



Municipal Corporation Shimla Greater Shimla Water Supply & Sewerage circle

REQUEST FOR EXPRESSIONS OF INTEREST [CONSULTING SERVICES – FIRMS SELECTION]

INDIA-Proposed Shimla Water Supply and Sewerage Project

**Greater Shimla Water Supply and Sewerage Circle, Shimla Municipal Corporation,
Government of Himachal Pradesh**

Project ID :P160862

Expression of Interest for Selection of Transaction Advisor for DBO Contracts for Bulk, Distribution System, and Sewerage Systems for the Shimla Water Supply and Sewerage Project

The Government of Himachal Pradesh has applied for financing from the World Bank toward the cost of the Proposed Shimla Water Supply and Sewerage Project [SWSSP] and intends to apply part of the proceeds for consulting services.

Draft Terms of Reference [TOR] of the consultancy services [“the Services”] is attached herewith.

The Greater Shimla Water Supply and Sewerage Circle now invites eligible consulting firms [“Consultants”] to indicate their interest in providing the Services. Interested Consultants should provide information demonstrating that they have the required qualifications and relevant experience to perform the Services. Minimum shortlisting requirements are:

[i] The firm should be in consulting business at least for the last 05 years (In case of JV all the members shall satisfy the requirement).

[ii] Average Annual Turnover of the Consultant from Consultancy Business of similar nature shall be at least 2.00 Million USD for last 3 years

[iii] Should have done water supply and sewerage projects for cities with population of at least 5.00 Lakhs (5,00,000).

[iv] Should have done minimum three projects in last three years with external funded agencies such as World Bank, Asian Development Bank, JICA etc..

The firm should have a track record of successfully completing similar assignments, at least two, during the previous seven years

The attention of interested Consultants is drawn to paragraph 3.14 of the World Bank's Procurement Regulations for Borrowers [July 2016] ["Procurement Regulations"], setting forth the World Bank's policy on conflict of interest.

Consultants may associate with other firms in the form of a joint venture or a sub-consultancy to enhance their qualifications. Please clearly state the nature of association while submitting your Expression of Interest.

A Consultant will be selected in accordance with the QCBS method set out in the Procurement Regulations.

Further information can be obtained at the address below during office hours, i.e., 10:00AM to 5:00 PM on all working days.

Expressions of Interest with all relevant information and documents must be uploaded online on e-procurement website <http://www.shimlamc.org> and subscribed as "Transaction Advisor for DBO Contracts for Bulk, Distribution System, and Sewerage Systems for the Shimla Water Supply and Sewerage Project for Proposed Shimla Water Supply and Sewerage Project up to 15:00 hours (IST) on 25 March, 2017. Besides the hard copy in a closed envelope containing all relevant documents/information can be submitted/ delivered to the address mentioned below by not later than the date and time specified above. In the event, this last date being declared as holiday by the State Government, due date for submission of above EoI will be the next working day up till the same appointed time.

Expressions of interest must be delivered to the address below [in person, or by mail, or by fax, or by e-mail] latest by *3:00PM on March 25, 2017*.

Er. Rajesh Kashyap
Executive Engineer
Water Supply Division
Greater Shimla Water Supply and Sewerage Circle
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Draft Terms of Reference for Transaction Advisory Services for MCS

Project Background

The Municipal Corporation Shimla (**MCS**), with the support of the Government of Himachal Pradesh, seeks a Transaction Advisor to assist it in attracting an experienced operator to implement the 24x7 water supply, NRW reduction, efficiency and quality of water and sanitation service provision in Shimla. The Project will support large complex urban water supply and sewerage projects including technical, economic and financial feasibility assessment, legal documentation and financial transaction advisory work for the Shimla Water Supply.

The proposed project would support a common WSS program for Greater Shimla Area comprising GoHP, Gol AMRUT, and World Bank financing. The Shimla Water Supply and Sewerage Project (SHWSSP) will support the augmentation, rehabilitation and extension of the WSS system to meet the growing needs of Greater Shimla Area, aiming at universal coverage with 24/7 metered supply, NRW reduction program for addressing physical and financial losses, including computerized customer database, billing and collection systems, grievance redressal systems, etc. The project would also support on-site and off-site sanitation, including increasing house sewerage connections and fecal sludge management, rehabilitation and extension of sewer network and the rehabilitation/optimization of the STPs. The infrastructure activities will be supported by an institutional development program to build capacity of and shape the institutional structure of the recently created GSWSSC, Shimla. A result based approach will be considered during project preparation.

Phase I – Due Diligence

The scope of Transaction Advisor assignment will be to build from the World Bank study dated August 2016 to February 2017 (the World Bank Study) and other existing data provided by MCS, supplement this information with any additional technical, legal, environmental and social, and financial analysis necessary to develop the most appropriate bidding strategy. This will include drafting the contract agreement and associated tender documents. The scope of work also envisages providing the necessary support to MCS in the selection and negotiation (up to financial close) of an experienced operator.

Transaction Advisor will undertake a due diligence assessment of the current operations, investment requirements, institutional organization and legal framework of water and sewerage operations carried under MCS. More precisely, this will include, technical and financial analysis, modeling, environmental and social due diligence towards developing a recommended transaction structure, building on the contract approach and Term Sheet set out in the World Bank Study, to be discussed and approved by MCS and appropriate GoHP authorities. The Transaction Advisor will also retain the services of a communication specialist that will assist in communicating with all stakeholders through the project preparation cycle.

1. Technical, Economic, Social and Environmental

The Transaction Advisor shall carryout technical, economic and social and environmental due diligence, which shall include, without limitation:

- 1.1. **Review any background studies:** Review studies related to the performance of MCS, its strategy, organization audits, existing technical assistance studies, investment and other relevant information, World Bank Studies and other studies conducted by MCS from 2016.
- 1.2. **Prepare a summary technical description:** Prepare technical description of the network of water supply and sewerage networks in MCS, based on data and information available at MCS and building on the analysis set out in the World Bank Study, including a description of the technical situation and state of operations and assets.
- 1.3. **Update the assessment of the operational situation of the Water and sewerage Assets in Shimla as set out in the World Bank Study:** The Transaction Advisor will make an independent assessment of the situation of the fixed assets of the water and sewerage systems to update and verify the operational analysis developed in the World Bank Study, to develop the key performance indicators (identification of relevant indicators and setting baseline and targets) for the project and to develop linkages between the use of the proposed capital investment funds and the performance obligations of the private operator. The Transaction Advisor will be expected to conduct field visits as needed to inspect any significant operating asset/equipment items, facilities, operations centers, warehouses, maintenance facilities. The Transaction Advisor will comment on overall adequacy, validity and reliability of water and sewerage assets.
- 1.4. **Project Investments:** The Transaction Advisors will review the major investments proposed to be made in the system by MCS and as detailed in the World Bank Study to understand the contractual implications thereof on:
 - 1.4.1. upgrading the district metering areas (speed of implementation and likely timetable that one can reasonably expect the private operator to achieve)
 - 1.4.2. validating the overall budget adopted by GOHP for the first 6-year assets rehabilitation program – or if applicable proposing alternative amounts
 - 1.4.3. linking capital investment to key performance indicators
 - 1.4.4. determining what aspects of the capital investment program would be on the critical path for the performance of the private operator and the extent to which the operator would need to have its performance obligations or targets excused or relaxed if such capital investment is not available in accordance with the contract.
- 1.5. **Project Consumer Demand and Growth:** The Transaction Advisor will review and detail the historical growth in demand for water and will project the demand for the next 30 years by different categories of consumers using three scenarios (pessimistic, average, optimistic). This analysis should be done for the last three years and should relate demand growth with population growth of Shimla and projected GDP/regional growth, as well as hypothesis related to the achievement of 24/7 for all customers and the evolution of per capita consumptions for households. When revising demand projections, the Consultant shall comment on the validity of assumptions and data.
- 1.6. **Estimation of Water Balance (NRW):** using the IWA methodology, and based on studies and

reports from MCS, the Consultant will estimate the various components of the water balance (technical vs. commercial losses, and relevant sub-categories) for each of the 6 distribution zones and for MCS as a whole, both for the current year and for the 2 previous years. It shall comment on the various components of the water balance, including about the reliability of the various estimates, and discuss what level of NRW reduction could realistically be achieved under the 30-year duration of the proposed PPP contract using three scenarios (pessimistic, average, optimistic) and making appropriate links with key contract structuring features (e.g. amount of funding available for rehabilitation, built-in incentives).

- 1.7. **Review of Previous Programs to Reduce Technical and Commercial Losses:** The Transaction Advisor will review and comment on the effectiveness and potential problems of previous programs to reduce both technical and commercial losses and other procedures implemented by MCS, either on its own or with outside assistance, reduction. He will comment on overall adequacy, validity and reliability of MCS's NRW team.
 - 1.8. **Projection of operating costs:** The Transaction Advisor will provide information needed to make financial projections under different scenarios of efficiency gains. In this exercise, the Transaction Advisor will analyze the operating costs of the MCS, including maintenance costs, administrative costs and the costs of billing, will benchmark them against the costs of other similar water companies, and will indicate the possible efficiency gains during next 10 to 15 years and in view of existing investment plans.
 - 1.9. **Review tariffs and regulatory regime:** Review existing and historic tariffs for different categories of customers to determine the basis for tariff setting, any cross-subsidies and subsidies given, the relationship between tariffs and average cost (estimated values or benchmarking costs if a proper study is not available), describe the tariff adjustment methodology and process and treatment of financial and social objectives.
 - 1.10. **Assess safety and environmental and social related issues:** The Transaction Advisor must review safety aspects of system operations of MCS. He will also conduct an environmental diagnosis of activities related to or associated with the provision of water and sewerage services to identify possible investment needs for preservation and restoration of the environment giving the situations that should be highlighted in the Bidding Documents. The Consultants should include an analysis that assesses existing and potential environmental and social issues/risks associated with the operations of MCS, as well as the prospected rehabilitation civil works to be carried out directly by the private operator, in line with the Indian laws and will recommend measures to prevent or minimize (if not preventable) related impacts and potential community health risks and labor standards associated with the transaction in line with Indian laws.
- 2. Legal and Regulatory Due Diligence** - The Transaction Advisor will carry out all necessary legal due diligence for the project, drawing on reports prepared for MCS including the World Bank Study. This will include, without limitation:
- 2.1. **Legislative and regulatory document review:** Review all applicable laws, existing regulatory framework, GoHP resolutions and other aspects of the legal and statutory framework, including the responsibilities and relationships of relevant government entities at different levels, in

order levels to identify the opportunities, issues and constraints that would/could arise with the introduction of private sector participation in the operation of water system and delivery of water and sewerage services to ensure the legal feasibility of the transaction structure as outlined in the term sheet in the World Bank Study.

2.2. **Evaluate contingent liabilities:** Evaluate, from a legal standpoint, any contingent liabilities that might arise depending on the options in relation to labor obligations, such as workers' compensation and pension liabilities, etc.

2.3. **Evaluate environmental liabilities:** Evaluate, from a legal standpoint, any contingent environment liabilities from previous operations and in the event conservation or environmental preservation is a financial burden, suggest mechanisms to ensure continuity of conservation or environmental preservation

3. **Financial** – the Transaction Advisor shall provide advice on financial aspect of the transaction including, without limitation:

3.1. **Develop a PPP (DBO) Transaction Financial Model for MCS.** This will, as appropriate:

3.1.1. include financial analysis of MCS with clear justification of main assumptions used such as demand, operating costs, key performance indicators and quality requirements, planned investment, requirements of working capital, financial costs, etc;

3.1.2. allow for sensitivity analysis of MCS's cash flows for different scenarios of demand, tariffs, coverage rate, key performance indicators, changes in operating costs, investment;

3.1.3. allow for modeling the tender's outcome based on the financial bid criteria as set in the Term Sheet, so as to assist MCS in analyzing the implication of the various financial bids to the sector's financial profile.

4. At the end of Phase I, the Transaction Advisor will submit to the Client a draft Due Diligence Report presenting the summary of the due diligence workstreams and updates to the Term Sheet as applicable. The Client will then review the Due Diligence Report and provide comments, if any, within 4 weeks of submission of the draft Report. The Client will then determine whether to proceed with the transaction and inform the Transaction Advisor if it wishes to move forward with Phase II.

Phase II

5. The Transaction Advisor will commence Phase II of the transaction after MCS gives the Transaction Advisor written notice to proceed with the transaction. Phase II typically involves Transaction Advisor promoting the transaction, preparing bidding documents, assisting the Client in conducting the public tender, evaluating the offers and assisting the parties in reaching commercial closing. Main tasks of Phase II are:

5.1. **Communication Strategy:** - Transaction Advisor will undertake a stakeholder analysis and assist MCS in the development of a communication strategy for the implementation of the

transaction. This will ensure involvement of all key stakeholders in Shimla in the process of the transaction and the timely sharing of information with stakeholders and public, as appropriate.

5.2. **Active Marketing:**The Transaction Advisor will market the transaction to a broad range of strategic partners, to explain and promote the transaction and to capture investor feedback on possible modifications/adaptations to the original transaction structure design.

5.3. **Pre-qualification:** In this instance, as the basic transaction structure is already well understood, pre-qualification could occur in parallel with Phase I activities and will pre-qualification activities will include:

5.3.1.Recommendations to the Client the most suitable design for the pre-qualification, particularly with regards to the prequalification criteria, and provide assessments/ guidance to the Client about the universe of investors/ operators likely to meet the criteria;

5.3.2.Drafting of prequalification procedures and documents for issuance to potential investors/ operators; and

5.3.3.Assisting in the evaluation of the documentation submitted by bidders and assist in the evaluation of offers.

5.4. **Facilitate Bidder Due Diligence:** In order to enable pre-qualified strategic partners to carry out their own due diligence process, Transaction Advisor will, with the assistance of MCS:

5.4.1.Assist the Client in establishing a Data Room, which will include all relevant information and data on the prospective transactions;

5.4.2.Prepare a Due Diligence Procedures memorandum, to be approved by the Client, which sets out procedures to be followed by prospective bidders for site visits and inquiries to Government officials; and

5.4.3.Assist the Client in organizing one or more bidder's conference, to allow prospective bidders equal and transparent opportunity to seek clarification and/or comment on and/or propose modifications to tender documentation

6. **Drafting of the Bidding Documents:** The Transaction Advisor will prepare bidding documents for the transaction that include the Request for Proposal (**RFP**) (together, **Bidding Documents**) with a detailed definition of the bidding criteria and the proposed PPP Contract and other relevant project documents (together, **Project Documents**) governing the relationship between the different parties.

7. **Bidding and Contract Signature** - The Transaction Advisor will assist the Client to conduct a fair and transparent bid process, attracting competitive bids, and maintaining public support for the bidding process outcome. Transaction Advisor's main tasks include:

7.1. Assist the Client in reviewing and evaluating comments by prospective bidders concerning the draft tender documentation; recommend revisions to the draft tender documentation based on feedback by prospective bidders; and

7.2. Prepare final tender documents, for Client approval, and subsequent issuance to prospective

(prequalified) bidders.

7.3. Assisting the Client in ensuring adherence by all bidders to the approved bidding process ;

7.4. Issuance of Request for Proposals and Project Documents;

7.5. Responding to any requests for clarification received from bidders

7.6. Assisting the Client in evaluating proposals, including assessment of any deviations for implications or rejection;

7.7. Assisting the Client in drafting bid evaluation reports including recommendation for award.

8. Necessary Transaction Advisor skills and experience

8.1. The Transaction Advisor will comprise a team, managed by a single Lead Contract advisor. The members of the team will have the skill and experience necessary to undertake the range of tasks set out in this “terms of reference”. Each individual on the team must be personally available to do the work as and when required. The team leader will be held accountable, in terms of the Transaction Advisor contract, for ensuring project deliverables and for the professional conduct and integrity of the team.

8.2. The skills and experience required in the Transaction Advisory team are as follows:

8.2.1. financial analysis, with relevant and successful water PPP/DBO experience through to financial close, and demonstrated experience with the design and tendering of affermage contracts

8.2.2. water/sewerage PPP/DBO procurement and structuring

8.2.3. legal, with relevant law and experience in the drafting and negotiating of PPP/DBO agreements

8.2.4. technical due diligence and advice on water PPP structuring and contracts, included demonstrated experience with affermage contracts

8.2.5. Project planning management

8.2.6. Project facilities management

8.2.7. relevant expertise in water and sewerage PPPs, with emphasis on affermage and PPP/DBO schemes designed around public financing of investment for the implementation of major infrastructure rehabilitation

8.2.8. negotiations

8.2.9. contract management

8.2.10. project management.

8.3. The team shall include key specialists:

8.3.1. A team leader with a minimum of 15 years experience of structuring PPPs;

8.3.2. Two technical specialists with a minimum of 15 years experience of advising and or working with water and sewage utilities and water distribution networks; and

8.3.3.a legal specialist with a minimum of 10 years of experience of drafting PPP/DBO agreements and a local legal expert with a minimum of 10 years experience of advising on infrastructure projects and on the legal frameworks of agencies or parastatals of the GoHP.

9. Remuneration schedule and disbursement arrangements

9.1. The total sum budgeted by the GoHP for remuneration of professional services under these terms of reference is approximately 4 Crores (4,00,00,000). Bidders are advised to bid within this figure, and to allocate resources according to the remuneration schedule below. Remuneration of the Transaction Advisor will be payable in INR*, on a fixed price for each of Phase I and Phase II. Phase II may or may not transpire at the end of Phase I, and should be costed accordingly.

*1 USD = 67.30 INR

9.2. Remuneration schedule

The following remuneration schedule is set for each part of the contract. Bidders should adhere to these in their proposals, within the total budget given. Deliverables completed per the remuneration schedule will be approved by the project officer, after which invoices may be submitted for payment as per the remuneration schedule. The Client will pay within 30 days of receiving the approved invoice.

Task	Likely Date	Fee reimbursable as percentage of awarded amount
Due Diligence Report, draft delivered to CLIENT	20 th April 2017	5%
Due Diligence Report, final version delivered to CLIENT	15 th May 2017	10%
Draft Bidding Documents provided to Client for comment	15 th June 2017	15%
Bidding commenced	30 th June 2017	15%
Bids submitted	15 th July, 2017	15%
Preferred bidders selected	5 th August 2017	10%
Award	20 th August 2017	10%
PPP Agreement becomes effective	30 th Sept 2017	20%

9.3. Disbursement arrangements

All out of pocket expenses of Transaction Advisor shall be included in the offer.

A. Management of Transaction Advisor by the Client

The Transaction Advisor will be appointed by the Client. A project officer has been appointed by the Client to take full responsibility for managing the Transaction Advisor's work and for ensuring delivery on the project. The project officer is *Er. Rajesh Kashyap, Executive Engineer (Water Supply) MC Shimla*, and can be contacted at [09418474747 (m) email: eewsds@gmail.com].

The project officer has established a project team to engage regularly with the Transaction Advisor for efficiently completing the various delivery items. The project team will meet at least fortnightly and the Transaction Advisor will report progress at these meetings, as instructed by the project officer.

The project officer will confirm that the Transaction Advisor has satisfactorily completed each deliverable before invoices can be submitted to the Client for payment.

It is anticipated that the team-leader and co-team leader of the Consultant's team will be located in Shimla for the whole duration of the contract.

Within 15 working days of the signing of the contract, the Transaction Advisor shall submit an Inception Report giving a detailed work plan and assignments for each individual in the team.

The Transaction Advisor shall submit Interim Reports describing progress of work, updated work schedule, and any key constraints encountered by the Transaction Advisor in the performance of the activities.

Proposed Implementation Schedule

Task	Likely Date	Fee reimbursable as percentage of awarded amount
Due Diligence Report, draft delivered to CLIENT	20 th April 2017	5%
Due Diligence Report, final version delivered to CLIENT	15 th May 2017	10%
Draft Bidding Documents provided to Client for comment	15 th June 2017	15%
Bidding commenced	30 th June 2017	15%
Bids submitted	15 th July, 2017	15%
Preferred bidders selected	5 th August 2017	10%
Award	20th August 2017	10%

Task	Likely Date	Fee reimbursable as percentage of awarded amount
PPP Agreement becomes effective	30th Sept 2017	20%

The Client will provide the following services to the Consultant(s)

- i. All relevant documents relevant to the specific projects; and relevant background documentation and available studies.
- ii. Making all necessary arrangements for supporting the work of the Consultant(s), by e.g. facilitating access to government authorities and other project stakeholders and infrastructure facilities.
- iii. After the consultancy is on board, the Client will organize a consultation and discussion with the stakeholders, consultants and World Bank etc.
- iv. Disclosure of draft documents, sending out of invitations for workshops, organization of venues for public hearings, and being present as discussant at all public hearings.
- v. On drafts produced by the consultant, Client will provide review and comments on consultant drafts within 14 days of draft submission and send to the Bank for clearance.
- vi. The Client will ensure the timely flow of information and documents from one consultant to other.
- vii. The Client will also help in organizing the formal presentations from all consultants engaged in project