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AX1 / PLN / SLBC / 2014-15 / २११६ - २१६६

Date : 21.11.2014

All member Banks and LDMs

Dear Sir,

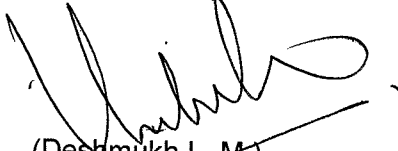
Re: Implementation of SFURTI Programme in State of Maharashtra

The Government of India has launched SFURTI Programme for the development of Khadi and Village Industries Clusters under the aegis of MSME, Govt. of India and Khadi and Village Industries Commission is National Agency for this purpose. The main object of SFURTI Programme is overall Cluster Development benefitting to the Artisans who have engaged in Khadi and Village Industries activities in the State.

We are enclosing the revised SFURTI guidelines with a request to take a note of the above directions while implementing the scheme.

Please act accordingly.

Yours faithfully,


(Deshmukh L. M.)
Deputy General Manager
Member Secretary, SLBC

Kind attention: Shri Samir Kumar

Scheme of Fund for Regeneration of Traditional Industries (SFURTI)

**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, woollen, 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 micro-enterprises 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 in 2005-06, 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.

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- 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 equipments, 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.

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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 equipments for artisans;
- 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.

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;

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- 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 up-gradation, etc.

3.2 Hard Interventions

Hard Interventions will include creation of following facilities:

- i. Common facility centres (CFCs);
- ii. Raw material banks (RMBs);
- iii. Up-gradation of production infrastructure;
- iv. Tools and technological up-gradation such as charkha up-gradation, tool-kit distribution, etc.
- v. Warehousing facility;
- vi. Training center;
- vii. Value addition and processing center.

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

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- 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), 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 Technical Agencies (TA) and Implementing Agencies (IA) proposed by Nodal Agency (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 reputed national/ regional 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 However, Ministry of MSME may engage other NAs from amongst private sector institutions with established competence in cluster development, project

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management and facilitation of market access through a transparent and objective process (based on the set of criteria decided by the Ministry of MSME).

4.2.3 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 Colr 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-3]

4.2.4 Role of the NAs:

The role and responsibility of NAs includes the following:

- i. Program fund management including disbursement of funds to the identified IAs/TAs;
- ii. Empanelment & engagement of TAs;
- iii. Preparation of strategy and implementation plan for sub-sector thematic interventions;
- iv. Appraisal of PPRs and DPRs received from TAs based on due-diligence methodology that clearly establishes the project viability, output, outcomes, impact and sustainability;
- v. Shortlist and recommend proposals to SSC for approvals;
- vi. Recommend selection of IAs to SSC;
- vii. Review performance of the TAs;
- viii. Monitoring and evaluation of the cluster projects being implemented; and
- ix. Any other tasks assigned by the SSC.

4.3 *Technical Agency (TA)*

Established national/ regional 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

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Cluster Development Executives (CDEs) and other officials of the IAs and NAs, regular monitoring of the cluster on monthly/ quarterly basis and submit report on quarterly basis, to the respective field office of Nodal Agencies.

4.3.1 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;
- iv. Diagnostic Study and suggest possible Soft, Hard and Thematic interventions;
- v. Preparation of comprehensive DPRs for final approval of SSC;
- 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. Assist IAs in selection of agencies/ experts for various services and in developing suitable operational framework for various interventions;
- ix. Assist the NA's in periodic monitoring of the progress of the projects and disbursement of funds;
- x. 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.

4.3.2 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.

4.4 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 may normally be assigned only one cluster (unless it is an agency with State-wide coverage). The selection of IAs, based on their regional

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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.

4.4.1 Formation of SPV is mandatory to seek the final approval for hard Interventions 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 25 Company under Companies Act, 1956;
- v. a Trust; or
- vi. Any other legal entity, with the prior approval of SSC.

4.4.2 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%).

In the case that 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.

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

4.4.3 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, sourcing of raw

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materials, tying up for credit linkage, marketing of the finished goods, collection of the User fees for the use of the common facilities, operation and maintenance of the CFC's etc.

4.4.4 Role of IAs:

The role and responsibility of the IAs includes the following:

- i. Recruit a full-time CDE preferably one amongst the stakeholders who has the desired knowledge and capability in order to ensure efficient implementation of the project;
- ii. The IA would identify and arrange suitable land for the project whose book value may be shown as their contribution towards 25% of the project equity;
- iii. Implement various interventions as outlined in the approved DPR;
- iv. Undertake procurement and appointment of contractors, when required, in a fair and transparent manner;
- v. The IA will enter into an agreement with the Nodal Agency for timely completion on cluster intervention and proper utilization of Government Grants;
- vi. Operation & Maintenance (O&M) of assets created under the project by way of user-fee based model;
- vii. Responsible for furnishing Utilization Certificates (UCs) and regular Progress Reports to Nodal Agency in the prescribed formats.

The IA shall endeavour 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)

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 right from inviting proposals to screening of applications,

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approvals, release of funds 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.

5.2 Identification of tentative list of clusters

Nodal Agencies will first draw up a State-wise list of potential clusters in consultation with State Governments, District Administrations and local PRIs.

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

Based on the above criteria, TAs would be appointed and assigned to specific clusters. 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.

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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)/ Diagnostic Study Report (DSR) submitted by the TA assigned to the cluster. The PPR should broadly cover the major features of the proposed project including baseline information on the income, livelihood levels of the artisans (no. of days, no. of working hours), proposed interventions, proposed implementation framework. SPV formation along with identified IA's should be done as this is the basic step. 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 with Detailed Project Report (DPR) 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 with specific details of interventions with cost estimates and timelines;
- ii. Execution of shareholders agreement and other related agreements between the IA and the members; and
- iii. 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.

5.5 Release of Funds to NA

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.

The funds will be released to the NAs on receipt of UC for at least 2/3rd of the previous release and Progress Report, and the NAs shall in turn, release the fund to the cluster as per the approved Cluster/ Annual Action Plan.

Funds to NA will be disbursed under two heads:

- i. SFURTI Programme Fund

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ii. SFURTI Administrative Fund

The IA 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. On obtaining final approval, a sanction order will be issued by NA and 1st installment will be released by NA in the dedicated bank account opened in the name of the IA.

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 to be incurred by the IA.

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 crore
Major Clusters (500-1000 artisans*)	Rs 3 crore
Mini-Clusters (Upto 500 artisans*)	Rs 1.5 crore

*For NER/ J&K and Hill States, there will be 50% reduction in the number of artisans per cluster.

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

#	Project Intervention	Scheme Funding	Financial Limit	IA Share
A	Cluster Interventions		Maximum Rs.8	

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#	Project Intervention	Scheme Funding	Financial Limit	IA Share
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	crores per project (A+B+C) Nil
A2	Hard Interventions including CFCs, RMBs, training centres, etc. *	75%	-	25% of Project Cost including Land Cost [^] 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 [#] 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 hill states.

[^]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.

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

Note: 20% of hard interventions cost will be utilized towards working capital corpus.

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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 3 for the project, provided there is no duplication of funding for the same component/intervention.

6.7 Release of Funds

Whereas release of fund by NA to IAs for soft-intervention shall be need-based, the following schedule will be adopted for release of scheme funds for hard interventions:

- i. 1st instalment of 40% of the scheme funding as advance on IA arranging land;
- ii. 2nd instalment of another 40% on utilization of 2/3 of 1st instalment; and
- iii. Balance 20% as 3rd and final instalment.

6.8 Administrative and scheme management expenses

It is envisaged that 3% of the budget allocation is earmarked for Administrative and scheme management expenses at the Ministry known as the SFURTI Administrative Fund. Funds will be at the disposal of Ministry of MSME and utilised with the approval of Scheme Steering Committee (SSC) for operationalizing the projects. This Fund 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 at the ministry for providing necessary assistance and coordination to the Ministry and the NAs. The Cell will be responsible for providing administrative support and assistance for monitoring, evaluation, conducting of specialized studies and reports, organizing Steering Committee meetings and other related activities.

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6.9 Thematic Intervention Expenses

In order to promote cross-cutting, thematic Interventions at the national and international level, an additional 5% of the total budget allocation will be earmarked. Activities such as national and International level brand promotion campaigns, New Media marketing, E-commerce initiatives, Sector level Innovation, R&D initiatives, Program level knowledge portal to promote cross-learning, thematic blogs, information dissemination and propagation of best practices Web based Project Management System (PMS), Creation of Centers of Excellence in selected sectors by strengthening existing technical institutions under M/o MSME to lead various cluster based activities such as technology incubation & transfer, knowledge exchange, cluster twinning and establish resource networking. Other activities may include training of CDEs, IAs, national level cross-learning workshops and sector specific innovation, research and development initiatives. These activities shall be supported with due approval of the SSC

6.10 Monitoring and Evaluation Expenses

An additional 2% of the total budget will be allocated for undertaking monitoring and evaluation of the scheme implementation, to be operated by the Ministry of MSME with the approval of Scheme Steering Committee (SSC). 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 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:

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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
	71	445000

7.2 Project Duration

The time frame 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 SFURTI, subject to the condition that their share holding shall not exceed 50% of the total equity. In case of

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

9. ROLE OF STATE GOVERNMENT

The Scheme envisages proactive engagement of the State Governments in the following areas:

- i. Assist in identification and procurement of suitable land for the projects wherever required, in order to set up cluster infrastructure;
- ii. Providing all the requisite clearances wherever needed for setting up cluster and providing necessary assistance for power, water and other utilities to the cluster;
- iii. Providing necessary external infrastructure to the projects such as power, water supply, roads, effluent disposal etc, wherever needed;
- iv. 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;
- v. Providing necessary project related clearances on a priority basis;
- vi. Dovetailing assistance available under related schemes for overall effectiveness and viability of the projects; and
- vii. Extending incentives available under related industrial promotional policies.

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10. SUSTAINABILITY

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

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

The Working Committee will be chaired by representative not below the rank of Assistant Director of the State/ Divisional office of the Nodal Agency and will meet at least once in a month to review the operational and maintenance aspects of the CFC and decide about the user charges. The SPV will open and maintain a corpus fund for maintenance of the CFC. The user charges will go to the corpus. The SPV on the basis of recommendation of Working Committee may incur expenditure towards maintenance/ augmentation of the CFC.

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

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

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

11.1. IA shall ensure that the services of the facilities created under the Schema are extended to the cluster in general, in addition to the member enterprises on payment of suitable user fees as fixed by the SPV in consultation with the IA.

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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 User fees will go into a corpus fund to be managed by SPV/ IA and could be used towards CDE remuneration.

11.4 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 an 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.

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

Note: The list of village industries as per the KVIC Act are indicative only. However, this does not bar KVIC to take up clusters which are in the nature of village industries and traditional industries by organizing such clusters depending on regional/ area specific availability of raw materials/ traditional artisans/ skilled workforce.

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*

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- 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 & Blacksmithy
- c. Electronics

vi. Hand Made Paper & Fiber Industry;

- a. Handmade Paper Industries
- b. Fiber Industries

vii. Service and Textiles Industry

- a. Apparel and garmenting
- b. Embroidery and surface ornamentations
- c. Fabric and yarn dyeing
- d. Services

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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.

*Guidelines for Scheme of Fund for Regeneration of Traditional Industries (SFURTI)***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	Adviser (VSE), Planning Commission (or a representative)	Member
5	Principal Adviser, PAMD, Planning Commission	Member
6	Chief Executive Officer, KVIC	Member
7	Secretary, Coir Board	Member
8	Representative of Commercial Bank	Member
9	Representative of Indian Banks Association (IBA)	Member
10	Representative of National Bank for Agriculture and Rural Development (NABARD)	Member
11	5 Cluster Experts - to be nominated by Ministry of MSME	Member
12	Joint Secretary, Ministry of MSME	Member Convener

*Guidelines for Scheme of Fund for Regeneration of Traditional Industries (SFURTI)***ANNEXURE 3: Composition of Project Screening Committee (PSC) for KVIC/Coir Board**

1	Chief Executive Officer-KVIC/ Secretary-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.
