

# Success Story

Public Finance

## Program design for urban climate projects

### Storyline...

The client was the French Development Agency (AFD), which was preparing the second phase of an urban management program within the aegis of India's ambitious Smart Cities Mission.

MaGC was part of the consortium of consultants which worked on co-constructing the design of the 212 million euro CITIIS 2 Program.

### Once upon a time...

CITIIS 1, the first phase of the Program, implemented by the Ministry of Housing and Urban Affairs, Government of India, was path-breaking on many counts. The Ministry was embarking on the second phase with support from the AFD-KfW-EU consortium led by AFD. CITIIS 2 had a strong focus on climate urban investments. Active participation of the state government and a results-based financing approach were other key features that were envisaged to influence the Program design.

### Moving on...

The consortium of consultants commenced the assignment with a diagnostic study to collect experiences from CITIIS 1 (first phase of the Program) as well as to assimilate learnings from past urban management programs in the country. A study of different climate frameworks – national, state, and local was also undertaken to contextualize them to urban governance.

Based on the findings of the diagnostic, key design considerations for CITIIS 2 were developed. Key stakeholders (Central ministries, state governments, local governments, special purpose vehicles, and the project management unit of CITIIS 1) were consulted to co-construct the design of CITIIS 2. Program objectives, design considerations and challenges, and key risks were brainstormed in a two-day design workshop. Armed with inputs from the design committee and the design workshop, the consortium came up with a Program design. This went through iterations and the final design was captured in the Project Concept Note. The highlight of the co-creation process was the extensive rounds of consultations held with multiple players. MaGC was further engaged to develop the Expenditure Framework for Component 2 covering two states with an expenditure outlay of Euro 30 million per state and for conducting a Summary Fiduciary Risk Assessment at the sub-national level.

The CITIIS 2 Program (<https://smartcities.gov.in/CITIIS>), while building on the successes of CITIIS 1, is itself unique in many ways. It comprises three components focussing on climate-sensitive urban infrastructure investments at the city level, urban climate policy actions at the state level, and capacity enhancement and knowledge management at the national level respectively. Component 2, targeted at the state level, adopts a results-based financing approach with disbursement linked indicators and disbursement triggers linked to results.

### Finally...

The Program design addresses policy actions and capacity building in addition to core investments in climate-resilient infrastructure. The results-based financing approach was a first for AFD in this space. The Program was finalized and launched in May 2023 by the Government of India.



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Contact

[enquiries@magc.in](mailto:enquiries@magc.in)