

REQUEST FOR PROPOSAL

Dear Sirs,

RE: INVITATION TO ACT AS ISSUING BANK (ISSUING BANK) FOR A LETTER OF CREDIT (LC) TO COVER THREE SUB-PROJECTS, EACH BACKSTOPPED BY A GUARANTEE FROM THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (IBRD) TO SUPPORT THE SECOND NATIONAL GANGA RIVER BASIN PROJECT (THE PROJECT) [RFP No. Pr-11013/5/2022-PPP-NMCG] – 2nd Call

The National Mission for Clean Ganga (NMCG) is pleased to invite your institution to submit a proposal to act as the LC Issuing Bank in connection with the Second National Ganga River Basin Project (The Project). The LC Issuing Bank would be the sole issuer of the three LCs, each backed by a guarantee from IBRD. The Project requires the issuance of a long-term standby LCs in favor of the Escrow Bank to be established by NMCG. The aggregate amount of the three LCs is expected to be USD 19 million.

Project Background

The World Bank has been working with the Government of India and its National Mission for Clean Ganga (NMCG) (a federal government-level implementing entity) on the Second National Ganga River Basin Project (the Project) supported by World Bank. Under the World Bank funded Second National Ganga River Basin Project (hereinafter the Project) NMCG has approved development of STPs at Agra, Meerut and Saharanpur through Hybrid Annuity based PPP mode(HAM).(hereinafter called HAM -PPP projects). These investments were selected because they are the largest pollution hotspots on these tributaries which are not yet the focus of an interments under the NGP. Each investment will consist of goods and works to intercept and divert wastewater currently flowing through open drains into the river with, pumping stations and conveyance systems and the construction and/or rehabilitation of sewage treatment plants to treat the wastewater prior to discharging it in the tributaries of the Ganga River. These investments will be procured using the HAM PPP approach.

HAM PPP contracts create long-term payment obligations for the NMCG. To provide comfort to the private operators on availability of continued funding, NMCG currently deposits an amount equivalent to two rolling milestone CAPEX payments during construction period and two-year Capex Annuity, Interest, and O &M charges during Operation period in an Escrow Account. The Escrow Account provides two functions – holds the deposited amount for 15 years of O&M period and the basis for making periodic payments to private operators. To optimize the design and funding needed for the payment security, the NMCG is considering the use of a standby letter of credit (SBLC) structure to be issued by a commercial bank. If there is a payment default by NMCG due to lack of

sufficient funding available at the Escrow Account, the Escrow Bank can draw on the LC to top up the Escrow Account. Once drawn, the LC will be converted into a short-term loan for the NMCG under a Reimbursement and Credit Agreement (RCA). Apart from this the deposit by NMCG in the Escrow Account will be reduced to one milestone payment during construction period and one quarter payment during operation period.

National Mission for Clean Ganga

The National Mission for Clean Ganga (NMCG) is an authority formed under Environment Protection Act 1986, by Government of India through River Ganga (Rejuvenation, Protection and Management) Authorities Order, 2016 for implementing Namami Gange programme- Integrated Ganga river conservation mission that also includes world bank funded Second National Ganga River Basin Project. Government of India has also approved for taking up of Sewage Treatment Plants (STPs) through Hybrid Annuity based PPP mode(HAM). NMCG has already taken up 30 projects in 18 packages at a cost of Rs.11,006.84 Cr with a potential for private capital mobilization of INR 2450-3000 Cr. (US\$ 350-450 M). The “Namami Gange” Program (NGP-I) was launched in 2014 as the flagship GoI program to rejuvenate river Ganga and its tributaries with an overall outlay of INR 200 billion (USD 3 billion) till 2020 under the new Ministry of Water Resources, River Development and Ganga Rejuvenation. The NGP covers the eleven states in the Ganga River Basin, including all tributaries to the main stem. The programme has been further extended under Namami Gange Programme-II (NGP-II) till December 2026 with an out lay of Rs. 22,500 Cr.

In order to incentivize states to actively participate in the clean-up program, the financing from the GoI covers the entire capital investment and tops it with 10 to 15 years of operation and maintenance costs. NGP’s priority over the last few years has been to speed-up implementation of projects to fill gaps in the wastewater treatment capacity and wastewater networks in select locations along the main stem of the river.

As of April 2022, the mission has sanctioned 366 projects worth Rs. 30,671.5 Cr under various components such as sewerage infrastructure, industrial pollution abatement, biodiversity, wetland conversation, groundwater management, afforestation, advocacy and public outreach, research and development, amongst others. Moreover,159 sewerage infrastructure projects have been sanctioned worth Rs. 24,223 Cr to create a wastewater treatment capacity of 4930 MLD and lay 5,137 km sewer network. Against this, 83 projects have already been completed and expenditure amounting to Rs. 10,316 Cr has already been incurred.

This institutional arrangement was further strengthened in October 2016 with the termination of the NGRBA and the creation of National Ganga Council (NGC) to replace it as the apex authority headed by the Prime Minister. All functions of NGRBA were subsumed under the NGC. The NMCG was converted into an Authority under the Environment Protection Act, 1986 with powers to enforce actions to prevent pollution and

monitor environmental flows. Similar authorities have been set-up at the state and district levels. Higher financial powers were devolved to NMCG for faster decision making. NMCG is supported by State Mission for Clean Ganga (SMCG) and District Ganga Committees (DGCs) created under the October 2016 order.

States have different executing agencies for implementation of investments. In most states, the parastatal agencies are responsible for execution of investments. The Program framework requires tripartite Memorandum of Agreement between the SMCG, executing agency and the respective Urban Local Bodies (ULBs) which lays out their respective roles and responsibilities. However, there is an absence of monitoring of the signed MoAs and a limited involvement from the ULBs. The above mentioned STP projects at Agra, Meerut and Saharanpur are implemented by Uttar Pradesh Jal Nigam (UPJN) of Uttar Pradesh.

Terms of Reference for Issuing Bank

The selected Issuing Bank will be expected to issue a long-term (15 years of O&M Period) standby portfolio LC in favor of the Escrow Bank for the three HAM-PPP projects, with each LC (sub-LC) backed by a guarantee from IBRD. The combined amount of the portfolio LC will be an INR equivalent of USD 19 million.

The selected Issuing Bank will also be expected to agree to using the form legal agreements attached in Annex 1, which are:

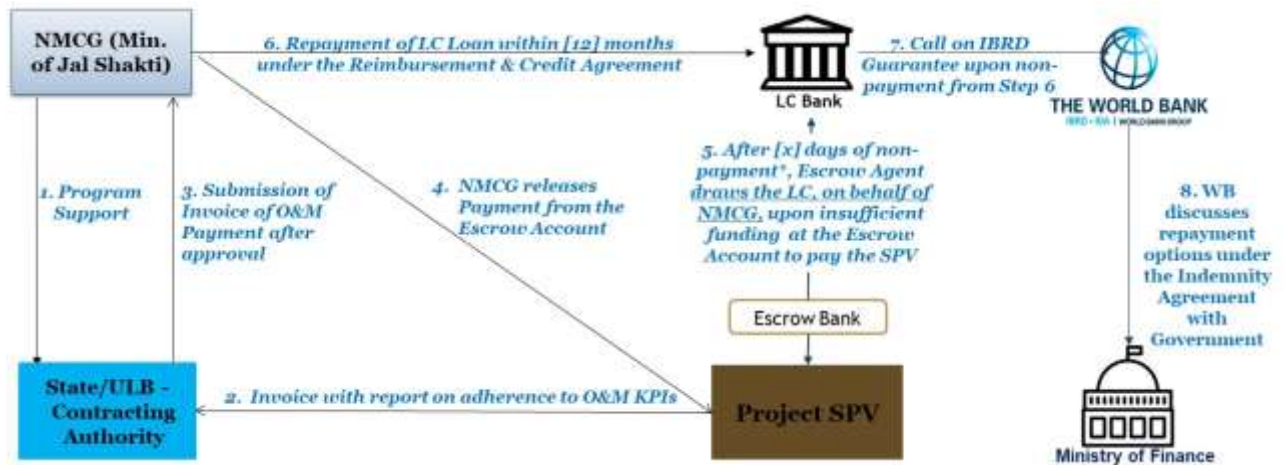
- Form of LC to be issued to Escrow Bank to satisfy NMCG's payment security requirement under each HAM PPP concession contract (or sub-project);
- Reimbursement and Credit Agreement (RCA) between NMCG and the Issuing Bank setting out the terms and conditions (i) for NMCG to repay any amount drawn on an LC, and (ii) for the amounts available to be drawn to be reinstated following such repayment; and
- The Guarantee Agreement (GA) between IBRD and the Issuing Bank setting out the terms and conditions of the guarantee.

Note that the fees and costs associated with each LC, [including third party legal counsel expenses for the Issuing Bank and IBRD], are expected to be borne by NMCG. A fee letter will need to be agreed by the Issuing Bank after the mandate to act as Issuing Bank has been awarded by NMCG.

Prospective Issuing Banks are requested to submit fully underwritten offers for the full amount of the three LCs (USD 19 million) based on the terms and conditions set forth in the form LC, RCA, and GA.

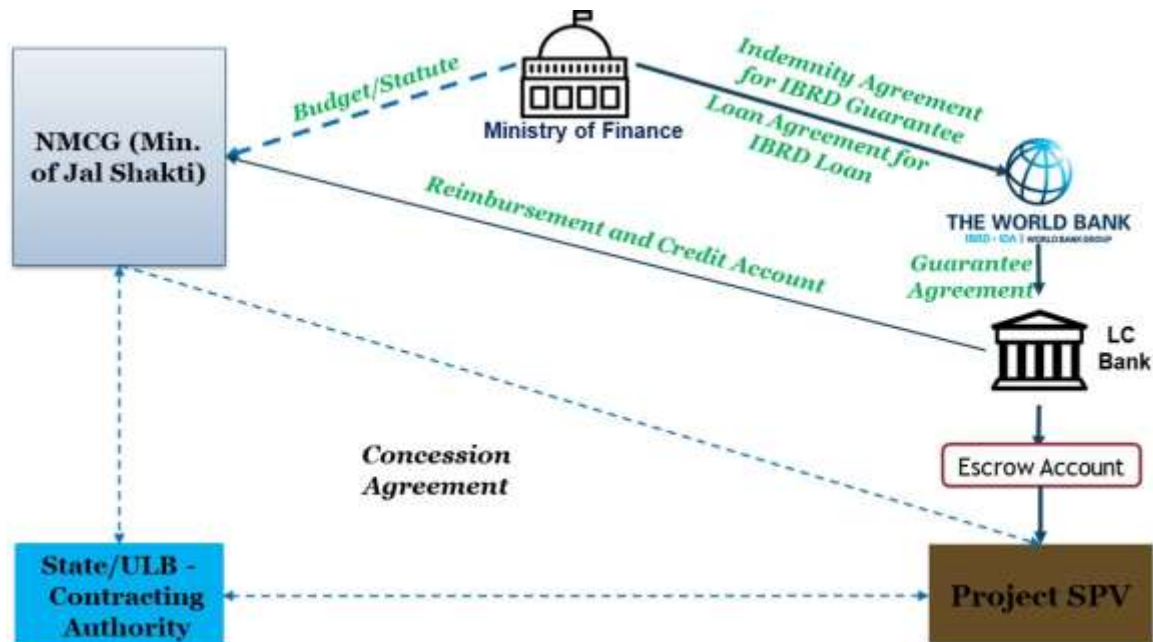
The illustration below shows the structure of the LC transaction. The structure related to each of the LCs are expected to be similar.

LC Transaction Structure



*Note: As per the concession agreement the SPV will have to wait until after the prescribed cure period (to be specified in the concession agreement) prior to drawing on the LC. The cure period will be set to allow for NMCJ sufficient time to top up the escrow account upon drawing.

IBRD payment guarantees will be offered through a SBLC structure to be issued by a commercial bank (as a beneficiary of IBRD guarantee), as explained in figure above. The LC will be drawn by the Escrow Bank, if the NMCJ cannot make the quarterly invoice payments due to insufficient amount available at the escrow account. Once the SBLC is drawn, it converts into a short-term loan for the NMCJ under a Reimbursement and Credit Agreement (RCA). If the NMCJ fails to pay the LC Bank within the prescribed duration (say 12 Months), the LC Bank can call on the IBRD Payment Guarantee. Any payment made by IBRD under the IBRD guarantee will trigger the obligation on the part of GoI to repay IBRD under the Indemnity Agreement (to be concluded between IBRD and GoI). The Indemnity Agreement will require the GoI to repay IBRD on demand, or as IBRD may otherwise direct. The contractual structure is shown below:



Tentative Project Timeline

Sub-Project	Expected Financial Close Date	Approximate LC Amount
Agra	Q4 CY2022	USD 9 Million
Meerut	Q2 CY2023	USD 5 Million
Saharanpur	Q4 CY2023	USD 5 Million
Total		USD 19 Million

Criteria for selection

The Issuing Bank is expected to have a minimum level of credit worthiness and history of sound financial and operational performance. Any international bank will be required to be at investment grade according to Moody's, Fitch and/or S&P Global. Domestic banks will have to be rated minimum of A according to domestic credit ratings agencies.

Offers received by NMCJ, through bid submission template provided as part of the procurement package, will be evaluated based on the following criteria. Offers will be evaluated on the basis of the following criteria with the following relevant score weight [50]%, [20]%, [20]%, and [10]% respectively:

- i. **All-in cost for the provision of the portfolio LC** including all fees (e.g., issuance fee, standby fee, upfront fees). Note that any associated costs such as any legal cost should be detailed with caps, wherever possible. The fixed price should cover the cost of provisioning for the entire USD 19 million, while keeping in mind the LC effectiveness for each individual sub-project will be staggered as per the tentative project timeline indicated

above. Banks will also be required to submit the repayment terms (loan base rate and margin) of the LC in the event it is drawn.

- ii. **Commitment to provide LCs for a group of projects** which will include projects that are currently in different stages of procurement and expect to reach financial close as outlined in the table above.
- iii. **Term (from Project Financial Close)**. Each sub-LC is expected to remain available for a total period of 17 years to correspond with sub-project construction period of [2] years and O&M period of [15] years. For the avoidance of doubt, each sub-LC is available to be drawn only when the respective sub-project reaches its O&M period. The Issuing Bank will be expected to maintain the entire LC amount of USD 19 million but allow for a staggered effectiveness based on financial close timeline for each of the three sub-projects. As the three sub-projects will reach financial closure over a period of next [2] years, Banks will be required to provide a maximum of two-year commitment period for the LC issuance to account for this staggered effectiveness. The end-to-end tenor of the total LC of USD 19 Million is expected to be from the LC issuance date for the first project to the end of the O&M period of the third project (expected to be until Q2 2040 as per the schedule above, corresponding to a maximum tenor of 18 years).
- iv. **Additional criteria will also be considered:**
 - **Track record of international structured finance transactions.** Potential Issuing Banks are requested to submit details demonstrating their expertise and role in similar transactions as well as a list of transactions concluded in the last five years, with a minimum of five.
 - **Presence in India and available resources** (i.e. a dedicated experienced team to execute and implement the transaction in a timely manner). Key qualifications requested include experience with similar instruments and transactions that closed and experience in India
 - **Experience with World Bank guarantees.** Experience with IBRD guarantees and particularly, guarantees using an LC structure.

Please submit proposals through e-procurement portal (<https://eprocure.gov.in/eprocure/app>):

National Mission for Clean Ganga,
1st Floor, Major Dhyan Chand National Stadium,
India Gate, New Delhi – 110002
Phone: +91 11 - 23072900
Email: madhvakumar@nmcg.nic.in

Intending bidders/bank who have not enrolled/registered in e-procurement portal (<https://eprocure.gov.in/eprocure/app>) are requested to register themselves on the website. Possession of a valid Digital Signature Certificate (DSC) in the form of smart card/e-token is a prerequisite for registration and participating in the bid submission activities through this

website. The website also has user manuals with detailed guidelines on enrollment and participation in the online bidding process

Clarification:

A prospective Issuing Bank requiring any clarification of the tender document may send its questions by email to the addresses indicated in the RFP and prior to the deadline for clarification. Any response to a clarification request will be sent by e-mail and shared with all invitees.

Proposed Timetable **

RfP Issuance:	22 nd November 2022
Deadline for questions/comments	28 th November 2022
Pre-bid meeting	28 th November 2022 at IST 18:00 Hrs. through virtual mode https://meet.google.com/khw-prfy-zjp
Bid Submission (through e-procurement portal):	15 th December 2022 upto IST 12:00 Hrs.
Opening of Proposals (through e-procurement portal):	15 th December 2022 upto IST 12:30 Hrs.
Bid evaluation and LC Issuing Bank selection approved by NMCG:	31 st December 2022
Mandate letter with NMCG:	20 th January 2023
LC, RCA, and GA, and fee letter:	20 th February 2023
Effectiveness of the LC, RCA, and GA (Indicative project financial close):	1 st March 2023
Availability of LCs for Demand (tentative)	1 st January 2025

*The LC, RCA and GA will be considered final and not subject to further negotiations once the mandate has been awarded to the Issuing Bank.

Annex 1: LC, Reimbursement and Credit Agreement, Guarantee Agreement, Cooperation agreement (NMCG-World Bank) and Cooperation agreement (Escrow Bank-World Bank)

[Attached]

Form 1: Technical Qualification – To be submitted along with the bid

Track record of international structured finance transactions		
Presence in India and available resources		
Experience with World Bank Guaranteed LCs		