



THE ADB – GOI PPP INITIATIVE

PILOT PPP PROJECTS IN CHALLENGING SECTORS

PROJECT: Development of Independent Water Source, WTP, MBR, Transmission Systems  
upto Service Reservoirs and Operation & Maintenance

## Foreword

The ADB/GOI PPP Initiative is a country-wide initiative across all sectors and led jointly by Department of Economic Affairs (DEA) and ADB under the technical assistance umbrella of activities; "Mainstreaming PPPs In India", ("the Initiative"). This is a pioneering initiative in the field of PPPs with the scale of the Initiative encompassing the entire range of activities necessary for developing PPPs across the country, from capacity building to financing PPP projects. The impact of this Initiative is being widely felt by the 24 PPP cells across the country.

As part of this Initiative ADB and DEA have started to focus on developing PPP projects in challenging sectors such as water, sanitation, health, education etc (where PPPs have not been widely seen, as in other sectors) to create "pilot" projects which can serve as replicable examples across the country. These projects have been originated and are being structured in close collaboration between the relevant PPP cells, local government sponsors, and with direct handholding support from ADB and DEA PPP focal points. Several of these projects are now in advance stages of structuring and some at the Request for Qualification (RfQ) bid stage.

Case Studies are being launched to share knowledge and experiences across the PPP cells in the country.

The Project described in this edition of Case Studies is an innovative Project in (brief of project)

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### 1. Summary

Water Supply and Sanitation Services are treated as essential services. On account of increase in population, urban local bodies are facing lot of difficulties in providing these services to the residents. At present, some of the local bodies

are implementing water supply schemes and undertake it's O & M on their own while, in some cases, Maharashtra Jeevan Pradhikaran is the implementing authority for execution of water supply scheme and on commissioning, scheme is handed over to local body for O & M. However, for number of schemes, there is vast difference in O & M expenditure on water supply schemes and revenue gain on account of lack of trained technical manpower with local bodies for efficient O & M of scheme, vast unaccounted water losses in existing water supply schemes, water wastage on account of poor O & M, water leakages, unauthorized water connections, improper energy management etc. Naturally, essential O & M works cannot be undertaken as scheme is running in loss. Also, due to financial constraints, capital investments are not possible for implementation of improvements to water supply system. This leads to immense dissatisfaction in public minds regarding water supply system in the city.

Taking into consideration these aspects, it is found to be essential to have private organization's participation for providing and investing in efficient water supply and sanitation services and improvements in standards and qualities of the services. In view of having participation of private organizations in water supply and sanitation works, guidelines have been issued vide Govt in W.S.& S. Dept Circular No Na. Pa. Pu. 1001/CR 503/Pa. Pu.-22 dated 12/06/2001. On the basis of these guidelines, Bhiwandi Nizampur City Municipal Corporation has selected a private organization, M/S Subhash Projects and Marketing Limited through regular tendering process for implementation of works in 5 phases as per table kept below for Integrated Water Supply Scheme Stage 1 (B) for Bhiwandi Nizampur city on Public-Private Partnership Basis

## **2. Sector**

Urban Infrastructure: - Drinking Water Supply & Maintenance

## **3. Project Initiation**

- Project initiated by whom
- Met when
- Who met PPP nodal officer and DEA to take the process further and when?

## **4. Introduction to the Project**

**Scope work for the project shall be as follows:**

**Bulk water supply project:-**

1. Development of Water source through Dam works & KT weirs.
2. Development of Water Treatment facilities
3. Development of Transmission networks
4. Construction Master Balancing reservoirs

## 5. Operation and Maintenance of developed facilities.

**Terms and Condition for the Bulk water supply project shall be as follows:**

- I. **Concession Period for Bulk water supply project** Concession Period of 30 years extendable to further period of 10 years (Including preparatory period of 5 years; From the Date of Signing Agreement).

### II. Concessionaire Obligations:-

#### a. **Source Development;**

Develop, design, engineer, procure, construct, test and commission the Project as per the DPR.

#### b. **Operations and Maintenance:-**

- ✓ Ensure safe and efficient Bulk Water supply during normal operating conditions
- ✓ Minimize disruptions as per performance standards set and in case of exigencies like accidents.
- ✓ Routine maintenance including prompt repairs. .
- ✓ Major maintenance
- ✓ Carry out periodic preventive maintenance to all assets of Project as per maintenance manuals.
- ✓ Adherence to the safety standards and technical specifications & standards relating the quality, capacity and other requirements of the Project as per BIS and International standards.

### III. Following Operating Expenditure has to be borne by Concessionaire.

- a. Cost of salaries and other employee compensations and contract fee payable to the O&M Contractor.
- b. Cost of materials and supplies.
- c. Premium for insurances;
- d. All franchise, excise, Octroi, Cess, property and other similar taxes
- e. All repair, replacement and maintenance costs of the Project; and All other expenditures for the operations and maintenance of the Project in accordance with the Technical and Performance Specifications.

### IV. Remuneration to Concessionaire shall be as follows:-

- a. **Fixed Charges for Source Development** ; for per kilolitre of bulk water delivered at the Bulk Water supply point based on a return on investment equivalent to percentage of the capital contribution by the Concessionaire
- b. **Operations and Maintenance Charges** ; At the determined O&M Rate per Kilolitre of water supplied, which is higher of (i) quantity of Bulk Water supplied by the Concessionaire, Or (ii) minimum assured off take of water to the Concessionaire.
- c. **Escalation in O and M Maintenance Charges :-**  
Increase in Consumer Price Index and 5 % once in every two years.

## 5. Project Financials

### **Financial Support by BNCMC:-**

Provision has been made for BNCMC to mobilise funds from an appropriate source, to subsidise the cost of project, which would bring down the investment to be mobilised by the Concessionaire. This benefit could be ultimately passed on to the ultimate consumer

## 6. Project Funding Mechanisms

## 7. PPP Structure

Impetus given, penalties laid down, structure adopted. Bid process management. Whether single phased (RfQ) or double Phased (Rfp) or both. The Bid parameter

## 8. Conclusions

### Escrow Mechanism:-

All finances and revenue collections shall be deposited in an Escrow Account and appropriations from Escrow Account shall be in the order stipulated in the Concession Agreements

- a. Taxes due and payable.
- b. Expenses relevant to the construction of Project as may be specified in the Financing Documents;
- c. O&M Expenses.
- d. Payments to SPV due by BNCCMC under the Management Agreement executed between BNCCMC and SPV.
- e. Monthly proportionate provision of Debt Service Payments due in an accounting year and payment of Debt Service
- f. Payments in the month when due;
- g. Funds reserved for major maintenance reserve
- h. Payments and Damages due and payable by the Concessionaire to BNCCMC pursuant to this Agreement; and Balance in accordance with the instructions of the Concessionaire.

### Risk Mitigation:-

- a. Escrow Account Mechanism to handle Project Funds.
- b. Requirement of Financial Closure within 180 days.
- c. Substitution Agreement together with the senior lenders
- d. Stringent Penalties for not meeting technical obligations during development as well as O and M Phases.
- e. Assets owned by BNCCMC.
- f. Performance Bank Guarantees.
- g. Steering Committee overseeing development
- h. General Indemnity by Concessionaire against third party claims.
- i. BNCCMC not affected by any change in law which will impose an additional obligation on the Concessionaire up to Rs 2 crores a year. Similarly any reduction in obligation on the concessionaire exceeding Rs 2 Crores shall accrue to BNCCMC and not the Concessionaire.
- j. Right to appoint additional and concurrent auditors reserved.

Appointment of a BNCCMC Consultant overseeing the project during various phases, which is under the control of and reporting to BNCCMC.

## 9. Current Status of the Project

## 10. Key Lessons Learnt