

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

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

1. Background

1.1. Whereas a revamped 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), Implementing Agencies (IAs), Technical Agencies (TAs) 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 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 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 and Coir Board.

2.6 'Project(s)' means 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 Revamped 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 'Revamped Scheme of Fund for Regeneration of Traditional Industries (SFURTI).

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

4. Role & Responsibilities of Technical Agencies: Established national/regional level institutions, with proven expertise in artisanal and small enterprise cluster development shall be engaged as Technical Agency (TA) to provide close handholding and implementation support to the SFURTI clusters. The TAs shall provide technical support to the NAs and IAs. The responsibility of the TA will include preparation and validation of Cluster Action Plan. Conducting training of the 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 the Nodal Agency concerned.

4.1. Sensitization and awareness generation in the clusters about the scheme among artisans and stake holders.

4.2. Preparation of DSR mapping of technological and skill levels no. of artisans with their existing activities and their present earnings, strategies for delivering the cluster level interventions, outcomes, resultant enhancement of wages of the artisans etc., backward forward linkages, sourcing of raw materials, marketing of finished products etc.;

4.3. To identify focus products and product mix for the Cluster for domestic and export markets. That may also include multi products in the cluster and creating linkages with other available network of cluster in the adjoining Primary Cluster within the given budgetary allocation and as per approval of DSR/DPR.

4.4. The TA will ensure that an Annual Action Plan for implementation during the year will be formulated in consultation with IA and NA before the start of each year. This will include assessment of the working capital required during the year.

4.5. Identification of potential IAs, when new cluster proposals are initiated by TA.

4.6. Preparation of comprehensive DPRs for final approval of SSC containing the following details, namely,- business model for self-

sustenance, skill up-gradation of artisans, acquiring of new skills, setting up of physical and financial outcome targets for the project, proposed percentage enhancement of productivity and earnings of the artisans, brand building, product segmentation, promotion and advertising through regular publicity modes and participation in fairs and exhibitions, exploring possible export avenues with clear targets etc.;

4.7. Assist in constitution of Project Specific Special Purpose Vehicle (SPV) and formation of Working Committee.

4.8. Assist the Nodal Agencies (NAs)/SSC in appraising the proposals for in-principle and final approval;

4.9. TA will assist the IA in formulating plans, getting approvals, obtaining clearances from statutory institutions, identifying suitable technologies/ equipments for value addition of the products and will assist the IA in setting up of CFCs after identification of land by the IA. More than one CFC is also permitted provided demand is justified for bringing higher productivity in the cluster.

4.10. TA will facilitate in the identification of suitable Technical Consultants in designing appropriate technologies for the cluster within the allocation ceiling for the respective type of cluster.

4.11. 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.

4.12. TA shall assist the IA to ensure implementation in such a manner that 40% of the project cost gets utilized in 1st Year as per the guidelines. Therefore, the following tasks should preferably be completed:

- (i) Constitution of SPV as funds will be released through SPV;
- (ii) Assist the IA/SPV in appointment of suitable CDE

- (iii) Facilitate opening of ESCROW Account
- (iv) Organizing cluster level meetings;
- (v) Assist the IA/ SPV in accessing infrastructure such as water, electricity, road connectivity and obtaining various licenses/ NOCs from concerned department of State Govt.;
- (vi) In case IA is finding difficulties in arranging land in a convenient location having greater connectivity, TA shall compel both NA and IA to approach State Govt. and other agencies of State Govt. for availability of land;
- (vii) In short TA shall assist the IA in ensuring completion of the following tasks in the 1st year:
 - a) Formation of SPV;
 - b) Planning of group wise training for artisans and other stake holders and complete the same in the 1st year; and
 - c) Finalise land, design, tendering and commencement of construction of CFC as per technical specifications.

4.13. 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

4.14. TA will assist IA to achieve the projected outcomes in terms of production, sales, employment, enhancement of wages and overall income of the cluster.

4.15. TA should assess the need of Working capital required by IA for cluster business cycle.

4.16. Assist IAs in selection of agencies/ experts for various services and in developing suitable operational framework for various interventions;

4.17. TA should assist the IA/ SPV in engagement of a Design House/Designer, right from the beginning, 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 stakeholders.

4.18. 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.

4.19. TA will assist NA in conducting regular monitoring of the cluster on monthly or quarterly basis and will devise a suitable monitoring framework for the same.

4.20. TA should advice 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 DSR/DPR. Tools/Kits and Charkhas/Implements may also be distributed among artisans as a part of Cluster Level Intervention as per DSR/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 tools/ kits/ charkhas/ implements among artisans.

4.21. TA will draw up a marketing strategy and detailed plan in consultation with NA and IA in regard to the following:

- (i) Product development
- (ii) Packaging
- (iii) Product pricing
- (iv) Product positioning and promotion
- (v) Product mix/ diversification
- (vi) Dealer/Distributor Network under offline marketing mode
- (vii) Tapping e-commerce for online marketing.

- (viii) Determining supply chain and logistics
- (ix) Ensuring quality of product and standardization
- (x) Tapping the export potential through appropriate interventions
- (xi) Assessing the requirement of thematic interventions focusing on branding, e-marketing, new media marketing, innovation, research & development of new products, etc.

4.22. Miscellaneous activities that need to be ensured by IA shall require close supervision by TA:

- (i) Awareness and exposure visit of artisans
- (ii) Health insurance of all the artisans under the cluster as applicable under KVIC rules.
- (iii) 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.
- (iv) Pension and similar other financial benefits as applicable to be provided Aadhaar linked.
- (v) Mandatory opening of Bank Account by Artisans.
- (vi) Periodic training of Artisans.
- (vii) SHGs members may also be extended to these general and miscellaneous supports as extended to the artisans under Cluster Programme.

4.23. 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.

4.24. TA shall assist the IA/SPV to ensure that the second installment of 40% of the total budgetary allocation is utilized during 2nd year.

4.25. Assisting the SPV in mobilizing additional funds for the project. This would involve preparation of proposals under relevant schemes of the Government apart from tie-up loans from the banks.

4.26. TA shall facilitate linkages between the SPV and various other stakeholders, particularly the Government organizations, buyers and financial institutions.

4.27. 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.

4.28. 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.

4.29. At the end of the Project, TA shall prepare proper documentation covering the entire activities, preparation of case studies and photo 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

4.30. Formulate an exit strategy for the IA and prepare a sustainability roadmap for the Cluster with a business plan for the next five years beyond the project duration.

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 **8% of the Soft & Hard Interventions (as per guidelines of Revamped SFURTI) of the project cost.**

5.2. Service tax or any other tax as may be applicable from time to time shall be paid by NA as per the applicable rates prevailing at the time of making the payment, in addition to the above Fees.

5.3. The proposed Schedule of Payment of Professional fee for Clusters shall be as under:-

	Payment Milestone	Fee Amount
1	PHASE – I	
1.1	In principle Approval after evaluation of the Preliminary Project Report (PPR)/ Diagnostic Study Report (DSR) submitted by the TA, as well as conducting DPR of cluster.	15% of the Professional Fee
1.2	Final Approval of the DPR by the SSC	15% of the Professional Fee
2	PHASE – II	
2.1	Release of 1 st Installment to the Implementing Agency	25%of the Professional Fee
2.2	Release of 2 nd Installment to the Implementing Agency	25%of the Professional Fee
2.3	On completion of the Project	20%of the Professional Fee

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-fulfillment 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, whichever is earlier.

12. ARBITRATION

12.1. In the event of any dispute or difference between the parties hereto, such disputes or differences shall be resolved amicably by mutual consultation. If such resolution is not possible, then the unresolved dispute or difference shall be referred to arbitration. In case of the matter being referred to arbitration, each party shall appoint its own arbitrator and a third arbitrator shall be appointed by the two arbitrators appointed by the respective party. The provisions of Arbitration and Conciliation Act, 1996 (no. 26 of 1996) shall be applicable to the arbitration under this clause. The venue of such

arbitration shall be at New Delhi. The language of arbitration proceedings shall be in English. The arbitrator shall make a reasoned award (the "Award"), which shall be final and binding on the parties. The expenses of the arbitration shall be shared equally by the parties to the agreement. However, expenses incurred by each party in connection with the preparation, presentation shall be borne by the party itself.

12.2. Pending the submission of and/or decision on a dispute, difference or claim or until the arbitral award is published; the parties shall continue to perform all of their obligations under this agreement without prejudice to final adjustment in accordance with such award.

Both the parties sign this Memorandum of Agreement on thisday of 2015.

Signed for

Signed for

TECHNICAL AGENCY

NODAL AGENCY