



M.T. WAKODE
DIRECTOR (VIC)

ग्रामोद्योग समन्वय निदेशालय
खादी और ग्रामोद्योग आयुक्त कार्यालय,
भारत सरकार, सूक्ष्म, लघु और मध्यम उद्यम मंत्रालय,
"ग्रामोदया", 3, इला रोड, विले पार्ले (प), मुम्बई-56
DIRECTORATE OF VILLAGE INDUSTRIES COORDINATION
OFFICE OF THE COMMISSIONER OF KHADI AND VILLAGE INDUSTRIES
Govt. of India, Ministry of Micro, Small and Medium Enterprises
'GRAMODAYA', 3, IRLA ROAD, VILE PARLE [WEST], MUMBAI: 400 056.



सत्यमेव जयते

No. VIC/V.I. CLUSTER UNDER KRDP/2014-15/

Dt. September 9, 2014

To

The State/Divisional Director-I/c/Assistant Director -I/c
State/Divisional/Sub-Offices
Office of the Commissioner for Khadi and Village Industries

Sub: Funding Guidelines for implementation of V.I. Cluster under KRDP-
ADB clusters— reg.

Sir,

You are well aware that impementation of Cluster Development Programme under KRDP by utilizing ADB fund is one of the flag-ship programmes of KVIC. The Directorate of KRDP has issued guidelines under Khadi Cluster programme. Now the **Funding Guidelines/Scheme for Village Industries Cluster Programme under KRDP-ADB Clusters** has been formulated and copy of which is enclosed herewith for information and implementation of the programme. A Format of application form for Implementing Agency is also enclosed herewith.

The above guidelines supersede the guidelines issued earlier under Village Industries for KRDP.

The aforementioned guidelines have been duly approved by the Competent Authority.

Encl: As above.

Yours faithfully,

Director (V.I.C.)

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Copy to:

1. Joint Chief Executive Officer, OCKVI, Mumbai: 56.
2. Deputy Chief Executive Officer (V.I.), OCKVI, Mumbai: 56.
3. All Zonal Deputy Chief Executive Officers of OCKVI.
4. All the Industry/Programme Directors, OCKVI, Central Office, Mumbai.
- ✓ 5. Director (KRDP/RID), OCKVI, Mumbai: 56.
6. Consultant (KRDP), OCKVI, Mumbai: 56.
7. Senior Consultant, PwC, OCKVI, Mumbai: 56.
8. OSD to Commissioner, OCKVI, Mumbai: 56.
9. P.A. to Financial Adviser, OCKVI, Mumbai: 56
10. Director (Publicity), OCKVI, Mumbai: 56, with a request to publish the same in the ensuring issue of Jagriti.
11. Director (DIT), OCKVI, Mumbai: 56 with a request to publish the same in the web site of OCKVI at the earliest.
12. The Secretary of All Khadi and V.I. Board


Director (VIO)



कामये दुखतमानाम्।
प्राणिनाम् उन्नतिनाशनम्॥



सत्यमेव जयते

**FUNDING GUIDELINES/SCHEME FOR
VILLAGE INDUSTRIES CLUSTER PROGRAMME
UNDER KRDP – ADB CLUSTERS**

ग्रामोद्योग समन्वय निदेशालय
खादी और ग्रामोद्योग आयुक्त कार्यालय,
भारत सरकार, सूक्ष्म, लघु और मध्यम उद्यम मंत्रालय,
“ग्रामोदया”, 3, इर्ला रोड, विले पार्ले (प), मुम्बई-56

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OFFICE OF THE COMMISSIONER OF KHADI AND VILLAGE INDUSTRIES
Govt. of India, Ministry of Micro, Small and Medium Enterprises
‘GRAMODAYA’, 3, IRLA ROAD, VILE PARLE [WEST], MUMBAI: 400 056.**

DIRECTORATE OF V.I. COORDINATION

**FUNDING GUIDELINES/SCHEME FOR VILLAGE INDUSTRIES CLUSTER PROGRAMME
UNDER KRDP – ADB CLUSTERS**

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DIRECTORATE OF VILLAGE INDUSTRIES COORDINATION
OFFICE OF THE COMMISSIONER OF KHADI AND VILLAGE INDUSTRIES
Govt. of India, Ministry of Micro, Small and Medium Enterprises
'GRAMODAYA', 3, IRLA ROAD, VILE PARLE (WEST), MUMBAI: 400 056 (MAHARASHTRA).

FUNDING GUIDELINES/SCHEME FOR VILLAGE INDUSTRIES CLUSTER PROGRAMME
UNDER KRDP – ADB CLUSTERS WITH THE FINANCIAL SUPPORT UNDER ADB FUNDS

1. BACKGROUND:

Officer of the Commissioner of Khadi and Village Industries (OCKVI) is one of the Pioneer Organizations, functioning under the Ministry of Micro, Small and Medium Enterprises [MSME], Government of India, working for the rural development in the country. The activities under Village Industries are covered of Rural Non-Farm Sector and supportive to the Post Harvesting Technology. The main purpose of the KVI sector is for the upliftment of poor Artisans who are engaged in their Traditional Activities for their livelihood in rural areas.

2. CLUSTER DEVELOPMENT PROGRAMME:

KRDP – RID Cluster Development Programme under Village Industries under KVI Sector with the financial support of Asian Development Bank Assistance (ADB) is one of the Flag-ship programmes of KVI Sector.

2.1 VILLAGE INDUSTRY:

- a. Any industry located in a rural area which produces any goods or renders any service with or without the use of power and in which the fixed capital investment per head of an artisan or a worker does not exceed Rs. One Lakh or such other sum as may, by notification in the official Gazette, be specified from time to time by the Central Government.
- b. 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 (Amendment) Act, 1987 shall, notwithstanding anything contained in the sub-clause, continue to be a village industry under this Act.

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- c. Provided further that in the case of any industry located in a hilly area, the provisions of this sub-clause shall have effect as if for the words "One Lakh Rupees" the words "One Lakh and Fifty Thousand Rupees" had been substituted.

2.2 **VILLAGE INDUSTRY CLUSTER:**

Village Industry Cluster in the context of the KRDP Scheme refers to a geographical concentration of minimum 50 to 250 and above beneficiary families or artisan/micro enterprises, suppliers of raw materials, traders, service providers, etc. located within one or two Revenue Sub-Divisions in one or more contiguous District/s.

3. **OBJECTIVES AND HIGHLIGHTS:**

- To revitalize traditional Village Industries through strategic policy reform and institutional reform and also to develop traditional village industries in various parts of the country.
- To make village industries more competitive with more market driven, productive, profitable and sustained employment for village industries artisans and rural entrepreneurs.
- To strengthen the local governance involving all local stake holders and to build innovated and traditional skills, improved technologies, advanced procedures, market intelligence and new model of Public Private Partner-ship (PPP) so as to gradually replicate similar models of cluster based regenerated village industries.
- Sustainability of V.I. quality products linking to effective marketing needs.
- Covering maximum numbers of Artisans spread in every part of the village/s under the Cluster.

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- Artisan Welfare will be on priority through their greater involvement, for better remuneration and standardizing their quality of social life, plan for their bright future, continuance of their interest in taking up the activities of respective field.
- Improving and standardizing the quality products, improving the economy of the artisan.

4. COMPONENTS OF THE SCHEME:

S.No.	Component	Funding Pattern
1	<p><u>Common Facility Centre (CFC)</u></p> <ul style="list-style-type: none"> • For processing and manufacture of Village Industries. • Workshed for installing the Common Machinery & Equipment. • Testing facilities (Laboratory), enforcing quality standard • Maintenance of common infrastructure as per the need of the cluster from time to time. • Raw material bank • Facilities for manufacture of Semi-Finished product. • Common packing, labeling, storing facilities, etc. <p>(The cost component depends purely as per DPR of classified clusters).</p>	<p>Grant Component: 75% and Beneficiary/NGO contribution: 25% (for SC/ST/NEZ/ 100% Women/ Minorities/ PH/Ex-Servicemen/ Hill & Border Area, the contribution would be limited to 10%)</p>
2	<p><u>MARKET PROMOTION:</u></p> <ul style="list-style-type: none"> • Opening/renovation of marketing/ sales outlet including the operational expenditure of the Sales outlet. • Promoting new marketing strategy associating and linking with the reputed marketing outlets such as Super Markets/ Big-Bazaar/ Reliance/ Star, etc. 	100% Grant

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S.No.	Component	Funding Pattern
	<ul style="list-style-type: none"> • Computerization/Bar-coding of sales outlets. • Participation in the National and International level promotional activities of the products. • Sales promotion and advertisement. <p>(The cost component depends purely as per DPR of classified clusters).</p>	
3	<p><u>PRODUCT DEVELOPMENT & DESIGN INTERVENTION:</u></p> <ul style="list-style-type: none"> • Development of new design/new product/value addition to existing products. • Associating with design institutes/ development of market oriented and need based requirements. • New packaging techniques. • Development of eco-friendly and environment protection packaging strategy, etc. <p>(The cost component depends purely as per DPR of classified clusters).</p>	<p>Grant Component: 75% and Beneficiary/ NGO contribution: 25% (for SC/ST/NEZ/ 100% Women/Minorities/ PH/Ex-Servicement/ Hill & Border Area, the contribution would be limited to 10%)</p>
4	<p><u>CAPACITY BUILDING:</u></p> <ul style="list-style-type: none"> • Need based training programme to the Cluster stake holders. Training such as skill development, credit related issues, formation of Self-Help- Groups, Advance Trade and Technology Training, etc. • Providing advanced tools and equipments to the deserving artisans. • Exposure visit, study tour, awareness programme, etc. <p>(The cost component depends purely as per DPR of classified clusters).</p>	<p>100% Grant</p>

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S.No.	Component	Funding Pattern
5	<p><u>NEED BASE ACTIVITIES ACCORDING TO THE SPECIFIC CLUSTER REQUIREMENT:</u></p> <ul style="list-style-type: none"> This intervention is purely on the basis of the Diagnostic Study Report (DSR) under specific cluster requirement such as safety measures to artisans, eye camp, health camp, first-aid tools and medicines, education and medical facilities to the artisan's family, free insurance in case of accidents during work, etc. <p>(The cost component depends purely as per DPR of classified clusters).</p>	<p>100% Grant.</p> <p>However, no fund for Transportation Vehicle is provided. The I.A. has to take decision whether to purchase the vehicle or to hire the same keeping in view of the cost effectiveness.</p> <p>The expenditure for the purpose will have to be borne by the I.A. on its own resources.</p>
6	<p><u>FEE FOR TECHNICAL AGENCY:</u></p> <p>The cost component depends purely as per size and duration of the cluster.</p>	100% Grant
7	<p><u>MANAGEMENT GRANT TO THE IMPLEMENTING AGENCY:</u></p> <p>The cost component depends purely as per size and duration of the cluster.</p>	100% Grant
8	<p><u>CLUSTER DEVELOPMENT EXECUTIVE EXPENDITURE:</u></p> <ul style="list-style-type: none"> The cost component depends purely as per size and duration of the cluster. CDE will act as full time executive to Implement the cluster related activities and stationed at cluster H.Q. 	100% Grant
9	<p><u>OPERATIONAL EXPENDITURE:</u></p> <p>This will be worked out in the DPR as per the cluster specific needs preferably for one operating cycle.</p>	<p>Options:</p> <p>To support the cause 90% as Grant from the Nodal Agency and 10% from the I.A./Cluster Stake Holders.</p>

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5. TYPES OF KRDP V.I. CLUSTERS:

S. No.	Type of Cluster	No. of Artisans	Duration for implementation	Financial Limit (Rs. in Crores) (Per capita on CE restricted to Rs.1.00 lakh per Artisan)	Indicative Funding (Maximum Limit)
1	Small Cluster	50 – 100 Nos.	2 years	1.00	a. On CFC @ 25%. b. On Market Promotion @ 15% c. Product Development & Design @ 10% d. Capacity building @ 15% e. Specific Cluster Based intervention @ 5% f. The remaining amount of 30% is used for fee for T.A., Management Grant, CDE and Operational Expenditure.
2	Medium Cluster	101- 250 Nos.	3 years	2.00	a. On CFC @ 25%. b. On market Promotion @ 15% c. Product development & design intervention @ 10% d. Capacity building @ 15% e. Specific cluster based intervention @ 5% f. The remaining amount of 30% is used for fee for T.A., Management Grant, CDE and Operational Expenditure.

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S. No.	Type of Cluster	No. of Artisans	Duration for implementation	Financial Limit (Rs. in Crores) (Per capita on CE restricted to Rs.1.00 lakh per Artisan)	Indicative Funding (Maximum Limit)
3	Large Cluster	250 and above	3 years	3.00	<ul style="list-style-type: none"> a. On CFC @ 25%. b. On market promotion @ 15% c. Product development & design intervention @ 10% d. Capacity building @ 15% e. Specific cluster based intervention @ 5% f. The remaining amount of 30% is used for fee for T.A., Management Grant, CDE and Operational Expenditure.

Note: The Funding Limit is only indicative. This will vary depending on the DPR.

6. SELECTION OF IMPLEMENTING AGENCIES:

6.1 CRITERIA:

- a. The Implementing Agency would be a Registered Non-Govt. Organization (NGO), Institutions of Central, State and Semi Govt. Organization including KVI Board, Coop Societies, Charitable Trusts and the Khadi and V.I Institutions of KVIC and KVIB, SHGs. The NGOs implementing the programme should invariably be enlisted under KVIC under this programme.

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- b. The NGO must have experience of receipt of funds from Govt. Agency or any Reputed Industrial Houses dealing with Corporate Social Responsibility (CSR) Scheme, etc. and well conversant in handling, manufacturing /marketing activities by involving village artisans, etc. The NGO should not be black listed by any Agency in the past on charges of misutilization and embezzlement of funds.
- c. The NGO should not have availed any finance for the similar activity of the cluster from any other Govt. Department or Corporate Agency.
- d. The NGO should have capacity to raise funds of its own contribution as specified in the guidelines.
- e. The Implementing Agency should have good track record and have the experience of minimum 3 years in village industry development programme.
- f. One I.A. will assign for one cluster implementation initially. However, on the basis of successful implementation of the programme additional clusters may be considered on merit.
- g. The I.A. should have infrastructure in the cluster area or capable of creating required infrastructure of their own resources or with the assistance of local Govt./Semi Govt./Municipal/ Nagarpalika, etc.
- h. The I.A. will rather act as a **Facilitator than a Beneficiary.**

6.2 SELECTION PROCESS

- a. The applications for Implementing Agency will be invited through news paper advertisement.

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- b. The applications are to be submitted to the respective the State/ Divisional Director who will recommend the detailed proposal within 21 days to the respective Zonal Office of Selection Committee, as constituted for SFURTI programme. The Committee will further scrutinize the proposal and send to V.I. Coordination Directorate in Central Office with its recommendations. The meeting at Zonal Level will be held every month or as per need. The same Committee will also review the progress of the cluster In every quarter.
- c. The Directorate of V.I. Coordination will process the same and obtain the approval of Competent Authority.

7. TECHNICAL AGENCY:

The Technical Agency is an Expertise Institution in the respective trade or industry should have expertise in implementing cluster development programme. The duration of its contract under the cluster programme will be upto the completion of Implementation of the identified cluster. The T.A. will be responsible for the following assignments. :-

- a. The Technical Agency should have all sorts of infrastructures to conduct spot Surveys of the identified localities.
- b. The T.A. should have well qualified technical person in the relevant field of Village Industries activities.
- c. The T.A. should depute a resource person who will visit Cluster atleast once in a month and attend the entire cluster development meeting called at different level.
- d. The T.A. will guide the CDE, ensure the services of CFC to the cluster stake holders, sketch the activities and also define the service charges for the above said purposes and ensure that the benefits are passed to each and every artisans engaged in the Cluster.

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- e. The T.A. will also ensure the reporting and monitoring the activities at the cluster level associating I.A. & CDE.
- f. The Technical Agency will submit a Detailed Survey Report (D.S.R.) and Detailed Project Report (DPR) comprising of detailed activities to be undertaken in the cluster alongwith the financial inputs on need based.
- g. The Technical Agency will prepare a strategic plan to continue the activity of the cluster even after completion of the project period.

8. CLUSTER DEVELOPMENT EXECUTIVE:

- 8.1. The Implementing Agency and KVIC (Nodal Agency) will jointly identify the Cluster Development Executive who will be located in the cluster, full time and responsible for implementation of the scheme.
- 8.2. He will be full time Executive to look after the day to day plan and ensure implementation of the activities.
- 8.3. Training in Cluster Development will be organized to the CDE by the N.A. in the specialized institutes such as IIM/ NIMSME/EDI, etc. at reputed Management Institutes.
- 8.4. The CDE is also responsible for conducting diagnostic study, preparation and implementation of the cluster plans, developing the linkages, building the local governance and will closely associate with the artisans/stake holders of the cluster and implement the programme successfully.
- 8.5. He will report to the Nodal Agency (S.O./D.O.) and also to the Implementing Agency.

9. NORMS & FUNDING PATTERN:

- 9.1 The Funding Pattern will be as specified under the head **Component of the Scheme and Types of KRDP V.I. Clusters** at Sl.No. 4 (4.1 to 4.9) and Sl.No. 5 (5.1 to 5.3) at page 3 to 7 and as per the approved D.P.R. of T.A.
- 9.2 Funds will be released to the I.A. on need base from time to time as per the recommendations of the respective State/Divisional Director through the concerned Zonal Deputy Chief Executive Officer, based on the proper utilization of the earlier releases made, by the Programme/Industry Director with due approval of Deputy Chief Executive Officer (V.I.).
- 9.3 The I.A. is free to procure financial or any other assistance such as procurement of Land or readily available constructed building from the State or other Govt. Agencies or NGOs, financial institutions wherever it is available.

10. MONITORING OF CLUSTER:

Monitoring of the Cluster Programme will be looked after by the Cluster Development Coordination Group (CDCG). This group will be responsible for overall development of the cluster programme.

- 10.1 Cluster Development Coordination Group (CDCG) is constituted with the following Members: -

S.No.	Members of CDCG	Holding the post of
1	District Collector or his Representative	Chairman
2	State/Divisional Director	Member
3	Technical Agency	Member
4	Implementing Agency	Member
5	Two Artisans Rep. of the Cluster	Member
6	Nodal Officer	Member
7	Cluster Development Executive	Member - Convenor

10.2 TERMS:

- a. The CDCG will conduct meetings to review the activities of the cluster once in every 6 months.
- b. The annual Action Plan of the cluster should necessarily be approved by the CDCG.
- c. The CDCG will identify the need base Artisans Welfare Programme.

11. Nodal Officer to be appointed by the State/Divisional Director to monitor the entire Cluster programme and report to the State/Divisional Director from time to time and in turn the concerned Director will send the report to Industry Director and Zonal Deputy Chief Executive Officer.

12. SAFETY AND SECURITY OF FUNDS:12.1 ESCROW BANK ACCOUNT:

- a. The I.A. should maintain separate Bank Account under ESCROW system to be operated under joint signatory system of State/Divisional Director or his authorized representative, I.A. and CDE of concerned State/Divisional Office.
- b. The funds will be released through the ESCROW Account and all the transactions of the cluster should invariably be operated through ESCROW Account only.
- c. The fund releases will be made as per the need based and as per the proper utilization in accordance with the Action Plan detailed in the D.P.R. submitted by the T.A.

12.2 **SAFETY OF ASSETS CREATED:**

- a. The Fixed Assets such as land and building created under the programme will be mortgaged to OCKVI.
- b. The movable assets such as Machinery, Equipments, etc. will be hypothecated to OCKVI.
- c. However, OCKVI is the Competent Authority to transfer the assets and liabilities to the I.A. or to the consortium of the stake holders after completion of the Project Period.

12.3 **FINAL REPORT OF THE PROJECT:**

The Implementing Agency, Technical Agency and Cluster Development Executive will submit detailed report on the outcome of the project. The report will also contain a suitable exit strategy for sustainability of the Cluster even after completion of the project.


DIRECTOR (VIC)

TEMPLATE: I

APPLICATION FORM FOR IMPLEMENTING AGENCY FOR IMPLEMENTATION OF VILLAGE INDUSTRIES CLUSTER UNDER KRDP – ADB CLUSTER PROGRAMME

S.No.	Particulars	Information/Remarks
I	PRIMARY INFORMATION ON IMPLEMENTING AGENCY:	
1	Name and of the Implementing Agency	
2	Postal address with pin code with mobile/ telephone, e-mail address, Web-site, etc.	
3	Type of I.A. (Please specifically mention whether Directly Aided/ Board Aided/ NGO/State Govt. Agency/ others)	
4	If Directly Aided Institution (DAI) of KVIC, give details	
5	Name and address of the Members of Managing Committee (President, Secretary and Members of the I.A.) with contact number (Mobile/ Phone) (please furnish the list separately).	
6	Location of the proposed cluster with postal address and details of Area/Blocks/Districts covered by cluster.	
7	Number of artisans/satellite units to be covered. (Attach list of artisans with their postal address)	
8	Products produced in the cluster, production, sales and employment.	
9	Khadi or V.I. activities presently implemented by I.A.	
10	CURRENT FINANCIAL STATUS:	
(a)	Details of Fixed Assets, Current Assets and liabilities supported with the Balance Sheet.	
(b)	Funds/ Aid, if any received from Central/State Govt. Agencies/ KVIC/KVIB by the I.A. for any other scheme. Give details.	
11	Details of Bank Account of I.A.,	
12	Proportionate contribution of own fund by I.A. (Furnish the undertaking).	
II	INFRASTRUCTURE AVAILABILITY:	
a	Availability of own Land	Yes/No
b	If yes, give details. (Area of land in sq.ft. & Location)	
c	Raw material availability, give details.	
d	Availability of Qualified Technical Person in the relevant activity. Give details.	
e	Electricity.	Yes/No
f	Water.	Yes/No
III	MARKETING FACILITIES:	
	Details of own marketing out-lets/marketing tie-ups with other agencies, transportation available with I.A. Give details.	
IV	Any other details	

Note: Please attach required documents in separate sheets wherever found necessary.

Signature of authorized Signatory of I.A.
with date and seal

Signature of State/Divisional Director of OCKVI
with date and seal
