

KARNATAKA URBAN WATER SUPPLY IMPROVEMENT PROJECT

**Procurement of Services for Rehabilitation, Operation and Management of
Water Provision in Selected Demonstration Zones In Belgaum, Gulbarga and
Hubli – Dharwad Municipal Corporations**

Karnataka, India

Request for Proposal

(Selection of Operator Consultant)



**Karnataka Urban Infrastructure Development and Finance Corporation
BANGALORE – 560 027, India.**

A high-speed photograph of water splashing, creating a large, curved splash that dominates the left and bottom portions of the frame. The water is clear and bright, contrasting sharply with the solid blue background. The splash is captured in mid-air, with individual droplets and ripples visible. The overall composition is clean and modern, emphasizing the purity and flow of water.

KUWASIP

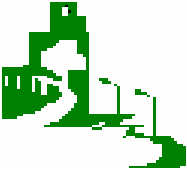
WATER

24 *hours a day*

365 *days a year*

Date: September 01,2004

Reference: IBRD Loan No. 47300-IN



**Contract Name, and Identification No: Services for Rehabilitation,
Operation and Management of Water Provision in Selected
Demonstration Zones in Belgaum, Gulbarga and Hubli-Dharwad
Municipal Corporations /Contract No.KUWASIP-CC001-ICB-OCC**

Dear Madams/Sirs:

We hereby inform you that you are pre-qualified for bidding for the above cited contract. A list of pre-qualified applicants is attached to this invitation.

We now invite you and other pre-qualified applicants to submit sealed bids for the execution and completion of the cited contract.

You may obtain further information from, and inspect and acquire the bidding documents from our office namely Karnataka Urban Infrastructure Development and Finance Corporation, KCD Complex, 2nd Floor, Unity Building annex, 3rd Cross, Bangalore-560 027, Phone No. 080 22232021, 22232134, Fax: 080 22232157 [(Contact person Mr Raghavendra Purohit, Asst. General Manager (UWS))].

A complete set of bidding documents may be purchased by you at the above office, on or after 15th September 2004 10.00 Hrs to 17.30 Hrs and upon payment of a nonrefundable fee of Indian Rs.20,000/- (Rupees Twenty thousand only or US \$ 440 (US Dollars four hundred forty only).

All bids must be accompanied by a security of Rs.1.0 million (Rupees One million only) or US \$ 22,000 (US Dollars twenty two thousand only) or its equivalent in a freely convertible currency along with the address to which the documents need to be sent in the form and amount specified in the bidding documents, and must be delivered to Managing Director, Karnataka Urban Infrastructure Development and Finance Corporation, Silver Jubilee Block, 2nd Floor, Unity Building annex, 3rd Cross, Bangalore-560027, at or before 16.00 Hrs on 15th December 2004. Bids will be opened immediately thereafter in the presence of bidders/ representatives who choose to attend. Bid shall be valid for a period of 105 days after bid opening.

Please confirm receipt of this letter immediately in writing by cable, fax or telex. If you do not intend to bid, we would appreciate being so notified also in writing at your earliest opportunity. In case we do not get any communication within 20 days of receipt of this letter regarding your intention to bid, it would be presumed that you are not interested.

Yours truly,

**K.P. Krishnan, IAS
Managing Director, KUIDFC**

List of Pre-qualified Firms

Sl. No.	Lead Partner	JV Partner
1.	Brisbane City Enterprises Pvt. Ltd., Australia	(i) SMEC International Pty. Ltd., Australia In Association with IVRCL infrastructures & Projects Ltd., India
2.	Black And Veatch International Ltd, Britain	(i) Midkent Water plc - UK (ii) TCE Consulting Engineers Ltd. - India
3.	Gelsenwasser AG Germany	(i) R.V. Anderson Associates Ltd, Canada
4.	Thames Water Asia Pte. Ltd., Singapore	
5.	Severn Trent Water International Ltd., U.K.	(i) EDAMs Technology, Cyprus (ii) Subhash Marketing & Projects Ltd., India (iii) PHE Consultants Ltd, - India
6.	Compagnie Generale des Eaux, France	(i) Seureca – Space, France
7.	United Utilities Contract Solutions Holdings Ltd., England	(i) G K W Consult GmbH, - Germany (ii) Mahindra Gesco Developers Ltd., - India

Key Issues in OC Contract

We have highlighted below some of the key issues arising out of the OC Contract, that we would suggest the short listed bidders pay specific attention to while preparing their response:

1. Proportionate Performance Remuneration Payment in case there is **non-achievement of performance targets in one or few out of the total five zones (while such target is achieved in the remaining zones) by the OC:**

This performance based contract is a single contract for five zones in four cities (of three ULBs). Payment of 50% of the agreed remuneration is linked to achievement of performance targets. Any target will be considered “achieved” only if that target achievement is complete, i.e, in all the five Demo Zones. The Employer does not agree to pay proportionate part of the remuneration in respect of zones in which targets have been achieved, while such a target is yet to be achieved in the other/remaining zones.

2. Proportionate Reduction in payment of remuneration in case of partial **termination by the KUIDFC in a city due to a Force Majeure Event:**

If as the result of Force Majeure, the OC is unable to perform a material portion of its services in one or more of the cities, it is envisaged that the contract could continue for the remaining cities. The Employer proposes that the total remuneration would then stand reduced proportionately: the proportion would be determined by applying the factor of (no. of cities in which contract continues : no. of cities first covered in the contract) X the total agreed remuneration.

Disclaimer

The information contained in this Request for Proposal ("**RFP**") document or subsequently provided to bidder(s) or applicants whether verbally or in documentary form by or on behalf of Karnataka Urban Infrastructure Development and Finance Corporation ("**KUIDFC**") or any of their employees or advisors (referred to as "**KUIDFC Representatives**"), is provided to the bidder(s) on the terms and conditions set out in this RFP document and any other terms and conditions subject to which such information is provided.

This RFP document is not an agreement and is not an offer or invitation by KUIDFC or KUIDFC Representatives to any parties other than the applicants who are qualified to submit the proposal individually or as a joint venture (hereinafter referred to as "**Bidders**"). The purpose of this RFP document is to provide the Bidder(s) with information to assist the formulation of their proposals. This RFP document does not purport to contain all the information each Bidder may require. This RFP document may not be appropriate for all persons, and it is not possible for KUIDFC or KUIDFC Representatives to consider the investment objectives, financial situation and particular needs of each Bidder who reads or uses this RFP document. Each Bidder should conduct its own investigations and analysis and should check the accuracy, reliability and completeness of the information in this RFP document and where necessary obtain independent advice from appropriate sources. KUIDFC, their employees and advisors make no representation or warranty and shall incur no liability under any law, statute, rules or regulations as to the accuracy, reliability or completeness of the RFP document.

KUIDFC may in their absolute discretion, but without being under any obligation to do so, update, amend or supplement the information in this RFP document.

Contents of RFP

1. Part I: Instructions to Bidders
2. Part II: Draft OC Contract
3. Part III: Project Information Memorandum

Part I: Instructions to Bidders

TABLE OF CONTENTS

Section No.	Particulars	Page No.
1.	BIDDING PROCEDURE	1
	A. General	1
	B. Preparation Of Proposal	5
	C. Submission Of Proposal	9
	D. Proposal Opening And Evaluation	11
	E. Award of Contract	14
2.	CONTENTS OF PROPOSAL	18
3.	RFP TIME SCHEDULE	19
4.	APPENDICES	
	1A. Format for Acknowledgement of RFP Document and Notification of Intent to Submit Proposal	20
	1B. Format for Covering Letter-cum-Project Undertaking	21
	2A. Format for Power of Attorney for Signing of Proposal	22
	2B. Format for Power of Attorney for Designating Lead Member of joint venture	24
	3. Format for Anti-Collusion Certificate	26
	4. Format for Bid Security	27
	5. Format for letter of undertaking for adherence to specifications	29
	6. Format for Financial Proposal	33
	7. Format for Advance Bank Guarantee	34
	8. Format for Letter of Acceptance	36
	9. Format for Performance Bank Guarantee	37

1. BIDDING PROCEDURE

A. General

1.1 Scope of Proposal

1.1.1 Government of Karnataka ("GoK") with assistance from the World Bank ("Bank") has launched the urban water supply and sanitation sector reform process through Karnataka Urban Water Sector Improvement Project ("KUWASIP"), to :

- a. launch urban water and sanitation sector reforms based on Urban Drinking Water and Sanitation ("UWSS") Policy of GoK,
- b. bring initial improvements in water supply in three Urban Local Bodies (ULBs) viz., Gulbarga, Belgaum and the twin cities of Hubli and Dharwad.

1.1.2 The principal objectives of KUWASIP are:

- a. To launch UWSS reforms at State and ULB levels;
- b. to monitor whether on-site and wastewater systems are able to cope with the demands placed upon them by improved water supply;
- c. to rationalise and reorganise the institutional and regulatory structures to effectively manage, monitor and regulate all aspects of the water service;
- d. to produce significant, demonstrable improvements to the water service in each of the ULBs; and
- e. to increase the bulk supply reaching the distribution system of each ULB, thereby countering any additional usage in the 5 Demonstration Zones and benefiting all citizens.

1.1.3 The objectives of the Demonstration Project are:

- a. to better understand the nature, extent and cost of works needed within each ULB to upgrade its water service to continuous, pressurised system operation;
- b. to demonstrate to all stakeholders, by concentrating on a small Demonstration Zone within each ULB supply area, that 24-hour, continuous water supply is achievable and to monitor the tangible benefits - health, technical, operational and commercial - to be derived from this type of supply;
- c. to establish, within the chosen Demonstration Zone, a customer billing, collection and support service and to provide an improved, continuous (i.e. 24 hours per day, 7 days a week throughout the year) water supply service for a period of 2 years;
- d. to monitor the situations within the small zones pre- and post-investment, in order to attempt to quantify the social and economic effects and other benefits resulting from the demonstration projects e.g. reduction in water-related disease; leakage reduction; improved basis for billing usage;

- e. to monitor whether the introduction of 24/7 supply to the Demonstration Zones creates any negative effects, damage to the local environment or increased risk to the health of residents, particularly in respect to eventual increases in wastewater volumes.

1.1.4 KUIDFC invites detailed proposals ("**Proposals**") for rehabilitation, operation and management of Demonstration Zones in Belgaum, Gulbarga, Hubli and Dharwad (the "**Project**").

1.1.5 The Proposals would be evaluated on the basis of the evaluation criteria set out in this RFP document ("**Evaluation Criteria**") in order to identify the successful Bidder for the Project ("**Successful Bidder**"). The Successful Bidder would then have to enter into a contract ("**OC Contract**"), a draft of which is set out as Part II, with the KUIDFC, the Board and the respective ULB's and perform the obligations as stipulated therein, in respect of the Project.

1.1.6 The Government of India / GoK has received a loan from the International Bank for Reconstruction and Development towards the cost of KUWASIP and intends to apply part of these funds to cover eligible payments under the OC Contract.

1.1.7 Terms used in this RFP document, which have not been defined herein, shall have the meaning ascribed thereto in the Draft OC Contract.

1.2 Eligible Bidders

1.2.1 Applicants who have been qualified for the Project individually or as a joint venture are eligible to submit their Proposal in response to this RFP. Bidders shall acknowledge receipt of this RFP document and notify their intention to bid for the Project in the format provided as **Appendix 1A**.

1.2.2 Bidders shall provide such evidence of their continued eligibility to the satisfaction of KUIDFC, as KUIDFC may from time to time require.

1.2.3 Each Bidder shall submit a Power of Attorney as per the format enclosed as **Appendix 2A**, and by doing so warrants that both individually and as a joint venture the signatory of the Proposal has the requisite power and authority to commit the Bidder.

1.3 Additional Requirements for Proposals submitted by a Joint Venture

Where the Bidder is a joint venture, the Proposals will contain the following additional requirements:

- a. Wherever required, the Proposal shall contain the information required of each of the members of the joint venture.
- b. The members of the joint venture shall furnish a Power of Attorney duly signed by Authorized representative(s) of the members as per the format set out in **Appendix 2B** (Format for designating the lead member ("**Lead Member**") of the joint venture). The Lead Member should be the same as indicated in the application for qualification.
- c. The Proposal shall be signed by the duly Authorized signatory of the Lead Member and shall be legally binding on all the members of the joint venture.
- d. The joint venture shall submit a Joint Venture Agreement ("**JVA**") as part of its Proposal. The JVA shall inter alia:
 - (i) name the Lead Member of the joint venture and also include their successors and permitted assigns.
 - (ii) provide that joint venture or joint venture company, as the case may be, shall through its Lead Member enter into the OC Contract and subsequently carry out all the responsibilities as the OC (as defined in the OC Contract) in terms of the OC Contract, in case the Project is awarded to the joint venture. The JVA shall convey the intent of the Lead Member to execute the OC Contract for and on behalf of the joint venture company, in case the Project is awarded to the joint venture.
 - (iii) clearly outline the proposed roles and responsibilities of each member of the joint venture.
 - (iv) include a statement to the effect that all members of the joint venture shall be jointly and severally responsible and liable for the implementation of the Project in terms of the OC Contract.

A copy of the JVA should be submitted as part of the Proposal. The JVA entered into between the members of the joint venture should be specific to the Project and should contain the above requirements, failing which the application would be liable to be considered non-responsive.

1.4 Change in Composition of the joint venture

1.4.1 No change in the composition of the joint venture will be permitted without the prior written permission of the KUIDFC at its sole discretion. The KUIDFC shall not permit a change in the composition of the joint venture, if:

- (a) The modified joint venture fails to meet the qualification criteria for Bidders;
- (b) The proposed changes bring down the number of Bidders below a critical minimum considered necessary by KUIDFC to preserve the spirit of competitive bidding; and

- (c) The new joint venture does not expressly adopt the application for qualification already made on behalf of the original joint venture as if it were a party to it originally.
- (d) The modified joint venture should not involve the inclusion of firms not previously pre-qualified.

No change in the Lead Member of the joint venture would be permitted by KUIDFC under any circumstance.

1.4.2 The modified joint venture would be required to submit a revised JVA as set out in Clause 1.3 above.

1.5 Number of Proposals

Each Bidder should submit only one (1) Proposal for the Project either individually or as a member of a joint venture. Any Bidder or member of a joint venture, which submits or participates in more than one Proposal for the Project would be disqualified and would also cause the disqualification of the joint venture of which it is a member.

1.6 Proposal Preparation Cost

The Bidder shall be responsible for all the costs associated with the preparation of its Proposal and its participation in the bidding process. KUIDFC will not be responsible or in any way be liable for such costs, regardless of the conduct or outcome of the Proposal.

1.7 Contents of RFP

The RFP document consists of three parts as listed below and would include any addenda issued in accordance with **Clause 1.9**.

Part I	Instructions to Bidders
Part II	Draft OC Contract
Part III	Project Information Memorandum

All recitals, schedules, annexures or exhibits that may be annexed to this RFP shall form part of the operative provisions of this RFP.

1.8 Clarifications

A prospective Bidder requiring any clarification on the RFP document may notify KUIDFC in writing or by facsimile within such date as specified in the RFP time schedule ("**RFP Time Schedule**") (RFP Document Part I: Section 3). KUIDFC will respond to any request for clarification received earlier than 14 days prior to the

Proposal Due Date (hereinafter defined). Copies of KUIDFC's response will be forwarded to all the Bidders, including a description of the inquiry, but without identifying its source.

1.9 Amendments to RFP

1.9.1 At any time prior to the date on which the Proposal falls due, as indicated in the RFP Time Schedule ("**Proposal Due Date**"), KUIDFC may, for any reason, whether at its own initiative or in response to clarifications requested by a Bidder, amend the RFP by the issuance of an addenda.

1.9.2 Any addendum thus issued would be in writing and sent to all the Bidders who have received and acknowledged the RFP document and shall be binding upon them. Bidders shall promptly acknowledge receipt thereof to KUIDFC.

1.9.3 In order to afford Bidders reasonable time to take the addendum into account, or for any other reason, KUIDFC may, at its discretion, extend the Proposal Due Date.

B. Preparation of Proposal

1.10 Language and Currency

1.10.1 The Proposal and all related correspondence and documents shall be in writing and in the English language. Supporting documents and printed literature furnished by the Bidder with the Proposal may be in any other language provided that they are accompanied by an appropriate translation into English. Supporting materials that are not translated into English may not be considered. For the purpose of interpretation and evaluation of the Proposal, the English language translation shall prevail.

1.10.2 For the purpose of the Proposal the Bidder shall quote separately in the following currencies:

(a) in respect of those components of the services in the Project which the Bidder expects to provide from within India, the Bidder shall quote in Indian Rupees (INR), unless otherwise specified in the RFP; and

(b) in respect of those components of the services in the Project which the Bidder expects to provide from outside India, the Bidder shall quote in up to any three currencies of any member country of the Bank.

1.10.3 The rates of exchange to be used by the Bidder in arriving at the local currency equivalent and the amounts mentioned in Clause 1.10.2 above shall be the selling rates for similar transactions established by the Reserve Bank of India prevailing on the date 28 days prior to the Proposal Due Date.

1.10.4 Bidders shall indicate details of their expected foreign currency requirements in the Proposal.

1.10.5 Bidders may be required by KUIDFC to justify their foreign currency requirements and to substantiate that the amounts included in Financial Proposal and in the OC Contract are reasonable and responsive to Clause 1.10.2.

1.11 Bid Security

1.11.1 Each Proposal shall be accompanied by bid security of Rs. 1,000,000/- (Rupees One Million only) or US\$ 22,000/ - (US Dollars Twenty Two Thousand Only) ("**Bid Security**").

1.11.2 The Bid Security shall be kept valid throughout the Proposal Validity Period and would need to be extended, if so required by KUIDFC, for any extension in Proposal Validity Period.

1.11.3 The Bid Security shall be either in the form of an irrevocable and unconditional bank guarantee issued by a scheduled commercial bank in favour of KUIDFC as per the format set out in **Appendix 4** or a cashier's or certified cheque.

1.11.4 The Bid Security of every unsuccessful Bidder would be returned within a period of eight (8) weeks from the date of announcement of the Successful Bidder. The Bid Security submitted by the Successful Bidder would be released upon furnishing of the Performance Bank Guarantee in the form and manner stipulated in the OC Contract.

1.11.5 The Bid Security shall be forfeited in the following cases:

- a. If the Bidder modifies/ withdraws its Proposal except as provided in **Clause 1.20**;
- b. If the Bidder withdraws its Proposal during the interval between the Proposal Due Date and expiration of the Proposal Validity Period;
- c. If the Successful Bidder fails to provide the Performance Bank Guarantee and execute the OC Contract within the stipulated time or any extension thereof provided by KUIDFC;
- d. If the Successful Bidder fails to sign the OC Contract within the time specified in this regard in Clause 1.31.3
- e. If any information or document furnished by the Bidder turns out to be misleading or untrue in any material respect; and
- f. If the Bidders fails to accept any corrections to the Financial Proposal pursuant to Clause 1.25 of this RFP.

1.12 Validity of Proposal

- 1.12.1 The Proposal shall indicate that it would remain valid for a period not less than 105 days from the Proposal Due Date ("**Proposal Validity Period**"). KUIDFC shall reject any Proposal that does not meet this requirement.
- 1.12.2 Prior to expiry of the Proposal Validity Period, KUIDFC may request the Bidders to extend the period of validity for a specified additional period. A Bidder may refuse the request without forfeiting its Bid Security. A Bidder agreeing to the request will not be allowed to modify its Proposal, except as provided under **Clause 1.20** but would be required to extend the validity of its Bid Security for the period of extension and comply with **Clause 1.11** of this document in all respects.
- 1.12.3 The Successful Bidder shall, where required, extend the Proposal Validity Period till the date of execution of the OC Contract.

1.13 Project Inspection/Site Visit

- 1.13.1 KUIDFC will facilitate a site visit for all the Bidders as indicated in the RFP, so that they can carry out Project inspection.
- 1.13.2 The Bidder would be granted permission by KUIDFC for the visit on receipt of a formal written request, reasonably in advance of the proposed date of visit.

1.14 Bidder's Responsibility

- 1.14.1 The Bidder is expected to examine carefully the contents of all the documents provided. Failure to comply with the requirements of RFP shall be at the Bidder's own risk.
- 1.14.2 It shall be deemed that prior to the submission of Proposal, the Bidder has:
- a. made a complete and careful examination of terms & conditions/requirements, and other information set forth in this RFP document;
 - b. received all such relevant information as it has requested from KUIDFC; and
 - c. made a complete and careful examination of the various aspects of the Project including but not limited to:
 - (i) the Demonstration Zones and any other property relating to the Project;
 - (ii) existing facilities and structures;
 - (iii) the conditions of the existing infrastructure and utilities in the Demonstration Zones and in the ULBs;

- (iv) conditions affecting transportation, access, disposal, handling and storage of materials; and
- (v) all other matters that might affect the Bidder's performance under the terms of this RFP document.

1.14.3 KUIDFC shall not be liable for any mistake or error or neglect by the Bidder in respect of the above.

1.15 Pre-Proposal Meeting

1.15.1 To clarify and discuss issues with respect to the Project and the RFP, KUIDFC shall hold one pre-proposal meeting ("**Pre-Proposal Meeting(s)**").

1.15.2 Prior to the Pre-Proposal Meeting(s), if they have any queries on the proposed OC Contract or on any other issue, the Bidders must submit the same and propose deviations if any, to the Project requirements and/or the OC Contract. Bidders must formulate their queries and forward the same to KUIDFC as per RFP Time Schedule one week prior to the meeting. KUIDFC may, in its sole discretion or based on inputs provided by Bidders, amend the RFP.

1.15.3 Bidders may note that KUIDFC will not entertain any deviations to the RFP at the time of submission of the Proposal or thereafter. The Proposal to be submitted by the Bidders would have to be unconditional and unqualified and the Bidders would be deemed to have accepted the terms and conditions of the RFP with all its contents including the OC Contract. Any conditional Proposal shall be regarded as non-responsive and would be liable for rejection.

1.15.4 KUIDFC will endeavor to hold the Pre-Proposal Meeting as per RFP Time Schedule. The details of the meeting will be separately communicated to the Bidders.

1.15.5 Attendance of the Bidders at the Pre-Proposal Meeting is not mandatory.

1.15.6 All correspondence / enquiries should be submitted to the following in writing by fax/ registered post / courier:

Address : Managing Director
Karnataka Urban Infrastructure Development and Finance Corporation
2nd Floor, Unity Building Annex
3rd Cross, Mission Road
Bangalore – 560 027
Attn: Mr Raghavendra Purohit
Phone : (080) – 22232021 / 22232134
Fax : (080) – 22232157

- 1.15.7 No interpretation, revision, or other communication from KUIDFC regarding this RFP is valid unless it is in writing and is signed by the authorized representative of KUIDFC. KUIDFC shall send to all Bidders, written copies of KUIDFC's responses, including a description of the enquiry, but without identifying its source.

C. Submission of Proposal

1.16 Format and Signing of Proposal

- 1.16.1 Bidders would provide all the information as per this RFP and in the specified format. KUIDFC reserves the right to reject any Proposal that is not in the specified format.
- 1.16.2 The Proposal should include the following::
- (a) Covering Letter-cum- Project Undertaking as per **Appendix 1-B**
 - (b) Power of Attorney as per **Appendix 2-A**, authorizing the signatory of the Proposal to commit the Bidder
 - (c) Power of Attorney as per **Appendix 2-B**, wherever required
 - (d) JVA, as applicable under **Clause 1.3 (d)**
 - (e) Anti-Collusion Certificate as per **Appendix 3**
 - (f) Bid Security as per **Appendix 4**
 - (g) Letter of Undertaking for adherence to specifications as per **Appendix 5**
 - (h) The financial proposal ("**Financial Proposal**") in terms of the total amount (in Rupees) proposed to be charged by the Bidder(hereinafter referred to as "**OC Remuneration**"). The Financial Proposal should be as per the formats set out in **Appendix 6**.
- 1.16.3 The Bidder shall prepare one original of the Proposal, clearly marked "ORIGINAL". In addition, the Bidder shall make one (1) copy of the Proposal, clearly marked "COPY". In the event of any discrepancy between the original and the copy, the original shall prevail.
- 1.16.4 If the Proposal consists of more than one volume, Bidder must clearly number the volumes and provide an indexed table of contents.
- 1.16.5 The Proposal and its copy shall be typed or printed and the Bidder shall initial each page. The person(s) signing the Proposal shall initial all the alterations, omissions, additions, or any other amendments made to the Proposal.

1.17 Sealing and Marking of Proposals

- 1.17.1 The original and copy of the Proposal shall be provided in separate envelopes, duly marked on the outer envelopes as "ORIGINAL" and "COPY".

- 1.17.2 The original and copy of the Proposal should then be sealed in one common envelope.
- 1.17.3 The envelope shall indicate the name and address of the Bidder or the Lead Member in case of a joint venture.
- 1.17.4 The envelope shall clearly bear the following identification:

“Procurement of Services for Rehabilitation, Operation and Management of Water Provision in Selected Demonstration Zones In Belgaum, Gulbarga and Hubli – Dharwad Municipal Corporations”

- 1.17.5 The envelope shall be addressed to:

Address : Managing Director
Karnataka Urban Infrastructure Development and Finance Corporation
2nd Floor, Unity Building Annex
3rd Cross, Mission Road
Bangalore – 560 027

Attn: Mr Raghavendra Purohit

Phone : (080) – 22232021 / 22232134

Fax : (080) – 22232157

- 1.17.6 If the envelopes are not sealed and marked as instructed above, the Proposal may be deemed to be non-responsive and liable for rejection. KUIDFC assumes no responsibility for the misplacement or premature opening of the Proposal submitted if the same is not in accordance with the prescribed format.

1.18 Time of Submission

- 1.18.1 Proposals should be submitted before the Proposal Due Date, at the address provided in **Clause 1.17.5** in the manner and form as detailed in this RFP. Proposals submitted by either facsimile transmission or telex or e-mail will not be accepted.
- 1.18.2 KUIDFC, at its sole discretion, may extend the Proposal Due Date by issuing an addendum in accordance with **Clause 1.9**.

1.19 Late Proposals

Any Proposal received by KUIDFC after the Proposal Due Date will be returned unopened to the Bidder.

1.20 Modification and Withdrawal of Proposals

- 1.20.1 Bidders may modify or withdraw their bids by giving notice in writing before the Proposal Due Date.
- 1.20.2 Each Bidder's modification or withdrawal notice shall be prepared, sealed, marked, and delivered in accordance with Clauses 1.16 and 1.17, with the outer and inner envelopes additionally marked "MODIFICATION" or "WITHDRAWAL", as appropriate.
- 1.20.3 No Proposal may be modified after the Proposal Due Date.
- 1.20.4 Withdrawal of a Proposal between the Proposal Due Date and the Proposal Validity Period or as extended pursuant to Clause 1.12.2 may result in the forfeiture of the Bid Security pursuant to Clause 1.11.5(a)
- 1.20.5 Bidders may only offer discounts to, or otherwise modify the prices of their Proposals by submitting Proposal modifications in accordance with this Clause, or included in the original Proposal submission.

D. Proposal Opening and Evaluation

1.21 Proposal Opening

- 1.21.1 The KUIDFC will open the Proposals, including modifications made to them in the presence of the bidders' representatives who choose to attend at the time and in the place specified in this RFP document.
- 1.21.2 Envelopes marked 'WITHDRAWAL' shall be opened and read out first. Proposals, for which an acceptable notice of withdrawal has been submitted pursuant to Clause 1.20.1 above, shall not be opened.
- 1.21.3 The bidders' name, the Proposal prices, the total amount of each Proposal and of any alternative Proposal (if alternatives have been requested or permitted), any discounts, Proposal modifications and withdrawals, the presence or absence of Bid Security, and such other details as the KUIDFC may consider appropriate, will be announced by the KUIDFC at the opening. No Proposal shall be rejected at Proposal opening except for the late Proposals pursuant to Clause 1.19. Proposals and modifications sent, that are not opened and read out at Proposal opening will not be considered for further evaluation regardless of the circumstances. Late and withdrawn Proposals will be returned unopened to the Bidders.
- 1.21.4 The KUIDFC will prepare minutes of the Proposal opening, including the information disclosed to those present in accordance with Clause 1.21.3.

1.22 Tests of Responsiveness

- 1.22.1 Prior to evaluation of Proposals, KUIDFC will determine whether each Proposal is responsive to the requirements of the RFP. A Proposal shall be considered responsive if;
- (a) it is received before the Proposal Due Date
 - (b) it is signed, sealed, and marked as stipulated in **Clause 1.16** and **Clause 1.17**
 - (c) it contains the information and documents as requested in the RFP, including the Bid Security
 - (d) it contains information in the form and formats specified in the RFP
 - (e) it mentions the validity period as set out in **Clause 1.12**
 - (f) it is not conditional.
- 1.22.2 A Proposal that is substantially responsive is one that conforms to the preceding requirements without material deviation or reservation. A material deviation or reservation is one which,
- (a) affects in any substantial way, the scope, quality, or performance of the Project, or
 - (b) limits in any substantial way, inconsistent with the RFP document, KUIDFC's rights or the Bidder's obligations under the OC Contract, or
 - (c) unfairly affects the competitive position of other Bidders presenting substantially responsive bids.
- 1.22.3 KUIDFC reserves the right to reject any Proposal which in its opinion is non-responsive and no request for modification or withdrawal shall be entertained by KUIDFC in respect of such Proposals.

1.23 Confidentiality

Information relating to the examination, clarification, evaluation and recommendation for the short-listed Bidders would not be disclosed to any person not officially concerned with the process. KUIDFC would treat all information submitted as part of the Proposal in confidence and will ensure that all who have access to such material treat it in confidence. KUIDFC would not divulge any such information unless ordered to do so by any Government authority that has the power under law to require its disclosure.

1.24 Clarifications

- 1.24.1 To assist in the process of evaluation of Proposals, KUIDFC may, at its sole discretion, ask any Bidder for clarification on its Proposal or substantiation of any of the submissions made by the Bidder. The request for such clarification or substantiation and the response shall be in writing or by facsimile. No material change

in the substance of the Proposal would be permitted by way of such clarification/ substantiation. The Bidder shall provide the clarification within the time prescribed by the KUIDFC, if any.

- 1.24.2 Subject to Clause 1.24.1, no Bidder shall contact KUIDFC on any matter relating to its Proposal from the time of the Proposal opening to the time the Successful Bidder is awarded, except where he wishes to bring additional information to the notice of the KUIDFC. In the event a Bidder wishes to bring additional information to the notice of the KUIDFC, such information will be submitted in writing but the KUIDFC will be under no obligation whatsoever to either consider the information or reply to the same.
- 1.24.3 Any effort by the Bidder to unduly influence the KUIDFC in the KUIDFC's Proposal evaluation or contract award decisions may result in the rejection of the Bidder's Proposal.

1.25 Correction of Errors

- 1.25.1 Proposals determined to be substantially responsive will be checked by KUIDFC for any arithmetic errors. Arithmetical errors will be rectified by KUIDFC on the following basis: if there is a discrepancy between unit prices and the total price that is obtained by multiplying the unit price and quantity, the unit price shall prevail, and the total price shall be corrected; if there is a discrepancy between the amounts in figures and in words, the amount in words will prevail.
- 1.25.2 The amount stated in the Proposal will be adjusted by KUIDFC in accordance with the above procedure for the correction of errors and, with the concurrence of the Bidder, shall be considered as binding upon the Bidder. If the Bidder does not accept the corrected amount, the Proposal will be rejected, and the Bid Security may be forfeited in accordance with Clause 1.11.5(f).

1.26 Consultant(s) or Advisor(s)

To assist in the examination, evaluation, and comparison of Proposals, KUIDFC may utilize the services of consultant(s) or advisor(s).

1.27 Proposal Evaluation : Financial Proposal

Firstly, the Financial Proposal of all the Bidders would be evaluated on the basis of the OC Remuneration to be quoted for performing the rehabilitation, operation and management of the Demonstration Zones in terms of the OC Contract. To facilitate evaluation and comparison of Proposals, the KUIDFC will convert all Financial Proposals expressed in the amounts in various currencies in which the Financial Proposals are payable to Indian Rupees at the selling exchange rates for similar transactions established by the Reserve Bank of India prevailing on the date 28 days prior to the Proposal Due Date. The Bidder submitting the lowest Financial Proposal,

as determined in accordance with the methodology set out below, shall be declared as the preferred bidder ("**Preferred Bidder**").

1.27.1 ***Selection Methodology***

- (a) The Financial Proposals would be ranked in ascending order of the OC Remuneration, with the Bidder quoting the lowest OC Remuneration being ranked first and the Bidder quoting the second lowest OC Remuneration ranked as second and so on.
- (b) The Bidder ranked first in accordance with the above procedure would be declared as the Preferred Bidder.

1.27.2 ***Special Conditions relating to Selection of Preferred Bidder***

- (a) In the event that two or more Bidders quote exactly the same lowest OC Remuneration, then KUIDFC reserves the right to:
 - (i) Select and declare any of such Bidders as the Preferred Bidder at KUIDFC's sole discretion; or
 - (ii) invite fresh Proposals from these Bidders, or
 - (iii) take any such measure as may be deemed fit in its sole discretion, including annulment of the bidding process.

1.28 Proposal Evaluation: Responsiveness

1.28.1 The Proposal of the Preferred Bidder would then be checked for responsiveness with the requirements of the RFP in accordance with Clause 1.22. KUIDFC reserves the right to reject the Proposal of the Preferred Bidder if, in its opinion, the contents of the Proposal are not substantially responsive with the requirements of this RFP.

1.28.2 In case the Proposal of the Preferred Bidder is found to be not responsive, the next lowest Bidder as provided in Clause 1.27, will be declared as the Preferred Bidder and the new Preferred Bidder's Proposal will then be checked for responsiveness as provided in Clause 1.28.1 above.

E. Award of Contract

1.29 KUIDFC's Right to accept any Proposal and to reject any or all Proposals.

1.29.1 Notwithstanding Clause 1.28, the KUIDFC reserves the right to cancel the bidding process and reject all Proposals, at any time prior to the declaration of the Successful

Bidder, without thereby incurring any liability to the affected Bidders or any obligation to inform the affected Bidders of the grounds for the KUIDFC's action.

1.30 Declaration of Successful Bidder

1.30.1 Once the Proposal of the Preferred Bidder has been found to be responsive, the KUIDFC shall accept the Proposal of the Preferred Bidder without any further negotiation.

1.31 Notification of the Successful Bidder and Execution of the OC Contract

1.31.1 The Preferred Bidder will be notified of the acceptance of the Proposal by the KUIDFC prior to expiration of the Proposal Validity Period by cable, telex, or facsimile confirmed by registered letter from the KUIDFC. This letter (hereinafter and in the RFP called the "**Letter of Acceptance**"), as per the format set out in Appendix 8, will state the OC Remuneration that KUIDFC will pay the Preferred Bidder.

1.31.2 The notification of the acceptance of the Proposal by the KUIDFC will constitute the formation of the OC Contract.

1.31.3 The OC Contract, in the form provided in the RFP will incorporate all agreements between the KUIDFC and the Preferred Bidder. It will be signed by the KUIDFC and the other parties to the OC Contract and sent to the Preferred Bidder along with the Letter of Acceptance. Within 21 days of receipt of the OC Contract, the Preferred Bidder shall sign the OC Contract and return it to the KUIDFC, together with the required Performance Security pursuant to Clause 1.32. In the event the Preferred Bidder refuses to sign the OC Contract and return it to the KUIDFC within the stipulated 21 day period, then the KUIDFC will follow the same procedure laid down in Clause 1.28.2 above. In such an event, the Bid Security of the Preferred Bidder may be forfeited in accordance with Clause 1.11.5(d).

1.31.4 Upon fulfilment of Clause 1.31.3, the KUIDFC will declare the Preferred Bidder as the successful bidder ("**Successful Bidder**") and promptly notify the unsuccessful Bidders the name of the Successful Bidder and that their Bid Security will be returned in accordance with Clause 1.11.4.

1.31.5 If, after notification of award, a Bidder wishes to ascertain the grounds on which its Proposal was not selected, it should address its request to the KUIDFC. The KUIDFC will promptly respond in writing to the unsuccessful Bidder.

1.32 Performance Security

1.32.1 Within 21 days after receipt of the Letter of Acceptance, the Successful Bidder shall deliver to the KUIDFC a performance security ("**Performance Security**") for an amount equal to 10% of the OC Remuneration and in the format stipulated in

Appendix 9, denominated in the type and proportions of currencies in the Letter of Acceptance and in accordance with the OC Contract.

1.32.2 The Performance Security shall be provided by the Successful Bidder in the form of a unconditional and irrevocable bank guarantee or a cashier's or certified cheque ("**Performance Bank Guarantee**"), which shall be issued either (a) at the Bidder's option, by a bank located in India or a foreign bank through a correspondent bank located in India, or (b) with the agreement of the KUIDFC directly by a foreign bank acceptable to the KUIDFC.

1.32.3 Failure of the Successful Bidder to comply with the requirements of Clause 1.32.1 shall constitute sufficient grounds for cancellation of the award and forfeiture of the Bid Security. In the event the award is cancelled under this Clause, then the KUIDFC will have the option to follow the same procedure stipulated under Clause 1.28.2 of this RFP.

1.33 Advance Payment and Security

The Successful Bidder shall, along with execution of the OC Contract and receipt of advance of the equivalent of 10% of the OC Remuneration, in accordance with the terms of the OC Contract, furnish an advance bank guarantee ("**Advance Bank Guarantee**") for the advance amount as per the format set out in **Appendix 7**.

1.34 Corrupt or Fraudulent practices

1.34.1 The Bank requires that Borrowers (including beneficiaries of Bank loans), as well as Bidders / suppliers / contractors under Bank-financed contracts, observe the highest standard of ethics during the procurement and execution of such contracts. In pursuance of this policy, the Bank

(a) defines, for the purposes of this provision, the terms set forth below as follows:

(i) "**Corrupt Practice**" means the offering, giving, receiving or soliciting of any thing of value to influence the action of a public official in the procurement process or in contract execution; and

(ii) "**Fraudulent Practice**" means a misrepresentation of facts in order to influence a procurement process or the execution of a contract to the detriment of the Borrower, and includes collusive practice among bidders (prior to or after bid submission) designed to establish bid prices at artificial non competitive levels and to deprive the Borrower of the benefits of free and open competition.

(b) will reject a proposal for award if it determines that the Bidder recommended for a award has engaged in Corrupt or Fraudulent Practices in competing for the contract in question.

- (c) will declare a firm ineligible, either indefinitely or for a stated period of time, to be awarded a Bank-financed contract if it at any time determines that the firm has engaged in Corrupt or Fraudulent Practices in competing for, or in executing, a Bank-financed contract.

1.34.2 Furthermore, Bidders shall be aware of the provision stated in clauses of the conditions of OC Contract.

1.35 Adjudicator

The KUIDFC proposes the person named in the RFP to be appointed as adjudicator ("**Adjudicator**") under the OC Contract. If the Bidder disagrees with this proposal, the Bidder should state so in the Proposal. If, in the Letter of Undertaking as prescribed under **Appendix 5**, the Bidder has not agreed on the appointment of the Adjudicator, then, the Adjudicator shall be appointed by the Chairman, Institution of Engineers, Karnataka Chapter.

2. CONTENTS OF PROPOSAL

2.1 Submission

- i. Covering Letter-cum- Project Undertaking as per **Appendix 1-B**
- ii. Power of Attorney as per **Appendix 2-A**, authorizing the signatory of the Proposal to commit the Bidder
- iii. Power of Attorney as per **Appendix 2-B**, wherever required
- iv. Joint Venture Agreement (JVA), as stipulated in the RFP.
- v. Anti-Collusion Certificate as per **Appendix 3**
- vi. Bid Security as per **Appendix 4**
- vii. Letter of Undertaking for adherence to specifications as per **Appendix 5; and**
- viii. The Financial Proposal as per the format set out in **Appendix 6**.

3. RFP TIME SCHEDULE

KUIDFC would endeavor to adhere to the following schedule:

S. No.	Activity Description	Date
1.	Site visit by bidders	Between 11.10.2004 and 16.10.2004
2.	Last date for receiving queries	21.10.2004
3.	Pre-proposal meeting	30.10.2004 at 11.00 hours at KUIDFC
4.	Proposal Due Date	15.12.2004 at 16.00 hrs
5.	Proposal Opening Date	15.12.2004 at 16:30 hours

**FORMAT FOR ACKNOWLEDGEMENT OF RECEIPT OF RFP DOCUMENT
AND
NOTICE OF INTENT TO SUBMIT PROPOSAL**

The Managing Director,
Karnataka Urban Infrastructure Development and Finance Corporation,
Silver Jubilee Block,
2nd Floor, Unity Building Annex,
3rd Cross, Mission Road,
Bangalore – 560 027

Dear Sir,

**Re: Rehabilitation, Operation and Management of Demonstration Zones in
Belgaum, Gulbarga and Hubli – Dharwad**

The undersigned hereby acknowledges and confirms receipt of the Request for Proposal (RFP) document for the captioned project from the Karnataka Urban Infrastructure Development and Finance Corporation (KUIDFC) and conveys its intention to submit Proposal for taking up Operation and Management of Demonstration Zones in Belgaum, Gulbarga and Hubli - Dharwad.

.....
Signature of the Authorized Person

.....
Name and designation of the Authorized Person

Date :.....

Note:

- 1. On the Letterhead of the Bidder or Lead Member of joint venture.*
- 2. To be signed by the Lead Member in case of a joint venture.*
- 3. The acknowledgement should be sent within twenty days of receipt of the RFP Document*

FORMAT FOR COVERING LETTER-CUM-PROJECT UNDERTAKING

The Managing Director,

Karnataka Urban Infrastructure Development and Finance Corporation,
Silver Jubilee Block,
2nd Floor, Unity Building Annex,
3rd Cross, Mission Road,
Bangalore – 560 027

Dear Sir,

Re: Rehabilitation, Operation and Management of Demonstration Zones in Belgaum, Gulbarga and Hubli – Dharwad

Being duly authorized to represent and act on behalf of..... (hereinafter referred to as the "**Bidder**"), and having reviewed and fully understood all of the information provided in the Request for Proposal ("**RFP**") document provided to us by KUIDFC in respect of the captioned Project, the undersigned hereby submits the Proposal in response to the RFP.

For your evaluation, we are enclosing our Proposal in one (1) original and one (1) copy, with the details as per the requirements of the RFP.

We confirm that our Proposal is valid for a period of one hundred and five (105) days from Proposal Due Date.

We also hereby agree and undertake as under:

Notwithstanding any qualifications or conditions, whether implied or otherwise, contained in our Proposal we hereby represent and confirm that our Proposal is unqualified and unconditional in all respects and we agree to the terms of the proposed OC Contract, a draft of which also forms a part of the RFP document provided to us.

.....(Signature of the Authorized Person)

..... (Name and designation of the Authorized Person)

..... (Date)

Note:

1. *On the Letterhead of the Bidder or Lead Member of joint venture*
2. *To be signed by the Lead Member in case of a joint venture.*

FORMAT FOR POWER OF ATTORNEY FOR SIGNING OF PROPOSAL

(On Stamp paper of relevant value)

POWER OF ATTORNEY

Know all men by these presents, We.....(name and address of the registered office) do hereby constitute, appoint and authorize Mr. / Ms.....(name and residential address) who is presently employed with us and holding the position ofas our attorney, to do in our name and on our behalf, all such acts, deeds and things necessary in connection with or incidental to, for the Rehabilitation, Operation and Management of Demonstration Zones in Belgaum, Gulbarga and Hubli – Dharwad (the "**Project**"), on behalf of Karnataka Urban Infrastructure Development and Finance Corporation (hereinafter referred to as KUIDFC), including negotiation of the OC Contract, attendance and representation at the Pre-Proposal Meeting, discussions and negotiations with regard to the RFP, signing and submission of all documents and providing information/responses to KUIDFC in all matters in connection with our Proposal for the Project.

We hereby agree to ratify all acts, deeds and things lawfully done by our said attorney pursuant to this Power of Attorney and that all acts, deeds and things done by our aforesaid attorney shall and shall always be deemed to have been done by us.

Dated this the _____ Day of _____ 2004
For _____

(Name and designation of the person(s)
signing on behalf of the Lead Member)

Accepted

Signature)
(Name, Title and Address of the Attorney)
Date :

Note:

- 1. To be executed by the Lead Member in case of a joint venture.*
- 2. In case of Bidders who are not resident in India, the Power of Attorney may be submitted on plain paper attested by any Authorized officer of the Embassy of India and duly stamped by the Department of Stamps & Registration, Government of Karnataka*
- 3. The mode of execution of the Power of Attorney should be in accordance with the procedure, if any, laid down by the applicable law and the charter documents of the executants(s) and when it is so required the same should be under common seal affixed in accordance with the required procedure.*
- 4. Also, wherever required, the Bidder should submit for verification the extract of the charter documents and documents such as a resolution/power of attorney in favor of the Person*

executing this Power of Attorney for the delegation of power hereunder on behalf of the Bidder.

5. *In case an Authorized Director of the Applicant signs the Application, a certified copy of the appropriate resolution conveying such authority may be enclosed in lieu of the Power of Attorney.*

**FORMAT FOR POWER OF ATTORNEY FOR DESIGNATING LEAD MEMBER OF
JOINT VENTURE**

(On a Stamp Paper of relevant value)

POWER OF ATTORNEY

Whereas, Karnataka Urban Infrastructure Development and Finance Corporation (“**KUIDFC**”) has invited proposals for taking up Rehabilitation, Operation and Management of Demonstration Zones in Belgaum, Gulbarga and Hubli – Dharwad (hereinafter referred to as the "**Project**").

Whereas, the joint venture being one of the qualified Applicants is interested in bidding for the Project and implementing the Project in accordance with the terms and conditions of the Request for Proposal ("**RFP Document**") and other connected documents in respect of the Project, and

Whereas, it is necessary under the RFP Document for the members of the joint venture to designate the lead member ("**Lead Member**") with all necessary power and authority to do for and on behalf of the joint venture, all acts, deeds and things as may be necessary in connection with the joint venture's Proposal for the Project or in the alternative to appoint one of them as the Lead Member who would have all necessary power and authority to do all acts, deeds and things on behalf of the joint venture, as may be necessary in connection with the joint venture's Proposal for the Project.

NOW THIS POWER OF ATTORNEY WITNESSETH THAT;

We, M/s. -----, and M/s..... (the names and address of the registered offices), do hereby designate M/s.....being one of the members of the joint venture, as the Lead Member of the joint venture, to do on behalf of the joint venture, all or any of the acts, deeds or things necessary or incidental to the joint venture's Proposal for the Project, including submission of Proposal, participating in conferences, responding to queries, submission of information/ documents and generally to represent the joint venture in all its dealings with KUIDFC, any other Government Agency or any person, in connection with the Project until culmination of the process of bidding and thereafter till the OC Contract is entered into with KUIDFC.

We hereby agree to ratify all acts, deeds and things lawfully done by the Lead Member and our said attorney pursuant to this Power of Attorney and that all acts deeds and things done by our aforesaid attorney shall and shall always be deemed to have been done by us/joint venture.

Dated this theDay of2004

.....

(Executants)

(TO BE EXECUTED BY ALL MEMBERS OF THE JOINT VENTURE)

Note: The mode of execution of the Power of Attorney should be in accordance with the procedure, if any, laid down by the applicable law and the charter documents of the executants(s) and when it is so required the same should be under common seal affixed in accordance with the required procedure (for a body corporate).

FORMAT FOR ANTI-COLLUSION CERTIFICATE

Anti-Collusion Certificate

We hereby certify and confirm that in the preparation and submission of our Proposal for the properties listed below, we have not acted in concert or in collusion with any other Bidder or other person(s) and also not done any act, deed or thing which is or could be regarded as anti-competitive.

We further confirm that we have not been declared ineligible and not engaged in Corrupt or Fraudulent Practices (as defined in Clause 1.34 of the RFP) in competing for, or in executing, a World Bank – financed contract.

We also confirm that we have not offered nor will offer any illegal gratification in cash or kind to any person or agency in connection with the instant Proposal.

Dated thisDay of, 2004

.....
(Name of the Bidder¹)

.....
(Signature of the Authorized Person)

.....
(Name of the Authorized Person)

Note:

- 1. On the Letterhead of the Bidder
- 2. To be executed by all members in case of joint venture

¹ Names of all members in case of consortium

FORMAT FOR BID SECURITY

Whereas, *[name of Bidder and in the case of joint venture here should say--- a "joint venture" consisting of --(name of first firm)--, --(name of second firm) --,--(name of last firm) --]* (hereinafter called the "**Bidder**") has submitted his proposal dated *[date]* for the construction of *[name of Contract]* (hereinafter called the "**Proposal**").

Know all people by these presents that We *[name of Bank]* of *[name of country]* having our registered office at *[address]* (hereinafter called the "**Bank**") are bound unto Karnataka Urban Infrastructure Development & Finance Corporation] (hereinafter called the "KUIDFC") in the sum of *[The Bidder should insert the amount of the Guarantee in words and figures denominated in Indian Rupees or an equivalent amount in a freely convertible currency. This figure should be the same as shown in Clause 1.11 of the RFP]* for which payment well and truly to be made to KUIDFC, the Bank binds itself, its successors, and assigns by these presents.

Sealed with the Common Seal of the said Bank this *[day]* day of *[month]*, *[year]*.

The conditions of this obligation are:

- (1) If, after Proposal opening, the Bidder withdraws his Proposal during the Proposal Validity Period specified in the RFP; or
- (2) If the Bidder having been notified of the acceptance of his Proposal by the KUIDFC during the Proposal Validity Period:
 - (a) fails or refuses to execute the Form of OC Contract in accordance with the RFP, if required; or
 - (b) fails or refuses to furnish the Performance Security, in accordance with the RFP; or
 - (c) does not accept the correction of the Financial Proposal pursuant to Clause 1.25 of the RFP,

we undertake to pay to the KUIDFC up to the above amount upon receipt of his first written demand, without the KUIDFC having to substantiate its demand, provided that in its demand the KUIDFC will note that the amount claimed by him is due to him owing to the occurrence of one or any of the three conditions, specifying the occurred condition or conditions.

This Guarantee will remain in force up to and including the date *[Usually 28 days after the end of the Proposal Validity Period.]* days after the deadline for submission of proposals as such deadline is stated in the RFP or as it may be extended by the KUIDFC, notice of which extension(s) to the Bank is hereby waived. Any demand in respect of this Guarantee should reach the Bank not later than the above date.

Date _____ Signature of the Bank _____

Witness _____ Seal _____

[signature, name, and address]

**FORMAT FOR LETTER OF UNDERTAKING
FOR ADHERENCE TO SPECIFICATIONS**

The Managing Director,

Karnataka Urban Infrastructure Development and Finance Corporation,
Silver Jubilee Block,
2nd Floor, Unity Building Annex,
3rd Cross, Mission Road,
Bangalore – 560 027

Dear Sir,

**Re: Operation and Management of Demonstration Zones in Belgaum, Gulbarga
 and Hubli – Dharwad**

We hereby represent and confirm that our Proposal is unqualified and unconditional in all respects and conforms to the specifications as set out in the RFP Document, including the appointment of the adjudicator whose name and curriculum vitae are annexed to this document (the "**Adjudicator**") for the above project.

(Or)

We hereby represent and confirm that our Proposal is unqualified and unconditional in all respects and conforms to the specifications as set out in the RFP Document.

However, we do not accept the appointment of **Mr. K. Ramesh** as the Adjudicator, and propose instead that [insert] be appointed as adjudicator, whose daily fees and biographical data are attached.

.....(Signature of the Authorized Person)

..... (Name of the Authorized Person & designation)

..... (Date)

Note:

- 1. On the Letterhead of the Bidder or Lead Member of joint venture*
- 2. To be signed by the Lead Member in case of a joint venture.*

Name and CV of Adjudicator

K. RAMESH

No. 8/B, Doddakrishnappa block,
1st cross, NTI layout,
Nagashettyhalli, RMV 2nd stage,
Bangalore-560094

Phone: +91 80 23411287

Email: krishna_rao_ramesh@hotmail.com

EDUCATION:

- B.E. (Civil) from Bangalore University
- M.E. (Structures) from Bangalore University

WORK EXPERIENCE:

- Joined Bangalore Water Supply and Sewerage Board in May 1970 and served for 33 years and retired as Engineer-in-Chief on 31st March 2003

Period: Aug 1996 – Mar 2003

Position held: Chief Engineer (till Feb 1999) and Engineer-in-Chief (post Feb 1999)

Job Details:

- Quality monitoring and control
- Operation and maintenance of Cauvery and Arakavathi head-works system including treatment units, pumping units and transmission main
- Planning and appraisal of Cauvery Water Supply Scheme Stage IV Phase I for JBIC assistance
- Execution of Cauvery Water Supply Scheme Stage IV Phase I covering gravity main, treatment units, pumping units, transmission main, City Water Supply and Distribution System, City Sewerage System, Sewerage Treatment and Disposal
- Commissioning of Stage IV Phase I Scheme

Period: Aug 1989 – Aug 1996

Position held: Superintending Engineer

Job Details:

- Operation and maintenance of Bangalore Water Supply System including revenue collection
- Operation and maintenance of Bangalore City Sewerage System including sewage treatment and disposal

- Planning and execution of new Water supply and Sewerage system in the city for new layouts and extensions
- Operation and maintenance of Cauvery and Arkawathi head-works system including treatment units, pumping units and transmission main
- Planning and design of Cauvery Water Supply Scheme Stage III

Period: July 1979 – Aug 1989

Position held: Executive Engineer

Job Details:

- Planning, design and execution of Cauvery Water Scheme Stage II and III
- Operation and maintenance of head-works, treatment units, pumping units and transmission main of Cauvery Water Supply Scheme Stage I and Arkavathi Water Supply System

Period: Sep 1975 – July 1979

Position held: Assistant Executive Engineer

Job Details:

- Maintenance of Water Supply Distribution including revenue collection. Attending to public grievances
- Construction of additional 5 floors of Cauvery Bhavan

Period: May 1970 – Sep 1975

Position held: Assistant Engineer

Job Details:

- Design of multi-storied building (Cauvery Bhavan BWSSB)
- Planning and design of Cauvery Water Supply Scheme Stage I

Brief description of Cauvery water supply scheme

The Cauvery Water supply Scheme consists of tapping Cauvery water from a distance of about 100km from Bangalore city. The Cauvery water is carried through gravity main to treatment site at T.K. Halli and treated. The water is pumped to city in 3 stages with a total lift of about 450mts. The water is distributed to several reservoirs in the city through trunk mains. The scheme covered expansion of sewerage network and establishment of sewage treatment plant and sewage disposal. Stage I scheme costing Rs. 35 crores was commissioned in 1974 (135MLD), stage II scheme costing Rs. 85 crores was commissioned during 1982 (135MLD) and stage III scheme costing Rs. 240 crores was commissioned during 1994-95 (270 MLD).

Cauvery Stage IV Phase I scheme, which was headed by me, was taken up for execution during 1996-97 with financial assistance from Japan Bank for International Cooperation. The cost of the scheme was Rs. 1000 crores. As required, consultants viz. Pacific Consultants International, Japan, Mott McDonald UK and TCE India were engaged as

consultants. The water supply component was commissioned during July 2001. Water Supply to the city was increased by an additional 270 MLD.

Other Details

- Undergone 3 months special course in UK in Project Planning, Design and Appraisal.
- Had an opportunity to study Water supply and Sewerage systems in major cities in India and other countries.

FORMAT FOR FINANCIAL PROPOSAL

I. OC Remuneration

1	In Figures	
2	In words	

Note :

- 1. OC Remuneration would be the Fixed Remuneration and the Performance Remuneration for the Project Period including all applicable taxes and duties payable to the Bidder by KUIDFC.*
- 2. In case of a discrepancy between the OC Remuneration expressed in figures vis-à-vis the OC Remuneration expressed in words, the latter shall govern.*

FORMAT FOR ADVANCE BANK GUARANTEE

(To be issued by a Scheduled Bank in India)

This Agreement is made on the *[day]* day of *[month]*, *[year]* between *[name of Bank]* of *[address of Bank]* (hereinafter called the "**Guarantor**") of the one part and Karnataka Urban Infrastructure Development and Finance Corporation/ of Silver Jubilee Block, 2nd Floor, Unity Building Annex, 3rd Cross, Mission Road, Bangalore – 560 027 (hereinafter called the "KUIDFC") of the other part.

Whereas

- (1) This Agreement is supplemental to a contract (hereinafter called the Contract) made between *[name of Bidder]* of *[address of Bidder]* (hereinafter called the Bidder) of the one part and the KUIDFC of the other part whereby the Bidder agreed and undertook to execute the Services of *[name of Contract and brief description of the Services]* for the sum of *[amount in Contract currency]* being the Contract Price; and
- (2) The Guarantor has agreed to guarantee the due performance of the Contract in the manner hereinafter appearing.

Now therefore the Guarantor hereby agrees with the KUIDFC that upon receipt of

- (1) a written notice to the Guarantor from the Bidder, or
- (2) a written notice to the Guarantor from the Adjudicator, or
- (3) a binding arbitration or Court award confirming that the amount of the Guarantee is payable to the KUIDFC,

the Guarantor will indemnify and pay the KUIDFC the sum of *[amount of Guarantee]* *[amount in words]* such sum being payable in the types and proportions of currencies in which the Contract Price is payable, provided that the KUIDFC or his authorized representative has notified the Guarantor to that effect and has made a claim against the Guarantor not later than the date of issue of the Defects Liability Certificate.

The Guarantor shall not be discharged or released from his Guarantee by an arrangement between the Bidder and the KUIDFC, with or without the consent of the Guarantor, or by any alteration in the obligations undertaken by the Bidder, or by any forbearance on the part of the Bidder, whether as to the payment, time, performance or otherwise, and any notice to the Guarantor of any such arrangement, alteration, or forbearance is hereby expressly waived.

Given under our hand on the date first mentioned above.

Signed by _____
for and on behalf of the Guarantor in the presence of _____

Signed by _____
for and on behalf of the KUIDFC in the presence of

FORMAT FOR LETTER OF ACCEPTANCE

[date]

To: *[name and address of the Bidder]*

This is to notify you that your Proposal dated *[date]* for execution of Services for Rehabilitation, Operation and Management of Water Provision in Selected Demonstration Zones in Belgaum, Gulbarga and Hubli – Dharwad Municipal Corporations, Karnataka, India for the Contract Price of the equivalent of *[amount in numbers and words]* Indian Rupees, as corrected and modified in accordance with the Instructions to Bidders is hereby accepted by our Agency.

You are hereby instructed to proceed with the execution of the said contract for the provision of Services in accordance with the Contract documents.

Please return the attached Contract dully signed.

Authorized Signature: _____

Name and Title of Signatory: _____

Name of Agency: _____

Attachment: Contract

FORMAT OF THE PERFORMANCE BANK GUARANTEE

To:

The Managing Director,

Karnataka Urban Infrastructure Development and Finance Corporation,

Silver Jubilee Block,

2nd Floor, Unity Building Annex,

3rd Cross, Mission Road,

Bangalore – 560 027

Whereas *[name and address of the successful bidder]* (hereinafter called the "**Successful Bidder**") has undertaken, in pursuance of Contract No. *[number]* dated *[date]* to execute *[name of Contract and brief description of Services]* (hereinafter called the "**Contract**");

And whereas it has been stipulated by you in the said Contract that the Successful Bidder shall furnish you with a Bank Guarantee by a recognized bank for the sum specified therein as security for compliance with his obligations in accordance with the Contract;

And whereas we have agreed to give the Successful Bidder such a Bank Guarantee;

Now therefore we hereby affirm that we are the Guarantor and responsible to you, on behalf of the Successful Bidder, up to a total of *[amount of Guarantee]* *[amount in words]*, , and we undertake to pay you, upon your first written demand and without cavil or argument, any sum or sums within the limits of *[amount of Guarantee]* as aforesaid without your needing to prove or to show grounds or reasons for your demand for the sum specified therein.

We hereby waive the necessity of your demanding the said debt from the Successful Bidder before presenting us with the demand.

We further agree that no change or addition to or other modification of the terms of the Contract or of the Services to be performed there under or of any of the Contract documents which may be made between you and the Successful Bidder shall in any way release us from any liability under this Guarantee, and we hereby waive notice of any such change, addition, or modification.

This Guarantee shall be valid until a date 90 days from the date of issue of the Certificate of Completion.

Signature and seal of the Guarantor _____

Name of Bank _____

Address _____

a. Date _____

PART II: DRAFT OC CONTRACT

TABLE OF CONTENTS

1. DEFINITIONS	2
2. APPOINTMENT AND TERM	9
3. IMPLEMENTATION PERIOD	10
4. OPERATION AND MANAGEMENT PERIOD	17
5. PERFORMANCE TARGETS DURING THE O&M PERIOD	18
6. GENERAL PERFORMANCE OBLIGATIONS OF THE OC	19
7. ENVIRONMENT	19
8. TECHNICAL AUDITOR	19
9. BANK GUARANTEES	20
10. OC REMUNERATION AND BONUS	21
11. INTELLECTUAL PROPERTY	22
12. PERSONNEL ISSUES AND ORGANISATIONAL STRUCTURE	23
13. PROCUREMENT	27
14. SUB-CONTRACTING	27
15. INSURANCE	28
16. DEFAULT - NOTICE TO CORRECT	30
17. TERMINATION	31
18. CONSEQUENCES OF TERMINATION AND NON-PERFORMANCE	33
19. LIQUIDATED DAMAGES	34
20. OC INDEMNITY	34
21. FORCE MAJEURE	35
22. DISPUTE RESOLUTION	36
23. CONFIDENTIALITY	37
24. GENERAL	38
SCHEDULE 1	43
BULK WATER SUPPLY	43
SCHEDULE 2	44
BULK WATER SUPPLY POINTS	44
SCHEDULE 3	50
DEMONSTRATION AREA STATISTICS	50
SCHEDULE 4	54

DEMONSTRATION ZONES.....	54
SCHEDULE 5	55
ENVIRONMENT MANAGEMENT PLAN.....	55
SCHEDULE 6	66
PROCUREMENT GUIDELINES.....	66
SCHEDULE 7	67
PAYMENT PROCEDURE	67
SCHEDULE 8	68
OC - PREPARATORY PERIOD B OBLIGATIONS.....	68
SCHEDULE 9	72
KUIDFC - PREPARATORY PERIOD B OBLIGATIONS	72
SCHEDULE 10	73
BOARD - PREPARATORY PERIOD B OBLIGATIONS	73
SCHEDULE 11	74
CORPORATIONS - PREPARATORY PERIOD B OBLIGATIONS	74
SCHEDULE 12	75
OC - OPERATION AND MANAGEMENT PERIOD OBLIGATIONS	75
SCHEDULE 13	78
KUIDFC - OPERATION AND MANAGEMENT PERIOD OBLIGATIONS	78
SCHEDULE 14	79
BOARD - OPERATION AND MANAGEMENT PERIOD OBLIGATIONS	79
SCHEDULE 15	80
CORPORATIONS - OPERATION AND MANAGEMENT PERIOD OBLIGATIONS	80
SCHEDULE 16	81
OC – GENERAL OBLIGATIONS.....	81
SCHEDULE 17	84
TERMS OF REFERENCE – TECHNICAL AUDITOR	84
SCHEDULE 18	94
OC REMUNERATION AND BONUS	94
SCHEDULE 19	96
CORPORATION EMPLOYEES FOR DEPUTATION.....	96

DRAFT OC CONTRACT

THIS CONTRACT is made on the _____ 2004.

AMONG

- (1) [Karnataka Urban Infrastructure Development and Finance Corporation];
- (2) [Karnataka Urban Water Supply and Drainage Board];
- (3) [Corporation of Hubli, Dharwad];
- (4) [Corporation of Belgaum];
- (5) [Corporation of Gulbarga];

And

- (6) [____] a company incorporated under the laws of [____] (registered number [____]) whose registered office is at [____] [*Operator Consultant*];

hereinafter known as the "**Parties**".

WHEREAS

- A. The Project is promoted by Government of Karnataka. As part of the Project it is proposed that the expertise of a private operator will be used to help the Corporations improve the water supply services in the Demonstration Zones.
- B. The Government has issued Water Supply Rules expressly permitting the appointment of private entities to participate in provision of Services and has also issued the Deputation Rules enabling the Corporations to depute their employees to the private sector entities in connection with provision of Services.
- C. The Parties' objective in the KUIDFC's award of the Contract to the OC is to demonstrate the capability of improving water services in the Demonstration Zones through a partnering between the public and private sectors.
- D. Under instructions from the Government, the KUIDFC has recommended four Demonstration Zones, each of approximately 10% of the population in each Demonstration Areas. The KUIDFC, the OC, the respective Corporations in each of the Demonstration Areas and the Board have mutually agreed to enter into this Contract to achieve the objective of the Demonstration Project.

- E. The OC will be responsible for the rehabilitation, operation and management of water distribution systems in the Demonstration Zone from the Initial Takeover Date till conclusion of the Operation and Management Period, to achieve Performance Targets and to perform its obligations with respect to the Demonstration Zones in accordance with the terms of this Contract.

IN CONSIDERATION OF the mutual covenants and obligations herein contained the Parties agree as follows:

1. DEFINITIONS

- 1.1 In the Contract the words and expressions defined shall have the meanings assigned to them below, except where the context requires otherwise or where they are defined elsewhere in the Contract:

"Advance Bank Guarantee"	shall have the meaning set out in Clause 9.2;
"Applicable Laws"	means any statute, ordinance, regulation or by-law or any rule, code or direction including applicable technical, safety or environmental standards or any licence, consent, permit authorisation or other approval or interpretation thereof of India and/or Karnataka or body or regulatory authority thereof, as they may be issued and in force from time to time;
"Adjudicator"	shall be Mr. K. Ramesh or such other person who shall be mutually agreed upon by the parties, who shall resolve disputes in the first instance as provided for in Clause 22;
"Board"	means the Karnataka Urban Water Supply And Drainage Board constituted under the Karnataka Urban Water Supply And Drainage Board Act, 1973;
"Bonus"	shall have the meaning assigned to it in Schedule 18.
"Bulk Water"	means the water supplied by the Board, in each Demonstration Zone as per Schedule 1;

"Bulk Water Supply Points"	means the points as indicated in the map attached in Schedule 2 together with any other points as agreed by the KUIDFC and the OC from time to time, to which the Board shall supply Bulk Water;
"Capital Works"	shall have the same meaning given to it in Clause 3.2.3;
"Clause" or "sub-Clause"	means a clause or sub-clause of the Contract or the corresponding Schedule, unless otherwise specified;
"Communications Program"	shall have the same meaning given to it in sub-Clause (h) of Schedule 16;
"Continuous Pressured Water Supply"	means continuous water supply 24 hours a day at a minimum pressure of 6 m at all Customer Water Connection Points between 6 am and 10 pm every day, measured at identified Critical Zone Points.
"Contract"	means this Contract of Services for Rehabilitation, Operation and Management of Water Provision in Selected Demonstration Zones in Belgaum, Gulbarga and Hubli – Dharwad Municipal Corporations together with all amendments, attachments, appendices, and exhibits thereto;
"Corporations"	means the Municipal Corporations constituted under the KMC Act in the cities of Belgaum, Gulbarga and Hubli-Dharwad and "Corporation" means any one of them, as the context requires;
"Corporation Employees"	means the employees of the Corporations deputed to the OC under this Contract;
"Corrupt Practice"	means the offering, giving, receiving, or soliciting of any thing of value to influence the action of a public official in the selection process or in Contract execution.

"Critical Zone Points"	shall mean the points of the distribution network within each Demonstration Zone at which the flow and pressure measuring devices would be installed in accordance with the Final Investment Programme.
"Customers"	means all entities (including individuals) in the Demonstration Zone to which/whom the respective Corporation or the Board provides water services and includes all those customers in existence as at the Effective Date and entities which become customers after the Effective Date;
"Customer Water Connection Points"	means the water connection points from which the Customers take delivery of the water;
"Demonstration Area"	means the urban areas of Belgaum, Gulbarga and Hubli-Dharwad, certain relevant information concerning which is attached at Schedule 3;
"Demonstration Project"	means the project to bring about a transition from an intermittent to a Continuous Pressured Water Supply service in the Demonstration Zones within the stipulated time period as per the terms of this Contract;
"Demonstration Zones"	means the zones selected within each of the Demonstration Areas, as listed in Schedule 4, in which the Demonstration Project will be implemented;
"Deputation Rules"	means the [Karnataka Municipal Corporations (Deputation of Employees) Rules, (___)].
"Dispute"	means a dispute or difference of whatever nature howsoever arising under, out of, or in connection with this Contract between any of the Parties.
"Draft Investment Programme"	shall have the meaning set out in Clause 3.2.3;

"Draft Operation and Management Plan"	shall have the meaning set out in Schedule 8;
"Effective Date"	means the date of execution of this Contract by all the Parties first above written;
"Environment Management Plan"	means the environment management plan set out in Schedule 5;
"Equipment, Materials and Supplies"	means all equipment, materials and supplies of any kind, which are necessary for the operation and maintenance of the Facilities and the performance of the Services;
"Expiry Date"	means the date of expiry of the Operation and Management Period under this Contract or such earlier date on which the Contract is validly terminated;
"Facilities"	means the infrastructure and non-infrastructure assets forming part of the water distribution system needed to provide the water supply services within the Demonstration Zones which shall be upgraded from time to time as part of the Final Investment Programme during the Term of the Contract;
"Final Investment Programme"	shall have the meaning set out in Clause 3.2.8;
"Final Operation and Management Plan"	shall have the meaning set out in Clause 3.9;
"Final Takeover Date"	means the date of commencement of the Operation and Management Period as set out in Clause 3.9.
"Fixed Remuneration"	shall have the meaning assigned to it in Clause 10.
"Force Majeure"	shall have the meaning set out in Clause 21;
"Fraudulent Practice"	means a misrepresentation of facts in order to influence a selection process or the

execution of a contract to the detriment of the Government of Karnataka or the KUIDFC, and includes collusive practice prior to or after submission of proposals designed to establish prices at artificial non-competitive levels and to deprive the Government of Karnataka or the KUIDFC of the benefits of free and open competition.

"Gross Negligence"

means any reckless disregard of any provision of this Contract, which has a materially adverse effect the Facilities;

"Government"

means the Government of Karnataka;

"Implementation Period"

shall have the meaning set out in Clause 3.1;

"Initial Takeover Date"

means the date on which the KUIDFC issues the certificate of commencement of Preparatory Period B in accordance with Clause 3.2.8;

"Intellectual Property"

means all intellectual property or other propriety rights of every kind, including without limitation all patents, registered design rights, works subject to the laws of copyright, trade secrets, processes, trademarks and service marks whether registered or not, goodwill and know-how and any associated or similar rights (including in all cases applications and right to apply therefore and documentation thereof);

"Investment Amount"

means the absolute amount stated in Clause 3.2.6, which shall be made available by KUIDFC to the OC as per the terms stated in this Contract, for the purpose of funding the requirements of the Final Investment Programme during the Term;

"KMC Act"

means the Karnataka Municipal Corporations Act, 1976;

"KUIDFC"	means the Karnataka Urban Infrastructure Development and Finance Corporation;
"Notice to Correct"	shall have the meaning set out in Clause 16;
"OC"	means the operator consultant contracted to undertake the management and execution of the work involved in implementing the Demonstration Project and to provide Service and includes the OC's successors in interest and permitted assigns;
"OC Remuneration"	means the OC's total Fixed Remuneration and Performance Remuneration for the Services and performance under this Contract.
"OC Permits"	means all licences, consents, permits, authorisations and other approvals, which may be required by the OC under the Applicable Laws to perform the Services throughout the Term, which are or need to be in the name of the OC;
"Operation and Management Period"	shall have the meaning set out in Clause 4;
"Party" or "Parties"	means the Corporations, the Board, the KUIDFC and the OC, or any one of them as the context indicates;
"Performance Bank Guarantee"	shall have the meaning set out in Clause 9.1;
"Performance Remuneration"	shall have the meaning assigned to it in Clause 10.
"Performance Targets"	means the performance targets to be achieved by the OC during the Preparatory Period B or the Operation and Management Period, as set out in this Contract as the context may require;
"Preparatory Period A"	shall have the meaning set out in Clause 3.1(i);

"Preparatory Period B"	shall have the meaning set out in Clause 3.1(ii);
"Procurement Guidelines"	means the guidelines prescribed by the World Bank specified in Schedule 6.
"Project"	means the Karnataka Urban Water and Sanitation Sector Improvement Project;
"Project Operational Data"	shall have the meaning set out in Schedule 12;
"Request For Proposal"	means the request for proposal for selection of the OC for the Project issued by the KUIDFC.
"Retention Money"	means 10% of all payments of the OC Remuneration to be retained by the KUIDFC as per the terms provided in Schedule 18.
"Schedules" or "Schedule"	means the schedules forming part of this Contract, or any one of them, as the context requires.
"Services"	means the services rendered by the OC in performance of the Performance Targets and in performance of other obligations under this Contract;
"Sub-Contractors"	shall have the same meaning given to it in Clause 14;
"Term"	shall have the same meaning given to it in Clause 2.2;
"Technical Auditor"	shall have the meaning given to it in Clause 8;
"Transition Team"	means those employees of the OC who shall be granted access to the Facilities during the Implementation Period, a list of which shall be provided by the OC to the KUIDFC within the period stipulated in Clause 3.2.1;

Water Supply Rules" means the (Karnataka Municipal Corporations [] Rules, []) [*This needs to be updated once the rules have been passed*].

"Wilful Default" means an intentional disregard of any provision of this Contract, which has a materially adverse effect on the Facilities.

1.2 **Headings and Marginal Notes**

The headings and marginal notes are not part of the Clauses, and shall not be taken into consideration in their interpretation.

1.3 **Interpretation**

Words importing persons or parties shall include firms and corporations and any organisation having legal capacity. Words importing the singular also include the plural and vice versa where the context requires. Words importing one gender also include other genders.

1.4 **Governing Law**

This Contract shall be governed by and interpreted in accordance with Indian law.

2. **APPOINTMENT AND TERM**

2.1 **Appointment**

2.1.1 The Board and the Corporations hereby appoint KUIDFC as their authorised representative entitled to take all decisions on behalf of the Board and Corporations on all matters concerning this Contract, to the maximum extent permitted under Applicable Laws. Any such decision taken by the KUIDFC as authorised representative of the Board and the Corporations shall be valid and binding on the Board or the Corporations as the case may be. The Board and the Corporations hereby authorise KUIDFC to act as a point of contact between the OC and the Board or the Corporations concerning their rights and obligations under this Contract and authorise KUIDFC to receive all notices, intimations, correspondence, replies, rejoinders of any nature whatsoever and all oral and written communication on behalf of the Board and the Corporations, and to communicate and provide all notices, intimations and correspondence of any nature whatsoever, to the OC on behalf of the Board and the Corporations.

2.1.2 Prior to the execution of the Contract, the OC has delivered to KUIDFC the Performance Bank Guarantee 10% of the OC Remuneration under this Contract, in form and substance set out in the Request for Proposal and stated in Clause 9 of this Contract. On delivery of the Performance Bank Guarantee and execution of this Contract, the KUIDFC, hereby

appoints the OC to provide the Services within the Demonstration Zone and to perform the obligations of the OC under this Contract.

- 2.1.3 On the execution of the Contract, the OC will receive an advance of the equivalent of 10% of the OC Remuneration, and shall simultaneously furnish an advance bank guarantee ("**Advance Bank Guarantee**") for the advance amount to the KUIDFC, in form and substance set out in the Request for Proposal and as stated in Clause 9 of this Contract.

2.2 **Term**

This Contract shall continue in full force and effect from the Effective Date until the Expiry Date (the "**Term**").

3. **IMPLEMENTATION PERIOD**

3.1 **General**

The fifty-two (52) week implementation period (the "**Implementation Period**") shall commence from the Effective Date. The Implementation Period shall have the following two phases:

- (i) The period between the Effective Date and the Initial Takeover Date ("**Preparatory Period A**"); and
- (ii) The period between the Initial Takeover Date and the Final Takeover Date ("**Preparatory Period B**").

3.2 **Preparatory Period A**

- 3.2.1 Within three working days of the Effective Date, the OC shall provide KUIDFC with a list of the names of the members of its Transition Team.

- 3.2.2 The Transition Team shall be granted access to the Facilities within the Demonstration Zones to monitor the management, operation and maintenance of the water supply system in the Demonstration Zones from the respective Bulk Water Supply Points to the Customer Water Connection Points.

- 3.2.3 No later than 9 weeks from the Effective Date, the OC shall:

- (a) Procure all the OC Permits; and
- (b) Develop, design and provide to the KUIDFC for its review and approval a comprehensive plan prepared ("**Draft Investment Programme**") which shall be prepared within the time set out above, which shall include and explain:

- (i) the strategy of the OC in relation to the management and operation of each Demonstration Zone in order to achieve the Performance Targets during the Preparatory Period B and the Operation and Management Period;
- (ii) the system assessment and study of each of the Demonstration Zones, details of quantitative and statistical data collected concerning the existing distribution system in the Demonstration Zones and anticipated life expectancy of all identifiable installed infrastructure and non-infrastructure assets incorporate into the Facilities;
- (iii) the infrastructure improvement works and capital works ("**Capital Works**") required to be completed to suitably equip the respective Demonstration Zones to implement the Demonstration Project and for the OC to achieve the Performance Targets together with a description of the short and long term performance improvements to be achieved by rehabilitation of above-ground and underground assets;
- (iv) the estimated investment amount required by the OC to complete the Capital Works and to implement the Final Investment Programme during the Preparatory Period B and to meet the operating expenses during the Operation and Management Period;
- (v) details of the number of Corporation Employees the OC would require in each Demonstration Zone to implement the Final Investment Programme during the Preparatory Period B and the estimated number of Corporation Employees required by the OC to conduct the operations and management of the Demonstration Zones during the Operation and Management Period;
- (vi) a hydraulic model of the distribution system with confirmation of the boundary of the Demonstration Zones; and
- (vii) suggestions regarding position of the Critical Zone Points on the distribution network within each Demonstration Zone for installation of magnetic flow meters.

3.2.4 In the event the OC fails to provide the Draft Investment Programme or obtain all the OC Permits within 9 weeks of the Effective Date, for any reason whatsoever, KUIDFC may, at its sole discretion, agree to provide additional time to the OC, to complete these obligations, or may immediately terminate the Contract.

3.2.5 Within 4 weeks of the later of (i) the date on which the KUIDFC receives the Draft Investment Programme from the OC, or (ii) the date on which the OC receives the last of the OC Permits in accordance with the provisions of Clause 3.2.3(a), the KUIDFC shall review and, in consultation with the Technical Auditor, approve or suggest revisions to

the Draft Investment Programme. In case the KUIDFC fails to approve the Draft Investment Programme or suggest any revisions thereto within the stipulated period of 4 weeks, the Draft Investment Programme submitted by the OC would be deemed, approved.

- 3.2.6 The Investment Amount to be suggested by the OC in the Draft Investment Programme shall not exceed Rs. 38,00,00,000 (Thirty Eight Crores). The Investment Amount shall not include the OC Remuneration or Bonus stated in Schedule 18. In case the investment amount stated by the OC in the Investment Programme exceeds the Investment Amount, KUIDFC shall have the option at its sole discretion to terminate the Contract with immediate effect.
- 3.2.7 In the event the OC disagrees with the changes suggested by the KUIDFC to the Draft Investment Programme the KUIDFC and the OC shall meet to discuss and resolve these issues. In case the KUIDFC and the OC are unable to agree on the changes to the Draft Investment Programme within two weeks of receipt of KUIDFC's suggestions by the OC in terms of Clause 3.2.5, the KUIDFC may at its sole discretion, terminate the Contract with immediate effect.
- 3.2.8 In the event the KUIDFC and the OC are able to arrive at an agreement with regard to the details of the Draft Investment Programme, or if the Draft Investment Programme is deemed to be approved as provided in Clause 3.2.5:
- (a) the KUIDFC and the OC shall sign off on the finalised version of the Draft Investment Programme ("**Final Investment Programme**"); and
 - (b) immediately thereafter, the KUIDFC shall issue to all Parties a certificate for commencement of Preparatory Period B specifying the initial takeover date ("**Initial Takeover Date**") and the duration of the Preparatory Period B which shall be 39 weeks, unless extended by the KUIDFC in accordance with the terms of this Contract.

3.3 **Initial Takeover Date and Preparatory Period B**

3.3.1 *Events on Initial Takeover Date*

On the Initial Takeover Date, or as soon thereafter as possible:

- (a) the Corporations shall ensure that the Corporation Employees, as requested by the OC from KUIDFC in each Demonstration Zone under the Final Investment Programme, are deputed to the OC in accordance with the Deputation Rules;
- (b) each Corporation shall hand over the operations and management of distribution systems in their respective Demonstration Zones to the OC. It is understood by the Parties that the ownership of the management and distribution system and the ownership of the Facilities shall, throughout the Term of the Contract, remain

with the respective Corporation and is neither intended to be transferred, nor being transferred in any manner to the OC by or under this Contract.

3.3.2 During the Preparatory Period B the OC shall perform the following functions to implement the Final Investment Programme:

(i) *Contract Document Preparation*

Within a period of 3 weeks from the Initial Takeover Date, the OC shall complete the following activities:

- (A) prepare documents to tender requisite infrastructure improvement works to Sub-Contractors, as required;
- (B) invite tenders and select sub-contractors from the Sub-Contractors to perform such works;
- (C) provide a report to KUIDFC on tendering and award of works to establish the Demonstration Zones;

(ii) *Infrastructure Improvement Works*

From the date of conclusion of the obligations stated in Clause 3.3.2(i) until expiry of the Preparatory Period B, the OC shall supervise implementation of the Capital Works. During this period, the OC shall, subject to the approval of the KUIDFC:

- (A) manage the implementation process including planning, scheme identification, project appraisal, design and specification;
- (B) manage procurement processes pursuant to the Final Investment Programme in accordance with the Procurement Guidelines;
- (C) supervise execution of Capital Works by the Sub-Contractors
- (D) carry on by itself Capital Works not being carried on by the Sub-Contractors; and
- (E) monitor and report on progress and costs on a regular basis to the KUIDFC as requested by the KUIDFC.
- (F) arrange for disbursements to the Sub-Contractors from the KUIDFC as per the procedure set out in Schedule 7.
- (G) manage procurement processes pursuant to the Final Investment Programme in accordance with the Procurement Guidelines; and

- (H) hydraulically isolate each Demonstration Zone, with the sole exception of the single main feeding the Demonstration Zones, by installation of boundary gate valves on every cross-boundary main, and replacement of defective and leaking valves;

3.3.3 *Payment of Invoices under Final Investment Programme*

- (a) After the Initial Takeover Date, at any time during the Term, the OC may submit running invoices to KUIDFC for works done under the Final Investment Programme or the works done concerning day to day operation and management of the Demonstration Zones by itself or by the Sub-Contractors and request payment of such amount consistent with the Final Investment Amount agreed between the KUIDFC and the OC. The payment of such invoices shall be disbursed to the OC in accordance with Schedule 7 and subject to Clause 3.3.3(b).
- (b) The KUIDFC shall have the right to scrutinize by itself or through the Technical Auditor the invoices provided by the OC under Clause 3.3.3(a). The KUIDFC can require the OC to explain and rectify any inconsistencies between the invoices and the work actually performed by the OC or by the Sub-Contractors or the expenses incurred by the OC during the Operation and Maintenance Period. Pending explanation or rectification of the inconsistency by the OC, the KUIDFC shall be entitled to withhold payment of such or subsequent invoices of the OC without any additional liability of any nature whatsoever towards the OC including but not limited to interest on delayed payments or damages.
- (c) The Advance Sum as provided in Clause 9.2.1 of this Contract will be set off over 6 equal instalments, against the first 6 Fixed Remuneration payments payable as provided in Schedule 18.

3.3.4 *Cost Over-runs*

In the event the actual or anticipated cost of the Capital Works, incurred by the OC or under the supervision of the OC during the Preparatory Period B and the Operation and Management Period, exceeds the Investment Amount, the KUIDFC shall be entitled to terminate the Contract forthwith upon receiving intimation from the OC or from the Technical Auditor of such cost over-run. If at any time during the infrastructure improvement works, it is determined, at the sole discretion of the KUIDFC, that the implementation of the Capital Works in the manner proposed by the OC, would involve an expenditure that is likely to exceed the Investment Amount, the KUIDFC shall be entitled to terminate the Contract forthwith under intimation to the OC in this regard.

3.3.5 *Obligations of Parties during the Preparatory Period B*

- (a) *The OC's Obligations during the Preparatory Period B:* In addition to the specific obligations of the OC stated above with respect to Preparatory Period A and Preparatory Period B, the OC shall additionally have the general obligations set forth in Schedule 8 during the Preparatory Period B.
- (b) *The KUIDFC's Obligations during the Preparatory Period B:* During the Preparatory Period B, the KUIDFC shall have the obligations set forth in Schedule 9.
- (c) *The Board's Obligations during the Preparatory Period B:* During the Preparatory Period B, the Board shall have the obligations set forth in Schedule 10.
- (d) *The Corporations' Obligations during the Preparatory Period B:* During the Preparatory Period B, the Corporations shall have the obligations set forth in Schedule 11.

3.3.6 If any Party/ies fails to achieve at any time during Preparatory Period B, any or all of their respective obligations stated under Clause 3.3.5, then Clause 16 of this Contract will apply.

3.3.7 *Performance Targets of the OC during Preparatory Period B*

The OC shall demonstrate to the KUIDFC the accomplishment of the following Performance Targets during the Preparatory Period B as specified below:

- (a) Continuous Pressured Water Supply to every Customer in each Demonstration Zone for a continuous period of not less than 15 days commencing no later than 15 days before expiry of the 39 week duration of Preparatory Period B;
- (b) Metering of minimum of 90% property connections (individual and shared), public standposts and feeds to storage tanks on volumetric basis,
- (c) Maintenance of computerised records of readings for the last complete billing month falling during the Preparatory Period B;
- (d) Reduction of the losses to 30 liter/connection/day/metre pressure in each Demonstration Zone for a continuous period of not less than 15 days commencing no later than 15 days before expiry of the 39 week duration of Preparatory Period B; and
- (e) Demonstrate that billing & collection system generated by the OC shall be capable of generation of bills on flat monthly rate basis for up to the first six months of the Final Takeover Date and thereafter on volumetric basis..

- (f) Operation on a 24 hour basis of the Customer service centres established at localities easily accessible to residents of respective Demonstration Zone for a continuous period of not less than 15 days commencing no later than 15 days before expiry of the 39 week duration of Preparatory Period B.

The KUIDFC shall either by itself or through the Technical Auditor constantly monitor achievement of Performance Targets by the OC during the Preparatory Period B.

- 3.5 In the event the OC fails to achieve its Performance Targets for the Preparatory Period B set out above, the KUIDFC may agree to extend the Preparatory Period B for a period not exceeding 4 weeks to facilitate accomplishment of such Performance Targets by the OC or else KUIDFC may, at its sole discretion, terminate this Contract forthwith with prejudice to the OC.
- 3.6 In the event the Parties agree to extend the Preparatory Period B in accordance with Clause 3.5 and:
 - (a) In the event the OC achieves its Performance Targets, before the expiry of the extended period, the KUIDFC shall issue certificate of commencement of the Operation and Management Period on fulfilment of requirements under Clause 3.9.
 - (b) In the event the OC fails to achieve its Performance Targets, within such extended period, the Contract shall stand terminated with consequences stated in Clause 18, unless the KUIDFC waives performance of any part or whole of the unachieved Performance Target, in which case it shall identify and accept in writing from the OC, a mechanism to achieve the Performance Targets during the Operation and Management Period and issue the certificate for commencement of Operation and Management Period specifying the Final Takeover Date on fulfilment of requirements under Clause 3.9.
- 3.7 Within 4 weeks of (i) the date on which the OC achieves its Performance Targets for the Preparatory Period B set out in Clause 3.3.7 or (ii) the date on which the Parties achieve their respective obligations concerning the Preparatory Period B stated under Clause 3.3.5 or (iii) the date on which the Parties waive the requirement of performance of any obligations of the Parties under Clause 3.6(b), whichever is later, the KUIDFC shall, review and, in consultation with the Technical Auditor, approve or suggest revisions to the Draft Operation and Management Plan submitted by the OC as provided in Schedule 8. In case any revisions to the Draft Operation and Management Plan are suggested by the KUIDFC, the KUIDFC and the OC shall discuss and finalise the Draft Operation and Management Plan within 2 weeks of receipt of such suggestions by the OC.
- 3.8 In case the KUIDFC and the OC do not agree to the Draft Operation and Management Plan within 2 weeks of receipt of the KUIDFC's suggestions to the Draft Operation and Management Plan by the OC, the KUIDFC may at its sole discretion, either terminate the Contract with immediate effect or provide further time for agreement for approval of the Draft Operation and Management Plan. In the event the OC and the KUIDFC are unable

to agree to the Draft Operation and Management Plan within such additional time, the KUIDFC may at its sole discretion terminate the Contract with immediate effect.

- 3.9 On finalisation of the Operation and Management Plan ("**Final Operation and Management Plan**") within Preparatory Period B, the KUIDFC shall immediately issue of a certificate for commencement of Operation and Management Period specifying the final takeover date ("**Final Takeover Date**") and signifying commencement of the Operation and Management Period from the Final Takeover Date.

4. OPERATION AND MANAGEMENT PERIOD

- 4.1 The operation and management period ("**Operation and Management Period**") of 104 weeks shall commence from the Final Takeover Date.

4.2 Events on Final Takeover Date

On the Final Takeover Date or as soon thereafter as possible the Corporations shall ensure that the list of Corporation Employees, as set out in the approved Final Operation and Management Plan, are deputed to the OC within the respective Demonstration Zones. Notwithstanding the request of the OC, KUIDFC may decide to depute for training, and shall so depute such additional employees to the OC as the KUIDFC deems appropriate.

4.3 Performance Obligations of the OC during the Operation and Management Period

During the Operation and Management Period the OC shall have the performance obligations as set forth in Schedule 12.

4.4 Obligations of the KUIDFC during the Operation and Management Period

During the Operation and Management Period, the KUIDFC shall have the obligations set forth in Schedule 13.

4.5 Obligations of Board During the Operation and Management Period

During the Operation and Management Period, the Board shall have the obligations set forth in Schedule 14.

4.6 Obligations of Corporations during the Operation and Management Period

During the Operation and Management Period, every Corporation shall have the obligations set forth in Schedule 15:

Notwithstanding anything contained in this Contract, every Corporation shall at all times have access to all the Facilities for the purpose of carrying out its statutory obligations and duties.

5. PERFORMANCE TARGETS DURING THE OPERATION AND MANAGEMENT PERIOD

5.1 During the Operation and Management Period, the OC must meet all the following Performance Targets:

- (a) Continuous Pressured Water Supply must be provided to every connected property and stand-post connected to the public network in the Demonstration Zone.
- (b) Emergency stoppages shall not exceed twelve hours and no more than an average of four emergency stoppages [of less than 12 hours each] shall occur in any continuous period of twelve months.
- (c) 100% of all property connections (individual and shared), public stand-posts and feeds to street storage tanks must be metered and computerised records of the readings must be maintained.
- (d) 100% of Customer meters must be read every month and a bill for water used based on these volumetric readings must be issued to 100% of connected properties each month by the OC with prior approval of the respective Corporation obtained pursuant to the provision of the generated bills to the Corporation before dispatch to the Customers.
- (e) Real (physical) losses from the distribution network within the Demonstration Zone must be reduced in the following manner:

Elapsed time from the Final Takeover Date (in Months)	Losses (in litres/connection/day/meter pressure)
12	25
18	23
24	20

- (f) System connection requests must be fulfilled within 7 days of directions being issued by the Corporation subsequent to the payment of connection fee.
- (g) Customer service and support centre must be situated at a location easily accessible to residents of the given Demonstration Zone and operated on a 24-hour basis.
- (h) All Customer queries and complaints to be responded to within 24 hours and redressed within 7 days of such complaint or query, except the complaints concerning low pressure or poor quality of water, which must be responded to within 12 hours and redressed within 24 hours of such complaint.

(i) leaks appearing at the surface must be repaired within 24 hours of notification/observance.

5.2 The KUIDFC shall either by itself or through the Technical Auditor constantly monitor achievement of Performance Targets by the OC during the Operation and Management Period.

6. GENERAL PERFORMANCE OBLIGATIONS OF THE OC

In addition to its specific obligations under the Preparatory Period B and the Operation and Management Period of the Contract, the OC shall have the general obligations set forth in Schedule 16.

If the OC fails to achieve its specific obligations as provided in Schedule 16, at any time during the Preparatory Period B and the Operation and Management Period, then Clause 16 of this Contract will immediately come into effect.

7. ENVIRONMENT

7.1 Protection of the Environment

The OC shall take all reasonable steps to protect the environment (both in and out of the Demonstration Zone) and to limit damage and nuisance to people and property resulting from pollution, noise and other results of the Services. The OC shall ensure that air emissions and surface discharges from the Demonstration Zone shall not exceed the values prescribed by Applicable Law and the Environment Management Plan. The OC will be required to respect all aspects of this Environment Management Plan, and for ensuring compliance with the Environment Management Plan by Sub-Contractors involved in works in the Demonstration Zones, in the course of implementing the Contract.

7.2 Indemnification by the OC

The OC shall indemnify and hold harmless the Corporation against any fines or penalties imposed under the Applicable Law in respect of environmental laws.

7.3 Security of the Demonstration Zone

The OC shall take all lawful steps to ensure that unauthorised persons are kept out of the Facilities within the Demonstration Zone.

8. TECHNICAL AUDITOR

The KUIDFC will appoint an independent third party to act as an independent technical auditor (the "**Technical Auditor**") to monitor compliance by the OC with its obligations

under the Contract. The principal responsibilities of the Technical Auditor are listed in Schedule 17.

9. BANK GUARANTEES

9.1 Performance Bank Guarantee

9.1.1 Simultaneously with execution of the Contract, the OC has delivered to the KUIDFC a performance bank guarantee ("**Performance Bank Guarantee**") of Rs. [___] representing 10% of the OC Remuneration from either (a) at the OC's option, by a bank located in India or a foreign bank through a correspondent bank located in India, or (b) with the agreement of the KUIDFC directly by a foreign bank acceptable to the KUIDFC.

9.1.2 The OC shall keep the Performance Bank Guarantee valid and enforceable throughout the Term and for a period of 90 days after the Term. In case the Performance Bank Guarantee provided by the OC to the KUIDFC is set to expire for any reason whatsoever at any time before expiry of 90 days after the Term, the OC shall renew and provide to the KUIDFC renewed Performance Bank Guarantee at least 30 days prior to its date of expiry. Upon any failure on part of the OC to renew the Performance Bank Guarantee or to keep it valid and enforceable in terms of this Clause, the Performance Bank Guarantee will be en-cashed by the KUIDFC without giving any notice to the OC or to any other Party. This is without prejudice to any other action that may be taken by the KUIDFC under the terms and conditions of this Contract.

9.1.3 The KUIDFC, without prejudice to any of its rights or remedies under this Contract, is free to en-cash the Performance Bank Guarantee in part or in full, in terms of Clause 18 and 19 of this Contract. In the event of the invocation of any amount of the Performance Bank Guarantee by the KUIDFC under this Contract, the OC shall immediately take appropriate steps to establish the Performance Bank Guarantee at its full value contemplated under this Contract within 15 days of the date when the Performance Bank Guarantee is wholly or partially invoked by the KUIDFC.

9.1.4 The Performance Bank Guarantee shall be released by KUIDFC on satisfactory fulfilment of all contractual obligations of the OC under this Contract after 90 days of expiry of the Term of the Contract.

9.2 Advance Bank Guarantee

9.2.1 Simultaneously with execution of the Contract and on delivery by the KUIDFC to the OC of an advance sum ("**Advance Sum**") representing 10% of the OC Remuneration, the OC has delivered to the KUIDFC an advance bank guarantee ("**Advance Bank Guarantee**") for the Advance Sum, which shall be issued either (a) at the OC's option, by a bank located in India or a foreign bank through a correspondent bank located in India, or (b) with the agreement of the KUIDFC directly by a foreign bank acceptable to the KUIDFC.

- 9.2.2 The OC shall keep the Advance Bank Guarantee valid and enforceable till such time that the entire Advance Sum has been set off in the manner provided in Clause 3.3.3 of this Contract. In case the Advance Bank Guarantee provided by the OC to the KUIDFC is set to expire for any reason whatsoever at any time before expiry of the period mentioned in Clause 3.3.3, the OC shall renew and provide to the KUIDFC renewed Advance Bank Guarantee at least 30 days prior to its date of expiry. Upon any failure on part of the OC to renew the Advance Bank Guarantee or to keep it valid and enforceable in terms of this Clause, the Advance Bank Guarantee will be en-cashed by the KUIDFC without giving any notice to the OC or to any other Party. This is without prejudice to any other action that may be taken by the KUIDFC under the terms and conditions of this Contract.
- 9.2.3 The KUIDFC, without prejudice to any of its rights or remedies under this Contract, is free to en-cash the Advance Bank Guarantee in part or in full, in terms of Clause 3.3.3 of this Contract.
- 9.2.4 The Advance Bank Guarantee shall be released by the KUIDFC after the entire Advance Sum has been set off in the manner provided in Clause 3.3.3 of this Contract.

10. OC REMUNERATION AND BONUS

- 10.1 The OC's entire remuneration ("**OC Remuneration**") for the Services and performance under this Contract shall include two components viz. the fixed remuneration ("**Fixed Remuneration**") and the performance remuneration ("**Performance Remuneration**"). The OC Remuneration under this Contract shall be Rs. [___] [*Note: insert amount*] payable in the manner set out in Schedule 18.
- 10.2 In addition to the OC Remuneration, the OC may be entitled to receive Bonus for higher performance of its performance obligations and Performance Targets, in the manner and as specified in Schedule 18.
- 10.3 If the KUIDFC unreasonably delays the payment of any amounts due to the OC for a period in excess of 15 days from the date on which such amount falls due as stipulated in Schedule 18, the KUIDFC shall be liable to pay interest on the said amount for each day of delay at the rate of prevailing medium term State Bank of India prime lending rate calculated weekly.
- 10.4 Unless otherwise specified, the OC shall pay such taxes, duties, fees and other impositions as may be levied on the OC Remuneration and Bonus under the Applicable Law. All payments under this OC Contract shall be subject to deduction of applicable withholding taxes.
- 10.5 The OC Remuneration and Bonus as set out in this Clause 10 shall constitute the OC's sole remuneration in connection with this Contract or the Services, and the OC shall not accept for its own benefit any trade commission, discount, or similar payment in connection with activities pursuant to this Contract or to the Services or in the discharge of its obligations under the Contract, and the OC shall use its best efforts to ensure that the

Corporation Employees, any sub-contractors, and agents of either of them similarly shall not receive any such additional remuneration.

11. INTELLECTUAL PROPERTY

- 11.1 The OC shall make available to and hereby licenses the Corporation to use free of charge all Intellectual Property owned by the OC (or to the extent they are legally able to do so licensed to the OC by third parties) which is required in connection with the performance of the OC's obligations under this Contract (the "**OC Intellectual Property**"). This licence is for the purposes of providing the Services but no other purpose. Such licence shall terminate two (2) years after the termination of this Contract but shall otherwise be irrevocable, shall be royalty free, shall not be transferable and shall not carry the right to grant sub-licences. Notwithstanding anything contained herein, any Intellectual Property that is created specifically in connection with the Services by the OC during the Term of this Contract, shall be owned by the respective Corporation for whom the Service was carried out and the OC hereby assigns all its rights in such Intellectual Property, including all copyrights, patent and moral rights arising therefrom and related thereto, to the respective Corporation. The OC shall execute all necessary and appropriate documents and deeds as the Corporation may require in order to perfect the title of the Corporation to the Intellectual Property.
- 11.2 The Corporation shall, to the extent it is legally able to do so, grant the OC during the term of this Contract a royalty free, non-exclusive, irrevocable personal and non-transferable licence to use Intellectual Property which is owned by or licensed to the Corporation by third parties (the "**Corporation Intellectual Property**") only to the extent necessary to enable the OC to perform its obligations under this Contract. Such licences shall not carry the right to grant sub-licences.
- 11.3 The OC shall indemnify the Corporation in full in respect of all loss, damage and expense of whatever kind and nature arising out of the use by the Corporation of the OC Intellectual Property in accordance with its terms which infringes the rights of any third party.
- 11.4 The Corporation shall indemnify the OC in full in respect of all loss, damage and expense of whatever kind and nature arising out of the use by the OC of any Corporation Intellectual Property in accordance with its terms which infringes the rights of any third party.
- 11.5 The OC shall use reasonable efforts:
- (a) to ensure that Intellectual Property owned or developed by third parties and utilised by the OC in connection with the performance of its obligations under this Contract is licensed to the OC on reasonable terms for the purposes of the operations and maintenance or repair of the Facilities and otherwise for the purposes of the Contract but for no other purpose; and

- (b) to ensure that no Intellectual Property of a third party is otherwise used in the performance of the OC's obligations under this Contract without the prior written approval of the Corporation.
- 11.6 All plans, drawings, specifications, designs, reports, and other documents and software submitted by the OC in accordance with this Contract shall become and remain the property of the KUIDFC, and the OC shall, not later than upon termination or expiration of this Contract, deliver all such documents and software to the KUIIDFC, together with a detailed inventory thereof. The OC may retain a copy of such documents and software. Restrictions about the future use of these documents, if any, shall be specified by the KUIDFC and shall be binding on the OC surviving termination of this Contract.

12. PERSONNEL ISSUES AND ORGANISATIONAL STRUCTURE

12.1 Notification to Corporation Employees

The Corporations shall issue a letter to each Corporation Employee advising him/her of the proposed deputation of the Corporation Employees to the OC under the Deputation Rules for the purposes of the Contract, and that no changes shall be made to their existing terms of employment by the Corporation due to the deputation.

12.2 Posting of Corporation Employees to the OC

- (i) On the Effective Date the Corporation shall, subject to applicable procedures, depute the Corporation Employees as per details listed in Schedule 19 to the OC for duties in the Demonstration Zone. The Corporation shall provide the OC with [details][name, age, qualifications, terms of employment] of each Corporation Employee and shall specify the date on which the relevant Corporation Employee shall report to the OC for duty.
- (ii) On the Initial Takeover Date, or as soon as practicable thereafter, the Corporation shall, subject to applicable procedures, depute such number of Corporation Employees to the OC for duties in the Demonstration Zone as stated in the Final Investment Programme. The Corporation shall provide the OC with [details][name, age, qualifications, terms of employment] of each Corporation Employee and shall specify the date on which the relevant Corporation Employee shall report to the OC for duty.
- (iii) On the Final Takeover Date, and at all times thereafter during the Term, the Corporation shall, subject to provisions of this Contract and applicable procedures, depute such Corporation Employees to the OC as stated in the Final Operation and Management Plan. The Corporation shall provide the OC with [details][name, age, qualifications, terms of employment] of each Corporation Employee and shall specify the date on which the relevant Corporation Employee shall report to the OC for duty.

- (iv) At any time during the Term of this Contract, the OC may from time to time request the KUIDFC for deputation of Corporation Employees, in addition to the Corporation Employees listed in the Schedule 19, the Final Investment Programme or the Final Operation and Management Plan. The KUIDFC may at its sole discretion approve such request and direct the concerned Corporations to depute additional employees to the OC. However, the KUIDFC, the Board or the Corporations shall be under no obligation or duty to approve such request of the OC or to provide additional employees to the OC, and therefore refusal by the KUIDFC or the Corporation to provide additional employees to the OC shall not constitute a breach under the Contract.

12.3 Corporation Employees

- (a) The OC shall have day-to-day line management responsibility for all Corporation Employees from the date the Corporation Employees are deputed to it.
- (b) The Corporations shall ensure that the Corporation Employees directly report to and receive instructions from the OC and that the OC shall have full powers and responsibility for the management of the Corporation Employees.

12.4 Wages

The Corporation shall continue to pay the Corporation Employees' rates of wages as are current at the date the Corporation Employees are deputed to the OC. During the term of the deputation, the Corporation Employees shall be entitled to wages, increments, bonus, leave with wages, compensation and all other employee benefits and entitlements in the same manner as such employees would have been entitled to in the employment of the Corporation in absence of such deputation.

The Corporation shall maintain any further remuneration and benefits in kind received by the Corporation's Employees at the date the Corporation Employees are deputed to the OC including pension benefits, medical and welfare arrangements, insurances and social security contributions. The Corporation shall continue to observe conditions of labour in accordance with the Applicable Laws.

Nothing contained herein shall oblige the Corporation, in any manner whatsoever, to pay any wages, increment, bonus, compensation or any other employee benefit or entitlement to the persons directly employed by the OC.

12.5 Labour Laws

The OC shall comply with all the relevant labour laws that apply to the Corporation Employees, and shall duly afford to them all their legal rights. The OC shall keep the Corporation informed and, where necessary, consult with the Corporation in respect of any discussions between the Corporation Employees and [the relevant trade unions] and

any actual or threatened industrial disputes which could prevent or interfere with the proper fulfilment of the OC's obligations under this Contract.

12.6 **Staff re-allocation**

The OC shall provide notice reasonably in advance and consult with the Corporation regarding any organisational changes the OC plans to introduce, which may affect the re-allocation of Corporation Employees and the OC shall have to take into consideration any submissions made by the Corporation or the Corporation Employees (individually or collectively).

12.7 **Health and Safety**

Precautions, no less onerous than those already in existence and being maintained by the Corporation at the Initial Takeover Date, shall be taken by the OC to ensure the health and safety of the Corporation Employees whilst performing duties required by the OC under this Contract. The OC shall, in collaboration with and to the requirements of the local health authorities, ensure that at all times medical staff, first aid facilities and sick bay service and accommodation are available either in the Demonstration Zone or within a 2 kilometre radius of the Demonstration Zone, and that suitable arrangements are made for all necessary welfare and hygiene requirements and for the prevention of epidemics. The OC shall maintain such records and make such reports (if any) concerning health, safety and welfare of persons, and damage to property as are required under the Applicable Laws.]

12.8 **Removal of Corporation Employees**

The OC may, by written notice to the KUIDFC, request after providing adequate reasoning, to remove (or cause to be removed) any Corporation Employee employed in the Demonstration Zone in order for the OC to properly fulfil its obligations under the Contract. If appropriate, the Corporation shall then depute (or cause to be deputed) a suitable replacement.

12.9 **Policies**

- (a) The OC shall establish policies in relation to the Corporation Employees that will allow the Services to be performed safely, reliably in accordance with the provisions of this Contract and consistent with the standards of a reasonable and prudent operator and shall get the said policies approved by the KUIDFC before implementing the same. In no event will the OC establish any policy that is contrary to any existing policy of the Corporation and in the event there is a conflict between the Corporation's policy and the OC's policy, the Corporation's policy will prevail.
- (b) The compliance with the above policies shall be subject to any waivers which may be requested by the OC from time to time and which may be granted by the

KUIDFC, the Board or the Corporations under Applicable Law to ensure the efficient and effective operation and maintenance of the Facilities, provision of the Services by the OC, and proper fulfilment of the OC's obligations under the Contract.

12.10 Disorderly Conduct

The OC shall at all times take all reasonable precautions to prevent any unlawful, riotous or disorderly conduct by or amongst the Corporation Employees, and to preserve peace and protection of persons and property in the neighbourhood of the Demonstration Zone against such conduct.

12.11 Safety Precautions

The OC shall comply with all applicable safety regulations in its access arrangements and operations in the Demonstration Zone.

12.12 OC's Employees:

It is expressly understood between the Parties that the employees, other than the Corporation Employees, who are directly employed by the OC shall not have any employment relationship with the Corporation and OC's performance under this Contract does not entitle such employees to claim employment or continuation of employment with the Corporation on expiry or at any time before or after expiry of this Contract. The OC should at all times assume full legal and social responsibility towards such employees as employer and shall not by its acts or omission provide any direct or indirect indication to the employees regarding their employment or chances of employment directly with the Corporation.

12.13 Corporation's Employees:

It is expressly understood between the Parties that the Corporation Employees shall not have any employment relationship with the OC and OC's performance under this Contract does not entitle the OC to claim an employer-employee relationship with any of the Corporation Employees on the expiry or at any time before or after expiry of this Contract. The OC shall not by its acts or omission provide any direct or indirect indication to the Corporation Employees regarding their employment or chances of employment directly with the OC.

12.14 Indemnity

- (a) The Corporation shall not be liable for, and the OC shall indemnify, defend and hold harmless the Corporation's sub-contractors, agents and employees (excluding the Corporation Employees), from any and all claims for loss, damage and expense of whatever kind and nature, including all related costs and expenses, in respect of termination or change of terms of a Corporation

Employees' contract and any other accrued benefits including pension benefits, personal injury to, or death of, a Corporation Employee whilst on duty in the Demonstration Zone and in respect of loss of, or damage to, any third party property to the extent that the same arises out of any negligent act, omission, breach of this Contract, breach of the OC's statutory obligations and duties, breach of a duty of care imposed by law on the Corporation or anyone directly or indirectly employed by the Corporation, its operators and sub-contractors or their respective officers, agents or employees.

- (b) The Corporation shall not be liable for, and the OC shall indemnify, defend and hold harmless the Corporation from any and all claims of whatever kind or nature from the employees of the OC, including all related legal costs and expenses, in respect of employment, termination or change in terms of employment of such employees and any other accrued benefits including pension benefits, personal injury to, or death of, OC's employees whilst on duty on behalf of the OC.

13. PROCUREMENT

- 13.1 The OC shall procure all Equipment, Materials and Supplies required for carrying out its operation and maintenance duties in accordance with the Procurement Guidelines.
- 13.2 The OC shall ensure that all Equipment, Materials and Supplies required for the carrying out of the Final Investment Programme will be procured by the OC in accordance with the Procurement Guidelines.
- 13.3 The OC shall also ensure that all materials and workmanship used in the course of the Contract will be in accordance with the standard specifications used by the Board or, in absence of an appropriate Board specifications, in accordance with the Indian national standards.
- 13.4 The OC is responsible for the procurement and for the testing and maintenance of supplies of all goods and services necessary for the Facilities within the Demonstration Zone to ensure compliance with the OC's obligations under this Contract.
- 13.5 All procurements made by the OC shall require prior approval from the KUIDFC.

14. SUB-CONTRACTING

- 14.1 The OC may sub-contract any part but not all of the Services to be provided by it under the Contract to third party sub-contractors (the "**Sub-Contractors**") after obtaining prior written consent of the KUIDFC. Specifically, the OC shall not sub-contract any of the following Services to any Sub-Contractor:
 - (a) Prime responsibility for all or substantially all contractual obligations.
 - (b) Planning and overall management of all contracted activities.

- (c) Hydraulic modelling of Demonstration Zone related bulk and distribution systems.
- (d) Design of re-structuring of Demonstration Zone related bulk and distribution systems.
- (e) Design of the Demonstration Zone establishment work and customer connection upgrading.
- (f) Distribution system operation.
- (g) Leakage detection and location.
- (h) Customer complaint and response monitoring.
- (i) Contractual responsibilities relating to performance monitoring, system infrastructure and operational data records and reporting.

14.2 If the OC does sub-contract any part of the Services, the OC shall not be relieved from any liability or obligation under this Contract and the OC shall continue to be responsible for the negligent acts, omissions or defaults of any Sub-Contractor as fully as if they were the negligent acts, omissions or defaults of the OC, its officers, employees or agents.

15. INSURANCE

15.1 Insurance of the Facilities by the OC

The OC shall insure the Facilities against all loss or damage for the duration of the Contract. This insurance shall cover loss or damage from any cause. Such insurance shall be for a limit of not less than the full replacement cost of the Facilities (including profit) and shall also cover the costs of demolition and removal of debris. Such insurance shall be procured in such a manner that the Corporation, the Board and the OC are covered from the Initial Takeover Date until the Expiry Date and are indicated as Loss Payee.

15.2 Insurance against Injury to Persons and Damage to Property

The OC shall insure against liability to third parties, with the Board, the Corporations, the OC and Sub-Contractors as co-insureds, for any loss, damage, death or body injury which may occur to any physical property except things insured under Clause 15.1 or to any person (except persons insured under Clause 15.3) which may arise out of the performance of the Contract. Such insurance shall be for a limit of not less than 4 years.

15.3 Insurance for Workers

The OC shall effect and maintain insurance against losses and claims arising from the death or injury to any Corporation Employee, in such a manner that the Corporation is indemnified under the policy of insurance. For any Sub-Contractor's employees, the Sub-Contractor may effect such insurance, but the OC shall be responsible for compliance with this Clause.

15.4 **General Requirements for Insurances**

Each insurance policy shall be consistent with the general terms agreed in writing prior to the Effect Date, and such agreement shall take precedence over the provisions of this Clause.

15.5 **Submission of Insurance Documentation by the OC**

The OC shall, within 2 weeks from the Effective Date, submit to the KUIDFC:

- (a) evidence that the insurances described in this Clause have been effected; and
- (b) copies of the policies for the insurances described in this Clause.

When each premium has been paid, the OC shall submit copy receipts to the KUIDFC. The OC shall also, when providing such evidence, policies and receipts to the KUIDFC, notify KUIDFC's representative of so doing.

15.6 **Approval of Insurance**

The OC shall effect all insurances for which it is responsible with insurers and in terms approved by the KUIDFC. Each policy insuring against loss or damage shall provide for payments to be made in the currencies required to rectify such loss or damage.

15.7 **Compliance with Conditions of Insurance Policies**

The OC shall comply with the conditions stipulated in each of the insurance policies. The OC shall make no material alteration to the terms of their insurance policies without the prior approval of the KUIDFC to the extent required by the terms of this Contract. If an insurer makes (or purports to make) any such alteration, the OC shall notify the KUIDFC immediately upon becoming aware thereof.

15.8 **The OC's Failure to Maintain Insurances**

If the OC fails to effect and keep in force any of the insurances required under the Contract, or fails to provide satisfactory evidence, policies and receipts in accordance with this Clause, KUIDFC may, without prejudice to any other right or remedy, effect insurance for the coverage relevant to such default, and pay the premiums due. Such payments shall be recoverable from the OC by the KUIDFC, and may be deducted by KUIDFC from any monies due, or to become due, to the OC.

15.9 **General**

Nothing in this Clause limits the obligations, liabilities or responsibilities of the OC under the other terms of the Contract or otherwise. Any amounts not insured or not recovered

from the insurers shall be borne by the OC in accordance with their other obligations under this Contract.

15.10 **Notification**

Each Party shall promptly notify the other Party of any claim under any of the insurance policies referred to in this Clause, accompanied by full details of the incident giving rise to such claim. Each Party shall afford to the other Party all such assistance as may reasonably be required for the preparation and negotiation of insurance claims, save where such claim is against the Party required to give assistance.

16. **DEFAULT - NOTICE TO CORRECT**

- 16.1 If at any time during the Term of this Contract, the OC fails to carry out, in accordance with this Contract, any of its performance obligations under Clause 3.3.6, Clause 4, Performance Targets under Clause 5, any of its general obligations under Clause 6 or any of its obligations towards the Corporation Employees under Clause 12 with respect to any of the Demonstration Zones or any of the obligations of the OC under this Contract excluding those specifically set out under Clause 17.1 or in the event the OC is guilty of Gross Negligence or Wilful Default in the performance of any of its obligations hereunder (including without limitation operating the Facilities in violation of any operating permit), the KUIDFC may, on its own behalf and/or on behalf of the Board and the Corporations, give notice to the OC in writing requiring it to make good such failure and remedy the same within a specified reasonable time of not exceeding thirty (30) days ("**Notice to Correct**").
- 16.2 If at any time during the Term of this Contract, the KUIDFC fails to effect payment to the OC of OC Remuneration or Bonus due and payable in terms of Clause 10 or fails to effect payment of invoices raised by the OC under the Final Investment Programme in accordance with Clause 11.2 for any reason other than reasons stated in Clause 11.3, the OC may give a Notice to Correct to the KUIDFC in writing requiring the KUIDFC to make good such failure and remedy the same within a period of time not exceeding thirty (30) days.
- 16.3 If at any time during the Preparatory Period B or the Operation and Management Period of this Contract, the Board, fails to provide requisite bulk water in accordance with Schedule 1, the OC may give a Notice to Correct to the KUIDFC in writing with a copy to the Defaulting Party requiring it to make good such failure and remedy the same within a period of time not exceeding thirty (30) days.
- 16.4 If at any time during the Operation and Management Period of this Contract, the Parties other than the OC fail to carry out, in accordance with this Contract, any of their obligations with respect to any of the Demonstration Zones as set out in this Contract other than the obligations listed in Clause 16.2 and Clause 16.3 above, or in the event any of the Parties other than the OC is guilty of Gross Negligence or Wilful Default in performance of its respective obligations hereunder, the OC may give Notice to Correct

to the KUIDFC with a copy to the defaulting Party in writing requiring it to make good such failure and remedy the same within a specified reasonable period of not exceeding thirty (30) days.

- 16.5 The OC shall, in every Notice to Correct issued under Clause 16.2, Clause 16.3 or Clause 16.4, explain in reasonable detail the effect(s) of failure by the notified Party in compliance with its obligations and/or failure in compliance with the Notice to Correct on the performance of the OC under the Contract including details of the consequential defaults likely to be inevitably committed by the OC under this Contract. No Notice to Correct can be issued by the KUIDFC onto the OC under Clause 16.1 seeking performance by the OC of an obligation under the Contract, unless KUIDFC or any other Party complies with the Notice to Correct already issued and served upon them by the OC in which the OC has notified its inability to comply with, or likely default in compliance of, such obligation due to or arising out of non-compliance by the KUIDFC or such other Party with any of their obligations under the Contract. Nothing contained herein shall restrict the right of the KUIDFC to issue a Notice to Correct onto the OC upon compliance with such prior Notice to Correct served upon by the OC onto the KUIDFC or any other Party, or to issue a Notice to Correct onto the OC in respect of any obligation(s) of the OC in connection of which no Notice to Correct has been issued by the OC.
- 16.6 In the event the failure by the KUIDFC, the Board or any Corporation in complying with the Notice to Correct served upon by the OC under Clause 16.4, the OC may approach the Technical Auditor and seek corresponding relaxation in the performance obligations and/or Performance Targets of the OC under the Contract for the period of default. Upon any such relaxation by the Technical Auditor at its sole discretion, the relaxed Performance Targets and performance obligations shall be deemed to be the Performance Targets and performance obligations set out by this Contract for the period of default, and the OC shall not be liable under this Contract for not achieving the Performance Targets and performance obligations which have been relaxed by the Technical Auditor provided the OC continues to achieve the relaxed Performance Targets and performance obligations during the period for which such default continues.

17. TERMINATION

17.1 Termination by the KUIDFC

At any time during the Term, KUIDFC may at its sole option immediately terminate this Contract for any or all Demonstration Zones, by written notice to the OC ("**Termination Notice**") under any of the circumstances set out in sub-Clause (a) to (h) at its sole discretion:

- (a) under Clause 3.2.4, Clause 3.2.6, Clause 3.2.7, Clause 3.3.4, Clause 3.5, Clause 3.6 and Clause 3.8 of this Contract; or
- (b) if the OC fails to comply with a Notice to Correct; or

- (c) if the OC becomes bankrupt or insolvent, goes into liquidation, has a receiving or administration order made against it, compounds with its creditors, or carries on business under a receiver, trustee or manager for the benefit of its creditors, or if any act is done or event occurs which (under any applicable law) has a similar effect to any of these acts or events; or
- (d) if as the result of Force Majeure, the OC is unable to perform a material portion of the Services for a period of not less than sixty (60) days; or
- (e) if the OC, in the judgment of the KUIDFC has engaged in Corrupt Practice or/and Fraudulent Practice in competing for or in executing the Contract; or.
- (f) if the OC fails to maintain a Performance Bank Guarantee in accordance with Clause 9; or
- (g) if the OC has delayed the completion of the Services by the number of days for which the maximum amount of liquidated Damages can be paid in accordance with Clause 18 and Clause 19; or
- (h) if the KUIDFC, in its sole discretion, decides to terminate this Contract.

Provided that, if the KUIDFC terminates the Contract only with respect to specific Demonstration Zone(s), the Contract shall remain valid, binding and enforceable *inter se* all the applicable Parties with respect to other Demonstration Zones where the Contract survives.

17.2 Termination by the OC

The OC may immediately terminate this Contract by a written Termination Notice to the KUIDFC on occurrence of any of the events specified in sub-Clause (a) to (c) below:

- (a) if the KUIDFC fails to comply with a Notice to Correct served upon it by the OC under Clause 16.2; or
- (b) if any Corporation or the Board fail to comply with a Notice to Correct served upon them by the OC under Clause 16.3; or
- (c) if as the result of Force Majeure, the OC is unable to perform a material portion of the Services for a period of not less than sixty (60) days.

Provided that, under sub-Clause (b) and (c), the OC can terminate this Contract only with respect to the Demonstration Zone(s) for which the Notice to Correct has not been complied with or where the OC is unable to perform a material portion of the Services due to Force Majeure and shall not be entitled to terminate the Contract for all the Demonstration Zones.

Provided further that, if the OC terminates the Contract only with respect to specific Demonstration Zone(s), the Contract shall remain valid, binding and enforceable *inter se* all the applicable Parties with respect to other Demonstration Zones where the Contract survives.

18. CONSEQUENCES OF TERMINATION AND NON-PERFORMANCE

18.1 Payment Upon Termination

Upon termination of this Contract pursuant to Clause 17.1 or 17.2, the KUIDFC shall pay the OC the Fixed Remuneration pursuant to Schedule 18 for the Services satisfactorily performed by the OC prior to the effective date of termination;

In the event of termination of the Contract in all Demonstration Zones pursuant to sub-Clause (d) or (h) of Clause 17.1 or pursuant to Clause 17.2, the KUIDFC shall as soon as practicable release the Performance Bank Guarantee and Retention Money of the OC.

18.2 Payment of Damages

Upon termination of the Contract under any sub-Clause of Clause 17.1, except termination under sub-Clause (d) or (h), the KUIDFC shall be entitled to:

- (a) recover liquidated damages from the OC in accordance with Clause 19;
- (b) forfeit the Retention Money and invoke the Performance Bank Guarantee if the termination is consequent to any reason other than under sub-Clause (d) or (h) of Clause 17.1 or pursuant to Clause 17.2.

18.3 Proportionate Reduction of OC Remuneration

In the event this Contract is terminated in any one or more Demonstration Zone(s), and not in all the Demonstration Zones, the KUIDFC shall have the right to proportionately reduce the OC Remuneration and Investment Amount payable to the OC under this Contract.

18.4 Hand Back Procedure

On the Expiry Date, the OC and the KUIDFC shall jointly inspect the Facilities and identify any damage or defect in the Facilities. In the event any damage or defect is identified, that is attributable to the OC, the OC shall be required to rectify the damage or defects within fifteen days of the same being identified, to the satisfaction of the KUIDFC. In the event the OC fails to rectify the damages or defects the KUIDFC shall be entitled to claim appropriate costs and damages from the OC by invoking the Performance Bank Guarantee or by adjustment from the Retention Money.

19. LIQUIDATED DAMAGES

- 19.1 The maximum amount of liquidated damages for the whole contract is 10 percent of the OC Remuneration under this Contract.
- 19.2 No liquidated damages shall be payable by the OC on account of non-achievement of any of the duties, functions or responsibilities stated under Clause 3.2.1, Clause 3.2.3, or on termination of the Contract under Clause 3.2.4, Clause 3.2.6 or Clause 3.2.7. In the event of non-achievement of any Performance Targets set out at Clause 3.3.3 during the preparatory Period B or non-achievement of any Performance Targets set out at Clause 5.1 immediately on commencement of the Operation and Management Period, the OC shall be liable to payment of liquidated damages at the rate of 0.05 % per day, which shall be recovered from the OC Remuneration.
- 19.3 Any liquidated damages payable by the OC to the KUIDFC under this Contract shall be first adjusted from the OC Remuneration payable to the OC under this Contract. In the event, the OC Remuneration is insufficient to satisfy such liquidated damages, the KUIDFC shall direct the OC to effect payment of the liquidated damages within a specified period of not more than two weeks. In the event of failure of the OC to effect payment of the liquidated damages to the KUIDFC with the specified period, the KUIDFC shall be entitled to invoke the Performance Bank Guarantee to recover the liquidated damages without any prior notice to the OC.

20. OC INDEMNITY

- 20.1 The OC shall indemnify, defend and hold harmless all the other Parties, jointly and severally, and their successors, assigns and affiliates, stockholders, officers, directors, employees, agents and representatives, from and against any and all damages, obligations, losses, claims, cost, charges, fines, penalties or other expenses of every kind and character whether absolute, accrued, threatened, contingent, assessed, incurred or sustained or which may be sustained by any of such Parties in any capacity, resulting from any breach by the OC of the terms of this Contract or the obligations of the OC hereunder or resulting from any negligent acts, omissions or defaults in discharge by the OC of its obligation under this Contract, and from and against any and all liabilities whether civil or criminal in nature in, before, or by, any court, commission, arbitrator or governmental agency or authority.
- 20.2 The KUIDFC shall be entitled to raise a demand on the OC for indemnification under this Contract on its own behalf or on behalf of any other Party. Any and all obligations of the OC under this indemnification provision shall be promptly and fully discharged net of taxes within 30 business days of a demand in writing raised by the KUIDFC. In the event the OC fails to remit the amount demanded within a period of 30 business days, interest at the rate of prevailing medium term State Bank of India prime lending rate calculated weekly, shall be payable to the other Party/ies on a pro rata basis for each business day of delay. Any and all costs (including advocates and other legal costs) incurred by any Party other than the OC in mitigating, reducing or challenging any action, claim or demand

shall be fully borne by the OC on an ongoing basis and the OC hereby indemnifies the Parties from any loss, fines or penalties arising from the failure of the OC to discharge its indemnities herein contained.

21. FORCE MAJEURE

21.1 Definition of Force Majeure

"**Force Majeure**" means an event which is beyond the reasonable control of a Party and which makes a Party's performance under this Contract impossible or so impractical as to be considered impossible under the circumstances, including but not limited to:

- (a) act of God (such as, but not limited to, fires, explosions, earthquakes, drought, tidal waves and floods);
- (b) war, hostilities (whether war be declared or not), invasion, act of foreign enemies, mobilisation, requisition, or embargo;
- (c) rebellion, revolution, insurrection, or military or usurped power, or civil war or terrorist attack or sabotage;
- (d) contamination by radio-activity from any nuclear fuel, or from any nuclear waste from the combustion of nuclear fuel, radio-active toxic explosive, or other hazardous properties of any explosive nuclear assembly or nuclear component of such assembly; or
- (e) riot, commotion, strikes, go slows, lock outs or disorder, unless solely restricted to (i) employees of the OC (ii) excluding Corporation Employees; and (iii) any Corporation staff who are part of a Corporation wide strike who are not engaged under this Contract but are required to provide essential services to the Corporation Employees or of any of its sub-contractors, engaged on operating and maintaining the Facilities.

21.2 Effect of Force Majeure Event

Subject to right to terminate the Contract contained in Clause 17, no Party to this Contract shall be considered in default or in contractual breach to the extent that performance of obligations is prevented by a Force Majeure event.

21.3 OC's Responsibility

Upon occurrence of any Force Majeure event which may affect performance of the OC's obligations, it shall promptly notify the KUIDFC and the respective Corporation, and shall endeavour to continue to perform its obligations as far as reasonably practicable. The OC shall also notify the KUIDFC and the respective Corporation of any proposals to overcome the constraints caused by an event, including any reasonable alternative means

for performance, but shall not effect such proposals without the consent of the KUIDFC and the respective Corporation.

21.4 **KUIDFC's Responsibility**

Upon occurrence of an event considered by the KUIDFC to constitute Force Majeure and which may affect performance of the obligations of the KUIDFC, Board or any of the Corporations, the KUIDFC shall promptly notify the OC and the KUIDFC, and shall endeavour continuance of such obligations by itself, by the Board or by the Corporations as far as reasonably practicable.

21.5 **Extension of Time**

Any period within which a Party shall, pursuant to this Contract, complete any action or task, shall be extended for a period equal to the time during which such Party was unable to perform such action as a result of Force Majeure.

21.6 **Payments**

During the period of their inability to perform the Services as a result of an event of Force Majeure, the OC shall be entitled to continue to be paid under the terms of this Contract, as well as to be reimbursed for additional costs reasonably and necessarily incurred by it during such period for the purposes of the Services and in reactivating the Service after the end of such period.

22. **DISPUTE RESOLUTION**

22.1 **Amicable Settlement**

The Parties shall use their best efforts to settle amicably all Disputes arising out of or in connection with the Contract or its interpretation.

22.2 **Reference to Adjudicator.**

If any dispute arises between the KUIDFC and the OC in connection with, or arising out of, the Contract or the provision of the Services, whether during carrying out the Services or after their completion, the matter shall be referred to the Adjudicator within 14 days of the notification of disagreement of one Party to the other.

The Adjudicator shall give a decision in writing within 28 days of receipt of a notification of a dispute.

The Adjudicator shall be paid by the hour at the rate specified in the Request For Proposal, together with reimbursable expenses of the types specified in Request For Proposal, and the cost shall be divided equally between the KUIDFC and the OC, whatever decision is reached by the Adjudicator. Either Party may refer a decision of the Adjudicator to a court in Karnataka of competent jurisdiction, within 28 days of the

Adjudicator's written decision. If neither Party refers the dispute to court within the above 28 days, the Adjudicator's decision will be final and binding.

Should the Adjudicator resign or die, or should the KUIDFC and the OC agree that the Adjudicator is not functioning in accordance with the provisions of this Contract, a new Adjudicator will be jointly appointed by the KUIDFC and the OC. In case of disagreement between the KUIDFC and the OC, within 30 days, the Adjudicator shall be designated by the appointing authority designated in the RFP at the request of either Party, within 14 days of receipt of such request.

22.3 Performance to Continue During Dispute

Performance of this Contract and all obligations hereunder shall continue during any Disputes or any Dispute resolution mechanism. However, payment due or payable by KUIDFC to the OC shall be withheld on account of a pending reference to any Dispute resolution mechanism, to the extent that such amount of the payment is subject of such Dispute. All undisputed amounts must continue to be paid in the manner specified.

23. CONFIDENTIALITY

23.1 Confidential Information

The OC shall keep confidential all matters relating to the Services, the Facilities and this Contract and will not make any disclosure, and shall use reasonable endeavours to ensure that their employees, sub-contractors and agents do not make any disclosure, to any person of any information, data, experience and know-how, documents, secrets, dealings, transactions or affairs of or relating to the Parties, the Services, the Facilities or this Contract (the "**Confidential Information**"). The confidentiality obligation shall not apply to the following:

- (a) any matter which the OC can demonstrate is already generally available and is in the public domain other than through unauthorised disclosure by the OC; or
- (b) any disclosure, which may reasonably be, required for the performance of the OC's obligations under this Contract or the compliance by the OC with any statutory obligations or for the purposes of legal proceedings.
- (c) any information, which was already in the OC's possession before it was communicated by the Board.

23.2 Survival of Confidentiality Obligations

The provisions and obligations set out in this Clause shall survive and remain in force for three (3) years upon and following the termination of this Contract.

24. GENERAL

24.1 Assignment

Any Party shall not assign or otherwise transfer all or any of their rights or obligations under this Contract without prior written consent of the other Parties to this Contract, provided that the OC may (without the consent of the KUIDFC):

- (i) delegate and/or sub-contract any of its rights or obligations under this Contract but without relieving the OC of its obligations under the Contract; or
- (ii) assign, transfer or create security over all or any benefit of the OC for the purposes of obtaining financing.

24.2 No Partnership

This Contract shall not constitute, give rise to or evidence any partnership or joint venture between the Parties and the KUIDFC, Board and the Corporations shall not hold themselves out or being an agent or partner of or co-venturer with the OC.

24.3 Announcements

The Parties warrant to and undertake with each other that they shall not, and shall procure that their employees, agents and sub-contractors shall not, issue or make any public announcement or statement regarding the Services, the signature, performance or termination of this Contract or the OC's appointment thereunder unless, prior thereto, the other Party has been furnished with a copy thereof and has approved the same in writing.

24.4 Notices

All notices, requests, demands, and other communications hereunder shall be in writing and shall be delivered personally or sent by prepaid, registered air mail, return receipt requested, or by facsimile transmission to the intended recipient thereof at the address or facsimile number set forth below. Any such notice, demand or communication shall be deemed to have been duly given immediately (if given or made by a confirmed facsimile), or 14 days after mailing, and in proving the same it shall be sufficient to show that the receipt of a facsimile was confirmed by the recipient. The Board and the Corporations hereby authorise the KUIDFC to receive all notices, intimations, correspondence, replies, rejoinders or any nature whatsoever and all oral or written communication on behalf of the Board and the Corporations, and to communicate and provide all notices intimations, correspondence, of any nature whatsoever, to the OC on behalf of the Board and the Corporations. Consequently, the addresses and facsimile numbers of the Parties for purposes of service of notices under this Contract are as follows:

If to the **KUIDFC**: _____

Attn: [____]

Fax No.: _____

With copy to:

If to the **Board**: _____

To KUIDFC [____]

Attn: [____]

Fax No.: _____

With copy to: the Board [____]

If to the **Municipal Corporation of Gulbarga**: _____

To KUIDFC [____]

Attn: [____]

Fax No.: _____

With copy to the Municipal Corporation of Gulbarga: [____]

If to the **Municipal Corporation of Hubli Dharwad**: _____

To KUIDFC [____]

Attn: [____]

Fax No.: _____

With copy to Municipal Corporation of Dharwad [____]

If to the **Municipal Corporation of Belgaum**: _____

To KUIDFC [____]

Attn: [____]

Fax No.: _____

With copy to Municipal Corporation of Belgaum [____]

If to the **OC**: _____

Attn: [____]

Fax No.: _____

With copy to:

Any Party may change its address for the purpose of this Contract by giving written notice to the other Party at the address and in the manner provided above.

24.5 **Waiver**

No forbearance, indulgence or relaxation or inaction by any Party at any time to require performance of any of the provisions of this Contract shall in any way affect, diminish or prejudice the right of such Party to require performance of that provision. Any waiver or acquiescence by any Party of any breach of any of the provisions of this Contract shall not be construed as a waiver or acquiescence of any right under or arising out of this Contractor of the subsequent breach, or acquiescence to or recognition of rights other than as expressly stipulated in this Contract.

24.6 **Partial Invalidity**

If any provision of this Contract or the application thereof to any Person or circumstance shall be invalid or unenforceable to any extent for any reason including by reason of any law or regulation or government policy, the remainder of this Contract and the application of such provision to persons or circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby, and each provision of this Contract shall be valid and enforceable to the fullest extent permitted by law. Any invalid or unenforceable provision of this Contract shall be replaced with a provision, which is valid and enforceable and most nearly reflects the original intent of the unenforceable provision.

24.7 **Amendments**

No modification or amendment to this Contract and no waiver of any of the terms or conditions hereof shall be valid or binding unless made in writing and duly executed by the KUIDFC.

24.8 **Conflicts**

In the event of any conflict between the terms of this Contract and those of the Request For Proposal, as amongst the Parties hereto, to the extent permitted by law, the terms of

this Contract shall prevail and the Parties shall take all such steps as are within their powers, to ensure that the terms and conditions of this Contract are adhered to.

24.9 Entirety

This Contract including the Schedules which are attached hereto and are an integral part of the Contract, constitutes the entire Contract between the Parties with respect to the subject matter hereof to the exclusion of and shall supersede the Request For Proposal, all other term sheets, agreements, proposals, negotiations, conversations, discussions, arrangements, understandings and assurances, either written or oral, existing or proposed, between all or amongst any two or more Parties hereto or persons claiming under them.

24.10 Survival

The provisions of Clause 7.2, Clause 9, Clause 17, Clause 18, Clause 19, Clause 20, Clause 21, Clause 22, Clause 23, Clause 24.4, Clause 24.8, Clause 24.9, Clause 24.10, Clause 24.11 and Clause 24.12 shall survive the termination of this Contract.

24.11 Costs

Each of the Parties hereto shall pay their own costs and expenses relating to the negotiation, preparation, and execution of this Contract and the transactions contemplated by this Contract.

24.12 Jurisdiction

The courts at Bangalore shall have jurisdiction over all disputes, controversy or claims between the Parties under this Contract.

IN WITNESS WHEREOF the Parties have executed this Contract on the date, which appears on page 1.

SIGNED by)
for and on behalf of)
KUIDFC)
in the presence of)

SIGNED by)
for and on behalf of)
Board)
in the presence of)

SIGNED by)
for and on behalf of)

Corporation of Hubli, Dharwad)

in the presence of)

SIGNED by)
for and on behalf of)
Corporation of Belgaum)
in the presence of)

SIGNED by)
for and on behalf of)
Corporation of Gulbarga)

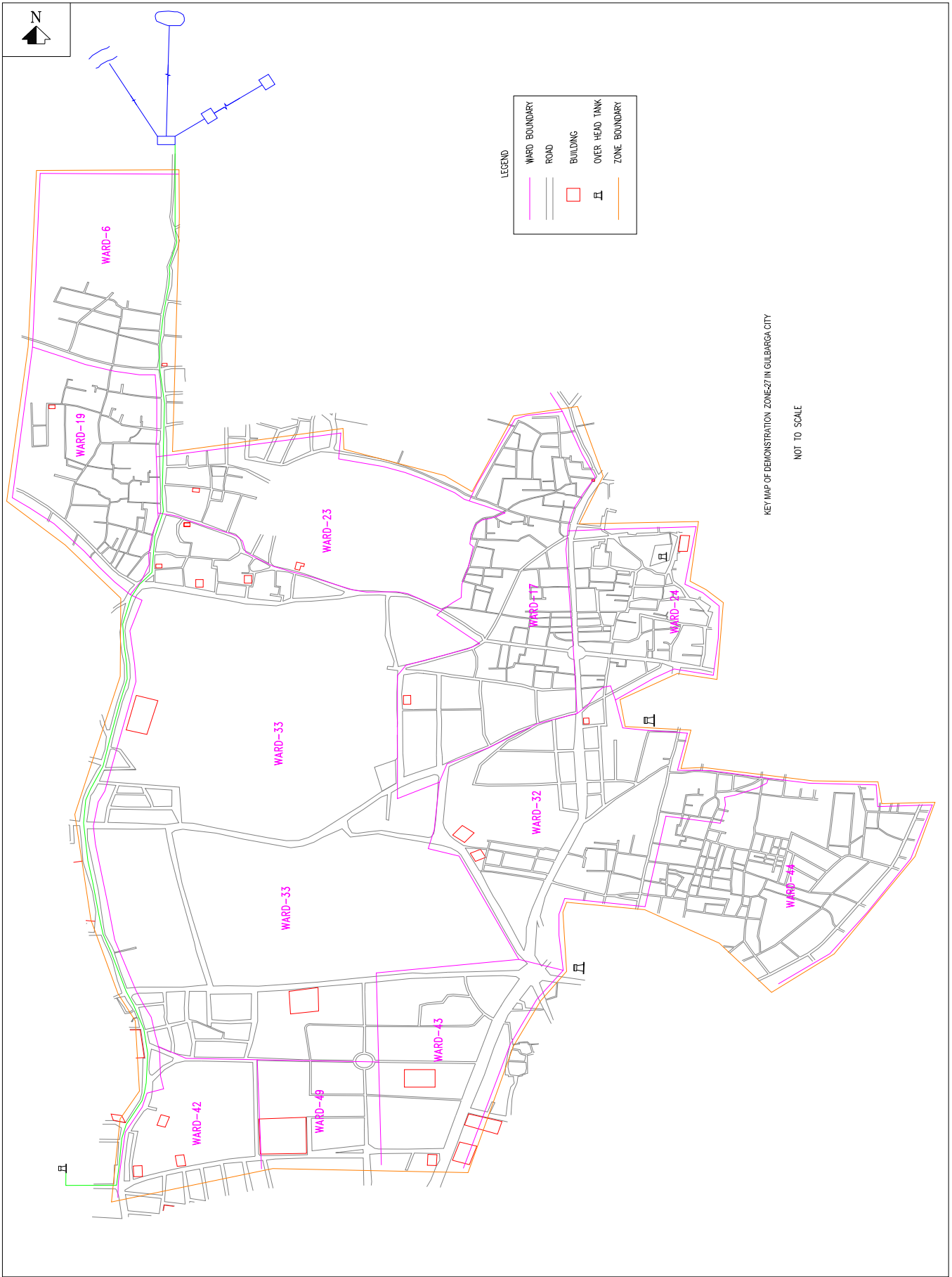
OC)
in the presence of)

SCHEDULE 1
Bulk Water Supply

Computation of bulk water supply required for Demo Zones

Design parameter	Unit	Belgaum Zone 9	Belgaum Zone 6	Hubli	Dharwad	Gulbarga	Total
Data							
Population	Souls	18316	15781	38030	34305	72823	179255
Properties	Number	3059	2650	9266	6655	14900	36530
House service connections	Number	1976	1979	5815	4829	4122	18721
Public Standposts	Number						
% of population connected by HSC	%	64.60%	74.68%	62.76%	72.56%	27.66%	51.25%
Service levels							
Domestic HSC	litres/capita/day	135	135	135	135	135	
Domestic PSP	litres/capita/day	40	40	40	40	40	
Commercial/Institutional	litres/capita/day	5	5	5	5	5	
Losses	L/connection/m	25	25	25	25	25	
Pressure in network	Meters	6	6	6	6	6	
Assumptions							
Growth of population/annum	%	2%	2%	2%	2%	2%	
% connected by HSC	%	80%	80%	80%	80%	80%	
% served by PSPs	%	20%	20%	20%	20%	20%	
No of connections	Number	2447	2120	7413	5324	11920	29224
Calculations							
Demand for HSC consumption	Cum/day	1978.13	1704.35	4107.24	3704.94	7864.88	19359.54
Demand for PSP consumption	Cum/day	146.53	126.25	304.24	274.44	582.58	1434.04
Commercial/institutional	Cum/day	91.58	78.91	190.15	171.53	364.12	896.28
Demand at tap	Cum/day	2216.24	1909.50	4601.63	4150.91	8811.58	21689.86
Losses	Cum/day	367.08	318.00	1111.92	798.60	1788.00	4383.60
Total supply required	Cum/day	2583.32	2227.50	5713.55	4949.51	10599.58	26073.46
Supply required in 2004	Cum/day	2635	2272	5828	5048	10812	26595
Supply required in 2005	Cum/day	2688	2317	5944	5149	11028	27127
Supply required in 2006	Cum/day	2741	2364	6063	5252	11248	27669
Supply required in 2007	Cum/day	2796	2411	6185	5358	11473	28223

SCHEDULE 2
Bulk Water Supply Points



LEGEND

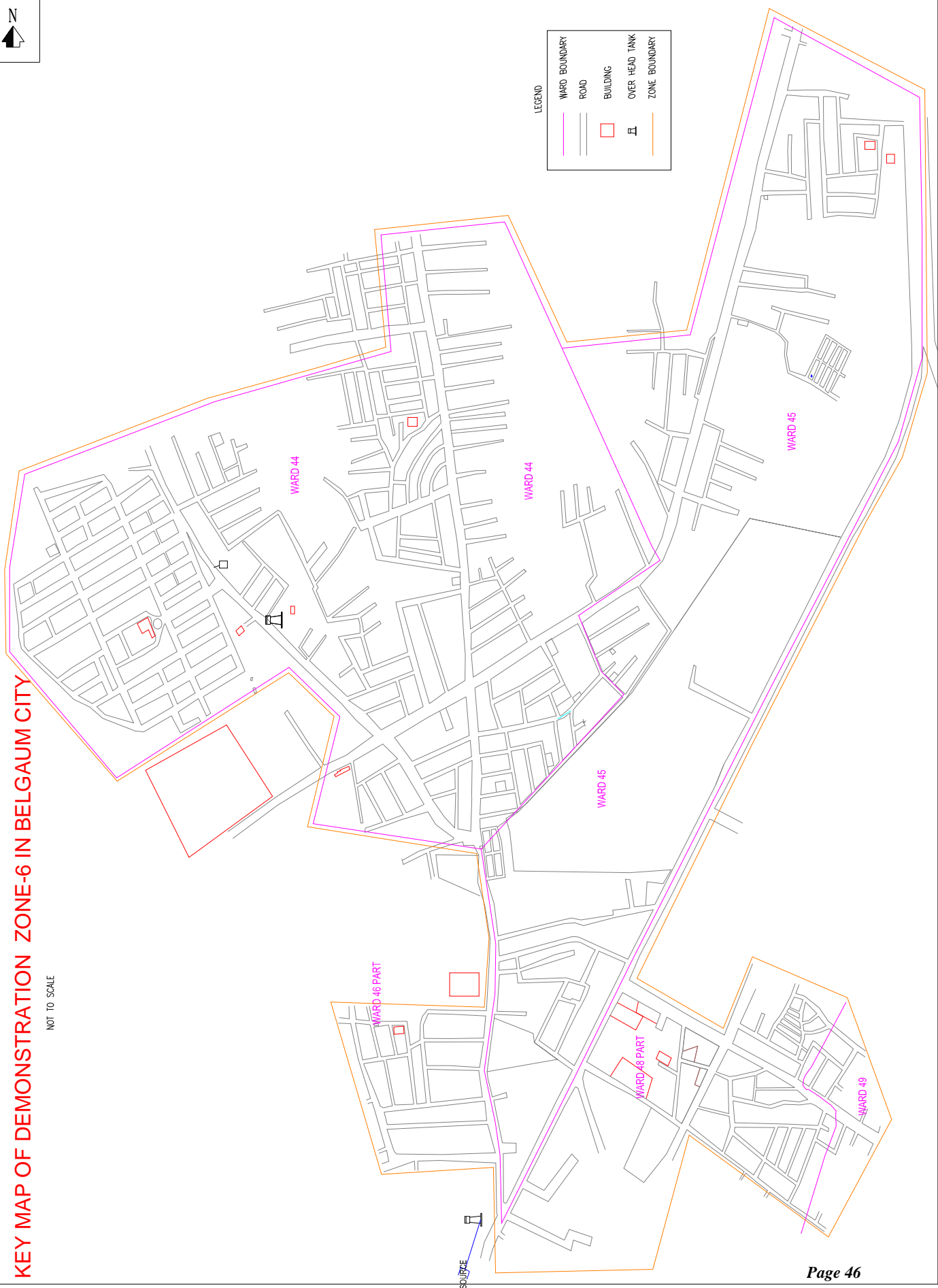
	WARD BOUNDARY
	ROAD
	BUILDING
	OVER HEAD TANK
	ZONE BOUNDARY

KEY MAP OF DEMONSTRATION ZONE-27 IN GULSARGA CITY

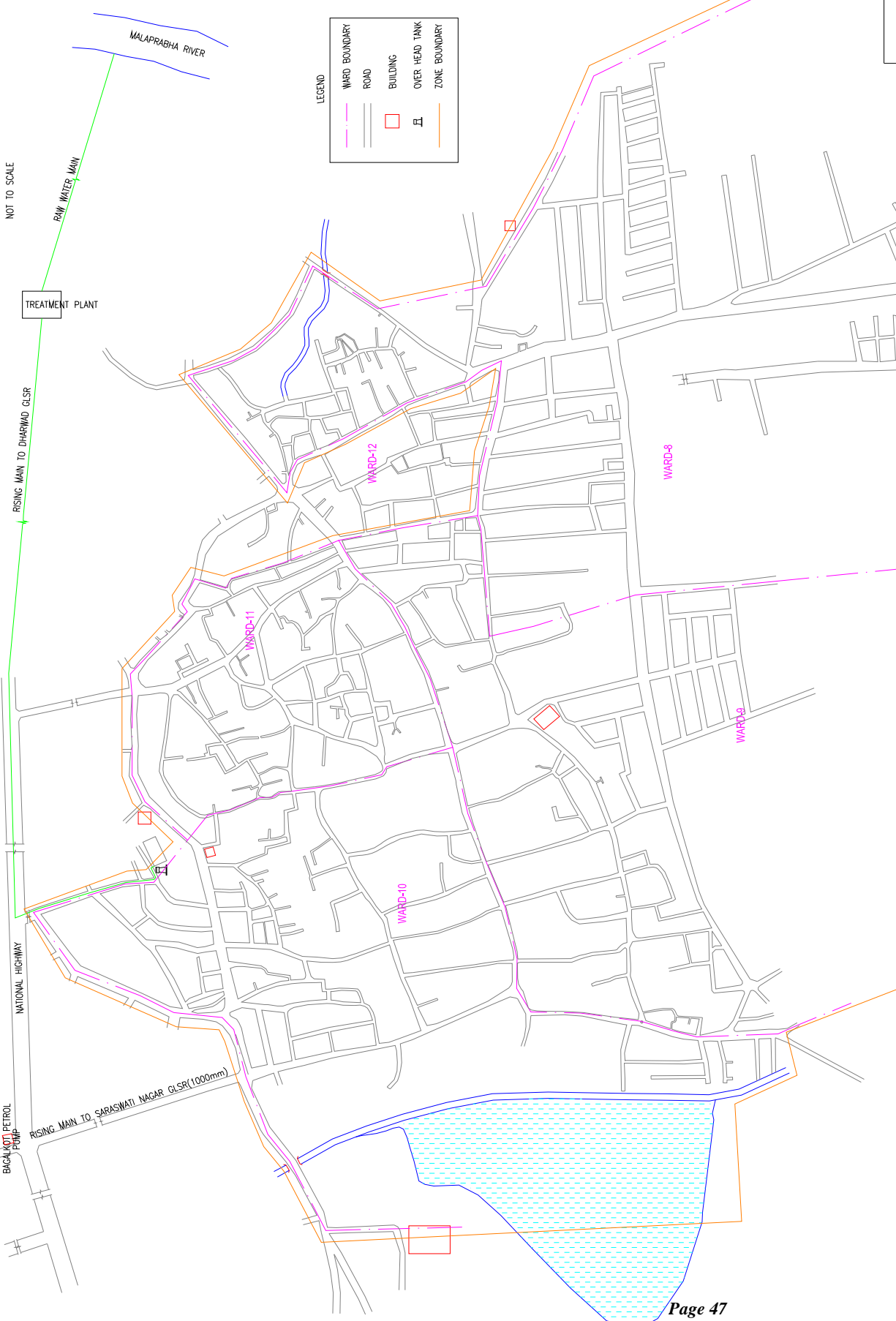
NOT TO SCALE

KEY MAP OF DEMONSTRATION ZONE-6 IN BELGAUM CITY

NOT TO SCALE



KEY MAP OF DEMONSTRATION ZONE IN DHARWAD CITY

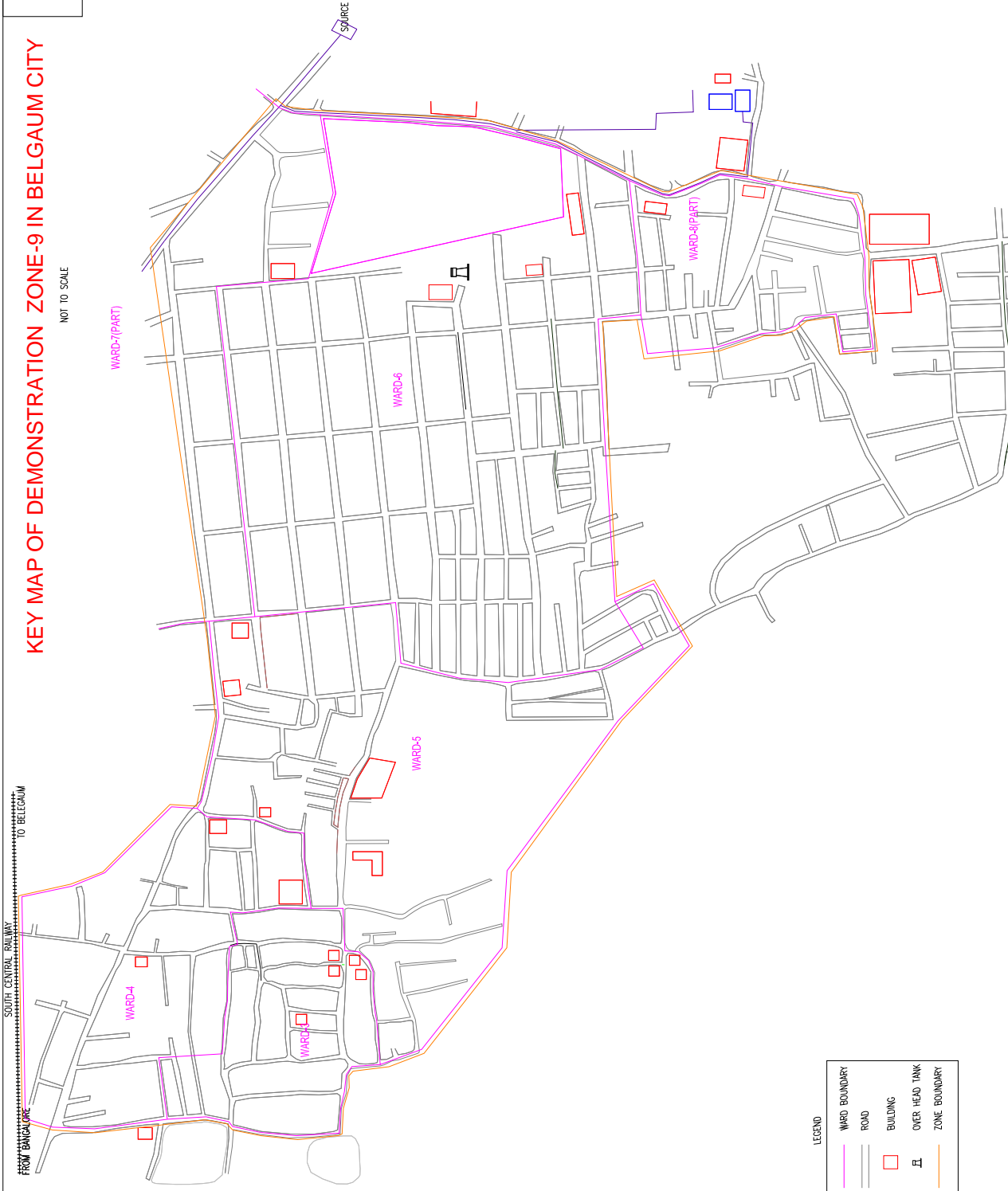


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KEY MAP OF DEMONSTRATION ZONE-9 IN BELGAUM CITY

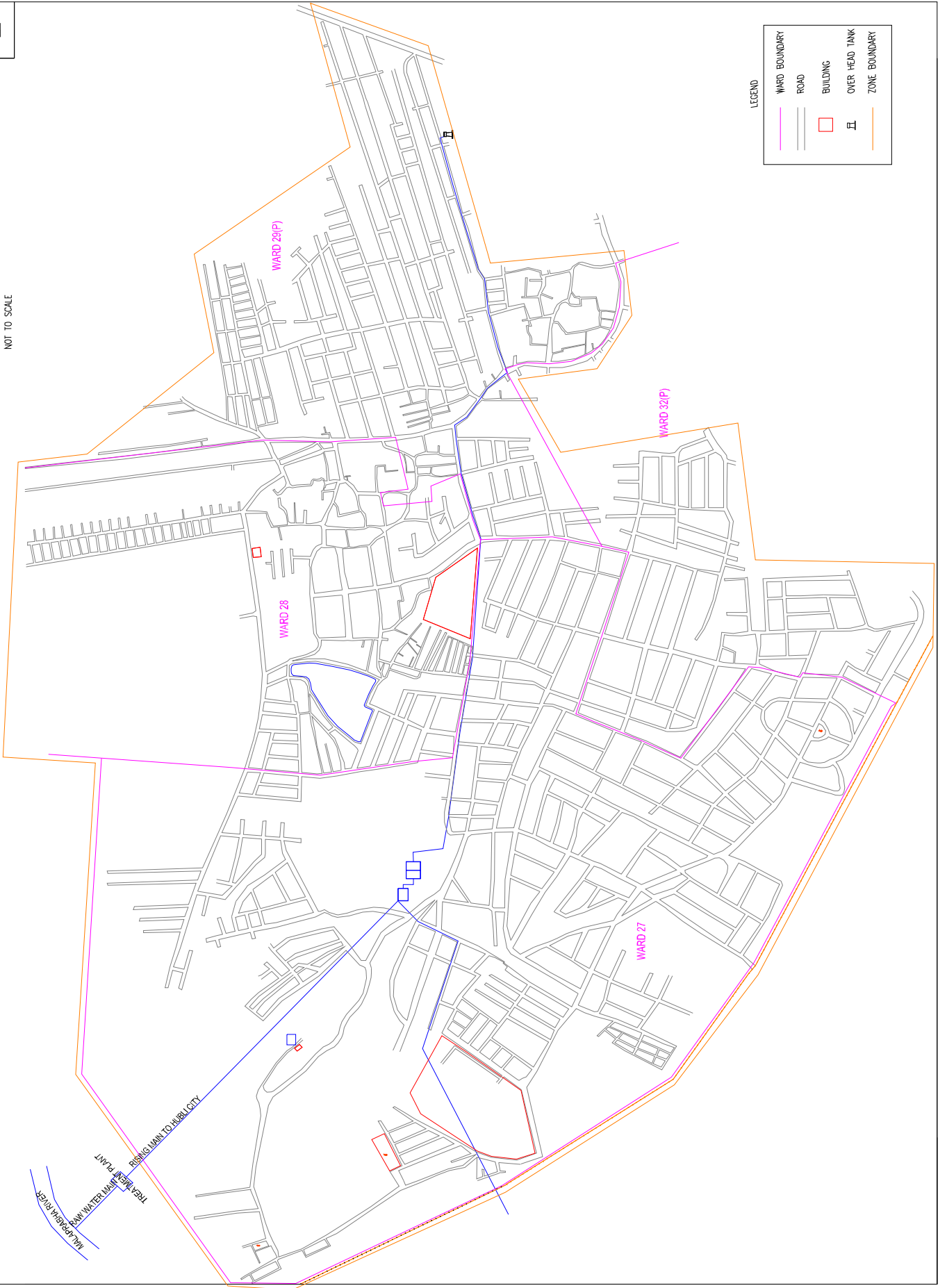
NOT TO SCALE



LEGEND	
	WARD BOUNDARY
	ROAD
	BUILDING
	OVER HEAD TANK
	ZONE BOUNDARY

KEY MAP OF DEMONSTRATION ZONE IN HUBLI CITY

NOT TO SCALE



LEGEND

WARD BOUNDARY	— (Pink line)
ROAD	— (Grey line)
BUILDING	□ (Grey outline)
OVER HEAD TANK	□ (Blue outline)
ZONE BOUNDARY	— (Thick orange line)

Domestic situation (1991)				
Houses	53,550	50,685	102,586	42,811
Households	62,550	51,021	110,860	45,950

Item	Belgaum	Gulbarga	Hubli-Dharwad	
			Hubli	Dharwad
		Commercial		
Connections				
Authorised	32,217 (159,069 pop)	24,595 371	73,095	17,710
Unauthorised	815	1,000	25,579	5,417
Standposts	335 (150 persons/standpost)	5,000	1225	
Periodicity of supply	2 – 3 hours /3days	1 – 2 hours / 2days	2 - 6 hours /3 to 5days (every 7 / 8 days summer 2004)	
Schematics of distribution system	Yes	Yes	Yes	Yes
Distribution system plans	Yes (part plan of distribtn system)	Large-scale plans produced during recent study	Small-scale outline plans of network Large-scale plans not available. Topographical survey proportion of city map w/s and UGD data capture with GILS has been commenced from 17.4.04sssssssssssssssdss	
Length distribution mains (km)	550 km approx	Existing - 150km Proposed - 300km	620 385	235
Service reservoirs on distribution				
Number	13	21 (+11 proposed)	39	20 19
Storage capacity	18.06 MI	23.4 MI (proposed)	55.48	34.39 21.09

Water sources	<p>a - Rakaskop Reservoir on Markandeya River – 22 km from city - 40.9Mld</p> <p>b - Hikdal, Ghataprabha River – 45km from city - 19 Mld (municipal allocation)</p> <p>c - 115 power borewells – 1.6 Mld</p> <p>d - 455 hand-pump borewells – 0.25 Mld</p>	<p>a - Bhima River – 25 km from city – 24.57 Mld</p> <p>b - Bennithora River – 20 km from city – 9.08 Mld</p> <p>c - Bhosga Reservoir – 9.6 km from city – 11.35 Mld (But not functioning since 2 – 3 years due to no rainfall)</p> <p>d - 170 power borewells – 3.8 Mld</p> <p>e - 800 hand-pump borewells – 1.8 Mld</p>	<p>a - Renukasagar Reservoir (Malaprabha) – 60 km from Hubli & 43 km from Dharwad – 41.0 Mld (68 Mld design capacity) (73 Mld after EIWSS)</p> <p>b - Neerasagar Reservoir – 23 km from Hubli & 17 km from Dharwad - 33.5 Mld (40.9 Mld design capacity)</p> <p>c – 728 Powered borewells – 8.20 Mld</p> <p>d – 890 Hand-pump borewells</p> <p>In summer months of 2002, 2003, 2004 the Neerasagar Reservoir has been drained dry due to insufficiency of water in the reservoir (insufficient inflow or leakage or both)</p> <p>The small Unkal source has been discontinued</p>
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Item	Belgaum	Gulbarga	Hubli-Dharwad	
			Hubli	Dharwad
Water treatment plants	a - Laxmitek – cap 54.55 Mld Additional 3 Mgd T.P. is ready	a - Old Filter Beds – 20.5 Mld b - Chor Gumbaz – 25 Mld (+22.4 Mld proposed) c - Kotnoor (proposed) – 11.2 Mld	a - Soundatti - 68 Mld design capacity (73 Mld after EWSS) b – Kanvihonnapur – 40 Mld design capacity	
Bulk supply measured at city boundary	No	No. Meter is not provided	No	No
Non-Revenue Water (very rough estimates)	>45%	>45%	>40%	
Recent study – connections	Yes	Yes	August/September 2002	
Recent study – distribution system	Yes – July 2001 Kirloskar Consultants	Yes – 2002 STUP Consultants	No	No

Sewerage networks				
Coverage (population)	68%	65%	65%	30%
Sewers (UGD) (km)	180	150	436	19
Storm drains (km)	300	55	510	
Sewage treatment	No	Yes – lagoons	No	No
Recent study – sewerage system	Yes – July 2001 Kirloskar Consultants	2003 for 3 rd stage KKD	No	No
Water charges	Water tariff revised end 2002 with effect from 01.04.02 raised from R450/year to R800/yr/connection	R450/yr/connection Rs.1080 / year / month - domestic Rs.2160 / year / month - commercial	Domestic minimum Rs.45/- per month 0-10m ³ /month=R1.26/m ³ ; 10-25=R1.66; 25-50=R2.66; 50-75=R3.66; 75-100=R5.16; >100=6.16 Non-domestic – R3.32 to 7.32/m ³ - Rs.90/- per month Commercial – R.23.20 /m ³ minimum Rs. 180/- per months	

SCHEDULE 4
Demonstration Zones

Demonstration Zones under the Contract shall be the following:

Sl. No.	City	Zone No.	Ward Nos.
1	Belgaum	9 (South) VI (North)	3, 4, 5, 6, 7 (part) & 8 (part) 44, 45, 46 (part) & 48 (part)
2.	Gulbarga	27	6 (part), 17, 19 (part), 23 24 (part), 32, 33 (part), 42 (part), 43 (Part), 44, & 49 (part)
3.	Hubli ²	-	27, 28, 29 (part) & 32 (part)
4.	Dharwad	-	8, 9, 10, & 11

² The twin cities of Hubli and Dharwad form a single ULB

SCHEDULE 5
Environment Management Plan

Tables 5.1, 5.2, 5.3 and 5.4 below summaries the Environment Management Plan ("**EMP**") framed with an objective to minimise negative environmental impacts of the demonstration projects and priority investments proposed in each city. The tables also present all environmental issues and necessary mitigative measures for the same. It is envisaged that mitigative measures for construction phase impacts will form part of tender documents inviting proposals for construction. The responsibility for their compliance would thus be binding for prospective OC as the contract condition. The overall responsibility for implementation of mitigative measures, however, rests with the Project Implementation Unit ("**PIU**").

Table 5.1 Environmental Management Plan for Demonstration Zone

Project Activity	Environmental Impacts	Mitigative Measures	Agencies Responsible	
			Primary	Overall
I. Design & Construction Stage				
1.Isolation of demonstration zone	1.Temporary disruption of water supplies to the consumers during Implementation.	1.Alternative water supply arrangements such as supply through tankers shall be provided	OC	PIU
	2.Flooding and leakage of water in the influence Area during implementation	2.Appropriate bypass and leak control arrangements shall be ensured	OC	PIU
2.Replacing the boundary valve	1.Temporary disruption of water supply to the consumer during Implementation	1.Alternative supply arrangements such as supply through tankers shall be provided.	OC	PIU
3.Construction of valve chamber with strainer, pressure reducing valve and meter	1.Temporary disruption to traffic during construction	1.Appropriate traffic diversion plans shall be prepared and implemented during construction	OC	PIU
4.Leak detection and replacement of mains	1.Disruption of water supply to the consumers during execution	1.Alternative supply arrangements such as supply through tankers shall be provided.	OC	PIU
	2.Disruption of traffic during execution	2.Appropriate traffic diversion plans shall be prepared and implemented during construction	OC	PIU
	3.Safety hazards to labour	3.Adequate safety precautions such as helmets, safety shoes, gloves, etc. shall be provided to the labour	OC	PIU
	4.Safety hazards to households in the neighbourhood	4. Provision of temporary crossings/ bridges in the implementation area	OC	PIU
	5.Flooding and leakage of water in the leak detection areas	5.Adequate temporary drainage arrangements shall be provided	OC	PIU
	6.Accumulation of excavated earth in the areas of operation	6.Transportation and disposal of excess earth to a designated disposal site	OC	PIU
	7.Soil Erosion of deposited earth	7. Creation of soil barriers or mounds	OC	PIU
	8.Increased dust levels due to earth work excavation activities	8.Immediate transport of accumulated waste or frequent watering of excavated earth	OC	PIU

OC - Operator Consultant, *PIU* – Project Implementation Unit

Table 5.1 Environmental Management Plan for Demonstration Zone

Project Activity	Environmental Impacts	Mitigitive Measures	Agencies Responsible	
			Primary	Overall
I. Design & Construction Stage				
4.Leak detection and replacement of mains	9.Distrubance to other utilities such as telephone cables and sewer lines etc	9. Scheduling activities in consultation with the other utility agencies. and ensuring minimum disturbance to the utilities	OC	PIU
	10.Increased noise levels during construction	10.Use of low noise generating equipment for all the activities, provision of personal protective equipment, ear muffs, etc. for the construction labour and avoiding construction activities during nights	OC	PIU
	11.Accidental finding of historical / archeological structures	11.Implementation of Cultural Management Plan of The World Bank (OP 11.03)	OC	PIU
5.Replacement of service connections	1.Temporary disruption of water supply	1.Alternative supply arrangements such as supply through tankers shall be Provided.	OC	PIU
6.Provision of appropriate water meters & taps	1.Temporary disruption of water supply	1.Alternative supply arrangements such as supply through tankers shall be Provided..	OC	PIU
II. Operation Phase				
7.Continuous supply of water during operation	1.Generation of additional quantity of wastewater from the zones leading to contamination of surface / sub-surface sources	1.Plan and cost for adequate centralised / decentralized / individual sanitation facilities in the demonstration zone	OC	PIU
	2.Flooding of low lying areas due to overflow of storm water drains	2.Plan and cost for augmentation and strengthening the storm water drainage network in the demonstration zones	OC	PIU
	3.Perceived water supply allocation issues out side demonstration zones	3.Carrying out extensive awareness and communication campaigns to eliminate apprehensions of the people of other zones	OC	PIU
	4.Improvement of health and hygiene of the communities due to improved / increased water quality	Positive Impact		

OC - Operator Consultant, *PIU* – Project Implementation Unit

Table 5.1 Environmental Management Plan for Demonstration Zone

Project Activity	Environmental Impacts	Mitigative Measures	Agencies Responsible	
			Primary	Overall
II. Operation Phase				
7.Continuous supply of water during operation	5.Reduction of illegal connections, pit taps, etc. leading to reduction damages to water supply infrastructure	Positive Impact		
	6.Reduction in community investment on water storage, pumping and other expenditure leading to positive economic impacts	Positive Impact		
	7.Reduced community disputes on water supply within the zone	Positive Impact		

OC - Operator Consultant, *PIU* – Project Implementation Unit

Table 5.2 Environmental Management Plan for Priority Investments in Hubli - Dharwad

Project Activity	Environmental Impacts	Mitigative Measures	Agencies Responsible	
			Primary	Overall
1.Laying 1210 mm dia,23km long transmission main	1.Requirement of private agricultural land for laying the transmission main	1.Implementation of appropriate land acquisition plans as per the entitlement framework	PIU	PIU
	2.Temporary disruption of natural drainage pattern at the locations of Hakilkari Halla, Chaula Halla and Kudi Halla crossings	2.Provision of appropriate by-pass arrangements for natural drainage during construction and adequate provisions in the design for safe passage of storm water in the channels during operation phase	PIU	PIU
	3.Loss of fertile top soil of the agriculture lands along the alignment	3.Refilling and replacement the excavated topsoil back in the same field and provision of soil barriers with the excavated earth to avoid spillage on the adjoining land	Contractor	PIU
	4.Increase in dust levels to due to earth work and other construction activities	4.Tansportation of excess earth to identified environmentally suitable disposal sites at frequent intervals and watering the spoil banks regularly	Contractor	PIU
	5.Potential excavation of village roads at Kaulgeri, Govan koppa and Unkal.	5.Restoration of road surface to original condition in earliest possible time	Contractor	PIU
	6.Disruption to the traffic in the above roads	6.Provide bypass during construction and completing works at shortest possible time	Contractor	PIU
	7.Disruption of utilities such as electricity, telephone and other services.	7.Preparation of utility shifting/protection plans and procuring appropriate approvals / permissions in advance and completion of activities in the earliest possible time	Contractor	PIU / Utility Agencies

OC - Operator Consultant, *PIU* – Project Implementation Unit

Table 5.2 Environmental Management Plan for Priority Investments in Hubli - Dharwad

Project Activity	Environmental Impacts	Mitigative Measures	Agencies Responsible	
			Primary	Overall
2.Repair & Replacement of feeder mains in Hubli and Dharwad	1.Temporary disruption of water supply in the areas of construction	1.Provision of alternate water supply or tanker supply arrangements	PIU	PIU
	2.Disruption to Traffic Movements during construction	2.Preparation of traffic diversion plans and prior intimation of the construction schedule to the people in the areas of construction	PIU / Traffic Police	PIU
	3.Disturbance to other services	3.Preparation of utility shifting plans, procuring appropriate approvals / permissions in advance and completion of activities in the earliest possible time	Contractor / utility agencies	PIU
	4.Leakage and flooding in the neighbourhood during construction	4.Appropriate bypass and leak control arrangements shall be ensured	Contractor	PIU
	5.Disposal of excessive earth	5.Disposal of unused / excess earth at an environmentally suitable disposal site	Contractor	PIU
	6.Safety of labour	6.Adequate safety precautions such as helmets, safety shoes, gloves, etc. shall be provided to the labour	Contractor	PIU
	7.Safety of residents and road users in the implementation area especially in the areas around Gopan koppa cross with congested and narrow roads.	7.Provision of temporary crossings/ bridges to avoid accidents and other construction hazards	Contractor	PIU
	8.Increased noise levels in urban areas	8.Using low noise generating equipment such as pneumatic hammers / drills, provision of encasings around generators and avoiding construction during nights	Contractor	PIU

OC - Operator Consultant, *PIU* – Project Implementation Unit

Table 5.3 Environmental Management Plan for Priority Investments in Belgaum

Project Activity	Environmental Impacts	Mitigative Measures	Agencies Responsible	
			Primary	Overall
1.Replacement of CI rising main with MS pipes from Hindalga to Laxmi Tek (3.05 km)	1.Requirement of private agricultural land for laying the transmission main for the initial length of around 500m in Hindalgi village.	1.Implementation of appropriate land acquisition plans as per the entitlement framework	PIU	PIU
	2.Loss of vegetation in the land owned by the jail authorities.	2.Minimisation of tree cutting and detailed inventory of the number and type of trees lost due to the alignment and appropriate compensatory plantation for loss of trees	Contractor	PIU
	3.Loss of fertile top soil of the agriculture lands along the alignment	3.Refilling and replacement of the excavated topsoil back in the same field and provision of soil barriers with the excavated earth to avoid spillage on to the adjoining land	Contractor	PIU
	4.Increase in dust levels to due to earth work and other construction activities	4.Tansportation of excess earth to identified environmentally suitable disposal site at frequent intervals and watering the spoil banks regularly	Contractor	PIU
	5.Potential excavation of Vijaya nagar and Rakaskop roads	5.Restoration of road surface in earliest possible time	Contractor	PIU
	6.Disruption of traffic flow in the above roads especially at the pipeline crossing at Vijaya nagar and the crossing near laxmitek.	6.Provision of bypass during construction and completing the works at shortest possible time	Contractor	PIU
	7.Disruption of utilities such as electricity, telephone and other services.	7.Preparation of utility shifting plans and procuring appropriate approvals / permissions in advance and completion of activities in the earliest possible time	Contractor / Utility Agency	PIU

OC - Operator Consultant, *PIU* – Project Implementation Unit

Table 5.3 Environmental Management Plan for Priority Investments in Belgaum

Project Activity	Environmental Impacts	Mitigative Measures	Agencies Responsible	
			Primary	Overall
2. Replacement of PSC main from Hidakal dam to pumping stations with MS Pipe (5 km)	1.Disruption of natural drainage during construction due to three canal crossings between Hudali railway gate and Suldal cross, two big nallas at the Ankalgi village causeway 1 and 2.	1.Provision of appropriate by-pass arrangements for natural drainage during construction and adequate provisions in the design for safe passage of storm water in the channels during operation phase	Contractor	PIU
	2.Disruption of traffic during construction as entire alignment is along road, specially in Ankalgi village	2.Provide bypass during construction and completing works in shortest possible time	Contractor	PIU
	3.Increase in dust levels to due to earth work and other construction activities	3.Tansportation of excess earth to identified environmentally suitable disposal sites at frequent intervals and watering the spoil banks regularly	Contractor	PIU
3.Construction of new storage reservoir at Laxmi Tek	1.Health and occupational hazards to the labour	1.Adequate safety precautions during excavation and other construction activities	Contractor	PIU
	2.Disposal of excavated earth	2.Disposal of excavated earth at an environmentally suitable disposal site after conducting an environmental analysis, including exploring options such as utilising the earth as cover material for the proposed land fill site	Contractor	PIU
4.Replacement of feeder mains of the system	1.Temporary disruption of water supply in the areas of construction	1.Provision of alternate water supply or tanker supply arrangements	Contractor	PIU
	2.Disruption of traffic during construction	2.Preparation of Traffic diversion plans and prior intimation of construction schedule to the people in the areas of construction.	Contractor / traffic police	PIU
	3.Disturbance to other services	3.Preparation of utility shifting plans, procuring appropriate approvals / permissions and completion of activities in the earliest possible time	Contractor / Utility agencies	PIU

OC - Operator Consultant, *PIU* – Project Implementation Unit

Table 5.3 Environmental Management Plan for Priority Investments in Belgaum

Project Activity	Environmental Impacts	Mitigative Measures	Agencies Responsible	
			Primary	Overall
4.Replacement of feeder mains of the system	4.Leakage and flooding in the neighbourhood during construction	4.Appropriate bypass and leak control arrangements shall be provided	Contractor	PIU
	5.Disposal of excess excavated earth	5.Disposal of unused / excess earth at an environmentally suitable site	Contractor	PIU
	6.Occupational and safety hazards to labour	6.provision of adequate safety precautions such as helmets, safety shoes, gloves, etc. to labour	Contractor	PIU
	7.Safety of residents and road users in the implementation area especially in congested and narrow roads of Gopan koppa cross.	7.Provision of temporary crossings/ bridges to avoid accidents and other construction hazards	Contractor	PIU
	8.Increased noise levels in urban areas	8.Using low noise generating equipment such as pneumatic hammer / drills, provision of encasings around generators and avoiding construction during nights	Contractor	PIU

OC - Operator Consultant, *PIU* – Project Implementation Unit

Table 5.4 Environmental Management Plan for Priority Investments in Gulbarga

Project Activity	Environmental Impacts	Mitigative Measures	Agencies Responsible	
			Primary	Overall
1.Replacement of trunk main from Bhima River-22.4 km	1.Requirement of private agricultural land for laying the transmission main near Bhima river jack well at Sardagi village till it reaches the SH 19.	1.Implementation of appropriate land acquisition plans as per the entitlement framework	PIU	PIU
	2.Loss of fertile top soil of the agriculture lands along the alignment	2.Refilling and replacement the excavated topsoil back in the same field and provision of soil barriers with the excavated earth to avoid spillage on to the adjoining land	Contractor	PIU
	3.Potential loss of vegetation along the highway	3.Minimisation of tree cutting and detailed inventory of the number and type of trees lost due to the alignment and appropriate compensatory plantation for loss of trees	Contractor	PIU
	4.Potential excavation of road at old Javergi and new Javergi road junction, SH 19 and Sardagi village junction on the Highway and roads in the residential areas starting from NGO colony upto the treatment plant.	4.Reinstatement of Road Surface in earliest possible time	Contractor	PIU
	5.Disruption of traffic in the above roads especially at the SH 19 crossing	5.Provision of bypass during construction and completing work in shortest time	Contractor	PIU
	6.Increase in dust Levels to due to earth work and other construction activities	6.Tansportation of excess earth to an environmentally suitable disposal site at frequent intervals and watering of spoil banks	Contractor	PIU
	7.Disturbance to other services at the residential areas from the Old javergi road junction upto the treatment plant.	7.Preparation of utility shifting plans, procuring appropriate approvals / permissions and completion of activities in the earliest possible time	Contractor	PIU / Utility Agencies

OC - Operator Consultant, *PIU* – Project Implementation Unit

Table 5.4 Environmental Management Plan for Priority Investments in Gulbarga

Project Activity	Environmental Impacts	Mitigative Measures	Agencies Responsible	
			Primary	Overall
1.Replacement of trunk main from Bhima River-22.4 km	8.Increased Noise levels during construction in congested residential areas from Kadhira chowk to Mishaba nagar chowk.	8.Use of low noise generating equipment such as pneumatic hammers / drills for all the activities, provision of encasing around generators and avoiding construction activities during nights	Contractor	PIU
	9.Possible acquisition of small temple opposite the new jail along SH 19.	9.Restoration and enhancement of the affected property as per the cultural properties management	Contractor	PIU
2.Installation of new pumps at pumping stations	1.Increased noise pollution during installation of pumps and motors	1.Use of low noise generating equipment such as pneumatic hammers / drills, provision of Personal Protective equipment, ear muffs, etc. for the construction labour and avoiding construction activities during nights	Contractor	PIU
	2.Safety and occupational hazards to work men during installation and operation	2.Adequate Safety Precautions to the labour during installation and operation	Contractor	PIU
3.Construction of additional sand filters at WTP	1.Safety of labour	1.Adequate safety precautions to the labour during excavation and other construction activities	Contractor	PIU
	2.Disposal of excavated earth	2.Disposal of excavated earth at an environmentally suitable disposal site after conducting a detailed site specific EIA.	Contractor	PIU

OC - Operator Consultant, *PIU* – Project Implementation Unit

SCHEDULE 6

Procurement Guidelines

PROCUREMENT METHODS

All Goods and Works financed under the Loan shall be procured in accordance with the World Bank's Guidelines for Procurement, January 1995, revised January and August 1996, September 1997 and January 1999. Consulting services to be funded through the Bank's Loan shall be procured in accordance with the World Bank's Guidelines for the Selection and Employment of Consultants by the World Bank Borrowers, January 1997, revised September 1997, January 1999 and May 2002. All civil works, goods and services will be procured using India-specific Model Standard Pre-qualification, Bidding Documents and RfPs for Bank funded projects. Specific procurement arrangements are summarized and briefly described below:

PROCUREMENT OF SMALL WORKS

The works relating to "Demonstration Zone" estimated to cost the equivalent of US\$ 100,000 or more per contract will also be awarded following NCB procedures as per para 3.3 and 3.4 of the Guidelines. Works relating to Demonstration Zone, and to the distribution network estimated to cost less than US \$100,000 per contract may: (a) be procured under lump sum price contracts awarded on the basis of quotation obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works including basic specifications, the required completion date, a basic form of agreement acceptable to the Bank and relevant drawings where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work and who has the experience and resources to complete the contract successfully. The exact details of these works will, however be finalized after the Operator – Consultant is selected and he finalizes the procurement plan.

NATIONAL COMPETITIVE BIDDING

National Competitive Bidding (NCB) is the competitive bidding procedure normally used for public procurement in the country of the Borrower and may be the most efficient and economical way of procuring goods or works which, by their nature or scope, are unlikely to attract foreign competition. To be acceptable for use in Bank-financed procurement, these procedures shall be reviewed and modified as necessary to assure economy, efficiency, transparency, and broad consistency with the provisions included in Section I of these Guidelines. NCB may be the preferred method of procurement where foreign bidders are not expected to be interested because (i) the contract values are small, (ii) works are scattered geographically or spread over time, (iii) works are labour intensive, or (iv) the goods or works are available locally at prices below the international market. NCB procedures may also be used where the advantages of ICB are clearly outweighed by the administrative or financial burden involved.

SCHEDULE 7

PAYMENT PROCEDURE

(In respect of Operator Consultant (OC) related activities)

* 75% of any bill presented for payment, would be released within seven working days and the balance 25%, within 15 working days.

A) REMUNERATION of OC

1. Bills as per schedule of payment described in the agreement would be prepared by the Operator Consultant and submitted to respective PIU along with all supporting documents with a copy to Technical Auditor (TA).
2. The T.A. certifies the performance of the Operator Consultant during the period covered for payment in the bill.
3. The PIU checks and certifies the bill and recommends for payment to PMU/ KUIDFC (North).
4. The PMU through its authorized representative/office approves and effects payment to the Operator Consultant.

B) CONTRACTORS IN RESPECT OF DEMO ZONE WORKS

1. The Contractor prepares the bill and submits for payment to Operator Consultant, with supporting Quality Control Test certificates.
2. The Operator Consultant will certify the correctness of the measurements and the quality of works carried out by the contractor. It will then be submitted to PIU/TA.
3. The PIU will scrutinize the bill comparing with the approved Capital Investment Programme (CIP) and on approval, authorizes the Operator Consultant to make the necessary payment out of funds placed at its disposal. OC will render a statement of payments so made to the contractor to the PIU/ PMU.
4. Prior approval of PMU shall have been obtained for deviation / excess quantities executed where the aggregate of such deviations exceed 10% of the value for an item as per approved CIP.

Report on payment authorized by PIU to be submitted to PMU on a monthly basis. So also the Operator Consultant for having received payment.

SCHEDULE 8
OC - Preparatory Period B Obligations

The OC shall have the following obligations during the Preparatory Period B.

- (a) To review and suitably update the plan of the distribution system within each Demonstration Zone at a scale of 1:2500 provided together with the Request For Proposal
- (b) To carry on basic plumbing and to replace, with the approval of the Corporation, illegal property water connections with legal connections where the property owner accepts the option to legitimise the connection, and if the property owner does not opt to legalise the connection, to facilitate disconnection of such illegal connections by the Corporation
- (c) To carry on basic plumbing to replace the Customer connections with appropriate economical and efficient piping and plumbing materials;
- (d) To replace or install Customer metering on all points of Customer supply;
- (e) To extend the existing water distribution network to supply water to properties presently unconnected to the distribution network in each Demonstration Zone as agreed with the respective Corporation and the KUIDFC, including extension of the distribution system within the Demonstration Zone as needed to satisfy this requirement;
- (f) To install in lockable chambers a magnetic flow meter to measure the quantity of the Bulk Water entering each Demonstration Zones, a pressure control valve and pressure meter and an emergency by-pass of the meters on the single main feeding the Demonstration Zone at the boundary of each Demonstration Zone. Meter readings are to be continuously logged in a form that can be downloaded into a computer database for charting and analysis and the OC shall establish baseline values for bulk water supply to each Demonstration Zone.
- (g) To install a meter, in its own lockable chamber, at every stand-post directly connected to the public network or fed from a storage tank filled from the public network and to replace all faucets on stand-posts with self-closing taps.
- (h) To install a class 3 meter in a lockable box on the connection pipe to every connected property at the external side of the wall of the main building (within the compound, if a compound wall exists, or at a safe and convenient location if there is no compound wall) where the connection enters the building.
- (i) To ensure that each property has only one connection and to facilitate removal/disconnection of multiple connections with prior permission of the Corporation.
- (j) To replace the connection pipe between the meter and the first faucet or ball-cock valve within every presently connected property, using high density polyethylene pipe, and fitted with one of the following two options, or any other practical and economic solution the OC may propose, at the end of this pipe:

- (i) a brass faucet (tap) at the kitchen sink or other convenient point between kitchen and the meter indicated by the property-owner;
 - (ii) a ball-cock valve on an existing ground storage tank after the meter.
- (k) To re-confirm, by conducting a house to house survey, the data already collected [and provided to the OC by the KUIDFC] and prepare a computerised database of the following information concerning all properties within each Demonstration Zone:
- (i) the property address and unique reference number (preferably the reference presently used by Corporations or, in absence of this, created by OC);
 - (ii) The name of property owner.
 - (iii) The number of persons ordinarily resident at the property – divided between adults and children aged 12 or under.
 - (iv) Information as to whether or not the property is connected to the public water distribution network. If not connected, or household supplements supply from other sources, note the normal source(s) of water used by household and approximate amounts of water taken from these sources per day (including number and volume of tankers used per month).
 - (v) Information as to whether or not the property uses its own tube-well(s), or if a tube-well is shared with other properties, details of other properties. Note depth and pump capacity of well(s) and approximate amount of water used from this source.
 - (vi) Size and material of connection to the public network; and
- (l) To install, in their own lockable chambers, five additional magnetic flow and pressure monitoring meters at Critical Zone Points at on the distribution network within each Demonstration Zone, including a point where pressure is routinely experienced at the minimum level in each Demonstration Zone.
- (m) To ensure that throughout the Preparatory Period B, the Demonstration Zones are fed with water in accordance with its normal intermittent supply entitlement and to manage, operate and maintain “retail” aspects of supply in the Demonstration Zones from the Initial Takeover Date or the date on which the operation and management of the Demonstration Zone is transferred to the OC till the Final Takeover Date;
- (n) To review the proposals for the Demonstration Projects and the preparatory engineering works to investigate the section of the distribution system delivering water to the boundary of the Demonstration Zone to determine whether there is any impediment to delivering sufficient water to the zone to permit Continuous Pressured Water Supply and, should there be such an impediment, to design remedial works;
- (o) To identify critical bottlenecks in the distribution system within the Distribution Zones using the hydraulic model in conjunction with the experience of operational personnel working on

the system, and to conduct the remedial works and ad hoc low cost system improvements as agreed with the Corporation concerned and the KUIDFC.

- (p) To communicate to the KUIDFC, at least four weeks before expiry of the Preparatory Period B, the number and designation of Corporation Employees required by the OC on deputation to conduct operation and management of the Demonstration Zones during the Operation and Management Period;
- (q) To establish a customer service centre in each zone to carry out the functions of customer billing and collection as well as manage customer relations, support and complaints in terms of this Contract including but not limited to response and redressed of complaints concerning leakages in the distribution system, billing, water reduction, water quality and provide assistance in imparting education concerning use of Continuous Pressured Water Supply, installation of new connection, water usage and plumbing.
- (r) To develop and set up a computerized billing and collection system compatible to working in English and Kannada with all built in monitoring systems. The KUIDFC shall be provided access to the computerized billing and collection system and the bills should be issued to the Customers after online approval by the KUIDFC;
- (s) To liaise with the KUIDFC wherever there may be an interface with the construction and/or operation of priority investments;
- (t) To provide assistance, on request by KUIDFC, to the Corporations in respect to the works under priority investments by the KUIDFC to ensure that full benefit is driven from priority investments and to advise the Corporations on any operational improvements needed in this regard.
- (u) To prepare and submit to KUIDFC for its approval a draft operation and management plan ("**Draft Operation and Management Plan**") containing the proposed operating strategy, method statement, resource plan including the number and details of the Corporation Employees to be deputed to the OC and the roles and responsibilities of the Corporation Employees and the employees of the OC, the implementation plan for effective operations and management, maintenance, leakage control, asset management and Customer service, detailed reporting protocols between OC and Technical Auditor/KUIDFC, procedure for installation of new connections, impact of additional waste water generated and achievement of Performance Target for the Operation and Management Period set out in Clause 3 no later than five days before completion of the Preparatory Period B set out in the certificate of commencement of Preparatory Period B issued by KUIDFC.
- (v) To maintain throughout the distribution network within each Demonstration Zone the quality of water at the same level as the quality of Bulk Water supplied to the OC for such Demonstration Zone. The OC shall in this regard take two spot samples of the water supplied to each Demonstration Zone at the bulk supply meter chamber on entrance to the Demonstration Zone and at the Critical Zone Points, where minimum zone pressure is measured. These samples are to be taken everyday throughout the 2-year Operation and Management Period. One of the samples should be analysed on site for chlorine residual. The other sample, taken in accordance with the sterile requirements for bacterial analysis, shall be

analysed at a laboratory approved by the KUIDFC in consultation with the Corporations for Total Coliform and E. Coliform bacteria. A representative of the Technical Auditor will be present at the sampling and the sample for bacterial analysis should be divided in two for separate analysis at different approved laboratories, one portion for the OC and the other for the Technical Auditor.

- (w) To undertake emergency chlorination measures at times of outbreak of epidemics and any such emergency situations.
- (x) To submit to KUIDFC the quality assurance plan at the commencement of execution of the Capital Works.
- (y) To document the baseline (existing) supply position – flow and pressure - to each of the Demonstration Zone(s) and share/keep a signed copy for reference.

SCHEDULE 9
KUIDFC - Preparatory Period B Obligations

During the Preparatory Period B, the KUIDFC shall have the following obligations:

- (a) Overall Project management including review, finalisation, maintenance and supervision of the Final Investment Programme, disbursement of the capital expenditures in accordance with the procedure specified at Schedule 7, disbursement of OC Remuneration and Bonus as set out in Schedule 18, as payable, the taking of decisions regarding the completion of the Capital Works and the achievement of the respective obligations by each party, and the issue of the certificate of commencement of Operation and Management Period;
- (b) The approval of investments in the Demonstration Zones; and
- (c) On receipt of request from the OC under the Final Operation and Management Plan, the obligation to direct the Corporations to depute specified number of employees to the OC with effect from the Final Takeover Date.

SCHEDULE 10
Board - Preparatory Period B Obligations

During the Preparatory Period B, the Board shall have the following obligations:

- (a) Manage, operate and maintain Bulk Water supplies in Hubli-Dharwad, Gulbarga and Belgaum and to steadily increase the same in a phased manner within the Demonstration Zones in Hubli-Dharwad, Gulbarga and Belgaum, as stated in Schedule 1 of the Contract; and
- (b) Manage, operate and maintain "retail" aspects of supply in Hubli-Dharwad Demonstration Zone till the Initial Takeover Date.
- (c) Co-ordinate with the OC, in respect of Hubli-Dharwad, in providing connections to un-connected properties, where property owners request and fulfil necessary conditions and pay the required fee
- (d) Receive requests for approvals for new connections.

SCHEDULE 11
Corporations - Preparatory Period B Obligations

During the Preparatory Period B, the Corporations shall have the following obligations, as applicable:

- (a) Belgaum and Gulbarga Corporations shall manage, operate and maintain “retail” aspects of supply in Belgaum and Gulbarga Demonstration Zone till the Initial Takeover Date;
- (b) The Corporations shall adopt the Project concept, tariff principles, and the roles and responsibilities of the Corporation during the Preparatory Period B and the Operation and Management Period, through a declaration; and
- (c) The Corporation shall co-ordinate with the OC, in respect of Belgaum and Gulbarga, in providing connections to un-connected properties, where property owners request and fulfil necessary conditions and pay the required fee;
- (d) Each Corporation shall provide to the OC, if available:
 - (i) operations and maintenance manuals for the Facilities;
 - (ii) as-built drawings, specifications, diagrams and other information regarding the Facilities, including any civil structures;
 - (iii) layout drawings of the Facilities and the Demonstration Zones; and
 - (iv) billing data including all hardware, software, operating manuals and procedures associated with the billing system within the Demonstration Zone together with a complete Customer billing data set giving Customer details and payment histories;
 - (v) reports listed at Part III of the Request For Proposal.

It is understood by the Parties that the ownership of all the information and documents being provide to the OC under this Contract shall, throughout the Term of the Contract, remain with the respective Corporation and is not intended to be transferred or being transferred by this Contract.

- (e) The Corporations shall ensure that the Corporation Employees are deputed to the OC within the Demonstration Zones on the Initial Takeover Date as set out in Schedule 19. The Corporation shall, during the period of deputation, continue to pay to all Corporation Employees the salary, allowances and all employee benefits that the Corporation Employees are entitled to; and
- (f) The Corporation shall commence handing over of the management and operations of the Demonstration Zones to the OC preferably on the Initial Takeover Date or as soon as practicable thereafter so as to ensure that the entire operation and management of the Demonstration Zone is handed over to the OC within the Preparatory Period B.

SCHEDULE 12
OC - Operation and Management Period Obligations

- I During the Operation and Management Period, the OC shall undertake operations, maintenance and management of the Demonstration Zone in accordance with the service levels stipulated as part of Performance Targets. This includes but is not limited to:
- a. providing infrastructure and operational data on the supply system and distribution networks in each of the Demonstration Zone(s) prior and during the contract period addressing but not limited to the following:
 - i. service levels
 - ii. state of assets
 - iii. improvements made (physical)
 - iv. investments made
 - v. operational issues relating to customer service, billing, employee management, asset maintenance, record maintenance, connections and disconnections, Corporations interface etc.
 - vi. systems and procedures
 - vii. training imparted
 - b. Monitoring the service levels and reporting to the Corporations, the KUIDFC and the Technical Auditor.
 - c. Documentation of all the activities and lessons learnt in the Demonstration Zones.

II. Information Assistance

If and as required, the OC will provide assistance to the KUIDFC or agencies/advisors nominated by it in the following:

- a. design and implementation of remedial works outside the Demonstration Zone boundary for removing any impediments in ensuring the required continuous bulk water supply to Demonstration Zones
- b. identification and removal of any critical bottlenecks on the rest of distribution system to improve the overall supply regime in the city.
- c. liase with the KUWSDB or other agencies, in any interface in the construction and/or operation of projects under the Capital Works.
- d. assist in design of scaling up the improvement plan for the entire city / town in a future appropriate contractual framework

III. The OC shall have the performance obligations during the Operation and Management Period:

- (a) The OC shall achieve the Performance Targets set out for the Operation and Management Period in terms of the Final Operation and Management Plan approved by the KUIDFC.
- (b) The OC shall provide to KUIDFC within one week of expiry of every 52 week period from the Effective Date, a report on infrastructure and operational data of each of the Demonstration Zone's networks, as operated, as well as project design statistics and construction cost data and the data on customers, assets, and all relevant items of Service;

- (c) The OC shall maintain distribution system's Facilities, operation and maintenance to best international standards, including a systematic approach to managing and controlling leakages and pressure;
- (e) The OC shall provide to the KUIDFC, separately for each Demonstration Zone, a report on the project operational data ("**Project Operational Data**"), including technical and cost data, , in relation to the period of twelve weeks commencing from the Final Takeover Date and for every subsequent period of twelve weeks commencing from expiry of the previous twelve week period. The last report on Project Operational Data should represent the period from expiry of the previous twelve-week period to the expiry of the Contract. Every report on Project Operational Data shall include description of service levels, state of Facilities, physical improvements carried and consequent investments made, operational issues including customer service, billing, management of Corporation Employees, maintenance of records, connections and disconnections, interface with the Corporations and training imparted to the Corporation Employees during the period of the report.
- (f) The OC shall provide to KUIDFC, separately for each Demonstration Zone, Monthly Progress Reports from the Final Takeover Date till the expiry of the Contract, provided that the last Progress Report may represent a period lesser than a month.
- (g) The OC shall provide to the KUIDFC, separately for each Demonstration Zone, a Final Report on the completion of the operations in such Demonstration Zone including infrastructure and operational data on the supply system and distribution networks in each of the Demonstration Zones, as operated under the Continuous Pressured Water Supply regime, and any eventual updating needed of project design statistics and construction cost data as well as project design statistics developed in the course of the Contract to assist the Government in preparation of future management contract for the Corporations.
- (h) The OC shall continuously log pressure readings at all 5 additional pressure-metering points installed at Critical Zone Points on the distribution network within each Demonstration Zone as approved by the KUIDFC for each Demonstration Zone on suggestion by the OC, including a point where pressure is routinely experienced at the minimum level in each Demonstration Zone and to measure and monitor Continuous Pressured Water Supply on a daily basis in accordance with the procedure set out in "Managing Leakage, Volume G, Appendix D, section D.1.2, published by WRc, UK, October 1994 ISBN: 1 898920 12 5 and log the same in the computer system and provide the pressure readings to KUIDFC and the Technical Auditor every week.
- (i) The OC shall maintain throughout the distribution network within each Demonstration Zone the quality of water at the same level as the quality of Bulk Water supplied to the OC for such Demonstration Zone. The OC shall also monitor the quality of the water throughout each Distribution Zone and in this regard take two spot samples of the water supplied to each Demonstration Zone at the bulk supply meter chamber on entrance to the Distribution Zone and at the Critical Zone Points, where minimum zone pressure is measured. These samples are to be taken 2 times per week throughout the Operation and Management Period. One of the samples should be analysed on site for chlorine residual. The other sample, taken in accordance with the sterile requirements for bacterial analysis, shall be analysed at a laboratory approved by the KUIDFC in consultation with the Corporations for Total Coliform and E. Coliform bacteria. A representative of the Technical Auditor will be present at the sampling and the sample for bacterial analysis should be divided in two for separate

analysis at different approved laboratories, one portion for the OC and the other for the Technical Auditor.

- (j) The OC shall undertake emergency chlorination measures shall be undertaken in times of outbreak of epidemics and any such emergency situations.
- (k) The OC shall ensure and shall as far as practicable actively deploy at work all the Corporation Employees deputed to it.
- (l) The OC shall monitor whether the introduction of Continuous Pressured Water Supply to the Demonstration Zones creates any negative effects, damage to the local environment or increased risk to the health of residents, particularly in respect to eventual increases in wastewater volumes and brings any negative effects to the attention of the Corporations concerned and of the KUIDFC.
- (m) The OC shall provide to KUIDFC in writing every four week during the Operation and Management Period, a report on the Customer complaints received and addressed by the OC during the period of such report.
- (n) The OC shall design and implement remedial works outside the Distribution Zone to remove any impediments in ensuring the required Bulk Water supply to the Distribution Zones and to identify and design improvements to overcome "bottlenecks" as well as ad-hoc, low-cost system improvements.
- (o) The OC shall liase with the KUIDFC wherever there may be an interface with the construction and/or operation of priority investments and shall assist with data and experience to design the improvement plan for the entire Demonstration Area.

SCHEDULE 13
KUIDFC - Operation and Management Period Obligations

During the Operation and Management Period, the KUIDFC shall have the following obligations:

- (a) be responsible for the overall Project management including decisions regarding achievement/non-achievement of performance obligations by the OC and release of payments;
- (b) supervise payments to the OC, all consultants and Sub-Contractors ;
- (c) manage the project roles and responsibilities, interfaces and resolution of problems arising out of them using appropriate level(s) of interface
- (d) manage and disperse the investment component of the Project;
- (e) disburse OC Remuneration and Bonus, as payable.

SCHEDULE 14
Board - Operation and Management Period Obligations

During the Operation and Management Period, the Board shall have the following obligations:

- (a) To manage, operate & maintain Bulk Water supplies in Hubli-Dharwad, Belgaum and Gulbarga in accordance with Schedule 1 of the Contract;
- (b) To assist the OC in "retail" aspects of supply in Hubli-Dharwad;
- (c) To assist the Corporation in Hubli-Dharwad in complying with all its obligations in respect to support and assistance provided to the OC.
- (d) Collection of water bills/arrears and disconnections in case of non-payment beyond the notice period
- (e) Receive requests for approvals for new connections.

SCHEDULE 15
Corporations - Operation and Management Period Obligations

During the Operation and Management Period, every Corporation shall have the following obligations, as applicable:

- (a) provide the OC with assistance as is necessary in procuring access to:
 - (i) the Facilities within the Demonstration Zone; and
 - (ii) the Central Storage Facility;
- (b) provide the OC with the permission to repair or replace the Facilities, which the OC is responsible for, and the right to lay new water mains on behalf of the Corporation, including the right of way to carry out the Services;
- (c) depute the Corporations Employees to the OC and to facilitate such deputation as directed by KUIDFC;
- (d) in respect of the Corporations of Gulbarga and Hubli-Dharwad, ensure in conjunction with Board, that the OC gets Bulk Water;
- (e) Manage all aspects of customer interface outside the Demonstration Zones and together with OC within the Demonstration Zones;
- (f) Collection of water bills/arrears and disconnections in case of non-payment beyond the notice period.
- (g) Receive requests for approvals for new connections.

SCHEDULE 16
OC – General Obligations

In addition to its specific obligations under the Preparatory Period B and the Operation and Management Period of the Contract, the OC shall have the following general obligations as they may be applicable during the term of the Contract:

- (a) The OC shall perform the Services in accordance with this Contract, and carry out its obligations with all due diligence, efficiency, and economy, in accordance with generally accepted professional techniques and practices, and shall observe sound management practices, and employ appropriate advanced technology and safe methods. The OC shall always act, in respect of any matter relating to this Contract or to the Services, as faithful advisers to the KUIDFC, and shall at all times support and safeguard the KUIDFC's legitimate interests in any dealings with sub-contractors or third parties.
- (b) Day-to-day management and operation of the distribution system within the Demonstration Zone including establishment of a customer service centre in each zone which will carry out the functions of customer billing and collection as well as manage customer relations, support and complaints for a period of 2 years from the Final Takeover Date in coordination with each Corporation and their agents for those operations, where appropriate.
- (c) The OC shall carry on basic plumbing and shall replace, with the approval of the Corporation, illegal property water connections with legal connections where the property owner accepts the option to legitimise the connection, and if the property owner does not so opt to legitimise the connection, to facilitate disconnection of such illegal connections by the Corporation.
- (d) The OC shall train the Corporation Employees and ensure that the utilisation of local staff is maximised in the performance of this Contract by the OC.
- (e) The OC shall train such number of the local management and staff of the Corporations during the last six months of the Operation and Management Period as may be specified by the KUIDFC. In imparting the training the OC shall ensure transfer of skill and technology to the OC and sustainability of the Continuous Pressured Water Supply in the Demonstration Zones beyond completion of the Contract.
- (f) The OC shall be responsible for maintaining all OC Permits to perform the Services throughout the Term.
- (g) The OC shall ensure that all materials and workmanship used in the course of the Contract shall be in accordance with the standard specifications used by the Board, or in absence of and appropriate Board specification, in accordance with the Indian National Standards.
- (h) The OC is aware of the communications programme that has been designed by separate consultants to inform the general public, commerce, industry, the municipal administration and local council politicians about the content, rationale, objectives and content of the Demonstration Project ("**Communications Program**"). The OC will be expected to co-operate with Government and the Corporations in the implementation of the Communications

Program to foster ownership of the Demonstration Project by the local stakeholders and encourage their support for the work. The OC shall disseminate to the customers within each Demonstration Zone the communication materials prepared by the Communications Program consultant through their inclusion with water ` and their availability at the Customer Service Centres established in each Demonstration Zone. The OC shall do nothing that would hinder the work of those involved in implementing the Communications Program.

- (i) The OC shall replace or install Customer metering on all points of Customer supply and regularly calibrate all the meters installed in the demonstration Zones for accurate readings to avoid underestimation of non-revenue water;
- (j) The OC shall supply water to properties presently unconnected to the distribution network in each Demonstration Zone as agreed with the respective Corporation and the KUIDFC, including extension of the distribution system within the Demonstration Zone as needed to satisfy this requirement under instructions from the Corporation or Board;
- (k) The OC shall achieve the Performance Target relating to physical losses by using a combination of different measures including, but not limited to, the following:
 - (i) Control of pressure in the system, while meeting the minimum zone pressure requirement, by a combination of pressure control and the laying of alternative network feeder, concrete pipes within the Demonstration Zones.
 - (ii) Detection, location and repair of leaks on the distribution networks using good quality pipe clamps.
 - (iii) The OC will use their experience and diagnostic analysis of the system to determine the most cost-effective measures to achieve the Performance Targets during the Preparatory Period B and the Operation and Management Period.
- (l) The OC shall permit the Technical Auditor to conduct an annual audit and to constantly review the performance of the OC under the Contract from the Initial Takeover Date till the Expiry Date, and shall fully cooperate with the Technical Auditor in the conduct of audit and review exercises and checks as may be required under this Contract and shall immediately provide all requested information to the Technical Auditor;
- (m) The OC shall also permit the auditors appointed and/or authorised by the [World Bank] to conduct time to time audit of accounts and records of the OC relating to performance of the OC under the Contract after the Initial Takeover Date subject to receipt of prior written intimation from the KUIDFC in this regard and shall fully cooperate with such auditors in the conduct of audit and review exercises and checks and shall provide all requested information to the auditors;
- (n) The OC shall on a periodic basis update the plan of the distribution system within each Demonstration Zone at a scale of 1:2500 . The plan should show the inlet chamber, the boundary valves, the distribution system location in plan (providing diameter, material and approximate depth data) and list of every stand-post and property connected to the public water distribution network.

- (o) Neither the OC nor its employees shall engage, either directly or indirectly, in any of the following activities:
 - (i) during the term of this Contract, any business or professional activities in the India which would conflict with the activities assigned to them under this Contract;
 - (ii) after the termination of this Contract, such other activities as may be specified by the KUIDFC.

- (p) The instructions in the bills generate by the OC should indicate that the Customer must make the payment directly to the Corporation and that the Customer should treat the bill as 2 week's notice of disconnection, if payment is not made by the due date.

SCHEDULE 17
Terms of Reference – Technical Auditor

**KARNATAKA URBAN WATER SECTOR IMPROVEMENT
PROJECT PHASE – I**

Selection of Technical Auditor for Monitoring of
Services in Selected Demonstration Zones and
Priority Investments In Belgaum, Gulbarga and
Hubli – Dharwad Municipal Corporations

Terms of Reference

September 2004



**Karnataka Urban Infrastructure Development and Finance Corporation
Bangalore – 560 027, India**

1. Introduction

- 1.1 Government of Karnataka (GoK) with assistance from the World Bank has launched the urban water supply and sanitation sector reform process through Karnataka Urban Water Sector Improvement Project (KUWASIP), to bring initial improvements in water supply in three Urban Local Bodies (ULBs) viz., Gulbarga, Belgaum and the twin cities of Hubli and Dharwad (hereinafter referred to as ‘the Project’).
- 1.2 Karnataka Urban Water Supply and Drainage Board (KUWSDB) will carryout Priority Investments to improve bulk water supply to these three ULBs. KUWSDB shall appoint suitable Contractors³ (hereinafter referred to as Contractors) to carry out the same.
- 1.3 An Operator-Consultant (OC) shall be appointed⁴ by GoK to carry out the necessary planning, assisting the ULBs in procuring works necessary for implementing the improvements for a continuous pressurised supply, operating and maintaining the system to desired parameters over the period of 3 years.
- 1.4 The principal objectives of KUWASIP are as follows:
 - a. to launch urban water supply reforms at GoK and ULB levels;
 - b. to provide all cities and towns eventually associated with the KUWSIP with an adequate, continuous supply of safe and wholesome water through a distribution system which is pressurised to a progressively improving standard, consistent with good international practice;
 - c. to monitor whether on-site and wastewater systems are able to cope with the demands placed upon them by improved water supply;
 - d. to upgrade the management of water service in these same towns and cities to a standard that produces an efficient and effective service to a level which satisfies customers of the service, consistent with their willingness to pay;
 - e. to ensure that the water service to each city or town, or groups of cities and towns, is financially self sufficient, including the costs of routine system replacement and extensions to the system and increases in bulk supply, debt servicing and all routine water service operations;
 - f. to rationalise and reorganise the institutional and regulatory structures to effectively manage, monitor and regulate all aspects of the water service
 - g. result in significant, demonstrable improvements to the water service in each of the ULBs
 - h. demonstrate that a continuous, pressurized supply of water (24 hours, 7 days a week) is achievable;

³ Contracts entered into by KUWSDB with Sub-Contractors shall be referred to as “PI Contracts”

⁴ The contract among KUIDFC, ULBs, KUWSDB and the OC for implementing the Project shall be referred to as “OC Contract”

- i. increase the bulk supply reaching the distribution system of each ULB, thereby countering any additional usage in the 5 Demonstration Zones and benefiting all citizens; and
- j. generate the balance of the data needed for formulation of the full private sector participation contract, for the whole of each of the ULBs, adequately supplementing limited data which already exists.

1.5 The objectives of the Demonstration Project are:

- a. to better understand the nature, extent and cost of works needed within each ULB to upgrade its water service to continuous, pressurised system operation;
- b. to demonstrate to all stakeholders, by concentrating on a small Demonstration Zone within each ULB supply area, that 24-hour, continuous water supply is achievable and to monitor the tangible benefits - health, technical, operational and commercial - to be derived from this type of supply;
- c. to establish, within the chosen Demonstration Zone, a customer billing, collection and support service and to provide an improved, continuous (i.e. 24 hours per day, 7 days a week throughout the year) water supply service for a period of 2 years;
- d. to monitor the situations within the small zones pre- and post-investment, in order to attempt to quantify the social and economic effects and other benefits resulting from the demonstration projects e.g. reduction in water-related disease; leakage reduction; improved basis for billing usage;
- e. to monitor whether the introduction of 24/7 supply to the Demonstration Zones creates any negative effects, damage to the local environment or increased risk to the health of residents, particularly in respect to eventual increases in wastewater volumes.

1.6 The objectives of Priority Investments are:

- a. to increase the volume of bulk water supplied to each of the ULBs and to optimise the O&M expenses, to the benefit of all of their citizens, by means of selected replacements or improvements to bulk water supply infrastructure, principally directed at reducing leakage from transmission systems;
- b. to demonstrate these increases in bulk supply through installation of appropriately-located, accurate bulk supply meters;
- c. to establish, in as short a time as practical, the credibility of the Project with the citizens.

1.7 The scope of work of OC, performance targets, timelines and other relevant information are provided in the Annexure to this ToR.

1.8 KUIDFC intends to procure the services of a Technical Auditor ("TA") to act as a quality assurance consultant with respect to monitoring quality and performance compliance of the works carried out under the Project.

2. Role of the Technical Auditor

The TA is expected to play a positive and independent role in discharging its functions, thereby facilitating the smooth implementation and operation of the Project. Although not limited to the following, the principal responsibilities of the TA will be to:

- (a) independently review, monitor works carried out under the Project, associated with the design, construction, operation and maintenance, to ensure quality and performance compliance by the respective implementing agencies;
- (b) report to KUIDFC on the various quality related aspects of the Project based on inspections, site visits and tests; and
- (c) review matters related to safety and environment management measures adopted by OC and Contractors for the Project.

3. Scope of Services

The services to be provided by the TA are listed below. In addition, the scope of services would also include such other functions as are required to be undertaken as would in normal course be associated with TA.

3.1 General Scope of Services:

3.1.1 The TA would provide its services in accordance with Good Industry Practice. For this purpose the TA shall undertake, inter alia, the following activities and where appropriate make suitable suggestions:

- (a) Review of the following submitted by the OC and Contractors :
 - (i) Quality Assurance Plan;
 - (ii) Implementation Plan;
- (b) Act on the KUIDFC's behalf as the KUIDFC's representative regarding all contact with the OC and Contractors unless expressly indicated otherwise;
- (c) Designate tests on materials and/or equipment used by the OC⁵;
- (d) Review and approve test results and materials and/or equipment used by OC in the Project;
- (e) Interpret the requirements of the OC Contract and PI Contracts and make decisions regarding performance of the OC and Contractors . The TA shall inform and advise the KUIDFC in a timely manner all matters relating to the quality and performance standards of the Project;

⁵ KUWSDB shall put in place a third party inspection of materials & equipment for Contractors.

- (f) Identify and report work which fails to comply with the specifications and requirements of the OC Contract and PI Contracts. Whenever considered necessary or advisable to ensure correction of defective work, the TA may require inspection or testing of such work, whether or not such work be then fabricated, installed, or completed;
- (g) Review, approve or disapprove drawings, samples, and other submissions of the OC and Contractors to determine compliance and conformance with the requirements of the OC Contract and PI Contracts;
- (h) Address issues relating to specific site conditions, design modifications.

3.1.2 The TA shall attend regular meetings (“Project Review Meetings” or “PRMs”) with KUIDFC, KUWSDB, ULBs, OC and Contractors, to be held at least once a month during the Project Period to report on progress and quality of work performed by the OC and Contractors and to discuss problems or other pertinent matters relating to the work. The TA shall take notes at the meetings and provide a copy of the PRM minutes to each stakeholder who attended the meeting.

3.1.3 TA shall constantly assess, monitor and review the achievement of Performance Targets as per the OC Contract and PI Contracts.

Part A: Tasks related to monitoring of works under Priority Investments

3.2 Monitoring of Priority Investments

3.2.1 Monitor and supervise works carried out by Contractors including pumping machinery and pipeline works

3.2.2 Supervise and report to KUIDFC on various tests carried out by Contractors including hydraulic tests and leak tests

3.2.3 Prescribe tests as required and review quality assessment plan

3.2.4 Constantly assess, monitor and report the achievement of objectives of the Priority Investments

Part B: Tasks related to monitoring of services by OC

3.3 Implementation Period – Design and Planning

3.3.1 Review and suggest modifications, if required, the Investment Program submitted by the OC and assess suitability (design, technical, physical and financial) of the same for meeting the Performance Targets. As part of the same, TA shall review, with respect to the physical, technical and financial aspects, the following:

- (a) Overall strategy of OC including management and operation
 - (b) Capital Projects comprising infrastructure improvement works and other capital works
 - (c) Estimated Investment Amount required by OC for Capital Projects
 - (d) Resource Requirements
- 3.3.2 Ensure that all design work fully complies with all Applicable Laws
- 3.3.3 Review the hydraulic model of the distribution system developed by OC
- 3.3.4 In case of modification to the Investment Program, TA shall assist KUIDFC in finalising the same with the OC. Such comments shall be given by the TA within 2 weeks receipts if of receipt of the Investment Program.
- 3.3.5 Assist KUIDFC, in consultation with OC, in locating the Critical Zone Points in the distribution network within each Demonstration Zones for installation of magnetic flow meters.
- 3.3.6 Set out a mechanism in consultation with KUIDFC and OC for assessment of Performance Targets. TA shall also advise the KUIDFC regarding the procedure and manner for constant monitoring of achievement of the Performance Targets by the OC during the Implementation Period as well as the O&M Period.
- 3.4 Implementation Period – Construction Inspection and General Services**
- 3.4.1 Review the documentation prepared by the OC for tendering and procuring the Capital Projects with respect to its compliance with the required quality of materials, workmanship and equipment and with the standard procurement guidelines of the World Bank
- 3.4.2 Review the hydraulic isolation of the Demonstration Zones and installation of boundary gate valves
- 3.4.3 Supervise, review and report progress on implementation of Capital Projects
- 3.4.4 Assess the validity of any adjustments, cost overruns to the nature and value of works proposed by the OC for achieving the required Performance Targets in any of the Demonstration Zones and to assist the KUIDFC in arriving at adjustments to the OC Contract in this respect, acceptable to both the KUIDFC and the OC;
- 3.4.5 Advise KUIDFC regarding the failure of the OC in achievement of any Performance Target(s) or inconsistencies, if any, noticed between the Investment Programme and its implementation by the OC. TA shall carry out random checks at the Critical Zone Points and at any Customer premises to verify the reasonableness of achievement of Performance Targets by the OC during the Implementation Period.

3.4.6 When requested by KUIDFC, scrutinise invoices raised by OC for works done under Capital Projects

3.4.7 Assist KUIDFC in issuing certificate of commencement

3.5 Operations and Management Period

3.5.1 During this period the TA would monitor, in accordance with Good Industry Practice, the operations and maintenance activities undertaken by the OC so as to ensure compliance with the OC Contract. The specific activities to be undertaken would include the following:

- (a) Assist KUIDFC in reviewing the plan of distribution system within each Demonstration Zone
- (b) Inspect and review the hydraulic isolation of each Demonstration Zone and all other obligations of OC set out in the OC Contract
- (c) Review, assess and report to KUIDFC, any cost overruns indicated by OC.
- (d) Advise KUIDFC regarding the failure of the OC in achievement of any Performance Target(s) or inconsistencies, if any, noticed between the Operation and Management Plan and its implementation by the OC.
- (e) Monitor, assess and report achievement of obligations of stakeholders as per the OC Contract
- (f) Review report submitted by OC on infrastructure and operational data of each of the Demonstration Zones
- (g) Review report on Project Operational Data submitted by OC
- (h) In addition to the daily responsibilities, conduct a general inspection of the Demonstration Zones at least once a month and as and when exigencies require to ascertain conformity with Capital Projects;
- (i) Review the O&M Plans submitted by the OC from time to time and assist the OC in finalising the same. The TA shall consult KUIDFC prior to finalisation of the O&M Plans;
- (j) Periodically review the O&M Manual for adequacy
- (k) Review Montly Progress Reports and Final Report submitted by OC
- (l) Conduct the Annual Audit and review of performance of OC
- (m) Monitor overall quality of Operation and Maintenance activities (including maintenance of Demonstration Zones and Priority Investments and equipment,

standards of service, safety and environmental issues) so as to ensure compliance by the OC with the O&M Plan;

- (n) Undertake a quarterly review of the various records and registers to be maintained by the OC and suggest suitable remedial measures/ procedures, where necessary.

3.5.2 The TA shall prepare and submit to KUIDFC, Monthly Project Reports including the following:

- (a) Report on Tests
- (b) Report on notices issued
- (c) Issues, if any, with regard to the works along with the details of the action taken for the resolution of the same;
- (d) Photographic record of progress of works over the previous tenure.

3.5.3 Carry out spot-checks on the quality of the works undertaken by the OC and the OC's sub-contractors in the implementation of Investment Programme and during the routine maintenance of the distribution system in the Demonstration Zones; check that the works invoiced by the OC's contractors – as submitted by the OC to the KUIDFC for payment - have been satisfactorily completed, on the basis of which KUIDFC will make available funds to the OC; monitor compliance with performance targets to determine eligibility for progress payments to be made to the OC and any eventual bonus payments or deductions of penalties

3.5.4 Carry out random checks at the Critical Zone Points and at any Customer premises to verify the reasonableness of achievement of Performance Targets by the OC during the Operation and Management Period.

3.5.5 Set out a mechanism for satisfactory hand back of the Project facilities to KUIDFC and respective ULBs. TA shall monitor the transfer of the Project facilities including any necessary testing and inspections and ensure that the facilities transferred are as per the provisions of OC Contract.

3.5.6 Present, by itself or through its representative, twice weekly throughout the Operation and Management Period at the time of collection of the sample of the water by the OC for purposes of Total Coliform and E. Coliform bacteria analysis at a laboratory approved by the KUIDFC and the Corporations, and to arrange for the required analysis

3.6 Meetings, Records and Reporting

3.6.1 Reporting requirements:

Monthly Progress Reports	5 copies
Quarterly and Periodic Reports	5 copies

Final Completion Report at end of Implementation Period	5 copies with Compact Disc
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- 3.6.2 In addition to attending the meetings hereinabove mentioned, the TA shall also participate in emergency or extra-ordinary meetings of the Parties held to deal with any Force Majeure Event or other exigencies.
- 3.6.3 The TA shall prepare and submit to KUIDFC, Progress Reports in the schedule mentioned above of Project which shall include:
- (a) Construction schedule for the succeeding week;
 - (i) Report on Tests
 - (ii) Report on notices issued
 - (b) Issues, if any, with regard to the works along with the details of the action taken for the resolution of the same;
 - (c) Photographic record of progress of works over the previous week.
- 3.6.4 The TA shall, in the ordinary course, maintain record of the activities undertaken by it in discharge of its functions and responsibilities.

This would include records in respect of the following:

- (i) Manpower deployed and other organisational arrangements of the TA;
 - (ii) Reviews of documents submitted to it by the OC to implement Capital Projects, such as manuals, Drawings, As Built drawings, schedules, plans and reports;
 - (iii) Inspections undertaken and notices/ instructions issued to the OC;
 - (iv) Review of compliance with OC Contract and PI Contracts;
 - (v) Tests;
 - (vi) Payment of Bonuses/ Deduction of Penalties
 - (vii) Force Majeure Events;
 - (viii) Breaches and defaults by the Parties; and
- (a) Report on Handback Requirements, and compliance of the same by the OC.
 - (b) Any other report as may be reasonably required by KUIDFC or as may be necessary to give effect to the provisions of the Agreement.

3.7 Duration

The appointment of TA shall be for a period of three years from award, and may be extended by KUIDFC on mutually agreeable terms. The tenure is proposed to concurrent with that of OC. The assistance for monitoring of Priority Investments is expected for a period of 18 (eighteen) months.

3.8 Technical Auditor Team and Skill Requirement

It is envisaged that the prospective Technical Auditor will deploy skills internally or procure them from outside experts.

Team Leader – The Team Leader shall at least be a Civil Engineer with 15 years of experience and should be well-versed with supervision of water supply contracts. The Team Leader shall have experience on projects financed by multilateral and international agencies with capability to handle environmentally sound construction methods. The Team Leader shall have suitable experience in handling design and performance monitoring of network systems.

Civil Engineers - The Civil Engineer (for assessing the quality and performance targets in 3 ULBs) shall at least be a Civil Engineer with 10 years of experience in construction management and quality assurance. The Civil Engineer is expected to be familiar with various standards / specifications, contract procedures, design and quality controls.

Junior Engineer – The Junior Engineer shall at least be an engineer and shall be familiar with documentation and reporting tools.

Support Staff – Field Engineers, Surveyors, Lab Technicians, Site Supervisors, Quality Control Engineers and Administrative Staff, as applicable.

The team shall also draw upon specific experience in carrying out its activities from sectoral experts, as applicable.

SCHEDULE 18

OC REMUNERATION AND BONUS

1. **OC Remuneration**

The OC Remuneration would comprise two components, viz. Fixed Remuneration and Performance Remuneration, as follows:

- (a) Fixed Remuneration equal to 50% of the OC Remuneration amounting to Rs. [___] [*Note: insert amount*]; and
- (b) Performance Remuneration equal to 50% of the OC Remuneration amounting to Rs. [___] [*Note: insert amount*].

1.1 **Fixed Remuneration**

The Fixed Remuneration shall be paid to the OC in 12 equal quarterly instalments. The first quarterly payment would be paid within 10 days of signing of Contract, and the final (12th) quarterly payment would be made within 10 days of the end of 33rd month from the date of signing of the Contract.

1.2 **Performance Remuneration**

- a. The Performance Remuneration shall be paid to the OC as stated below:

(All figures are indicated as a percentage to the OC Remuneration)

Item <i>Milestone</i>	Elapsed Time			
	<i>12 months from the Effective Date</i>	<i>12 months from the Final Takeover Date</i>	<i>18 months from the Final Takeover Date</i>	<i>24 months from the Final Takeover Date</i>
On achievement of implementation period targets	15			
Demonstration of continuous supply, subject to specified limit on emergency stoppages during the operations period		5	5	5
Achieving targets relating to real losses		5		5
Maintaining minimum pressure at critical zone points		2.5		2.5
Meeting customer service targets		2.5		2.5

- b. 10% on all payments of Fixed Remuneration and Performance Remuneration would be retained as retention money ("**Retention Money**") and would be released on meeting all the contractual obligations, unless otherwise specified in the Contract.

2 Bonus for higher performance

The OC would be paid a Bonus on achieving higher performance better than the mandatory performance targets in improving the service provision. The maximum permissible Bonus will be 25% of the OC Remuneration.

The Bonus relating to the three components would be paid at the end of the contract period as per the following schedule:

S.No.	Component	Target	Percentage of Bonus
1.	Savings in total expenditure (as a % of estimated investments – stated in Section 4)	Upto 25 % ⁶	15%
		> 25%	40%
2.	Real losses reduction (l/connection/day/metre pressure)	Between 20 - 15	20%
		< 15	30%
3.	Percentage increase in billed volume to the base volume of bulk supplied water ⁷	Upto 25% increase	12%
		> 25%	30%

⁶ 25%

⁷ Base quantum of water is the cumulative absolute quantum of water being supplied at inlet of all DZs measured on completion of implementation period. Billed volume is cumulative quantum of water billed for property connections

SCHEDULE 19
Corporation Employees for Deputation

Sl. No.	Category of Staff	Name of the Cities		
		Hubli-Dharwad	Belgaum	Gulbarga
1	Assistant Engineer / Junior Engineer	2	1	1
2.	Work Inspector	2	1	1
3.	Valve men	4	4	3
4.	Fitters	2	1	1
5.	Clerk	2	1	1
6.	Bill Collector	2	1	1
	Total	14	9	8

TOTAL - 31

PART III: PROJECT INFORMATION MEMORANDUM

The bidders shall collect and review all available reports and information provided below about the participating ULBs and DZs. The information collated, analyzed and presented in these reports is for information only. KUIDFC or any of participating ULBs or their employees or advisors make no representation or warranty and shall incur no liability under any law, statute, rules or regulations as to the accuracy, reliability or completeness of the same.

General

Karnataka Urban Water Supply and Sanitation Sector Improvement Project – Demonstration Projects and Priority Investments – Final Report. Bristol Water Services. UK. The World Bank. June 2003

Belgaum

Remodelling of Water Distribution Network and Design of Underground Drainage Scheme for Belgaum City – Summary - City Corporation of Belgaum – September 2002

Remodelling of Water Distribution Network and Design of Underground Drainage Scheme for Belgaum City – Kirloskar Consultants Limited, Pune – July 2001

Basic Data Collection for Water Supply and Waste Water Systems - Karnataka Water and Urban Management Project – KUIDFC - TCE Consultants – 2000

Gulbarga

Gulbarga – Existing Situation Report - Karnataka Water and Urban Management Project – KUIDFC – TCE Consultants – December 2000

Remodelling of Water Distribution System for Gulbarga City – STUP Consultants Ltd – 2002?

Hubli-Dharwad

Hubli-Dharwad – Existing Situation Report - Karnataka Water and Urban Management Project – KUIDFC – TCE Consultants – 2000

Summary of Proceedings of Seminar on Water Supply and Sanitation Problems of Hubli-Dharwad Twin Cities – Institution of Engineers (India) – Dharwad – 30 May 2001

Report on the Accounting System for Water Supply and Waste Water Systems – Hubli-Dharwad MC – KUIDFC – 2000

Rapid Social Assessment and Communication Strategy-Demonstration Projects and Priority Investments(in Belgaum, Gulbarga and Hubli-Dharwad)- Samaj Vikas Development Support Organization.