



PROCEEDINGS OF THE GOVERNMENT OF KARNATAKA

Subject: Establishment of Special Purpose Vehicle (SPV) under "Smart City Scheme".

- Read :**
1. Smart Cities Mission Statement and Guidelines issued by Ministry of Urban Development, Government of India.
 2. Government Order No: UDD 130 CSS 2015, Bangalore, Dated: 23.11.2015
 3. File No: KUIDFC/SC/ SPV/ 2015-16.

PREAMBLE:-

The Government of India (GoI) has launched the Smart Cities Mission (SCM) on 25.06.2015. The objective of the Mission is to improve quality of life of its citizens by providing core infrastructure, a clean and sustainable environment and application of 'Smart' Solutions. The mission will cover 100 cities and its duration will be five years (2015-16 to 2019-2020).

The Government of Karnataka (GoK) has accorded approval for implementation of Smart Cities Scheme in the State vide Government order read at (2) above. The High Power Steering Committee (HPSC) for Smart Cities Scheme has been also constituted under the Chairmanship of Chief Secretary with representatives of various State Government departments to guide the mission in the State.

The Karnataka Urban Infrastructure Development & Finance Corporation (KUIDFC) has been nominated as the State Level Nodal Agency (SLNA) and Mission Directorate vide Government order read at (2) above. The High Power Steering Committee (HPSC) had recommended selection of 6 cities, viz., Belagavi, Shivamogga, Mangaluru, Hubballi Dharwad, Tumakuru, Davanagere for development under the Smart Cities Scheme based on the guidelines issued by the Ministry of Urban Development (MoUD), GoI. Accordingly, MoUD has accorded approval for the said 6 cities of Karnataka under Smart Cities Scheme.

These 6 Smart Cities prepared their "Smart City Proposal (SCP)" for participation in the 'City Challenge' and submitted the same to MoUD with the recommendations of HPSC vide its meeting held on 11.12.2015. Of these, Davanagere and Belagavi cities have been selected by MoUD on 28 January, 2016.

Financing Model:-

The mission will be implemented as a Centrally Sponsored Scheme (CSS) spread over 5 years with an annual allocation of Rs.100.00 Crore each from GoI and GoK for each city and thus each city will get Rs.1000.00 Crore at the end of 5 years

As per the Mission Guidelines, the cities are expected to plan with as much larger outlay as possible in addition to the funds being made available by State and Central Government. The cities can achieve the same by multiple options of financing like convergence of all schemes and initiatives of Central and State Governments, generate own resources, proposing PPP projects, market borrowings, loans and by even inviting equity partners for the projects. Hence, the grants from State and central govt will only be a seed capital for the SCP plan implementation.

Special Purpose Vehicle (SPV):-

The SCM envisages the implementation of SCP through an innovative mechanism- "**Special Purpose Vehicle (SPV)**". The proposed SPV will be a public limited company incorporated under the Companies Act, 2013 at the city-level, in which the State and the ULB will be the promoters having 50:50 equity shareholdings. The private sector or financial institutions could be considered for taking equity stake in the SPV, provided the shareholding pattern of 50:50 of the State and the ULB is maintained and the State and the ULB together have majority shareholding and control of the SPV.

Funds provided by the Government of India in the Smart Cities Mission to the SPV will be in the form of tied grant and kept in a separate Grant Fund. These funds will be utilized only for the purposes for which the grants have been given and subject to the conditions laid down by the MoUD and State Government.

It is proposed that, the State Government and the ULB will determine the paid up capital requirements of the SPV commensurate with the size of the project, commercial financing required and the financing modalities. To enable the building up of the equity base of the SPV and to enable ULBs to contribute their share of the equity capital, GoI grants will be permitted to be utilized as ULB's share of equity capital in the SPV.

The SPV will plan, appraise, approve, release funds, implement, manage, operate, monitor and evaluate the Smart City development projects. The SPV shall be headed by a full time MD/CEO and have nominees of Central Government, State Government and ULB on its Board.

It is proposed to establish SPV for Belagavi and Davangere with an authorised share capital of Rs.500.00 Crore and an initial paid up capital of Rs.200.00 Crore, of which, Rs.100.00 Crore contribution will be from GoI & GoK each.

As the remaining 4 cities, viz., Hubballi Dharwad, Mangaluru, Shivamogga and Tumakuru are already in the process of competing in the second round of challenge, KUIDFC has proposed to establish SPV in these 4 cities, with an authorised share capital of Rs.500.00 Crore and an initial paid up capital of Rs.11.00 Crore per city on a sharing basis of Rs.10.00 Crore from GoK and Rs.1.00 Crore from the concerned ULB, to enable these ULBs to start the preparatory activities and be on par with the already selected ULBs.

Based on the above, KUIDFC has submitted the proposal along with Articles of Association (AoA) & Memorandum of Association (MoA) to establish SPV as required under the Companies Act 2013.

The proposal has been examined and hence this order:

Government Order No: UDD 56 CSS 2016,
Bengaluru, Dated: 30-04-2016

Under the circumstances explained in the preamble, Government of Karnataka is pleased to accord its approval for the establishment of proposed Special Purpose Vehicle (SPV) in Davanagere and Belagavi cities with an authorised share capital of Rs.500.00 Crore and initial paid up capital of Rs.200.00 Crore, of which, Rs.100.00 Crore each will be from Government of India & Government of Karnataka.

Also, approval is accorded to establish Special Purpose Vehicle (SPV) in the remaining 4 cities, viz., Hubballi Dharwad, Mangaluru, Shivamogga and Tumakuru with an authorised share capital of Rs.500.00 Crore and an initial paid up capital of Rs.10.00 lakh for each of the cities, of which Rs.5.00 lakh will be from GoK and Rs.5.00 lakh from the ULB concerned, to enable these ULBs to start the preparatory activities and be on par with the already selected ULBs under Smart Cities Mission.

The SPV shall be a public limited company incorporated under the Companies Act, 2013 at the city-level with the structure and functions as proposed, in which the State and the ULB will be the promoters having 50:50 equity shareholdings.

The name of the SPV shall be the “***{Insert City name}***” followed by the words **SMART CITY LIMITED**” or any other name as decided by GoK/ULB.

The private sector or financial institutions could be considered for taking equity stake in the SPV, provided the shareholding pattern of 50:50 of the State and the ULB is maintained and the State and the ULB together have majority shareholding and control of the SPV.

The Articles of Association (AoA) & Memorandum of Association (MoA) have also been approved and appended to the GO as Annexure 1&2 respectively. Any of the Directors may also be the Subscribers to the AoA and MoA.



This order is issued with concurrence of law department vide Note No Law/109/Opinion/2016 dated:22-03-2016 and finance department vide Note No:FD 190 EXP-9/2016 dated:16-04-2016 and approval of the Cabinet vide Subject No:C:193/2016, dated:20-04-2016.

By order and in the name of the
Governor of Karnataka

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20/4/16
(K.S.BHAGYAMMA)

Under Secretary to Government,
Urban Development Department.

To:

1. The Accountant General, Karnataka, Bengaluru.
2. Chief Secretary, Government of Karnataka, Vidhana Soudha, Bengaluru.
3. The Additional Chief Secretary to Government, Urban Development Department, Vikasa Soudha, Bengaluru.
4. Secretary, Ministry of Urban Development, Nirman Bhawan, New Delhi.
5. Principal Secretary, Finance Department, Bengaluru.
6. Principal Secretary, Planning Department, Bengaluru.
7. Principal Secretary, Energy Department, Bengaluru.
8. Principal Secretary, Health & Family welfare Department, Bengaluru.
9. Principal Secretary, Infrastructure Development Department, Bengaluru.
10. Commissioner, DULT, Bengaluru.
11. Secretary, M&UDA, Urban Development Department, Bengaluru.
12. Secretary, Transport Department, Bengaluru.
13. Secretary, Public Works Department, Bengaluru.
14. Commissioner, BBMP, Bengaluru.
15. Managing Director, KUWS&DB, Bengaluru.
16. Chairman, BWSSB, Bengaluru.
17. Commissioner, BDA, Bengaluru.
18. Commissioner, BMRDA, Bengaluru.
19. Managing Director, BMRCL, Bengaluru.
20. Director, DMA, Bengaluru.
21. Representative from Ministry of Urban Development, Bengaluru.
22. Managing Director, KUIDFC-SLNA SCM, Bengaluru.
23. Deputy Secretary, Cabinet, Vidhana Soudha, Bengaluru.
24. P.S to Hon'ble Chief Minister Government of Karnataka, Vidhana Soudha, Bengaluru.

25. All Advisors of Smart City Advisory forum through KUIDFC.
26. All Deputy Commissioners of concerned districts through KUIDFC.
27. All Commissioners of concerned Smart Cities through KUIDFC.
28. P.S to Chief Secretary to Government.(Cabinet), (Case. No C-193/2016, Dated:20-04-2016), Vidhana Soudha, Bengaluru
29. P.S to Hon'ble Minister for Urban Development, Vikasa Soudha, Bengaluru.
30. P.S to Hon'ble Minister for Municipal Administration, Local bodies, Public Enterprises, Minorities Welfare & Waqf, Vikasa Soudha, Bengaluru.
31. P.A to Joint Director (Planning), Urban Development Department, Vikasa Soudha, Bengaluru.
32. SGF / Spare Copies