

More than just smart infrastructure

Don't limit the Smart Cities initiative to just enclave-type development

The recent announcement of the flagship programme on smart cities by the government is an important initiative as it focuses on urban rejuvenation to make urban agglomerations the engines of economic transformation. Indeed, the emphasis does not come a day sooner. However, important questions on design and implementation issues remain. More specifically, what proportion of the total requirements will be met by this assistance and how will the remaining requirements be met? What should be the contributions from the respective state governments and own resources of urban bodies? What will be the reform components attached to the assistance and how will they be designed? While the programme covers only 100 cities and towns which account for only a fraction of 377 million population what happens to the remaining of urban agglomerations? Will it end up like the numerous centrally-sponsored programmes initiated in the past, including the JNNURM?

According to the press reports, cities have been chosen for assistance based on some objective criteria. The states have been assigned fixed number of cities for development based on their urban population and the number of statutory cities/towns and the states were required to choose the cities on the basis of financial and governance capacities of the cities. The names of 98 cities have been announced and one each will be identified by Jammu & Kashmir and Uttar Pradesh. Of the 100 cities chosen, 20 will be taken up for assistance in the first year and 40 each will be chosen in the next two years. The selection for sequencing will be done on the basis of six criteria including credibility of implementation of the programme, city vision and strategy, economic and environmental impact of the plan. The programme is for five years and each of the cities chosen will begin a grant of ₹200 crore in the first year and ₹100 crore in subsequent years. Thus, the 20 selected cities in the first year will get assistance for 5 years and the 40 cities selected in each of the next two years will get the assistance for 4 years and 3 years, respectively. The total assistance for the programme works

to ₹48,000 crore for the 5 years. The selected cities have varying population sizes. Of the total, 35 towns have a population between 1-5 lakh, 21 cities have population between 5-10 lakh, 25 cities between 10-25 lakh and 4 cities have a population of more than 50 lakh.

As mentioned above, the focus on urban rejuvenation is well-conceived. Cities are the leading edge of economic dynamism in every country. They create agglomeration economies for the enterprises to concentrate and enable productive interaction of people from various walks of life leading to exchange of ideas and a climate for creative activity leading to innovation and productivity gains and enterprise development. Cities generate externalities that facilitate transactions, production, and distribution activities and serve as centres of entrepot trade. The spirit of competition among the cities can act as a catalyst in development. Large cities provide scope to achieve the critical mass required to attain high degrees of specialisation in labour, knowledge and businesses, services, infrastructure, institutions and media, all of which increase economic dynamism.

However, the extent to which cities succeed in realising their potential to galvanise innovation and accelerate growth depends to a considerable extent on their creation of enabling environment. This depends not only on standards of urban public services provided but also on good policies, high-quality institutions, and the tolerant and open social environment needed to facilitate creative social and economic interaction. Achieving agglomeration economies in cities requires the sustained provision of a wide range of urban public services that promote both private-sector activities and the well-



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being of the urban population such as water, sewers, garbage collection and disposal, drainage systems, police and fire protection, and transportation. In a world where international economic competition is linked to dynamic urban centres, cities that wish to attract the 'knowledge workers' who are increasingly the drivers of growth also need policies to accommodate diverse cultures (including outsiders) as well as such 'quality of life' factors as high quality schools and healthcare facilities, social and cultural activities, recreational opportunities, and safe and strong neighbourhoods. Moreover, cities must also accommodate all those who make the city work, including new migrants and others who work in construction and other essential activities and often need affordable housing and in many cases some social assistance. Finally, underlying all this, a 'good' city also needs a political and governance system that responds to the requirements and needs of its people swiftly without entailing heavy transaction costs.

Thus, making of smart cities involves not merely infrastructure and service provision but also requires multidimensional approach a number of other cultural, governance and institution-related issues, besides providing the state of the art infrastructure and services. Even if one goes by the requirements for providing reasonable standards of public services, the investment requirement is large. The present scheme covers only a fraction of 377 million people. What happens to the remaining cities? Are they supposed to depend upon themselves for making themselves smart? Is there a vision for overall urban development? The High Powered Expert Committee

has estimated the requirement at ₹39 lakh crore in the next 20 years. In fact, government will do well to work out a comprehensive strategy for urban development in the country to make them engines of development rather than limiting the programme for enclave-type development. The lack of clarity on urban development strategy can result in the Union government committing itself to huge liabilities over the years and when it finds it infeasible, abandoning the programme mid-way or leaving the responsibility on the state governments.

Even if only the 100 selected cities are taken into account, it is not clear what the investment plan for these cities will be. The investment of ₹48,000 crore earmarked by the Union government will meet only a part of the requirements and the extent of additional funding will vary widely across cities depending on their size and the cost of delivering the infrastructure. It is important to estimate the total investment requirements for providing reasonable levels of infrastructure in each of the cities and work out a detailed plan for financing them. This should include the contributions from the State government and additional resource mobilisation by the local governments. This would also require the government to put in place an implementable programme of reforms including those for raising tax and non-tax revenues. In other words, it is important to work out the details of the design of the programme particularly in terms of the contribution and participation by the state and local governments and structure of incentives and accountability at all three levels of government. While the programme is important and can be a catalyst for growth, it is necessary to work out the details of the design and implementation of the scheme. Specifically, it is necessary to have clarity on the overall development of urban infrastructure and services in the country and the responsibility of different levels of government to ensure proper incentives and accountability.

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