Creditworthiness assessment: An approach for urban local governments in India

Jigisha Jaiswal, Dr. Meera Mehta, Dr. Dinesh Mehta, Saubiya Sareshwala, Dhruv Bhavsar

Creditworthiness Assessment Frameworks for Cities

Selection of Cities and their score

- Improved access to capital
- Lower borrowing costs
- Investor confidence and economic development
- Enhanced financial management
- Enhanced service delivery
- Long-term planning and sustainability

Overall Approach and Methodology

ULBs can use creditworthiness self-assessment tool before approaching a CRA for a formal credit rating for issuing bonds or raising other forms of debt.

- Refine on financial performance indicators as well as the WASH operational performance indicators.
- Can be used to improve creditworthiness through structural finance mechanisms to tap into market-based financing for WASH investments.

Review of credit rating frameworks
- PAS AAA
- PAS AA
- PAS A
- PAS BB
- PAS B
- PAS C
- PAS D

Assessment of indicators
- Water and Sanitation Service Levels
- Solvency and Liquidity Profile
- Human Resources and Adequacy of Staff
- Financial statements and balance sheets from City financial portal
- City budgets and websites

Selection of key indicators
- Financial performance
- Non-financial performance
- Human resources
- City budgets and websites

Improve access to capital

Investor confidence and economic development

Enhanced financial management

Enhanced service delivery

Long-term planning and sustainability

Conclusion and Way Forward

- Collaboration with cities: Deep dive creditworthiness assessment with a few cities. Understand city priorities, investor interests and suggest tailored recommendations, structural mechanisms and potential solutions. This will help improve creditworthiness of cities and assess feasible borrowing options from the market.
- Public Disclosure of creditworthiness assessment reports. In accordance with the other urban creditworthiness assessment of cities can be disclosed in public domain to improve transparency and accountability of cities.

- Scaling up and linking creditworthiness assessment framework to national and state guidelines.

Name of the presenter: Jigisha Jaiswal
Mail id: jigisha.jaiswal@cept.ac.in