



RMC to Issue Municipal Bonds

Why in News?

The **Ranchi Municipal Corporation (RMC)** has been given the go-ahead to raise financial resources through the issuance of municipal bonds under the [Atal Mission for Rejuvenation and Urban Transformation \(AMRUT\) 2.0 scheme](#).

Key Points

- **About:** The Joint Secretary-cum-Deputy Director of the Urban Development and Housing Department (SUDA) has directed RMC to take renewed steps toward accessing the [municipal bond market](#), requiring the corporation to:
 - Prepare **audited annual accounts** up to the financial year **2024-25**.
 - Identify a **bankable project worth at least ₹125 crore**.
 - Appoint both a **transaction advisory firm** and a **credit rating agency** to facilitate the process.
 - The **PMU (Revenue Augmentation) team** will extend technical and procedural support to RMC during this initiative.
- **Previous Attempt:** RMC had previously explored bond issuance during **2016-17** under the earlier **AMRUT scheme**.
 - A credit rating exercise for Jharkhand's ULBs was conducted, in which Ranchi Municipal Corporation received a **BBB rating**. Although a transaction advisor was appointed, bonds could not be issued due to the lack of a bankable project at that time.

Municipal Bonds

- **Definition:** These are [debt instruments](#) issued by [Urban Local Bodies \(ULBs\)](#) to fund infrastructure and development projects.
- **Advantages:** Reduce reliance on **government funds**, **enhance financial autonomy**, attract private investment, and enable long-term urban financing.
- **Challenges:** Low issuance due to **heavy dependence on state grants**. Only a few cities like Pune, Ahmedabad, Surat, Hyderabad, and Lucknow have issued bonds.
- **Funding:** The Central Government is actively encouraging **urban local bodies (ULBs)** across India to mobilize resources through municipal bonds, a globally recognized tool for financing infrastructure.
 - Under [AMRUT 2.0](#), a provision of **₹520 crore** has been allocated as incentives for municipalities that issue such bonds.
- **Incentive Structure:** The scheme's incentive framework is aimed at motivating municipalities to raise funds while prioritising investments in sustainable projects, as outlined in the guidelines:
 - First-time issuances: Incentives of up to ₹13 crore per ₹100 crore, capped at ₹26 crore, will be provided.
 - Subsequent issuances: An incentive of ₹10 crore per ₹100 crore will be extended.
 - Green projects: For bonds dedicated to renewable energy or energy efficiency, an additional ₹5 crore per ₹100 crore will be granted.

AMRUT Scheme

▪ About:

- AMRUT was launched on 25th June 2015 in **500 selected cities** across the country, covering around 60% of the urban population.
- The mission **targets enhancing basic infrastructure** and implementing urban reforms for selected cities, encompassing water supply, sewerage, drainage, green spaces, non-motorised transport, and capacity building.

▪ AMRUT 2.0 Scheme:

- The scheme was launched on 1st October 2021, subsuming **AMRUT 1.0** for the **period of 5 years**, i.e., from the financial year (FY) 2021-22 to the FY 2025-26.
- Its **objectives are universal coverage** of water supply from 500 cities to about 4,900 statutory towns in the country, and coverage of sewerage/septage management in 500 cities covered in the first phase of the AMRUT scheme.
- AMRUT 2.0 aims to **promote the circular economy** of water through the development of a **City Water Balance Plan (CWBP)** by recycling/reuse of treated sewage, rejuvenation of water bodies, and water conservation.

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