

Micro Small Enterprises Cluster Development Programme (MSE-CDP)

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

Objectives of the Scheme

1. 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.
2. To create/upgrade infrastructural facilities in the new/existing industrial areas/ clusters of MSEs.
3. To set up common facility centres (for testing, training centre, raw material depot, effluent treatment, complementing production processes, etc).

Eligibility

1. 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.
2. 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 CFC may be utilized by the SPV members and as also others in the cluster.**
3. Recently O/o DC (MSME), GoI mandate that all the cluster units should have Udyog Aadhar Memorandum and the units details to be registered in MSME Data bank, which is mandatory for release of GoI grant.

Implementation Stages

- 1. Diagnostic Study Reports:** To map the business processes in the cluster and propose remedial measures, with a validated action plan.
- 2. Soft Interventions:** Technical assistance, capacity building, exposure visits, market development, trust building, etc for the cluster units.
- 3. 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.

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.

Approvals

- 1. Project steering Committee (State) :** As per the Office Memorandum of O/o DC (MSME), GoI dated 27.07.2016 a State level Project steering Committee consists of 6 members is constituted under the chairmanship of Principal Secretary C&I Dept and Managing Director KCTU as Member Secretary and other stake holders vide Govt order No CI 72 SPI 2016 dated 06.09.2016 to implement MSE-CDP scheme in the state. The project steering committee will give approval upto Soft intervention stage and recommend the DPR of the cluster to O/o DC (MSME), GoI to give In-principle and Final Approval
- 2. Steering Committee of MSE-CDP :** The Steering Committee of the MSE-CDP under the Chairmanship of Secretary, MSME, GoI approves the DPR in 2 stages recommended by the State level Project steering Committee.
 - a) In-principle Approval**
 - b) Final Approval.**

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

- Formation of SPV and Trust building. Role and functions of the SPV should be defined.
- Land procured and registered in the name of SPV
- Submission of appraised Detailed Project Report (DPR).
- Details of the share holding of the SPV.
- Project Specific account in Schedule A bank

Hard Interventions (setting up of CFCs)

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

GoI grants :

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

The entire cost of land and building for CFC shall be met by SPV/State Government concerned. 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 (Min 15 years).

Means of finance :

SPV : 10 % to 15 % of the Project cost.

GoK : 10 % to 15 % of the Project cost

GoI : 70 % to 90% of the Project cost.

Release of funds :

- Contribution by the SPV/State Government share should be made upfront. Necessary infrastructure like land, building, water and power supply, etc must be in place or substantial progress should have been made in this regard before GoI assistance is released.
- GoI Funds will be released in two/three installments (40:30:30) after final approval depending upon the implementation plan.

Implementation Period :

The CFC project should be functional within two years from the date of final approval.

