

Foreign Country participation in the Smart Cities Mission

- Foreign country participation in the Smart Cities Mission can be in the form of Technical Assistance or Financial Assistance or both.
- Smart City Proposals (SCPs) of winner cities are available on the Mission website (www.smartcities.gov.in). The Proposals of these cities have been prepared with a strong commitment to achieving results on the basis of SWOT analysis specific to the city and the area chosen for development. Cities have also come out with clear strategies for implementation with identification of partnerships and collaborations that will produce desired results. Investors/Entities can study the proposals and see where their expertise and interests match with the proposals and accordingly select the city. Technical support could be provided to make the SCP operational by converting the Proposals into projects by conducting feasibility studies, preparation of DPRs/RfPs and implementation and monitoring of projects.
- For cities which have to participate in future rounds, Investors/Entities can handhold these cities for upgradation of their proposals. In this regard, MoUs can be signed with cities directly.
- SPV will implement the projects. The execution of projects may be done through joint ventures, subsidiaries, public-private partnership (PPP), turnkey contracts, etc. suitably dovetailed with revenue streams.
- Investment opportunities are available in SPVs for smart cities. Rs. 500 crores will be provided by GoI till 2020 and matching contribution will be made by State/ULB for each selected city. This money will be used as a seed money by ULB for further borrowing from the markets/attract investors for development of smart city. Investors/entities can acquire an equity stake in the Special Purpose Vehicle (SPV). The SPV will be a limited company incorporated under the Companies Act, 2013 at the city-level, in which the State/UT and the ULB will be the promoters having 50:50 equity shareholding. The

private sector or financial institutions could be considered for taking equity stake in the SPV.

Brief on Smart Cities Mission

The Government of India has launched the Smart Cities Mission on 25 June 2015. The Mission Statement & Guidelines (available on Mission website at www.smartcities.gov.in) were also released at this event.

Objective

The objective of Smart Cities Mission is to promote cities that provide core infrastructure and give a decent quality of life to its citizens, a clean and sustainable environment and application of 'Smart' Solutions.

Some of the core infrastructure elements in a smart city would include adequate water supply, assured electricity supply, sanitation, including solid waste management, efficient urban mobility and public transport, affordable housing, especially for the poor, robust IT connectivity and digitalization, good governance, especially e-Governance and citizen participation, sustainable environment, safety and security of citizens, particularly women, children and the elderly, and quality health and education.

Application of 'Smart' Solutions will enable cities to use technology and information to improve urban infrastructure and services. The Smart Cities Mission is meant to set examples that can be replicated both within and outside the Smart City, catalysing the creation of similar Smart Cities in various regions and parts of the country.

Coverage and Duration

The Mission will cover 100 cities and its duration will be five years (FY2015-16 to FY2019-20). The Mission may be continued thereafter in the light of any evaluation to be done by the MoUD and incorporating the learning into the Mission.

Strategy

The strategic components of area-based development in the Smart City Mission are city improvement (retrofitting), city renewal (redevelopment) and city

extension (Greenfield development) plus a Pan-city initiative in which Smart Solutions are applied to larger parts of the city. Below, are given the description of the three models of area-based smart city development.

Retrofitting will introduce planning in an existing built-up area of more than 500 acres as identified by the city in consultation with citizens so as to achieve smart city objectives, along with other objectives, to make the existing area more efficient and livable. Since existing structures are largely to remain intact, more intensive infrastructure service levels and a large number of smart applications will be expected to be packed into the retrofitted smart city. This strategy may also be completed in a shorter time frame, leading to its replication in another part of the city.

Redevelopment will replace the existing built-up environment greater than 50 acres and enable co-creation of a new layout with enhanced infrastructure using mixed land use and increased density. Two examples of the redevelopment model are the Saifee Burhani Up-liftment Project in Mumbai (also called the Bhendi Bazaar Project) and the redevelopment of East Kidwai Nagar in New Delhi being undertaken by the National Building Construction Corporation.

Greenfield development will introduce most of the Smart Solutions in a previously vacant area (more than 250 acres) using innovative planning, plan financing and plan implementation tools (e.g. land pooling/ land reconstitution) with provision for affordable housing, especially for the poor. One well known example of greenfield development is the GIFT City in Gujarat. Unlike retrofitting and redevelopment, Greenfield developments could be located either within the limits of the Urban Local Body (ULB) or within the limits of the local Urban Development Authority (UDA).

Pan-city development envisages application of selected Smart Solutions to the existing city-wide infrastructure. Application of Smart Solutions will involve the use of technology, information and data to make infrastructure and services better. For example, applying Smart Solutions in the transport sector (intelligent traffic management system) and reducing average commute time or cost of citizens will have positive effects on productivity and quality of life of citizens. Another example can be waste water recycling and smart metering which can make a huge contribution to better water management in the city.

Selection of Smart cities

The selection process of the Smart Cities Mission is based on the idea of Competitive and Co-operative Federalism and follows a 'Challenge' (competition) approach to select cities. There are two stages in the selection process as under:

Stage 1 – Total number of 100 smart cities have been distributed amongst the States and UTs on the basis of an equitable criteria. The State/UT will shortlist the potential smart cities on the basis of preconditions and scoring criteria. The highest scoring potential smart cities will be recommended. On the basis of recommendation of States/UTs, the list of 100 potential Smart Cities will be announced by MoUD to participate in stage 2 of the competition.

Stage 2 – In the second stage of the competition, each of the potential 100 smart cities will prepare their Smart City Proposal (SCP) which is expected to contain the model chosen (retrofitting or redevelopment or greenfield development or a mix thereof) and additionally include a Pan-city dimension with smart solutions. While preparing the SCPs, Cities may take the assistance of consultants from a panel prepared by MoUD or of a hand holding external agency such as World Bank, ADB, GEF, USTDA, JICA, DFID, AFD, KfW, UN Habitat etc. Offers for handholding support from these external agencies have been received and tie-ups are in process.

These SCPs will be evaluated by a committee involving a panel of national and international experts, organizations and institutions. The winners of the first round of Challenge, will be announced by MoUD. Selected cities will set up SPV and start implementation of their SCP, preparation of DPRs, tenders etc. Other cities will improve their SCPs for next round of the challenge.

Present Status of Selection Process

The selection process of Smart Cities is based on the idea of Competitive and Co-operative Federalism and follows a Challenge process to select cities in two stages.

In stage 1, on the basis of intra-state competition conducted by States/UTs, MoUD had announced a list of 98 potential smart cities (copy enclosed). In Stage 2, the Smart City Proposals were submitted by 97 potential Smart Cities which were then

evaluated by the panel of national as well as international experts and based on the assessment of Smart City Proposals, 20 cities located in 12 States which have made it to top of the competition, have been announced for implementation of proposals in 2015-16.

With the spirit to spread the message of urban transform-nation in all parts of the country, another 23 potential smart cities located in 23 States/UTs were provided a window of opportunity to submit their upgraded proposals on fast track basis by 21st April, 2016. SCPs from these cities have been received and 13 winners announced. So, a total of 33 smart cities have been announced till now.

Observations/ suggestions of the Panel of Experts were also conveyed to cities for improving their Smart City Proposals. Round 2 of the challenge process starts from 1st April, 2016 and will last on 30th June, 2016. Announcement of Round 2 results (upto 40 cities) is likely to take place in mid August 2016.

Implementation Structure

The implementation of the Mission at the City level will be done by an SPV created for the purpose. The structure and functional details of SPV are given below:

Structure of SPV - The City level SPV will be established as a Limited Company under the Companies Act, 2013 and will be promoted by the State/UT and the ULB jointly, both having 50:50 equity shareholding initially. The private sector or financial institutions could be considered for taking equity stake in the SPV, provided the State/UT and the ULB share-holding is equal to each another, and together the State/UT and ULB have majority shareholding and control of the SPV (*e.g. State/UT: ULB: Private sector shareholding in SPV can be in the ratio 40:40:20 or 30:30:40*). In addition to equity, the State/UT can provide its contribution to the Smart City Mission as grant to fulfill the State Government responsibility for ensuring availability of funds for the mission and for ensuring the financial sustainability of the SPV.

Raising and utilization of funds by the Company (SPV) - The funds given by the Central Government to the SPV will be in the shape of tied grants and kept in a separate Grant Fund. These funds will be utilized only for the purposes given in the Mission Statement and Guidelines and subject to the conditions laid down by the

Central Government. The ULBs may, through the State Government, request MoUD to permit utilization of GoI grants as ULB's equity contribution to the SPV, subject to certain conditions.

The SPV will also access funds from other sources such as debt, user charges, land monetization, funds from multilateral institutions, etc.

Board of Directors - The Board of Directors will have representatives of Central Government, State Government, ULB and Independent Directors, in addition to the CEO and Functional Directors. Additional Directors (such as representative of parastatal) may be taken on the Board, as considered necessary. The Company and shareholders will voluntarily comply with the provision of the Companies Act, 2013 with respect to induction of independent directors.

Delegation of powers to the SPV - One of the primary reasons for the creation of an SPV for the Smart City Mission is to ensure operational independence and autonomy in decision making and mission implementation. The Smart City Mission encourages the State Government and the ULB to adopt the following best practices to create empowered SPVs to the extent and as provided under the municipal act:

- i)** Delegating the rights and obligations of the municipal council with respect to the smart city project to the SPV.
- ii)** Delegating the decision making powers available to the ULB under the municipal act/ Government rules to the Chief Executive Officer of the SPV.
- iii)** Delegating the approval or decision making powers available to the Urban Development Department / Local Self Government department / Municipal Administration department to the Board of Directors of the SPV in which the State and ULB are represented.
- iv)** Delegating the matters that require the approval of the State Government to the State Level High Powered Steering Committee (HPSC) for Smart Cities.

The key functions and responsibilities of the SPV are to:

- i)** Approve and sanction the projects including their technical appraisal.
- ii)** Execute the Smart City Proposal with complete operational freedom.

- iii)** Take measures to comply with the requirements of MoUD with respect to the implementation of the Smart City Mission.
- iv)** Mobilize resources within timelines and take measures necessary for the mobilization of resources.
- v)** Approve and act upon the reports of a third party Review and Monitoring Agency.
- vi)** Overview Capacity Building activities.
- vii)** Develop and benefit from inter-linkages of academic institutions and organizations.
- viii)** Ensure timely completion of projects according to set timelines.
- ix)** Undertake review of activities of the Mission including budget, implementation of projects, and preparation of SCP and co-ordination with other missions / schemes and activities of various ministries.
- x)** Monitor and review quality control related matters and act upon issues arising thereof.
- xi)** Incorporate joint ventures and subsidiaries and enter into Public Private Partnerships as may be required for the implementation of the Smart City Mission.
- xii)** Enter into contracts, partnerships and service delivery arrangements as may be required for the implementation of the Smart City Mission.
- xiii)** Determine and collect user charges as authorized by the ULB.
- xiv)** Collect taxes, surcharges etc. as authorized by the ULB.

The above provisions will be included in the Articles of Association of the SPV.

Financing arrangements

The Smart City Mission will be operated as a Centrally Sponsored Scheme (CSS) and the Central Government proposes to give financial support to the Mission to the extent of Rs. 48,000 crores over five years i.e. on an average Rs 100 crore per city per year. An equal amount, on a matching basis, will have to be contributed by the State/ULB; therefore, nearly Rs. 1,00,000 crore of Government/ULB funds will be available for Smart Cities development.

It is anticipated that substantial funds will be required to implement the smart city proposal and towards this end, Government grants of both the Centre and State, will be leveraged to attract funding from internal and external sources. It is expected that a number of projects in the smart city will be taken up on PPP basis. The GoI funds and matching share by States/UTs will meet only a part of the project cost. Sources from where the balance funds are to be mobilized are:

- i)** States/ ULBs own resources from collection of user fees, beneficiary charges and impact fees, land monetization, debt, etc.
- ii)** Additional resources transferred due to acceptance of the recommendations of the Fourteenth Finance Commission (FFC).
- iii)** Innovative finance mechanisms such as municipal bonds with credit rating of ULBs, Pooled Finance Mechanism, Tax Increment Financing (TIF).
- iv)** Leverage borrowings from financial institutions, including bilateral and multilateral institutions, both domestic and external sources.
- v)** States/UTs may also access the National Investment and Infrastructure Fund (NIIF).
- vi)** Private sector through PPPs.

Convergence with Other Government Schemes

There is a strong complementarity between the Atal Mission for Rejuvenation and Urban Transformation (AMRUT) and Smart City Mission in achieving urban transformation. At the planning stage itself, cities must seek convergence in the SCP with AMRUT, Swachh Bharat Mission (SBM), National Heritage City Development and Augmentation Yojana (HRIDAY), Digital India, Skill development, Housing for All, construction of Museums funded by the Culture Department and other programs connected to social infrastructure such as Health, Education and Culture.

Key Challenges

The key challenges that need to be addressed for speedy and sustainable urban development in 100 smart cities are:

- i)** This is the first time, a MoUD programme is using the 'Challenge' or competition method to select cities for funding and using a strategy of area-based development. This captures the spirit of 'competitive and cooperative federalism'.
- ii)** States and ULBs will play a key supportive role in the development of Smart Cities. Smart leadership and vision at this level and ability to act decisively will be important factors determining the success of the Mission.
- iii)** Understanding the concepts of retrofitting, redevelopment and Greenfield development by the policy makers, implementers and other stakeholders at different levels will require capacity assistance.
- iv)** Major investments in time and resources will have to be made during the planning phase prior to participation in the Challenge. This is different from the conventional DPR-driven approach.
- v)** The Smart City Mission requires smart people who actively participate in governance and reforms. Citizen involvement is much more than a ceremonial participation in governance. Smart people involve themselves in the definition of the Smart City, decisions on deploying Smart Solutions, implementing reforms, doing more with less and oversight during implementing and designing post-project structures in order to make the Smart City developments sustainable. The participation of smart people will be enabled by the SPV through increasing use of ICT, especially mobile-based tools.