

Notification

The 10th June, 2016

No. 49/43/2015-4IB1 in pursuance to Enterprises Promotion Policy, 2015 notified vide No. 49/43/2015-4IB1 dated 14th August, 2015, the Governor of Haryana is pleased to formulate the State Mini Cluster Development Scheme for promotion of Micro & Small Enterprises in the State as per details given below:

1. Background:

The State Government has adopted the cluster development approach as a key strategy for enhancing the productivity and competitiveness as well as capacity building of Micro & Small Enterprises (MSEs) in the State. A cluster is a group of enterprises located within an identifiable and as far as practicable, contiguous area and producing same/ similar products/ services. The essential characteristics of enterprises in a cluster are (a) Similarity in the methods of production, quality control and testing, energy consumption, pollution control, etc. (b) Similar level of technology and marketing strategies/practices (c) Channels for communication among the members of the cluster (d) Common challenges and opportunities.

2. Objectives of the Scheme:

- (i) To support the sustainability and growth of MSEs by addressing common issues such as improvement of technology, skills and quality, market access, access to capital, etc.
- (ii) To build capacity of MSEs for common supportive action through formation of self help groups, consortia, upgradation of associations, etc.
- (iii) To set up common facility centres (for testing, design, R&D training centre, effluent treatment, complementing production processes, etc).

The State Government has felt need to facilitate the Micro & Small industrial units and has come out with a new scheme, totally supported by the State to meet out the above objectives. The guidelines of the State Mini Cluster Development scheme are as under:

3. Eligibility:

A group of minimum 10 Micro and Small functional industrial units of similar activity in a identified area, which have filed entrepreneur memorandum Part-II/

UAM may apply. The CFC shall be functional within two years from the date of final approval, unless extended with the approval of Steering Committee.

4. Diagnostic Study:

The first and foremost activity in the cluster development process is to conduct a diagnostic study to map all the business processes of the units viz. manufacturing processes, technology, marketing, quality control, testing, purchase, etc to find out its strengths, weaknesses, threats and opportunities (SWOT) and a well-drawn action plan for enhancing competitiveness and to position the cluster on a self sustaining trajectory of growth.

Diagnostic Study Report (DSR) is very important document and the study should be conducted with special attention. The Study should focus on enhanced competitiveness, technology improvement, adoption of best manufacturing practices, marketing of products, employment generation, etc. There has to be direct linkages between the problems highlighted in the report and the measures suggested for improvement.

5. Soft Interventions:

Soft activities under the programme would consist of activities which lead to creation of general awareness, counseling, motivation and trust building, exposure visits, market development including exports, participation in seminars, workshops and training programmes on technology up gradation, etc. These interventions bring about general attitudinal changes necessary to initiate improvement in the existing style of working of the MSEs in the cluster. It is necessary to prepare a Diagnostic Study Report (DSR) including validated action plan, performance indicators/ milestones to evaluate the project, before undertaking Soft Interventions. Activities are undertaken as per approved action plan included in DSR.

- (a) The critical mass in a cluster for effectively realizing the demonstrative impact of soft interventions should be maximum but not less than 10 units participating in the cluster development activities.
- (b) Maximum limit for soft intervention shall be Rs. 10.00 lacs per cluster. The grant-in-aid @ 80% shall be available for such soft interventions. The

**HARYANA GOVERNMENT
INDUSTRIES AND COMMERCE DEPARTMENT**

remaining amount of 20% shall be contributed by the Special Purpose Vehicle (SPV). The cost towards soft intervention shall be adjusted in the total eligible grant of Rs.1.80 crore.

- (c) The assistance of Rs. 1 Lakh shall be provided for conducting the Diagnostic study through MSME Development Institute, Karnal of GoI or any consultant. The assistance against the Diagnostic study report duly validated by the concerned Joint Director/ Deputy Director shall be provided from the consultancy scheme meet for seeking consultancy services for implementation of MSMEs schemes.

6. Hard Interventions:

Hard Interventions under the programme will consist of creation of tangible “assets” as Common Facility Centres (CFCs) like Common Production/ Processing Centre (for balancing/ correcting/improving production line that cannot be undertaken by individual units), Design Centres, Testing Facilities, Training Centre, R&D Centre, Effluent Treatment Plant, Marketing Display/Selling Centre, Common Logistics Centre, Common Raw Material Bank/Sales Depot, etc.

- (a) The State Grant will be restricted to 90% of the cost of project with a maximum project cost of Rs. 2.00 crores. The cost of project includes cost of land and building (subject to maximum of 25% of Project cost), machinery & equipment, miscellaneous fixed assets. The SPV shall arrange the working capital if any, from its own resources and furnish documentary proof of margin money for working capital before the release of the final installment of grant in aid.
- (b) The entire cost of land shall be borne by the SPV. In case of existing land and building is provided by stakeholder, the cost of land and building will be decided on the basis of valuation report prepared by an approved agency of the State Government. The cost of land and building shall be taken towards the contribution of the SPV in the project. CFC can also be set up on leased premises, however, irrevocable lease shall be not less than a period of 10 years.
- (c) It is necessary to form an SPV prior to setting up of and running the proposed CFC. The SPV shall consist of members who fall under the definition of ‘Micro

**HARYANA GOVERNMENT
INDUSTRIES AND COMMERCE DEPARTMENT**

and Small enterprises'. The member units should have filed EM Part-II/ UAM with the concerned DIC. The SPV should have a character of inclusiveness wherein provision for enrolling new members to enable prospective entrepreneurs in the cluster to utilize the facility should be provided. In addition to the contributing members of the SPV, the organizers should obtain written commitments from 'users' of the proposed facilities so that its benefits can be further enlarged. The bye-laws of SPV should have provisions for one State Govt. officer as member of the SPV.

- (d) There should be a minimum of 10 MSE cluster units serving as members of the Special Purpose Vehicle (SPV). There is no ceiling on the maximum number of members.
- (e) The share of the cluster beneficiaries should be as high as possible but not less than 10 per cent of the total cost of CFC. State Government contribution will be considered as gap funding. All the participating units should be independent in terms of their financial stakes and management. No single unit will hold more than 10 per cent in the equity capital (or equivalent capital contribution) of the SPV.
- (f) Contribution by the SPV or the beneficiaries' share should be made upfront.
- (g) The CFC may be utilized by the SPV members and as also others in the cluster.
- (h) The CFC should be operationalized within two years from the date of final approval, unless extended with the approval of Steering Committee.
- (i) Escalation in the cost of project above the sanctioned amount, due to any reason, will be borne by the SPV.
- (j) User charges for services of CFC shall be close to prevailing market prices, as decided by the Governing Council of the SPV. The SPV members may be given reasonable preference in user charges and capacity utilization.
- (k) The CFC with cost higher than Rs 2.00 crore can also be considered. However, the State grant will be calculated with project cost ceiling of Rs 2.00 crore.
- (l) An Agreement between State Government and the SPV shall be signed for CFC projects. The format of the agreement is given at **Annexure-A**.

**HARYANA GOVERNMENT
INDUSTRIES AND COMMERCE DEPARTMENT**

7. How to apply:

The beneficiaries of mini cluster shall submit preliminary application to the Director of Industries & Commerce, Haryana consideration of grant with a copy to the concerned Joint Director/Deputy Director, District Industry Centre.

8. Project Approval:

The project shall be sanctioned and implemented under the guidance of State Level Steering Committee. The members of the Committee shall be as under:

1.	Administrative Secretary Industries & Commerce	Chairman
2.	Representative of Finance Department	Member
3.	Director, MSMEs Development Institute of Gol at Karnal	Member
4.	General Manager/ DGM, Haryana Financial Corporation (project appraising body)	Member
5.	Representative of Punjab National Bank (Lead Bank of the State)	Member
6.	Director Industries & Commerce	Member-Secretary

NOTE: The Chairman of the State Level Steering Committee can co-opt any other member at his discretion and the proposal shall be sanctioned by the committee within 30 days from the date of completion of the documentation.

- 8.1. DPR shall be got appraised through Haryana Financial Corporation or any other scheduled bank, at the cost of SPV.
- 8.2. The meeting shall be convened once in two months. Meeting can however, be called at any other time at the discretion of the Chairman of the State Level Steering Committee.
- 8.3. These preliminary applications along with a Diagnostic Study Report (DSR) shall be put up to the office of Director Industries & Commerce for acceptance. On acceptance, the case shall be put up to the State Level Steering Committee meeting for approval for conducting Detailed Project Report (DPR).
- 8.4. The DPR shall be prepared by the Special Purpose Vehicle (SPV) through their Consultant, who is competent to prepare such document and having sufficient experience of conducting similar studies in the past. The DPR shall also be got validated by the members of the SPV and the

**HARYANA GOVERNMENT
INDUSTRIES AND COMMERCE DEPARTMENT**

representative of concerned Joint Director/ Deputy Director. The SPV may apply for grant-in-aid amounting to Rs. 3.00 lacs to conduct the DPR. Director Industries & Commerce shall be competent to sanction cost of Rs.3.00 lakh as DPR charges to be paid to the Consultant. The cost of DPR shall be adjusted in the total eligible grant of Rs. 1.80 crores.

- 8.5. The project implementation shall be done by a committee constituted by the SPV under the supervision of the concerned Joint Director/ Deputy Director.
- 8.6. **Purchase Committee:** The Purchase Committee shall consist of the following members.

1.	Joint Director / Dy. Director, DIC of the concerned District	Chairman
2.	One Accounts Officer to be nominated by the Deputy Commissioner of the District.	Member
3.	3 nominated SPV members	Member
4.	Consultant of project	Member

- 8.7. This Purchase Committee will ensure the transparency in the process of preparation of RFP/ floating of tenders and its finalization as per the GFR.

9. Disbursement of Grant-in-aid

For disbursement of grant-in-aid for hard interventions, the SPV shall have to raise its contribution upfront. The grant-in-aid shall be disbursed in two tranches:

- 9.1. 1st Tranche of grant-in-aid shall be released after compliance of the following formalities:
- a. Land should be registered in the name of the Special Purpose Vehicle (SPV)
 - b. The SPV has opened the bank account dedicated for the purpose of deposit of contribution of the SPV and State Government grant.
 - c. Documentary proof of margin money contribution for working capital.
 - d. After execution of the agreement by SPV with the State Government as per **Annexure-A**.
 - e. 50% (1st Tranche) amount of grant-in-aid shall be released only after Purchase Committee constituted for this purpose has recommended the

**HARYANA GOVERNMENT
INDUSTRIES AND COMMERCE DEPARTMENT**

grant-in-aid after ensuring that the transparent tendering process for construction of building and procurement of machinery has been finalized.

- 9.2. 2nd and final tranche of grant-in-aid shall be released after compliance of the following formalities:
- a. Submission of Utilization Certificate (UC) of the 1st tranche of grant-in-aid duly verified by concerned Joint Director/ Deputy Director of District Industries Centre.
 - b. Physical Inspection Report of the status of CFC by the concerned Joint Director/ Deputy Director of District Industries Centre.
 - c. Recommendations of the Purchase Committee (Minutes) for release of 2nd tranche of grant-in-aid with the details of plant & machinery finalized.
- 9.3. Pending utilization of State Government grant, the funds will be parked in a separate dedicated account created for this purpose. Interest accrued, if any, on unutilized fund shall be adjusted against future disbursement under the scheme.
- 9.4. The capping limit of grant-in-aid including soft interventions, cost of DPR etc., shall be Rs. 1.80 crores.

10. Monitoring and Evaluation

- 10.1. The State Level Steering Committee (SLSC) will be the apex body for coordinating and overseeing the progress of the projects.
- 10.2. SLSC will also facilitate the SPV members for obtaining State Government approvals from the other department.
- 10.3. The project implementation period shall be 2 years from the date of approval by SLSC. This period can be extended by the SLSC, keeping in view the justification of the delay.
- 10.4. The SPV will run the Common Facility Centre (CFC) for a period of 10 years from the date of going into operation. In case of its closure and violation of

**HARYANA GOVERNMENT
INDUSTRIES AND COMMERCE DEPARTMENT**

- the terms & conditions of the sanction letter by the SPV, the possession of the CFC shall be taken over by the State Government.
- 10.5. The SPV shall, at its own cost, insure and keep insured all the plant, machinery, fixtures and equipment of the CFC for a minimum period of 10 years. In case of loss or damage to such plant, machinery, fixtures and equipment, etc., the insurance claim shall be payable to the State Government.
- 10.6. All plant, machinery, fixtures and equipment procured for the purpose of the CFC with the support of the State Government grant shall be the exclusive property of the Government.
- 10.7. The establishment of the CFC, including civil works, if any, shall be completed by the SPV within 18 months of the receipt of the Sanction Letter, or such extended time as the State Government may, on its satisfaction as to the reasons of delay, grant.
- 10.8. Books of Accounts of the expenses incurred for the purchase of fixed assets for the purpose of setting up of CFC shall be maintained by the Implementing Agency. The accounts books shall be open for inspection by the statutory auditors/auditors of the State Government.
- 10.9. SPV will submit a copy of audited balance sheet at the close of each financial year in the office of concerned JD/DD, DIC before September.

**HARYANA GOVERNMENT
INDUSTRIES AND COMMERCE DEPARTMENT**

Annexure-A

Format for Agreement between Special Purpose Vehicle (SPV) and State Government for funding under State Mini Cluster Development Scheme (SMCDS).

This agreement is made at on this theth day of 20.... between (1) the Governor of Haryana, acting through and represented by Director General of Industries and Commerce (hereinafter after referred to as the ‘State Government’), (2) Special Purpose Vehicle (SPV), having its registered office at..... represented by its Managing Director/Chief Executive Officer (hereinafter referred to as the ‘SPV’) duly authorized by their Board of Directors/society.

WHEREAS the State Government has introduced a scheme named as “**State Mini Cluster Development Scheme**” with the objective of capacity building of micro and small enterprises (including small scale service and business entities) and their collectives in the country;

AND WHEREAS the SPV has been created and constituted as a partnership firm/trust/society/co-operative society/company, *inter alia*, to create, establish, run and maintain a Common Facility Centre at(the CFC) for the use and benefit of its members and of other units engaged or coming up in the same industry, trade or vocation in theof(the Cluster);

AND WHEREAS the SPV has submitted a project for approval of the State Government under the SMCDS;

AND WHEREAS the State Government has approved the project submitted by the SPV subject to the conditions mentioned in the sanction letter No. dated, which shall be deemed to be a part of this Agreement and the State Government has also agreed to contribute towards the cost of establishment of the CFC;

AND WHEREAS for binding the Parties to their respective obligations and to ensure long term use of the CFC by the enterprises in the Cluster, the Parties are desirous to enter into an agreement;

**HARYANA GOVERNMENT
INDUSTRIES AND COMMERCE DEPARTMENT**

NOW THIS AGREEMENT WITNESSETH AS FOLLOWS:-

1. The SPV shall set up the CFC at..... on a piece of land to be provided by it free of all encumbrances and charges.
2. The SPV shall contribute to the cost of establishment of the CFC from its resources to the extent and in the form as laid down in the Sanction Letter.
3. The State Government shall, on satisfactory proof of the contribution by the SPV, make their respective contributions towards the cost of establishment of the CFC, at such time, in such manner and to such extent as laid down in the Sanction Letter.
4. The establishment of the CFC, including civil works, if any, shall be completed by the SPV within 18 months of the receipt of the Sanction Letter, or such extended time as the State Government may, on its satisfaction as to the reasons of delay, grant.
5. The SPV shall be exclusively responsible for the day-to-day running of the CFC. The aim of running the CFC shall be to provide common services to the enterprises in the Cluster at affordable cost as well as to generate enough income to meet all its running expenditure, depreciation and provision for replacement/expansion of capital assets. However, any shortfall or excess of income over expenses shall be kept or borne by the SPV only.
6. The disbursement of funds by the State Government will be made only after the upfront contribution is made by the SPV.
7. The amount of grant-in-aid shall be withdrawn and utilized by SPV for the purpose for which it has been sanctioned by the State Government. The grant amount shall not be used for working capital.
8. Further, the SPV/implementing agency will ensure that necessary infrastructure like provisioning of land including provision of water and power supply for CFC is completed before they approach State Government for release of its share.
9. Pending utilization of State Government grant, the funds will be parked in a separate dedicated account created for this purpose. Interest accrued, if any, on unutilized fund shall be adjusted against future disbursement under the scheme.
10. State Government will reserve the right to carry out physical verification of the assets acquired with the funds or initiate any other enquiry as it may deem fit to

**HARYANA GOVERNMENT
INDUSTRIES AND COMMERCE DEPARTMENT**

- satisfy the competent authority with regard to the proper utilization of the funds released.
11. The SPV shall furnish utilization certificates for amounts released as grant-in-aid duly verified by the statutory auditors/ JD/DD, DIC of the concerned district.
 12. The State Government will act as a facilitator to supervise and evaluate the progress of the project separately.
 13. All plant, machinery, fixtures or equipment procured for the purpose of the CFC out of or with the support of the State Government grant shall be the exclusive property of the State Government, though in the custody and use of the SPV.
 14. The SPV shall, at its own cost, insure and keep insured all the plant, machinery, fixtures and equipment of the CFC for a minimum period of 10 years. In case of loss of or damage to such plant, machinery, fixtures and equipment, etc., the insurance monies shall be payable to the State Government.
 15. The SPV shall observe all the conditions and stipulations of the Sanction Letter.
 16. The management of the SPV and the operation of the CFC shall be in accordance with the State Government Guidelines dated, which shall be deemed to be a part of this Agreement.
 17. The SPV shall keep all monies not immediately required in interest bearing deposits with any Scheduled Bank in India.
 18. In the event of any liquidation or bankruptcy proceedings or any threatened distress action against the SPV or any of its assets all plant, machinery, fixtures and equipment procured for the purpose of the CFC out of or with the support of the State Government grant shall be outside such proceedings and the State Government may assume the control and management of the SPV and appoint any of its officer to run the CFC.
 19. The SPV represents and warrants:
 - A. That it has been duly constituted under the law as applicable and has full authority to enter into this Agreement.
 - B. That this agreement is binding upon it in all its provisions.
 - C. That it shall work on mutual co-operation basis on sound managerial and business principles and no managerial changes shall be made which may adversely affect the smooth functioning of the CFC.

**HARYANA GOVERNMENT
INDUSTRIES AND COMMERCE DEPARTMENT**

- D. That it shall keep all the plant, machinery, fixtures and equipment in good working order and shall undertake all preventive and remedial maintenance and upkeep and maintain insurance.
 - E. That the plant, machinery, fixtures and equipment procured out of or with support of the State Government, is the property of State Government and the SPV shall not sell, hypothecate, mortgage, charge or create any encumbrances against the said plant, machinery, fixtures and equipment or any part of it in favour of any person, for any reason or transaction.
 - F. That the SPV shall follow the directions of the State Government, as may be issued from time to time for better management of the SPV or the better running of the CFC.
 - G. That the SPV acknowledges that the State Mini Cluster Development Scheme provides for only one time grant towards capital cost of establishing the CFC and no subsidy/grant/assistance is envisaged for the recurring expenses or for replacement, renovation or expansion of the capital assets.
 - H. In the event, if it is found that the SPV has not utilized the amount of grant, or any part of it, for the setting up of the CFC or has subsequently sold or otherwise disposed of any of the assets of the CFC acquired out of the grant, the State Government, without prejudice to any other rights, shall be entitled to recover the amount of loss as arrears of land revenue from the SPV and / or persons connected with its management jointly and severally.
20. In case of any disputes or differences arising from, in relation to or in connection with this Agreement and not otherwise provided for in the succeeding clause, shall be settled by arbitration through reference to a sole arbitrator nominated by the State Government under the provisions of the Arbitration and Conciliation Act, 1996.
21. In case of violation of the stipulated conditions or non observance of the Sanction Letter or the State Government Guidelines by the SPV which is not cured within 15 days of issue of notice by the Industries Department, may, for such time as it may think proper, assume the management of the SPV, to assure proper functioning of the CFC. The decision of State Government in this regard will be final. In such

**HARYANA GOVERNMENT
INDUSTRIES AND COMMERCE DEPARTMENT**

event the SPV shall have no claims for any investment made in the CFC or its management.

22. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of the remaining provisions, which shall remain in full force.
23. No amendment to this agreement shall be valid unless expressed in writing and duly signed by both the Parties.
24. This agreement does not constitute any partnership of the State Government with SPV and the State Government shall not be responsible for any act, omission, negligence, etc. of the SPV or its employees, agents or contractors or any injury suffered or claim made by any person in respect of the working of the CFC.

1) State Government, Represented by Shri.....

2) Special Purpose Vehicle Represented by Shri.....

Witnesses:

1.
2.