAGE SERVICE RESTORATION BUDGET

ITEMS	Unit	Quantity	MAXIMUM UNIT COSTS	
			S/. Unit	TOTAL
1. Direct cost				20.74
• MATERIALS				
CEMENT	Bag	0.050	15.20	0.76
PLASTER	Bag	0.500		0.00
SAND	M3	0.050	15.00	0.75
KK BRICK	Unit	6.000		0.00
• LABOR				
SUPERVISOR	h-h	0.300	7.75	2.33
LABORER	h-h	1.000	6.23	6.23
BRICKLAYER	h-h	1.100	6.03	6.63
• MACHINERY AND EQ UIPMENT (RENT/DEPRECIATION)				
- Motorcycle	m-h	1.000	3.88	3.88
- TOOLS				
Shovel	m-h	1.100	0.020	0.02
Crowbar	m-h	1.100	0.010	0.01
Wheelbarrow	m-h	1.100	0.120	0.13
2. OVERHEAD				22.77
ADMINISTRATIVE AND COMMERCIAL EXPENDITURES				
*MATERIAL	Thou.	0.01	15.00	0.15
Paper	thou.	0.01	120.00	0.72
Printing	est.	3.00	1.00	3.00
Inputs				
*PERSONNEL	m-h	0.83	12.95	10.75
Specialist	m-h	0.66	6.29	4.15
Assistant	m-h	0.33	6.36	2.10
Storage				
*SERVICES, EQUIPMENT AND LICENSES	est.	1.00	0.20	0.20
Premises	est.	1.00	0.70	0.70
I.T. Equipment	est.	1.00	0.50	0.50
Utilities	est.	1.00	0.50	0.50
Software	est.	1.00	0.50	0.50
SUBTOTAL (1+2)				45.19
3. PROFIT (10% OF THE OPERATIONAL COSTS)				4.52
TOTAL WI THOUT IGTV* (1+2+3)				49.71

*NOTE: IGTV is not charged in the Loreto department – Amazon Law N° 27037.

ANNEX N° 4

Debt Regularization Folder



APPLICATION SPECIMEN

Request: Payment of Debt in installments.

Mr.
EPSEL S.A. COMMERCIAL MANAGER

Address.-

I identified with DNI N°
....., domiciled at
shantytown / Urban development /
Owner / Possessionary of the property I inhabit address you to state the following:

I wish to continue being a user of the drinking water/sewerage services provided by EPSEL S.A., which are currently in (active/cut-off) status. I currently have a debt to be paid and I know that your company is granting facilities to regularize said obligation that amounts to S/. I hereby request to pay in installments as follows:

Down payment: S/.
Balance: S/.

in monthly payments to be included in the water and sanitation invoices.

Sincerely,

Chiclayo, Date

Name:
DNI:

SERVICE CUT-OFF NOTIFICATION SPECIMEN

WATER

SANITATION

Cut-off type :
Date : Chiclayo,
User :
Address :
Code :

This is to notify that we are proceeding to cut-off the service due to the unpaid debt you have with our company which amounts to S/.

CUT-OFF OFFICIAL

Dear user,

For the immediate restoration of your service in no more than 24 hours you need to regularize your debt with EPSEL S.A. amounting to S/. (*)

Therefore we request you honor your debt by paying the total amount or refinancing your debt by using the payment facilities foreseen to such end. Please come by our collection offices on Av. Grau N° 451 – Chiclayo during our opening hours:

Monday to Friday : 8:00 am to 4:30 pm
Saturdays : 8:00 am to 12:45 pm

When you come to our offices you need to bring the following documents to expedite your procedure:

- 1.
- 2.
- 3.
- 4.

(*) This debt does not include default payment interests or charges.

AGREEMENT ON PAYING DEBT IN INSTALLMENTS DEBT

This is to certify the AGREEMENT ON PAYING IN INSTALLMENTS entered into on the one hand by ENTIDAD PRESTADORA DE SERVICIOS DE SANEAMIENTO LAMBAYEQUE SOCIEDAD ANÓNIMA (EPSEL S.A.) represented by its Commercial Manager, domiciled at Av. Grau 455 in the city of Chiclayo, hereinafter EPSEL S.A., and on the other hand Mr. (Ms.): Identified with DNI number and holder (Owner and /or Possessionary) domiciled at..... Shantytown/Urban development, hereinafter and for the purposes of this agreement THE CLIENT in the following terms:

FIRST: the mentioned CLIENT is the holder of the property located in the abovementioned address, with user code N°.....

SECOND: THE CLIENT acknowledges a debt with EPSEL S.A. which amounts to S/., for water and/or sanitation, according to the account reports submitted hereto.

THIRD: At subscription of the Agreement herein, THE CLIENT pays in cash the down payment of S/., and accepts to pay the balance plus the respective financial interest in monthly installments amounting to S/., each one as follows:

Payment of Debt in Installments

Down payment: S/.

Balance: S/. In monthly installments of S/., each one.

FOURTH: EPSEL S.A. commits to restore the drinking water and/or sanitation service to THE CLIENT once the AGREEMENT ON PAYMENT OF DEBT IN INSTALLMENTS is subscribed following the payment of the corresponding amount. THE CLIENT inhibits from any complaint submitted before EPSEL S.A. and proceeds to recognize the debt.

FIFTH: In case the Agreement herein is subscribed by a person who is not The Holder of the supply, said act will be performed as joint and several guarantee, pursuant to article N° 1868, 1869, 1863 and other relevant articles in the Civil Code.

SIXTH: Not complying with payment of any of the installments corresponding to the AGREEMENT ON PAYMENT OF DEBT IN INSTALLMENTS herein or with the monthly invoice grants EPSEL S.A. the right to immediately proceed to cut-off the service, reserving the rights to suspend the connection if it so necessary. Likewise, all the pending installments will be considered as past due and total payment of the obligation can be judicially demanded through coercive means.

SEVEN: The agreement herein is subscribed by both parties as witness thereof on..... DATE.

Commercial Manager

Name.....

DNI:

WARNING LETTER SPECIMEN

Chiclayo..... Date

Mr. (Ms.):

Address:

Code:

Dear user,

We hereby inform you that due to not having complied with paying your debt which to date amounts to S/., referring to drinking water/sanitation services that EPSEL S.A. provides in your property, the service has been cut-off today

The cut-off status will be kept until the day in which you regularize your situation. Then, the service will be restored in a term no longer than 24 hours. If we verify that the cut-off service has been restored without company intervention (arbitrary restoration), we will proceed pursuant to Article 101 of the EPSEL S.A. Drinking Water and Sanitary Sewerage Regulation. Additionally, your debt will be increased because you will be charged for said restoration.

Sincerely,

Cut-off and Restoration Supervisor

LETTER OF ATTORNEY SPECIMEN

Chiclayo,..... date

Mr.
EPSEL S.A. COMMERCIAL MANAGER

Address

I....., identified with DNI number....., owner of the property located at shantytown / urban development/ hereby grant GENERAL AND SPECIAL POWER OF ATTORNEY pursuant to article 145 and other pertinent articles in the Civil Code, as well as article 704 and 705 of the Civil Procedural Code so that on my behalf and representation, Mr. (Ms.) identified with DNI number....., enters into the financing agreement with your representative so as to regularize my debt.

To do so I subscribe the expression of my will herein and join a copy of my identity document with my notarized signature.

Name:

DNI:

BADGE SAMPLE



CONVENIO GTZ/PRO AGUA
EPSEL S.A. 10,000 CONEXIONES



COLLECTION OFFICIAL

NAME :

DNI :

DUE DATE:

COMMERCIAL DIVISION

EPSEL S.A.

ANNEX N° 5

Collection Official Contract Specimen

GENERAL MANAGER CONTRACT N° NON-PERSONAL SERVICE CONTRACT

This to certify the Non-Personal Service Contract entered into on the one hand by the EPS with R.U.C. N°....., domiciled at, represented by General Manager identified with D.N.I N°....., hereinafter the COMPANY, and on the other hand Mr., identified with D.N.I N°....., with R.U.C. N°....., and domiciled at N°..... shantytown/urban development, in the District of..... Province of Department of, hereinafter the CONTRACTED PARTY, who agree on the following terms and conditions

CLAUSE ONE: BACKGROUND

The COMPANY is the Sanitation Service Provider Enterprise It is owned by the municipality and is charged with producing, generating, distributing and maintaining the sanitation services within the jurisdiction of the Department of, a function developed within the scope of Law N° 26338 – General Sanitation Law and its Regulation, Supreme Decree N° 09-95-PRES.

The CONTRACTED PARTY is an individual with broad experience and qualified in collecting default payments, whose function is to carry out actions that will lead to compliance with payment of obligations users have to pay the company. To do so, he will inform users about their debt amount, the payment facilities the COMPANY offers and will guide users on the use of required documentation for effective debt regularization. He will perform his duties together with at least one cut-off technician.

CLAUSE TWO: CONTRACT OBJECTIVE

This Contract aims at hiring the specialized technical services of the CONTRACTED PARTY so he performs as DELINQUENT COLLECTION OFFICIAL, to be carried out by following the list of users with past due payments for drinking water and sanitation services in the Pilot Sector assigned by the Commercial Management and as per the COMPANY's collection policy and other inherent to this service. This Contract is subscribed following report N° of the Human Resources Deputy Manager.

CLAUSE THREE: SERVICE SCOPE

The CONTRACTED PARTY will supply the service he has been hired for pursuant to Technical Specifications which to that effect he will receive from the Commercial Manager. This service is to be carried out personally. However, he can use assistants or substitutes under his direction and responsibility without keeping any labor or contractual relationship with the COMPANY. The CONTRACTED PARTY is not subordinated to the COMPANY.

GLOBAL PROCEDURE – SPECIFIC JOBS

1. The COLLECTION OFFICIAL is acknowledged payment according to those users who regularized their debt following service cut-off by paying a down payment or the total debt amount.
2. He has also recognized payment for users who thanks to the collection initiative (payment commitment) have regularized their debt and pay their down payments or the total debts.
3. The COLLECTION OFFICIAL himself will be in charge of overseeing cut-off connections and tell the cut-off personnel which connections should be cut-off. Each one of the COLLECTION OFFICIALS will receive a delinquent client list so said clients are kept within the cut-off status until they decide to regularize.
4. The DELINQUENT COLLECTION OFFICIALS will facilitate the procedure through a brief orientation to delinquent clients.

ORIENTATION TO CLIENTS

Orientation to clients will be done as follows:

After the first cut-off or first verification visit, a form will be left with the client with specific information as follows:

- Place and schedule for client service
- Documents the client needs to submit
- User's total accrued debt
- Payment facilities
- Application form and how to fill it in
- Benefits of being a COMPANY client

The DELINQUENT COLLECTION OFFICIALS have the task of orienting clients so they regularize their debt and then grant them a term to pay. Otherwise, the service will be cut-off.

WARNING LETTER

DELINQUENT COLLECTION OFFICIALS will give users a Warning Letter regarding likely arbitrary service restoration. The official will have a list of delinquent/cut-off clients with the following information:

- Delinquent client name and address
- Accrued debt total and detailed information

- Former debt payment in installments
- Connection status (cut-off or active)

Besides, prior training will be provided to them concerning the following documents, which are given them in sufficient number, according to the number of delinquent clients they have on their list.

- Serve restoration application
- Specimen of the agreement on paying in installments
- Information sheets for clients
- Warning Letter Specimen

CLAUSE FOUR: CONTRACT MODALITY

The personnel assigned the tasks specified in clause 3 will be hired under the service contract modality (paid in exchange for a Receipt of Professional Fees). They are ruled under Article 1764 and following in the Civil Code and paid by the COMPANY's operational budget for year

PAYMENT MODALITY

The COMPANY will pay the CONTRACTED PARTY commissions, provided delinquent users regularize their debt either totally or partially as a consequence of the CONTRACTED PARTY's performance.

The COMPANY will acknowledge a payment for success which equals 5% of the down payment or the total debt, amount provided it is paid in one sum.

Performance evaluation will be done on a monthly basis. Detailed lists of codes that regularized their debt should be issued including amounts and regularization modality and joining the corresponding restoration certification of regularized services.

The corresponding monthly payment will be done according to the submitted report.

CLAUSE FIVE: SERVICE DURATION

The contracted service will go from to

In case the Commercial Division issues negative reports on service supply, the contract will be resolved in full right following notarized letter sent five (05) days in advance.

CLAUSE SIX: SERVICE SUPPLY

The CONTRACTED PARTY will receive daily work distribution together with the team made up by the Facilitator and the Collection Specialist, after which he will proceed with field work.

CLAUSE SEVEN: WORKPLACE

The CONTRACTED PARTY will work at

CLAUSE EIGHT: RIGHTS AND DUTIES OF THE PARTIES

THE COMPANY

- Provide every facility for correct service performance.
- Opportunely pay the amount for contracted services.
- Supervise contracted work through the Commercial Manager who will assign the necessary personnel.
- Reject any services which do not comply with the service technical conditions, also controlling the service opportunity.
- For incurring in default, the COMPANY need not inform the CONTRACTED PARTY about such circumstance.

THE CONTRACTED PARTY

- Comply with the scope of the Contract herein according to contract stipulations.
- Fully and appropriately perform contracted services, complying with their purpose.
- Opportunely solve any inquiry or concern the company might have in connection with the contracted service.
- The CONTRACTED PARTY may not totally or partially transfer the contracted service, being totally responsible for its supply and compliance.
- Respond for the partial, delayed or defective compliance with the service being subjected to pay damages, which will be calculated by the COMPANY and deducted from the bill on the month that follows the occurrences.
- Assume the responsibility for risks that the personnel may run due to neglect or irresponsibility concerning security measures.
- In case the work is defective, the CONTRACTED PARTY obliges to pay all damages caused.

CLAUSE NINE: CAUSES FOR CONTRACT RESOLUTION

The COMPANY reserves the right to resolve the contract herein in the following cases:

Due to low yields, that is, those DELINQUENT COLLECTION OFFICIALS who are under the average production yield will incur in contract resolution cause due to low production.

■ For claims connected to badly performed work or for asking money to users to stop the corresponding connection cut-off or suspension.

■ Due to arbitrary restoration execution without the corresponding payment or financing of the debt by the user.

■ For retaining or photocopying the connection cut-off or suspension list given him to perform his task.

CLAUSE TEN: DELINQUENT COLLECTION OFFICIAL SUPERVISION

DELINQUENT COLLECTION OFFICIALS who are under the average collection yield will incur in the cause for contract resolution due to low production. The Collection Specialist will be in charge of directly following up and supervising their work.

CLAUSE ELEVEN: PENALTY

The Commercial Division will provide the CONTRACTED PARTY with a list of places where he will provide his services and the latest date for work to be completed. If he does not comply, he will pay a fine that equals S/. 10.00 per delayed day which will be deduced from his following payment.

In case the delay exceeds 10 days, the COMPANY may resolve the contract solely with a notarized letter to the CONTRACTED PARTY

CLAUSE TWELVE: LEGAL PROVISIONS

Any facts unforeseen in the contract herein will be resolved through a harmonic agreement between the parties and will be the subject matter of an additional document to the contract herein.

In case of controversies derived from the contract herein, the parties wave the jurisdiction of their domicile and expressly subject to jurisdiction and competence of the judges and courtroom of the Higher Court of the city of:

Once the contract was read and the contracting parties agreed, they subscribed it in witness thereof in the city of on date

COMPANY

THE CONTRACTED PARTY
D.N.I.:

ANNEX N° 6

Cut-off Personnel Contract Specimen

GENERAL MANAGER CONTRACT N° NON-PERSONAL SERVICE CONTRACT

This is to certify the Non-Personal Service Contract entered into on the one hand by EPS with R.U.C. N°....., domiciled at, represented by its General Manageridentified with D.N.I N°....., hereinafter the COMPANY, and on the other hand Mr. :....., identified with D.N.I N°....., with R.U.C. N°....., and domiciled at N°.....Urban development / Shantytown, in the District of Province of..... Department of, hereinafter the CONTRACTED PARTY, who agree on the following terms and conditions:

CLAUSE ONE: BACKGROUND

The COMPANY is the Sanitation Service Provider Enterprise of owned by the municipality in charge of producing, generating, distributing and maintaining sanitation services within the jurisdiction of the Department of, a function which is developed within the scope of law N° 26338 –General Sanitation Law and its Supreme Decree Regulation N° 09-95-PRES.

The CONTRACTED PARTY is an individual with broad experience and qualification in CONNECTION CUT-OFF, SUSPENSION AND RESTORATION of drinking water and sanitation household connections and other inherent to the sanitation services.

CLAUSE TWO: CONTRACT OBJECTIVE

This contract aims at hiring the specialized technical services of the CONTRACTED PARTY, so that he performs connection cut-off, restoration and rehabilitation actions, according to Lists of Users with past due payments for drinking water and sanitation services in the Pilot Sector defined by the Commercial Division and the COMPANY's collection policies, as well as other related to service supply. This contract is signed pursuant to Report N° , issued by the Human Resources Deputy Manager.

CLAUSE THREE: SERVICE SCOPE

THE CONTRACTED PARTY must supply the contracted service according to Technical Specifications which to that effect will be specified by the Commercial Division, a service to be supplied personally. It is hereby certified that THE CONTRACTED PARTY is not subordinated to the COMPANY.

SPECIFIC JOBS TO BE PERFORMED

- Cut-off the water and/or sewerage services at the box and after the box.
- Drinking water and/or sewerage restoration at the box and after the box.
- Water and sewerage connection suspension.
- Suspended water and sewerage connection restoration.

CLAUSE FOUR: CONTRACT MODALITY

The personnel who are assigned the task certified in Item 2 will be contracted under the Service Contract Modality (Payment against Professional Fees Receipt), pursuant to Article 1764 and following of the Civil Code, paid by the COMPANY'S operational budget for year

PAYMENT MODALITY

The COMPANY will pay the CONTRACTED PARTY a commission provided delinquent users regularize their debt either totally or partially as a consequence of the cut-off and/or suspension work. Commission to be paid in the case of actions against users with more than TWO (02) months of debt and/or non-complied agreed installment amount to S/. 15.00 (Fifteen and 00/100 Nuevos Soles), same which will be paid on a monthly basis according to the number of effective regularizations and according to the liquidation the collection specialist prepares.

In case of users with TWO (02) months of debt who have no current agreement, the commission to be paid amounts to S/. 10.00 (Ten and 00/100 Nuevos Soles), same which will be paid according to stipulations in the former Paragraph.

Performance evaluation will be done on a monthly basis. Detailed lists of codes that regularized their debt should be issued including amounts and regularization modality and joining the corresponding restoration certification of regularized services.

The corresponding monthly payment will be done according to the submitted report.

CLAUSE FIVE: WORK SCHEDULING AND DISTRIBUTION

1. Collection lists (Cut-off, suspension and restoration) of the selected Pilot Sector issued by the Cut-off and Restoration Area, and reviewed by the Collection Specialist and Facilitator will be distributed among the personnel contracted to that end so they can perform the different actions that will guarantee opportune regularization of debts for water and sanitation that users have with the COMPANY.
2. Once the Cut-off and/or Suspension of actions are performed, the cut-off technician will issue the corresponding report and will verify that said action is still effective as many times as necessary until the respective regularization.
3. The type and number of cut-off and/or suspension actions will depend on arbitrary restorations and/or compliance with payment commitments by delinquent users.
4. The cut-off personnel are directly responsible for restoring the service immediately after users regularize their debt.
5. In case they take more than 24 hours to restore the service after their debt is regularized, the commission to be paid will go down to S/. 6.00 (Six and 00/100 Nuevos Soles).

CLAUSE SIX: SERVICE DURATION

The contracted service will go from to
In case the Commercial Division issues negative reports on service supply, the contract will be resolved in full right following a notarized letter five (05) days in advance.

CLAUSE SEVEN: SERVICE SUPPLY

The CONTRACTED PARTY will receive work distribution on a daily basis together with the team made up by the Facilitator and the Collection Specialist, after which he will proceed with field work.

CLAUSE EIGHT: WORKPLACE

The CONTRACTED PARTY will work at

CLAUSE NINE: RIGHTS AND DUTIES OF THE PARTIES

THE COMPANY

- Provide all the facilities for correct service performance.
- Opportunely pay the amount for contracted services.
- Supervise contracted work through the Commercial Division who will assign the necessary personnel.
- Reject services which do not comply with the technical conditions, also controlling service supply opportunity.
- For incurring in default, the COMPANY need not inform the CONTRACTED PARTY about such circumstance.

THE CONTRACTED PARTY

- Comply with the agreement herein as per stipulations.
- Perform contracted services, fully and appropriately complying with them.
- Opportunely solving any question or inquiry the COMPANY can have in connection to the contracted service.
- The CONTRACTED PARTY may not transfer, either totally or partially, the contracted service, being totally responsible for the execution of compliance with same.
- Respond for partial, delayed or defective compliance with services and being subjected to paying damages which will be calculated by the company and deducted from the bill of the month that follows the occurrence of facts.
- Assume responsibility for the risks the personnel may run due to neglect or irresponsibility concerning security measures.
- If the work is defective, the CONTRACTED PARTY is obliged to pay for all damages caused.

CLAUSE TEN: WORK TOOLS AND MATERIALS

So as to carry out the tasks mentioned in subsections 5.1 and 6.2, THE CONTRACTED PARTY will bring the tools required for the job. Materials such as piping, cement, glue, tape, among others, which will be supplied by the Cut-off and Restoration Team.

Likewise, on a daily basis, said personnel will return cut-off and restoration reports or lists that were given to them by the Cut-off and Restoration Team in the Chiclayo office and by managers of different locations within the jurisdiction.

Tools and materials needed to suspend and restore the service will be supplied to the hired personnel. On a daily basis, THE CONTRACTED PARTY will return the tools given to him for the jobs, and he is responsible for their correct use. If he fails to do so, THE COMPANY will discount the tool price from his fortnight payment.

CLAUSE ELEVEN: CONTRACT RESOLUTION CAUSES

THE COMPANY reserves the right to resolve the contract herein in the following cases:

- Due to low yield, that is, less than 60 regularizations made by delinquent users.
- Due to complaints for poorly performed jobs or for charging users to stop the corresponding service cut-off or suspension.
- Due to executing arbitrary restorations without payment or financing of debt by user.
- Due to retaining or photocopying the connection cut-off or suspension lists given him for his work.

CLAUSE TWELVE: SUPERVISION OF DEFAULT COLLECTION OFFICIALS

The Collection Specialist will directly follow up and supervise collection officials' work

CLAUSE THIRTEEN: PENALTY

The Commercial Division will issue a list of properties where THE CONTRACTED PARTY will perform his job and the latest day for work to be completed. In case of non compliance, he will have to pay a fine of S/. 10.00 per delayed day, which will be deducted from his following payment.

In case the delay exceeds 10 days, THE COMPANY may resolve the contract following a notarized letter to THE CONTRACTED PARTY.

CLAUSE FOURTEEN: LEGAL PROVISIONS

Any event unforeseen in the contract herein will be solved by harmonic agreement between the parties and will be the subject matter of a document added to the document herein.

In case of disputes derived from the contract herein, the parties waive their domicile jurisdictions and expressly subject to the jurisdiction and competence of the judges and courtrooms of the Higher Court of the city of....

Once read and approved, the contracting parties subscribed the contract herein in witness thereof in ... on...

COMPANY

CONTRACTED PARTY

D. N. I.:.....

ANNEX No 7

EPS Internal Guideline Specimen

GUIDELINE: ORIENTATION FOR DELINQUENT CLIENTS AND DEBT REGULARIZATION

OBJECTIVES:

1.To establish the new procedure to recover the default portfolio, especially the light and mid-sized portfolios through a combined strategy of service cut-off and orientation to clients on payment facilities through installments.

2.To improve the Company's economic and financial situation so it can undertake sanitation works to expand service coverage through EPSEL S.A. collection, as a result of applying new collection strategies.

3.Results obtained from collection management by applying the proposed modality will increase EPSEL S.A. monthly collection. Surplus obtained will not be used only to support current expenditures. Fifty percent of same will be solely aimed at expanding the Water and Sanitation Service coverage. Collection earmarked for this objective will be deposited in an exclusive and intangible banking account.

REACH

This guideline includes:

1.The client orientation procedure, the Collection Officials operations and their respective remuneration.

2.Cut-off procedures

During the pilot phase, this procedure will be applied in Sector 7 of the Chiclayo office. It will be performed by 4 Collection Officials. The company will assign two cut-off technicians to each collection official. A new internal guideline will be formulated following the new experience obtained in the pilot phase so that it is applied in the entire jurisdiction of EPSEL S.A.

DEFINITIONS

Delinquent Client: User of water and sanitation services provided by the Company who is delayed in his/her payments.

Collection Official: Person in charge of getting delinquent users to pay their debt. He will inform clients about the amount of their debt, the payment facilities that EPSEL S.A. offers and he will orient them about the use of the documents required to effectively regularize their debt. The collection official will work together with at least one cut-off technician.

Cut-off Technician: A person whose job is cutting off service under the modality foreseen in EPSEL S.A.'s Sanitation Service Supply Regulation, as well as what is mentioned in the guideline herein. He directly reports to the Collection Official for the referred cut-offs.

Collection Specialist: A person qualified in collection strategies and management who directly participates as Supervisor of Collection Officials and cut-off personnel.

CLAUSE ONE – GLOBAL PROCEDURE

This regulation is applied to all those users who have a debt older than two months notwithstanding if their service is already cut-off or still active. It is also applied to clients who have agreements for paying an installment and whose first installment is past due.

The service will be kept cut-off by the cut-off team until the users regularize their debt. To make sure cut-offs are effective and at the same time repeated in case of arbitrary restorations, the Collection Official is acknowledged payment only for users who have regularized their debt after being cut-off and paid their down payment or their total debt. The Collection Official will be in charge of overseeing cut-off connections and telling cut-off personnel which connections have to be cut-off. Each one of the Collection Officials will be provided to this effect with a list of delinquent clients so they are kept in a cut-off status until they decide to regularize.

To shorten the time in which clients regularize their debt and prevent them from repeatedly going to the Client Service Center, the Collection Officials will facilitate the procedure through a brief orientation to delinquent clients.

CLAUSE TWO – ORIENTATION TO CLIENTS

After the first cut-off or first verification visit, a form will be left with the client with specific information as follows:

- Place and schedule for client service
- Documents the client needs to submit
- User's total accrued debt
- Payment facilities
- Application form and how to fill it in
- Benefits of being a COMPANY client

This information sheet will also be applied in areas where "Traditional Cut-offs" are carried out, as well as in different offices.

6. To facilitate debt regularization and reduce procedures in client service offices, Collection Officials will take original forms and fill them together with users (application, agreements on paying in installments, etc.).

8. Collection Officials will first orient clients to regularize their debt and then grant them a term so they pay or otherwise the service will be cut-off.

CLAUSE THREE – WARNING LETTER

Collection Officials will give users a Warning Letter to prevent likely service Arbitrary Restoration pursuant to specimen attached in the annexes.

CLAUSE FOUR – PAYING IN INSTALLMENTS

Agreements on paying in installments will be entered into pursuant to current internal Guidelines. The down payment will solely be paid at EPSEL authorized offices (Client Service Office and Administrations, if such is the case).

CLAUSE FIVE – COLLECTION OFFICIALS

Collection Officials will be given a list of delinquent/cut-off clients on a daily basis, which contains the following information:

- Delinquent clients' name and address
- Accrued debt total and detail
- Former debt payment in installments
- Connection status (Cut-off or active)

They will also be provided the following documents according to the number of delinquent clients in their list following training:

- Service restoration application
- Specimen of the Agreement on Paying in Installments
- Information sheets for clients
- Warning letter specimen

Cut-off technicians are responsible for executing service cut-off and keeping delinquent clients in a cut-off status until they regularize their debt.

CLAUSE SIX – PAYMENT TO COLLECTION OFFICIALS

Collection Officials will be acknowledged a payment for success that equals 10% of the down payment or the total debt amount up to a maximum of S/. 50.00 (payment of S/. 500.00). An additional amount of 3% will be acknowledged as from this amount (every amount exceeding S/. 500.00).

This payment modality is exclusively established for this guideline ruling out any duplication with the payment modality provided for door-to-door Service Vendors who have subscribed a non-personal service contract with the Entity and which are supported in the "10,000 Connections" Agreement subscribed between EPSEL S.A. and GTZ/PROAGUA.

CLAUSE SEVEN – SERVICE RESTORATION

The cut-off team will be informed about delinquent clients' debt regularization so they can restore the service no longer than 24 hours following this report.

CLAUSE EIGHT – COLLECTION OFFICIAL SUPERVISION

Collection Officials who are under the average yield will incur in contract resolution due to low production.

Cut-off personnel will be directly supervised by Collection Officials. In case they consider their yield is low, Collection Officials will report this fact to the Collection Specialist who will suggest the Commercial Manager to change said personnel following their respective evaluation.

CLAUSE NINE – TRAINING OF CUT-OFF TECHNICIANS

Cut-off personnel will be trained in different cut-off techniques and strategies such as:

- Double camouflaged blockage
- Blockage with plugs
- Sewerage blockage
- Ideal schedules for cut-offs (dawn)
- Blind valve

CLAUSE TEN – CUT-OFF TEAM SECURITY

In case service cut-off personnel report the existence of opposition by users that they cannot overcome and that imply it is impossible to cut-off, he is obliged to immediately report this fact to the Collection Specialist so he provides necessary logistic support.

CLAUSE ELEVEN – INTANGIBLE FUNDS

Fifty percent of collection increase will be used to execute water and sanitation expansion works. The amount obtained as a product of collection management under this modality will be computed on a monthly basis so as to deposit the respective percentage in the exclusive and intangible banking account pursuant to the first paragraph in the objectives section of the Guideline herein.

CLAUSE TWELVE – SECTORS TO BENEFIT

The sectors to be benefitted with Water and Sanitation coverage expansion will be defined following Technical Management proposal addressed to the General Manager.

The General Manager will decide which sector(s) will be prioritized, taking into account technical/economic feasibility, socioeconomic and health conditions of the town to be benefitted.

ANNEXES:

- SPECIMEN OF DEBT PAYMENT IN INSTALLMENTS APPLICATION
- SERVICE CUT-OFF NOTIFICATION SPECIMEN
- DEBTORS LIST SPECIMEN
- SPECIMEN OF AGREEMENT ON PAYING DEBT IN INSTALLMENTS
- WARNING LETTER SPECIMEN
- LETTER OF ATTORNEY SPECIMEN

ANNEX N° 8

Methodological Script for Collection Official Specimen

TITLE: TRAINING FOR COLLECTION OFFICIALS					
PARTICIPANTS: 3 Collection Officials, 2 Trainers		PLACE: EPS Commercial Division		DATE: Saturday 12/11/2004	
EXPERIENCE OBJECTIVE: That they feel the importance of compliance with indications and recommendations.		RATIONAL OBJECTIVE: That Collection Officials be well trained to perform their job		DECISIONAL OBJECTIVE: That collection officials comply with recommendations.	
STYLE: Vertical, open with questions, following the script in all of its points.		ENVIRONMENT: All the participants around a table		NOVELTY: The collection official help users to keep their service	
PROCESS	TOPIC	DEVELOPMENT	MATERIAL	TIME	RESPONSE
I INTRODUCTION	1. Greeting and welcome	Acknowledgement for having attended, very brief information on training objectives	-	3 min.	
	2. Presentation of collection officials and trainers	Trainer and collection official presentation	-	5 min.	
	3. EPS information	Presentation of EPS and commercial division structures	-	10 min.	
	4. Collection Official role	General activities description. Door-to-door Collection Management and Effective Cut-off action	-	15 min.	
II KNOWLEDGE OF SERVICES PROVIDED BY EPS	1. Services provided by the EPS	Explanation of the water supply and excreta disposal system	Posters, brochures	10 min.	
	2. Water quality and price	Brief explanation of EPS water quality and the cost its treatment implies	Flipcharts	5 min.	
III PROPERTY LOCATION	1. Cadastre system	Explanation of the EPS cadastre information system and the EPS division in sectors	Billing sector maps	10 min.	
	2. Cadastre map rating	Explanation of nomenclatures and segmentation used in the maps to facilitate cadastre work	Town cadastre map	5 min.	
	3. Property location	Criteria for locating properties knowing the cadastre code property	Guided practice on the coded lot map	5 min.	
III CUT-OFF AND THE LIKE	1. Cut-off sequence	Application of different types of service cut-off and corresponding regulations	RPSAA and RLGS	30 min	
	2. EPS Side Services	Connection cut-off, suspension, blockage and restoration costs	Flipcharts, photocopies	10 min	
	3. Notifications	Appropriate filling in of pre cut-off and cut-off notification forms	Specimens and formats	15 min	
	4. Specific problems	Sealed, difficult to locate, internal, deep boxes, twin connections, double codes, complaints, etc.	Flipcharts	10 mins	
IV USE OF PERSUASIVE TOOLS	1. Correct filling of the agreement on paying in installments	Minimum down payments according to clients category, maximum term.	Specimens and formats	12 min.	
	2. Advance payments, payment commitments, and terms	Terms and installments of debt payments, correct filling in of the Payment commitments	Specimens and formats	10 min.	
V INTERNAL OPERATIONAL ACTIVITIES AT THE EPS	1. EPS internal procedures	Explanation of the regular route followed by files for debt partial or total payments inside the EPS from their reception to revision, approval and connection restoration and billing	Flipcharts	10 min	
	2. Result control	Supervision of weekly reports for progress control. Collector management control and yield evaluation	-	8 min	
	3. Collector remuneration	Liquidation modality according to approved agreements, down payments and recovered debt	-	10 min	
VI COMPLETION	1. Feedback	Collection officials final questions	List of participants with personal data	20 min	
	2. Acknowledgement	Registration in the list of participants			

ANNEX N° 9

Methodological Script for Cut-off Personnel

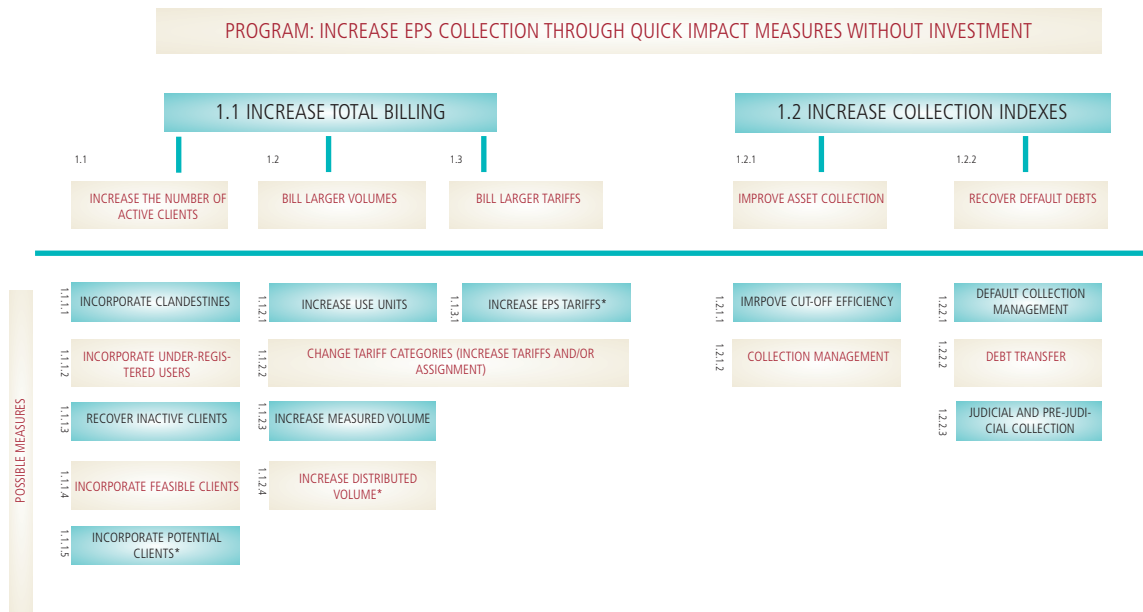
TITLE: OFFICE TRAINING TO CUT-OFF PERSONNEL					
PARTICIPANTS: 6 Cut-off technicians, 2 Trainers		PLACE: EPS Commercial Division	DATE: Saturday 12/11/2004		
EXPERIENCE OBJECTIVE: That they feel the need and importance of complying with indications and recommendations.		RATIONAL OBJECTIVE: That cut-off personnel be well trained to perform their job	DECISIONAL OBJECTIVE: That cut-off personnel comply with recommendations.		
STYLE: Vertical, open with questions, following up the script in all of its points.		ENVIRONMENT: All the participants around a table	NOVELTY: Cut-off personnel are co-responsible for user payment		
PROCESS	TOPIC	DEVELOPMENT	MATERIAL	TIME	RESPONSE
I INTRODUCTION	1. Greeting and welcome	Acknowledgement for having attended, very brief information on training objectives	-	3 min.	
	2. Presentation of trainers and collection officials	Trainer and cut-off personnel presentation	-	5 min.	
	3. EPS information	Presentation of EPS and commercial division structures	-	10 min.	
	4. Cut-off personnel role	General activity description. Joint actions of door-to-door Collection Management and Effective Cut-off	-	15 min.	
II KNOWLEDGE OF SERVICES SUPPLIED BY EPS	1. Services supplied by EPS	Explanation of the water supply and excreta disposal system	Posters, brochures	10 min.	
	2. Water quality and price	Brief explanation of EPS's water quality and the cost its treatment implies	Flipchart	5 min.	
III PROPERTY LOCATION	1. Cadastre system	Explanation of the EPS cadastre information system and the division in sectors within EPS jurisdiction	Billing sector maps	10 min.	
	2. Cadastre map rating	Explanation of nomenclatures and segmentation used in maps to facilitate cadastre work	Town cadastre map	5 min.	
	3. Property location	Criteria for locating properties by knowing the cadastre code property	Guided practice on the coded lot map	5 min.	
IV CUT-OFF AND THE LIKE	1. Cut-off sequence	Application of different types of service cut-offs and the corresponding regulations	RPSAA and RLGS	30 min	
	2. EPS Side Services	Connection cut-off, suspension, blockage and restoration costs	Flipcharts, photocopies	10 min	
	3. Notifications	Guidance for appropriate filling in of pre cut-off and cut-off notification forms as well as submission terms and schedules	Specimens and formats	15 min	
	4. Specific problems	Sealed, difficult to locate, internal, deep boxes, twin connections, double codes, complaints, etc.	Flipcharts	10 mins	
V INTERNAL OPERATIONAL ACTIVITIES AT THE EPS	1. Results control	Weekly reports to supervision for progress control Cut-off personnel management control and yield evaluation	Flipcharts	10 min	
	2. Cut-off personnel remuneration	Payment modality according to the collected amount due to the number of service cut-offs and restorations	-	8 min	
VI COMPLETION	1. Feedback	Final questions by cut-off personnel	List of participants with personal data	20 min	
	2. Acknowledgement	Registration in the list of participants			

ANNEX N° 10

Module Planning Form

FPM - MODULE: DELINQUENT CONNECTION MANAGEMENT AND EFFECTIVE CUT-OFF

Module Position in the Program: Tree of Measures



* Do not correspond to the commercial area

TARGET GROUP DEFINITION

MAIN TARGET GROUP

SECONDARY TARGET GROUP

- COMMERCIAL MANAGEMENT
- CLIENT CADASTRE
- MEASUREMENT AND BILLING
- CLIENT SERVICE

Objective definition and document general structure:

MODULE TERMINAL OBJECTIVE

Once trained and/or advised, the EPS implements a cadastre dynamic updating program.

PARTIAL OBJECTIVES

A) The Target Group knows the cause for delinquency.

B) The Target Group knows the measures to reduce delinquency.

C) The Target Group understands it is very useful and also feasible to implement a C&C system.

D) The Target Group is ready to implement an effective Cut-off and Collection Management Program.

E) The Target Group is prepared to manage an effective Cut-off and Collection Management Program.

GENERAL DOCUMENT STRUCTURE

Problem description

1.1 Why does a user become delinquent?

1.2 Which actors influence delinquency?

General Description of Solutions

1.3 Delinquency Reduction

1.4 Cut-off effectiveness

1.5 Collection management

Results

1.6 Results obtained at EPSEL S.A.

Preparation of an effective Cut-off and Collection Program

2.1 Distribution by sectors and resources

2.2 Program approval

2.3 Personnel screening and hiring

2.4 Personnel training

Program Process

3.1 Domicile visits

3.2 Orientation to delinquent clients

3.3 File revision

3.4 and **3.5** Human resources remunerations

3.6 Results control

ANNEXES: All the necessary documents for implementation.

Annex N° 2 Sample Size Calculation Method

Annex N° 3 Examples for Calculating Sewer Blockage and Restoration Side Costs

Annex N° 4 Collection Official Files

Annex N° 5 Collection Official Contract Specimen

Annex N° 6 Cut-off Personnel Contract Specimen

Annex N° 7 EPS Guidelines Specimen

Annex N° 8 Specimen of Methodological Guideline for Training Collection Officials

Annex N° 9 Specimen of Methodological Script for Training Cut-off Personnel

Glossary

CONNECTION = BRANCH

■ Drinking Water piping comprised between the intake collar on the distribution matrix and the point of » household connection; the location of this final connection is variable but in any case it has to be after the » Micrometer, whether on the street or inside the property.

CONTROL BOX

■ Vessel of approximately 60x30x30 cm made of concrete, cast iron, thermal plastic material, fiberglass or another material. It aims at sheltering and protecting the » Micrometer from external agents. It is installed at sidewalk level.

CLIENT

■ Individual or corporation who has subscribed (active or inactive clients) or might subscribe (feasible and potential clients) a » service contract with the EPS. It may or not be a » user. When the term does not go with any adjective, it refers to » subscribed clients.

DELINQUENT CLIENT

■ Client who is subscribed to the EPS and who is not updated in his/her monthly payment

SUBSCRIBED CLIENT

■ Individual or corporation who has subscribed a » service contract with the EPS (can be active or inactive).

CADASTRE CODE

■ Number that identifies a » household connection installed by the EPS, including route/sequence codes, province, locality, sector, block of houses, lot, or sub-lot.

POTABLE WATER HOUSEHOLD
CONNECTION

■ Physical link point between the » connection and the » domicile installation. It is usually the union between the exit hole of the » Micrometer and the following nipple or pipe the client has installed by himself. Also, all the water installations comprised between the intake collar on the distribution matrix and the consumption points inside the property. From the commercial point of view, a » client account with or without » micro-metering in any » user category and for any consumption volume. The number of household connections is not necessarily identical to the number of clients.

SERVICE CONTRACT

AGREEMENT ON PAYING IN
INSTALLMENTS

CUT-OFF TECHNICIAN

CUT-OFF

EFFECTIVE CUT-OFF

COLLECTION SPECIALIST

FLOW

COLLECTION OFFICIAL

■ Private document establishing the EPS/Client rights and duties entered into by the EPS as grantor and the client as applicant for supplied services.

■ Subscribed between the EPS and the user, it includes the amount and number of installments to be paid. It addresses users who cannot pay what is due in a single payment. Payments in installments will be billed in the water and/or sanitation invoices.

■ A person whose task is to » cut-off service under the modality foreseen in the EPS Sanitation Service Supply Regulation. He directly reports to the Collection Official concerning the referred service cut-off.

■ Water and/or sanitation restriction by EPS authorized personnel. This action is performed when » the user has exceeded the number of (due) months with a debt permitted by the EPS or has » arbitrarily restored the service or has incurred in stealing drinking water (preventing the flow of water from going through the meter)

■ Water and/or sanitation service cut-off which has prompted the user to request the EPS to restore the service, by paying the corresponding rights and restoration and starting the » Regularization of his/her pending debt.

■ Person qualified in collection strategy and management who directly participates as training supervisor of » Collection officials and » Cut-off personnel.

■ Water volume going through the section of a water conduct (bed, channel, piping).

■ Person who intervenes to make users comply with their economic obligations towards the EPS. Collection officials inform users on their debt amounts, payment facilities offered by the EPS and orient them about the use of required documentation for debt » Regularization. They work together with at least one » cut-off technician.

INFOCORP

■ Multi-national private company that records users that have pending debts with any company or financial entity, provided the creditor so requests. Being registered in INFOCORP is a negative point and restricts creditworthiness. It also permits to track delinquent client addresses to locate them.

INSTALLATION

■ Placing, arranging, building, etc. materials, and water accessories and equipment so that they allow supplying and consuming water. Set of water hardware (materials, accessories and equipment) which together supply water for consumption.

HOUSEHOLD CONNECTION

■ Set of water hardware which transports Drinking Water between the household connection point and the consumption points inside the property.

EXTRA-DOMICILE INSTALLATION

■ Set of water hardware which transports Drinking Water from the intake collar distribution matrix to the property and finishes in the external side of the perimeter wall, that is, the limit between the public and private space.

INTRA-DOMICILE INSTALLATION

■ Set of water hardware that transports Drinking Water from the external side of the property's perimeter wall, that is, from the public vs. private space border to the point of water and appliances inside the property.

DEBT REGULARIZATION

■ A process through which » delinquent clients pay all their debt or commit to pay it in installments (see » agreement on paying in installments). It is under the charge of the » Collection Official.

ARBITRARY RESTORATION

■ Undue water and/or sanitation service restoration as user response to service cut-off. This restoration precedes clandestine use of service.

MICROMETERING

■ = domicile metering = consumption metering, set of actions aimed at quantifying and recording drinking water volume supplied to » Domicile connections which enter the property. Metering is done with a » Micrometer.

MICROMETER

USER

HOUSE

■ = meter = hydrometer
mechanic or magnetic device that performs »
Micro-metering.

■ “Every individual or corporation -public or private- that uses any of the Drinking Water or Sanitary Sewerage Services”
Users may have a current service contract or not (clandestine or under-registered user), they include » subscribed clients.

■ = Residence
Urban built unit aimed at lodging inhabitants. A property that includes one or more houses. A house is made up by one or more socioeconomic units.

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Acronyms and Initials

«	<u>Pulgadas/Inches</u>
AA. HH.	<u>Asentamientos Humanos/Human Settlements</u>
Art.	<u>Artículo (legal regulation)</u>
Av.	<u>Avenida/Avenue</u>
Cáp.	<u>Capítulo/Chapter</u>
cm.	<u>Centímetro(s)/Centimeters</u>
CMAC	<u>Caja Municipal de Ahorro y Crédito/Savings and Credit Municipal Bank</u>
COFOPRI	<u>Comisión de la Formalización de la Propiedad Informal/Informal Property Formalization</u> <u>Comission</u>
COTEC	<u>Cooperación Técnica, Cultural y Ambiental Brüning/ Brüning Technical, Cultural and</u> <u>Environmental Cooperation</u>
Conex.	<u>Conexiones (de Agua o Alcantarillado)/Connections (Water or Sanitation)</u>
CPC	<u>Código Civil Peruano/Peruvian Civil Code</u>
D	<u>Servicio de Desagüe (Alcantarillado)/Sewerage (Sanitation) Service</u>
D. S.	<u>Decreto Supremo/Supreme Decree</u>
DNI	<u>Documento Nacional de Identidad/National Identity Document</u>
EDPYME	<u>Empresa de Desarrollo de la Pequeña y Micro Empresa/Small and Microbusiness Development</u> <u>Company</u>
EPS	<u>Entidad Prestadora de Servicios de Saneamiento/Sanitation Service Provider Enterprise</u>
EPSEL	<u>Entidad Prestadora de Servicios de Saneamiento de Lambayeque/Lambayeque Sanitation</u> <u>Service Provider Enterprise</u>
etc.	<u>Etcétera (y restantes)/Etcetera (and others)</u>
EE. UU.	<u>Estados Unidos de América/United States of America</u>
Fig.	<u>Figura/Figure</u>
GTZ	<u>Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH</u> <u>(Cooperación técnica alemana)/(German Technical Cooperation)</u>
INFOCORP	<u>Company which records users who have pending debts with some companies provided the lat</u> <u>ter so requests. Being recorded at INFOCORP is a negative point and restricts credit worthiness.</u>

IGV	<u>Impuesto General a las Ventas/General Sales Tax</u>
LGSS	<u>Ley General de Servicios de Saneamiento - Ley N° 26338 del 24 de Julio de 1994/General Sanitation Service Law – Law N° 26338 dated July 24th, 1994</u>
Lt.	<u>Lote (Casa)/Lot (House)</u>
m	<u>Metro (s)/Meter (s)</u>
M3	<u>Metro(s) cúbico(s)/Cubic meter (s)</u>
Mz.	<u>Manzana (Bloque)/Block of houses (Block)</u>
N°	<u>Número/Number</u>
ONGD	<u>Organización No Gubernamental de Desarrollo/Non-Governmental Development Organization (NGDO)</u>
Pág.	<u>Página/Page</u>
Párr.	<u>Párrafo (sección del presente documento)/Paragraph (Section of this document)</u>
PJ	<u>Pueblo Joven (Plural PP.JJ.)/Shantytown (Plural PP.JJ)</u>
PRES	<u>Ministerio de la Presidencia/Ministry of the Presidency</u>
PROAGUA	<u>Drinking Water and Sanitation Program/Drinking Water and Sanitation Program</u>
RLGSS	<u>Reglamento de la Ley General de Servicios de Saneamiento</u> <u>- D.S. N° 09-95 PRES del 25 de Agosto de 1995./General Sanitation Service Law Regulation - D.S. N° 09-95 PRES dated August 25th, 1995.</u>
RPSAA	<u>Reglamento de Prestación de Servicios de Agua Potable</u> <u>y Alcantarillado de EPSEL. Aprobado por Resolución de Intendencia</u> <u>N° 015-97-SUNASS del 27 de Noviembre de 1997/EPSEL Drinking Water and Sanitation Service Supply Regulation. Approved by Superintendence Resolution N° 015-97-SUNASS date November 27th, 1997.</u>
RR.HH.	<u>Recursos Humanos/Human Resources</u>
S/.	<u>Nuevos Soles (Moneda del Perú)/Nuevos Soles (Peruvian Currency)</u>
S.A.	<u>Sociedad Anónima/Public Company</u>
SENCICO	<u>Servicio Nacional de Normalización, Capacitación e Investigación para</u> <u>la Industria de la Construcción/National Service for Standardization, Training and Research</u> <u>for the Construction Industry</u>
SICI	<u>Sistema Informático Comercial Integrado/Integrated Commercial I.T. System</u>
SUNASS	<u>Superintendencia Nacional de Servicios de Saneamiento/National Sanitation Service</u> <u>Superintendence</u>
UPIS	<u>Urbanización Popular de Interés Social/Social Popular Urban Development</u>
Urb.	<u>Urbanización/Urban development</u>

VMCS – DNS

Peru's sanitation agencies are under the Ministry for Housing, Construction and Sanitation (MVCS is the Spanish acronym). This is the governing state agency for sanitation service issues and it operates through the Vice-Ministry for Construction and Sanitation (VMCS in Spanish) and the National Sanitation Directorate (DNS). VMCS is the government agency charged with designing and adopting general sanitation policies pursuant to the guidelines set forth by the Minister. DNS is the line body charged with preparing the policy guidelines, plans, programs and regulations concerning basic sanitation services.

In addition, there are other bodies and organizations that also perform functions indirectly related to this mandate, such as the Ministry of Economy and Finance, the National Superintendence of Sanitation Services (SUNASS), the Environmental Health General Directorate (DIGESA), the local and regional governments, grassroots organizations, the water and sanitation utilities and several international cooperation agencies.

GENERAL OBJECTIVE

To contribute to expanding the coverage and improving the quality and sustainability of drinking water, sewerage, waste water treatment and excreta disposal services.

VMCS is the governing authority for sanitation policy and as such it has set itself the objective of expanding coverage, assuring system sustainability and improving the quality of sanitation services by accomplishing economic and business efficiency and protecting the environment and people's health. To accomplish such general objective, it has identified the following specific goals:

SPECIFIC GOALS

1. Modernizing the sanitation industry's management.
2. Enhancing service sustainability.
3. Improving service quality.
4. Making service suppliers financially viable.
5. Expanding access to services.

STRATEGIC GUIDELINES

- To improve the industry's legal and institutional framework.
- To strengthen the providers' capacities to accomplish effective decentralization.
- To make the best possible use of the sector's (DNS-PARSSA-PRONASAR, and other agencies and organizations) internal capacities to expand local capacities and reach decentralization goals.
- To improve the service suppliers' management capacities by, among other tools, introducing management contract schemes in these utilities.
- To funnel investment resources through the Sanitation Social Investment Fund – INVERSAN.
- To involve the private sector in this industry's management and investment projects.

GTZ/PROAGUA

Technical cooperation agreement signed between Germany and Peru.	Political agreements governing the support provided by German Technical Cooperation.
Technical Cooperation Agency: GTZ	Delivery of technical assistance, advice and training.
Financial Cooperation Agency: KfW	Investment financing for water and sanitation infrastructure
Counterparty: VMCS-DNS	General coordination of programs supported by KfW and GTZ.
Implementing bodies: 12 sanitation services supplier utilities (EPS)	Stewards for individual project implementation
Life of present phase: 2008 – 2011	

GTZ/PROAGUA OBJECTIVE

Contributing to ensure sustainability of water and sanitation services in selected cities pursuant to this industry's policy framework.

GOALS SUPPORTED BY GTZ/PROAGUA

1. Increasing drinking water and sanitation service coverage.
2. Increasing drinking water and sanitation service quality.
3. Enhancing service delivery efficiencies.

COMPONENTS

1. Improving framework conditions in the sanitation sector.

- Improving governance in water and sanitation services.
- Fostering economic incentives for sustainable sanitation.

2. Water and Sanitation Training Program

- Strengthening this industry's training structures.
- Improving management skills and technical knowledge for industry staff.

3. Rapid Impact Measures Program (PMRI in Spanish)

- Improving the EPSs' economic and financial standing.
- Improving the coverage, quality and continuity of drinking water services.

ANEPSSA

The National Association of Sanitation Service Provider Entities (ANEPSSA PERU is the Spanish acronym) is a non-profit civil society organization governed by Peru's Civil Code and its own bylaws. It brings together all recognized sanitation service provider entities (EPS) of Peru. Its main objective is to strengthen the sanitation industry by improving EPS's management for the benefit of Peruvians.

MISSION

To promote excellence in management of sanitation services delivered by its members through training, coordination, cooperation and experience and knowledge exchanges and thereby contribute to improving the people's quality of living.

VISION

The Association will be recognized as sanitation industry's key actors and related institutions as an efficient and effective organization focused on meeting its associates and the population's needs.

INSTITUTIONAL VALUES

- Team work
- Transparent management
- Continued improvement of service quality
- Equity and solidarity
- Contributions from its members
- Consistent management and acceptance of regulations

STRATEGIC OBJECTIVES

- Improving the Association's management
- Improving coordination with government agencies with an emphasis on regulatory and standardization issues
- Increasing its membership
- Improving relations between its members and users
- Providing training and technical skills to its members
- Promoting experience and knowledge exchanges among its members and with sister organizations

ACTION LINES

- Proposal of and participation in regulatory improvement efforts
- Support to human resource and management development within EPSs
- Strengthening the Association's management unit

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