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Government of India  
Ministry of Rural Development  
Department of Rural Development  
<https://rural.nic.in>  
(Rural Livelihoods Division)

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**Dated:** 17<sup>th</sup> November, 2022

To,  
The SMD/CEO SRLMs  
All States/UT

**Subject: Promoting Artisan Cluster guidelines under NRLM**

Madam/Sir,

I am directed to share the guidelines of Promoting Artisan Cluster, a component under the Start-up Village Entrepreneurship Programme (SVEP) sub-scheme of Deendayal Antyodaya Yojana - National Rural Livelihoods Mission (DAY-NRLM) of Ministry of Rural Development (MoRD).

The earlier Promoting Artisan Cluster guidelines approved under NRETP will be applicable to all the States in which Promoting Artisan Cluster are already approved.

This guideline of Promoting Artisan Cluster issues with the approval of Secretary (RD).

Yours faithfully,

  
**(Raghendra Pratap Singh)**  
Director (RL)  
Ph. 011-23438102  
17/11/2022

Encls:A/a

To,

1. All NROs
2. All State anchors

# **Guidelines for Promoting Artisan Clusters**

National Rural Livelihoods Mission  
Ministry of Rural Development (Government of India)

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## Acronyms

AAP	Annual Action Plan
B2B	Business to Business
B2C	Business to Customer
CBO	Community Based Organisations
CDE	Cluster Development Executive
CEO	Chief Executive Officer
CFC	Common Facility Centre
CLF	Cluster Level Federation
CPC	Common Production Centre
CSR	Corporate Social Responsibility
DAY-NRLM	Deendayal Antyodaya Yojana - National Rural Livelihoods
Mission DDU-GKY	Deen Dayal Upadhyay Grameen Kaushalya Yojna
DMMU	District Mission Management Unit
DPM	District Project Manager
DSR	Diagnostic Study Report
EC	Empowered Committee
FGD	Focus Group Discussion
NGO	Non-Governmental Organisation
NRLM	National Rural Livelihoods Mission
NRP	National Resource Person
PC	Producer Collective
PRA	Participatory Rural Appraisal
RFP	Request for Proposal
RSETI	Rural Self Employment Training Institutes
SFURTI	Scheme of Fund for Regeneration of Traditional Industries
SHG	Self Help Groups
SMD	State Mission Director
SMMU	State Mission Management Unit
SRLM	State Rural Livelihoods Mission
SRP	State Resource Person
SWOT	Strengths Weaknesses Opportunities Threat
TE – EP	Technical Expert Enterprise Promotion
TOR	Terms of Reference
TSA	Technical Support Agency

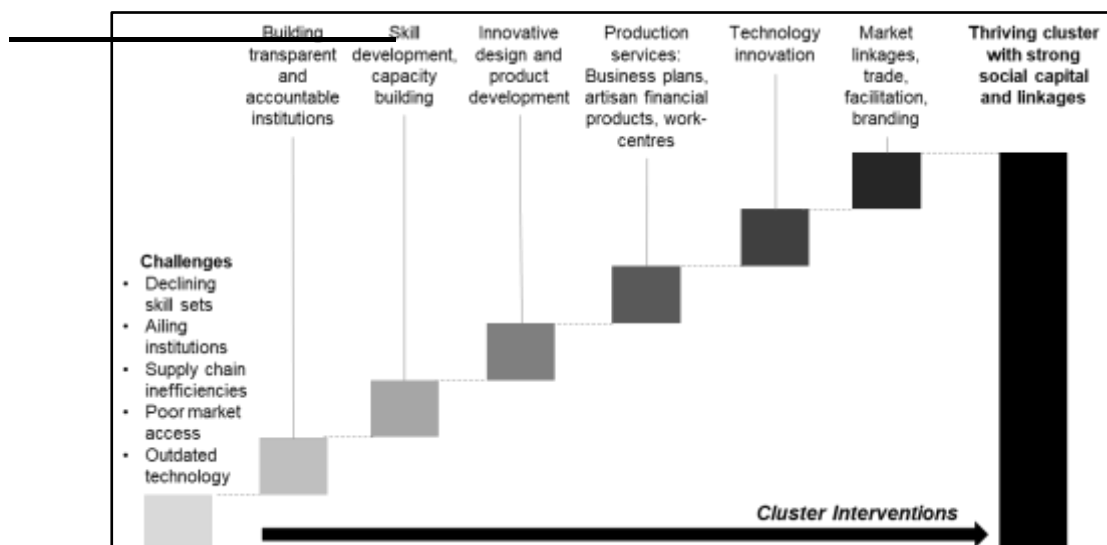
# 1. Context

Promoting and strengthening non-farm clusters has been an important strategy for nurturing rural livelihoods under the Deendayal Antyodaya Yojana - National Rural Livelihoods Mission (DAY-NRLM). The cluster approach allows for combining efforts, making use of synergies, and pooling resources to increase competitive advantage while sharing market risk. While several states have made significant progress in promoting agricultural clusters, there is a huge untapped opportunity in the non-farm space.

Geographical agglomeration of enterprises does not automatically yield advantages associated with clustering. Under the cluster component, DAY-National Rural Livelihood Mission (DAY-NRLM) seeks to:

- Map the existing enterprise agglomerations
- Understand the economic potential of the cluster, and
- Provide specific technical, capacity building, marketing, governance and infrastructure support to transition them into remunerative clusters

The pro-poor growth potential of cluster development resides not just in its capacity to stimulate high rates of livelihood generation for the economically underprivileged, but also in the conducive environment it provides for the promotion of broad-based and inclusive forms of development. Cluster-based community enterprises and their members often share a similar social, cultural and economic backgrounds and practice reciprocity and self-help. It tends to lend itself to growth patterns that are likely to be more inclusive than in most other economic contexts. Hence the rationale behind this approach rests in joint actions that allow cluster stakeholders to overcome limitations and reap opportunities beyond their reach.<sup>1</sup>



<sup>1</sup> 'The UNIDO Approach to Cluster Development', 2013

Under NRLM, over 50 million women have been organized into Self Help Groups (SHGs) and higher-level federations. These women's collectives and networks have evolved into an institutional architecture that serves as a platform for enterprise and skill development, enhanced access to financial services, improved access to nutrition and sanitation public services, and a range of technical and business development services in farm/non-farm sectors.

Under DAY-NRLM, two types of clusters shall be promoted:

1. Artisan clusters (handloom and handicrafts)
2. Sectoral clusters (food service, tourism, nutrition etc.) This guideline pertains to the development of artisan clusters.

## 2. Definitions

### 2.1 Cluster

A cluster of micro enterprises (including formal / informal factory level / informal household level enterprises) is defined as a geographic concentration of enterprises making the same or similar range of products (goods / services) and that are:

- spread across a village or several villages in a block or a district
- producing a similar range of goods / services and
- facing similar opportunities and challenges

The firms that make the cluster product shall be called the principal firms. A selected cluster for this scheme should have a minimum representations/critical mass of 100 formal / informal enterprises of principal firms. A single individual producing a cluster product from her home whether part time / full time will be considered as an informal household level enterprise (and hence a principal firm). Besides the principal firms, a cluster also often houses support firms (or auxiliary firms), service providers, technical and financial institutions, and governance bodies.

### 2.2 Cluster Development

Development of cluster will primarily take place through:

- Soft interventions including design development, quality assurance, enterprise creation, market development, financing, technology upgradation, skilling, promoting responsible business interventions, strengthening the local ecosystem including development of collective enterprises, and
- Hard interventions like creation of Common Facility Centres (CFCs) / Common Production Centres (CPCs)

## 2.3 Cluster Development Objectives

Objectives of cluster development will include improvement in parameters like increase in wages, turnover, employment (hours / days / months of engagement), number of enterprises, exports etc. A typical cluster may witness the following flow of intervention:

- Need assessment
- Design development
- Market linkage through
  - producing for partners and
  - producing for own sales through (i) own sales outlet, (ii) B2C, etc.
- Skilling, capacity building, and quality assurance
- Developing CFCs / CPCs

## 3. Key Deliverables and Features

- a) Each cluster should have a potential of engaging at least 100 micro enterprises over the period of intervention
- b) A maximum of 10% of the members of the cluster may be outside the SHG fold. Ideally, all the members of the cluster may be motivated to become members of SHGs
- c) The states may on-board a Technical Support Agency (TSA), with specific experience, for the cluster to provide technical assistance to the cluster
- d) Each state shall conduct a cluster scoping study (as per format mentioned in annexure 1) for all potential clusters. The SRLM may provide for a sum of upto INR 1.5 lakh (once) for engaging consultants (NRPs / SRPs) to prepare scoping study for the proposed Artisan clusters. The scoping study shall be sent to the NRLM for approval.
- e) A few clusters will be selected based on the data collected from the scoping study. Post the shortlisting of clusters and approval by the NRLM, the SRLM and the TSA will prepare a cluster Diagnostics Study Report (DSR) and implementation plan, engaging the services of a TSA. The DSR will include the baseline of the cluster and must clearly articulate all the aspects mentioned in Annexure 3. The cost of preparation of the DSR and implementation plan (including baseline information) for each cluster of up to 300 households will be INR 3 lakh. For clusters benefitting above 300 enterprises, DSR preparation cost may be on a pro-rata basis, upto a maximum of INR 8 lakh.
- f) The fund for scoping study and DSR may be provided by each SRLM from its NRLM budgets under the budget head of Technical support under Non-farm livelihood budget head, as it is not confirmed that the scoping study and/or DSR shall result in an approved cluster proposal.

It must be ensured that the TSA that prepares the DSR also implements the cluster development project. Hence while selecting a TSA, a combined quotation of preparation of DSR and project implementation should be taken.

## 4. Selection of Clusters

The SRLM will select clusters in consultation with the NRLM.

1. Each state must conduct scoping studies in all clusters that can potentially be supported under NRLM. The scoping study shall cover aspects mentioned in Annexure 1. SRLM may add to the scope, if required.
2. Post the scoping study, the SRLM shall, internally vet the Scoping study (with a committee of artisanal cluster experts and if they approve of the scoping study outcome, inform the same to the NRLM. The NRLM shall evaluate the scoping study and in case the same is approved, inform the SRLM of its decision within 15 days of the receipt of the scoping study
3. For each selected artisan cluster, the SRLM will engage a TSA.
4. Once the agency is on board, it will prepare the DSR (including baseline) for the cluster and propose an intervention plan along with expected outputs and outcomes. The framework for conducting diagnostic study is appended in annexure 3.
5. The SRLM will submit the plan to NRLM for approval. The NRLM may accept the proposal or may suggest modifications.
6. The TSA and SRLM will initiate activities in the cluster post-approval of intervention plan by the NRLM.
7. It is to be noted that only those artisan clusters will be selected for which the cost-benefit ratio (at the culmination of the project) is proposed to be at least 1:1.25 within the stipulated project implementation time period. The cost being the cost of approved values of the soft and hard interventions as per the action plan.

The formula for calculating benefit is the sum total of all the incremental income of the beneficiaries of the artisan cluster and the profit /(loss) of the cluster for the duration of the project. The cost is the total cost of the project (central and state share), including TSA costs.

The formula for the benefit cost ratio is

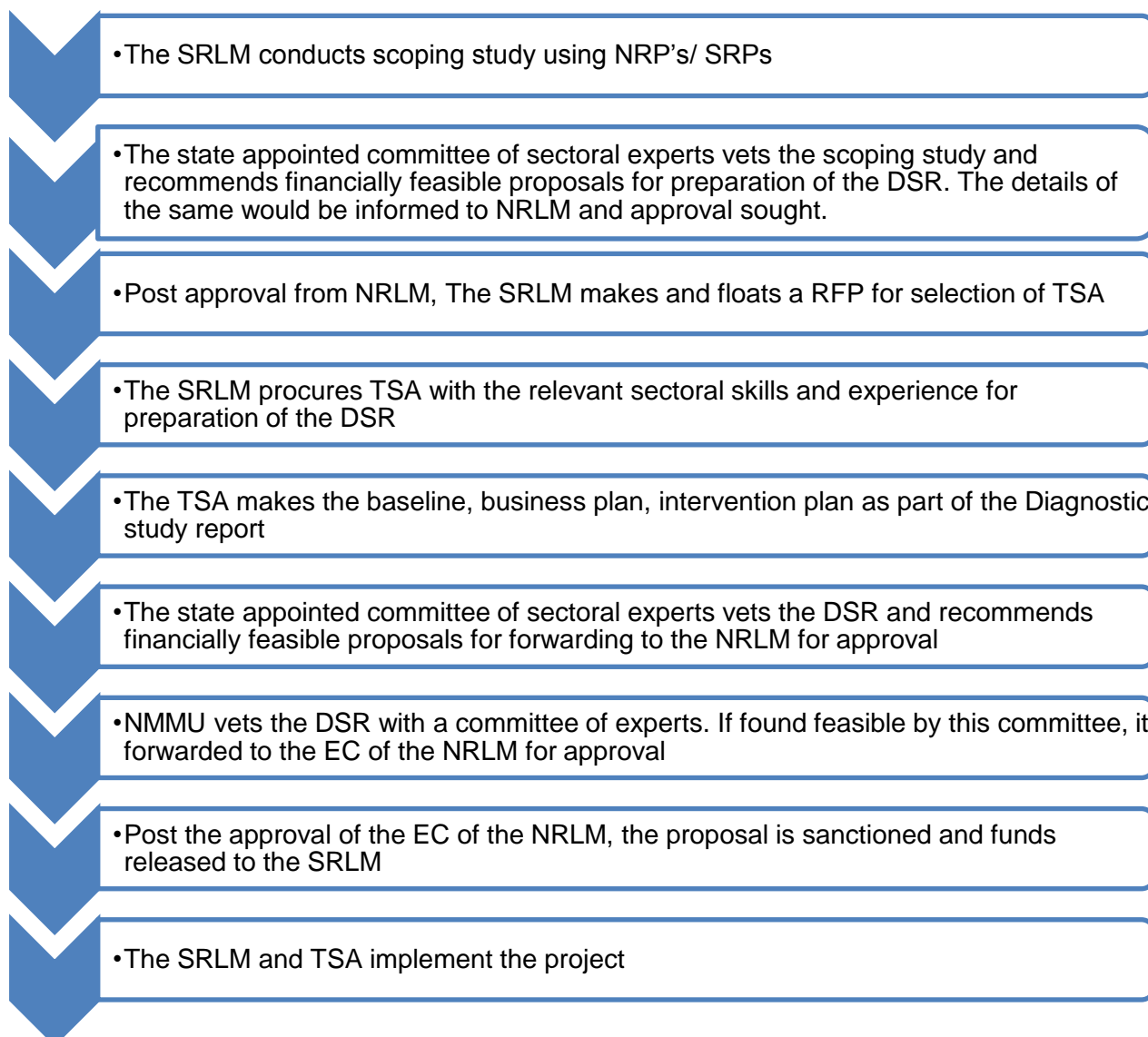
$$\frac{\sum \text{Incremental income of the beneficiaries for the project duration} + \sum \text{Profit/(loss) of the cluster for the project duration}}{\text{The total project cost}} > 1.25$$

The detailed process of artisan cluster approval and timelines are presented below:

1. The SRLM conducts scoping study using NRP's/ SRPs
2. The state appointed committee of sectoral experts vets the scoping study and recommends financially feasible proposals for preparation of the DSR. The details of the same would be informed to NRLM. The NRLM shall evaluate the scoping study and in case the same is approved, inform the SRLM of its decision within 15 days of the receipt of the scoping study



3. The SRLM prepares and floats a RFP for selection of TSA
4. The SRLM procures TSA with the relevant sectoral skills and experience for preparation of the DSR.
5. The TSA makes the baseline, business plan, intervention plan as part of the Diagnostic study report
6. The state appointed committee of sectoral experts vets the DSR and recommends financially feasible proposals for forwarding to the NRLM for approval. (The benefit cost ratio should be greater than 1.25 during the project period)
7. NMMU vets the DSR with a committee of experts. If found feasible by this committee, it forwarded to the EC of the NRLM for approval
8. Post the approval of the EC of the NRLM, the proposal is sanctioned and funds released to the SRLM
9. The SRLM and TSA implement the project



An indicative timeline for the activities is as under:

Activity	Timeline	Remarks
SRLM identifies and proposes clusters	Month 0	Clusters will be shortlisted after consultation with NRLM
The SRLM conducts scoping study using NRP's/ SRPs	Month 1	SRLM can engage NRPs / SRPs with relevant experience to conduct scoping study
The state appointed committee of sectoral experts vets the scoping study and recommends financially feasible proposals for preparation of the DSR.  The details of the same would be informed to NRLM.	Month 1.5	Vetting to be carried out at the state level on the scoping study.
The NRLM approves the scoping study and gives the go-ahead to the SRLM for going ahead with preparation of DSR	Month 2	
The SRLM prepares and floats a RFP for selection of TSA	Month 2	
The SRLM procures TSA with the relevant sectoral skills and experience for preparation of the DSR.	Month 2.5	
The TSA makes the baseline, business plan, intervention plan as part of the Diagnostic study report	Month 4	
The state appointed committee of sectoral experts vets the DSR and recommends financially feasible proposals for forwarding to the NRLM for approval	Month 4.5	
NMMU vets the DSR with a committee of experts. If found feasible by this committee, it forwarded to the EC of the NRLM for approval	Month 5	
Post the approval of the EC of the NRLM, the proposal is sanctioned and funds released to the SRLM	Month 5.5	

The SRLM and TSA implement the project	Month 5.5	Immediately after approval of intervention plan by TSA
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## 5. Institutionalization of the Cluster

The artisans will be organized into enterprises or in one or more producer collectives in close coordination with the SRLM. The collective may be a Producer Company, a Cooperative or any other appropriate registered legal body, having mandatory ownership of artisans, with the ability to conduct business on behalf of the artisans. This collective will also own any physical infrastructure developed by the project. Each producer collective will hire a CEO, an Admin and Finance officer, one or more Production Managers (as dictated by the geographical spread of operations) and other staff (wherever required) to facilitate smooth operations. The services of designers, market specialists, skill trainers, etc., should be made available to the artisans through the collective itself.

In case the artisans operate as enterprises, they should be registered in due course to be able to conduct business with external entities. The physical infrastructure developed or equipment invested in by the project will be owned and operated by a selected CLF. The fund for developing such infrastructure or purchasing equipment shall also be routed through the selected CLF. Under no circumstance should the TSA or an organization representing TSA own the assets. The SRLM should ensure that a new producer enterprise/cooperative/society is formed under the intervention through a fair process and the governance mechanism is properly established.

## 6. Technical Support Agencies for Cluster

The SRLM will recruit TSAs to support one or more cluster(s) in the state. The concerned SRLM shall support the TSA in discharging its responsibilities. Experienced CBOs who have done the cluster activities and have capable resource persons may also be selected as TSAs. The state may also train existing CBOs to take on this role. Each TSA will place a Cluster Development Executive (CDE) in the cluster.

A CDE must:

- a) have no personal / organizational business interest in the cluster product
- b) be at least a post-graduate
- c) has at least 3 years of experience in operations of artisan/ related enterprise
- d) operate full time in the cluster
- e) be stationed in the cluster

The TSA must declare the name of the CDE at the inception, i.e., at the time of preparation of the DSR. The same CDE must be involved during the project implementation. A CDE cannot be changed more than once during the stipulated project period.

## 6.1 Selection of TSA

The selection of TSA will be based on demonstrated experience and proven ability in the following areas. The TSA must have:

- Prepared at least four DSRs in clusters or undertaken similar studies, preferably for micro and informal enterprises
- Implemented / provided technical assistance to at least four cluster development projects or similar programmes.
- Should have an office and staff (or a full-time consultant) in the state where it has applied for
- Experience of engaging in market promotion for micro and informal enterprises.
- Has experience of implementing skill development activities on at least three occasions
- Has been in existence for at least three years, barring the current year and has audited balance sheet of three years
- Joint bidding of at most two organization is permitted and in such cases the organizations should jointly possess the above minimum criteria
- It is recommended that TSA's incentives are tied to outputs / outcomes. For example, 15-20% of contract value may be tied to a measurable outcome such as a specific quantum of sales facilitated over the duration of the contract. Draft TOR for TSA is appended in Annexure 2.
- Individual or proprietary establishments are not permitted to apply

## 6.2 Working of the TSA

- The TSA will prepare the DSR along with the baseline study and the intervention plan. The TSA must submit an annual work plan, detailing activities and budget for that year. The annual work plan must align with the larger implementation plan approved by the NRLM.
- The annual work plan must be approved by the State Mission Director of the concerned SRLM and must be communicated to NRLM.
- Once a year (preferably during the sixth month), the SRLM and TSA may jointly review the work plan and can modify the same as per mutual agreement. The State Mission Director can authorize a change in activities amounting to up to 10% of the budget allocated in the annual work plan.
- Any change in activities that warrant a change of more than 10% of the annual budget, must be brought to the notice of the DAY-NRLM, and necessary authorization may be sought.

## 6.3 Roles and Responsibilities

### Technical Support Agency

- Preparatory activities
- Establish an office in the cluster area
- Put a team in place as per resumes submitted during application
- Appoint a nodal person to actively coordinate with the SRLM. The nodal person can be one of the proposed team members of the TSA.
- Engage with the DMMU to discuss the last-mile support, wherever required
- Finalise questionnaire and sampling methodology for DSR and baseline exercise with SRLM
- Simultaneously prepare cluster DSR and baseline through surveys, FGDs, PRAs, etc.
- DSR should include direct / group-level interaction for at-least 10 percent or 50 principal firms, whichever is higher.
- The baseline survey should cover at least 30 percent or 100 principal firms, whichever is higher.
- Get DSR validated at the cluster level
- Get DSR, including the overall action plan including budget, overall target outcomes, detailed action plan for year 1 (and subsequent years, during the course of the project) and the budget thereof through SRLM / NRLM.

### Implementation

- Implement action plans for the year and achieve the approved outcomes of year 1
- Get action plan and targeted outcome for subsequent years approved by SRLM/ NRLM and implement the same
- Get action plan, exit strategy and targeted outcome for the last year approved by SRLM / NRLM and implement the same
- Ensure artisans are organised into producer collectives or developed as enterprises with appropriate registration in due course. The TSA will also ensure that the formalities for registration are complied with
- Assist SRLM in preparing guidelines / policy for cluster sustainability (how will the cluster sustain institutionally, operationally, and financially once the TSA / SRLM withdraw support)
- Learn from similar initiatives in other clusters
- Participate in quarterly review meetings
- Create at least 10 case studies and get approved by SRLM

- Create a quarterly and annual report for each year and get approved by SRLM and NRLM
- Create DSR and get approved by SRLM and NRLM
- Wherever possible, the TSA must seek to converge with the existing skill development programmes of the Ministry of Rural Development (such as DDU-GKY, RSETI etc.)
- Participate in review meetings organized by the SRLM and provide regular reports on performance of supported enterprises as per agreed terms
- The TSA must ensure achievement of a cost-benefit ratio of at least 1:1.25 at the culmination of the project and at least 1:1 during the mid-term of the project.

#### State Rural Livelihoods Mission

- I. Scoping Study
  - a) Engage NRPs / SRPs/ consultants to conduct cluster scoping study
  - b) Scoping study to be approved by the committee of sectoral experts and decide if DSR is to be prepared.
  - c) Send approved report to the NRLM for getting clusters finalized with the NRLM
  
- II. Selection of TSA and managing the selected TSA
  - a) Select TSA(s) for preparing DSRs in all the selected clusters
  - b) Active coordination with the TSA.
  
- III. DSR and Baseline Study
  - a) Introduce the TSA to the cluster
  - b) Make available to the TSA secondary data and cluster studies that may have been commissioned in the past
  - c) Approve the sample size and questionnaire for the DSR and baseline coverage
  - d) Participate and support TSA in completing the DSR validation
  - e) Form a technical committee at the state level and get the DSR approved at the state level before sharing at the national level. the final DSR submitted should have the minutes of the technical committee discussions
  - f) Get DSR approved with the NRLM
  
- IV. Intervention
  - a) Support TSA to mobilise cluster stakeholders
  - b) Approve and review action plan developed by TSA
  - c) Monitoring of cluster activities
    - Organize review meetings with TSA and representatives of cluster members / cluster enterprises at regular intervals
    - Regular tracking of cluster activities through DMMU (DPM) and SMMU
    - Regular (minimum at annual intervals) monitoring of the financial and process audit of the producer enterprises set up as part of the cluster.

- d) Support TSA for mobilising artisans into producer collectives / enterprises and assist them in the registration process
- e) Provide support for ensuring cluster sustainability
  - Issue guidelines / policy for operations of the cluster
  - Lead institution building activities in the cluster to strengthen institutional platform for joint / collective actions
  - Identify and facilitate setting up of training / production spaces such as Common Facility Centres as well as other cluster assets as required based on diagnostic study and intervention plan
  - Ensure institution and capacity building of the cluster governance structure and the office bearers of the producer collectives supported
  - Ensure convergence with other government schemes to enhance profitability of the cluster enterprises.
- f) Appoint staff at the district level to oversee the cluster development activities
- g) Appoint a nodal person at the SRLM to coordinate with the TSA.
- h) The SRLM shall inform and work with the concerned DMMU and ensure their support to the TSA.

#### V. Financial linkages and funds flow mechanism

- a) Create processes and mechanisms for project funding to the cluster's bank account from either the SRLM or via the CLF whichever is feasible in the cluster. Grant for collectives should ideally flow directly to their account from the SRLM
- b) Create processes for facilitating working capital loans to clusters from the CLFs at maximum 12% rate of interest per annum on a reducing balance basis
- c) Create processes and systems for facilitating loans to clusters from the banking system and other financial institutions
- d) Pay the TSA for the services rendered. The state may consider linking the release of a maximum of 8-12% of the project funds earmarked for TSA costs to the TSA to the financial performance of the collectives / enterprises promoted.
- e) The balance amount of project funds may be released based on completion of activities planned to be done by the TSAs

#### 6.4 TSA Training

Once the TSA is on-boarded by the state, the CDE along with other key persons (whose resumes have been furnished) will need to attend a training organised by the SMMU/ NMMU. The training will be to:

- Provide an orientation to the DAY-NRLM community network and community cadre approach
- Introduce the district and block SRLM structure
- Explain the components of the DSR and the expected outcomes from the exercise

## 7. Duration of the project

The SRLM should ensure that the cluster project is completed in four years from the date of approval of the proposal by the DAY-NRLM. The Benefit-Cost Ratio of 1.25 should be achieved within the stipulated time frame.

If, in exceptional cases, the TSA and the SRLM expect the project to be of a longer time frame than the stipulated 4 years, then this should be clearly spelt out in the DSR. A maximum of seven years duration may be planned.

The GOI shall fund the project only for a period of up to four years. The funding for the project beyond four years shall have to be provided by the state. However, all reports of the cluster and its interventions and activities should be communicated to the NRLM, till the project ends.

### Clusters that will NOT be supported under the DAY-NRLM

Clusters engaged in producing and selling tobacco and tobacco products and/or, alcohol will not be supported/considered.

## 8. Fund Release

### 8.1 Availability of Funds

The project has planned a maximum of INR 5 crore per cluster for setting-up and operationalizing clusters. SRLM/TSAs may leverage additional funds through convergence with existing government schemes such as SFURTI and those of the Development Commissioner (Handicrafts) and Development Commissioner (Handloom).

Shyama Prasad Mukherji Rurban Mission (SPMRM), a scheme under the Ministry of Rural Development, aims to stimulate local economic development, enhance essential services, and create well planned Rurban clusters. There are opportunities within these clusters for developing economic activities. Opportunities to leverage these should be explored while preparing cluster proposals.

If some states are unable to use the funds in the first year of the NRLM, the unutilized funds may be offered to other states with viable projects on a first-come, first-serve basis. In such a case, the maximum cap per state may be increased.

Fund	Time for Release	Released by	Released to
Cluster Scoping Study	On submission of AAP	SRLM	NRP / SRP



Cluster Project Costs	Fund will be sanctioned on approval of clusters (based on scoping study) by NRLM EC. Fund will be disbursed on request by SRLM on approval of intervention plan submitted by TSA.	SMMU	CBOs / Institutions like Producer Company set-up for the purpose
Technical Support Agency Cost	The release of funds to the cluster should be as per the timeline given in DPR for the expenditure of six months. 2 <sup>nd</sup> instalment may be released on utilization of 70% utilization of the available funds and achievement of corresponding deliverables	SMMU	TSA

Not more than 40% (up to a maximum of INR 100 lakh) of the total project cost for each cluster should be spent on infrastructure (such as common production centers/ common facility centers) and machinery. This fund is not permissible for spending on purchase of land and civil constructions (such as buildings). The cluster / TSA should leverage existing government constructions for this purpose. The TSA should not exceed 15% of the total project cost

## 9.2 Fund Release

The SRLM will submit the Annual Action Plan (AAP) which will have the details of clusters to be supported by the state. The cluster will be selected after a detailed cluster diagnostic study. The NRLM Empowered Committee set up under the Chairmanship of the Secretary (Rural Development) need to approve the DSR.

The fund release protocol of the sub-scheme SVEP/Non-Farm Livelihood Interventions shall determine the overall annual budget for fund releases. All the projects under the sub-scheme shall be clubbed together to establish the percentage expenditure levels required to release the next installment.

Physical progress targets for all the sub-component should be provided by the SRLM for each sub-component. The state should ensure that no idle funds are in the system. The TSA should give physical and financial milestones in the final DSR document, and the same should be documented in the MoU between the state and the TSA. All the payments made to the TSA should be made on the completion of the physical and financial milestones.

## 9. Monitoring and Reporting

Once the cluster is approved, the state should onboard an agency for monitoring of cluster activities. The SRLM should ensure that the agency hired for monitoring purpose should be different from the agency implementing the cluster activities.

The agency should conduct semiannual assessments and reports on output outcome level indicators should be shared with SRLM and NRLM. These reports should be submitted to the SRLM and NRLM and will be used for project appraisal.

For the selection of the agency to do the monitoring activities following are the selection criteria:

- NROs that have had the experience of implementation of cluster activities
- NRPs experienced in cluster assessment and implementation work.
- Other Agencies empanelled by other ministries with extensive experience of implementing cluster development activities.
- Same agency should conduct the evaluation exercise for the entire duration of the cluster project.
- The total cost of monitoring and evaluation may not exceed 1% of the total project cost or Rs.5 lakhs whichever is higher.

### 10.1 Review at the State Level

- a) The TSA shall submit a progress report on a monthly basis including data on key performance indicators
- b) The nodal person for supporting the artisan clusters along with SPM and the State Mission Director (or their representative) shall review the progress of the artisan cluster every month
- c) Representatives from TSA, artisan cluster, and DMMU (DPM) should attend the meeting
- d) The SMD of the SRLM should review the progress of implementation atleast once every quarter
- e) The intimation of the meeting along with the agenda shall be circulated by the state nodal person for artisan clusters at least 10 days prior to conduct of the meeting through e-mail
- f) The meeting shall be minuted and the minutes of the meeting should be shared with all participants and concerned stakeholders, including NMMU, within 10-days of the meeting being held
- g) In the six-monthly review of the year, the SRLM and TSA may jointly review the work plan and can modify the same as per mutual agreement. The State Mission Director can authorise change in activities amounting up to 10% of the budget allocated in the annual work plan. Any change in activities that warrant a change of more than 10% of the annual budget, must be brought to the notice of NRLM and necessary authorisation may be sought.

### 10.2 Review at the National Level

- The nodal person supporting artisan cluster development along with Lead – Non-

Farm and the Mission Director (or their representative) shall review the progress of the artisan cluster at least once every quarter

- Representatives from the TSA, SMMU (nodal person for artisan clusters and SPM – non farm) and DMMU (DPM) should also attend the meeting
- The intimation of the meeting along with the agenda shall be circulated by the nodal person for artisan clusters at NMMU at least 10 days prior to conduct of the meeting through e-mail
- The meeting shall be minuted and the minutes of the meeting should be shared with all participants and concerned stakeholders within 10-days of the meeting being held

## 10. Grievance Redressal

Conflicts in professional space are inevitable occurrences. However, it is in the best interest of all concerned that conflicts are resolved immediately. In cases where the conflicts cannot be resolved internally, a conflict resolution mechanism will be put in place for their timely resolution.

In case of issues that cannot be resolved internally, a redressal committee will meet to understand the issue and arrive at a mutually acceptable decision. The SRLM should form a redressal committee at the district (s) where the cluster project is being implemented. In case the redressal committee cannot arrive at a mutually acceptable decision, the final decision will rest with the DPM / SPM (non farm livelihoods) and, in some cases with the Lead Non-Farm at the national level. In case of dispute between the TSA and the SRLM, the decision of the JS (RL) shall be final and binding on both parties.

The redressal mechanism will be as follows:

Party 1	Party 2	Redressal Committee	Final Authority
TSA	Sectoral cluster beneficiaries	Representative(s) from the TSA, sectoral cluster, and DMMU	DPM
TSA	District Technical Expert / DMMU	Representative(s) from the TSA, DMMU, and SMMU	STE-EP
TSA	SRLM	Representative(s) from the TSA and SRLM	JS (RL)

Annexure 1: Template for Cluster Scoping Exercise

1. Introduction to the cluster
  - a) Mention the products produced in the cluster
  - b) Location of the cluster intervention (name of blocks and districts)
  - c) Explain the previous interventions that have taken place in the cluster (SRLM and non-SRLM) along with financial support

- d) Name, designation, and e-mail ID of the nodal SMMU staff responsible for the proposed cluster

## 2. Nature of Cluster

- a) Mention number and type of units
- b) What is the scope for increasing number of principal firms and support / auxiliary firms?
- c) Mention the existing turnover of the cluster
- d) Has the cluster employed workers (other than the owners)? If yes, indicate the number of workers employed
- e) What is the average, maximum, and minimum wage in the cluster? Mention the wages separately for men and women (mention whether the wage mentioned is monthly or yearly)
- f) What is the volume of production in the cluster?
- g) Indicate the number of people who work:
  - o Full time
  - o Part time
- h) Is the cluster intervention operational 12-months a year? If no, how many months is the cluster intervention operational? Mention the months (names)
- i) Has the cluster been organised into any institution(s) (producer group, producer company, cooperative, etc.)? If so, mention the details of the institution(s)
- j) What percentage of income in the household's income basket comes from cluster activities?
- k) Are there similar clusters in the country? If yes, where?

## 3. Market

- a) Mention current market linkages in the cluster (for raw material, other inputs, selling finished goods)
- b) Does the cluster presently supply to institutional buyers? If yes, mention the names of institutional buyers and terms of trade
- c) Scope for future market for the cluster (for raw material, other inputs, selling finished goods)
- d) Can the cluster become supply chain partners for other clusters / industry? What is the scope for developing new and unique products?

## 4. Technical Support

- a) Mention presence of support institutions / firms, service providers, cluster assets such as technical institutes, training centres, common facility centres, raw material banks, etc.
- b) State linkages, if any, with the institutions mentioned above

## 5. Social and Environmental Challenges

- a) Mention any health risks that the cluster members face
- b) Mention any gender related issues in the cluster
- c) State infrastructural challenges pertaining to water, electricity, transportation, etc. in the cluster
- d) What are the risks (customer, market, raw-material, taxation, availability of finance etc.)<sup>1</sup> that the cluster faces?

**6. Complementarities**

- a) Explore potential synergies with other development efforts including donor programs, CSR efforts, private sector investments etc.
- b) List other programs and partners that had funded this intervention (govt. programs, bilateral, multi laterals)
- c) Mention specific government schemes that can be leverages to benefit the cluster

**Calculating Financial Feasibility of the Artisan Cluster (at the time of scoping study)**

Calculating Financial Feasibility of the Cluster (at the time of scoping study)				
	Date (when the analysis was done)			
#	PARTICULARS	Product 1	Product 2	Product 3
A	Existing Situation			
A1	Total number of artisans			
A2	Total number of units produced in the cluster per annum (single largest manufactured product; or products with same selling price that sell the most)			
A3	Average number of days taken by the artisan to produce 1 unit			
A4	Total working days per artisan			
A5	Average selling price/product (Rs.)			
A6	Total annual sales (Rs.) – current			
	Artisan wage as percentage of sales price			
A7	Artisan earning as percentage of sales price (weighted average)			
A8	Total artisan earnings (Rs.)			
A9	Per artisan earning/annum (Rs.)			
A10	Per diem of the artisan (Rs.)			
B	Expected Improvements due to Intervention in the Cluster			

<sup>1</sup> **Customer risk** may include change in customer taste and preferences, **raw-material risk** may include unavailability of raw material or seasonality of raw-material, **market risk** may include drop in prices or unavailability of certain markets or entry of new / bigger players / competitors in the market, **taxation risk** may include imposition of tax liabilities on cluster by government, **finance risk** may include unavailability of funds (particularly for working capital) when required from formal and informal sources

B1	Number of new artisans / primary production units that will be added to the cluster				
B2	Average number of days taken by the artisan to produce 1 unit (compared to today owing to efficiency in the cluster) - weighted average				
B3	Percentage increase in production (compared to today due to more orders)				
B4	Percentage increase in sales price				
B5	Percentage decrease in raw material cost				
C	Expected Output				
C1	Total number of artisans				
C2	Total number of products produced in the cluster				
C3	Total work days				
C4	Average selling price/product (Rs.)				
C5	Total annual sales (Rs.) – proposed				
C6	Artisan earning as percentage of sales				
C7	Total artisan earnings (Rs.)				
C8	Per artisan earning/annum (Rs.)				
D	Analysis	Base year at the time of scoping study	Best Case	Realistic case	Worst case
D1	Increase in cluster turnover per annum (Rs.)				
D2	Increase number of artisans				
D3	Increase in Per artisan earning/annum (Rs.)				
D4	Per diem of the artisan (Rs.)due to intervention				
D5	Increase in the number of working days				

## Annexure 2: Draft TOR for Hiring TSA

### I. Scope of Work

- Diagnostic Study and Intervention Plan
- Product Development and Training
- Institutionalize Artisans (into enterprises / collectives)
- Skill Upgradation and Capacity Building

- Production
- Marketing
- Advisory support
- Monitoring of activities
- Handover activities

II. Deliverables and Timeline

III. Firm's Qualification and Experience Requirements

IV. Team Composition

- Reporting
- Payment Schedule

I. Scope of Work

a. Diagnostic Study and Intervention Plan

The TSA's first activity in the proposed clusters is to conduct a diagnostic study. The objective of conducting diagnostic study in a cluster is to map all the business processes of the cluster units viz. manufacturing processes, technology, marketing, quality control, testing, purchase, outsourcing, etc to find out its strengths, weaknesses, opportunities and threats (SWOT), problems and impediments, and accordingly prepare a well-drawn action plan for enhancing competitiveness of the units of the cluster and to position the cluster on a self-sustaining trajectory of growth.

The study should focus on enhanced competitiveness, technology improvement, product diversification, capacity building, adoption of best manufacturing practices, marketing of products, employment generation, etc. The interventions should follow from and directly address the issues highlighted in the report. The agency will seek inputs from the SRLM prior to its study.

The study is expected to include a comprehensive skill assessment exercise on all artisans in the proposed cluster. The TSA is expected to assess the target artisans and categorize them into three categories (for example: A, B and C) on the basis of their skill sets.

Category A artisans refer to the most skilled of the target group of artisans, who will then be developed as Master Crafts persons as part of interventions described in the following subsections.

Apart from skill assessment, the diagnostic study will identify other techno-managerial areas for capacity building and improvement. The TSA, after discussion with SRLM, will develop list of performance indicators to be tracked every quarter. The TSA will conduct a baseline exercise of the cluster and its beneficiaries (presently for existing and subsequently for all new beneficiaries) on the basis of performance indicators developed.

The agency will submit its report comprising

- Diagnostic Study containing skill assessment and baseline report and
- Intervention Plan to be implemented by it

The Intervention Plan prepared in the initial stages is subject to modification as it is expected that the plan may change as new facts, circumstances, requirements and ideas emerge. The TSA is expected to update the plan in consultation with the SRLM, whenever necessary, to enable mid-course corrections.



#### b. Product Development and Training

The TSA will (a) increase the range of products, and develop fresh, innovative and marketable designs that are attractive to urban consumers and create opportunities to establish new B2B, B2C linkages (b) improve the quality of existing product portfolio. The agency will be working in close collaboration with the SRLM in specific product development activities for the international market.

The TSA will be required to hire the services of a qualified, professional designer for this purpose. These trained Master Crafts persons will then further train other artisans, as part of the production effort or standalone trainings, to disseminate the learnings. Design Development Kits and Specification Manuals for the new products / designs will be developed. The frequency, period and venue of these workshops shall be based on requirements and shall be jointly determined by the TSA and the SRLM.

Design / Product development through these workshops and trainings are part of the larger market strategy and should be accordingly timed by the TSA. The TSA is expected to prepare a market plan / strategy, identify target markets and segments, and accordingly plan product / design development.

#### c. Institutionalise Artisans (into enterprises / collectives)

The TSA will mobilise and organize artisans into enterprises or in one or more producer collectives in close coordination with the SRLM. The PC may be a Producer Company, a Cooperative or any other appropriate registered legal body, having mandatory ownership of artisans, with the ability to conduct business on behalf of the artisans. In case the TSA is forming enterprises, they should be registered in due course to be able to conduct business with external entities. The TSA will undertake relevant activities such as registration of the name of the entity, registering beneficiary members as shareholders, applying for bank accounts, TIN numbers etc.

Each producer collective will hire a CEO, an Admin and Finance officer, one or more Production Managers (as dictated by the geographical spread of operations) and other staff (wherever required) to facilitate smooth operations. The TSA will provide proactive support in the hiring process to ensure competent personnel are hired.

d. Skill Upgradation and Capacity Building

The TSA shall be responsible for providing training to the target group of artisans on a regular basis to upgrade their skills such that they are able to produce marketable products with substantially improved quality. The TSA will also provide skill up gradation trainings in fabrication / finishing to artisans in the fabrication / finishing unit.

Apart from skill up-gradation workshops and trainings aimed at enhancing the crafts skills of the artisans, the TSA will organise managerial trainings that include trainings in record keeping, quality check, production management, costing, procurement, etc. These trainings will be provided to motivated artisans / youth (identified according to well defined criteria) who will function as field level production managers.

The duration and frequency of the trainings will be as per need and determined jointly by the TSA and the SRLM. The agency will seek SRLM's inputs for developing specific capacity building and skill up gradation modules.

e. Production

The TSA will train the cluster in key business activities i.e. purchasing raw material, collecting raw material from traders, receiving orders, costing / pricing, carrying out production and marketing the finished product.

Based on orders from the market (that the TSA will actively generate), or on the TSA's assessment of potential demand, the TSA will facilitate production. The TSA will endeavour to include all artisans / enterprises in the production process. The TSA will provide incubation support and techno-managerial services in the entire production chain including, but not limited to –

- f. On-going handholding support to clusters, including assisting them in developing a basic business plan and financial projections;
- g. Developing bank linkages for cluster or enterprises in the cluster so as to meet various capital needs of producers;
- h. Providing technical know-how and inputs;
- i. Securing backward linkages;
- j. Maintaining records;
- k. Maintaining quality; and
- l. Fostering linkages with other schemes and interventions working on non-farm livelihoods at the local, state and national levels.

## f. Marketing

Developing market linkages for artisans in the proposed cluster is a central activity in this project. All other activities that are part of the project scope (skill assessment, skill up gradation, product development and production) must be carried out with the market in mind. Marketing activities include but are not limited to the following:

- a. Actively generate orders from the market for products
- b. Facilitate participation of the cluster in national and international level fairs, exhibitions, sales, etc. over the project period
- c. Actively use digital and / or traditional media to promote cluster and products
- d. Design a catalogue or brochure for marketing purposes
- e. Design labels for the various products
- f. Assist in getting brochure / catalogue printed and the label made
- g. Develop marketing linkages with outlets / emporia and other boutique buyers

The role of the TSA in participation of fairs / exhibitions will be to execute activities such as (a) identifying the fair, exhibition or other marketing event the cluster will participate in (b) Liaise with the organisers in booking suitable space (c) Set up stalls and make suitable accommodation and transportation arrangements for the participants, and, (d) Provide guidance and advisory support to participating artisans throughout (at least one staff member of the TSA will accompany the participants)

## g. Advisory support

Besides the activities listed above, the TSA will provide key advisory support to the SRLM to facilitate project interventions. This will include proactive guidance in areas such as:

- a. Establishment of Common Facility Centres (CFCs)
- b. Establishment of the finishing / fabrication and packaging unit
- c. Establishment of other cluster assets, such as storage centres, support centres (such as childcare centres for women artisans)
- d. Mobilization and institution building activities
- e. Exposure visits that can be organized to improve learning in key areas
- f. Developing marketing and publicity material
- g. Any other area that can significantly contribute to the effectiveness of the project.

#### h. Handover activities

At the end of the intervention period, the TSA will work with the cluster / enterprises in the cluster in preparing a business plan for the duration of three years after the project period. As part of this business plan, the TSA will clearly chart out actions in terms of skill development activities, design development activities, managerial trainings, supply chain activities, key investments, exposure visits, marketing strategy and business building activities etc. to ensure that cluster / enterprises in the cluster have a clear roadmap beyond the project period. The TSA will seek SRLM's inputs especially in the area of product development and marketing in developing this. The TSA will also ensure that the cluster / entrepreneurs have the capacity to scout, negotiate, and close orders.

#### II. Deliverables and Timeline

The duration of the project is 48 months. The deliverables and the corresponding indicative timelines are as follows:

Expected Deliverables	Indicative Timeline <sup>3</sup>
Intervention plan and baseline data	3 <sup>rd</sup> month
Registration of cluster / enterprises in the cluster	4 <sup>th</sup> month onwards
Skill up gradation trainings of artisans	12 <sup>th</sup> month
Product / design development workshops for master crafts persons	
Managerial trainings for identified persons (in costing, quality control, managing producer groups, other key management areas)	

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<sup>3</sup> Timeline may be revised as per the duration of the project

Expected Deliverables	Indicative Timeline <sup>3</sup>
Cluster management trainings for identified persons	
Marketing workshops for cluster	
Catalogue / brochure, label, and website design (at least one catalogue released every month)	After 15 <sup>th</sup> month
Confirmed orders worth INR xx crores of products to artisan enterprises / collective (at least 5 institutional buyers with minimum orders worth INR xx lakh linked with the cluster each year)	By 24 <sup>th</sup> month
Manufacture and delivery of orders worth INR xx crores of products by artisan enterprises / collective	By 30 <sup>th</sup> month
Participation in minimum of 4 national and 1 international level / mainstream exhibitions or fairs	After every 6 months
Quarterly report of activities (including reporting of data on key indicators)	After every 3 months
Mid Term Report along with case studies	24 <sup>th</sup> months
3-year business plans for producer collectives Exit strategy and sustainability plan	36 <sup>th</sup> month onwards
Project Completion Report	48 <sup>th</sup> month

### III. Firm's Qualification and Experience Requirements

The agency must have:

- Prepared at least 4 DSRs in clusters or similar studies, preferably for micro and informal enterprises
- Implemented / provided technical assistance to at least 4 cluster development projects or similar programmes
- Engaged in market promotion for micro and informal enterprises on at least 3 occasions
- Has experience of implementing skill development activities on at least 3 occasions
- Has been in existence for at least 3 years, barring the current year and has audited balance sheet of 3 years
- Experience working with at least 1,500 artisans across a minimum of 2 states in India
- Created and supported at least one artisan producer company, preferably in product segment similar to the proposed cluster
- Demonstrated experience of linking artisan products with e-commerce portal or established a designated page in leading e-commerce portals specialized in artisan products

- Ownership of or linkage with at least one retail store for marketing handicrafts products in metro city or cities
- Proven track record in participating in major exhibitions nationally or internationally
- Experience of working closely and supplying to the international fair trade market and in depth knowledge of fair trade accreditation
- Prior experience of implementing programs supported by national, bilateral, and multilateral agencies will be a plus
- Experience of working in the state is a plus
- Joint bidding of at most two organization is permitted and in such cases the organizations should jointly possess the above minimum criteria
- Individual or proprietary establishments are not permitted to apply

#### IV. Team Composition

The agency is expected to put in place a competent, dedicated team to ensure that the tasks are achieved with the highest quality. The guidelines for the team composition are as follows:

Team member	No. of members	Qualification, experience and responsibilities
Team Leader / Program Manager/ Director	1	<p>At least 15 years of experience in cluster development (particularly non-farm / artisanal cluster), institutional building, market development and other areas relevant to this assignment.</p> <p>Will be responsible for providing overall direction and guidance to the team. Will interface with government officials, industry experts and other key stakeholders.</p> <p>Qualification: Post-Graduation in Development Studies, Business Management, Rural Management, or related fields</p>

Accounts manager	1	<p>This role will provide part-time support to the project.</p> <p>At least 10 years of experience in the finance, procurement, drafting TORs and reporting to the grant maker. Experience in the social sector, NGO, government is a plus.</p> <p>Qualification: Graduation in Finance / Economics</p>
Cluster Development Executive	1	<p>At least 2 years of experience in enterprise promotion</p> <p>Will be placed in the cluster and will be responsible for providing operational support to the cluster.</p> <p>Qualification: Post-Graduation in Development Studies, Business Management, Rural Management, or related fields</p>
Cluster Coordinator	1	<p>Preferably recruited from the cluster; good rapport / influence in his/her own cluster and in the neighboring ones; a practitioner of the skill practiced in the said skill is a plus. Must have technical knowledge of the product, and be conversant in the local language</p> <p>Will be responsible for regular coordination with the implementing agency for all the interventions implemented in the cluster.</p> <p>Qualification: Graduate in any field</p>

Additionally, the project may require services of other support providers in the form of the following. These services may be engaged on a part-time / contract basis by the TSA.

Team member	No. of members	Qualification, experience and responsibilities
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Finance Director	1	<p>This role will provide part-time support to the project.</p> <p>At least 10 years of experience in the finance, procurement, drafting TORs and reporting to the grant maker. Experience in the social sector, NGO, government is a plus.</p> <p>Qualification: Graduation in Finance / Economics</p>
Creative / Design Lead	1	<p>At least 7 years of experience in design and skill training-oriented activities in the artisan skill based creative industries sector, well networked in the designer's fraternity, thorough understanding of the market.</p> <p>Will be responsible for all the skill and design development training programs in the field.</p> <p>Qualification: Graduation in Design</p>
Marketing Specialist	1	<p>More than 10 years of experience in direct market positioning of artisan products, pricing and costing mechanism; thorough understanding of various market segments such as exhibitions, export, fairs and festivals, retail and e-commerce. Will be expected to have in depth knowledge of products, seasons, packaging, certifications, regulations etc.</p> <p>Qualification: Post-Graduation in Business Administration</p>
Designers	2	<p>Minimum 5 years of experience in actively engaging in design development activities in the artisan sectors. Prior experience in working in the state is a plus.</p> <p>Qualification: Graduation in various streams of Design</p>
Skill Trainers / Master Artisans	As required	<p>Minimum 10 years of experience in relevant skills in active practice at the cluster level as well as outside.</p>



## V. Reporting

The TSA will report directly to the SPM Non-Farm Livelihoods or a suitable official nominated by the State Mission Director of the SRLM

## VI. Payment Schedule

Release of funds to the cluster should be as per the timeline given in DPR for the expenditure of six months. 2<sup>nd</sup> instalment may be released on utilisation of 70% utilisation of the available funds and achievement of corresponding deliverables

## Annexure 3: Framework for Preparing Cluster Diagnostic Study Report (excluding baseline)

### Diagnostic Study Report

<Name of the Key Product in the Cluster, Location>

<Name of the TSA>

<Name of the SRLM>

<Date of Submission: Month / Year>

## How to Use this Document

The template details out the overall format for development of the Diagnostic Study Report (DSR). The primary responsibility of formulating the DSR lies with the Technical Support Agency (TSA) in close collaboration with the State Rural Livelihood Mission (SRLM).

Each section for this document has been broken down into three subsections:

1. **Guidelines:** This section is for the reference of the TSA. It offers guidelines on how to prepare the “Contents” section (see below). This section is coloured in Red and italicized. It should be removed from the DSR document at the time of submission.
2. **Contents:** This section should be completed by the TSA. It discusses about the various points that have to be covered in the particular section. Please ensure that all the points in the contents section are addressed.
3. **Checklist:** This section is for the reference of the TSA. It lists all the main points that need to be covered in a particular section. The TSA is advised to refer to this checklist after completing Contents section to ensure that all key points are addressed. This section is in Green and italicized. It should be removed from the DSR document at the time of submission.

The overall report format is structured in terms of background of the cluster followed by the present status of the activities in the cluster. Then the report should discuss about the intervention details and how will the proposed cluster development program will help the entrepreneurs. This should be followed by financial details and sustainability plan for the cluster.

The overall report should contain precise and specific information of the various details requested. A good DSR will comprise of specific information and it should not be generic. The details of the intervention and the action plan are crucial and should be furnished.

This section should be removed from the document while submitting the DSR.

## I. Executive Summary

### Guideline:

- 1. This section should be written last after preparing the remaining sections of the document.*
- 2. The executive summary should not be more than 1-2 pages and it must contain the highlights of each of the subsequent sections.*

### Contents

The summary should have a paragraph each for the following points:

1. Current state and the identified problem
2. Future state showing how the intervention through the economies of scale will lead to the solution of the identified problem. The future state should be described by listing of SMART objectives
3. What are the indicators that will demonstrate that the objectives are being met?
4. The top three risks that the intervention may face and the identified treatments to deal with these risks.
5. Key components of the operational plan to achieve the objectives
6. Highlights of the financials (A. Total assets, Total liabilities, and Net worth on day 1, Year 2, and Year 3 B. Revenues, Costs (highlighting salaries and benefits for the beneficiaries), and Net profits and the cost benefit ratio (it is called Social rate of return in the excel sheet. Ensure the names in all documents are consistent). Growth in top line and growth in gross margin
7. Highlight of the governance mechanism to ensure that the operational plan achieves the desired objectives including management of the business by the community after the end of the project period

### Overall checklist- please make sure that all of this is fulfilled at the time of submission

- Whether objectives of cluster development (increase in wages, increase in revenue, increase in number of working days, exports, etc.) have been clearly spelled out in the DSR?*
- Whether intervention plan has been detailed out?*
- Whether a benchmark cluster has been mapped and the intervention plan is based on the interventions in the benchmark cluster corrected for local conditions?*
- Whether the sales turnover needed to be achieved by the cluster realistic and have steps been taken to achieve that kind of sale?*
- Details of proposed community institution architecture*
- Ensuring cost-benefit parameters (ensure indicator name is consistent across documents) are higher than the benchmark figures*

## II. Background and Understanding the Cluster

### Guidelines:

1. *The focus should be on identifying those products/services which are likely to aid clustering. Clusters are about economies of scale. These will come either from revenue side or from the cost side.*
2. *For the identified products (not more than 2 or 3), a clear articulation of existing value chain should be made.*
3. *The remaining points in the existing template about policies, geography, history, present status (along with benchmark), presence of technical and financial institutions should be specific with data points clearly mentioned.*

### Contents

#### 1. Policy and country context

##### a. Capture the main policy incentives and disincentives for the product in the state and the country

#### 7. Geography of the cluster

- a. Location of the cluster with photographs and maps (primary / exploratory survey or secondary information may be used)
- b. State the rationale for selecting that area

#### 8. History of the cluster

a. Mention the past interventions in the cluster (if applicable). Indicate the costs, benefits, etc. For a repeat / follow-up intervention in a cluster please attach a copy of the impact assessment study of the prior intervention and a certificate from the SMD of the SRLM stating that the current project proposal does not envisage repeat funding for any component.

#### 9. Present status of the cluster

- a. State the number and types (principal / auxiliary) of units / firms present in the cluster
- b. State the activities undertaken at (i) the producer level, (ii) aggregation level, (iii) value addition level. Indicate the margin spread at all levels
- c. Is the business seasonal?
- d. At present, what is the volume of various products at each level?
- e. What are the various technologies used in the cluster? (indicate their full potential and the present capacity utilization)
- f. Where is the product being sold?
- g. Explain the terms of exchange with supplier and buyer (credit period offered, etc.)?
- h. Identify existing bottlenecks in (i) production (including design development), (ii) value addition, (iii) marketing, (iv) supply of raw materials and inputs, (v) others
- i. What is the demand for the products proposed? Specify the demand trends and customer segments. This should be specific in nature.
- j. A benchmark cluster to be identified for the cluster. Brief analysis of the benchmark cluster for the particular cluster and some basic financial and marketing related data points to be presented. This should include the sales, financial returns, artisan wages, etc.
- k. Participants in the value-chain – working backwards from the end customer (consumer)
- l. How much value is added at each step and what is the nature of that value-addition
- m. A brief analysis of the value chain and the links in which there exist inefficiencies which can be overcome by economies of scale or other interventions proposed

- n. What is the outreach of the NRLM intervention in the location ? (Details of the number of SHGs and community organizations. Presence of VO and CLF. What is the number of SHGs involved as a part of the intervention? Details of the NRLM intervention in the area. What has been the livelihood intervention done? What is the CIF provided to the CLFs in the intervention area and what is the loan repayment history, what is the level of bank linkages provided to the SHGs in the intervention area, whether a full time block staff for non-farm livelihoods has been positioned in the block or not)

#### Presence of technical and financial support institutions

- a. State the technical and financial institutions present in and around the cluster
- b. State if there have been any past or present partnerships with the technical institutes
- c. What were / are the major activities done to support the cluster by each institution

#### Checklist

- Whether specific details of the location and the SHG network mentioned?*
- Whether past interventions in the area has been mentioned?*
- Whether profile of the beneficiary detailed?*
- Whether product and processes of the cluster detailed?*
- Whether market details of the product mentioned?*
- Whether challenges and issues of the current market detailed?*
- Whether challenges and issues in the current production?*
- Whether NRLM intervention in the location has been detailed?*

### III. Problem Analysis in the Cluster

#### Guidelines

*The main tool to be used here is SWOT.*

*What the components of SWOT mean:*

- *S - Our strengths are those capabilities (or things which we do well) which can directly influence what goals or objectives we would like to achieve*
- *W - Our weaknesses are those traits (or those things which we do not do well) which will prevent or impede us from achieving our goals*
- *O- These are openings or prospects that are available to us to achieve our goals or objectives*
- *T - These are dangers or pressures applied on us over which we have no control. These may impede our goals or objectives.*

*The first half of SWOT (i.e. "SW") is inward looking. It is crucial to realize that S and W components are not absolute but are relative – they are relative to O and T. The second half of SWOT (i.e. "OT") is outward looking. O and T components are to be analysed independent of S and W and they should be done first! Once O & T have been analysed, then identify S and W relative to those O and T.*

*Once SWOT is completed then a strategic matrix can be created by:*

- *Combining an O with one or more of either S or W or S&W*
- *Combining a T with one or more of either S or W or S&W*

*After checking the viability (and at least a high-level cost-benefit analysis) of each of the strategies in the strategic matrix, the next step is to propose specific interventions which can address the problem. As a bridging section between this section and that of intervention, choose a strategy that provides highest impact and then take it forward.*

#### Contents

1. Based on the above analysis, what are the gaps in the existing value chain?
2. Conduct SWOT analysis of the existing cluster
3. Based on points a) and b), prepare a matrix of all gaps / problems identified and suggest (i) remedial measures, (ii) who can do it; (iii) possible joint action, convergence that can be promoted

#### Checklist

- ☐ *Whether there is discussion for strength of the cluster products with respect to competition in the target market*
- ☐ *Whether there is discussion on strength of the cluster with respect to leveraging traditional skills for maximizing income potential?*
- ☐ *Whether major weak links in the value chain and its mitigation strategy have been discussed?*
- ☐ *Whether focus product segments that the CBO must capitalize have been identified?*

#### IV. Intervention Details

##### Guidelines

*Objectives described using generic statements should be avoided as these can seldom be made specific. The chosen strategy leading to the future state needs to be broken into short-term (to be achieved in less than 12 months) and long-term (to be achieved after 12 months) objectives. These objectives must clearly show that they are needed to achieve the required economies of scale. The chosen objectives need to be SMART:*

- *Specific – “What exactly”?*
- *Measurable – How many or how much?*
- *Achievable – Is it realistic?*
- *Relevant – Is it aiding “pro-poorness and inclusiveness” policies?*
- *Time-Related – “When” will “What exactly” take place?*

*The discussions around target group for the cluster should include the specification of the communities, villages and group of people that will be a part of the intervention. There should be overall understanding of the target community and also about their skill set.*

*The intervention strategy should clearly show the “Before” and “After” picture based on economies of scale using the value-chain analysis which began in the section “understanding the cluster”.*

*The key intervention strategy should be specific and detailed so as to describe the nature of intervention in the area. This should include the number of people and SHGs and the extent of implementation. The future state that will result from the strategy should be described here. It should show how the new community institutional architecture, licenses, permits, registrations etc. These sections (which are standalone sections in the existing template) should be merged into this “Future state” section.*

##### Contents

###### 1. Objectives / Key Deliverables

- b. Depending on the problems identified in the cluster, what are the key objectives and outcomes that the intervention is trying to address?
- c. This may be around:
  - Total units established / collectives established,
  - Number of community professionals trained and groomed for running the cluster / collective? (if applicable)
  - What will be the economic benefits to the producers? (To be consistent with calculations in financial template)
- d. Please mention the deliverables for the project.

###### 2. Target Group

- a. What is the target geography - how many households, how many villages GPs, how many blocks / districts?
- b. What is the pro-poorness and inclusiveness of the activity (what percent of small artisans / SECC deprived households / ST, SC, OBC families are covered in the intervention?)

###### 3. Intervention Plan

- a. Theory of Change: Develop a road map with assumptions /process/ steps involved and strategy that will be adopted to achieve the desired outcomes. (Describe the set of specific assumptions



- and steps that lead to achieving the long-term objectives and connection between project activities and outcomes for each step).
- b. Public Private partnerships: Evaluate the scope for partnerships with Public and Private companies and how these relationships can be built and nurtured. Partnerships with research institutes, Design schools, Technical partners should be focussed.
  - c. What is the key intervention strategy? (this could include productivity enhancement, value addition and processing, collective procurement, storage, different channels for sale, marketing, etc.)
  - d. How will the cluster be organised? What is the legal mechanism for registering cluster? (registration as producer company, or registration of individual enterprises in the cluster)
  - e. Describe the intervention required in (i) pre-production, (ii) production, and (iii) post-production stages? Intervention should describe (wherever applicable):
    - o How will the inputs / raw material reach the producer? What is the interventions for reducing input cost?
    - o What is the capacity building plan?
    - o What are the potential ways to increase the bargaining power of the producers while buying and selling?
    - o Who provides technical knowledge and how it is transferred?
    - o What are the technology interventions? How it is demystified and transferred?
    - o Is there a system of providing services through community extension? What are the roles of the community professionals?
    - o What are the risks associated with the project?
    - o What are the interventions for reducing risks associated with the activity?
    - o At what level the collectivization happens? Is there a need for it?
  - f. Details for common production centre / common facility centre?
    - o Explain the need for physical infrastructure
    - o Will the building be rented or constructed?
    - o What will be the location of the physical infrastructure and why it is chosen as location?
    - o Is there a plan for convergence with the scheme of any other ministry for infrastructure subsidy, etc.
  - g. Describe the market, pricing, and marketing strategy. It may include the following:
    - o What are the sizes of the target market segments? Assess the customer segment(s) that would be served – mention their needs, state how are the needs presently been met, and what will make them switch to the products developed in the cluster
    - o How will the price be set and revised?
    - o What is the expected distribution channel / network?
    - o How will the products be promoted?
    - o How will the cluster provide satisfaction guarantee / product warranty?
  - h. Marketing and Promotion
    - o Include the concept of Blue ocean Strategy – Create a market for products where there is no competition or very less competition – Potential for higher profits as competition is irrelevant – way ahead of the market curve. This will help articulate the marketing strategy, product development and existing supply chain and how new markets can be explored.
    - o Brand creation: Brand creation and strategy
    - o Product positioning: Whether products are going be branded, market being targeted - Local, State, National or International.
    - o Market Channels:
      - i. Segmentation of markets based on skills.

- ii. B2C – Elaborate on the list of exhibitions for participation apart from the regular exhibitions – at National and International level with a calendar plan.
  - iii. E-commerce – Mention details of portals /platforms, will use existing marketplace or develop a new platform.
  - iv. Pop-ups stores – List of stores to be targeted in Metro cities, own retail stores or space at government emporiums, kiosks at important tourist locations in the state, etc
  - v. B2 B – List of business houses /organizations to be contacted or in business
  - vi. Retail stores/ Exporters – Shortlist of the stores, exporters for product portfolio to be developed.
- i. Licences and registrations
    - o What licenses or permits will need to be obtained?
    - o How long will it take to get the needed licenses / permits? What is the cost involved?
    - o Describe the insurance coverage if required?
  - j. Describe how the quality will be maintained for the products?
  - k. How will the value chain for each of the products change post the intervention? What will be the impact on various actors and nodes? Present a before and after value chain with all the details.
  - l. State the different government schemes supporting the proposed intervention and how the project can converge with these schemes
  - m. How will monitoring of the cluster intervention take place? What is the MIS? How MIS feeds into course corrections?
  - n. Can the cluster deliver results in the limited 3-year time frame?

## Checklist

*Whether project objectives clearly been spelt out in terms of*

- Whether the DSR discusses advantages due to economies of scale?*
- Whether the profile of beneficiaries have been mentioned?*
- Whether markets and Sales channel identified for all the cluster products?*
- Whether there are details about customer segment identification and demand generation strategy for the cluster products?*
- Whether implementation plan has been detailed?*
- Whether community architecture and legal form of registered organization has been detailed?*
- Whether value chain (VC) analysis conducted for all the products?*
- Whether VC analysis captures all the stakeholders and volumes involved?*
- Whether VC planning and intervention strategy are clearly linked?*
- Whether before and after status of the value chain and monetary impact of the intervention has been detailed?*
- Whether discussion of ease of direct selling & market access has been incorporated?*
- Whether discussion for enhancement in skill levels and productivity has been incorporated?*
- Whether discussion of access to design innovation & new products has been incorporated?*
- Whether discussion of how economies of scale will lower costs has been incorporated?*
- Whether strategy of direct buying quality product at optimum pricing from producers*

*has been detailed?*

- Whether infrastructure related details have been mentioned?*
- Whether discussion on efficiency enhancement and use of better techniques and technologies has been incorporated?*
- Whether discussion of licences and registrations required has been detailed?*
- Whether monitoring and evaluation plan has been detailed?*

## V. Operational Plan for the Intervention

### Guidelines

*For the Gantt chart: The strategy has already been broken into short- and long-term objectives. These objectives now need to be broken down so that it becomes clear as to “Who” does “What”, “When”, and “How”. The “What” must be defined as a set of activities using “Work Breakdown Structure” (WBS) approach. This is a list of activities in a tabular form with all the details laid out as per strict timelines.*

*It will be a good idea to show a list of considerations which will aid in listing the activities. These include raw material, capacity building, technical knowledge, marketing, quality, government schemes etc. as outlined in the existing part of the section. This could be a checklist with a Yes/No to cut down on verbosity. The checklist will also help in the valuation criteria used by the appraisal committee.*

*Responsibility Matrix: Along with this, a high-level plan consisting of the “Who”, “When” and “How” for each activity should be presented in a simple table. The activities must include the risk treatments otherwise the risk management plan remains on a piece of paper and is not translated on the ground.*

*It is a good idea to define RACI (It is an acronym for charting Responsible, Accountable, Consultants, and Informed persons involved in the implementation plan) matrix. RACI should be at an activity level.*

*Reporting mechanism and structure should be described here.  
Finally, escalation mechanism should also be described here.*

### Contents:

- a. Overall Gantt chart for the specific activities as a part of the cluster development initiative.
- b. Responsibility matrix for the various stakeholders involved
- c. Reporting mechanism and escalation mechanism

### Checklist

- Gantt chart with monthly details of tasks and activity detailed out for the project period*
- Deliverables linked with the project defined clearly along with timelines*
- Responsibility matrix with roles and responsibilities of each partner mentioned*
- Escalation matrix described*

## VI. Risks in the Intervention

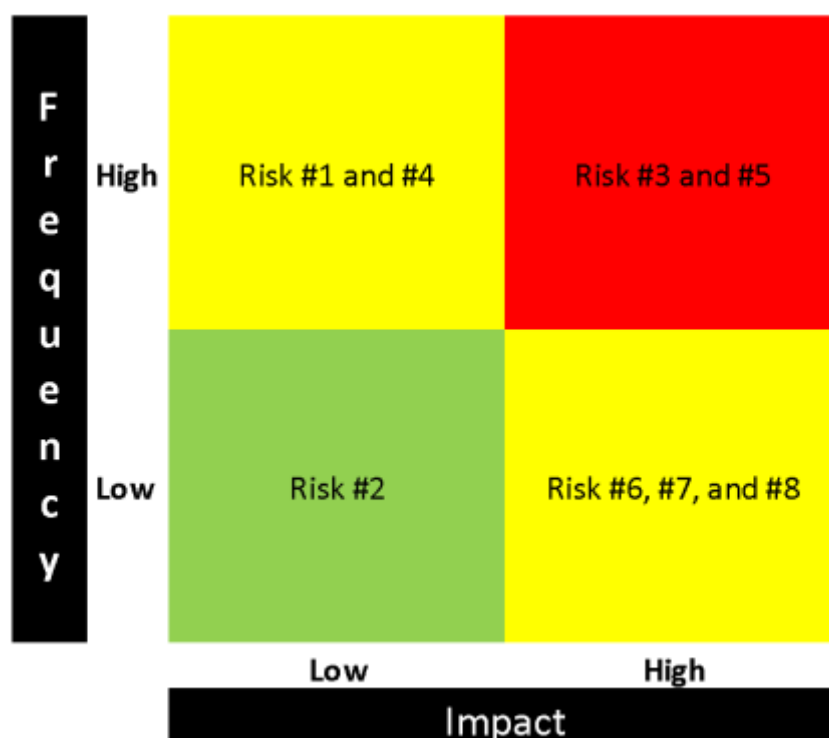
### Guideline:

*Risk management is a pro-active and damage prevention step in any plan and hence it deserves a section on its own as it drives the implementation plan.*

*Risk management needs clear understanding of what risks are, which ones are worth looking at, and the four different ways to treat risks (Avoid, Transfer, Mitigate and/or Prepare contingency, and Accept).*

*Beginning with a definition of risk is useful - Risk is an uncertain event or condition that has not yet occurred or may never occur but has the potential to adversely impact a business or project's objectives. Since only those risks are relevant which impact the objectives, it is a good idea to begin with objectives. For each objective, list one or more risk that will impact the objective adversely.*

*Quantification of a risk requires a nuanced approach. It requires estimating probability of occurrence and estimating the material impact. When these numbers are multiplied, one gets an expected loss from the risk. This may not be a practical approach for the agencies. Hence, we should recommend a qualitative approach in identifying significant risks as seen in the schematic (and its explanation on the right) below.*



*The rest of the section, in a tabular form, should list the relevant (prioritized) risks along with the chosen treatments*

### Contents:

- a. Identify and discuss the risks associated with different components of the business that is proposed as a part of the intervention

- b. Discuss the risk mitigation and risk aversion strategy that will be used.

#### Checklist

- Whether key risk elements that pose threat to cluster business have been identified?
- Whether risk management plan has been detailed

#### VII. Budget and Financial Details

##### Guidelines:

*This section should borrow from the excel template that has been prepared for assessment. Please enter the input figures in the excel sheet and paste the data from the P&L and Balance sheet. Please ensure that the workings and figures from both the documents are same.*

*The proposed budget for the intervention has to be mentioned in detail. The costs for all the subcomponents should be mentioned as a percentage of the overall cost.*

*The Day-1 balance sheet should be the starting point – It should point out the sources of funds (Liabilities) and utilization of funds (Assets). Required working capital calculation should be based on the current assets and current liabilities along with a justification of credit policies (on the supplier side and the customer side).*

*Estimated P&L for the project period should be listed next. Revenues should be broken down into top three products / services and then revenues from other products/services. For the top three products, price and volume numbers need to be specified. Assumptions behind changing prices, volumes, and cost items over the project period should be explained through assumptions and must have a basis (e.g. inflation, market share increase, etc.). Salaries and other benefits such as bonuses should be clearly classified as costs in the P&L and must be shown as number of people employed multiplied by average salary and wages earned.*

*A projection of the balance sheet for the project period should be the next step. The increase in Assets and Liabilities (especially current assets and current liabilities) should be in synch with the revenues and cost numbers from the P&L.*

*Both the balance sheet and the P&L should be driven by Excel templates. The fund requirement should be based on the projected cash flow of the producer enterprise.*

*Top three success determination parameters should clearly come out of the financial statements. Some of the candidates are Aggregate salaries and wages earned, Per capita salaries and wages earned, Aggregate salaries and wages earned divided by capital employed (equivalent of ROCE), Number of people getting employment,*

*In the last step, a set of parameters to which the business success determination parameters are most sensitive should be identified with a brief rationale. Some of the parameters are likely to be product prices and volumes, raw material prices and volumes, competition level and market share, salaries, inflation, etc.*

*A set of two-dimensional sensitivity analysis tables (such as seen below) will be useful. They should show the impact of simultaneous changes in two parameters on the success determination parameters.*

## Contents

- a) Proposed budget
  - o Cost of technical support agency
  - o Community capacity building and institution building
  - o Cost of knowledge and technology transfer
  - o Cost of developing community nodes (including administrative costs of organizations promoted)
  - o Working capital cost
  - o Cost of branding / advertising
  - o Cost of marketing
  - o Cost of processing and value addition of products, etc (including machinery and infrastructure at secondary and tertiary level)
- b) Opening balance sheet for the intervention
- c) Estimated P&L for project period
- d) Balance sheet projection for project period
- e) Cash flow projection for project period
- f) What are the funds proposed to be arranged from banks and other formal financial institutions and the mechanism of the same?
- g) How will the increasing working capital need of the enterprises (as the enterprises grow) proposed to be met?
- h) Calculate the Cost-Benefit Ratio of the intervention
- i) Details of net profit margin, payback period and breakeven analysis
- j) Sensitivity Analysis including details of:
  - a. What if the demand collapses significantly?
  - b. What happens if prices falls significantly?
  - c. What if the raw material price increases?

## Checklist

- ☐ *Balance sheet (projected for 3 years)*
- ☐ *Profit and Loss statement (projected for 3 years)*
- ☐ *Cash flow statements*
- ☐ *Cost benefit ratio (or Social Rate of Return)*
- ☐ *Detailed budget with sub heads*

## VIII. Sustainability Plan

### Guidelines

*The section should discuss in detail the plan of action by the TSA and the SRLM to ensure the project is successful in the time frame allocated. There should be a clear transition plan defined which should lay out the activities and the timeframe for the TSA to reduce and wind up operations in the project area. The section should clearly spell out how will the cluster carry out operations smoothly once the TSA withdraws*

## Contents

- a. What are the action plan and time frame by which the community shall be able to take over the complete operations of the cluster without the support of the TSA? What will be the role of the SRLM after the project ends?
- b. How will the cluster / sector expand its business? (how will the cluster approach new markets, negotiate with buyers and sellers, ensure it is up to date with the latest market trends, etc., after TSA withdraws)
- c. What is the governance structure planned for the cluster to ensure sustainability after the end of the project? Who will ensure that the cluster adheres to the instated governance mechanisms?
- d. In case a producer collective is proposed to be set up, please share details of the type of producer collective (coop, producer co, etc.) and the proposed bye-laws, selection/ election criteria for the board members, the Capacity Building plan for the board members, etc.
- e. How will the cluster / sector ensure the availability of adequate working capital for operations?
- f. Explain the exit plan of the TSA to ensure a proper handover to the community after capacity building to ensure sustainability after the project period. This should include the details of the transition plan, what steps will be taken, and how will the TSA phase out its activities.

#### Checklist

- Governance plan for the community institution*
- Transition plan is detailed*
- Whether training & capacity enhancement plan have been mentioned?*



IX. Annexures

- a. Questionnaire (if any)
- b. List of persons interviewed / met / interacted with
- c. Minutes of the validation meeting with the stakeholders
- d. Matrix of suggestions from validation meeting and response to suggestions
- e. Certificate from the SMD for an existing cluster stating no component of the intervention planned is a repeat funding of any other government scheme.