

FM meeting

Draft summary of discussions regarding finalizing the annual action plan and financial requirement of LIFE Mission for financial year 2018-19 held by Hon'ble Minister for Finance on 10-1-2018 at 10.30 a.m.

Attendance.

Hon'ble Minister for Finance – Chair.
Addl. Chief Secretary (LSGD)
Principal Secretary (Finance)
Secretary (Finance Resources)
Secretary (LSGD – Urban)
CEO, LIFE MISSION and key Officers of the LIFE Mission.
Private Secretary to Minister (LSGD)

The meeting considered the points raised by the CEO, LIFE Mission, ACS (LSGD) and Secretary (LSGD) one by one and after detailed deliberations with officers and Hon'ble Minister of the finance Department, arrived at the following conclusions.

- 1) In order for the LIFE Mission to be taken up for implementation in next financial year 2018-19, it is necessary to raise a market borrowing of at least Rs.3000 crores (rupees Three thousand Crores) by floating necessary debt instruments to finance the project over and above the possible budgetary availability of Rs.2000 crores.
- 2) In order to cost effectively borrow, a suitable SPV will have to be identified which can pose good online facility and has professional track record to secure a satisfactory credit rating and other important parameters at the earliest.
- 3) In this regard, various options were considered and the meeting recommended to move the "Bhavanam Foundation", presently under the Labour Department, to the administrative control of the LSGD Department through a Cabinet decision and transfer its assets, liabilities and present staff to the LIFE Mission. The CEO, LIFE Mission will be appointed as the CEO of Bhavanam Foundation and necessary amendments made in its memorandum of association

so as to meet the requirements in the LIFE Mission and also represent the interests of the Department of Labor. Current activities of The Bhavanam Foundation shall be continued.

- 4) The meeting decided that the amounts shall be borrowed by the concerned local bodies and a minimum of 25% of the annual plan due to that local self-government institution may themselves be earmarked for a period not exceeding 15 years to provide for the repayment of the borrowed amount. The interest burden of this loan shall be deployed from state plan allocation. This amount shall be determined at the disbursement of the borrowing and the Bhavanam Foundation shall channel the repayment to the lender from the LSGI, annually for the period of loan. Necessary Government orders and agreements from the participating LSGIs shall be secured.
- 5) In order to assist the Bhavanam Foundation and LIFE Mission to finalize the debt instrument and schedule the borrowing, a suitable investment banking advisory service shall be identified by CEO, LIFE Mission and appointed with the approval of the Government immediately. A model ToR may be approved for this process and used to select the advisor based on an RFP.
- 6) The meeting decided to approach relatively cheaper lenders like the World Bank or JICA towards the second quarter of 2018-19 to seek additional funding for 2019-2021. Suitable funding prospectus for the same may be prepared and routed through Govt. of Kerala and Govt. of India.
- 7) Regarding the selection of beneficiaries and scheduling of funds, it was decided to prioritize 1.5 lakh beneficiaries who have land (75% under PMAY and 75% under Life) for the first three quarters of 2018-19 and thereafter re-assess based on actual financial progress made till Q3. Based on this, the financial and physical targets for 2019-21 may also be recalibrated.
- 8) The meeting discussed the option of construction of flats and decided to restrict flats to urban local bodies where land is at short supply, through a cost benefit analysis and

examining the feasibility of cost reduction using feasible pre-fabrication technology. It was decided to restrict the cost to Rs.10 lakhs per dwelling unit by including adopting pre-fab technology and it was decided to entrust the SLEC to finalize the strategies to reduce the costs on construction of flats. It was noted that aggregation of demand reduces the per unit cost and the same was advised.

- 9) Arising from the above, the adjusted demand and resultant borrowing schedule for the financial year 2018-19 is summarized as follows:

Scheme	Central Govt share	State govt. share	Local Govt share	Beneficiary share	LSGI Borrowing	Principal Repayment	Interest Repayment
PMAY Urban	1.5 Lakh	1 Lakh	.5 Lakh	.5 Lakh	0.5 Lakh	Local body	Local Body
PMAY Rural	Rs 60,000	Rs. 40000	32000 (B) + 28000 (JP) + 28000 (GP)	-	-	Local body	Local Body
LIFE Houses	-	-	4 Lakhs	-	4 Lakh	LSGI	State Govt

The meeting ended at 12.45 p.m. with a vote of thanks for the chair.

Chief Executive Officer



LIFE Mission