

Risks assessment & Key Contract terms in FSM

Presented by

**Dr. V. Sathyanarayana & Sandhya Haribal,
Infrastructure Development Corporation (Karnataka) Limited,
Bengaluru**



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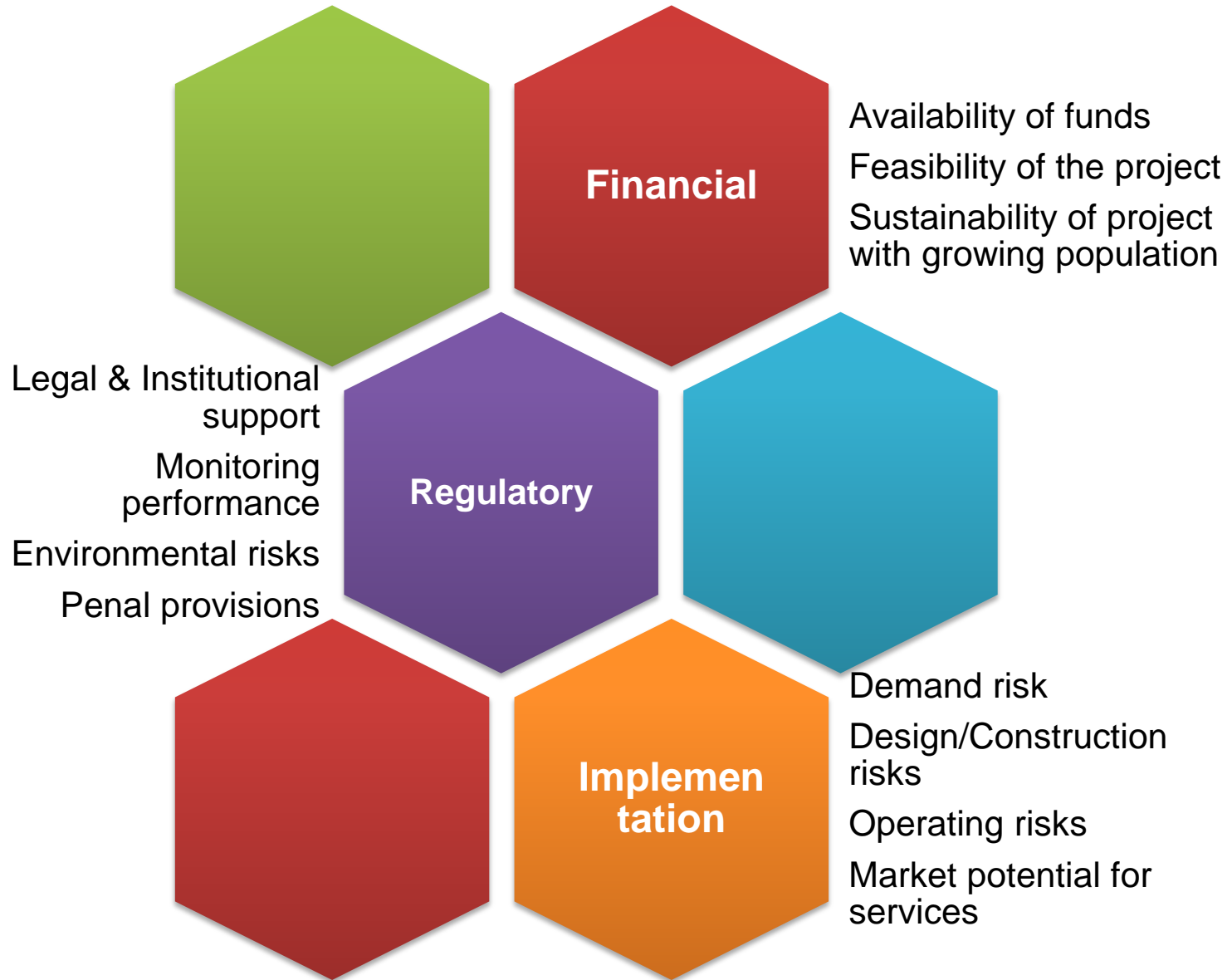
Place: Bhagalpur, Bihar

**Under Sanitation Capacity Platform
(SCBP)**

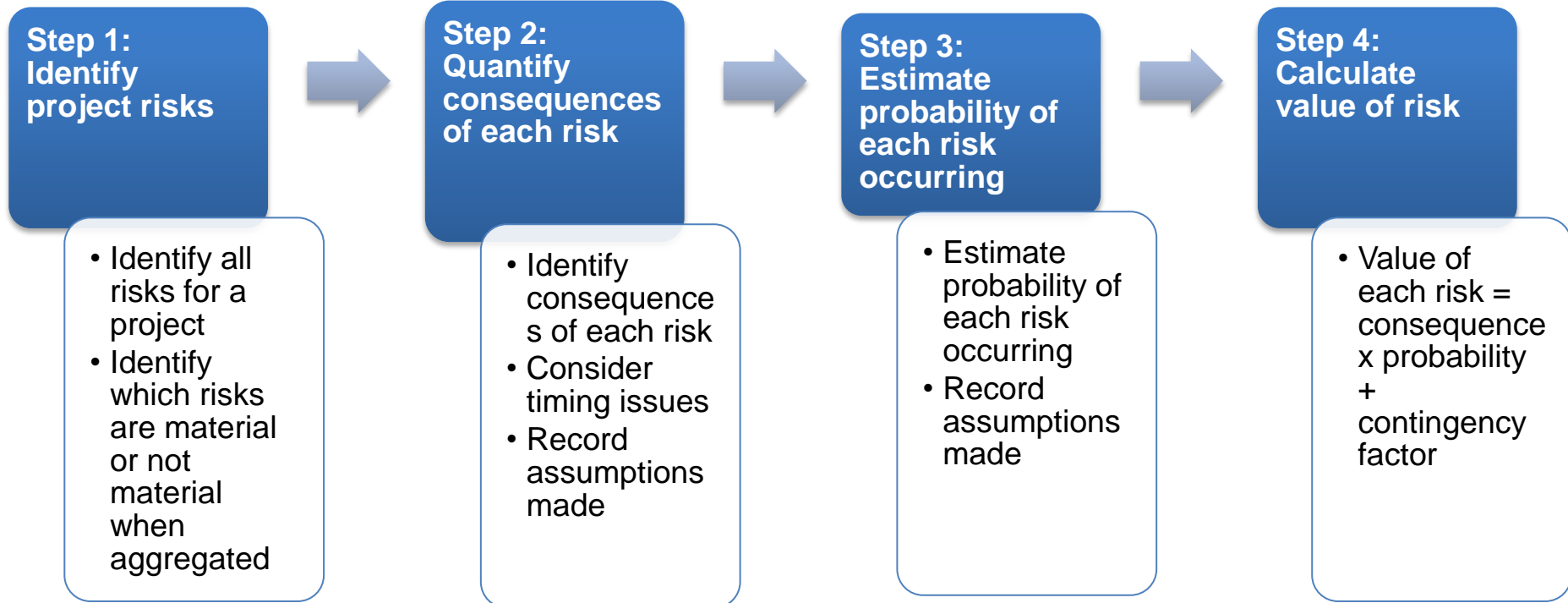





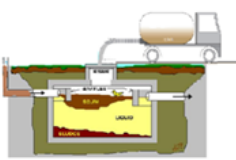
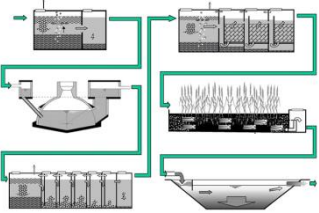
Types of Risks in FSM project



Stages in Risk Analysis



Identification of Risks

Component	ULB	Service Provider	User/Beneficiary
 Toilets- CT & PT	O & M expenses	Under-use of asset	Faulty design
	Performance Monitoring	Financial sustainability	Safety concerns
	Dynamic market players	Viability gap funding	Pricing of services
 Septage extraction & Conveyance	Regulation of services	Pricing dynamics	Timely availability
	Capital investments	Recurring O & M Costs	Pricing of services
		Health & Safety	
 Treatment & disposal	Availability of funds	Continuous availability of design FS quantity	Technology risks
	Performance monitoring	Timely payments from client	Continuity of services
	Availability of land	O & M Costs	Pricing of services



Class Exercise

- Based on the situation provided, identify the key risks to the following three stakeholders:
 - Urban Local Body
 - Private Operator
 - Household/End User
- Categorize each risk identified
- Suggest corrective measures for mitigating the risks



Issues to be addressed important elements

KEY TERMS OF A CONTRACT



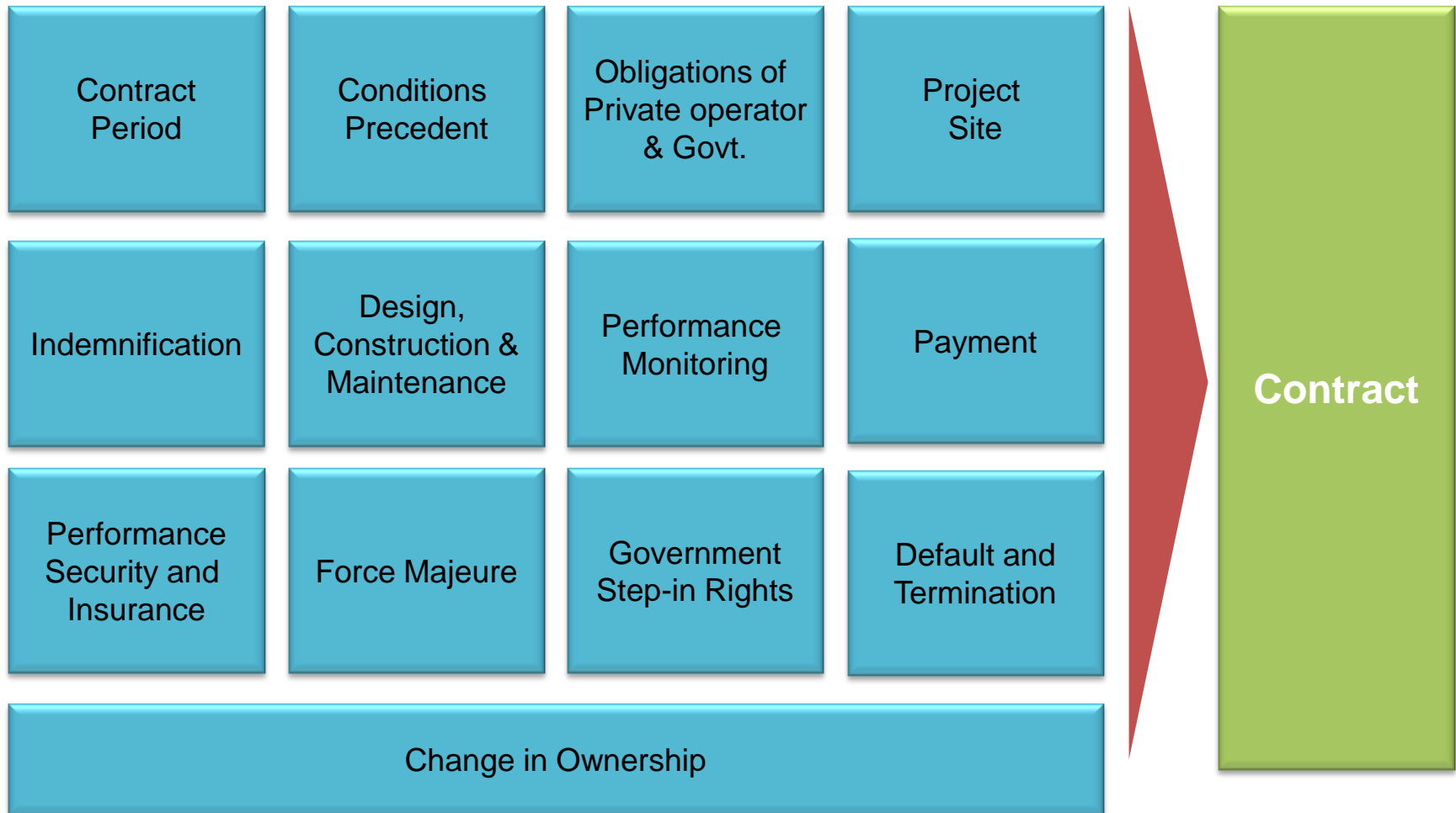
Key issues to be addressed in a Contract

- Ownership of assets during and after contract period and cost of transfer
- Detailing out Payments/ rewards/ penalties
- Fixing Desired/ Minimum technical configuration:
 - Output based Specifications
 - Quality of Service, reliability

- Allocating all the risks and responsibilities properly
- O&M - Routine, Periodical, Major Maintenance
- Billing (Pricing/Tariffs), collection and retention of revenues
- Monitoring Mechanism- Independent engineer, review of accounts, etc.
- Customer Interface with complaint redressal
- Safeguards if monopoly is being given to one operator in the city



Key Elements of a Contract



Summary of key terms of an FSM Contract



Key risks	Responsible Party	Suggested mitigation measures
Delay in land transfer	ULB	Penalty for delay in transfer
Financial Closure (Sponsor Risk)	ULB and/or Private Operator/Service Provider	Tie-ups/Identification & approval of sources within a stipulated period
Delay in project execution	Private Operator/Service Provider	<ul style="list-style-type: none"> Clearly defined milestones Penalty mechanism
Design Risk	Private Operator/Service Provider	<ul style="list-style-type: none"> Monitoring-Third party inspection/Independent Engineer Damages/penalty clause
O & M Risk	Private Operator/Service Provider	Performance standards/penalty clause
Abandonment of project	ULB and/or Private Operator/Service Provider	Termination payment
Market risk	Other stakeholders	Change of scope
Payment risk	ULB	Penalty mechanism/termination payment



Thank You!



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National Institute of Urban Affairs
Core 4B, India Habitat Centre,
Lodhi Road
New Delhi 110003

9/7, K.C.N. Bhavan, Yamunabai
Road, Madhavnagar Extension, Off
Race Course Road, Bengaluru
560001



011-24617517, 24643284

Phone: +91 80 4344 8000



agupta@niua.org, jdash@niua.org sathya@idfc.com



National Institute of Urban Affairs