

No. 1(17)/SICDP/Cluster/TM/2006
Office of the Development Commissioner (MSME)
Cluster Development Division

Nirman Bhawan
New Delhi dated 10th February 2010

Office Memorandum

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

The Government has approved modifications in the Guidelines of Micro and Small Enterprises – Cluster Development Programme. The modified guidelines are in supersession of the guidelines issued vide TM/UND/2005 dated 14th March 2006 for cluster development and 2(1)/90-Plg. dated 7th March 1994 for infrastructure development, including subsequent clarifications/orders in these regards.

2 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).

3 Diagnostic Study: Government of India (GoI) grant of maximum Rs 2.50 lakh will be provided for preparation of Diagnostic Study Report (DSR) for one cluster. For the field organizations of the Ministry of MSME, this financial support will be Rs 1.00 lakh.

4 Soft Interventions: Maximum limit for project cost would be Rs 25.00 lakh per cluster. GoI grant 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. 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. The duration of soft interventions will be maximum 18 months.

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

- 6 **Hard Interventions** [setting up of Common Facility Centers (CFCs)]: 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. There should be a minimum of 20 MSE cluster units serving as members of the Special Purpose Vehicle (SPV) for the CFC. 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.
- 7 **Infrastructure Development:** 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.
- 8 **Implementation Agencies:** Following departments/agencies will be eligible for implementation of the scheme.

Activity	Implementing Agency
Diagnostic study	<ul style="list-style-type: none"> • Offices of the Ministry of MSME • Offices of State Governments • National and international institutions engaged in development of the MSE sector. • Any other institution/agency approved by the Ministry of MSME
Soft Interventions	
Setting up of CFC	
Infrastructure Development projects	State/UT Governments through an appropriate state government agency with a good track record in implementing such projects.

- 9 **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. Additional Secretary & Development Commissioner (MSME)
 - iii. Additional Secretary & Financial Adviser
 - iv. Adviser (VSE), Planning Commission
 - v. Joint Secretary, Ministry of MSME
 - vi. Representative of SIDBI
 - vii. Additional Development Commissioner/ Joint Development Commissioner / 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.)

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

9.1.1 **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, State government will submit the proposal to the office of DC (MSME). 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.

9.1.2 **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

10 Monitoring and Management Expenses @ 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

11 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.

12 Cluster development through International Agencies: Contribution for joint cluster development programmes through International agencies like UNIDO, GTZ, DFID etc may be considered by the Steering Committee in relaxation of the prescribed norms.

- 13** The existing approved proposals for cluster development and infrastructure development projects will continue to be supported as per original approval / sanction. All future proposals should be sent in accordance with the modified guidelines.
- 14 Guidelines for the Scheme:** The modified guidelines for the scheme are enclosed, and are also available on the website of DC(MSME) www.dcmsme.gov.in.

(Hukum Singh Meena)
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