

## Guidelines of Comprehensive Powerloom Cluster Development Scheme (CPCDS)

### 1. Objectives of the Scheme:

1.1 The guiding principles underlying the design of clusters would be to create world-class infrastructure and to integrate the production chain in a manner that caters to the business needs of the local Small and Medium Enterprises (SMEs) to boost production and export.. In brief, the main objective of setting up these mega clusters is to assist the entrepreneurs to set up world-class units with modern infrastructure, latest technology, and adequate training and Human Resource Development (HRD) inputs along with appropriate market linkages. SPV is designed in such a way, which will have Standard Models of units of SSI, SME with infrastructure that is customized to give a competitive edge and these centres have greater potential to become globally competitive.

1.2 The broad objectives of the Mega cluster approach Scheme would be to enhance the competitiveness of the clusters in terms of increased market share and ensuring increased productivity by higher unit value realization of the products. In order to ensure effective integration of scattered artisan/weaver bases, building their grass roots enterprises and linking them to SMEs in the sector to build critical mass for customized interventions and ensure economies of scale in operations. This will build a supply system that is geared to responding to large-scale orders, adhering to quality and product standardization, which are pre-requisites of global markets. This will also generate additional livelihood opportunities to the people through specific intervention in segmental sub sector industry and increase the incomes to the weavers already engaged in the segment. The Scheme would provide requisite support/ linkages in terms of adequate infrastructure, technology, product diversification, design development, raw material banks, marketing & promotion, credit, social security and other components that are vital for sustainability of weavers engaged in the decentralized powerloom sector.

1.3 Pursuant to the Budget Announcement 2008-09, this Scheme will be initially implemented in two clusters - **Bhiwandi and Erode**. Each of these clusters has more than 5,000 looms and inherent strengths in terms of distinct product and skill sets. Extension of

this Scheme to other clusters would be subject to successful implementation in the identified two centres.

## **2. Scope of the Scheme**

2.1 Nature and level of assistance to each of the said clusters will be need based and would include the components that are necessary for meeting the objectives. Illustrative list of permissible activities include - Technology Upgradation, Product Diversification, Raw Material Bank, Credit, Market Development, Forward & Backward Linkages, Human Resource & Skill Development, Social Security, Physical Infrastructure, Export & Marketing, Margin Money for Working Capital, Corpus Fund for Yarn Depot.

2.2 The aforesaid list of permissible activities is only illustrative yet not restrictive. There will be flexibility to suit the local requirements. The Project Approval & Monitoring Committee (PAMC) will decide on merit the inclusion or otherwise of a component in the project cost on case to case basis.

## **3. Features of the proposed clusters**

- A. Core Infrastructure** like Road connectivity, Power Supply, Water supply, Water Reservoir with water harvesting facility, Drainage & Sewage line, Streetlights, Secured compound wall & wire fence, Solid waste disposal plant/Effluent Treatment Plan, Transportation facility and Parking bay. Cost of Civic Amenities shall not be included in the project cost.
- B. Common Facilities** like Common facility centre, Warehouse, Trade/Display Centre, Exhibition Hall, Convention Centre, Craft Based Resources Centres, Raw Material Bank and Information Centre.
- C. H R Development Facilities & Training Centre** like Recruitment Centre, Workflow Training Centre, Class room with LLD Project (For Classroom Training), Library; Recreation Centre, Workers' Hostel, Faculty Room, Creche & Canteen, Labour Restroom and Management Consultancy Centre.

- D. Weaving support Services & Commercial Area** like Electrical Spare and Electrician, Weaving Accessories supply, Mechanical Workshop, Mills Store Shops, Machinery Vendors Spares and Service Centre.
- E. Textile Export Service & Marketing Centre** like Clearing Agents, Custom's Office, Export related service, like DGFT Liaison, Registration with different EPCs and Export Marketing Consultant.
- F. Common Facilities for Industrial Section** like Communication Network (including broadband service), Administrative Building, Bank, Health Centre, Fire Fighting Station, Post Office and Primary School
- G. R & D Infrastructure** like Product Design & Development Support Centre, Testing Laboratory, Quality Benchmark Centre [following TQM Technique], Material Research, Basic Product Technology Research, Pre-competitive Collaborative Research and Market Research.

**4. Deliverables/Advantages of the proposed Clusters**

**Social advantage** - Employment Generation and Better living standards for the existing weavers/artisans.

**Economic advantage** - Foreign Exchange earnings by export, Substantial Increase in Production, Increase in the business of small entrepreneurs, Savings in cost by manufacturers in the cluster due to better infrastructure and Government induced benefits, Revenue generation to local bodies, State & Central Governments and Growth of industry in an organised form.

**Environmental advantage** - Effluent Treatment Plant & Solid Waste Management system following benefits will accrue the benefit to the cluster like Conversion of waste & barren land into useful land, No harmful & polluting gases and No harmful & chemical content industrial waste water.

## 5. Funding Pattern:

5.1 The funding will be in the ratio of 40:60; wherein Government grants per cluster may constitute a maximum of 40% (with a ceiling of Rs.70 crores) and the balance 60% shall be raised by SPV through various stakeholders. The contribution of 60% by SPV also includes the cost of land. While this sharing is largely valid at the overall project level, the respective shares of the stakeholders may vary from component to component depending upon the nature of interventions. The project would be implemented over a period of 4 years. The DPR would clearly provide year wise phasing with respect to interventions and requirements of funds. The Government of India's (GOI) support under the Scheme (CPCDS) by way of Grant will be limited to Rs. 70 Crore for each of the clusters (inclusive of administrative expenditure for monitoring, evaluation and payment of fee to the Cluster Management and Technical Agency). However, additional assistance, not exceeding Rs.30 Crore, may be mobilized by preferential channelization / dovetailing of grant funds available under various schemes of the Central and State Governments. Some of these schemes that can be leveraged are:

- Scheme for Integrated Textile Parks (SITP) & Technology Upgradation Fund Scheme (TUFS) of the Ministry of Textiles;
- Schemes available under Powerloom Sector Schemes;
- Schemes available under Ministry of Rural Development, such as, Swarnjayanti Gram Swarozgar Yojana (SGSY);
- Schemes available under Ministry of Urban Development and Poverty Alleviation;
- Schemes of Ministry of Commerce, such as, MDA, MAI, etc.;
- Schemes under Ministry of MSME.
- Schemes of Ministry of Tourism, such as scheme for rural tourism.
- Schemes of Ministry of Panchayati Raj.
- Industrial Infrastructure Upgradation scheme(IIUS) of Department of Industrial Policy & Promotion.
- Schemes of the State Governments for development of powerloom industry.

5.2 There will be broadly three categories of funding for various project components. First could be a project in which specific scheme of Govt. of India exists, e.g. in case the SPV wants to develop integrated powerloom cluster, which is covered under the scheme of SITP of Ministry of Textiles, then SPV can take funding from SITP scheme. Similarly, it is clarified that in the case of upgradation/replacement of looms and improvement of worksheds, the funding would be tied up/dovetailed from the TUFS. Similarly, for physical infrastructure covered under Industrial Infrastructure Upgradation Scheme [IIUS], funding can be taken by SPV from the scheme of IIUS of Department of Industrial Policy & Promotion as per the scheme parameters. Second type of intervention could be those specific interventions, which are required for growth of the powerloom cluster and are covered as a part of scheme of the Office of the Textile Commissioner, Mumbai. Such projects could be setting up of marketing hubs in metros/sourcing hubs in clusters, warehousing facility in the clusters, design bank, resource centre, raw material bank for the craft, common facility centre, etc. For these interventions, the SPV shall be made eligible under relevant scheme of the Office of the Textile Commissioner to obtain grants under relevant scheme components. Third type of intervention relate to missing gap, not covered under the scheme of Central or State Government, for instance, the SPV may want to undertake certain activities which are critical for the development of clusters and are commercial projects. For such projects, which are relating to critical gap and not covered under any scheme of the Office of the Textile Commissioner, there will not be separate funding from Textile Commissioner for critical gaps.

5.3 Assistance under the CPCDS will be available for implementation of various activities as outlined in the Detailed Project Report (DPR), except that the grant will not be available for purchase of land. Further, the cost of Civic Amenities shall also not be included in the project cost.

5.4 Budget provision of not exceeding Rs.1 Crore per annum shall be made for administrative expenditure, evaluation, studies, research & seminars, information dissemination, publicity, and for putting in an IT enabled monitoring mechanism, etc.

5.5 The Government of India's (GOI) support under the Scheme to various components of each cluster will be as under:-

	<b>Component</b>	<b>Rate of assistance under the CPCDS</b>	<b>Maximum limit of assistance</b>
a)	Core infrastructure	40%	Rs. 40 crore
b)	Common Facilities	40%	Rs. 40 crore
c)	HRD / Training Infrastructure	50%	Rs. 10 crore
d)	R & D Infrastructure	90%	Rs.10 crore
e)	Other need based infrastructure	40%	Rs.10 crore

5.6 Provision of funds, over and above the limit of Rs. 70 crore under the CPCDS, from other schemes of the GOI and State Government would be subject to compliance with the guidelines of the respective scheme.

## **6. Release of Funds:**

6.1 The following schedule will be adopted for release of GOI assistance under this Scheme:

- i) For each component, 1<sup>st</sup> instalment of 30% of the Government of India (GOI) share will be released as and when the component is ready for implementation.
- ii) 30% of the total GOI share after the utilisation of the 1<sup>st</sup> instalment and after the proportionate expenditure has been incurred by the Implementing Agency. Utilisation Certificate (UC) of the 1<sup>st</sup> Instalment shall be submitted by the Implementing Agency at the time of making claim for the 2<sup>nd</sup> Instalment.
- iii) 30% of the total GOI share after the utilisation of the 2<sup>nd</sup> instalment and after the proportionate expenditure has been incurred by the Implementing Agency. Utilisation Certificate (UC) of the 2<sup>nd</sup> Instalment shall be submitted by the Implementing Agency at the time of making claim for the 3<sup>rd</sup> Instalment.

iv) 10% of the total GOI share will be released after successful completion of the project. The UC of the 3<sup>rd</sup> Instalment shall also be submitted by the Implementing Agency at the time of making claim for the final Instalment.

6.2 For release of assistance under any other scheme(s) of the GOI / States Government, Implementing Agency will submit its claim to the Ministry of Textiles for consideration of the **Project Approval & Monitoring Committee (PAMC)**. The PAMC, after scrutiny, will recommend the claim to the concerned Ministries/Department for release of assistance.

6.3 The Implementing Agency would forward their claims to the MOT supported by documents such as Utilisation Certificate in the format of GFR 19A, Pre-Receipt Bill, Surety Bond etc., as required under the relevant rules.

6.4 Separate accounts shall be kept by Implementing Agency for the funds released by GOI, which shall be subject to audit by the Comptroller & Auditor General of India.

6.5 In the event of an Implementing Agency withdrawing from executing a project before utilizing the Government assistance, then the Implementing Agency should immediately return the Government assistance together with the interest accrued thereon, if any. Payment of penal interest by the Implementing Agency shall be decided by the PAMC on case to case basis.

## **7. Implementation Methodology & Framework**

7.1 A project of this nature, which is need based, multi stakeholder driven, holistic and outcome oriented, would require institutional structure and processes that are capable and conducive to achieving the objectives of the program.

7.2 Ministry of Textiles will select **Cluster Management and Technical Agency (CMTA)** for the two clusters through competitive bidding system for undertaking a detailed diagnostic study of the targeted clusters in order to identify the needs, gaps and also developing base line reference data. The study report will also specify the nature of stakeholders of the Special Purpose Vehicle (SPV) for each project and Implementing

Agency for each component of the project.

7.3 The SPV shall be a legal entity, preferably a Company with the participation of related stakeholders, particularly the leading manufacturers, suppliers, buyers, and artisan federations/SHGs.

7.4 The SPV shall have option to implement all or some components of the project through other Implementing Agencies.

7.5 The SPV, in consultation with the CMTA, will prepare a Detailed Project Report (DPR) covering technical, financial, institutional and implementation aspects, based on the diagnostic study. This DPR would clearly establish the expected outcome of each of the interventions, which are measurable.

7.6 The PAMC will consider/validate the findings of the diagnostic study report and the Detailed Project Report (DPR) and suggest modification, if any, for implementation.

7.7 The SPV shall procure the land, wherever required, for any of the interventions. GOI grant shall not cover the purchase of land.

## **8. Implementation Structure**

8.1 Considering the challenges and the complexities of the proposed program, the following implementation structure is envisaged:

### **(a) Special Purpose Vehicle (SPV):**

- (i) A multi stakeholder cluster level legal entity, preferably a company registered under the Companies Act will be set up for each of the clusters.
- (ii) There shall be a provision to setup more than one SPV in a cluster for speedy & effective implementation of the programmes.
- (iii) Such SPV shall be responsible for ownership, execution and management of the interventions / facilities created under the project.



- (iv) The majority of the equity of such SPV shall be with the weavers of the cluster and *I* or their associations *I* cooperatives *I* federations/ SHGs. The remaining stake will be held by strategic investors such as buyers, large scale processing units, banks, financial institutions, State Government agencies, etc. **However, the combined stake of the aforesaid agencies shall not exceed 26%.**
- (v) The SPV for each of the clusters will be the focal point and shall be responsible for coordinating the implementation of each of the components of the project.
- (vi) GOI support will be released to the SPV or the selected Implementing Agency on the respective components.
- (vii) The SPV would be the focal points for implementation of the Scheme, playing the following role:
- The SPV would conceptualize, formulate, achieve financial closure, implement and manage the infrastructure.
  - The SPV would procure land.
  - SPV would be responsible for maintaining the utilities and infrastructure created by collecting service and user charges to recover cost and future expansion.
  - The SPV has to be so structured as to be self-sustaining with a positive revenue stream.
  - SPV would appoint contractors/consultants in a fair and transparent manner. In order to ensure timely completion of the project, SPV will obtain appropriate performance guarantee from consultants/contractors.
- (b) **Cluster Advisory Group (CAG):**

Ministry of Textiles may constitute an advisory group at the cluster level with the representation of all such organizations and other key stakeholders, including the

State Governments' representative(s), to guide and support the SPV.

(c) **Cluster Management and Technical Agency (CMTA):**

- (i) The nature of the proposed project warrants proactive technical and managerial assistance on 'concept' to 'commissioning' basis. In view of limitations of the Government agencies in playing a catalytic role as envisaged, the services of a professional agency, to be selected through competitive bidding process, will be utilized by the Ministry of Textiles as CMTA for each of the clusters, for which Ministry of Textiles will pay fee out of the budget provision for the scheme.
- (ii) Such agency shall have proven capability in terms of technical, managerial, financial, infrastructure and capacity building expertise that are required to design and execute cluster oriented interventions.
- (iii) CMTA, apart from assisting the Ministry of Textiles in designing and monitoring of the project, will proactively work with the cluster stakeholders and the SPV in implementation of the interventions. The illustrative list of responsibilities of such CMTA is given below:
  - Conducting diagnostic study.
  - Preparing DPR.
  - Sensitizing and mobilizing the stakeholders to be part of the proposed project.
  - Establishment and structuring of the SPV.
  - Assisting the Ministry / SPV in releasing / mobilizing funds for the project. Such mobilization would involve preparation of proposals under relevant schemes of the Government apart from tying up loans from the banks.
  - Assisting the SPV in obtaining requisite statutory approvals / clearances.
  - Assisting the SPV in identification and engagement of service providers / consultants for various services related to specific technology, processing, designing, skill development, marketing, financing etc, for implementation

/ execution of the interventions outlined in the DPR.

- Providing interfacing support and linkages between the SPV and various other stakeholders, particularly the Government organizations, buyers and financial institutions.
- Providing periodical progress reports to the Ministry of Textiles with respect to achievements of the stated outcomes.

## **9. Role of State Government:**

9.1 The role of the State Government is envisaged in the following areas:

- i) Providing all the requisite clearances, wherever needed, and providing the necessary assistance for Power, Water and other utilities.
- ii) Assist in identification and procurement of suitable land.
- iii) The State Government agencies like Infrastructure/Industry Development Corporations may also participate in the projects by way of subscribing to the equity of SPV or by providing grants.
- iv) Providing flexible and conducive labour environment and consider special facilities like exemption of stamp duty etc.
- v) Dovetailing of other related schemes for overall effectiveness and efficiency of the project.

9.2 In order to facilitate proper coordination, State Governments would be requested to participate in the SPV at each cluster level.

## **10. Project Approval and Monitoring Committee (PAMC):**

10.1 The detailed project report (DPR) shall be considered and sanctioned by a Project Approval and Monitoring Committee (PAMC). The PAMC shall accord further approvals only after the comprehensive DPRs are in place. The implementation of the various projects should also be reviewed periodically by the PAMC. The composition of the PAMC shall be as follows:

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|--------|--|--------------------|
| (i)    | Secretary (Textiles)   | - Chairman         |
| (ii)   | Additional Secretary & FA, Ministry of Textiles.                   | - Member           |
| (iii)  | Advisor (Industry), Planning Commission                            | - Member           |
| (iv)   | Joint Secretary (PF-II), D/o Expenditure                           | - Member           |
| (v)    | Joint Secretary (Mega Cluster), M/o Textiles                       | - Member           |
| (vi)   | Joint Secretary of Schemes of the concerned Ministries/Departments | - Member           |
| (vii)  | Economic Advisor, Ministry of Textiles                             | - Member           |
| (viii) | Representative of the concerned State Government                   | - Member           |
| (ix)   | Director (Mega Cluster), Ministry of Textiles                      | - Member Secretary |

10.2 The Committee may co-opt any other member as it may deem fit.

#### **11. Project Monitoring and Evaluation:**

11.1 The PAMC will periodically review the progress of the projects under the scheme. The CMTA would devise a suitable monitoring and evaluation system and shall furnish monthly reports/returns to the Ministry of Textiles. The PAMC will consider the suggestion(s) of the CAG and issue instructions to the SPV/CMTA/Implementing Agency for efficient implementation of the project.

12 In so far as interpretation of any of the provisions of these guidelines, the decision of the PAMC shall be final.

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