



ABSTRACT

Tamil Nadu Urban Development Fund (TNUDF) - Implementation of Japan Bank for International Co-operation (JBIC) assisted Tamil Nadu Urban Infrastructure Project (TNUIP) at a total cost of 9824 Million Japanese Yen (about Rs.344.70 Crores) - thro' the Tamil Nadu Urban Development Fund - Administrative Sanction accorded - Formation of Empowered Committee for sanctioning, finalizing the means of Finance and according administrative sanction for the sub-projects funded under the JBIC and TNUIP - Orders - Issued.

MUNICIPAL ADMINISTRATION & WATER SUPPLY (MA2) DEPARTMENT

G.O.(2D).No.112

Dated:6.08.2008

Read:

From the Vice-President and Company Secretary, TNUJFSL letter Ref.No.TNUDF/JBIC/2007-08, dated 12.5.2008.

ORDER

To improve the living conditions of residents in urban areas by constructing and improving infrastructure facilities like, water supply and sewerage facilities, Tamil Nadu Urban Development Fund (TNUDF) is providing long-term financial assistance to urban local bodies. In order to meet the increase in assistance to Urban Local Bodies, the Japan Bank for International Cooperation has been approached for providing loan assistance. Hence a loan agreement between JBIC and Government of India has been signed on 10.03.2008 for Japanese Yen 8,551 million. The total project cost is 9,824 Million Japanese Yen (about Rs.344.70 crores), of which the JBIC line of credit is 8,551 Million Japanese Yen (about Rs.300.04 crores). The loan assistance from JBIC will be repaid in 30 years with 10 years grace period and the rate of interest is 0.45% for sewerage projects and 1.20 % for water supply projects. The funds received from JBIC by Government of India will be passed on to Government of Tamil Nadu on a back to back basis. The loan has to be repaid by the State Government in Yen currency and the exchange risk is to be borne by the Government of Tamil Nadu.

2. In the above circumstances the Vice-President and Company Secretary, Tamil Nadu Urban Infrastructure Financial Services Limited, has requested the Government to accord administrative sanction for implementation of JBIC assisted Tamil Nadu Infrastructure Project at a total cost of 9824 Million Japanese Yen (about Rs.344.70 crores).

3. The Government after careful examination accept the proposal of the Vice President and Company Secretary, Tamil Nadu Urban Infrastructure Financial Services Limited and accord administrative sanction for implementation of JBIC assisted Tamil Nadu Infrastructure

Project at a total cost of 9824 Million Japanese Yen (about Rs.344.70 crores) and also orders to pass the JBIC line of credit of 8,551 Million Japanese Yen by the State Government to TNUDF / JBIC Grant Fund - I / JBIC Grant Fund - II on the following terms and conditions:

- i) 5650 Million Japanese Yen i.e. 70 % of 8072 Million Japanese Yen (about Rs.198.25 crores) be passed on to Tamil Nadu Urban Development Fund (TNUDF) as loan.

The rate of interest on loan to TNUDF will be at a fixed interest rate, set equal to the average yield of issues in the last six months of the 10 year Government of India bond on the primary market (Index), but in the event that there is no such issue in the said six months period, the average yield of the 10 year Government of India bond in the primary market immediately preceding one year from the reference date (date of release of tranche) shall serve as index;

In the event that there is no issuance of the 10 year Gol bond in the primary market during the last one year, the weighted average of the Gol bonds having a residual maturity of 10 years in the secondary market immediately preceding six months from the reference date shall serve as the index;

Plus "margin," if any, to be mutually agreed between the Government and TNUDF and in any event the said margin not to exceed 100 basis points to be determined at the beginning of each fiscal year.

- ii) 2422 Million Japanese Yen i.e. 30 % of 8072 Million Japanese Yen (about Rs.84.98 crores) to be passed on to JBIC Grant Fund-I.

- iii) 479 Million Japanese Yen (about Rs.16.81 crores) to be passed on to JBIC Grant Fund-II.

- iv) Apart from the above, the Government of Tamil Nadu shall make available a sum of 610 million Japanese Yen (about Rs.21.40 crores) as detailed below:

- i) 302 Million Japanese Yen (about Rs.10.59 crores) for capacity building and Detailed Project Report preparation to Commissioner of Municipal Administration and Commissioner of Town Panchayats

- ii) 308 Million Japanese Yen (about Rs.10.81 crores) towards interest during construction and commitment charges.

- iii) 663 Million Japanese Yen (about Rs.23.26 crores) have to be contributed by the Urban Local Bodies

The other terms like repayment period, up-front fee, commitment fee, management fee etc., will be on back to back basis.

4. The funds received under the JBIC assisted TNUIP will be passed on to the Urban Local Bodies on the following terms.

- i) As Loan for the sub-projects approved by the Empowered Committee to the ULBs through TNUDF at an interest rate considering the rate of interest as determined in para 3.i above and the repayment period will be 30 years with 10 years grace period
- ii) As Capital Grant for the sub-projects approved by the Empowered Committee to the ULBs through JBIC Grant Fund-I to be set up by Government which will be managed and operated by TNUIFSL based on the guidelines issued by the Government from time to time.
- iii) Grant to support the sub-project towards Project Management Consultancy, Quality Assurance Consultancy, Environmental Management Consultancy will be met from the JBIC Grant Fund-II to be set up by Government which will be managed and operated by TNUIFSL based on the guidelines issued by the Government from time to time.
- iv) Grant to prepare a shelf of prospective sub-projects and to train the functionaries of ULBs for efficient Municipal Management, the Commissioner of Municipal Administration and Commissioner of Town Panchayats shall engage consultants for preparation of Detailed Project Reports and appoint Training agencies / institutions for capacity building. This portion has to be passed on to Commissioner of Municipal Administration and Commissioner of Town Panchayats as grant.

5. The Government also hereby constitute an Empowered Committee for sanctioning, finalising the means of finance and according administrative sanction for the sub-projects to be funded under the JBIC assisted TNUIP with the following composition;

- 1. Hon'ble Minister for Rural Development and Local Administration - Chairman.
- 2. Principal Secretary to Government, Municipal Administration and Water Supply Department. - Member

3. Principal Secretary to Government,
Finance Department. - Member
4. Commissioner of Municipal Administration - Member
5. Commissioner of Town Panchayats. - Member
6. Managing Director & Chief Executive Officer,
Tamil Nadu Urban Infrastructure Financial Services
Limited. - Member &
Convenor

6. The order issues with the concurrence of Finance Department
vide its U.O.No.47243/EAP II/2008-1, dated 5.8.2008.

(BY ORDER OF THE GOVERNOR)

K. DEENABANDU,
PRINCIPAL SECRETARY TO GOVERNMENT.

To

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

✓ The Commissioner of Municipal Administration, Chennai-5.

The Commissioner of Town Panchayats, Chennai-108.

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

The Accountant General, Chennai - 18.

The Accountant General (Audit), Chennai - 18.

The Resident Audit Officer, Chennai - 9.

Copy: The Finance(MAWS/L & A/ EAP) Department, Chennai - 9

The Municipal Administration and Water Supply (Budget / OP.II)

Department, Chennai -9

-/Forwarded by Order/-

Chiranjeev
7/8/08
SECTION OFFICER