

REQUEST FOR PROPOSAL

RFP No.: G-35/3/2024-BUDGET-NMCG

Date: 16th May 2024

Dear Sirs,

RE: Invitation to act as Issuing Bank (Issuing Bank) for an aggregate/portfolio Letter of Credit (LC) to cover three Sub-Projects, such LC backstopped by a guarantee from the International Bank for Reconstruction and Development (IBRD) to support the Second National Ganga River Basin Project (the Project)- 3rd 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 LC Issuing Bank would be the sole issuer of the portfolio LC, such LC 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 will be USD 9 million.

I. Project Background

The World Bank has been working with the Government of India and its National Mission for Clean Ganga (NMCG) (an Authority under the Department of Water Resources, River Development & Ganga Rejuvenation, Ministry of Jal Shakti) on the Second National Ganga River Basin Project. The NMCG has approved development of STPs at Agra, Meerut and Saharanpur through Hybrid Annuity based PPP mode (HAM). These investments were selected because they are among the largest pollution hotspots on the tributaries of River Ganga. 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.

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 during the O&M period, 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 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- an integrated 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). The “Namami Gange” Programme was launched in 2014 as the flagship programme of the Government of India to rejuvenate river Ganga and its tributaries with an overall outlay of INR 20,000 crore till 2020. The NGP covers the eleven states in the Ganga River Basin, including all tributaries to the main stem. The programme has been further extended till December 2026 with an out lay of INR 22,500 Crore.

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. The 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 March 2024, the mission has sanctioned 462 projects worth INR 38,689 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. 199 sewerage infrastructure projects have been sanctioned worth INR 31,327.27 Cr. to create a wastewater treatment capacity of 6196.14 MLD and lay 5289 km sewer network. Against this, 116 projects have already been completed and expenditure amounting to INR 14,856 Cr. has already been incurred.

States have different executing agencies for implementation of investments. In most states, the parastatal agencies are responsible for execution of investments. The above mentioned STP projects at Agra, Meerut and Saharanpur are implemented by Uttar Pradesh Jal Nigam (UPJN) of Uttar Pradesh.

II. 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 the portfolio LC (comprising the three sub-LCs) backed by a guarantee from IBRD. The combined amount of the portfolio LC will be USD 9 million.

The selected Issuing Bank will also be expected to agree to using the following form legal agreements (which will be made available separately as per the timelines indicated in Section VIII):

- 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 external 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 9 million) based on the terms and conditions set forth in the form LC, RCA, and GA.

The following may be noted while preparing the bid:

- a. All-in cost for the provision of the portfolio LC to be quoted by the issuing Bank will include all fees (e.g., issuance fee, upfront fees, legal fees and any other associated expenses) and applicable taxes, excluding GST.
- b. GST if any will be paid as per prevailing rates.
- c. The fixed price should cover the cost of provisioning for the entire USD 9 million, while keeping in view the staggered LC effectiveness for each individual sub-project (the sub-LC) as per the expected O&M start date (please refer “LC Term” below”).
- d. Banks will also be required to submit the repayment terms (Loan Margin to be charged over and above the loan base rate) of the LC in the event it is drawn.
- e. Loan Base rate will be the Repo rate.
- f. The LC will remain valid till O&M completion of all 3 sub-Projects which are at different stages of implementation / procurement at present and as outlined below.

LC Term

Each sub-LC is expected to remain available till the completion of all 3 investments, comprising 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 9 million but allow for a staggered effectiveness based on O&M effectiveness of each of the three sub-projects. First sub-project (Agra HAM-PPP) is under construction, 3 out of 8 milestones have already been achieved. For the Meerut sub-project, financial closure is expected by May 2024. The financial bid evaluation is under process for the third Sub-Project (Saharanpur- HAM), and letter of award is expected to be issued by end June 2024. The end-to-end tenor of the total LC of USD 9 Million is expected to be from the LC issuance date for the first sub-project to the end of the O&M period of all 3 sub-projects (expected to be until Q4 2042).

Sub-project wise allocation:

Sub-Project	LC Amount
Agra	USD 3.5 Million
Meerut	USD 1.9 Million
Saharanpur	USD 3.6 Million
Total	USD 9 Million

How the Guarantee will work

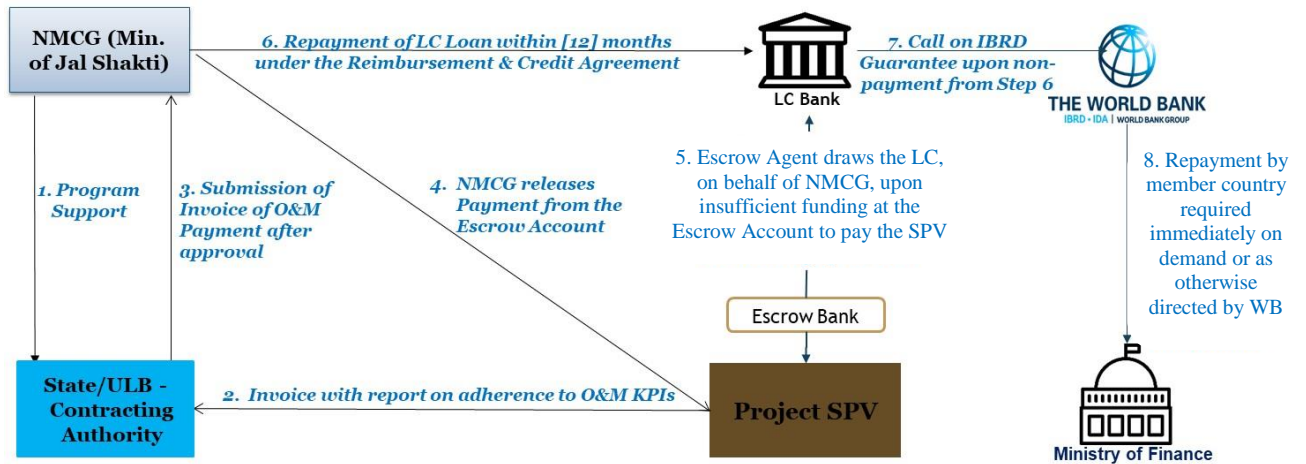
Whenever LC is drawn by the Escrow Bank, the SBLC Bank transfers funds to Escrow Bank in USD. The Escrow Bank converts the USD to the INR to maintain the mandated balance in Escrow Account. The LC drawn by Escrow Bank becomes a loan by the SBLC to NMCG; and the said loan is to be repaid by NMCG in 12 months along with interest as per Reimbursement and Credit Agreement (RCA). If the NMCG fails to pay back the loan within 12 months, SBLC Bank invokes the Guarantee, and the IBRD pays them the principal and unpaid interest. Thus the SBLC Bank will be fully covered by the IBRD Guarantee.

An **illustration** of a hypothetical LC transaction is given below:

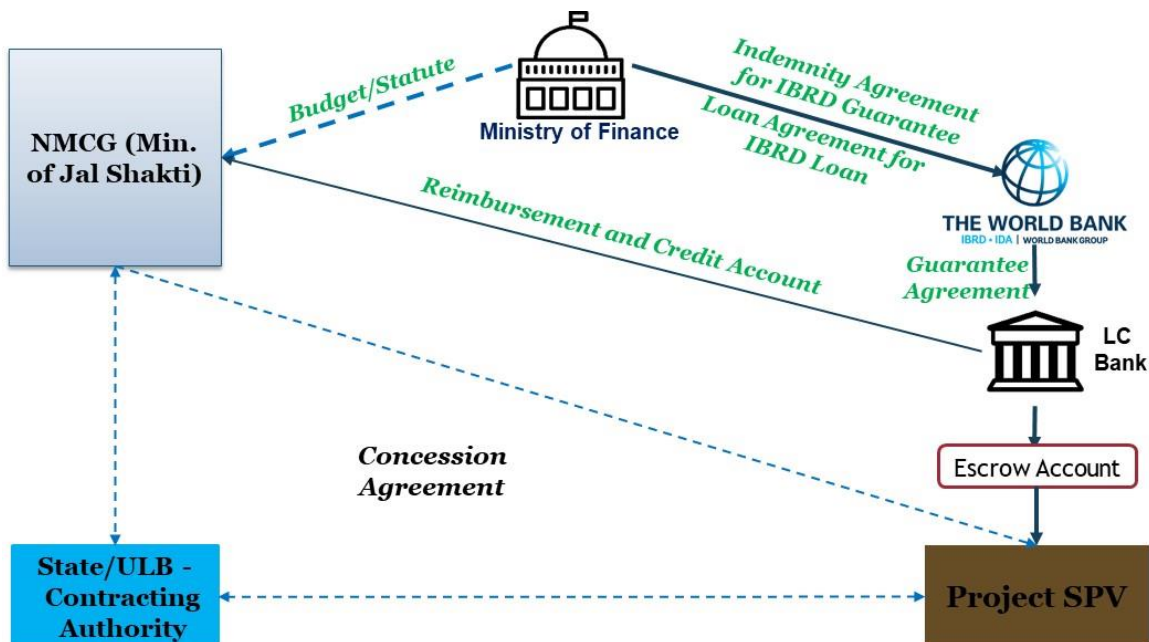
1. Suppose there is a shortfall of Rs. 8.3 crore in the Escrow Account on the first day of a quarter (1 April). The INR: USD exchange rate on that day is 83:1.
2. LC is drawn by the Escrow Bank from the SBLC Bank. SBLC Bank transfers the USD equivalent of the shortfall amount to the Escrow Bank (USD 1 Million with the exchange rate in the current illustration).
3. Escrow Bank converts the USD to the INR to maintain the mandated balance in Escrow Account.
4. There will be [3-4] business days' time difference between Escrow Bank making a demand for drawing the LC with the SBLC Bank and the time SBLC Bank honors the demand.
5. USD 1 million becomes a loan by the SBLC to the NMCG. The Reimbursement and Credit Agreement (RCA). The loan is to be repaid in 12 months along with interest. NMCG will pay the SBLC Bank after converting INR to the USD 1 million (through Escrow Agent or any other Commercial Bank) as per the exchange rate prevailing on the day of repayment.
6. If the NMCG fails to pay back the loan within 12 months, SBLC Bank invokes the Guarantee, and the IBRD pays them USD 1 million (the principal) and unpaid interest. Thus the SBLC Bank will be fully covered by the IBRD Guarantee.
7. GoI (Department of Economic Affairs) will reimburse the Guarantee amount to the IBRD under Indemnity Agreement typically within 60 days.
8. Only exposure of the SBLC Bank will be to the IBRD, which has a credit rating of "AAA"

LC Transaction Structure

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



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 immediately on demand, or as IBRD may otherwise direct. The contractual structure is shown below:



III. Criteria for selection

Proposals received by NMCG, through bid submission template provided as part of the RFP, will be evaluated based on the following criteria:

- a. **Rating:** 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/ S&P Global. For Domestic Banks, debt papers of at least 5 years' maturity will have to be rated 'A' or above by domestic rating Agencies such as CRISIL or ICRA.
- b. **Track record of structured finance transactions.** Potential Issuing Banks are requested to submit details demonstrating their expertise and role in similar guaranteed Letter of Credit transactions (with or without MDB/DFI¹) as well as a list of transactions concluded in the last five years, with a minimum of five.
- c. **Presence in India and available resources,** i.e., availability of a dedicated experienced team in India to execute and implement the transaction in a timely manner.

IV. Evaluation of Proposal

NMCG has adopted a single-stage two-envelope selection process for evaluating the Proposals comprising 'Technical Bid' and 'Financial Bid' to be submitted through e-procurement portal

- a. The electronic 'Technical Bids' shall be opened first, through e-procurement portal on the date and time specified in the RFP document. The 'Financial Bids' shall remain unopened in the e-procurement portal, until the subsequent public opening following the evaluation of the Technical Bids. The Technical Bid shall not include any financial information relating to the Financial Bid. Technically qualified bidder means a Bidder whose Technical Bid is responsive and meets the eligibility requirements as stipulated in Para III of the RFP document and is qualified for opening of its Financial Bid.
- b. The Financial Bids of the technically qualified bidders shall be opened through e-procurement portal. Selection of the bidder shall be on the basis of weighted average as illustrated below on the Item no.1 and Item no.2 provided in BoQ.

S. No.	Item Description	<i>Bank-1</i>	<i>Bank-2</i>	<i>Bank-3</i>
1	Processing Fee (lump-sum fee to be quoted in INR)	95,00,000	100,00,000	90,00,000

¹ An illustrative list of Multilateral Development Banks (MDBs) includes the World Bank Group, Asian Development Bank, the Asian Infrastructure Investment Bank, New Development Bank, the European Bank for Reconstruction and Development, African Development Bank Group etc. An illustrative list of Development Financial Institutions (DFIs) includes bilateral development banks such as AFD (France) and KfW(Germany) etc., as well as domestic DFIs such as ICICI, IDBI, IFCI, NABARD and SIDBI etc. The list is illustrative and not exhaustive.

S. No.	Item Description	Bank-1	Bank-2	Bank-3	
2	Margin to be charged on and above the base rate, specified as the Repo rate prevailing on the applicable date, for short-term loan with NMCG - [Loan Margin (to be quoted in %)]	2.00%	3.25%	3.50%	
3	$T1_i = 100 \times PF_L / PF_i$ [T1 _i : Financial Score of the "I"th bidder for Item no.1. PF _i : Fee quoted by the "i"th bidder. PF _L : Lowest fee quoted among all bidders]	94.74	90.00	100.00	
4.	$T2_i = 100 \times LM_L / LM_i$ [T2 _i : Financial Score of the "I"th bidder for Item no.2. LM _i : Interest rate (margin) quoted by the "I"th bidder. LM _L : Lowest margin rate quoted among all bidders]	100.00	61.54	57.14	
5.	Weightage on T1 -	90%	85.26	81.00	90.00
6.	Weightage on T2 -	10%	10.00	6.15	5.71
7.	Final Score	95.26	87.15	95.71	
8.	Rank	2	3	1	

*** If any of the bank quotes value as 'zero' for Item No.2 (Loan Margin), in such case, the value considered to be as '0.01' for evaluation purpose.

- c. Prior to evaluation of Proposals, the NMCG will determine whether each Proposal is responsive to the requirements of the RFP. NMCG may, in its sole discretion, reject any proposal that is not responsive. However, NMCG reserves the right to waive minor deviations in the qualification criteria if they do not materially affect the capability of a Bidder to perform the contract.

V. Submission of Proposal

- a. The Bidders shall submit the proposals only through e-procurement portal (<https://eprocure.gov.in/eprocure/app>) by uploading the electronic copy of the proposals. Submission of proposals by other means shall not be accepted.
- b. The Bidders shall upload the Technical Bid and the Financial Bid separately by using the appropriate sections on e-procurement portal.

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.

The RFP is open to all banking institution who meet the qualification criteria detailed in para III above. **However, as per the legal documents, the Escrow Bank and the SBLC**

Banks are separate entities. Therefore, NMCG's Escrow Bank for the 3 HAM investments (Union Bank of India) is excluded from bidding as SBLC Bank.

Clarification:

A prospective Issuing Bank requiring any clarification of the tender document may send its questions by email to the address indicated in the RFP or through e-procurement portal, prior to the deadline for clarification. The responses to such clarifications, if any, will be published on e-procurement portal.

VI. Payment Schedule

- a. The Processing Fee will be paid in four equal installments. First instalment will be paid on the LC commencement date for the first sub-project, followed by second and the third instalment after 5 and 10 years of issuance date of the said LC. The fourth and the last installment will be paid at the end of the O&M period of all 3 sub-projects.
- b. Loan Margin – These charges will get triggered and be payable to the SBLC bank only on the occasion of LC withdrawal and consequent conversion of the drawn amount to a loan to the NMCG under the Reimbursement & Credit Agreement (RCA).

VII. Validity of the Proposal

The Proposal shall be valid for a period of 180 days from the Proposal Due Date.

VIII. Schedule of Selection Process

RfP Issuance	16 th May 2024
Availability of following documents 1.1 Form Letter of Credit (LC) 1.2 Form Reimbursement and Credit Agreement (NMCG-Issuing Bank) 1.3 Form Guarantee Agreement (Issuing Bank-World Bank)	3 rd June 2024
Last date for submission of clarification	10 th June 2024
Pre-Bid Conference by Virtual Meeting Platform	14 th June 2024, 15:00 Hrs. IST (meeting link will be uploaded separately)
Last date & time for submission (upload) of Proposal in e-procurement portal	1 st July 2024 up to 15:00 Hrs. IST
Opening of Technical Bids through e-procurement portal	1 st July 2024 up to 15:30 Hrs. IST
Opening of Financial Bids through e-procurement portal	To be informed later

National Mission for Clean Ganga,

1st Floor, Major Dhyan Chand National Stadium,

India Gate, New Delhi – 110002

Phone: +91 11 - 23072900

Email: tl.procurement@nmcg.nic.in

Proposal Submission Form

To
The Director General,
National Mission for Clean Ganga,
1st Floor, Major Dhyan Chand National Stadium,
India Gate, New Delhi-110002

Sub: RFP for Appointment of Issuing Bank for a Letter of Credit

Ref: RFP No.

We, the undersigned, offer to provide our services as per terms of reference, as mentioned in the RFP, to National Mission for Clean Ganga. We are hereby submitting our proposal and declare the following:

- (a) We are submitting herewith our Bid, with the details as per the requirements of the RFP, for your evaluation and consideration. This Technical Bid read with the Financial Bid shall constitute the Proposal which shall be binding on us. The Financial Bid is being submitted separately by using the appropriate section on e-procurement portal.
- (b) We have read carefully the terms and conditions of RFP document and hereby agree to abide by the said terms and conditions.
- (c) The bid is unconditional.
- (d) We undertake that documents submitted are genuine/authentic and nothing material has been concealed. We understand that the contract is liable to be cancelled, if it is found to be having obtained, through fraudulent means/concealment of information.
- (e) We shall make available to the NMCG any additional information it may find necessary or require to clarify, supplement or authenticate the Bid.
- (f) We agree to keep this bid valid for acceptance for a period of one hundred eighty (180) days from the date of opening the bid.
- (g) We acknowledge the right of NMCG to reject our Proposal without assigning any reason or otherwise and hereby waive our right to challenge the same on any account whatsoever.
- (h) We understand that you may cancel the selection process at any time and that you are neither bound to accept any Proposal that you may receive nor to select the Issuing Bank for a Letter of Credit, without incurring any liability to the Bidders.

Yours faithfully,

Authorized Signatory

Note: On the Letterhead of the Bidder

Details of Bidder

S.No.	Particulars	Details
1.	Name of the Bidder	
2.	Address and contact details of the Bidder	
3.	Registered/Corporate Address with contact details	
4.	Year of Establishment	
5.	Name and Designation of the contact person to whom all references shall be made regarding this Bid	
6.	Telephone No. (with dialling code)	
7.	E-mail id of the Contact Person	
8.	Fax No. (with dialling code)	
9.	Website address	

.....
Name of the Bidder

.....
Signature of the Authorised Signatory

.....
Name of the Authorised Signatory

Details of Bidder's Technical Qualification

<p>a. Rating: 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/ S&P Global. For Domestic Banks, debt papers of at least 5 years' maturity will have to be rated 'A' or above by domestic rating Agencies such as CRISIL or ICRA</p>
<p>b. Track record of structured finance transactions. Potential Issuing Banks are requested to submit details demonstrating their expertise and role in similar guaranteed Letter of Credit transactions (with or without MDB/DFI) as well as a list of transactions concluded in the last five years, with a minimum of five</p>
<p>(i)</p> <p>(ii)</p> <p>(iii)...</p> <p>(iv)...</p> <p>(v)</p>
<p>c. Presence in India and available resources, i.e., availability of a dedicated experienced team in India to execute and implement the transaction in a timely manner.</p>

Note: Necessary supporting documents shall be furnished by the bidder for the above.

Form of Financial Bid

The form of Financial Bid/BoQ is provided in e-procurement portal. Bidders are advised to download and fill the required details in the permitted cells and upload the same.