

# PPP Cell Maharashtra: Knowledge Dissemination Activities - Snapshots

Lessons Learned from PPP Projects: The Case of Chandrapur PPP Water Project, Maharashtra

## I. Project Features

Focused on the water sector, the aim of the PPP project was to reduce huge water losses, to the tune of around Rs 1.83 crores (\$450k) every year, and increase coverage and service delivery efficiencies to the local community.

Water distribution for the local community was therefore handed over to the private sector in 2004 successfully.

The town is a small one of around 300,000 population.

## II. Bid Process

In 2004, through a competitive bid process with Work Experience, Technical Knowledge and Premium to Council being the parameters, a contract was awarded to M/S Gurukripa associates & contractors Pvt Ltd, Chandrapur for distribution of water.

## III. Partnership Parties

Chandrapur Municipal Corporation (CMC) contracted with M/S Gurukripa associates & contractors Pvt Ltd

## IV. Key Contractual Features

Both distribution of water to existing users as well as the maintenance of the Filter Plant was entrusted to the private player.

Additionally, the private player was required to:

- Lay one km additional line every year – thus expanding distribution
- All the employees would be the private company's own employees (CMC was short of manpower at the time and would therefore place their own manpower at other places in the corporation requiring additional deployment)
- Technical supervision to be done by the CMC Nodal Engineer with a regular program of inspection of the filter plant, every 3 to 4 days

## V. Financial Structure

The initial investment of the project was Rs 3.0 Crs. The private party injected Rs 50 lacs and raised another Rs 2.5 crs by selling 50% equity on a premium.

- Private player to collect tariff charges
- Revenue sharing arrangement, such that private player makes a total payment of Rs 1.59 cr (US\$400k) to the municipal corporation in 10 years
- Private player allowed to increase tariff charges by 10% every 3 years

## VI. Performance to Date

The private party initially planned on a break-even in the third year of operations but due to steep rise in electricity charges (35% increase in three years) the break even was delayed by a year, which did happen.

All the financial equity partners of the company are satisfied, having planned for a full 10 year project.

There has already been an increase in the number of connections as well as demand from the connections.

Further the private player has received requests from other neighbouring cities to run this pilot there also.

<p><b>Status at the time of Award of Contract</b></p> <ul style="list-style-type: none"> <li>• Leakages-the main problem (56 leakages to main water supply line)</li> <li>• Low discharge</li> <li>• Low pump efficiency (repairs at every 3-4 months)</li> <li>• Low water tax collections</li> <li>• More complaints from users</li> </ul>	<p><b>Impacts, that the Change brought in</b></p> <ul style="list-style-type: none"> <li>• Leakages removal through technological solution</li> <li>• Oil lubrication system of pumps modified to water lubrication and preventive maintenance initiated</li> <li>• Streamlining of water tax collection system with improved quality of supply</li> <li>• Replacement of rusted pipes (about 50 km)</li> <li>• Per capita supply of water increased from 70 lpcd to 130 lpcd</li> <li>• Recovery % of water tax improved from 60% to 95%</li> <li>• No of complaints reduced from 100 to 10</li> <li>• Pump breakdown and repairs frequency changed from about quarterly to almost nil</li> <li>• Breakdown time brought upto 24-48 hours from one week</li> <li>• Replacement of Pipelines leading to improved carriage capacity and extending water supply to additional households (so far more than 3000 connections added since 2004)</li> </ul>
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**VII. Interesting Points**

The success of the PPP was evidenced by the fact that even where the private company was not required to expand coverage (in a year), consumers started coming to the private player on their own with offers to fund the cost of laying distribution pipelines themselves if the private party would distribute water to them also.

PPP Cell noted that even with such a small town there was a good understanding of the need for private operation of utilities from the public as well as the municipal staff as well as a good understanding of the PPP concept in a real and practical sense.

Interestingly the private player did not do any due diligence of his own but relied on the government data provided.