



ABSTRACT

Implementation of KfW assisted "Sustainable Municipal Infrastructure Financing in Tamil Nadu Phase-II Part 2"(SMIF-TN-II-2) program with a total outlay of Euro 105.75 million (Approximately Rs.861.10 crore)- Administrative sanction - Authorization of Empowered Committee - Orders issued.

MUNICIPAL ADMINISTRATION AND WATER SUPPLY (MA2) DEPARTMENT

G.O.(Ms)No.32

Dated: 17.02.2015

திருவள்ளூர் ஆண்டு 2046
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Read:

1. G.O.(Ms)No.218, Municipal Administration and Water Supply (MA2) Department, Dated:3.11.2008.
2. G.O.(Ms)No.40, Municipal Administration and Water Supply (MA2) Department, Dated:19.03.2009.
3. G.O.(Ms)No.61, Municipal Administration and Water Supply (MA2) Department, Dated:16.04.2009.
4. G.O.(Ms) No. 83, Municipal Administration and Water Supply (MA2) Department, Dated: 10.6.2013.
5. G.O.(2D)No.122, Municipal Administration and Water Supply (MA2) Department, Dated: 26.11.2013.
6. Government Letter No:28220/MA2/2013-5, Dated: 18.3.2014 addressed to Joint Secretary (ABC), Department of Economic Affairs, Government of India.
7. From the Ministry of Urban Development addressed to Department of Economic Affairs, letter No:k-14011/88/2006-UD-II, Dated:22.05.2014, copy marked to Government.
8. Government letter No: 28220/MA2/2013-7, Dated: 13.6.2014.

9. From the Chairperson and Managing Director, Tamil Nadu Urban Infrastructure Financial Services Limited, Letter No: TNUDF /KfW/SMIF-TN-II -2/2013 /13, Dated:1.07.2014.

ORDER:

To improve the living conditions of residents in urban areas, urban infrastructure projects have been implemented with KfW assisted Sustainable Municipal Infrastructure Financing in Tamil Nadu (SMIF-TN) Program and Sustainable Municipal Infrastructure Financing in Tamil Nadu - Phase II- Part -1(SMIF-TN-II-1) Program at a total cost of Euro 77 million (Rs.500 crores) and Euro 80 million (Rs.578.16 Crores) respectively vide Government Order first and fourth read above.

2. The Government of Tamil Nadu, Ministry of Urban Development and the Department of Economic Affairs, Government of India have approved the KfW assisted Sustainable Municipal Infrastructure Financing in Tamil Nadu - Phase II- Part -2 Program (SMIF-TN-II-2), for availing Euro 100 million for implementing urban infrastructure projects, Euro 5 mn for implementing Master Financing Indenture and Euro 0.75 mn for accompanying / consulting measures. Necessary Agreements between KfW, Government of Tamil Nadu and Tamil Nadu Urban Development Fund have been executed on 18.06.2014. Total assistance amounts to Euro 105.75 mn (Approx. Rs.861.10 crores).

3. The Chairperson and Managing Director, Tamil Nadu Urban Infrastructure Financial Services Limited has requested the Government to accord sanction for the implementation of KfW assisted SMIF-TN-II-2 Program at a total cost of approximately Rs.861.10 crores as indicated below:

(i) pass on KfW's assistance of Euro 105.75 million equivalent to about Rs.861.10 crores (Exchange rate as on 18.06.2014: 1 Euro = Rs.81.43) under SMIF-TN-II-2 **(a)** Euro 50 million (i.e. 50% of Euro 100 million) in the form of loan to Tamil Nadu Urban Development Fund equivalent to about Rs.407.15 crores; **(b)** Euro 50 million (i.e. 50% of Euro 100 million) in the form of capital grant to KfW Grant Fund-I equivalent to about Rs.407.15 crores; **(c)** Euro 5 million in the form of loan to Water and Sanitation Pooled Fund (WSPF) equivalent to about Rs.40.70 crores; **(d)** Euro 0.75 million in the form of Technical assistance grant / accompanying measures to KfW Grant Fund- II equivalent to about Rs.6.10 crores.

(ii) permission to utilize the assistance of Euro 105.75 mn, about Rs.861.10 crores (including the exchange rate variation, if any, accrued in future, in terms of Rupee value) on or before 30th December 2019.

(iii) fix the rate of interest on loan from Government of Tamil Nadu to Tamil Nadu Urban Development Fund linked to 10 year Government of India bonds and rate of interest shall be determined as detailed in Annexure III to this order.

(iv) the rate of interest on loan of Euro 5 mn (approx.Rs.40.70 Crores) from Government of Tamil Nadu to Water and Sanitation Pooled Fund at a fixed rate of interest of 0.75% p.a. (the rate of interest charged by KfW for this loan).

(v) other terms like repayment period, commitment fee, management fee, etc., on back to back basis, as decided by the Government from time to time.

(vi) the Front End Fee @ 1% of the loan amount to be released to Tamil Nadu Urban Development Fund under Sustainable Municipal Infrastructure Financing in Tamil Nadu Phase-II Part 2 Program. The above said front end fee will be paid by Tamil Nadu Urban Development Fund to Government of Tamil Nadu at the time of drawal of loan.

(vii) authorize the Empowered Committee of Sustainable Municipal Infrastructure Financing in Tamil Nadu Phase-II Part 1 (as constituted in the G.O fourth read above) to sanction, finalize the means of finance including the quantum of capital grants and accord administrative sanction for the sub-projects funded under Sustainable Municipal Infrastructure Financing in Tamil Nadu Phase-II Part 2.

(viii) to apply the guidelines prescribed in G.O.s second to fifth read above for Sustainable Municipal Infrastructure Financing in Tamil Nadu Phase-II Part 2 Program and accordingly prescribe the guidelines for operation and management of KfW Grant Fund-I and KfW Grant Fund-II under Sustainable Municipal Infrastructure Financing in Tamil Nadu Phase-II Part 2 Program.

(ix) adhere to the criteria for selection, appraisal, sanctioning, procurement, award of contracts, Environmental, Climate Change and Social Management Framework (ECSMF), procedures, guidelines, terms and conditions laid down in the Loan Agreement, Project Agreement and Separate Agreement executed on 18.06.2014 and suggestions/guidelines/procedures prescribed by Government of India for implementing Sustainable Municipal Infrastructure Financing in Tamil Nadu Phase-II Part 2.

4. The Government after careful examination, accepts the proposal of the Chairperson and Managing Director, Tamil Nadu Urban Infrastructure Financial Services Limited at para 3 above and orders accordingly.

5. The Government also authorizes the Empowered Committee of Sustainable Municipal Infrastructure Financing in Tamil Nadu - Phase II - Part -1 (as constituted in the Government Order fourth read above) to sanction, finalize the means of finance including the quantum of capital grants and accord sanction for the sub-projects funded under Sustainable Municipal Infrastructure Financing in Tamil Nadu -Phase II- Part -2 (SMIF-TN-II-2). The composition of the said committee is as follows.

| | | |
|----|--|----------|
| 1. | Hon'ble Minister (Municipal Administration) | Chairman |
| 2. | Chief Secretary | Member |
| 3. | Additional Chief Secretary/ Principal Secretary / Secretary to Government, Municipal Administration and Water Supply Department. | Member |

| | | |
|----|--|----------------------|
| 4. | Additional Chief Secretary/ Principal Secretary/Secretary to Government, Finance Department. | Member |
| 5. | Commissioner/Director of Municipal Administration. | Member |
| 6. | Commissioner/ Director of Town Panchayats. | Member |
| 7. | Chairperson and Managing Director, Tamil Nadu Urban Infrastructure Financial Services Limited. | Member & Convenor |

Based on the approval of the Empowered Committee, the Municipal Administration and Water Supply Department will accord administrative sanction for the sub-projects to be funded under the KfW assisted Sustainable Municipal Infrastructure Financing in Tamil Nadu Phase -II- Part 2 Program.

6. The Government after careful examination of the guidelines for operation and management of KfW Grant Fund I and Grant Fund II under Sustainable Municipal Infrastructure Financing in Tamil Nadu Phase-II Part 2 sent by the Chairperson and Managing Director, Tamil Nadu Urban Infrastructure Financial Services Limited in the letter ninth read above approves the same which are annexed (Annexure I & II) to this order.

7. The Government also after careful examination accepts the proposal of Chairperson and Managing Director, Tamil Nadu Urban Infrastructure Financial Services Limited and authorizes the KfW Grant Fund II Committee constituted in the Government Order third read above for Sustainable Municipal Infrastructure Financing in Tamil Nadu Phase-II Part 2 Program, the composition of the said Committee is as follows:

| | | |
|----|---|----------|
| 1. | Additional Chief Secretary/ Principal Secretary/Secretary to Government, Municipal Administration and Water Supply Department. | Chairman |
| 2. | Additional Chief Secretary/ Principal Secretary/Secretary to Government, Finance department (or) his nominee. | Member |
| 3. | Commissioner/Director of Municipal Administration / Commissioner /Director of Town Panchayats. | Member |
| 4. | Chairperson and Managing Director, Tamil Nadu Urban Infrastructure Financial Services Limited. | Member |

8. This order issues with the concurrence of the Finance Department vide its U.O.No. 3662/Fin (MAWS)/2015, Dated 12.02.2015.

(BY ORDER OF THE GOVERNOR)

**K. PHANINDRA REDDY
PRINCIPAL SECRETARY TO GOVERNMENT**

To

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

The Principal Secretary/Commissioner
Corporation of Chennai, Chennai-3.

The Director of Municipal Administration, Chennai-5.

The Director of Town Panchayats, Chennai-108.

The Pay and Accounts Officer,(EAST), Chennai-8.

The Accountant General, Chennai-18/35.

The Accountant General (Audit), Chennai-18.

The Resident Audit Officer, Chennai-9.

Copy to:

The office of the Hon'ble Chief Minister
Secretariat, Chennai-9.

The Prl.Private Secretary to the Principal Secretary to Government,
Municipal Administration and Water Supply Department,
Chennai -9.

The Prl.Private Secretary to the Principal Secretary to Government,
Finance Department, Chennai-9.

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

The Municipal Administration and Water Supply (OP2) Department,
Chennai-9.

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/FORWARDED BY ORDER/

SECTION OFFICER

**Annexure – I to G.O (Ms) No.32, Municipal Administration
and Water Supply Department, Dated 17.02.2015.**

GUIDELINES AND PROCEDURES FOR THE OPERATION AND MANAGEMENT OF KfW GRANT FUND I UNDER SUSTAINABLE MUNICIPAL INFRASTRUCTURE FINANCING IN TAMIL NADU PHASE-II PART 2 PROGRAM

1. Objectives

The KfW Grant Fund - I will be used to assist Urban Local Bodies (ULBs) / Statutory Boards towards providing capital grant to the urban infrastructure projects under Sustainable Municipal Infrastructure Financing in Tamil Nadu (SMIF-TN) Program, Sustainable Municipal Infrastructure Financing in Tamil Nadu Phase-II Part -1 (SMIF-TN-II-1) Program and Sustainable Municipal Infrastructure Financing in Tamil Nadu Phase-II –Part-2 (SMIF-TN-II-2) Program with a positive impact on the environment and climate change to improve the capacities of Urban Local Bodies in order to enable them to plan, manage and operate sustainable infrastructure projects and access financial resources beyond Government grant funds.

2. Fund size, sources and allocation

The funds available in KfW Grant Fund-I under SMIF-TN Program can be utilized for commitments already made under SMIF-TN program. The balance fund, if any, available will be utilized for future commitments under SMIF-TN-II-1 and any other such commitments as Government shall order or specify from time to time. An amount equivalent to Euro 40 Million (equivalent to about Rs.289.08 crores) will be passed on by Government of Tamil Nadu to KfW Grant Fund-I under SMIF-TN-II-1 Program and an amount equivalent to Euro 50 Million (equivalent to about Rs.407.15 crores) will be passed on by Government of Tamil Nadu to KfW Grant Fund-I under SMIF-TN-II-2 Program. Based on the above, the Government will allocate the funds by way of budgetary allocation, every year.

The interest from investments and any other income earned or accruing to KfW Grant Fund-I should form part of its corpus and shall be applied for the purposes for which the fund is created. The KfW Grant Fund –I is a Government Fund, the allocation to KfW Grant Fund- I is fully regulated by Government of Tamil Nadu and the Government has absolute domain over the funds.

3. Approval by the Empowered Committee

The Empowered Committee constituted vide G.O.(Ms).No. 83, MA &WS (MA-2) Department dated 10.06.2013 is authorized to sanction and finalize the means of finance including the quantum of capital grants and accord sanction for the sub-projects to be funded under KfW assisted SMIF-TN-II-2 Program.

4. Eligibility Criteria

The criteria for selection, appraisal, sanctioning, procurement, award of contracts, social, Environmental, Climate Change & Social Management Framework (ECSMF), procedures, guidelines, terms and conditions laid down in the Loan Agreement, Project Agreement and Separate Agreement executed on 19.12.2012 and 18.06.2014 and suggestions / guidelines / procedures prescribed by Government of India will be adhered for implementing SMIF-TN-II-1 Program and SMIF-TN-II-2 Program.

5. Management Fees and Reimbursable Expenses

TNUIFSL shall be allowed a fee of 1% of the disbursements of the grant to ULBs under KfW Grant Fund-I and this can be revised subject to mutual agreement between Government of Tamil Nadu and TNUIFSL, from time to time. Reimbursable expenses specified in the KfW Grant Fund-I Management Contract shall be applicable.

6. Annual Accounts and Audit

TNUIFSL will prepare annual accounts and cause to conduct an annual audit of the KfW Grant Fund-I and place this audit report before the Board of TNUIFSL and forward the same to Government, not later than nine months after the expiry of the financial year. TNUIFSL will nominate a firm of Chartered Accountants to carry out an annual audit of the KfW Grant Fund-I, notwithstanding that the Comptroller and Auditor General may also carry out a separate annual audit.

7. Review of Grant Fund Operations

The Principal Secretary, Municipal Administration and Water Supply Department would review the working of the KfW Grant Fund-I, periodically, based on the progress report sent by TNUIFSL as well as site inspection. Based on the review, the procedure and guidelines regarding the KfW Grant Fund-I may be modified to enable it to realize the objectives, if necessary.

8. Grant Fund Management Agreement

The Grant Fund Management Agreement entered on 14.07.2009 between Government of Tamil Nadu and TNUIFSL for SMIF-TN program shall be applicable to SMIF-TN-II-1 program and SMIF-TN-II-2 program.

**K. PHANINDRA REDDY
PRINCIPAL SECRETARY TO GOVERNMENT**

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SECTION OFFICER

**Annexure – II to G.O (Ms) No. 32, Municipal Administration
and Water Supply Department, Dated 17.02.2015.**

GUIDELINES AND PROCEDURES FOR THE OPERATION AND MANAGEMENT OF KfW GRANT FUND II UNDER SUSTAINABLE MUNICIPAL INFRASTRUCTURE FINANCING IN TAMIL NADU PHASE-II PART 2 PROGRAM.

1. Objectives

The KfW Grant Fund - II is a technical assistance grant and will be used to support the Urban Local Bodies (ULBs) or other entities towards consultancy services under Sustainable Municipal Infrastructure Financing in Tamil Nadu (SMIF-TN) Program, and Sustainable Municipal Infrastructure Financing in Tamil Nadu Phase-II –Part-2 (SMIF-TN-II-2) Program. The objectives of the Fund are to

- a) finance the costs of technical assistance for strengthening the planning and implementation capacities of Urban Local Bodies in Tamil Nadu and Tamil Nadu Urban Infrastructure Financial Services Limited (Project Executing Agency) and
- b) support Water and Sanitation Pooled Fund for implementing the Master Financing Indenture and to finance the cost of the bond program.

2. Fund size, sources and allocation

The funds available in KfW Grant Fund-II under Sustainable Municipal Infrastructure Financing in Tamil Nadu (SMIF-TN) Program can be utilized for commitments already made under SMIF-TN program. The balance fund, if any, available will be utilized for future commitments under Sustainable Municipal Infrastructure Financing in Tamil Nadu Phase-II –Part-2 (SMIF-TN-II-2) Program and any other such commitments as Government shall order or specify from time to time.

Further an amount equivalent to Euro 0.75 Million (equivalent to about Rs.6.10 crores) will be passed on by Government of Tamil Nadu to KfW Grant Fund-II under SMIF-TN-II-2 Program. Based on the above, the Government will allocate the funds by way of budgetary allocation, every year.

The interest from investments and any other income earned or accruing to KfW Grant Fund-II should form part of its corpus and shall be applied for the purposes for which the fund is created. The KfW Grant Fund –II is a Government Fund, allocation to KfW Grant Fund- II is fully regulated by Government of Tamil Nadu and the Government has absolute domain over the funds.

3. Approval by the KfW GF-II Committee

To approve the grant provision for the required technical assistance based on the guidelines prescribed, recommendations of the TNUIFSL and on merits of

the proposal for the consultancy assignments to be funded under KfW assisted SMIF-TN-II-2 Program, a committee with the following composition is constituted:

| | | |
|----|--|----------|
| 1. | Additional Chief Secretary/ Principal Secretary/Secretary to Government, Municipal Administration and Water Supply Department. | Chairman |
| 2. | Additional Chief Secretary/ Principal Secretary/Secretary to Government, Finance department (or) his nominee. | Member |
| 3. | Commissioner/Director of Municipal Administration / Commissioner /Director of Town Panchayats. | Member |
| 4. | Chairperson and Managing Director, Tamil Nadu Urban Infrastructure Financial Services Limited. | Member |

4. Eligibility Criteria

The criteria for selection, appraisal, sanctioning, procurement, award of contracts, social, Environmental, Climate Change & Social Management Framework (ECSMF), procedures, guidelines, terms and conditions laid down in the Loan Agreement, Project Agreement and Separate Agreement executed on 18.06.2014 and suggestions / guidelines / procedures prescribed by Government of India will be adhered for implementing SMIF-TN-II-2.

5. Management Fees and Reimbursable Expenses

TNUIFSL shall be allowed a fee of 1% of the disbursements of the grant to ULBs under KfW Grant Fund-I and this can be revised subject to mutual agreement between Government of Tamil Nadu and TNUIFSL, from time to time. Reimbursable expenses specified in the KfW Grant Fund-I Management Contract shall be applicable.

6. Annual Accounts and Audit

TNUIFSL will prepare annual accounts and cause to conduct an annual audit of the KfW Grant Fund-I and place this audit report before the Board of TNUIFSL and forward the same to Government, not later than nine months after the expiry of the financial year. TNUIFSL will nominate a firm of Chartered Accountants to carry out an annual audit of the KfW Grant Fund-II, notwithstanding that the Comptroller and Auditor General may also carry out a separate annual audit.

7. Review of Grant Fund Operations

The Principal Secretary, Municipal Administration and Water Supply Department would review the working of the KfW Grant Fund-II, periodically, based on the progress report sent by TNUIFSL as well as site inspection. Based on the review, the procedure and guidelines regarding the KfW Grant Fund-II may be modified to enable it to realize the objectives, if necessary.

8. Grant Fund Management Agreement

The Grant Fund Management Agreement entered on 14.07.2009 between Government of Tamil Nadu and TNUIFSL for SMIF-TN program shall be applicable to SMIF-TN-II-1 program and SMIF-TN-II-2 program.

**K. PHANINDRA REDDY
PRINCIPAL SECRETARY TO GOVERNMENT**

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SECTION OFFICER

**Annexure – III to G.O (Ms) No. 32, Municipal Administration
and Water Supply Department, Dated 17.02.2015.**

(a) Fixed interest rate

(b) Fixed interest rate of the loan component shall be equal to the average yield of Government of India bond with a term of ten years issued on the primary market within a period of six months preceding the disbursement of any tranche of the Loan.

(c) In the event that no Government of India bonds with a term of ten years are issued within such six month period, the average yield of Government of India bonds with a tenure of ten years issued in the primary market within a period of one year preceding the disbursement of any tranche of the Loan shall serve as the index.

(d) In the event that no Government of India bonds with a term of ten years are issued on the primary market within such one-year period, the weighted average yield of Government of India bonds with a residual maturity of ten years issued in the secondary market within a six month period preceding the disbursement of any tranche of the Loan shall serve as the index.

(e) The margin, if any, is to be mutually agreed upon by the Government of Tamil Nadu and the Project-Executing Agency at the beginning of each fiscal year. In any event, the said margin will not exceed 100 basis points.

**K. PHANINDRA REDDY
PRINCIPAL SECRETARY TO GOVERNMENT**

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SECTION OFFICER

