

Milestones in Development of Municipal Bond Market in India*

1995

- FIRE project awards a contract to newly established infrastructure sector group at CRISIL to develop a methodology for rating of municipal bonds with specific cases in August.
- FIRE project organizes a national level workshop on “Municipal Bonds – Potential and Relevance for India” with participation of actors from finance and urban sectors in December.

1996

- Ahmedabad Municipal Corporation requests and receives a rating of A+ for Rs.one billion general obligation municipal bond in February.
- National Institute of Urban Affairs (NIUA) organizes series of state and regional level workshops to promote FIRE principles including municipal bonds.
- NIUA awards contract to ICRA for development of methodology for rating of municipal bonds.
- Rakesh Mohan Committee on Commercialization of Infrastructure Projects recommends development of municipal bond market.
- Several State Finance Commissions and Ninth Plan Approach Paper recommends issuance and trading of municipal bonds.
- Several cities themselves appoint CRISIL/ICRA/CARE to initiate credit rating/assessment.

1997

- Mumbai Municipal Corporation declares its rating of AA- from CRISIL for Rs.250 million of general obligation in January.
- Pune Municipal Corporation declares its rating of AA from CARE for Rs.2,000 million of general obligation bond in February.
- Ahmedabad Municipal Corporation appoints IL&FS as its investment banker.
- CRISIL revises Ahmedabad bond rating to AA (SO) for Rs.one billion based on improved structure of the instrument in August 1997.
- Bangalore Municipal Corporation raises Rs.125 billion from market with state guarantee in November. The rating of this structured obligation is A-(SO) by CRISIL.
- Vijayawada Municipal Corporation receives a rating of A-(SO) for Rs.300 million borrowing from CRISIL in November.
- Several additional cities are in the process of getting rated.

* V. Satyanarayana : *Urban Finance*, Vol.4, No.1, March 2001.

1998

- Ahmedabad Municipal Corporation raises Rs.one billion from the market in January with 75 per cent private and 25 per cent public issue.
- Ministry of Finance, in consultation with Ministry of Urban Affairs and Poverty Alleviation and Planning Commission, decides to permit issuance of Rs.2 billion tax-free municipal bonds during the financial year 1998-99.
- Several additional cities are in the process of getting rated.
- Preparation of guidelines for tax-exempt municipal bonds is initiated in September after approval from MOF and Planning Commission.

1999

- Finance Minister announces the intention of the Government of India to permit the issuance of tax free Municipal bonds of a limited amount during his Budget Speech.
- Nashik issues Rs.125 billion of Bonds.

2000

- Ludhiana issues Rs.170 million of Bonds.
- Preparation of guidelines for tax-free municipal bonds continued.
- Tamil Nadu Urban Development Fund issues Rs.10 billion of Bonds.
- Nagpur issues Rs.500 million of Bonds.
- FIRE(D) project completes the lessons learned study for Ahmedabad.

2001

- Guidelines for tax-free municipal bonds approved.
- City of Thane is exploring issuance of municipal bonds.
- GOI issues guidelines for issue of tax-free municipal bonds to state governments.