

**Model Memorandum of Agreement (MoA) to be
executed between Nodal Agency (NA) and Technical
Agency (TA) under Scheme of Fund for Regeneration
of Traditional Industries (SFURTI)**

**MEMORANDUM OF AGREEMENT BETWEEN NODAL AGENCY AND TECHNICAL
AGENCY**

1. Background

1.1. Whereas a Central Sector Scheme titled the “Scheme of Fund for Regeneration of Traditional Industries (SFURTI)” has been drawn up and approved by the Union Ministry of Micro, Small and Medium Enterprises (MSME) and it has been decided to implement the said scheme through a well-knit system of Nodal Agencies (NAs), Technical Agencies (TAs) Implementing Agencies (IAs) and Cluster Development Executives (CDEs).

1.2. Whereas the **Khadi & Village Industries Commission (KVIC)** designated as one of the **Nodal Agencies** has been entrusted with the responsibility of implementation of the Central Sector Scheme in so far as it is related to Khadi & Village Industries.

1.3. Whereas the (*Name of the Technical Agency*), an organization having requisite expertise in the field has been offering its expertise services in the area of clusters development and willing to render its services as the **Technical Agency** in execution of the present scheme in the areas assigned to it by the Nodal Agency.

1.4. Whereas, the organizations, viz., any Nodal Agency or KVIC and (*Name of the Technical Agency*) had preliminary discussions and mutually agreed to enter into this collaborative work arrangement for implementation of the scheme as per the terms and conditions laid down hereunder.

2. DEFINITIONS

2.1 'Approval' means “final approval” given by the Scheme Steering Committee of the Ministry of MSME.

- 2.2 'Fee' shall mean the professional fees payable to TA as per clause 5.
- 2.3 'Grant' shall mean the grant sanctioned by SSC for each project.
- 2.4 'Implementing Agency' or 'IA' means non-Government organizations (NGOs), institutions of Central and State Governments and semi- Government Institutions, field functionaries of State and Central Government, Panchayati Raj Institutions (PRIs) or SPV that will undertake cluster development under the Scheme.
- 2.5 'Nodal Agency' or 'NA' means any designated Nodal Agency recognized by the Ministry of MSME including that of Khadi and Village Industries Commission (Central Office/field office).
- 2.6 'Project(s)' mean the Clusters to be developed by the IAs as per the Scheme, in accordance with detailed project report approved by the SSC.
- 2.7 'Project Cost' means the cost of the Project(s) as approved by the SSC, more clearly the aggregate cost of the components eligible for grant funding under the Scheme. The project cost shall not include the cost of land for each project.
- 2.8 'TA' means 'Technical Agency'.
- 2.9 'Scheme' means the Scheme of Fund for Regeneration of Traditional Industries (SFURTI).
- 2.10 'Scheme Steering Committee' or 'SSC' means the committee headed by Secretary, Ministry of MSME for sanctioning of project under the scheme.
- 2.11 'Special Purpose Vehicle' (SPV) means a corporate body registered under the Companies Act/Societies (Registration) Act (or as approved by SSC) formed by the Industry Association/Groups of Entrepreneurs/ Artisans in respect of the projects approved under the Scheme.
- 2.12 Any other term not defined above, shall have the same meaning as described in the guidelines of the 'Scheme of Fund for Regeneration of Traditional Industries (SFURTI) issued by Ministry of MSME vide No.S-02/34/2022-KVI-1, dated: 9th September, 2022.

3. The objectives of SFURTI as mentioned in the guidelines of the SFURTI shall be applicable.

4. Role & Responsibilities of Technical Agencies: Established national-level institutions, with proven expertise in artisanal and small enterprise cluster development shall be engaged as Technical Agencies

Technical Agency (TA) to provide close handholding and implementation support to the SFURTI clusters. The TAs shall provide technical support to the NAs and the IAs for successful implementation of the Clusters under SFURTI. The responsibilities of the TAs will include preparation and validation of Cluster Action Plans, conducting training of the Cluster Development Executives (CDEs) and other Officials of the IAs , regular monitoring of the cluster on monthly/ quarterly basis and submit report on monthly / quarterly basis, to the respective field office of Nodal Agencies and as well as to the Directorate of SFURTI also. TA is required to have in-house sectoral expertise relevant to the project. TA may hire design/product experts in its team as necessary for implementation of specific projects.

The role and responsibility of the TAs includes the following:

- i. Sensitization and awareness generation in the clusters about the scheme among artisans & Stake holders.
- ii. Identification of potential products and product mix for the collectives for domestic and export markets. That may also include multi products in the cluster and creating linkages with other available networks in the adjoining area within the given budgetary allocation and as per approval of DPR.
- iii. Preparation of comprehensive **Detailed Project Reports (DPRs)** for final approval of the SSC containing the following details, namely- business model for self-sustain, skill up-gradation of Artisans, acquiring of new skills, scope for technology transfers, innovations, setting up of physical and financial outcome targets for the project, proposed percentage enhancement of productivity and earnings of the Artisans, risk mitigation, compliance, mandatory certifications as per the nature of the industry, creating sales channels, brand building, product segmentation, promotion and advertising through regular publicity modes and participation in fairs and exhibitions, exploring possible export avenues with clear target5sfor scaling up along with all such relevant information / activities required to meet the objectives envisaged under the scheme. The DPR should be prepared as per the standard template shared by the Ministry from time to time and in accordance with the indicators of SFURTI proposals as provided under the scheme.
- iv. Assisting the identified IA in establishment and structuring the project specific SPV as a 'for profit' entity.
- v. T.A. will assist the IA in formulating plans, getting approvals, obtaining clearances from statutory institutions, identifying suitable technologies/ equipment for value addition of the products and will assist the IA in setting up of CFCs after identification by IA. More than one CFC / work shed is also permitted provided demand is justified for bringing higher productivity in the cluster.
- vi. T.A. shall also cross-check through physical visits the land details with statutory agencies for validation of the purpose of CFC to be erected and made functional vis-à-vis Land Registration, Water Resources, Environmental aspects, local policy matters, electricity norms etc.
- vii. TA will assist the IA for preparation of specification for various procurement of the clusters, prepare tender documents for the procurement process / CFC Construction, selection of competent agencies / experts for various services to

- be availed by the IA/SPV, ensure that the procurement / construction of CFC is as per specification and the pricing is competitive. The specifications of the tender documents will be presented before the cluster working committee for consideration and will be forwarded to the NA for verification and approval before floating of tender. TA will also ensure that representative of the MSME (DI) will be the member of the Tender Committee, for the entire tendering process, including floating of the tenders and tender evaluation.
- viii. Besides, the TA will develop suitable operational framework and service level agreements for various intervention. TA would also assist in periodic monitoring of the all such agencies / experts engaged along with the progress of the projects and disbursement of funds.
 - ix. TA would formulate a robust Sustainability Roadmap detailing the exit strategy for the IA and the plan for business operations of cluster under the SPV beyond the project duration.
 - x. TA will assist the IA in ensuring GI tagging of the clusters wherever applicable.
 - xi. TA to put in place a suitable business plan detailing the revenue model based on appropriate user fee, mechanism to collect it to enable the SPV to achieve the projected outcomes in terms of productivity, sales, employment, wages enhancement, overall income of the Cluster as projected in the DPR;
 - xii. T.A should assist the IA/ SPV in engagement of a Design House / Designer with appropriate terms of reference and detailed scope of work for extending appropriate input of design, product processing, product development and proper packaging in consultation with NA, IA and other stake holders;
 - xiii. To assist the IA/ SPV in engagement of Business Development Services (BDS) Providers, out sourcing/improving tools and equipment, developing strategies & best practices for credit linkage as far as possible;
 - xiv. T.A. would advise IA/CDE for making plans for procurement of raw materials along with various micro and macro level tools and machineries and other processes as identified and mentioned under DPR. Tools/Kits and Charkhas/implements may also be distributed among artisans as a part of Cluster Level Intervention as per DPR. TA should assist the IA in establishing a proper, appropriate and transparent system duly examined and vetted by the Cluster Level Committee for distribution of tolls/ kits/ charkhas/ implements among artisans;
 - xv. TA will prepare a detailed Soft Interventions Plan covering various aspects of training, awareness building among artisans, exposure visits, design intervention through specialized tie-ups, marketing connect with special focus on E-commerce. It will submit periodic reports on the deliverables to the Nodal Agency.
 - xvi. TA shall ensure refresher training for Artisans / training for newly joined artisans through digitalized training material and tie-ups with specialized agencies and institutions for developing latest designs in line of current market demands.
 - xvii. TA will draw up a marketing strategy and detailed plan in consultation with NA and IA in regard to the following:
 - a) Product development
 - b) Packaging
 - c) Product pricing

- d) Product positioning and promotion
- e) Product mix/ diversification
- f) Dealer/Distributor Network under offline marketing mode
- g) Tapping e-commerce for online marketing.
- h) Determining supply chain and logistics
- i) Ensuring quality of product and standardization
- j) Tapping the export potential through appropriate interventions
- k) Digitization of raw material supply, cluster turnover, Artisan income as applicable.
- l) Adoption of renewable energy as applicable, Industry 4.0 principles, including LEAN Management.
- m) Convergence with schemes of M/o MSME, other schemes of Govt. of India and State Government.
- n) TA shall ensure by close supervision the following activities are implemented by the IA :
 - o) Awareness and exposure visit of artisans.
 - p) Mandatory opening of Bank Account by Artisans under Jan Dhan Yojana.
 - q) Health insurance of all the artisans under the cluster as applicable under KVIC rules (Jana Shree Bima Yojana & Rashtriya Swasthya Bima Yojana wherever applicable).
 - r) Enrolling under Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) which will offer a renewable one-year life cover of Rs.2 lakh to all savings bank account holders in the age group of 18-50 years, covering death due to any reason, for a premium of Rs.330/- per annum.
 - s) Enrolling under the Pradhan Mantri Suraksha Bima Yojana (PMSBY) which will offer a renewable one-year accidental death- cum-disability cover of Rs.2 lakh for partial/permanent disability to all savings bank account holders in the age group of 18-70 years for a premium of Rs.12 per annum per subscriber.
 - t) Issue of Aadhaar based Identity card to artisans mentioning the benefits, privileges, rights as well as their specific responsibilities along with necessary undertakings in regard to the implementation of the programme.
 - u) The Atal Pension Yojana (APY) will focus on the unorganized sector and provide subscribers a fixed minimum pension of Rs.1,000, Rs.2,000, Rs.3,000, Rs.4,000 or Rs.5,000 per month, starting at the age of 60 years, depending on the contribution option exercised on entering at an age between 18 and 40 years. Pension and similar other financial benefits as applicable to be provided adhaar linked.
 - v) Periodic training of Artisans.
 - w) SHGs members may also be extended to these general and miscellaneous supports as extended to the artisans under Cluster Programme.
- xviii. TA shall assist on adoption of digital mode of payment like Aadhar Enabled Payment System (AEPS)/UPI/Rupay Debit Card-PoS/ Mobile Banking App etc. for receipt and payment related to their business activities as applicable.
- xix. TA shall assist IA/SPV in organizing and planning Business Development

Strategies, buyer-seller meet and implementation of thematic intervention focusing on branding, e-marketing, new media marketing, innovation, research and development etc. for smooth running of Clusters.

- xx. Assisting the IA/SPV in mobilizing additional funds for the project at no additional cost during the period of its engagement with the cluster, under relevant schemes of the Government as well as tie-ups with National Financial Institutions. .
- xxi. TA shall facilitate linkages between the SPV and various other stakeholders, particularly the Government organizations, buyers and financial institutions.
- xxii. TA will facilitate in the identification of suitable Technical Consultants in designing appropriate technologies and/or facilitate technical collaborations and transfers for the cluster within the allocation ceiling for the respective type of cluster.
- xxiii. TAs will bring in external consultants for specific functions, as applicable.
- xxiv. TA will plan out in consultation with NA to frame the training requirement of artisans and stake holders and grouping their requirements as per the need of the clusters. Accordingly, the TA will assist in the identification of training institutions will be done in defining the courses duration, fees and other necessary requirement as per the cluster.
- xxv. Assist the NA for seeking and obtaining approval if any from the State Governments/UTs before submission of DPR to the SSC for final approval;
- xxvi. TA shall create appropriate system for online reporting of progress reports to Nodal Agency and to the Ministry of MSME on monthly and quarterly basis.
- xxvii. Any other work assigned from time to time by the NA, Ministry of MSME, for timely completion of project, any changes in nature of intervention, any sorts of addition/alternation in the implementation programme, etc. that may come at any point of time during the project period should very well be considered by TA for execution without any additional cost.
- xxviii. At the end of the Project, TA shall prepare proper documentation covering the entire activities, preparation of case studies and photo/video documentation along with an end-project report articulating the outcomes in terms of productivity and sales. Listing out the outcomes achieved against the targets fixed at the beginning of the project will also be done.
- xxix. Formulate an exit strategy for the IA and prepare a sustainability road map for the Cluster with a business plan for the next five years beyond the project duration.
- xxx. Empaneled TAs are permitted to identify and advise upon a suitable IA.
- xxxi. TAs will be assigned a maximum of up to 50 Clusters. However, TA should have a separate dedicated Nodal Officer for each set of 5 approved projects.
- xxxii. TA shall have to act diligently to ensure compliance to all Rules and Regulations, as required for the proposals at the DPR stage in order to obtain final approval from the SSC.

NOTE: (1) Misinformation / Misrepresentation and/or furnishing false/incorrect information can lead to cancellation/termination with approval of the Project Monitoring Committee.

(2) Role of T.A. is defined as per SFURTI Guidelines, issued by the MoMSME, Govt. of India on 09.09.2022. For the cluster sanctioned prior to 09.09.2022, previous

Guidelines to be followed. Timely decision of MSME / KVIC on the Role of T.A. to be treated as final.

5. Cost and professional fees:

- 5.1. The Professional Fee (including professional fee, travel, boarding & lodging, communication and all other out of pocket expenses), shall be maximum 5% of the amount of Hard Intervention or Rs.15.00 Lakhs whichever is less (as per guidelines of SFURTI) of the project cost. **(Note : Payment to the Clusters sanctioned prior to 09.09.2022 will be in accordance with SFURTI Guideline , dated- 06.03.2020, i.e. 'T.A. Fee will be 8%)**
- 5.2. Additional 1%, i.e. 6% to be given to TAs for clusters in NER/J&K/Hilly Areas, upto Rs. 18 lakhs, whichever is less.
- 5.3. **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, which are as follows: -**
- A. 40% on Approval (After initiation of 'Hard Intervention' activities).
 - B. 30% on functionalization of the Clusters
 - C. 30% on handover of the cluster by the IA to the SPV.

NOTE: (1) The payment of the TA will also be linked to the output/outcome parameters indicated in the DPR. The same should be defined clearly in the agreement between NA and TA.

(2) Payment terms will be revised as per the timely decision taken by the MoMSME / KVIC.

6. Responsibilities of NA

6.1. NA would duly notify and inform all concerned stakeholders including the industry, State Governments, concerned Ministries / organizations of Government of India and Financial Institutions, about the appointment of TA for implementation of SFURTI.

6.2. NA shall extend all support required to TA for implementation of the scheme as may be required such as obtaining Government Approvals, Environment Clearances, etc. for setting up of Clusters.

6.3. NA shall be responsible to ensure timely disbursement of funds to the IAs on recommendation of TA to ensure time bound completion of projects.

6.4. In the event of the delay, if any, caused in implementation of the project by the Implementation Agencies due to delay in release of funds by NA, TA shall not be held responsible for the delay in execution of the projects.

7. Force majeure

7.1. Neither party shall be held responsible for non-fulfilment of their respective obligations under this agreement due to the exigency of one or more of the force majeure events such as but not limited to acts of God, war, floods, earthquakes, strikes, lockouts, epidemics, riot, civil commotion, etc. provided on the occurrence and cessation of any such events, the party affected thereby shall give a notice in writing to

the other party within one week of such occurrence or cessation. If the force majeure condition continues beyond six months, the parties shall then mutually decide about the future course of action.

8. Termination of Agreement

8.1. Termination by NA: NA may terminate this Agreement, by not less than thirty (30) days' written notice of termination to TA, to be given after the occurrence of any of the events specified in paragraphs (i) to (iii) below:

I. If TA does not remedy a failure in the performance of their obligations under the Agreement, within sixty (60) days of receipt after being notified or within such further period as NA may have subsequently approved in writing;

II. If TA becomes insolvent or bankrupt; or

III. If, as a result of Force Majeure, TA is unable to perform a material portion of the Services for a period of not less than sixty (60) days.

8.2. Termination by TA: TA may terminate this Agreement, by not less than thirty (30) days' written notice to NA, such notice to be given if, as the result of Force Majeure, TA is unable to perform a material portion of the Services for a period of not less than sixty (60) days.

8.3. Payment upon Termination: In the event of termination of the Agreement, fee payable to the TA shall be in accordance to the physical and financial milestones achieved up to the date of termination.

8.4. The termination of this Agreement shall not prejudice or affect in anyway the rights and benefits accrued or liabilities and duties imposed on the parties of this agreement.

9. No liability to KVIC

9.1. Nodal Agency shall not be liable in any manner for any act of omission and Commission on the part of the TA during the implementation of the programme.

10. Indemnity

10.1 TA shall at all times indemnify KVIC against all claims / damages etc. by any infringement of any Intellectual Property Right (IPR) while providing the services under a Project.

11. Operational dates

11.1 This Memorandum of Agreement shall come into effect from the date of its signing by both the parties and shall continue to be in operation for a period of three years or till completion of the scheme.

12. ARBITRATION

If any dispute arises out of or in connection with this contract/agreement, or in respect of any defined legal relationship associated herewith or derived there from, the parties agree either to seek an amicable settlement of that dispute by conciliation under the ICADR Conciliation Rules, 1996 or to submit that dispute to Arbitration under the ICADR Arbitration Rules, 1996.

The authority to appoint Conciliator/Arbitrator shall be the International Centre for Alternative Dispute Resolution.

The International Centre for Alternative Dispute Resolution will provide administrative service in accordance with the ICADR Conciliation/Arbitration Rules, 1996.

The place of conciliation/arbitration proceeding shall be Mumbai.

Both the parties sign this Memorandum of Agreement on thisday of
..... 2022.

Signed for

Signed for

TECHNICAL AGENCY

NODAL AGENCY

Witness 1:

Witness 2: