**Agreement executed between Nodal Agency and Implementing Agency**

### AGREEMENT

(Executed between the State / Divisional Director KVIC & Implementing agencies

on the stamp paper as per the stamp act rules existing in the respective states)

THIS AGREEMENT is made at ………………….. on this …… day of 2015 between **KHADI AND VILLAGE INDUSTRIES COMMISSION** , a statutory body, having its head office at 3, Irla Road , Vile Parle (W), Mumbai-56, hereinafter referred to as “**KVIC**” (which expression shall unless it be repugnant to the context or meaning thereof be deemed to mean and include its successors and assigns) OF THE FIRST PART AND \_\_\_\_\_\_ \_\_ \_\_\_\_\_\_\_\_\_\_\_\_, a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and having its registered office/address at \_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_ \_ \_\_ \_\_\_ \_\_\_\_, hereinafter referred to as **Implementing Agency (IA)** , which expression shall unless it be repugnant to the context or meaning thereof be deemed to mean and include its successors and assigns) OF THE SECOND PART.

**WHEREAS,** India has a rich heritage of traditional industries. This sector not only plays a crucial role in providing large-scale employment opportunities at comparatively lower capital cost, but also helps in industrialization' of rural & backward areas, thereby reducing' regional imbalances, assuring more equitable distribution of income and wealth. The eco-friendly products of traditional industries have great potential for growth in production and export developing niche products for domestic and export markets. Broadly, 'Traditional Industry' means an activity which produces marketable products, using locally available raw material and skills and indigenous technology. Traditional Industry Cluster refers to a geographical concentration of a sizable number of artisans or micro enterprises, suppliers of raw materials, traders, service providers, etc. producing, processing and servicing the same or similar types of products and facing common opportunities and threats. The traditional industries are broadly categorized into Khadi (comprising of hand-spun , and hand-woven cotton, woollen, muslin and silk varieties), Coir Based Industries and Village Industries (including non-timber forest produces-NTFPs, handmade paper, agro based goods, textiles based products and other miscellaneous micro-enterprises).

**AND WHEREAS**, the objectives of the Scheme are -

i) to organize the traditional industries and artisans into clusters to make them competitive and provide support for their long term sustainability and economy of scale;

ii) to provide sustained employment for traditional industry artisans and rural entrepreneurs;

iii) to enhance marketability of products of such clusters by providing support for new products, design intervention and improved packaging and also the improvement of marketing infrastructure;

iv) to equip traditional artisans of the associated clusters with the improved skills and capabilities through training and exposure visits;

v) to make provision for common facilities and improved tools and equipments for artisans; .

vi) to strengthen the cluster governance systems with the active participation of the stakeholders, so that they are able to gauge the emerging challenges and opportunities and respond to them in a coherent manner;

vii) to build up innovated and traditional skills, improved technologies, advanced processes, market intelligence and new models of public-private partnerships, so as to gradually replicate similar models of cluster-based regenerated traditional industries.

viii) to look for setting up of multi-product cluster with integrated value chain and a strong market driven approach for viability and long term sustainability of the cluster;

ix) to ensure convergence from the design stage with each activity of the cluster formation and operations thereof.

x) to identify and understand cluster’s target customers, understand their needs and aspirations and develop and present product lines to meet the requirement. Substantial focus should be on the buyer segment that places a premium on natural, eco-friendly, ethically sourced and the uniqueness of the Khadi and VI products.

xi) to develop specific product lines out of the currently offered diversified basket of heterogeneous products based on the understanding of the target consumer segment. A brand unification exercise also needs to be done to maximize the value.

xii) to make a paradigm shift from a supply driven selling model to a market driven model with the right branding, focus product mix and correct positioning and right pricing to make the offering holistic and optimal for each of the focus categories.

xiii) to tap the E-Commerce as a major marketing channel given the outreach and the growing market penetration of E-Commerce, there is a need to devise a quick strategy to make its presence felt in the E-Retail space.

xiv) to make substantial investment in the area of product design and quality improvement. There is a need to standardize the quality of inputs and processes so that the products meet the quality benchmarks. Research need to be done to develop new textures and finishes to cater to the prevailing market trends.

**AND WHEREAS**, the Ministry of Micro, Small and Medium Enterprises (MSME), Government of India has formulated a Central Sector Scheme titled the “**Revamped** Scheme of Fund for Regeneration of Traditional Industries (SFURTI)” and it has been decided to implement the said scheme through a well knit system of Nodal Agencies (NA), Implementing Agencies (IA), Technical Agencies (TA), Cluster Development Executives (CDE) & other resource providers.

**AND WHEREAS,** KVIC has been designated as **Nodal Agency** and entrusted with the responsibility of implementation of the Central Sector Scheme which so far as related to Khadi and Village Industries.

**AND WHEREAS,** the IA being actively involved in the activities for the development of Khadi/ village industries /rural employment, particularly \_\_\_\_\_\_\_\_\_\_\_\_ industry, is desirous of undertaking the projects under SFURTI Scheme for the setting up of \_\_\_\_\_\_\_\_\_\_\_ cluster (hereinafter referred to as the “SFURTI Cluster”) and accordingly approached KVIC on the terms and conditions hereinafter appearing.

**AND WHEREAS,** both the parties to this agreement had a preliminary discussions and mutually agreed to enter into this collaborative work arrangement for implementation of the scheme as per the terms and conditions hereinafter appearing-

**Now** the indenture witnesseth and it is hereby agreed by and between the parties hereto as follows:

1. Terms and conditions:

The assignment shall include and comprise the following:-

Formation of SPV is mandatory to seek the final approval by IA. The purpose of SPV will be to develop and sustain the cluster after the project implementation period is over. An SPV will be formed for each cluster which may be any of the following entities:

i. a Society registered under Societies (Registration) Act, 1860;

ii. a Co-operative Society under an appropriate statute;

iii. a Producer Company under section 581C of Companies Act, 1956;

iv. a Section 8 Company under The Companies Act, 2013 (18 of 2013);

v. a Trust; or

vi. Any other legal entity, with the prior approval of SSC.

1. Existing khadi and village industry (KVI) institution and other legal entity will be a deemed SPV, if its Managing Committee, by whatever name called, has a fair representation of artisans (at least 33%).
2. In case the PRIs at the cluster level desires to be the IA, it can form an SPV ensuring that the cluster micro-enterprises/beneficiaries hold a minimum 33% of the total equity in the SPV.
3. In case of private sector promoted SPVs the shareholding of the lead investor/private partner shall not normally exceed 50% of the total equity.
4. The Institution/NGO shall work as the Implementing Agency for the identified cluster at ……………
5. Recruit a full-time CDE in order to ensure efficient implementation of the project. Selection of CDE must be made from 3 options viz. (i) a local capable & strongly acceptable CDE from among the beneficiary group, (ii) grooming of an existing person from the group to become a good CDE and (iii) an externally recruited CDE. Additional qualification, experience and expertise to be considered while selection of the CDE in line with the requirements of the project deliverables.
6. In case of an external person is chosen as the CDE, a capable local person may be made the deputy to the CDE so that he is groomed to take up the responsibility once the regular CDE leaves the cluster after financial support is stopped.
7. The IA would identify and arrange suitable land for the project whose book value may be shown as their contribution towards the project;
8. Implement various interventions as outlined in the approved DPR;
9. Undertake procurement and appointment of contractors, when required, in a fair and transparent manner;
10. Operation & Maintenance (O&M) of assets created under the project by way of user-fee based model;
11. Responsible for furnishing Utilization Certificates (UCs) and regular Progress Reports to Nodal Agency in the prescribed formats.
12. The IA shall endeavor to increase participation of various other cluster stakeholders and institutions by forming a Cluster Advisory Group, preferably headed by the District Magistrate and with representation from PRIs, traditional industry enterprises, support service institutions, banks, etc. with the objective of fostering increased level of involvement of various cluster stakeholders and strengthening the implementation of the project.
13. The Implementing Agency shall during the implementation of the said Cluster programme be provided from time to time equipments/ machines / tools /working capital and other infrastructure facilities to be used as a common facility to the beneficiaries in the cluster in a phased manner. The Implementing Agency shall take proper care and account of these assets and keep them in good condition and in trust till the completion of the said program and thereafter, as required.
14. The assets provided at the Common Facility Centre as aforesaid shall always be made available for inspection by any officials of Govt. of India, Ministry of ARI /its authorized agents or agencies and KVIC.
15. The assets provided at the Common Facility Centre shall always be the property of KVIC during the continuance of the said programme and thereafter, unless otherwise specified in writing by the KVIC.
16. The Implementing Agency shall keep identification marks on the body of the assets and appropriate name boards for the said programme.
17. The Implementing Agency shall evolve mechanism in consultation with Technical Agency(TA) to enhance marketability of products of such clusters by providing support for new products, design intervention and improved packaging and also the improvement of marketing infrastructure
18. The Implementing Agency shall keep separate records for the said programme.
19. The Implementing Agency shall send quarterly reports and returns regularly regarding progress of the said programme to the KVIC.
20. The Implementing Agency may levy service charges for utilisation of Common Facility Centre’s assets at the rates fixed in consultation with KVIC. The services of the Common Facility Centre shall be made available/ restricted to those agencies/ artisans and entrepreneurs undertaking the rural development programme of the KVIC/ Govt. of India /State Govt.
21. Implementing agencies shall be provided with the Technical Support by the Technical Agencies expert in cluster development methodology.
22. The Implement Agency shall ensure to implicate the cluster development methodologies / strategies formulated / prescribed by the KVIC / Technical Agencies from time to time or as finalised mutually and formulate the consortium of the beneficiaries/cluster level stakeholders wherever applicable towards the productive prospects, benefits and life of the cluster.
23. The duration of the programme shall be for a period of 3 years from the date of execution of this agreement.
24. That Implementing Agency shall jointly and severally be liable to KVIC for performance of the work including performance of services and its obligations including that of its associates, contractors / sub-contractors under the agreement.
25. That the Implementing Agency shall agree and acknowledge that the time of completion of the project, as set forth in this agreement, is the essence of the contract and Implementing Agency shall accordingly undertake the performance of work hereunder with the objective of achieving the project implementation and completion within the prescribed time schedule.
26. The Implementing Agency shall abide by the contents of the O.M. No. 4(25)/2012-KVI-I(Part-III) dated 30th June, 2015 issued by the Govt. of India, Ministry of ARI and the Amendments, if any made from time to time. The said O.M. shall also form part of this agreement.

2. Financial Assistance:

1. The Financial assistance from the KVIC shall be in the form of provision for setting up of Common Facility Centres (CFC) for processing and manufacture of village industry items like testing equipment/laboratory to enforce quality standards specially for processed food items, service and maintenance and other common infrastructure and development of new products specially for items like hand bags, shoes, etc.; new designs for pottery items; and improved/new design for packaging, specially for herbal and cosmetics, confectionery items; marketing support and other infrastructure facilities within the budget approved and specified in the SFURTI.
2. The specific form of assistance as per the approved final action plan shall be communicated during the period of the programme from time to time to the implementing Agency.
3. The amount sanctioned shall be released in suitable manner in installments as per the approved action plan and as decided by KVIC.
4. The Implementing Agency shall maintain separate accounts for the amount received from the KVIC and shall allow the auditors and /or the representatives of the KVIC /Ministry of ARI/ A.G to inspect and audit such accounts at any time.
5. The Implementing Agency shall maintain separate records for recording the details of the assets acquired out of the KVIC funds and the assets provided by the KVIC both movable and immovable and shall send periodical report of the same to the KVIC. All the assets acquired out of the KVIC funds are the property of the KVIC and the Implementing agency shall not create any charge or encumbrance over the same and shall use the same only for the purpose for which it has been acquired.
6. The Implementing Agency shall furnish the utilization certificate within three months from the receipt of grant in the form of kind and audited statement of accounts pertaining to the grant received from the KVIC at the end of each financial year.

3. Release of fund:

1. On obtaining final approval, a sanction order will be issued by NA and 1st installment for the hard intervention will be released by NA in the dedicated bank account opened in the name of the IA. Whereas release of fund by NA to IAs for soft-intervention shall be need-based and a part component of the same is released to the IA after in-principle-approval of the SSC, the following schedule will be adopted for release of scheme funds for hard interventions:
2. 1st instalment of 40% of the hard intervention as advance on IA arranging land;
3. 2nd installment of another 40% on utilization of 2/3 of 1stinstalment; and

iii. Balance 20% as 3rdand final installment, as reimbursement.

1. That in case of Khadi cluster; replacement of Charkhas and looms, common facility and product design intervention assistance will be provided in the form of kinds with firm order from the supplier along with 25% contribution of the Implementing Agency to the actual cost of the equipment/s (10% in case of North Eastern Region (NER), J&K and hilly states) at the time of purchase order to the authorised supplier. The remaining 75% payment (90% in case of North Eastern Region (NER), J&K and hilly states) will be made by KVIC after receiving confirmation of delivery of equipments/ machineries/ charkhas/looms at the destination.
2. That in case of Village Industries, the common facility centre, product development and design intervention, machineries and equipments assistance will be provided in the form of kind and not in cash. The Implementing Agency should place confirm order with 25% advance of the actual cost of the machinery/equipments (10% in case of North Eastern Region (NER), J&K and hilly states) at the time of purchase order to the authorised supplier. The remaining 75% payment (90% in case of North Eastern Region (NER), J&K and hilly states) will be paid by the KVIC after receiving confirmation intimation of the machineries from the authorised supplier at the destination.
3. That the other release of fund except machinery/equipment for common facility centre, charkha and looms replacement and machinery for product and design intervention are to be operated by (ESCROW) joint account i.e. by the State Director of the KVIC or his authorised representatives, CDE and a representative of the Implementing Agency. The funds utilisation will be under the overall supervision of Implementing Agency in coordination with Cluster Development Executives.

4. Contribution of Implementing Agency:

The Implementing agency shall be able to contribute or willing to contribute from beneficiaries towards 25% share of the cost the components as beneficiaries' contribution (10% in case of North Eastern Region (NER), J&K and hilly states) wherever necessary as mentioned hereunder:-

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| --- | --- | --- | --- | --- | --- |
| **#** | **Project Intervention** | **Scheme Funding** | **Financial Limit** | | **IA Share** |
| A | Cluster Interventions | - |  |  | - |
| A1 | Soft Interventions including skill trainings, capacity building, design development | 100% | Subject to maximum 33% of A (Total cost of Cluster Interventions both hard and soft interventions) or Rs. 25 lakh, whichever is less | Maximum Rs.8 crores per project (A+B+C) | Nil |
| A2 | Hard Interventions including CFCs, RMBs, training centres, etc. \* | 75% | - |  | 25% of Project Cost including Land Cost^ and own contribution as equity |
| B | Cost of TA | 100% | 8 % of A1+A2 (Total cost of Cluster Interventions both hard and soft interventions) |  | Nil |
| C | Cost# of IA/SPV including CDE | 100% | Maximum Rs.20 lakhs per project |  | Nil |

\*90%:10% in case of North Eastern Region (NER), J&K and hill states.

^Registered value of land as reflected in the sale deed shall be considered. In case land is taken on lease, the minimum tenure should be for 15 years and the value of the lease rentals will be taken as contribution.

#This may include remuneration of Cluster Development Executive (CDE) and other expenses incidental for the entire 3 year project implementation.

5. Utilization of funds:

1. It is expressly agreed that the outlay sanctioned hereunder shall be utilised only for the purpose of the assignment and the funds shall not be diverted for any other industry, purpose, assignment or use.
2. Implementing Agency shall channelise the funds in a separate bank account specifically earmarked for the assignment (and not pool it in other finances).
3. In the event of any misutilisation of funds ( like diversion for any other purpose other than for which it is granted, misappropriation etc.), the implementing agency shall be bound to refund the entire amount released to it by the KVIC along with interest and penal interest at the rates as may be decided by the KVIC.
4. The funds earmarked for the implementing agency shall be utilized for the development of cluster.

6. Monitoring mechanism:

1. To ensure that the facilities and infrastructure created with grants under SFURTI are sustainably managed to the advantage of artisans for improved production and marketing, IA will constitute a Working Committee for each cluster comprising the following:

i. Chief functionary of the IA – Convener;

ii. Representative of a Nationalized bank operating in the area;

iii. 3 artisans nominated by the IA (including at least one woman) on annual rotation basis, re-nomination may not be allowed in five years;

iv. Representative of the NA; and

v. GM, DIC or his representative.

1. Implementing Agency and the Cluster Development Executive shall work in co-ordination with the KVIC and also the Working Committee.
2. The KVIC and or Govt. of India, Ministry of ARI shall depute its representatives or officials to assess the progress of the programme from time to time.
3. In the event of unsatisfactory progress of the programme, the KVIC shall have the right to discontinue the programme. There upon the KVIC shall be at liberty to entrust the said activity to any other person or agency to conduct and carry the same afresh or to continue the same further from where the activity was discontinued and for this purpose KVIC shall be at liberty to utilise all data, reports and technique collected and developed by the Implementing Agency on the termination of the activity as aforesaid.
4. That in case of abandonment, or earlier termination of the project / work without its completion, the total advance paid to Implementing Agency but unutilized shall be returned forthwith by the Implementing Agency with interest (at the rates prevailing in the Nationalized Banks) to KVIC.

7. Progress Report:

Implementing Agency shall give KVIC annual progress report on the ongoing programme. This report shall cover (i) work done for the previous year (ii) future activities and strategies (iii) details of financial expenditure incurred during the year under broad heads along with the supporting documents.

8. End of programme report and certificates:

At the end of programme Implementing Agency shall send (i) comprehensive report of the programme, outlining its achievements (ii) utilisation certificate with relevant statements and enclosures for audit purposes, including a detailed statement of assets created

9. Completion of the Project :

The project shall be deemed to have been successfully completed on submission of the final report by Implementing Agency and its acceptance by the Scheme Steering Committee.

10. Handing over assets at the end of programme period:

At the end of the programme, Implementing Agency shall prepare a comprehensive list of assets (movable and immovable) purchased/created and ensure that they are handed over to KVIC, if so directed. Assets may also be handed over during period of programme depending upon the nature of the assets. Relevant copy of purchase or other documents, if any, should also be handed over by Implementing Agency to KVIC at the time of transfer, if so directed.

11. Rectification of defaults:

If in the opinion of KVIC there is a major breach by Implementing Agency of the terms herein contained or for any reason Implementing Agency is not in a position to continue the assignment, KVIC shall have a right to bring to the notice of Implementing Agency the breach or the fact of its inability to successfully continue the assignment and upon the failure of Implementing Agency to rectify the breach or successfully continue the assignment within 45 days thereof, this agreement shall be terminated by KVIC whereupon Implementing Agency shall be removed from the assignment forthwith and shall refund the entire amount released by the KVIC.

12. No liability to KVIC:

There shall be no principal and agent relationship between KVIC and Implementing Agency. The KVIC shall not be held liable for acts of omissions or commissions of Implementing Agency resulting in claims and damages from third party against KVIC.

The Implementing Agency, at all times indemnify the KVIC against any claims in respect of any damages or compensation payable in consequences of any accident or injury sustained by its (Implementing Agency) employee or the employee of the sub-contractors or by any other third party resulting from or by any transportation / conveyance or act or omissions conducted by or on behalf of the Implementing Agency. The Implementing Agency, shall all times indemnify KVIC against all claims / damages etc for any infringement of any intellectual property rights (IPR) while providing its services under the project.

13. Amendment to Agreement:

Implementing Agency and KVIC may make amendment to this Agreement, as per requirements, by mutual consent, in writing.

14. Notification of change:

The Implementing Agency shall notify the KVIC of any material change in their status, shareholding or that of any guarantor of the Implementing Agency, in particular, where such change would impact on performance of obligations of Implementing Agency under this agreement.

15. Force Majeure:

Neither party shall be held responsible for non-fulfillment of their respective obligations under this agreement due to exigency of one or more force majeure events like floods, fire etc. provided on the occurrence of assation of much events the affected shall give one month notice within occurrence of such event.

16. Resolution of dispute / Interpretation:

In case of any dispute arise between the Implementing Agency and KVIC, the same shall be settled mutually, and if any difference in opinion, the same shall be referred for arbitration to the Secretary, Ministry of ARI, Govt. of India, whose decision shall be final and binding on both parties.

In witness where of the parties to this Agreement have hereunto signed their respective names and affixed their respective seals the date and the year first here in above written.

Signed, Sealed and delivered by Signed, Sealed and delivered by

|  |  |
| --- | --- |
| Sri …………………………….  For and on behalf of the  1st Party, in presence of Witness  1.  2. | Sri …………………………  for and on behalf of the  2nd Party in the presence of witness  1.  2. |