

No. 1(634)/CDD/Guidelines Modification/2016
Government of India
Office of the Development Commissioner (MSME)
Ministry of Micro, Small & Medium Enterprises
Cluster Development Division

Nirman Bhawan, New Delhi
Dated 27th July, 2016

OFFICE MEMORANDUM

Subject: Modification in the Guidelines of Micro & Small Enterprises – Cluster Development Programme (MSE-CDP) - regd.

The modified guidelines are in supersession of the guidelines issued vide 1(17)/SICDP/ Cluster/TM/2006 dated 10th February 2010 for cluster development, including subsequent clarifications / orders in these regards.

2. As per clause no. 12.2 of the guidelines, each State Government is required to constitute a Project Steering Committee under the Chairmanship of Secretary / Principal Secretary (Industries) / Commissioner of Industries / Director of Industries and consisting of representatives of all stakeholders. **The Project Steering Committee would approve and monitor the projects of the concerned State** to ensure satisfactory and time-bound implementation of the activities. The State Level Project Steering Committee shall consist of:

1.	Secretary / Principal Secretary (Industries) / Commissioner of Industries / Director of Industries.	Chairman
2.	Managing Director or Representative of Implementing Agency	Member Secretary/Convenor
3.	Representative of Finance Department	Member
4.	Director, MSME-Development Institute	Member
5.	General Manager, District Industries Centre concerned	Member
6.	Special invitees (if any)	

3. The State Level Project Steering Committee will henceforth deal with diagnostic study report and soft interventions. It will have the final authority to sanction diagnostic study report and to monitor the implementation of soft interventions. The Steering Committee at the National Level will only look into the detailed project report. The Government of India will not give any grant for diagnostic study report and soft interventions. However, if a detailed project report is finally approved, a sum of Rs.10.00 lakh (Ten lakh) will be considered as a contribution by the Special Purpose Vehicle (SPV) towards the project.

4. After the approval of the diagnostic study report by the State Level Project Steering Committee, implementation of soft interventions, the detailed project report earlier approved by the State Committee, will be taken up by the Steering Committee of the MSE-CDP (under the Chairmanship of Secretary, MSME) for in-principle approval. This National Level

Steering Committee, before giving in-principle approval, would look into the following requirements also.

- (i) The cluster must have identified the members for proposed SPV and the methodology of forming the SPV.
- (ii) It must have identified the land for implementation of hard intervention.

5. This is being done to ensure that after the in-principle approval, the proposal is brought to finality at the earliest and it should come before the Steering Committee for final approval.

6. In-principle approval is valid for three months and it is expected that the project will be made ready for final approval within this time. In case, complete proposal is not received in three months, it will automatically lapse, unless it is specifically specified by the Steering Committee.

7. Proposals accorded in-principle approval will be placed in the **Steering Committee of the MSE-CDP under the Chairmanship of Secretary (MSME) for final approval after fulfilment of the following conditions:**

- a. Formation of SPV.
- b. Land procured and registered in the name of SPV. In case of leased premises, the lease should be legally tenable for a fairly long duration of 15 years in the name of SPV.
- c. Submission of appraised Detailed Project Report (DPR) by SIDBI / Bank (if bank financing is involved) / independent Technical Consultancy Organization.
- d. Details of the Share holding of the SPV and Project Specific account in Schedule A Bank.

8. The project (setting up of CFC) should be completed within two years from the date of final approval. Further, extension would be granted for a period of six months **subject to condition that there would be reduction of up to 10% of GoI share and the same to be borne by the SPV as additional contribution.** The proposals for extension would be approved in the Steering Committee of the MSE-CDP.

9. Funds would be released to the Implementing Agency (State /UT Government Agency) on the basis of the physical progress and actual expenditure incurred on various projects. Allocations of funds priority wise to different projects have to be decided by the Implementing Agency.

10. Once the Plants and Machineries (P&M) are approved in the Steering Committee of the MSE-CDP, the same would not be considered for changes, unless they are going for higher version or adopting new technologies. Any escalation in the cost of project above the sanctioned amount, due to any reason will be borne by the SPV/ State Govt.

11. Contribution by the SPV or the beneficiaries share should be upfront. However, State Government may release their complete share either in one go or proportionately in the ratio of 40:30:30 and the same should be released prior to release of GoI grant. In case the State share released is high, the GoI grant will be released proportionately, but not more than 50% as first instalment. Balance GoI grant will be released in two instalments in the ratio of 30:20.

12. All the members of the cluster and their details, to be uploaded on MSME Data Bank and Udyog Aadhaar (UA).

13. Monthly physical progress of each cluster in all aspects has to be uploaded by the concerned MSME-DI on the internal e-samiksha portal along with the photographs to know the actual status.



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12. All Directors, MSME-DIs / Director, MSME Testing Centres / All Branch MSME-DIs
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17. Director, IIE, Guwahati
18. Chairman, Coir Board
19. Chairman / President, National Level Industry Associations
20. Chairman / President, State Level Industry Associations
21. PS to Minister (MSME)
22. PS to Minister of State (MSME)
23. PPS to Secretary (MSME)
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