

Report of the Workshop on

# Interrogating Governance and Financial Implications of 'Smart Cities'

(Part II)

held on 19<sup>th</sup> November 2020

Organised by



in collaboration with

**Program on Science, Technology and Society, Harvard Kennedy School,  
USA &**

**Helmholtz Centre for Environmental Research-UFZ, Germany**

as part of the project on



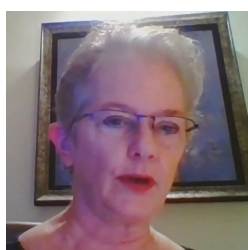
## Introduction

Financing is a crucial part of smart cities' mission. The broad agenda underlying the formation of such missions is to attract capital, through private sector participation, into urban infrastructure projects.



**Gaurav Dwivedi** of the **Centre for Financial Accountability** shared in his opening remarks that most urban infrastructure projects are built, operated and executed today by private companies raising funds from various sources. This includes budgetary allocations, borrowings from national and international lenders, private investors, Private Public Partnerships (PPP) arrangement, taxes, as well as using mechanisms such as municipal bonds and asset monetization which include land and other public assets owned and controlled by public agencies. In addition, the Central Government has allocated around Rs. 48,000 crore in the five-year smart city mission currently underway. Gaurav reflected that while on the one hand 100 cities which are selected under this mission have submitted project proposals worth Rs. 2.05 lakh crores, on the other the Ministry of Urban development has estimated Rs. 7 lakh crores or approximately USD 105 billion needs to be raised in order to develop these projects. Gaurav highlighted such massive discordance in financial estimations as part of his introductory remarks in the final of the two-part workshop addressing implications of Smart Cities promotion to urban governance. The webinar series engaged representatives from government, civil society and academia to discuss the challenges posed by Smart Cities. The second session addressed how financialization impacted policy, legal and regulatory transformations in urban governance spaces across India.

## Confounding realities of 'world class' and 'smart cities'



**Dr. Carol Upadhy** of **National Institute of Advanced Studies, Bangalore** brought to focus how hyper 'modern' and hyper technical urban design imaginaries were being employed to attract international businesses to invest in Amaravati in Andhra Pradesh, causing shocking and fundamental transformations of fertile farming and rural areas. She based her intervention on ongoing research of the Amaravati Capital City Project of Andhra Pradesh.

*"In many ways the Amravati project reflects neoliberal urbanisation processes based on policies pushed by international organisations like the World Bank".* She remarked how during the five years when former Chief Minister of Andhra Pradesh Chandrababu Naidu was in power, his government invested much of the State's financial resources in the capital city project. The land that was acquired through land pooling from the farmers became the state's main asset and basis for pitching to raise finance for the entire project. She explained how this land pooling system has become the model for land based financing for most large infrastructure projects across India. As a consequence the role of private financial capital shaping how cities are developed has sharply increased.

A key problematique of this mechanism is that land pooling is employed to generate financial resources to centrally determined projects circumventing the Land Acquisition Act. *"When the government enters into public-private deals, it uses the land as it's portion of the equity while the*

*private organization brings in the capital investment."* She highlighted that the performance of the real-estate market depends on the successes or failures of the project as seen from the Amaravati project, which was largely speculative urban planning. Following the building up of this speculative exercise, a parastatal, which completely superseded the panchayats in every aspect of decision making, the Amaravati Development Corporation was formed to channel private investment into development projects. Moreover, the Capital Region Development Authority had control over the project and the State, disregarding the laws of the land.

This deeply flawed project is very similar to the development model of Singapore, Dr. Carol remarked." *"It's very hard to say where the State begins and Capital ends in the financial arrangements surrounding Smart Cities like Amravati."*

### **'Smart City' Mission Financing & its Implications on Municipal Budgets**

"Financially successful projects are not a rare thing. It is possible, however, the issue is not of having one successful project but having to look at the sustainability for an entire city", submitted **Ravikant Joshi, Independent Consultant in Urban Finance and Governance**. He narrated how financial sustainability of smart city proposals and financial capability of cities have blatantly ignored from inception.



The per capita and per Sq. Km. cost in SCPs is almost three times higher than usual costs. Out of the 100 smart cities, 31 do not have investment grade credit ratings. Further, there are no efforts to devolve more powers to ULBs, Joshi pointed out. "Instead, ULBs have lost their autonomy and powers".

Ravikant Joshi highlighted an invisible danger, Joshi said there is a possibility that where an SCP does not get implemented as per the plan, a ULB may get infrastructure which is haphazard, poor in quality and much costlier than what was envisaged in the original master plan. This will lead to a cost exportation to non-beneficiaries both within the city and outside the city. Inevitably, cities will become more unequal /exclusive and financially unsustainable. Hence, *"Smart City Mission's financial implications on municipal budgets will be very skewed and will be negative in most of the cities - making them financially unsustainable"*, Ravikant Joshi opined.

### **Sectoral Impacts of Smart Cities Mission - Water and Sanitation**



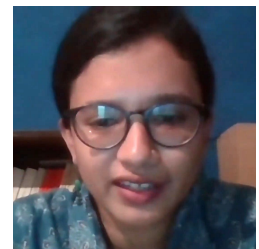
*"None of the Smart City programs are new. They are just a repackaging of pre existing schemes"* said **Sitaram Shelar of Centre for Promoting Democracy, Mumbai**. Enumerating examples of Mumbai, Udaipur and Coimbatore, he drew a vivid picture of how Water and Sanitation programmes in Smart City Projects are becoming commoditized. The smart cities are going out of their own financial capacities in these STP project budgets. Udaipur's Sewage Treatment Plant (STP) has a budget of 80 crore rupees for a 15 year period contract, which is not a viable option for the city residents. And Coimbatore is initiating a contract a Rs. 500 crores contract with a private company for a period of 25 years. *"Smart Cities are pushing the privatization of water and sanitation"*, Sitaram Shelar gravely observed.

Shelar shared how aspirations widely publicized, such as e-toilets, do not have great coverage and are being used merely symbolically. 109 e-toilets costing Rs. 20 crore is a huge travesty and it is clearly a failed experiment, he lamented. Over the last ten years, there has not been any new technology or modus operandi which has emerged from such mega missions. The stress of the discourses on smart cities has been only on infrastructure and beautification, and very often denial is the prime motto of city administration.

Various water rights and civil society groups have brought to the attention of the city officials that citizens should be stopped being treated as customers. Water needs to be accepted as a common resource in any city. Sitaram Shelar sharply pointed out that by denying water and sanitation to vulnerable and marginalized citizens of the cities, people are being reduced to just vote banks both in the view of the city officials and also politicians. Mumbai City Corporation is already treating water as a commodity, buying from private corporations and not feeling responsible to conserve the existing water resources within the city. He suggests that building people's opinion about the coexistence and interdependence of all citizens is important and that the ongoing pandemic has shown that every citizen, particularly the labour classes, matter immensely.

## Sectoral Impacts of Smart Cities Mission - Housing

In 2017 alone, 32 out of 99 smart cities reported forced evictions owing directly due to smart city projects, beautification or slum clearance, said **Marina Joseph of Youth for Unity and Voluntary Action, Mumbai**, drew attention to the startling reality that majority of public spending on housing budget has gone into Real Estate, which is basically for-profit housing. And this is how the idea of smart cities conflated into the idea of slum-free cities which was originally a part of the JNNURM mission. "Slum redevelopment projects in many cases involved forced eviction, which turned to be hugely profitable to the real estate economy."



Marina specified how housing as a right was invisibilized when financialisation of housing happened. Land Tenure security is implemented in many cities. And Infrastructure projects are dependent on the arming they gain from sale of development rights. She argued that developing just 5 to 10% of a city through the Smart City mission is hugely problematic and unsustainable, since the same investment cannot be made for the rest of the city. "*The Smart City mission completely overrides and negates existing laws on land tenure and planning.*" If there is *in-situ* incremental housing provided to people with land tenure, that is something which is sustainable and desirable, she added.

## 'Smart Cities' – are they an apt response to Odisha's urbanisation challenges?



*"Within the Smart City mission, there was an ambition to create a model city. But when you are trying to create something ideal on a small scale, the question is how far it can be replicable and scalable both within the city and across cities",* **G. Mathi Vathanan, the Principal Secretary, Urban**

**Development, Government of Odisha** inquired during the session. When schemes are designed, the administration and the planners try and keep in mind levels of rigidity these schemes will pose to the citizens. He reiterated the core principle of AMRUT wherein there was “a national hierarchy of priorities which could not be breached, and the highest priority was drinking water supply.”

G. Mathi Vathanan added highlighted several positive outcomes of the Smart City mission: “They can be replicated”, admitting thought “but some are difficult and hence may need to be dropped”. For the capital city of Bhubaneswar, there is Rs. 4,500 crore financial outlay on the Smart City mission and for the city of Rourkela it is Rs. 2, 500 crores over a 7 year period. But, he agreed that “*not all cities are ready to adopt the technology template under the Smart City mission, owing to the variations across cities in terms of size, geography, climate which makes it difficult to implement the same projects across different cities*”.

In the discussion that followed the question of - who wins, who fails - came up repeatedly. For instance, Dr. Carol Upadhyia brought out a peculiar outcome of the Amaravati project where the land-owning farmers who strenuously opposed the takeover of their fertile lands, and then were forced to pool their land, are now very committed to the success of the project because they would suffer huge losses if the capital was diverted, as has been the intent of the present Chief Minister Jagan Mohan Reddy. The condition of small and marginal farmers who gave land has plunged into a terrible situation she said, as “*75% of the villagers were landless. They have suffered the most because cultivation has stopped and their livelihoods are destroyed*”. Meanwhile, Ravikant Joshi suggested that canceling smart cities would also be a disaster, just as in the case of Amravati, as it would result in a range of unfinished projects. It would be better to go ahead and complete them, but by streamlining the projects, giving emphasis to financial sustainability and making them inclusive by involving urban local governments.

## Closing remarks



“*The modern needs to be in relation to the past and local, not a modern that is disembodied and travels around the world as if there is a universal modern*”, observed **Prof. Sheila Jasanoff, Pforzheimer Professor of Science and Technology Studies at the Harvard Kennedy School, USA**

in her closing remarks of the two part workshop. From what emerged from the discussions in the webinar, it is clear that it would be a mistake to look at smart cities as utopic, but equally so to reject them completely, she highlighted. While she agreed with what several panelists shared about how most mega cities of India are growing at an increasing rate, which is causing troubles for people staying outside of these mega- cities to reach their workplaces even, she viewed the discourse as having two narratives - one is that the city is no longer a settlement but an Avenue for finance and the other narrative would come from what people need to live. While the transformation of citizens into customers, or more problematically into a data source, has happened without adequate political discussion, she reiterated the need to talk about the success stories along with the failure stories. “*It’s easy to tell the dystopian stories but we also need to talk about the positives*”, she added.

Prof. Sheila Jasanoff also discerned that the conversion of the city from being a place of settlement into a place of fluidity and mobility brought about by capitalization, and centralization of planning and governance was a running theme of this workshop series. The speculative urbanism narrative changes the age old forms of life, she pointed out. Farming now becomes land

acquisition and land grab. For her the evolving political economy of urbanization has very little to do with the history of the place and the visions of the future being formulated as an outcome has very little to do to benefit people living there. *"Instead of smartness, sustainability or sustainable smart cities might be the watchword for future urban planners"*, she concludes.



**Leo Saldanha** of the **Environment Support Group** remarked that cities have always been touted as centres of democracy. Now within that city, the State is now attempting to create utopic islands of perfection. *"Is the state imagining for the people or is capital influencing the state's imagination for the people?"* he asked. He highlighted whether democratization of smart cities was possible at all, and whether the constitutional promise of inclusivity could be integrated into the Smart City mission. Appealing to the state representatives among the participants and panelists to raise concerns and ideas that emerged from the two-day workshop in various fora, he thanked all the speakers, participants and viewers.

A video recording of the webinar is accessible at:

<https://www.facebook.com/groups/esgindia/permalink/10164427536050254/>

[Tani Alex (CFA) authored this report with inputs from Ashwin Lobo and Karthik Anjanappa of ESG with support from Sneha, an intern at ESG and Mir Jalal (CFA)].

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The first part of the '**Interrogating Governance and Financial Implications of "Smart Cities"**' series was held on Thursday, 12 November 2020 (6.00 pm to 8.30 p.m. IST on Zoom and Facebook). The report can be accessed here: <http://bit.ly/gost2020> and the recording can be viewed on our [Youtube](#) channel

More details on this webinar series can be accessed on [www.esgindia.org](http://www.esgindia.org) and [www.cenfa.org](http://www.cenfa.org).

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## Speakers

**Prof. Sheila Jasanoff** is Pforzheimer Professor of Science and Technology Studies at the Harvard Kennedy School, USA. A pioneer in her field, she has authored more than 120 articles and chapters and is the author or editor of more than 15 books, including *The Fifth Branch*, *Science at the Bar*, *Designs on Nature*, and *The Ethics of Invention*. Her work explores the role of science and technology in the law, politics, and policy of modern democracies.

**Shri G. Mathi Vathanan, IAS** is currently serving as the Principal Secretary, Urban Development, Govt of Odisha. He has varied experience in Government of Odisha as the Chairman of OPGC, OHPC, Chairman & Managing Director, IPICOL, OSRTC apart from working in Commerce, Transport, Textile and Handloom & Health Departments. He has also served as Special Secretary to the Hon'ble Chief Minister of Odisha during 2010-11.

**Dr. Carol Upadhy**a teaches at the National Institute of Advanced Studies, Bengaluru. She is a social anthropologist and her studies cover a range of social transformations in contemporary India, including processes of spatial and social mobility, the globalisation of cities and provincial towns and the urbanisation of rural landscapes; speculative land and real estate markets and their implications for local communities; and skilling, labour migration, and employment.

**Dr. Ravikant Joshi** is an independent consultant in the field of urban finance and governance. He has worked as Chief Accountant in Vadodara Municipal Corporation for 20 Years. He was Chair Professor of Urban Management at St. Joseph College of Business Administration, Bangalore. He is also associated with various civil society groups, universities and training institutes.

**Sitaram Shelar** leads the Centre for Promoting Democracy (CPD) and also Paani Haq Samiti (PHS). He has been working on ensuring the right to water to the poor and marginalised communities in Maharashtra. He has also been part of the campaign resisting privatisation of water supply in Mumbai.

**Marina Joseph** is the Programme Coordinator at Youth for Unity and Voluntary Action (YUVA) based in Mumbai. She has been working on issues of urbanization, urban poverty, right to housing and basic services in informal settlements in India. Marina also works on projects to develop safe and sustainable habitats for children and youth living in informal settlements.

**Gaurav Dwivedi**, Associate Director of the Centre for Financial Accountability moderated the session. Based in Bhopal, he has been researching and documenting privatisation, reforms and public private partnership projects in public services with a focus on water supply, sanitation and sewerage for more than a decade. His work includes several publications on these themes. He is currently researching and monitoring mega infrastructure development projects of smart cities and industrial corridors with a focus on their financial aspects in India.

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