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Parties to the Contract:

- **The Client (NAME) : Nagpur Municipal Corporation**
- **The Contractor : To be selected**

Performance Objectives:

- **Service Improvement – From intermittent to continuous pressurised good quality water supply**
- **Full cost recovery – from 50% present level to 100% including capital costs in 7 years (by 2015)**
- **Customer Services – Effective and efficient customer services with set response times in technical and commercial services**

Type of Contract: Hybrid of a Lease and Management Contract

Duration of Contract: 15 years



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Rights, Duties, and Responsibilities of the Parties to the Contract

The Client:

Provides access to all infrastructure assets

Ensures water resource availability

Payments for energy and raw water

Provides 70% of capital

Ensures tariff reform commitments

Staff deployed under management

control

The Contractor: **Provides water supply services – technical, commercial, financial and human resources management**

Billing and collection of revenue

Operating costs financed

Performance efficiency as per the set standards

Provides 30% capital



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Performance Standards and Targets

Minimum Performance Standards that must be achieved by the Contractor:

- **Continuous pressurised water supply as per set standards of quality, pressure and interruptions**
- **Service coverage**
- **Billed volume/Production volume**
- **Collection ratio**
- **O&M cost recovery**
- **Customer services**

Penalties for Failure to Meet Minimum Performance Standards:

- **Committed tariff adjustments suitably delayed**
- **Proportionate liquidated damages based on weightages**



Performance Standards and Targets (Continued)

Performance Targets Tied to Incentives:

Type of Target	Relative Weightage	Year 1 Target	Year 3 Target	Critical issues
24X7 hour water supply with maximum one hour interruption in a month and 10m pressure at any critical point	20%	15000 connections	100000 connections	<ul style="list-style-type: none"> ▪ Contract management capability ▪ Timely policy sanctions
Billed Volume/production volume	20%	55%	75%	<ul style="list-style-type: none"> ▪ Consumer resistance ▪ Staff resistance
Billing efficiency	10%	70% customers meters read and bills delivered	100% customer meters read and bills delivered	<ul style="list-style-type: none"> ▪ Customer survey ▪ Illegal connections ▪ Consumer resistance
Collection ratio of consumption charges including arrears	5%	80%	99%	<ul style="list-style-type: none"> ▪ Debt management ▪ Disconnections
O&M Cost recovery	15%	80%	100%	<ul style="list-style-type: none"> ▪ Public standpipes ▪ Illegal connections
Service Coverage including urban poor	10%	85%	100%	<ul style="list-style-type: none"> ▪ Resource availability ▪ Limitation by development rules ▪ Involvement of multiple agencies
Water quality	10%	0.2ppm residual chlorine in all samples	Quality confirmed to WHO guidelines	<ul style="list-style-type: none"> ▪ Ageing assets ▪ Historical defects ▪ Tampering by illegal connections
Customer service	10%	Response in 48 hours and resolution in 7 working days	Response in 24 hours and resolution in 3 working days	<ul style="list-style-type: none"> ▪ Customer awareness ▪ Historical defects ▪ Staff orientation



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Performance Standards and Targets (Continued)

Performance Targets Tied to Incentives:



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Adjustments to the Contract (what are allowable adjustments; who makes them; and under what conditions?):

- **Tariff adjustments by Commissioner and General Body**
- **Operating cost adjustments due to extraordinary conditions by empowered committee**
- **Bad debts due to no fault of operator – NMC revenue recovery act**
- **Insufficient funding by NMC – tariff adjustments to be approved by General body**



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Standards for Conditions of Assets upon Expiration of the Contract:

- **The assets shall be in equal or better condition when compared to the state during handing over**
- **The assets should be performing at the standards to which they had been improved upon**
- **The over all condition shall be equivalent to that of a world class prudent operator**



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Management of the Contract

Responsible Party for Monitoring the Contract:

- **Commissioner, NMC is the employer**
- **Executive Engineer, water works is the engineer in charge**
- **Independent technical and financial auditor would monitor the performance**

Responsible Party for Enforcing the Contract:

- **Commissioner NMC**

Responsible Party for Resolution of Disputes:

- **Amicable mutual negotiation**
- **Dispute resolution committee**
- **Adjudicator**
- **Arbitration**



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Termination of the Contract (under what conditions can contract be terminated before it expires; and how are parties compensated for early termination?)

Termination by the Client:

- **Continuous default conditions by Operator**
- **Force majeure**
- **Political decision**

Termination by the Contractor:

- **Default by Client**
- **Staff non-cooperation**
- **Force majeure**



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Additional Terms (Optional for Country Teams):