

**Business Plan**  
**for**  
**A Gymnasium Complex in**  
**Akkaraipaththu Municipal Council**

Submitted to:

**LEG Programme,**

*The Asia Foundation*

3/1/A, Rajakeeya Mawatha, Colombo 7

Submitted by:

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## I. OVERVIEW

### *Rationale*

Importance of caring human health became as vital subject at present since there are various types of deceases raised in last two decays. Theses deceases are common in each and every society and they are epidemic as well as non epidemic. Most of non epidemic deceases are raised in last decays due to changes of food habits, and artificial foods such contains harmful ingredients to the human body. The other crucial factor to the imbalanced body mass index which combined with social and mental pressure created on day to day routings of human being.

Most of deceases such as Diabetics, High blood pressure , High Cholesterol, are became in prominent level due to absence of proper physical exercises to the human body. So that is obvious that applying physical exercises to the body has become very important habit to the society.

Hence Akkraipaththu MC has identified this importancy and launched a solution to this health problem by implementing a gymnasium to use the people in their area.

### **Objectives**

1. Creation of healthy society in Akkraipaththu area.
2. To inculcate the idea in the mind sets of people that "physical exercises are essential to the human health and it should be done as an entertainment event".
3. Educate the people on importance of human health .
4. Introducing income generation source to the urban council in order to provide significant and diversified services to the public by utilizing the income generated through this project.

### **Project sustainability**

The success stories always allow creating a positive path way for further proceedings. Hence the fruitfulness of this project definitely leads the community to undertake same kind of activities, since the process has been undertaken in participatory approach. Since the evidence make the transparency, and integrity of the undertakings, the community always support for other development activities as well. If the out puts of the project are realized by the project, the donors also will give their helping hands to other future activities too.

The results of the project can be used to expand the same project to another potential area though the same approach. The income generation of MC will help to continue this project as it can be implemented on revolving of income to finance for another project.

### **Activities**

1. Providing well organized and equipped gymnasium .
2. Introduce a proper sets of physical training plans to different age and weight groups.
3. Establishment of supplementary service units adjoined to the gymnasium. (Sports items shop, snack bar, clinical unit) .
4. Providing technical support to clients.
5. Making awareness for people in keeping healthy life and importancy of having such a life.

## 2. MARKETING PLAN

### Objective

*“To operate a well equipped , well planned gymnasium to provide physical training exercises to the public in Akkeraipaththu MC area on concession price associated with other complimentary services related to health development and enhancement of income of Akkraipaththu Municipal Council through diversified income generation opportunities while making the public with sound health”.*

### 2.1. Description of the Products/ Services

The basic products and services of the proposed gymnasium are as follows.

#### Services –

Physical training equipments/ tools, well set up packages of exercises for different age groups and weight groups, dieting plans, clinical programmes on health development, clinical services such as testing ECG, blood testing, urine testing, and X rays, pharmaceutical services.

#### Products -

Sport items, snacks and soft drinks, medicines.

### 2.2 Targeted market area.

The services to be in lined with the public community in Akkeraipaththu MC area, as well as foreigners who visit the eastern region of Sri Lanka.

### 2.3 Targeted Consumer Group.

Product	Market Area	Target Consumer Group
Products/ Services On physical training and health clinical aspects.	The whole MC area .	1. People who used to visit town for their goods and service, leasure requirements’. 2. Foreigners

### 2.4 The market demand for the products and services.

The market demand for the goods and services in this gymnasium complex will be rapidly increased since it is innovative to the public and they used to get good and services on their way to their needs. This will not straight away visit the gymnasium at the out set of the first visit to the complex and aiming the crowd who visit to the beach for their recreation. But second visit the client used to come on their former experience at the same place.

## 2.5 Market Supply for the products and services.

The proposed project is expected to provide several goods and services to the public on their easy accesses. Goods and services to be definitely with high quality and special care with hygiene aspects, and the service should be more efficient. At the outset it is proposed to launch the project by introducing 3 units mentioned in the table.

Shops	No. of Units
Gymnasium	1
Sports item shop	1
Snack bar/ coffee shop	1
<b>Total huts</b>	<b>3</b>

The market mix was selected and finalized on details obtained by MC Officers (revenue officers, Tax officers, Revenue clerks, technical officers etc). The composition can be changed further on best utility and requirements from public. But the selection should be done on proper criteria which has transparency and introduced "by laws".

## 2.6 Market share of the proposed project.

The market share of this project is simply limited to its market supply which is determined as follows.

The annual market supply = Total supplies of current unorganized market locations in the town.

## 2.7 Market strategies of the proposed project.

### (A) Product /Service

The services of gymnasium should be in professionally qualified, with leisure, and open to every social groups without any obligation.

Services should be provided according to the needs of clients who visit the gymnasium on their perceptions.

### (B) Price

Since the project is new to the area initially price to be considered more concession manner (proposed monthly fee of 1,000/= per head ) with the services provision it can be changed.

**(C) Place**

The place has been determined. It is located in costal area which much closer to sea beach . So that it can attract many people who used to come to the beach especially in evening time for their leisure. Since the location is heavily crowded in evening time it has high potential to attract people since the majority has same willingness to keep their good health.

Since the location is much closer to sea breeze the equipment in the gymnasium will be high exposed to sea breeze and there is high tendency in getting corrosion. So that the equipment are essentially with high quality materials which consists with high resistant to corrosion.

**2.8 Proposed Design**

Proposed composition of the gymnasium to cater 25 person at once and the list of tools and equipment proposed to cater that requirement initially and it can be enhanced according to the demand driven over the period.

<b>Item</b>	<b>Number of items required</b>
Scott stands	2
6 feet bar	1
4 feet bar	2
Curl bar	2
Dumbbell bar	8
Weight wheels ( 15 kg X 2 / 10 kg X 8,/ 5 kg X 8/ 2.5 kg X 6/ 12.5 kg X 2/ 7.5 kg X 4, 1 kg X 5)	-
Benches	2
2 ft galvanized whole pipe (1" diameter)	2
Treadmill	3
Cycling	3
Abb machine	1
Mirrors	10
Cupboards	5

## 2.9 Sales Forecast

Since the absence of enough initial capital to initiate the proposed gymnasium in the Local authority budgets, it is proposed to launch a social enterprise model in partnership with an existing funding agent; contribution of private sector who willing to invest to this gymnasium to perform with their tools and services. The contribution will tendering the proposed gymnasium with an advance payments of key money (for 24 months period as per the table 1.2) as the initial capital investments of the project.

Three components of the complex (Gymnasium, Sports shop and the snack bar) will be fully managed by private partner ship. Three private parties can obtain these components on open tender procedure wick will be executed by the steering committee. Entire maintenance of equipments and other furniture will be managed by the private partner and they have to furnish the initial key money for the period mentioned as per the table 1.1 and the monthly rental as per table 1.2 .

### Income from key money

Table 1.1

Category	No. Of apartments	Monthly rent/ per shop (Rs.)	Period for key money to be collected	Proposed receivable (Rs.)
Gymnasium	1	50,000/=	24 months	2,400,000/=
Snack bar	1	3,500/=	36 months	126,000/=
Sport items shop	1	3,500/=	36 months	126,000/=
<b>TOTAL</b>	<b>3</b>			<b>2,652,000/=</b>

### Income from Monthly rentals\*

Table 1.2

year	No. Of apartments	Monthly rents/ from 3 components (Rs.)	Annual receivable (Rs.)
2014	3	57,000/=	684,000/=
2015	3	62,700/=	752,400/=
2016	3	68,400/=	820,800/=

\* Expecting 10% increment of rental in each year.

## 3. PRODUCTION/ SERVICE PLAN

### 3.1 Production / Service Process

The Service process of the proposed project is similar to the general services applied in the LAs for their maintained rented shops. The Gymnasium will facilitate main categories of services which mentioned below.

#### 1. Providing tools and equipments for physical trainings/ exercises

The center will facilitate each and every tool for physical training aspects which required in maintenance physical fitness. At the initiation it is proposed to provide adequate tools for 25 persons at a time.

#### 2. Providing guidance and coaching facilities on physical fitness

It is very important to provide guidance and coaching the clients on proper training schedule. So that the center has to equipped with qualified professionals to serve with correct and smooth guidance and coaching .

#### 3. Consultancy service on managing BMI on dieting and other instructions

This service to be rendered by a qualified dietitian who can provide the advisory services to the clients on changing their food habits and controlling it for a better Body Mass Index (BMI). The service can be provided with introducing a diet plan according to the BMIs.

### 4. Subsidiary services

#### 4.1 Snack bar with nutritious foods.

This service to be vary from normal snack bars and the products should be specified and focused with good health. The meals should be made of with out artificial ingredients. Those are preferably fresh fruit juices, non fat milk, herbal drinks, fresh fruits, energy drinks, snacks made of red rice flour, Soya foods etc.

#### 4.2 Shop for Sport items .

Since the majority of the crowd who come to the center will be required many sports materials. So that the provision of such requirements are very essential in this center as one stop concet and the demand for goods will be high.

## 4. ORGANIZATIONAL & MANAGEMENT PLAN

### 4.1 Legal Status of the Business

Name of the implementing / Managing Organization Partners Management body	: Akkaraipaththu Municipal Council : Private sector/ funding Agent : Steering Committee (7 persons)
Composition of steering committee	: Mayor of Akkaipattu Municipal Council Commissioner of of Akkaipattu MC Engineer of Akraipattu MC Chairman of Trade Association Revenue Officer (LA) 2representatives from business community

### 4.2 Linear Responsibility chart

The Person	Number of employees		Overall supervision	Maintains/ Cleaning/	Administration	Finance
	Existing	New				
Steering committee	7	-	✓		✓	✓
Revenue Officer	1	-				✓

As the above chart shows the overall management of the project is in the hand of the UC whereas the operational decisions will be made by a steering committee which consists of 7 persons. The composition of the 7 persons committee will be from UC as well as from 3 representatives from private sector investors of the market.

#### Preliminary arrangements to be considered by management Body

- A separate account to be opened to manage accounts of the project.
- Signing Authority for accounts and vouchers to be redefine. It should authorized by the Chairman and the Commissioner of MC.
- An agreement should be finalized by the MC to define terms and condition which has be signed between investors who invested for 3 components of the project. (Annex 2)

### 4.3. Pre operating Activities & Expenses

Table 2.1

Tasks	Time period (Weeks)										Date to finish each task	Expected cost	
	1	2	3	4	5	6	7	8	9	10			
Preparation of project proposal / site plan with BOQs/ validation of the corresponded LA area	■											2014/1/20	50,000/=
Submission of project proposal to donor Agent		■										2014/1/27	-
Obtaining approval from funding agent			■									2014/1/30	-
Preparing necessary legal and other correspondences to get public ,Private sector Participation. (Formulation of committee/ tendering)				■	■							2014/4/20	10,000/=
Constructions on renovation of existing buildings and landscaping (Please refer table 2.2)				■	■	■	■	■	■	■		2014/06/01	3,200,000/=
Making Marketing arrangements * (please refer table 2.1 )									■	■		2014/06/15	200,000/=
Business launching											■	2013/06/25	50,000/=
<b>Pre operating cost</b>													<b>3,510,000/=</b>

### 4.3. Cost of Constructions

Table 2.2

Item	Cost (Rs.)
Demolishing existing unwanted structures	200,000/=
Upgrading / leveling 4 No, of access roads	100,000/=
Renovation of 2 existing buildings	2,500,000/=
Installing fence (Wire mesh) around the location	200,000/=
Cost of landscaping	200,000/=
<b>Total cost of constructions</b>	<b>3,200,000/=</b>

\* Assumption

20% of total construction cost will be labour cost ( 640,000/= ) and it would be bared by the MC

#### 4.4 Participatory Planning

The MC has to plan its implementations in the approach of participatory development. According to the guidance given in **annexure 1** the management was intended to create many development sub committees with the participation of all stake holders in the area. It creates high transparency and accepting the consents of each and every party before the planning process. The MC will able to develop many development plans in short term and long term manner in order to solve the burning issues of the area. The implementations will succeed due to commitment of each and every party involved in these activities. The reason behind this success is basically because all those plans will materialized through participatory development approach.

#### 4.5 Collection of revenues and better finance management

It is very impotent to collecting revenues and income. The guidance and advices given by the above program helped the MC to prepare appropriate policies, and make aware the people on revenue collection.

##### Uses of income from rentals

The 50% of income of each year to be utilized for maintenance and the expansion of project and the balance 50% should be deployed in other projects correlated with this project or elsewhere.

The balance 50% can be utilized following prospected projects.

- ◆ Upgrading of access roads in the area
- ◆ Micro financing scheme and providing business development service center to the community.

## 5. FINANCIAL PLAN

The project will be executed with partnership of an existing NGO; the participation of interested business crowd on a advances for variable costs. This will allow the gymnasium to launch with very modest incremental start-up and operational expenses.

### 5.1 Project Cost

Cost Item	Existing			Proposed			Total Cost (Rs.)
	Donor (Rs.)	Equity (MC) (Rs.)	Private Sector (Rs.)	Donor (Rs.)	Equity (MC) (Rs.)	Private Sector (Rs.) Key money	
<b>Assets – Fixed Assets</b>		6,000,000					
Materials, pre operation cost	-		-	2,000,000	-	2,652,000	10,652,000
Labour and supervision					640,000	-	640,000
<b>Structure of the investment</b>	<b>0%</b>	<b>50.0%</b>	<b>0%</b>	<b>17%</b>	<b>5%</b>	<b>28%</b>	<b>11,292,000</b>

**Equity of MC** ( Land - 40P - 4.0 Mn + Building - 2.0 mn = 6.0Mn)

### 5.2 Profit & Loss Account

Following assumptions were considered on predicting profit and loss account of the project.

- ❖ The project period will be 3 years in its' 1<sup>st</sup> stage and it will be continued with amendments of planning and objectives from the 4<sup>th</sup> year.
- ❖ Initial capital of the project will be met on fraction of donation, key money collection for 24 months period from investor who is will to invest for gymnasium. (50,000/= X 24 = 1,200,000/= ) . ( This figure was finalized to the agreed terms on the meetings had with MC officials on date 8<sup>th</sup> July 2013).
- ❖ Other 2 subsidiary components (sports shop and Snack bar) will be met on key money collection for 36 months periods on 3,500/= per month. ( 3,500/= X 36 = 126,000/= per component).
- ❖ The monthly rent of a gymnasium will be 50,000/= which will be subjected with the 10% increment of rentals effect from 3<sup>rd</sup> year. (Decided by UC members 'meeting held on 08<sup>th</sup> July 2013). The monthly rental of other two component will be 3,500/= and it will be increased by 10% effect from 3<sup>rd</sup> year.
- ❖ Business turn over tax will be 5/= per day amounting 450/= per month for all three components and annually it would be 5,400/=.
- ❖ 70% of annual net income will be transferred for next year budget and the balance 30% will be

utilized for usage of other public services in the MC (for a new project or expansions).

- ❖ Total electricity. And water bills to be bared by the investors.
- ❖ 10% annual depreciation of building was considered.

## Profit & Loss Account

Item	1 <sup>st</sup> year (2013)	2 <sup>nd</sup> year (2014)	3 <sup>rd</sup> year (2015)	4 <sup>th</sup> year (2016)
UC contribution (from previous year)	-	1,191,400	728,000	347,438
Donation for project initiation	2,000,000	0	0	0
Key money collection	2,652,000	0	0	0
Annual income from rentals	-	684,000	752,400	820,800
Business / Trade tax	-	5,400	5,940	6,534
<b>Gross income</b>	<b>5,341,400</b>	<b>1,880,800</b>	<b>1,486,340</b>	<b>1,174,772</b>
Less, <u>Variable cost</u>				
Electricity	0	0	0	0
Water	0	0	0	0
Maintenance	0	300,000	400,000	400,000
Other Variable cost	0	100,000	150,000	150,000
<b>TOTAL Variable cost</b>	<b>0</b>	<b>(400,000)</b>	<b>(550,000)</b>	<b>(550,000)</b>
<b>Contribution</b>	<b>5,341,400</b>	<b>1,480,800</b>	<b>936,340</b>	<b>624,772</b>
Less, <u>Fixed cost</u>				
Construction cost	3,200,000	0	0	0
Admin/labour expenses	640,000	240,000	240,000	240,000
<b>Total Fixed Cost</b>	<b>(3,840,000)</b>	<b>(240,000)</b>	<b>(240,000)</b>	<b>(240,000)</b>
<b>Profit before depreciations &amp; interest</b>	<b>1,501,400</b>	<b>1,240,800</b>	<b>696,340</b>	<b>384,772</b>
Less,				
Loan Interest*	0	0	0	0
Annual Depreciations (10%)	0	200,000	200,000	200,000
Pre operating expenses	310,000	0	0	0
<b>Sub total</b>	<b>(310,000)</b>	<b>(200,000)</b>	<b>(200,000)</b>	<b>(200,000)</b>
<b>Profit Before tax</b>	<b>1,191,400</b>	<b>1,040,800</b>	<b>496,340</b>	<b>184,772</b>
Less , Income tax	0	0	0	
<b>Profit After Tax</b>	<b>1,191,400</b>	<b>1,040,000</b>	<b>496,340</b>	<b>184,772</b>
<b>Development share for next year (70%)</b>	<b>0</b>	<b>728,000</b>	<b>347,438</b>	<b>129,340</b>
<b>Net benefit (for other services) (30%)</b>	<b>1,191,400</b>	<b>312,000</b>	<b>148,902</b>	<b>55,432</b>

## 5.4 Cash Flow Statement

Item	Pre Operating period	1 <sup>st</sup> Year (2014)	2 <sup>nd</sup> Year (2015)	3 <sup>rd</sup> year (2016)
<b>Cash Inflows</b>				
Equity	2,000,000	-	-	-
Key money receivables	2,652,000	-	-	-
Rental income	-	684,000	752,400	820,800
Tax Income	-	5,400	5,940	6,534
Cash balance	-	1,142,000	1,191,400	1,159,740
<b>Total Cash Inflows</b>	<b>4,652,000</b>	<b>1,831,000</b>	<b>1,949,740</b>	<b>1,987,074</b>
<b>Cash Outflows</b>				
Cost of renovation	3,200,000	-	-	-

Administration expenses	-	240,000	240,000	240,000
Variable cost		400,000	550,000	550,000
Pre operating expenses	310,000	-	-	-
<b>Total cash Outflow</b>	<b>3,510,000</b>	<b>640,000</b>	<b>790,000</b>	<b>790,000</b>
<b>Cash Balance</b>	1,142,000	1,191,400	1,159,740	1,197,074

### Financial Ratios

Ratio	1 <sup>st</sup> Year (2014)	2 <sup>nd</sup> Year (2015)	3 <sup>rd</sup> Year (2016)
<b>Profitability</b>	$\frac{1,040,000 \times 100}{1,880,800}$ = 55.29%	$\frac{496,340 \times 100}{1,486,340}$ = 33.39%	$\frac{184,772 \times 100}{1,174,772}$ = 15.72%
<b>Return on Investment</b>	$\frac{1,040,000 \times 100}{11,292,000}$ =9.21%	$\frac{496,340 \times 100}{11,292,000}$ =4.39%	$\frac{184,772 \times 100}{11,292,000}$ =1.63%

## ***Annexure 1***

### **Instructions for Steering Committee**

1. Selection of investors to be done according to a proper selection criteria on transparent process and it should be consisted with a tender procedure.
2. Establishment of management body and defining responsibilities of each person is to be clearly identified.
3. The Steering committee should maintain well balanced procedures and ethics with the maximum participation of private sector participation. The involvements of trade union and other trading associations have to be encouraged.

In this connection, following steps should be implemented,

- Separate Bank account to be maintained in every transaction pertained in the project.
  - The Management body should be consisted with at least three officials from MC including managerial and subordinate staff categories. Each and every activity to be implemented through these two people and they should report to the steering committee on their activities, progress and accounts.
  - The management body should maintain a proper book keeping and accounting process to report the financial status to the steering committee.
  - The management body should have a marketing plan as well as activity monitoring plan at the initiation of project. A simple marketing plan should be focused towards the sustainable process of identifying income generation activities through the income gain from this project.
  - The monitoring plan (by listing out each activity and tasks involved in this operation and allocating responsibilities and time frame pertained in each activity) should be implemented by the steering committee according to the well set up activity plan, and output monitoring plan.
4. Awareness of rules and regulation set forth with the agreement (annexure 2) is very important and MC should execute an awareness program to the private sector (investors) before signing the agreement.
  5. The collection of monthly rentals to be implemented through proper collection process and computerized accounting system. The defaulters should be treated with proper recovery mechanism through penalty system against over dues.
  6. Income gaining from this project should be under gone with proper accounting procedure and the facts should be in transparent in order to use of 70% of annual income for expansion of

project in second stage as well as to use the balance 30% in other projects that enhance revenue of the MC and providing extended service to the public.

7. MC has to establish mid-term review (6 months) as well as review at the end of 1<sup>st</sup> year to ensure the impacts and benefits of the project before expanding the second stage.

## **Annexure 2**

### **Memorandum of Agreement**

Memorandum of Agreement Entered into by and between Akkaraipattu Municipal Council as first partner and Mr..... of .....(bearing ID No.....) as second partner on operation of Gymnasium/ Sport shop/ Snack bar .....(Product/Service) at..... (Specific Place).

#### **PREAMBLE**

Whereas

1. First partner agrees to supply building for Gymnasium/ Sport shop/ Snack Bar to the said investor to carry out the above mention service/ trading activity for a period of three years at a monthly rent mention I this agreement separately.
2. First Partner expects to promote the concept of Private Public Partnership concept though this agreement with the involvement of public sector /private sector investment.
3. Second partner expect to regularize his/her livelihood activities abiding the regulations of the city.

NOW THEREFORE the Parties agree as follows –

#### **1. DEFINITIONS AND INTERPRETATION**

This Agreement shall be interpreted according to the following provisions, unless the context requires otherwise:

- 1.1 The headings of clauses in this Agreement, the Annexures and the Schedules are for convenience only and shall not be deemed part thereof or be taken into consideration in the interpretation or construction thereof.
- 1.2 Words importing the singular only also include the plural and vice versa where the context requires.
- 1.3 Any reference to any agreement, Schedule or Annexure shall be construed as including a reference to any agreement, Schedule or Annexure amending or substituting that agreement, Schedule or Annexure.
- 1.4 If any definition in this Clause 1 contains a substantive provision conferring rights or imposing obligations on any Party, effect shall be given to such provision as if it were a substantive provision in the body of this Agreement.
- 1.5 A reference in this Agreement to an amount means that such amount shall, for the purposes of this Agreement, is escalated 10% per annum.

- 1.6 In this Agreement, the Annexures and the Schedules the following words and expressions shall, unless inconsistent with the context in which they appear, have the meanings hereby assigned to them and expressions derived from those words and expressions shall bear corresponding meanings:
- 1.6.1 The Ordinance - Municipal Council Ordinance
  - 1.6.2 MC – Municipal council of Akkaraipattu
  - 1.6.3 The Steering Committee- Seven Member steering committee appointed by the Akkaraipattu MC to manage the project. Its constitute is Mayor of Akkaraipattu MC , Commissioner of Akkaraipattu MC, enginner of Akkaraipattu MU , Chairman of Akkaraipattu Trade Association, Revenue Officer (LA), 2 representatives from business community.

## 2. FRAMEWORK

- 2.1 Second Partner (Private Sector) Commitment
- 2.1.1 The Second Partner (Private Sector) shall undertake the carry out of business in the gymnasium complex at its own cost and risk in accordance with the provisions of this Agreement.
  - 2.1.2 The Second Partner (Private Sector) should bear the damages caused to the building provided and agreed to pay the damages to the MC in any damage occurred due to any natural or man-made case.
  - 2.1.3 The Second Partner (Private Sector) should bear all the business liabilities completely.
  - 2.1.4 The Second Partner (Private Sector) agrees not to claim the ownership of the business entity (building) at any time under any circumstance.
  - 2.1.5 The Second Party (Private Sector) agrees not to sublet the gymnasium/ sport shop/ snack bar or handover operation to third party under any circumstance.
  - 2.1.6 The Second Party (Private Sector) agrees not to change the location that allocated for the particular business by the MC or make request to do so.
  - 2.1.7 Agreement term is three years from the date of signing the agreement. At the end of the agreement period second party agreed to hand over the business place back to MC in good condition.
  - 2.1.8 The Second Party (Private Sector) agrees not to sell or provide any other service other than allocated to the second party by the MC at the beginning of this agreement.
  - 2.1.9 The Second Party (Private Sector) agrees not to perform any illegal activity or sell any illegal product or service at this premises.
  - 2.1.10 The Second party (Private Sector) agrees to display a price list of their products and services and not to sell products or services exceeding the price list.
  - 2.1.11 The Second Partner (Private Sector) agrees to obtain a trade license for itinerary trade and compliance to the relevant by-Laws of the MC.
  - 2.1.12 The Second Partner (Private Sector) will agrees to pay all taxes and levy of general application and without limiting the generality of the foregoing, any duties, fees or taxes assessed by any Relevant Authority in respect of the business.
  - 2.1.13 The necessary utility services such as water, telephone and telecommunication should obtain by the Second Partner (Private Sector), at their cost.
  - 2.1.14 The Second Partner (Private Sector) agrees to have a comprehensive Insurance cover for the gymnasium/ sport shop/ snack bar with their cost, behalf of the UC.
  - 2.1.15 The Second Partner (Private Sector) agrees to maintain the necessary health standards relevant to the items sells in the said gymnasium/ sport shop/ snack bar.

2.1.16 The Second Party (Private Sector) agrees to hand over the gymnasium/ sport shop/ snack bar in good condition at the end of the agreement after four years to the MC.

2.2 First Partner Commitment

- 2.2.1 First Partner will build and supply the gymnasium/ sport shop/ snack bar to Party as per the specification provide in the plan according to the standards
- 2.2.2 First Partner will provide a special license for carry out trades in gymnasium/ sport shop/ snack bar for a fee
- 2.2.3 First Partner will make necessary by-laws to operate the gymnasium/ sport shop/ snack bar
- 2.2.4 First Partner will agree to collect all the waste separate at the source regularly.

2.3 This agreement Legally Binding at Signature Date.

2.4 Payments

- 2.4.1 The Second Partner (Private Sector) should pay one-time payment of Rupees ----- to obtain the opportunity of having the gymnasium/ sport shop/ snack bar to start the business .
- 2.4.2 The Second Partner (Private Sector) should pay Rs. ----- per month as the rent of the gymnasium/ sport shop/ snack bar . The rent will be increased by 10% each year. The operation days will not consider for reduction of rent under any circumstance.
- 2.4.3 The Private Party (Private Sector) will be responsible for all taxes of general application and without limiting the generality of the foregoing, any duties, fees or taxes assessed by any Relevant Authority in respect of the business
- 2.4.4 Neither MC nor any Relevant Authority shall be liable for any payments except as expressly specified in this PPP Agreement or in any applicable law.

**3. STATUS OF SECOND PARTNER (PRIVATE SECTOR)**

3.1 Private party can be as follows

- 3.1.1 Individual, partnership, limited liability company , Associations, Group of Persons, Societies, Enterprises, and Business are allowed.

3.2 Compliance with Laws, Regulations and Standards

- 3.2.1 Second Partner (Private Sector) should abide to all the future and existing laws enforced by Central Government, Provincial Government and Local Government.
- 3.2.2 Second Partner (Private Sector) should obtain all the licenses, permits and certificates necessary to run the business. The First Party MC agreed to support with this regard.
- 3.2.3 Action which is prohibited in terms of the Regulatory Provisions, or noncompliance with any duty or obligation which is imposed by the Regulatory Provisions, shall be deemed to be a breach of this PPP Agreement. In such in such instance MC shall be entitled to give the Second Partner notice to rectify any such breach, if such breach is capable of rectification, but in any event, MC shall be entitled to act on any such breach to protect

its rights and interests. The Second Partner shall and hereby does indemnify MC for any costs, losses and expenses suffered or incurred by MC as a result of MC acting to protect its rights and interests.

- 3.2.4 Second Partner (Private Sector) shall bear all risks and costs with respect to Material Damage to the natural environment and infrastructure of city facilities and utilities.
- 3.2.5 Second Partner (Private Sector) should compliance to the waste management program implement by the MC strictly.
- 3.2.6 Second party should compliance to the disaster mitigation measures recommend by the relevant authorities.
- 3.2.7 Second Partner (Private Sector) shall take all reasonable steps in the performance of its obligations hereunder to prevent and limit the occurrence of any environmental health hazards and to ensure the health and safety of city.

### 3.3 Conflicts

- 3.3.1 Second Partner (Private Sector) agrees not to change the names and logos display in the premises. If such instance occurred the MC reserved right to terminate the agreement and take the ownership of the gymnasium/ sport shop/ snack bar .
- 3.3.2 Unless otherwise agreed to in writing by Second Partner (Private Sector) and other parties to the Associated Agreements shall have no interest in nor receive remuneration in connection with the operation of this gymnasium/ sport shop/ snack bar except as provided for in the Agreement or the Associated Agreements. Subject to the proper enforcement of rights under the Associated Agreements, the Second Partner shall not, and shall take all reasonable steps to ensure that other parties, including parties to the Associated Agreements, do not engage in any activity which might conflict with the interests of MC, unless such activity is carried out pursuant to the rights granted to the Second Partner in terms of this Agreement.
- 3.3.3 In any conflict of interest MC will inform the Second Partner to settle the conflict amicably or otherwise MC reserved the right to terminate this agreement and claim whatever damage from second party.

### 3.4 Branding

- 3.4.1 Second Partner (Private Sector) does not have any right to perform the Branding in and around the gymnasium/ sport shop/ snack bar . All such banding rights are reserved by MC.

## 4. SERVICE DELIVERY

- 4.1 The goods and services to be provided by the Private Party shall:
  - 4.1.1 be in accordance with Best Industry Practice
  - 4.1.2 be delivered in a professional, courteous and friendly manner
  - 4.1.3 be in accordance and compliance with the MC guide lines

## 5. SECOND PARTNER (PRIVATE SECTOR) WITHOUT OWNERSHIP INTEREST

- 5.1 Subject to the terms of this Agreement, the Second Partner has, and will have, no title to, or ownership interest in, or liens, or leasehold rights or any other rights in the gymnasium/ sport shop/ snack bar .
- 5.2 The Second Partner (Private Sector) has no and will have no rights with respect to the airspace

above, or the area below the surface of, where gymnasium/ sport shop/ snack bar placed, except the right to use such land for the sole purpose of operation of gymnasium/ sport shop/ snack bar .

## **6. DAMAGE TO OR DESTRUCTION OF THE PREMISES**

- 6.1 The Second Partner (Private Sector) shall bear all risks and costs with regard to any riots, civil commotions, terrorism attacks, weather conditions including, without limitation, floods, and with regard to physical conditions or obstructions (both above-ground and subsurface and whether artificial or not), whether foreseen or unforeseen, all type of natural and man-made disasters a which are encountered during the agreement period and liable to pay a replacement cost to MC.
- 6.2 The Second Partner should have an insurance cover to bear the losses at their cost.

## **7. OPERATION, MANAGEMENT AND MAINTENANCE**

- 7.1 The Second Partner (Private Sector) shall be obliged during the Development Period and Project Term to undertake the Operation, Management and Maintenance of the gymnasium/ sport shop/ snack bar at the site allocated according to Best Industry Practice and in accordance with the Regulatory Provisions.
- 7.2 The Second Partner (Private Sector) shall ensure hygienic, clean and pleasant environment to the clients.
- 7.3 The Second Partner (Private Sector) does not have any right to display any sign board or name board in the gymnasium/ sport shop/ snack bar .
- 7.4 The Second Partner (Private Sector) shall indemnify in respect of any
- 7.4.1 death or injury to any Person arising out of operation of the gymnasium/ sport shop/ snack bar
  - 7.4.2 loss of or damage to any property arising out of operation of the gymnasium/ sport shop/ snack bar
  - 7.4.3 any economic loss arising out of operation of the gymnasium/ sport shop/ snack bar
- 7.5 If any legal action is brought or claim is made against the Second Partner (Private Sector) in respect of operation and management of the gymnasium/ sport shop/ snack bar, the Second Partner shall defend any such action.

## **8. INSURANCE**

- 8.1 The Second Partner (Private Sector) should have an insurance to cover damages caused due to any riots, civil commotions, terrorism attacks, weather conditions including, without limitation, floods, and with regard to physical conditions or obstructions (both above-ground and subsurface and whether artificial or not), whether foreseen or unforeseen, all type of natural and man-made disasters a which are encountered during the agreement period and liable to pay a replacement cost to MC.

## 9. FORCE MAJEURE

### 9.1 Force Majeure Defined

- 9.1.1 “Force Majeure” shall mean any material event beyond the control of the Party claiming the occurrence of Force Majeure
- 9.1.2 whose occurrence could not have been reasonably foreseen at the date of execution of this Agreement; and which, despite the exercise of diligent efforts, such Party was unable to prevent, limit or minimize, including, but not limited to, war whether declared or not, revolution, riot, strikes, insurrection, protest and/or boycott action, civil commotion, invasion, armed conflict, hostile act of foreign enemy, act of terrorism, sabotage, radiation or chemical contamination, ionizing radiation, Act of God, plague or other serious epidemic; and
- 9.1.3 which:
  - 9.1.3.1 causes material physical damage or destruction to all or any material portion of the gymnasium/ sport shop/ snack bar , and/or the Project Assets, including, without limitation, its accommodation facilities; or
  - 9.1.3.2 Materially interrupts the full and regular operation of all or any material portion of the gymnasium/ sport shop/ snack bar , including, without limitation.
- 9.1.4 Insure for Events of Force Majeure
  - 9.1.4.1 The Second Partner should insure damages caused to the stall due to every Force majeure event at their cost.

## 10. TERMINATION

### 10.1 Termination by MC for Fault of the Second Partner (Private Sector)

- 10.1.1 Fault of the Second Partner (Private Sector) could be any of following
  - 10.1.1.1 Arrears of three month rentals.
  - 10.1.1.2 Noncompliance to licenses and the regulations of Central Government, Provincial Government and Local Government.
  - 10.1.1.3 The Second Partner (Private Sector) ceasing to carry on business.
  - 10.1.1.4 The Second Partner (Private Sector) commits a breach of any of its material obligations under this PPP Agreement, and without derogating from the generality of the foregoing, a failure to comply with any of the obligations imposed on the Second Partner by this agreement.

### 10.2 Termination by Second Partner (Private Sector) for Fault of the MC

- 10.2.1 Fault of MC is breach of any clause of this agreement by the MC.

- 10.3 If termination is effected before the Effective Date both parties shall be entitled to pursue all available remedies, including the recovery of any damages suffered by other party as a result of the default of the other party that gave rise to such termination which may be available to relevant party.

#### 10.4 Termination by notice

10.4.1 At any stage during the agreement Term, either partner may on written notice of not less than 3 (three) months, give other partner, termination of this Agreement, in which event this Agreement shall terminate. On termination of this Agreement the second party should handover the stall in good condition and make damagers if any.