THEME NO. 1:
WHAT IS THE IMPACT OF INSTITUTIONAL EXPERIMENTATION, I.E., SPVS ON THE IMPLEMENTATION OF THE SMART CITIES MISSION?

NC Narayanan, Head and Professor, ADCPS & Uttara Purandare, Research Fellow, ADCPS

Ashank Desai Centre for Policy Studies, Indian Institute of Technology Bombay

Acknowledgements

The authors would like to thank respondents in the 100 smart cities for taking the time to fill in survey questions. A special thank you to all the respondents in the SPVs and ULBs of Ahmedabad, Bhopal, and Kochi who sat down with us for interviews, provided detailed information and insights, and assisted in organizing the fieldwork for this evaluation. Thank you to the SAAR-Sameeksha team for coordinating, sharing information and data, and supporting in the smooth execution of this evaluation study. Thank you also to the ADCPS and IIT Bombay administration teams who assisted with logistics and coordination especially during field visits.

List of Abbreviations

- ABD: Area-based Development
- DPR: Detailed Project Report
- ICCC: Integrated Command and Control Centre
- ICT: Information and Communications Technology
- ITMS: Intelligent Traffic Management System
- MOHUA: Ministry of Housing and Urban Affairs
- O&M: Operations and Maintenance
- PPP: Public-Private Partnership
- SCAF: Smart City Advisory Forum
- SCM: Smart Cities Mission
- SCP: Smart City Proposal
- SPV: Special Purpose Vehicle
- ULB: Urban Local Body

Executive Summary

This report answers the question, 'What is the impact of institutional experimentation, i.e., Special Purpose Vehicles, on the implementation of the Smart Cities Mission?' The report seeks to understand how SPVs have functioned in terms of implementing and executing SCM projects and objectives, whether they are a viable mode of urban governance, what their challenges have been, and what the future of SPVs should look like.

The report begins by introducing the concept of the SPV and why it was introduced by the Mission. An overview of the SPV is provided, including the broad structure and governing mechanism that is common across all 100 SPVs. The literature review discusses certain criticisms that have been levied against the setting up of SPVs and the dangers they may pose for urban governance, accountability, and inclusion. The report then focuses on the data collected and analyzed for this study.

The methodologies used to answer the report's questions comprise of secondary research of the SCM including studying policy documents and other research papers about the Mission, as well as primary research. When it comes to primary research, this study has used the data shared on the 100 cities by the SAAR-Sameeksha team, it has used a survey pertaining specifically to the constitution and efficacy of SPVs, and it conducted fieldwork in three Mission cities. These cities were Ahmedabad in Gujarat, Bhopal in Madhya Pradesh, and Kochi in Kerala. Here, the research team conducted in-depth interviews with numerous respondents including SPV representative, bureaucrats from the SPV and the ULB, elected officials, and consultants.

The data from the survey and the fieldwork was analyzed and it forms the basis of section 5 of the report, the Impact Assessment. While the first part of the assessment focuses on all 100 cities, the second part focuses on the three case studies and the similarities and differences in the SPVs of these three cities. It finds that while the overall structure in the three cities similar, there are differences in the extent to which consultants and elected officials play a role in the SPV. There are also differences in the extent to which the SPVs have managed to raise funds and move towards financial independence.

Despite these differences, there are also a number of similarities. Most striking is the fact that most respondents believe that the SPV should continue and should remain in-charge of smart city projects. This is for various reasons including (the lack of) capacity within the ULB, continuity of working with various partners, vendors, and system integrators, and the ability for SPVs to focus on specific projects. Respondents also felt that SPVs have been successful in making urban governance more streamlined and efficient, and have reduced bureaucratic hurdles that often encumber urban projects and development.

This links to the most crucial part of the report: the challenges, best practices, and policy recommendations for SPVs and ULBs. The report argues that if SPVs are to continue as a mode of urban governance, there are certain policy changes that should be introduced and that the continuation of SPVs should not take place in the absence of strengthening ULBs. This section identifies challenges such as the coordination between SPVs and ULBs, the over-dependence on consultants and the loss of institutional memory, and SPV funding. The policy recommendations

include reducing the frequency of transfers, building internal capacity and reducing the dependence on consultants, encouraging equitable development, financially empowering SPVs, and strengthening ULBs in cities. The report also recommends having more contextualized policies for cities of different sizes and capacities, and that elected officials should play a more significant role in urban governance since they are familiar with the context of the city and the aspirations of its population.

Keywords: Special Purpose Vehicle; Smart City Governance; Capacity building

Table of Contents

Acknowledgements 2

List of Abbreviations 3

Executive Summary 4

1. Introduction 7

2. Literature Review 8

3. Observations 10

4. Methodology 11

5. Impact Assessment Inferences 13

5.1 National Level Theme-based Impact Assessment 13

5.2 City Visits & Detailed Primary Assessment 15

6 Study Outcome and Conclusions 17

6.1 Critical Challenges 17

6.2 Replicable Best Practices 20

6.3 Recommendations & Policy Directives 22

7 References 26

1. Introduction

The Smart Cities Mission (SCM) Guidelines stipulated that the Mission would be implemented and governed at the city-level by a Special Purpose Vehicle (SPV), incorporated under the Special Companies Act, 2013. This means that the SPV is one of the interventions that is common across all 100 smart cities.

The justifications for setting up an SPV rather than the ULB managing SCM projects are varied but primarily relate to improving efficiency and ease of decision making. The Guidelines state, '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' (MOUD 2015: 39). Have SPVs been successful in achieving this goal? To what extent? What has been the role of consultants in the SPV? What will happen to the SPV and to SCM projects in various cities once the Mission comes to a close? Is this model of governance sustainable? Should SPVs persist?

The purpose of this study is to better understand the functioning of SPVs and to answer these questions.

This evaluation has gathered data from a survey shared with all 100 cities, with 94 cities responding. Data has also been gathered from field visits to three cities: Ahmedabad, Bhopal, and Kochi. Here, in-depth interviews were conducted with various stakeholders in the SPVs and ULBs, including CEOs, SPV employees, consultants, bureaucrats, and elected representatives. This report provides a general overview of SPVs, delves into findings from the three case studies, and, crucially, provides a list of critical challenges faced by SPVs, replicable best practices, and policy recommendations for the future. The evaluation finds that while SPVs are important and have been successful in implementing smart city projects, they still face important challenges including financial challenges and coordination challenges. Furthermore, while SPVs can continue to play a role in urban governance, this cannot be at the cost of improving the functioning of and mitigating challenges faced by ULBs.

2. Literature Review

When the Smart Cities Mission was launched in 2015, the Mission Guidelines stated that selected cities would have to set up a Special Purpose Vehicle (SPV) for smart city implementation and governance. It was stated that the SPV, headed by a CEO and governed by a Board of Directors, would be responsible to 'plan, appraise, approve, release funds, implement, manage, operate, monitor and evaluate the Smart City development projects' (MOUD 2015: 12). The SPV was to be incorporated under the Companies Act 2013 and would be jointly owned by the state government and the city's ULB. The justification provided for the setting up of an SPV and for smart city governance through the SPV rather than through the ULB was so that decisions could be made faster with greater flexibility, so that projects could be implemented in a speedy manner, and so that relevant expertise could be brought on board.

While there are differences in the composition of the 100 SPVs, the roles they play, and the level of coordination and integration with the ULB, there are also significant similarities (Parkar and Purandare 2023). As directed by the Mission Guidelines, all SPVs are headed by a CEO who is usually an IAS officer. In a number of cities, the CEO holds dual charge with another post in the ULB like the Commissioner or Deputy Municipal Commissioner. In other cases, the CEO is independent and only focuses on smart city projects taken up by the SPV. The CEO is empowered to take day-to-day decisions but also has to report to the SPV's Board of Directors. This Board is usually made up of representatives from the ULB, the state government, the central government, political representatives, and has certain independent directors. Some cities have also set up Smart City Advisory Forums (SCAF) to provide feedback and consultation on smart city projects.

SPVs are empowered to utilize SCM funding for area-based development (ABD) and pan-city projects. SPVs identify and select projects, raise tenders, draft DPRs, select vendors, and oversee project execution and implementation, including in the operations and maintenance phase. The size and staffing of the SPV differs across the 100 smart cities. But most have, based on directives from the Mission Guidelines, hired consultants or management consulting firms to execute a number of core functions from strategizing to drafting policies and other documents, to overseeing project implementation and evaluation. Consultants have also been instrumental in determining the digital projects in various smart cities. In many cities, these consultants are from large multinational firms like PWC, E&Y, and Deloitte.

Researchers and scholars have questioned the implications of executing this flagship programme through an SPV rather than through the city's ULB. Bureaucrats and consultants have been empowered to take significant decisions on urban development with minimal intervention from

urban residents or their elected representatives (Khan et al 2018). Given the structure of the SCM and its focus on area-based development, there has been criticism that the Mission has developed 'smart enclaves' in otherwise unequal cities (HRLN 2018). Additionally, in cities where there has been less coordination between the SPV and the ULB, the future of certain SCM projects remains unknown because there is no clarity on who will steer and fund these projects once the Mission comes to an end. Finally, if more and more urban policies are going to be executed by SPVs, what implications does that have for local governments?

While urban officials see the benefits of having an SPV and executing the SCM through the SPV, they also raise certain important questions regarding the future of the SPV after the Mission comes to an end, the ability of the SPV to gain financial self-sufficiency, the loss of institutional memory, and the lack of capacity building. These are aspects that are discussed in some detail in this report.

3. Observations

When the Smart Cities Mission was launched in 2015, it mandated that every selected city would first have to set up a Special Purpose Vehicle for governing the smart city. Not only was this considered one of the crucial 'experiments' of the SCM, it was also expected to make smart city governance smoother and more efficient. Apart from setting up Integrated Command and Control Centres (ICCCs), it is the one intervention that every smart city has introduced. These are some of the reasons that assessing the efficacy of the SPV is crucial and presents important insights into the governance of the Mission and how this can be improved for the implementation of successive urban policies and programs. Importantly, understanding the effectiveness of the SPV also provides nuanced insights into the health and functioning of India's Urban Local Bodies.

ULBs are constitutionally mandated governing bodies but have longed been plagued by a lack of adequate funding, a lack of capacity, and a lack of state and central support. The shortcomings of the ULB – and the gaps in governance and implementation that they lead to for cities and their residents – was provided as one of the justifications for introducing SPVs by various respondents. It is also provided, as will be discussed in greater detail in the report, as a justification for the persistence of SPVs after the Mission comes to a close. The question, however, remains, whether the setting up of SPVs has any impact on the functioning of ULBs? Do SPVs help to reduce or off-set the shortcomings of ULBs? Do they further dilute the powers of the ULBs and local elected representatives? Do SPVs aid in meeting gaps in ULB expertise and capacity and thereby improve urban livability? Can SPVs and ULBs completement each other's roles and responsibilities? Or does the setting up of SPVs reduce urban accountability and delegation of decision making and responsibilities?

These are some of the broader questions that drove this study and that the authors were interested in exploring when discussing the efficacy and future of SPVS in urban India.

4. Methodology

The purpose of this study was to understand the impact and efficacy of governing through a Special Purpose Vehicle rather than SCM projects being initiated, designed, developed, and implemented by a city's Urban Local Body. Towards this end, it was imperative to understand the successes and challenges of the SPV, what changes are necessary if this model of governance is to persist, and how stakeholders at the local level perceive the SPV and its future.

Apart from studying SCM documents pertaining to the setting up of the SPV, most significantly the Mission Guidelines published in 2015, secondary research also looked at other literature and analysis that has focused on the SPV as a governing body. This literature, outlined above, has sought to understand various questions, including the impact that the setting up of an SPV has on local democracy, on transparency and accountability, and the actors who are playing an increasingly significant role in urban governance like management consulting firms and technology firms.

Data shared by the SAAR-Sameeksha team on the overall profile of the 100 cities, the various projects that cities have taken up, and their expenditure during the duration of the Mission has also been analyzed. This data helped to determine which cities would be selected for more in-depth case studies and field visits.

In addition to these data sets, it was strongly felt that it was important to understand the experiences directly from cities, including both ULBs and SPVs. To this end, a detailed questionnaire was circulated among all 100 SPVs. This questionnaire sought responses on the composition of SPVs, its working relationship with the corresponding ULB, and the role of consultants in the Mission. It also attempted to gauge how successful SPVs have been in initiating PPP projects in their cities since this was one of the aims of the Mission. The questionnaire collected data on the value of PPP projects in that city as well as the extent to which SPVs have been successful in monetizing SCM projects. These responses have been analyzed and discussed in this report. Insights form this survey have also informed identification of critical challenges and policy recommendations for the Mission as a whole.

In order to complement these data sets and discuss more qualitative and in-depth questions, it was necessary to visit cities, speak to respondents, and understand the experiences of different actors, from both the SPVs and the ULBs, in their own words. Three cities were identified for field visits. The cities, Ahmedabad in Gujarat, Bhopal in Madya Pradesh, and Kochi in Kerala were selected based on suggestions from the MOHUA as well as this team's interest in ensuring certain geographical and contextual diversity in the case studies. The same member of the team visited all three cities and interviewed about 25 respondents. These respondents include SPV officials,

ULB representatives, consultants, and system integrators. The member also spent time in SPV offices, observed the functioning of the cities' ICCCs, and studied SCM data and documents shared by city officials.

The analysis of these interviews adds much needed depth and dimension to this study. Not only does it provide some insight into the differences across cities and their experiences of the SCM, it also helps to develop more informed policy recommendations that have been outlined in this report.

5. Impact Assessment Inferences

5.1 National Level Theme-based Impact Assessment

This section provides a broad overview of insights from the survey circulated among the 100 cities. Responses from all 100 cities were received.

No.	Question	Responses	
1	Total Number of SPV board meetings held till date	On average, 27.5 board meetings in each SPV	
2	Average tenure of Chairman of SPV	On average, 24.1 months	
3	Average tenure of CEO of SPV	On average, 23.2 months	
4	Is the CEO also the Municipal Commissioner of ULB?	Yes: 47 SPVs	No: 46 SPVs
5	Total number of Smart City Advisory Forum (SCAF) meetings held since inception	On average, 8.05 meetings per SPV in total. Only a handful of cities held upwards of 20 SCAF meetings, while many held only between 1 and 5. Only 2 SPVs have not held a single SCAF meeting	
6	SPV personnel deputed from the State Government	On average, 2.6 persons	
7	Number of government departments represented in the SPV	On average, 2.1 departments The majority of SPVs do not report any representation from government departments	
8	SPV personnel deputed from ULBs	On average, 2.2 persons	
9	SPV personnel on direct individual contracts	On average, 12 persons	
10	Total number of consultants in the SPV	On average, 11 consultants	
11	Number of national or international events (seminars/ exhibitions) that SPV personnel have participated in	On average, 13.1 events, with many cities not having participated in any while some cities have participated in upwards of 30 events	

12	On a scale of 1 to 5, how would you rate the SPV-ULB working relationship in your city? [1]	On average, 4 (The SPV and ULB attempt to coordinate and interact with regularity)
13	Number of PPP projects that have been undertaken successfully by the SPV	On average, 2.4 projects Lowest: 0 (47 cities) Highest: 52 (Vellore)
14	Total value of the successful PPP projects undertaken by the Smart City SPV (in crores)	On average, 80 crores Lowest: 0 (32 cities) Highest: 1003.23 crores (Jammu)
15	Total Revenue received by Smart City SPV (From projects developed by the Smart City SPV) (in crores)	On average, 21.6 crores Lowest: 0 (55 cities) Highest: 990 crores (Belgavi)

Table 1: An overview of Mission governance based on survey data received from the 100 smart cities

[1] 1 – Almost never need to interact and work independently
2 – The SPV mostly works independently but coordination is required for certain projects
3 – Some projects are handled solely by the SPV while for others the SPV and ULB work together
4 – The SPV and ULB attempt to coordinate and interact with regularity
5 – Work closely on almost all issues and the SPV's and ULB's goals and plans are well-aligned

5.2 City Visits & Detailed Primary Assessment

For a better understanding of the efficacy of the SPV as a system of governance, we visited the Ahmedabad SPV, the Bhopal SPV, and the Kochi SPV. Here we interacted with SPV staff, bureaucrats, ULB representatives, and consultants (the table below has a break-up of these interviews, city-wise. We sought to understand the experiences of the SPVs in implementing smart city projects, interacting with the ULB, what challenges were faced, and how the SPV saw its own role and future in urban governance. Apart from in-depth interviews with various respondents, we also visited the cities' ICCCs and other ICT projects like the ITMS. We understood how these worked, who oversaw their functioning, and what the current and future capabilities of these centres are. In this section we discuss some of the commonalities and differences among the cities and what this can tell us about the SPV as a system of governance and its future.

In all three SPVs, there is a similar structure. The SPVs are headed by CEOs who are IAS officers. In all three cities, the CEOs hold dual or multiple roles. While the CEO is empowered to take certain decisions, they must report to a Board of Directors made up of representatives from the city, state and national levels, as well as independent directors. In Kochi, the mayor is one of the directors and plays a significant role in the implementation of the Mission. Ahmedabad and Bhopal did not report any elected representative playing as important a role. In these two cities, however, management consulting firms play a significant role in supporting SPVs. They advise and strategize on projects, recommend best practices, help draft DPRs and coordinate with vendors, oversee the implementation of projects, coordinate with the MOHUA, and suggest ways for SPVs to monetize projects and become self-sufficient. In Kochi, on the other hand, project management consultants have a limited role relating to project technicalities and the drafting of DPRs. Instead, Kochi has hired a larger number of in-house staff for their SPV. From the perspective of building internal capacity, this approach promises more permanence and stability, as well as the building of institutional memory and in-house expertise.

When it comes to financial independence, the three SPVs are at fairly different stages. At one end, Bhopal has significant assets because the city's ULB transferred a large tract of land to the SPV for development and commercialization. In addition to this, the city has started to raise fund from certain projects like collecting a portion of e-challans. Since Bhopal has set up a startup incubator, the BNest, the SPV is looking for ways to monetize this as well. The Ahmedabad SPV has also started working towards financial independence by monetizing some of its projects. This includes collecting various fines through surveillance systems as well as through advertising. The SPV is also looking for ways to monetize the data that is collected. On the other hand, respondents in Kochi reported that they have not started the process of monetization and were

only recently made aware that this is an aspect that should be focused on. All three SPVs stated that they planned to begin offering consulting services to other cities and government organizations in order to raise funds.

What was also common among all three SPVs was the conviction that the SPV should continue and that its continuation would offer the best chance for projects initiated under the Mission to serve the city and reach their full potential. It was felt that ULBs may not have the capacity or inclination to manage SCM projects; and even if they did, they have enough on their plate. Instead, SPVs would be able to focus on smart city development.

SPV representatives said, however, that the lack of clarity on the future of the SPV has been a hinderance and has not provided the freedom and security necessary to keep planning and implementing projects. This along with the lack of financial stability are significant challenges faced by the SPV for which they require support especially from state governments and the central government. While the three SPVs have had some PPP projects, respondents said there is scope for increasing this number; however, it has not been easy to attract private investment.

The next section delves deeper into the challenges faced by cities, what has worked best for them, and how the SPV can be improved in order to better support cities.

City	**SPV staff/ ULB representatives**	**Consultants/ Employees on PPP projects**	**Total**
Ahmedabad	3	3	6
Bhopal	4	5	9
Kochi	7	-	7

Table 2: Overview of interviews for this study

6 Study Outcome and Conclusions

This section of the report reiterates some of the most salient learnings from this evaluation in order to underscore some of the challenges faced in governing the SCM, how these could be addressed, and certain other recommendations that would be relevant for urban policies and programs that follow from and build on the SCM.

Almost all respondents opined that the SPV has been effective and should continue as the nodal body for governing smart city projects at the city level. The justifications provided for the continuation of the SPV also had a fair amount of overlap across the respondents. This included the efficiency and speed with which SPVs could take decisions and implement projects, the limited scope of SPVs which made their mandate more straightforward and manageable and also more focused, the ability of SPVs to hire personnel required to implement SCM projects, the lack of political influence or interference, the professionalism in an SPV, and the lack of bureaucratic hurdles.

Respondents also felt that the SPV should continue after the Mission comes to an end. It was largely felt that the progress made in cities under the SCM would be lost if the SPV did not continue and if all projects were handed over the ULB. However, the continuation of the SPV depends on several factors. The lack of planning and clarity on what happens next, however, has been a challenge for SPVs and for their employees. This is also a challenge for ULBs and has caused a certain amount of confusion in cities, including among SPV employees, consultants and system integrators, and various bureaucrats.

In the rest of this section, we attempt to outline certain specific challenges and make policy recommendations that are relevant for the SCM as well as for urban development in India, more broadly.

6.1 Critical Challenges

6.1.1 Coordination with the ULB

One of the most commonly cited challenges was coordinating with the city's ULB or its departments. While most SPVs have incorporated the ULB's priorities in the projects they choose and implement, others work more independently of the ULB. This is clear from the data presented in Table 1. However, coordination for the smooth implementing and maintenance of projects is crucial and does not always occur without hiccups. Representatives mentioned that sometimes a lack of coordination and communication between the SPV and the ULB has led to confusion over jurisdiction and has caused delays in project implementation. As the Mission

comes to an end, there is a lack of clarity on who manages these projects now. While many projects are still under the O&M stage with various vendors, these vendors have so far been coordinating with SPV representatives. There has not been adequate focus on training ULB representatives when it comes to ICT projects or coordination on who will maintain infrastructure projects.

Another challenge faced by SPVs is the lack of access to ULB data. This could be for a variety of reasons including lack of communication, because city data exists in departmental silos, or because city data has not yet been digitized. The downside to this is that ICCCs cannot be used to their potential and that only ICT projects initiated under the SCM have so far been linked to ICCCs in some cities.

6.1.2 Focus on certain areas of the city

When the Mission was launched in 2015, cities were encouraged to focus on developing selected areas of the city (area-based development) which could then be scaled up. This approach was by design and was expected to create lighthouses that could then be replicated. While all cities were required to include pan city proposals as well in their Smart City Proposals, these were fewer in number and used up a smaller portion of the SCM grant. This has led to most smart city projects being concentrated in specific parts of the city. More crucially, as one respondent pointed out, there has not been, the SCM has not focused adequately on urban planning and has instead chosen to upgrade the city in a more piecemeal and project-based manner.

While ABD development may be a design of the SCM, it has led to uneven development in the city especially since other policies or missions have not been announced to develop other parts of the city after the SCM comes to an end.

Finally, respondents suggested that the SCM should also have a deeper engagement with pro-poor policies including housing, employment, and reducing inequality within the city. Improving stake-holder engagement – with elected officials, civil society, and citizens directly – can help SPVs ensure that they are responding to the requirements and aspirations of the city and reducing any friction or dissatisfaction with the Mission.

6.1.3 SPV funding

Another common challenge voiced by respondents was that SPVs are struggling to gain financial self-sufficiency—which contributes towards the uncertainty of the future of the SPV. While some have already initiated projects that can raise revenue, others are only now beginning to explore this possibility. However, it does not seem as though existing smart city projects will provide enough of a revenue stream for SPVs to continue. This means that they must either depend on

continued support from the ULB, state government or central government, or SPVs will have to find own sources of revenue soon.

SPV representatives that we interacted with all expressed that they were in the process of reorienting the SPV as a consultant for other government organization, including other ULBs who may be interested in setting up smart city projects. This would be in addition to certain projects that do generate revenue like the filing of e-challans or adverting space. However, the feasibility of SPVs working as consultants is not yet very clear, leaving the future of the SPV unknown.

6.1.4 Capacity and personnel

On the one hand, respondents expressed that one of the advantages of having an SPV is the flexibility in hiring individuals and private partners who are best suited for SCM projects. Respondents argued that SPVs function more like corporate offices where the staff is younger and more dynamic, there is technical knowhow, and out-of-the-box thinking is encouraged.

On the other hand, one of the challenges is that there are frequent transfers of certain SPV officials, like the CEO, who are often bureaucrats. This breaks the flow of work and stalls project progress. Even if not frequently transferred, some CEOs hold dual or multiple offices which divides their attention and slows down decision-making, a fact that is contrary to the intention of setting up an SPV in the first place.

Additionally, there hasn't been enough focus on building capacity of ULB personnel, especially relating to ICT projects, which makes the future of these projects unpredictable and increases dependence on private sector actors. This uncertainty is amplified by current uncertainties among ULB staff given that the future of the SPV is unknown and unclear.

6.1.5 Dependence on consultants

Closely related to the previous point is the increasing dependence on external consultants – technology consultants, project management consultants, and strategy consultants – that is widespread in most SPVs. While consultants can play an important role and do offer certain expertise, an over-dependence on these firms does not sustainably solve the problem of lack of capacity in SPVs or local government. As one consultant said, this can cause a loss of institutional memory and lead to further dependence on consultants. Furthermore, as another respondent mentioned, consultants may not always be familiar with the context of the city. And while they can provide high-level advice and expertise, consultants do not always fulfil the jobs done by officials working at the grassroots. Finally, if SPVs are looking to become consultants for other government bodies, their own dependence on consultants seems counterintuitive and superfluous.

6.1.6 Future of the SPV

As has been mentioned a number of times in the previous points, the future of the SPV is presently unknown. This has raised questions among SPV personnel not only about their jobs but also about the future of SCM projects that have been initiated by and are currently being overseen by SPVs.

Given that smart cities were required to set up SPVs before the implementation of projects began, there should have been clear guidelines in place of what would happen when the Mission came to a close, how assets created would be governed, and what the systems of revenue sharing would be. While many respondents in ULBs also felt that SPVs should continue, they are not clear on whether the SPV would become part of the ULB, work independently, or how it would be funded. This is particularly relevant for cities that do not have large budgets and may not be able to fund SPVs without support from the state or central governments.

6.2 Replicable Best Practices

6.2.1 Role of the city mayor/ other elected representatives

While elected representatives are on the Board of Directors and may also be part of the Smart City Advisory Committees, their roles are not always clear or defined. Some respondents felt that engaging with elected representatives and further empowering the mayor in the SPV and in smart city development more broadly, would help improve the outcomes of the Mission. This is because elected representatives are more attuned to the needs of the city and are more aware of its context. In Kochi, for example, the mayor has played a crucial role in the smooth and successful implementation of SCM projects. Furthermore, such an engagement could help improve coordination between the SPV and ULB, could reduce friction, and could bring about more equitable distribution of resources and development across the city. If these interrelations are codified, the Mission would not, as one respondent put it, depend on the subjectivities of elected representatives and if they saw merit in smart city development. Instead, it would be objective and continuity and coordination could be ensured.

6.2.2 Improved stake-holder consultation

When the Mission was launched, the Guidelines required ULBs to engage with various stakeholders when drafting the SCPs. Different cities did this to different extents and some have argued that this was done superficially, at best (Khan et al 2018). In our interviews, some respondents argued that there had not been adequate stakeholder consultation, especially in the early stages of the Mission which led to the setting up of city-level and state-level advisory forums. Despite this not being enforceable, it is a good step for improved coordination and

implementation—however, it is not enough. SPVs have to engage directly with stakeholders, especially with citizens. Respondents in Kochi and Bhopal, for example, reported very different approaches to stakeholder engagement which have resulted in very different outcomes. In Kochi, there was a concerted effort to meet with and discuss upgradation projects with citizen groups and trade unions so that work would take place smoothly and there would be no pushback after the projects began. In Bhopal, on the other hand, there was inadequate communication with groups directly impacted by certain projects (who would have to be relocated) and there was inadequate communication between the SPV and the ULB. This resulted in opposition to certain projects and progress slowing down.

Furthermore, based on observations of the extent of surveillance in cities – which is sure to increase – it is important to make citizens aware of where cameras may be, what their capabilities are, and how behaviors should change in public areas. It is also important to spread awareness on emergency call boxes, city apps and dashboards, and other services that are being developed under the SCM that citizens may not be aware of.

6.2.3 Fixed terms for SPV CEOs

Based on interviews as well as data collected from various cities, it is clear that there are some differences in how SPVs are structured and how they function. While some SPVs have independent CEOs, in others the CEOs have additional changes (for example they may also hold the post of Municipal Commissioner or Dy Municipal Commissioner). There are advantages and disadvantages to both these structures but respondents in both cases strongly felt that it is helpful when CEOs have a longer, fixed term. This allows for the smoother implementation of projects and ensures that goals of the SPV do not keep shifting. It also saves time and projects do not come to a halt.

Respondents recommended that CEOs should have a tenure of at least two years but this could be extended, as well. While such a tenure has been mentioned in the Mission guidelines, it has not always been followed and CEOs often have a short tenure. Respondents stated that the SPVs have worked best when there has been stability and continuity at the top.

6.2.4 Aligning with the ULB's priorities

While the SPV may work independently of the ULB, it is important for the entities to share certain priorities and goals. This is already the case in a number of cities but there is scope for improvement especially when it comes to planning to financial outlay of projects. When the SPV aligns its priorities with the ULB's and selects projects with the sanction of the ULB, this results in greater acceptance of the projects, more support, and assured continuity even if the SPV does not persist. At the moment, there is a lack of clarity in some cities regarding what might happen

to SCM projects if the SPV does not continue to oversee and fund these projects. This is one of the reasons respondents in SPVs feared that progress would be lost if the SPV came to an end—because the ULB has not taken into consideration the management of many SCM projects.

In conversations with stakeholders, it is clear that in those cities where the SPV and ULB work in tandem, the process of implementation has been smoothers and the outcomes have been better received.

6.2.5 Financial empowerment of SPVs

If the SPV is to persist, as most respondents think it should, its funding is crucial. While some SPVs have started raising funds and strategizing on ways to become financially self-sufficient, at the moment they would still depend on externally funding if they are to continue. Other SPVs have not begun this process yet. Respondents said that they should be able to access funds raised form SPV-led projects (like the collection of e-challans for traffic violations made possible from ITMSs set up under the Mission). Others suggested a tax-sharing system with the ULB for ABD areas. Further, certain SCM projects have saved the city money (like the installation of LED streetlights) but the SPV has not gained from these projects. Respondents argued that these savings could be shared with the SPV. As mentioned before, SPVs are also reorienting their services to act as consultants for other cities and city organizations. This could be another source of revenue but since these services are in their initial stages, SPVs do not know how successful this might be.

While the SCM encouraged PPP projects under the SCM, cities have had very different levels of success with this. Similarly, some SPVs have managed to raise funds – and began this process earlier in the Mission – while others have not been able to. Having greater clarity on the future of the SPV when the Mission began would have helped these bodies plan better and would have reduced uncertainty. If SPVs are to become a system of governance in the future, it is imperative to offer greater clarity on their lifecycle, financial powers, and chances of continuity so that SPVs themselves and other related entities can plan better.

6.3 Recommendations & Policy Directives

6.3.1 Reducing frequency of transfers

As mentioned above, it is recommended that SPV CEOs and other officials have security of tenure in order to ensure continuity and stability. This improves implementation of projects and outcomes, helps ease coordination, and makes decision making more efficient. While CEOs may hold dual postings – this can sometimes be an advantage – it is not recommended that they hold multiple posts that reduce the time and attention they can give to smart city development.

6.3.2 Building internal capacity

While consultants can play an important role in SPVs, an overdependence on them comes at the cost of building internal capacity and strengthening institutional memory. It is recommended that capacity is built – especially for ICT expertise – in both SPVs and ULBs, especially if SPVs are to become more permanent. Given that urban digitalisation is a long-term project, building expertise will be an advantage for local government. Furthermore, if SPVs want to become consultants for other government institutions, a continued dependence on external consultants is counterintuitive.

6.3.3 Financial support and freedom

If SPVs are to continue, they may require financial support, especially in the initial stages, as well as greater financial freedom to raise and utilize funds. This can be achieved through fund disbursement and sharing from SCM projects, transfer of assets, and access to grants from urban policies in the future for which existing SPVs can become implementing agencies. This will also mitigate the need to set up yet another body.

6.3.4 Strengthening the ULB

When discussing the strengthens of an SPV with various respondents, what also became clear were the challenges faced by and within ULBs. This necessitates setting up of SPVs for the implementation of programs like the SCM. While SPVs can play an important role, they are not a substitute for ULBs that still require to be strengthened with greater financial and personnel capacities. Furthermore, it is important for elected representatives to play a more significant role in urban programs like the SCM. This improves selection of projects, implementation, and legitimacy. Bringing about these changes will make urban programs more sustainable and more accountable. It will also reduce the multiplicity of urban bodies and streamline urban development.

6.3.5 Improved data policies

Fieldwork revealed a fair amount of city-level surveillance and potential for data collection. However, protocols for privacy and security can be strengthened. Furthermore, there need to be more discussions on the purpose of surveillance. It was observed that, at present, the attitude towards surveillance is to “catch citizens red-handed” or to fine them for violations—repercussions after the fact. This is very different from trying to discourage harmful behavior to begin with or bring about changes in attitude. Towards this end, citizens can be informed when they are around surveillance cameras and there have to be other interventions to improve

adherence to road rules. Finally, it is important for privacy rules to be in place before the capacities of ICCCs increase and become more pervasive.

6.3.6 Different approaches for cities with different levels of development

Finally, the continuation of an SPV, especially if this would require financial support from the ULB, should be considered in the context of each city. For some cities, this may not be necessary and may in fact be a burden, in other cities the SPV could become a part of the ULB, and in others it may be most beneficial for the SPV to function independently. It is not necessary for the Mission to implement a one-size-fits-all approach for the future of the SPV.

6.3.7 Improved documentation, and sharing of learnings and experiences

One of the aims of the Mission, as a whole and through its tool of area-based development, was to create a replicable model of urban development. This was to be for the city itself (through ABD), and for other cities to learn from, too. To this end, it is important that SPVs document their experiences, both good and bad, and make this knowledge public. It has been observed that cities have very different levels of information sharing, which makes this process of smart city development less transparent. It also does not help the strengthening of institutional memory. To this end, better documentation and reporting at the city-level is recommended.

Conclusion

While the SPVs set up under the Smart Cities Mission have performed important functions and have been crucial in the implementation of Mission projects, cities run the risk of becoming increasingly dependent on this structure of governance. One of the most significant downsides of this is that the challenges and lacunae in functioning of ULBs do not get addressed. When interacting with respondents about the efficacy of the SPV, the responses always pointed to the failure of ULBs to function effectively and to respond to the needs of a city. A dependence on SPVs for urban governance means a dependence on bureaucrats and consultants and, often, the sidelining of elected representatives. Importantly, such a structure does not bring Indian cities any closer to the objectives of the 74th Constitutional Amendment Act which sought to decentralize decision-making, strengthen local governance and accountability, make ULBs vibrant institutions. While SPVs can be effective, the setting up of multiple SPVs in a single city runs the risk of augmenting rather mitigating the challenges outline above, including coordination challenges, financial shortfalls, overlapping objectives, unequal development, and the loss of institutional memory.

While SPVs can be a tool for local government, the responses gathered in this study also pointed to the urgent need to reform ULBs and improve the way in which they function rather than attempt to bypass them for urban development. Future urban policies should find ways to be more holistic not only in projects selected and areas of a city, but also in governance structures and mechanisms.

7 References

Housing and Land Rights Network (HRLN). (2018) *India's Smart Cities Mission: Smart for Whom? Cities for Whom?* New Delhi, India: HRLN Update 2018.

Khan, Sama, Persis Taraporevala, and Marie-Hélène Zérah. (2018). Mission Impossible Defining Indian Smart Cities. *Economic & Political Weekly*. LIII (49): 80–88.

Mallick, Arpita. (2024). *Standing Committee Report Summary Smart Cities Mission - An Evaluation.* PRS Legislative.

Ministry of Urban Development (MOUD). (2015). Smart Cities: Mission Statement and Guidelines. New Delhi India: Ministry of Urban Development, Government of India.

Parkar, Khaliq and Uttara Purandare. (2023). *Decoding Digitalization of Urban Governance in India: Policy, People and Processes of the Smart Cities Mission and National Urban Digital Mission*. Working Paper. Centre for Policy Research, pp. 1-23.