

Credit Rating for Urban Local Bodies Cities

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What is it?

Credit rating is an assessment of **ULB's ability to pay its financial obligations**. ULBs have limited sources of revenue and finance options. **Credit rating is the first necessary step to mobilize funds from markets through the issuance of municipal bonds**

How credit ratings are assigned?

- Credit ratings are assigned **based on municipal assets and liabilities, revenue streams of ULBs, availability of resources for capital investments**, the practice of double-entry accounting and other governance practices
- Besides the Credit Rating of Urban Local Bodies, ratings for individual projects for which resources are to be mobilized through Municipal Bonds would have a bearing on the response to such bonds.
- Of the total 20 ratings ranging from AAA to D, BBB- is the 'Investment Grade' ratings and cities rated below BBB- need to undertake necessary interventions to improve their ratings for obtaining a positive response to the Municipal Bonds to be issued.

Status of Credit Rating of Smart Cities and AMRUT cities

- With the exercise of Credit Rating of cities and towns gaining momentum, 94 of the 500 cities included in Smart City Mission and Atal Mission for Rejuvenation and Urban Transformation (AMRUT) have obtained such ratings which are necessary for issuing Municipal Bonds for

mobilization of resources.

- During the review of the progress of the Credit Rating exercise taken by Minister of Urban Development in 2017, it was revealed that 55 of these cities have got '**Investment Grade**' ratings.
- The Minister noted that 59% of cities assessed getting Investment Grade rating was better than what was thought of about the financial situation of Urban Local Bodies in the country