

# **Revised Guidelines for Scheme of Fund for Regeneration of Traditional Industries (SFURTI)**

.....

## **1. BACKGROUND**

1.1. India has a rich heritage of traditional industries. This sector not only plays a crucial role in providing large-scale employment opportunities at comparatively lower capital cost, but also helps in industrialization of rural & backward areas, thereby reducing regional imbalances, assuring more equitable distribution of income and wealth. The eco-friendly products of traditional industries have great potential for growth in production and export developing niche products for domestic and export markets.

1.2. Broadly, ‘traditional industry’ means an activity which produces marketable products, using locally available raw material and skills and indigenous technology. Traditional Industry Cluster, in the context of this document, refers to a geographical concentration of a sizable number of artisans or micro enterprises, suppliers of raw materials, traders, service providers, etc. producing processing and servicing the same or similar types of products and facing common opportunities and threats.

1.3. The traditional industries are broadly categorized into Khadi (comprising of hand-spun and hand-woven cotton, woolen, muslin and silk varieties), Coir Based Industries and Village Industries (including non-timber forest produces-NTFPs, handmade paper, agro based goods, textiles based products and other miscellaneous microenterprises as detailed in Annexure 1).

1.4. With a view to making the traditional industries more productive and competitive and facilitating their sustainable development, the Govt. of India announced setting up of a fund for regeneration of traditional industries, with an initial allocation of Rs 100 crore. Pursuant to this announcement, a Central Sector Scheme titled the “Scheme of Fund for Regeneration of Traditional Industries (SFURTI)” was approved at a total cost of Rs 97.25 crore. The Scheme was implemented by the Ministry of Micro, Small and Medium Enterprises (MSME) and its organizations (Khadi and Village Industries Commission-KVIC and Coir Board), in collaboration with State Governments, their organizations and non-governmental organizations.

1.5. Separately, with a view to revitalizing the Khadi and Village Industries (KVI) sector, the Government of India, with the assistance of Asian Development Bank (ADB), had in 2009-10, introduced a comprehensive Khadi Reform and Development Programme (KRDP) which inter alia aimed at developing 5 thrust areas of traditional village industries such as herbal products, honey, handmade paper, leather and agro based industries through a cluster-based approach.

1.6. Planning Commission's Working Group on XII Plan has recommended continuation of SFURTI with its existing components like: replacement of equipment, setting up of common facilities, support for development of new products, designs, packaging, market promotion, capacity building activities, etc. It has also been recommended that a number of KVI schemes hitherto being implemented by KVIC in Khadi and Village Industries sectors with similar or overlapping objectives, be merged in SFURTI and give flexibility to Implementing Agencies to choose their own basket of components as per need. Thus the following schemes are being merged into SFURTI: The Scheme for Enhancing Productivity and Competitiveness of Khadi Industry and Artisans, the Scheme for Product Development, Design Intervention and Packaging (PRODIP), the Scheme for Rural Industries Service Center (RISC) and other small interventions like Ready Warp Units, Ready to Wear Mission, etc. run by KVIC during XI Plan from Khadi Grants and VI Grants.

1.7. Despite the success of the SFURTI scheme, an independent evaluation of the SFURTI clusters highlighted the need to improve the sustainability and competitiveness of these clusters. The recommendations include enhanced allocation per cluster, increased responsibility of the Technical Agencies (TAs), critical financial appraisal and development of robust business plans and convergence of programs at the cluster level.

1.8. As mentioned in the Budget announcement made by Finance Minister for 2013-14, 800 clusters of khadi, village industries and coir are to be developed during XII Plan with an outlay of Rs 850 crore to cover 4 (four) lakh artisans. Assistance from Multilateral Development Banks is also to be leveraged, to extend support under SFURTI to 800 clusters during the XII Plan.

1.9. Clusters have gained increasing prominence in debates on economic development in recent years. Governments worldwide regard clusters as potential

drivers of enterprise development and innovation. Cluster initiatives are also considered to be efficient policy instruments in that they allow for a concentration of resources and funding in targeted areas with a high growth and development potential that can spread beyond the target locations (spillover and multiplier effects).

1.10 Clusters are defined as “geographical concentrations of inter-connected enterprises and associated institutions that face common challenges and opportunities”. This definition highlights two essential features of clusters: they consist of a critical mass of enterprises located in geographical proximity to each other and enterprises within them share many common features.

## **2. SCHEME OBJECTIVES**

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 standardise 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;
- v. Market promotion initiatives;
- vi. Design and product development;
- vii. Participation in seminars, workshops and training programmes on technology upgradation, 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 581C of Companies Act 1956;
- 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 Suggested Guidelines for new NA to be appointed by the 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 MoMSME. 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:**

Agencies except those funded by Ministry of MSME or any other Ministry is provided under Annexure-4.

4.2.4 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](#)]

#### 4.2.5 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 PPRs 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.

#### 4.4.2 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 Preliminary Project Reports (PPRs) 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 PPR/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;
- viii. 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. should advise 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

- vettted 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 (Janashree 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 Aadhaar 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 stake holders 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.
- 4.4.3 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.

4.6.1 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:

- i. a Society registered under Societies (Registration) Act, 1860;
- ii. a Co-operative Society under an appropriate statute;
- iii. a Producer Company under section 581C of Companies Act, 1956;
- iv. a Section 8 Company under The Companies Act, 2013 (18 of 2013);
- v. a Trust; or

vi. Any other legal entity, with the prior approval of SSC.

4.6.2 (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.

4.6.3 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.

4.6.4 Role of IAs:

The role and responsibility of the IAs includes the following:

- i. 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 Heritage 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 come 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 Preliminary Project Report (PPR) as per the standard template as provided under Annexure-5 submitted by the TA assigned to the cluster. The PPR 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. Appraisal report by NABARD/SIDBI or any other scheduled banks;
- iii. Identification of IA and formation of project specific SPV;

- iv. Execution of shareholders agreement and other related agreements between the IA and the members; and
- v. 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.
- vi. Approval by the Secretary, Department of Industries and Commerce 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. 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. 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. 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/PPR is approved by MoMSME, 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.

### **5.6 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.

### **5.7 Release of Funds to IA**

On obtaining final approval, a sanction order will be issued by NA and 1<sup>st</sup> 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:

- i. 1<sup>st</sup>instalment of 40% of the hard intervention as advance on IA arranging land;
- ii. 2<sup>nd</sup>instalment of another 40% on utilization of 2/3 of 1<sup>st</sup>instalment; and
- iii. Balance 20% as 3<sup>rd</sup>and final instalment, as reimbursement.

## **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 8 (eight) crore.

Type of clusters	Per Cluster Budget Limit
Heritage Clusters (1000-2500 artisans)	Rs 8.00 crore
Major Clusters (500-1000 artisans)	Rs 3.00 crore
Mini-Clusters (Upto 500 artisans)	Rs 1.50 crore

6.3. The funding pattern under the Scheme will be as under:

#	Project Intervention	Scheme Funding	Financial Limit	IA Share
A	Cluster Interventions	-		-
A1	Soft Interventions including skill trainings, capacity building, design development	100%	Subject to maximum 33% of A (Total cost of Cluster Interventions both hard and soft interventions) or Rs 25 lakh, whichever is less	Nil
A2	Hard Interventions including CFCs, RMBs, training centres, etc. *	75%	-	25% of Project Cost including Land Cost <sup>^</sup> and own contribution as equity
B	Cost of TA	100%	8 % of A1+A2 (Total cost of Cluster Interventions both hard and soft interventions)	Nil
C	Cost <sup>#</sup> of IA/SPV including CDE	100%	Maximum Rs.20 lakhs per project	Nil

\*90%:10% in case of North Eastern Region (NER), J&K and hilly states.

<sup>^</sup>Registered value of land as reflected in the sale deed shall be considered. In case land is taken on lease, the minimum tenure should be for 15 years and the value of the lease rentals will be taken as contribution.

<sup>#</sup>This may include 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 whose book value may be shown as its contribution. 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 the project.

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.

**6.7. *Administrative and scheme management expenses***

It is envisaged that 3% of the total budget allocation will be retained by the NA for scheme management and administrative expenses. 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 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.

**6.8. *Thematic Interventions***

In order to promote cross-cutting thematic interventions at the national and international level, an additional 5% of the total budget allocation will be retained 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.

**6.9. *Monitoring and Evaluation***

An additional 2% of the total budget will be allocated for undertaking monitoring and evaluation 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.

## 7. PROJECT COVERAGE & DURATION

### 7.1. Project Coverage

The target is to cover more than 800 clusters across the country during the scheme implementation, wherein approx. 4 lakh 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:

Type of clusters	No. of Clusters under the Scheme	Approx. Artisan Coverage
Heritage Clusters (1000-2500 artisans)	2	5000
Major Clusters (500-1000 artisans)	10	10000
Mini-Clusters (Upto 500 artisans)	59	29500
	<b>71</b>	<b>445000</b>

### 7.2. 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.

## 8. CONVERGENCE

8.1. 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 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.

8.2. The participation of stake holders 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.

8.3. 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.

## **9. SUSTAINABILITY**

9.1. *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.

9.2. *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.

9.3. *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.

## **10. 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 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 clusterisation under R-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.

## **11. OPERATIONS & MAINTENANCE (O&M) OF ASSETS**

11.1. 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.

11.2. 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.

11.3. 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.

## **12. MONITORING & EVALUATION**

12.1. 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.

12.2. **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.

12.3. **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.

## **13. 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.

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

\*\*\*\*\*

## **ANNEXURE-1: 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
- v). *Rural Engineering & Bio-Technology Industry*
  - a. Non-Conventional Energy
  - b. Carpentry & Black smithy
  - 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.

#### **a) 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.

**ANNEXURE-2: Composition of Scheme Steering Committee (SSC)**

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

**ANNEXURE 2.1: Composition of Project Screening Committee (PSC) for KVIC/Coir Board**

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

**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.

Name of Cluster/ Project	Sponsoring Agency	Amount Sanctioned in Rs.	Amount released in Rs.	Duration	Outcome
-----------------------------	-------------------	--------------------------	------------------------	----------	---------




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 organisations 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 Organisation 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).**

Outcome	Year 1	Year 2	Year 3	Year 4	Year 5	Total

a) No. of artisans to be enrolled as part of cluster b) No. of products to be identified & profiled in case of multi-product-cluster c) Nature of Soft intervention-physical & financial with outlays & outcomes d) Hard intervention targeted-nature-physical & financial e) Thematic interventions if any-nature, physical & financial targets f) Other notable services to be provided						
--	--	--	--	--	--	--

**12. Revenue Generation Projections for Sustainability of cluster**

Sl.No.	Means of Revenue Generation	Ist Year	IInd Year	IIIrd Year	IVth Year	Vth Year	Total
	<b>Total</b>						

Name & Signature of the  
Head of the Institution/Agency

Name & Signature of the  
SFURTI Co-ordinator

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.....  
Place.....

Name, Signature & Seal of the  
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 the 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.

## **ANNEXURE-5**

### **A. Template for the Preliminary Project Report (PPR)**

The indicative list of key sections/ chapters in the PPR 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:

- |   |         |
|---|---------|
| <ol style="list-style-type: none"><li>1. Cluster Profile</li><li>2. Cluster Value Chain Mapping</li><li>3. Market Assessment and Demand Analysis</li><li>4. Need Gap Analysis</li><li>5. Profile of the Implementing Agency</li><li>6. Project Concept and Strategy Framework</li></ol>   | PART I  |
| <hr/>   |         |
| <ol style="list-style-type: none"><li>7. Project Interventions (Core SFURTI)</li><li>8. Soft Interventions</li><li>9. Hard Interventions</li><li>10. Project Cost and Means of Finance (Core SFURTI)</li><li>11. Plan for Convergence of Initiatives</li><li>12. Enhanced Project Cost and Means of Finance</li><li>13. Project Timeline</li><li>14. Detailed Business Plan</li><li>15. Proposed Implementation Framework</li><li>16. Expected Impact</li></ol> | PART II |

\*\*\*\*\*