



ABSTRACT

Water & Sanitation Pooled Fund (WSPF) – KfW assisted Sustainable Municipal Infrastructure Financing in Tamil Nadu (SMIF-TN) Program – Release of loan Rs. 32.50 crores for Master Financing Indenture - Orders – Issued.

MUNICIPAL ADMINISTRATION AND WATER SUPPLY (MA2) DEPARTMENT

G.O.(Ms).No.113

Dated: 9.06.2010

Read:

1. G.O. (Ms) No. 218, Municipal Administration and Water Supply Department (MA2) Department, dated 3.11.2008.
2. From the Member Secretary, WSPF, Lr. No. WSPF/KfW/MFI/2010/06, dated 15.4.2010.

ORDER:

In the G.O. first read above, Government have accorded administrative sanction for the implementation of KfW assisted Sustainable Municipal Infrastructure Financing in Tamil Nadu (SMIF-TN) Program. The total outlay of the project is Euro 77 million (about Rs.500.00 crores) consisting of Euro 65 million development loan for refinancing of sub-projects (Euro 45.50 million equivalent to about Rs.295 crores in the form of loan and Euro 19.50 million equivalent to about Rs.127 crores in the form of capital grant), Euro 10 million for standard loan for Master Financing Indenture (MFI), and Euro 2 million complementary measures (grant) for strengthening the technical capabilities, and also it has been stated that Euro 10 million equivalent to about Rs.65.00 crores for Master Financing Indenture (MFI) will be passed on to Water & Sanitation Pooled Fund (WSPF) on back-to-back basis without adding a margin or charging any guarantee fees. The Government of Tamil Nadu will bear exchange rate risk and pass on the funds to the MFI as a subordinated loan denominated in Indian Rupee terms (i.e. repayment amount fixed in Indian Rupee) with a fixed rate of interest of 0.75% (the rate of interest charged by KfW for IDA loan).

2. In the letter second read above, the Member Secretary, WSPF has stated that as per clause II.1 of the Separate Agreement to the Project Agreement dated 9.7.2008, the implementation arrangement for MFI is as detailed below:

- 10% first loss equity piece (unit capital contribution) which will be paid in and kept in the MFI as cash collateral (to be contributed by GoTN as grant);

- 35% subordinated bond tranche to be refinanced by the loan (to be routed through GoTN to WSPF as loan on back to back basis) and
- 55% senior bond tranche that will be placed in the capital market (to be mobilized from the market in the form of taxable bonds).

The total funding under MFI would be as detailed below:

Sno	Particulars	Percentage	Amount Rs.in crores
1	Equity (cash collateral)	10%	19.00
2	Subordinated bond tranche to be refinanced by the loan (Loan to WSPF)	35%	65.00
3	Senior bond (taxable bond to be mobilized from the market)	55%	102.00
	Total	100%	186.00

The taxable bonds to be mobilized under MFI will be about Rs.102 crores. It is proposed to be mobilized in two tranches @ Rs.51 crores in each tranche. Hence, the loan required from GoTN towards subordinated bond for the first tranche will be Rs.32.50 crores (i.e. 50% of Rs.65 crores as allotted in the G.O.(Ms)No.218, Municipal Administration and Water Supply Department, dated 3.11.2009)

3. The Member Secretary, WSPF has further stated that the first tranche of taxable pooled bonds under MFI is proposed to be mobilized during the first quarter of 2010-11. Hence, the Member Secretary, WSPF has requested the Government to issue orders for release of Rs.32.50 crores out of the budget provision of Rs.65 crores to Water and Sanitation Pooled Fund as loan towards subordinated bond for implementing MFI.

4. The Government after careful examination, accept the request of the Member Secretary, WSPF at para 3 above and sanction and release a sum of Rs. 32.50 crores (Rupees Thirty two Crores and fifty lakhs only) to Water and Sanitation Pooled Fund as loan towards subordinated bond for implementing Master Financing indenture (MFI).

5. The amount sanction in para 4 above shall be debited to the following head of account.

- 6215 -- Loans for Water Supply and Sanitation-
- 01 -- Water Supply --
- 190 -- Loans to public sector and other undertakings --
- PK -- Loans to Water Supply and Sanitation Pooled Fund under KfW Line of credit (Master Financing Indenture (MFI))

(DPC 6215 - 01- 190 - PK - 0002)

6. The interest on the loan amount sanctioned at para 4 above, shall be credited to the following new head of account opened under Demand No:34 - 02:-

* 0049. Interest Receipts -

04. Interest Receipts of State/Union Territory Governments -

800. Other Receipts -

CP. Interest receipts on loans to Water Supply and Sanitation Pooled Fund under KfW line of credit (Master Financing Indenture)

(DPC -0049-04-800-CP-0009)

The Commissioner of Municipal Administration is the estimating, reconciling and Controlling Authority for the above said new " Revenue Receipt" head of account.

The Pay Account Officers/Treasury officer concerned are requested to open the above said new head of account in their accounts.

7 The Director of Municipal Administration is authorized to draw the amount sanction in para 4 above. The amount shall not be paid in cash, but contra credited to the PD Account to be opened in the name of "Water and Sanitation Pooled Fund " and credit the same to the above Deposit account.

8. This order issues with the concurrence of Finance Department vide its U.O.No. 24623 /MAWS /2010, dated 7.6.2010 and loan sanctioned ledger No.6/2010 - 2011.

(BY ORDER OF THE GOVERNOR)

NIRANJAN MARDI,
PRINCIPAL SECRETARY TO GOVERNMENT.

To

The Member Secretary, Water and Sanitation Pooled Fund(WSPF),Chennai-17.

The Director of Municipal Administration,Chennai-9.

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 to:

The Finance (MAWS /L&A Cell/BGII/BC) Department,
Chennai-9.

The MAWS (OP2)Department, Chennai-9.

The P.S. to Principal Secretary to Government, MAWS Department, Chennai - 9.

/ Forwarded by Order/

Sd. Srinivasan
SECTION OFFICER