**Modified Guidelines of MSE-CDP**

**Background**

1. The Ministry of Micro, Small and Medium Enterprises (MSME), Government of India (GoI) has adopted the cluster development approach as a key strategy for enhancing the productivity and competitiveness as well as capacity building of Micro and Small Enterprises (MSEs) and their collectives in the country. A cluster is a group of enterprises located within an identifiable and as far as practicable, contiguous area and producing same/similar products/services. The essential characteristics of enterprises in a cluster are (a) Similarity or complementarity in the methods of production, quality control and testing, energy consumption, pollution control, etc (b) Similar level of technology and marketing strategies/practices (c) Channels for communication among the members of the cluster (d) Common challenges and opportunities.

2. In October 2007, the erstwhile cluster development scheme ‘Small Industries Cluster Development Programme (SICDP)’ was renamed as ‘Micro and Small Enterprises – Cluster Development Programme (MSE-CDP)’. It was also decided that the ‘Integrated Infrastructural Development (IID)’ Scheme shall be subsumed in MSE-CDP for providing developed sites for new enterprises and upgradation of existing industrial infrastructure. A comprehensive MSE-CDP is being administered by the office of Development Commissioner (MSME), the Ministry of MSME.

3. These guidelines for the Micro and Small Enterprises - Cluster Development Programme (MSE-CDP) are issued in supersession of the previous guidelines relating to SICDP and IID schemes and encompass, inter-alia, the procedure and funding pattern for admissible activities, namely:-

   (i) **Diagnostic Study Reports**: To map the business processes in the cluster and propose remedial measures, with a validated action plan.

   (ii) **Soft Interventions**: Technical assistance, capacity building, exposure visits, market development, trust building, etc for the cluster units.

   (iii) **Detailed Project Report**: To prepare a technical feasible and financially viable project report for setting up of a common facility center for cluster of MSE units and/or infrastructure development project for new industrial estate/ area or for upgradation of infrastructure in existing industrial estate/ area/ cluster.

   (iv) **Hard Intervention/Common Facility Centers (CFCs)**: Creation of tangible “assets” like Testing Facility, Design Centre, Production Centre, Effluent Treatment Plant, Training Centre, R&D Centre, Raw Material Bank/Sales Depot, Product Display Centre, Information Centre, any other need based facility.

   (v) **Infrastructure Development**: Development of land, provision of water supply, drainage, Power distribution, non-conventional sources of Energy for common captive use, construction of roads, common facilities such as First Aid Centre, Canteen, other need based infrastructural facilities in new industrial (multi-product) areas/estates or existing industrial areas/estates/clusters.
The projects sanctioned under erstwhile SICDP (renamed MSE-CDP) and Integrated Infrastructural Development (IID) schemes will also be eligible for financial support issued under the scheme as per earlier approvals.

4 Objectives of the Scheme
   i. To support the sustainability and growth of MSEs by addressing common issues such as improvement of technology, skills and quality, market access, access to capital, etc.
   ii. To build capacity of MSEs for common supportive action through formation of self help groups, consortia, upgradation of associations, etc.
   iii. To create/upgrade infrastructural facilities in the new/existing industrial areas/ clusters of MSEs.
   iv. To set up common facility centres (for testing, training centre, raw material depot, effluent treatment, complementing production processes, etc).

5 Strategy and Approach: Given the diverse nature of the MSEs in terms of both geographical location and sectoral composition, the MSE-CDP scheme aims at addressing the needs of the industries, through well defined clusters and geographical areas. This will enable achieving the economies of scale in terms of deployment of resources as well as focusing on the specific needs of similar industries. The capacity building of associations, setting up of special purpose vehicles (SPVs), consortia, etc. which are integral part of the scheme would enable the MSEs to leverage their resources and also to have better access to public resources, linkages to credit and enhance their marketing competitiveness.

6 Diagnostic Study: The first and foremost activity in the cluster development process is to conduct a diagnostic study. The objective of conducting diagnostic study in a cluster is to map all the business processes of the cluster units viz. manufacturing processes, technology, marketing, quality control, testing, purchase, outsourcing, etc to find out its strengths, weaknesses, threats and opportunities (SWOT), problems and impediments, suggestions and a well-drawn action plan for enhancing competitiveness of the units of the cluster and to position the cluster on a self sustaining trajectory of growth. Diagnostic Study Report (DSR) is very important document and the study should be conducted with special attention. The Study should focus on enhanced competitiveness, technology improvement, adoption of best manufacturing practices, marketing of products, employment generation, etc. There has to be direct linkages between the problems highlighted in the report and the measures suggested for improvement.

   a. The DSR should preferably be prepared by the end users and other agencies should only facilitate in preparation of reports. In case the DSR is prepared by other expert agencies other than end users, these reports must be thoroughly discussed with and vetted by the end users and concerned State Government. Such agencies should have relevant expertise in cluster development.
b. Specific needs of the cluster regarding IPRs, Technology Upgradation, Information and Communication Technologies (ICT), Enterprise Resource Planning (ERP), energy efficiency, lean manufacturing, technology benchmarking (international/national), market potential assessment, skill up-gradation/certification system, design development, comparative study with other clusters, twinning of clusters, need to improve safety, health, business literacy, welfare of workforce by the enterprises and their common bodies, social upliftment, etc. should be examined and included in the DSR.

c. GoI grant of maximum Rs 2.50 lakh will be provided for preparation of DSR for one cluster. For the field organizations of the Ministry of MSME, this financial support will be Rs 1.00 lakh. The cost includes the expenses towards visits to cluster, compilation of data, validation of action plan, hiring of consultant, special studies (if reqd), printing & stationery, etc. 50% of the amount sanctioned will be released after the approval. Balance 50% will be released only after acceptance of report.

d. DSR for one cluster should be prepared within a period of 3 months, unless extended with the approval of DC(MSME).

7 Soft Interventions: Soft activities under the programme would consist of activities which lead to creation of general awareness, counseling, motivation and trust building, exposure visits, market development including exports, participation in seminars, workshops and training programmes on technology upgradation, etc. These interventions bring about general attitudinal changes necessary to initiate improvement in the existing style of working of the MSEs in the cluster. It is necessary to prepare a Diagnostic Study Report (DSR) including validated action plan, performance indicators/milestones to evaluate the project, before undertaking Soft Interventions. Activities are undertaken as per approved action plan included in DSR.

a. The critical mass in a cluster for effectively realising the demonstrative impact of soft interventions should be maximum but not less than 25 units participating in the cluster development activities. However, for difficult and backward regions and for special entrepreneurs groups having a sizeable presence of Women/SC/ ST/Minorities, the critical mass could be 20.

b. Maximum limit for project cost would be Rs 25.00 lakh per cluster. Indicative details of activities are given in Annex 1. GoI grant for the soft interventions will be 75% of the sanctioned amount of the project cost. For NE & Hill States, Clusters with more than 50% (a) micro/village (b) women owned (c) SC/ST units, the GoI grant will be 90%. The cost of project will be moderated as per size/turnover of the cluster.

c. The share of the cluster beneficiaries should be as high as possible but not less than 10 per cent of the total cost of Soft Interventions. State Government/ other stakeholders contribution will be considered as gap funding.
d. Funds will be released after getting commitment from the State Government/Implementing Agencies that required share of the cost of interventions in the cluster is contributed by the cluster actors and other institutions/stakeholders. Funds will be released in two/three instalments depending upon the implementation plan, requirements of funds.

e. The duration of soft interventions will be maximum 18 months, unless extended with the approval of Steering Committee.

8 Detailed Project Report (DPR): A GoI grant of maximum Rs 5.00 lakh will be provided for preparation of a technical feasible and financially viable project report for setting up of a common facility center for cluster of MSE units and/or infrastructure development project for new industrial estate/area or for upgradation of existing infrastructure in existing industrial estate/area/cluster. 50% of the amount sanctioned will be released after the approval. Balance 50% will be released only after acceptance of report.

a. The DPR should include financial analysis like internal rate of return, break-even point, debt-service coverage ratio, sensitivity analysis, etc., using basic templates such as projected profit & loss account, projected balance sheet etc. The indicative format for preparation of DPR is given at Annex 2.

b. DPR should be appraised by a bank (if bank financing is involved)/independent Technical Consultancy Organization/ SIDBI.

9 Hard Interventions (setting up of CFCs): Hard Interventions under the programme will consist of creation of tangible “assets” as Common Facility Centers (CFCs) like Common Production/Processing Centre (for balancing/correcting/improving production line that cannot be undertaken by individual units), Design Centres, Testing Facilities, Training Centre, R&D Centres, Effluent Treatment Plant, Marketing Display/Selling Centre, Common Logistics Centre, Common Raw Material Bank/Sales Depot, etc.

a. The GoI grant will be restricted to 70% of the cost of project of maximum Rs 15.00 crore. GoI grant will be 90% for CFCs in NE & Hill States, Clusters with more than 50% (a) micro/village (b) women owned (c) SC/ST units. The cost of project includes cost of Land (subject to max. of 25% of Project Cost), building, pre-operative expenses, preliminary expenses, machinery & equipment, miscellaneous fixed assets, support infrastructure such as water supply, electricity and margin money for working capital.

b. The entire cost of land and building for CFC shall be met by SPV/State Government concerned. In case existing land and building is provided by stakeholders, the cost of land and building will be decided on the basis of valuation report prepared by an approved agency of Central/State Govt. Departments/FIs/Public Sector Banks. Cost of land and building may be taken towards contribution for the project. CFC
can be set up in leased premises. However, the lease should be legally tenable and for a fairly long duration (say 15 years).

c. It is necessary to form an SPV prior to setting up of and running the proposed CFC. An SPV is a clear legal entity (Cooperative Society, Registered Society, Trust or a Company) with evidence of prior experience of positive collaboration among its members. The SPV should have a character of inclusiveness wherein provision for enrolling new members to enable prospective entrepreneurs in the cluster to utilise the facility should be provided. In addition to the contributing members of the SPV, the organizers should obtain written commitments from ‘users’ of the proposed facilities so that its benefits can be further enlarged. Bylaws of SPV should have provisions for CDE/ CDA and one State Govt official as members of the SPV.

d. There should be a minimum of 20 MSE cluster units serving as members of the Special Purpose Vehicle (SPV). There is no ceiling on the maximum number of members. In special cases, where considerations of investments, technology or small size of the cluster warrant lesser number of units, a minimum of 10 MSE units may be considered for the SPV.

e. The share of the cluster beneficiaries should be as high as possible but not less than 10 per cent of the total cost of CFC. State Government contribution will be considered as gap funding. All the participating units should be independent in terms of their financial stakes and management. No single unit will hold more than 10 per cent in the equity capital (or equivalent capital contribution) of the SPV.

f. Large mother manufacturing firms (whether in the public or private sector), other major buyers of the cluster MSE products, commercial machinery suppliers, raw material suppliers and business development service (BDS) providers will be eligible to contribute up to 49 per cent for SPV, provided management of SPV remains clearly with the intended beneficiary SPV. The SPV may also raise loans from banks to take care of any shortfall, expansion, etc. on the condition that the plant and machinery in the CFC purchased with Government assistance will not be hypothecated and the first right thereto will rest with the Government.

g. Contribution by the SPV/State Government or the beneficiaries’ share should be made upfront. Necessary infrastructure like land, building, water and power supply, etc must be in place or substantial progress should have been made in this regard before GoI assistance is released. Where bank finance is involved, written commitment of the bank concerned to release proportionate funds will also be necessary before release of GoI assistance.

h. The CFC may be utilized by the SPV members and as also others in the cluster.
i. The CFC should be operationalised within two years from the date of final approval, unless extended with the approval of Steering Committee.

j. Escalation in the cost of project above the sanctioned amount, due to any reason, will be borne by the SPV/State Government. The Central Government shall not accept any financial liability arising out of operation of any CFC.

k. User charges for services of CFC shall be close to prevailing market prices, as decided by the Governing Council of the SPV. The SPV members may be given reasonable preference in user charges.

l. The CFC with cost higher than Rs 15.00 crore may also be considered under MSE-CDP. However, the GoI grant will be calculated with project cost ceiling of Rs 15.00 crore.

m. Funds will be released in two/three installments (after final approval) depending upon the implementation plan, requirements of funds.

n. A Tripartite Agreement among the GoI, the State Government concerned and the SPV shall be signed for CFC projects. The format of the agreement is given at Annex 3.

o. Exhibition Centres by Associations of Women Entrepreneurs: The GoI assistance shall also be available to Associations of Women Entrepreneurs for establishing exhibition centres at central places for display and sale of products of women owned micro and small enterprises @ 40% of the project cost. The GoI contribution will be towards furnishings, furniture, fittings, items of permanent display, miscellaneous assets like generators, etc.

10 Infrastructure Development: Infrastructure Development projects under the scheme will consist of projects for infrastructural facilities like power distribution network, water, telecommunication, drainage and pollution control facilities, roads, banks, raw materials, storage and marketing outlets, common service facilities and technological backup services for MSEs in the new/existing industrial estates/areas.

a. The location of the Projects should be close to district / block / taluka headquarters or any other development projects with access to the following basic facilities:
   i. Proximity to railway stations / state highways to facilitate transport of raw material to, and finished material from the Project;
   ii. Availability of water supply and adequate source of power supply. The power position should be reflected in the detailed project report;
   iii. Telecommunication facilities;
   iv. The location selected should not create any ecological imbalance by disturbing environment;
v. The workers in the project should not be made to travel for more than 8-10 kilometers from their dwelling places;

b. The GoI grant will be restricted to 60% of the cost of project of Rs 10.00 crore. GoI grant will be 80% for projects in NE & Hill States, industrial areas/estates with more than 50% (a) micro (b) women owned (c) SC/ST units. Details of components for new site development are given at Annex 4. For existing clusters, upgradation proposals will be based on actual requirements.

c. The State/UT Governments will provide suitable land for the Projects. In estimated cost to set up a project under Infrastructure Development projects of Rs.10.00 crore (excluding cost of land), Central Government will provide grant-in-aid. The remaining amount may be loan from SIDBI/Banks/Financial Institutions or equity from State/UT Government. The State/UT Governments will meet the cost in excess of Rs.10.00 crore or any escalation in cost.

d. The project should be completed within two years from the date of final approval, unless extended with the approval of Steering Committee.

e. Second/ subsequent project in a district will be considered only if the sites developed in the earlier project(s) have been allotted.

f. Funds will be released on reimbursement basis or on matching share basis (Implementing Agency will deposit its share in the dedicated bank account in the name of project and submit a bank certificate). 1st installment limited to Rs. 2 crore only.

g. State/UT Governments may constitute State Level Committees to coordinate and monitor the progress of implementation of the Projects, with representatives from O/o DC (MSME), SIDBI, Lead Bank, etc.

h. **Other Conditions:**

   i. Construction of sheds/structures shall not be taken up under the scheme. Sheds/structures will be built by the entrepreneurs according to their needs.

   ii. Suitable land endowed with infrastructural facilities like water, electricity, communication and nearness to “mandis” should be selected.

   iii. There should be forward and backward linkages between agriculture and industry. Efforts should be made to use local resources both men and material.

   iv. Any change in the layout plan should be got approved by DC (MSME).

11 **Implementation Agencies:**
<table>
<thead>
<tr>
<th>Activity</th>
<th>Implementing Agency</th>
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</thead>
<tbody>
<tr>
<td>Diagnostic study</td>
<td>• Offices of the Ministry of MSME</td>
</tr>
<tr>
<td>Soft Interventions</td>
<td>• Offices of State Governments</td>
</tr>
<tr>
<td>Setting up of CFC</td>
<td>• National and international institutions engaged in development of the MSE sector.</td>
</tr>
<tr>
<td></td>
<td>• Any other institution/agency approved by the Ministry of MSME</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>State/UT Governments through an appropriate state government agency with a good track record in implementing such projects.</td>
</tr>
<tr>
<td>Development projects</td>
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</tbody>
</table>

12 **Project Approval:** The proposals under the scheme will be considered for approval by the Steering Committee of the MSE-CDP. Constitution of the Steering Committee will be:

i. Secretary (MSME) - Chairman
ii. AS&DC(MSME)
iii. AS&FA
iv. Adviser (VSE), Planning Commission
v. Joint Secretary, Ministry of MSME
vi. Representative of SIDBI
vii. ADC/ JDC / Director – Incharge of the scheme – Member Secretary
viii. Representative(s) of concerned Industry Association(s)
ix. Special invitees (financial institutions, programme management service provider, Representative of appraisal agency etc.)

12.1 Proposals for DSR, DPR and Soft Interventions will be approved in one stage only.

12.2 Hard interventions (CFC) and infrastructure development projects will be approved in two stages: In-principle approval and final approval.

12.2.1 **In-principle approval:** All the proposals should be sent to the office of DC (MSME) through concerned state government. However, institutions of the Ministry of MSME may send proposals for soft interventions/ DSR/DPR directly to the Office of DC (MSME). In case of infrastructure development projects/DPR thereof, State government will submit the proposal to the office of DC (MSME). Office of DC(MSME) may take assistance of Project Management Service Providers (PMS) for examining of the proposals before considering them for approval. In-principle approval shall be valid for a period of 6 months, and before that it is expected that the project would be ready for final approval. In case, final proposal is not received in 6 months, it will automatically lapse, unless it is specifically extended by the steering committee.

12.2.2 **Final Approval:** The projects which have been accorded in-principle approval, shall be accorded final approval on fulfillment of following conditions:

i. **Common Facility Center (CFC)**
a Formation of SPV and Trust building. Role and functions of the SPV should be defined.
b Land procured and registered in the name of SPV
c Submission of appraised Detailed Project Report (DPR).
d Details of the share holding of the SPV
e Project Specific account in Schedule A bank

ii Infrastructure Development Projects
a Submission of appraised DPR with approved layout plan.
b Confirmation of availability of suitable land of the requisite size endowed with infrastructural facilities like water, electricity, communication etc. The land should be in possession in the name of the Implementing Agency (IA) with Clear Title and complying with Zoning regulations and non-agricultural conversion etc
c Constitution of State Level Committee to coordinate and monitor the progress of implementation of the Projects

13 Programme Management Service Providers (PMS): Considering the unorganized and micro / small scale nature of enterprises and the need for very extensive project development efforts, especially for industrially backward regions office of DC(MSME) with the approval of the Steering Committee, may appoint competent Programme Management Service Providers (PMS) for facilitating formation of various proposals and their implementation. PMS would act as a link between DC (MSME) and the industry/ state government and would help in efficient and speedy roll out of the Scheme. Office of DC(MSME) will identify, select and prepare a panel of PMSs. The PMS shall report directly to the office of DC (MSME).

13.1 Service charges for the PMS shall be paid from within the approved budget outlay of the scheme.
13.2 The PMS will have the following responsibilities:
a Sensitisation and awareness creation about the scheme
b Identification of need for soft and hard interventions and formulation of suitable proposals
c Assist state governments / industry associations / groups of entrepreneurs / other stakeholder / agencies in conceptualizing projects and preparing comprehensive proposals / DPRs.
d Assisting the identified entrepreneurs in establishment and structuring the project specific SPV
e Assist office of DC(MSME) in examining the proposals for in-principle and final approval.
f Assist SPVs in selection of agencies / experts for various services and in developing suitable operational framework for CFC
g Assist in periodical monitoring of the progress of the projects and disbursement of funds
h Provide need based advisory services to the office of DC (MSME) and assist in strategy formulation for effective implementation of the scheme

14 Monitoring and Evaluation:
14.1 The Development Commissioner (MSME) will be the apex body for coordinating and overseeing the progress of the projects.

14.2 In case of projects implemented by the State Governments, their autonomous bodies and SPVs, monitoring of the projects will be the responsibility of the State Governments concerned to ensure satisfactory and time-bound implementation of the activities. Each State Government will also be required to constitute a Project Steering Committee under the chairmanship of Secretary or Director of Industries and consisting of representatives of all stakeholders for this purpose.

14.3 In case of cluster development projects not covered as above, the office of DC(MSME) will directly monitor the progress with the assistance of or through its field level offices.

15 Miscellaneous Provisions

15.1 Monitoring and Management Expenses: At present, interventions are being undertaken in more than 400 clusters. Project monitoring and management @ 2% of the total budget outlay for the sanctioned funds will be utilized, mainly at the office of DC (MSME) for
   i. Preparation of panels of PMS/ experts/ expert agencies for preparation of DSRs, DPRs, agencies involved in cluster development, etc
   ii. Development of customized software for data management, specialized reports and monitoring & evaluation
   iii. MSE-CDP related communication and stationery expenses
   iv. Travel/ exposure visits of the cluster cell officials in the Office of DC (MSME) for monitoring MSE-CDP activities
   v. Organizing of meetings including steering committee ones
   vi. Purchase of office automation equipment like photocopier, maintenance etc
   vii. Outsourcing of data management services

15.2 National Level Miscellaneous Activities: Activities (like organizing training/ national workshops, publishing of cluster related material, preparation of study material, deputation of officers from headquarters, specials studies, etc.), setting up of and supporting Resource Centers, which are not part of cluster specific action plans, but are directly connected with the promotion of the scheme and duly approved by the Steering Committee subject to 5% of the total cluster development budget in a particular year, will also be permitted. Training will also be imparted to the Implementing Agencies, SPVs, and other stakeholders as and when required.

15.3 Cluster development through International Agencies: The interventions criteria/ proposal format for cluster develop through International agencies like UNIDO, GTZ, DFID etc do not match with that of the MSE-CDP. However, sometimes it is required to join hand with such agencies with necessary international expertise for development of clusters on national/ regional level. Contribution for
such programmes may be considered by the Steering Committee in relaxation of the prescribed norms.
### Annex 1

**Proposed Budget (Indicative)* and Means of Finance for Soft Interventions**  
(per cluster spread over a period of 18 months)  
(Rs in lakh)

<table>
<thead>
<tr>
<th>S No.</th>
<th>Description</th>
<th>Max Estimated Expenditure</th>
<th>Means of Finance</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>GoI assistance</td>
<td>State Govt. &amp;/or PSU, Institutions</td>
<td>SPV/ Private Partners</td>
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<tr>
<td>1.</td>
<td>Trust building (organizing meetings, seminars for cluster actors) 4 meetings</td>
<td>0.80</td>
<td>upto 90%</td>
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<td>2.</td>
<td>Building awareness of various schemes of Ministry of MSME, other Ministries and Departments of State &amp; Central Govt, other developmental agencies, Financial institutions etc (2 programmes)</td>
<td>0.80</td>
<td>upto 90%</td>
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<tr>
<td>3.</td>
<td>Organizing training programmes /seminars /workshops/ study tours to other clusters/ demonstration of technology/equipment, including expert fees, travel, lodging, boarding, etc. (Total upto 6 programmes @ Rs.1.00 lakh)</td>
<td>6.00</td>
<td>upto 80%</td>
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<tr>
<td>4.</td>
<td>Capacity building (exposure visits, benchmarking, brochure preparation, web-site launching, initial recruitment cost, etc.)</td>
<td>1.00</td>
<td>upto 60%</td>
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<td>5.</td>
<td>Services of BDS providers, (max 20 person-days @ Rs 7000/- per day + boarding/lodging charges as per Group A officer's entitlement)</td>
<td>3.00</td>
<td>upto 90%</td>
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<td>6.</td>
<td>Participation in one foreign fair (for entrepreneurs in clusters). One fair per cluster.</td>
<td>5.00</td>
<td>50%</td>
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<td>7.</td>
<td>Miscellaneous developmental costs (translation, publications-lump sum)</td>
<td>1.50</td>
<td>upto 80%</td>
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<td>8.</td>
<td>In-house institutional Staff:</td>
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<td></td>
<td>a CDA (if required) -18 month @ Rs. 30000 pm</td>
<td>5.40</td>
<td>upto 50%</td>
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<tr>
<td></td>
<td>b Local Organizer/NDA-18 month @ Rs.20000 pm</td>
<td>3.60</td>
<td>upto 50%</td>
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<td>9.</td>
<td>Local travel in the cluster of the in-house staff and Telecommunications expenses (Rs 5000 per month)</td>
<td>0.90</td>
<td>100%</td>
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<tr>
<td>13.</td>
<td>Local purchases (computer, telephone, fax-lump sum, year-wise), if required</td>
<td>0.75</td>
<td>100%</td>
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<tr>
<td>15.</td>
<td>Participation of CDE/CDA/ cluster official along with entrepreneurs of the cluster. economy/ excursion fair + TA</td>
<td>1.25</td>
<td>100%</td>
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</tbody>
</table>
NB Maximum limit for project cost would be Rs 25.00 lakh per cluster. Overall funding pattern will be guided by the details given in para 7b.

- After approval of the action plan, changes in the sub-heads up to 25% of the approved amount within the total budget may be allowed with the permission of Director, MSME-DI / DC (MSME).

- * All the activities mentioned above may not be required in all the clusters. Actual action plan and budget must be prepared on the basis of requirements of the cluster and in close liaison and consent of the cluster beneficiaries/users body.
Format of Detailed Proposal for CFC

1. The basic details/documentation
   i. Name and location of the cluster
   ii. Nature of activity and products
   iii. Number and size (also in terms of installed capacity) of units
   iv. Scale of investment (also in terms of net fixed and important current assets)
   v. Value of output in the last 5 years (different enterprise segment-wise), including export output, if any
   vi. Projected performance of the cluster after proposed intervention (in terms of production, export/domestic sales and direct/indirect employment, etc.)
   vii. Diagnostic study/comparative advantage benchmark survey (main findings)
   viii. Information on nature of critical gaps identified (such as poor storage facility, poor testing and quality control facilities-item-wise cost estimates)
   ix. Implementation schedule; structuring of the SPV, such as copy of certificate of incorporation, articles of association and letter of agreement with stakeholders
   x. Revenue generation mechanism for sustainability of assets (service/user charges to be levied, any other-to be specified)
   xi. Project highlights—total cost of project, contribution from cluster enterprises/stakeholders, average contribution by individual enterprises, grant in aid under MSE-CDP, term loans, debt-equity ratio, repayment schedule and estimated debt service coverage ratio (DSCR), annual estimated income, expenditure, gross and net profit at expected/optimal levels of operations, break even (BE)/internal rate of return (IRR) calculations, payback period, etc.
   xii. In-principle sanction of loan from a bank, if applicable
   xiii. Previous track record of co-operative initiatives pursued by SPV members need to be highlighted with support documentation
   xiv. CFC may be utilised by SPV members as also others in a cluster. However, evidence should be furnished with regard to SPV member ability to utilise at least 60 per cent of installed capacity.

2. Elements of DPR
2.1 Plant and machinery
   (a) List of Plant and Machinery

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Particulars of plant and machinery</th>
<th>No.</th>
<th>Power requirement (HP/KW)</th>
<th>F.O.R. Price (Rs)</th>
<th>Name of proposed suppliers</th>
<th>Delivery Schedule (month-wise)</th>
</tr>
</thead>
</table>

Note: Add central sales tax, packing and forwarding charges (2%), transit insurance (1%), and freight (2%) to costs or actuals.
(b) Capacity of plant and machinery on single shift basis
(c) Production pattern
2.2 Annual requirement of raw materials and consumables at 100% capacity utilization

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Particulars of raw material</th>
<th>Specifications/ indigenous/ imported</th>
<th>Quantity required at full capacity</th>
<th>Unit price (Rs.)</th>
<th>Total value (Rs.)</th>
</tr>
</thead>
</table>

2.3 Utilities and services at full capacity utilization

(a) Power for industrial purpose

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Particulars of the machinery</th>
<th>KW</th>
<th>No. of working hrs. per month</th>
<th>KW/month</th>
<th>Rs./ KWH</th>
<th>Total</th>
</tr>
</thead>
</table>

(b) Power requirement for commercial/ domestic purpose

(c) Water

(d) Gas/Oil/ Other utilities

2.4 Site Development and civil construction

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Quantity/ nos</th>
<th>Rate</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>i</td>
<td>Cost of land</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ii</td>
<td>Development cost of land</td>
<td></td>
<td></td>
</tr>
<tr>
<td>iii</td>
<td>Cost of compound wall</td>
<td></td>
<td></td>
</tr>
<tr>
<td>iv</td>
<td>Cost of fabricated gates &amp; grills</td>
<td></td>
<td></td>
</tr>
<tr>
<td>v</td>
<td>Cost of shed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>vi</td>
<td>Cost of laboratory</td>
<td></td>
<td></td>
</tr>
<tr>
<td>vii</td>
<td>Other RCC construction</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ix</td>
<td>Water tank/ Overhead water tank</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2.5 Organizational set up and man power requirement

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Category/ Designation</th>
<th>No. of persons</th>
<th>Salary per month (Rs)</th>
<th>Total salary (PM)</th>
</tr>
</thead>
</table>

Note: Add 25% towards fringe benefits and 5% annual increment

2.6 Project cost

<table>
<thead>
<tr>
<th>Particulars of cost</th>
<th>Amount (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Land &amp; site development</td>
<td></td>
</tr>
<tr>
<td>(ii) Building</td>
<td></td>
</tr>
<tr>
<td>(iii) Plant and machinery (cost of plant and machinery, 10% installation, electrification and commissioning)</td>
<td></td>
</tr>
<tr>
<td>(iv) Misc. fixed assets (fixture, furniture, fire fighting equipment, first aid equipment, back up power supply, etc.)</td>
<td></td>
</tr>
</tbody>
</table>
(v) Preliminary expenses (diagnostic study, DPR, legal & administrative expenses, telephone, stationery, etc.)

(vi) Pre-operative expenses (establishment, travel, interest on borrowings, committed charges during construction period, start up expenses, etc.)

(vii) Provision for contingencies (2% building and 5% on plant and machinery)

(viii) Margin money for working capital

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Agency</th>
<th>Amount (Rs. lakh)</th>
<th>% of the project cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>SPV</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>GoS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>GoI</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>Bank Borrowings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>Others</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2.7 Means of finance

2.8 Working capital and margin money (actual capacity utilisation year wise)

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Particulars</th>
<th>No. of months</th>
<th>Margin as per capacity utilisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Raw material and consumables</td>
<td></td>
<td>1st year 2nd Year 3rd year</td>
</tr>
<tr>
<td>2.</td>
<td>Utilities</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Working expenses (salary of manpower)</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>Works in process (cost of raw material, utility and salary on actuals)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>Stock of finished goods (cost of raw material, utility, salary, factory overheads on actuals)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>Bills receivables (Sales value)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2.9 Cost of production (Projection for 10 years of operation in tabular form)

    (i) Raw materials and consumables
    (ii) Utilities
    (iii) Wages and salary
    (iv) Repairs and maintenance
    (v) Insurance
    (vi) Administrative and factory overheads
    (vii) Selling expenses
2.10 Estimation of profitability (projections for 10 years of operation in tabular form)

(i) Installed capacity
(ii) Number of working days (single shift basis)
(iii) Capacity utilization
(iv) Production (in single unit)
(v) Sales realisation
(vi) Cost of production
(vii) Gross profit [(v)-(vi)]
(viii) Financial expenses
(a) Interest on bank borrowing
(ix) Depreciation on written down value method (as per separate schedule to be attached for different categories of fixed assets)
(x) Preparatory expenses not written off
(xi) Operating profit [(vii) – {(viii) + (ix) + (x)}]
(xii) Tax vide separate schedule
(xiii) Profit after tax [(xi) – (xii)]
(xiv) Available surplus [(xiii) + (ix)]

2.11 Cash flow statement (projections for 10 years in tabular form)

(A) Sources of fund:
(a) Gross profit less depreciation
(b) Term loan
(c) Subsidy/Grant
(d) Promoter’s contribution
(e) Increase in bank borrowings
(f) Depreciation

(B) Disposal of funds:
(a) Preliminary & pre-operative expenses
(b) Capital expenditure
(c) Increase in working capital
(d) Interest on term loan
(e) Interest on bank borrowings
(f) Decrease in term loan
(g) Taxes

(C) Opening balance of cash in hand or at bank [sum total of {(A)-(B)}]
(D) Net surplus/Deficit
(E) Closing balance of cash in hand or at bank

2.12 Debt Service coverage ratio (Projections for 10 years)

\[
DSCR = \frac{\text{Net Profit} + \text{Interest(TL)} + \text{Depreciation}}{\text{installment(TL)} + \text{Interest(TL)}}
\]

2.13 Balance sheet & P/L account (projection for 10 years)
2.14 \[ \text{BreakEvenPoint} = \frac{\text{FixedCost}}{	ext{Contribution(Sales - VariableCost)}} \]

3 Commercial Viability: Following financial appraisal tools will be employed for assessing commercial viability of the project:

(i) **Return on Capital Employed (ROCE)**: The total return generated by the project over its entire projected life will be averaged to find out the average yearly return. The simple acceptance rule for the investment is that the return (incorporating benefit of grant-in-aid assistance) is sufficiently larger than the interest on capital employed. Return in excess of 25% is desirable.

(ii) **Debt Service Coverage Ratio**: Acceptance rule will be cumulative DSCR of 3:1 during repayment period.

(iii) **Break-Even (BE) Analysis**: Break-even point should be below 60 per cent of the installed capacity.

(iv) **Sensitivity Analysis**: Sensitivity analysis will be pursued for all the major financial parameters/indicators in terms of a 5-10 per cent drop in user charges or fall in capacity utilisation by 10-20 per cent.

(v) **Net Present Value (NPV)**: Net Present Value of the project needs to be positive and the Internal Rate of return (IRR) should be above 10 per cent. The rate of discount to be adopted for estimation of NPV will be 10 per cent. The project life may be considered to be a maximum of 10 years. The life of the project to be considered for this purpose needs to be supported by recommendation of a technical expert/institution.
Annex 3

**Format for Tripartite Agreement among Special Purpose Vehicle (SPV), State Government and Government of India under MSE-CDP**

This agreement is made at ……… on this the ………th day of ……… 20.... between (1) the President of India, acting through and represented by Joint Development Commissioner /Director in the Office of the Development Commissioner (MSME), the Ministry of Micro, Small & Medium Enterprises (MSME), New Delhi (hereinafter after referred to as the ‘GoI’), (2) Governor/Lt. Governor of the State/Union Territory of ……… acting through and represented by Secretary (Industries), State/UT Government of ………… (hereinafter referred to as the ‘GoS’) and (3)………….. Special Purpose Vehicle (SPV) having its registered office at……… represented by its Managing Director/Chief Executive Officer (hereinafter referred to as the ‘SPV’).

WHEREAS the GoI has introduced a scheme named as “Micro and Small Enterprises- Cluster Development Programme (MSE-CDP)” with the objective of capacity building of micro and small enterprises (including small scale service and business entities) and their collectives in the country;

AND WHEREAS the SPV has been created and constituted as a partnership firm/trust/ society/co-operative society/company, *inter alia*, to create, establish, run and maintain a Common Facility Centre at ………………………(the CFC) for the use and benefit of its members and of other units engaged or coming up in the same industry, trade or vocation in the ………………………of …………………………….(the Cluster);

AND WHEREAS the SPV has submitted a project for approval of the GoI under the MSE-CDP;

AND WHEREAS the GoI has approved the project submitted by the SPV subject to the conditions mentioned in the sanction letter no…………….. dated ………….. (or to be issued) which shall be deemed to be a part of this Agreement and the GoS has also agreed to contribute towards the cost of establishment of the CFC;

AND WHEREAS for binding the Parties to their respective obligations and to ensure long term use of the CFC by the enterprises in the Cluster, the Parties are desirous to enter into an agreement;

NOW THIS AGREEMENT WITNESSETH AS FOLLOWS:-

1. The SPV shall set up the CFC at……………. on a piece of land to be provided by it free of all encumbrances and charges.
2. The SPV shall contribute to the cost of establishment of the CFC from its resources to the extent and in the form as laid down in the Sanction Letter.
3. The GoI and the GoS shall, on satisfactory proof of the contribution by the SPV, make their respective contributions towards the cost of establishment of the CFC, at such time, in such manner and to such extent as laid down in the Sanction Letter.
4. The establishment of the CFC, including civil works, if any, shall be completed by the SPV within one year of the receipt of the Sanction Letter,
or such extended time as the GoI may, on its satisfaction as to the reasons of delay, grant.

5. The SPV shall be exclusively responsible for the day-to-day running of the CFC. The aim of running the CFC shall be to provide common services to the enterprises in the Cluster at affordable cost as well as to generate enough income to meet all its running expenditure, depreciation and provision for replacement/expansion of capital assets. However, any shortfall or excess of income over expenses shall be kept or borne by the SPV only.

6. The disbursement of funds by the GoI will be made only after the upfront contribution to be made by the SPV, the State Government or the beneficiaries.

7. Further, the SPV/implementing agency will ensure that necessary infrastructure like provisioning of land and building including water and power supply for CFC is completed before they approach GoI for release of its share.

8. Pending utilization of GoI grant, the funds will be parked in a separate dedicated account created for this purpose. Interest accrued, if any, on unutilized fund shall be adjusted against future disbursement under the scheme.

9. GoI will reserve the right to carry out physical verification of the assets acquired with the funds or initiate any other enquiry as it may deem fit to satisfy the competent authority with regard to the proper utilization of the funds released.

10. The SPV shall furnish utilization certificates for amounts released as grant-in-aid duly verified by the statutory auditors.

11. The GoS will act as a facilitator to supervise and evaluate the progress of the project separately. The GoS will also inform the GoI about the status of the establishment or running of CFC and shall also report to the GoI for any discrepancies in its management or otherwise.

12. All plant, machinery, fixtures or equipment procured for the purpose of the CFC out of or with the support of the GoI or GoS grant shall be the exclusive property of the GoS, though in the custody and use of the SPV.

13. The SPV shall, at its own cost, insure and keep insured all the plant, machinery, fixtures and equipment of the CFC for a minimum period of 10 years. In case of loss of or damage to such plant, machinery, fixtures and equipment, etc., the insurance monies shall be payable to the GoS.

14. The SPV shall observe all the conditions and stipulations of the Sanction Letter.

15. The management of the SPV and the operation of the CFC shall be in accordance with the GoI Guidelines dated ………., which shall be deemed to be a part of this Agreement.

16. The SPV shall keep all monies not immediately required in interest bearing deposits with any Scheduled Bank in India.

17. In the event of any liquidation or bankruptcy proceedings or any threatened distress action against the SPV or any of its assets all plant, machinery, fixtures and equipment procured for the purpose of the CFC out of or with the support of the GoI or GoS grant shall be outside such proceedings and the GoI may assume the control and management of the SPV and appoint any of its officer or officer of the GoS or any semi-government or non-government body to run the CFC.

18. The SPV represents and warrants:
A. That it has been duly constituted under the law as applicable and has full authority to enter into this Agreement.
B. That this agreement is binding upon it in all its provisions.
C. That it shall work on mutual co-operation basis on sound managerial and business principles and no managerial changes shall be made which may adversely affect the smooth functioning of the CFC.
D. That it shall keep all the plant, machinery, fixtures and equipment in good working order and shall undertake all preventive and remedial maintenance and upkeep and maintain insurance.
E. That the plant, machinery, fixtures and equipment procured out of or with support of the GoI and GoS grant, is the property of GoS and the SPV shall not sell, hypothecate, mortgage, charge or create any encumbrances against the said plant, machinery, fixtures and equipment or any part of it in favour of any person, for any reason or transaction.
F. That the SPV shall follow the directions of the GoI and GoS, as may be issued from time to time for better management of the SPV or the better running of the CFC.
G. That the SPV acknowledges that the MSE-CDP provides for only one time grant towards capital cost of establishing the CFC and no subsidy/grant/assistance is envisaged for the recurring expenses or for replacement, renovation or expansion of the capital assets.
H. In the event it is found that the SPV has not utilized the amount of grant, or any part of it, for the setting up of the CFC or has subsequently sold or otherwise disposed of any of the assets of the CFC acquired out of the grant, the GoI, without prejudice to any other rights, shall be entitled to recover the amount of loss as arrears of land revenue from the SPV and / or persons connected with its management jointly and severally.

19. In case of any disputes or differences arising from, in relation to or in connection with this Agreement and not otherwise provided for in the succeeding clause, shall be settled by arbitration through reference to a sole arbitrator nominated by the Secretary, Department of Legal Affairs, Government of India, New Delhi (the Law Secretary). The provisions of the Arbitration and Conciliation Act, 1996 shall apply to the arbitration proceedings. Courts in Delhi shall have exclusive jurisdiction in all the matters.

20. In case of violation of the stipulated conditions or non observance of the Sanction Letter or the GoI Guidelines by the SPV which is not cured within 15 days of issue of notice by the GoI, the GoI in consultation with the GoS, may, for such time as it may think proper, assume the management of the SPV or delegate the same to the GoS, or a semi-government or non-government body, to assure proper functioning of the CFC. The decision of GoI in this regard will be final. In such event the SPV shall have no claims for any investment made in the CFC or its management.

21. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of the remaining provisions, which shall remain in full force.

22. Failure or delay on the part of GoI in insisting upon strict performance by the SPV or in taking action against the SPV, or grant of time or any other indulgence by the GoI, shall not be deemed to be waiver of any breach nor waiver on any occasion of breach shall be deemed to be a waiver for other occasions or other breaches.
23. No amendment to this agreement shall be valid unless expressed in writing and duly signed by all the Parties.

24. This agreement does not constitute any partnership of the GoI or the GoS with the SPV and the GoI and the GoS shall not be responsible for any act, omission, negligence, etc. of the SPV or its employees, agents or contractors or any injury suffered or claim made by any person in respect of the working of the CFC.

1) Government of India, Represented by Shri .......... 
2) State/UT Government, Represented by Shri ........
3) Special Purpose Vehicle Represented by Shri ........
Annex 4

Details of Project Cost for Infrastructure Development for New Sites

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Items</th>
<th>Rs. lakh</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td><strong>Land Development and other overhead Infrastructure</strong></td>
<td></td>
</tr>
<tr>
<td>i.</td>
<td>Cost of land filling/leveling including boundary ball / fencing</td>
<td>100</td>
</tr>
<tr>
<td>ii.</td>
<td>Cost of laying roads</td>
<td>200</td>
</tr>
<tr>
<td>iii.</td>
<td>Road side greenery &amp; social forestry</td>
<td>10</td>
</tr>
<tr>
<td>iv.</td>
<td>Water supply including overhead tanks, and pump houses</td>
<td>110</td>
</tr>
<tr>
<td>v.</td>
<td>Water harvesting</td>
<td>10</td>
</tr>
<tr>
<td>vi.</td>
<td>Drainage</td>
<td>60</td>
</tr>
<tr>
<td>vii.</td>
<td>Power (Sub-Station and distribution net-work work including Street light etc), Generation of non-conventional energy</td>
<td>250</td>
</tr>
<tr>
<td>viii.</td>
<td>Others (Sanitary Conveniences etc.)</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td><strong>Sub Total</strong></td>
<td><strong>750</strong></td>
</tr>
<tr>
<td>2.</td>
<td><strong>Administrative and Other Services Complex</strong></td>
<td></td>
</tr>
<tr>
<td>i.</td>
<td>Administrative Office Building</td>
<td>20</td>
</tr>
<tr>
<td>ii.</td>
<td>Telecommunication /Cyber Centre/ Documentation Centre</td>
<td>20</td>
</tr>
<tr>
<td>iii.</td>
<td>Conference Hall/ Exhibition centre)</td>
<td>30</td>
</tr>
<tr>
<td>iv.</td>
<td>Bank/ Post Office</td>
<td>20</td>
</tr>
<tr>
<td>v.</td>
<td>Raw material storage facility, Marketing outlets</td>
<td>40</td>
</tr>
<tr>
<td>vi.</td>
<td>First Aid Centre, Crèche, Canteen facilities</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td><strong>Sub Total</strong></td>
<td><strong>150</strong></td>
</tr>
<tr>
<td>3.</td>
<td><strong>Effluent Treatment Facilities</strong></td>
<td><strong>80</strong></td>
</tr>
<tr>
<td>4.</td>
<td>Contingencies &amp; Pre-operative expenses</td>
<td><strong>20</strong></td>
</tr>
<tr>
<td></td>
<td><strong>GRAND TOTAL</strong></td>
<td><strong>1000</strong></td>
</tr>
</tbody>
</table>
OFFICE MEMORANDUM

Subject: Modification in the Guidelines of Micro & Small Enterprises – Cluster Development Programme (MSE-CDP) - regd.

The modified guidelines are in supersession of the guidelines issued vide 1(17)/SICDP/Cluster/TM/2006 dated 10th February 2010 for cluster development, including subsequent clarifications / orders in these regards.

2. As per clause no. 12.2 of the guidelines, each State Government is required to constitute a Project Steering Committee under the Chairmanship of Secretary / Principal Secretary (Industries) / Commissioner of Industries / Director of Industries and consisting of representatives of all stakeholders. The Project Steering Committee would approve and monitor the projects of the concerned State to ensure satisfactory and time-bound implementation of the activities. The State Level Project Steering Committee shall consist of:

<table>
<thead>
<tr>
<th>No.</th>
<th>Name of the Committee Members</th>
<th>Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Secretary / Principal Secretary (Industries) / Commissioner of Industries / Director of Industries.</td>
<td>Chairman</td>
</tr>
<tr>
<td>2.</td>
<td>Managing Director or Representative of Implementing Agency</td>
<td>Member / Secretary / Convenor</td>
</tr>
<tr>
<td>3.</td>
<td>Representative of Finance Department</td>
<td>Member</td>
</tr>
<tr>
<td>4.</td>
<td>Director, MSME-Development Institute</td>
<td>Member</td>
</tr>
<tr>
<td>5.</td>
<td>General Manager, District Industries Centre concerned</td>
<td>Member</td>
</tr>
<tr>
<td>6.</td>
<td>Special invitees (if any)</td>
<td></td>
</tr>
</tbody>
</table>

3. The State Level Project Steering Committee will henceforth deal with diagnostic study report and soft interventions. It will have the final authority to sanction diagnostic study report and to monitor the implementation of soft interventions. The Steering Committee at the National Level will only look into the detailed project report. The Government of India will not give any grant for diagnostic study report and soft interventions. However, if a detailed project report is finally approved, a sum of Rs.10.00 lakh (Ten lakh) will be considered as a contribution by the Special Purpose Vehicle (SPV) towards the project.

4. After the approval of the diagnostic study report by the State Level Project Steering Committee, implementation of soft interventions, the detailed project report earlier approved by the State Committee, will be taken up by the Steering Committee of the MSE-CDP (under the Chairmanship of Secretary, MSME) for in-principle approval. This National Level
Steering Committee, before giving in-principle approval, would look into the following requirements also.

(i) The cluster must have identified the members for proposed SPV and the methodology of forming the SPV.
(ii) It must have identified the land for implementation of hard intervention.

5. This is being done to ensure that after the in-principle approval, the proposal is brought to finality at the earliest and it should come before the Steering Committee for final approval.

6. In-principle approval is valid for three months and it is expected that the project will be made ready for final approval within this time. In case, complete proposal is not received in three months, it will automatically lapse, unless it is specifically specified by the Steering Committee.

7. Proposals accorded in-principle approval will be placed in the Steering Committee of the MSE-CDP under the Chairmanship of Secretary (MSME) for final approval after fulfilment of the following conditions:

a. Formation of SPV.
b. Land procured and registered in the name of SPV. In case of leased premises, the lease should be legally tenable for a fairly long duration of 15 years in the name of SPV.
c. Submission of appraised Detailed Project Report (DPR) by SIDBI / Bank (if bank financing is involved) / independent Technical Consultancy Organization.
d. Details of the Share holding of the SPV and Project Specific account in Schedule A Bank.

8. The project (setting up of CFC) should be completed within two years from the date of final approval. Further, extension would be granted for a period of six months subject to condition that there would be reduction of up to 10% of GoI share and the same to be borne by the SPV as additional contribution. The proposals for extension would be approved in the Steering Committee of the MSE-CDP.

9. Funds would be released to the Implementing Agency (State /UT Government Agency) on the basis of the physical progress and actual expenditure incurred on various projects. Allocations of funds priority wise to different projects have to be decided by the Implementing Agency.

10. Once the Plants and Machineries (P&M) are approved in the Steering Committee of the MSE-CDP, the same would not be considered for changes, unless they are going for higher version or adopting new technologies. Any escalation in the cost of project above the sanctioned amount, due to any reason will be borne by the SPV/ State Govt.
11. Contribution by the SPV or the beneficiaries share should be upfront. However, State Government may release their complete share either in one go or proportionately in the ratio of 40:30:30 and the same should be released prior to release of GoI grant. In case the State share released is high, the GoI grant will be released proportionately, but not more than 50% as first instalment. Balance GoI grant will be released in two instalments in the ratio of 30:20.

12. All the members of the cluster and their details, to be uploaded on MSME Data Bank and Udyog Aadhaar (UA).

13. Monthly physical progress of each cluster in all aspects has to be uploaded by the concerned MSME-DI on the internal e-samiksha portal along with the photographs to know the actual status.

(S.R. Samuel)
Joint Development Commissioner
Phone No. 011-23061726
Fax No.011-23061730

Copy to-
1. The Cabinet Secretariat, Rashtrapati Bhawan, New Delhi
2. All Ministries / Departments of the Central Government
3. CEO, NITI Aayog, New Delhi
4. Chief Secretary (States / UTs)
5. AS & FA, IF Wing (Fin I), D/o IPP, Ministry of Commerce & Industry
6. CCA, Udyog Bhawan, New Delhi
7. Joint Secretary to Government of India, Ministry of MSME, Udyog Bhawan, New Delhi
8. CEO, KVIC
9. Chairman, NSIC
10. CMD, SIDBI
11. Joint Secretary to Government of India, DIPP, Ministry of Commerce & Industry
12. All Directors, MSME-DIs / Director, MSME Testing Centres / All Branch MSME-DIs
13. Principal Directors (All Autonomous Bodies under DC – MSME)
14. Director General, NIMSME, Hyderabad
15. Director, EDII, Ahmedabad
16. Director General, NIESBUD, Noida
17. Director, IIE, Guwahati
18. Chairman, Coir Board
19. Chairman / President, National Level Industry Associations
20. Chairman / President, State Level Industry Associations
21. PS to Minister (MSME)
22. PS to Minister of State (MSME)
23. PPS to Secretary (MSME)
24. PS to AS & DC (MSME)
To,

1) Chief Executive Officer, KVIC, Mumbai.
2) Secretary, Coir Board, Kochi.
3) Director, IIE, Guwahati.
4) Director General, NIMSME, Hyderabad.
5) Director General, NIESBUD, Noida.
6) Director General, IED, Odisha.
7) Secretary, J & K KVIB, Srinagar.
8) Vice President, IMEDF, Delhi.

Subject: Approval for implementation of Scheme of Fund for Regeneration of Traditional Industries (SFURTI) for the period from 2017-18 to 2019-20.

Sir/Madam,

I am directed to convey the approval of the competent authority for implementation of Scheme of Fund for Regeneration of Traditional Industries (SFURTI) for the period from 2017-18 to 2019-20 in respect of 100 clusters with an outlay of Rs.350.00 crores in terms of Ministry of Finance, Department of Expenditure’s O.M. No. 70(06)/PFC-II/2013 dated 21.03.2018.

2. A copy of Guidelines for Scheme of Fund for Regeneration of Traditional Industries (SFURTI) is enclosed for ready reference and issuing further explanatory procedural instructions, if any required.

3. A copy of the further instructions, issued by you, if any, may be furnished to the Ministry for record.

Encl. As above

Yours faithfully,

(U K Sahu)

Under Secretary, Govt. of India
☎: 011-23062745
✉: sahu.jk@nic.in
Copy to:

i. PPS to Secretary (MSME)
ii. PPS to JS(ARI)
iii. PS to DS(SN)
iv. PS to US(KVI-I)
v. US (IFW)
vi. SO (KVI-III)
vii. Director (NIC) - with a request to upload the guidelines of SFURT I Scheme on the Ministry’s website.
Guidelines for Scheme of Fund for Regeneration of Traditional Industries (SFURTI)

Infrastructure Support and Promotion of Industries and Rural Enterprises (INSPIRE)

1.1 Industries / Artisans require quality infrastructure support to meet customer expectation, survival in competitive market and to be ready for export by absorbing technology balance. The fragmented approach of infrastructure creation for artisans and enterprises has not been very conducive for promoting entrepreneurship and bringing market fit product from existing enterprises. After due consultations with stakeholders, State Governments and as a part of ease of doing business, making scheme simpler, deliverable, transparent, monitorable and DBT compliant, the existing schemes have been revised / clubbed for convergence and simplified to bring clarity of goals and clarity of role.

1.2 This scheme, therefore, will support MSMEs in provisioning of infrastructure for their development through following 2 components:

| (a) | Scheme of Funds for Regeneration of Traditional Industries (SFURTI) for Artisans: Rs.350 Crore |
| (b) | Micro and Small Enterprises-Cluster Development Programme (MSE-CDP): Rs.450 Crore |

1.3 These components are having objective of providing infrastructure facilities for growth of MSMEs.

2. OBJECTIVES OF SFURTI SCHEME

The objectives of the Scheme are as follows:

i. To organize the traditional industries and artisans into clusters to make them competitive and provide support for their long term sustainability and economy of scale;

ii. To provide sustained employment for traditional industry artisans and rural entrepreneurs;

iii. To enhance marketability of products of such clusters by providing support for new products, design intervention and improved packaging and also the improvement of marketing infrastructure;
iv. To equip traditional artisans of the associated clusters with the improved skills and capabilities through training and exposure visits;

v. To make provision for common facilities and improved tools and equipment for artisans to promote optimum utilization of infrastructure facilities;

vi. To strengthen the cluster governance systems with the active participation of the stakeholders, so that they are able to gauge the emerging challenges and opportunities and respond to them in a coherent manner;

vii. To build up innovated and traditional skills, improved technologies, advanced processes, market intelligence and new models of public-private partnerships, so as to gradually replicate similar models of cluster-based regenerated traditional industries;

viii. To look for setting up of multi-product cluster with integrated value chain and a strong market driven approach for viability and long term sustainability of the cluster;

ix. To ensure convergence from the design stage with each activity of the cluster formation and operations thereof.

x. To identify and understand cluster’s target customers, understand their needs and aspirations and develop and present product lines to meet the requirement. Substantial focus should be on the buyer segment that places a premium on natural, eco-friendly, ethically sourced and the uniqueness of the Khadi and VI products.

xi. To develop specific product lines out of the currently offered diversified basket of heterogeneous products based on the understanding of the target consumer segment. A brand unification exercise also needs to be done to maximize the value.

xii. To make a paradigm shift from a supply driven selling model to a market driven model with the right branding, focus product mix and correct positioning and right pricing to make the offering holistic and optimal for each of the focus categories.

xiii. To tap the E-Commerce as a major marketing channel given the outreach and the growing market penetration of E-Commerce, there is a need to devise a quick strategy to make its presence felt in the E-Retail space.

xiv. To make substantial investment in the area of product design and quality improvement. There is a need to standardize the quality of inputs and
processes so that the products meet the quality benchmarks. Research need to be done to develop new textures and finishes to cater to the prevailing market trends.

3. PROJECT INTERVENTIONS

The Scheme would cover three types of interventions namely ‘soft interventions’, ‘hard interventions’ and ‘thematic interventions’.

3.1 Soft Interventions

Soft Interventions under the project would consist of activities such as

i. General awareness, counselling, motivation and trust building;
ii. Skill development and capacity building/ for the entire value chain different skills need to be imparted;
iii. Institution development;
iv. Exposure visits;
vi. Market promotion initiatives;
vi. Design and product development;
vii. Participation in seminars, workshops and training programmes on technology up-gradation, etc.

3.2 Hard Interventions

Hard interventions will include creation of following facilities:

i. Multiple facilities for multiple products and packaging wherever needed;
ii. Common facility centres (CFCs);
iii. Raw material banks (RMBs);
iv. Up-gradation of production infrastructure;
v. Tools and technological up-gradation such as charkha up-gradation, tool-kit distribution, etc.
vi. Warehousing facility;
vii. Training center;
viii. Value addition and processing center/multi-products.

Note: The assistance for raw material bank (RMB) shall be leveraged with financial institution for enhanced credit.
3.3 Thematic interventions

In addition to the above mentioned hard components and soft components, the scheme will also support cross-cutting thematic interventions at the sector level including several clusters in the same sector with emphasis on both domestic and international markets. These will primarily include:

i. Brand building and promotion campaign
ii. New media marketing
iii. e-Commerce initiatives
iv. Innovation
v. Research & development initiatives
vi. Developing institutional linkages with the existing & proposed clusters

Note: These interventions are illustrative in nature and the project may cover any of the other felt needs of the cluster (as detailed in the DPR and approved by SSC), that will enable the cluster enterprises in improving their competitiveness.

4. INSTITUTIONAL ARRANGEMENT

Given the challenges and wide geographical coverage of the Scheme, an efficient scheme management structure and delivery mechanism has been proposed.

4.1 Scheme Steering Committee (SSC)

The Ministry of Micro, Small and Medium Enterprises (MSME) will be the coordinating Ministry providing overall policy, coordination and management support to the Scheme. A Scheme Steering Committee (SSC) will be constituted under the chairmanship of Secretary (MSME), as detailed in Annexure-2. The SSC may co-opt representatives of industry associations, R&D institutions and other private sector expert organizations as members/ special invitees, depending on functional needs. The SSC will consider the proposals of clusters and the Implementing Agencies (IAs) submitted by Nodal Agencies (NAs) and shall extend approval to the cluster proposals. The cluster proposals will include the details of TA and IA proposed by NA. The SSC may make intra-sectoral adjustments of activities and corresponding funds without affecting the basic objectives and thrust of the Scheme.
4.2 Nodal Agencies (NAs)

The scheme will have Nodal Agencies (NAs) which are national level institutions with sectoral expertise in the major sub-sectors of the Traditional Industries.

4.2.1 Khadi & Village Industries Commission (KVIC) shall be the NA for Khadi and Village Industry clusters and Coir Board (CB) shall be the NA for Coir based clusters.

4.2.2 To spread the outreach and to establish competence in cluster development, project management and facilitation of market access of the revamped SFURTI, new Nodal Agencies (NAs) need to be selected and appointed by the SSC. The selection of NAs shall have to be a reputed national, regional level institution with sectorial expertise in the major sub-sectors of the Traditional Industries, competence in cluster development, project management and facilitation of market access and who are operating in the field of cluster development for the last five years. The institutions could be any of the following:

i). a Society registered under Societies (Registration) Act, 1860;

ii). a Co-operative Society under an appropriate statute;

iii). A Producer Company under section 465(1) of Companies Act, 2013 (18 of 2013);

iv). a Section 8 Company under The Companies Act, 2013 (18 of 2013); or

v). a Trust.

Such NA will be assigned clusters which are not assigned to KVIC, Coir Board or others.

4.2.3 Other Nodal Agencies appointed by the Ministry of MSME are Indian Institute of Entrepreneurship, Guwahati (IIEG); National Institute for Micro, Small and Medium Enterprises (NI-MSME) Hyderabad; Institution of Entrepreneurship Development, Odisha (IEDO); National Institute for Entrepreneurship and Small Business Development, Noida (NIESBUD); J & K Khadi & Village Industries Board, Srinagar (JKKVIB) and Indian Micro Enterprises Development Foundation, Delhi (IMEDF).
4.2.4 Guidelines for appointment of new Nodal Agency (NA) by SSC:

A. Submission of Proposal

Proposal (one hard copy and one soft copy) in the prescribed proforma as in Annexure-3 as required along with necessary enclosures and endorsement from the Head of the Institution/Agency/Trust/Company desirous of being empanelled as Nodal Agency for anchoring Cluster development may be sent to the following addressee:-

The Joint Secretary (ARI Division),
Ministry of Micro, Small & Medium Enterprises,
Room No.171 Udyog Bhawan, New Delhi-110011.
Telephone (011) 23061543 Telefax: (011) 23062858
E-mail: js.ari@nic.in

B. Appraisal and Approval:

The proposals for engaging the Nodal Agency will be appraised based on the track record, merit and strategies of the entity in promoting cluster development. The appraisal will be done by the Scheme Steering Committee, constituted by the M/oMSME. The SSC shall take a final decision for approval of designated Nodal Agency. Continuation of support to the NA will be entirely performance oriented and subject to approval. The performance will be monitored both at quantitative and qualitative aspects by the Scheme Steering Committee. In case of significant shortfall in the progress, the support may also be terminated mid-term with approval of SSC.

C. Terms and Conditions for Grants-in-Aid for new Nodal Agencies:

Terms and Conditions for Grants-in-Aid to Agencies except those funded by Ministry of MSME or any other Ministry is provided under Annexure-4.

4.2.5 A Project Screening Committee (PSC) shall be constituted under each of the NAs, chaired by the Chief Executive of the NA for the management and implementation of the Scheme. Nodal Agencies other than KVIC and Coir Board shall also constitute a PSC comprising of 3 Cluster Experts (2 from TAs & 1 from IA), representative of bank, and marketing & financing experts. [Details in Annexure-2.1]
4.2.6 Role of the NAs:

The role and responsibility of NAs includes the following:

i. Program fund management including NA shall be responsible to ensure timely disbursement of funds to the IAs on recommendation of TA to ensure time bound completion of projects;

ii. Empanelment & engagement of TAs. NA would duly notify and inform all concerned stakeholders including the industry, State Governments, concerned Ministries / organizations of Government of India and Financial Institutions, about the appointment of TA for implementation of SFURTI;

iii. NA shall extend all support required to TA for implementation of the scheme as may be required such as obtaining Government Approvals, Environment Clearances etc. for setting up of Clusters;

iv. Preparation of strategy and implementation plan for sub-sector thematic interventions;

v. Appraisal of DSRs and DPRs received from TAs based on due-diligence methodology that clearly establishes the project viability, output, outcomes, impact and sustainability;

vi. Seek and obtain approval from competent authority of the State Government/UTs for the cluster in partner with the Technical Agency before submission of DPR to the SSC for final approval;

vii. Shortlist and recommend proposals to SSC for approvals;

viii. Recommend selection of IAs to SSC;

ix. Review performance of the TAs;

x. Monitoring and evaluation of the cluster projects being implemented; and

xi. Any other tasks assigned by the SSC.

4.3 Technical Agency (TA)

4.3.1 Established national-level institutions, with proven expertise in artisanal and small enterprise cluster development shall be engaged as Technical Agencies (TAs) to provide close handholding and implementation support to the SFURTI clusters. The TAs shall provide technical support to the NAs and the IAs. The responsibilities of the TAs will include preparation and validation of Cluster Action Plans, conducting training of the Cluster
Development Executives (CDEs) and other officials of the IAs and NAs, regular monitoring of the cluster on monthly/ quarterly basis and submit report on quarterly basis, to the respective field office of Nodal Agencies.

4.3.2 Role of the TAs:

The role and responsibility of TAs includes the following:

i. Sensitization and awareness generation in the clusters about the scheme;

ii. Identification of potential IAs;

iii. Preparation of Diagnostic Study Reports (DSRs) for in-principle approval of the SSC, mapping of technological and skill levels no. of artisans with their existing activities and their present earnings, strategies for delivering the cluster level interventions, outcomes, resultant enhancement of wages of the artisans etc., backward forward linkages, sourcing of raw materials, marketing of finished products etc. and conducting Diagnostic Study and suggest possible Soft, Hard and thematic interventions;

iv. To identify focus products and product mix for the Cluster for domestic and export markets. That may also include multi products in the cluster and creating linkages with other available network of cluster in the adjoining Primary Cluster within the given budgetary allocation and as per approval of DSR/DPR.;

v. Preparation of comprehensive DPRs for final approval of SSC containing the following details, namely, business model for self-sustenance, skill up-gradation of artisans, acquiring of new skills, setting up of physical and financial outcome targets for the project, proposed percentage enhancement of productivity and earnings of the artisans, brand building, product segmentation, promotion and advertising through regular publicity modes and participation in fairs and exhibitions, exploring possible export avenues with clear targets etc;

vi. Assisting the identified IA in establishment and structuring the project specific SPV;

vii. Assist the NAs/SSC in examining the proposals for in-principle and final approval;
T.A. will assist the IA in formulating plans, getting approvals, obtaining clearances from statutory institutions, identifying suitable technologies/ equipment for value addition of the products and will assist the IA in setting up of CFCs after identification of land by the IA. More than one CFC is also permitted provided demand is justified for bringing higher productivity in the cluster. TA will assist IAs in selection of agencies / experts for various services and in developing suitable operational framework for various interventions and would also assist in periodic monitoring of the progress of the projects and disbursement of funds and finally the TA would formulate a Sustainability Roadmap for the Cluster detailing the exit strategy for the IA and the plan for business operations of the cluster beyond the project duration;

ix. TA to put in place a suitable business plan detailing the revenue model based on appropriate user fee, mechanism to collect it to enable the SPV to achieve the projected outcomes in terms of productivity, sales, employment, wages enhancement, overall income of the Cluster as projected in the DPR;

x. T.A should assist the IA/ SPV in engagement of a Design House/Designer with appropriate terms of reference and detailed scope of work for extending appropriate input of design, product processing, product development and proper packaging in consultation with NA, IA and other stake holders;

xi. To assist the IA/ SPV in engagement of Business Development Services (BDS) providers, out sourcing/improving tools and equipment, developing strategies & best practices for credit linkage as far as possible;

xii. T.A. would advice IA/CDE for making plans for procurement of raw materials along with various micro and macro level tools and machineries and other processes as identified and mentioned under DSR/DPR. Tools/Kits and Charkhas/Implements may also be distributed among artisans as a part of Cluster Level Intervention as per DSR/DPR. TA should assist the IA in establishing a proper, appropriate and transparent system duly examined and vetted by the Cluster Level Committee for distribution of tolls/ kits/ charkhas/ implements among artisans;
xiii. TA will draw up a marketing strategy and detailed plan in consultation with NA and IA in regard to the following:

a) Product development
b) Packaging
c) Product pricing
d) Product positioning and promotion
e) Product mix/diversification
f) Dealer/Distributor Network under offline marketing mode
g) Tapping e-commerce for online marketing.
h) Determining supply chain and logistics
i) Ensuring quality of product and standardization
j) Tapping the export potential through appropriate interventions

xiv. Miscellaneous activities that need to be ensured by I.A. shall require close supervision by T.A.:

a) Awareness and exposure visit of artisans.
b) Mandatory opening of Bank Account by Artisans under Jan Dhan Yojana.
c) Health insurance of all the artisans under the cluster as applicable under KVIC rules (Jana Shree Bima Yojana & Rashtriya Swasthya Bima Yojana wherever applicable).
d) Enrolling under Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) which will offer a renewable one-year life cover of Rs.2 lakh to all savings bank account holders in the age group of 18-50 years, covering death due to any reason, for a premium of Rs.330 per annum.
e) Enrolling under the Pradhan Mantri Suraksha Bima Yojana (PMSBY) which will offer a renewable one-year accidental death-cum-disability cover of Rs.2 lakh for partial/permanent disability to all savings bank account holders in the age group of 18-70 years for a premium of Rs.12 per annum per subscriber.
f) Issue of Aadhaar based Identity card to artisans mentioning the benefits, privileges, rights as well as their...
specific responsibilities along with necessary undertakings in regard to the implementation of the programme.
g) The Atal Pension Yojana (APY) will focus on the unorganized sector and provide subscribers a fixed minimum pension of Rs.1,000, Rs.2,000, Rs.3,000, Rs.4,000 or Rs.5,000 per month, starting at the age of 60 years, depending on the contribution option exercised on entering at an age between 18 and 40 years. Pension and similar other financial benefits as applicable to be provided adhaar linked.
h) Periodic training of Artisans.
i) SHGs members may also be extended to these general and miscellaneous supports as extended to the artisans under Cluster Programme.

xv. TA shall assist IA/SPV in organizing and planning Business Development Strategies, buyer-seller meet and implementation of thematic intervention focusing on branding, e-marketing, new media marketing, innovation, research and development etc. for smooth running of Clusters.
xvi. Assisting the SPV in mobilizing additional funds for the project. This would involve preparation of proposals under relevant schemes of the Government apart from tying up loans from the banks.
xvii. TA shall facilitate linkages between the SPV and various other stakeholders, particularly the Government organizations, buyers and financial institutions.
xviii. T.A. will facilitate in the identification of suitable Technical Consultants in designing appropriate technologies for the cluster within the allocation ceiling for the respective type of cluster.
xix. T.A. will plan out in consultation with NA to frame the training requirement of artisans and stakeholders and grouping their requirements as per the need of the clusters. Accordingly, the TA will assist in the identification of training institutions will be done in defining the courses duration, fees and other necessary requirement as per the cluster.
xx. Assist the NA for seeking and obtaining approval from the State Governments/UTs before submission of DPR to the SSC for final approval;
xxi. TA shall create appropriate system for online reporting of progress reports to Nodal Agency and to the Ministry of MSME on monthly and quarterly basis.

xxii. Any other work assigned from time to time by the NA, Ministry of MSME, for timely completion of project, any changes in nature of intervention, any sorts of addition/alternation in the implementation programme, etc. that may come at any point of time during the project period should very well be considered by TA for execution without any additional cost.

xxiii. At the end of the Project, TA shall prepare proper documentation covering the entire activities, preparation of case studies and photo documentation along with an end-project report articulating the outcomes in terms of productivity and sales. Listing out the outcomes achieved against the targets fixed at the beginning of the project will also be done.

xxiv. Formulate an exit strategy for the IA and prepare a sustainability roadmap for the Cluster with a business plan for the next five years beyond the project duration.

4.4.1 The fee will be paid by the NA to the TA on per cluster basis; the scheme will encourage a success fee based model, linked to milestones achieved.

4.5 Implementing Agency (IA)

Implementing Agencies (IAs) would be non-Government organizations (NGOs), institutions of the Central and State Governments and semi-Government institutions, field functionaries of State and Central Govt., Panchayati Raj institutions (PRIs), etc. with suitable expertise to undertake cluster development. One IA will be assigned for only one cluster (unless it is an agency with State-wide coverage). The selection of IAs, based on their regional reputation and experience of working at the grass-roots level, will be done by the Nodal Agencies (NAs), on the basis of transparent criteria.

Private sector participation shall also be encouraged for the implementation of the cluster projects. Corporate entities can also take up projects directly by forming cluster-specific SPVs.

Corporates and Corporate Social Responsibility (CSR) foundations with expertise in cluster development will be encouraged to participate as IAs. In the case
where a private sector entity is the IA, it shall contribute at least 50% of the total project cost excluding the cost of land.

4.6 Formation of SPV is mandatory to seek the final approval by IA. The purpose of SPV will be to develop and sustain the cluster after the project implementation period is over. An SPV will be formed for each cluster which may be any of the following entities:

- a Society registered under Societies (Registration) Act, 1860;
- a Co-operative Society under an appropriate statute;
- a Producer Company under section 465(1) of Companies Act, 2013 (18 of 2013);
- a Section 8 Company under The Companies Act, 2013 (18 of 2013);
- a Trust; or
- Any other legal entity, with the prior approval of SSC.

4.6.1 (a) Existing khadi and village industry (KVI) institution and other legal entity will be a deemed SPV, if its Managing Committee, by whatever name called, has a fair representation of artisans (at least 33%).

(b) In case the PRIs at the cluster level desires to be the IA, it can form an SPV ensuring that the cluster micro-enterprises/beneficiaries hold a minimum 33% of the total equity in the SPV.

(c) In case of private sector promoted SPVs the shareholding of the lead investor/private partner shall not normally exceed 50% of the total equity.

4.6.2 IA shall appoint a full-time executive, to be located in the cluster, who will act as the Cluster Development Executive (CDE), and shall be responsible for implementation of the project as per the approved DPR. The responsibilities of CDE shall include preparation and implementation of the Annual Action Plans of the cluster, promoting linkages with professional institutions as well as local institutions including PRIs.

4.6.3 Role of IAs:

The role and responsibility of the IAs includes the following:

- Recruit a full-time CDE in order to ensure efficient implementation of the project. Selection of CDE must be made from 3 options viz. (i) a local capable & strongly acceptable CDE from among the beneficiary group, (ii) grooming of an existing person from the group to become a good CDE
and (iii) an externally recruited CDE. Additional qualification, experience and expertise to be considered while selection of the CDE in line with the requirements of the project deliverables.

ii. In case of an external person is chosen as the CDE, a capable local person may be made the deputy to the CDE so that he is groomed to take up the responsibility once the regular CDE leaves the cluster after financial support is stopped.

iii. The IA would identify and arrange suitable land for the project whose book value may be shown as their contribution towards the project;

iv. Implement various interventions as outlined in the approved DPR;

v. Undertake procurement and appointment of contractors, when required, in a fair and transparent manner;

vi. The IA will enter into an agreement with the Nodal Agency for timely completion on cluster intervention and proper utilization of Government Grants;

vii. Operation & Maintenance (O&M) of assets created under the project by way of user-fee based model;

viii. Responsible for furnishing Utilization Certificates (UCs) and regular Progress Reports to Nodal Agency in the prescribed formats.

The IA shall endeavor to increase participation of various other cluster stakeholders and institutions by forming a Cluster Advisory Group, preferably headed by the District Magistrate and with representation from PRIs, traditional industry enterprises, support service institutions, banks, etc. with the objective of fostering increased level of involvement of various cluster stakeholders and strengthening the implementation of the project.

5. IMPLEMENTATION METHODOLOGY

5.1 Web-Based Project Management System (PMS)

5.1.1 In order to effectively manage the scheme of such scale and coverage it is proposed to set up a dedicated SFURTI website enabled with Project Management System (PMS) to manage projects on-line from inviting proposals to screening of applications and concurrent monitoring of progress till completion. The proposed PMS will have in-built systems for online application, MIS tracking, monitoring of physical & financial
progress, sharing of reports and other tools for project management. The system will enable all the associated institutions and stakeholders to monitor the progress of projects and work collaboratively to ensure successful implementation of the Scheme. The web-based PMS would help to address various implementation issues such as time overruns, inadequate coverage, and other risks & quality issues.

5.1.2 The web platform would also provide the option to the potential Nodal Agencies to apply and upload their credentials so as to enable the SSC to take a suitable call to enroll the agency as a Nodal Agency.

5.1.3 The web platform would also have a built in module to screen, sort and filter the received applications State wise and forward the same to the State Governments in real time to save any delay in implementation. The system would also send reminders periodically to the State Governments till such time the approvals are sought.

5.1.4 All enrolled NAs, TAs would be listed on the web portal so as to provide the available options to the potential IAs to approach them accordingly.

5.1.5 The system would also act as a web based monitoring system to provide necessary inputs for any kind of delays and non-processing at any stage in the entire work flow.

5.2 Identification of tentative list of clusters

i). Nodal Agencies will first draw up a State-wise list of potential clusters in consultation with Technical Agencies with clear identification of Implementing Agency who shall be local operative for managing the cluster and looks after the day-to-day affairs of the cluster.

ii). A market driven approach should be adopted for identification and structuring of the projects so as to ensure viability and long term sustainability of the project activities. The Cluster should be so selected where the products have huge potential market demand and the Cluster can be developed to scale up activities and produce high value products for the market.

iii). The SFURTI Clusters should preferably be existing clusters (Brownfield) and new clusters (Greenfield), should however be carefully selected after a thorough study of the cluster dynamics and potentiality of the products.
iv). In addition to Khadi, the Clusters should cover traditional rural industries and village industries which should be in conformity with the KVI Act and norms.

v). The SFURTI project should aim to adopt the Growth Pole concept for triggering growth of the traditional village industries. A cluster of clusters approach must be adopted for the project to create cascading positive externalities with the scope of extension of the activities in a larger contiguous area.

vi). Multi-product Clusters must be promoted, particularly in the case of Major Clusters for greater project coverage and economic viability/sustainability of the cluster. Products which are complimentary to each other need to be selected for Multiproduct Clusters.

vii). The Clusters and the activities must have a critical mass, for ensuring economies of scale. Projects under SFURTI should be integrated value chain based and the project should be structured with interventions to address the gaps along the entire value chain.

viii). End to End product clusters will enhance viability of the clusters. The project must ensure that substantial value addition takes place at the village/Cluster level for greater value capture and higher unit value realizations.

ix). It must be ensured that as far as possible the entire value addition should be done at the cluster itself, so that maximum realization is done.

x). The project design and structure should specifically provide a plan for sustainability of the project activities, especially beyond the project period along with exit plan.

xi). The project must be so structured such as to promote optimum utilization of infrastructure facilities through a range of activities. In case of multi-product Clusters, the possibility of setting up specialized CFCs for each product line, closer to the raw material base, could also be explored.

xii). The project should allow involved and active participation of all members of the Cluster. NER projects should focus on the challenges in the region and came out with solution for these.
5.3 Engagement and appointment of TAs

As a large number of clusters located in various parts of the country, need to be covered under the program in a time-bound manner; it is required to empanel as many technically competent cluster development organizations as possible, as a pool of Technical Agencies (TAs) to assist in the implementation of the projects.

5.3.1 An Expression of Interest (EoI) will be published by the NA in leading national newspapers requesting for proposals. The TAs will be shortlisted by NA based on technical evaluation of their proposals, mostly in terms of-

i. Net worth of the organization;
ii. Organizational experience in implementing projects of similar nature specially artisans and micro-enterprise based developmental initiatives;
iii. Competence of personnel and team;
iv. Geographical presence; and
v. Any other parameter as deemed fit by the NA/SSC.

Based on the above criteria, TAs would be appointed and assigned to specific clusters. Any other eligible institution may approach the Ministry of MSME or any of the Nodal Agencies for enrolment as a TA and the SSC shall be the final authority for due approval of the proposal for appointing any institution with eligibility and competence. It may be noted that TAs will be grouped at the cluster level whereby a single TA can be assigned to multiple clusters, not exceeding 50 clusters per TA.

5.4 Approval from SSC

The SSC shall be responsible for approval of the projects and monitoring of their implementation. There would be two-stage process for approval of the projects: In-principle approval and final approval.

5.4.1 In-Principle Approval:

In-principle approval for a project/cluster will be accorded by the SSC based on recommendation of NA and evaluation of the Diagnostic Study Report (DSR) as per the standard template as provided under Annexure-5 submitted by the TA assigned to the cluster. The DSR should broadly cover the major features of the proposed project including baseline information, tentative interventions, proposed implementation framework and a list of potential IAs. Such In-principle approval will be valid for a period of 6 months from the date of
approval, and before that it is expected that the project would be ready for final approval. In case final approval is not accorded to the project, within 6 months, the in-principle approval will automatically lapse, unless it is specifically extended by the SSC.

5.4.2 Final Approval:

The project will be accorded final approval by the SSC subject to fulfilment of the following conditions:

i. Preparation of DPR as per the standard template as provided under Annexure-5 with specific details of interventions with cost estimates and timelines;

ii. Identification of IA and formation of project specific SPV;

iii. Execution of shareholders agreement and other related agreements between the IA and the members; and

iv. Arrangement of requisite land for construction of common facilities by the IA in terms of registered sale or lease deed in the IA's name.

v. Approval from State Govt:

a) At the level of Secretary, Department of Industries/ Commerce/ MSME of the State Govt./Union Territories, who is the competent authority to issue the consent for setting up of the cluster before the DPR is put up for final approval by the SSC at the apex level.

b) State Governments, District Administrations and local PRIs may be involved in the entire process of State level approval. This shall ensure the involvement of local administration for smooth implementation of the SFURTI programme at cluster level and helps in dovetailing of the schemes of the State and Central Governments to strengthen the local governance system at the cluster level.

c) Through this process, the legal entity, constitution and existence of the IA are being confirmed and authenticated by the Government machinery to avoid any kind of duplication and non-existence of operatives resulting in gross misuse of precious public funds.

d) The NA and TA shall have to act diligently in co-ordination with the respective State Governments to ensure timely approvals for the proposals at the DPR stage in order to obtain final approval from the SSC.
As the total time provided for the valid project proposal in the DPR format after in-principle-approval is six months or 180 days, the projects must obtain the State level clearances within a maximum period of 3 months or 90 days from the date of in-principle-approval.

5.5 **Pre-requisites for Release of Funds**

Once the DSR is approved by M/oMSME, the process for release of funds under soft-intervention would initiate after ensuring the following preparatory actions at the level of the Nodal Agency:

I. The Implementing Agency and Technical Agency are appointed;

II. Action initiated for formation of SPV at the IA level;

III. Proposal for the Cluster gets in-principle-approval from the SSC.

**5.5.1 Release of Funds to NA**

i) The cost of project shall include hard interventions and soft interventions. The project cost shall also include the cost of services of a professional TA and costs incurred by the IA for engaging a competent CDE and other administrative expenses incurred by the TA, which needs to be paid by the Nodal Agency.

ii) Proposal for release of funds will be submitted by NAs cluster-wise to Ministry of MSME. The release of funds to NAs will be based on approved Plan of Action (PoA) and progress of expenditure.

iii) The funds will be released to the NAs on receipt of UC and Progress Report, and the NAs shall in turn, release the fund to the cluster as per the approved Cluster/Annual Action Plan.

iv) Funds to NA will be disbursed under two heads:

   i. SFURTI Programme Fund
   ii. SFURTI Administrative Fund

v) The NA shall maintain two separate accounts for each of the above mentioned heads and will be subject to audit. All expenses relating to monitoring and management of the Scheme and national level activities will be met out of SFURTI Administrative Fund and rest from SFURTI Programme Fund.

**5.5.2 Fund Release Quantum:** Consequent upon the approval of the project by the Scheme Steering Committee (SSC), 50% of the Soft Intervention, 50% of the Hard Intervention, 50% of the IA cost and 50% of the TA cost shall be released to the Nodal Agency. On production of Utilization Certificate and actual utilization of 2/3\(^{rd}\) of the released amount, remaining 50% of the Soft
Intervention, 50% of the Hard Intervention, 50% of the IA cost and 50% of the TA cost shall be released to the Nodal Agency.

### 5.6 Release of Funds to IA

On obtaining final approval, a sanction order will be issued by NA and 1\textsuperscript{st} installment for the hard intervention will be released by NA in the dedicated bank account opened in the name of the IA. Whereas release of fund by NA to IAs for soft-intervention shall be need-based and a part component of the same is released to the IA after in-principle-approval of the SSC, the following schedule will be adopted for release of scheme funds for hard interventions:

1. 1\textsuperscript{st} instalment of 50% of the hard intervention as advance on IA arranging land;
2. 2\textsuperscript{nd} instalment of another 50% on utilization of 2/3 of 1\textsuperscript{st} instalment.

### 6. FINANCIAL ASSISTANCE

#### 6.1
The cost of project shall include hard interventions and soft interventions detailed in Paragraph 3. The project cost shall also include the cost of services of a professional TA and costs incurred by the IA for engaging a competent CDE and other administrative expenses incurred by the TA.

#### 6.2
The financial assistance provided for any specific project shall be subject to a maximum of Rs.5 (Five) crore.

<table>
<thead>
<tr>
<th>Type of clusters</th>
<th>Per Cluster Budget Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular Clusters (upto 500 artisans)</td>
<td>Rs.2.50 crore</td>
</tr>
<tr>
<td>Major Clusters (more than 500 artisans)</td>
<td>Rs.5.00 crore</td>
</tr>
</tbody>
</table>
6.3 The funding pattern under the Scheme will be as under:

<table>
<thead>
<tr>
<th>Project Intervention</th>
<th>Scheme Funding</th>
<th>Financial Limit</th>
<th>IA Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Cluster Interventions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A1 Soft Interventions</td>
<td>100%</td>
<td>10% of the amount of Hard Intervention (HI) or Rs.25.00 lakh, whichever is less</td>
<td>Nil</td>
</tr>
<tr>
<td></td>
<td>including skill trainings, capacity building, design development</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A2 Hard Interventions (HI) including CFCs, RMBs, training centres, etc. *</td>
<td>90%</td>
<td>Maximum Rs.5 crore per project (A+B+C)</td>
<td>10% of Hard Intervention as own contribution in cash.</td>
</tr>
<tr>
<td>B Cost of TA</td>
<td>100%</td>
<td>8% of the amount of Hard Intervention (HI) or Rs.30.00 lakh, whichever is less</td>
<td>Nil</td>
</tr>
<tr>
<td>C Cost of IA/SPV including CDE</td>
<td>100%</td>
<td>8% of the amount of Hard Intervention (HI) or Rs.20.00 lakh, whichever is less</td>
<td>Nil</td>
</tr>
</tbody>
</table>

*95%:5% in case of North Eastern Region (NER), J&K and hilly states.

#This includes remuneration of Cluster Development Executive (CDE) and other expenses incidental for the entire 3 year project implementation.

6.4 It shall be the responsibility of the IA to bring in land. The scheme funding shall not be utilized for the procurement of land. The cost of land will not be included in the total cost of Hard Intervention. A contribution of 10% in cash has to be provided by the Promoter to the Hard Intervention.

6.5 The interventions listed in Paragraph 3 are indicative in nature and any other need based intervention detailed in the DPR, subject to the approval of the SSC, shall be eligible to be funded under the scheme. The nature of such interventions whether soft or hard will also be decided by the SSC.

6.6 IAs may dovetail funds from other sources detailed in Paragraph 8 for the project, provided there is no duplication of funding for the same component/intervention.
7. ADMINISTRATIVE AND SCHEME MANAGEMENT EXPENSES

3% of the total budget allocation is earmarked for Administrative and scheme management expenses at the Ministry known as the SFURTI Administrative Fund. Funds will be at the disposal of Ministry of MSME and utilized with the approval of the Scheme Steering Committee (SSC) for operationalizing the projects. This will be utilized to fund all administrative costs, monitoring & evaluation costs, SFURTI related communication and stationery expenses, cost of travel/exposure visits of the NA officials for monitoring SFURTI activities, purchase of office automation equipment like photocopier, maintenance etc, outsourcing of data management services and development of scheme management software, both at the level of Ministry and NAs. A SFURTI Cell will be created in Ministry for providing necessary assistance and coordination to the Ministry and the NAs. The Cell will be responsible for providing administrative support and assistance for monitoring, evaluation, conducting of specialized studies and reports, organizing Steering Committee meetings and other related activities.

7.1 Thematic Interventions

In order to promote cross-cutting thematic interventions at the national and international level, an additional 5% of the total budget allocation can be claimed by the NA. Activities such as national level marketing campaigns and brand promotion for Khadi, herbal products, honey, organic food products that are directly connected to the promotion of the scheme shall be supported with due approval of the SSC. Other activities may include training of CDEs, IAs, national level cross-learning workshops and sector specific innovation, research and development initiatives.

7.2 Monitoring, Evaluation and Publicity:

An additional 2% of the total budget will be allocated for undertaking monitoring, evaluation and publicity of the scheme implementation. These would include periodic project reviews using innovative M&E systems such as video-conferencing and ICT tools, and third-party evaluations and impact assessment studies by the Ministry of MSME.
8. PROJECT COVERAGE & DURATION

8.1 Project Coverage

The target is to cover more than 100 clusters across the country during the scheme implementation, wherein approx. 60000 artisans/beneficiaries are proposed to be covered under the various scheme components. The scheme shall be implemented in all States of India.

The geographical distribution of the clusters throughout the country, with at least 10% located in the North Eastern Region (NER), J&K and hilly states, will also be kept in view.

Clusters will be selected under three categories based upon type and coverage of artisans in the cluster in the 1st Phase:

<table>
<thead>
<tr>
<th>Type of clusters</th>
<th>No. of Cluster\under the Scheme</th>
<th>Approx. Artisan Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular Clusters (upto 500 artisans@500 per cluster)</td>
<td>67</td>
<td>33,500</td>
</tr>
<tr>
<td>Major Clusters (more than 500 artisans @803 per cluster)</td>
<td>33</td>
<td>36,500</td>
</tr>
<tr>
<td></td>
<td>100</td>
<td>60,000</td>
</tr>
</tbody>
</table>

8.2 Project Duration

The timeframe for the implementation of project will be 3 years. The DPR would provide year-wise phasing of the interventions and requirements of funds.

9. CONVERGENCE

9.1 Substantial investments are being made for strengthening of rural clusters and the livelihood base of the poor. In order to optimise the efforts and maximise impact & sustainability, it is imperative to ensure convergence and bring in synergies between different private initiatives and government schemes in terms of planning, process and implementation. The Scheme envisages leveraging resources from the following sources:

i. Private sector participation: The scheme shall encourage participation of private sector retailers with proven track records and established retail networks. Retailers specializing in products sourced from khadi & village guidelines.
industries, coir & other industries may participate as Implementing Agency or Technical Agency. In cases where private sector agency is the implementing agency, the private partner shall contribute at least 50% of the project cost excluding the cost of land.

ii. Corporate Social Responsibility: The corporates of public and private sector can participate in the SFURTI program by way of providing additional financial support and professional operations & management support to the projects funded under the Scheme as part of their CSR. Such CSR foundations with proven track record and capability of managing MSME cluster projects, can participate either as IA or TA.

iii. Participation by Private Equity (PE)/Impact Funds: To leverage the increasing trend of financial institutions floating funds to support clusters that are in nature of social investments, such funds will be encouraged to participate in the SPVs, subject to the condition that their shareholding shall not exceed 50% of the total equity. In case of debt support, patient capital with extended moratorium, low rate of interest and flexible repayment options shall be considered.

iv. Other schemes of State and Central Government: IAs will be encouraged to dovetail funds from other various state and central government schemes over and above the funds sanctioned for SFURTI scheme, provided that there is no duplication of a specific project component being funded from one source.

v. Funds from Multi-lateral Development Banks (MDBs): It is envisaged that the funding from the scheme will leveraged to secure additional financial assistance from the MBDs to ensure sustainability and competitiveness of the clusters.

9.2 The participation of stakeholders as illustrated above is indicative. Any such participation or support needs to be detailed out in the DPR and subject to approval from the SSC.

9.3 TAs and NAs must therefore ensure that convergence is built into implementation framework right from the stage of project design. For example, the banks and RSETI expressed the need to involve them at the stage of DSRs and Action Plan formulation. Convergence with private sector buyers in the value chain and other key stakeholders must be built into project design. Funding from public and private agencies should also be ensured at early stage.
In order to ensure convergence, linkages should also be made through reporting to SLBC and District committees chaired by the Collector.

10. **SUSTAINABILITY**

10.1 *Working Committee to look after CFC:* To ensure that the facilities and infrastructure created with grants under SFURTI are sustainably managed to the advantage of artisans for improved production and marketing, IA will constitute a Working Committee for each cluster comprising the following:

   i. Chief functionary of the IA – Convener;
   ii. Representative of a Nationalized bank operating in the area;
   iii. 3 artisans nominated by the IA (including at least one woman) on annual rotation basis, re-nomination may not be allowed in five years;
   iv. Representative of the NA; and
   v. GM, DIC or his representative.

The Working Committee will meet at least once in a month to review the operational and maintenance aspects of the CFC and decide about the user charges. The SPV will open and maintain a corpus fund for maintenance of the CFC. The user charges will go to the corpus. The SPV on the basis of recommendation of Working Committee may incur expenditure towards maintenance/ augmentation of the CFC.

10.2 *Access to credit:* The IA will arrange the credit requirements including working capital for activities within the cluster. They may also extend credit to individual groups in the form of supplying raw materials on credit, etc., if required. The credit will be arranged at best possible cost preferably from the nearest available source.

10.3 *Business Plan for the cluster:* The TA in consultation with the IA will prepare a Business Plan for the cluster as a going concern, taking into account relevant facts and after conducting appropriate market survey as may be considered necessary by IA within the first two years of implementation of SFURTI in the cluster.

11. **ROLE OF STATE GOVERNMENT**

The Scheme envisages proactive engagement of the State Governments in the following areas:
i. Approval by the Secretary, Department of Industries and Commerce / MSME of the State Govt./Union Territories, the competent authority to approve the setting up of the cluster, before the DPR is put up for final approval by the SSC at the apex level. Through this process, the legal entity, constitution and existence of the Implementing Agency are being confirmed and authenticated by the Government machinery to avoid any kind of duplication and misuse of precious public funds.

ii. As the total time provided for the valid project proposal in the DPR format after in-principle-approval is six months or 180 days, the projects must obtain the State level clearances within a maximum period of 3 months or 90 days from the date of in-principle-approval.

iii. Assist in identification and procurement of suitable land for the projects wherever required, in order to set up cluster infrastructure;

iv. Providing all the requisite clearances wherever needed for setting up cluster and providing necessary assistance for power, water and other utilities to the cluster;

v. Providing necessary external infrastructure to the projects such as power, water supply, roads, effluent disposal etc, wherever needed;

vi. The State Government agencies like infrastructure/ industrial development corporations may also participate in the projects by way of subscribing to the equity of SPV or by providing Grants;

vii. Providing necessary project related clearances on a priority basis;

viii. Dovetailing assistance available under related schemes for overall effectiveness and viability of the projects; and

ix. Extending incentives available under related industrial promotional policies.

x. The State Governments/UTs may conduct surveys and map and identify potential sites and products for formation of clusters under SFURTI and accordingly seek the intervention of M/o MSME to set up SFURTI clusters in those sites and consisting of the specified products/industries.

xi. Special Dispensation for proposals identified and approved by State Level Screening Committee headed by Secretary (Industries/ MSME): Wherever such proposals are received directly in the Ministry of MSME [The Joint Secretary (ARI Division), Ministry of Micro, Small & Medium Enterprises, Room No.171, Udyog Bhawan, New Delhi-110011. Telephone: (011) 23061543 Telefax: (011) 23062858 E-mail: js.ari@nic.in], first a
Nodal Agency will be allocated by the Ministry. The proposal need not be placed before the SSC for DSR approval, rather a Detailed Project Report (DPR) shall be prepared through a Technical Agency and submitted to the SSC for final approval.

12. OPERATIONS & MAINTENANCE (O&M) OF ASSETS

12.1 IA shall ensure that the services of the facilities created under the Scheme are extended to the cluster in general, in addition to the member enterprises.

12.2 IA shall be responsible for O&M of assets created under the Scheme beyond the project duration. IA shall ensure that the users of these facilities pay for the services rendered, for the maintenance of the assets.

12.3 In case of dissolution of IA/SPV within 10 years from the date of sanction of assistance by the Government under the Scheme, the assets created with such assistance shall be vested with the Government. The Memorandum of Association & Articles of Association of the SPV shall incorporate this condition. In case of deemed SPVs, the IA will furnish and undertaking to this effect.

13. MONITORING & EVALUATION

13.1 The Ministry of Micro, Small and Medium Enterprises (MSME) will periodically review the progress of the projects under the scheme. The Nodal Agency shall be responsible for obtaining Quarterly Progress Reports and Annual Progress Report showing physical and financial progress from the clusters and forward it to the Ministry of Micro, Small and Medium Enterprises (MSME) on a regular basis.

13.2 Periodic review by Nodal Agency: The NAs assisted by TAs will devise a suitable monitoring framework duly approved by the SSC. In addition to the quarterly progress reports indicating cluster-wise physical and financial progress, the NAs will also track the progress through video-conferencing and other ICT tools.

13.3 Evaluation of the Scheme: It is envisaged to take-up third party mid-term evaluation of the projects to determine the deficiencies and take-up mid-course corrective measures. Impact assessment studies will also be undertaken at end of the project both at the cluster-level and the program-level to validate the outcomes achieved.
14. REMOVAL OF AMBIGUITY
Notwithstanding anything contained above, Central Government may issue such instructions as may be necessary to implement the above guidelines. If any difficulty or ambiguity arises in giving effect to these provisions, Central Government may issue appropriate directions which shall be binding on NAs, TAs and IAs.

14.1 In so far as interpretation of any of the provisions of these guidelines, the decision of the Scheme Steering Committee (SSC) shall be final.

*****
Categorization of Traditional Industries

1. Khadi Industries (KI)

"Khadi" means any cloth woven on handlooms in India from cotton, silk or woolen yarn handspun in India or from a mixture of any two or all of such yarns. The Khadi industries comprise of manufacturing units for hand-spun and hand-woven cotton, woolen, muslin and silk varieties.

2. Village Industries (VI)

Village Industries (VI) includes any industry located in rural area which produces any goods or renders any service with or without the use of power and in which the per-capita fixed capital investment does not exceed Rs. 1 lakh (except for hilly areas, wherein the limit is Rs.1.5 lakh); provided that any industry specified in the Schedule and located in an area other than a rural area and recognized as a village industry at any time before the commencement of the Khadi and Village Industries Commission, continue to be a village industry under the KVIC Act.

An indicative list of major VIs is provided as below:

i). Mineral Based Industry
   a. Cottage Pottery Industries
   b. Lime Industries

ii). Forest Based Industry
   a. Medicinal Plants Industries
   b. Bee-keeping
   c. Minor Forest based Industries

iii). Agro Based & Food Processing Industry
   a. Pulses & Cereals Processing Industries
   b. Gur & Khandsari Industries
   c. Palmgur Industries
   d. Fruit & Vegetable Processing Industries
   e. Village Oil Industries

iv). Polymer & Chemical Based Industry;
   a. Cottage Leather Industries
   b. Non-edible oils & Soap Industries
c. Cottage Match Industries  
d. Plastics Industries

vi). Rural Engineering & Bio-Technology Industry  
a. Non-Conventional Energy  
b. Carpentry & Blacksmithy  
c. Electronics

vi). Hand Made Paper & Fiber Industry;  
a. Handmade Paper Industries  
b. Fiber Industries

vii). Service and Textiles Industry  
a. Apparel and garmenting  
b. Embroidery and surface ornamentations  
c. Fabric and yarn dyeing  
d. Services

Khadi & Village Industries (KVI) today represent an exquisite, heritage product, which is ‘ethnic’ as well as ethical. It has a potentially strong clientele among the middle and upper echelons of the society.

3. Coir Industry (CI)

Coir Industry is an agro-based traditional industry, which originated in the state of Kerala and now has established itself in other coconut producing states like Tamil Nadu, Karnataka, Andhra Pradesh, Orissa, West Bengal, Maharashtra, Assam, Tripura, etc. Coir, a bi-product of coconut with diverse applicability, has age-old use in making mats, ropes etc. The coir industry employs more than 7.00 lakh persons of whom a majority is from rural areas belonging to the economically weaker sections of society. Nearly 80% of the coir workers in the fibre extraction and spinning sectors are women. Being an eco-friendly with natural origin, the coir industry is an export oriented industry and having greater potential to enhance exports by value addition through technological interventions and diversified products like Coir Geotextiles etc.
### Composition of Scheme Steering Committee (SSC)

<table>
<thead>
<tr>
<th></th>
<th>Position and Details</th>
<th>Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Secretary, Ministry of MSME</td>
<td>Chairman</td>
</tr>
<tr>
<td>2</td>
<td>Additional Secretary and Development Commissioner (MSME)</td>
<td>Member</td>
</tr>
<tr>
<td>3</td>
<td>Additional Secretary and Financial Adviser (AS &amp; FA), Ministries of MSME (or a representative)</td>
<td>Member</td>
</tr>
<tr>
<td>4</td>
<td>Principal Adviser, PAMD, NitiAayog</td>
<td>Member</td>
</tr>
<tr>
<td>5</td>
<td>Chief Executive Officer, KVIC</td>
<td>Member</td>
</tr>
<tr>
<td>6</td>
<td>Secretary, Coir Board</td>
<td>Member</td>
</tr>
<tr>
<td>7</td>
<td>Representative of Indian Banks Association (IBA)</td>
<td>Member</td>
</tr>
<tr>
<td>8</td>
<td>Representative of National Bank for Agriculture and Rural Development (NABARD)</td>
<td>Member</td>
</tr>
<tr>
<td>9</td>
<td>5 Cluster Experts - to be nominated by Ministry of MSME</td>
<td>Member</td>
</tr>
<tr>
<td>10</td>
<td>DC (Handlooms)</td>
<td>Member</td>
</tr>
<tr>
<td>11</td>
<td>DC (Handicrafts)</td>
<td>Member</td>
</tr>
<tr>
<td>12</td>
<td>JS (NRLM), M/o Rural Development</td>
<td>Member</td>
</tr>
<tr>
<td>13</td>
<td>Joint Secretary, Ministry of MSME</td>
<td>Member</td>
</tr>
</tbody>
</table>

Convener
### Composition of Project Screening Committee (PSC) for KVIC/Coir Board

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Chief Executive Officer-KVIC/Chairman-Coir Board</td>
<td>Chairman</td>
</tr>
<tr>
<td>2</td>
<td>Financial Advisor</td>
<td>Member</td>
</tr>
<tr>
<td>3</td>
<td>Officer In-charge Marketing</td>
<td>Member</td>
</tr>
<tr>
<td>4</td>
<td>Representative of Bank</td>
<td>Member</td>
</tr>
<tr>
<td>5</td>
<td>Representative of National Bank for Agriculture and Rural Development (NABARD)</td>
<td>Member</td>
</tr>
<tr>
<td>6</td>
<td>3 Cluster Experts (2 from TAs &amp; 1 from IA) - to be nominated by the NAs</td>
<td>Member</td>
</tr>
<tr>
<td>7</td>
<td>Director (SFURTI)-KVIC/Secretary- Coir Board</td>
<td>Member Convener</td>
</tr>
</tbody>
</table>

**Note:** Composition of Project Screening Committee (PSC) for NAs other than KVIC/Coir Board

Nodal Agencies other than KVIC and Coir Board shall also constitute a PSC comprising of 3 cluster experts (2 from TAs & 1 from IAs), representative of bank, and marketing & financing experts.
ANNEXURE-3

PROFORMA OF APPLICATION FOR NEW NODAL AGENCY

1. Executive Summary

2. Endorsement from Host / Promoting Organisation (see Annex. 1)

3. Name of the Institution/Organisation:
   Address, Phone, Fax:

4. Name & Designation of Head of Organisation:
   Address, Phone, Mobile, E-mail:

5. Name, Designation & contact details of the SFURTI Co-ordinator: -
   Address, Phone, Mobile, E-mail:

6. Partner Institution Information-General:

   I. Legal Status of the organization (enclose certificate of registration) &
      whether a National or International organisation
   II. Establishment date & summary of registered Objectives
   III. List of Governing Body / Board of Directors
   IV. Areas of activity
   V. Major Regular Donors (if any)
   VI. List of organizations with which formal MoU’s / linkages exist
   VII. Date of last Annual General Meeting (attach the minutes of meeting)
   VIII. Enclose Annual Audited statement & IT returns for last 3 years

7. Partner Institution’s preparedness to host clusters under SFURTI:

   I. Experience and Expertise of the SFURTI Coordinator from Institution
      identified for the setting up of cluster. (Attach a brief CV/bio-data, a
      person with domain expertise and having conceptual understanding and
      deep interest for innovation and entrepreneurship would be preferred to
steer the cluster till it gets operationalized and thereafter would be an active interface between NA and cluster).

II. List of projects undertaken, if any, in the previous three years as per the table given below.

<table>
<thead>
<tr>
<th>Name of Cluster/Project</th>
<th>Sponsoring Agency</th>
<th>Amount Sanctioned in Rs.</th>
<th>Amount released in Rs.</th>
<th>Duration</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
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<td></td>
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<td></td>
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<td></td>
</tr>
</tbody>
</table>

III. Awards & Recognition (Last 5 years): Details of Recognitions & Awards (having significant importance) won.

IV. Any other notable activities in innovation and entrepreneurship:
   • Indicate details of product development /clusterisation
   • Staff or partner organizations with entrepreneurship orientation
   • Organization of relevant cluster development programmes (courses, workshops, seminars, competitions, lectures etc) in the cluster related activities.

8. FEASIBILITY OF Cluster:

Details on the institution’s strength and preparedness in hosting Cluster:
   • Strength of the organization for hosting Cluster
   • Overall business environment of the location and ecosystem in the region
   • Assessment of cluster needs
   • Sources of tapping new artisans to the cluster
   • Financial model of the NA for operational sustainability of the cluster after 2/3 yrs as the MoMSME support is available for first two years and subject to be extended by one more year with due approval
   • Ability to partner with other organisations in building cluster projects such as with Technical Agency and Implementing Agency

9. Year-wise work plan for three years (a separate time linked activity chart to be provided alongwith the detailed work plan).
10. Target milestones (should be projected based on most likely attainable targets).

<table>
<thead>
<tr>
<th>Outcome</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) No. of artisans to be enrolled as part of cluster</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b) No. of products to be identified &amp; profiled in case of multi-product-cluster</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c) Nature of Soft intervention-physical &amp; financial with outlays &amp; outcomes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>d) Hard intervention targeted-nature-physical</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

12. Revenue Generation Projections for Sustainability of cluster

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Means of Revenue Generation</th>
<th>1st Year</th>
<th>2nd Year</th>
<th>3rd Year</th>
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Name & Signature of the Head of the Institution/Agency

Name & Signature of the SFURTI Coordinator

Date: 

Place:
ENDORSEMENT FROM THE HEAD OF INSTITUTION/ORGANISATION (on letter head)

1. We have gone through and agree to abide by the terms and conditions of the grant scheme for SFURTI.

2. We have not submitted, nor do we intend to submit this, or a similar project proposal, to any other agency for financial or other support. In case we get the support, we will keep MoMSME informed.

3. We undertake that we will register the NA as a Registered Society / Section 8 company as per the guidelines, within 3 months if selected as a NA under the scheme.

4. Certified that the hardware, other basic facilities and such other administrative support required for successful running of cluster will be extended to the NA, as per terms and conditions of the grant.

5. We will get into an MoU with the Technical Agency so chosen to carry out the entire work of the cluster as per the template of the draft guidelines for MoU between NA and TA.

6. We undertake to submit progress reports, statement(s) of accounts, utilization certificates, etc. as required.

7. Certified that Dr/Shri/Smt........................ will be the SFURTI Co-ordinator of the proposed cluster. The SFURTI Coordinator will assume the responsibility of implementation of the project.

8. Our Organisation assures to undertake the complete financial and other management responsibilities of the cluster, and successful running of cluster beyond 2/3 years of MoMSME's financial support.

9. If any of the above statements found to be incorrect by MoMSME at any point of time, the organization takes the responsibility to refund the entire amount released by MoMSME.

Date............ Name, Signature & Seal of the
Place............ Head of Institution/Agency
ANNEXURE-4

TERMS AND CONDITIONS FOR GRANTS-IN-AID FOR NODAL AGENCIES FOR CLUSTERS EXCEPT AGENCIES FUNDED BY MINISTRY OF MSME/GOVERNMENT OF INDIA

1. As per the latest instruction by Controller General of Accounts (CGA), Government of India, the grantee institution is required to register at CGA website (http://cpsms.nic.in) to facilitate release of funds.

2. All grantee institutions except public funded institutions are required to execute a Bond (in prescribed proforma) on a non-judicial stamp paper before any grants-in-aid is released to them.

3. The grant being released should be exclusively spent on the specific purpose for which it has been sanctioned within the stipulated time. Any unspent balance out of the amount sanctioned would be refunded to the Govt. of India by means of an Account’s Payee Demand Draft drawn in favour of Drawing & Disbursing Officer, MoMSME, payable at New Delhi.

4. The grantee is required to send two copies each of i) progress report; and ii) utilization certificate, in the prescribed proforma, to MoMSME at the end of each financial year as well as at the time of seeking further installments of the grant, if any as per the financial rules of Government of India.

5. The grantee is required to send two copies of the audited statement of accounts relating to the amount sanctioned at the end of each financial year to MoMSME.

6. All the assets acquired or created from the grant will be the property of the Govt. of India and should not be disposed-off or encumbered or utilised for purpose other than those for which the grant has been sanctioned without the prior permission of the MoMSME.

7. At the conclusion of the project, the Govt. of India will be free to sell or otherwise dispose off assets which are the property of Govt. The institution shall tender to Govt. necessary facilities for arranging the sale of these assets.

8. The institute shall furnish to MoMSME, utilization certificate and an audited statement of accounts pertaining to the grant as per the prevalent financial rules of Government of India.
9. The Comptroller and Auditor General (CAG) of India at his discretion shall have the right of access to the books of account for the grant received from the Government.

10. The grantee will maintain separate audited accounts for the grant. The funds released should be kept in a bank account earning interest, the interest earned should be reported to the MoMSME. The interest thus earned will be treated as a credit to the organization to be adjusted towards further installments of the grant, if any.

11. The grantee must not entrust the implementation of the work for which the grant is being sanctioned to another institution and divert the grant receipts as assistance to the latter institution. In case the grantee itself is not in a position to execute or complete the project, it may be required to refund forthwith the Govt. of India, the entire amount of grants-in-aid received by it.

12. MoMSME reserves the right to terminate support to the project at any stage, if it is convinced that the grant is not being utilized properly or that appropriate progress in the project work is not being made.

13. Where support has been provided by MoMSME under specific conditions accepted by a grantee institution and if it does not comply with these conditions, it will be liable to refund the grant already received in such a manner as may be required by the Government and no further MoMSME grant will be allowed to such an institution.

14. MoMSME will not have any liability towards the manpower appointed by the grantee institution for implementation of the project.

15. MoMSME will have no responsibility in case of any loss is caused to any life or property due to accident, fire or any other reasons. The Nodal Agency is required to take appropriate safety and insurance measures to safeguard against any loss to human life and property related to the project.

16. The MoMSME will have no liability on account of any omission or commission of regulatory/statutory requirement by the Nodal Agency.
A. Template for the Diagnostic Study Report (DSR)

The indicative list of key sections/chapters in the DSR is as below:

1. Cluster Profile
2. Cluster Value Chain Mapping
3. Market Assessment and Demand Analysis
4. SWOT and Need Gap Analysis
5. Profile of the Implementing Agency
6. Project Concept and Strategy Framework
7. Project Interventions (Core SFURTI)
8. Project Cost and Means of Finance (Core SFURTI)
9. Plan for Convergence of Initiatives
10. Enhanced Project Cost and Means of Finance
11. Project Timeline
12. Tentative Business Plan
13. Proposed Implementation Framework
14. Expected Impact

B. Template for the Detailed Project Report (DPR)

The indicative list of key sections/chapters in the DPR is as below:

1. Cluster Profile
2. Cluster Value Chain Mapping
3. Market Assessment and Demand Analysis
4. Need Gap Analysis
5. Profile of the Implementing Agency
6. Project Concept and Strategy Framework

7. Project Interventions (Core SFURTI)
8. Soft Interventions
9. Hard Interventions
10. Project Cost and Means of Finance (Core SFURTI)
11. Plan for Convergence of Initiatives
12. Enhanced Project Cost and Means of Finance
13. Project Timeline
14. Detailed Business Plan
15. Proposed Implementation Framework
16. Expected Impact

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Guidelines for SFURTI- Scheme of Fund for Regeneration of Traditional Industries