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## Chapter I

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# INTRODUCTION

## 1.1 About the Scheme

Smart Cities Mission (SCM) was launched by Government of India on 25 June 2015 in order to meet the changing needs of the cities and achieve comprehensive development of physical, institutional, social and economic infrastructure of the cities. As per Census 2011, cities house 63 *per cent* of the population. The mission was to cover 100 cities and its duration was five years (2015-16 to 2019- 20) which has been extended up to March 2025.

### 1.1.1 Objectives of SCM

The main objective of the Mission was to promote cities that provide core infrastructure, clean and sustainable environment and give a decent quality of life to their citizens through the application of ‘smart solutions’. Core infrastructure elements in a Smart City would include adequate water supply, assured electricity supply, sanitation including solid waste management, efficient urban mobility and public transport, affordable housing especially for the poor, robust IT connectivity and digitalization, good governance, especially e-Governance and citizen participation, sustainable environment, health, education, safety and security of citizens particularly women, children and the elderly.

The mission aimed to achieve its objectives by focusing on compact areas and creating a replicable model which will act like a lighthouse to other aspiring cities. Strategic components of the mission included components of Area-Based Development (ABD) plus a Pan-city initiative involving application of Smart Solutions covering larger parts of the city. The models of ABD and Pan-city are detailed below:

- (i) **Retrofitting:** This included introduction of planning in an existing built-up area of more than 500 acres to achieve Smart City objectives, along with other objectives, to make the existing area more efficient and liveable. In retrofitting, area would be identified by the city in consultation with citizens.
- (ii) **Redevelopment:** This included replacement of the existing built-up environment and co-creation of a new layout with enhanced infrastructure using mixed land use and increased density. Redevelopment envisaged an area of more than 50 acres, identified by Urban Local Bodies (ULBs) in consultation with citizens.
- (iii) **Greenfield:** This included introduction of most of the 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. By this, the mission aimed to meet the needs of the expanding population development.

**(iv) Pan-city Development:** This included application of selected Smart Solutions to the existing city-wide infrastructure which would involve the use of technology, information and data to make infrastructure and services better.

The Smart City proposal of each shortlisted city was expected to encapsulate either a retrofitting or redevelopment or greenfield development model, or a mix thereof and a Pan-city feature with Smart Solution(s).

### *1.1.2 Selection process*

The mission covered 100 cities on the basis of an equitable criteria<sup>1</sup>, with each State having at least one smart city. A Smart City Proposal (SCP) containing the vision, plan for mobilization of resources and intended outcomes in terms of infrastructure up-gradation and smart applications should be prepared by States/ULBs with technical assistance support either by hiring consulting firms<sup>2</sup> or by engaging with handholding agencies<sup>3</sup>. Further, during preparation of SCPs, the States/ULBs were expected to incorporate convergence of many of the sectoral schemes<sup>4</sup> of the Central/State Government with the SCM so that comprehensive development could be achieved.

The Mission involved a two-stage selection process, Stage-1: Intra-state and Stage-2: City Challenge, based on the idea of competitive and cooperative federalism. Clause 9 of SCM Guidelines details the process of selection of Smart Cities and the same is detailed **Exhibit 1.1**.

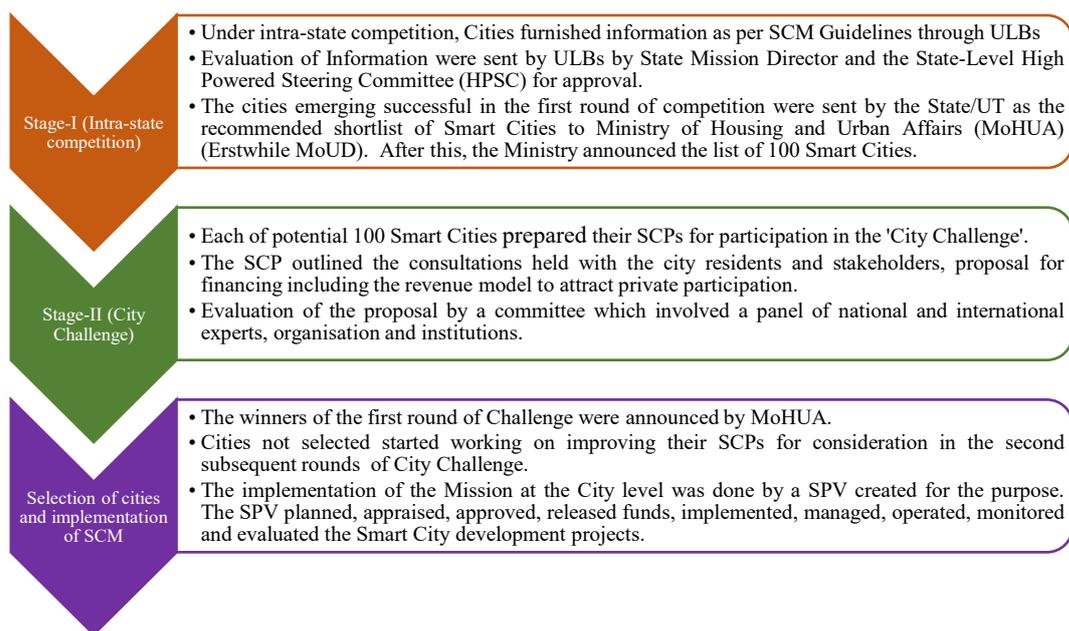
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<sup>1</sup> A formula was used which gave equal weightage (50:50) to urban population of the State/Union Territory and the number of statutory towns in the State/UT.

<sup>2</sup> The Ministry of Housing and Urban Affairs (Erstwhile MoUD) technically qualified a panel of consulting firms and the States/UTs were at liberty to draw upon this panel. The States had the option of appointing a consulting firm outside the panel by following transparent and fair procedures as per State financial rules.

<sup>3</sup> Number of foreign Governments had offered to provide Technical Assistance support, including bilateral and multilateral institutions, viz., World Bank, Asian Development Bank, Japan International Cooperation Agency, United States Trade and Development Agency, French Development Agency *etc.*

<sup>4</sup> Atal Mission for Rejuvenation and Urban Transformation (AMRUT), Swachh Bharat Mission (SBM), National Heritage City Development and Augmentation Yojana (HRIDAY), Digital India, Skill development, Housing for All, *etc.*

**Exhibit 1.1: Selection Process**

In Karnataka, seven<sup>5</sup> cities were selected for implementation of ABD and Pan City projects. The details of projects undertaken as of June 2024 are given in the **Table 1.1**.

**Table 1.1: Statement showing details of Projects implemented under the Mission**

Smart City	ABD Projects		Pan City Projects	
	Number	Implementation Cost (₹ in crore)	Number	Implementation Cost (₹ in crore)
Belagavi (BSCL)	48	490.81	59	367.30
Bengaluru (BenSCL)	29	662.30	17	262.02
Davanagere (DSCL)	65	362.86	43	425.28
Hubballi-Dharwad (HDSCL)	49	698.12	13	390.16
Mangaluru (MSCL)	40	573.49	19	348.47
Shivamogga (SSCL)	61	841.29	14	89.06
Tumakuru (TSCL)	115	787.00	73	210.00
<b>Total</b>	<b>407</b>	<b>4,415.87</b>	<b>238</b>	<b>2,092.29</b>

Source: Information furnished by KUIDFC/Smart Cities

## 1.2 Organisation structure and their roles

The organisational structure and respective roles in implementation of the Mission is provided in **Chart 1.1**.

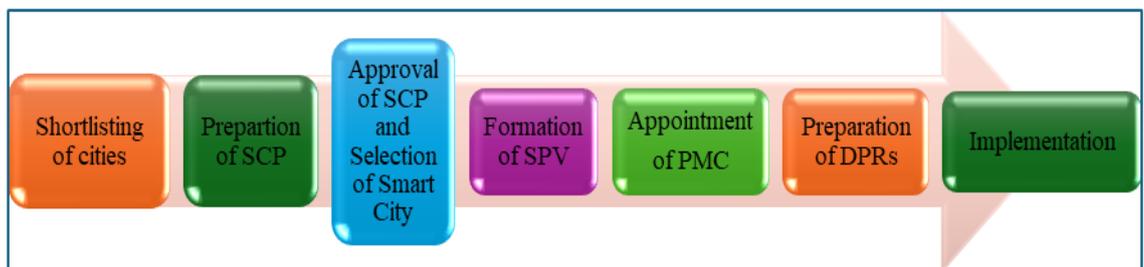
<sup>5</sup> Belagavi, Bengaluru, Davanagere, Hubballi-Dharwad, Mangaluru, Shivamogga and Tumakuru.

**Chart 1.1: Framework for implementation**



The various steps in implementation of Smart City Mission are depicted in **Chart 1.2:**

**Chart 1.2: Steps in implementation of Mission**



### 1.3 Audit Objectives

The objectives of the Performance Audit were to assess:

- Whether planning for the implementation of the scheme was in convergence with other related Government schemes,
- Whether funds released by State Government to Cities/SPVs and mobilization of funds by Cities/SPVs was efficient and in consideration with objectives of the scheme,
- Whether projects were implemented in accordance with Smart City Proposals (SCP) and SCM guidelines,
- Whether there exists mechanism for monitoring the implementation of Smart Cities Mission and whether there exists adequate representation of ULBs in SPVs.

### 1.4 Audit Criteria

The following criteria were used for evaluation of the audit objectives:

- Smart City Mission Guidelines
- Advisories issued by the Ministry of Housing and Urban Affairs
- Approved Smart City Proposal of the cities
- General Financial Rules (GFR) 2005 and 2017
- Government order/ OM regarding release of funds and monitoring utilization of fund
- Karnataka Transparency in Public Procurement (KTPP) Act, Rules and Orders/Circulars issued thereunder by State Governments
- Karnataka Public Works Departmental (KPWD) Code
- Indian Road Congress (IRC) guidelines
- Central Public Health and Environmental Engineering Organisation (CPHEEO) guidelines
- Model Concessionaire Agreement and Request for Proposals (RFP)

### 1.5 Audit Scope and Methodology

The Performance Audit was conducted (May 2022 to December 2022, July 2023 to September 2023 and May 2024 to July 2024) to review the implementation of the Mission since inception. It involved examination of records in Secretariat, Urban Development Department (UDD), KUIDFC and all the seven smart cities. Audit reviewed implementation of 187 out of 645 projects across seven smart cities through stratified random sampling<sup>6</sup> (**Appendix-1.1(a) and (b)**). The scope of the PA did not include projects taken up under convergence funding.

<sup>6</sup> Selection was done such that 25 *per cent* of completed projects and 10 *per cent* of ongoing projects with at least one project in each smart feature was available in the sample.

An Entry Conference was held on 13 May 2022 with Additional Chief Secretary, UDD, in which audit methodology, scope, objectives, and criteria were explained. The audit methodology included examination of records, response to audit queries and joint physical verification (JPV) of infrastructure created. The results of the PA were discussed with the Additional Chief Secretary, UDD, Government of Karnataka in Exit conference held on 21 April 2025. Replies received from the Government of Karnataka are suitably incorporated in the Report.

### **1.6 Acknowledgement**

We acknowledge the co-operation and assistance extended by Urban Development Department (UDD), KUIDFC and seven smart cities for conducting Performance Audit.

### **1.7 Structure of the Report**

The Performance Audit is structured into four chapters as given in **Table 1.2**.

**Table 1.2: Structure of the Report**

<b>Chapter Number</b>	<b>Chapter Name</b>
<b>I</b>	Introduction
<b>II</b>	Planning
<b>III</b>	Financial Management
<b>IV</b>	Implementation and monitoring