

PUBLIC FINANCE SYSTEM REQUIRE INSTITUTIONAL REFORM

The 'Smart Cities Mission' increases prospects for private sector participation. However, the sector faces its own financing challenges due to poor appetite of commercial lenders for funding infrastructure projects



By Ramesh Bawa

AS India continues to witness rapid urbanisation the government is exploring various ways to better manage its growing population in metropolises, and unlock greater economic potential. 'Smart Cities Mission' launched by Prime Minister, Narendra Modi aims to boost economic growth, improve governance, and enhance the quality of urban life by providing clean and sustainable environment. It's important to adopt an integrated approach towards building urban infrastructure by involving major stakeholders including citizens, urban planners, and local bodies for realising the vision of 100 smart cities.

'Smart Cities Mission' aims towards achieving urban transformation, by focusing on the development of new areas to accommodate rising urban population, while planning to improve the quality of life in cities, create employment opportunities, and increase incomes for all sections of society - especially the poor. The mission also considers re-development of existing spaces.

We think it's equally important to preserve India's traditional architecture, culture and ethnicity while applying modern technology and spending resources in a sustainable manner for building cities of tomorrow. It's estimated that about 31% of India's population lives in cities, which generates nearly 63% of country's commercial activities. And these numbers are fast increasing, with almost half of India's population is anticipated to live in metropolises by 2030.

'Smart Cities Mission' also aims to reduce carbon footprint, build strong IT connectivity and digitalization.,

organize better urban mobility, provide adequate water, electricity supply, affordable housing, appropriate sanitation, solid waste management, good governance, security of citizens, health and education.

We should also understand that every city is unique in terms of its identity, challenges and its citizen's requirements and aspirations. This gives us an opportunity to focus on city's unique dynamics, and take a relook at the aspirations, growth trajectory and development plan.

The 'Smart City Mission' increases prospects for private sector participation in developing and implementing projects under PPP model, and gives scope for indigenous and imported technology system providers to offer their 'smart' products and services in various seg-



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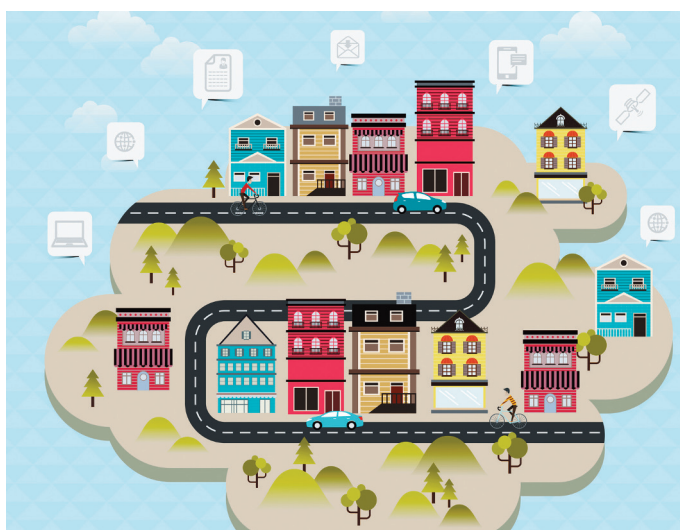
capital and help into the 'Smart City Mission'. The government may also approach the World Bank and the Asian Development Bank for loans.

Since the announcement of government's ambitious project and shortlisting of smart cities have taken place, many countries across the globe have shown keen interest in building specific shortlisted cities and are willing to invest financially. Countries such as USA, Sweden, Malaysia, UAE, etc. have agreed to partner with India for the 'Smart City Mission'. The UK has joined hands with the government to develop three cities - Pune, Amravati and Indore. Israel's has also entered into an agreement to help with urban transformation in cities such as Pune, Nagpur and Nashik to boost technological innovation and know-how, while France has shown interest for Nagpur and Puducherry. Apart from foreign government, many organisations and multilateral agencies are also keen to partner with Indian government through financial assistance by way of loans.

Smart cities aim to use technology to optimise and manage resources efficiently. Public transport network, water distribution, waste-disposal systems aim to use technology to provide better services to residents, and make efficient use of resources. Smart power or water grid would use sensors to monitor usage in the city areas, and using information the system could properly distribute electricity during peak and off-peak hours, or detect any water leakages. Similarly, -- a smart traffic control system would collect real-time information from roads and manage traffic lights based on traffic volume.

However, there is need for institutional reform measures in the areas of public financial management, and capacity building at urban local bodies. A change in mind is also required among citizens, who should be willing to pay for services, while administrators should provide quality services at affordable rates to bring about sustainable development. ■

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ments of urban infrastructure.

However, the sector faces its own financing challenges due to poor appetite for funding infrastructure with the commercial lenders, the ecosystem for vibrant commercial bond market is also nascent, which could have acted as potential long term source of funding for urban infrastructure. There is also a need for an urban utility regulator for various sub-sectors to monitor the delivery of services, tariffs etc. The government has proposed to provide financial support worth Rs 48,000 crores over five years to the 'Smart City Mission'. This will be operated through centrally sponsored scheme (CSS), and additional resources are also expected to be mobilised by the state government and external/ internal sources.

The funds for building smart cities are expected to be infused primarily through private investments and multilateral institutions funding, which will account 80% of the total spending on the mission. The foreign direct investment regulations have been eased to invite foreign