Micro & Small Enterprises Cluster Development Programme (MSE-CDP)
Basic Features of a Cluster (What is a Cluster?)

- **Group of enterprises** within an identifiable, contiguous area and producing same/similar products/services.

- **Similarity** in the methods of production, quality control and testing, energy consumption, pollution control, etc.

- **Similar level** of technology and marketing strategies/practices.

- **Similar Channels** for communication among the members of the cluster.

- **Having Common** challenges and opportunities.
Why are Cluster Development Programme?

- **To support** sustainability and growth of MSEs by addressing common issues such as improvement of technology, skills and quality, market access, access to capital, etc.

- **For enhancing** competitiveness of the MSE units to ensure self sustainability, growth & employment generation

- **To build capacity** of MSEs for common supportive action through self help group, consortia, etc.

- **To create/upgrade** infrastructural facilities in the new/existing industrial areas/ clusters of MSEs

- **To set up common facility centres** (for testing, training centre, raw material depot, effluent treatment, etc).
Admissible activities for GoI Grant/support:

- Diagnostic Study Reports (DSRs)
- Soft interventions
- Detailed Project Report
- Hard Intervention/Common Facility Centres (CFCs)
- Infrastructure Development
First & foremost activity in the cluster development process

Objective is to map all the business processes of cluster units to find out its strengths, weaknesses, threats & opportunities (SWOT), problems etc. & thereby:

Propose/suggest for a well-drawn action plan for enhancing competitiveness of the units to ensure self sustainability, growth & employment generation

Focus on technology upgradation, best manufacturing practices, marketing, employment generation etc.

Gol grant: Max. ` 2.5 Lakhs / cluster- prepared by end users
Max. ` 1.0 Lakh / cluster – prepared by MSME-DIs

Time frame 3 months
Soft Interventions

- **Activities which leads** to general awareness, counseling, motivation and trust building, exposure visits, market development, participation in seminars, workshops and training programmes on technology upgradation, etc.

- **Critical mass** should be max. but not less than 25 units participating in cluster development activities.

- **GoI grant**: 75% of the project cost of max. `25 Lakhs / cluster
  90% for NE & Hill States, >50% micro/village, women, SC/ST units

- **Share of cluster beneficiaries** should be as high as possible but not less than 10 per cent of the total cost

- **State Govt. contribution** is considered as gap funding

- **Duration of soft interventions** maximum 18 months.
Hard Interventions (Setting up CFCs)

- **Common Facility Centres** like Testing Facility, Design Centre, Production Centre, Effluent Treatment Plant, Training Centre, R&D Centre, Raw Material Bank/sale depot, Display Centre, Information Centre, etc.

- **GoI grant**: 70% of project cost of max. `15 crore / CFC
  90% for NE & Hill States, > 50% micro/village, women, SC/ST units

- **Cost of land and building**: (max. 25% of the project cost) shall be met by SPV/State Govt.. CFC can be set up in leased (15 Yr.) premises

- **SPV formation is must prior to setting up & running of CFC & SPV should be**:
  - A clear legal entity (Cooperative/Regtd. Society, Trust or a Company)
  - Min. 20 MSE cluster units as members & provision for new members
  - Should have provisions for CDE/CDA & State Govt. official as member

- **A Tripartite Agreement** among the GoI, State Government and SPV is signed.

- **CFC should function** within 2 years from date of final approval, if not extended.
Scheme consists of projects for infrastructural facilities like Development of land, power distribution n/w, water supply, drainage & pollution control facility, construction of roads, telecom, raw material, storage, common facilities such as First Aid Centre, Canteen, other need based infrastructural facilities in new/existing industrial (multi-product) areas/estates/clusters.

The location of the Projects should have access to basic facilities like Proximity to railway stations / state highways, Availability of water supply, power, telecommunication facilities etc.

GoI grant: 60% of the project cost of max. `10 Crore / ID
80% for NE & Hill States, >50% micro/village, women, SC/ST units

The State govt./UT will provide suitable land for the project.

Project to be completed within 2 years from the date of final approval.
# Project Cost and GoI Grant

<table>
<thead>
<tr>
<th>Intervention</th>
<th>Project Cost (` in lakh)</th>
<th>GoI Grant in %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Normal cluster</td>
</tr>
<tr>
<td>DSR</td>
<td>2.5</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>*1.00</td>
<td></td>
</tr>
<tr>
<td>DPR for i) CFC / ii)ID</td>
<td>5</td>
<td>100</td>
</tr>
<tr>
<td>Soft interventions</td>
<td>**25.00</td>
<td>75</td>
</tr>
<tr>
<td>Hard Interventions</td>
<td>1500</td>
<td>70</td>
</tr>
<tr>
<td>Infra Dev</td>
<td>1000</td>
<td>60</td>
</tr>
</tbody>
</table>

* For MSME-DI: 50% released after the approval, 50% after acceptance of report.

** Moderated as per size/turnover of the cluster. Max Rs 25 lakh per cluster.

# NE & Hill States, Clusters/Industrial Estates with more than 50% (a) micro/village (b) women owned (c) SC/ST units
<table>
<thead>
<tr>
<th>Activity</th>
<th>Implementing Agency</th>
</tr>
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</table>
| Diagnostic study          | • 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. |
Achievement till date

- **733 activities (i.e. diagnostic study, soft interventions, hard interventions)**

- **Ongoing** 201
  - Diagnostic Study 84
  - Soft Interventions 74
  - Hard Interventions 43

- **Completed** 532 (DSR-313, SI-199, CFC-20)

- **146 No. of infrastructure development (Upgradation & new)**
  - Ongoing Projects 39
  - Completed 107
CFC in Wood Furniture Manufacturing Cluster, Ernakulam, Kerala

Products: Table, chairs, Cupboards etc.
No. of Units: 5179
Employment: 19000
Turnover: Rs. 750 Crores (as per DSR in 2006)

CFC approved in 14th SCM (01.10.07)
Project Cost: Rs. 496.58 Lakhs
GoI Grant in Aid: Rs. 245.29 Lakhs
SPV contribution: Rs. 153.17 Lakhs
Govt. of Kerala: Rs. 98.12 Lakhs

CFC has been operationalised since Sept’10
CFC in Foundry Industry Cluster, Ahmedabad, Gujarat

Products: Auto parts, air compressor parts, machine tool components, textile machinery parts etc.

No. of Units: 650 nos. (Majority SSI & Micro)

Employment: 24000 (Direct-9000 & indirect-15000)

Turnover: Rs. 718 Crores
(as per DSR in Feb’2007)

CFC approved in 13th SCM (14.03.07)

Project Cost: Rs. 485.80 Lakhs

Govt Grant in Aid: Rs. 389.00 Lakhs

SPV contribution: Rs. 48.40 Lakhs

Govt. of Kerala: Rs. 48.40 Lakhs

CFC has been operationalised since July’07
# CFC in Raisin Making Cluster, Sangli, Maharashtra

**Products:** Raisin.

**No. of Units:** 11000 nos. (Regd. Units - 150)

**Production:** 50,000 tones per year

**Export:** 18,000 tones per year (as per DSR in Aug’08)

- **CFC approved in 22^nd SCM (02.06.10)**

- **Project Cost:** Rs. 708.85 Lakhs
- **GoI Grant in Aid:** Rs. 496.18 Lakhs
- **SPV contribution:** Rs. 106.33 Lakhs
- **Govt. of Kerala:** Rs. 70.89 Lakhs
- **Bank Loan:** Rs. 35.45 Lakhs

**Trial run of Plant & Machinery started in May’12**

**Time Extension for completion of CFC is discussed in 31^st SCM (1.11.12)**
Thank You