

**Business Plan  
for  
A Cluster of Mobile Business Shelters in  
Hambantota Municipal Council**

Submitted to:

**LEG Programme,**

*The Asia Foundation*

3/1/A, Rajakeeya Mawatha, Colombo 7

Submitted by:

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## I. OVERVIEW OF EXSITING MARKET BEHAVIOURS IN THE TOWN

### *Rationale*

With the rehabilitation of Hambantota Town it acts as the main hub of the economy in the southern as well as serves services for whole country through new international port . This development leads to enhance many services through the several service centers, banks, shops, hospitals, offices. The roads connect each of these services centers or Hambantota town to another town will occupied with plenty of people and vehicles and it seems congested from many tourists, local travelers who travel across the town location to those area. The typical character of this type of roads, that it disturbed by various types of informal shelters/ huts to cater the travelers as well as pedestrians who travel across these roads. Then it tends to crate huge traffic, disturbing the aesthetic environment of the town as well as pollution by garbage and many disposals thronging away by the people. Therefore it creates many environmental hazard as well as many epidemic diseases too.

The salient feature of these shelters is that, these shelters tarnish the aesthetic feature of newly built town due to various types of refuses which disposed to the nearest environment. On the other hand many farmers who cultivate vegetables and fruits, those markets are fully jammed due to lack of infrastructure facilities. Hence the sellers have to lay their products by the sides of main roads and it creates big rush and traffic in these roads due the consumers.

It is evident that most of the huts on the pavement are belonging to the lower level of the poverty line. Hence it is obvious that the fraction of this population definitely to be helped.

Hence it appears as a controversial problem where to restrict the street selling in order to minimize environmental hazards and arranging the town in aesthetic appearance, but without destroying the income sources of said poor people.

Hence it is anticipated to introduce mobile business shelters/ huts for these poor sellers in order to strength them to enhance their living status by creating stable income opportunity, while creating an aesthetic town. This mobile shelter unit can move from the roads any time and can keep all those unites in one identified location at the end of the day.

### **Objectives**

1. Creation of direct and in-direct employment opportunities through the well set up cluster of this mobile business shelters.
2. To support the government effort on creation of Hambantota town as an aesthetic and well planned town.
3. 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. Viz;
  - Minimizing the usage of polythene by introducing paper products which are highly abundant raw materials in the area.
  - To introduce identical products specified to area (e.g.: “Product of Hambantota Town”) with the support of these shelters.
  - To introduce solid waste management in the area by recycling of garbage and other wastages.

## **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 Municipal Council will help to continue this project as it can be implemented on revolving of income to finance for another project.

Hambantota has good market potential focused towards the people who travel to above areas across the town. It leads to create many traffic jams and the proper road plan should be introduced in order to maintain this potential market with sound environment.

## **Activities**

1. Providing well organized proper mobile sales shelters to street sellers (existing and new) on proper selection criteria.
2. Introduce a unique business culture in Hambantota among these business cluster and formation of small groups to enhance their economy.
3. Establishment of new “by law” to enhance this culture in Hambantota .
4. Providing technical and financial support to the small scale sellers in this cluster through a group savings system and introducing micro credit support system to enhance their business.
5. Introducing a group savings system to strength their unity in order to pace the problems on collective effort.
6. Provision of training programs to uplift the internship and the marketing skills of street sellers to make them professional in marketing and provide better service to the public.
7. Making awareness for people in keeping Hambantota town in an aesthetic environment, and introducing and implementation of rules and regulation set forth on environment management.

## 2. MARKETING PLAN

### Objective

*“To operate a cluster of sellers who perform their businesses by using Mobile Shelters provided by the Municipal Council of Hambantota on formed rules and regulations for selling of good quality products/ services and enhancement of income of Hambantota Municipal Council through diversified income generation opportunities while making the town as an aesthetic town”.*

### 2.1. Description of the Products/ Services

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

#### Products -

Vegetables, Fruits, Sweets, Snacks, Lunch/ breakfast take a way, Plastic commodities, fancy items, small groceries, stationeries, newspaper shop, book shops etc.

#### Services –

Communication, saloon, shoe repairing, phone repairing,

### 2.2 Targeted market area.

The services to be in lined with the public community areas such as bus stand, open sea beach area, near the new beach wally ball ground, near fish harbour etc.

### 2.3 Targeted Consumer Group.

Product	Market Area	Target Consumer Group
All products/ Services	The whole town area which always tend to be crowded.	1. People who used to visit town for their goods and service requirements'. 2. Foreigners

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

The market demand for the goods and services in these mobile shelters 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. The will not straight away visits these shelters but they will get the service from these shelters since they are rush to their destinations. 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 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 20 stalls to existing and new sellers on proper section criteria. Distribution mentioned in the table.

Shops	No. of shops
Organic Vegetable shops	2
Fruit stalls	2
King coconut stall	1
Sweet Items shops	2
Bites/ "wade" shops	2
Snack bars (Teas, Sort eats)	2
Night shop (Hoppers / kottu/ etc)	2
Phone selling/ repairing shops	1
Shoe repairing shops	3
Watches , clocks repairing shops	1
Herbal broth shops ("Kenda")	1
News papers, Stationary shop	1
<b>Total huts</b>	<b>20</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 Hambantota town.

## **2.7 Market strategies of the proposed project.**

### **(A) Product**

Total products of each and every mobile shelter should be in quality assured, well packed, and not exposed to dust. The appearance of the shelter is much significant factor to attract customers. The shelter should be produced in well organized and attractive manner. Nevertheless it should be in good hygienic condition especially in selling foods.

Services should be provided according to the needs of clients who visit the market on their perception, and it should be more efficient because clients are not supposed to wait long time at these types of places.

### **(B) Price**

Price varies according to the variety of goods, market availability of the particular variety and current price level of the market. Price of products and services should be displayed.

### **(C) Place**

The place will be the most important factor of attracting consumers to the market. The places of shelters are determined by the MC and the sellers strictly advised to refrain from changing the allocated place.

The place should be fulfilled with following aspects.

1. To be located at a place this does not make traffic jams or overcrowding.
2. More ventilated areas. (Preferably under tree shades, near lakes etc).
3. Areas without exposed to flood

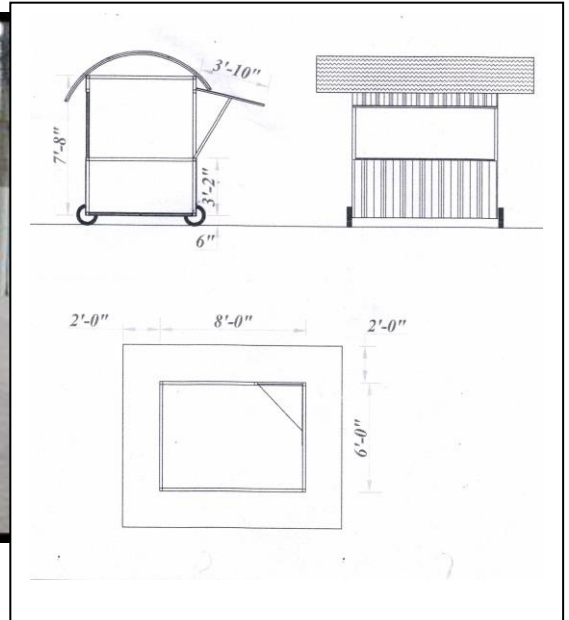
### **(D) Promotion**

As the proposed project is involved in both goods and services which are supplies basic requirements to the needs of people. It is very important that keeping the shelter in fresh look, by maintaining it properly.

It is advisable to make the all shelters in unique shape and appearance and not allowed to change the out - look of the shelter on the perception of sellers. The unique appearance will make an image to the concept and it promote the business as well.

## 2.8 Proposed Design

Proposed frame of the mobile shelters will be made of iron and steel and the finishing can be done by fiber. **Dimension and appearance of the huts should be unique and the interior arrangements can be adjusted according to the requirement of goods and services.** Proposed dimension will be 6' X 8' in the hut and front shelter will be 2' width and the rear shelter is again 2' so that the total width will be 10' feet.



## 2.9 Sales Forecast

Since the absence of enough initial capital to build up the proposed super market 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 is people who willing to performs their business in this huts and the contribution will tendering the proposed shops with an advance payments of key money (for 12 months period as per the table 1.2) as the initial capital investments of the project.

As the potential and prospected demand it will focused to enhance the number of huts by another 30 and make it 50 at the second year. The rental will be enhanced by 10% in the second year.

### Income from key money

year	Average stall size (sq.ft)	No. of huts	Monthly rent/ per shop (Rs.)	Annual receivable (Rs.)
2014	48	20	6,000/=	1,440,000/=
2015	48	30	6,600/=	2,376,000/=

### Income from Monthly rentals

year	Average stall size (sq.ft)	No. of huts	Monthly rent/ per shop (Rs.)	Annual receivable (Rs.)
2013	48	20	6,000/=	1,440,000/=

2014	48	50	6,600/=	3,960,000/=
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## 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 mobile shelters will facilitate main categories of services which mentioned below.

#### **Cleaning and Sanitary facilities**

The appearance and the cleanliness of the shelters are very important to attract consumers and it will lead the sustainable marketing process in the market. So that it is emphasized that the sellers should pay their attention on cleaning of internal space of the shelter as well as the surrounding area ("Surrounding area" - should be defined. Eg; 10 m diameter circle around the shelter) and it is entirely responsibility of the shelter owner. The MC will inspect the cleanliness of the inside and the surrounding area of the shelter and the contact renewals will be subjected with the satisfactory maintenance of the shelter. Each and every shelter will be equipped with garbage collecting bin and other accessories too. The barge collection will be done by MC.

#### **Electricity and Water supplies**

Electricity and water supplement should be bare by the shelter owners and electricity can be supplied through mobile generators or solar power and water to be stored in the shelter.

#### **Maintenance and repairs**

It is advice to agree upon with a terms and conditions in maintenances and repairs of shelters and open areas according to the type of damage, course of damage and the cost of repair. The shelters owners should agree to undertake maintenance in their premises and the repairs will be subjected on the course of damage and amount of repairing cost.



## 4. ORGANIZATIONAL & MANAGEMENT PLAN

### 4.1 Legal Status of the Business

Name of the implementing / Managing Organization	: Hambantota Municipal Council
Partners	: Private sector/ banks/ sellers/ funding Agent
Management body	: Steering Committee (7 persons)
Composition of steering committee	: Commissioner of Hambantota Urban Council Municipal Engineer Chairman of Hambantota Trade Association Revenue Officer (MC) Technical officer( MC) 2representatives from business community

### 4.2 Linear Responsibility chart of proposed mobile shelter project

The Person	Number of employees		Overall supervision	Maintains/ Cleaning/	Administration	Finance
	Existing	New				
Steering committee	7	-	✓		✓	✓
Cleaners	3*	-		✓		
Accounts clerk	1*	-				✓
<b>Total employees</b>	<b>4*</b>	<b>0</b>				

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. The steering committee will not earn from the market so that those are not categorized as employees.

#### 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 defended. It should authorized by the Commissioner of Hambantota MC.
- Signing authority for signing offers and agreements also to be undertaken by the

Commissioner of Hamabantota MC.

### 4.3. Pre operating Activities & Expenses

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	■											2014/5/1	50,000/=
Submission of project proposal to donor Agent		■										2014/5/7	-
Obtaining approval from funding agent			■									2014/5/10	-
Preparing necessary legal and other correspondences to get public ,Private sector Participation. (Formulation of committee/ tendering)		■	■									2014/5/15	10,000/=
Manufacturing of shelters		■	■	■	■	■						2014/6/30	2,000,000/=
Making Marketing arrangements				■	■	■						2013/7/15	20,000/=
Business launching (with first 20 shelters)							■					2013/7/20	50,000/=
<b>Pre operating cost</b>													<b>2,850,000/=</b>

### 4.3. Cost of Constructions

Manufacturing cost

year	Item	Cost (Rs.)
1 <sup>st</sup> year (2014)	20 shelters (100,000/= per each)	2,000,000
2 <sup>nd</sup> year (2015)	30 shelters (110,000/= per each)	3,300,000

### 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 has 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 helps 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.

- ◆ Garbage recycling project (Revenue Generating)- (garbage which are generated from these mobile huts as well as from other locations.
- ◆ Micro financing scheme and providing business development service center to the community.

##### The method of monthly rental collection

Monthly rentals (6,000/= per month in year 2014 and will be increased year by year according to the table shown below) to be collected in each month by the revenue officers and it should be monitored by the management body. The collection should be accounted by the accounts system. Collection in separate account is important.

Proposed income from Monthly rentals

year	Average stall size (sq.ft)	No. of huts	Monthly rent/ per shop (Rs.)	Annual receivable (Rs.)
2014	20	20	6,000/=	1,440,000/=
2015	30	50	6,600/=	3,960,000/=

##### Steps to be taken towards defaulters of monthly rentals

There should be a penalty for over dues for non-payers. It should be 30% of overdue interest rate to be applied in order to motivate sellers to pay on time.

If any seller who failed to pay 3 months he should be informed a letter on accelerating payment of all dues within 14 days. If he fails to do so the termination of agreement to be announced by a registered letter and takeover the and the seller fails to do so the agreement to be at the 8<sup>th</sup> date of sending notice of termination and the UC has to get the authority to acquire the hut from the seller. These conditions are to be initially agreed upon by both parties.

## **4.6 Important Rules and regulations to be considered in the agreement to be signed with Sellers.**

( Please refer Annexure ; Agreement to signed between MC and applicants on offering mobiles huts )

### **Do's**

- ◆ The seller should precede the proper price displaying in their huts.
- ◆ It will be mandatory to launch the business with insurance cover and it should be compulsory with an term in the agreement.
- ◆ The sellers should precede a savings scheme which will be introduced by MC.
- ◆ Cleaning of business premises (That covered 10m diameter of space) should be undertook by the sellers.
- ◆ The sellers should adhere with the garbage management system which will be introduced by the MC.
- ◆ The monthly rentals should provide to the MC on monthly basis at the end of each month and it is 6,000/= per month and it would be considered the whether the stall is closed or open throughout the month.
- ◆ The sellers should attire cleanly and should use handled foods in ensuring hygienic aspects. (Wearing glouses, hats, etc.).

### **Not to Do's**

- ◆ Handing the shelter over to a third party, renting the stall is completely prohibited.
- ◆ Removing or shifting the stall from the location decided by the MC is prohibited.
- ◆ Changing the original shape and the appearance of the hut , and annexing apartments to the stall is prohibited.
- ◆ Not to do any damage to the stall.
- ◆ Not to sell any kind of goods and services apart from the agreed items in the agreement.
- ◆ Not to sell any kind of illegal items in the stall.
- ◆ Not to charge over the prices displayed in the stall.
- ◆ Not to sell any good that expired, spoiled, or not suitable for health.

## 5. FINANCIAL PLAN

The project will be executed with partnership of an existing NGO; the participation of interested business crowd / street sellers on a advances for variable costs. This will allow the public market 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>							
Materials, pre operation cost	-		-	1,400,000	-	1,440,000	2,840,000
Labour and supervision				-	200,000	-	200,000
<b>Structure of the investment</b>	<b>0%</b>	<b>0.0%</b>	<b>0%</b>	<b>46%</b>	<b>7%</b>	<b>47%</b>	<b>3,040,000</b>

### 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 3<sup>rd</sup> year.
- ❖ Initial capital of the project will be met on fraction of donation, key money collection for 12 months period from sellers (6,000/= X 12 = 72,000/= from each seller - According to the agreed terms on the meetings which will be done prior to finanlizing the project).
- ❖ The daily rent of a stall will be 200/= per day amounting the monthly rental of 6,000/= (200/= X 30 days).
- ❖ According to the agreed terms on MC , the second year rental will be increased by 10% from the initial value amounting 220/= per day . (6,600/= per month). And it will increased by 10% in each year.
- ❖ The 50% of the annual income from this project will be utilized to increase the number of stalls by 30 in second year and the balance will be accounted for provision of other services to the public.
- ❖ Business / trade tax will be 2/= per day amounting 60/= per month and 720/= of annual tax per stall. It will be increased by 10% in each year.

## Profit & Loss Account

Item	1 <sup>st</sup> year (2014)	2 <sup>nd</sup> year (2015)	3 <sup>rd</sup> year (2016)
MC contribution (from previous year)	-	433,000	1,212,500
Donation for project initiation	1,400,000	0	0
Key money collection	1,440,000	2,376,000	0
Annual income from rentals	600,000	3,960,000	4,059,000
Business / Trade tax	6,000	36,000	36,000
<b>Gross income</b>	<b>3,446,000</b>	<b>6,805,000</b>	<b>5,307,500</b>
Less, <u>Variable cost</u>			
Electricity	0	0	0
Water	0	0	0
Maintenance	50,000	120,000	150,000
Other Variable cost	20,000	60,000	100,000
<b>TOTAL Variable cost</b>	<b>(70,000)</b>	<b>(180,000)</b>	<b>(250,000)</b>
<b>Contribution</b>	<b>3,376,000</b>	<b>6,625,000</b>	<b>5,057,500</b>
Less, <u>Fixed cost</u>			
Construction cost	2,000,000	3,300,000	0
Administration expenses	200,000	400,000	450,000
<b>Total Fixed Cost</b>	<b>(2,200,000)</b>	<b>(3,700,000)</b>	<b>(450,000)</b>
<b>Profit before depreciations &amp; interest</b>	<b>1,176,000</b>	<b>2,925,000</b>	<b>4,607,500</b>
Less,			
Loan Interest*	0	0	0
Annual Depreciations (10%)	200,000	500,000	500,000
Pre operating expenses	110,000	0	0
<b>Sub total</b>	<b>(310,000)</b>	<b>(500,000)</b>	<b>(500,000)</b>
<b>Profit Before tax</b>	<b>866,000</b>	<b>2,425,000</b>	<b>4,107,500</b>
Less , Income tax	0	0	0
<b>Profit After Tax</b>	<b>866,000</b>	<b>2,425,000</b>	<b>4,107,500</b>
<b>Development share for next year (50%)</b>	<b>433,000</b>	<b>1,212,500</b>	<b>2,053,750</b>
<b>Net benefit (for other services)</b>	<b>433,000</b>	<b>1,212,500</b>	<b>2,053,750</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	1,500,000	-	-	-
Key money receivables	1,440,000	-	2,376,000	0
Sales Income	-	606,000	3,396,000	4,095,000
Cash balance	-	830,000	1,166,000	3,658,000
<b>Total Cash Inflows</b>	<b>2,940,000</b>	<b>1,436,000</b>	<b>7,538,000</b>	<b>7,753,000</b>
<b>Cash Outflows</b>				
Manufacturing cost	2,000,000	-	3,300,000	0
Administration expenses	-	200,000	400,000	450,000
Variable cost	-	70,000	180,000	250,000
Pre operating expenses	110,000	0	0	0
<b>Total cash Outflow</b>	<b>2,110,000</b>	<b>270,000</b>	<b>3,880,000</b>	<b>700,00</b>
<b>Cash Balance</b>	<b>830,000</b>	<b>1,166,000</b>	<b>3,658,000</b>	<b>7,053,000</b>

## Financial Ratios

Ratio	1 <sup>st</sup> Year	2 <sup>nd</sup> Year	3 <sup>rd</sup> Year
<b>Profitability</b>	$\frac{866,000 \times 100}{3,446,000}$ = 25.13%	$\frac{2,425,000 \times 100}{6,805,000}$ = 35.63%	$\frac{4,107,500 \times 100}{5,307,500}$ = 77.3%
<b>Return on Investment</b>	$\frac{866,000 \times 100}{3,040,000}$ = 2.84%	$\frac{2,425,000 \times 100}{3,300,000}$ = 73.48%	$\frac{4,107,500 \times 100}{6,340,000}$ = 64.73%

## ***Annexure 1***

### **Instructions for Management Body**

1. Selection of mobile selling huts lenders to be done according to a proper selection criteria on transparent process and it should be consisted with weighting average scoring method which considered the following aspects.
  - Experience of selling process / suitability of selling item to the location/ ability in continuing business
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 two 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 UC should execute an awareness program to the sellers before signing the agreement. ("Do' s " and "Not to Do" s should be clearly introduced.)
  5. Collection of key money (6,000/= X 12) should be implemented before handing over huts and the MC has to provide some financial arrangements with collaboration of bank or a finance company.
  6. An Insurance scheme should be introduced before handing over huts.



7. 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 and proper assets acquiring system as mentioned in the plan.
8. It is advised to implement a savings mechanism among the sellers by implementing small group mechanism.
9. The training programs to be planned to the sellers in order to make them strength in the aspects of marketing, business development, financial management to ensure sustainable economic growth of these community.
10. 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 50% of annual income for expansion of project in second stage as well as to use the balance 50% in other projects that enhance revenue of the MC and providing extended service to the public.
11. 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 Hambantota Municipal Council as first partner and Mr..... of .....(bearing ID No.....) as second partner on operation of trade stall to sell .....(Product/Service) at..... (Specific Place).

#### **PREAMBLE**

Whereas

1. First partner agrees to supply trade stall on wheel in 8' X 4' size to the said trader to carry out the above mention trading livelihood activity for a period of four years at a monthly rent mention I this agreement separately.
2. First Partner expects to control and regulate the itinerary trading in the town while providing some livelihood activities to their citizens and promoting City beautification.
3. First Partner also expects to promote the concept of Private Public Partnership concept though this agreement with the involvement of public sector /private sector investment.
4. 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 - Urban Council Ordinance
- 1.6.2 MC – Municipal Council of Hambantota
- 1.6.3 The Steering Committee- Seven Member steering committee appointed by the Hambantota MC to manage the project. Its constitute is Commissioner of Hambantota Municipal Council, Municipal engineer of Hambantota MC, Chairman of Hambantota Trade Association, Revenue Officer (MC), Technical officer ( MC), 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 temporary movable stalls 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 stalls 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 temporary movable stalls at any time under any circumstance.
- 2.1.5 The Second Party (Private Sector) agrees not to sublet the stall or handover the stall 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 The Second Party (Private Sector) agrees not to change the original shape and the appearance of the hut, and annexing apartments to the stall.
- 2.1.8 Agreement term is four years from the date of signing the agreement. At the end of the agreement period second party agreed to hand over the stalls back to UC in good condition.
- 2.1.7 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.
- 2.1.8 The Second Party (Private Sector) agrees not to perform any illegal activity or sell any illegal product or service at this stall.
- 2.1.9 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.
- 2.1.10 The Second Partner (Private Sector) agrees to obtain a trade license for itinerary trade and compliance to the relevant by-Laws of the MC.
- 2.1.11 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.
- 2.1.12 The necessary utility services such as water, telephone and telecommunication should obtain by the Second Partner (Private Sector), at their cost.
- 2.1.13 The Second Partner (Private Sector) agrees to have a comprehensive Insurance cover for

the temporary movable stalls with their cost, behalf of the MC.

- 2.1.14 The Second Partner (Private Sector) agrees to maintain the necessary health standards relevant to the items sells in the said temporary movable stalls.
- 2.1.15 The Second Partner (Private Sector) agrees to have clean proper attire at the stall decided by the steering committee.
- 2.1.16 The Second Partner (Private Sector) agrees to dispose garbage as per the direction of MC and agrees to have a waste separation mechanism at the source.
- 2.1.17 The Second Partner (Private Sector) agrees not to sub-let the stall under any circumstance.
- 2.1.18 The Second Party (Private Sector) agrees to hand over the stall 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 movable trade stall 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 stalls for a fee
- 2.2.3 First Partner will make necessary by-laws to operate the stalls
- 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 The Hambantota MC will decide the location of the temporary movable stall and it can be changed time to time base on the requirement of the MC. The First location will be mapped and annex herewith the agreement.

## 2.5 Payments

- 2.5.1 The Second Partner (Private Sector) should pay one-time payment of Rupees Fifty thousand to obtain the opportunity of having the temporary movable stall to start the business in the town.
- 2.5.2 The Second Partner (Private Sector) should pay Rs. 6,000.00 per month as the rent of the stall. The rent will be increased by 10% each year. The operation days will not consider for reduction of rent under any circumstance.
- 2.5.3 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
- 2.5.4 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 Only individuals as private party

- 3.1.1 No Associations, Group of Persons, Societies, Enterprises, and Business are allowed.
- 3.1.2 No Partnerships

### 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 as well as city beautification.
- 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 on the Stall. If such instance occurred the MC reserved right to terminate the agreement and take the ownership of the stall.
- 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 these stalls 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 stalls. 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 Stall.
- 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 stall placed, except the right to use such land for the

sole purpose of operation of trade stall.

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

- 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 movable trade stall 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 stall.
- 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 stall
  - 7.4.2 loss of or damage to any property arising out of operation of the stall
  - 7.4.3 any economic loss arising out of operation of the stall
- 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 stall, 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 stall , 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 stall, 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 y 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 that 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.