

No. 1(634)/CDD/Guidelines Modification/2016
Government of India
Office of the Development Commissioner (MSME)
Ministry of Micro, Small & Medium Enterprises
Cluster Development Division

Nirman Bhawan, New Delhi
Dated 27th July, 2016

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:

1.	Secretary / Principal Secretary (Industries) / Commissioner of Industries / Director of Industries.	Chairman
2.	Managing Director or Representative of Implementing Agency	Member Secretary/Convenor
3.	Representative of Finance Department	Member
4.	Director, MSME-Development Institute	Member
5.	General Manager, District Industries Centre concerned	Member
6.	Special invitees (if any)	

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

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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)



GOVERNMENT OF INDIA

Guidelines

Micro and Small Enterprises— Cluster Development Programme



Development Commissioner
Micro, Small & Medium Enterprises
Government of India
Nirman Bhawan, New Delhi-110 108



सत्यमेव जयते

GOVERNMENT OF INDIA

GUIDELINES

Micro and Small Enterprises Cluster Development Programme



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MADHAV LAL

Additional Secretary &
Development Commissioner



MSME
MICRO, SMALL & MEDIUM ENTERPRISES

भारत सरकार
सूक्ष्म, लघु एवं मध्यम उद्यम मन्त्रालय

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04th May 2010

PREFACE

This booklet contains the revised guidelines for the "Micro and Small Enterprises Cluster Development Programme (MSE-CDP)", incorporating the recent modifications that have made the scheme more comprehensive and attractive.

2. The Ministry of Micro, Small and Medium Enterprises (MSME) had adopted the cluster development approach as a key strategy for enhancing the productivity and competitiveness of the micro and small enterprises nearly ten years back. Since then, several modifications have been made to the guidelines based on our experience in cluster development and independent evaluations of the scheme. The latest modifications involve substantially higher funding from the Government of India (GoI) for the key components of the programme as also subsuming of the erstwhile 'Integrated Infrastructure Development (IID) Scheme' into the 'Cluster Development Programme'.

3. Under the revised guidelines, the eligible cost for soft interventions (training, exposure visits, marketing assistance, capacity building, etc.) have been enhanced from Rs. 10 lakh and Rs. 25 lakh, with GoI funding upto 75% of this amount. The eligible cost for setting up of Common Facility Centres (CFC) in clusters has been increased from Rs. 10 crore to Rs. 15 crore, with GoI funding upto 70% (90% for special category clusters and clusters in special category States). Likewise, the eligible cost of projects for infrastructure development, which was Rs. 5 crore in the erstwhile IID Scheme has been increased to Rs. 10 crore in the modified guidelines of MSE-CDP, with funding upto 60% available from the Government of India.

4. While the financial assistance for clusters has been considerably enhanced, as stated above, the success of the Cluster Development initiative depends on the dynamism of the collectives of the cluster units, i.e. Special Purpose Vehicles, through which beneficiary participation is to be ensured. As this is the key element in cluster development, active involvement and commitment of the State Government agencies, through continuous outreach, advocacy and capacity building measures, is critical to the programme. In addition, creation of common facilities in the clusters and upgradation/creation of infrastructure will require commitment from the State Government for providing land as well as funding support, as envisaged in the guidelines.

(Madhav Lal)

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GUIDELINES MICRO AND SMALL ENTERPRISES CLUSTER DEVELOPMENT PROGRAMME

BACKGROUND

The Ministry of Micro, Small & 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 & 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.

In October 2007, the erstwhile cluster development scheme 'Small Industries Cluster Development Programme (SICDP)' was renamed as 'Micro & 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 the Development Commissioner (MSME), Ministry of MSME.

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 Centres (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.

2.0 Objectives

- (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).

3.0 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.

4.0 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, twining 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) Govt 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 required), 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 Development Commissioner (MSME).

5.0 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 entrepreneur 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 Annexure-I. Govt 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 Govt 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 installments 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.

6.0 Detailed Project Report (DPR)

A Govt 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 centre 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 **Annexure II**.
- (b) DPR should be appraised by a bank (if bank financing is involved)/independent Technical Consultancy Organization/SIDBI.

7.0 Hard Interventions (Setting up of CFCs)

Hard Interventions under the programme will consist of creation of tangible "assets" as Common Facility Centres (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 Govt grant will be restricted to 70% of the cost of project of maximum Rs 15.00 crore. Govt 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 Gol 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 Gol 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 Gol grant will be calculated with project cost ceiling of Rs 15.00 crore.
- (m) Funds will be released in two/three instalments (after final approval) depending upon the implementation plan, requirements of funds.
- (n) A Tripartite Agreement among the Gol, the State Government concerned and the SPV shall be signed for CFC projects. The format of the agreement is given at **Annexure III**.

- (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 & 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.

8.0 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; and
 - (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 **Annexure IV**. 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 instalment may be 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).

9.0 Implementation Agencies

Activity	Implementing Agency
Diagnostic study	• Offices of the Ministry of MSME
Soft Interventions	• Offices of State Governments
Setting up of CFC	• National and international institutions engaged in development of the MSE sector • Any other institution/agency approved by the Ministry of MSME
Infrastructure Development Projects	State/UT Governments through an appropriate state government agency with a good track record in implementing such projects

10.0 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) 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, representatives of appraisal agency etc.)

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

10.2 Hard interventions (CFC) and infrastructure development projects will be approved in two stages: In-Principle Approval and Final Approval.

10.2.1 **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.

10.2.2 **Final Approval:** The projects which have been accorded In-Principle Approval, shall be accorded final approval on fulfilment 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

11.0 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 the Development Commissioner (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 the DC (MSME) and the industry/ state government and would help in efficient and speedy roll out of the Scheme. Office of the DC (MSME) will identify, select and prepare a panel of PMSs. The PMS shall report directly to the office of DC (MSME).

11.1 Service charges for the PMS shall be paid from within the approved budget outlay of the scheme.

11.2 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 the 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 the DC(MSME) and assist in strategy formulation for effective implementation of the scheme

12.0 Monitoring and Evaluation

12.1 The Development Commissioner (MSME) will be the apex body for coordinating and overseeing the progress of the projects.

12.2 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.

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

13.0 Miscellaneous Provisions

13.1 **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 the 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 the 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

13.2 **National Level Miscellaneous Activities:** Activities (like organizing training/national workshops, publishing of cluster related material, preparation of study material, deputation of officers from headquarters, special 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.

13.3 **Cluster Development Through International Agencies:** The interventions criteria/ proposal format for cluster development 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

such programmes may be considered by the Steering Committee in relaxation of the prescribed norms.

Annexure-I

Proposed Budget (Indicative)* and Means of Finance for Soft Interventions
(Per Cluster Spread Over a Period of 18 Months) (Rs in Lakhs)

Sl. No.	Description	Max Estimated Expenditure	Means of Finance		
			Govt assistance	State Govt. & / or PSU Institutions	SPV/ Private Partners
1.	Trust building (organizing meetings, seminars for cluster actors) 4 meetings	0.80	upto 90%		
2.	Building awareness of various schemes of Ministry of MSME, other Ministries and Departments of State & Central Govt., other developmental agencies, Financial institutions, etc. (2 programmes)	0.80	upto 90%		
3.	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)	6.00	upto 80%		
4.	Capacity building (exposure visits, benchmarking, brochure preparation, web-site launching, initial recruitment cost, etc.)	1.00	upto 60%		
5.	Services of BDS providers, (Max 20 person-days @ Rs 7000/- per day + boarding/lodging charges as per Group A officer's entitlement)	3.00	upto 90%		

6.	Participation in one foreign fair (for entrepreneurs in clusters). One fair per cluster	5.00	50%		
7.	Miscellaneous developmental costs (translation, publications-lumpsum)	1.50	upto 80%		
8.	In-house institutional Staff: (a) CDA (if required) -18 month @ Rs. 30,000 p.m.	5.40	upto 50%		
	(b) Local Organizer/NDA-18 month @ Rs.20,000 p.m.	3.60	upto 50%		
9.	Local travel in the cluster of the in-house staff and Telecommunications expenses (Rs 5000 per month)	0.90	100%		
10.	Local purchases (computer, telephone, fax-lump sum, year-wise), if required	0.75	100%		
11.	Participation of CDE/CDA/ cluster official along with entrepreneurs of the cluster. economy/ excursion fair + TA	1.25	100%		

Note: 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 utilized by SPV members as also others in a cluster. However, evidence should be furnished with regard to SPV member ability to utilize at least 60 per cent of installed capacity.

2. Elements of DPR

2.1 Plant and machinery

- (a) List of Plant and Machinery:

Sl. No.	Particulars of plant and machinery	No.	Power requirement (HP/KW)	F.O.R. Price (Rs)	Name of proposed suppliers	Delivery Schedule (month-wise)

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

Sl. No.	Particulars of raw material	Specifications/ indigenous / imported	Quantity required at full capacity	Unit price (Rs.)	Total value (Rs.)

2.3 Utilities and services at full capacity utilization

(a) Power for industrial purpose

Sl. No.	Particulars of the machinery	KW	No. of working hrs. per month	KW/month	Rs./KWH	Total

(b) Power requirement for commercial/domestic purpose

(c) Water

(d) Gas/Oil/ Other utilities

2.4 Site Development and civil construction

	Particulars	Quantity/Nos.	Rate	Cost
(i)	Cost of land			
(ii)	Development cost of land			
(iii)	Cost of compound wall			
(iv)	Cost of fabricated gates & grills			
(v)	Cost of shed			
(vi)	Cost of laboratory			
(vii)	Other RCC construction			
(ix)	Water tank/Overhead water tank			
	Total			

2.5 Organizational set up and manpower requirement

Sl. No.	Category/ Designation	No. of persons	Salary per month (Rs)	Total salary (PM)

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

2.6 Project Cost

	Particulars of Cost	Amount (Rs.)
(i)	Land & site development	
(ii)	Building	
(iii)	Plant and machinery (cost of plant and machinery, 10% installation, electrification and commissioning)	
(iv)	Misc. fixed assets (fixture, furniture, fire fighting equipment, first aid equipment, back up power supply, etc.)	
(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	
	Total	

2.7 Means of Finance

Sl. No.	Agency	Amount (Rs. in lakh)	% of the Project Cost
1.	SPV		
2.	GoS		
3.	Gol		
4.	Bank Borrowings		
5.	Others		
	Total		

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

Sl. No.	Particulars	No. of months	Margin	as per capacity utilisation		
				1st year	2nd Year	3rd year
1.	Raw material and consumables					
2.	Utilities	1				
3	Working expenses (salary of man-power)	1				
4.	Works in process (cost of raw material, utility and salary on actuals)					
5.	Stock of finished goods (cost of raw material, utility, salary, factory overheads on actuals)					
6.	Bills receivables (Sales value)					
	Total					

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)

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

2.13 Balance Sheet & P/L Account (Projection for 10 Years)

$$2.14 \quad \text{Break-Even Point} = \frac{\text{Fixed Cost}}{\text{Contribution (Sales - Variable Cost)}}$$

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 utilization 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.

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 theth 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 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 & 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 theof(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 Gol 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 Gol for release of its share.
8. Pending utilization of Gol 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. Gol 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 Gol about the status of the establishment or running of CFC and shall also report to the Gol 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 Gol 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 Gol 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 Gol or GoS grant shall be outside such proceedings and the Gol 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 Gol 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 Gol 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 off any of the assets of the CFC acquired out of the grant, the Gol, 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 Gol Guidelines by the SPV which is not cured within 15 days of issue of notice by the Gol, the Gol 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 Gol 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 Gol 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 Gol, 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 Gol or the GoS with the SPV and the Gol 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.....

Details of Project Cost for Infrastructure Development for New Sites

Sr No.	Items	Rs. in lakhs
1.	Land Development and Other Overhead Infrastructure	
(i)	Cost of land filling/leveling including boundary Wall / fencing	100
(ii)	Cost of laying roads	200
(iii)	Road side greenery & social forestry	10
(iv)	Water supply including overhead tanks, and pump houses	110
(v)	Water harvesting	10
(vi)	Drainage	60
(vii)	Power (Sub-Station and distribution network including Street light etc), Generation of non-conventional energy	250
(viii)	Others (Sanitary Conveniences etc.)	10
	Sub Total	750
2.	Administrative and Other Services Complex	
(i)	Administrative Office Building	20
(ii)	Telecommunication /Cyber Centre/ Documentation Centre	20
(iii)	Conference Hall/ Exhibition centre)	30
(iv)	Bank/ Post Office	20
(v)	Raw material storage facility, Marketing outlets	40
(vi)	First Aid Centre, Crèche, Canteen facilities	20
	Sub Total	150
3.	Effluent Treatment Facilities	80
4.	Contingencies & Pre-operative expenses	20
	GRAND TOTAL	1,000

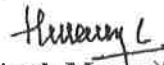
(To be published in the Gazette of India, Part-I, Section 1)

Government of India
Office of the Development Commissioner (Micro, Small & Medium Enterprises)
Ministry of Micro, Small & Medium Enterprises
'A' Wing, Nirman Bhawan
New Delhi, the 10th February 2010

NOTIFICATION

No. 1(17)/SICDP/Cluster/TM/2006 – The Central Government has approved Modifications in the Guidelines of Micro & Small Enterprises – Cluster Development Programme (MSE-CDP). The scheme will continue to be implemented at a total outlay of Rs.303.63 crore during 11th Five Year Plan. The scheme aims at enhancing the competitiveness and productivity of Micro & Small Enterprises by undertaking soft interventions (Technical assistance, capacity building, exposure visits, market development, trust building, etc), Hard Intervention [setting up of Common Facility Centers (CFCs) for Testing, Design Centre, Production Centre, Effluent Treatment Plant, Training Centre, R&D Centre, Raw Material Bank/Sales Depot, Product Display Centre, Information Centre, etc] and 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, etc).

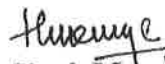
2. The details of the scheme and modified guidelines are available on the official website of the office of DC(MSME) i.e. www.dcmsme.gov.in.


(Hukum Singh Meena) 10/2/2010
Joint Development Commissioner

The Manager,
Government of India Press
(Bharat Sarkar Press), FARIDABAD

Copy for information to: -

1. Chief Secretary (States/UTs)
2. All Commissioner/Directors of Industries (States/UTs)
3. Members of the Steering Committee of MSE-CDP
4. Secretary, Department of Expenditure, North Block, New Delhi
5. Planning Commission (PAMD, VSE)
6. AS&FA, IF Wing (Fin I), M/o MSME, Udyog Bhawan
7. Chief Controller of Accounts, DIPP, Udyog Bhawan
8. Budget & Accounts Section, O/o DC(MSME)
9. All Directors, MSME-DIs / Director, MSME Testing Centres/ All Branch MSME-DIs
10. Internal Circulation in the O/o DC(MSME) as per standard list.


(Hukum Singh Meena) 10/2/2010
Joint Development Commissioner

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 – In-charge 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
(Hukum Singh Meena) 12/2012
Joint Development Commissioner
011-23062694

Copy to –

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



MICRO, SMALL & MEDIUM ENTERPRISES

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