ABSTRACT

Tamil Nadu Slum Clearance Board - Implementation of the World Bank financed Tamil Nadu Housing Habitat Development Project and the first Tamil Nadu Housing Sector the Strengthening Programme – Administrative Sanction – Orders - Issued.

HOUSING AND URBAN DEVELOPMENT [(SC-1(2)] DEPARTMENT

G.O.(Ms).No.82 Dated:23.06.2020
சார்வரி வருடம், ஆனி– 9,
திருவள்ளுவர் ஆண்டு 2051,

Read:

1. Government Letter No:7474/SC1(2))/2018-3 Housing and Urban Development (SC1-2) Department, Dated:02.07.2018.
2. G.O(4D)No:27, Housing and Urban Development (SC1-2) Department, Dated:12.02.2019
3. From the Managing Director, Tamil Nadu Slum Clearance Board Letter No. WB/10063/2019, dated 15.05.2020

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ORDER:

In the letter third read above, the Managing Director, Tamil Nadu Slum Clearance Board has stated that the Government vide its letter first read above have submitted a proposal seeking World Bank Assistance for Tamil Nadu Housing and Habitat Development for Urban Poor Project with a total project cost of Rs.4647.5 crore (USD 715 million) with a World Bank loan of Rs.3347.5 crores (USD 500 million). The World Bank proposes to finance as two projects - Tamil Nadu Housing and Habitat Development Project through Investment Project Financing of USD 50 million from the International Bank for Reconstruction and Development(IBRD) and the Tamil Nadu Housing Sector Strengthening Program through Development Policy Financing of USD 450 million with first Development Policy Loan of USD 200 million. In the Government Order second read above, a Project Monitoring Unit for implementation of the Tamil Nadu Housing and Habitat Development Project had been established in the Tamil Nadu Slum Clearance Board.

2. In the Budget Speech for the Financial Year 2020-2021, it is stated that "World Bank financing for the Housing Sector has reached an advanced stage of approval. The project is to be implemented under two separate financing instruments. The Tamil Nadu Housing Sector Strengthening

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Programme will support policy reforms to develop efficient and inclusive housing markets and to increase the supply of affordable housing with a total Development Policy Financing Loan of 450 million US dollars. In the first tranche, 200 million US dollars as financial support will be provided. Under Investment Project Financing, the Tamil Nadu Housing and Habitat Development Project with an outlay of Rs.504.00 crore and World Bank financing of US dollars 50 Million will be taken up".

3. The Tamil Nadu Housing and Habitat Development Project and the First Tamil Nadu Housing Sector Strengthening Program Development Policy Loan were appraised by the World Bank from 16th – 20th March 2020. The negotiations for the Tamil Nadu Housing and Habitat Development Project and the First Tamil Nadu Housing Sector Strengthening Program Development Policy Loan were conducted by the Department of Economic Affairs on 15th April, 2020 through the World Bank's webex and the documents have been digitally signed through Document Sign. The World Bank team has shared the e-signed Negotiation Minutes and Negotiated Documents of the Tamil Nadu Housing and Habitat Development Project and the First Tamil Nadu Housing Sector Strengthening Program Development Policy Loan.

4. The Project details of Tamil Nadu Housing and Habitat Development Project and the First Tamil Nadu Housing sector Strengthening program are given below:-

(A) Tamil Nadu Housing and Habitat Development Project:

The objective of the project is to strengthen the housing sector institutions of Tamil Nadu for increased and sustainable access to affordable housing. The project will support innovations in housing finance and institutional strengthening of housing sector institutions in Tamil Nadu to expand access to affordable housing and improve the sustainability of housing institutions and programs. The project has two components;

Component 1 – Enabling private sector participation in affordable urban housing provision:

The component will finance an equity contribution (Class B shares to the Tamil Nadu Shelter Fund). This component aims to leverage private financial resources into the affordable housing segment in Tamil Nadu. The equity contribution is expected to support, demonstrative housing projects with a mix of affordable housing units both for ownership and rental units.

Component 2 - Strengthening Tamil Nadu's urban housing institutions for enhanced sustainability:

This component will finance technical assistance and capacity building support to state-level institutions and their programs. Under this component, support will be extended to Tamil Nadu Slum Clearance Board (TNSCB), the Chennai Metropolitan Development Authority (CMDA), and the Tamil Nadu Infrastructure Fund Management Corporation (TNIFMC) to improve their

institutional performance and capacity, and to enhance the effectiveness of their programs and sustainability.

Sub Component 2.1 - Technical support to diversify and improve housing programs and planning solutions:

(a) Technical support to Tamil Nadu Slum Clearance Board, will aim , inter-alia, to:- (i) improve the institutional and regulatory framework, and business procedures for housing institutions; (ii) enhance sustainability of the existing housing programs; (iii) improve targeting and eligibility criteria; (iv) design new housing programs; (v) promote housing finance for Economically weaker Section (EWS) households from affordable housing finance companies, small finance banks, non-banking financial companies and microfinance institutions, and (vi) carry out additional technical support to improve the performance of housing institutions;

(b) Technical assistance support to strengthen Chennai Metropolitan Development Authority (CMDA), analytical and coordination capacities for the preparation of a new master plan for Chennai.

Sub-Component 2.2 - Technical assistance support for innovations in affordable housing finance:

(I) Provide technical assistance to Tamil Nadu Infrastructure Fund Management Corporation (TNIFMC), by supporting tools and innovation towards leveraging external capital in affordable housing and providing capacity building support to pilot the implementation of these tools.

(II) The total project cost of the Tamil Nadu Housing and Habitat Development Project is 72 million US dollars (Rs.504.00 crore). The component wise funding pattern for the Tamil Nadu Housing and Habitat Development Project is given below:-

Component	IBRD Financing		Counterpart Financing		Total	
	USD Million	Rs. in Crore	USD Million	Rs. in Crore	USD Million	Rs. in Crore
1. Enabling private sector participation in affordable urban housing provision	35	245	22	154	57	399
2. Strengthening of Tamil Nadu's urban housing institutions for enhanced sustainability	15	105	0	0	15	105
Total	**50**	**350**	**22**	**154**	**72**	**504**

(III) The Tamil Nadu Infrastructure Fund Management Corporation (TNIFMC) and Tamil Nadu Slum Clearance Board will have the

primary responsibilities for project implementation of component 1 and component 2, respectively. The Tamil Nadu Slum Clearance Board will be the nodal implementing agency of Component 2, while Tamil Nadu Slum Clearance Board, Chennai Metropolitan Development Authority (CMDA), and Tamil Nadu Infrastructure Fund Management Corporation (TNIFMC) will implement and be responsible for their respective activities. The project is expected to be completed by 30th June, 2025.

(B) Tamil Nadu Housing Sector Strengthening Program:

i. The Tamil Nadu Housing Sector Strengthening Program will be financed by the International Bank for Reconstruction and Development (IBRD) through Development Policy Financing (DPF). The Development Policy operation is a part of the World Bank's programmatic engagement to support the transformation of the housing sector in Tamil Nadu. Development Policy Loan provides rapidly-disbursing budget support to the Government of Tamil Nadu against "Prior Actions" and "Triggers" comprised of policy reform and/or institutional actions as per the agreement with the World Bank.

(a) 'Prior Actions' are the policy and institutional actions that have to be completed before the appraisal of the first Development Policy Operation – First Tamil Nadu Housing Sector Strengthening Program i.e., for approval of first Development Policy Loans (DPL) loan.

(b) 'The Triggers' are the indicative policy and institutional action that have to be completed before the appraisal of the Second Development Policy Operation - Second Tamil Nadu Housing Sector Strengthening Program i.e., for approval of 2nd tranch of loan.

ii. The objective of the Tamil Nadu Housing Sector Strengthening Program is to increase the access to affordable housing by strengthening policy, institutions, and regulations of the housing sector. It supports a set of state-level policy, regulatory and institutional reforms that are expected to promote efficient and inclusive housing market development and to increase the supply of affordable housing.

iii. The Development Policy Financing is structured in three pillars:

Pillar 1 - Strengthening Policies and Institutions to Support Inclusive and Efficient Housing Sector Development: It supports the Government of Tamil Nadu's efforts to transform the housing sector from its current state-led model to a market model that enables the development of solutions for multiple needs and one that leverages private sector and beneficiary contributions towards increased access to housing.

Pillar 2 - Developing an Enabling Environment to Increase Supply of Affordable Housing: It is focused on unlocking regulatory barriers that will effectively increase the supply of affordable housing.

Pillar 3 - Crowding Private Sector Participation in Affordable Housing: It supports the creation of a new institutional set-up to incentivize private sector participation in affordable housing.

(iv) First Tamil Nadu Housing Sector Strengthening Program:
The First Tamil Nadu Housing Sector Strengthening Program will be financed by the International Bank for Reconstruction and Development (IBRD) through Development Policy Financing (DPF) in the amount of US$200 million (Rs. 1400 crore) for the Government of Tamil Nadu, the first in a series of two single-tranche programmatic DPFs. The first Development Policy Loan focuses on reforms for housing policy, institutions, and regulatory environment that are building blocks to create a housing market and to increase access to affordable housing.

(v) The eight Prior Actions proposed under the First Tamil Nadu Housing Sector Strengthening Program have been completed by the Housing and Urban Development Department, Tamil Nadu Slum Clearance Board and the Tamil Nadu Infrastructure Fund Management Corporation. The Prior Actions completed under the First Tamil Nadu Housing Sector Strengthening Program are given below;

Pillar 1: Strengthening Policies and Institutions to Support Inclusive and Efficient Housing Sector Development

Prior Action 1: The Government of Tamil Nadu has issued the first State-level Affordable Urban Housing and Habitat Policy.

Prior Action 2: Tamil Nadu Slum Clearance Board's Board adopted environment resilient urban design and social sustainability frameworks and grievance redress systems, mandatory for all Tamil Nadu Slum Clearance Board EWS/LIG housing units.

Pillar 2: Developing an Enabling Environment to Increase Supply of Affordable Housing

Prior Action 3: The Government of Tamil Nadu has established the permanent Tamil Nadu Real Estate Regulatory Authority with full time staff and the Tamil Nadu Real Estate Appellate Tribunal.

Prior Action 4: The Government of Tamil Nadu has published in the Government Gazette the General Statutory Rules for the application of the Tamil Nadu Regulation of Rights and Responsibilities of Landlords and Tenants Act, which creates an expedited dispute resolution system between landlords and tenants.

Prior Action 5: The Government of Tamil Nadu has: (a) amended urban regulations through the Tamil Nadu Combined Development and Building Rules, to increase the Floor Space Index (FSI) to allow higher densities in

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urban areas; and b) has issued a government order to reduce processing time of building and planning permits.

Prior Action 6: The Government of Tamil Nadu has mandated, through a notification in the Government Gazette: (a) for all housing developments exceeding 3,000 square meters, to either designate 10% of their Floor Space Index (FSI) area as Economically weaker Section (EWS) /Low Income Group (LIG) housing or pay the shelter charge whose proceeds are allocated to the financing of affordable housing projects; b) to optimize the plot area to allow for higher densities of Economically weaker Section (EWS) housing developments; and c) to waive the payment of FSI premia for Economically weaker Section (EWS) /Low Income Group (LIG).

Pillar 3: Crowding Private Sector Participation in Affordable Housing

Prior Action 7: Securities and Exchange Board of India (SEBI) has approved Tamil Nadu Shelter Fund's (TNSF's) Private Placement Memorandum (PPM).

Prior Action 8: Tamil Nadu Infrastructure Fund Management Corporation (TNIFMC) Board has adopted the environmental, climate-resilience, social and governance frameworks of mandatory application for all projects co-financed by Tamil Nadu Shelter Fund.

(vi) Second Tamil Nadu Housing Sector Strengthening Program:

The Second Tamil Nadu Housing Sector Strengthening Program will build upon the enabling policy, institutional, and regulatory environment and deepen policy reforms targeted to make affordable housing sector more efficient and inclusive, by introducing new housing programs and implementing the new institutional architecture while ensuring long-term sustainability of the housing sector.

(vii) The Indicative Triggers for the Second Tamil Nadu Housing Sector Strengthening Program are given below:-

Pillar 1: Strengthening Policies and Institutions to Support Inclusive and Efficient Housing Sector Development

Trigger 1: Government of Tamil Nadu causes the enactment of amendment Acts for the Tamil Nadu Slum Areas (Improvement and Clearance) Act and Tamil Nadu Housing Board Act to align the institutions with the new policy objectives articulated in the Urban Housing and Habitat Policy.

Trigger 2: Government of Tamil Nadu establishes new housing programs with clear and transparent targeting and eligibility criteria that take into account household affordability.

Trigger 3: Government of Tamil Nadu introduces regulation to mandate adequate service connection (water supply, wastewater, solid waste management) for all new housing projects.

Trigger 4: Government of Tamil Nadu issues a regulation to require publication of annual monitoring and performance of housing sector using an integrated information system.

Trigger 5: Government of Tamil Nadu issues a Government Order establishing operations and maintenance standards of mandatory application to new government supported Economically weaker Section (EWS) /Low Income Group (LIG) housing units.

Trigger 6: Government of Tamil Nadu adopts State-level environmental and design criteria regulation mandatory for government supported Economically weaker Section (EWS) /Low Income Group (LIG) housing units.

Pillar 2: Developing an Enabling Environment to Increase Supply of Affordable Housing

Trigger 7: Government of Tamil Nadu causes the enactment of amendments to update the Tamil Nadu Apartment Ownership Act.

Trigger 8: Government of Tamil Nadu incentivizes long term rental by reducing stamp duty and registration charges for all rental agreements of more than 12 months.

Pillar 3: Crowding Private Sector Participation in Affordable Housing

Trigger 9: Tamil Nadu Infrastructure Fund Management Corporation (TNIFMC) adopts a risk mitigation product to increase the participation of private sector in affordable housing segment.

(viii) The Housing and Urban Development Department of the Government of Tamil Nadu will implement the First Tamil Nadu Housing Sector Strengthening Program and monitor progress, coordinating the monitoring and evaluation of the result indicators. The project is expected to be completed by 30th June, 2022.

(C) The Managing Director, Tamil Nadu Slum Clearance Board has furnished the Project Appraisal Document for the proposed loan of US Dollar 50 Million for the Tamil Nadu Housing and Habitat Development Project and the Program document for the proposed loan of U.S. Dollar 200 Million for the First Tamil Nadu Housing Sector Strengthening Program Development Loan.

5. The Managing Director, Tamil Nadu Slum Clearance Board has therefore requested the Government to issue administrative sanction for the implementation of the World Bank financed Tamil Nadu Housing and Habitat Development Project and the First Tamil Nadu Housing Sector Strengthening Program.

6. The Government after careful examination, accept the proposal of the Tamil Nadu Slum Clearance Board and accordingly accord Administrative Sanction for implementation of the World Bank financed Tamil Nadu Housing and Habitat Development project at a cost of USD 72 Million (Rs.504.00 Crore) and the first Tamil Nadu Housing Sector Strengthening

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programme with USD 200 million (Rs.1400 crore) as per the project/Programme implementation details explained in para-4 above.

7. This order issues with the concurrence of the Finance Department vide its U.O.No.20386/ Finance (Housing and Urban Development)/2020 dated 23.06.2020

(BY ORDER OF THE GOVERNOR)

RAJESH LAKHONI
PRINCIPAL SECRETARY TO GOVERNMENT

To
The Managing Director,
Tamil Nadu Slum Clearance Board, Chennai-600 005.
The Joint Managing Director and Project Director (WB and ADB Project),
Tamil Nadu Slum Clearance Board , Chennai - 600 005.
The Managing Director,
Tamil Nadu Housing Board, Chennai-600 035
The Directorate of Town and Country Planning, Chennai-600 002
The Member Secretary, Chennai Metropolitan Development Authority,
Chennai-600 008
The Chief Executive Officer,
Tamil Nadu Infrastructure Fund Management Corporation,
Chennai-600 028
The Principle Accountant General (A&E), Chennai-600 018.
The Principle Accountant General (G&SSA), Chennai-600 018
The Pay and Accounts Officer, (North/East/South),
Chennai-600 001/8/15.
The Principal Secretary /Commissioner of Treasuries and Accounts,
Chennai-600 015.

Copy to:-

The Office of the Hon'ble Chief Minister, Chennai-600 009
The Office of the Hon'ble Deputy Chief Minister, Chennai-600 009
The Finance (Hg&UD/EAP) Department, Chennai-600 009
The Resident Audit Officer,
The Office of the Principal Accountant General (G&SSA),
Chennai-600 009.
The Office of the Principal Secretary to Government,
Housing and Urban Development Department, Chennai-9.
The Housing and Urban Development (OP-1/Budget/SC-2/
HB-4/UD-1/UD-4)Department, Chennai-600 009.
Stock file / Spare Copy.

//FORWARDED BY ORDER//

24/6/2020

SECTION OFFICER

24/6/2020

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