

PRESS RELEASE

India's Municipal Green Bonds Market Could Mobilise up to USD 2.5 Billion with the Right Reforms: CEEW Green Finance Centre

– ~60% of municipal bonds by value issued so far could have been labelled green but were not, missing cost-saving & investor opportunities

– Targeted reforms and structured support can help municipalities access climate finance at scale

New Delhi, 27 March 2025: Municipal green bonds could mobilise up to ~INR 20,000 crore (USD 2.5 billion) by 2030, unlocking critical funding for civic and climate-resilient urban growth in India, according to a new independent report released today by the CEEW Green Finance Centre (CEEW-GFC). The report, *Unlocking Green Finance for India's Urban Local Bodies Through Municipal Green Bonds*, finds that nearly 60 per cent of municipal bonds issued over the last decade could have been labelled green but were not. This represents a missed opportunity that could have led to lower borrowing costs and dedicated climate-focused investors. Green bonds, designed to finance environmentally beneficial projects, are gaining traction in India. Four of the seven municipal bond issuances issued in the last decade, amounting to INR 694 crore (~USD 85 million), have been green-labelled.

Smt D. Thara, Additional Secretary in the Ministry of Housing and Urban Affairs, said at the launch of the report, “The key challenge with municipal bonds is fostering sustainable borrowing and repayment habits among urban local bodies (ULBs). For municipal bonds to thrive, we must create a pipeline of accessible finance for smaller municipalities with minimal entry barriers, ring-fenced funding, and small sovereign guarantees. Bonds are not the only solution—structured project-linked loans and innovative financing models, such as a **municipal bond lite** approach inspired by PM SVANidhi, could empower municipalities to secure and repay smaller loans efficiently. To unlock this potential, the ecosystem must drive this shift from the ground up, attracting small investors and enabling the development of such ‘citizen bonds.’”

Municipal bonds are an emerging financial instrument for Indian cities, enabling them to fund critical infrastructure such as water supply systems, sewage treatment plants, drainage networks, and renewable energy projects. While the market for larger municipal bonds has the [potential](#) to reach USD 3 billion by 2030, CEEW-GFC’s analysis suggests that up to 83 per cent of this could be green, translating to a potential USD 2.5 billion. Green bonds are attracting interest due to their lower borrowing costs—around 50 basis points less than non-labelled bonds—and potential government incentives like tax benefits and interest subsidies. However, uptake remains slow due to low municipal creditworthiness, outdated financial practices, and limited institutional capacity. Despite their potential, India’s municipal bond market remains underdeveloped, with only 50 issuances worth INR 6,933 crore (~USD 850 million) since 1997.

Dr Dhruva Purkayastha, Director, Growth and Institutional Advancement, CEEW, said, “Cities are engines of development, and India's urbanisation is increasing rapidly, with about 35 per cent of the population now living in urban areas. Municipal green bonds are a viable channel to raise long-term capital for urban climate action, but unlocking their potential will require coordinated efforts between municipalities, state governments, regulators, and investors. Strengthening municipal creditworthiness by improving revenue streams and standardising reporting practices will help attract institutional

investors and reduce borrowing costs for cities. The green finance raised will also need to be invested in coping with climate change."

Gagan Sidhu, Director, CEEW Green Finance Centre, said, "While India has made important strides in municipal bond market development, the transition to green bonds needs targeted action. Municipalities must first strengthen their financial and institutional capacity by improving their fiscal health and increasing transparency. Additionally, interventions at both the centre and state level could further catalyse municipal green bond issuances. Mechanisms to pool projects at the state level, and extension of monetary incentives under the AMRUT scheme are two examples of such interventions."

To overcome barriers, the CEEW-GFC report proposes a four-point 'RISE' framework to help cities issue green bonds more effectively. Reforming financial practices and transparency, along with improving own-source revenue streams would strengthen municipal creditworthiness, making it easier to issue bonds. Identifying viable green infrastructure projects and accurately assessing municipal debt capacity would create a stronger pipeline of bankable projects. Strengthening internal capacity on finance and sustainability would equip them to better prepare and execute projects. Engaging financial intermediaries, including credit rating agencies, merchant bankers, development finance institutions, and institutional investors, would help cities navigate regulatory requirements and boost investor confidence.

Ghaziabad set the trend for municipal green bonds in India with its INR 150 crore (~USD 18 million) issuance in 2021 for sewage treatment infrastructure. Indore followed in 2023 with a landmark INR 244 crore (~USD 30 million) issuance to finance a 60 MW solar plant, setting a precedent for renewable energy financing. Ahmedabad and Vadodara further advanced the market in February 2024, raising INR 200 crore (~USD 24 million) and INR 100 crore (~USD 12 million), respectively, for water treatment and climate-resilient urban services. These examples demonstrate that Indian cities are able to attract green-focused investment if the regulatory frameworks and incentives are in place.

***Limitations:** The cost savings found to be associated with municipal green bond issuances is based on a dataset which remains limited. As such, the observed benefit associated with green labelling is not causal and needs a larger dataset and rigorous long-term analysis to validate its financial benefits. The [CARE EDGE study](#) cited presents the muni bond potential for the next 5-8 years, i.e. until 2029-32. For the purpose of this analysis we consider the timeline of this potential to be achieved by 2030.*

Read the full report, 'Unlocking Green Finance for India's Urban Local Bodies Through Municipal Green Bonds' by Amlan Bibhudatta and Dishant Rathee [here](#).

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About CEEW-GFC

The CEEW Green Finance Centre (CEEW-GFC) is a special initiative of the Council on Energy, Environment and Water (CEEW), one of Asia's leading think tanks. CEEW-GFC acts as a non-partisan observer and catalyst that aims to bridge green financing gaps by addressing financing bottlenecks and enhancing the integration of green considerations in financial decision-making. Its approach is multi-pronged: tracking market trends, publishing research and analysis, developing financial solutions, offering technical assistance, and fostering coherence between policymakers, regulators, financial institutions, and industry. www.ceew.in/gfc