



ABSTRACT

Urban Development – Water and Sanitation Pooled Fund (WSPF) – Proposal for mobilizing resources by issue of tax free bonds – Second Tranche under Pooled Finance Development Fund (PFDF) Scheme formulated by Ministry of Urban Development, Government of India for Water Supply and Sanitation Schemes – Orders – Issued

MUNICIPAL ADMINISTRATION AND WATER SUPPLY (MA2) DEPARTMENT

G.O.(Ms).No. 45

Dated: 05.03.2010
Read

1. G.O. Ms.No.23, Municipal Administration and Water Supply Department (MA-2) Department dated 12.2.2007
2. G.O. Ms.No.175, Municipal Administration and Water Supply Department (MA-2) Department dated 13.12.2007
3. From the Member Secretary, Water and Sanitation Pooled Fund D.O. letter No.WSPF/PFDF Bond-II/2009/01,dated 24.10.2009

ORDER:

In the G.O. first read above, orders were issued designating Water and Sanitation Pooled Fund (WSPF) as the State Pooled Finance Entity (SPFE) under the Pooled Finance Development Fund (PFDF) scheme of Government of India (GoI) for the State of Tamil Nadu.

2. In the G.O. second read above, orders were issued for mobilizing the first tranche of Rs.45 crores under the PFDF scheme of Government of India . As against this, a sum of Rs.6.70 crores only has been mobilized during February-April 2008.

3. In the letter third read above, the Member Secretary, Water and Sanitation Pooled Fund (WSPF) has stated that the mobilizing resources of Rs.83.19 crores (including the unsubscribed portion of the first tranche of Rs.38.30 crores) by issue of tax free bonds as Second Tranche under PFDF Scheme formulated by Ministry of Urban Development, Government of India for Water Supply and Sanitation Schemes of seven Urban Local Bodies in Tamil Nadu as detailed below:

(Rs in Crores)

Sno	Name of the ULB	Project Cost	Total amount proposed under PFDF	Amount mobilized under first tranche	Amount proposed to be mobilized under second tranche
Under Ground Drainage Scheme					
1.	Virudhunagar Municipality	23.25	8.98	1.04	7.94
2.	Ambattur Municipality	30.91	16.58	0	16.58
3.	Pallavaram Municipality	47.21	23.71	2.41	21.30
4.	Kancheepuram Municipality	12.48	3.97	0	3.97
5.	Ramanathapuram Municipality	30.00	13.66	0.97	12.69
6.	Namakkal Municipality	18.84	6.15	0.62	5.53
Water Supply Scheme					
7	Salem Corporation	24.84	16.84	1.66	15.18
	Grand Total	187.53	89.89	6.70	83.19

4. The Member Secretary, WSPF has now sought for orders on the following:-

- i. To approve the proposal of mobilizing resources of Rs.83.19 crores (including the unsubscribed portion of the first tranche of Rs.38.30 crores) in the form of Tax Free Pooled Finance Development Bonds as Second tranche under Pooled Finance Development Fund (PFDF) Scheme of Government of India (GoI) to part finance / refinance the projects implemented by seven Urban Local Bodies. The participating seven ULBs can access the funds after satisfying the conditions prescribed in the PFDF Scheme. The participating seven ULBs should also adhere to the conditions relating to maintenance of Escrow Accounts and Debt Service Reserve Fund as prescribed by Water and Sanitation Pooled Fund.

- ii. To approve the following structure for issue of Second tranche of Tax Free Pooled Bonds under PFDF Scheme of Gol:

Issue Size	:	Rs.83.19 Crores
Tenure	:	10 years with 5 years principal moratorium. Principal will be redeemed in 5 equal installments from year 6 to 10 Put & Call option : At the end of 7 th year
Rate of interest	:	Maximum 8% p.a.

- iii. To approve the following:

- a) The Contribution of Rs.5.71 crores towards Credit Rating Enhancement Fund (CREF). The CREF and interest accrued thereon shall not be withdrawn or revoked by GoTN till the entire bond amount is paid in full.
- b) The interception of State Finance Commission Devolution (SFCD) Grant of the participating seven ULBs, in the case of insufficient funds to meet the bond service due / withdrawal of CREF to meet the bond service due. In such case, the fund manager of Grant Fund-I, Tamil Nadu Urban Infrastructure Financial Services Limited (TNUIFSL) shall on request by WSPF shall transfer the sum equivalent to shortfall / amount withdrawn from CREF from Grant Fund- I to the designated bond service account at least 15 days before the bond service due date. The same shall be replenished by GoTN through SFCD intercept or other sources to Grant Fund – I within 60 days of such transfer. The Director of Municipal Administration shall make good the short fall by way of recovery and deduction at source from the State grant accruing to the respective ULB within 60 days from the date of claim by WSPF. The arrangement shall be irrevocable and unconditional and the same shall not be withdrawn or revoked till the entire bond amount is paid in full.
- c) The commitment of State Government to provide necessary approvals, participate in monitoring, certification and reporting process.
- (iv) To recommend the proposal to Gol for necessary approvals and matching contribution and to recommend the proposals to Gol / CBDT to accord Tax Free Status for the proposed issue”.

5. The Government after careful examination accept the proposals in item i – iv under para 4 above, with the modification that the contribution proposed under item (iii) (a) be restricted to Rs.4.83 crores after adjusting an amount of Rs. 88/- lakhs i.e the interest accrued on the deposit of Rs.5.30 crores, the sum remitted at the time of issue of first tranche.

6. The seven participating ULBs shall also adhere to the modalities suggested by Water and Sanitation Pooled Fund for operation of the Scheme and utilization of

fund raised under the Pooled Finance Development Fund Scheme of Government of India.

7. This order shall be in force during the currency of the bond second tranche issued by Water and Sanitation Pooled Fund.

8. This order issues with the concurrence of Finance Department vide its U.O.No. 11996/MAWS /10 dated 5.3.2010.

(BY ORDER OF THE GOVERNOR)

**NIRANJAN MARDI,
SECRETARY TO GOVERNMENT.**

To

The Director of Municipal Administration, Chennai-5.

The Managing Director and Chief Executive Officer, Tamil Nadu Urban Infrastructure Financial Services Limited, Chennai – 17.

The Pay and Accounts Officer (East), Chennai-5. (2 copies)

The Accountant General, Chennai-18.

The Accountant General, Chennai-35.

The Resident Audit Officer, Chennai-9.

Copy to: The Finance (MAWS / Ways I and Means/BG II/) Department, Chennai-9.

The MAWS (Budget / OP II) Department, Chennai – 9.

/ Forwarded by Order/

SECTION OFFICER