



**Smart cities Promoting Innovation Research
&
Incubation in Technology**

(SPIRIT)

CONCEPT NOTE

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a. Background

Cities are engines of growth for the economy of every nation, including India. Nearly 31% of India's current population lives in urban areas and contributes 63% of India's GDP (Census 2011). With increasing urbanization, urban areas are expected to house 40% of India's population and contribute 75% of India's GDP by 2030. This requires comprehensive development of physical, institutional, social and economic infrastructure. The Ministry of Housing and Urban Affairs (MoHUA) is the apex authority of Government of India at the national level to formulate policies, sponsor and support programs, coordinate the activities of various Central Ministries, State Governments and other nodal authorities and monitor the programs concerning all the issues of housing and urban affairs in the country.

To improve the quality of life and attract people and investments to the city, and to set in motion a virtuous cycle of growth and development, MoHUA launched the **Smart Cities Mission** (SCM) on 25 June, 2015. The objective of the mission is to promote sustainable and inclusive cities that provide core infrastructure and give a decent quality of life to their citizens through application of 'smart' solutions. The magnitude of challenges facing Indian cities, coupled with their complexity and diversity make it immensely important to foster innovation in products, services, infrastructure and processes to create community-centric, cost-effective and sustainable solutions. To meet these objectives, it is important to build the right partnerships and networks, create enabling environments for stakeholder engagement, and put in place an eco-system which breeds innovation. Government as producer of services and communities as consumers is the business-as-usual way of thinking about governance. What is required today is governance in the quadruple-helix framework wherein communities and Governments co-create solutions with partnership of industry and academia. Together they comprise the innovation eco-system. Harnessing of strengths of Indian innovation eco-system would lead to promoting and nurturing such innovations under the SCM.

To promote innovation and entrepreneurship across the country, NITI Aayog has set up the **Atal Innovation Mission** (AIM). AIM is promoting active collaboration between Government, academia, industry, individuals and NGOs. It plays an instrumental role in alignment of innovation policies between central, state and sectoral innovation schemes, incentivizing the establishment and promotion of an eco-system of innovation and entrepreneurship at various levels

viz. - schools, higher academic institutions, SME/MSME industry, corporate and NGO levels. AIM, through its Atal Incubation Centers and Established Incubation Centers scheme, has already established 19 incubators across the country and has planned to establish over 80 new incubators by September, 2019.

Invest India is a non-profit venture under the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India. It is the national Investment Promotion and Facilitation Agency of the Government of India, mandated to facilitate investments into India. Invest India intends to build a strong eco-system that is conducive for the growth of startup businesses, to drive sustainable economic growth and generate large scale employment opportunities. Startup India, an initiative under Invest India, was announced by the Hon'ble PM on 16th January 2016 and became operational on 1st April 2016. The scheme's mandate is to serve as a single point of contact for the entire Startup Eco-system and enable exchange of knowledge and access to funding. The Government through this initiative aims to empower startups to grow through innovation and design. The programs undertaken by them have helped catalyze a startup culture, with startups getting recognized and being able to avail benefits of starting their own business in India.

A key objective of the Smart Cities Mission is to provide decent quality of life to their citizens through application of 'smart' solutions. Startups possess immense potential to cater to the needs of Smart Cities and their innovative solutions to complex problems of the cities can play a huge role in meeting this objective of the Mission.

In the above background, a **collaboration between the Smart Cities Mission (MoHUA), Atal Innovation Mission and Startup India scheme under Invest India** would enable harnessing the strengths of the three programs. This will foster creation of an eco-system for innovations in Smart Cities, enabling local area development and harnessing technology and providing a boost to the economy. Such a collaboration would be mutually beneficial in realizing the objectives of all the three Government initiatives. This partnership would be referred to as **SPIRIT**, which is the "**Smart Cities Promoting Innovation Research and Incubation in Technology**".

The salient features of SPIRIT program are elaborated as under.

b. Objectives:

The proposed collaboration for **SPIRIT** is intended to facilitate the following objectives, *viz*,

- (i) Creating suitable partnerships between Smart City Special Purpose Vehicles (SPVs), AIM and other similar incubators (City Incubation Partners), and Startup India in order to breed innovation in products, services, infrastructure and processes required in Smart Cities.
- (ii) Development of ‘Smart’ solutions suited for Smart Cities by entities, including Startups & MSMEs and enabling their deployment in such cities through innovative procurement processes.
- (iii) Capacity Building of Smart Cities to enable them to harness the strengths of the innovation eco-system, nurture ideas and create innovative solutions to fit their requirements.
- (iv) To create and nurture a deepened engagement of Smart Cities with Startups through multiple initiatives.

This proposed strategic partnership between **SCM**, **AIM** and **Invest India** will help Smart City SPVs with swift development and deployment of innovative technologies tailored to their needs in a cost-effective manner.

c. Roles and Responsibilities of the Partners:

i) Smart Cities Mission, MoHUA

- MoHUA will identify Smart Cities for participation in the SPIRIT Program through a process of invitation, as per this policy. These Smart Cities will identify and define their problem statements which require innovative solutions. An innovative solution can be a design / idea / prototype / product / service / software application or any other solution proposed for addressing the problem statement of a Smart City.
- Guidelines and model documents will be shared by MoHUA for invitation of ideas for the identified problem statements by the Smart City SPVs and selection of a winning Startup (the “Proponent”), whose Innovative Solution will be taken up for further development, if so needed. These model documents would be prepared by National

Institute of Urban Affairs (NIUA) on behalf of MoHUA, in consultation with AIM and Startup India team. These documents would act as guidelines and can be suitably modified by cities based on their contextual requirements.

- Smart City SPVs, based on the guidelines as above, will initiate the activities for engagement of Startups, which *inter alia* includes, problem statement definition, creation of partnerships between Smart – City SPV and incubators, invitation of proposals, selection of proponent and procurement process.
- Devise a transparent and open procurement solution for facilitating deployment and use of new innovative solutions so discovered in Smart Cities.
- Facilitate & oversee collaboration between Smart City SPVs, AIM, Startup India Hub and participating incubators, for strengthening the urban innovation eco-system across the country.
- Advocate use of successful innovative solutions in other cities throughout the country.

ii) *Atal Innovation Mission (AIM)*

- Identify City Incubation Partners (CIPs) in consultation with Startup India, across the country.
- AIM would drive the selection and creation of partnerships of CIPs with Smart Cities to engage with Startups and entrepreneurs. AIM would facilitate the entire process right from problem statement definition to running challenge processes, to selection of innovative solutions, as per the requirements of the Smart City SPVs through such selected CIPs. CIPs may include city level Atal Incubation Centers (AICs) / Other Incubation Centers (OICs).
- Design, oversee and manage accelerator programs with CIPs for the selected innovative solutions to transform the idea to a commercially deployable solution.
- Provide technical advisory to Smart Cities Mission on nurturing innovation within Smart Cities as part of the Mission.
- Take necessary steps to establish new Smart City incubators.
- Connect Smart Cities with academia and the industry to enable handholding of Startups wanting to participate in creating ‘smart’ solutions for Indian cities.

iii) Invest India

- To make available its nation-wide Startup India platform to run challenge processes created in partnership with Smart City SPVs and CIPs.
- Mobilize its network of Startups to participate in this challenge.
- Work with CIPs associated with the Smart Cities for development of innovative solutions.
- Leverage its investor network to mobilize participation in demo day for providing startups the opportunity to showcase their solutions and pitch to investors.
- Provide a platform for the startups of the SPIRIT program to engage, interact and connect with industry experts and mentors in the Smart City domain.
- Handhold the startups in the SPIRIT program to get recognized under DIPP and subsequently facilitate them to register and publish on the Government e-Marketplace (GeM) platform to make their solution available for procurement by all government departments.
- Create a multi-year continued outreach program for Startups who are interested in creating innovative solutions for Smart Cities and execute it in partnership with the Smart City SPVs and CIPs.

d. Process Flow

Step 1: Identification of Smart Cities

The Smart Cities Mission Directorate will identify select Smart Cities for participation in the SPIRIT initiative. Such cities would be selected through a process of invitation. Cities would be required to accept to work under the guidelines framed for the program.

Step 2: Building SPV-City Incubator partnerships

The team from AIM, in consultation with Startup India would facilitate the mapping of the City Incubation Partners with respective Smart Cities, so chosen to participate in the program. They will also facilitate training and capacity building of city SPV officials in order to acquire necessary skills for participation in the program.

Step 3: Problem Statement Definition by Smart Cities

Smart Cities will identify critical problem areas for their cities in consultation with citizens and stakeholders. These critical problem areas will be framed into problem statements in consultation with their CIPs. Cities are expected to work closely with their local eco-systems of academic institutions, industry and community organizations during this phase. The problem statements so identified would be taken up for development of smart solutions.

Step 4: Structuring of problem statement and Invitation stage

The problem statement will be developed by the Smart City SPV in consultation with the City Incubation Partner attached to that city. The problem statement should be appropriately framed for inviting innovative solutions from startups and other prospective entrepreneurs. An Innovative Solution can be a design/ idea/ prototype/ product/ service/ software application or any other solution proposed for addressing the problem statement. The Startup India platform will be used to run the entire challenge process. The guidelines and the Model Document for invitation of applications will be framed by the Mission Directorate of Smart Cities Mission and circulated to all cities participating in the SPIRIT program. The cities can modify / customize this Model Document, if required, to invite applications for its problem statements.

Step 5: Selection of Proponent

Applications will be invited by the Smart City SPV and the City Incubation Partner on the Startup India platform, as elaborated above. The Innovative solutions submitted by the applicants, including the technical and financial proposal for the problem statement will undergo a pre-defined evaluation process as laid down in the Model Document. The evaluation of applications and selection of Proponent will be done by an Innovation Committee formed by the Smart City SPV, comprising minimum three-member. This Innovation Committee will comprise technical representatives of the concerned Smart City SPV, experts in the relevant field from the city / state or any other part of the country. The recommendations of the Innovation Committee will be submitted for approval of the Smart City CEO or the competent authority for this purpose, as defined by the Smart

City SPV. The selected application will be declared as the Proponent of the Innovative Solution and will be taken through an acceleration process, where the Detailed Project Report for the Innovative Solution will be prepared by the city for commercial implementation through a Bid process. The Proponent shall be given the Right of First Refusal (ROFR) and will be eligible for Plan Compensation for his Innovative Solution in case he/she is not the Successful Bidder (as laid down in the Model Document) during the Bid Stage.

Step 6: Incubation and Acceleration

The Proponents Innovative Solution will be taken up for incubation and/or accelerated development for commercial deployment readiness by the CIP of the city. The CIP will help the Proponents gain access to mentorship, seed financing, facilitate national level or city level links with VC funds, development partners, mentors and other handholding support, provide technical advisory, and generate awareness of various government benefits for Startups. Once the incubation process is complete, the Innovative Solution will be submitted for approval of the Smart City Innovation Committee for taking it through a Bid Challenge stage.

Step 7: Bid Document preparation and Invitation of Bids

The approved Innovative Solution will be taken for Bidding by the Smart City SPV. The Mission Directorate of Smart Cities Mission shall prepare a Model Bid Document for calling of Bids which shall be circulated to all the Smart Cities. These documents would act as guidelines and can be suitably modified by cities based on their contextual requirements. The documentation for calling of Bids for the approved Innovative Solution will be as per the Bid Document and the invited Bids shall be evaluated by the Bid Evaluation Committee formed by the Smart City SPV and their recommendations will be submitted to the CEO of the Smart City SPV or the competent authority as defined by the Smart City SPV for acceptance. The Successful Bidder, selected as per the evaluation criteria, will be notified by the Smart City SPV and taken through the Bid Challenge Process. The Proponent will not be allowed to reduce its financial offer while participating during the Bid Stage and its financial offer, submitted at the time of Invitation Stage, will be considered as the reserve price / estimate for Bidding.

Step 8: Bid Challenge Stage

On opening of the Bids, in case the Proponent is not the Successful Bidder, then it shall exercise the ROFR within 15 days of notification of Successful Bidder and attempt to match the Bid of the Successful Bidder. If the Proponent is able to match the Bid of the Successful Bidder, then it will be declared as the Selected Bidder, and the contract shall be awarded to him. In case the Proponent does not wish to exercise ROFR, the contract shall be awarded to the Successful Bidder who shall be declared as the Selected Bidder. The Proponent will be eligible for payment of Plan Compensation for conceptualizing the Innovative Solution, which shall be paid by the Successful Bidder. The Plan Compensation will be defined during the Bid Stage as per the methodology laid down in the Bid Document.

Step 9: Letter of Award and Signing of Contract

The Selected Bidder will be issued the Letter of Award within 7 days of conclusion of the Bid Challenge Stage and the Smart City SPV shall enter into a contract for implementation of the Innovative Solution as per the Model Agreement document which will be issued by the Mission Directorate of Smart Cities Mission.

e. Miscellaneous

The ownership of Intellectual Property Rights (IPR), if any, generated under the program shall vest with the Proponent who has developed the Innovation Solution.

The Smart Cities and the Smart Cities Mission shall have the right to use the Innovative Solution through the City Administration or other Smart City SPVs, either directly or through any other agency. Provided, in case of implementation through an agency, the selection of such agency will be through conduct of an open and transparent Bidding process. In such case, the Proponent shall not claim any exclusive right on the Innovative Solution, nor shall any royalty be payable to the Proponent. The Proponent shall be free to participate in the Bidding process in the other cities.

Provided that, if the Innovative Solution has an IPR held by the Proponent, then its use by any other city will be subject to payment of Royalty to the Proponent, where the Proponent is not selected as the executing agency in the new city. The amount of Royalty shall not exceed the amount of Plan Compensation, arrived at the time of selection of Successful

Bidder in the first instance, and shall be proportionately reduced in accordance with the value of the contract. The Royalty shall be payable by the Selected Bidder in the new city where the Innovative Solution having IPR is planned for execution.

f. Key Performance Indicators of the Tri-partite Collaboration

The indicative Key Performance Indicators (KPI) of this tri-partite collaboration could be enumerated as below:

Indicative KPI	Timeline from launch event
Selection of 20 Smart Cities	1 month
Finalization of City Incubation Partners	2 months
Shortlisting of 20 start-ups delivering technologies solving challenges listed by Smart City SPVs	4 months
Theme based accelerator programs	To start within 6 months, and end in 12 months
Funding mechanisms	12 months
Procurement and Deployment of innovative technologies from at least 20 start-ups in at least 12 cities	12 months

Deliverables with timelines for each collaborating entity

1) MoHUA

Deliverable	Timeline from launch event
Selection of 20 Smart Cities	1 month
Problem statement definition by Smart City SPVs	2 months
Collaboration of Smart City SPVs with City Incubation Partners	2 months
Invitation for Startup proposals by Smart City SPVs	3 months
Selection of proponents by Smart City SPVs	4 months
Finalization of Startup technology procurement process	6 months
Procurement and deployment of selected technologies	12 months

2) Atal Innovation Mission

Deliverable	Timeline from launch event
Identification of City Incubation Partners (CIPs) in consultation with Startup India	2 months
Facilitate problem statement definition, invitation and selection of solutions, developed by existing startups from accelerators	3 months
Design, oversee and manage accelerator programs with CIPs	6 months
Provide technical advisory to SCM AND establish new Smart City incubators (if required) and facilitate handholding for start-ups	Ongoing

3) Invest India

Deliverable	Timeline from launch event
Create and make available Online platform for SPIRIT Challenge (Phase 1) + Start-up network sensitization for applications	2 months
Engagement of start-ups with investors and sector experts	4 months
Start-up recognition under DIPP and published on Government e-Marketplace (GEM)	18 months
Support to SCM to create a multi-year continued outreach program for Startups who are interested in creating innovative solutions for Smart Cities	Ongoing