



ABSTRACT

Tamil Nadu Urban Development Project – III (TNUDP-III) assisted by World Bank – Restructuring of TNUDP-III and re-allocation of funds among the various components under TNUDP-III – Revised Orders – Issued.

MUNICIPAL ADMINISTRATION AND WATER SUPPLY (MA2) DEPARTMENT

G.O.(Ms).No. 247

Dated: 16.12.2009

Read again

1. GO (Ms) Mo.55, Municipal Administration and Water Supply (MA-II) Department, dated 29.04.2005.-
2. GO (Ms) Mo.77, Municipal Administration and Water Supply (MA-II) Department, dated 03.06.2005.
3. GO (Ms) Mo.78, Municipal Administration and Water Supply (MA-II) Department, dated 03.06.2005.
4. Government Letter No.31835/MA-2/2008-3, MA & WS Department dated 24.02.2009

Read also

5. From the Government of India, Ministry of Finance, Department of Economic Affairs D.O. Lr. No.9/26/03-FB-VI/M.I.IV dated 21.07.2009
6. From the MD & CEO, Tamil Nadu Urban Infrastructure Financial Services Limited , Chennai Letter No.TNUDP-III/MTR/2008/29 dated 22.09.2009

ORDER:

In the G.O. first read above, the Government accorded administrative sanction for the implementation of the Third Tamil Nadu urban Development Project (TNUDP III) with a total outlay of Rs.1350 crores as detailed below.

S.No.	Component	World Bank Funding (US \$ Million)	Rs. in crores
i.	Institutional Development Component (IDC)	15.00	67.50
ii.	Urban Investment through TNUDF		
	a) Loans to ULBs (through TNUDF)	110.00	495.00
	b) Capital grants to ULBs (through TNUDF)	46.00	207.00
	c) Grants to CMDA Projects	123.00	553.50
	d) Project Preparation Grant to TNUDF	3.00	13.50
iii.	Others	3.00	13.50
	TOTAL	300.00	1350.00

2. In the G.O. second read above, the Government sanctioned capital grant to Urban Local Bodies under Grand Fund I (GF-I) and prescribed the guidelines for its operation.

3. In the G.O. third read above, the Government have sanctioned the continuation of Grand Fund II (GF-II) under TNUDP III and prescribed the guidelines for its operation.

4. Considering the pace of implementation of various sub-projects funded under TNUDP III and the delay in the implementation of transportation projects, the Government forwarded a restructuring proposal for TNUDP-III to Government of India in the letter fourth read above on the following lines:

i) Transportation Component.

To restructure the transportation component it was proposed to reduce the overall scope of this component taking into consideration the balance period available for implementation. Accordingly, the amount allocated under Urban Investment component under Grant to CMDA for Traffic and Transportation was proposed to be reduced to US \$ 38 million (Bank Funding of US \$ 34 millions) from US \$ 147.50 millions (Bank Funding of US 121.5 millions). The reduction of US \$ 109.50 millions was proposed to be reallocated to other components as detailed below:

	Total Funds US \$ Millions	Bank finance US \$ Millions
Reduction in grants to CMDA	109.50	87.50
Re-allocated to		
Loan to Urban Local Bodies through TNUDF	21.00	15.00
Grants to Urban Local Bodies through GF-I	82.00	66.00
Project Development Advisory Facility through GF-II	6.00	6.00
Incremental cost to CMDA	0.50	0.50
Total	109.50	87.50

ii. Institutional Development Component

It was proposed a) to expand the definition of capacity enhancement under Information and Communication Technology (ICT) to include enhancement of intuitional capacities, systems, procedures and databases, besides managerial capacity and include capacity building of Municipal Administration and Water Supply Department of Government; b) provide funds for limited civil works under Institutional Development (ID) Component: c) allocate more funds for Goods under ICT sub-component by reducing the allocation for Consultant Services and Training.

iii. Market based / non-traditional sources

It was proposed that the date for meeting this covenant be extended by one year i.e. September 30, 2010 and the definition of this covenant be expanded to include end-

beneficiary capital contributions since this is an innovative financing concept pioneered by TNUDF.

iv. Definition of Project Development Advisory Facility

The definition of Project Development Advisory Facility in Schedule 1 of Loan Agreement was proposed to be expanded to include technical assistance support for regular sub-project preparatory studies and implementation, besides for innovative infrastructure project financial structuring as currently presented.

v. Extension of Loan Closing Date

Based on the revised procurement and implementation plans for TNUDF-III, the closing date was proposed to be extended by one year, to March 31, 2012.

5. The Government of India and World Bank have agreed to the restructuring proposal of the State Government and executed amendment to this effect in Project Agreement and Loan Agreement, on 2nd July 2009.

6. In view of the above, the Managing Director and Chief Executive Officer has requested the Government to issue orders for the revised funding pattern as per the restructuring proposal approved by the Government of Tamil Nadu, Government of India and World Bank on the following lines:-

(i) After restructuring of TNUDF III Project Component and funds allocated will be as follows:-

Project Component.

	Project Component	Funding after Reallocation			
		Total Cost	Bank Financing	Total Cost	Bank Financing
		(US \$ Million)		(Rs in crores) *	
A	Institutional Development Component				
A1	Capacity Building of Municipal Staff	8.85	6.90	40.70	31.70
A2	Information and Communication Technology	4.30	4.20	19.80	19.30
A3	ULB Debt Monitoring Cell	0.30	0.25	1.40	1.20
A4	Project Preparation Facility	8.00	1.10	36.80	5.10
A5	Project Management, Incremental Operating Costs	3.55	2.55	16.30	11.70
	Sub Total (A)	25.00	15.00	115.00	69.00
B	Urban Investments through TNUDF				
B1	(a) Loans to ULBs	181.00 **	125.00	832.60	575.00

	(b) Capital Grant to ULBs	176.50	112.50	811.90	517.50
	(c) Project Development Advisory Facility	9.00	9.00	41.40	41.40
B2	(a) Grant to CMDA for Traffic and Transportation projects	38.00	34.00	174.80	156.40
	(b) CMDA / Highways Project Management, Incremental Operating Costs	3.00	3.00	13.80	13.80
	Sub Total (B)	407.50	283.50	1874.50	1304.10
	Total A and B	432.50	298.50	1989.50	1373.10
	Front end fee	1.50	1.50	6.90	6.90
	Total project cost	434.00	300.00	1996.40	1380.00

* (Exchange rate 1 US \$ = Rs.46.00)

** which includes market based / non-traditional borrowings of US \$ 40 Million and ULB contribution of US \$ 10 Million

- ii) **Loan to ULBs.** The reallocation of funds under Loan to ULBs will be US \$ 131 Million (Bank Funding of 125 US \$ Million) (Approximately about Rs.603 crores). For the existing para 4 (ii) (a) of the GO MS No.55 Municipal Administration & Water Supply (MA-II) Department, dated 29.04.2005 the following may be substituted :

“4 (ii) (a) “A sum of .US \$ 131 Million (Bank Funding of US \$ 125 Million and State Government funding of US \$ 6 Million), approximately about Rs.603 crores may be provided as loan by State Government to TNUDF for further on lending by TNUDF to ULBs for schemes relating to under ground sewerage, water supply, solid waste management and other urban infrastructure projects.”

- iii) **Capital Grant to ULBs.** The reallocation of funds under capital grant to ULBs through Grant Fund-I will be US \$ Million 176.50 (Bank Funding of US \$ 112.50 Million and State Government Funding of US \$ 64 Million), approximately about Rs.812 crores. For the existing , para 4 (i) of the GO (MS) No.77, Municipal Administration & Water Supply (MA-II) Department, dated 03.06.2005 the following shall be substituted:

“ 4 (i) Sanction is accorded for the capital grant component to the Urban Local Bodies for an amount equivalent to US \$ 176.50 Million (Bank Funding US \$ 112.50 Million and State Government Funding of US \$ 64 Million), approximately Rs.812 crores under the TNUDF-III into Grant Fund-I. The interest from investments and any other income earned or accruing to Grant Fund-I should form part of its corpus and shall be applied for the purposes for which the funds is created”.

- iv) **Project preparation grant** The reallocation of funds towards project preparation grant under GF-II will be US \$ 9 Million, approximately about Rs.41.00 crores. For the existing para 4 (i) of the GO MS No.78, Municipal Administration & Water Supply (MA-II) Department, dated 03.06.2005 the following may be substituted:

“4 (i) Sanction is accorded for the continuation of the project preparation grant i.e. GF-II under TNUDP-III, for an amount equivalent to US \$ 9 Million (approximately about Rs.41.00 crores).”

- v) Necessary amendment for funding of US \$ 41 Million as grants to CMDA under TNUDP-III may be issued by the Housing & Urban Development Department, separately.

7. The Government after careful consideration of the proposals of the Managing Director and Chief Executive Officer, Tamil Nadu Urban Infrastructure Financial Services Limited direct, in partial modification of orders issued in the G.O.s first, second and third read above, that the changes and suggestions proposed at para 6(i) to (v) above be made.

8. The Government also direct that the terms and conditions of the amended Project Agreement and Loan Agreement of TNUDP-III be adhered to.

9. The Government also extent the date of closure of the TNUDP –III upto 31.03.2012.

10. This order issues with the concurrence of Finance Department vide its U.O. No. 358 (DS(KK)/ 2009-1, dated 16.12.2009.

(BY ORDER OF THE GOVERNOR)

**NIRANJAN MARDI,
SECRETARY TO GOVERNMENT.**

To

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

The Director of Municipal Administration, Chennai – 5.

The Member Secretary, CMDA, Chennai - 8.

The Secretary to Government, Highways and Minor Ports, Chennai-9.

The Principal Secretary to Government, Housing and Urban Development Department,
Secretariat, Chennai-9.

The Accountant General, Chennai-18.

The Accountant General (Audit), Chennai -18.

The Resident Audit Officer, Chennai – 9.

The Director of Local Fund Audit, Chennai-108.

The Secretary to Government of India, Ministry of Finance ,
Department of Economics, New Delhi – 110 001.

The Ministry of Urban Development and Poverty Alleviation, Government of India, New Delhi.

copy to:

The Finance (MAWS /EAP) Department, Chennai-9.

The P.D.& SI Department, Chennai-9.

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

/ Forwarded by Order/

SECTION OFFICER