

# Business Plan for "Thuru Sewana Resting Park " in Hambantota MC



Submitted to:  
**LEG Programme,**  
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## I. OVERVIEW

With the development of motorable road systems and introduction of high ways the transportation frequency has been rocketed up since people are free to visit here and there through more comfortable road system. With the development of Southern high ways especially in Southern highway, most people in the country used to utilized road system in southern part. Hambantota with its location it gives a main exchange in southern who comes from other areas in the country. Hambantota is a main exchange location for most pilgrims, holiday trips of locals as well as visits of foreigners to Kataragama, Yala, Arugambe areas. So that there can be seen plenty of crowds who travel through Hamabantota and with the development of roads more people who used several other roads, now tends in going through Hambantota.

Most of people traveling across Hambantota are coming from long distances so that there is a requirement for resting areas to have some rest for awhile on their way to destination. But it seems that the most available places in Hambantota area are not consists with proper arrangement of facilities for travelers. So it is important that the presence of such a well arranged resting place with the concept of "drive thru" in the area.

The Municipal council of Hambantota has identified a quite suitable area to accommodate this event . The location is at "Mayurapura ( Thuru Sewana) running along the right side of Hambantota Weeravila road just 4 km away from Hambantota town. Area is quite shady and available with cool fresh air. Further the location is running approximately 1km along the road and near by lake gives a pictureous view to the location.

From the view of Hambantota MC they focused on following mentioned economical and cultural aspects through this project:

- 1) Provisioning of income generating opportunities by mainly focusing in providing resting location to travelers by establishing several facilities viz: Toilets, wash rooms, restaurants (fast food), benches with shades, and local product retail shops.
- 2) Providing income generation opportunity for small scale retailers and local producers to sell their products to out siders.
- 3) Providing high quality refreshing environment to relax people who visit the location.
- 4) Proper parking facilities to people who comes to have a rest at the location.
- 5) Generation of income generation source to the MC to provide expanded and better service stream to the public.
- 6) Ultimately the quality of the living status of people in the area to be enhanced.

With this positioning of resting area it will attract out side localities as well as foreigners who prefer to take home unique, location specific products, ( i.e. products of Hambantota). Additionally, this recommended positioning strategy will be attractive to an audience that believes in the need to promote environmental stewardship, supports local producers, and is desirous of being identified as conscientious yet nonconforming consumers. In that connection this location will be more focused towards foreigners who recently attracted to tourism booms, and its' opportunities in the region.

It should be noted that a private public partnership (P3) to be found to be the most feasible and sustainable

format for these type of projects. Under the terms of this type of arrangement the Municipal Council area would provide concessions to small scale producers and sellers to engage with the project and provide the opening to their local products.

For realizing above mentioned objectives the resting area should be equipped with several additional infrastructure and supporting service facilities in terms of internal and external as mentioned below,

#### **Internal facilities**

- Enough spaces for parking and refreshing area.
- Well planned and systematic temporally shops (huts) arrangement.
- Adequate water, electricity and sanitary facilities.
- Well established drainage system to avoid retaining surface water.
- Well planned waste water and garbage management system.
- Well organized body (committee) to manage and operations of the location.
- Well established business trade organization to cater the management in emphasizing PPP.

#### **External facilities**

- Communication facilities
- Banks and other financial services in easy proximity limits.

Clearly the financial goal of the proposed project is to be self-sustaining. This implies an operation that does not draw on the financial resources from Central Government or a sponsoring agency at its' running cycle. The initial capital investment is estimated to total Rs. 9.0 Mn and additionally assumes the following:

- ❖ Private Public Partnership with:
  - o Developer(s) building required facility space;
  - o KOICA providing 2.0 Mn in concessions.

Careful consideration also needs to be taken in regards to governance, processes and management. As proposed the Resting area needs to be structured as a "profit center "which enable to earn revenue from stakeholders to manage and maintain the market in sustainable manner. For this management is should be comprise with a committed and knowledgeable officials in the whole MC.

Proposed Resting Park will be facing to the shady bare land which fully covered with shady bushes of "Andara trees". There are distinct features which suit for this type of location can be seen in this selected location. They are,

- The land is fully shady. The undercover of trees is free and there are enough spaces available to establish landscaping and other infrastructures viz; restaurants, selling huts, etc.
- There are sanitary facilities already insisted just opposite to the proposed land and therefore the existing toilets to be just renovated and the construction cost can be minimized.
- Identified land is at Mayurapura, running at least 1km along with Hambantota - Weeravila road and there are enough spacing for parking vehicles by the sides of the road.
- The land consists with aesthetic and pictureous environment which beautified with a natural water body just adjoined to the land.



### **Description of the Products/ Services**

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

#### **Products -**

Restaurant - Past foods (breakfast, lunch), snacks, fresh milk,

Local products/ Hambantota products : Curd, "Kurahan Thalapa", "Dodol ", handy crafts etc.

#### **Services –**

Sanitary facilities, Communication, financial and banking facilities

### **Targeted market area.**

The services will be majorly focused the travelers who passing Hambantota. So the market area is not restricted to the community of Hambantota. It focused towards whole community which including whole community who visited Hambantota including all foreigners . So that the targeted market will be whole country.

**Targeted Consumer Group.**

Product	Market Area	Target Consumer Group
All products/ Services	Whole country	1. People who passing Hambantota town on their way to destinations. 2. Foreigners

**Market share of the proposed project.**

It is not necessary to calculate the market share of the proposed project, because no any place or leaders dominating a large market share. 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 area.

**Market strategies of the proposed project.****(A) Products**

All foods of each and every retail shop/ restaurant in the resting area should be in quality assured , covered from dust, and with good hygienic status. Services should be provided according to the needs of clients who visit the resting location on their perception.

**(B) Price**

Price varies according to the variety of goods. It is advisable to maintain the prices at optimum level since the quality aspires and service facilities would be additional cost on purchases.

**(C) Place**

The place will be the most important factor of attracting consumers to the location. The place should be fulfilled with following aspects.

1. The land is fully shady. The undercover of trees is free and there are enough spaces available to establish landscaping and other infrastructures viz; restaurants, selling huts, etc.
2. The location is running at least 1km along with Hambantota - Weeravila road and there are enough spacing for parking vehicles by the sides of the road.
3. The land consists with aesthetic and pictureous environment which beautified with a natural water body just adjoined to the land.
4. Area 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 not necessary to implement sales promotional activities as done in the case of other single product made in a factory.

***External promotions:***

The objective of the external promotion is to attract new and past customers back. In this regard it is not other than to keep the location clean and aesthetic manner. This lead to attract

the people again and again and get new visitors through word of mouth.

### ***Internal or in-store promotions:***

Internal or in-store promotions are key in retaining and increasing sales volumes once customers are in place. Once the customer enters the resting area the following common internal practices either individually or collectively could be utilized in order to facilitate a longer stay resulting in increased sales, most notably:

- ◆ Effectively designed store layout
- ◆ Attractive window displays;
- ◆ Eye-catching internal displays;
- ◆ Promotional signs;
- ◆ Location signs;
- ◆ and exciting atmosphere.

## **Proposed Design of the Resting Park**

Following table brief the arrangement.

	Average space	No. of shops	total area Usable
Resting park area	50mX500m	-	25000 sq.m
Restaurant	40 ft X 20 ft	1	800 sq.ft
Snack Bar	15'X 10' = 150 sqft	2	300sq.ft
Local products shops	10' X 15 '= 150 sq.ft	5	750 sq.ft

## **Sales Forecast**

Since the absence of enough initial capital to build up the proposed project in the MC budget, it is proposed to launch a social enterprise model in partnership with an existing funding agent; contribution of private sector investors who willing to performs their business in the proposed resting park. The contribution of private sector will attract on tendering the proposed shops with an advance payments of key money (preferably for 36 months period as per the table 1.2) as the initial capital investments of the park.

**Total Income from Key money ( 36 months rentals Advances)**

Table 1.2

Shops	Average stall size (sq.ft)	No. of shops/ Apartments	Monthly rent/ per shop/ unit (Rs.)	Initial capital investment (Rs.) (for 3 years)
<b>Income from Key money ( Advances) (36 months rentals)</b>				
Restaurant	800 sq.ft	1	50,000/=	1,800,000/=
10' X 15 shops	150 sq.ft	7	15,000/=	3,780,000/=
<b>Total Income from Key money ( 36 months rentals Advances)</b>				<b>5,580,000/=</b>

## 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 parking fee collection, and Shops rental collections.

#### 1. Providing Parking space for vehicles

The Parking area is available along the road since the resting park is located just facing to the road. So that the parking will be free of charge.

#### 2. Provision of resting places / benches and shady environment

Since most of vehicles owners prefer some shade for their vehicles , the park entirely be with some small trees arrangement according to the proper landscapes.

#### 3. Cleaning and Sanitary facilities.

The appearance and the cleanliness of the resting park is very vital to attract consumers and it will lead the sustainable marketing process in the park. So that provisions of public toilets and the sanitary staff will be provided to the visitors and those are available on the other side of the road just in front of the resting park.

#### 4. Electricity and Water supplies.

Each and every apartment will be facilitated with electricity and water supplement and the expenses to be paid by the shops owners. However the electricity in the open lobby areas and the public areas will be hosted by the MC.

#### 5. Maintenance and repairs.

It is advice to agree upon with a terms and conditions in maintenances and repairs of shops and open areas according to the type of damage, course of damage and the cost of repair. The shops 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. The maintenance of open areas and the lobbies to be undertaken by the MC.



## 4. ORGANIZATIONAL & MANAGEMENT PLAN

Name of the implementing / Managing Organization	: Hambantota Municipal Council
Partners	: Private sector/ 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

The Person	Number of employees		Overall supervision	Maintains/ Cleaning/ security	Marketing	Administration	Finance
	Existing	New					
Steering committee	7	-	✓			✓	✓
Revenue Officer	1	-					✓
Sanitary labour		2		✓			

As the above chart shows the overall management of the project is in the hand of the MC 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 MC as well as from 3 representatives from private sector investors. (instructions to Steering committee is annexed in annexure 1)

2 persons will be directly recruited to cleaning and sanitary purposes of the park.

#### **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 Mayor and the Commissioner of MC.
- An agreement should be finalized by the MC to define terms and condition which has be signed between shop owners who willing to buy shops in the park (Ref. Annex 2)



### 4.3. Cost of Constructions

Table 2.1

Item	Cost (Rs.)
<b>Construction cost Resting Park</b>	
Millwork and finishing space	100,000
Landscaping	2,500,000
Benches and equipments	1,000,000
Side drains and drainages	500,000
Water and electricity supply	1, 200,000
<b>Construction cost -Restaurant/ shops (temporary buildings)</b>	
Millwork and finishing space	100,000
Construction cost	2,500,000
	<b>8,200,000/=</b>

### 4.4. Pre operating Activities & Expenses

Table 2.2

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	■											2014/4/20	100,000/=
Submission of project proposal to donor Agent		■										2014/4/30	-
Obtaining approval from funding agent			■									2014/5/07	-
Preparing necessary legal and other correspondences to get public ,Private sector Participation. (Formulation of committee/ tendering)		■	■									2014/5/14	50,000/=
Constructions/ demolishments / renovation of existing buildings and landscaping (Please refer table 2.2)				■	■	■	■	■	■	■		2014/07/14	8,200,000/=
Business launching											■	2014/07/15	50,000/=
<b>Pre operating cost</b>													<b>8,400,000/=</b>

## 5. FINANCIAL PLAN

### 5.1 Project Cost

Cost Item	Existing			Proposed			Total Cost (Rs.Mn)
	Donor (Rs.Mn)	Equity (MC) (Rs.Mn)	Private Sector (Rs.Mn)	Donor (Rs.Mn)	Equity (MC) (Rs.Mn.)	Private Sector (Rs.Mn)	
Resting Park/ Restaurant/ Shops	-	-	-	2.00	0.82	5.58	8.4
<b>Structure of the investment</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>23%</b>	<b>10%</b>	<b>67%</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 4<sup>th</sup> year.
- ❖ Initial capital of the project will be met on fraction of donation, key money collection for 36 months period from investor who is will to invest for " Resting Park".  
(50,000/= X X 36 months - Restauration) + (15,000/= X 7 shops X 36 months ) (annexure 2 : Lease agreement to be signed between investors and MC)
- ❖ The monthly rent of the shops will be subjected with the 10% increment of rentals from each year.
- ❖ Business turn over tax will be 5/= per day amounting 1,000/= per month for all shops and restaurant and annually it would be 12,000/=.
- ❖ 50% of annual net income will be transferred for next year budget and the balance 50% will be utilized for usage of other public services in the MC (for a new project or expansions).
- ❖ 10% annual depreciation of temporary building was considered (for 5 years)

## Profit & Loss Account

Item	1 <sup>st</sup> year (2014) (4.5 months - starting from 15/7/2014)	2 <sup>nd</sup> year (2015)	3 <sup>rd</sup> year (2016)
Annual income from rentals of shops in Resting Park	472,500	1,260,000	1,386,000
Income from rental of Restaurant	225,000	600,000	660,000
Income from Revenue Tax	4,500	12,000	13,200
<b>Net Sales</b>	<b>702,000</b>	<b>1,872,000</b>	<b>2,059,200</b>
Less, <u>Variable cost</u>			
Electricity	67,500	180,000	190,000
Water	22,500	60,000	66,000
Other Variable cost	10,000	15,000	20,000
Labour	135,000	360,000	400,000
<b>TOTAL Variable cost</b>	<b>(235,000)</b>	<b>(615,000)</b>	<b>(676,000)</b>
<b>Contribution</b>	<b>467,000</b>	<b>1,257,000</b>	<b>1,383,200</b>
Less, <u>Fixed cost</u>			
Production overhead cost (advertisement)	100,000	150,000	200,000
Administration expenses	45,000	120,000	140,000
Maintenance cost	60,000	120,000	150,000
<b>Total Fixed Cost</b>	<b>(205,000)</b>	<b>(390,000)</b>	<b>(490,000)</b>
<b>Profit before depreciations &amp; interest</b>	<b>262,000</b>	<b>867,000</b>	<b>893,200</b>
Less,			
Loan Interest*	0	0	0
Annual Depreciations	56,000	150,000	150,000
Pre operating expenses (promotions)	100,000	0	0
<b>Sub total</b>	<b>(156,000)</b>	<b>(150,000)</b>	<b>(150,000)</b>
<b>Profit Before tax</b>	<b>106,000</b>	<b>717,000</b>	<b>743,000</b>
Less , Income tax	0	0	0
<b>Profit After Tax</b>	<b>106,000</b>	<b>717,000</b>	<b>743,000</b>

### 5.3 Cash Flow Statement

Item	Pre Operating period	1 <sup>st</sup> Year (2014)	2 <sup>nd</sup> Year (2015)
<b>Cash Inflows</b>			
Equity	2,820,000	-	-
Key money receivables	5,580,000	-	-
Rental income	697,500	1,860,000	2,046,000
Tax Income	4,500	12,000	13,200
Cash balance	-	261,000	699,000
<b>Total Cash Inflows</b>	<b>9,102,000</b>	<b>2,133,000</b>	<b>2,758,200</b>
<b>Cash Outflows</b>			
Cost of constructions	8,200,000	0	0
Administration / maintenance expenses	45,000	120,000	140,000
Variable cost	235,000	615,000	676,000
Pre operating expenses	100,000	0	0
Loan Interest and repayments	0	0	0
<b>Total cash Outflow</b>	<b>8,580,000</b>	<b>735,000</b>	<b>816,000</b>
<b>Cash Balance</b>	(522,000)	1,398,000	1,942,200
<b>50% reserves for other services</b>	261,000	699,000	971,100
<b>Cash balance for next year usage</b>	261,000	699,000	971,100

### Financial Ratios

Ratio	1 <sup>st</sup> Year (2014)	2 <sup>nd</sup> Year (2015)	3 <sup>rd</sup> Year (2016)
<b>Profitability</b>	$\frac{106,000 \times 100}{702,000}$ = 15.09%	$\frac{717,000 \times 100}{1,872,000}$ = 38.3%	$\frac{743,000 \times 100}{2,059,200}$ = 36.08%
<b>Return on Investment</b>	$\frac{106,000 \times 100}{8,200,000}$	$\frac{717,000 \times 100}{8,200,000}$	$\frac{743,000 \times 100}{8,200,000}$

	=1.29%	=8.8%	9.06%
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## ***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 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.

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 Hambantota Municipal Council as first partner and Mr..... of .....(bearing ID No.....) as second partner on operation of trader / bank .....(Product/Service) at..... (Specific Place).

#### **PREAMBLE**

Whereas

1. First partner agrees to supply building for shop / bank / restaurant 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 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 MC, Engineer of Hambantota MC , Chairman of Hambantota 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 Super market 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 shop / bank / restaurant 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 shop / bank / restaurant with their cost, behalf of the MC.
- 2.1.15 The Second Partner (Private Sector) agrees to maintain the necessary health standards relevant to the items sells in the said shop / bank / restaurant.



2.1.16 The Second Party (Private Sector) agrees to hand over the shop / bank / restaurant 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 shop / bank / restaurant 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 shop / bank / restaurant for a fee

2.2.3 First Partner will make necessary by-laws to operate the shop / bank / restaurant

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 shop / bank / restaurant to start the business .

2.4.2 The Second Partner (Private Sector) should pay Rs. ----- per month as the rent of the shop / bank / restaurant . 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 shop / bank / restaurant .
- 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 shop / bank / restaurant 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 shop / bank / restaurant . 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 shop / bank / restaurant .
- 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 shop / bank / restaurant placed, except the right to use such land for the sole purpose of operation of shop / bank / restaurant.

## **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 shop / bank / restaurant 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 shop / bank / restaurant .
- 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 shop / bank / restaurant
  - 7.4.2 loss of or damage to any property arising out of operation of the shop / bank / restaurant
- 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 shop / bank / restaurant, 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 shop / bank / restaurant , 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 shop / bank / restaurant , 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

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.

