

No.K-13014/4/2015-SCM-III-V
Government of India
Ministry of Urban Development
Smart Cities Division-III

Nirman Bhavan, New Delhi
Dated: 9th November 2015

OFFICE MEMORANDUM

Subject: Credit Ratings of the Urban Local Bodies (ULBs).

The Credit Rating of the Urban Local Bodies (ULBs) is a key reform envisaged in AMRUT Mission. According to Annexure 1 of AMRUT Guidelines, the AMRUT cities will complete the credit ratings within 18 months from the launch of the Mission.

2. Further, Smart Cities Mission Guidelines No. 10.1 also stipulates that the States/ULBs shall ensure that a dedicated and substantial revenue stream is made available to the Special Purpose Vehicle so as to make itself sustainable and could evolve its own credit worthiness for raising additional resources from the market.

3. Based on the approach for Credit Rating of ULBs, the focus will be on the following distinct objectives:

- (i) Undertaking Credit Worthiness and Rating of the ULBs using established methodology in order to provide pointers to potential lenders;
- (ii) Highlighting overall performance of the ULBs in both financial and non-financial aspects;
- (iii) Identification of areas of strengths and weakness of the ULBs in management of finances for a road map for Credit Enhancement Plan; and
- (iv) Assessment of the "Borrowing Capacity" of the ULB in the "Base Case Scenario" as well as if the "Financial Improvement Action Plan" is implemented.

4. States/UTs may procure a Credit Rating Agency by issuing RFP to the accredited Credit Rating Agencies for financial bid. A model RFP for the procurement has been uploaded on the websites of www.smartcities.gov.in and www.amrut.gov.in. The procurement of Credit Rating Agency for the selected smart cities will be funded by World Bank through Capacity Building for Urban Development (CBUD) project. For this purpose, a copy of the contract to be signed with Credit Rating Agency may be sent to the MoUD for funding through CBUD. For all other AMRUT cities, the State funds for Administrative & Office Expenses (A&OE)-8% of the annual budgetary allocation may be utilized.

G. Vijay Kumar
(G. Vijay Kumar)

Under Secretary to the Govt. of India
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To

1. The Principal Secretaries (UD) of all States/UTs.
2. The Director, NIUA, 1st & 2nd Floor, Core 4B, India Habitat Centre, Lodhi Road, New Delhi-110003.
3. The Director (SC-II) and Director (SC-IV), Nirman Bhawan, New Delhi.
4. The Chief Planner, TCPO, E-Block, Vikas Bhawan, I.P. Estate, N-Delhi-2.
5. The Team Leader, CBUD project.

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अवर सचिव / Under Secretary
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