

## **TOOL # 1B: PSP VALIDATION TOOL**

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## Overview

This tool is designed to help the ULB assess if there is a supporting environment for private contractor engagement. This considers aspects of the legal framework, and the broader public sector environment to support private contractor engagement.

## How to use this tool

The tool is divided into 2 parts:

### **Section 1: Legal and Political support**

This section assesses whether the legal and political system support private contractor engagement, and if there is support for the project within the local community.

### **Section 2: Public sector capacity and experience to support private contractor engagement**

This section assesses whether the public sector has the financial and technical capacity to support private contractor engagement, and whether they have prior experience in supporting private sector partnerships.

### **Scoring System for the Tool**

- Each section in the tool below has a set of questions, with multiple answer options provided in the dropdown menu
- The Project Officer should choose the answer to each question that best represents the project
- If a project with private contractors is expected to be difficult, it should be redesigned or alternatives should be considered

## Section 1. Legal & Political Support

In the table below, please select the option that is most appropriate to the question for your town/ city.

Legal limitations and policy support					
1. Are there laws or other legal restrictions that limit PSPs?	Private contractors not allowed by existing regulations	Legal restrictions on some aspects of private contractor engagement	No known legal restrictions	-	Private contractor engagement enabled through specific regulations
2. Does a policy for private sector participation in IFSM, or sanitation exist?	-	No specific policy for private contractor engagement in IFSM	Policy issued by the previous government	Current govt. issued a policy/ adopted the previous regulation	Policy issued by the government in the last 2 years
Political support for the project					
3. Is there political will for private contractor engagement/ sanitation in the local govt?	-	No political champion or support for this project	Some lower level political support exists	A high level political champion exists	A committed, high level political champion
4. Is there support for private contractors in IFSM or sanitation solutions in the community?	-	Local community is actively opposed to private contractors in IFSM	Community not very engaged; has supported private contractors in IFSM in the past	Local community is somewhat supportive	Local community is well informed and supportive
Land availability and acquisition					
5. Will the project require land acquisition?	-	Major land acquisition required	-	Minor land acquisition required	No land acquisition required

## Section 2. Public sector capacity and experience to support private contractor engagement

In the table below, please select the option that is most appropriate to the question for your town/ city.

Rating	1	2	3	4	5
Public sector expertise in supporting private contractor engagement					

1. Is there a focal point for private contractor engagement? (e.g. Maharashtra Jeevan Pradhikaran)	-	There is no such organization or body	-	Yes, but it only has advisory capacity	Yes and it has decision making capacity
2. Does the ULB have the capabilities to engage private contractors? (This could be in the form of skilled and aware internal staff, or financial technical capabilities)	-	No or very little capabilities	Some capabilities	-	Full capabilities
3. Does the ULB have previous experience working with private contractors?	-	The ULB has no previous experience	The ULB has some experience	Yes, the ULB has either previous experience or technical expertise in this space	Yes - the ULB has expertise (technical experts) and previous experience
4. Would the physical infrastructure (i.e. Treatment Plant) pass through multiple jurisdictions?	-	Yes - it would pass through multiple jurisdictions	-	-	No
<b>Public sector funding assistance for projects with private contractors</b>					
5. Can the ULB support the private contractor financially in the form of guarantees or short term loans/grants?	-	Cannot support private contractor financially	-	Yes – can somewhat support	Yes – can support on all financial challenges
6. If yes, what percent of the project cost does this support cover?	-	-	Less than 50%	Greater than 50 % but less than 100%	The ULB can bear the entire cost
7. Is the project with the private contractor likely to be eligible for funding from other financing schemes?	-	-	No	-	Yes
8. Have other similar private contractor projects, especially those related to sanitation that been	-	-	No	-	Yes

successfully financed within the state?					
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Q3. Any other remarks/ factors that could affect the implementation of the proposed IFSM project in your city?

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**Please see the following tables to interpret the results of the tool.**

## Results Table: Section 1

Legal limitations and policy support	
1. Are there laws or other legal restrictions that limit PSPs?	
Private contractors not allowed by existing regulations	The ULB should escalate the discussion to the state body, making a case for private contractor engagement, highlighting the service gaps, and lack of funds and manpower to complete the services in-house
Legal restrictions on some aspects of private contractor engagement	The ULB should identify which aspects of private contractor engagement are restricted by law, and if these would impact the proposed project. If the ULB expects any impact, it should prepare a case for exception to be submitted to the state body <u>before the project starts</u> , highlighting why the exception should be created, and how the ULB will manage the risk associated with it
No known legal restrictions	No action required from the ULB
Private contractor engagement enabled through specific regulations	The ULB should proactively reach out to the state bodies, and seek their buy-in in the early part of the project cycle
2. Does a policy for private sector participation in IFSM, or sanitation exist?	
No specific policy for private contractor engagement in IFSM	Through internal consultations, the ULB should clarify whether a lack of policy allows private contractor engagement in practice. If yes, the ULB should move forward with the project. If no, the ULB should escalate the discussion to the state body (as discussed above)
Policy issued by the previous government	The ULB should confirm the current government's view on the existing policy through internal consultations. If the policy is valid, the ULB should move forward with the project. If the policy is not valid, the ULB should seek clarifications from the state body on how to move forward with the project
Current govt. issued a policy/ adopted the previous regulation	No action required from the ULB
Policy issued by the government in the last 2 years	No action required from the ULB
Political support for the project	
3. Is there political will for private contractor engagement/ sanitation in the local govt?	
No political champion or support for this project	The ULB should proactively reach out to the state bodies, and seek their buy-in in the early part of the project cycle
Some lower level political support exists	The ULB should seek available political support to create a comprehensive project proposal to be submitted to the higher-level authorities. The project should clearly show how the project aligns with the government's broader agenda on sanitation, and seek to gather higher level support
A high level political champion exists	No action required from the ULB
A committed, high level political champion	No action required from the ULB
4. Is there support for private contractors in IFSM or sanitation solutions in the community?	
Local community is actively opposed to private contractors in IFSM	The ULB should conduct detailed stakeholder discussions with the local bodies to understand their opposition to the proposed project. Once their concerns have been addressed, the ULB should initiate a broader stakeholder consultation exercise (e.g.

	through newspapers) clearly showing how it has taken the views of the community into account. Once this consultation process is over, it can move forward with the project
Community not very engaged; has supported private contractors in IFSM in the past	The ULB should initiate a stakeholder consultation exercise through local newspapers seeking feedback on the proposed project. Once the feedback has been taken into consideration, it can move forward with the project
Local community is somewhat supportive	
Local community is well informed and supportive	No action required from the ULB
<b>5. Will the project require land acquisition?</b>	
Major land acquisition required	The ULB should work closely with the relevant authorities to ensure that the land acquisition process has been completed <u>before</u> the project starts
Minor land acquisition required	
No land acquisition required	No action required from the ULB



## Results Table: Section 2

Public sector expertise in supporting private contractor engagement	
1. Is there a focal point for private contractor engagement?	
There is no such organization or body	No action required from the ULB
Yes, but it only has advisory capacity	The ULB should proactively seek inputs from the authority on the proposed project. It should further ensure that it highlights the advisory role played by the authority in its project proposal/ ongoing communication with the state bodies
Yes, and it has decision making capacity	The ULB should actively work with the authority to fast track the implementation of the project
2. Does the ULB have the capabilities to engage private contractors?	
No or very little capabilities	The ULB should seek to build a Project Management Unit (PMU) that brings the capabilities necessary to implement the project.
Some capabilities	The ULB should assess if the proposed project requires capabilities that it does not have, and which will be critical to the project's success. It should seek external support (e.g. through short-term experts) to ensure it has all the capabilities required to execute the project
Full capabilities	No action required from the ULB
3. Does the ULB have previous experience working with private contractors?	
The ULB has no previous experience	The ULB should identify, and build a team of short-term external experts who can support the execution of the project.
The ULB has some experience	The ULB should assess if the proposed project requires skills/ experience that it does not have, and which will be critical to the project's success. It should seek external support (e.g. through short-term experts) to ensure it has all the skills required to execute the project
Yes, the ULB has either previous experience or technical expertise in this space	No action required from the ULB
Yes - the ULB has expertise(technical experts) and previous experience	No action required from the ULB
4. Would the physical infrastructure (i.e. Treatment Plant) pass through multiple jurisdictions?	
Yes – it would pass through multiple jurisdictions	The ULB should proactively reach out to the relevant authorities so that it has all the approvals in place before the project starts
No	No action required from the ULB
Public sector funding assistance for projects with private contractors	
5. Can the ULB support the private contractor financially in the form of guarantees or short term loans/grants?	
Cannot support private contractor financially	The ULB should clearly clarify its inability to provide financial support to the private contractor in the feasibility report, as well as in its EOI/ Request for Proposal to set expectations regarding investments.

Yes – can somewhat support	The ULB should clearly clarify its inability to provide financial support on certain aspects to the private contractor in the feasibility report, as well as in its EOI/ Request for Proposal. This should form the basis for follow up discussions with private contractors to that the project can be budgeted sufficiently.
Yes – can support on all financial challenges	The ULB should seek to maximize investments from the private sector wherever possible – in cases where the private contractor is not willing to invest due to low returns (e.g. capex for STP), the ULB can step in and take on the expense on its own
6. If yes, what percent of the project cost does this support cover?	
Less than 50%	The ULB should seek to maximize investments from the private sector wherever possible – in cases where the private contractor is not willing to invest due to low returns (e.g. capex for STP), the ULB can step in and take on the expense on its own
Greater than 50% but less than 100%	
The ULB can bear the entire cost	
7. Is the project with the private contractor likely to be eligible for funding from other financing schemes?	
Yes	The ULB should gather information on the available grants, the eligibility criteria, and the process to avail of these financing schemes. It should initiate the process to apply for these grants, and build in a realistic estimate of the amount, and timing of these funds in its project budget.
No	No action required from the ULB
8. Have other similar private contractor projects, especially those related to sanitation that been successfully financed within the state?	
Yes	The ULB should initiate the process to avail of these financial benefits under the relevant schemes at the earliest.
No	No action required from the ULB