

Milestone Volume

BUDGET BRIEFS

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Smart Cities Mission Gol, 2023-24

Smart Cities Mission (SCM) is Government of India's (Gol's) urban rejuvenation mission launched on 25 June 2015. The Mission was initiated with the objective of providing core infrastructure, and decent quality of life to its citizens, along with a clean and sustainable environment.

The brief uses government data to analyse the following components of the scheme:

- Allocations and releases;
- Utilisation of funds;
- Project cost and completion rates; and
- Funding through Public Private Partnership (PPP).

Cost share and implementation:

The scheme operates as a Centrally Sponsored Scheme (CSS). The total financial support by Gol is ₹48,000 crore. Other funding sources include matching share by state/Urban Local Bodies (ULBs), convergence with other schemes, Public Private Partnerships (PPPs), loans and debts, own resources, and other sources.

HIGHLIGHTS

₹ 76,432 cr

Gol allocations for Ministry of Housing and Urban Affairs (MoHUA) in FY 2023-24

₹ 8,000 cr

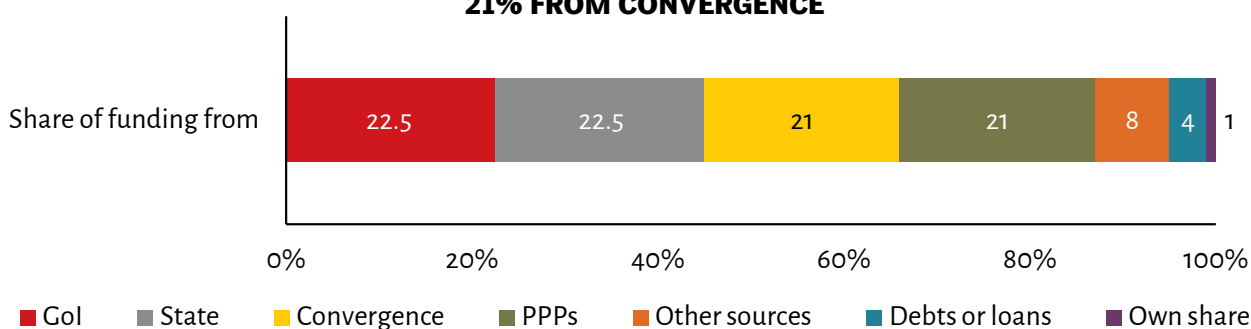
Gol allocations for Smart Cities Mission (SCM) in FY 2023-24

SUMMARY & ANALYSIS

- For FY 2023-24 Budget Estimates (BEs), Government of India (Gol) has allocated ₹8,000 crore for SCM, 9 per cent lower than the Revised Estimates (REs) for FY 2022-23 but 18 per cent higher than the BEs. Cumulatively, ₹45915 crore, has been allocated for SCM till FY 2022-23, which accounts for 96 per cent of anticipated Gol funds for the Mission.
- Utilisation of state funds released were lower than utilisation from Gol releases. Till 23 December 2022, 95 per cent of Gol funds released and 82 per cent of state funds released had been utilised.
- As of December 2022, 64 per cent of the projects had been completed, with a total project worth of ₹92,439 crore. On average, cities selected in Round 2 have the highest completion rate (60 per cent). Fast Track cities and Round 4 cities had the lowest at 37 per cent each.
- Of the cities with the highest proportion of project costs completed, less than 30 per cent of completed costs came from Gol and states indicating a greater reliance on other sources like convergence, Public Private Partnerships etc. In contrast, 68 per cent of completed costs in Udaipur were from Gol and state.

- The Smart Cities Mission (SCM) was launched in June 2015 as a Centrally Sponsored Scheme (CSS) with the objective to provide a decent quality of life to citizens in cities, through application of ‘smart solutions’, and improvement in the core infrastructure. The Mission was originally till March 2022 but has been extended till June 2023.
- There are two separate strategies under SCM. The first is area-based development which may include improvement via any combination of the following:
 - **Retrofitting**, which aims to introduce planning in an existing built-up area to make the locations more efficient and liveable.
 - **Redevelopment**, which replaces the existing built-up environment and enables co-creation of a new layout using enhanced infrastructure using mixed land use and increased density.
 - **Greenfield Development**, which seeks to introduce 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.
- The second strategy is known as pan-city development which envisages application of selected smart solutions to the existing city-wide infrastructure. Application of smart solutions are meant to involve the use of technology, information, and data to make infrastructure and services better.
- As per the Annual Report of Ministry of Housing and Urban Affairs (MoHUA), for FY 2021-22, area-based development was to contribute ₹1,66,065 crore (or 81 per cent), while pan-city solutions were to account for ₹38,953 crore (19 per cent) of total costs.
- Financing for SCM can come from multiple sources. Of the total project costs, 22.5 per cent are to come from the Government of India (GoI). States and Urban Local Bodies (ULBs) are to provide another 22.5 per cent of the funding. In addition, more than a fifth (21 per cent) of funding is to come from convergence with other missions such as AMRUT, Swachh Bharat Mission (SBM), National Heritage City Development and Augmentation Yojana (HRIDAY), Digital India, Skill Development, Housing for All, etc. Further, 21 per cent is to come through Public Private Partnerships (PPPs), 4 per cent from loans and debts, 1 per cent from own source revenue of ULBs, and 8 per cent from other sources.

**45% OF TOTAL COSTS FOR THE MISSION WAS TO COME FROM GOI AND STATES;
21% FROM CONVERGENCE**



Source: Annual Reports of MoHUA between FY 2018-19 and FY 2021-22. Available online at: <https://mohua.gov.in/cms/annual-reports.php>. Last accessed on 25 January 2023.

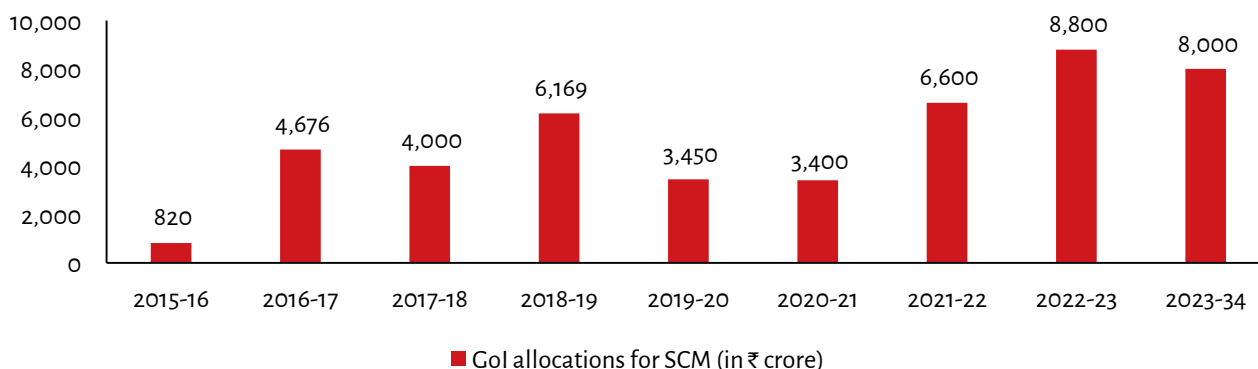
- An important innovation under the scheme is the creation of a Special Purpose Vehicle (SPV) responsible for implementation at the city level. SPVs are responsible for planning, appraisal, approval, and release of funds as well as to manage, operate, monitor, and evaluate the development projects undertaken by the city.
- SPVs are limited companies registered under the Companies Act, 2013 and are owned by the state or UT and the ULB in an equity shareholding of 50:50. They are thus designed to continue even after the end of the Mission.

TRENDS IN ALLOCATIONS AND RELEASES

Gol Allocations

- In FY 2023-24, Gol allocated ₹76,432 crore to MoHUA in the Budget Estimates (BEs). This is a 3 per cent increase compared to the Revised Estimates (REs) of FY 2022-23, but marginally lower than the BEs.
- During the same period, allocations for SCM decreased by 9 per cent from ₹8,800 crore in FY 2022-23 REs to ₹8,000 crore in FY 2023-24 BEs.
- Allocations, however, remain marginally lower than anticipated. The total financial support from Gol for SCM was set as ₹48,000 crore over five years. Between FY 2005-06 and FY 2023-24, Gol has allocated ₹45,915 crore (96 per cent) for the Mission.

TILL 2023-24, GOI HAS ALLOCATED ₹45,915 CRORE OR 96% OF THE ANTICIPATED GOI SHARE FOR SCM



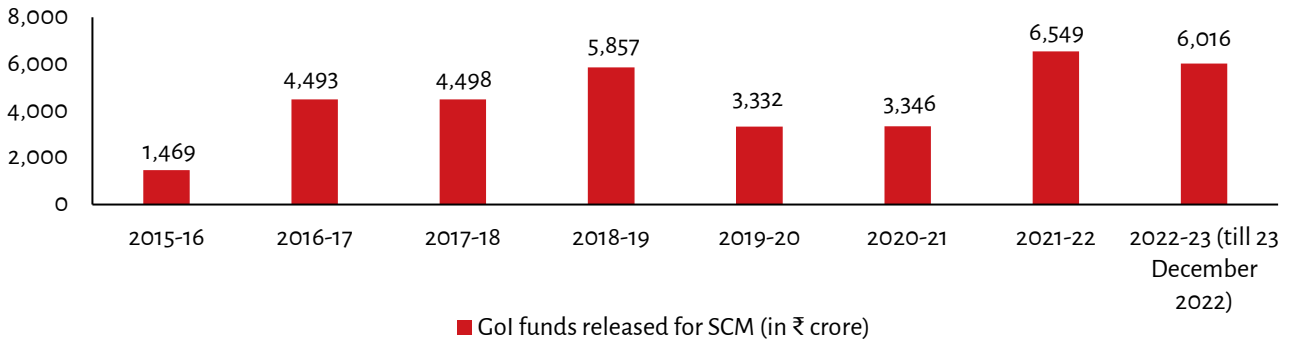
Source: (1) Union Expenditure Budget, MoHUA and the Ministry of Urban Development (MoUD), FY 2016-17 to FY 2023-24. Available online at: <https://www.indiabudget.gov.in/>. Last accessed on 1 February 2023.

Note: Figures are in crores of Rupees and are Revised Estimates (REs), except for FY 2023-24 which are Budget Estimates (BEs). For FY 2015-16 and FY 2016-17, SCM was implemented under MoUD.

Releases

- Funds released by Gol are transferred to the respective city's SPV, where it is kept as a separate grant fund. Fund release is based on meeting certain predefined conditions, namely quarterly submission of city score cards, satisfactory financial and physical progress mapped through the score cards, submission of Utilisation Certificates (UCs), and achieving milestones as per the Smart City Plan (SCP).
- As per the guidelines, ₹2 lakh is to be provided to the shortlisted Mission cities before the project's initiation, for the SCP preparation. After the projects are sanctioned, ₹200 crore are provided to each selected city, irrespective of the project size, for creating an initial corpus. The amount provided for the preparation of the SCP is then adjusted from this initial corpus. States are also meant to release their matching share to the SPV.
- Cumulatively, since the start of the Mission till 23 December 2022, Gol had released ₹35,559 crore or 77 per cent of total Gol allocations till FY 2023-24.
- Year-wise analysis of release shows an increasing trend till FY 2018-19. However, releases declined in FY 2019-20 and FY 2020-21.
- Release of funds in FY 2022-23 also remained slow. Till 23 December 2022, Gol had released only ₹6,016 crore or 68 per cent of the REs for FY 2022-23.

CUMULATIVELY, GOI HAD RELEASED 94% OF ITS ALLOCATIONS TILL 23 DECEMBER 2022

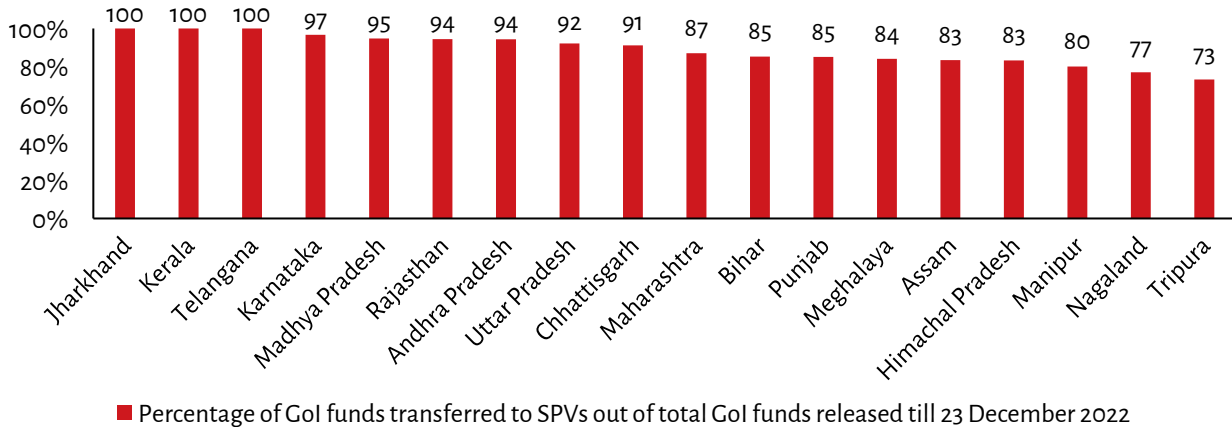


Source: (1) Releases till FY 2021-22 from Lok Sabha Unstarred Question No. 1969, answered on 28 July 2022. Available online at: <http://164.100.242.20/loksabhaquestions/annex/179/AU1969.pdf>. (2) Releases for FY 2022-23 from RTI response by MoHUA dated 26 December 2022. Last accessed on 22 December 2022.

Transfers to SPVs

- Not all GoI funds, however, had been released by states to SPVs. Cumulatively till 23 December 2022, ₹32,666 crore (92 per cent) of GoI releases had been released to SPVs.
- There are, however, state variations. States such as Jharkhand, Kerala, and Telangana had transferred all the funds. On the contrary, GoI funds transferred to SPVs as a share of total GoI funds released were lower for the North Eastern Region (NER) states such as Meghalaya (84 per cent), Assam (83 per cent), Manipur (80 per cent), Nagaland (77 per cent), and Tripura (73 per cent).

CUMULATIVELY TILL 23 DECEMBER 2022, NER STATES HAD TRANSFERRED A LOWER SHARE OF GOI RELEASES TO SPVs



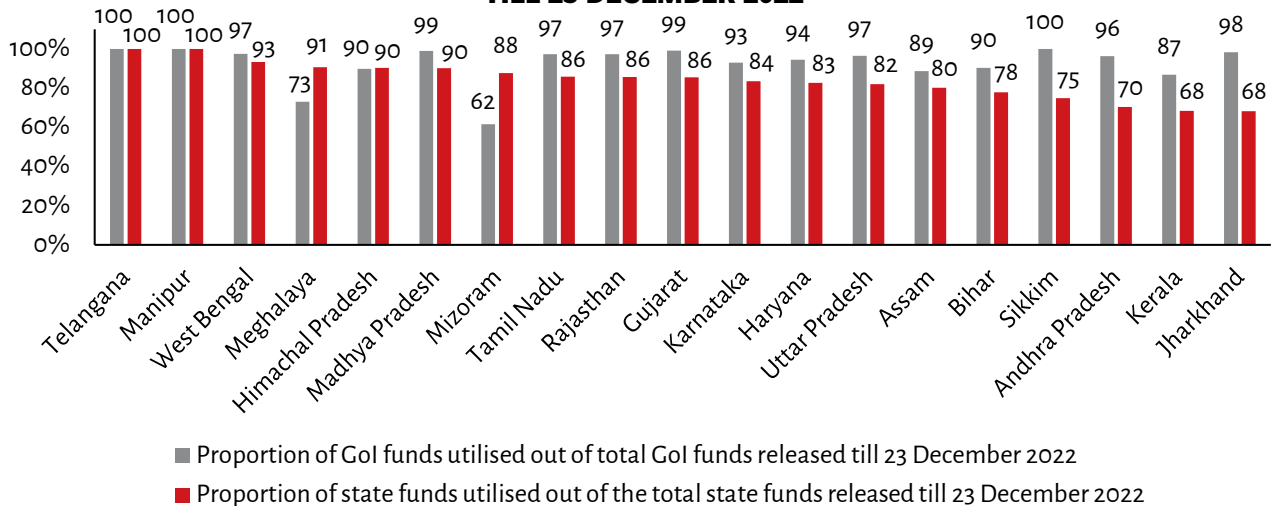
Source: RTI response by MoHUA dated 26 December 2022.

TRENDS IN EXPENDITURE

- UCs are issued by each Mission city to the respective SPVs. This enables the SPVs to keep a track of the financial and physical progress of the projects and the unspent balance for every year. Further release of funds is dependent on the extent of utilisation as per the UCs.
- Since the start of the Mission till 23 December 2022, 95 per cent of the released GoI funds had been utilised across all states. Manipur, Sikkim, and Telangana had utilised the entire amount transferred by GoI. States with relatively lower utilisation rates included Meghalaya (73 per cent) and Mizoram (62 per cent).

- During the first period, utilisation of state-released funds was comparatively lower at 82 per cent. States such as Andhra Pradesh (70 per cent), Kerala (68 per cent), and Jharkhand (68 per cent) had lower utilisation of state funds till 23 December 2022.
- In case of UTs, utilisation of funds had been lower. For instance, Lakshadweep had not utilised any funds out of the ₹14 crore raised as the matching grant by the state/ULB.

95% OF GOI FUNDS AND 82% OF STATE FUNDS HAD BEEN UTILISED ACROSS STATES TILL 23 DECEMBER 2022

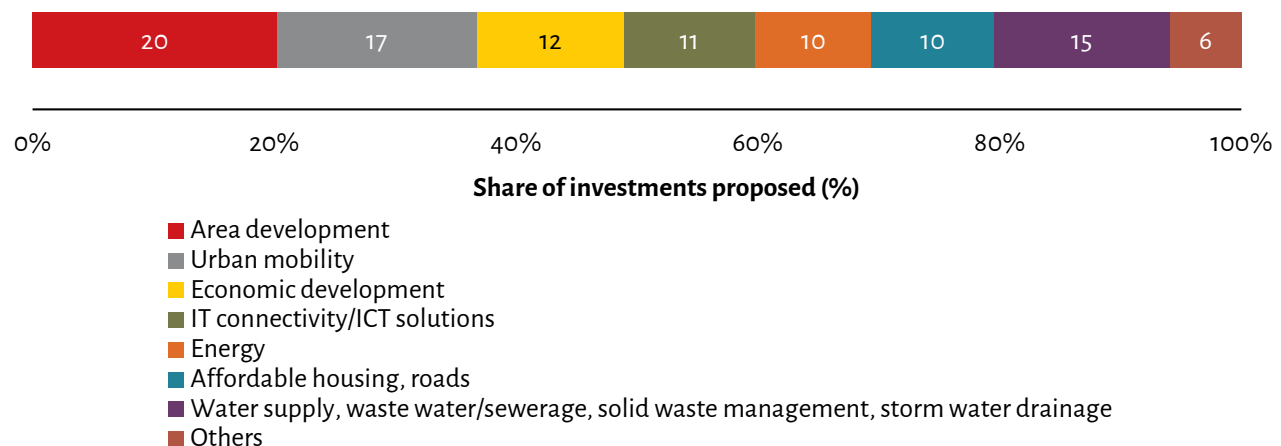


Source: RTI response by MoHUA dated 26 December 2022.

PROJECT PROGRESS ACROSS STATES AND CITIES

- In terms of sectoral composition, the majority of the initial project cost was envisaged to be allocated among 13 key sectors, with area development (20 per cent), urban mobility (17 per cent), and economic development (12 per cent) being the highest priority.

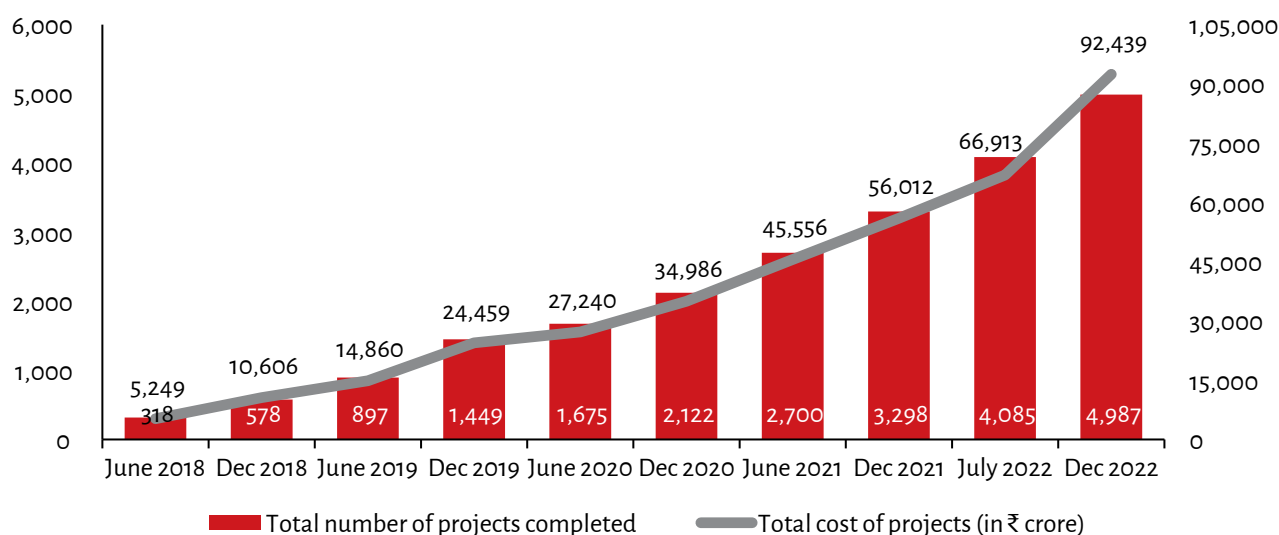
SMART CITY PROPOSALS INDICATE THE HIGHEST INVESTMENTS TO BE MADE IN AREA DEVELOPMENT PROJECTS AT 20%



Source: Rajya Sabha Unstarred Question No. 233, answered on 3 February 2021, regarding SCM. Available online at: <https://pqars.nic.in/annex/253/A233.pdf>. Last accessed on 25 January 2023.

- At the start of the Mission, as part of the SCPs, cities had proposed 5,151 projects at an estimated cost of ₹2,05,018 crore. Based on revisions of the SCPs, the total cost reduced by 12 per cent of the initial estimate to ₹1,81,112 crore, while the total number of projects increased by 50 per cent.
- As of December 2022, a total of 7,738 projects worth the same amount were being implemented by 100 cities. Of these, 64 per cent of the projects have been completed, with a total project worth of ₹92,439 crore.
- There has been a significant increase in the number of projects completed in recent years as well as costs incurred. Between June 2018 and June 2020, the number of completed projects, as well as cost incurred increased by five times.
- FY 2021-22 and FY 2022-23 saw a significant acceleration in completion of projects. Between June 2021 and December 2022, the number of completed projects increased by 85 per cent, while total costs incurred had more than doubled.

PROJECT COMPLETION INCREASED BY 14 TIMES BETWEEN JUNE 2018 AND DECEMBER 2022; PROJECT COSTS BY 17 TIMES

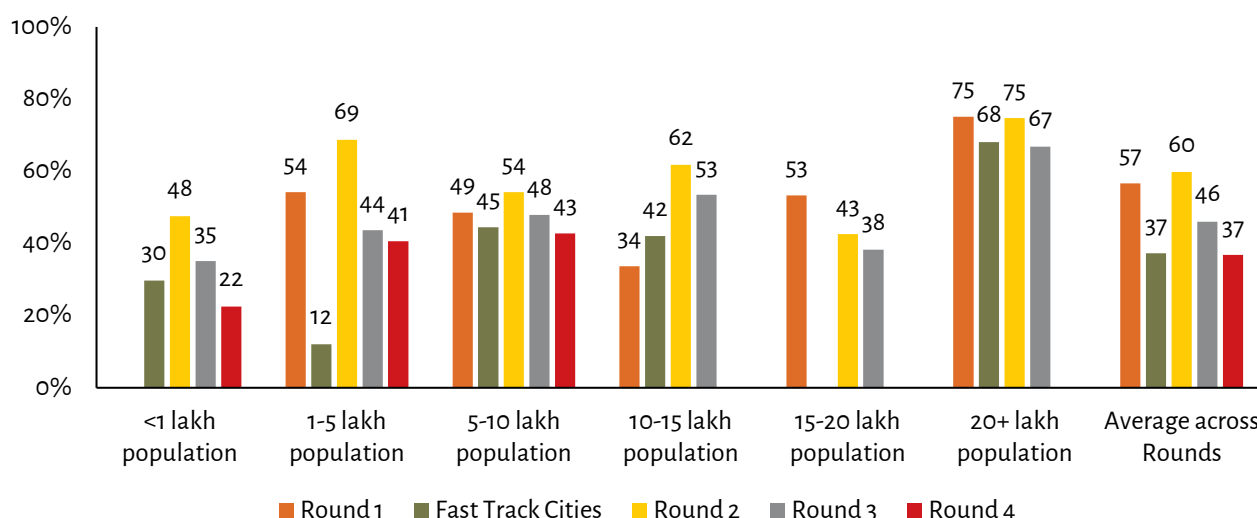


Source: (1) Cost and number of projects from Annual Reports of MoHUA between FY 2018-19 and FY 2021-22. Available online at: <https://mohua.gov.in/cms/annual-reports.php>. (2) July 2022 figures from Lok Sabha Unstarred Question No. 1969, answered on 28 July 2022. Available online at: <http://164.100.24.220/loksabhaquestions/annex/179/AU1969.pdf>. (3) December 2022 figures from Rajya Sabha Unstarred Question No. 543, answered on 12 December 2022. Available online at: <https://pqars.nic.in/annex/258/AU543.pdf>. Last accessed on 9 January 2023.

- The selection process of the 100 cities was undertaken in two stages in a ‘competition’ mode, which was named as the ‘city challenge’. This ‘city challenge’ again was conducted in 2 stages.
- In the first stage, an intra-state competition was initiated, where ‘potential’ cities in a state were given scores basis of certain pre-conditions which included consideration of existing service levels such as sanitary latrines and grievance redressal systems; institutional systems/capacities such as compensatory penalty due to delay in services and own revenues generated; self-financing systems such as payments of salaries by ULBs, internal revenues collected, audits undertaken, Operations and Maintenaces costs of water supply; and, past records and reforms such as internal revenue sources in budget and JNNURM project status.
- Based on the above, the State Mission Director, and State-level High Powered Steering Committee (HPSC) approved the cities selected in Stage 1. These were then sent to the MoUD, who then announced the list of 100 cities.

- In Stage 2 of the selection, the 100 cities were required to submit a 'Smart City Proposal' (SCP). These projects should fit into one of the modes of implementation - retrofitting or redevelopment or greenfield development or a mix thereof, as well as pan-city dimension. Cities were required to prepare projects covering a wide domain of themes, including solar, water supply, waste management, sanitation, rainwater harvesting, smart metering, IT connectivity, pedestrian friendly pathways, non-motorised transport. The proposals are sent to MoUD, who then analyse the SCPs, and provide the go-ahead to the cities to implement their proposed project.
- The selection of cities for SCM projects was initiated during January 2016, and continued up to June 2018. The 100 cities were selected in four rounds – 20 cities for Round 1 in January 2016, 13 cities as Fast Track (FT) cities in May 2016, 27 cities during Round 2 in September 2016, 30 cities during Round 3 in June 2017, and 10 cities during Round 4 in January 2018. Shillong in Meghalaya was the last city to be selected in June 2018.
- To understand progress, analysis has been undertaken of total completed costs as a share of total project costs both by round, as well as city size based on population.
- On average, till December 2022, the share of completed project costs out of total project costs was the same for cities selected in the Fast Track Round and those selected in Round 4 at 37 per cent. Moreover, the most project costs had been completed for Round 3 cities at 60 per cent, compared to Round 1 cities (57 per cent).
- Population wise data suggests that the share of project costs completed was higher in larger cities with a population of more than 20 lakh than smaller cities with less than 1 lakh population.

ON AVERAGE, CITIES SELECTED IN ROUND 3 HAVE HIGHER PROJECT COMPLETION COST

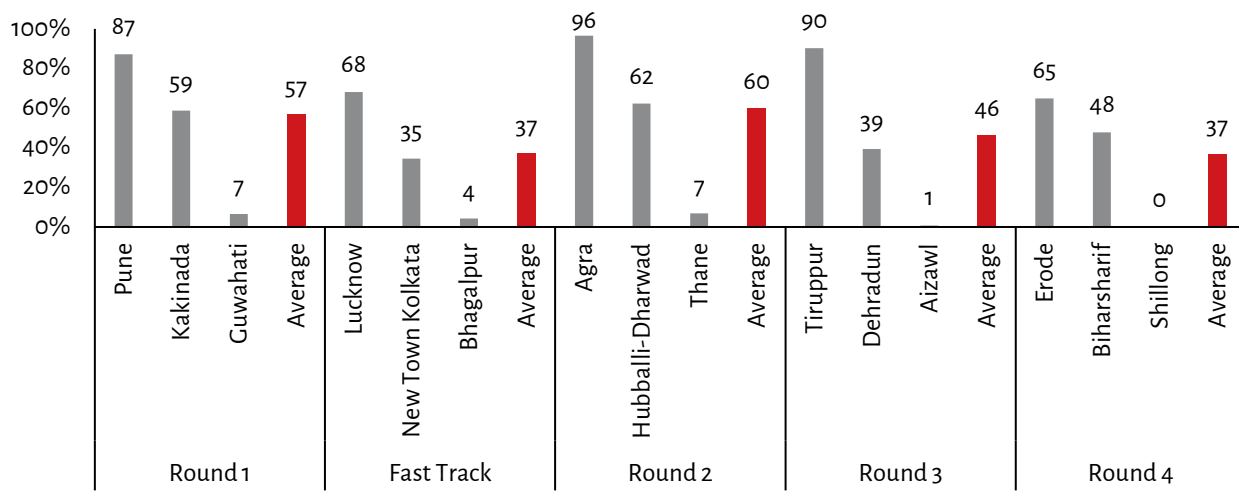


Source: (1) Costs from Rajya Sabha Unstarred Question No. 543, answered on 12 December 2022. Available online at: <https://pgars.nic.in/annex/258/AU543.pdf>. (2) Population figures taken from Census 2011. Available online at: <https://censusindia.gov.in/census.website/>. Last accessed on 23 January 2023.

Note: The states are divided into six categories based on the total population of all cities under the Mission.

- There were, however, significant differences across cities within a Round. For instance, for Round 1 cities, the proportion of project costs completed ranged from 87 per cent in Pune to 7 per cent for Guwahati. Similarly, for Round 2 cities, while Agra (96 per cent) had the highest completed projects (in terms of costs), Thane had the lowest (7 per cent).
- Despite being selected in Round 4, the city of Erode had completed 65 per cent of their total project costs, more than the average of cities selected in Round 1.

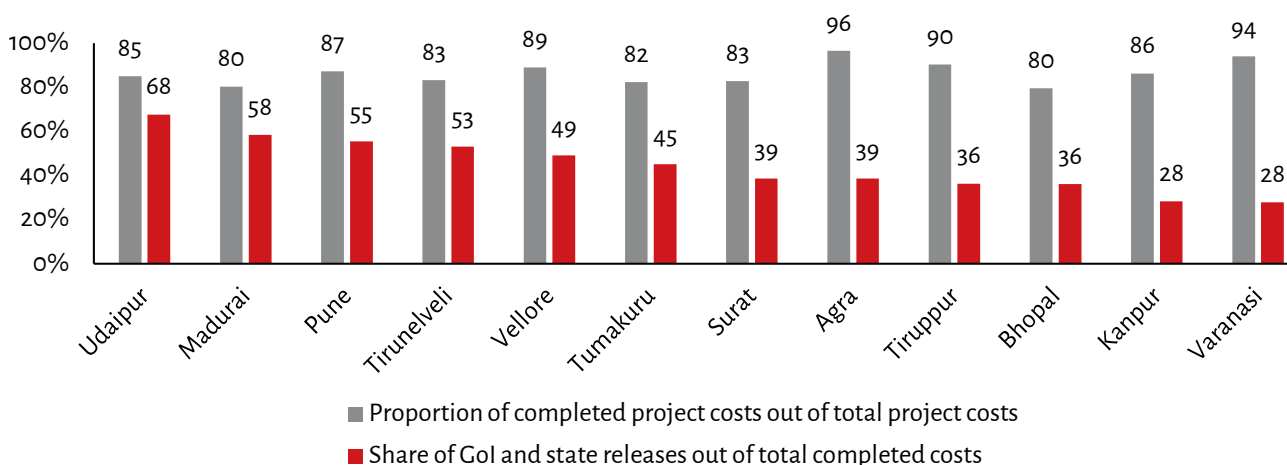
TIRUPPUR AT 90%, AND ERODE AT 65% , HAD HIGHER PROJECT COMPLETION COSTS DESPITE BEING SELECTED IN ROUND 3 AND 4



Source: Rajya Sabha Unstarred Question No. 543, answered on 12 December 2022. Available online at: <https://pqars.nic.in/annex/258/AU543.pdf>. Last accessed on 23 January 2023.

- As per the guidelines, Gol and state releases are to account for 45 per cent of the total costs. A comparison has thus been made between project completion costs with total releases for the top 12 cities which had the highest share of completed costs.
- Till December 2022, while Agra and Varanasi had completed 96 per cent and 94 per cent of their projects, the share of total completed project costs coming from Gol and state releases was only 39 per cent and 28 per cent, respectively. This suggests that these cities have used other sources of funding such as convergence, PPP, etc. for project completion.
- In contrast, in Udaipur, a majority 68 per cent of total completed costs were from Gol and state releases.

VARANASI AND KANPUR HAD VERY LOW PROPORTION OF TOTAL COMPLETED COSTS FROM GOI AND STATE RELEASES TILL DECEMBER 2022

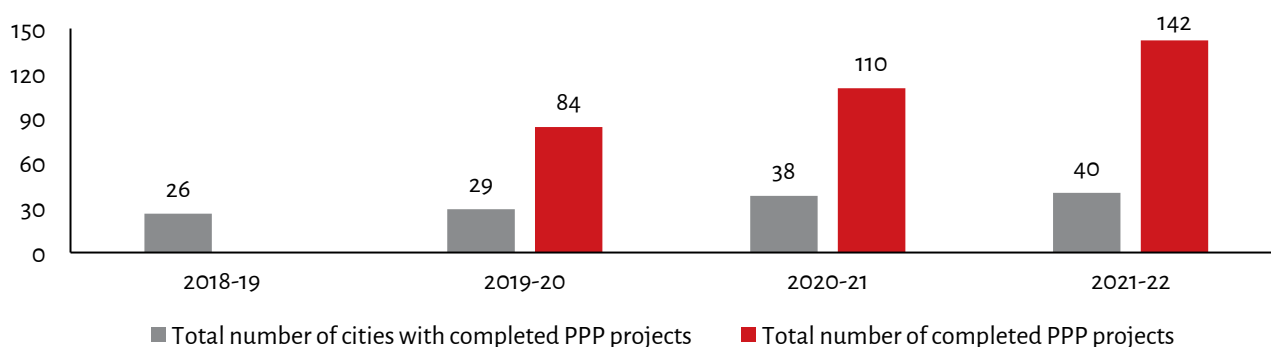


Source: (1) Costs from Rajya Sabha Unstarred Question No. 543, answered on 12 December 2022. Available online at: <https://pqars.nic.in/annex/258/AU543.pdf>. (2) Releases from RTI response by MoHUA dated 26 December 2022. Last accessed on 23 January 2023.

Projects through Public Private Partnership (PPP)

- During the launch of the Mission, ₹41,022 crore (21 per cent) of the total cost of the projects was envisaged to be mobilised through PPP. Between FY 2018-19, and FY 2021-22, the number of cities undertaking PPP projects, as well as the total PPP projects has increased considerably.
- In FY 2019-20, there were 29 cities with 84 PPP projects. This increased to 38 cities in FY 2020-21 and 110 PPP projects. In FY 2021-22, a total of 40 cities had PPP projects and the total number of PPP projects also increased by 29 per cent.

70% INCREASE IN NUMBER OF PPP PROJECTS COMPLETED BETWEEN 2019-20 AND 2021-22

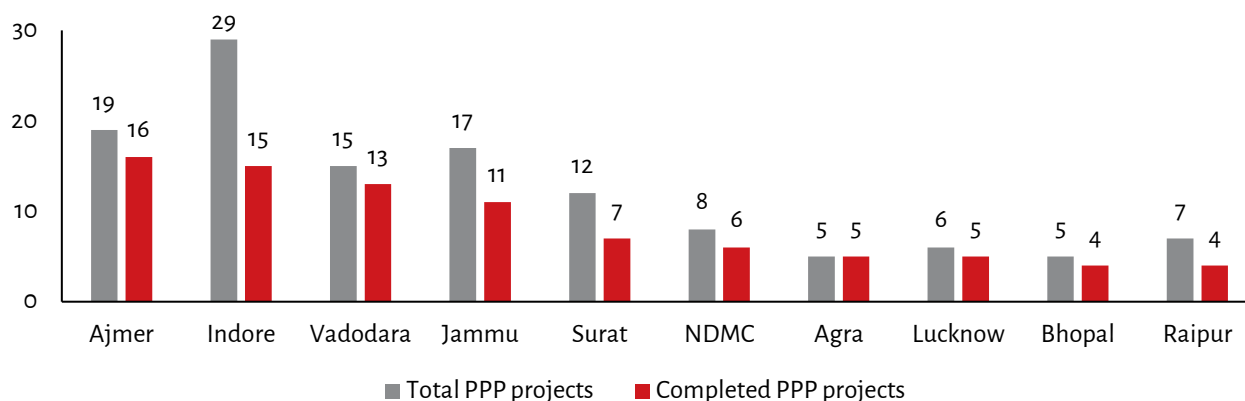


Source: Annual Reports of MoHUA between FY 2018-19 and FY 2021-22. Available online at: <https://mohua.gov.in/cms/annual-reports.php>. Last accessed on 27 December 2022.

Note: The total number of PPP projects for FY 2018-19 is missing, as the data were unavailable in the Annual Report of MoHUA for FY 2018-19.

- Till March 2022, cities with the highest number of PPP projects initiated by their respective SPVs included Indore (29), Ajmer (19), Jammu (17), and Vadodara (15).
- Differences also existed in terms of completion rates. While Indore started undertaking PPP projects since FY 2018-19, the city had completed a lower share of their PPP projects till FY 2021-22. In contrast, despite initiating its PPP project during FY 2020-21, Jammu had completed around 65 per cent of total projects during the same year.

AJMER AND INDORE HAD THE HIGHEST NUMBER OF PPP PROJECTS COMPLETED AS OF 2021-22; INDORE HAD THE HIGHEST NUMBER OF PPP PROJECTS

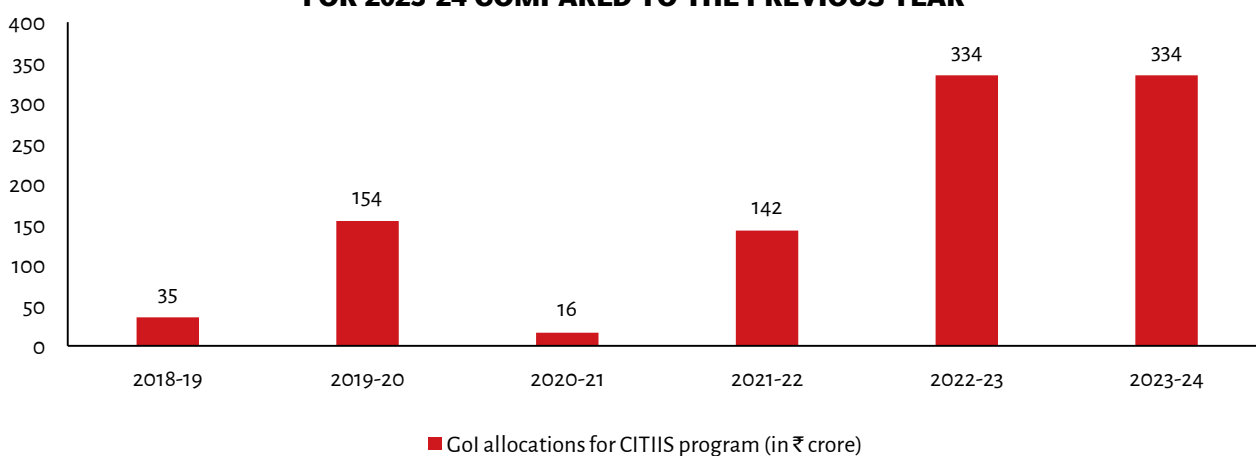


Source: Annual Reports of MoHUA between FY 2018-19 and FY 2021-22. Available online at: <https://mohua.gov.in/cms/annual-reports.php>. Last accessed on 27 December 2022.

CITY INVESTMENTS TO INNOVATE, INTEGRATE, AND SUSTAIN (CITIIS)

- The CITIIS programme was launched in 2018, as a sub-component of the SCM and serves as a ‘complementary instrument’ to provide financing incentives and technical support to projects selected under the Mission.
- The programme is a joint initiative of the MoHUA, Agence Française de Développement (AFD), the European Union (EU), and the National Institute of Urban Affairs (NIUA).
- The total allocations for the CITIIS Project from Gol had increased by almost 10 times between its initiation in FY 2018-19 and FY 2023-24.

GOI ALLOCATIONS FOR CITIIS PROGRAMME IS THE SAME FOR 2023-24 COMPARED TO THE PREVIOUS YEAR



Source: (1) Union Expenditure Budget, MoHUA, FY 2019-20 to FY 2023-24. Available online at: <https://www.indiabudget.gov.in/>. Last accessed on 1 February 2023.

Note: Figures are in crores of Rupees and are Revised Estimates (RE), except for FY 2023-24 which are Budget Estimates (BE).

- A total of 12 projects have been selected in 12 cities in different themes such as Sustainable Mobility, Public Open Spaces, Urban E-governance and ICT and Social and Organisational Innovation for Low-Income Settlements. The total cost for each project is partially funded through the CITIIS Grant received from Gol, ranging between 50-80 per cent of total cost, subject to a maximum of ₹80 crore. The remaining is to be mobilised by the SPV of the state through partnerships or state support.

City	CITIIS Grant (₹ crore)	Project Cost (₹ crore)	Project Name
Agartala	51	107	Howrah River Front Development (Phase- II)
Amaravati	80	138.62	Basic Infrastructure Development in Low- income Settlements in Amaravati City

City	CITIIS Grant (₹ crore)	Project Cost (₹ crore)	Project Name
Amritsar	80	108.83	Development of Sustainable and Green Public Transportation in Amritsar City
Bhubaneswar	79.3	181.65	B-Active (Be Active or Bhubaneswar Active)
Chennai	76.2	95.25	Model and Smart Corporation Schools in Chennai
Dehradun	46.4	58	Child-friendly and Commuter Centric Dehradun Smart City Sustainable Mobility Plan
Hubbali-Dharwad	80	130	Green Mobility Corridor
Kochi	15.1	19.14	E-health Solution
Puducherry	80	114.6	Our Neighbourhood is Your Neighbourhood Too - A Participatory Planning Approach for Improvement of Low-Income Settlements in Puducherry
Surat	80	139.15	Creating 'Wild Valley Bio-Diversity Park' as City Lungs by Rejuvenation of Existing Wasteland along the Creek
Ujjain	80	157	Mahakal Rudra Sagar Integrated Development Approach - Phase – II
Visakhapatnam	52	65	Social Inclusion through modernising Public Schools as Smart Campus

Source: CITIIS website. Available online at: <https://niua.in/citiis/>. Last accessed on 27 December 2022.