



ICID•CIID

INTERNATIONAL COMMISSION ON IRRIGATION AND DRAINAGE

DETAILED PROJECT REPORT FOR ESTABLISHING AN INDEPENDENT SERVICE UNIT (ISU) UNDER ICID

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Preface

International Commission on Irrigation and Drainage (ICID), a knowledge-sharing platform, is dedicated to issues that cover the complete spectrum of agricultural water management (AWM) practices - including floods and drought. It envisions “a water-secure World free of poverty and hunger through sustainable rural development”. As a non-profit professional network, ICID provides a platform where water management professionals join hands to work for the larger benefit of the society and the community in order to make this world a better place to live in.

Like any other non-profit or civil society organisation, the financial sustainability is crucial for its long-term survival and effectiveness of ICID for maintaining general operations and enable it to seize emerging opportunities arising out of the renewed global commitment to ensuring water security and eradication of hunger by 2030. Accordingly, subsequent to adoption of ICID Road Map to Vision 2030, IEC in its 68th meeting held in Mexico, while reviewing financial sustainability of operations of ICID, decided to investigate the scope for diversifying Commission’s income by establishing business(es) related to its specific mission (e.g., capacity development and professional certification). Consequently, IEC, during its 69th meeting in Canada, approved the recommendations of Special Task Force (STF) (Appendix I) and gave ‘in-principle’ approval for the development of the detailed proposal and obtain necessary statutory approvals. It desired that Independent Service Unit (ISU) be launched in Bali, as part of the celebration of 70 years of establishment of ICID.

STF sought inputs from NCs through a questionnaire. Together in consultation with selected ICID office bearers, experts, potential and clients, this detailed project report (DPR) has been developed for establishing ISU as an entity financially independent from ICID. It would provide professional consulting services and undertake capacity development training and professional certification. The Draft Detailed Project Report for the established was discussed with NCs through Web-ex meetings in three groups. Brief of these consultations and discussions are given in Appendix II.

Out of the options available under the Indian Law, the legal experts have opined that it would be most appropriate to incorporate the ISU under **Section 8 of the Company Act, 2013**. Under this setup, the revenues generated by ISU would be used to further mandate of ISU which primarily will include the capacity development activities essential for meeting ICID’s organizational goals and fulfil the mission adopted in the Road Map to ICID Vision 2030.

Once fully operational, ISU, while bridging the existing gap in the services required in the AWM sector and being provided by the market, will fulfil ICID’s organizational goal of Strengthening and Capacity Development of NCs. It would, thereby, reduce the operating expenses of ICID and improve its long-term financial sustainability. As the main objective of ISU is to support the National Committees, and it will be run in partnership with the NCs, they are envisaged to play a crucial role in the working of ISU. They will act as marketing representatives and technical coordinators on behalf of ISU in their respective countries.

A draft Detailed Project Report (DPR) was prepared in order to bring a common understanding among NCs and seek their participation. Based on the written inputs and the various suggestions received during the e-discussions held on 17 and 18 April 2019, the DPR, has been duly finalized and presented in this final form. After approval from the Management Board, ISU would be incorporated as a Company in India and launched formally during the 3rd World Irrigation Forum in 2019 in Bali, Indonesia, as envisaged.

Secretary-General, ICID

Executive Summary

The proposed company will be incorporated as a company under **Section 8 of the Company Act, 2013** to run on commercial lines. The Company, provisionally called Independent Service Unit (ISU), later to be christened as ICID Foundation/ Federation/ Services will have its headquarter co-located with ICID Central Office in New Delhi, India. The company will have three shareholders. International Commission of Irrigation and Drainage (ICID), with 998 shares will be the major shareholder along with 2 other shareholders, sharing the Vision, Mission and Goals of ICID, with one share each.

ISU will provide products and services in the Agriculture Water Management (AWM) sector, supporting ICID vision of a *“Water secure world free of poverty and hunger through sustainable rural development”*. **Its Mission is:** *“To be the first people to be called upon to tackle challenges in agriculture water management”*. The **Main Objectives** of the company are to (i) Support ICID member countries; (ii) Address water challenges faced by society; (iii) Save water and energy by enabling higher crop productivity with less water and energy; (iv) Support environmentally sustainable development; (v) Be a catalyst for change in policies and practices, and (vi) Facilitate capacity development and training.

The core values of the company are delineated by hand-holding of its clients; sharing of knowledge and experiences among the stakeholders; the partnership of mutual respect; and the non-profit objectives. Accordingly, **a cost-plus revenue model**, which involves adding a mark-up percentage to gross costs, is proposed to be adopted. Only a moderate mark-up percentage will be charged to be able to generate sufficient revenues to create a surplus that would be re-invested in ISU for helping the National Committees (NCs).

ICID, as the majority shareholder, would infuse working capital in the form of non-interest-bearing loans to take care of the anticipated expenditure during the initial three years after which the company will be able to break-even and return the loans within another three years.

Based on a strategic analysis the main **spectrum of products and services** to be provided by ISU are classified into the following four broad categories: (i) **Policy** - policy inputs, project planning/project formulation/ techno-economic analysis, and status and study reports; (ii) **Planning** - program and project evaluation reports, impact assessment reports, and third-party evaluation of projects and programs; (iii) **Institution building** - institutional capacity development, stakeholders' interaction and participation, and capacity development and management; and (iv) **Training** - organization of training and workshops, certification of professionals, and organizing study tours.

Inputs to the services to be provided by ISU - a dynamic knowledge base, experienced experts (both national and international), and logistics and infrastructure - will be acquired through ICID's: Network of National Committees; Partners: national and international; and a dedicated Core Team located at its headquarters.

ISU services in any country would be provided jointly working with the NC who would be the first stop **as a local technical partner; act as** the first contact point on behalf of ISU, and act as its **marketing representatives**. NCs would play a leading role in **creating the demand** for the services provided by ISU. Presence of the representatives of bidding firms is essential at various stages of building a consultancy assignment. NC as the local technical partner would **represent the ISU** on these occasions. NCs would be expected to identify the national experts who could deliver the services required and at the same time assign a coordinator who would facilitate the work of consultants by providing **technical coordination**.

ISU will work with a range of clients, from decision-makers to water professionals and institutions that would include public authorities and government organizations both at national and international levels.

At the national level, it will work with the central government, the state governments, the public sector undertakings, corporations and industrial establishments and private enterprises. Geographically, it would work with the National Committees/ National Governments in Africa, SAARC countries, South East and Central Asia. Internationally, its clientele would include United Nations and its associated agencies (UNSD, UNDP, FAO, WHO, ILO etc), multi-lateral development banks (WB, ADB, AfDB, IsDB etc), and bilateral and multilateral development agencies and other international bodies working in AWM sector.

ISU will carry out its activities with the highest professional standards of practice. Utmost transparency would be followed and a close liaison between ICID and ISU ensured through a Services Advisory Board. ISU will be starting on a small scale, in single-tier configuration with the Secretary-General, on behalf of ICID, the lead partner, at the top who would work as the Chairman of the Board of Directors as well as the Chairman of Management Board.

A Core Team will be responsible for the overall operation of the company, which will consist of a Chief Executive Officer, duly assisted by a Chief Technical Officer, assisted by Technical Officers and engaging technical consultants on specific activities. Professional legal, financial and communication services will be outsourced. The administration and logistic support initially will be provided through ICID Central Office on a cost to cost basis.

Chapter 1 The Proposed Enterprise

1.1 Incorporation of the Company

The proposed company will be incorporated as a company under **Section 8 of the Company Act, 2013** to run on commercial lines. The Company would focus on sustainable Agriculture Water Management (AWM) whose role in eradicating hunger, achieving food security and improving nutrition and promoting sustainable agriculture is critical. Services in the area of flood management and drought management, the two extremes which are getting intensified under climate change regime, would also be addressed.

Under the growing water scarcity in many parts of the world, water saving in the agriculture sector, which withdraws 70-80% of water, could go a long way in fulfilling the growing demands in other sectors. Sustainable agriculture water management has the potential to address the water security issues within countries and ensure healthy water bodies and prevent environmental degradation. The company will promote the science of agriculture water management, support education and encourage research for ensuring social welfare by an equitable distribution of water and reducing conflict due to water.

The company will have three shareholders with International Commission of Irrigation and Drainage (ICID) a registered non-profit society under Societies' Act 1856 as the major shareholder (with 998 shares), along with 2 professionals as shareholders with one share each. All the shareholders are committed to the Vision of ICID and are agreeable to work towards its Mission and Goals.

The Company will, by providing "Services"¹ in the field of Agriculture Water Management (AWM), for the betterment of the society with a vision of a "*Water secure world free of poverty and hunger through sustainable rural development*". As a Section 8 Company, it will be able to earn profits which will be taxable in accordance with the Income Tax Act 1961. However, it will be able to avail many benefits that are not given to other companies as listed in Annexe I.

ISU can generate profit and re-invest it in the company for further promotion of the vision, mission and objects and its shareholders will not receive any dividend. ISU expects to take-up consultancy work immediately on its incorporation. The company is envisaged to capture a large chunk of market share in its area of activities during a three-year period and is expected to cross the breakeven point after its three years of operation.

1.2 Name of The Company

The name of Section 8 Company is generally different from normal companies. They include words like foundation, association, federation, confederation, the council. The company needs to have a catchy name which could be easily identified with its working and its close association with the International Commission on Irrigation and Drainage (ICID). The proposed company may be named as follows in the order of priority given below, subject to availability of the name at Registrar of the Companies *{For ease, the proposed company is referred to as ISU in rest of this document}*.

1. ICID Foundation (ICF) or
2. ICID Federation, or
3. ICID Services, or
4. ICID Confederation.

¹ "Services" means any subject matter of procurement which involves primarily non-physical project specific, intellectual and procedural processes where outcomes/deliverables would vary from one consultant to another. They include professional, intellectual, training and advisory services. These Services typically involve providing expert or strategic advice which include, feasibility studies, project management, engineering services, finance, accounting and taxation services, training and development etc. (Ref: Rule 177 of GFR 2017, Government of India)

1.3 Location

The Company would provide services around the world. However, India would be its one of the major market. The registered office of the company will be located in the National Capital Region, Delhi within the premises of the Central Office of ICID at 48, Nyaya Marg, Chanakyapuri, New Delhi, 100012. Other branch offices may be opened depending upon the need, utility and extent of business prospects (actually or potentially) in a particular country or state.

1.4 Vision, Mission and Objectives

The Company is established as a strategic but independent services unit of ICID operated as a separate legal entity that will help fulfil the ICID **Vision** 2030² and ICID Mission³ through its six organizational goals. Therefore, the Mission of the Company is:

“To be the first people to be called upon to tackle challenges in agriculture water management⁴”

The **Main Objectives** of the proposed Company are:

- i. Support ICID member countries,
- ii. Address water challenges faced by society,
- iii. Support environmentally sustainable development,
- iv. Save water and energy - enable higher crop productivity with less water and energy,
- v. Be a catalyst for change in policies and practices, and
- vi. Facilitate capacity development and training

The Company would achieve the above objectives by providing services in the following areas:

- a) Planning, design, operation and evaluation of impacts of Agriculture Water Management (AWM) infrastructure for collection, storage, conveyance, distribution, and disposal of water and wastewater;
- b) Planning, design, operation and monitoring of interventions for climate resilient, drought management, river training, river behaviour, flood management and for protection against seawater intrusion of agricultural lands;
- c) Exchange of information, knowledge and technology;
- d) Cross-disciplinary and inter-sectoral engagement, cooperation and collaboration.
- e) Implementation of new research and innovation into field practices by developing tools and procedures;
- f) Facilitating international inputs required by developing countries, particularly the low-income countries;
- g) Pooling and sharing of international knowledge on AWM and related subjects and making it available worldwide;
- h) Planning, financing, socio-economic and environmental aspects of AWM interventions;
- i) Promoting savings in use of water;
- j) Promoting equity, including gender equity, among beneficiaries of AWM interventions;
- k) Promoting, preserving and improving soil and water quality of irrigation sources and irrigated lands;
- l) Planning of interventions related to reclamation and improvement of lands; and

² ICID Vision 2030: *“Water secure world free of poverty and hunger through sustainable rural development”*

³ ICID **Mission**: *“Working together towards sustainable agriculture water management through inter-disciplinary approaches to economically viable, socially acceptable and environmentally sound irrigation, drainage and flood management.”*

⁴ *Agriculture Water Management (AWM) includes all interventions that support sustainable use of water use in agriculture through water harvesting, rain-fed agriculture, irrigation, drainage, and drought management, flood management under changing climate.*

- m) Promoting research, including applied research in operation and maintenance of AWM, flood management, river training improvement and land reclamation.

1.5 Core Values

ISU would be governed by the professionals on a competitive commercial basis and would work under a new value system in which total commitment to the client is the ultimate objective. The core values of the company are underscored by the empathy of the members of the network towards those suffering from hunger and rural poverty and are demarcated by:

- hand-holding of the clients;
- sharing of knowledge and experiences among the stakeholders;
- the partnership of mutual respect; and
- non-profit objectives.

As a partner of NCs, ISU will not accept an engagement unless there is a reason to believe that tangible results can be obtained for the clients. Information gathered on assignments will be held in strictest confidence.

Chapter 2 Financial Aspects

2.1. Revenue Model

Generally, commercial establishments charge a price for their services based on how much customers are willing to pay. However, considering the objectives of ISU - to support member countries, the main clients - profit would not be the main driving force. **The cost-plus pricing model, which involves adding a mark-up percentage to gross costs is proposed to be adopted.** The mark-up percentage charged would be moderate to be able to generate sufficient revenues to create a surplus that could be re-invested in ISU and provide a sustained hand-holding in their effort towards meeting their respective national Sustainable Development Goals (SDGs) related to AWM.

2.2. Authorized and Paid-up Capital

The authorized and paid-up capital would be Rs 1,000 in the form of 1000 shares of Re 1 denomination each. Till the time ISU gets its first couple of clients lined up, it would be necessary to consider how ISU is going to survive financially during the early days of the consulting business. Dedicated professionals would be appointed to market the services for which both human and IT resources would be required. To enable the ISU to do its work, Working Capital worked out on the basis of the first three years of operations, is expected to be Rs 30 million (US\$ 0.429 million⁵). This would come through long-term loans.

Hence, ICID, as the main sponsoring partner, would have to infuse some working capital in the form of non-interest-bearing loans to take care of the anticipated expenditure during the initial three years. It is proposed to infuse Rs 10 million (US\$ 0.143) every year during this period. The surplus generated would build up the capital.

After 3 years when the services are expected to be in full swing, the initial dependence on the support of ICID Central Office may be stopped and independent assets of ISU be built. As such, the working capital of ISU would be taken up to Rs 50 million (US\$ 0.715) in the next 5 years. The projected profit and loss statement for the next three financial years is given in Annexe II.

2.3. Projected Expenditure

To begin with, the ISU activities would be undertaken through a minimal full-time staff as discussed in section 5 'Structure of ISU'. Some activities would be outsourced to the ICID Central Office as well. Full-time and part-time experts would be engaged to undertake the activities. Based on the estimated work expected to be received, the projected expenditure on personnel, administrative and other expenses over the next 3 years has been estimated as given in Annexe III.

2.4. Projected Revenue

Revenues generated from the consultancy services, or any other use of capital or assets associated with ISU, is one of the most difficult items to estimate. Based on estimates of the projected market, likely revenues for the first 3 years have also been projected as given in Annexe IV. The net profit after deduction of the expenditure from the revenue and the payable taxes would go on to build up the capital, the assets of the company and the capability of the company to deliver better services.

⁵ 1 UD\$= Indian Rupees (Rs) 70

2.5 Foreign Component

2.5.1 Permissions

There are no government restrictions on the receipt of income from services rendered abroad. Similarly, there are no government restrictions on payment to be made for services rendered from abroad and paid in foreign currency.

2.5.2 Income tax

Taxation on foreign income of ISU will be the same as that on domestic income. If there is a tax on foreign income in the country of income, then DTAA (Double Taxation Avoidance Agreement) benefits are available wherever India has DTAA in place.

2.5.3 Goods and Services Tax

Foreign income is exempt under GST.

Chapter 3: Execution Strategy

3.1. Strategic Analysis

Need for professional support and guidance from ICID in initiating various studies and activities has long been expressed by the National Committees. In order to meet such requirements, the Technical Support Program (TSP) of ICID was initiated in October 2017 with the objective to “Undertake capacity development activities in the field of Agricultural Water Management (AWM).” TSP is being graduated to a professional setup by setting up the **Independent Service Unit** as a company for providing consultancy services.

In order for ISU to understand the present status of the market of services in AWM sector, strategic analysis has been undertaken. It has helped set up the objectives for ISU and determine how to achieve them and intends to outline measurable goals. This strategic analysis has been undertaken through research on the operating environment using Gap analysis, SWOT analysis of ICID and profiling of its potential competitors who are currently active in the AWM sector.

3.1.1 Gap Analysis

In order to identify the gaps in the services being provided with the existing players active in AWM, an analysis has been carried out. Water policy formulation and implementation are inherently complex as it involves trade-offs between the benefits and costs of alternative uses, the requirement in different sectors, equitable distribution of resources and the required institutional arrangements. The institutional mechanism for policy, planning and development of irrigation and drainage systems in many countries is absent. Many countries of Africa and Asia need hand holding support for identifying policy needs for their development objectives, build institutions for development and management of irrigation infrastructure and providing irrigation and drainage services to the small and marginal farmers.

Professionals in the large public sector irrigation and drainage institutions in Asian and African countries are often equipped with outdated tools and professional skills. Further, institutions addressing AWM issues have largely been mono-disciplinary. The knowledge of modern technologies and their operational use in many countries is also lacking. Further, given the complexity of the development process, irrigation and drainage professionals need exposure to the economic, social, environmental and other disciplines that influence AWM. It is therefore imperative to update the professional skills of AWM practitioners and young professionals in the use of the latest techniques and tools to improve irrigation and drainage services. Support is also needed for the assessment of institutional and individual capacity needs and implementation of capacity development programmes including training.

Irrigation and drainage is no more a favoured subject in the graduation or post-graduation level and formal education in the sector is dwindling. As such, the irrigation utilities need to provide in-service training to their managers and workers. There is a need for a certification program that ensures that the individual has a minimum set of knowledge, skills, or abilities to perform their job to the satisfaction of the clients. Such a certification program should have industry recognition globally.

Due to dwindling investment in irrigation infrastructure development and management during the last 30 years, the international and national consultancy organizations, which were mainly focused on irrigation infrastructure development have lowered their priority for the sector. They no more maintain a pool of irrigation experts to cater to the needs of the clients.

Lack of case studies on the impact assessment of projects, programs, and policies in the field of irrigation and drainage has deprived the sector of mid-course corrections as well as correctly projecting their secondary and tertiary benefits for their economic justification. For an unbiased assessment of the benefits of irrigation and drainage schemes and programs, a dedicated body not attached to a specific product or technology or ideology is required.

3.1.2 Competitor Profiling

Before entering into the business of providing services in AWM, it is important to profile the business activities of major players in the market for developing a market entry strategy and help position the business portfolio. In order to assess the quality of competition and analyse the gap that could exist some major competitors have been profiled for their brand image, product range, innovation drive, cost base, and the supporting system.

3.1.3 SWOT Analysis

Strengths, weaknesses, opportunities and threats (SWOT) analysis at the Commission level has been carried out during 2017, based on which the ICID Vision 2030 was developed. The Road Map to ICID Vision 2030 recognizes the strength of ICID as a collective network for Knowledge Management in the field of AWM. The Technical Working Groups of ICID, organized in four thematic areas - the Basin, the Systems, the Farm and Knowledge - act as the network knowledge engines. They constitute the main strength of ICID.

'Capacity Development of the NCs' is recognized as one of the six organizational goals to realize its vision. It has been recognized that the strategy to achieve this goal, among others, revolves around:

- Enhancing Institutional Capacity
- Supporting Capacity Development
- Technical Training of Professionals
- Providing Technical Support to NCs

ISU will provide services to member NCs and other interested developing countries in the area of AWM.

3.2. Products and Services

Based on the above strategic analysis, it is evident that ISU's activities don't have to be unique. They just have to be different. ISU needs to identify its niche so that it doesn't need a heavy volume of traffic in order to be profitable. **The main spectrum of products and services** to be provided by ISU can be classified into the following four broad categories:

- a. Training
 - Organization of Training and Workshops
 - Certification of professionals
 - Organizing Study Tours
- b. Institution building
 - Institutional capacity development
 - Stakeholders' Interaction and Participation
 - Capacity development and management
- c. Policy and planning
 - Policy inputs
 - Project planning/project formulation/ techno-economic analysis
 - Status and Study Reports
 - Program and Project Evaluation reports
 - Impact assessment reports
 - Third party evaluation of projects and programs

Adjustments and addition to these products and services would have to be made as per the dynamics of client requirements.

3.3. Sourcing Strategy

Major inputs to consultancy services are a dynamic knowledge base; experienced experts, both national and international; and logistics and infrastructure required by the experts to enable them to use the knowledge base for solving a problem. In a rapidly changing world, innovations are taking place at a breath-taking speed.

ISU will continue to have to expand its knowledge base and ensure that it is constantly updated through its close linkages with the network of ICID experts. It will have to innovate new ideas and solutions for solving a given problem. ISU would make all efforts to bring new knowledge and impart new skills to its clients and set new standards of performance. These inputs will be acquired through ICID's:

- a) Network of National Committees,
- b) Partners: national and international, and
- c) A Core Team.

ICID Road Map to Vision 2030 recognizes the need for enabling NCs to play a, much needed, wider role within the development community in their respective countries and regions. To drive successful solutions to various challenges, ISU would work closely with ICID NCs in a hand holding process and would strive to become their **trusted advisors**. ISU would be working in association with and in full support of National Committees from the region and developed countries by facilitating them share their experiences.

A Core Team consisting of CEO, CTO and Technical Officers will be responsible for:

- developing a business plan, and marketing strategies,
- managing the overall operations of the company,
- oversees design, marketing, promotion, delivery and quality of programs, products and services,
- financial planning, managing financial actions and tracking cash flows,
- coordinating with all clients, experts, NCs and regulatory authorities, and
- manage the human resources of the organization according to authorized personnel policies and procedures.

The Core Team will work as the engine and build a sales funnel to lead its customers into a working relationship through NC and ICID partners. The team would be supported by the NCs both during the initial contact stages as well as project implementation stage as brought out in section 3.3.1. The Core Team would operate from the Central Office facilities using its logistics and infrastructure – office space, computers, printers, photocopiers, scanners, telephone, internet facilities, and transports. IT facilities and administrative and financial services would be outsourced on the cost to cost basis from ICID during the first three years.

3.4. Pricing Strategy

3.4.1 Pricing principles

Every **product, which** can be a **service** or an item either in physical or in virtual or cyber form, is made at a cost and is sold at a price. Generally, commercial establishments charge a price for their services based on how much customers are willing to pay. However, considering the broad objectives of the ISU “to serve the NCs”, and considering that most of the clients would be from developing countries, **Cost-plus pricing approach**, which involves adding a mark-up percentage to the actual costs is proposed to be adopted. The mark-up percentage could vary between products and will be kept modest on projects undertaken in the least developing countries.

3.4.2 Costing of services

Depending on the nature of the assignment, cost estimates will need to be prepared both in local plus foreign currencies (US\$). The cost estimate would provide for inflation (assumed as 5 per cent) during the period of assignment. The cost estimate would be based on the assessment of the resources needed to carry out the assignment such as:

- a) Consultants time;
- b) Staff time;
- c) Logistical support (e.g., National and International travels/trips and durations);
- d) Physical inputs (e.g., vehicles, laboratory equipment, if any);
- e) Miscellaneous (e.g., support services, contingencies, taxes and duties).

Experts would largely be drawn from members NCs and would be paid the market price according to their expertise, capabilities and work requirements. The estimate of consultant fee and staff cost would be based on an estimate of the personnel time (staff-months or staff-hours) required by each expert for carrying out the assignment, his or her billing rate and the related direct cost component. In general, staff remuneration rates include basic salary, social charges, overheads and allowances.

A work schedule indicating the duration of each of the activity and time to be spent by different members of the consultancy team (staffing schedule) - distinguishing tasks to be carried out by foreign and local consultants, would be prepared for each assignment. Due consideration would be given to the expected breakdown of a consultant's time in the home office, in the client's countries and away from home office allowance. A number of visits required for carrying out various activities would be estimated. Travel costs will be included for National and International travel, hotel and transport and mobilisation, daily subsistence allowance, and mobilisation and demobilisation allowances in case of long stays.

Assessment of physical input costs is based on the technical requirements of equipment such as tools, local professional and support staff required to fulfil the assignment and may include the following:

- a) Office rent, furniture/equipment, supplies, utilities;
- b) IT equipment and communication tools;
- c) The venue for training, projectors and IT equipment;
- d) Assignment-related surveys;
- e) Translation, report printing etc;
- f) Indirect local taxes and duties, insurance, and shipping;
- g) Support services; and
- h) Contingencies and miscellaneous.

It needs to be ensured that while estimating the actual cost - both direct and indirect costs - are covered. It will include all direct costs, including money spent for developing a product or service. The fixed costs, such as rent and wages of the Core Team, will be included as overhead charges. It will also include VAT charges or Goods and Services Tax. The fluctuating currency exchange rate will also need to be accounted for and will have an impact on the price of the products and services. Finally, the contingencies are also taken as a percentage of the total cost of the consultancy.

3.5. Managing Compliance Issues

ISU would be engaged in collaborative consultancy and work together with its clients to improve their performance by providing consultancy outputs with speed, precision, and quality.

Keeping in mind the plethora of laws with regard to labour, financial and corporate structure in India, which a company is required to be compliant with, below are certain laws and regulations that we believe are required to be complied with on the highest priority with respect to each sector. There are specific central acts that are required to be strictly adhered to by a company, some of which are:

- the Employees State Insurance Act 1948;

- the Employees' Provident Funds and Miscellaneous Provisions Act 1952;
- the Payment of Bonus Act 1965;
- the Contract Labour (Regulation and Abolition) Act 1970;
- the Payment of Gratuity Act 1972; and
- the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act 2013.
- The Payment of Wages Act 1936
- The Minimum Wages Act of 1948

In addition, there are certain state-specific acts that are required to be adhered to by companies, such as the Professional Tax Act that are applicable to a particular state. When it comes to corporate and financial compliance, some of the specific regulations that are to be adhered to are:

- the Companies Act 2013;
 - the Income Tax Act 1961;
 - the Foreign Exchange Management Act 1999;
 - the Goods and Services Tax Act 2017.
 - The Delhi Shops & Establishments Act, 1954
-

Chapter 4 Marketing Strategy

ISU would be a techno-commercial organization and its services will need a clear marketing strategy for its successful establishment and further expansion.

4.1. Market Analysis

Marketing of consultancy services are different from selling a car or a house. In the case of the later, the customer, in all probability, is already in the market looking for the product. In consultancy, marketing is harder, because consultancy services are to be marketed to people who may not even be aware that they need those services. ISU would rather have to create demand for their services instead of waiting for the clients to approach them.

4.1.1 Market Segments

The consultancy services market can be divided into groups or segments based on water resources process, water use and geography. Each segment is composed of consumers who respond similarly to the **marketing** strategies and who share similar interests, needs, or locations. The use-based segmentations of the water resources sector are:

1. Agriculture Water Management,
2. Adapting to Climate extreme: floods and droughts
3. Water and Sanitation, and
4. Industrial water use

As the mission of ICID and the main objective of the ISU is to facilitate National Committees, agriculture water management (AWM) presents a profitable segment of water sector consultancy market suitable for focused attention. Presently the AWM Market **niche** does not exist by itself but there is a recognized need of managing agriculture water in a more efficient and sustainable manner, which is not being presently addressed by competitors. Agriculture water management that covers water harvesting, rain-fed agriculture, irrigation, drainage, aquaculture and livestock, and adapting to climate extremes – Floods and Droughts, will be the segments that ISU will initially focus on. Some of the areas of water and sanitation such as drinking water sources, use of wastewater in agriculture which provides linkages with agriculture water management would also be covered.

Water resources consultancies can be further grouped into the following thrust areas:

1. Capacity development,
2. Institution building/strengthening,
3. Project and program Impact assessment,
4. Monitoring and evaluation,
5. Operations and maintenance,
6. Design and development, and
7. Policy and planning

Capacity development at all levels and institutional strengthening will be the main thrust area of ISU. ISU would, also provide tools, training and shared experiences in the thrust area of operation and maintenance. Since design and development has an established market with many competent players occupying the consultancy space, ISU is not likely to add substantial value to this thrust area of the market. Similarly, operations and maintenance require a long-term presence.

Geographically, the countries of Africa and other developing member countries will be ISU's first priority markets. African water sector suffers from the lack of sufficient people - engineers, technicians, trainers

and managers - who have the right skills and capacities. Particularly in Africa, institution building will get the topmost priority⁶.

South Asia will also be on top priority because of its large market and proximity. In South Asia, the spiralling crisis in the water sector is drawing the attention of governments towards balancing supply and demand. For example, India is taking concrete steps and increasing investments in areas such as recharging groundwater, increasing crop productivity and implementing new and efficient technologies. The **National Water Mission** in India has set up goals to increase water use efficiency in all sub-sectors. It has been recognized that water constraints have the potential to stall the success of new initiatives prioritized by the Government such as Make in India, Doubling the farmer's income etc. Various national institutions and State Governments lack multi-disciplinary expertise to tackle the issues. With the headquarter of ISU in New Delhi, India will be one of the major geographical markets.

4.1.2 Clientele

There is no consulting business without clients. To drive successful projects, ISU will work closely with NCs, its clients, as the company is committed to addressing the specific challenges they face in the country. ISU would strive to become their trusted advisors and strengthen national capabilities. ISU will work with a range of clients, from decision-makers to water professionals and institutions that would include public authorities and government organizations both at national and international levels:

National:

- Central Government
- State Governments
- Public Sector Undertakings
- Corporations and Industrial Establishments
- Private Enterprises

International:

- National Committees/ National Governments (Africa, SAARC countries, South East and Central Asia),
- United Nations and its associated agencies like; UNSD, FAO, WHO, ILO etc.
- Bilateral and multilateral development agencies like Asian Development Bank (ADB), World Bank (WB), African Development Bank (AfDB) etc.
- Other International Bodies

For example, in India, various Ministries/Departments of the Government of India and State Governments outsource periodic studies through private organizations. Some of these institutions are NITI Ayog, Ministry of Water Resources, River Development & Ganga Rejuvenation (MoWR, RD&GR), National Water Mission (NWM), National Disaster Management Authority (NDMA), Central Water Commission (CWC), Ministry of Agriculture (MoAg), Ministry of Rural Development (MoRD) and State Water Resources Departments (WRDs).

Some of the bilateral and multilateral development agencies such as World Bank, ADB, and AfDB have also felt the needs to outsource certain technical studies/services. These institutions find it difficult to exercise quality control on the individual experts and that the studies are generally delayed. Moreover, there is no control over the quality of the data collection, tabulation, compilation and analysis as different consultants follow different standards, definitions, concepts etc. ISU will be able to meet their requirements.

⁶ In 2013, the African Union and the African Ministers for Water announced the need to create a Human Capacity Development Programme and the task was given to the African Union's NEPAD Networks of Water Centres of Excellence. However, the process is painstakingly slow.

4.1.3 Unique selling proposition

The services provided by ISU would have a distinct feature of support provided through a hand holding process. The hand holding process would include: identifying and investigating problems concerned with strategy, policy, and organization; discussing and agreeing with the client the most appropriate future course of action, and providing assistance where required by the client to implement recommendations. The factors that give ISU a unique market positioning with respect to its competitors are:

- Customer focus through hand-holding;
- Technical excellence: with seventy years of ICID as a knowledge network;
- Local People Global Experience: Access to local and international experts from around the world; and
- Diversity and development: access to the highest level of policymaking in the countries through its NCs.

4.2 Marketing Plan

Good marketing helps customers understand why a product or a service is better than, or different from, the competition. Marketing in a planned manner helps develop products and services that meet the needs of the target market, identify immediate clients and lays out a series of actions required to be taken in order to increase the customer base. As part of the marketing strategy and based on the outline discussed in the following paragraphs, the Core Team will develop a marketing plan.

Consulting is a pipeline business. It is often several months between the time one first starts to pursue a client relationship, then make a proposal and much later actually enters into a contract and begin to provide services. That means ISU will need to have the next client or that next project somewhere in the pipeline.

ICID's 70-year strong network of member countries that cover 90 per cent of the total irrigated area around the world will be the source of the first clients. The reputation for competence, character and willingness to share latest among the AWM community, and ICID's interest in the success of achieving sustainable development goals (SDGs) will be key to getting the business going.

Building on the relationships with the National Committees and transforming these relationships into service provider/client relationships will be the first step in ISU's marketing plan. They may be approached in two ways — first, by winning some of the NCs over as clients and, second, by winning their support as cheerleaders for further business and sources for referrals.

ISU will enlist the support of the stakeholders that have participated in ICID events such as International Irrigation and Drainage Congresses and World Irrigation Forums, and who are already aware of ICID strengths. It would identify the institutions who would be most willing to help start the business. They will need to be informed of the activities of ISU and given the opportunity to help with business opportunities or referrals.

In countries like India, Bangladesh and South Africa, with a long and successful history of AWM and which have well experienced technical manpower, the government institutions are outsourcing and deploying outside agencies for undertaking studies that involve multi-disciplinary inputs.

ICID has been collaborating with a number of International organizations such as FAO, IFAD, IWMI, IWRA, WMO, WWC, World Bank and Asian Development Bank. These institutions are aware of the capacity and strengths of ICID in addressing challenges associated with food and water security and AWM. ICID will need to strengthen its relationship with these and other Multilateral Development Banks (MDB's) to provide them with its expertise in fulfilling their objectives of supporting their members in achieving the SDGs.

4.3 Communication Strategy

In the consulting business, like many other, success revolves around communication. Further, client satisfaction is the core measure of success in consulting, and building a strong relationship with a client through consistent and forthright communication is essential.

There is no way that a consultancy organization can function without informing the potential clients of what they do without a communication strategy. ISU would make excellence in communication as its goal right from the beginning. The Core Team will develop a communications strategy to help ISU fulfil its business goals.

Strategic Initial Plan: For creating a new communication strategy that would expand public knowledge of its programs, they must determine what types of tools to use to get this message to their audiences. The type of communication will be mainly guided by its limited financial outlay.

The most important element of a communication strategy is **branding** that relates the company to an idea through an image. The image or idea in the form of a logo or a tagline is recognizably related to the organization. A good brand is one that is widely known and recognized within the potential clientele. Branding is a costly affair. However, ISU as an extension of ICID should not face much problem as ICID is a brand known for about 70 years. However, it will be important to distinguish ISUs important activities from other organizations.

The communication for each program – policy, planning, institutional building and training may be unique and the means of communication will have to be appropriate for different programs. The specific groups of people that would be communicated with must be defined and prioritized in each case. In order for the target audience to better understand the goals of the company important messages would be developed to help build awareness.

ISU as a first step would organize **polling** among ICID member countries to learn about the current needs of their target audience and simultaneously inform them about the services they offer. It would be appropriate to organize public polling based on pre-determined questions during World Irrigation Forum.

An up-to-date and interesting **website** presents an excellent means of communication. It provides an inexpensive way to build a relationship with the audience and network with other organizations. Making a website low on priority lists is one of the biggest mistakes organizations with limited numbers make. A new website of ISU, supplemented by ICID website would be developed with an attraction for their target audiences. Websites take time to maintain, so it would be necessary for ISU to hire outside help to undertake this task. Specific resources would have to be allotted and provided for. Internet will play an important role in communication strategy, particularly for ISU as it has to reach out to clients spread around the globe.

Another useful means of communication is a Brochure/**leaflet**. ISU would use simple, but yet descriptive leaflets to inform the NCs, the targeted national governments and other institutions associated with AWM within the countries about the services they would be able to provide. Leaflets are inexpensive to create and are easily distributed to the target audience, particularly during physical contact. E- Leaflets will also be used as they would be easier to update and deliver.

The third form of communication, a **newsletter** which ICID is already using to disseminate information to the organization's target audience. The monthly newsletter, which is disseminated by ICID, would be used by inserting a story about something that has occurred and that was important to ISU. Stories like this help create interest in the target audience because they can gain a better understanding of the organization. The story in the newsletter would contain pictures of different happenings in ISU.

Large events such as World Irrigation Forum, International Irrigation and Drainage Congresses, Annual Executive Council Meetings, organized regularly by ICID, present a good opportunity to target a lot of people together. Similarly, the Regional Conferences present an opportunity to build closer links with the governments in the regions. The organization of World Water Days and the ICID Foundation Day would also be utilized by ISU. For the Indian market, India Irrigation Forum at the sub-national level would be sponsored.

In addition, public speaking at important non-ICID events by CEO, SG ICID and President ICID and writing readable articles in various platforms provide an excellent avenue for raising awareness of ISU and the services provided by it, which would be fully utilized.

Chapter 5. Structure of the Company

ISU would carry out its activities with the highest professional standards of practice. Utmost transparency would be followed and a close liaison between ICID and ISU ensured. A Services Advisory Board headed by President would be established to steer the relationship between ICID and ISU.

5.1 Shareholding and Management

5.1.1 Shareholding

President ICID, on behalf of the Management Board of ICID, has approved the shareholding of the proposed ISU as per following details:

- i. Secretary-General, ICID: Mr. Ashwin B. Pandya – [Authorised Representative for 998 Equity Shares of Rs. 1/- each on Behalf of ICID]
- ii. SGH Mr. Avinash C Tyagi – [Nominee for 1 (One) Equity Share of Rs 1/-]
- iii. Director (Knowledge Management) ICID: Dr. Sahdev Singh – [Nominee for 1 (One) Equity Share of Rs 1/-]

5.1.2 Management

ISU will start on a small scale, in the single-tier configuration. Chief Executive Officer will be duly assisted by a Chief Technical Officer and Finance Officer. Directly under the CTO will be a Technical Officer and technical consultants engaged in specific activities. The other processes such as administration and finance management being provided through ICID Central Office initially.

Board of Directors, a team of people elected by the shareholders to represent their interests and ensure that the company acts on their behalf. It will consist of 7 Directors. The Board members would be responsible for allocating resources for various projects and initiatives in the Company and guide ISU to profitability. The board will establish policies for ISU's management and oversight, making decisions on major company issues. The Management Board makes operational decisions, operational policies, keeps the Board of Directors informed, and bringing well-documented recommendations and information to the directors.

The Secretary-General, on behalf of ICID, the major shareholder would be the Chairman of the Board of Directors as well as the Chairman of Management Board.

Board of Directors

Chairman: Secretary-General, ICID (ex officio)

Member 1

Member 2

....

Member 7

One/two representative of the Staff

Management Board

Chairman: Secretary General, ICID (ex officio)

Chief Executive Officer

Chief Technical Officer

Finance Officer

ISU would develop a close and long-lasting client relationship on the basis of its 70 years of ICID network. The links between ICID and ISU would be maintained through a Technical Group within the ICID management.

5.2 Core Team

Various steps involved in successfully selling a professional service-offering to a prospective client are Initial contact, Client courting, Meeting and proposal writing, Negotiation and closing, and Continuing managing relationship. In order to successfully perform these services, the personnel engaged by ISU at various stages need to have a variety of skills - broadly categorized as Technical Skills, Consulting Skills, and Business Skills - as listed in Box 1. For a consultancy company to be successful, the personnel of the company should be well equipped with all the above skills. As for any start-up business, most of the skills have to be rolled up in two or three functionaries while out-sourcing the others.

The Chief Executive Officer (CEO) will head the Core Team established at the headquarters. He/she will manage the overall operation and resources of the company and will act as the main contact point between the Board of Directors and the corporate operations. The CEO, with good knowledge of ICID - its strengths, its partners and potential markets - will be in place from the very first day of incorporation of ISU. A Chief Technical Officer (CTO), with technical (in the field of AWM) and marketing skills, will be hired during the first year, duly assisted by one or two Technical Officers. Table 1 shows the year-wise deployment of the staff. The administrative support to the management and operations would be outsourced to the ICID Central Office, to begin with. Auditing and communication services will be outsourced.

The Core Team will be responsible for the expansion of the business through aggressive marketing strategies, as outlined in section 4, and will handle both the domestic business and international business.

BOX 1: Required Competencies for a Consultancies Service
<p>Business Skills:</p> <p>Competitor Analysis, Strategy Development, Goal Setting and Action Planning, Developing and Managing Alliances or Joint Ventures, Long Range Planning for Growth, Proposal Writing and Competitive Bidding, Project Management Skills,</p> <p>Managing Professional Services (Accounting, Legal, Insurance, IT), Annual Financial Planning, Budget Development, Pricing Services, Recruiting and Hiring Talent, Talent Management: Training, Coaching, Time Management, Marketing, Compensation Management, Negotiating, Acumen, Developing and Managing Core Internal Processes</p>
<p>Consulting Skills:</p> <p>Relationship Building, Public Speaking, Meeting Leadership, Interpersonal Communications, Active Listening, Proposal Writing, Diagnostics: Problem Tree Analysis to Identify Root Causes for Problems and Appropriate Solutions, Coaching, Guiding,</p> <p>Project/Engagement Management Skills, Project Designing, Implementation Plans, Interviewing, Data Gathering & Analysis, Collaboration, Change Management, Decision Making and Problem Solving, Delivering Feedback, especially Negative Realities,</p>
<p>Technical Skills:</p> <p>Diagnostic, Market Research, Meeting Leadership, Presentation Skills, Guiding or Collaborating with Client Management, Leading Client Review Sessions, Use of Tools, Customization to Clients and Making Appropriate Choices, Meeting Design, Taking Constructive Feedback, Managing Revision Processes, Risk Analysis & Mitigation.</p>

Table 1: Personnel deployment in ISU

SI No	Post/Services	Yr 1	Yr 2	Yr 3
1	Chief Executive Officer (CEO)			
2	Chief Technical Officer			
3	Technical Officers (2)			
4	Consultants (hired as per requirement)			
5	Legal advisor (Out-sourced)			
6	Financial Auditor (Out-sourced)			
7	Communication expert (Out-sourced)			
8	Administration Services (ICID)			
9	Logistics (ICID)			

5.3 Consultants

For ISU to be competitive, an extensive and committed panel of experts would be required to be maintained by ISU with the help of the NCs. The panel of experts, with expertise in various facets of AWM and with experience of working in various geographical areas, would be developed. The process of enlisting is one of the most difficult and time-consuming tasks for which a transparent criterion would be developed. The panel, with a proven track record, will be required for different specialised areas of expertise, regions and languages.

Consultants, with expertise in the topics related to the project, will be hired from time to time, mostly drawn from a pool of national and international experts. The consultants would be evaluated for shortlisting, inter-alia, based on their past experience of handling similar types of projects. ISU, together with NCs, will enlist consultants who have a reputation for integrity and impartiality. ISU while maintaining the short-list will assign scores to the performance of the consultants based on weights assigned to various criteria with each criterion sub-divided into further sub-criteria if called for.

Government agencies assign consultancies mainly through three selection methods which varies slightly from country to country:

- ii) Price based System – Least Cost Selection (LCS)
- iii) Quality and Cost Based Selection (QCBS)
- iv) Direct Selection: Single Source Selection (SSS)

ISU would strive to develop MoUs with government agencies, through NCs, for selecting a consultant/service provider under SSS. ISU will have an out-sourced contract management specialist to create, arrange and review consulting contracts and provide compliance reviews of all contracts established by the firm. Services of a legal person will be outsourced for providing legal advice to the CEO according to established business law practices.

5.4 Role of National Committees

As far as possible, ISU services in any country would be provided jointly working with the NC. The role of NCs will be different in different countries, depending on the state of irrigation development in the country, their experience in agriculture water management and their willingness to share their experience, The NCs can be considered to be grouped as: Group A - NCs that have experts in Irrigation Management and other related subjects in universities or research institutions; Group B - NCs with long irrigation history, established institutional arrangements, and technical man-power; and Group C - NCs with emerging irrigation needs and relatively new institutional arrangements.

Group A NCs will mainly act as talent hunters to help develop a pool of experts for use by ISU in discharging its services. Group B NCs will be required to represent ISU in the country, help market the services provided by ISU, act as technical coordinator on behalf of ISU and provide all local logistic support to the experts deputed by ISU for delivering the services. They will also be requested to help in contributing to the pool of experts required by ISU. Group C NCs will be requested to create the demand for the services in the country by making the irrigation community aware of the services that could be availed from ISU, represent the ISU in the country and provide local logistic support to the ISU experts.

Generally, a competitive bidding process for procurement of consultancy service, among others, includes pre-proposal meeting; receipt of proposals; the public opening of technical and financial proposals; evaluation of financial proposals by procuring authority; and negotiations with the selected bidder, if required. Presence of the representatives of bidding firms is essential at some of the stages. It may not be financially viable for a Core Team member from HQ to attend to all these tasks. The local technical partner would **represent the Company** on these occasions.

Further, a group of national and international experts would be required to be engaged to undertake the assignment. NCs would be expected to identify the national experts who could deliver the services required and at the same time assign a coordinator who would facilitate the work of consultants by providing **technical coordination**.

Senior level policy makers with their reach to various national agencies will be approached through NCs in AWM partnership development.

5.5 Partnership

The partnership is recognized as an essential mechanism for ensuring inter-disciplinary approaches in AWM and has been an important plank used by ICID in the past. Active development of thematic partnerships with support organizations, both at global and national levels, will be developed.

ISU inherits the advantage of ICID's collaborative network with all the major international organizations dealing with AWM such as FAO, IWMI, IFAD, ICRISAT and WMO, among others, to address challenges associated with food and water security and AWM. These partners would be approached both for significant technical and financial resources as well as soliciting potential clients. Therefore, resources need to be deployed in activities that would strengthen these relationships. ISU would develop partnerships with various international organizations such as IWMI and other national specialised institutions. Active development of thematic partnerships both at global and national levels will be developed by ICID members and support organizations. NCs would play a very crucial role in identifying these institutions.

Chapter 6 Managing Risks

6.1. Identification and Evaluation of Risks

Though it is difficult to visualize all the risks involved in establishing ISU, an attempt has been made to list a few risks that the management has to factor. Several risks are associated with consultancy business such as ISU and they are grouped as external risks and internal risks.

6.1.1 External Risks

Economic depression. Current trends indicate that the economic downturn is reaching the bottom, and chances are that the recovery process will begin soon. However, it is likely to be a slow process, and it will probably take several years until complete recovery and full growth are achieved. The impact of the depression on the business will be low.

Competition. There is a high risk that the existing competitors with long standing will continue to dominate the marketplace. However, ICID's technical richness, ability to provide local as well as international experts, and cost control techniques will help ISU to stay on top of customer preference. In addition, the increasing focus on water resources management in developing countries will increase the chances to maintain and boost the portfolio.

Resources. ISU will be dependent on the availability of qualified professionals from various National Committees. The timely availability of the experts, who otherwise have their own professional careers to pursue, may affect the response time of ISU. The risk of human resource constraints is medium.

Inflation. According to expert estimates, the inflation rate in India is likely to remain under control over the next five years. A 5 per cent annual inflation rate has been assumed. The risk for higher than 5 per cent inflation rate is low.

Currency fluctuations. Almost all the operations of ISU would be supported by international experts who have to be paid in US dollars. At present, the US Dollar is very strong as compared to the Indian Rupee. A change in the currency rate will impact both the expenditure as well as the income. In international consultancy assignments, while the expenditures, as well as income, are expected to be in US\$ the currency fluctuation risk is very low. However, in the case of local currency contracts, these risks are likely to be medium to high.

Policy changes: So far as business to ISU is concerned, the main source of consultancy business would come from various Government Departments, therefore, the delay in the approval process of the concerned ministries/departments may affect the workflow of the company. The change in the policy of the International bodies/National Governments offering business may affect the workflow.

6.1.2 Internal Risks

Internal risks arise from inside ISU and ICID and can be better prevented or controlled.

Marketing. Considering that ICID has been active as a professional organization for almost seventy years and has been supporting its member countries without any cost, ISU will have difficulty in transforming its image as a "not-for-profit" business entity among its stakeholders. Although the risk is low it needs to be mitigated through marketing efforts.

Personnel. There are many experts associated with ICID. However, the availability of the right expert for the job within stipulated time may be hampered due to his/her job compulsions.

Cash flow deficiency. Our main concern will be to have sufficient cash on hand to meet payment obligations and be prepared for unexpected needs of cash. Conservative projections indicate that our business is able to generate positive cash flows and sufficient cash reserves to reduce the risk of cash flow.

Business continuity over the next five years. In the event something happens to the GM, the Technical Director of ICID will have the skills and experience required to take over and continue operations. In addition, the company's incorporation legal documents include special provisions for protection in such cases.

6.1.3 Periodical Review

The Board of Directors will be responsible for constantly evaluating risks and taking actions to provide adequate prevention, control and risk reserves. ICID management will also keep a close watch.

6.2. Professional Liability Risk

ISU will take both the general liability and professional liability insurance in consultation with a licensed professional with coverages that best fits its unique situation. While general liability protects against physical injury to national and international personnel engaged in day to day activities of ISU business, professional liability insurance would cover negligence related to professional services or advice.

Annexe I

Special Characteristics of a Section 8 Company**A Key Benefits**

Section 8 Company enjoys many privileges and exemptions under Company Law vide notification dated 05th June 2015. After successful registration license is issued, which is then used to avail many benefits.

- i) A registered partnership firm can be a member in its own capacity.
- ii) Certain Tax deduction under The Income Tax Act such as tax deductions benefits u/s 12AA and 80G of the Income Tax Act to the donors of the Company.
- iii) **No paid up/ Share Capital:** These Companies can be formed with or without share capital, in case they are formed without capital, the necessary funds for carrying the business are brought in form of donations, subscriptions from members and the general public.
- iv) **Not required to add the Suffix:** Section 8 Companies are not required to add the suffix Limited or Private Limited at the end of their name. All Companies having limited liability are required to use the term 'limited or 'private limited' as the case may be in their names as required by section 13. But Section 8 Companies are allowed to dispense with the use of term 'limited' or 'private limited' from their names [sub-section (6)].
- v) **A suffix that can be used for incorporation:** The name shall include the words Foundation, Forum, Association, Federation, Chambers, Confederation, Council, Electoral Trust and the like etc. At present, the following words are not allowed for the incorporation of Section 8 Company; "Organization", "Institute", "word other than mentioned above". Earlier these words were allowed for the incorporation of Section 8 Company and even there are many section 8 companies ending with such prefix.
- vi) **Easy Transferable Ownership:** The shares and other interest or any member in the Company shall be a movable property and can be transferable in the manner provided by the Articles, which is otherwise not easily possible in other business forms. Therefore, it is easier to become or leave the membership of the Company or otherwise, it is easier to transfer the ownership.
- vii) They are easy to manage and incorporate due to many exemptions and privileges are given to them.
- viii) Objectives in clear accordance with the general public or a targeted crowd which leads to easy donations and loans.

Obligations and Limitations

Though a Section 8 Company has many advantages and enjoys many privileges yet there are some statutory obligations (as listed below) which are required to be complied with and taken care of by such companies.

- i) **Utilization of Profit:** Profit of Income of the Company shall be applied for the promotion of the main object and not for any other purpose.
- ii) Declaration of dividend or distribution of profit to the promoters is not allowed.
- iii) No member shall be appointed as a remunerated officer.
- iv) No remuneration/benefit shall be paid to a member being a servant/officer of the Company (except reimbursement of out of pocket expenses, reasonable interest on money lent or reasonable rent on the premises).
- v) **No Change in Memorandum of Association (MOA) and Articles of Association (AOA):** A Company registered under this Section shall not alter the provisions of its Memorandum or Articles except with the previous approval of the Central Government.
- vi) **Condition by Central Government:** If the Central Government has imposed some conditions and regulations upon the Company for granting a license under Section 8, then such a Company is bound by such conditions and has to ensure adequate compliance with them. Where such conditions and regulations have been imposed then such conditions and

regulations are required to be included in the Articles or/and Memorandum of the Company as may be directed by the Government.

- vii) **Tax Liability:** Section 8 Company is regarded as a 'Company' within the meaning of the Income Tax Act, 1961 and as such, its income is taxable according to the applicable rates similar to those applying to other companies.

Annexe II

Projected Profit & Loss Account cum Budget for 3 financial years

All Figures are in Indian Rupees			
Particulars	YR1	YR 2	YR 3
INCOME			
Consulting Income §	6,000,000	17,000,000	23,500,000
Other Income	-	-	-
Sub-total	6,000,000	17,000,000	23,500,000
EXPENDITURE			
Personnel Expenses	9,300,000	12,900,000	15,000,000
Administrative Expenses	1,700,000	1,700,000	1,700,000
Other Expenses	1,800,000	1,800,000	1,800,000
Sub-total	12,800,000	16,400,000	18,500,000
Profit before Dep and Tax	(6,800,000)	3,600,000	5,000,000
Provision for Tax			
Profit After Tax			
Profit available for appropriation			
§For details please see Annexe V			

Annexe III

**Expenditure on Personnel, Administrative Services and others for
3 Financial Years**

All Figures are in Indian Rupees (Rs)							
PERSONNEL COST							
Personnel	Cost Rs pm	YR1		YR 2		YR 3	
		No of months	Amount	No of Months	Amount	No of Months	Amount
CEO	400,000	12	4,800,000	12	4,800,000	12	4,800,000
CTO	250,000	6	1,500,000	12	3,000,000	12	3,000,000
Tech Officers	150,000	12	1,800,000	18	2,700,000	24	3,600,000
Consultants	100,000	12	1,200,000	24	2,400,000	36	3,600,000
TOTAL			9,300,000		12,900,000		15,000,000

Administrative and Services Cost							
Personnel	Cost Rs pm	YR1		YR 2		YR 3	
		No of months	Amount	No of Months	Amount	No of Months	Amount
Rent/Logistic	50,000	12	600,000	12	600,000	12	600,000
Adm Support	30,000	12	360,000	12	360,000	12	360,000
Legal Serv	30,000	12	360,000	18	360,000	24	360,000
Audit Serv	30,000	12	360,000	24	360,000	36	360,000
Insurance	LS		20,000		20,000		20,000
TOTAL			1,700,000		1,700,000		1,700,000

Miscellaneous Expenditure			
Item	YR1	YR 2	YR 3
Travel Costs	1,000,000	1,000,000	1,200,000
Business Dev Costs	400,000	400,000	400,000
Conference Support	300,000	300,000	300,000
Professional Fees	100,000	100,000	100,000
TOTAL	1,800,000	1,800,000	2,000,000

SI No	Post/Services	Gross Emoluments/ Charges Rs pm
1	Chief Executive Officer (CEO)	400,000
2	Chief Technical Officer	300,000
3	Technical Officers (2)	150,000
4	Consultants (hired as per requirement)	100,000
5	Legal advisor (Out-sourced)	30,000
6	Financial Auditor (Out-sourced)	30,000
7	Communication expert	30,000
8	Administration Services (ICID)	50,000
9	Logistics (ICID)	50,000

Annexe IV**Projected Revenue for the first three Financial Years**

All Figures are in Indian Rupees						
Products & Services	YR1		YR 2		YR 3	
	No	Amount	No	Amount	No	Amount
Study Reports	1	500,000	2	1,000,000	2	1,000,000
Project impact Reports	1	2,000,000	1	2,000,000	2	4,000,000
Project Evaluation Rep			1	7,000,000	2	6,000,000
Institution building			1	1,000,000	1	2,000,000
Trainings	1	2,500,000	2	4,000,000	2	8,000,000
Study Tours	1	1,000,000	2	2,000,000	2	2,000,000
Certification					LS	500,000
TOTAL		6,000,000		17,000,000		23,500,000

Report of the Task Force

ICID-CIID

INTERNATIONAL COMMISSION ON IRRIGATION AND DRAINAGE PROPOSAL TO ESTABLISH AN INDEPENDENT BUSINESS UNIT (IBU) UNDER ICID

1.0 Background

1. The International Commission on Irrigation and Drainage (ICID), established in 1950 is a leading scientific, technical, international not-for-profit, non-governmental organization. ICID is a professional network of experts from across the world in the field of irrigation, drainage, and flood management International Commission on Irrigation and Drainage (ICID) is a society registered under Society Registration Act 1860 dated 24th September 1955 with the vision of "Water secure World, free of poverty and hunger through sustainable rural development". The main mission is to promote to work together towards sustainable agriculture water management through inter-disciplinary approaches to economically viable, socially acceptable and environmentally sound irrigation, drainage and flood management. In order to fulfil the mission and realize the Vision 2030, ICID has set the following six organizational goals:

- i. Enable higher crop productivity with less water and energy.
- ii. Be a catalyst for change in policies and practices.
- iii. Facilitate the exchange of information, knowledge and technology.
- iv. Enable cross-disciplinary and inter-sectoral engagement.
- v. Encourage research & support the development of tools to extend innovation into field practices
- vi. Facilitate capacity development.

2. ICID is a knowledge sharing platform dedicated to issues that cover the entire spectrum of agricultural water management practices ranging from rain-fed agriculture to supplemental irrigation, land drainage, deficit irrigation to full irrigation, etc. In addition, drainage of agricultural lands forms the core theme of the commission's activities. Floods and drought; the two extremes of increasingly variable climate as a result of potential climate change, also form the focus of activities.

3. Prudent and Judicious financial management of an international professional network of voluntary experts is a key to achieve its mission and its targets as it provides the required confidence among its members. It helps to mobilize the financial resources and generates the confidence of the patrons in the challenging environment which has become increasingly important. ICID, therefore, has put in place a transparent financial system with sufficient checks and balances.

4. ICID's major resources comprise of subscriptions from its member countries, direct members and special contributions by the host National Committees organizing ICID events. Currently, ICID network is spread over 76 countries across Africa, Americas, Asia and Oceania, and Europe, covering over 95% of the irrigated area of the world. The Commission also receives special subscriptions from NCs and various International Organizations to support specific activities to further the ICID objectives.

5. Non-Profit Organizations (NPOs), such as ICID have always been seen as Special Purpose Vehicles (SPVs) which act as instruments and are considered to be the driving force in helping out the governments in doing the things which they always want to do, for the betterment of society, but need policy and informed opinion support from outside the sphere of governance to settle their internal arguments. NPOs provide a link between the governance structures and the society and professionals in general by generating informed dialogues and exchanges for improvement in the policies and interventions. NPOs are the direct link between the society and their well-being and it provides a

platform where one can join hands to work for the society and the community, and ultimately in order to make this world a better place to live in. The fact that most of the issues such as water scarcity and food security are not adequately addressed by the government policies alone, but by the organizations such as ICID 'that aim to address these issues' and, thus, create demand and space for themselves.

2.0 Financial Sustainability

6. Many factors influence the sustainability of an organization, including the operating environment, national and local policy, the activities of other related organizations, the availability of skilled personnel, and more. Understanding the nature and impact of these factors that influence the organization and its programs is critical. It prepares the organization to anticipate and respond to changes that take place in its external environment and enables it to generate sufficient resources to consistently meet its clients' needs.

7. Financial capacity of an organization consists of resources that give an organization the ability to seize opportunities and react to unexpected threats while maintaining general operations of the organization. Financial sustainability, a goal that all non-profit organizations strive for, refers to the ability of an organization to maintain financial capacity over time. For an organization to provide a level of stability in its outputs and objectives, the organization should be able to maintain a flow of funds from annual to the multiyear time span. Maintaining this ability to be financially agile over the long term is especially important for non-profit organizations. It enables the organization to cover administrative costs and to prioritize activities that enable the organization to accomplish its missions. The challenges of establishing financial sustainability are central to an organization's success. Like any other non-profit or civil society organisation, financial sustainability is crucial for its long-term survival and effectiveness of the International Commission on Irrigation and Drainage (ICID).

8. At the management level, the mechanism such as the Permanent Finance Committee (PFC), has been established to undertake financial analysis and is effective in principle. Although a short-term financial analysis is carried out by PFC every year, a long-term review was attempted in 2005-07. At the operational level, the accounting management system that is followed is largely robust. Financial Accounts of the Commission are regularly audited on an annual financial year basis (i.e. 1 April to 31 March) by a Statutory Auditor, appointed by IEC, as per the Indian Accounting and Assurance Standards (ICAI) and are complying with the Foreign Contribution Regulation Act (FCRA), 2010; Society Registration Act, 1860; and Direct Tax Law and Indirect Tax Law of the country.

9. At the recommendation of the 36th Permanent Finance Committee (PFC), the 66th IEC meeting held in Montpellier, France on 16 October 2015 agreed to set up a Task Force (TF) to review the membership formulae and propose a new membership structure considering the long term financial sustainability of ICID. Accordingly, in pursuance to the Council's decision (Resolution IEC-1/66), the Task Force to Review the Membership Structure and Annual Membership Subscription Formulae and financial sustainability of ICID was set up vide notification no. 12 of 2016 dated 21 April 2016. TF completed its study and presented its report in two parts, one dealing with annual membership subscription formula and second on financial sustainability. Financial sustainability report (http://www.icid.org/finance_susability.pdf) examined the financial sustainability of ICID operations for the next 10 years based on the projected revenues and expenses, within the current scope of activities and also explored the ways and means to achieve financial sustainability, the ability of ICID to diversify income and access new resources. It also touched upon the need for resource mobilization in order to realize the newly adopted Vision to Action 2030 through the identified goals. Recommendations emerging from financial sustainability report are as follows:

2.1 General

- a. PFC should be able to draw upon the experience of financial experts from more NCs. It needs to review the financial position of the organization more closely vis-a-vis the Action Plan of the organization. The format of the Financial Report presented to the IEC needs to be standardised.
- b. PFC should monitor the long-term financial sustainability of the organization on a regular basis, once every three years.
- c. Quick Ratio should normally be maintained at around 1.4 to 1.5. For this, it is important that the present streams of revenue are not only maintained but better be enhanced.

2.2 To maintain the present level of services

- a. Membership subscription needs to sustain its binding role and needs to be increased to take care of inflation. This is also psychologically important for the NCs to continue to have ownership over the network.
- b. ICID events (WIF, Congresses and Regional Conferences) together with Exhibition need to be made more effective and given a more professional touch and enhancing contribution by making formal professional arrangements between Central Office and host NC.
- c. An additional area of 1640 sq. m office space needs to be built out of which an additional 830 sq. m can be leased out on rent. The funds required for construction (Approx. Rs 70 million) need to be organized partially through a contribution from NCs.
- d. The financial assets such as operating fund in the banks should be invested more professionally. Possibility of investing some of the operating reserves in other financial instruments such as Mutual Funds (with low risks), need to be explored.

2.3 To implement strategies, programs and activities as per the Vision to Action

- a. In order to ensure its survival and independence, ICID should not just diversifying income sources but adopting more entrepreneurial routes to financial sustainability by investigating the scope for additional resource mobilization.
- b. Income generation by establishing a business related to a specific mission (e.g., capacity development and professional certification) needs to be explored. It is an option that needs to be carefully weighed as it involves considerable effort and works, and such businesses have to compete directly in the marketplace.
- c. The success of the organization in mobilizing more resources and reaching out to the donor's hinges on the success of communicating its organizational mission and services to the community in need of their services. For this, ICID needs to be consciously visible at national as well as international events for the government agencies providing support, and donors interested in the cause.
- d. Much like for-profit organizations, ICID would have to undertake marketing and branding efforts with the help of professional organization to promote and sustain its programs and services.

10. It needs to be realized that achieving financial sustainability is an ongoing process which needs to become part of the organization's day-to-day management practices involving strategic planning, administration and finances, and fundraising policies, strategies, plans and implementation process enabling the generation of additional income. In the case of ICID, this will have major consequences, not only in terms of managing change but also in the types of competencies needed by staff within the Central Office but also management board members. It will have significant implications for the identity, values and culture of ICID. However, the benefits will be seen in terms of greater independence, resilience and sustainability.

3.0 Independent Business Unit

11. PFC at its 38th meeting held in Mexico City in October 2017, considered the financial sustainability report and its recommendations and felt that in order to implement strategies, programs and activities as per the Road Map to ICID Vision 2030, ICID needs to adopt more entrepreneurial routes to financial sustainability by investigating the scope for additional resource mobilization. One possibility in that direction could be to generate income by establishing a business. Accordingly, the Council accepted the PFC's recommendation to establish a Special Task Force to explore the possibility of establishing an Independent Business Unit related to ICID mission in order to generate additional income. The MB at its 6th virtual meeting held on 22 November 2017 approved the composition of STF which has been constituted vide Notification No.7 of 2018 dated 15 January 2018 to discuss the feasibility of the ICID Independent Business Unit (IBU), and deliberate upon its legal requirements, seed funding and scope of activities.

12. The Task Force held its first meeting on 28 February 2018 and prima-facie agreed that ICID can set up a subsidiary which can take up commercial activities within the mandate of ICID for profit. TF opined that professional consulting services; capacity development, workshop and training at the national or regional level; professional certification related to ICID mission are good opportunities for the proposed IBU to generate income. In addition, IBU can also provide advice to the national

governments in policy matters as ICID is better placed owing to its strong international background and professional capacities. Recognizing the challenges faced by national governments for promoting and sustaining irrigation water use, it would be desirable to explore developing the business entity concept through NCs by empowering them. In this model, NCs can also become agent/partners to the IBU in the exercise in their respective country. In order to make IBU successful in future, ICID will have to create its value and niche in the market so that development agencies like World Bank, FAO, ADB, come forward and approach ICID to take up specific studies, training etc. on their behalf. For this purpose, ICID will have to enhance its visibility to others through its activities and participation in events organized by other partners and agencies.

3.1 Options Available

13. Within the Indian Constitutional framework, the following options are available for setting up of ICID IBU which are briefly discussed below.

a) Private Limited Company

Private Limited Company is the most prevalent and popular type of corporate legal entity in India. Private limited company registration is governed by the Ministry of Corporate Affairs, Companies Act, 2013 and the Companies Incorporation Rules, 2014. To register a private limited company, a minimum of two shareholders and two directors are required.

Unique features of a private limited company:

- limited liability protection to shareholders
- Ability to raise equity funds
- Separate legal entity status and perpetual existence

b) Limited Liability Partnership (LLP)

Limited Liability Partnership (LLP) was introduced in India by way of the Limited Liability Partnership Act, 2008. The basic premise behind the introduction of Limited Liability Partnership (LLP) is to provide a form of business entity that is simple to maintain while providing limited liability to the owners.

Advantage of an LLP:

- One partner is not responsible or liable for another partner's misconduct or negligence.
- An LLP also provides limited liability protection for the owners from the debts of the LLP.
- Unlike private limited company shareholder, the partners of an LLP have the right to manage the business directly.

An LLP does not require audit if it has less than INR 4.0 million turnover and less than INR 2.5 million of capital contribution. Therefore, LLPs are ideal for startups and small businesses that are just starting their operations and want to have minimal regulatory compliance related to formalities.

Therefore, there is not much of the difference between LLP and Private Limited Company in terms of the number of compliance required if the capital contribution is more than INR 2.5 million or turnover is going to be more than INR 4.0 million.

A broad comparison of features of Private Limited and LLP Company are given in below Table

S.No.	Factors of Comparison	Private Limited Company	Limited Liability Partnership
1.	Maximum Number of Members	200	None

2.	Requirements for compliance	Annual return filing board meetings and general meetings	Annual return filing and Statement of Account & Solvency.
3.	Audit	Compulsory	Only if contribution more than Rs. 25 lakhs or turnover exceeds Rs. 40 Lakhs
4.	Time registration for	15-20 days	10-15 days
5.	Dividend Distribution Tax	Apply	Not Apply
6.	Income Tax Rate	25% incase turnover is less than Rs. 50 Crore otherwise 30%	30% in all case
7.	Ownership and Management	Ownership and Management can be different	Normally Ownership and Management is not different
8.	Funds	Can Raise funds from the market both by way of loan or equity	Can't raise equity and its difficult to take loan from institutions as compared to Pvt. Ltd.
9.	Other Factors	In existence for longer than LLPs and enjoys widespread recognition in India and the world.	LLPs are not as recognized in India as a private limited company, since it is a relatively new concept.

c) Partnership

A Partnership Firm is a popular form of business constitution for businesses that are owned, managed and controlled by an Association of People for profit. Partnership firms are relatively easy to start and are prevalent amongst small and medium-sized businesses in the unorganized sectors. With the introduction of Limited Liability Partnerships in India, Partnership Firms are fast losing their prevalence due to the added advantages offered by a Limited Liability Partnership.

There are two types of Partnership firms, registered and un-registered Partnership firm. It is not compulsory to register a Partnership firm; however, it is advisable to register a Partnership firm due to the added advantages. Partnership firms are created by drafting a Partnership deed amongst the Partners and partnership deed will determine the ownership of the firm, profit sharing ratio, rights & responsibility of each partner.

d) Trust

Private Trusts are governed by the Indian Trust Act, 1882. Public Charitable trusts do not have a national level governing law. There is two minimum number of members. Its geographical area of activities is all India (no need to mention this in the Trust Deed). One man i.e. settler can control the Trust. Its amendments can easily be done via a supplementary trust deed. Names for registration is easily available. Bank A/c operation can be controlled by one person i.e. settler. Trustees generally hold office for the whole life. Trust is generally irrevocable, can't be wound-up. Family members can become trustees. It is governed by a board of trustees. There is only one main document i.e. Trust Deed. Its objective can be general.

e) Society

Society is governed by the Societies Registration Act, 1860. There is seven minimum number of members. Its geographical area of activities can be for whole India but a separate registration for all India level is required (8 members from different states required). Democratic system decisions are made by voting. A power struggle may ensue. As compared to Trust, it is more

difficult to manage. There are only two main documents i.e. Memorandum of Association (MOA) and Rules and Regulation for Society. Its amendments can easily be done however it is a bit difficult to get the desired name. Bank account operation can be controlled by two persons i.e. either President or Secretary and Treasurer. Members hold office for a specific period of time and may stand for re-election. Society can be wound up if 3/5th of the members so desire. Registrar generally objects on family members becoming part of the Governing Body. It is governed by the Governing Body. Its objective has to be specific.

f) **The company under Section 8 of the Company Act, 2013**

Section 8 Company, according to The Companies Act 2013, is a company which promotes Art, Science, and Commerce, education, Sports, Social Welfare, Research, Charity, Religion, Environment and similar objects. Their income, as well as profit, is supposed to be used for promoting these objects. Section 8 Company, like any other company, has to go through a proper registration procedure. More details about Section 8 Company given in the following sections. But, it is still quite different in comparison to other companies.

14. Under Indian Law, 3 legal forms exist for an NGO or Non-Profit Organization to establish a business entity:

- i) Trusts
- ii) Societies
- iii) Section 8 Companies

15. Indian Trusts have no central law. Indian Societies have different legal and institutional frameworks from state to state and Section 8 Companies have one uniform law across the country and have the most reliable and strongest organizational structure. Indian Companies (incl. Section 8 Companies) are governed by 'The Companies Act, 2013'. It is this robust Act that regulates the formation, management and accountability of a Section 8 company, thus making it more closely regulated and monitored than trusts and societies, and recognized all over the world.

3.2 Selected Option

16. Considering various legalities, pros and cons and the advice of the expert, it would be appropriate to incorporate the company under **Section 8 of the Company Act, 2013** for ICID IBU.

17. Unlike other companies, Section 8 Companies are given certain exemptions and benefits. This partiality is a result of the objective that the company follows. Unlike a normal company, Section 8 Company solely works for the betterment of the general public. There are no personal gains except a sense of satisfaction.

18. These companies do have members and directors, but unlike other companies, they are based more on volunteers and promoters. They, like other companies, are considered to be separate legal entities, however, they are involved in promoting a product or a service. They are not seen as manufacturers but as mere service providers. Their services majorly include creating awareness and helping the public. These companies, unlike others, are generally dependent on donations and not so much on loans. A partnership firm can also become a member of such a company. Any company and firm, except Single Person Company, can convert itself into a Section 8 Company, again by following a proper procedure as mentioned in The Companies Act.

19. The name of Section 8 Company is generally different from normal companies. Rather than using privately limited or public limited, these include words like foundation, association, federation, confederation, the council in Section 8 Company's name. Section 8 Company is provided with many benefits that are not given to other companies.

3.2.1 Provision related to Company under Section 8 of the Companies Act, 2013

20. The concept of Non-profit-making Company is quite old in India. In erstwhile Companies Act, 1956, it was regulated by Section 25 and that is why it was popular as Section 25 Company. However, in Companies Act 2013, provisions related to Non-profit making company are given in Section 8 read with Rules 19, 20, 21, 22 and 23 of the Companies (Incorporation) Rules, 2014. Some main characteristics of Section 8 Company are given below.

- i. Section 8 (1) Company or a Non-Profit Organization (NPO) is a Company established for promoting commerce, art, science, religion, charity or any other useful object, provided the profits, if any, or other income is applied for promoting only the objects of the Company and no dividend is paid to its members.
- ii. An NPO/NGO can be formed for the promotion of any useful object like sports, education, research activities etc. ICID vision of "Water secure World, free of poverty and hunger through sustainable rural development" is very well covered under this.
- iii. The term Non-Profit does not mean that the Company cannot generate profit or income, but it essentially means applying the income for further promotion of the object and not for distributing it to the promoters as dividends. It means that the Company can earn profits but the promoters cannot derive benefit out of those profits.
- iv. **Status of Limited Company:** As per Section 8(2) - Section 8 Company shall enjoy all the privileges and be subject to all the obligations of a Limited Company. It is the duty of the Company to prove to Central Government that it will incorporate for the above-mentioned purpose only.
- v. **License by Central Government:** The Central Government may issue a license with such conditions as it deems fit and allow the registration of such person or association of persons as a limited company without the addition to its name of the word "Limited", or as the case may be, the words "Private Limited".
- vi. **Power of ROC:** The power of the Central Government is delegated to the Registrar of Companies ("ROC") having Jurisdiction over the area where the Registered Office of the company is proposed to be situated. Hence, the application for registering such Company is to be made to the ROC.

3.2.2 Key Benefits

21. Section 8 Company enjoys many privileges and exemptions under Company Law vide notification dated 05th June 2015. After successful registration license is issued, which is then used to avail many benefits.

- i) Forming of **Section 8 company** is an easy process.
- ii) Exemption of Stamp duty for registration.
- iii) A registered partnership firm can be a member in its own capacity.
- iv) Certain Tax deduction under The Income Tax Act such as tax deductions benefits u/s 12AA and 80G of the Income Tax Act to the donors of the Company.
- v) **No paid up/ Share Capital:** These Companies can be formed with or without share capital, in case they are formed without capital, the necessary funds for carrying the business are brought in form of donations, subscriptions from members and the general public.
- vi) **Not required to add the Suffix:** Section 8 Companies are not required to add the suffix Limited or Private Limited at the end of their name. All Companies having limited liability are required to use the term 'limited' or 'private limited' as the case may be in their names as required by section 13. But Section 8 Companies are allowed to dispense with the use of term 'limited' or 'private limited' from their names [sub-section (6)]. This helps the Company to enjoy limited liability without disclosing to the public the nature of liability of its members.
- vii) **A suffix that can be used for incorporation:** The name shall include the words Foundation, Forum, Association, Federation, Chambers, Confederation, Council, Electoral Trust and the like etc. At present, the following words are not allowed for the incorporation of Section 8 Company; "Organization", "Institute", "word other than mentioned above". Earlier these words were allowed for the incorporation of Section 8 Company and even there are many section 8 companies ending with such prefix. Therefore, it can be opined that "and the like etc." cannot be used for incorporation of Section 8 Company as per the latest Resubmissions or Rejections.

- viii) **Easy Transferable Ownership:** The shares and other interest or any member in the Company shall be a movable property and can be transferable in the manner provided by the Articles, which is otherwise not easily possible in other business forms. Therefore, it is easier to become or leave the membership of the Company or otherwise, it is easier to transfer the ownership.
- ix) They are easy to manage and incorporate due to many exemptions and privileges are given to them.
- x) Objectives in clear accordance with the general public or a targeted crowd which leads to easy donations and loans.
- xi) It generally takes around 30-45 working days to register a Section 8 company. This duration can, however, be lesser in case the Regional Director approves the application earlier.

3.2.3 Obligations and Limitations of Section 8 Companies:

22. Though a Section 8 Company has many advantages and enjoys many privileges yet there are some statutory obligations (as listed below) which are required to be complied with and taken care of by such companies.

- i) **Utilization of Profit:** Profit of Income of the Company shall be applied for the promotion of the main object and not for any other purpose.
- ii) Declaration of dividend or distribution of profit to the promoters is not allowed.
- iii) No member shall be appointed as a remunerated officer.
- iv) No remuneration/benefit shall be paid to a member being a servant/officer of the Company (except reimbursement of out of pocket expenses, reasonable interest on money lent or reasonable rent on the premises).
- v) **No Change in Memorandum of Association (MOA) and Articles of Association (AOA):** A Company registered under this Section shall not alter the provisions of its Memorandum or Articles except with the previous approval of the Central Government.
- vi) **Condition by Central Government:** If the Central Government has imposed some conditions and regulations upon the Company for granting a license under Section 8, then such a Company is bound by such conditions and has to ensure adequate compliance with them. Where such conditions and regulations have been imposed then such conditions and regulations are required to be included in the Articles or/and Memorandum of the Company as may be directed by the Government.
- vii) **Tax Liability:** Section 8 Company is regarded as a 'Company' within the meaning of the Income Tax Act, 1961 and as such, its income is taxable according to the applicable rates similar to those applying to other companies.

4.0 Way Forward

23. In case IBU is set up then ICID need to incorporate all the existing objects in the object clause of a newly incorporated company so that ICID can execute any of its objectives through this newly incorporated company. Along with existing objects, as per expert advice, all the possible objects which can be thought of as future activities should be included in the object clause. The existing objective of ICID which can be part of the object clause of the newly incorporated company along with any other object is listed below.

- Enable higher crop productivity with less water and energy.
- Be a catalyst for change in policies and practices.
- Facilitate the exchange of information, knowledge and technology.
- Enable cross-disciplinary and inter-sectoral engagement.
- Encourage research and support the development of tools to extend innovation into field practices.
- Facilitate capacity development
- Planning, financing, socio-economic and environmental aspects of irrigation, drainage, and undertakings for the reclamation and improvement of lands as well as the design, construction and operation of appurtenant engineering works including dams, reservoirs, canals, drains and other related infrastructure for storage, conveyance, distribution, collection and disposal of water.

- Planning, financing, socio-economic and environmental aspects of schemes for river training and behaviour, flood management and protection against seawater intrusion of agricultural lands as well as the design, construction and operation of appurtenant works, except such matters as relating to the design and construction of large dams, navigation works and basic hydrology;
- Research and development, training and capacity building in areas related to basic and applied science, technology, management, design, operation and maintenance of irrigation, drainage, flood management, river training improvement and land reclamation.
- Facilitation of international inputs required by the developing countries, particularly the low-income countries lagging in the development of irrigation and drainage;
- Promotion of the development and systematic management of sustained irrigation and drainage systems;
- The pooling of international knowledge on the topics related to irrigation, drainage and flood management and making it available worldwide;
- Addressing international problems and challenges posed by irrigation, drainage and flood management works and promoting the evolution of suitable remedial measures;
- Promoting savings in use of water for agriculture;
- Promoting equity including gender equity between users and beneficiaries of irrigation, drainage and flood management systems;
- Promotion, preservation and improvement of soil and water quality of irrigated lands

4.1 Proposed course of action

24. ICID need to pass a resolution to be a member of newly incorporated section 8 company. As it requires at least 2 members to form a company, ICID need to identify a trustworthy individual who can become the minority shareholder in this company along with the ICID. Though the company can be incorporated with 2 members, out of which 1 member is ICID itself, it is suggested to have 2 individual shareholders apart from ICID, so a total of 3 shareholders forms this company. This is because to run the operation seamlessly at least 2 members are required for any meetings, to adopt/pass any resolutions. So with 3 members, the company's operation can be run more efficiently.

4.1.1 Minimum requirements and documents necessary for the registration of such company

25. Conditions and documents needed for registration of the Company are as follows:

- i. There must be a Minimum of two shareholders;
- ii. There must be a Minimum of two Directors (Directors and shareholders can be the same person);
- iii. At least one of the Director shall be the resident in India;
- iv. There is No requirement of Minimum capital
- v. The Income-tax PAN is a mandatory requirement in case of the Indian nationals;
- vi. **Identity proof:** Any one of the Identity Proof such as Voter ID/Aadhar Card/Driving License/Passport is required; Passport is, however, a mandatory requirement for the proof of identity in case of the foreign nationals;
- vii. **Residence proof:** Any one of the Proofs of Residence (Electricity Bill/Telephone Bill/Mobile Bill/Bank Statement);
- viii. The Registered Office address proof (that is the rent agreement or a Leave & Licence Agreement along with latest rent receipt and a copy of the latest utility bill in the name of the landlord and a no objection certificate from the owner of the premises, in case the premises are rented);
- ix. In case the premises are owned by either the Director or the Promoters, any of the documents establishing the ownership such as Sale Deed/House Tax receipt etc. along with the no objection certificate;
- x. A Latest passport size photographs of all the Directors/Promoters;
- xi. The Consent to act as a Director in Form DIR-2
- xii. The Directors Directorship details in other Companies/LLPs, if any;
- xiii. The Utility Bills of the proposed registered office.

4.1.2 The Procedure for Section 8 Company Registration

26. Steps needed for registration of the Company are briefly indicated below.
- i. Apply for the Digital Signature Certificate (DSC) for the proposed Directors not having the Directors Identification Number (DIN), which is required for filling the forms electronically to the Ministry of Corporate affairs which can be obtained from certified agencies. For obtaining the DIN from the Ministry of Corporate Affairs, Form DIR-3 will need to be submitted.
 - ii. A most important step is to apply for the name of the company which is a crucial step in company registration. For ICID IBU one of the suggested names could be **ICID Foundation**.
 - iii. Draft the Memorandum of Association and Articles of Association of the proposed company in Form INC – 13.
 - iv. Obtain the license under section 8 of new companies with a charitable objective. The person who is desirous to incorporate a company under section 8 is required to file an application in form INC-2 along with the prescribed fees to register for a license.
 - v. Certificate of incorporation – If after the filing of the requisite forms that is INC-7, INC-22 and DIR-12 for the incorporation with the registrar of the companies along with the prescribed fees, ROC gets satisfied with the contents of the documents that are filed then the company will be issued Certificate of Incorporation in Form INC-16.

4.1.3 Statutory Obligation for Companies:

- PAN to be obtained and annually Income TAX return to be submitted
- Tax exemption to be obtained from IT Department U/s 12AA and u/s 80G of Income Tax Act for the income tax deductions benefits.
- GST number to be obtained and for all the services rendered, GST to be charged in all the invoices raised. Monthly GST to be deposited and monthly return GSTR 3B to be submitted along with GSTR1
- TAN to be obtained and Tax needs to be deducted at source from all the payments and same needs to deposited every month (TDS)
- Quarterly TDS return to be submitted
- Annual GST audit and return to be submitted
- Annual ROC return to be submitted
- Registration under FCRA for receiving the foreign grant and submit annual FCRA return

4.2 Summary

27. Out of the available options under Indian Law, the formation of the Company under Section 8 provisions of the Indian Companies Act appears to be most suitable for the activities proposed under the IBU and financial sustainability principles for ICID. Depending upon the revenue generated, ICID main body can transfer the financial burden of some of the activities on the newly formed company and thereby reduction in the operating expenses of the parent body leading to better financial sustainability.

28. The newly established body can address the needs of the sector which involve third-party evaluations of the projects and policies in the field of irrigation and drainage for which a dedicated body not attached to a specific product or technology or ideology is not presently available in public domain.

29. With the assistance of the commercial body under these provisions, the National Committees can provide professional outputs in their respective countries or regional group countries on a long term basis as opposed to the commercial job specific consultancies. This facility is especially relevant to the developing countries where support is required on the long term but in an intermittent manner.

30. Large needs for capacity building and handholding are existing in the world in the sphere of Agriculture Water Management, drainage, flood management and water security. At present, ICID feels constrained in taking up such activities on demand due to limitations of resource mobilization mechanisms available. Better flexibility can be achieved by having an entity which can operate on commercial terms.

31. In India, the **Section 8 Company** is regulated by the Indian Companies Act, 2013 (and the amendments thereof) and the rules & regulations that are made thereunder and it is administered by the Ministry of Corporate Affairs, Government of India through the Offices of Registrar of Companies

(‘RoC’) in each of the state of India. The Company Incorporation rules, the requirements, process, and the procedures vary more or less depending particularly on the type of the company that is to be incorporated.

32. **Section 8 Company** is a Company that is licensed under Section 8 of the Companies Act, 2013 (the Act), erstwhile known as the Section 25 Company under the Companies Act, 1956, which had the main object; For promoting research, social welfare, religion, charity, commerce, art, science, sports, education, and the protection of the environment or any such other object, provided that the profits, if any, or the other income is applied for promoting only the objects of the company and no dividend can be paid to its members.

33. Therefore, **Section 8 Company** is a company which is registered for charitable or not-for-profit purposes. This Company is, however, similar to a Trust or Society; an exception is that a Section 8 Company is registered under the Central Government’s “Ministry of Corporate Affairs (MCA)” whereas the Societies and Trusts are registered under the State Government regulations. This, however, has various advantages when it is compared to Trust or Society and it also has higher credibility amongst the donors, Government departments, and other stakeholders. Further, the key feature of this Company is that the name of the Company can be incorporated without using the word “Limited” or “Private Limited” as the case may be.

34. The ICID is the total cash reserve is only ₹ 40.38 million (US\$ 621,230), which is about 54.4 % of the annual budget for FY 2018-19. This is not a desirable situation for the financial sustainability of any organization. It is therefore recommended that after meeting all the liabilities, the cash reserve may be allowed to be build up at least equal to the annual budgeted expenditure for long term financial sustainability. In that direction, ICID IBU can be set up as a Section 8 Company and some of the ICID activities can be transferred to the IBU which will lessen the burden on ICID as a society.



Sources from the Ministry of Corporate Affairs
(<http://ebook.mca.gov.in/Default.aspx?page=main>)

Section 8 of Company Act 2013 related to Formation of Companies with Charitable Objects, etc.

8. (1) Where it is proved to the satisfaction of the Central Government that a person or an association of persons proposed to be registered under this Act as a limited company—

(a) has in its objects the promotion of commerce, art, science, sports, education, research, social welfare, religion, charity, protection of environment or any such other object;

(b) intends to apply its profits, if any, or other income in promoting its objects; and

(c) intends to prohibit the payment of any dividend to its members, the Central Government may, by licence issued in such manner as may be prescribed, and on such conditions as it deems fit, allow that person or association of persons to be registered as a limited company under this section without the addition to its name of the word "Limited", or as the case may be, the words "Private Limited", and thereupon the Registrar shall, on application, in the prescribed form, register such person or association of persons as a company under this section.

(2) The company registered under this section shall enjoy all the privileges and be subject to all the obligations of limited companies.

(3) A firm may be a member of the company registered under this section.

(4) (i) A company registered under this section shall not alter the provisions of its memorandum or articles except with the previous approval of the #Central Government.

(ii) A company registered under this section may convert itself into the company of any other kind only after complying with such conditions as may be prescribed.

(5) Where it is proved to the satisfaction of the Central Government that a limited company registered under this Act or under any previous company law has been formed with any of the objects specified in clause (a) of sub-section (1) and with the restrictions and prohibitions as mentioned respectively in clauses (b) and (c) of that sub-section, it may, by licence, allow the company to be registered under this section subject to such conditions as the Central Government deems fit and to change its name by omitting the word "Limited", or as the case may be, the words "Private Limited" from its name and thereupon the Registrar shall, on application, in the prescribed form, register such company under this section and all the provisions of this section shall apply to that company.

(6) The #Central Government may, by order, revoke the licence granted to a company registered under this section if the company contravenes any of the requirements of this section or any of the conditions subject to which a licence is issued or the affairs of the company are conducted fraudulently or in a manner violative of the objects of the company or prejudicial to public interest, and without prejudice to any other action against the company under this Act, direct the company to convert its status and change its name to add the word "Limited" or the words "Private Limited", as the case may be, to its name and thereupon the Registrar shall, without prejudice to any action that may be taken under sub-section (7), on application, in the prescribed form, register the company accordingly:

Provided that no such order shall be made unless the company is given a reasonable opportunity of being heard:

Provided further that a copy of every such order shall be given to the Registrar.

(7) Where a licence is revoked under sub-section (6), the Central Government may, by order, if it is satisfied that it is essential in the public interest, direct that the company be wound up under this Act or amalgamated with another company registered under this section:

Provided that no such order shall be made unless the company is given a reasonable opportunity of being heard.

(8) Where a licence is revoked under sub-section (6) and where the Central Government is satisfied that it is essential in the public interest that the company registered under this section should be amalgamated with another company registered under this section and having similar objects, then, notwithstanding anything to the contrary contained in this Act, the Central Government may, by order, provide for such amalgamation to form a single company with such constitution, properties, powers, rights, interest, authorities and privileges and with such liabilities, duties and obligations as may be specified in the order.

(9) If on the winding up or dissolution of a company registered under this section, there remains, after the satisfaction of its debts and liabilities, any asset, they may be transferred to another company registered under this section and having similar objects, subject to such conditions as the Tribunal may impose, or may be sold and proceeds thereof credited to ¹["Insolvency and Bankruptcy Fund formed under section 224 of the Insolvency and Bankruptcy Code, 2016"]

(10) A company registered under this section shall amalgamate only with another company registered under this section and having similar objects.

(11) If a company makes any default in complying with any of the requirements laid down in this section, the company shall, without prejudice to any other action under the provisions of this section, be punishable with fine which shall not be less than ten lakh rupees but which may extend to one crore rupees and the directors and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to three years or with fine which shall not be less than twenty-five thousand rupees but which may extend to twenty-five lakh rupees, or with both:

Provided that when it is proved that the affairs of the company were conducted fraudulently, every officer in default shall be liable for action under section 447.



Sources from Ministry of Corporate Affairs
<http://ebook.mca.gov.in/Default.aspx?page=rules>

Rules of Section 8 of Company Act 2013 related to Formation of Companies with Charitable Objects, etc.

Rule 19 License Under Section 8 for New Companies With Charitable Objects etc.-

(1) A person or an association of persons (hereinafter referred to in this rule as “the proposed company”), desirous of incorporating a company with limited liability under sub-section (1) of section 8 without the addition to its name of the word “Limited”, or as the case may be, the words “Private Limited”, shall make an application in Form No.INC.12 along with the fee as provided in the **Companies (Registration offices and fees) Rules, 2014** to the Registrar for a license under sub-section (1) of section 8.

(2) The memorandum of association of the proposed company shall be in **Form No.INC.13**.

(3) The application under sub-rule (1) shall be accompanied by the following documents, namely:—

(a) the draft memorandum and articles of association of the proposed company;

(b) the declaration in Form No.INC.14 by an Advocate, a Chartered Accountant, Cost Accountant or Company Secretary in practice, that the draft memorandum and articles of association have been drawn up in conformity with the provisions of section 8 and rules made thereunder and that all the requirements of the Act and the rules made thereunder relating to registration of the company under section 8 and matters incidental or supplemental thereto have been complied with;

(c) an estimate of the future annual income and expenditure of the company for the next three years, specifying the sources of the income and the objects of the expenditure;

(d) the declaration by each of the persons making the application in Form No. INC.15.

Rule 20 License for Existing Companies

(1) A limited company registered under this Act or under any previous company law, with any of the objects specified in clause (a) of sub-section (1) of section 8 and the restrictions and prohibitions as mentioned respectively in clause (b) and (c) of that sub-section, and which is desirous of being registered under section 8, without the addition to its name of the word "Limited" or as the case may be, the words "Private Limited", shall make an application in Form No.INC.12 along with the fee as provided in the **Companies (Registration offices and fees) Rules, 2014** to the Registrar for a licence under sub-section (5) of section 8.

(2) The application under **sub-rule (1)**, shall be accompanied by the following documents, namely:-

(a) the memorandum and articles of association of the company;

(b) the declaration as given in Form No.INC.14 by an Advocate, a Chartered accountant, Cost Accountant or Company Secretary in Practice, that the memorandum and articles of association have been drawn up in conformity with the provisions of section 8 and rules made thereunder and that all the requirements of the Act and the rules made thereunder relating to registration of the company under section 8 and matters incidental or supplemental thereto have been complied with;

(c) For each of the two financial years immediately preceding the date of the application, or when the company has functioned only for one financial year, for such year (i) the financial statements, (ii) the Board's reports, and (iii) the audit reports, relating to existing companies

(d) a statement showing in detail the assets (with the values thereof), and the liabilities of the company, as on the date of the application or within thirty days preceding that date;

(e) an estimate of the future annual income and expenditure of the company for the next three years, specifying the sources of the income and the objects of the expenditure;

(f) the certified copy of the resolutions passed in general/ board meetings approving the registration of the company under section 8; and

(g) a declaration by each of the persons making the application in **Form No.INC.15**.

(3) The company shall, within a week from the date of making the application to the Registrar, publish a notice at his own expense, and a copy of the notice, as published, shall be sent forthwith to the Registrar and the said notice shall be in **Form No. INC.26** and shall be published-

(a) at least once in a vernacular newspaper in the principal vernacular language of the district in which the registered office of the proposed company is to be situated or is situated, and circulating in that district, and at least once in the English language in an English newspaper circulating in that district; and

(b) on the websites as may be notified by the Central Government.

(4) The Registrar may require the applicant to furnish the approval or concurrence of any appropriate authority, regulatory body, department or Ministry of the Central Government or the State Government(s).

(5) The Registrar shall, after considering the objections, if any, received by it within thirty days from the date of publication of notice, and after consulting any authority, regulatory body, Department or Ministry of the Central Government or the State Government(s), as it may, in its discretion, decide whether the license should or should not be granted.

(6) The licence shall be in **Form No.INC.16** or **Form No.INC.17**, as the case may be, and the Registrar shall have the power to include in the licence such other conditions as may be deemed necessary by him.

(7) The Registrar may direct the company to insert in its memorandum, or in its articles, or partly in one and partly in the other, such conditions of the license as may be specified by the Registrar in this behalf.

Rule 21 Conditions for Conversion of a Company Registered Under Section 8 into a Company of Any Other Kind

(1) A company registered under section 8 which intends to convert itself into a company of any other kind shall pass a special resolution at a general meeting for approving such conversion.

(2) The explanatory statement annexed to the notice convening the general meeting shall set out in detail the reasons for opting for such conversion including the following, namely:-

(a) the date of incorporation of the company;

(b) the principal objects of the company as set out in the memorandum of association;

(c) the reasons as to why the activities for achieving the objects of the company cannot be carried on in the current structure i.e. as a section 8 company;

(d) if the principal or main objects of the company are proposed to be altered, what would be the altered objects and the reasons for the alteration;

(e) what are the privileges or concessions currently enjoyed by the company, such as tax exemptions, approvals for receiving donations or contributions including foreign contributions, land and other immovable properties, if any, that were acquired by the company at concessional rates or prices or

gratuitously and, if so, the market prices prevalent at the time of acquisition and the price that was paid by the company, details of any donations or bequests received by the company with conditions attached to their utilization etc.

(f) details of the impact of the proposed conversion on the members of the company including details of any benefits that may accrue to the members as a result of the conversion.

(3) A certified true copy of the special resolution along with a copy of the Notice convening the meeting including the explanatory statement shall be filed with the Registrar in **Form No.MGT.14** along with the fee

(4) The company shall file an application in **Form No.INC.18** with the Regional Director with the fee along with a certified true copy of the special resolution and a copy of the Notice convening the meeting including the explanatory statement for approval for converting itself into a company of any other kind and the company shall also attach the proof of serving of the notice served to all the authorities mentioned in sub-rule (2) of rule 22.

(5) A copy of the application with annexures as filed with the Regional Director shall also be filed with the Registrar.

Rule 22 Other Conditions to be Complied With by Companies Registered Under Section 8 Seeking Conversion into Any Other Kind.-

(1) The company shall, within a week from the date of submitting the application to the Regional Director, publish a notice at its own expense, and a copy of the notice, as published, shall be sent forthwith to the Regional Director and the said notice shall be in **Form No. INC.19** and shall be published-

(a) at least once in a vernacular newspaper in the principal vernacular language of the district in which the registered office of the company is situated, and having a wide circulation in that district, and at least once in the English language in an English newspaper having a wide circulation in that district; and

(b) on the website of the company, if any, and as may be notified or directed by the Central Government.

(2) The company shall send a copy of the notice, simultaneously with its publication, together with a copy of the application and all attachments by registered post or hand delivery, to the Chief Commissioner of Income Tax having jurisdiction over the company, Income Tax Officer who has jurisdiction over the company, the Charity Commissioner, the Chief Secretary of the State in which the registered office of the company is situated, any organization or Department of the Central Government or State Government or other authority under whose jurisdiction the company has been operating and if any of these authorities wish to make any representation to Regional Director, it shall do so within sixty days of the receipt of the notice, after giving an opportunity to the Company.

(3) The copy of proof of serving such notice shall be attached to the application.

(4) The Board of directors shall give a declaration to the effect that no portion of the income or property of the company has been or shall be paid or transferred directly or indirectly by way of dividend or bonus or otherwise to persons who are or have been members of the company or to any one or more of them or to any persons claiming through any one or more of them.

(5) Where the company has obtained any special status, privilege, exemption, benefit or grant(s) from any authority such as Income Tax Department, Charity Commissioner or any organisation or Department of Central Government, State Government, Municipal Body or any recognized authority, a "No Objection Certificate" must be obtained, if required under the terms of the said special status, privilege, exemption, benefit or grant(s) from the concerned authority and filed with the Regional Director, along with the application.

(6) The company should have filed all its financial statements and Annual Returns to the financial year preceding the submission of the application to the Regional Director and all other returns required to be

filed under the Act up to the date of submitting the application to the Regional Director and in the event the application is made after the expiry of three months from the date of preceding financial year to which the financial statement has been filed, a statement of the financial position duly certified by chartered accountant made up to a date not preceding thirty days of filing the application shall be attached.

(7) The company shall attach with the application a certificate from practising Chartered Accountant or Company Secretary in practice or Cost Accountant in practice certifying that the conditions laid down in the Act and these rules relating to the conversion of a company registered under section 8 into any other kind of company have been complied with.

(8) The Regional Director may require the applicant to furnish the approval or concurrence of any particular authority for grant of his approval for the conversion and he may also obtain the report from the Registrar

(9). On receipt of the application, and on being satisfied, the Regional Director shall issue an order approving the conversion of the company into a company of any other kind subject to such terms and conditions as may be imposed in the facts and circumstances of each case including the following conditions, namely; -

(a) the company shall give up and shall not claim, with effect from the date its conversion takes effect, any special status, exemptions or privileges that it enjoyed by virtue of having been registered under the provisions of section 8;

(b) if the company had acquired any immovable property free of cost or at a concessional cost from any government or authority, it may be required to pay the difference between the cost at which it acquired such property and the market price of such property at the time of conversion either to the government or to the authority that provided the immovable property;

(c) any accumulated profit or unutilised income of the company brought forward from previous years shall be first utilized to settle all outstanding statutory dues, amounts due to lenders claims of creditors, suppliers, service providers and others including employees and lastly any loans advanced by the promoters or members or any other amounts due to them and the balance, if any, shall be transferred to the Investor Education and Protection Fund within thirty days of receiving the approval for conversion;

(10) Before imposing the conditions or rejecting the application, the company shall be given a reasonable opportunity of being heard by the Regional Director

(11) On receipt of the approval of the Regional Director,

(i) the company shall convene a general meeting of its members to pass a special resolution for amending its memorandum of association and articles of association as required under the Act consequent to the conversion of the section 8 company into a company of any other kind;

(ii) the Company shall thereafter file with the Registrar.-

(a) a certified copy of the approval of the Regional Director within thirty days from the date of receipt of the order in **Form No.INC.20** along with the fee;

(b) amended memorandum of association and articles of association of the company.

(c) a declaration by the directors that the conditions, if any imposed by the Regional Director has been fully complied with.

(12) . On receipt of the documents referred to in sub-rule (10) above, the Registrar shall register the documents and issue the fresh Certificate of Incorporation.

Rule 23 Intimation to Registrar of Revocation of Licence Issued Under Section 8

Where the license granted to a company registered under section 8 has been revoked, the company shall apply to the Registrar in **Form No.INC.20** along with the fee to convert its status and change of name accordingly.



APPENDIX II

Appendix II

INTERNATIONAL COMMISSION ON IRRIGATION AND DRAINAGE **Consultation Process for establishment of Independent Service Unit**

In order to develop the mission, scope, and construct of the proposed Independent Service Unit (ISU) a consultation process was put in place in three phases:

- A. Inputs from National Committees
- B. Consultation with ICID Experts, and
- C. Web-discussion on the Draft DPR

A Inputs from National Committees

ISU is proposed to be established as a service entity by empowering NCs who can become its agent/partners in their respective country. In order to establish the Unit, on behalf of the Special Task Force the inputs of the NCs and the experts associated with ICID in the past and share the Vision of ICID was sought. A questionnaire (Annexe AII/1) intended to seek inputs of various stakeholders of the International Support Unit as a User, Partner or a Contributor were sent to all the NCs.

Responses were received from a very limited number of NCs (five). However, the process of getting NC inputs is a continuing process and NCs can still provide the information and any feedback at any given point of time to effectively start participating in the ISU activities.

B Consultation with ICID Experts

Presence of various experts at the 9th International Micro Irrigation Conference (9IMCI) in Aurangabad, India between 16-18 January 2019 provided an opportunity to interact with them on the establishment of a proposed Independent Service Unit as approved in principle by 69th IEC. The experts were given the background on the need for the establishment of ISU and the future course of action on the subject with the objective to formally launch the ISU during WIF3.

In all, 12 experts representing 8 NCs; 3 experts from International Organization; and 5 experts representing states in government positions, listed below, were interviewed during the 9IMIC as part of the exercise to assess the demands, mechanism of interaction and process of management of the Consultancies Services at the ISU of ICID.

1. Dr Ding Kunlun, Vice President (H) ICID, CNCID, China
2. Dr Marco Arcieri, Vice President ICID and Secretary General, ITAL-ICID, Italy
3. Dr K Yella Reddy, Vice President ICID, India
4. Dr Mohammed Wahba, Chairman ENCID, Vice President (H), ICID, Egypt
5. Dr Hafied A Gani, Vice President (H), INACID, Indonesia
6. Ms Ailyne C. Agtuca-Selda, Secretary-General, PNC-ICID, Philippines
7. Mr Madante Ganotisi, National Irrigation Administration, PNC-ICID, Philippines
8. Pr El Houssine Bartali, Vice President, ANAFIDE, Morocco
9. Mr Zakaria El Yacoubi, Ministry of Agriculture, Royal Morocco Government
10. Dr Ismail Tas, Faculty of Agriculture, Cannakale University, Turkey
11. Prof Alejandro Pannunzio, Faculty, Universidad de Buenos Aires, Argentina
12. Mr Oscar Nzabonimpa, Managing Director, EPECOTGE Ltd, Rwanda
13. Mr I Jsbrand H De Jong, World Bank, India
14. Dr Asaduz Zaman, ADB, Bangladesh

15. Dr Kakhramon Jumaboev, IWMI Central Asia, Uzbekistan
16. Mr V P Kapadiya, Additional Secretary, Gujarat
17. Mr Sudheer Padikkal, Joint Director, WRD, Kerala
18. Mr Sanjay Belsare, Deputy Secretary, Govt of Maharashtra
19. Dr Suresh Kulkarni, Secretary, Maharashtra Water Regulatory Authority
20. Mr Rakesh Chauhan, CADA, Haryana

The discussions have mainly centred around the scope of the market, the resources required for providing the services, financial model that should be adopted and how the marketing of the services would be undertaken. Notes from these discussions are briefly presented and were analyzed along with the response to the questionnaire received from the NCs.

Market Segmentation: The experts suggested following market segments which need to be addressed by the ISU

- a. Geographical: Africa, Central Asia, South Asia, North Korea
- b. National Governments in developing countries,
- c. State Governments from India, particularly due to its strategic location
- d. International Institutions: WB, ADB, IFAD, AfDB
- e. Technical Areas of Consultancy:
 - i. Training, specially tailored to the needs; Study Tours for exchange of experiences: at the policy level as well as at a technical level; Capacity development; Institutional development and strengthening
 - ii. Resource evaluation; Impact Assessment; Evaluation of Irrigation Projects and programs; Asset management and their optimization; Policy and strategy development (considering climate change); Basin planning – conflict resolution and win-win models through negotiations
 - iii. Benchmarking of Irrigation Systems
 - iv. Planning for Irrigation Services; Irrigation Micro-irrigation; Land Drainage; Flood Management; Drought Management
 - v. Data and information-based Policy Support; Instrumentation and data interpretation; Improvement and Rejuvenation of projects based on Retrofitting; Water Recycling particularly for industrial use; Use of wastewater in irrigation

Resources- Resources required for providing the services are:

- a. Expert Panels to be prepared in consultation with NCs and beyond;
- b. Central Office should be strengthened with a Core Consultancy Unit
- c. Collaboration and joint ventures with other institutions be explored vigorously

Financial Model- The ISU will follow a financial model so that ISU while making a profit works with clients in a hand holding mode:

- a. Profit margins over and above the gross costs are included in the costs
- b. Consultants fees/compensation need to be reasonable that provide an incentive to the people
- c. The stake of NCs in the ISU needs to be ensured
- d. Allocation of Work

Marketing- Marketing of the services in a global context will require:

- a. NC Chairs have to act as Ambassadors and market ISU within their countries
- b. Central Office needs to deploy a specialist for marketing ISU

Other Suggestions- Other suggestions included:

- a. Requirements in the functioning of ISU: Trust, Transparency, Flexibility, Quick response,
- b. Unique Selling Proposition (USP): International Expertise; Super speciality consultancy; Multi-disciplinary; Value for money; Continuous hand holding
- c. Need to develop strong global databases
- d. Red tape in the release of consultants by their employers needs to be avoided.

- e. Utilise the retired ICID and other experts to avoid delays in relieve of experts employed
- f. Members of NCs to be given preference as consultants
- g. Consultants may be categorized as Super Specialists (A), Specialist (B) and Consultants (C) and compensated based on periodic evaluation of their inputs
- h. Need for issuing of Diplomatic Passport to experts to facilitate Visa processes
- i. Strengthen relation with WB and other International Institutes
- j. Explore the possibility of an award of consultancy on nomination basis
- k. In Egypt, the National Institutes cannot have joint ventures due to red-tape.
- l. In Indonesia, the consultancy can be awarded directly as well as through tendering process
- m. In the Philippines, at times ADB provides policy support, but they sometimes finance the study as well.
- n. In Maharashtra, there is a possibility of consultancy award through MoU
- o. In Morocco, the award of consultancy is through the bidding process and is a function of Cost+ Quality+ References (Reputation!)

C Web Discussions

Based on the above inputs, a Draft Project Report (DPR) has been prepared to detail out the Objectives, the Financial aspects, the Execution Strategy, the Marketing Strategy and the Structure of ISU. As the main objective of ISU is to support the National Committees, and will be run in partnership with the National Committees (NCs), the National Committee Management Team Members (President/Chairman, and Secretary) were invited to join a series of virtual meetings (WebEx) with NCs grouped under three time zones. In case National Committee Management Team Members are unable to join the virtual meeting in the designated slot.

Group 1: 17 April 2018, Indian Standard Time (IST), 15:30-16:30 Hours: NCs and Associate members from Europe and Africa.

Group 2: 17 April 2018, Indian Standard Time (IST), 20:30-21:30 Hours: NCs from Americas

Group 3: 18 April 2018, Indian Standard Time (IST), 11:00-12:00 Hours: NCs and Associate members from Asia and Oceania

The members were free to join the discussion in any of the Group as per their convenience. NC Management Team were invited to nominate a representative to join the meeting on their behalf. Nodal officer(s) or designated representatives of Direct Institutional Members were also invited to participate in the meeting and provide valuable inputs.

The DPR circulated earlier among NCs was once again explained through a power point presentation (Annexe AII/2)

Some of the main suggestions that emerged out of these discussions are:

1. Competition with organizations like IWMI should be avoided, instead ISU should find means to collaborate with them,
2. The name of the company should not include "Consultancy".
3. Name ICID Foundation was preferred the most, although the allotment of names will depend on its availability,
4. It was clarified that ISU is a 'Not for Profit' entity, but it can earn profits which should not be distributed among the members but instead they should be used for fulfilling its objectives.
5. Training and capacity development should be a key focus area,
6. Drought and Flood management and climate change studies should also be included in the scope of activities of ISU,
7. Research projects may also be included among the thrust activities of ISU,
8. It was suggested that environmental aspects of irrigation, drainage and flood management be also covered.

9. It was also suggested that under the scope, development of pre-feasibility reports may be dropped to avoid competition with established consultancy firms.
10. The participants expressed the need for more awareness building of the NCs about their role in ISU functioning.
11. Participants expressed the need for organizing special session(s) during 70th IEC in Bali so that NCs buy the idea of ISU
12. The ISU should collaborate with its traditional partners as well as institutions within the countries that are associated with its NCs.
13. Marketing material should be prepared for ISU before WWF3.
14. The CEO heading the Core Team should be a technical person and conversant with the ICID-NC relationship,
15. Mechanism of financing (interest-free loan from ICID) needs to be got approved from PFC.
16. The costing structure of the services should be based on actual costs plus 10-15 per cent marginal profit.

Majority of these suggestions have been accommodated in the present Detailed Project Report.

Questionnaire for NCs

Questionnaire is intended to take inputs from various stakeholders for establishing International Support Unit

Independent Support Unit (ISU) is proposed to undertake project activities in ICID member countries through collaboration between international expert(s) selected for the particular project and the national experts from within the country and members of the respective NC.

This Questionnaire has to be filled by the legal representative of the National Committee. It is your opportunity to shape the construct of ISU. Please feel free to use a separate paper. It should be completed and sent by **1st February 2019**.

I LIKE TO USE ISU

What kind of support YOU or members of YOUR NC would like to seek from ISU in order to fulfil the national mandate by fully financing their costs?

- a. Undertake Consultancy services.
(*Explanatory note: Kinds of consultancy services may include preparation of Status reports, Impact assessment reports, Policy briefs, Monitoring reports, pre-feasibility and feasibility reports for projects*)
- b. Organize Technical training.
- c. Facilitate Stakeholders' consultation meetings.
- d. Arrange Technical exchange programs for senior and middle-level experts
- e. Provide information on advanced techniques being adopted in the water sector in other countries through workshops.
- f. Any other, please specify

II LIKE TO CONTRIBUTE TO THE PROJECT

IN which of the following forms your NC would be able to contribute?

- a. Collect background information on the subject of the activity
- b. Arrange invitation from the Government, where required to obtain a visa for the international experts
- c. Act as a facilitator to the international expert
- d. Make the information available in the local language to the international expert in English
- e. Guide the international expert in his internal travels and meetings
- f. Act as interlocutor for the international expert
- g. Do you have international level institutes in your country who are associated with the NC?
(*Explanatory Note: Please provide information as per Table 1*)
- h. Which of the institutes are likely to contribute to the ISU?

III OPPORTUNITY TO BE A PARTNER IN ISU

ISU will undertake project activities in member countries in financial partnership with the respective NC(s).

- a. Is your NC a legal entity capable of receiving and sending foreign exchange?
- b. Will you be able to become a financial partner based on your legal status?
- c. Are your NC's accounts audited as per your national standards? Would you be able to provide the audited accounts of your contribution?
- d. Will you be able to pre-fund activities as your contributions on a reimbursable basis?

You are responding to this questionnaire on behalf of:

Name of the National Committee:		
Name of the Individual filling this questionnaire:		
E-mail:		Date:

Table 1

Name of the Technical Institute in the country	Activities are undertaken by the Institute	Possible Areas of Expertise
