

CHAPTER I

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1.1 About the Scheme

Smart Cities Mission 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 (from 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 the 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 digitalisation, 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) Area Based Development

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.

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.

Abbreviations used in this Report are listed in the Glossary at Page 86.

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.

(ii) 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 criteria¹, with each State having at least one smart city. A Smart City Proposal (SCP) containing the vision, plan for mobilisation 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 firms² or by engaging with handholding agencies³. Further, during preparation of SCPs, the States/ULBs were expected to incorporate convergence of many of the sectoral schemes⁴ of the Central/State Government with the Smart City Mission 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 in **Exhibit 1.1**:

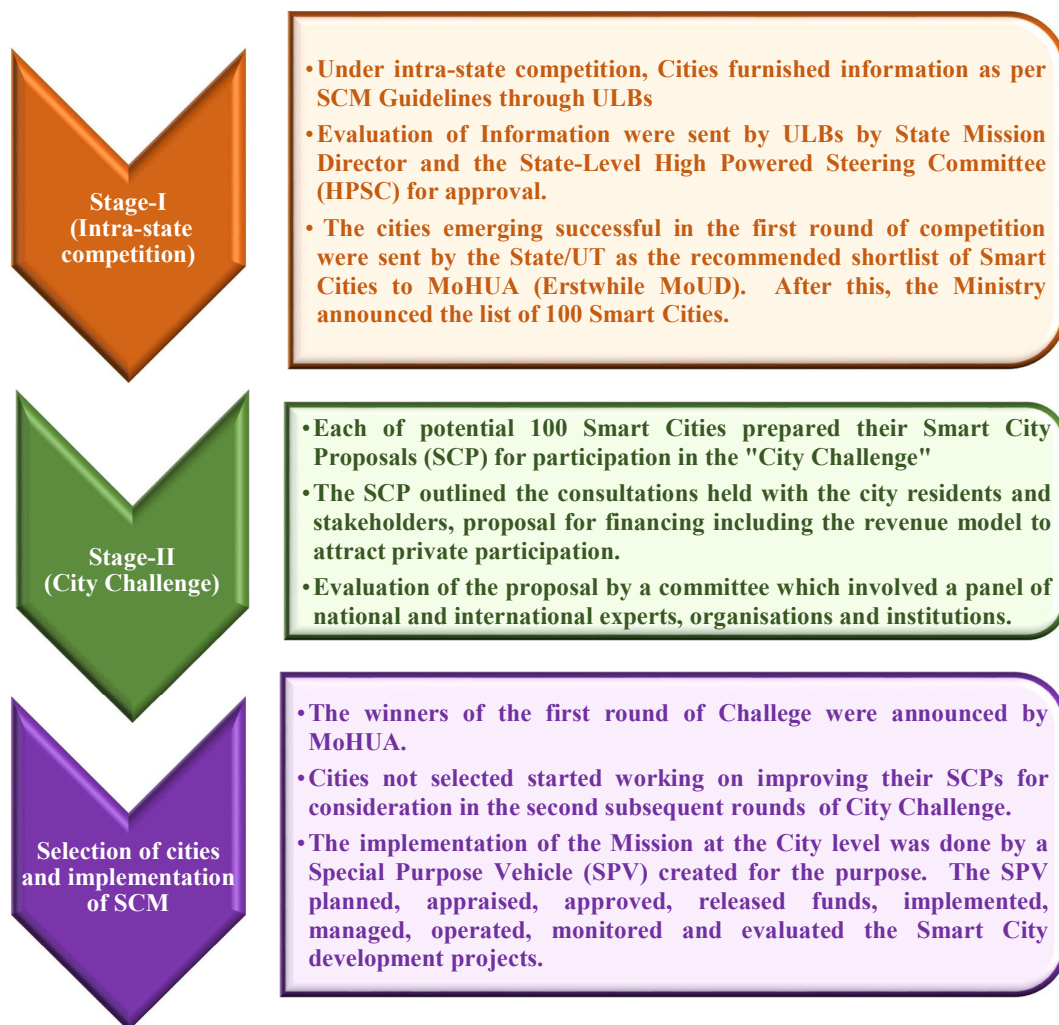
¹ A formula was used which gave equal weightage (50:50) to urban population of the State/Union Territory (UT) and the number of statutory towns in the State/UT.

² The Ministry of Housing and Urban Affairs 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.

³ 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 (AFD) etc.

⁴ 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



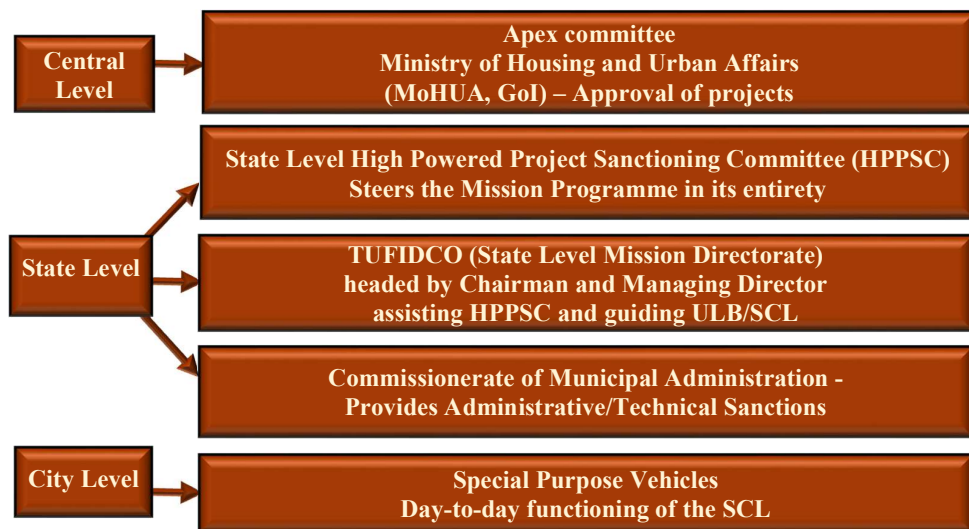
Eleven cities⁵ from Tamil Nadu were selected in four rounds of selection.

1.2 Structure of the Mission (Organisational Set-up)

The three layers of administrative machinery involved in implementation of the Mission is depicted in **Exhibit 1.2**.

⁵ Chennai, Coimbatore, Erode, Madurai, Salem, Thanjavur, Thoothukudi, Tiruchirappalli, Tirunelveli, Tiruppur and Vellore.

Exhibit 1.2: Administrative machinery for Implementation



1.3 Audit Objectives

The audit objectives of the Performance Audit are to assess whether;

- the Smart City proposal contained the vision, plan for mobilisation of resources and intended outcomes as per the Mission objectives,
- funds released by the State Government to Cities/SPVs and mobilisation of balance funds by Cities/SPVs was efficient and in consonance to the objectives of the scheme,
- the projects were executed effectively to achieve the intended objectives of the Smart City Mission,
- internal control mechanism was adequate to ensure efficient and effective monitoring and control over implementation.

1.4 Audit Criteria

The audit criteria for the Performance Audit are taken from the following sources:

- Smart City Guidelines of MoHUA;
- Advisories to SCM Guidelines;
- The Companies Act, 2013;
- Smart City Proposals, Board and Council Resolutions;
- Tamil Nadu Transparency in Tender Act 1998 and Tender Rules 2000;
- Municipal Engineering Manual;
- Public Works Department's Code;
- Minutes of the meetings of the Committees;

- Administrative/Technical Sanctions/Proceedings;
- Relevant Government orders/Circulars/Instructions;
- Detailed Project Reports (DPRs), Estimates; and
- Specifications, Tender Documents and Contract Agreements.

1.5 Audit Scope, Methodology and Sample

The period of Audit coverage was eight years from 2015-16 to 2022-23. The Performance Audit (PA) was conducted between the period September 2022 and May 2023 and updation of the Report up to March 2024 was done during July 2024. An Entry Conference was conducted on 05 September 2022 in which the Audit Objectives, Criteria and Methodology of the PA was explained to the Additional Chief Secretary of Municipal Administration and Water Supply Department, Commissioner of Greater Chennai Corporation, Chief Executive Officers of the Special Purpose Vehicles and TUFIDCO⁶, the Mission Directorate. During the course of PA, Audit scrutinised the records of the Municipal Administration and Water Supply Department, Director of Municipal Administration and TUFIDCO, besides, conducting joint physical verification of the projects implemented under the Mission, wherever necessary.

As of May 2022, 194 projects valuing ₹2,311.78 crore were completed and the remaining were under various stages of completion (May 2022). Seven⁷ out of the 11 cities in Tamil Nadu and all the 194 completed projects and 44 ongoing projects (24 *per cent* of 183 ongoing projects) as on May 2022 were taken up for detailed scrutiny based on Random Sampling methodology using IDEA package.

In seven sampled cities, as on 31 March 2024, 387 projects valuing ₹5,230.41 crore were completed and the remaining (27 projects) were under various stages of completion are detailed in **Table 1.1**.

Table 1.1: Projects implemented by the sampled Smart Cities

Name of the Smart City	Total Projects implemented	ABD projects implemented	Projects implemented Outside ABD	Pan-city Projects implemented
Chennai	49	31	13	5
Coimbatore	54	39	2	13
Erode	55	33	4	18
Madurai	44	24	19	1
Salem	103	62	23	18
Tirunelveli	81	70	4	7
Tiruppur	28	16	5	7
Total	414	275	70	69

(Source: Information furnished by smart cities)

⁶ Tamil Nadu Urban Finance and Infrastructure Development Corporation.
⁷ Chennai, Coimbatore, Erode, Madurai, Salem, Tirunelveli and Tiruppur.

An Exit Conference was held on 06 June 2023 with the Additional Chief Secretary to Government, Municipal Administration and Water Supply (MA&WS) Department, to discuss the Audit findings. The replies given during the exit conference and during May 2025 for the modified draft report have been suitably incorporated in the Report.

1.6 Acknowledgement

We acknowledge the co-operation and assistance extended by the MA&WS Department, all the Smart Cities Limited (SCLs), TUFIDCO, ULBs and the parastatal agencies for conducting the Performance Audit.