Flexible PPP pact to woo industry for smart city
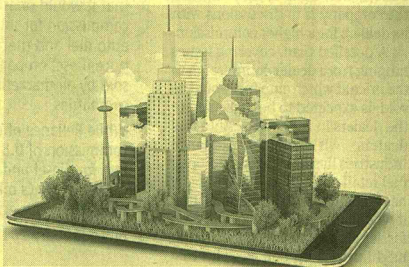
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The Narendra Modi government is working on a "flexible" PPP (public-private partnership) model and efficient urban mobility schemes such as metro and monorail as the primary peg to realise its ambitious project to develop 100 smart cities.

"There should be room to deviate from the agreement on technical grounds to make the project attractive for private players," a top official in the urban development ministry, handling the smart city plan, told *Business Standard*. Without significant participation and funding by the industry, the smart city project, a part of Modi's vision of *achche din* (good days), runs the risk of falling apart.

It's a long-term project and even officials connected with it are still trying to understand the nuances of a smart city. But the Prime Minister's Office (PMO) is learnt to be closely tracking the progress of the plan with regular meetings on the subject, to ensure it's delivered as promised in the Bharatiya Janata Party (BJP) manifesto and reiterated in the first Union Budget of the current government. Although no formal deadline has been set for the rollout, 100 smart cities in 10 years is being seen as a "practical goal". But many in the government and industry think it's a much longer-term project and can take anything from 15 to 20 years, with challenges such as power outages, poor infrastructure and dearth of clean drinking water coming in the way.

Officials working on the policy, however, sounded gung-ho about making it happen, though underscoring two concerns. First, getting a holistic team to work on a project of this nature is not easy. The Centre is consulting states, industry, consultants and academicians for coming out with a set of guidelines; and it must be a seamless team, they said. The second concern is over financing: Although the private sector (both domestic and international players) has shown enthusiasm about

engaging in the smart city project, the industry is seeking assurance about return on investment. For instance, the industry wants confidence from the government that policies will not change mid-way and they are seeking room for flexibility in the terms of agreement, while a project is in progress. Along with that, the government is learnt to be looking at a massive expansion of the Metro rail across the country to make smart cities feasible.

The government is yet to decide on the project cost or on the list of cities that will be converted into "smart". An initial estimate had put the figure at ₹35,000 crore as the annual cost for the project but in the Budget, Finance Minister Arun Jaitley allocated ₹7,060 crore for it (₹70 crore each for a city). The rest is expected to come from the private sector. The genesis of the ₹35,000 crore figure was a high power expert committee on investment estimates in urban infrastructure, that assessed a per capita investment cost of ₹43,386 for a 20-year period. The estimates covered water supply, sewerage, sanitation and transportation related infrastructure.

The smart city proposal has to deal with the financing details and the PPP modalities before it reaches the Cabinet

for a clearance, an official said, without giving any timeline. But he said only existing cities will be taken up for developing into smart cities. "This is a brownfield project." There's been some talk about rolling out new model smart cities earlier, but that's not what the government is aiming for. Apart from metros and bigger cities, those with potential to grow into investment hubs might also be considered for the leap.

Smart cities are broadly defined as urban spaces that are technologically integrated, well-planned and environment-friendly. According to the Smart Cities Council, these are cities that leverage data gathered from smart sensors through a smart grid to create a city that is livable, workable and sustainable. Although there's no city in India that has been classified as smart yet, companies such as Cisco, IBM and Microsoft have been working on cities based on smart-grids where all the utilities are integrated with data. Also, there are projects being developed as "safe cities" as well. Surat in Gujarat is among those being developed as safe cities. Safe cities are those with intelligent surveillance systems, while smart cities are more about sustainability and comfortable living.

BUILDING BETTER URBAN SPACES

- Brownfield projects in existing cities
- Cities with potential for growth being shortlisted
- Idea to make cities sustainable, tech-integrated
- Singapore, Japan have shown early interest
- Project for 100 cities to take 10 to 20 years
- Industry sees opportunity, but wants return on investment