

Fostering Responsible
Behaviour in MSMEs Clusters:
Role of Implementing Agencies
(Volume II)



Foundation for MSME Clusters

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By

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This Methodology document is a guiding document for the Implementing Agencies (IA). The Methodology documents are available in three volumes -Volume I for the Policy Makers, Volume II for the Implementing Agencies and Volume III for the CDAs- given the varied role and responsibility they have in invigorating business responsibility among MSMEs through cluster development approach.

Each Volume has two sections. The first section explains the basic concept of cluster, cluster development, responsible business and the link between cluster and responsible business. The second section is specific to roles and responsibilities of Policy Makers (Volume I), Implementing Agencies (Volume II) and Cluster Development Agents (CDAs) (Volume III) in fostering responsible behaviour in MSMEs through cluster development approach.

	Policy Makers	IA	CDA
Section I	✓	✓	✓
Section II			
Engaging Stakeholders/ Institutional linkages	National level	State & local	Local level
Mapping of cluster	✓	✓	✗
Selection of cluster	✓	✓	✗
Selection of IA/ PMU	✓	✗	✗
Incentivizing ESR Agenda	✓	✗	✗
Strengthen National Resource Base	✗	✗	✗
Identification of CDA	✗	✓	✗
Formulating cluster action plan	✗	✓	✓
Resource mobilization and implementation	✗	✓	✓
Trust building and social capital	✗	✗	✓
Diagnostic Study	✗	✗	✓
Documentation	✓	✓	✓
M&E	✓	✓	✓

Foreword

It is indeed my pleasure to release this report on 'Fostering Responsible Behaviour in MSMEs in Clusters: Role of Implementing Agencies' under the 'IICA-GIZ CSR initiative'. The Ministry of Corporate Affairs, Government of India has been mandated to promote and create an enabling environment that will stimulate business, small and large to grow with enlightened regulation.

With the release of 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Businesses', 2011 by this ministry, the Government of India has created a forward looking and futurist framework to help businesses become more responsible. The guidelines also relate to the various eco-system stakeholders of businesses viz. buyers, suppliers, regulators, labour unions, service providers, public support institutions and most importantly the banks and financial institutions who also need to tread the responsibility path for sustainable development.

The Foundation for MSME Clusters through this document has pioneered a step by step detailed process on how cluster development approach should be streamlined when the focus is on enhancing responsible business in the cluster and therein the role of Implementing Agencies (IAs). The document clearly elaborates each of the steps to cluster development approach with a responsible business focus in a very simplistic manner and supported with relevant cluster case studies as illustrations. The document also focuses on the significance of understanding the level of engagement of a cluster to address any existing social or environmental issue prior to intervention and take into account whether addressing such issues will lead to economic benefits, i.e. business case for the MSMEs in cluster.

I am sure that this document will instigate IAs in adopting proper implementation techniques for cluster development stylised towards fostering responsible business in MSMEs in Clusters.

Preface

Micro, Small & Medium Enterprises (MSMEs) are very critical not just from the economic dimension but also from social and environment aspects. Researchers and media have often depicted the large scale non-adherence of statutory measures among MSMEs for using contractual labour, avoiding payment of statutory benefits, avoiding environmental norms, aiding corruption, providing sub-optimal working environment and hiring child labour to work. Fortunately a number of public funded development projects are in place in the area of MSMEs which are essentially cluster based. However most of them target building economic competitiveness of MSMEs while ignoring the responsibility dimension. An initiative to test the CSR dimensions in select clusters was undertaken during 2005-08 in a collaborative project ‘The UNIDO –CDP & CSR Project - A thematic-cooperation between United Nations Industrial Development Organization (UNIDO) and Swiss Agency for Development and Cooperation (SDC)’. The suggested methodology builds on the previous work under the above mentioned project. Considering the multiple thematic areas and diverse sectoral issues among MSMEs, it was felt that there is need to enrich the methodology with wider set of examples and contexts.

The project has been commissioned to ‘Foundation for MSME Clusters’ by GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit). This project is a part of GIZ and Ministry of Corporate Affairs, Government of India, agreement under the Indo-German Bilateral Development Cooperation Programme to “Strengthen the Corporate Social and Environmental Responsibility Movement in India” with the objective to foster an enabling environment in India for responsible business practices in pursuit of sustainable economic development.

Acknowledgements

Purpose of this document is to conceptualize and put in place a methodology that will support the policy makers/ implementing agencies/ cluster development executives in fostering MSMEs in clusters to become responsible in their businesses. The document provides an input on how to blend in the social, environmental and energy (SEE) related factors into the traditional cluster development programmes, which was structured towards addressing economic issues prevalent in the cluster, for encouraging business responsible behaviour in MSMEs. This methodology document is meant for the Cluster Development Executives/ Agents (CDA).

The document draws heavily from the study, 'UNIDO-Methodology- Fostering Responsible Behaviour in MSMEs in Cluster' by Mr Sudhir Rana, National Expert, and UNIDO-CDP. Several case studies also provided rich source of input. We are sincerely thankful to all the case study writers for providing such informative case studies and Asha Sharma in listing the social schemes that are available by different Ministries, Government of India. We are also thankful to Dr Megha Shenoy, Research Director, Resource Optimization and Innovation (ROI) for providing valuable inputs on Industrial Ecology and Life Cycle Assessment to enrich the document. We would also like to thank Mr Mukesh Gulati, Executive Director, Foundation for MSME Clusters, for providing his valuable inputs.

Workshop was organized on May 19 2011, to fine tune the paper. We are thankful to the participants and the distinguished panel of speakers Mr Manfred Haebig, Principal Advisor, IICA-GIZ CSR Initiative GIZ, Mr Manoj Arora, Former Director, Ministry of Corporate Affairs, Dr Sameer Maithel, Director, Greentech Knowledge Solutions Pvt. Ltd., Dr. S. Rajamani, Chairman, International Union of Environment (IUE) Commission, Dr Aditi Haldar, Director, GRI Focal Point- India, Dr Vijaya Lakshmi, VP& Head of Innovation Systems Branch, Development Alternatives, Mr Viraf Mehta, Consultant, IIM Bangalore, Dr Megha Shenoy, Research Director, Resource Optimization Initiative, Dr Bimal Arora, Technical Advisor, GIZ, Mr. Khurram Naayaab, CSR Strategist, Cairn Energy, Mr R C Kesar, Director General, Okhla Garment and Textile Cluster (OGTC), Neeraj Verma, Manager, Energy Efficiency Centre, SIDBI, Mr Ravi Purewal, Project Director, SGFI and Mr Parvinder Pal, Director, Foundation for MSME Clusters; for providing their valuable inputs.

The document has been authored by Dr B P Murali, MSME Development Consultant and Mrs Sukanya Banerjee, Deputy General Manager, Foundation for MSME Clusters. The Foundation is also grateful to The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), New Delhi who not only funded this study, but also provided useful inputs for the design of the study.

The authors bear all responsibility for facts presented, errors and omissions as well as value judgments passed, if any.

Contents

Section 1- Understanding Cluster Development and Business Responsibility		
1.	Understanding Clusters	
2.	Understanding Business Responsibility	
3.	The Relation between Clusters and Business Responsibility	
4.	Why Social Sector Actors should be concerned with Cluster Development Approach?	
5.	Typology of Business Responsibility initiative in Clusters	
6.	The Economic and Non-Economic Dimensions of a Cluster.	
7.	Stakeholders in a Cluster	
8.	Why focus on Cluster Development	
9.	Cluster Development Approach – Redefined	
10.	Cluster Governance	
11.	Linking SEE Sector Promotional Schemes with Cluster Development	
12.	Necessary and Sufficient Conditions for Cluster Development	
Section 2: Methodology Document for Implementing Agency (IA)		
1.	Implementing Agency (IA) – Need and Role	
2.	Cluster Selection	
3.	Trust Building and Social Capital	
4.	Formulating Cluster Action Plan	
5.	Resources Mobilization and Implementation	
6.	Documentation, Monitoring & Evaluation	

Tables		
Section 1- Understanding Cluster Development and Business Responsibility		
1.1	Agglomeration of Firms that is not a Cluster	
1.2	Defining Clusters in India	
1.3	Typology of BR Activities in Clusters	
1.4	Classification of Clusters from BR angle	
1.5	List of Institutions, their Roles and Potential Contribution to Business Responsibility	
1.6	Cluster Stakeholders and Potential Role in Addressing Business Responsibility	
1.7	SEE Focus in Cluster Development	

Section 2: Methodology Document for CDA

2.1	Typifying cluster based on development potential considering both economic and BR angle	
2.2	Information needs for cluster selection – Non-BR parameters	
2.3	Data to be collected through EDS	
2.4	Scoring system based on BR-related parameters	
2.5	Scoring system based on economic parameters	
2.6	Final Selection pattern	
2.7	Role of IA in establishing institutional linkages	
2.8	Kozhikode bee keeping cluster	
2.9	Purpose of linkage between programmes of such institutions and the cluster	
2.10	Listing of activities based on objective	
2.11	Basic Features of M&E	
2.12	Documents	
2.13	Activity Review	
2.14	Output Review	
2.15	Review of CFC	
2.16	Degree of interaction with Technical, Financial and Other Support Institutions	
2.17	BR Cooperation Matrix of a hypothetical cluster	
2.18	Outcome' Review	
2.19	Outcome Review (To be prepared by CDA)	
2.20	Monitoring Expenditure on each Activity	
2.21	Expenditure Review for the Project	
2.22	Sources of Funds (Activity-Wise)	
2.23	Fund Usage	
2.24	Indicators for evaluation of BR initiatives – An illustrative list	
2.25	Sustainability Indicator	

	Figures	
Section 1- Understanding Cluster Development and Business Responsibility		
1.1	Facets of Business Responsibility	
1.2	Market - Production Framework	
1.3	Illustration of the Pay Off Domain	
1.4	Steps of Cluster Development Approach	
Section 2: Methodology Document for CDA		
2.1	Cluster selection criteria	
2.2	Institutional mechanism to foster BR in cluster development	
2.3	Illustration of the pay off domain	

	Case Study Boxes	
Section 1- Understanding Cluster Development and Business Responsibility		
1.1	Economic Benefits Elevate Social Well Being of the Community- The Samalkha experience.	
1.2	Developmental initiatives by the Women Weavers in Barpali Ikat Handloom Weaving Cluster	
1.3	Brand Equity of Chanderi Handloom Cluster	
1.4	Synergic Effect of the Tirupur Knitwear Cluster	
1.5	Skill Training Initiatives of the Okhla Garment Textile Cluster	
1.6	Tackling Child Labour issues- The Jalandhar Sports Goods Cluster experience	
Section 2: Methodology Document for CDA		
2.1	Child Labour Eradication Initiative -Partnership with Myrada and Silk Reelers Association	
2.2	A village level committee created to address livelihood issues in Sal Leaf Cluster of Mayurbhanj	
2.3	Variety of SEE issues in the Samalkha Foundry cluster	
2.4	Engagement of KRMC to address water treatment problem	
2.5	Role of a CDA in a cluster initiative	
2.6	Support from Ministry of Labour to run NCLP School in Jalandhar	
2.7	Peripheral development spreads fast across Orissa	
2.8	Formation of SHGs in Chanderi	

List of Annex

Section 1- Understanding Cluster Development and Business Responsibility	
I.	Relevant social sector schemes that are applicable in MSME clusters
Section 2: Methodology Document for CDA	
II.	BR-related information needs
III.	Menu of possible BR activities in Clusters
IV.	Resource/Knowledge Organisations supporting social welfare activities relevant to cluster development
V.	Action plan superimposed on time frame – An illustration
VI.	Sourcing Funds for Cluster Development: An illustration
VII.	Sports Goods Cluster, Jalandar, Punjab: Pattern of financial contribution by the funding agency (UNIDO) and Sports Goods Federation of India

Abbreviations

AICTE	All India Council for Technical Education
AIDS	Acquired immune deficiency syndrome
AIMA	All India Management Association
ASSOCHAM	Associated Chambers of Commerce and Industry of India
BCCI	Bombay Chamber of Commerce and Industry
BDS	Business Development Service
BR	Business Responsibility
BVS	Bunkar Vikas Sanstha
CDE	Cluster Development Executive
CDP	Cluster Development Programme
CDS	Cluster Development Service
CEPI	Comprehensive Environmental Pollution Index
CFC	Common Facility Centre
CFP	Cluster Focal Point
CII	Confederation of Indian Industry
CNG	Compressed Natural Gas
CPCB	Central Pollution Control Board
CRPBSC	Cluster Responsibility Perception Based Score Card
CSO	Civil Society Organisation
CSR	Corporate Social Responsibility
EDI	Entrepreneurship Development Institute of India
EDS	Exploratory-cum-desk study'
EPR	End of Project Report
ESR	Enterprise Social Responsibility
FICCI	Federation of Indian Chambers of Commerce and Industry
GRI	Global Reporting Initiative
HIV	Human immunodeficiency virus
HRD	Human Resource Development
IA	Implementing Agency
IMTMA	Indian Machine Tools Manufacturers' Association
IT	Information Technology
KVIC	Khadi and Village Industries Commission
LBIPDS	Lathikata Block Industries Periphery Development Society
LCA	Life Cycle Assessment
M&E	Monitoring and Evaluation
MFA	Material Flow Analysis
MSME	Micro, Small and Medium Enterprises
NFP	National Focal Point
NGOs	Non Government Organisations
NRHM	National Rural Health Mission
OBC	Other Backward Class

S&T	Science and Technology
SC	Scheduled Caste
SEE	Social, Environmental and Energy
SEZ	Special Economic Zone
SFP	State Focal Point
SGMEA	Sports Goods Industry's Manufacturer's and Exporters Association
SHG	Self Help Group
SME	Small and Medium Enterprise
SPV	Special Purpose Vehicle
ST	Scheduled Tribe
SWOT	Strengths, weaknesses, opportunities, and threats
UGC	University Grants Commission
UN	United Nations
UNIDO	United Nations Industrial Development Organization
WG	Working Group

Section I

Understanding Cluster Development and Business Responsibility

1. Understanding clusters

Clusters worldwide are being acknowledged as a strategic mechanism through which regions and nations can attain higher level of industrial development. Broadly a cluster of enterprises may be defined as a typical geographical concentration of micro, small, medium and large firms producing same or a similar range of products¹ and facing common opportunities and threats². Units in a cluster face same or similar set of threats (e.g. product obsolescence, lack of markets, etc.) and opportunities (e.g. increasing turnover through quality up-gradation or introduction of new products or markets, etc). The firms producing 'the product' by which a cluster is known are called principal firms, core firms or *principal stakeholders* of the cluster. The principal firms obtain inputs from a range of supporting firms through backward and forward linkages. These include raw material suppliers and manufacturers of parts and machinery; intermediary buyers like traders, exporters and import agents; and technical and financial service providers like banks, technical institutions, private business development service (BDS) providers on quality, environment, design, energy, capital investment, etc. Various interest groups such as product and umbrella associations/forums of firms also contribute towards the dynamics of the cluster. All these - principal firms, support firms and service providers, technical and financial institutions and interest groups are a part of the cluster and are called *cluster stakeholders*.

The advantages of clustering of MSMEs can:

- Give rise to external economies like the emergence and growth of specialized suppliers of raw materials, components and machinery; sector specific skills etc.
- Favour the emergence of specialized technical, administrative and financial services;
- Create conducive conditions for the development of inter-firm co-operation and specialization as well as of co-operation among public and private institutions to promote local production, innovation and collective learning.
- Create conducive condition for addressing social and environmental issues collectively that are prevalent in the cluster.

Growth of one set of stakeholders in a cluster should propel growth of other stakeholders. Thus the presence and growth of a group of knitwear firms in a geographical region is strengthened by the growth of various firms involved in dyeing, spinning, designing, trading, exporting, etc. They provide vital backward and forward linkages to the firms at the core of the cluster – the knitwear

¹ By product in this document we imply both goods and services.

² 'Policy and status paper on cluster development in India', Foundation for MSME Clusters , New Delhi, 2007

units. These units supporting the growth of the knitwear units are also the part of the knitwear cluster. They form a part of the value chain of the end product (that reaches the final user) and the opportunities/threats faced by any actor in the value chain immediately transfers the corresponding impact to the other constituents of the value chain.

While too narrow a definition of a cluster should have implications on development policies, not every agglomeration of firms can be labelled as a cluster as under:

Table 1.1: Agglomeration of firms that is not a cluster?

S.No.	Not a Cluster	Reason
1	A "sector" that is present in various places all over a State or a country.	Too large a geographical area deprives the units across the area to exploit advantages of proactive joint action.
2	An industrial estate or an industrial park having multiple products	Too wide a product range means no common opportunities and threats. Hence, little scope of joint action.
3	A network (small group) of enterprises producing similar products.	Too small a number for enabling significant and variety of joint actions. These are often part of a cluster.
4	A cooperative, which promotes cooperation among a number of enterprises under some norm, rule or a public schemes of assistance.	A central feature of dynamic clusters is "competitive cooperation". In case of a cooperative, competition does not exist. It is often a part of a cluster.
5	A group of villages, town or city consisting of enterprises producing a diverse range of products or services	These are clusters in a different sense and are not enterprise based clusters, which are being discussed in this document.

Source: Policy and Status Paper on Cluster Development in India, FMC 2007.

Although attempts have been made to recognize a cluster by specifying the minimum number of units in a given measured location, these are difficult to generalize across activities/products. In India a number of agencies have come up with a range of definitions, tailored to suit the typology of clusters, which an agency decides/ is mandated to cater to, by specifying a certain minimum number of units in a given measured location.

Table 1.2 Defining clusters in India

Institution	Definition
Integrated Handloom Cluster Development Programme (IHCDP), Ministry of Textiles	A handloom cluster has been defined as one having a minimum of 500 looms
National Minority Development Finance Corporation (NMDFC)	Handloom cluster, which has more than 75% of the population as "minorities"
Scheme of Fund for Regeneration of Traditional Industries (SFURTI), Ministry of MSME	A micro village industry cluster having 500 beneficiary families of artisans/micro enterprises, suppliers of raw materials, traders, service providers etc., located within one or two revenue sub-divisions in a district (or in contiguous districts).
DC(Handicrafts), Ministry of Textiles	Agglomerations having 100 artisans. In case of North East Region, Jammu & Kashmir and other hilly terrains, the clusters will have a minimum of 50 artisans.
NABARD, Cluster Development Programme	Micro enterprises and household units functioning on SHG mode and having a minimum of 50 beneficiaries up to a maximum of 200. In intensive clusters, the number of beneficiaries may go up to 500-700 and can even extend over a block or taluka.
Government of Gujarat	A minimum of 50 industrial units, indulging in the manufacture of the same or related products and located within a radius of 10 km in a particular location.
Government of Orissa Handicraft cluster	At least 100 traditional artisans practicing the same craft for non-KBK districts and at least 50 traditional artisans in KBK districts and situated within a radius of 3-5 kms.
UNIDO Cluster Development Programme	At least 100 SME units or 50 handicraft units in a town/ city or few villages and their surrounding areas for an industrial (traditional manufacturing) or an artisanal cluster respectively. Further a minimum of 500 handlooms for a handloom cluster.

Source: Policy and Status Paper on Cluster Development in India, FMC 2007.

2. Understanding Business Responsibility

In the changing context of globalization, enterprises are increasingly expected to pursue their business with due attention to the needs of the stakeholders whose well being depends on the way the enterprises manage their business processes. The enterprises are also waking up to the reality that they cannot succeed in the society that fails. Businesses, more so in the private sector, are being repeatedly asked to rise to the challenge of making the growth process more inclusive. Given the financial strength, they can be major partner in making the society more humane and just. This initiative is synonymous to corporate enterprises (therefore the term CSR) and also as Business Responsibility (BR) to emphasize inclusivity of social, environmental and energy (SEE) drive of both large corporate and MSMEs.

Business Responsibility (BR) is defined in varying manners as under:

“The continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.” (World Business Council for Sustainable Development)

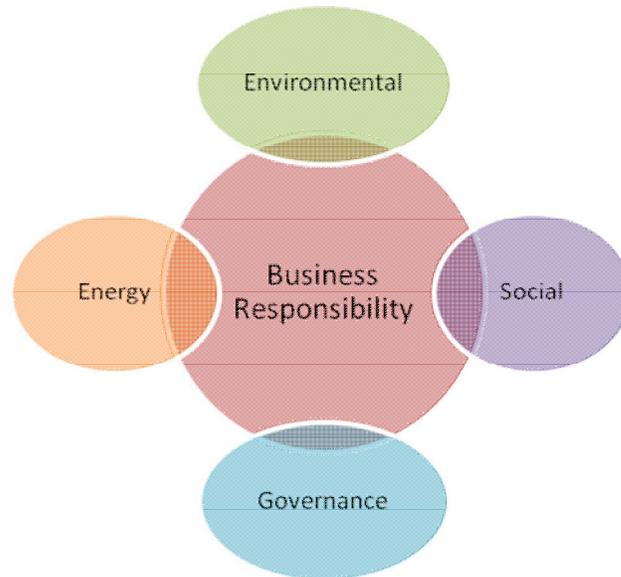
“Being socially responsible means not only fulfilling legal expectations, but also going beyond compliance and investing more into human capital, the environment and relations with stakeholders.” (The European Commission)

“Operating a business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of business.” (Business for Social Responsibility)

Business Responsibility (BR) refers to a concept prevalent in today’s business practices, where companies commit to be sensitive to all stakeholder demands in the scope of its business operations, beyond what is being regulated and expected by the community or beyond the industry norm. BR should manifest itself in initiatives related to tackling social, environmental and energy (SEE) related issues.

Business Responsibility should be depicted as given below:

Figure 1.1: Facets of Business Responsibility



Corporate sector across the world has started realizing that competitiveness of a given business can be severely threatened by unsustainable environment and unviable social structures. Global Initiatives such as UN Global Compact, GRI Reporting, SA 8000, ISO 26000, carbon credit trading mechanisms etc. are some of the initiatives that are trying to tackle the problems arising out of such a realization. At the national level, Business Responsibility (BR) platforms have been set up by membership organizations such as the Chambers of Commerce & Industry. In India, some of these institutions are Confederation of Indian Industry (CII), Federation of Indian Chambers of Commerce & Industry (FICCI), Associated Chambers of Commerce & Industry of India (ASSOCHAM), Bombay Chamber of Commerce & Industry (BCCI) to illustrate a few. At the corporate level some of the well known initiatives such as TATA CSR initiative, Microsoft Project Jyoti, Intel's Outreach Programme, IBM Computer Literacy, Pepsico's alliance with Basix (a micro finance firm), etc. are said to have contributed in their spheres of influence. The actual impact of these initiatives and the relationship of BR with their core business processes may be debatable but a beginning has certainly been made to ensure responsible behaviour among large corporate enterprises.

On the other hand, there is very little known about the micro, small and medium Enterprises (MSMEs) and their approach to business responsibility. The available literature about social and ethical behaviour about MSMEs is more critical than positive. Researchers and journalists have often depicted the non-adherence of statutory labour welfare measures by usage of contractual labour, avoiding environmental norms, aiding corruption, providing sub-optimal working environment and forcing child labour

to work. Little is stated and known about the positive side of MSMEs and their social responsibility, whatever be its nature and volume.

3. The relation between Clusters and Business Responsibility

The cluster development efforts have primarily focused on the issues of growth and competitiveness as follows³-

- collective efficiency – namely local agglomeration economies and joint action gains;
- Role of local institutions such as business associations, chambers of commerce, enterprise clubs, technical and research bodies, universities, business development service providers etc.
- promoting joint initiatives
- influence of stakeholders external to the cluster, such as global buyers and global lead firms, who not only link local producers to global markets but also provide a framework for understanding how local clusters are inserted into global value chains, and what implications does this have for local clusters to upgrade.
- Promoting BDS market
- Creation of common infrastructure

This focus is understandable given the relative success of small firm industrial districts in many parts of the developed and the developing world to compete with larger enterprises and in local and global markets.

Conventional approach to cluster development efforts in particular and economic development in general should indicate that ‘social’ considerations might not be in sync with ‘economic’ development. If the cluster firms are to be engaged in linking their competitiveness with social cohesion or fairness, they must first be convinced that the argument is sound. It is one thing to suggest that business ought to elevate considerations of social wellbeing of the workforce and community at large. It is possible to derive economic benefits through BR. As rightly highlighted by Porter and Kramer (2006), “...*The prevailing approaches to CSR are so disconnected from business as to obscure many of the greatest opportunities for companies to benefit society*”.

³ Interventions in some clusters are focused on poverty alleviation, for instance Cluster Development Programme with a focus on poverty alleviation supported under UNIDO.

Box 1.1: Economic benefits elevate social well being of the community- The Samalkha experience

Samalkha, a small town in the district of Panipat (Haryana), is well known for metal casting since 1960s. Currently, there are around **30 foundry units** (metal casting also termed as foundry) that are operational in the cluster with an **average turnover of Rs 80-100 crores per annum**. The production process adopted by these units is traditional, which lacks mechanisation along with quality control/ assurance systems.

Highly energy intensive: The most energy intensive operation in a foundry unit is the melting of metal (70 per cent of total energy consumed in the production process) in furnace known as cupola. The foundry units used the conventional cold blast cupolas, wherein the coke feed ratio was as low as 1:4, i.e. 1 tonne of coke can melt 4 tonnes of metal. This led to an increase in cost of manufacturing given the increase in price of coke and accordingly high emission of carbon particles to the air.

To address the issue of energy consumption, the units had to upgrade the **cold blast cupolas to double blast cupolas (DBC)**. Under a project funded by **Department of Science and Technology (DST) for Promoting Innovative Clusters and implemented by Foundation for MSME Clusters (FMC)**, the Samalkha Foundry Cluster was chosen to promote innovative techniques in enhancing the competitiveness of the cluster through strengthening of local ecosystem and institutional linkages.

For upgrading the cupola, FMC (the implementing agency) identified an expert who designed the DBC and directed the local fabricator for implementing the design. The cost of installation of this customised DBC is only Rs 2-4 lakhs, which is significantly less in comparison to DBCs designed by other institutions.

The outcome: Till date 10 units have upgraded their cupolas to DBC and in 8 units practices have been upgraded. The coke feed ratio has **increased from 1:4-1:5 to 1:8-1:9** depending on the duration of the cupola run. Given the total production of these 10 units for 2007-08 is 5000-6000 metric tonnes, the coke **consumption are reduced by 489-687 metric tons**, which amounts to Rs 73,35,000 – 1,03,05,000 (considering 22 per cent ash content and at a price of Rs 15000 per tonne). Moreover, apart from economic benefits this led to **reduction in CO₂ emission ranges from 1250 to 1750 tonnes**. Thus the economic benefit of the cluster, i.e. reduction of production cost through reduction of coke consumption, also resulted in social well being of the community at large, i.e. reduction of carbon emission in the air.

Under such circumstances, what tends to be neglected in the developmental policy, programmes and research on the competitiveness-upgrading nexus is the fact that in many cases small firm clusters cater to the social development agenda by providing employment for the poor. Several industrial clusters have their supply chain extended to household workers spread over several villages and districts from where the supplies are sourced, providing livelihood to the economic backward section of the community. One needs to ponder on the fact that, ‘competitiveness’ and ‘inclusive growth’ is not standalone strategy but interlinked as cluster needs a healthy society for successful functioning and vice versa. For example, education, healthcare and equal opportunity are essential to a productive workforce in clusters and similarly, society cannot rival the

business sector when it comes to job creation, wealth and innovation that improve standards of living and socio-environmental conditions over time.

In other words, we have to consider how cluster-based activities, including joint action as well as linkages with stakeholders within the global value chain, can influence the ability of clusters to address wider poverty and social concerns. This includes local joint action articulated through Self Help Groups (SHGs), Co-operative networks, and locally based multi stakeholder initiatives. As the emerging evidence indicates, such different forms of ‘collectivities’ articulated through distinct local institutional forms within clusters and networks can potentially lead to positive pro-poor and sustainable outcomes. These outcomes not only address how clusters or networks may positively impact on more marginalized segments of the community or labour force (especially women workers) but addresses wider concerns on social sector provisioning such as health, gender issues and education, as well as infrastructure provisioning. In some cases, initiatives of this kind can enhance the nature of local territorial advantage, and provide a wider developmental identity to territorial competitiveness. In particular there is a felt need to ‘shift in focus’ to social and poverty concerns that might present to policy stakeholders and implementers involved in enterprise development and cluster promotion.

Box 1.2: Developmental initiatives by Women weavers in Barpali Ikat Handloom Weaving Cluster

MAITREE, an organization of women was conceived in the minds of a few women following their UNIDO facilitated exposure visit to the Ahmedabad-based SEWA. MAITREE was instituted as an organization of women with the objective of **socio-economic development of women weavers** in the Ikat Handloom Cluster of Barpali. The Barpali Handloom cluster comprises 1567 looms and has a turnover of Rs 15 crore per annum. MAITREE started planning to create a network of the home based weavers in entire cluster of Barpali and later increased its spread beyond Barpali. Institutionalisation of such an organization was very much needed given the social status of the women in the cluster. Though women in the Barpali Handloom cluster were engaged in various economic activities like bleaching and dyeing, opening of yarn and winding, the condition of women in the weaver community is no different from any other communities in the country. Started with 15 members and has now reached to **around 300 women weaver members** of Barpali and the others branches of MAITREE in other 5 nearby weaving villages. Each member sets aside Rs 1 every day as savings and deposits the same with MAITREE every month during their monthly meeting. The organization now has a pool of more than Rs. 1 lakh as savings, utilized for internal lending to help out women in distress and avoid going to moneylenders and also a part of it is used for social cause.

MAITREE gradually tried putting focused efforts on capacity building of SHGs and its member especially in the area of self- management, leadership development, financial management etc. With UNIDO's facilitation, it got a project from Department of Planning and Coordination to organize training on Financial Counselling and Skill up gradation for its members and other poor weavers in the village. Besides addressing their economic needs, various social concerns are also addressed by MAITREE.

- Working with support agencies like Child and Women Welfare Department and to organized **health awareness camp for rural women** and making villager learn about different government schemes available for them.
- Motivated the villagers to avail the total sanitation scheme to construct Sanitary Latrines to check the instances of various diseases, of snake bite etc.
- MAITREE is running a GYAN-BIGYAN KENDRA, a library cum Personality development Centre for school going children where students are finding space to read properly.
- MAITREE is organizing computer training for the women in the local area to teach graphs and design making that can help them in tie and dye yarn preparation for weaving.
- Created awareness on the need of health insurance and currently more than 1950 Weavers have enrolled under the health insurance and 860 weavers are covered under the life insurance scheme offered by ICICI Lombard.

With MAITREEs initiatives, not only socio-economic issues of the area were tackled but also the confidence level of women has gone up substantially and the process has changed the man-woman equation in both social and economic areas in family and in society as a whole. The major issues which were unnoticed for long by the society and the government authorities found place in the development agenda of these marginalized women entrepreneurs.

A draft paper from Manuel Pastor, University of California, Centre for Justice, Tolerance and Community, indicate that countries starting from more equitable distributions, such as South Korea and Taiwan, have tended to experience more sustained and long-run growth, while those deeply entrenched in inequality, such as Brazil and Mexico, have experienced more volatile and ultimately more mediocre performance.

4. Why social sector actors should be concerned with cluster development approach?

In India, the Micro, Small and Medium Enterprises (MSMEs) play a pivotal role in the overall industrial economy accounting almost 80 per cent of the total number of industrial enterprises, 45 per cent of the manufacturing output and 40 per cent of the total export of the country. Almost 70 per cent of these enterprises are clustered in geographic locations that are producing same or similar products.

However, apart from economic significance, MSMEs should play a critical role in tackling social and environmental aspect. Researchers and media have often depicted the flip side of the sector in terms of large scale non-adherence of statutory measures among MSMEs for using contractual labour, avoiding payment of statutory benefits, avoiding environmental norms, aiding corruption, providing sub-optimal working environment and hiring child labour to work. It is to be noted that the sector offers tremendous opportunities for development interventions as under:

- One needs to ponder on the fact that, ‘competitiveness’ and ‘inclusive growth’ are not standalone strategies but interlinked as the sector needs a healthy society for successful functioning and vice versa.
- Over 60 million people are employed in the sector (300 million dependents) offering tremendous scope for pursuing social agenda in the process of enhancing the competitiveness of the sector.
- Several industrial clusters have their supply chain extended to household workers spread over several villages and districts from where the supplies are sourced, providing livelihood to the economic backward section of the community.
- Clean environment and efficient use of energy are a major concern as they represent one of the greatest environmental, social and economic threats facing the planet. Various large and medium corporate firms have taken steps to combat climate change and have incorporated energy and environmental concerns along with social issues in their corporate responsibility agenda. However, one needs to ponder on the fact that environmental and social concerns are not only restricted to large and medium enterprises but to small and micro enterprises as well.

There are several schemes/ programmes supported by ministries dealing with social and environmental issues prevalent in MSMEs. Dovetailing such schemes with MSME cluster development efforts offers an opportunity by way of simplifying implementation process and generating larger impact.

Thus, various stakeholders in the development process including ministries dealing with social and environmental aspects have an opportunity to pursue their agenda as a part of planned interventions to enhance competitiveness of the sector through cluster approach.

5. Typology of Business Responsibility initiatives in clusters

UNIDO had conducted a study⁴ in 11 clusters on how cluster stakeholders perceive business responsibility and based on the observation, BR can be categorized as internal BR activities or external BR and individual or collective BR activities as exhibited below:

Table 1.3: Typology of BR activities in clusters

	Individual	Collective
Internal	Labour Welfare Cleaner Production	Waste water treatment
External	Charity	Education- Setting up of school

5.1 Internal vs. External BR

a) Internal BR activities:

Internal BR seeks to improve business performance or to lock-in orders with international buyers. As per the UNIDO study, following are the internal BR activities:

- Activities focusing on **labour welfare**, account for 19% to 97% of total expenditures on BR, include fair and timely payment to workers, bonus and gifts and monetary aids for family events, financial saving schemes and interest free loans, provision of food and accommodation to residential employees, and last but not least uniforms and protective gear. Particularly in terms of labour welfare, medium sized enterprises, often represented by exporters, fine-tune their services such as provision of job contract in local language; fixed working hours, display all policies in visible area to all, job security guarantees, leave encashment, and respect of gender related issues.
- In terms of contributions to **health care**, 1% to 27% of total yearly BR resources are spent on free medical help, subsidized private health insurance, maternity benefits,

⁴ Study conducted by Foundation for MSME Clusters under the UNIDO –CDP & CSR Project - A thematic-cooperation between United Nations Industrial Development Organization (UNIDO) and Swiss Agency for Development and Cooperation (SDC)⁷.

healthy work environment, protective gear and accessibility to first aid kits, health club membership; as well as substance abuse counselling and training on health related issues.

- Expenditures in respect to environment such as **cleaner production** and recycling are nominal particularly across Indian clusters, ranging from 1% to 7% of total yearly BR resources.

b) External BR:

Across clusters, external BR activities are dominated by:

- Outward looking BR focus on activities directed towards the benefit of the community at large in which the enterprise operates.
- They are dominated by charity donations, which are strongly influenced by religious sentiment, the contributions take on various forms. External charity driven BR activities seeks emotional returns.
- Entrepreneurs' are the key drivers and thus want to express their larger responsibility towards the community where "everyone knows each other, and we, the more fortunate cannot deny the help"

5.2 Individual vs. Collective BR

- a) Individual BR activities: These are activities planned and implemented by an individual firm in a cluster.
- b) Collective BR activities: Activities conducted jointly with either cluster firms or support organizations are considered as collective BR activities.

5.3 Generic social issues⁵ vs. "economic" social issues

Further, BR issues can be categorized as socio- generic or socio-economic based on its impact on the cluster operations.

⁵ The issues that are independent of the cluster are termed as generic social issues. e.g. prevalence of HIV AIDS, alcoholism etc.

a) Cluster *socio-generic* BR issues: These issues may be related to religious, education, public health, disabled person, poverty, women & child, underprivileged section of the society, animal welfare, old age etc. These issues may be important to society but their relationship with cluster operations needs to be analysed. Such issues should also be labelled as ‘generic’ social issues.

b) Cluster *socio-economic* BR issues⁶: These BR issues may be related to product innovation, technology, raw material, wastage, occupational hazards, health & safety, pollution, productivity, unfair labour practices, child labour, corruption, infrastructure, skill development and trainings, bad practices in marketing and after sales services, transparency in truthful marketing and advertisement, proper and optimum utilization of natural resources, use of restricted items and materials, and other value chain steps. These issues are significantly affected by cluster value chain operation activities and can have relationship with cluster competitiveness.

In short, in the context of MSME sector, BR refers to ‘responsible behaviour’ on the part of the businesses in the following areas:

- Facilitating wellbeing of the workforce
- Avoiding actions of omission and commission that should have negative impact on the natural environment.
- As a corollary to the above, initiating and/or supporting interventions that reduce or prevent pollution (air, water, noise) and those that promote preservation of natural flora and fauna
- Contributing to or being engaged in initiatives (health care, literacy campaign for instance) that benefit the community in the immediate vicinity of the business and the society at large as well
- Complying with legal *and* ‘moral’ obligations expected of any business establishment

⁶ Issues which when taken care of have positive impact on competitiveness of the cluster are termed as socio-economic issues. For example, abolition of child labour may make a cluster a preferred source of international buyers.

- Preserving and promoting social values

6. The economic and non-economic dimensions of a cluster.

6.1 Economic dimension:

Given the 'economic' focus of cluster development efforts and from a policy perspective, it would be useful to follow a 3- way classification as under:

- High-tech clusters such as those in the IT and IT enabled services, computers, biotechnology and related services, precision instrumentation or avionics, etc.
- Traditional manufacturing clusters (non high-tech and non-micro clusters) and
- Low-tech poverty-intensive micro enterprise (handloom, handicraft and other micro enterprises) clusters. The traditional manufacturing and micro enterprises clusters may also be termed as natural enterprises clusters⁷.

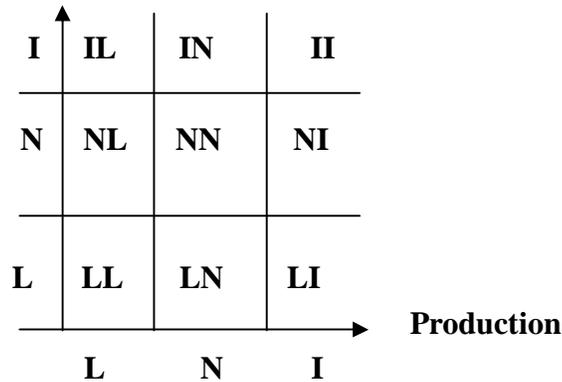
Another approach is⁸ to typify a cluster by its' market and production' structure as shown in Figure 1.2 below, where 'L' stands for local, 'N' for national and 'I' for international. The framework suggests that a cluster, or at least majority of its firms, can at least theoretically have any of these nine combinations. While local, national or international markets are self-explanatory; local production system is based mostly on local resources, whereas national or international production system depends mostly on national and international resources. Such resources include sourcing of raw materials, technology, sub-contracting, HRD, etc. The challenges for micro enterprise cluster are often to move from a local production resources and local markets (LL) to local production resource and national market (LN) and then to tapping production resource nationally for national markets (NN). This naturally makes the cluster product most efficient. Similarly, the challenge for a traditional manufacturing cluster is to move from an 'LN' to 'NN' to 'NI' and ultimately to 'II' framework respectively.

⁷ As stated by Mr. Jawhar Sircar, Additional Secretary and Development Commissioner (MSME), at the second Workshop on "Policy and Status Paper on Cluster Development in India" held on October 5 2007 in New Delhi (organized by Foundation for MSME Clusters).

⁸ Bianchi, P. and Tommaso (1997), The role of Small & Medium Enterprises in a changing global scenario: Towards a new Policy approach , Consorzio Ferrare Ricerche.

Figure 1.2: Market - Production Framework

Market



6.2 Non-economic dimensions:

As an essential pre-requisite to promoting business responsible behaviour, it is important that clusters be understood based on the major BR issues confronting them. Accordingly, a cluster should be typified based on one or more of the following BR issue:

- a) Labour related issues including child labour, social security net, working conditions and occupational safety.
- b) Environment and energy including effluent discharge, air pollution, inefficient use of non-renewable energy.
- c) Community health including impact of cluster firm's operations on health and access to health care.
- d) Social issues not directly linked to cluster operations - Alcoholism and Drugs Abuse, HIV, female foeticide; Welfare of minorities and other underprivileged sections.

While one should argue that such issues are omnipresent, it is important to consider the intensity of the issue and the level of engagement of the cluster stakeholders in tackling these issues. Including this dimension should typify a cluster more meaningfully as under:

Table 1.4 Classification of clusters from BR angle

Level of engagement BR issues	Blind	Aware	Engaged		
			Low	Moderate	High
1.Labour related issues	1B	1A	1EL	1EM	1EH
2. Environment and energy	2B	2A	2EL	2EM	2EH
3. Community health	3B	3A	3EL	3EM	3EH
4. Social issues	4B	4A	4EL	4EM	4EH

Note: B- Clusters that is 'Blind' on the SEE issue,

A- Clusters that is 'Aware' of the SEE issues but not taking any initiative to address the prevailing issues.

EL- Clusters that exhibit low level of engagement- taking few isolated initiatives to address SEE issue.

EM- Clusters that exhibit moderate level of engagement- taking sustainable initiative to address a few SEE issues.

EH- Taking initiative to address most of the critical SEE issues.

The above classification has implication in choice of clusters for interventions.

Ministries that are targeting particular BR issue should wish to support those clusters where such issue is prevalent. For instance, the ministry dealing with labour affairs should wish to support interventions in clusters that fall under the categories of 1B and 1A.

A public financial institution supporting cluster development and looking for demonstration effect may opt to choose clusters where there is sufficient awareness and some visible signs of engagement to address the issue are done, i.e. clusters falling under category nEL or nEM, n= 1,2,3 and 4.

Thus, from a policy standpoint, it will be useful to classify the clusters as above, right at the stage of mapping at regional/State level.

7. Stakeholders in a cluster

Any effort to promote business responsible behaviour in a cluster has to involve a variety of institutions/ entities. An understanding of the potential contribution that each such stakeholder can make and the linkages among them is an essential part of the development process. The ability of the cluster to address BR issues depends to a great extent on the strength of

relationships among various stakeholders who have learned to communicate effectively to address the ever-emerging set of problems/opportunities in the cluster.

Following is an illustrative list of institutions, their roles and potential contribution to the process of tackling the BR issues:

Table 1.5: List of institutions and their potential contribution to business responsibility

Sl. #	Nature of institutions	Potential contribution
1.	Core firms	<ul style="list-style-type: none"> • Adopting eco-friendly technology • Compliance with labour standards. • Support community welfare.
2.	Public Institutions such as: <ul style="list-style-type: none"> • Ministries dealing with industry, social welfare, environment protection, & the likes • Regulatory bodies engaged in pollution control, labour welfare department, • Other local offices of Government social welfare and environmental departments. 	<ul style="list-style-type: none"> • Affirmative action: Relevant ministries should incentivize clusters to follow socially responsible behaviour • Regulatory ones should monitor such a behaviour
3.	Technical Institutions such as: <ul style="list-style-type: none"> • R&D institutions and laboratories, • Training institutes, • Educational institutions • vocational institutions 	<ul style="list-style-type: none"> • Provide HRD and technical support to cluster firms (adopting cleaner technologies and training of workers in occupational safety, for instance)
4.	Industry Associations/ networks	<ul style="list-style-type: none"> • Most appropriate entity to generate awareness, arouse interest and initiate action to tackle SEE issues • Can act as a pressure group for unwilling or non-conforming firms
5.	Voluntary Organisations	<ul style="list-style-type: none"> • Form networks that should tackle SEE issues • Provide technical and management advisory services to cluster stakeholders on issues related to their BR agenda • Act as intermediary for some government financing schemes related to social and environmental issues;
6.	Financial Institutions	<ul style="list-style-type: none"> • Financial support
7.	BDS providers	<ul style="list-style-type: none"> • Offer specialized services to cluster firms for tackling SEE issues

		<ul style="list-style-type: none"> • Provide material and financial support to BR initiatives
8.	Trade unions and workers groups	A good 'entry point' to consensus building on tackling SEE issues
9.	Other enterprises in the cluster (large manufacturers, large buyers, suppliers firms dealing in equipments etc.,)	<ul style="list-style-type: none"> • Offer specialized services to cluster firms for tackling SEE issues • Provide material and financial support to BR initiatives • Act as a pressure group to enthuse unwilling/inactive cluster firms
10.	Local Community	<ul style="list-style-type: none"> • Act as pressure group to address SEE issues. • Supplementing the efforts of core firms in BR initiatives.
11.	Opinion leaders	<ul style="list-style-type: none"> • Sensitise core firms on BR issues. • Use 'social power' or position to propel core firms to act responsibly.

Noted below is an illustration of how a cluster actor can address a particular BR issue.

Table 1.6: Cluster stakeholders and potential role in addressing business responsibility

SEE Issues Stakeholders	Labour	Environment & Energy	Health	Generic Social Issues
Core firms	<ul style="list-style-type: none"> • Fair wages • Occupational health and safety. 	<ul style="list-style-type: none"> • Clean technology • Use renewable energy 	<ul style="list-style-type: none"> • Health awareness camps. 	<ul style="list-style-type: none"> • Non-formal education. • Home for senior citizens. • De-addiction centre. • Education for girl child • Livelihood means for differently-abled person.
Other Enterprises (Buyers, raw material/machinery suppliers, etc)	<ul style="list-style-type: none"> • Buyers' insistence on labour standards. • Improved standards of safety in equipments. 	<ul style="list-style-type: none"> • Energy efficient machines. • Bio degradable packaging options. 	<ul style="list-style-type: none"> • Health awareness camps. 	
Private and Public Service Providers	<ul style="list-style-type: none"> • Skill training • Consultancy on safe working conditions 	<ul style="list-style-type: none"> • Energy audit • Recycling technology 	<ul style="list-style-type: none"> • Diagnostic facility 	
R&D Institutions	<ul style="list-style-type: none"> • Reduce drudgery through innovative technology. 	<ul style="list-style-type: none"> • Emission reduction technology 	<ul style="list-style-type: none"> • Emission reduction technology 	
SBMOs (Small Business Membership Organisations)	<ul style="list-style-type: none"> • Support skill up gradation. • Form SHGs and link to micro finance. 	<ul style="list-style-type: none"> • Common Effluent treatment plant 	<ul style="list-style-type: none"> • Healthcare centres. 	

Financial Institutions and Banks	<ul style="list-style-type: none"> • Linking access to firms with labour practices. 	<ul style="list-style-type: none"> • Better access to funding for clean technologies. 	-	
Voluntary Organisations (VO)	<ul style="list-style-type: none"> • Advocacy • Monitoring child labour. 	<ul style="list-style-type: none"> • Act as pressure group 	<ul style="list-style-type: none"> • Organize health camps. 	
Regulatory authorities	<ul style="list-style-type: none"> • Monitoring child labour 	<ul style="list-style-type: none"> • System of sanction based on emission, effluents and solid waste. 	<ul style="list-style-type: none"> • Monitor compliance to health related regulations. 	
Labour Union	<ul style="list-style-type: none"> • Advocacy 	-	-	
National and provincial governments	<ul style="list-style-type: none"> • Support to pension fund. 	<ul style="list-style-type: none"> • Infrastructure for use of alternate fuel. 	<ul style="list-style-type: none"> • Provide health infrastructure. 	
Local Community	-	<ul style="list-style-type: none"> • Act as pressure group. 	-	
Opinion Leaders	<ul style="list-style-type: none"> • Sensitize core firms on labour practices 	<ul style="list-style-type: none"> • Mobilize support for collective action. 	<ul style="list-style-type: none"> • Mobilize opinion on preventive healthcare. 	
Educational/ Training Institutions	<ul style="list-style-type: none"> • Vocational training for unskilled labour. 	<ul style="list-style-type: none"> • Skilling of workforce for using eco-friendly or energy efficient technology. 	-	

8. Why Focus on Cluster Development

Cluster-based development has gained currency all over the world, thanks to its innovative nature of looking at enterprises as a part of the local system that influences the growth and competitiveness of all the stakeholders who are a part of the cluster. More than 50 countries are known to have undertaken cluster based development initiatives, both in the economically developed and developing countries. Some of the known organizations that have fostered cluster development initiatives are United Nations Industrial Development Organization (UNIDO), International Labour Organization (ILO), International Finance Corporation (IFC), Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) etc. UNIDO has been the front-runner in developing cluster based development that has now been replicated in several developing countries across the world.

8.1 Who Benefits from Cluster Development?

The benefits in terms of higher productivity and increased innovation can be felt by all firms in the cluster. The implications for existing firms are to examine the relationship they have with firms in the cluster and consider the services they offer.

- Do professional services firms specialized enough in the particular needs of firms in the cluster or are these have to go elsewhere for specialized advice?
- Can manufacturing firms fit into the supply chain of firms located in the cluster, again reducing the need for them to go elsewhere to source their inputs?
- Are universities and other higher education establishments providing people with the required skills for the firms in the cluster?
- Are public bodies providing the infrastructure which firms need if they are to be competitive?

The whole point of cluster policy is to examine all of the cluster's needs and encourage other partners to examine how they should link with – either through standard commercial trading relationships or through non-trading relationships – firms in the cluster. All firms, public bodies, educational institutions etc need to consider what linkages they should form with the cluster.

While development of a cluster from economic angle is an important goal of any planned intervention, it is important to note the 'BR agenda' in the process. Helping a cluster exhibit 'responsible behaviour' has to form a part of the agenda. Thus, the development process is to be tuned accordingly. This leads to advantages to the workforce in the cluster in terms of improved 'quality of life' (through access to health care & clean/safe working conditions for instance); to the community around the cluster (in terms of improved quality of ground water for instance) and to the society at large (safer natural environment for instance). More on promoting 'business responsible behaviour' is deliberated on the subsection below.

8.2 The 'economic' benefits of cluster development

Though 'social' benefits and 'economic' benefits need not be mutually exclusive, the outcome of cluster development efforts has to be 'development with human'. This section deals with 'economic benefits', the social aspects being covered in the following section. The economic benefits are:

- Facilitating 'Specialization'
- Attracting investment in peripheral activities
- Attracting investment in core activities
- Synergic effects leading to enhanced competitiveness

- Promoting mutually beneficial ‘Learning’

A brief of the above follows:

8.2.1 Facilitating ‘Specialization’: Being engaged in a given manufacturing or service activity, the phenomenon of clustering leads to ‘Specialization’ with attendant benefits such as top quality, cost efficiency and hence competitiveness.

8.2.2 Promoting Brand equity: Specialization should lead to building ‘brand equity’ as a preferred supplier of a given range of products – another instance of factor that contributes to competitiveness.

Box 1.3: Brand equity of Chanderi Handloom Cluster

Among the handloom cluster in India, the Chanderi Handloom cluster, Madhya Pradesh, had defined royalty in the past and still enjoys the elite status because of its centuries old weaving specialty of a finely textured fabric of silk and cotton embellished with exquisite gold woven work. It is one of the easily recognized handloom fabric produced in the country by virtue of it being light weight with intricate motifs. Over the centuries Chanderi has evolved as a centre of excellence for weaving gold embellished fabrics mainly, saris known as Chanderi saris. The salient features in relation to designing are fine cotton counts and deniers and combination of strong colours as well as muted tones.

8.2.3 Attracting investment in peripheral activities: The existence of a cluster of several enterprises that draws on common inputs, skills and, infrastructure, also stimulates government bodies, and private firms to invest in peripheral activities supporting the core activity of the cluster.

8.2.4 Attracting investment in core activities: Availability of skilled human resources, support services including scope for subcontracting prompts investors to choose a cluster as a preferred investment destination.

In Bangalore (India), presence of a large number of SMEs (apart from large Indian corporate) in software sector has lead to investments by multi-nationals as also by Indian investors.

8.2.5 Synergic effects leading to enhanced competitiveness: SMEs can significantly increase their comparative advantages by co-operating with one another and building linkages with private or public service providers. The small firms can thus build their competitive strength through cost reduction, value chain up-gradation, and exploitation of collective economies of

scale. Cluster development therefore implies reducing SME isolation by strengthening linkages among all stakeholders of the cluster (SMEs, larger enterprises, and support institutions) assisted in order to co-ordinate their actions and pools their resources for a common development goal.

The success factor has been more scientifically analyzed in terms of a ‘Triple C’ approach that explains performance by means of a customer-oriented, collective and cumulative approach⁹. Customer orientation tackles the bottom line of success and successful policy interventions guide SMEs to know the needs of the customer and also provide technical support to achieve the same. Collective approach lowers transaction cost, knowledge sharing and mutual learning. These in turn work towards building the cumulative capacity of firms to upgrade and become less dependent on external support. This creates capacity to remain competitive in changing environments.

Box 1.4: Synergic effect of the Tirupur Knitwear Cluster

The Tirupur Knitwear cluster comprising of some 7,010 units, most of which are quite small, compared to the national and international standards, is interwoven through several commercial and non-commercial linkages. There is a high degree of subcontracting relationship among them due to the nature of operations. Almost 80 percent of the firms are exclusively working as subcontracting units, particularly for manufacturing the hosiery cloth. The cluster reflects a high degree of specialization in most areas including machinery supply besides every area of the manufacturing operation. Innovative services such as pre-production checks, initial and during production checks, product consultancy, laboratory testing, sourcing assistance are provided by several enthusiastic entrepreneurs that helps the industry galvanized.

8.2.6 Promoting mutually beneficial ‘Learning’: The uniqueness of cluster dynamics – the real relationship phenomenon between a numbers of business entities – leads to easy dissemination of technical information. The dynamics leads to accelerated technical learning. This has been witnessed as a “reverse engineering “phenomenon in the Ludhiana knitwear cluster (Punjab, India).

8.3 The SEE benefits of cluster development

⁹ Humphrey, J. & Schmitz, H., Principles for Promoting Clusters & Networks of SMEs. Institute of Development Studies, University of Sussex, U.K., 1995.

8.3.1 Finding and keeping skilled workers: Considering that paucity of skilled labour is an emerging phenomenon, ability to find and keep a qualified work force, ability to find and retain 'quality workforce' is turning out to be a major issue for sustenance and growth of businesses, especially MSMEs. Thus, clusters have to look deeper into the labour pool from non-traditional sources they may have undervalued in the past. To attract such skilled human resources, it is essential to invest in training of workforce and provide facilities (education for children for instance) henceforth considered as internal BR activity.

Box 1.5: Skill training initiative of the Okhla Garment Textile Cluster

The Okhla Garment and Textile Cluster (OGTC) is an amalgamation of 26 Garment manufacturers spread all over the city working towards initiating joint efforts for accomplishing results which will improve their competitiveness in the Garment Industry. OGTC has signed a MoU with IL&FS for setting up a chain of training centres in OGTC member's unit under a scheme of Ministry of Rural Development and IL&FS is the nodal agency. This scheme provides youth from BPL (Below Poverty Line) to undergo training and develop skill so that they can come to the mainstream of the garment industry. A model Tailors Training Centre has been set up in Pee Empro Exports Faridabad in 2010, where 25 fresh candidates were selected from the rural areas belonging to BPL. However, OGTC had already initiated training in 2007 when a group of trainers were trained and training centres were set up. Around 350 tailors were trained in tailor training programme, of which 240 have been employed and are still working in the unit. This is quite a good retention percentage. Under the initiative of training and providing employment to physically handicapped persons by OGTC, around 97 workers have been provided employment.

8.3.2 **Branded as Caring:** Another kind of payoff is in using social responsibility to create brand loyalty. There is evidence that some corporations, and particularly those locally owned, will operate differently where socially conscious actions create an image that commands customer loyalties, so essential in a highly competitive environment. Good deeds can be converted into profits with the right marketing strategies and business responsibility “pays off” if consumers value it.

8.3.3 **Need for compliance:** As a cluster becomes increasing competitive and hence, ‘visible’, social accountability turn out to be important. For instance, the position that foundry clusters in Agra carved out was threatened due impact of pollutants on Taj Mahal. The firms were required to take corrective measures out of compulsion.

The requirement of large buyers should be another reason for clusters to respond to BR issues. The instance of carpet exports from India being affected due to child labour issues is widely known.

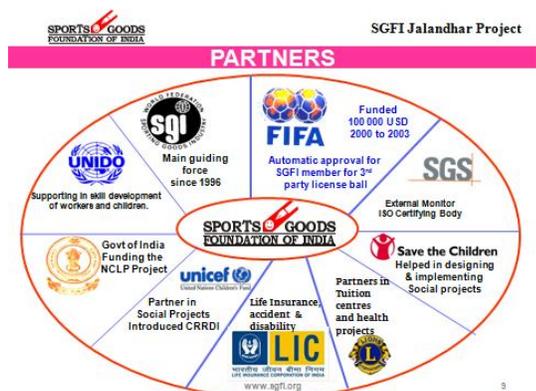
Box 1.6: Tackling Child labour issues- The Jalandhar Sports Goods Cluster

The Jalandhar Sports Goods Cluster that exports 85 per cent of the cluster products had tremendous impact on the existence of the cluster due to incidence of child labour as foreign brands started pulling out of the cluster to save their brand image, which included Nike, Adidas, Reebok, Mitre (UK) and others. The child labour issue of the Jalandhar sports goods cluster was not only a national issue but an international issue as various international organizations were involved with the cluster.

The Sports Goods Foundation of India (SGFI), a joint effort of 25 exporters of sports goods, went ahead with a programme to prevent and rehabilitate child labour in the cluster. SGFI is registered under Societies Registration Act XXI of 1860 vide Registration No. 1681 of 1998-99 Dated 25th January 1999 as an NGO. It is a non-profit making organization committed to the prevention and rehabilitation of child labour in the sporting goods industry. The objective of the organization is-

- **To prevent** and progressively eliminate child labour in the manufacture or stitching of Soccer balls.
- **To facilitate** an attitudinal change in the community as well as the worker's families regarding the importance of education and evils of child labour.
- **To promote** education in the inflatable balls stitching community.

In the process the Foundation partnered with various technical and donor organizations to fulfil its objectives as provided in the diagram below.



To tackle the child labour issue, the Foundation had put in place a proper mechanism of external monitoring and unique location number is provided to the locations where stitching takes place. SGFI under its ongoing education programme is running 8 special schools under National Child Labour project funded by Govt. of India covering 400 children from the stitchers community.

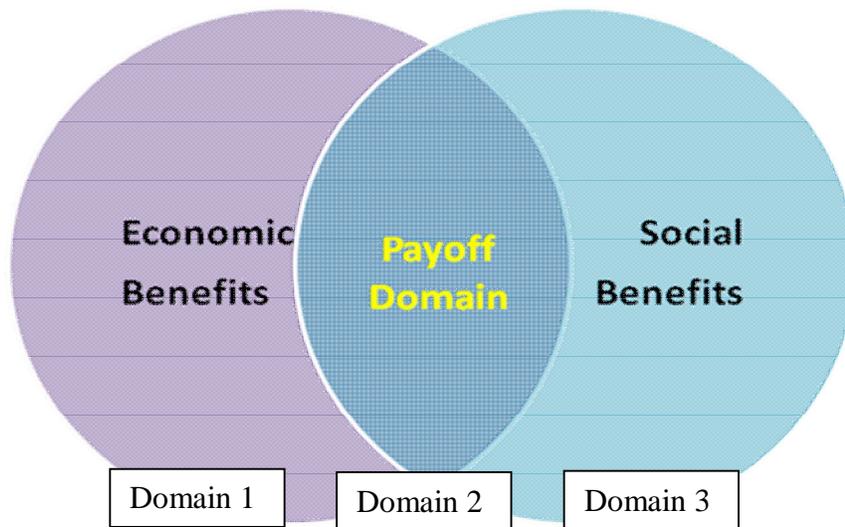
SGFI is also running 30 MUSKAAN (Smile) centres that are basically supplementary education centres helping the rural children with little backup family support in education to cope up with their studies.

Through such initiatives SGFI was successful in tackling the child labour issue and retaining its international clients like Walmart, Coca Cola, Reebok, Nike, ADIDAS, Gilbert, Mitre etc.

9. **Cluster development approach – redefined:**

Cluster development programmes tend to concentrate on the growth and competitiveness of firms. Given the need for promoting socially responsible behaviour and the associated ‘development dilemma’, should the policy makers focus on appealing to the ‘emotional’ domain of the cluster stakeholders? Or, should the cluster stakeholders be encouraged to see the ‘economic’ benefits of following responsible behaviour? The issue of social responsibility cannot be viewed in isolation to business competitiveness. It is strongly suggested that the development interventions be, at least initially, focused on those BR issues that should be linked to economic benefits for cluster firms. This should act as a prelude to wider and deeper engagement of cluster stakeholders with ‘social’ benefits. The figure below provides clues to this effect:

Figure 1.3: Illustration of the pay off domain



Interventions to promote joint actions among cluster stakeholders leading to economic benefits fall in the first domain. This has been the main stay in cluster development programmes (CDP). Actions related to the second domain amount to pure philanthropy that are difficult to promote given the economic realities of the business. However, there is an area of overlap where economic interests are served in the process of tackling BR issues. For instance, avoidance of child labour, social security net for the workforce and use of ‘greener’ technologies may provide a competitive edge to the cluster operating in a highly competitive export market. ***Thus, taking note of what is ‘doable’, the policy makers can consider incorporating the CDP to tackle BR***

issues with inherent economic benefits. A brief of such an approach based on UNIDO methodology is discussed in the following section.

9.1. Steps involved in Cluster Development – An overview:

9.1.1 Introduction:

The first priority for any business, whether it is small or large, is its survival. For this reason, and even more so for SMEs in developing countries, improving technology, management and marketing practices remain key concerns that need to be addressed in parallel with social and environmental impact, if they are to compete in the global markets¹⁰. The development process facilitates functional & sustainable linkages among various stakeholders and promoting ‘co-opetition’ – a situation where the core firms are encouraged to take joint actions while they compete with each other in the market place. This, in turn, helps the stakeholders develop a consensus-based vision that each of them share and strengthen their capacity to act upon such a vision

The pillars of UNIDO’s cluster development approach are that:

- It is need based, i.e. It is beneficiary-led and managed
- It is flexible, i.e. It matches the local requirements of the local dynamics
- It is focused on groups of cluster stakeholders, and not on individual firms.
- The approach blends economic development of the cluster with social consciousness, accountability and actions to tackle BR issues.

9.1.2 UNIDO Methodology

The key elements of the UNIDO methodology are:

a) Selection of Clusters:

This is a critical determinant of the success of the programme. A judicious selection framework based on the cluster's importance, promotability, viability and sustainability helps to ensure:

¹⁰ *Ashima Sachdeva*, ‘Dynamics of Social Responsibility in Small and Medium Enterprises (SMEs) & SME Clusters’, A Preliminary Research Note on: New Delhi (India) May 2006.

- An effective and wide reaching impact.
- Available resources are used on clusters where the approach has the greatest likelihood to be a success in terms of:
 - Contributing to economic success of MSMEs
 - Revitalizing systemic interactions
 - Tackling BR issues and consequently, producing a demonstration effect

While the economic interests are taken into consideration, it is important to note that the BR angle – the impact of promoting ‘business responsible behaviour’ on the firms in the cluster, the immediate community and society at large- has to be given its due place in the selection criteria. *Thus, the selection is to be based on the intensity of BR issues confronting a given cluster and the associated economic benefits accruing to the cluster firms in the process.*

b) Diagnostic Study:

The implementation of the Cluster Development Programme starts by gathering dispersed knowledge through a participatory study not only about its constraints and potential but also local linkages and support mechanisms. This is an attempt to identify obstacles faced by the cluster and opportunities that would become available if barriers to collaboration are dismantled in the selected clusters and if systemic interactions are revitalized

Understanding socio-economic BR behaviour of the cluster forms a crucial component of diagnostic study. In other words, it understanding of SEE issues such as education, public health, health care, poverty, women & child, underprivileged section of the society, local environment, child-labour, energy consumption etc. Ideally the process can start with a meeting with knowledgeable persons/ ethical leaders who has performed well from economic angle and is more philanthropic in attitude. This can provide general insights of the different types of socio-economic issues being faced by the cluster. This information can complement information from secondary sources gathered in the first phase.

The participatory process helps to build initial trust among the possible partners and secure the positive involvement of diverse stakeholders.

c) Trust Building:

Establishing an atmosphere of trust within a cluster is an essential prerequisite for building a realistic action plan for the cluster that will have support from clients, service providers and support agencies.

d) Visioning and Action Plan Formulation:

The drafting of an action plan for the cluster as a whole is more than the sum total of the demands set out by different cluster stakeholders. It is indeed a roadmap that will help to develop and foster lasting relationships among the cluster stakeholders while at the same time delivering visible results. This is an attempt to embody the vision of the cluster as a whole into a set of activities that can be implemented in collaboration by the various cluster stakeholders leading to 'economic' advantages in a 'socially responsible' manner.

e) Implementation:

The implementation of the action plan is not simply the realization of the targets set therein but, more ambitiously, a radical change in the way the cluster stakeholders interact with one another and conduct their business. The responsibility for implementation of various activities is progressively shifted to the private sector with support drawn from local institutions. It is in the implementation of the action plan that the advantages to be derived from closer cooperation and greater systemic interaction are disclosed and experienced by the cluster stakeholders. Such a positive experience leads to sustainability of the development process and more importantly, to creation of social capital.

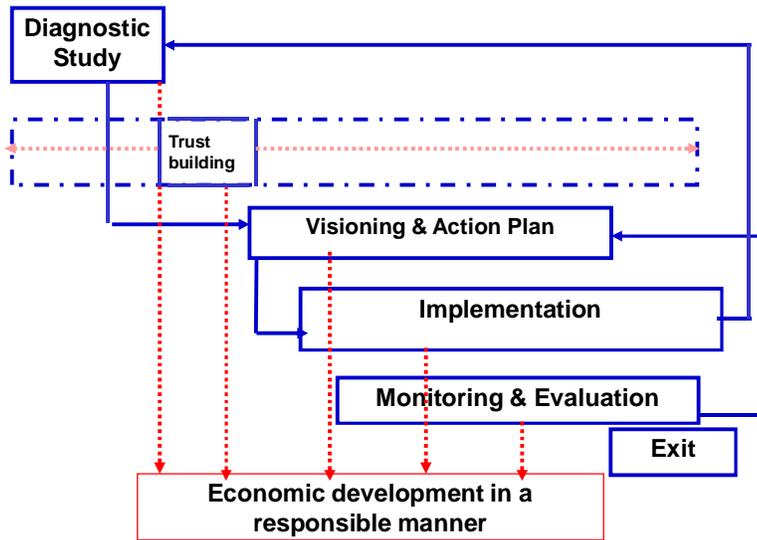
f) Monitoring and Evaluation:

Monitoring of quantifiable outputs as a result of implementation is an important component of cluster development as it helps disseminating best practices and strengthening trust. In comparison to conventional MSME development programmes, the M & E of cluster development difficult given the need to:

- Identify subtle and slowly emerging changes in the relationships among cluster stakeholders.
- Define parameters for quantifying 'socially responsible behaviour'

The process of cluster development as a whole after selection of cluster can be schematically represented as under:

Figure 1.4 Steps of Cluster Development Approach



The next section draws a parallel between such a development orientation and the standard 'economic' orientation to cluster development.

9.2 BR focus in Cluster development - the difference:

This section attempts to draw a parallel between:

- Planned interventions for cluster development focusing on inducing dynamism in the cluster from economic angle and
- Promoting 'business responsible behaviour'. :

By and large, enhancing competitiveness has been the main stay of cluster development initiatives. The need to lend 'human face' to the process and the realization that, in the long run, sustainability should be achieved through socially responsible behaviour has prompted modifications in the approach to development interventions. The differences in the cluster development approach focusing purely on 'economic' aspects and the one that goes a step further to include 'social' aspects is depicted as under:

Table 1.7 SEE¹¹ focus in cluster development

Stages in cluster development	Focus on ‘enhancing competitiveness’	Focus on promoting ‘social responsible behaviour’
Overall development strategy	Promoting ‘joint initiatives’ leading to ‘commercial benefits’ to the ‘core firms’	Promoting ‘joint initiatives’ leading to ‘ SEE benefits’ to the community including the workforce
Selection of clusters	Based mainly on: <ul style="list-style-type: none"> Economic importance: Development potential of the cluster from commercial angle Availability of ‘critical mass’ of ‘core firms’ 	Based mainly on: <ul style="list-style-type: none"> SEE importance: Potential ‘SEE benefits’ to the cluster stakeholders, immediate community and society at large Availability of ‘critical mass’ of ‘core firms’
Diagnostic study	Focus is on Understanding: <ul style="list-style-type: none"> Business processes among core firms ‘Collective capabilities’ of cluster stakeholders for ‘joint action’ for commercial benefits Challenges faced by & and opportunities available collectively to The SMEs in the cluster in their pursuit of enhanced competitiveness. SWOT analysis focusing on the ability of the cluster stakeholders to respond to the challenges and opportunities for enhancing competitiveness 	<ul style="list-style-type: none"> Focus is on Understanding: SEE issues confronting the cluster Vulnerability nodes in the clusters impacting the social wellbeing of the community Socio-cultural behaviour in terms of response of the cluster stakeholders to social and environmental issues SWOT analysis focusing on the ability of the cluster stakeholders to respond to the challenges and opportunities for enhancing competitiveness Criticality of SEE issues
Action plan	<ul style="list-style-type: none"> Visualize requirements to enhance competitiveness of the cluster. Accordingly, promote joint actions such as technology up-gradation, formation of consortium to explore new markets. Capacity building initiatives to enhance competitiveness. 	<ul style="list-style-type: none"> Visualise the cluster’s BR requirements. Assess how far the principal stakeholders of the cluster can contribute to socio-economical and socio-cultural development of the cluster Identify ‘join actions’ to tackle BR challenges Assess the prima-facie feasibility of initiating related actions Capacity building initiatives to foster socially responsible behaviour
Implementation	<ul style="list-style-type: none"> Start with simple projects that help 	<ul style="list-style-type: none"> Start with simple projects:

¹¹ SEE implies Social, Environmental and Energy issues.

	<p>build trust among, result in measurable commercial benefits to ‘core firms’ and demonstrate the advantages of collaboration</p> <ul style="list-style-type: none"> • Move towards actions that lead to radical change in the way cluster stakeholders interact with one another and conduct their business. • Leave behind institutional mechanisms that can help the cluster perceive opportunities for business growth and accordingly initiate collaborative efforts 	<p>a) That helps build trust among stakeholders, result in measurable ‘social impact’ as also distinct economic benefits to ‘core firms’</p> <p>b) That demonstrates the advantages of collaborative efforts to benefit the community</p> <ul style="list-style-type: none"> • Move towards actions that lead to radical change in the way cluster stakeholders perceive the need for socially responsible behaviour and respond proactively • Leave behind institutional mechanisms that can help the cluster stakeholders be more sensitive to ‘social’ issues , relate the same to their long-term wellbeing and accordingly initiate collaborative efforts to benefit the community
M & E	<p>Outcome indicators focus on:</p> <ul style="list-style-type: none"> • Commercial benefits to ‘core firms’ • ‘Changed’ relationships among cluster stakeholders • Willingness and ability to initiate joint actions for business growth • Quantitative indicators such as enhancement in turnover, value addition, exports • Qualitative indicators such as new/stronger linkages between core firms and service providers 	<p>Outcome indicators focus on:</p> <ul style="list-style-type: none"> • Social benefits to the workforce, the community and the natural environment • Enhanced sensitivity of cluster stakeholders to social issues • Their willingness and ability to initiate joint actions for cleaner environment, better working conditions. • Effectiveness of institutions mechanisms created for or ‘owned’ by the cluster stakeholders to tackle SEE issues.

10. Cluster Governance

Cluster governance¹² is about the intended, collective actions of cluster stakeholders to upgrade a cluster in order to build and maintain a sustainable competitive advantage as a cluster. In the conventional sense, cluster governance is specifically aimed at facilitating and improving processes of innovation. In other words, it is aimed at the main strategic issue facing the stakeholders involved in processes of innovation in a cluster. It is concerned with the question ‘how the value chain itself is moving’, how it can be reconfigured and where possible new synergies can be found. In addition to this view of cluster governance issues related to business responsibility have to be factored in.

¹² <http://www.druid.dk/conferences/winter2000/gilsing.pdf>

Going beyond traditional industry-association, one should envisage a governance mechanism through a platform in which all cluster-stakeholders participate such as suppliers, customers, schools, consulting firms, banks and governmental organizations. The aim of the platform is to stimulate the self-organizing capabilities in order to strengthen the competitive position of the cluster and in the process tackle BR issues. More specifically, the platform should initiate the following activities:

- Takes stock of impact of cluster operations on SEE issues
- Stimulate knowledge sharing to enhance understanding of the above among the cluster actor
- Deliberate on the current level of engagement of cluster stakeholders with SEE issues and the need enhance the same.
- Establish linkage between BR mitigating measures and potential economic pay-offs.
- Identify resources within and outside the cluster and mobilise the same for addressing the SEE issues.

Such a platform should ideally lead to initiating joint actions towards SEE issues.

11. Linking SEE sector promotional schemes with cluster development

Currently cluster development initiatives are supported by ‘economic ministries’ dealing with MSMEs, commerce and industry, textiles etc. However, to include BR agenda in cluster development calls for additional support. Such support should be mobilized by tapping the schemes of ‘social sector ministries’ dealing with women and child, non-formal education, social justice and empowerment etc. Illustration of some of the schemes that should support BR initiatives in clusters is noted below.

- a. Special Health Scheme for Rural Areas (NRHM) under the aegis of Ministry of Health and Family Welfare promotes outreach services in rural and high density urban slum population of the country. The financial assistance is available to the voluntary organizations for encouraging them to set up new hospitals/dispensaries in rural areas or to expand and improve the existing hospital facilities. In association with local NGOs, clusters located in rural areas can work towards providing a better access to health care by utilizing the assistance under the scheme. This can lead to economic pay offs to cluster firms by way of reducing incidence of absenteeism.
- b. Industrial Pollution Abatement through Preventive Strategies under the aegis of Ministry of Forest and Environment provide assistance to SMEs who do not have access to the

requisite technical expertise. The assistance is towards building capacities of SMEs to tackle pollution related issues. This can lead to economic pay offs to cluster firms by way of reduction in process wastage and potential for recycling.

- c. Scheme of Support to Voluntary Agencies for Adult Education and Skill Development under the aegis of Department of Elementary Education & Literacy and Department of Secondary & Higher Education helps improve the occupational skills and technical knowledge of the neo-literates and the trainees and to raise their efficiency and increase productive ability. This can lead to economic pay offs to cluster firms by way of better supply of skilled personnel.

The list of relevant social sector schemes that are applicable in MSME clusters are provided in Annex 1.

12. Necessary and sufficient conditions for Cluster Development:

The variety of cluster types and the unique local framework conditions make clear, that there can be no 'one size fits all' cluster development concept. Dedication to the specific needs of the cluster is a *sine qua non* of successful cluster development. However, there can be summarized some fundamental success factors of cluster development

12.1 Conducive policy framework:

While economic policies that enhance competitiveness in a cluster should be well conceived, this is not a sufficient condition to promote cluster's socially responsible behaviour. The policy framework should set an effective 'framework' condition for tackling BR issues. . Cluster policies are required to encourage linkages among the stakeholders (cluster stakeholders including the community) as well as support public-private partnerships to tackle BR issues. A combination of regulatory measures (a 'public watch dog' to monitor BR issues, for instance) and promotional tools (tax holidays linked to 'responsible behaviour', for instance) should play a significant role in the development process.

12.2 Selection of clusters:

For development interventions, a cluster has to be chosen, based on its potential to be more competitive and at the same time tackle major BR issues. At times, a cluster should be a candidate for interventions only because of strategic reasons to facilitate regional development

ignoring its development potential. Examples for the inefficient use of public money are the high numbers of struggling ICT and biotechnology cluster initiatives funded by so many governmental programmes all over Europe.

12.3 Involvement of stakeholders:

Multiple institutions and multiple levels of a given institution having an impact on the cluster need to be identified. Regulatory & promotional bodies of the government; R & D institutions; training/educational institutions; NGOs, material/service providers from the private sector and the like are to be involved. Some such stakeholders should be mandated to play only 'economic' role (raw material suppliers for instance). Identification of such institutions, understanding the prevailing level of interaction among them, assessment of their potential to contribute towards promoting 'responsible behaviour' of the cluster as a whole are to be carried out carefully as an essential prerequisite to their involvement.

Box 1.7: Polio awareness initiative of Ummeed in the Moradabad Brassware cluster

Incidence of diseases like polio, measles and other viral infection was quite prominent among the children of the craftsmen of Moradabad Brassware cluster. This was mainly due to lack of awareness and wrong belief on vaccination. Vaccination was not accepted in the region because of the misconception that vaccine creates impotency. To address this issue of vaccination, 'Ummeed- A Helping Hand', an NGO of six manufacturers cum exporters of Moradabad cluster, tried to convince the workers for vaccination of their children by going door to door. However, it was not of much success and the NGO later worked with **District Administration**, international health organisations like **WHO, UNICEF and Rotary** to increase the acceptance of vaccinations like polio, BCG, DPT, Measles and vitamin A among the community. In the process, Ummeed sensitised **religious leaders** to convey the message on health facilities as and when they get opportunity, since the underserved gathering has a good faith on these leaders. Ummeed has organized several polio immunization as well sensitizing camps in the high risk areas of the district Moradabad. The initiative of engaging appropriate stakeholders in the process of creating awareness for vaccination resulted in reduction in non-acceptance of vaccination from 500 to 50. Moreover, the incidence of polio in the cluster has reduced from 100 in 1995 to nil in 2010.

12.4 Mutual trust among cluster stakeholders:

A key element of cluster development is the quality of 'joint action' by the cluster stakeholders to fulfil "shared vision" for the cluster as a whole. The gains from such actions depend on mutual trust and common norms, rules that form a part of social relations between the stakeholders. Methods specific to social norms prevalent in a cluster have to be used to promote mutual trust.

12.5 External linkages¹³

Joint actions e.g. pooling resources for prototype development, when successful, lead to a sense of 'self-sufficiency' among the core firms. Such complacency should prevent promotion of external linkages between a given cluster and other similar clusters or with service providers who do not form an integral part of the cluster. Thus, any developmental efforts should focus not only on strengthening linkages among cluster stakeholders but also 'external' linkages.

12.6 Shared vision:

Any effort to develop clusters should start with formulation of a vision, not just for the core firms, but for the cluster as whole. This is possible only when there is mutual trust among the cluster stakeholders. For, in its absence, the vision – though well formulated – (possibility through the intervention of an external agency in charge of the development process), seldom gets translated into action. Further, the vision should provide for joint actions that enhance cooperation while maintaining competitive spirit.

12.7 Effective implementation agency:

The process of cluster development has to be facilitated by an external agency though, in the long run, the cluster stakeholders themselves set up appropriate institutional mechanism for sustaining the same. Such an implementing agency needs provided appropriate work environment (mainly operational flexibility) and support to the field staff.

12.8 'Cluster Development Executive (CDE)' - the back bone of the process:

The CDE is a representative person of the programme implementing agency in the cluster. CDE works as a link between different cluster stakeholders and ensures the formulation and execution of action plan in accordance with the vision and strategy of the cluster. One of the important areas of CDE's work is to facilitate mutual trust among different stakeholders in the cluster. Trust building is initiated through facilitation of mutual discussions, followed by pilot and short-term activities for among stakeholders. The CDE should also be able to get stakeholders with divergent views to agree on common targets and implementation priorities. The CDE must be able to identify critical areas of interdependence among the stakeholders and convince them

¹³ Günter Clar' Björn Sautter, Sabine Hafner, 'Strategic Cluster Development: Applying Strategic Policy Intelligence to create a Joint Research Agenda', Background paper for the CReATE project,2008
http://www.lets-create.eu/fileadmin/_create/downloads/del-1-2_cluster-background-paper_revised_final.pdf

about the possible benefits from such cluster development activities. Thus, the CDE is required to possess to necessary competencies, especially in the areas of interpersonal relations, trust building, negotiation, planning, and networking.

12.9 Problem solving through 'Empowerment':

Having identified BR issues to be tackled and barriers to economic development of the cluster, an overenthusiastic implanting agency should straight away work towards to 'solutions'. In the process, it is important to recognize that any sustainable intervention is possible only when the cluster stakeholders are 'empowered' to take action on their own. The process of empowerment should involve formation of institutional mechanisms for sustained actions; provision of information/knowledge required to identify, initiate and sustain remedial actions; skill development training and the like.

12.10 Sustainability:

Embarking on the process of cluster development solely based on 'public funding' should be appropriate under conditions where cluster stakeholders themselves are unwilling to commit financial resources initially. This hesitation should be more due to ignorance of the benefits of 'joint action'. However, for the development process to be sustainable, the cluster stakeholders themselves have to have a 'financial stake' that should be supplemented by support from the government and 'public' institutions.

Section II

Methodology Document for Implementing Agencies

Chapter 1

Implementing Agency (IA) – Need and Role

1. Need for an implementing Agency:

1.1 Multiple institutions but ‘individual’ actions

In a traditional cluster, there are different stakeholders like principal firms, machinery suppliers, raw material suppliers, support firms, BDS providers, funding institutions, technical institutes, NGOs and regulatory bodies. They carry out various commercial and regulatory activities in their own field related to the cluster. Yet they do not often carry out activities collectively to achieve outcomes as per a coherent plan. This problem is more so when it comes to addressing the clusters’ social and environmental issues. . One of the significant reasons behind this is that the stakeholders do not interact with each other frequently. The regular platforms such as industry associations that can enable stakeholder interactions for tackling their economic and non-economic issues are either non-existent do not work effectively due to mutual mistrust or lack of implementing capacities. This situation calls for an external agent/agency which can act as a link between different cluster stakeholders in understanding their common issues, suggesting possible means to address them and help in implementing ‘joint initiatives’.

The private sector is seldom willing to play such a role of being catalyst for promoting joint actions. For, it is difficult to measure the linkage between collective behaviour and output at enterprise level. It is a case, where the goal of maximizing profits supersedes that of ‘public good’, without realizing that ‘joint initiatives’ ultimately lead to ‘individual benefits’. Thus, to propel the stakeholders to act jointly for collective benefits require interventions from an institution devoted to the cause of development.

2. Levels of implementaion of CDP:

There should be three levels of implementation of initiatives for clsuter development as under:

a) The entire process of planning and implementing cluster development programme has to spearhead by an agency/institution that is mandated to carry out development initiatives. Such an umbrella set-up is referred to as ‘Programme Implementing Agency’. Following are the roles of IA:

- Selection of clusters (Often, the IA may be asked to work with pre-identified clusters)

- Preparing and allocating human resources for facilitating the development process
 - Diagnostic study
 - Trust building
 - Action plan formulation
 - Implementation of development initiatives
 - Monitoring and evaluation
- b) The cluster action plan comprises of several activity groups such as setting up of common facility centre, installing welfare measures for the workforce in the cluster as whole, offering access to basic education for the children of the workers and the like. These should be implemented by different local institutions depending on their area of expertise. These institutions may be industry association, industry networks, BDS providers or NGOs.
- c) At times, 'Special Purpose Vehicles' (SPV) are created to implement initiatives that are of involve commonly owned fixed assets. For instance, a 'common effluent treatment plant' calling for substantial investment should be implemented by a SPV.

3. Typologies of Implementing Agency:

3.1 The following should be the programme implementing agency:

- a) Association of micro, small or medium enterprises: These are traditional business associations and the more well known among them generally undertake policy based representations. Some of them also undertake development activities like provision of training, introduction of cleaner & greener technologies, setting up of common infrastructure to tackle waste disposal and even undertake community welfare initiatives.
- b) Field organizations / offices and autonomous/public sector institutions under the banner of various ministries dealing with MSMEs, environment protection and the likes
- c) State Governments and their autonomous/public sector organizations.
- d) National and international institutions engaged in promotion and development of the MSE sector.
- e) Partnership models

f) SPV

A brief of the partnership model and SPV follows.

3.1.1 Partnership models:

There are different types of NGOs working in the cluster on different social and environmental themes. On the other hand, the industry representative bodies are often more experienced in undertaking economic development initiatives as their main mandate. A partnership between an industry association or a similar body with a relevant local or national NGO can be an effective model to build on mutual synergies. NGOs may be engaged in drug de-addiction, sanitation, adult literacy, HIV/AIDS, provision of legal aid, recycling of goods where more often than not the industry associations may not have the necessary competence and knowledge to take initiatives to a logical conclusion. Such a partnership may also provide necessary confidence to the potential donors who may like to supplement the resources of such joint ventures. An illustration of such an initiative in the area of primary education is provided as under:

Box No. 2.1: Child Labour Eradication Initiative -Partnership with Myrada and Silk Reelers Association

Kollegal, which is about 160 km south of Bangalore, practices all the stages of the **sericulture** and has a silk exchange, wherein producers of raw silk and reelers are required to sell only through the exchange thereby reducing the monopoly of the middlemen and indiscriminate price structures.

Post cocoon processing, which comprise silk reeling, twisting, weaving, dyeing and processing and finishing, are mostly carried out in micro units as value addition is lowest at this stage and quality requirement is not stringent. These micro units often engaged **child labour** as lower wages are paid and children are more adept in reeling and twisting of silk with their nimble fingers in comparison to adults.

The Karnataka State government was highly concerned of the rising issue of child labour and considered addressing this problem in totality with the support of ILO. The **ILO-IPEC – Karnataka Child Labour Project** was initiated in 2007 with the focus of combating child labour in sericulture sector with support from **Myrada**, a local NGO and the **Silk Reelers Association, Kollegal**.

The task of convincing the employers was not that simple. To achieve the goal of making sericulture labour free, innovative methods were adopted by Myrada along with the support of the Silk Reelers Association. The initial head way for successful project implementation was made when the first batch of 16 reelers were convinced to attend a training programme at CSB. The training programme made visible changes to the practices of many reelers.

The employers agreed to pay the daily wages to workers when they attend training programmes so that there is motivation for them to attend such programmes. The project achieved its objective of eliminating child labour in silk industry with the help of employers and the approach of awareness raising, organizing employers and workers towards building better relations among themselves. Around 110 child workers were removed from the sericulture sector and to mainstream schools.

However, to make the intervention sustainable, the programme fostered linkages with support organizations

which had a marked presence in the district but were underutilized. These included:-Karnataka State Sericulture Research and Development Institute. (KSSRDI) Thalghatpura; Central Sericulture Training & Research Institute, Bangalore (CSTRI); Sericulture Department of Government of Karnataka; Silk Exchange & Cocoon Market; Central Silk Board; NABARD, District Lead Banks; Raw Silk Testing Centre – Kollegal (RSTC); Karnataka Silk Marketing Board (KSMB) and Regional Sericulture Research Station – Chamarajnagar (RSRS).

3.1.2 Special Purpose Vehicle (SPV):

When the existing institutions do not have a mandate to undertake activities in line with cluster development as a whole or a key part of the process (setting up of common facility centre for instance), a new institution may have to be created. Else, all the member enterprises in an existing industry organization may not be willing to take up a common set up of activities thus requiring a separate formal body to be created for the interested members

SPV as a clear legal entity with evidence of prior experience of positive collaboration among its members, whether formally or otherwise, as the applicant of proposed cluster development initiatives assures sound management. Ideally, therefore, all proposals must emanate from SPV, consisting of the actual/likely beneficiaries organized in any legally recognized form like a Cooperative Society, Registered Society, Trust or a Company, etc.

The SPV should have provision for enrolling new members to enable prospective entrepreneurs in the cluster to utilize the facility. For this purpose, provisions should be made to change the equity structure (share holding pattern) of the SPV, as and when required, to accommodate prospective entrepreneurs. 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 CFC may be

utilized by the SPV members and as also others in the cluster. The Central Government shall not accept any financial liability arising out of operation of any CFC/ infrastructure development project.

Main roles and functions for a SPV include:

- Responsible for the day-to-day running of the cluster development activities including functioning of hard interventions i.e. CFC.
- To mobilize maximum participation of the user units in the SPV.
- To develop and follow a democratic constitution with an inbuilt scope for increasing the membership in future.
- Coordinating with State, Central Government and other departments for functioning of the cluster development activities.
- Reporting the progress.

An example where a new organization had to be created in eastern part of India is illustrated below.

Box 2.2: A village level committee created to address livelihood issues in Sal Leaf Cluster of Mayurbhanj

The **Mayurbhanj district**, northern region of Odisha, covers an area of 10400 sq km, of which 44 per cent is forest area. The Forest mainly comprises sal tree (*Shorea robusta*) and collection of Sal leaves is an age-old practice in this area. Sal leaf collection is the major source of income for the local people for eight months in a year, due to seasonal availability of sal leaf. Almost 7 lakh people are associated with the sal leaf activities in the cluster. Sal leaf business originated in Betnoti, a village in the Mayurbhanj district, and eventually spread to other parts of Odisha. In the initial years of sal leaf business, the leaves were mostly collected from the forest within 20-30 km periphery of Betnoti. Over the period, this led to deforestation and during 1970s almost half of the forest areas adjacent to the nearby villages were depleted. There seems to be a breakdown of old harmony between the forest and the people. The increased livestock population and uninterrupted human pressure on forests have indeed accentuated the problem. The consequences were dreadful as there was huge shortage of availability of raw material and the livelihood of the community was threatened. The stakeholders apprehended the closure of sal leaf business.

The dependency of the villagers on sal leaf forest as their only means of livelihood led to a community initiated and community owned historical movement of forest conservation. A **Joint Forest Protection Committee (JFPC)**, Buddikhamari was formed by the villagers to undertake the responsibility of forest conservation. The movement that started in remote villages like Hatikote, Buddikhamari and Dubhia in 1983 had spread to hundred of villages in Odisha in phases. In five years, 1988, the protection activities had spread to 25 villages and in 1992 the movement had spread to 55 villages. By 1999, 95 villages in Odisha had joined the protection activity and each of these 95 villages had formed the **'Village Forest Protection Committees (VFPCs)**.

The JFPC, Buddikhamari became the federation of the 95 VFPCs. Everyday groups of villagers are assigned the task of guarding their respective forest area on a rotational basis. At the JFPC level, a patrolling team is formed

with the task of monitoring the work at the VFPCs level. All these activities are taken up through voluntary contribution of the villagers. In the whole process 7000 to 8000 household from 95 villages are directly involved. This unique effort helped the forest to regenerate and provide the villagers their sustenance needs. It also helped the villagers to strike a balance between conservation and livelihood needs of the villagers. The forest conservation initiative of the villagers led to reforestation of the protected area. This not only led to livelihood benefits to the villagers but also had environmental consequences. The sal leaf business that was once under threat revived and the availability of Non-timber forest products (NTFPs) increased.

When there are options to choose among alternate partner agencies, they may offer particular advantages and disadvantages. The issue at hand plays a significant role in selecting the right agency. For example, if the issue relates to the community, then an agency that enjoys the trust of the community, considering the execution capacities as equal will be better placed to do the needful. However if the issue at hand relates to improvement of business practices such as introduction of cleaner technologies, then the industry association in collaboration with the technical partner are likely to be form a good combination. However if the issue at hand relates to a few enterprises either not hitherto organized or their organization does not have the mandate to take up the issue, then a new executing partner may be to be created.

Soft Interventions, setting up of CFC (commissioning on a turnkey basis) shall be the responsibility of SPV/Implementing Agencies. Implementation of Infrastructure Development projects shall be the responsibility of the concerned State/Provincial Governments through an appropriate agency, which has a good track record in implementing such projects. Such agencies may be a public sector corporation or a corporate body or a NGO having a sound financial position.

Chapter 2

Cluster Selection

1. Why there is a need to select?

Considering that development is a continuous process, any Cluster should be selected to facilitate better performance. However, there are a variety of factors as under that necessitate selection:

- Interventions to facilitate cluster development call for applying material, financial and human resources. Such resources, specially the expertise required to plan, implement, and manage the development process are scarce and hence cannot be applied to all clusters.
- As a corollary to the above, resources needed for development have to be applied to those clusters where the 'return on investment' (in terms of the potential of the cluster to absorb the development inputs) should be optimized. However, this is subject to objective of the programme.
- Most institutions engaged in cluster development have clearly defined mandate, timeline, and resources. The cluster selected for development has to fit into the mandate. For instance, a given institution is mandated to facilitate development of a given sub sector such as handicrafts. It can then therefore select only those sectors dominated by artisans.
- In certain instances, mere awareness on the part of the cluster actors should propel development without external intervention. Thus, the cluster should have a need for support and at the same time, it must be feasible for the development institution to offer the same.
- The intensity of SEE issues encountered by a given cluster and the current level of response by cluster actors to the same may vary. For instance, a cluster facing serious SEE issues but the actors are unwilling to respond to the same may be a good candidate for 'awareness programme'. Whereas, a similar cluster where the actors are willing to respond to the SEE issues but do not have the wherewithal's to do so, should be a better candidate for interventions.

2. BR angle to selection:

Most of cluster interventions carried out around the globe had economic development fostering competitiveness and innovation as the focus. Thus, the broad guideline for selecting potential clusters for those initiatives contained elements, which gave mainly economic and technical details about the clusters.

For implementing a social responsibility-fostering programme, it is necessary to consider SEE issues, not just the economic and technical ones. MSMEs in clusters all over the world are invariably confronted by some or other social problem that they are expected to address. For example in the case of the Jalandhar Sports Goods cluster in North India, the common

issue was child labour and in Tiruchirapalli engineering and fabrication cluster in South India, the key issue that most of the enterprises faced was occupational health and safety. These social issues can be diverse like pollution arising out of discharge of effluents, increasing energy costs because of rising usage of carbon based fuels, hazardous working conditions, solid waste disposal and anti-industry political atmosphere among surrounding communities.

For implementing a social responsibility fostering programme, it is the common issue and it's fit with the implementing agency mandate that will often dictate the selection of a cluster. Development agencies have their own mandate. MSME clusters can become important platforms which can help these agencies synergize their objectives with the issues that the cluster faces together. For instance, if an agency is interested in addressing the labour issues, more specifically the child labour, it can choose the clusters that are accused of using child labour. For example, media has often highlighted attention to child labour usage in brick-kilns and ready-made garments in some of the developing countries. Clusters may also be selected because of Government stipulations. For instance, UNIDO chose to work in the Rourkela Sponge Iron cluster because a Supreme Court order stipulated that all enterprises in the scheduled areas need to undertake peripheral area development using a part of their net profit. The local enterprises were therefore ready to invest and initiate a programme with an institution like UNIDO.

Clusters should be typified as under based on the development potential they have from economic/commercial angle as also from BR angle.

Table 2.1: Typifying cluster based on development potential considering both economic and BR angle

Development potential from economic angle \ Development potential from BR angle	Low	Medium	High
Low	1	2	3
Medium	4	5	6
High	7	8	9

This far, economic issue has been pivotal to selection of clusters. Transiting from such a mandate to the one involving BR focus does not mean sacrificing economic objective. More often than not, there is an area of overlap where economic interests are served in the process of tackling SEE issues. One should focus initially on clusters falling under quadrants 1, 4, 2 and 5. In short, it is suggested that the development interventions be, at least initially, focused on those clusters where BR issues that should be linked to economic benefits for the firms.

The resources (financial, material and human) required to implement a CDP with a mandate to foster responsible behaviour in MSME clusters can be substantial. An organization needs to use its resources economically, often aiming at combining social and economic impact of development interventions.

3. Steps for cluster selection:

Following are the steps involved in selection of clusters:

- a) Preliminary selection and shortlist of clusters
- b) Formulation of final selection criteria
- c) Listing information needs
- d) Data collection
- e) Final selection

The details follow:

3.1 Preliminary selection and shortlist of clusters:

Subsequent to mapping exercise, a preliminary shortlist of clusters having common SEE issues can be then made. The shortlist will differ according to development and strategic priorities of the ministries, concerned departments of the provincial or federal governments, developmental institutions and significantly, those institutions that are funding the cluster development exercise. A regional agency will concentrate on a cluster or the clusters in its territory. A sectoral/functional specialized agency will select similar clusters in different regions. The clusters having same type of SEE issues can become a platform for the agency that has the mandate to address the issue. Say if the agency is interested in addressing the supply chain issues by focusing on the buyers' codes of conduct, it can choose the cluster(s) that reflect greater international link.

Thus, following are the factors to be considered for preliminary selection/short listing of clusters:

- a) Mandate of the concerned ministry or funding institution or development agency: or instance, the ministry dealing with promotion of Science and Technology may include in the shortlist, only those clusters that are technology intensive
- b) Intensity of SEE issues: Applying 'Cluster Responsibility Perceptions Based Score Card'¹⁴ is an appropriate way to start with the process of short listing.

¹⁴ The Cluster Responsibility Perceptions Based Score Card developed by the UNIDO-CDP and CSR Project can be suitable tool for collection of CSR specific cluster data and for identification of cluster CSR issues on the basis of priority and its gravity.

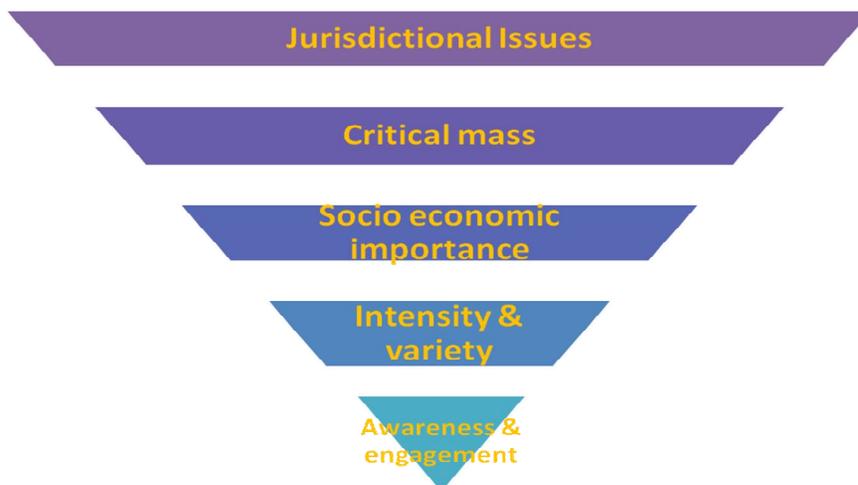
- c) Economic importance of the cluster: This should be based on the data from the regional or national cluster map

The shortlist will differ according to development and strategic priorities of the ministries/ departments/ development/ funding agencies. A regional agency will concentrate on a cluster or the clusters in its territory.

3.2 Formulation of selection criteria:

The selection criteria have to be a combination of general cluster parameters like depth, geographical location etc. along with the economic and social parameters as depicted in the figure below:

Figure 2.1: Cluster selection criteria



A brief on the above criteria follows:

3.2.1 Jurisdictional issues:

Clusters that fall within the geographical jurisdiction of the implementing agency and are within its 'sectoral priorities' are included in the list. The location of the cluster (urban, semi-urban or rural) is also an important element if the responsible institution has a location specific development mandate/competence, such as rural development. The set of short listed clusters then becomes the basis for the selection of the cluster(s) to be supported.

3.2.2 Critical mass:

The critical mass in a cluster for effectively realizing the demonstrative impact of cluster-based interventions should be maximum but not less than say 50 units participating in the

cluster development activities. However, for difficult and backward regions and for special entrepreneurs groups having a sizeable presence of women & disadvantaged communities, the critical mass should be say 20.

3.2.3 Socio Economic Importance of cluster(s):

Clusters with a larger number of small-scale firms, clusters that absorb a significant share of the local workforce or that have high export potential can be chosen. The location of the cluster (urban, semi-urban or rural) is also an important element if the responsible institution has a location specific development mandate/competence, such as rural development. Linkages of a cluster with other knowledge-resource institutions, funding agencies and community organizations mandated to work on the social responsibility issues increase the likelihood that the impact of interventions on the its responsible behaviour will be greater. Once an external agency withdraws from the process of planned interventions, the ability of the cluster to sustain the same is a crucial 'choice' parameter.

3.2.4 Varieties of SEE issues and their intensity:

While there should be a variety of SEE issues, following are crucial for the purpose selecting a cluster:

- Labour related issues including child labour, social security net, working conditions and occupational safety
- Environment and energy including effluent discharge, air pollution, inefficient use of non-renewable energy
- Community health including impact of cluster firm's operations on health and access to health care

The intensity of such issues is to be gauged from the difference that they make to the lives of the workforce and the community. For instance, operations of manufacturing firms in cluster A and B should be causing air pollution above the prescribed limits. However, in cluster A, one should come across several cases of breathing disorders and lung infections as against cluster B where such cases are either not present or of negligible numbers. It is then that cluster A appears to be a better candidate for interventions.

Box 2.3: Variety of SEE issues in the Samalkha Foundry cluster

The variety of SEE issues those were prevalent in the Samalkha Foundry Cluster during intervention under the DST and GIZ supported project are-

2.1 Highly energy intensive: The traditional production process of the foundry units of Samalkha lead to high consumption of energy. The most energy intensive operation in a foundry unit is the melting of metal in furnace known as cupola. This melting operation consumes almost 70 per cent of the total energy consumed in the whole production process of metal casting. So the typology of cupola used by a unit in the process is important in determining the energy consumption of that unit. It was found that the foundry units of Samalkha used the conventional cold blast cupolas, wherein the coke feed ratio was as low as 1:4, i.e. 1 tonne of coke can melt 4 tonnes of metal. This led to an increase in cost of manufacturing given the increase in price of coke. Moreover, high consumption of coke leads to high emission of carbon particles in the air, thus resulting in air pollution.

2.2 Manual charging: In the foundry units of Samalkha, the charge materials are lifted manually for loading into the cupola. This not only increases the risk of the worker falling into the open furnace but also exposes the worker to heat and high level of CO₂ at the cupola charging door. Moreover, for mechanised charging 7 workers are engaged for charging the material to the cupola.

2.3 Improper housekeeping activities: The working environment of the foundry units in Samalkha condition of the units was unhygienic as there was lack of proper ventilation. Proper ventilation is very significant for foundry units as the process results in emission of huge amount of metallic fumes, dust from the sand and metal particles. The units are also poorly lit that creates a dark and gloomy environment for the workers. Moreover, the raw materials, waste metals, molasses and used sand where not properly managed that remained scattered on the floor of the foundry units. Thus the labours spent much time in locating the raw materials for charging.

2.4 Solid waste disposal: The solid waste management of the foundry cluster in the form of slag and waste sand is also of concern as disposal of the waste is difficult. Some part of the solid waste is used for making roads and the rest is disposed at the road side. Disposal at the road side results in resentment among the local people and if disposed within the unit, work environment becomes unhygienic. It is estimated that the total slag generated in the cluster is 3000 tons per annum and waste sand is 500 tonnes per annum.

3.2.5 Awareness and current level of engagement of the cluster actors with SEE issues:

A cluster where the key stakeholders including firms are aware of the SEE issues is a better candidate for interventions. It is not the mere awareness that matters. The cluster actors must be in a position to relate the SEE issues arising out of the operations of core firms to the well being of the workforce and the community at large.

In clusters where the key stakeholders are not only aware but have taken actions to tackle SEE issues, it is easier for enterprises to come together in a more organized and intense manner.

Box 2.4: Engagement of KRMC to address water treatment problem

The Kalady rice mill cluster faced the typical problem of water pollution since in the process of par boiling of rice, paddy is soaked in hot water for 8-9 hours that gives a brownish colour to the water discharged along with some methane content. Around 800 litres of effluent is generated while processing 1 metric ton of raw paddy. The cluster have 72 modern rice mills and employs around 2500 people with only 500 people registered, as the rest are employed on a contractual basis. Given the production capacity of the Kalady rice mill cluster, i.e. 2000 tonnes per day, the total effluent discharged per day is 3.2 million litres. This discharged water emits obnoxious smell due to the methane content, which is not favourable for the people residing near the rice mills. Often the rice millers had to face agony of the local community due to insufficient wastewater treatment arrangement in the cluster. The cluster stakeholders were quite aware of the need of treatment of effluent discharged by the rice mills and to address this issue various consultants visited the cluster but were not able to design a technology to treat the effluent. Even usage of natural water sources by the rice millers was also gaining resentment as the water sources started drying up.

The Kalady Rice Millers Consortium (KRMC) felt the need of introducing an unconventional but economical ETP system in the cluster for treatment of the discharged water. For technical assistance the KRMC approached National Institute for Interdisciplinary Science & Technology (NIIST), Trivandrum. NIIST studied the problem and conducted extensive lab level experiments and suggested for a pilot test in 2008. An agreement was accordingly entered into between KRMC & NIIST and a sum of Rs one Lakh was paid in advance for the technology. Fabrication of pilot plant involved a cost of Rs 3 lakhs. Pilot plant showed satisfactory results and one of the members of the consortium, the Diamond Foods, a 250 TPD rice mill came forward to put up a plant at a cost of Rs 30 lakhs. The plant with a capacity to treat one lakh litres of effluent a day became operational in 2009 and the treated water complied with the PCB standards. Even the bio-gas generated during the process of effluent treatment is used for lighting. The ETP in Diamond Foods treats around 1,00,000 litres of effluent per day. The treated water that is discharged from the ETP is used for irrigation/gardening, industrial washing etc. The success of the ETP in Diamond Foods encouraged seven other mill owners to set up a common ETP using the same technology. However, this is only at a conceptual stage. The plant got the PCB award for innovative technology.

3.3 Listing information needs:

(i) Non-BR Parameters:

Based on the above criteria, information needs are to be listed. Following table provides an illustrative list of information needs related to non-BR parameters:

Table 2.2: Information needs for cluster selection – Non-BR parameters

	Theme	Particulars	Remarks
1	Jurisdictional issues	1. Location (Within a city/village/ linkage with nearby cities/villages (if executing agency has a specific rural/urban mandate) - Attach a geographical map, if available) 2. Principal Product/s: Does the core output of the	Those clusters within the geographical and sectoral mandate of the implementing agency are to short listed for further assessment

		cluster falls within the sectoral mandate of the implementing agency?	
2	Critical mass	<ol style="list-style-type: none"> How many 'core firms' operate in the cluster? What are the types of firms in the cluster? <u>Type</u> <u>Percentage to the total</u> Micro Small Medium Large 	Those clusters that have at least 20 to 25 'core firms' that are largely micro/small or medium sized, many of them having quality certification are preferred and
3	Socio Economic importance of the cluster	<ol style="list-style-type: none"> Which are the Corporate/ Large Buyers sourcing from the Cluster (both national and international)? How important is the Product in the value chain/ supply chain of the Corporate/ large buyer? If possible draw a value chain diagram. What Type of Raw material is being used in the cluster? What is the Cluster Turnover? What is the Domestic/ Export contribution of the cluster (in % of its turnover)? Details like of workforce: <ol style="list-style-type: none"> Total numbers, Male/female ratio; Percentage of skilled, semiskilled and unskilled; migratory; 	<ul style="list-style-type: none"> Indicates viability in terms of sustenance and growth 1 & 2 indicate the need for a strong BR – large corporate buyers insisting on certain minimum labour standards Those clusters that exhibit a strong need for improving BR situation and are viable in terms of adequate turnover, larger share of exports and high value addition are preferred

(ii) Information needs for BR-related parameters:

Taking stock of the status of BR in the cluster and assessing related issues confronting the cluster are a part of the 'information needs'. Thus, data pertaining to 'Cluster's Responsibility Behaviour' is required. This can be captured through a diagnostic tool called 'Cluster Responsibility Perception Based Score Card'. The tool helps in understanding:

- Severity of the SEE issue faced by the Cluster based on the average response of the relevant stakeholders i.e. the SEE issues in the cluster, which is most severe based on average response of the Cluster Stakeholders.
- Diversity/ Divergence of views of the stakeholders/ respondents based on the difference in their response to the severity of the SEE issue.
- Activity undertaken to tackle/ address the issue by the cluster stake holder's individually or collectively till date.
- Priority for action based on the severity and activity undertaken to tackle the SEE issue so identified.

A detailed list of BR-related information needs is placed at Annex II

3.4 Data Collection

(i) Secondary data collection:

In a situation where selection has to be made among many clusters calling for attention, data collection to fulfil the information needs should be an expensive and time-consuming process. Hence, to the extent feasible, secondary data sources need to be utilized through ‘exploratory-cum-desk study’ or EDS. Further, secondary data helps in deciding on the focus areas for primary data collection. EDS involves taking recourse to published materials and interactions with selected few knowledgeable persons. An indicative list of information pertaining to non-BR parameters that should be collected through is shown below:

Table 2.3: Data to be collected through EDS

	Theme	Particulars	
		Nature of information	Source
1	Jurisdictional issues:	Location of clusters Sectoral jurisdiction	<ul style="list-style-type: none">• Regional Cluster Map• Department of Industries• Implementing agency
2	Critical mass	Number of firms, type of firms, ownership pattern, number of firms with quality certification:	<ul style="list-style-type: none">• Department of Industries• Local office of industrial development organizations• State-level consultancy organizations• Local Industries Associations• Industrial survey reports
3	Socio-economic importance of the cluster	<ul style="list-style-type: none">• Corporate/ Large Buyers sourcing from the Cluster• Importance of the ‘core product’ in the entire value chain• Type of Raw material is being used in the cluster• Turn-over• Contribution to exports• Details like of workforce	<ul style="list-style-type: none">• Local Industries Associations• Department of Industries

(ii) Primary data collection:

In the normal course, secondary data collection facilitates decision on areas of focus for primary data collection but not on selection of cluster. However, if the secondary indicates little scope for development interventions, such clusters are to be eliminated from the list there by saving resources that otherwise would be invested in primary data collection. Thus, primary data is collected for those clusters that are promising.

There are two sets of data to be collected from primary sources;

- Certain socio-economic parameters as listed in Table 2.3 above for which secondary data is inadequate
- BR-related aspects

However, the focus of primary data collection is on SEE issues. The guidelines provided in the ESR scorecard ('Cluster Responsibility Perception Based Score Card') are to be followed. Following steps are involved:

a) Preparatory Phase:

- Identifying information gaps (not related to BR) subsequent to secondary data collection
- Identify the various Stakeholders (core firms; material/service providers; R&D institutions; training/educational institutions; private or State- supported developmental agencies; regulatory agencies and the like) in the cluster
- Identifying those stakeholders that can fill the said information gaps as also those that can contribute to completing the ESR scorecard.
- One-on-one interaction with relevant stakeholders to appraise them of the purpose of data collection exercise, specially of ESR scorecard

b) Primary data collection:

This involves three activities:

- Filling the information gaps (not related to BR) identified subsequent to secondary data collection
- Gathering the necessary information to validate the Cluster Profile or the set of information as indicated in Table 2.3 above.
- ESR Score Card Administration: It is to be noted that certain pieces of information related to cluster profile are a part of ESR score card to avoid repetition.

3.5 Compilation and analysis of response:

The response from all the key stakeholders to the questions as per ESR scorecard needs to be captured through 'Cluster Responsibility Behaviour Template' (part of ESR scorecard). The template will then lead to will then lead to parameters of 'responsibility behaviour' covering the following:

- Severity of the SEE issues faced by the Cluster based on the average response of the relevant stakeholders
- Diversity/ Divergence of views of the stakeholders/ respondents based on the difference in their response to the severity of the SEE issues.
- Activity undertaken to tackle/ address the issue by the cluster stake holder's individually or collectively till date.
- Priority for action based on the severity and activity undertaken to tackle the SEE issues so identified.

3.6 Final selection of cluster(s):

The final selection of the cluster can be by way of a judgment based on interpretation of the results from secondary data as also from ESR scorecard. While the final selection is best made by the specialized implementing agency, relevant Ministry or State-sponsored agency in charge of development may wish to do so. In such a situation, it is useful to involve the implementing agency. For, they possess necessary expertise and are responsible for the outcome of the interventions.

3.6.1 BR-related parameters:

In order to minimize the role of subjectivity; the final selection based on BR-related parameters has to be based on the data obtained through ESR scorecard. The following approach is suggested:

Table 2.4: Scoring system based on BR-related parameters

	Criteria	Related components of ESR score card	Approach
1	Awareness and number of BR issues	'Existence of issues' template	<p>a) Score ranges from 0 to 5 (5 signifying that it is most prevalent)</p> <p>b) Take into account the scores for:</p> <ul style="list-style-type: none"> • Wages and benefits • Collective bargaining • Hours of work • Working conditions Child labour • Air pollution • Water pollution • Noise pollution <p>c) Maximum total score for the above is 35. Take an average of the scores $(35 \div 7)$ – a maximum average score of 5</p>
2	Intensity of issues	'Diversity' template	<p>a) Score ranges from 0 to 5, (5 signifying that it is a major issue, '0' being a negligible issue)</p> <p>b) Take into account the scores for:</p> <ul style="list-style-type: none"> • Wages and benefits • Collective bargaining • Hours of work • Working conditions Child labour • Air pollution • Water pollution • Noise pollution <p>c) Maximum total score for the above is 35. Take an average of the scores $(35 \div 7)$ – a maximum average score of 5</p>
3	Level of engagement by cluster actors with BR issues	'Efforts' template	<p>a) Score ranges from 0 to 5 ('1' signifying concrete initiative and '5' signifying 'no efforts')</p> <p>b) Take into account the scores for:</p> <ul style="list-style-type: none"> • Wages and benefits • Collective bargaining • Hours of work • Working conditions Child labour • Air pollution • Water pollution

			<ul style="list-style-type: none"> Noise pollution <p>c) Maximum total score for the above is 35. Take an average of the scores $(35 \div 7)$ – a maximum average score of 5. Since the maximum score reflects minimal or no engagement, inverse the score i.e., $1 \div 5$. Thus the maximum score reflecting highest level of engagement is 0.2 and the minimum score reflecting lowest level of engagement is approximately 0.03 $(1 \div 35)$. Considering that for other parameters, a maximum average score of 5 is taken into account, the inversed scores are to be again converted to a 5-point scale. This is accomplished by equating the maximum score of 0.2 reflecting highest level of engagement with '5' and arriving at final score on pro-rata basis.</p>
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Source: The Cluster Responsibility Perceptions Based Score Card, UNIDO (2008).

3.6.2 Economic parameters:

Considering that economic pay-off to cluster firms is a pre-requisite for propelling them to exhibit socially responsible behaviour and that, the resources invested in the development process ought to lead to enhancement of competitiveness of the cluster, it necessary to take into account the economic parameters. Till the time a proper index signifying economic importance of a cluster is worked out, the following approach is suggested:

Table 2.5: Scoring system based on economic parameters

Sl.#	Parameter	Scoring pattern
1	Importance of the cluster firm's output to the value chain/ supply chain	5-point scale, '5' signifying highest importance
2	Type of raw material is being used in the cluster?	<ul style="list-style-type: none"> 5-point scale Usage of readily available, non-polluting and renewable raw material to score '5'
3	Average annual turnover of the Cluster	5-point scale, '5' signifying relatively high turnover
4	Export from the cluster (as % of total turnover)	5-point scale, '5' signifying relatively high % of total turnover exported
5	Total number of employees (all cluster firms put together)	5-point scale, '5' signifying relatively more employees

Source: The Cluster Responsibility Perceptions Based Score Card, UNIDO (2008).

Thus, the maximum average score for 'economic importance' of the cluster covering all the five parameters is 5.

3.6.3 Consolidation of scores and final selection:

This involves the following steps:

- Transfer the scores on BR-related parameters to the table on 'final selection pattern' below. In the process, the scores for each of the three parameters are to be entered separately.

- b) Transfer the scores on economic-related parameters. In the process, enter only the consolidated score.
- c) Assign weights each of the above as indicated in the table
- d) Arrive at the consolidated weighted average score for the cluster.
- e) The final choice of the cluster from among the shot-listed ones is to be the one with the maximum ‘consolidated weighted average score’

Table2.6: Final Selection pattern

Selection Factor		Maximum Score	Weight	Maximum weighted Score
BR– related parameters	Awareness and number of BR issues	5	20	1
	Intensity of BR issues	5	25	1.25
	Level of engagement by cluster actors with BR issues	5	15	0.75
	Economic parameters	5	40	2.0
			Total	5

**Selection of Clusters:
Action Points**

- a) Collect secondary data
- b) Eliminate clusters
 - Not coming under the jurisdiction of the IA,
 - Unviable critical mass (to few firms numbering less than 20)
 - Not having adequate socio-economic importance
 - i. Employing few workers (less than about 200)
 - ii. Low turnover (less than Rs. 200 millions)
 - iii. Limited or no contribution to exports
 - iv. Using readily available and/or local raw materials and not classified as 'non-renewable'
- c) Through primary data, filling the information gaps (not related to BR) identified subsequent to secondary data collection
- d) ESR Score Card Administration:
- e) Compile scores from ESR score card as per table 'Scoring system based on BR-related parameters'
- f) Compile scores on economic parameters 'Scoring system based on economic parameters'
- g) Cluster-wise, assigning scores to each criterion based on the data collected so far
- h) Calculating weighted average scores
- i) Listing clusters in the descending orders of scores and selecting the top ones

Chapter 3

Identifying Cluster Development Agents and equipping them with skills

1. Defining a CDA:

Cluster development agent (CDA) is a person who conceptualizes the overall developmental strategy for a cluster and initiates implementation. CDA is generally an entity from outside the cluster and has a mandate to work in a cluster for a fixed time. The CDA is a representative of the programme-implementing agency in the cluster. CDA works as a link between different cluster actors and ensures the formulation and execution of action plan in accordance with the vision and strategy of the cluster. Thus, the CDA is the driving force behind the growth of a cluster.

2. Need for a CDA:

A CDA plays the pivotal role of understanding the status of trust in a multi-actor framework. The CDA understands the cluster from a holistic perspective and helps create a vision for the cluster. He then rallies around the set vision and tries to maximize the energy of a cluster by working towards that vision with the support of all possible support agencies. A CDA is a mediator who helps in creating working trust for various types of activities between various types of cluster actors and always acts as a safety valve in case of any misunderstanding that leads to breakdown of trust. A CDA leads the cluster and demonstrate the methodology of initiating various activities for the development of a cluster. Having understood the pulse of a cluster, the CDA also plans and steers his exit from the cluster in the given period.

One of the important areas of CDA's work is to facilitate mutual trust among different stakeholders in the cluster. For, encouraging cluster actors to tackle BR issues through joint actions calls for trust among them. Trust building is initiated through facilitation of mutual discussions, followed by pilot and short-term activities for among stakeholders. The CDA should also be able to get stakeholders with divergent views to agree on common targets and implementation priorities. The CDA must be able to identify critical areas of interdependence among the stakeholders and convince them about the possible benefits from such cluster development activities. It generally takes three to five years for a CDA to contribute to a significant level of cluster performance.

3. How many CDAs in a cluster?

The ongoing cluster initiative based on UNIDO methodology have relied on a single CDA for implementing all the steps/activities related to cluster development. When the focus of interventions is limited to economic aspect, it may be feasible to implement a cluster initiative with one person acting as a CDA. However, when it comes to fostering responsible behaviour in MSME in clusters, more often than not, a team instead of a single CDA is required for the following reasons:

- a) Deeper engagement: With added dimensions of social and environment issues, the engagement of the IA as also the CDA with the cluster becomes deeper.
- b) Diversity of issues: The variety of stakeholder groups and thereby the varieties of issues related to each stakeholder including the workforce and the community in the vicinity of the cluster, are diverse
- c) Complexity: While the issues related to economic aspects of the cluster firms are relatively easy to recognize and communicate, it is not so when it comes to SEE issues. Identifying SEE issues, establishing its relation to the competitiveness of the cluster and pinpointing the economic payoffs of tackling such issues is a complex affair.
- d) Skill sets of the CDA: As a corollary to the above, the skills that a CDA needs to possess to facilitate action purely on economic front are more likely to be different than the ones required to propel action on the BR front.

Thus, a team of CDAs is required to facilitate socially responsible behaviour. The constitution of the team depends on the nature of SEE issues encountered by the cluster and their intensity. One should consider the following constitution:

- a) A professional with adequate training and experience in the entire cluster development process with focus on enhancing competitiveness.
- b) Subject matter specialists related to a major SEE issue: For instance, if a cluster is facing existential threat to pollution caused by the operations of core firms, the team has to have an 'environmental specialist'.

- c) A trained professional experienced in need identification and implementation of welfare measures such as improving access to health care, adult literacy, tackling child labour and the like.

4. Characteristics of CDA:

To be effective, a CDA is expected to have certain competencies (knowledge, skills and attitudes). Following is a brief:

4.1 Attitudinal Characteristics:

Considering the role requirements and varying working conditions prevailing in clusters, a CDA needs to have an appropriate attributes as under:

- a) Pro-active: Taking actions before being asked to do so or being forced by circumstances
- b) Open minded and receptive to different viewpoints, ideas, approaches, and behaviours that one should expect among various cluster actors with varying interests
- c) Be able to objectively analyze the complex mix of inputs without
- d) Willing to experiment with new ideas
- e) Inclination to perused cluster actors initiate 'joint initiatives' by cluster actors
- f) Willing to work under 'hard' conditions – long working hours, living conditions prevalent in the cluster
- g) Be a neutral player
- h) Guiding but not deciding.

4.2 Skills:

The CDA needs to possess certain soft skills as under:

- a) *Ability to communicate effectively:* The CDA should be able to articulate his own view point and that of stakeholder groups so that clarity may emerge. Ability to grasp local terminology and decipher between what is stated and what is intended makes it possible to communicate well
- b) *Conflict Resolver:* The CDA should be able to identify the possible areas of conflict among stakeholders, understand different perspectives, recognize their manifestations and thus be able to identify common ground that helps to either

resolve or avoid conflict that comes in the way. An understanding between conflict and 'healthy' competition is essential for a clear focus. An implementing agency should therefore avoid designating a person as CDA who is likely to have a conflict of interest. If a person has potential commercial or non-commercial gains accruing out of possible support to one group over another, then all efforts need to be made to ensure that this does not happen. Transparency and fairness to all need to be respected as principles to follow.

- c) *Negotiator*: CDA should be able to negotiate among different stakeholders to create win- win situation. Negotiating skills are close to conflict resolution skills.
- d) *Delegator*: Given the high activity level involved in facilitating cluster development, it is necessary for the CD to build a team for localized support. This makes it possible to and delegate selectively a part of his responsibilities. The CDA should be capable of identifying good leaders and implementers ensuring that the stakeholders finally can take on all responsibilities upon themselves.

4.3 Knowledge:

For an effective functioning, a CDA has to be conversant with the following:

- a) *Identifying and prioritizing SEE issues*: A CDA should be familiar social, economic and environmental issues that one should encounter in cluster. When such issues - especially those arising out of operations of the cluster - have visible impact, prioritization turns out to be relatively simple. In the absence of such clear signals, the CDA should have the ability to understand the inter-relationship between the operations of the cluster and the SEE issues of the community.
- b) *Knowledge of local language, cultural and religious sentiments*: It is essential that a CDA builds excellent rapport with key stakeholder groups in the cluster for effective 'trust building' – a prerequisite to promoting 'joint actions'. Familiarity with the 'way of life' of people in and around the cluster makes it possible for the CDA to communicate effectively and thus, build good rapport.

Furthermore, though advantageous it is not necessary that the CDA possesses technical skills relevant to the cluster. Following is an illustration of how a competent CDA should tackle a potentially explosive situation:

Box 2.5: Role of a CDA in a cluster initiative

A cluster of SMEs focusing on engineering fabrication is in place in Tiruchirappalli since the mid 60s. Initially, the cluster supported Bharat Heavy Electricals Limited (BHEL). However, new buyers like General Electric, Suzlon Energy, Vesta and Caterpillar have also started sourcing from the cluster.

Thanks to the fast paced growth of the cluster, production remained the priority over safety. One of the main BR issues facing the cluster is unsafe working conditions inside the factories. Processes like material handling, welding and gas cutting operations often lead to accidents and therefore occupational health and safety has recently become a major issue of concern in the cluster.

BHELSSIA, the local industry association of SMEs came forward to address this issue and approached UNIDO to initiate some pilot programme in the cluster for developing a system to address occupational health and safety issue. After detailed deliberations, UNIDO initiated a multi stakeholder pilot initiative with two large buyers, Inspector of Factories, BHELSSIA and UNIDO as partners. The local industry association BHELSSIA members participating in the programme had divided loyalty towards the two large buyers competing between themselves. The opinion of these two groups was different regarding how the programme should be structured and the role of their respective buyers. Both the groups were keen to not to offend their buyers lest it should affect their business operations. None of the groups was ready to take any chances and this led to a potential conflict. A number of formal and informal meetings were held between the two groups to sort out the issues but in vain. The differences rose to a level where the multi-stakeholder initiative should have been called off. Further, there was a danger of a split in the association. The Industry association office bearers were in a fix because it was perceived that that one of the supplier groups was trying to hijack the initiative.

The CDA without losing any patience and with an open mind heard different arguments of both the groups separately and realized that there were a lot of un-verified assumptions leading to potential conflict. The CDA therefore suggested to both the groups that he would meet the Executive Director of one of the large buyers to explain the initiative and gauge the potential reaction to collaborate with the rival. Trusting the CDA abilities and neutrality, both the groups agreed. The CDA met the chief of one of the buyers and explained the multi stakeholder concept of the proposed initiative, along with the proposed role and responsibility of each of the partners. He also explained that it is the local industry association who will be the driver of the programme to ensure sustainability of the initiative and its effectiveness. After getting endorsement from one of the large buyers, he repeated the same exercise with the other large buyer. This exercise led to a formal consent from both buyers to contribute willingly.

5. Recruitment CDAs – some options:

Given the desired skill sets of a CDA, identifying an appropriate person is a challenging task. The implementing agencies therefore often raise the issue about where to source persons with these qualities. Such individuals with required competencies should be working with in the implementing institution or elsewhere. Thus, a CDA may be from any of the following sources:

- a) A professional with requisite competencies already working with the implementing institution
- b) Facilitators (animators/trainers-motivators) engaged in MSME development
- c) MSME consultants
- d) Other BDS providers
- e) Those from financial or technical institutions (credit officers, technical consultants)
- f) Officers from State Department or from State-sponsored development institutions
- g) Development professionals from NGOs

Irrespective of the source from where CDAs should be drawn, it is of paramount importance to fulfil the following conditions:

- Being 'sensitive' to the SEE issues and their impact on the community
- Hands-on experience of working with entrepreneurs
- Understanding of dynamics of MSME development
- Willingness backed by competencies to work with groups of individual/institutions that should possibly have varying mandates, varying interests but are required to come together for common good

6. Job Description of CDA:

The work description of a CDA includes:

Preparatory phase

- Undertaking diagnostic study of the cluster and identify relevant cluster specific BR issues
- Initiate the process of trust building the cluster actors.
- Prioritizing the issues on the basis of their criticality to the cluster actors, the workforce, the community around the cluster and the society at large

Action phase

- Facilitating trust building process among the cluster actors
- Enhancing the effectiveness of linkages among 'core firms' and other cluster actors including support institutions
- Facilitating preparation of an action plan of the cluster building on the concerns, readiness of the stakeholders to engage in positive collective action and feasibility of implementing such actions
- Establishing relationships between the SEE issues and competitiveness of the cluster as a whole
- Provision of necessary hand holding and capacity building support to cluster stakeholders in building suitable governance structure, setting up of its formal systems
- Coordination of the provision of necessary knowledge and funding support to address the cluster SEE issues through business case, philanthropy and regulations.

- Documentation of the process involved, activities undertaken, resources spent, outputs and lessons drawn
- Regular monitoring and evaluation of the programme

Concluding phase

- Facilitating ‘transfer of governance’ or an institutional arrangement to carry forward the development initiatives once the implementing agency withdraws from the cluster
- Preparation of the ‘End of Project Report’ (EPR)

7. Preferred working conditions for CDA:

- In order to be effective, the CDA needs to be provided with sufficient degree of administrative and financial autonomy that enables him/her to respond quickly and effectively to the dynamic needs of the cluster.
- Administrative autonomy includes freedom to meet and communicate with any cluster stakeholder, private and public, visit relevant institutions within or outside the cluster, organize formal or informal meetings, choose local and at times preferred consultants and service providers from outside.
- Financial autonomy includes freedom to support pilot activities up to an agreed limit, incur a certain minimum cost of communication and travel in reasonable limits without seeking prior approval every time.

8. Equipping the CDA:

Given the complexity of the role of a CDA; one should seldom come across a professional with requisite competencies. Further, the available pool of human resources for cluster development is not necessarily trained in the area of tackling SEE issues. Thus, the following actions are proposed:

- a) Renewing the current training programme: As of now, training programmes of varying durations (1 week to 4 weeks) are being organized by national apex institutions like Entrepreneurship Development Institute of India (www.ediindia.org) for equipping potential CDAs with necessary competencies. There is a need to:
 - Standardize the content of the programme and the duration

- Renew the training model to include the process of identifying, prioritizing and tackling SEE issue.
 - Standardize the learning materials based on documents already available with UNIDO and Foundation for MSME Clusters, New Delhi
- b) Designing a refresher programme for experienced CDAs covering the process of identifying, prioritizing and tackling SEE issue.

To encourage IAs to develop a pool of human resources for facilitating ‘socially responsible behaviour’ in industrial clusters, the funding agencies may offer fellowships to meet the cost training the CDAs.

Chapter 4

Developing institutional linkages

1. Introduction:

Cluster development is a long term-process fraught with obstacles, where commitment, leadership and communication are keys to success. It is more so when the focus is on facilitating ‘socially responsible’ behaviour among cluster actors while attempting to enhance the competitiveness of the cluster as a whole. For, social sector provisioning brings some key players such as ‘non-economic’ ministries (Environment, Social Welfare for instance) or ‘social sector’ actors. As indicated in the previous chapter, propelling cluster actors towards ‘joint action’ to tackle SEE issues is the essence of a CDA’s role. This chapter deliberates on how such tasks should be accomplished with involvement of a variety of intuitions.

It is of paramount importance that the implementing agency develops linkages with them and takes them on board to effectively implement cluster development plans. While it is for the CDA to establish linkages with such cluster actors, assess their present involvement in the cluster and their potential to contribute to the development process, senior official of the implementing agency have a role to play as under:

- Establish formal linkages with relevant actors: This should be by a way of setting up of ‘Cluster Development Steering committee’ with senior officials of such institutions as members.
- Help the CDA in accessing such institutions through formal or informal arrangements
- Keep track of the interactions between the CDA and the cluster actors and intervene where necessary

2. Why linkages?

- a) *Accessing resources:* In the process of identifying and prioritizing SEE issues confronting a cluster, the IA may need to seek knowledge resources externally. For instance, the services of Agriculture Department may be sought to identify the present and potential impact of water pollution on the crops. This should be a prerequisite for deciding whether the issue of ground water pollution is serious enough merit the attention of the CDA for further interventions. Likewise, services of an expert from Pollution

Control Board should require at the stage of tackling the issue. Thus the resources sought should be:

- Information and Knowledge
 - Subject matter specialists (human resources) to tackle SEE issues
 - Eco-friendly technologies
 - Financial support for specific interventions (Common Facility Centre for instance)
- b) *Experience sharing*: There should be institutions currently operating in the cluster or elsewhere that have the experience of tackling a particular SEE issue. The CDA on his own or through the IA can learn from such experiences to avoid ‘reinventing the wheel’ and in the process save resources.
- c) *Promote innovation*: Tackling a given SEE issue in a manner that results in economic payoffs to the core firms calls for innovative approaches. On his own, the CDA or for that matter, the IA may not be in a position to brainstorm on innovative solutions. It is then that a collaborative approach involving ‘specialist’ institutions is called for.
- d) *Alliance-driven model*: Facilitating ‘business responsible’ behaviour can be result oriented and sustainable only when ‘non-economic’ stakeholders contribute their bit. For instance, child labour issues can best be addressed not with the involvement of cluster firms alone but in cooperation with ‘social’ and education ministries that should contribute to rehabilitation. Likewise, promoting ‘green technology’ among cluster firms is best accomplished in a sustainable manner by involving environment ministry apart from finance and MSME-related bodies
- e) *Creating ‘win-win’ situation*: Social sector actors can dovetail their development schemes with that of ‘economic sector’ and, in the process, share resources for mutual benefits. For instance, while economic sector actors are supporting development of hand block textile printing cluster, there is fear of increase in water usage (and the cost). Social sector actors can pitch in to provide technology/support for water recycling, treatment and safe disposal of waste. In the process, they can reap benefits of tangible and measurable results in terms of fulfilling their mandate.

3. With whom?

There are two types of linkages that the IA and the CDA have established. Firstly, the IA either at institutional level or at the level of CDA has to establish linkages with a variety of ‘economic’ and ‘non-economic’ actors to facilitate formulation and implementation of action plan. Secondly, the CDA is required to promote linkages among cluster actors as a part of promoting joint actions to tackle SEE issues and sustaining the effort after the conclusion of CDP. It is to be noted that the two are not mutually exclusive. Following is an illustration of the role of IA in establishing institutional linkages:

Table 2.7: Role of IA in establishing institutional linkages

Sl. #	With whom	Scope
1.	<ul style="list-style-type: none"> Ministries dealing with industry, social welfare, environment protection, & the likes. Regulatory bodies engaged in pollution control, labour welfare department, 	<ul style="list-style-type: none"> Interact with senior officials through proposed National Focal Point to mobilize resource support under various schemes relevant to cluster action plan including M&E process.
2.	Technical Institutions such as: <ul style="list-style-type: none"> R&D institutions and laboratories, Training institutes, Educational institutions vocational institutions 	<ul style="list-style-type: none"> To help CDA access HRD and technical support to cluster firms (adopting cleaner technologies and training of workers in occupational safety, for instance)
3.	Apex industry/ trade associations	<ul style="list-style-type: none"> Trouble shooting to help CDA draw support from cluster level association.
4.	Financial Institutions	<ul style="list-style-type: none"> To explore the possibilities of support from National/State level institutions for implementing individual activities such as CFC, ETPs and the like.
5.	National/ State level: <ul style="list-style-type: none"> R&D institutions/ technology providers Management consultants 	<ul style="list-style-type: none"> Helps CDA access specialized techno-commercial services as a part of the action plan implementation.

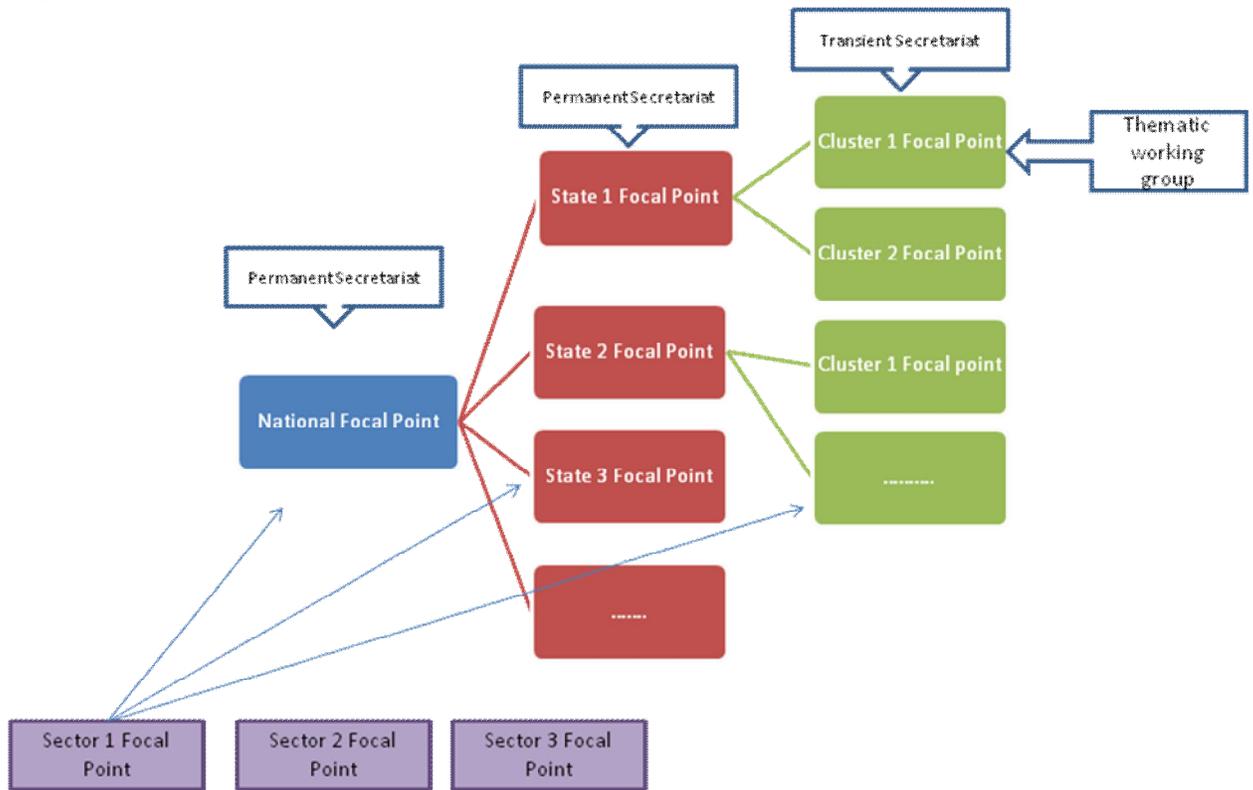
While it may not be possible for a State-level IA to establish formal/direct linkages with institutions at national level, it is necessary that it participate actively in the proceedings of the proposed ‘focal point’ at the State level. The IA is also expected to network with all the relevant national-level institutions with a presence in the State and State-level institutions. At the cluster level, it is essential that the CDA establishes direct contacts and builds rapport with all relevant institutions operating in the cluster.

4. Mechanisms:

Institutional mechanisms to support CD initiative in the State as a whole and at the cluster level to support a given CDP are to be in place.

One should envisage three levels of engagement as depicted below:

Figure 2.2: Institutional mechanism to foster BR in cluster development



4.1 National level:

As a part of national level initiative, it is proposed that a ‘National Cluster Development Focal Point’ (NFP) as a permanent inter-ministerial coordination and support mechanism. The focal point should be assigned the following roles:

- a) Inter-ministerial and inter-departmental coordination: The role is in terms of:

- Sharing the annual development plans of each constituent of the focal point before such plans are ‘frozen’
 - Examine on-going schemes of ‘social sector’ actors and explore the possibilities of dovetailing them with cluster development schemes
- b) Encourage/facilitate setting up of similar state-level focal points
 - c) Offer sustained support and guidance to State-level focal points
 - d) Offer a platform for funding institutions to deliberate on their plans for funding CD initiatives so that the resources are not distributed too thinly and effective levels of synergy is achieved
 - e) On a continuous basis, seek feedback from clusters stakeholders through state-level focal points to fine development assistance
 - f) Based on inputs from State-level focal points, develop a ‘National registry’ of CD initiatives focusing on ‘best practices’ and disseminate the same
 - g) Organize ‘appreciation programmes’ on social sector provisioning in CD initiatives
 - h) Strengthen existing development agencies to be the ‘National Resource Organizations’
 - i) Promote and support cluster-based ‘action research’ projects related on BR involving students & faculty members of B-Schools.

IAs role is to interact with NFP for trouble shooting and resource mobilization wherever necessary. For instance, through the CDA, the cluster firms should wish to access support from Ministry of MSME for setting up of CFC. This should call for IA to liaison between the cluster and the NFP.

4.2 At State level:

At the State level, it is proposed that a ‘focal point’ be established with key ‘economic’ and ‘social’ actors as members- State Cluster Development Focal Point (SFP). Considering that such a focal point serves the interests of promoting and supporting cluster development initiatives, not necessarily related to a given CDP or a given implementing agency, the task rests with the State Department of Industries. However, in the absence of such an institutional arrangement, the IA may take initiative to kick start the focal point under the umbrella of the State –level ministry of Industries. The focal point should support the IA in the following manners:

- a) Inter-ministerial and inter-departmental coordination mainly to help IA access financial, material and intellectual resources available under various schemes of

‘social sector’ actors and explore the possibilities of dovetailing them with cluster development schemes

- b) Addressing the operational issues emerging from ‘cluster level focal point’
- c) Assisting the ‘cluster level focal point’ to access resources specially from ‘social sector’ actors
- d) Evolve rational and prudent parameters for the evaluation of BR compliance
- e) Carry out social audit to monitor BR compliance
- f) Help cluster firms generate an internal checklist to be complied with, for integrating BR behaviour in their processes.
- g) Install awards to recognize clusters for their involvement in BR activities

4.3 Sector Focal Point:

It is an institutional arrangement within the representative body of a given sector. For instance, Indian Machine Tool Manufacturer's Association (IMTMA) is the representative body for the machine tool sub sector. Within IMTMA there could be institutional mechanism by way of a ‘cell’. This ‘cell’ could provide inputs to NFP and SFP in the process of planning developmental initiatives relevant to the sub sector. Further, the cell should offer on need basis technical support/ inputs to CFP dealing with the relevant cluster.

4.4 At cluster level:

The focal point at this level- Cluster Level Focal Point (CLFP) - is related to the cluster being developed and hence it is a time-bound institutional arrangement to be set up once a given cluster is targeted or development. The focal point should be led/chaired by the District Collector and be represented by District level officials from various departments, public bodies, funding institutions, local NGOs and representative body of cluster firms. The focal point shall cease to function on conclusion of the CDP. Following are the proposed roles:

- a) Offering feedback on development plan once the diagnostic study is ready
- b) Assisting the Cluster Development Executive (CDE) access knowledge/information from institutions present in the focal point and from those other institutions
- c) Examining the possibilities of dovetailing ‘social sector’ development schemes with cluster action plan

- d) Facilitating the CDE access support under such relevant schemes, assistance being mainly in terms of going through formalities required to access material support
- e) Coordination and integration of on-going social sector assistance schemes in the geographical area where the cluster is located
- f) Monitoring the implementation of CDP and contributing trouble shooting where necessary.

4.5 Thematic Working Group (WG)

In the process of identifying & prioritizing SEE issues; facilitating action plan formulation and its implementation, the CDA needs a variety of knowledge inputs. For, on the strength of one's own intellect and information, the CDA alone cannot manage the complexity and variety of SEE issues. Hence, working groups that offer 'knowledge resources' or 'soft' inputs to the CDA for enhanced role efficacy are to be put in place.

The working group (WG) is a small (around five persons) group of cluster-based individuals who will offer mainly 'technical support' to the CDA. The CDA is required to classify SEE issues into specific themes (child labour, ground water quality for instance) and then, depending on the support needs, set up separate working groups for each theme. It is expected that there should be three to five working groups associated with a cluster.

Being on a 'mission mode', the role of the WG is to support the CDA with regard to tackling a particular SEE issue or a 'class' of related issues. Specifically, the group should:

- Offer technical support or guidance to the CDA in understanding the impact of operations of a cluster on a given SEE issues
- Help the CDA in understanding the intensity of the SEE issue or the potential that it has to develop into a full-blown crisis
- Assist the CDA in generating options for tackling the issue – such assistance should be by way of technical support or offering a set of optional solutions and means to evaluate the same
- When CDA seems fit or necessary, put forward the relevant issues, causes, and potential solutions to cluster stakeholders including firms as a part of formulating the action plan
- Signpost the CDA to relevant sources of information/support

While the CDA is required to take care of setting up of such a focal point, the IAs role is confined to trouble shooting. For instance, the IA has to interact with relevant department of the State government in case a given institution is unwilling to be a part of the focal point.

Noted below is an illustration of linkages established by a bee keeping cluster:

Table 2.8: Kozhikode bee keeping cluster¹⁵

Institutions with which linkages have been established:

Financial Institutions	Canara Bank, SBI,NABARD,SIDBI
Micro Finance	NABARD - Kudumbasree SHGs (a Stat- sponsored NGO), WDC,
Other Institutional linkage	KVIB , Forest Dept., Agri. Dept. DRDA, ware housing , KVIC , HortiCorp, Farm information Centre, DIC, Marketing and inspection wing , Women Development Corporation, Farm Training Centre, NAFED,RUBBER BOARD, SC/ST DEV.DEPT., AGRI University, Tourism dev. Corporation ,NIT, IIM,
Social organisation	Kudumbasree, NGOs, Chambers of commerce and others

Table 2.9: Purpose of linkage between programmes of such institutions and the cluster

SL.No.	Name of Department	Scheme/Programmed	Scope / Target groups
1	National a forestation programme (Ministry of Environment and Forest)	National aorestation and eco development programme	Vana Samrakshana Samithi and Forest Development Agency
2	DRDA (PAU) and District Panchayath	SGSY-Employment generation programme WGDP etc (For group and individual also)	SGSY groups ,Water shed development programmed IGP (Income Generation Programme) groups
3	Kudumbasree Mission	Poverty eradication programmed	Self help group-IGP and micro enterprises
4	Rubber Board	Plantation Development Scheme	Rubber plantation with micro credit for beekeeping.
5	ICDS and WDC	Package of micro credit to women	Self help groups IGPs And potential individual

¹⁵ <http://www.beecluster.org/>

6	NABARD	Micro finance to SHGs	Potential women group for IGPs
7	Agricultural Department and Tribal Department	Coconuts cluster development programmed Tribal Department Programme	Cluster actors and progressive farmers. Tribal women self help groups
8	Kerala State Horticulture Mission	Project: National Integrated Bee Research Centre associated with Agriculture University.	Training to beekeepers

Establishing Institutional Linkages:

Action points

- a) Interact with NFP for trouble shooting and resource mobilization wherever necessary.
- b) At the State level, in the absence of an institutional arrangement to support CD activist, initiate the process of setting up of a focal point under the umbrella of the State Industries Department
- c) At the cluster level, support the CDA to set up a ‘focal point’ with representation from various ‘economic’ and ‘social’ actors.

Chapter 5

FORMULATING CLUSTER ACTION PLAN

1. What is a cluster action plan?

The diagnostic study of a cluster leads to the following:

- Analyze the business segment in which the cluster operates, particularly, the trends in the segment's markets, technologies, and competition.
- An appraisal of the MSMEs' typical enterprise strategies
- Nature and strength of business relations among core firms within the cluster with other enterprises.
- An appraisal of the strengths of 'Support Institutions' and apparent gaps in the services provided by them to the MSMEs in the cluster.
- Identification of economically viable options for the cluster to valorise, reuse or recycle industrial non-hazardous wastes – from the Resource Flow Analysis (RFA)
- Detection of the socially relevant issues that need maximum intervention for reducing adverse social impacts of production and consumption in the cluster – from the Social Life Cycle Assessment (S-LCA)
- Assessment of other life stages associated with the product manufactured by the cluster that has high adverse social impacts and need critical intervention – from the Social Life Cycle Assessment (S-LCA)
- Diagnosis of the challenges and opportunities

In addition, with reference to SEE issues, the study leads to:

- An assessment of the SEE issues confronting the cluster
- Analysis of the same to understand its impact of the sustainability and growth of the cluster
- Current level of engagement of the cluster actors in tackling such issues
- Potential of the cluster actors for affirmative action to tackle SEE issues

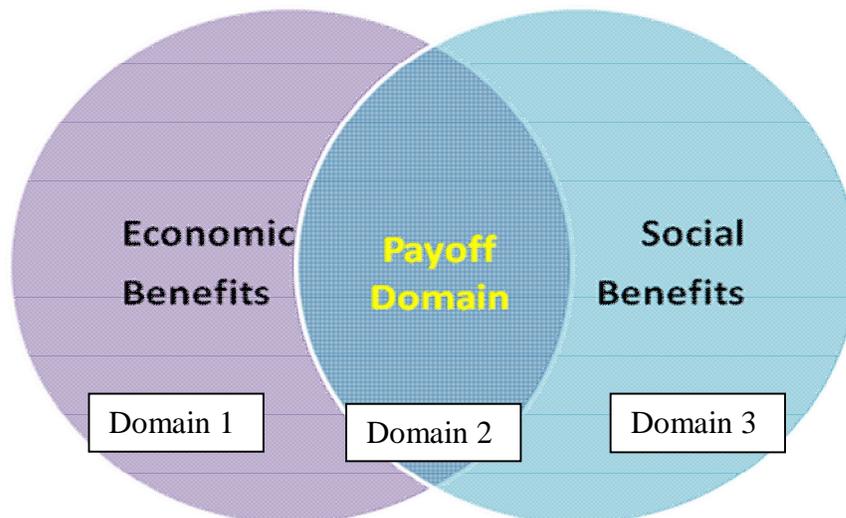
Thus, subsequent to the diagnostic study, it is possible to identify and formulate strategic objectives that need to be realised to address the social and environmental issues of the cluster in a given time frame.

Cluster action plan refers to the systematic approach to formulating such development objectives, identify interventions necessary to fulfill the same, specify the time frame for implementation, allocate material/human resources and in short, facilitate effective implementation of the planned activities.

The compones of the action plan should fall in three domains as under:

- a) Those intereventions that benfit the cluster from ‘economic’ angle and involve economic payoffs to the core firms (domain 1 as per the below fiure below). This has been the mainstay of CD programmes.
- b) Those intereventions that do not necessarily get reflected in ‘economic’ benefits to the cluster but help in tackling SEE issues emrging out of the operatinons of the core firms (domain 2 as per the below fiure below). Such actions amount to pure philanthropy and hence, are difficult to promote given the economic realities of the business.
- c) Those intereventions that tackle SEE issues and in the process, involve economic pay offs to the core firms (domain 3 as per the below fiure below). This is the area of overlap where economic interests are served in the process of tackling SEE issues. At the initial stages of promoting socially responsible behaviour, it is suggested that the interventions be focused on this dimension

Figure: 2.3: Illustration of the pay off domain



2. Relevance of action plan to Implementing Agencies

Given that there should be ‘unfelt needs’ especially with reference to SEE issues, it is not necessary for cluster development be demand driven. At times, a cluster action plan may therefore include such activities that induce the cluster towards a direction that the local groups of actors may resist. Industry associations/ principal firms can also be resistive to the systematic ways of identification of cluster’s main SEE issues and the agenda to tackle them, more so if the

issues go against their immediate or short-term interest. In addition, there may be competing associations with conflicting interests on activities to be pursued and resources to be shared. Thus, the cluster action plan is not meant for individual actors including industry associations. However, a summary of the action plan and details of a given segments should be shared with all the cluster actors.

While the action plan is to be formulated by CDA in association with cluster actors, the IA should utilize the same for following purposes:

- To review the action plan to ensure relevance of each activity with overall development objective.
- To guide the CDA in understanding the need for additional interventions and explore the possibilities of incorporating the same.
- To help CDA tap resources beyond the comprehension of CDAs.
- To review the timeline and budgetary estimates for various activities and fine tuning the same wherever necessary.
- To provide guidance to CDAs in drafting various documents that needs to be submitted during the CD process.
- Coordinate at the apex level with relevant institutions whenever necessary.
- To assess and monitor the progress of programme implementation and output.

3. Who prepares the cluster action plan?

CDA is the focal point in the process of action plan formulation. However, social sector actors have a role to play in the process as indicated below.

3.1 Role of CDA:

The action plan for development of the cluster is to be 'shared' by all the key stakeholders. For, it is then that there is acceptability for the initiatives and that the chances of the outcome being on the expected lines are high. Thus, the action plan is best prepared by the stakeholders themselves. However, they may not possess sufficient expertise to translate the development needs into specific activities. Thus, process of preparation of the action plan is a joint exercise involving all the stakeholders or their representatives. The CDA acts as the facilitator to:

- Bring together all the stakeholders

- Deliberate on the SEE issues as also the commercial ones confronting the clusters a whole
- Encourage the stakeholders to generate options for tackling the issues as also tap 'opportunities'
- Wherever necessary, 'prompt' them to arrive at specific activities

Once the list of activities are arrived at, the CDA integrates the same into an implementable action plan with clear cut objectives & related activities; time frame for implementation : defining the 'deliverables'; allocation of responsibilities; resource requirements and their possible sources.

3.2 Role of 'social sector' actors:

Given the dual objective of tackling SEE issues and in the process, bringing in economic benefits to the cluster, it is important that 'non-economic' actors (ministries/departments and autonomous institutions) dealing with labour welfare, social welfare, health, education and environment are involved in the process of formulating and implementing cluster action plan. Following roles are envisaged:

(i) Prioritizing SEE issues:

In the process of prioritizing SEE issues that need to be tackled, the IA (through the CDA) should seek 'expert' assistance from relevant social sector institutions. For instance, in a 'foundry' cluster there should be several issues such as air pollution, health of the workforce being affected due to exposure to heat & fumes, safe disposal of waste and the like. The Pollution Control Board should give inputs to the CDA on the degree of seriousness of each such issue so that they should be appropriately prioritized.

(ii) Identifying optional alleviating measures and making a choice:

The CDA or even other professional working for the IA may not possess necessary expertise in identifying possible measure to tackle a given issue. For instance, in a 'foundry' cluster, minimizing air pollution should involve a variety of options such as change over from coal to a more eco-friendly fuel, change in 'smelting technology' , use of 'dust filters' in chimneys etc.,. The Pollution Control Board should give inputs on possible options and help in evaluating the same.

(iii) Budgeting:

The expertise of a given social sector institution should be an input to prepare the budget for a given initiative. For instance, reducing the incidence of alcoholism among the workforce should bring in social benefits (to the family and to the workers themselves) and at the same time economic benefits to the core firms (in terms of reduced incidence of absenteeism). An NGO that deals with de-addiction issues should provide inputs to formulate a plan and work out related costs.

(iv) 'Selling' ideas:

In a situation where economic payoffs of a given BR-related initiative are not easily comprehensible, the social sector actors should be a crucial source of support to the CDA. For, on the strength of their 'specialization' and credibility, they should sell the idea to cluster stakeholders. For instance, the idea of launching a de-addiction programme should be 'sold' to the core firms by an NGO with relevant track record and linked to their economic benefits.

(v) Strategic alliance:

While formulating the action and prior to its implementation, the IA may consider the need to partner with a specialized institution to implement certain activities that call for expertise and resources not at the disposal of the IA. For instance, in order to improve access to healthcare for the workforce and their families, regular health camps should be required. The IA should then partner with a local NGO experienced in the field so that a permanent institutional arrangement is put in place to improve access to health care.

4. Components of a Typical Action Plan:

The cluster action plan can be structured as under:

4.1 Objective:

Objective is an intended outcome or goal that needs to be defined at the design stage of the action plan. For instance, providing quality health & safety to the workforce should be one of the objectives. Activities like provision of safe drinking water, providing personal protective equipments, placing fire safety equipment in the workplace, etc. are the activities that can help achieve the same

4.2 Interventions:

This will consist of interventions translated into activities to be taken up in short, medium and long term to achieve the stated objectives. For instance, one of the objectives should be to enhance the quality of life of the workforce, another objective could be to increase economic profit by reusing or recycling non- hazardous waste.

Table 2.10: Listing of activities based on objective

Sl. #	Objective	Intervention	Major activities
1	To enhance the quality of life of the workforce	Improve access to health care	<ul style="list-style-type: none"> Organize awareness camp on key health issues (joint action by core firms) Group medical insurance
		Educating family members of the workforce	<ul style="list-style-type: none"> Adult literacy programme for spouses of workers (through local NGO) Instituting scholarship for meritorious children of workers
2	To increase economic profit to the industries by reusing or recycling non-hazardous waste	<p>Quantify all the wastes generated by the cluster using a Resource Flow Analysis</p> <p>Test for the concentration of hazardous material in these wastes to ensure they are not above the standards in the Hazardous Wastes (Management, Handling and Transboundary Movement) Rules, 2008 http://envfor.nic.in/legis/hsm/HAZMAT_2265_eng.pdf</p> <p>Make a list of possible options for reusing non-hazardous wastes that are generated in large quantities</p>	<ul style="list-style-type: none"> Visit and quantify input and output flows in a few representative industries in the cluster and extrapolate the results to form a Resource Flow Analysis (RFA). Send samples of wastes to testing labs to test for concentrations of hazardous materials.
			<ul style="list-style-type: none"> Identify buyers for the non-hazardous waste. If buyers do not exist, calculate the investment, return on investment and business model for the association or any other cluster stakeholder to set up an industry to reuse the waste generated by the industrial cluster.

3	To identify social issues that need urgent intervention in the entire life cycle of the product manufactured by the cluster	Perform a Social LCA of the products of the cluster	<ul style="list-style-type: none"> Organize a stakeholder meeting to identify important social issues that the stakeholders feel need to be changed for the better during the entire life cycle of the product manufactured by the cluster.
			<ul style="list-style-type: none"> Define the goal and scope of the S-LCA, collect data from the cluster to compile an index that will help measure social impacts in the cluster, and over the entire life cycle of the product, interpret the results of the S-LCA to identify social issues that need urgent intervention in the entire life cycle of the product manufactured by the cluster

A menu of the BR-related interventions is depicted in Annex III.

4.3 Scheduling:

It is important that the cluster action plan be superimposed on a time frame. Every activity of the cluster action plan should be allotted some time period with indications on commencement and completion time.

4.4 Tentative Budget:

The budget requirements for development initiatives should be classified as under:

- a) Funds required by the implementing agency to cover:
 - Professional fees, if any, normally charged by the agency for such initiatives
 - Organizational overheads
 - The cost of offering the services of CDA
- b) Funds required by the CDA for meeting day-to-day operational expenses:
 - Travel cost
 - Board/lodging expenses
 - Other expenses including stationary, photocopying, communication and the like not directly related to a given intervention

- c) Cost of 'soft interventions' such as capacity building of local institutions to support the planned interventions (irrespective of whether the activity is carried out by the implementing agency/CDA or other institutions)
- d) Cost of 'hard interventions' (setting up of 'common effluent treatment plant for instance)

4.5 Resources:

Once the proposed development initiatives are spelt out and tentative budget arrived at, it is necessary to take stock of resources to implement the action plan. There are three main resources namely knowledge, financial and material. It is the role of CDA to identify such resources and mobilize the same.

A compendium of the same is placed at Annex IV.

4.6 Implementation and coordination:

Considering that the development process involves a variety of activities that should possibly be implemented by several agencies, there is a need for coordination to avoid duplication of efforts and facilitate synergic effects. For instance, water shed development programme should be taken up by an NGO. Measures to treat effluents should be initiated by the local industries association but implemented by a technical organization. The two agencies need to coordinate their activities for effective performance. BDS provider and even individuals should be implementing a given activity depending on their expertise.

Generally, the CDA is vested with the task of coordinating all the development initiatives through CFP platform. However, IA will come into picture for trouble shooting purpose.

4.7 Time frame for the cluster action plan:

Most cluster development initiatives have a duration 3-5 years, whether with a focus on economic development issues or BR or both. Clusters with low level of engagement with BR need longer duration for interventions. Cluster action plans are usually detailed for one year with lesser details for rest of the years ahead. Thus, an action plan of 3 to 5 years will have two components; overall development plan for the entire duration and detailed yearly action plans with short term, medium term and long term objectives.

- a) Short-term action plans may focus on ‘low hanging fruits’ with a time horizon of a few weeks, generally less than six months. The likely activities may be organization of exposure visits to other successful clusters, awareness creation on health issues, introduction of cleaner technology among the local enterprises and the like. Activities that should produce visible and measurable results in a matter of weeks/months have a ‘demonstration effect’ in the sense that they cluster actors see the benefit of the development approach and hence, are more likely to extend their support to other time-consuming and resource-intensive interventions.
- b) Medium term actions are planned generally for several months ranging from say 6 to 18 months. During a medium term focus, pilot activities may be undertaken to test input-output efficiency and response of the relevant cluster actors. This should then lead to setting up scaled up models for replication. For instance, subsequent to an exposure visit, few firms may decide to adopt ‘cleaner production technology’. Over a period of 6-18 months, other enterprises may decide to negotiate bulk buying of necessary equipment or technology that may lead to the entire cluster adopting cleaner production methods.
- c) Long-term action plans are for the period of 18 months to 36 months and beyond. Such activities may involve setting up of common infrastructure to deal with common effluent discharge, undertaking common plantation to ensure regular supply of renewable source of wood, taking up long-term research & development to develop systems for reduction of energy consumption etc.

An illustration of the action plan of an organization called ‘Cluster Development Services’ (CDS) in Sponge Iron and Allied Industries Cluster of Rourkela (Orissa, India) is depicted in Annex V.

4.8 Deliverables:

This part of the action plan will define the following:

- a) Outcome of the entire cluster development initiative to be quantified to the extent feasible: For instance, output of an awareness workshop on hiring of physically challenged persons can be judged from the number of intended participants present during the workshop, their level of involvement and agreement/disagreement with the

subject matter and initial reaction in terms of adopting this practice in their organization.

- b) Time-frame for each such outcome to fructify
- c) Individuals/institution/agency responsible for a given outcome
- d) Beneficiaries of each intervention

5. Sharing the action plan:

Ideally, all the key stakeholders are required to be involved in the process of formulation of action plan. However, certain ‘social sector’ actors may not be involved in the process due to issues such as their mandate and absence of a local representative in the place where the cluster is located. While it is for the CDA to interact with them on an individual basis while formulating the action plan, it is advantageous to share the complete plan with such actors as a group. The advantages are:

- Seeking an opportunity to mobilize support for implementation of the plan
- Using ‘peer pressure’ to encouraging the ‘passive’ actors to contribute effectively
- Exploring the possibilities of dovetailing the social sector schemes to the related CD initiatives

At the cluster level, the action plan should be shared during a specially convened meeting of the CFP. Care needs to be taken to invite all ‘social sector’ actors relevant to the initiatives proposed as a part of the plan.

At the State level, the IA needs to take initiative to convene a meeting of the proposed ‘focal point’ or, pending its formation, a support group that includes senior State-level officials of all key stakeholders including social sector actors. During the meeting, the action plan including the rationale and deliverables needs to be shared with an emphasis on the potential roles of the participating institutions. Here again, the scope for tapping resources available with ‘social sector’ actors to implement the action plan has to be explained and commitment sought.

6. Characteristics of an effective cluster action plan:

The implementing agency should ensure that the action plan conforms to certain key quality parameters as under:

6.1 Ownership:

When the action plan is facilitated by the CDA based on his/her understanding of the cluster, the proposed initiatives should be appropriate for the situation. However, the stakeholders may not 'identify' themselves with the ideas contained in the action plan. For, they should be considered as those coming from an 'outsider' (CDA). It is therefore essential that the CDA involves all the stakeholders as indicated above.

6.2 Transparency:

Every detail of the action plan need not be known to every stakeholder. Otherwise, there should be uncalled debate leading to demands on the CDA to do the 'convincing act'. However, the ownership of the action plan should ideally rest with the stakeholders. Therefore, major activities of the action plan are to be shared with all the stakeholders with details being shared 'on demand' and with relevant partners. This should well be accomplished through a seminar of all the stakeholders addressed by the CDA once the action plan is finalized.

6.3 Pragmatism:

While framing a cluster action plan, the CDA may often become over-ambitious to address the cluster SEE issues. Also, some of 'socially conscious' stakeholders may end up with grandiose ideas. For instance, having understood the negative impact of 'child labour' on the community and possibly on export market prospects, the CDA and/or some stakeholders may decide to banish the same in a span of months or even weeks. While it is a laudable objective, the income from the child labour should be the only source of livelihood for some families. Thus, time frame for 'abolition' of child labour has to be appropriate enough to help families with alternate means of livelihood.

An ambitious action plan may lead to failures thus reflecting poorly on the CDA and the institutions involved. Any such failures especially during the initial stages of engagement with cluster may lead to 'trust deficit' affecting the entire action plan.

The action plan should therefore be *realistic* in the sense that a 'step-by-step approach is taken with simpler initiatives that to demonstrate success, build trust and build local capacities to undertake more complex activities.

The action plan would be more realistic and hence 'doable' once the following are taken care of:

(i) *Demand*: The need for a given initiative has to be explicit to gain acceptability. Thus, majority of the activities should be *demand-led or start with a perceived need*. However, certain BR issues should be 'unfelt' and hence any related initiative may be perceived as avoidable. Further, some stakeholders may either overlook possible opportunities or decide in favour of short cuts with subsequent long term negative effects. These notwithstanding, the CDA may need to include some that address unmet needs. It is just that the CDA has to walk the extra mile to help the stakeholders understand realize the importance of such needs and related initiatives.

(ii) *Resources*: Material, financial, human resources required for implementing a given initiative has to be identified, and possibilities of procuring the same are assessed before 'freezing' the action plan. For, non-availability of resources for a given activity should jeopardize its implementation with spill over negative impact on the entire action plan.

(iii) *Critical mass*: For an initiative to be sustainable there has to be a 'critical mass'. For instance, there should be just two or three firms among the many responsible for water pollution. One has to examine whether it is economically feasible to commit resources for installing a common pollution treatment plant.

(iv) *Linking BR activities with business benefits*: To extent feasible, the CDA has to clearly outline the commercial benefits the proposed initiatives. In certain cases, such benefits should be obvious and not so obvious in certain other cases. Due to short-sightedness or lack of awareness, the stakeholders may not be in a position to perceive the commercial benefits of certain BR initiatives. For instance, use of cleaner production technology may not be a priority of the core firms. Over a period of time, pressures from the community and the relevant law enforcement agency may compel them to look for such technology when it is too late. Thus, for such initiatives to gain acceptability, it is necessary for the CDA to establish their linkages with the long term commercial benefits.

(v) *Inclusion of spin-off activities*: Fostering responsible behaviour in a cluster is based on the perceptions and also objective analysis of cluster stakeholder behaviour. It is often seen that the process of activity execution may lead to new paradigms and

creation of new conditions that include opportunities and problems. A CDA therefore needs to remain alert to seek such eventualities during the implementation of the action plan. This should mean adding on to the list of initiatives not originally planned. A retention of almost 70% of the planned activities and replacing the other 30% with new options has been experienced over the years.

(vi) *Transfer of governance:* At the initial stages of the development process, the implementing agency should take on the lead role of initiating and executing the planned activities. However, for the process to be sustainable, the stakeholders in the cluster should assume increasing responsibility for implementation. This is possible when they have the requisite capacity (in terms of expertise) to do so. Thus, any action plan should provide for capacity building of stakeholders in relevant areas.

FORMULATING CLUSTER ACTION PLAN:

Action points

- a) Focus on those interventions that tackle SEE issues and in the process, involve economic pay offs to the core firms
- b) Ensure that the action plan provides for specific, time bound and measurable outcomes
- c) Involve the relevant 'social sector' actors during the process of formulation of the action plan
- d) Take advantage of their expertise in identifying and prioritizing SEE issues to be tackled as also in generating options to tackle such issues
- e) Where the IA does not have the expertise/resources to detail and implement a given initiative to tackle a BR-related issue, identify the possibilities of 'strategic alliance' with relevant institutions.
- f) The action plan has to be shared with all the relevant stakeholders including the "social sector" actors at the cluster level as also at the State level

Chapter 6

Resources Mobilization and Implementation

1. Introduction:

This chapter deals with nuances of implementation of the action plan to promote socially responsible behaviour among the cluster actors. In the process, the following are covered:

- Mobilizing resources
- ‘Up-scaling’ the development initiatives

2. Mobilizing resources:

Like in the case of any development initiative, following are the nature of resources required to implement the action plan:

- Human resources
- Physical resources
- Technical resources
- Financial resources

2.1 Human resources:

The requirement of personnel for implementing CDP should be classified into three types as under:

- ‘Short term’ staff:

The efforts of the CDA who is primarily responsible for facilitating implementation of the action plan, has to be supplemented through additional personnel. For, the dual task of tackling SEE issues and in the process, facilitating ‘economic development’ calls for careful strategizing. For instance, one or two ‘field investigators’ could be required for few days to take up bench mark study of ‘quality of life’ of the workforce.

- ‘Long term’ staff:

More often than not, in a cluster development programme with BR focus, the efforts of the CDA have to be supplemented by subject matter specialists. This would amount to an ‘implementation team’ in place for the may want a specialist to work with him for the entire duration of the project. Thus, the IA has to provide for such resources to be at the disposal of the CDA.

- ‘Operational staff’:

These refer to personnel in charge of implementing a given activity as per the action plan.

It is the responsibility of IA to provide the services of the CDA and the ‘Permanent’ staff to work with the later. As for the ‘provisional staff’, the IA should provide adequate flexibility to the CDA to identify and recruit them. The third category namely ‘Operational staff’ is to be the responsibility of the local body (Industry Association, BDS providers, NGOs and the like) engaged in ground level implementation of a given activity.

2.2 Physical resources:

As in the case of human resources, this too should be categorized as under:

- Resources required for the CDA and his/her team
- Resources required for implementing a given activity

a) Resources required for the CDA:

The CDA and the team require office space, related equipments and supplies for the duration of the project. The options are:

- Use the resources of the IA if it has a prior presence in the cluster
- If available seek the facilities from the local industries association or from other actors such as BDS service providers: This is an attractive proposition since it saves the efforts of the IA in organizing the facilities.
- Hire the facilities for the duration of the project.

It is important to note that office of the CDA be housed in a place that reflects ‘neutrality’. In other words, it is better that the office should be not tied to a place offered by one of the stakeholders to avoid perceived biases.

b) Resources required for implementing a given activity:

Some of the initiatives proposed in the action plan should call for physical resources. For instance, the action plan should provide for setting up of a 'health centre or a common facility centre calling for buildings and equipments. The cluster stakeholders are required to own up the idea and organize same, the CDA playing the role of a facilitator. Thus, IA has to carefully examine the demands placed on it by the CDA for resource mobilization.

2.3 Technical resources:

Right from the stage of diagnostic study, technical support is required throughout the process of implementation of the CDP. For instance, the CDA may require the services of a technical expert to understand the impact of the cluster operations on the natural environment. The IA is expected to provide sufficient degree of freedom to the CDA to avail/hire such resources.

For implementing a given activity as per the action plan, technical expertise should be required. For instance, identifying options for core firms to introduce technological change that leads to better quality, reduction in wastage and lower emissions, may call for technical support. Or, there should be a need for energy audit to identify possibilities of conservation. Such requirements fall within the domain of the concerned stakeholder groups, the CDA playing the role of a facilitator.

2.4 Financial resources:

2.4.1 Typology:

IA has to examine the action plan from budgeting angle and ensure that the fund requirements are classified as under.

- Funds required by the implementing agency to cover professional fees including the cost of offering the services of CDA and organizational overheads
- Funds required by the CDA for meeting day-to-day operational expenses:
- Cost of 'soft interventions' such as capacity building of local institutions
- Cost of 'hard interventions' (setting up of 'common effluent treatment plant for instance)

Such a classification enables IA to assist CDA in tapping funding sources.

2.4.2 Sources of funds:

Conventional sources of funding include relevant ministries (ministry of social welfare for instance), development finance institutions and State-owned bodies (Directorate of handlooms and handicrafts for instance), multi-lateral funding agencies, large buyers and local banks/Financial Institutions may be other options to explore. The beneficiary segment of the community may also supplement the resources available to ensure greater financial sustainability.

On one hand, the cluster action normally contains numerous activities that require funding support. On the other hand, there are number of schemes of assistance where fund are available with a large number of institutions and agencies. The critical gap in the matching process is the extent of information available with or accessible to the CDA. The CDA is expected to be equipped with the information to match the standard development schemes with the individual components of the cluster action plan for effective synergy.

The sources of funds should be broadly classified as under:

- State and Central Governments
- Financial Institutions
- Multilateral organizations
- Non-governmental international donors
- Private sector
- Cluster actors

An effort has been made to identify suitable schemes of BR-related assistance from Government of India's Ministries / Departments / Organizations. The schemes relate to areas as under:

- Women and child welfare
- Rural development
- Youth welfare
- Adult literacy
- Development of disadvantaged communities (SC/ST/OBC)
- Environment protection
- Non-Conventional energy
- Health care
-

Over fifty development schemes pertaining to the aforementioned areas have been identified and presented in Annex I¹⁶. Following is an illustration of how a cluster can benefit from such schemes:

Box 2.6: Support from Ministry of Labour to run NCLP School in Jalandhar

Under the Scheme of Non Formal Education supported and assisted by Ministry of Labour, Sports Goods Foundation of India (SGFI), an NGO of Sports Goods Cluster Jalandhar, has been running four National Child Labour Project (NCLP) schools at different locations where their Household Stitching Centres are located. In view of their good performance over the years, the concerned authority in the year 2007-08 has allotted them seven schools. Under this scheme an amount of Rs 100 per month is allotted as stipend for each child. The scheme's annual budget for one school works out to about Rs 2.5 lakhs and assistance is available on 100% basis. Thus, SGFI has been able to get an assistance of Rs 52.5 lakhs for these seven schools for next three years. This activity helps in taking care of one the important issue of child labour and at the same time the cluster is taking care of its social responsibility of educating children of their workers. With the success of this scheme, SGFI is thinking of applying for more of such schemes in the areas of vocational training of youth.

Annex VI summarizes the sources of funds.

2.4.3 Resource mobilization – Tips for success:

a) Involvement of stakeholders:

While BR activities should be carried out through support from funding institutions, there needs to be adequate and direct contribution from the various stakeholders within the cluster. For, this is an indication of their 'ownership' of the initiative and of commitment to successful implementation of a given activity. Otherwise, one should question the basic premise behind the 'felt need' for a given activity and revisit the action plan.

Apart from monetary contribution by stakeholders, in-kind contributions (expertise for instance) also need to be valued and factored in. For example, providing premises, equipment and staff for training courses are very valuable inputs. Such contributions help to not only increase the prospects of success but also reflect greater visibility of the commitment from the contributing stakeholders. The industry associations/networks can often provide secretarial support, platforms to bring together different operational partners, access to available infrastructure owned by the association/network or their members besides the monetary contribution.

b) Linking BR activities to commercial gains:

¹⁶ Considering that the schemes of assistance are subject to periodic review, the users have to check the current status from respective institutions

The extent of financial contribution of cluster actors to a given intervention is likely to be higher when the later leads to commercial benefits. On the contrary, when the actors do not see immediate commercial gains, the activity should attract less funding support from them. The CDA/implementing agency has to categorize the activities accordingly and estimate the need for external funding. Further, the CDA needs to help the cluster actors see the commercial benefits, long-term or otherwise, of a given intervention.

c) Scaling and scheduling of interventions:

A given intervention or a set of activities should be planned in such a manner that one should start in a small way with limited resources, produce results, and then scale-up gradually. For, 'smaller' activities over shorter time should essentially generate confidence among the beneficiaries, other cluster actors and regular funding bodies encouraging the later to commit more resources. Further, when an activity is carried out successfully for the second or third time, the cluster actors should be more willing to provide financial support there by reducing dependency on 'external' sources of funds.

As regards scheduling of activities, it is likely that a given activity is repeated in the interest of wider reach. In such a case, the 'external' funding agency may contribute a higher portion of the cost. As the activity is repeated, the share of the funding agency may come down. For, it is expected that the demonstration effect when the activity is take up for the first time may convince the beneficiaries to contribute more towards the cost. For instance, in the Jalandhar Sports Goods Cluster (Punjab, India), the contribution of the implementing agency (UNIDO in this case) decreased for activities repeated over time. Further, the proportion of support varied depending on the type of activity as indicated in Annex VII.

d) Financial means of 'core firms':

Within the cluster, percentage of external support should be greater for stakeholders with limited financial means.

e) Supporting 'implementing partners':

At times, the IA may avail the services of localized institutions for carrying out certain activities. For instance, an NGO may be asked to implement literacy programmes in a

rural artisanal cluster. When the NGO is not in a position to raise funds for such an activity, it is the responsibility of the implementing agency to mobilize resources and provide the same to the NGO till the time the beneficiaries themselves are not in a position to meet the costs.

f) Need for critical mass:

When a given activity benefits a few, care should be exercised in including the same as a part of the action plan. For, it may not be 'cost effective' or of interest of the funding agencies. Exceptions are, when a given activity is likely to have strong 'demonstration effect' or when it is a pilot exercise that leads to replication in a larger scale.

g) Do's and don'ts:

- While formulating the action plan, ensure that each activity is clearly spelt out with objectives, benefits, time frame and budget.
- Before approaching the funding agencies, understand their priorities so that the funding proposal may be dovetailed to their objectives and requirements. In other words, the funding proposals should fit into the 'schemes' of donors.
- Categorize the schemes of the donors based on the potential of finding their acceptance and accordingly, approach relevant ones.
- Ensured transparency in the sense that the donor are in a position to clearly perceive the overall cluster development plan and the contribution of each activity to achieving the overall development objectives.
- While approaching a given funding agency, have a contingency plan to make room for possible rejections or delays
- It is invariably necessary, that in pursuing cluster development related activities, it should be ensured that a flexible pool of funds is available to avoid bottlenecks.

3. Creation of sound demonstrative models for up-scaling:

The process of promoting ‘socially responsible behaviour’ in a cluster is time-consuming. For instance, improving the quality of ground water hitherto affected by pollutants is seldom accomplished in a matter of weeks or even months. Thus, it may be difficult to ensure that most BR issues across most of the cluster stakeholder groups are tackled within the timeframe and the budget at the disposal of the implementing agency. Given the varied levels of willingness of different stakeholder groups for engaging in positive action and their capacities to do so, it is considered prudent to target potentially successful groups around critical areas of challenge. This helps demonstrate the efficacy of developmental efforts and instil confidence in the stakeholders. This in turn sets the desired mood for change and prompts otherwise passive or reluctant stakeholders to come on board. It is then that more complex and large scale interventions calling for wider cooperation among majority of the stakeholders should be implemented.

The following multi stakeholder model at Rourkela Sponge Iron and Allied Industries Cluster (Orissa, India) illustrates the demonstrative effect:

Box No 2.7: Peripheral development spreads fast across Orissa

One of the five administrative blocks namely Lathikatta was identified and selected by UNIDO in consultation with local government out in the district of Sundergarh (Orissa) for implementation of a pilot initiative where the local industry representatives joined hands to undertake collective socially relevant initiatives. UNIDO provided necessary technical assistance and some funding support to the Lathikata Block Industries Periphery Development Society (LBIPDS) in

- (i) Coordination between different stakeholders for initial understanding and need for coming together for the interventions
- (ii) Setting up and building capacity of professionally managed secretariat of LBIPDS to implement its periphery development agenda
- (iii) Hand holding and development of LBIPDS systems for health care programme, education initiative, infrastructure development and its internal working
- (iv) Helping to explore new areas related to cluster environmental issues and ensure that it starts considering it to be taken up in due course
- (v) Exploring with other expert knowledge organisation of their related periphery areas and to develop a concept of working together on partnership model
- (vi) Helping develop proper review and monitoring mechanism by their internal and external team
- (vii) Ensuring the sustainability of model into a full fledge programme at the end of UNIDO intervention
- (vii) Making it demonstrative model for up scaling in the nearby areas.

The positive impact generated with LBIPDS led to similar request for support from three adjoining blocks of the district where the enterprises were willing to set up similar institutions to initiate activities in the area of health, education, and rural infrastructure development. The administrative set up created at LBIPDS and the systems being used therein were shared by the elected office bearers with other block level institutional representatives.

Noted below is another illustration of how the demonstrative effect through a limited intervention blossomed into a cluster wide activity.

Box 2.8: Formation of SHGs in Chanderi

Chandery is a small town in M.P, with a population of 30,000 people with 60 per cent of them engaged to handloom weaving and allied activities. The cluster has about 3,659 looms that produces fabric worth Rs. 15 Crores and employs around 11,000 persons directly and another 7,000 persons indirectly.

Though the women were engaged in home based weaving and allied activities, due to socio-cultural practices, they were denied proper education, information and exposure to the outside world to such an extent that they should hardly take care of their health. This in turn affected the quality and quantity of work done by them.

During the initial year 2003, the CDP focussed on organising small yet homogeneous networks (that has comparatively higher mutual trust as opposed to larger networks) of relatively independent weavers in the form of Self Help Groups (SHGs) and building their capacities to undertake collective production and marketing. However, since such networks were of inadequate size to meet market requirements and use resources optimally, strategy for the year 2004 was to federate the suitable SHGs and strengthen their federation through appropriate market linkages and training. As a result of all these implementations in 2004, 42 SHG's were created followed by another 18 more SHGs in the later years. Of these, 11 were women SHGs, 32 were men SHGs and 17 were mixed (men and women) SHGs. Of the total of 623 members, 186 were female.

In the later years the focus was towards sustainability of efforts, especially with respect to management capacity building of various joint forums and finding out appropriate agency to take forward the momentum. Accordingly, 7 SHG's out of 42 collaborated together and created Bunkar Vikas Sanstha (BVS), a registered body. This demonstration effect led to formation of another similar forum of 70 weavers that was organically linked to BVS. This ultimately led to creation of Chandery Development Foundation for the benefit of the weavers including women.

Resources Mobilization and Implementation:

Action points

- a) The IA has to consider providing a team of CDAs with different backgrounds and experiences so that they can together see the cluster picture more holistically
- b) Once the BR issues are identified and prioritized, the IA is expected to define the composition of the support team and mobilize participation from relevant subject matter specialists
- c) It is necessary for the IA to provide operational freedom to the CDA to identify and recruit technical experts during diagnostic study and action plan formulation
- d) It is important to note that office of the CDA be housed in a place that reflects 'neutrality'. In other words, it is better that the office should be not tied to a place offered by one of the stakeholders to avoid perceived biases.
- e) The IA need to equip the CDA with up to date information of various support schemes from the government and other developmental agencies so that the later should synergize the same with the action plan
- f) Given the varied levels of willingness of different stakeholder groups for engaging in positive action and their capacities to do so, it is considered prudent to target willing and capable groups around critical areas of challenge. This helps demonstrate the efficacy of developmental efforts and instil confidence in the stakeholders leading to wider and more sustainable affirmative actions

Chapter 7

Documentation, Monitoring & Evaluation

1. Introduction:

As in any developmental initiative, cluster development too needs to be systematically documented, monitored, and evaluated. For, the lessons from the process of developing a cluster should be applied to other clusters for increased efficacy. Further, the agencies that fund the exercise need to be satisfied with the efficacy of application of funds. This section deals with the terminology, need and the approach to documentation, monitoring, & evaluation

2. Terminology:

a) Documentation:

This refers to the process of collection, compilation, and presentation of data starting from cluster selection to the outcome of the exercise.

b) Monitoring:

It is a dynamic process during a project's lifetime, wherein data is collected at pre-decided intervals and compared with corresponding targets set as a part of action plan. Monitoring is a support tool which helps manage a project and is a source of 'self-reflection' - i.e. where do we stand?

c) Evaluation :

This refers to the process of assessment of the impact of cluster development initiatives keeping in view pre-stated objectives. This apart, evaluation throws light on the extent of utilization of resources (as against the planned targets). The extent of sustainability of developmental efforts is an important component of evaluation.

Table 2.11: The basic features of M&E

Monitoring	Evaluation
Continuous: at a given frequency	Periodic: important milestones
Documents progress	In-depth analysis of achievements

Focuses on inputs and outputs	Focuses on outcomes and impacts
Alerts managers to problems	Provides managers with strategy and policy options
Self-assessment	External analysis

3. Documentation – Need and approach:

3.1 Why documentation?

- a) For the CDA and the implementing agency, the major purpose of documentation is to draw lessons from the experience of developing a cluster and apply the same elsewhere for better efficacy.
- b) Documentation should also be applied by the implementing agency to assess the performance of the CDA on a continuous basis and reward him’/her accordingly.
- c) For the sponsors, it helps in accessing necessary information to monitor the progress of the project and effect mid-course corrections wherever necessary.
- d) Proper documentation is the basis of monitoring individual activities and the project as a whole.

3.2 Approach:

The process of documentation begins at the time of selecting clusters and concludes with the preparation of end-of-the-project report. Broad indications on areas of documentation follow:

Table 2.12: Documents

	Theme	Areas of documentation
1.	Selection	<ul style="list-style-type: none"> • Cluster selection criteria • Process of selection and parties involved • Records of relevant meetings
2.	Diagnostic study	<ul style="list-style-type: none"> • Cluster profile • National/ International industry scenarios • Scenario of other similar clusters • Presence of local/ national institutions in the cluster • Intra and inter stakeholder analysis • Socio-economic BR behaviour • Cluster socio-cultural BR behaviour • SWOT Analysis • Vision and Strategy • Cluster map • Tentative Action Plan for short/ medium/ long term agenda
3.	Action plan	<ul style="list-style-type: none"> • Objective: Define the desired outcomes of the interventions

		<ul style="list-style-type: none"> • Activity matrix: including rationale. • Time Frame of activities. • Tentative Budget • Resource requirement: HR, material and financial • Mechanism for coordinating the activities. • Target beneficiaries: who, how many and nature of benefit • Measurable Output
4.	Implementation	<ul style="list-style-type: none"> • Schedule of implementation of the activities • Record of each activities including events within an activity • Implementing partners: who, their role. • Copies of contract with the partners. • Financials: projected and actual budget for each activity.
5.	Output and Outcome	<ul style="list-style-type: none"> • Qualitative and quantitative data on the outcome of each activity as also the overall outcome of the entire project.

4. Monitoring:

4.1 Introduction:

Monitoring measures:

- Whether the implementation system for a given activity is efficient
- Whether the activities are taking place as per pre-decided schedule
- Degrees to which the activities are translating into anticipated outputs, e.g. steps taken for green technology, energy efficiency, promotion of adult literacy, gender sensitization, etc.,
- The extent to which the outputs are getting translated into key impact indicators of the project, e.g. degree of reduction of pollution, strong labour union, enhanced welfare indices of work force, reduced level of corruption, etc.
- Financial prudence in terms of extent of utilization of the budget

Monitoring provides with a common reporting structure that makes benchmarking with other cluster/networks/regions much easier. While the CDA is expected to monitor the activities on a continuous basis, formal monitoring involving the entire project team and should take place at least once every quarter.

4.2 Mechanism:

The CFP is the right platform to oversee M&E activities. The IA has to ensure the following:

- The CDA gathers information, analyses and presents the same to CFP.

- The meetings are held at least once every three months or more often if necessary.
- A well spelt out agenda is to be circulated to all the members well in advance.
- Proceedings of the meeting to be maintained by the CDA. This forms the basis for IA to appraise SFP at regular intervals.

4.3 Monitoring Tools:

While it is the task of the CDA to monitor the progress of the intervention, senior officials of the implementing agency are to be involved in the process. For, the implementing agency is ultimately responsible for the outcome. Noted below are the tools, mainly in the form of formats for presenting the information on the progress of the interventions. For the sake of convenience, the tools are classified into the following:

- a) ‘Activity’ review: Implementation of activities as per plans
- b) ‘Output’ review: Degrees to which the activities are translating into anticipated outputs
- c) Outcome review: Degrees to which the activities and the related outputs are contributing to accomplishment of the overall objectives of the interventions
- d) ‘Financial’ review: Proper utilization of the budget

The details follow:

4.3.1 Activity review:

Monitoring the implementation schedule will help in the following manner:

- a) Facilitate timely commencement and completion of the activities.
- b) While minor deviations will give us lessons, the major ones will prompt corrective actions.
- c) Relevance of a given activity comes to the fore. For, when an activity is not getting implemented, it should mean that it was wrongly conceptualized.
- d) Alternately, there may be requirement for inclusion of certain activities not originally planned. If so, they need to be included once the requirements are clear. These should be approved during the CFP meeting and budget may be reallocated for that purpose. If the programme is further flexible, then additional budget may also be allocated.

The following table should be applied:

**Table 2.13: Activity Review (Quarter _____, Year _____)
(To be Prepared by CDA and Validated by IA)**

	Activity as per Action Plan approved by PSC (at the beginning of year and during the course of the year)	Time Plan (Qtr.)	Activity Completed as per time plan (Yes/No)	(Yes=1/ No=0)
1.				
2.				
3				
..				
..				
	Total			
	Percentage of activities done as per time plan			
	Score: A/B = Score 1, C/D = Score 0			

Explanatory Notes

1. Time Plan: This is the time frame for commencement and completion of an activity as approved by CFP.
2. Activity completed as per time plan: An activity is said to have been implemented as per planned schedule if it has been completed within the time limit as indicated against the activity in the action plan approved by CFP. Suppose an activity is slated to be completed by Q2 and in Q2 review, it is not done. The percentage of activities done will be calculated based on the possible activities that can be completed, by that quarter, as per Approved Action Plan.
3. Percentage of activities done as per time plan:
(Total score ÷ Number of activities) * 100
4. Grading of Activities: If percentage of activities done as per time plan is between 0-25%= Grade D, 26-50%= Grade C, 51-75%= Grade B and 76-100%= Grade A.
5. Score: If grade is A or B, give score '0' and if grade is C or D, give score '1'.

In terms of drawing lessons and taking corrective steps, the CDA has to compile qualitative data. For each activity not implemented as per schedule, the reasons have to be indicated.

4.3.2 Output Review:

Review of output is different from the review of activities in the sense that the focus is on the 'results' of an activity, not on the activity per se.

'Output' is the result of the process. An 'outcome' is a level of performance, or achievement. For instance, when an awareness workshop on impact of improper effluent disposal is held, the *output* is in terms of how many participated and understood the theme. How many participants were prompted to take affirmative action to alleviate the problem of effluent disposal is the 'outcome'.

This section covers formats for review of outputs, of common facility centre (if any) and the extent of interactions with the support system.

4.3.2.1 Format:

There should be one or more activities leading to one or more outcomes. The format for recording the outputs vary depending on the nature of activities. For instance, as indicated in the table below, there should be many activities that can lead to, say, promotion of any of the five outcomes including improved environmental conditions, promotion of strong labour union, enhanced welfare of workers, improved social environment and reduced corruption. The table below illustrates the format:

**Table 2.14: Output Review (Quarter _____, Year _____)
(To be Prepared by CDA and Validated by IA)**

Activities (Quarter wise)	No. of Beneficiary Firms	No. of Beneficiary Workers
Exposure to new knowledge/practices		
Training for usage of new knowledge		
Network created and trained		
BDS/BDS providers introduced		
New technology/machinery introduced		
Linkage provided to socially responsible buyers		
Creation of business		
Total number of beneficiaries in the quarter		
Total cumulative benefited for all quarters		

Explanatory Notes

- **Beneficiary:** These are the firms directly benefited by a given intervention like a workshop. It may well be the case that some of the entries (except for the last two rows) are not relevant for a cluster.
- **Exposure to knowledge/practices:** This is an outcome of many activities such as familiarization visits to other clusters, participating in a workshop or seminar and the like.
- **Networks created:** Formation of SGH, NGO, consortium and the like
- **Total number of beneficiaries in the quarter:** A firm should participate in more than one activity or event directed towards one or more outcomes. No firm should be counted more than once while filling this row.
- **Total cumulative firms benefited for all quarters:** No firm should be counted more than once for this purpose. For example, if a firm is already counted as a beneficiary in any previous quarter, it should not be reckoned with for the current quarter.

4.3.2.2 Common Facility Centre:

Not all cluster development programmes involve setting up of common facility centre (CFC). Wherever such an activity is planned, special care has to be exercised in monitoring the same. For, it involves commitment of substantial funds for creation of fixed assets. The following format should be applied:

Table 2.15: Review of CFC (Quarter _____, Year_____)
(To be Prepared by CDA and Validated by IA)

	Yes/No
Establishment of CFC	
Has the SPV been formed?*	
Has the CFC been identified?	
Has project report been prepared?	
Has machinery, land and building for CFC been identified?	
Has bank loan (if any) cleared?	
Has contribution of stakeholders received?	
Has order for machinery placed and machinery delivered?	
Is the CFC in working condition?	
Overall Status: CFC in use*	Score: Yes=1/No=0

*Special Purpose Vehicle (SPV) refers to the institutional arrangement for implementation and operation of CFC.

**Overall status for usage of CFC: This indicates the application of CFC for intended use. For instance, if it is a common effluent treatment plant, the usage is measured by whether the plant is functional. However, if answer to any of the issues is in the negative, then the CFC is not established and ineffective as of now and the overall status will be “No”, with score ‘0’. If answer to all issues are ‘Yes’, then overall status will be ‘Yes’ and score will be ‘1’.

4.3.2.3 Interaction with support institutions:

The cluster development plan should include activities that call for assistance from financial institutions (either for funding or for expertise), R & D institutions, training and educational institutions and the likes. The extent of interaction with such institutions for rapport building and in turn, for seeking their inputs, influences the success of BR interventions. Such interactions need to be monitored for impact assessment. The following format should be applied:

Table 2.16: Degree of interaction with Technical, Financial and other support Institutions
(Quarter _____, Year_____)
(To be Prepared by CDA and Validated by IA)

Name of Institution	Type of Activities		
	Till Last Quarter	Additions in	Current Quarter

Notes:

- Use Acronyms - A: Awareness Creation, TR: Training, E: Exposure, F: Finance Support, TH: Technology, (Please add more)
- Give number of joint programmes/activities in parenthesis

4.3.2.4 Trust building:

Building trust among the stakeholders is a crucial step in the cluster development process. For, 'joint actions' to address BR issues is possible only when there is high level of trust among the cluster actors. Further, once the implementing agency withdraws from the cluster, the sustainability of developmental efforts depends largely of the level of trust among the actors. Thus, the processes of trust building need to be monitored closely.

There are formal indicators of level of trust such as number of networks created, number of persons involved in taking up collective action, amount of resources formally invested in common ventures and the like. It is however not always feasible to measure trust only through formal indicators. The degree of informal interactions, extent of information sharing among the stakeholders and the like should also serve as indicators of level of trust. Some of the developments that can help capture the strength of among the stakeholders are illustrated below:

- a) Cluster principal stakeholders start having formal or informal interactions on the intended subject matter during social gatherings, functions and meetings
- b) Number of ethical leaders in the cluster who discuss and take up measures for social responsibility issues
- c) Creation or revival of focused networks/associations in the cluster to take up cluster BR issues
- d) Increased level in the number of BR activities being taken up on common and individual platforms
- e) Increased level of participation of members in different networks/associations in decision making and execution
- f) Increased level of stakeholder commitment in terms of resources, financial or non-financial, for common activities
- g) Stronger co-operation among the stakeholder: resulting in a greater and more transparent flow of information

Following format should be applied to judge these indicators:

Table 2.17: BR Cooperation Matrix of a hypothetical cluster

Principal stakeholder →	A ₁	A ₂	NW ₁	NW ₂	T ₁	T ₂	FI ₁	FI ₂
↓ Stakeholders								
A ₁	NA							
A ₂		NA						
NW ₁			NA					
NW ₂				NA				

Score values:

- 0 - no linkage and/or open conflict
- 1 - Stakeholders barely know about each other, no impact on the cluster as a whole;
- 2 - Positive linkages and some history of mutual help, some impact on the cluster;
- 3 - Strong propensity to cooperate based on a supportive history;
- 4 - Excellent existing linkages with significant impact on the cluster as a whole.

NA = not applicable.

Note: A₁ and A₂- Associations present in the cluster

NW₁ and NW₂- Networks present in the cluster.

T₁ and T₂- Linkages of technical institutes in the cluster

FI₁ and FI₂- Linkages of financial institutes with the cluster

4.3.3 'Outcome' Review:

As indicated earlier, 'output' is the result of the process where as an 'outcome' is the level of performance, or achievement. Measures or indicators of outcomes depend upon the nature of activity, its objectives, and relationship with accomplishment of overall developmental goal that is normally long term in nature.

An illustration of review of one of the BR related activities namely, labour welfare is shown below.

Table 2.18: Outcome' Review

Review points Sub activities	Indicators	Outputs		Outcomes	
		Target	Achievement	Target	Achievement
Freedom of association/	• Stakeholders awareness	• 100 stakeholders sensitized		• 100 firms started following	

labour union	<ul style="list-style-type: none"> • Appropriate grievance redressal mechanism in place. 	<ul style="list-style-type: none"> • 100 MSMEs accepted/modified grievance redressal mechanism 		minimum standards of statutory compliances	
Elimination of all forms of forced and compulsory labour	<ul style="list-style-type: none"> • Stakeholders awareness • Appropriate action by MSMEs 	<ul style="list-style-type: none"> • 100 stakeholders sensitized. • 100 MSMEs acting to eliminate compulsory labour elimination workers mechanism 		<ul style="list-style-type: none"> • 5000 workers have access to minimum standards of statutory compliances 	
Wages and Benefits	<ul style="list-style-type: none"> • Stakeholder awareness • Appropriate action by MSMEs 	<ul style="list-style-type: none"> • 100 stakeholders sensitized • Compliance by 100 MSMEs. 			

Alternatively, wherever it is possible to establish causal relationships, the following tabular format should be used:

Table 2.19: Outcome Review (Quarter _____, Year _____)
(To be Prepared by CDA and Validated by IA)

Attributes (Outcome increase due to CDP for the stated quarter only)	Value/ Number	No of Firms benefited	No of Workers benefited	
			Total	Women
Improved Environmental Conditions				
Reduced emission of green house/poisonous gases				
Slag Disposal System Implemented				
Wastage reduction				
Energy efficiency improved				
Strong Labour Union				
Fair wages received				
Working days as per rules				
Over time offered				
Welfare schemes introduced				
Improved working conditions				
Capability Conditions Improved				
Skill developed				
Medical absenteeism reduced				
Adult literacy improved				
Improved Social Environment				
Codes of conducts introduced				
Buyer compliance adhered				
Legal compliance popularised				
Total number of families benefited	NA			
Cumulative families benefited for all quarters	NA			

This exercise is to be carried out on a quarterly basis to facilitate comparison with quarterly cash flows. On conclusion of the project, the data is to be compiled as per the above format.

4.3.4.3 Funding pattern:

Funds for the project should come from various sources including stakeholders. Further, the share of funding sources should vary depending on the nature of activity. For instance, a common facility centre for 'day care' targeted at the children of the workers should attract higher level of external funding as compared to a 'community hall'. Such patterns need to be observed to draw lessons for other projects. Following is the suggested format:

Table 2.22: Sources of funds (activity-wise)

	Activity	Total budget	Contribution			
			External agency	funding	Other Support Institutions	Cluster Stakeholders
1						
2						
.						
.						

Total budget

For the project as a whole, the utilization of funds needs to be tracked regularly through quarterly statement as under:

**Table 2.23: Fund Usage (Quarter _____, Year _____)
(To be Prepared by CDA and Validated by IA)**

Sl. #	During the quarter	Cumulative (for all quarters)	Remarks
	Funds sanctioned		

5. Evaluation:

The process of documentation and monitoring put together facilitates project evaluation. This section deals with the following:

- What to evaluate?
- Who evaluates?
- Indicators for evaluation
- Data for evaluation

e) Participatory Evaluation

5.1 What to evaluate?

Evaluation is a process that takes place both during the lifetime of the project and on its conclusion. It is a summary of

- *Efficiency*: degree of achievements of outcomes as per Project document and the reach thereof
- *Leveraging*: degree of involvement of cluster stakeholders in owning up various Project level and follow-up activities
- *Sustainability*: likelihood of continuation of joint activities promoted by the Project
- *Project fall out* in terms of replication and/or policy level changes

Alternatively, the assessment should be categorized into three – Process review, output review and outcome review.

5.2 Who evaluates?

The CFP is the right platform to evaluate the output of the various activities and their ultimate outcome. The IA has to ensure the following:

- The CDA gathers information, analyses and presents the same to CFP.
- The meetings are held at least once every three months or more often if necessary.
- A well spelt out agenda is to be circulated to all the members well in advance.
- Proceedings of the meeting to be maintained by the CDA.

Periodic evaluation is required to effect mid course correction if need be. The exercise of evaluation is not confined to the end of the project. The IA is required to apprise SFP of the status of the activities that have been undertaken or have not been undertaken as per the action plan. As an image building exercise, whenever an activity leads to significant outcome, IA should inform SFP. Likewise, whenever an activity does not lead to desired outcomes SFP needs to be apprised so that IA can seek additional support.

5.3 Indicators for evaluation:

Evaluation is based on indicators of two types: output indicators and impact indicators. *Efficiency* and *leverage* as indicated in section 5.1 above are covered through ‘outcome’

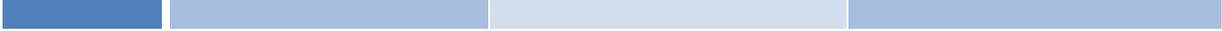
evaluation where as the overall impact including project fallout are covered through ‘output’ evaluation. The indicators should be broadly classified as under:

- Level of awareness of SEE issues
- Desire for involvement in tackling SEE issues
- Extent of direct involvement in initiating ‘joint actions’ to tackle the issues
- Outcome of such initiatives
- Ultimate output or impact of the initiatives on the wellbeing of the community including the workforce and of various stakeholders including ‘core firms’
- Sustainability of the developmental efforts

The nature of indicators should vary depending on the opportunities and challenges in a given cluster. An illustrative list of such indicators for interventions to promote ‘socially responsible behaviour’ is noted below:

Table 2.24: Indicators for evaluation of BR initiatives – An illustrative list

Project /Activity/ theme	Activity focus	Output	Impact indicators
Child Labour	<ul style="list-style-type: none"> • Sensitization of stakeholders • Children shifted from child labour to informal/formal education 	<ul style="list-style-type: none"> • ...(#) of stakeholders sensitized 	<ul style="list-style-type: none"> • 600 children shifted from child labour to informal/formal education • Number of enterprises employing children from has reduced 70 to 30%.
Social compliances	<ul style="list-style-type: none"> • Firms complying with buyer’s code. • Firms obtaining standard social codes certifications 	<ul style="list-style-type: none"> • 25% of firms complying with buyer’s code. • 20 firms obtaining standard social codes certifications 	<ul style="list-style-type: none"> • As a result of compliance, 35% of the firms linked to markets • About 60% of workers getting all statutory benefits
Pollution	<ul style="list-style-type: none"> • Sensitization of stakeholders • Technical inputs 	<ul style="list-style-type: none"> • Three ‘awareness programmes’ about pollution control covering owners of about 80 firms. • 200 workers trained in operating pollution control devices. 	<ul style="list-style-type: none"> • 50 % of the total solid waste generated by the cluster being disposed in a systematic manner • About 40 % of firms have a proper air pollution control equipments
Health Care	<ul style="list-style-type: none"> • Sensitization of stakeholders • Improved access to healthcare facilities 	<ul style="list-style-type: none"> • 1000 workers benefited from training programme on occupational health & safety training • 10 health camps organized 	<ul style="list-style-type: none"> • Incidence of absenteeism among workers due to health issues reduced by a third.



For a given project, the CDA is required to develop the list of the indicators as illustrated in the table above

5.4 Data for evaluation:

The base data for such evaluation should be sources form:

- Tabular formats filled-in as a part of the monitoring process
- Information gathered while documenting the project (see section 3 above) including opinions/impressions of the CDA
- Primary data collection

Following is a brief:

5.4.1 Tabular formats filled-in as a part of the monitoring process:

Following data from the monitoring process has to be culled out:

- a) 'Activity' indicators:
Percentage of activities done as per time plan drawn from Table 2.13: 'Activity Review' (section 4.3.1) along with lessons as recorded by CDA
- b) Assessment of output indicating number of beneficiaries (where ever relevant) (section 4.3.2.1)
- c) Efficacy of Common Facility Centre (if any) (section 4.3.2.2)
- d) Sufficiency of the interactions with the support institutions (section 4.3.2.3)
- e) Extent of trust among the stakeholders (section 4.3.2.3 Table 2.17: Format for CDA for monitoring trust level in the cluster)
- f) Assessment of outcomes (section 4.3)
- g) Judicious use of financial resources committed for project implementation (section 4.)

Thereafter, the CDA is required to compare the 'actuals' with the 'projections' as per the cluster action plan. For instance, mobilizing stakeholders' opinions, as a precursor to encouraging them to commit financial resources to set up a common effluent treatment plant should be a part of the action plans. The ultimate output as indicated in the action plan should be improved quality of ground water leading better health and improved

access to environmentally conscious large buyers. The data from the monitoring process should indicate the number of firms that participated in awareness workshop, number of stakeholders making financial contribution to set up the CFC, implementation of the CFC and the like. The 'evaluation' has to focus on to what extent the awareness on effluent disposal has percolated down to all the concerned individuals, the efficacy of CFC in tackling the issue and the extent to which it has translated into ultimate output.

5.4.2 Information gathered while documenting the project:

The CDA is required to document the following:

- The process of selection of the cluster
- Diagnostic study: The process and findings
- The process of preparation of action plan and the contents
- Implementation of action plan
- Output in terms of terms of the immediate results produced by a given activity
- Outcome of individual interventions and of the project as a whole

While the hard data on the above should be culled out of 'monitoring reports', the most important contributions of the documentation to the process of evaluation are the 'process' data and the record of the lessons emerging from implementation of individual components of the action plan.

5.4.3 Primary data:

To take care of any data gaps and to authenticate the evaluation process, the CDA may like to gather primary data. This is more relevant for assessing those indicators that are more 'opinion based'. For instance, to assess the level of awareness of SEE issues among the stakeholders, their participating in the workshops/seminars should be the yardstick. However, not all stakeholder groups or all members of a given group may have the opportunity to participate in such an 'awareness workshop'. Amongst those who participate, there should be some still lacking awareness. In such as case, primary data collection through 'stratified sampling' should provide an insight. There will also be evaluation of various project fall out and policy level impacts which can be verified by discussing with a range of policy level persons and similar or other industries/clusters that surround the cluster.

5.5 Sustainability:

The process of cluster development initiated by the implementing agency has to be carried forward in the long run once the agency withdraws. The sustainability of such efforts should manifest in several forms as under:

- Cooperation among firms in the form of networks, joint activities, consortia, and associations;
- Cluster management/administration units that may have been created and thriving;
- New support institutions/private entities that have joined the cluster, or have been created in it
- Emergence of specialized support service providers (if missing before the intervention) and their active involvement in the development process.

The cluster actors themselves should come together in one form or the other to attain sustainability of developmental efforts. In any cluster, there should be such actors or 'intermediaries' (other than individual firms) as under:

- Networks/associations of firms,
- Support institutions: Promotional bodies (such as export promotion councils for instance), development finance institutions, State-sponsored R & D institutions and the like
- Service providers and
- CD institutions

Presence of these intermediaries in sufficient numbers and their capacity will vary over the period of intervention. Even at the conclusion of a programme of say 3-years duration by an implementing agency, these intermediaries might not mature fully.

To assess the preparedness of these intermediaries who will ensure self-governance in the cluster, one can use a tool called the *sustainability index*. The index measures the degree of sustainability of operations by the cluster itself at any point of time. The index can be constructed at regular intervals during implementation.

In a demand driven methodology, the importance of networks/associations will be the maximum, as demand from their side will make the other intermediaries move. The support institutions and the service providers will have to address those needs promptly to keep the

momentum of business cooperation going. The CD institutions will need to coordinate these mechanisms and create an enabling environment for smooth operations.

We can thus provide highest weight to networks/associations – 60 per cent, followed by support institutions and service providers – 30 per cent and CD institutions- 10 per cent to demonstrate their importance in the sustainability index. In each group one can divide a total weight of 100 for that group among various group members as per their importance with respect to criticality and cluster coverage. A weighted value of each member of a group can be derived by assigning a weight pattern as given in the table below. The sum total of weighted index of each group can then be further weighted by 60 per cent for the group of networks/associations, 30 per cent for the group of support institutions and service providers and 10 per cent for the group of CD institutions. The gross value of the index will indicate the preparedness of the cluster with respect to self-governance.

Allocation of score for an intermediary in each group is provided in the table below-

1. Enterprises' Representatives

SCORE	Features
0	Not existing
1-2	Just established and/or dormant
3-4	Regular meetings being held; discussions on provisional agenda; limited commitment of funds by participants; office bearer selected
5 - 6	Short-term agenda endorsed by members; some activities started under near complete support of implementing agency (financial and/or technical); positive feedback from members that increasingly contribute financially; growing membership
7 - 8	Medium-term agenda endorsed by members; overall activities partially sustainable financially; capacity to network with support institutions/BDS providers without implementing agency support; target membership achieved
9 - 10	Full financial sustainability; complete endorsement of cluster development approach; long-term agenda endorsed by members; full networking capacities; participation in coordinated cluster-wide activities

2. Support/Service Providers

SCORE	Features
0	Not existing locally; totally detached from potential consumers
1 – 3	Provider created locally; preliminary discussions with potential customers coordinated by UNIDO
4 - 6	Pilot services along new format launched; significant funding support from implementing agency; feedback from users acknowledged as guide for further customisation of services
7 - 9	Pilot services turned into routine and increasingly sustainable commercially; autonomous networking for funds/expertise; new services launched on a regular basis
10	Fully endorses cluster development approach; high demand among customers, fully pro-active with other local support institutions; investment of own funds for cluster development, open to introduction of new services

3. CD Institution

SCORE	Features
0	Not existing
1 - 3	Preliminary interactions with CDA; limited interactions with cluster actors
4 - 6	Coordination of pilot activities under CDA guidance; linkage with sponsors through implementing agency; linkages with policy makers established
7 - 9	Autonomous dialogue with policy-makers and support institutions; legitimised with majority of cluster actors
10	Fully acknowledged as coordinating agent by most cluster actors; economically sustainable and own contribution to cluster development; long-term coordination capacities created; fully competent on cluster development methodology.

An illustration with reference to Chanderi Handloom cluster applying the above system follows-

**Table 2.25: Sustainability Indicator (Quarter _____, Year _____)
(To be Prepared by CDA and Validated by IA)**

	Weight	Score		Weighted Score	
		Jun-03	Jun-06	Jun-03	Jun-06
Networks/Associations of stakeholders					
Association 1	30	3	4	5.4	7.2
Association 2	20	0	7	0	8.4
Association of networks	10	0	4	0	2.4
20 well functioning networks	10	0	7	0	4.2
20 not well functioning networks	10	0	3	0	1.8
40 Likely networks	20	0	0	0	0
Total				5.4	24
Support Institutions					
Government Training Centre	5	5	6	0.75	0.9
Quality up-gradation Institute	10	3	10	1.8	3
Environment Monitoring Institute	5	2	2	0.6	0.3
Buyers' CSR Management Institute	10	6	7	3.6	2.1
Literacy Institute	10	0	5	0	1.5
Health Institute	10	0	5	0	1.5
Taxation Institute	5	0	4	0	0.6
Technology Promoting Institute	5	0	10	0	1.5
Big buyer of 10 networks	10	8	8	4.8	2.4
Likely institute	10	0	0	0	0
Likely Institutes	15	0	0	0	0
Total				Please	Fill up
CD Institutions					
IA	50	0	3	0	1.5
Likely CD institution	50	0	0	0	0
Total				0	0
Grand total					
				Please	Fill up

5.6 Participatory Evaluation:

Many a times, the voice of the poorest, underprivileged and women get overshadowed by 'powerful' opinions of rest of the stakeholders. This should happen despite efforts to draw a representative sample at the time of gathering primary data. Hence a participatory approach to evaluation will be ideal to understand the status of accomplishment of the overall project objective especially in terms of promoting socially responsible behaviour.

Participatory appraisal is an approach used by non-governmental organizations (NGOs) and other agencies for developmental projects. The approach is different from the regular evaluation process in the sense that it incorporates knowledge and opinions of disadvantaged communities that are expected to benefit from the project. It relies heavily on participation by

the communities, as the method is designed to enable local people to be involved, not only as sources of information, but also as partners with the evaluation team in gathering and analyzing the information. Generally, a local team (speaking the local languages) best conducts such an appraisal with a few outsiders present, a significant representation of women, and a mix of sector specialists and social scientists, according to the topic.

While the CDA is the focal point for carrying out evaluation, the process of ‘participatory evaluation’ needs to be guided by a concerned expert. A local NGO should be assigned the task of participatory appraisal.

Documentation, Monitoring & Evaluation:

Action points

- a) The IA has to ensure that documentation, an often neglected task while implementing any development initiative, is comprehensive enough to draw lessons for replication. The focus has to be more on how the ‘social’ and ‘economic’ agenda should be judiciously combined in the process of development
- b) While it is a part of the CDA’s role to monitor the process, the senior officials of the IA have to get involved going beyond keeping track of the operations of the CDA and his team but of the entire project.
- c) In the process of M & E, the cluster level ‘focal point’ or the ‘coordination committee’ as the case may be, has to be involved. It is for the IA to regularly appraise the ‘Stat-level focal point’ so that support, when necessary, should be sought from senior officials of the State and related organizations
- d) The IA has to take the lead in evaluation of the outcome of the CDP. For, involvement of CDA/team alone should be perceived as being biased. The IA has to ensure that the proposed cluster level ‘focal point’ or, in its absence, the local coordination committee has to be involved in the process by way of critical appraisal of the project based not just on the information compiled by the CDA but also on independent verification, if called for.
- e) To understand the status of accomplishment of the overall project objectives in terms of promoting socially responsible behaviour, the IA should a participatory approach to evaluation.
- f) To assess the preparedness of relevant stakeholder groups who will ensure self-governance in the cluster, one can use the ‘sustainability *index*’ tool.

Relevant social sector schemes that are applicable in MSME clusters

Sr. No.	Name of Scheme	Objective/ focus of the scheme
Ministry of Women and Child Development		
1.	Employment-cum-income Generating Unit for Women (NORAD) www.wcd.nic.in/rus15.htm http://planningcommission.nic.in/plans/annualplan/ap2021pdf/ap2021ch5-6-1.pdf	<ul style="list-style-type: none"> • Formulation and documentation of projects • Provide tie-up of marketing arrangements • Providing skills, management and training
2.	SWAYAMSIDHA (IWEP)- Integrated scheme for women's empowerment (IWEP) www.wcd.nic.in/iwepdraft.htm	<ul style="list-style-type: none"> • Establishment of self-reliant women's Self-Help Groups (SHGs); Women will be encouraged to form groups according to their socio-economic status and felt-needs, after which they will network with other groups. In addition to empower SHG members per se, by federating and networking strong pressure groups for women's empowerment/rights will be formed. • Creation of confidence and awareness among members of SHGs regarding women's status, health, nutrition, education, sanitation and hygiene, legal rights, economic upliftment and other social, economic and political issues; • Strengthening and institutionalizing the savings habit in rural women and their control over economic resources; • Improving access of women to micro-credit; • Involvement of women in local-level planning; • Convergence of different agencies for women's empowerment and integrated projects accessing delivery of different schemes from a single window; • An Inculcating a subsidy-free approach to women's empowerment.
3	General Grant-in-Aid Scheme for Assistance to NGOs/ Voluntary Organisations http://labour.nic.in/cwl/Grant-In-Aid.pdf www.wcd.nic.in/us9.html#b9	<ul style="list-style-type: none"> • To prohibit child labour in hazardous employment and regulate their working conditions in other employment/occupations. To formulate income-generating schemes and other action projects for women labour.
4	Support to training and employment programme for women (STEP) www.wcd.nic.in/rti_step.pdf http://www.wcd.nic.in/rti_stepenclosure1.pdf http://www.wcd.nic.in/rti_stepenclosure2.pdf	<ul style="list-style-type: none"> • To mobilise women in small viable groups and make facilities available though and access to credit, • Provide training for skill upgradation, enable groups of women to take up employment-cum-income generation programs by providing backward and forward linkages, • Provide support services for further improving training and employment conditions for women.

5.	Crèche & Hostel, for working women www.wcd.nic.in/us12.html	<ul style="list-style-type: none"> • To provide accommodation for single working women, unmarried, widows, divorced, separated, married when husband is out of town: • Accommodation to women who are being trained for employment provided the training period does not exceed one year. • The number of working women falling in this category should not be more than 30% of the total number of women in the hostel Accommodation to the girl students for a period of five years on the condition that first preference will be given to working women only. In case of any vacancies accommodation will be provided to the students also but amongst them, preference will be given to those studying in post school professional courses. • The category of women who are being trained for employment and the girl students together should not be more than 30% of the total number of women in hostels.
6.	Rashtriya Mahila Kosh www.wcd.nic.in/ar2007/English/Chapter/ch11.pdf	<ul style="list-style-type: none"> • RMK extends micro-finance services through a client friendly, without collateral and hassle-free loaning for livelihood activities, housing, micro-enterprises, familyneeds, etc. • RMK has also taken a number of promotional measures to popularise the concept of micro financing, thrift credit, formation and stabilization of Self HelpGroups (SHGs) and also enterprise development for poor women.
7.	Scheme of Assistance to Voluntary Agencies for Early Childhood Education for 3-6 Age Group Children www.wcd.nic.in/us17.html	<ul style="list-style-type: none"> • A significant start will be made for the development of early childhood education (ECE) for the first generation learning families in back-ward areas. • First programmes of training of ECE teachers and early childhood education centres as adjuncts of primary/middle schools will be started under the State Sector of Plan. • Secondly, UNICEF has agreed to extent assistance for the development of ECE programmes in 11 states during the 1981-83 period of Master Plan of Operation. Significant inputs have been offered by UNICEF on workshop/seminars for developing & producing training materials, orienting administrative & supervisory personnel, providing short -term training of early childhood educators and supplying play materials and equipment of a selected number of ECE centres in each of the 11 States.
8.	National crèche fund scheme, 1994 www.wcd.nic.in/childdet.htm	<ul style="list-style-type: none"> • To meet the growing demands for crèches and to provide day care facilities to the children in the age group of 0-5 years.

9.	<p>Gender Budgeting Scheme http://wcd.nic.in/schemes/gb_scheme.pdf</p>	<ul style="list-style-type: none"> • To initiate an integrated approach and guide the Gender Budgeting Cells (GBCs) setup by different Central Ministries/Departments by disseminating the concept, tools and strategy of GB. • To coordinate and monitor gender budgeting exercises of GBCs and facilitate gender budgeting analysis. • To organize workshops to facilitate capacity building and training for various stakeholders including officials of Central and State Governments, PSUs, corporate sector, PRIs and NGOs, etc. • To provide assistance to develop training modules/packages, training material and information booklets and manuals for gender budgeting for all stakeholders • To encourage State Governments and PRIs in evolving plans and strategies for undertaking gender budgeting by providing assistance, support and consultancy services for organizing Workshops, Seminars, Training Programmes, etc. • To provide assistance to support research studies, surveys, etc to Research Institutes, NGOs, etc for gender budgeting. • To pilot action on gender sensitive review of national policies such as fiscal, monetary, environment, trade etc • To pilot action on gender review and gender audit of important legislations • Guide and undertake collection of gender-disaggregated data. • Conduct gender based impact analysis, beneficiary needs assessment and beneficiary incidence analysis • Collate and promote best practices on gender budgeting.
10.	<p>Scheme for welfare of working children in need of care and protection http://wcd.nic.in/schemes/workchild.pdf</p>	<ul style="list-style-type: none"> • Provision of opportunities including non-formal education, vocational training, etc, to working children to facilitate their entry/re-entry into mainstream education in cases wherethey have either not attended any learning system or where for some reasons their education has been discontinued with a view to preventing their continued or future exploitation.
11.	<p>Balika Samridhi Yojana http://wcdhry.gov.in/balika_samridhi_yojana.htm</p>	<ul style="list-style-type: none"> • To change negative family and community attitudes towards the girl child at birth and towards her mother. • To improve enrolment and retention of girl children in schools. • To raise the age at marriage of girls. • To assist the girl to undertake income generating activities.
12.	<p>Kishori Shakti Yojana http://wcd.nic.in/KSY/ksyintro.htm</p>	<ul style="list-style-type: none"> • To improve the nutritional, health and development status of adolescent girls, promote awareness of health, hygiene, nutrition and family care, • Link them to opportunities for learning life skills, going back to school, help them gain a better understanding of their social environment and take initiatives to become productive members of the society.

13.	Integrated child development services scheme http://wcd.nic.in/icds.htm	<ul style="list-style-type: none"> To improve the nutritional and health status of children in the age-group 0-6 years; To lay the foundation for proper psychological, physical and social development of the child; To reduce the incidence of mortality, morbidity, malnutrition and school dropout; To achieve effective co-ordination of policy and implementation amongst the various departments to promote child development; To enhance the capability of the mother to look after the normal health and nutritional needs of the child through proper nutrition and health education.
Central Social Welfare Board		
14.	Working women's hostel scheme www.wcd.nic.in/cswb1.htm#Support	<ul style="list-style-type: none"> To provide assistance to organisations to enable them to provide safe and secure hostel facilities for working women.
15.	Crèches (Rajiv Gandhi National creche scheme for the children) www.wcd.nic.in/cswb1.htm#Support	<ul style="list-style-type: none"> Provide assistance to NGOs for running crèches for infants (0-6 years). Provide assistance to ensure sleeping facilities, healthcare, supplementary nutrition, immunisation, etc. for running a creche for 25 infants for eight hours i.e. from 9:00 a m to 5:00 p m.
Small Industries Development Bank of India (SIDBI)		
16.	Mahila Vikas Nidhi (MVN) (Enterprise Promotion) http://www.sidbi.in/MVN.ASP http://www.smallindustryindia.com/schemes/tread.html	<ul style="list-style-type: none"> MVN is SIDBI's specially designed fund for economic development of women, especially the rural poor, by providing them avenues for training and employment opportunities.
17.	Micro Credit Scheme (Entrepreneur Development) http://www.smallindustryindia.com/schemes/microfinance.htm http://www.sidbi.in/Micro/index.htm	<ul style="list-style-type: none"> To create a national network of strong, viable and sustainable Micro Finance Institutions (MFIs) from the informal and formal financial sector to provide micro finance services to the poor, especially women. To support and promote men and women of low-income families to develop micro enterprises through entrepreneurship development to create employment and income generating opportunities to reduce poverty.
18.	Scheme for energy saving in MSMEs http://www.smeforum.in/index.php?option=com_content&view=article&id=171:sidbi-financing-scheme-for-energy-saving-projects-in-msme-sector&catid=36:across-the-globe&Itemid=110	<ul style="list-style-type: none"> The Japan International Cooperation Agency (JICA) has extended a Line of Credit to Small Industries Development Bank of India (SIDBI) for financing Energy Saving projects in Micro, Small and Medium Enterprises (MSMEs) Sector. The project is expected to encourage MSME units to undertake energy saving investments in plant & machinery / production process to reduce energy consumption, enhance energy efficiency, reduce CO2 emissions and improve the profitability in the long run.
Ministry of Youth Affairs & Sports		

19.	Scheme for Assistance to Youth Club www.yas.nic.in/yasroot/schemes/clubs.html http://goicharters.nic.in/youthaffairs.htm	<ul style="list-style-type: none"> In order to enable youth to mobilize themselves for their own as well as the community's welfare
Ministry of Social Justice and Empowerment		
20.	Scheme for Grant-in-Aid to Voluntary Organisations Working for Scheduled Castes http://www.socialjustice.nic.in/ngoschl.pdf	<ul style="list-style-type: none"> The main objective behind the scheme is to involve the voluntary sector and training institutions of repute to improve educational and socioeconomic conditions of the target group i.e. Scheduled Castes with a view to upgrade skill to enable them to start income generating activities on their own or get gainfully employed in some sector or the other
21.	Assistance to NGOs working for SC, ST & OBC http://www.socialjustice.nic.in/obngosch.pdf	<ul style="list-style-type: none"> To involve voluntary sector to improve educational and socioeconomic conditions of the target group, with a view to upgrade skill to enable them to start income generating activities on their own.
22.	Scheme of Assistance for the Prevention of Alcoholism & Substance (Drugs) Abuse http://www.socialjustice.nic.in/drugsabuse.pdf	<ul style="list-style-type: none"> To support activities of non-governmental organisations, working in the areas of prevention of addiction and rehabilitation of addicts, Create awareness and educating the people about the ill effects of alcoholism and substance abuse on the individual, the family and society at large, Develop culture-specific models for the prevention of addiction and treatment and rehabilitation of addicts. To evolve and provide a whole range of community based services for the identification, motivation, detoxification, counselling, after care and rehabilitation of addicts. To promote community participation and public cooperation in the reduction of demand for dependence-producing substances, collective initiatives and self-help endeavours among individuals and groups vulnerable to addiction and considered at risk. To establish appropriate linkages between voluntary agencies working in the field of addiction and government organisations.
23.	Income Generating Programmes for the Disabled http://www.karmayog.org/library/libartdis.asp?r=152&libid=128	<ul style="list-style-type: none"> Promote economic development activities and self-employment ventures for the benefit of persons with disability. Extend loan to the persons with disability for upgradation of their entrepreneurial skill for proper and efficient management of self-employment ventures. Extend loan to persons with disability for pursuing professional/technical education leading to vocational rehabilitation/self-employment. To assist self-employed individual with disability in marketing their furnished goods.
24.	Scheme of assistance to disabled persons for purchase of Aids/Appliances http://www.socialjustice.nic.in/adipmain.php	<ul style="list-style-type: none"> To assist the needy disabled persons in procuring durable, sophisticated and scientifically manufactured, modern, standard aids and appliances that can promote their physical, social and psychological rehabilitation, by reducing the effects of disabilities and enhance their economic potential.

25.	Deendayal Disabled Rehabilitation Scheme to promote Voluntary Action for Persons with Disabilities (Revised DDRS Scheme) http://www.socialjustice.nic.in/ddrs.php	<ul style="list-style-type: none"> • To create an enabling environment to ensure equal opportunities, equity, social justice and empowerment of persons with disabilities. • To encourage voluntary action for ensuring effective implementation of the People with Disabilities (Equal Opportunities and Protection of Rights) Act of 1995.
26.	Integrated Programme for Older Persons http://www.socialjustice.nic.in/ipop.php	<ul style="list-style-type: none"> • To improve the quality of life of the Older Persons by providing basic amenities like shelter, food, medical care and entertainment opportunities and by encouraging productive and active ageing through providing support for capacity building of Government / Non-Governmental Organizations / Panchayati Raj Institutions / local bodies and the Community at large.
Department of Elementary Education & Literacy and Department of Secondary & Higher Education Ministry of Human Resource Development		
27.	Integrated Education for Disabled Children (IEDC) http://www.education.nic.in/i edc_sch_draft.asp	<ul style="list-style-type: none"> • To set out the commitment of Education of Learners with disabilities to the principles of inclusive education by incorporating the 'social model of disability' the scheme will aim to create an environment that respects and values diversities and attempt to increase access enrolment, retention and achievement of learners with disabilities in general education/regular schools.
28.	Scheme of Support to Voluntary Agencies for Adult Education and Skill Development http://education.nic.in/MHRD.pdf	<ul style="list-style-type: none"> • To improve the occupational skills and technical knowledge of the neo-literates and the trainees and to raise their efficiency and increase productive ability; • To provide academic and technical resource support to zilla saksharata samities in taking up vocational and skill development programmes for neo-literates in both urban and rural areas; • To serve as nodal continuing education centres; • To organise training and orientation courses for key resource persons, master trainers on designing, development and implementation of skill development programmes; • To organise equivalency programmes through Open Learning Systems. • To widen the range of knowledge and understanding of the social, economic and political systems; • To promote national goals such as secularism, national integration, population etc.

29.	Environmental Orientation to School Education http://www.iesglobal.org/environemntal-orientation.htm	<ul style="list-style-type: none"> • To promote experimentation and innovation, and to complement in diverse ways the goals spelt out in the NPE-86 and NCF-2005 for creating environmental consciousness and related behavioural practices among students. Some of the activities envisaged under the Scheme are: <ul style="list-style-type: none"> ○ Encouraging and undertaking curriculum enrichment projects in the area of environment, including making environmental education an integral part of curriculum in school education, leading to development of local-specific teaching-learning materials (e.g. brochures, posters, maps, charts, art and artifacts, models, audio and video materials as well as CDs and websites), organization of exhibitions, literary gatherings, dramas, debates and discussions, dances, film shows, street-plays, melas and other such activities including those which the panchayats may suggest. Action research/ experimental/ innovative activities, including activities aimed at generating good primary data on local environmental parameters wherever necessary involving the panchayats
30.	Scheme on Non-Formal Education http://www.education.nic.in/cd50years/t/2P/8R/2P8R0301.htm	<ul style="list-style-type: none"> • The broad aim of the scheme is to effectively involve voluntary agencies, public trusts, non-profit making companies, social activist groups etc., in the implementation of non-formal education programme for the elementary age-group children. • There are two types of non-formal centres: one run under SSA, and the other under the National Child Labour Project (NCLP). Under both the schemes, NGOS run the centres with funding from the government
Ministry of Development of North Eastern Region		
31.	Capacity Building and Technical Assistance” http://mdoner.gov.in/index2.asp?sid=263	<ul style="list-style-type: none"> • To provide employable skills to the youth of the region, entrepreneurial skills, competencies that will enable them to become self-employed, organize job fairs within and outside the region, disseminate information and counseling on options relating to career, education including vocational and technical education, both in physical and electronic form, assist in surveys, evaluation in the field of skills and competencies, assist institutions/organizations in the public/private/non-profit/joint sector who can assist in testing of competency levels and certification so as to enhance employability especially in the unorganized sector, assist in providing any other specialized inputs required for human resource development for building of skills and capacities in any sector that is critical for the development of the region, provide technical assistance for development of human resources and capacity building, Emphasis of the scheme will be on actual delivery of skills and not only on sensitization or advocacy.
National Minorities Development and Finance Corporation		

32.	Educational Loan Scheme http://www.nmdfc.org/schemes&prog.html http://www.nmdfc.org/refermanuals11.html	<ul style="list-style-type: none"> To facilitate job-oriented education amongst the weaker sections of Minorities
Ministry of Environment and Forests		
33.	Industrial Pollution Abatement through Preventive Strategies http://moef.gov.in/report/0910/Annual_Report_ENG_0910.pdf#page=5	<ul style="list-style-type: none"> To assist the primary small units and some medium scale units who do not have access to the requisite technical expertise to achieve waste minimization but excludes procurement of equipment and hardware; Establishing and running Waste Minimization Circles (WMCs) in clusters of Small & Medium Industries; Capacity building in the area of Waste Minimization/Cleaner Production through training; Waste Minimization demonstration studies in selected industrial sectors; Preparation of sector specific technical manuals on waste reduction, reuse and recycling. Awareness programmes and preparation of compendium of success stories on cleaner production/waste minimization.
34.	Common Effluent Treatment Plants (CETP) http://envfor.nic.in/funding/chap2.pdf	<ul style="list-style-type: none"> To encourage use of new technologies for CETPs for existing SSI clusters of units a scheme for financial assistance has been formulated. This promotional scheme is being instituted and will be implemented during the Tenth Five Year Plan. To reduce the treatment cost to be borne by an individual member SSI to a minimum while protecting the water environment to a maximum. Wastewater treatment and water conservation are the prime objectives of the CETP.
35.	Clean Technologies http://moef.gov.in/report/0910/Annual_Report_ENG_0910.pdf#page=5	<ul style="list-style-type: none"> To develop and promote programmes for clean technologies; To develop tools and techniques for pollution prevention; To formulate strategies and programmes in sustainable development.
36.	GRANT-IN-AID for Greening India http://envfor.nic.in/funding/chap3.pdf	<ul style="list-style-type: none"> To create an enabling environment through capacity building at various levels for tree planting, and production and use of quality planting material. To make available quality planting material by establishment of high tech nurseries. To create awareness amongst people for improved technology for tree planting and use of quality planting material. To develop and facilitate linkages between production systems of quality planting material and user groups. To contribute towards increase in tree cover in the country by focusing on non-forest lands.

BR-related information needs

1. Human Rights

a) Have there been any incidence of human right violations reported in the cluster in the past 1 to 2 years in the cluster?

b) If yes, provide a brief of the issues leading to the incidence and how it was resolved?

2. Labour (Statuary Compliance Information)

a) Freedom of Association and Right to Collective bargaining

b) How is the workforce in the cluster organized?

c) Have there been Incidence of Industrial Dispute - strike, walk out or protests in the past 1 to 2 years in cluster

d) If yes, then give a brief of the issues leading to the incidence and how it was resolved?

e) Forced and Compulsory Labour:

i) Has there been Incidence of Forced and bonded Labour in the past 1 to 2 years in cluster?

ii) If yes, then give a brief of the issues leading to the incidence and how it was resolved?

f) Child Labour:

i) Is Child labour employed in the cluster?

ii) If yes, what is the percentage of child labour to the total workforce? Are they meant for hazardous tasks?

iii) How effective is the Government enforcement against Child Labour?

g) Discrimination:

Is there equal salary/wages for equal work for male and female workers in the cluster?

h) Compensation and Benefits/ Wages and Benefits:

i) What is the State / National Government approved rate of minimum wages for workers in the cluster (in INR Per day)?

ii) What are the State/ National Government specified Statutory Benefits (ESI, PF, Bonus, Gratuity, Maternity Benefits(For female Workers), Sick Leave, Privilege leave) applicable for workers in the cluster(Tick)

iii) What is the State/ National Government specified overtime rate for workers?

i) Hour of Work/ Working Hours:

i) What is the State / National Government specified number of working hours for workers in the cluster?

ii) When is the weekly off day for cluster firms?

j) Health & Safety:

i) Have there been Health & Safety incidents reported in the cluster in the last 1- 2 years?

ii) If yes, then give a brief of the issues leading to the incidence and how it was resolved?

iii) How are medical emergencies of Workers in clusters handled by cluster firms ?

iv) How are Fire emergencies handled by cluster firms?

v) How effective are the Health & Safety inspections conducted in the cluster by the Government ?

3. Energy and Environment:

a) Chemicals:

(i) What are the different types of hazardous Chemicals being used in the cluster?

(ii) If hazardous chemicals being used, which part of the process are these relevant?

b) Do the chemicals being used in the cluster have any negative impact on the health of workers using it or on the air pollution or on the water pollution or community environment in and around the cluster?

c) Waste:

i) Does the Cluster have Common ETP plant?

ii) Does the Cluster have Common Solid Waste treatment plant?

iii) Does the cluster have an approved Landfill?

iv) If no to above 2 questions, then what is the system of disposing waste?

v) Is there a system of monitoring waste disposal in the landfills?

d) Energy:

i) What are the total Energy requirements of the cluster?

ii) Which are the major consumption points for energy in the processes ?

iii) What are the different Energy Sources (State Electricity Utility, Captive power plants, Solar energy, Wind energy, Energy from bio-mass, any other sources (name)) in the cluster to meet its energy requirements (of total energy)?

iv) What are the type of fuels (coal, diesel, petrol, wood, Byproducts of wood, LPG, any other) being used in the cluster ?

4. Risk and its Management:

a) Have there been any Environment related incidents reported in the cluster in the last 1- 2 years? (e.g. effect of hazardous chemicals/ raw materials on workers, case of water pollution and its adverse effect on living beings, case of air pollution and its adverse effect on living beings, waste disposal problem, improper management/ utilization of our natural resources like water, forest and land etc)

b) If yes, please specify the issues leading to the incidence and how it was resolved?

c) How effective are the Environmental inspections conducted in the cluster by the Government ?

d) Does the government in the cluster have a disaster management plan to handle environmental mishap?

e) What are the Environmental protective initiatives (rain water harvesting, re-forestation, energy efficiency etc) taken by the government?

f) Does the Government offer any incentives for the use of environmental/ energy friendly technologies by industry?

5. Incidence of graft:

a) Have there been any incident of Corruption or Bribery reported in the cluster in the last 1-2 years?

b) If yes, then give a brief of the issues leading to the incidence and how it was resolved?

6. Other information on cluster

- Age of cluster:
- Any historical/ geographical reasons for its establishment
- Nature of enterprises owners – progressive/ dynamic/ self satisfied/ religion effect
- Nature of working processes/ operations – polluting/ clean/ working condition/ any specific

Menu of possible BR activities in Clusters

Sl. No.	Social Responsibility Area	Particulars of activities
1	Socio-economic ESR issues	<ul style="list-style-type: none"> • Ethical issues related to marketing and after sales & services
2	Labour Welfare	<ul style="list-style-type: none"> • Improvement in working Conditions • Health & Safety trainings- • Fair wages • Skills up gradation facilities for the workers • Special facilities for women workers • Group Social Security (life and medi-claim insurance) for the workers/ artisans in unorganized sector. • Avoiding Gender discrimination of any type
3.	Health Care for worker / community	<ul style="list-style-type: none"> • Awareness raising through lecture, seminar, workshops, • Adolescent health education and counselling • Organization of health camps for the workers, their families, • Mobile diagnostic and treatment facilities • Convergence of other organization on health care initiative • Creation of infrastructure and facilities on health care
4	Education	<ul style="list-style-type: none"> • Scholarships/ stipends/ stationery/ uniform and other help for children of workers and weaker section of the society • Tuition centres for workers children's in child labour intensive clusters • Non-formal Education- adult education, Personality development etc • Vocational Training. • Environmental Orientation to School Education
5	Women & children	<ul style="list-style-type: none"> • Construction and running of Short Stay Homes for Women & Girls • Assistance for women and children in Difficult Circumstances • Employment-cum-income Generating opportunities for Women • Activities related to women's empowerment • Prevention of atrocities on women • Training and employment programme for women • Crèche facilities for working women • Early Childhood Education for 3-6 Age Group Children
6	Environment	<ul style="list-style-type: none"> • Activities related to Pollution- Air, Water, Land and Noise • Activities related to Waste Management- ETP Plants, Landfills, incinerators, chemical disposal etc • Proper and optimum utilization of natural resources; use of restricted items and materials • Rain Water Harvesting • Water shed management • Aforestation
7	Energy	<ul style="list-style-type: none"> • Awareness raising through lecture, seminar, workshops, camps or any other appropriate mean about energy saving measures • Energy audits, • Energy efficient technologies, • Use of alternative sources of energy, • Conversion of by-products and waste into energy
8	Generic social issues	<p>Actions to mitigate :</p> <ul style="list-style-type: none"> • Alcoholic and Drug addiction and abuse

		<ul style="list-style-type: none">• Child Marriage• Dowry etc• Human rights violations
9	Weaker section of the Society	<ul style="list-style-type: none">• Income Generating Programmes for the Disabled• Voluntary Action for Persons with Disabilities• Education and rehabilitation of Disabled Children• Care for old and senior citizens

Resource/Knowledge Organisations supporting social welfare activities relevant to cluster development

Area of welfare activity	Resource / Knowledge organisations	Brief detail
Women Welfare	National Resource Centre for Women (NRCW). http://nrcw.nic.in/about.asp?linkid=45	The objectives of the NRCW are to: Create an information base and disseminate information in the fields of women's development and also facilitate generation of data on contemporary issues of women in development; Provide networking facilities to institutions and individuals actively engaged in the field of women's empowerment; Assimilate the gender perspective in policies, planning, implementation and monitoring in selected sectors
	Self Employed Women's Association (SEWA) www.sewa.org/aboutus/index.asp	It is an organisation of poor, self-employed women workers. At SEWA workers organise themselves to achieve their goals of full employment and self reliance through the strategy of struggle and development. The strategy is carried out through the joint action of union and cooperatives. The SEWA movement is enhanced by its being a sangam or confluence of three movements : the labour movement, the cooperative movement and the women's movement.
	National Institute of Public Cooperation and Child Development (NIPCCD) www.nipccd.nic.in	NIPCCD is devoted to promotion of voluntary action, research, training and documentation in the overall domain of Women and Child Development. It is an autonomous institution and function under the aegis of Ministry of Women and Child Development, Govt. of India.
Child Labour	Child Relief and You (CRY) www.cry.org	CRY targets underprivileged Indian children, including child workers. The NGO carries out child development initiatives all over India. It is based in Maharashtra.
	CINI ASHA http://www.cini-india.org/asha.asp	The NGO seeks to improve the quality of life of socially disadvantaged children living in urban areas through education, health and social mobilization. The primary beneficiaries of CINI ASHA programmes are street children, children living in slums and squatter colonies, and children of sex workers. The NGO is based in West Bengal.
	Concerned for Children Working (CWC) http://www.workingchild.org/	CWC works with local governments, community and working children themselves to implement viable, comprehensive, sustainable and appropriate solutions in partnership with all the major actors, so that children do not have to work. CWC works in Karnataka.
	Prayas http://www.prayaschildren.org/	Prayas works with destitute, street, and working children. It addresses issues related to lack of sensitivity and infrastructure for their rehabilitation, education, and reintegration. Prayas covers Delhi, Bihar and the earthquake affected areas of Gujarat.
	Centre for Rural Education and Development Action (CREDA) http://www.credaindia.org/01_about/about.htm	The NGO's work focuses on child labour related activities. It has undertaken projects for the elimination and rehabilitation of child labour around Varanasi (Uttar Pradesh).
	Salaam Balak Trust	This NGO works with street and working children in and around New Delhi railway station. It provides basic services to the children, including formal and non-formal education
	M. Venkatarangaiya	One of the primary goals of the Foundation is to eliminate

	Foundation	child labour by universalising school education. The Foundation mainly works in Andhra Pradesh.
	Butterflies http://www.butterflieschildrights.org/	Butterflies is a registered voluntary organization working with street and working children in Delhi since 1989.
	Literacy India	NGO founded in 1995 to provide education to underprivileged children (especially girls), to eradicate child labour etc; activities: spreading awareness, creative workshops, open school, schooling, sponsorship, vocational training etc
Backward Class	National Schedule Castes and Schedule Tribes Finance and Development Corporation (NSFDC) http://nsfdc.nic.in	NSFDC was set up by the Government of India in 1989 as a Government Company under Section 25 under the Ministry of Social Justice and Empowerment. It is involved in the following activities: <ul style="list-style-type: none"> • Financing income generating schemes for the SCs through the State Channelising Agencies (SCAs) and other recognized institutions nominated by the respective State/ UT Government • Provide Micro-Credit Finance to the target groups through SCAs • Provide grants for skill development programmes through SCAs etc
	National Backward Class Finance and Development Corporation (NBCFDC) http://www.nbcfdc.org.in/main.html	NBCFDC is a Govt. of India Undertaking under the aegis of Ministry of Social Justice and Empowerment. The objective is to promote economic and developmental activities for the benefit of Backward Classes and to assist the poorer section of these classes in skill development and self employment ventures.
Drugs Abuse	National Centre for Drug Abuse Prevention (NCDAP) http://ncdap.nisd.gov.in/	NCDAP is working under the aegis of National Institute of Social Defence (NISD). It is striving to bring about a qualitative improvement via the internet & build a community to work towards a nation free from substance abuse. It facilitates others to support those who need help.
Rural Development	Council for Advancement of Peoples Action & Rural Technology (CAPART)	CAPART is a registered society under the aegis of Ministry of Rural Development. At present CAPART provides assistance to the NGOs for implementation of various developmental schemes of Government of India.
Social Welfare	National Institute of Social Defence (NISD) www.nisd.gov.in	NISD is an autonomous body engaged in offering advisory services to MSJ&E, Government of India. It is engaged in developing preventive, rehabilitative and curative tools, programmes and policies in the field of social defence.
	Professional Assistance for Development Action (PRADAN)	Voluntary organisation working in villages in 26 districts in 7 Indian states to alleviate poverty among rural poor & tribals; promotes self-employment schemes (sericulture, leather, poultry, mushroom cultivation), banking, water conservation etc
	India Vision Foundation (IVF)	Organisation founded by Dr. Kiran Bedi, IPS to work for prison reforms, drug abuse prevention, child welfare, crime prevention, empowerment of women, rural development, physically & mentally disabled, sports promotion
Health	National Institute of Health &	NIHFW is an apex technical institute, funded by Ministry of

	Family Welfare (NIHFW) http://www.nihfw.org	Health and Family Welfare for promotion of health and family welfare programmes in the country through education, training, research, evaluation, consultancy and specialised services.
Environment	Awaaz Foundation	Awaaz Foundation is a NGO in Mumbai, India, which builds awareness, carries out advocacy, and is involved in educational projects to protect the environment and prevent environmental pollution.
	Centre for Science and Environment (CSE) http://www.cseindia.org/	The Centre for Science and Environment (CSE) is a public interest research and advocacy organisation based in New Delhi. CSE researches into, lobbies for and communicates the urgency of development that is both sustainable and equitable.
	Green Coalition Network http://www.greencoalition.net/contact.html	Green Coalition is an independent non-governmental advocacy organization founded in the year 2000 dedicated in improving public health standards, protecting the environment and promoting sustainable development and ethical business.
	The Energy and Resources Institute (TERI) www.teriin.org	TERI was formally established in 1974 with the purpose of tackling and dealing with the immense and acute problems that mankind is likely to face within in the years ahead- (i) on account of the gradual depletion of the earth's finite energy resources which are largely non-renewable and (ii) on account of the existing methods of their use which are polluting.
	Centre for Environmental Education (CEE)	They mainly aim to create environmental awareness in the communities, conduct widespread environmental education and training programmes through a very vast network. They have a vast range of publications – books, posters, educational packages, bibliographies and directories. There is also a large computerised database – the Environment Education bank, which has a collection of more than 800 environment concepts, about 2500 environment related activities and 100s of case studies.
	BEE http://www.bee-india.nic.in/	The Government of India set up BEE in 2002 under the provision of the Energy Conservation Act 2001. The mission of BEE is to assist in developing policies and strategies with a thrust on self-regulation and market principles, within the overall framework of the Energy Conservation Act, 2001, with the primary objective of reducing energy intensity of the Indian economy.

Action plan superimposed on time frame – An illustration

1 ROURKELA SPONGE IRON AND ALLIED INDUSTRIES CLUSTER ACTION PLAN

Short term Cluster Action Plan (0 to 1 year duration)

Sr	Activity		Tentative Budget (Rs.)		Relevant Resources			Measurable Target Output
	Objective	Activity	Coordination man-day	Capacity Building	Knowledge	Implementation	Funding	
1	To start a pilot initiative no. 1 on periphery development on multi stakeholder concept in one of the block of Rourkela, this will act as a model for replication and up-scaling in other four blocks around Rourkela.	<p>Phase 1 (2.5 months)</p> <ul style="list-style-type: none"> To set up a society of the Sponge Iron Units and Allied Industries in Lathikatta block of District Sundergarh (Orissa). Ensure industry's contribution for development activities and deposit in the account of the society The District collector issues a letter of support for the proposed model The industry society set up secretariat, recruits and put in place a working system with complete allocation of duties and responsibilities for the same. <p>Phase 2 (9.5 months)</p> <ul style="list-style-type: none"> To take up PRA activities in selected villages and identify needs in the areas of Health Care, Education, Sanitation and potable water, Skill development, Infrastructure development etc. An action plan with complete detailing of Periphery Development areas, activities/ sub activities, tentative budget, relevant resources and measurable target output for the project period prepared and approved. To set up systems and procedures for Internal and External monitoring To promote and strengthen Community based organizations such as cooperatives, SHG federations, associations and take ownership and responsibility for the development activities in the block Activities planned in the action plan are implemented in the villages The industry society is strengthened in its capacity in planning and implementation of development activities District and Block administration continue to extend support to the initiatives Sensitize about waste disposal and air pollutions issues of the cluster and initiate awareness/ solutions activities for the same. Sensitization about new technologies in air pollution control, dust control and utilisation of iron ore dust etc Industry enhances credibility and acceptance by the people in the periphery To develop the initiative journey document and ensure that Industry continues to fulfilling its social responsibility. Replication of such initiatives in other blocks. 	<p>Industry= 2.30 lacs UNIDO= 14.30 lacs <u>1 UNIDO CDA for S. No 1</u></p> <p>Total = 16.60 lacs</p>	<p>Industry = 2.70 lacs UNIDO = 5.30 lacs</p> <p>Total = 8 lacs</p>	UNIDO, CDS, Other Knowledge organisation	Industry	Industry, District administration, UNIDO,	<ul style="list-style-type: none"> A society with due support from District administration and with professional secretariat, bank account and budget in place and proper system developed.. PRA activities carried out and at least three to four areas identified, discussed, action plan prepared, adopted and implemented by the society for taking up periphery development. Internal and external monitoring system developed, pilot tested and implemented. Regular hand holding and capacity building of the society secretariat carried out so as it is ready to work independently within one yea. At least one partnership between the society and some reputed knowledge organisation working in the areas related to the society At least two to three initiative in preliminary stage of implementation for issues related waste disposal and air pollution. Pilot initiative journey document is completed and society is accepted by the local community. At least one to two other blocks agree to start the initiative similar to the pilot model in their block.

Medium term Cluster Action Plan (1 to 3 year duration)

2	Consolidation of the existing activities of pilot initiative 1 of short term cluster action plan Up scaling	<ul style="list-style-type: none"> • Action plan for the 2 year prepared , discussed, approved and implementation starts in the areas of health care, education and infrastructure by the pilot initiative society • Proper internal and external monitoring carried out • Regular hand holding and capacity building of the society secretariat in new areas of interventions. 	<p>Industry = 4.60 lacs UNIDO = 26.60 lacs <u>1 UNIDO CDA for S.</u> <u>No 2 and 3</u> Total = 31.20 lacs</p>	<p>Industry= 5.40 lacs UNIDIO = 10.40 lacs Total = 15.80 lacs</p>	UNIDO, Other Knowledge organisation	Industry	Industry, District administratio n, UNIDO,	<ul style="list-style-type: none"> • Action plan in the areas of health care , education, infrastructure developments implemented successfully and consolidation on qualitative aspect strengthened. • At least 12 internal and 6 external monitoring carried out, their recommendation shared with members and corrective measures taken
3	Working on environmental issues for pilot initiative no. 1 on a) Waste disposal b) Air pollution c) Iron ore powder utilisation d) Energy efficiency	<ul style="list-style-type: none"> • Identification of suitable solid waste (such as coal ash, tar/ sludge and coal powder)disposal site and seeking necessary local govt clearance for its transfer to the society of pilot model • Develop a system for the member firms for proper transportation of solid waste from the enterprises to the site and its proper cover as per the standards. • Identification of suitable technologies and means of controlling coal dust say sprinklers, geo-textile cover and its implementation in the cluster firms on pilot basis. • Identification of suitable local and standard technologies eg ESP/ Bag filters ash and coal dust from the outgoing flue gases being exhausted in the atmosphere and its implementation in the cluster firms on pilot basis • Identification of suitable technologies for the re-conversion of iron ore power into iron ore pallets of marketable standards and its implementation in the cluster firms on pilot basis. • Exploring the options of installation of Waste Heat Recovery Boiler for captive power generation on collective basis in the cluster • Exploring the options for installation of Preheating Kiln for utilisation of the heat generated by hot flue gases being exhausted to the atmosphere 						<ul style="list-style-type: none"> • Solid waste site identified and cluster firms developed a system for their solid waste disposal to the site. • At least two technologies/ means identified for controlling air pollution and 1 or 2 firms start using the same on pilot basis • At least one technologies identified for palletisation of iron ore and at least 1 firm start using the same on pilot basis • Options for captive power plants and preheating kilns explored , their cost analysis carried out and shared with cluster firms for feasibility of implementation

4	Up scaling of the periphery development pilot model in other blocks around Rourkela – initiative no. 2	<ul style="list-style-type: none"> The activities will be as contained at S. No. 1 and 2 of above in the phase I and Phase II of the Pilot Model Initiative No. 1 of Short term Action Plan. The activities will be spread over 2nd and 3rd year of the cluster development 	Industry = 4.60 lacs UNIDO = 24.60 lacs <u>1 UNIDO CDA for S. No. 4</u> Total = 31.20 lacs	Industry= 5.40 lacs UNDIO = 10.40 lacs <u>Total = 15.80 lacs</u>	UNIDO, Other Knowledge organisation	Industry	Industry, District administration, UNIDO,	2nd Year The tentative measureable outputs are as in S. No. 1 3rd year The tentative measureable outputs are as in S. No. 2
Long term Cluster Action Plan (3 to 5 year duration)								
5	Working on policy and linkage level issues for pilot initiative no. 1	<ul style="list-style-type: none"> Identification of knowledge and technical institutions like TERI, NIT Rourkela, institutions/ organisations working in the areas of air pollution, waste disposal management in relation to cluster environmental issues and their linkage to the cluster firms for collaborative working on pilot basis Taking up issues with state and central government ministries/ department for policy level changes in existing schemes related to technology, funding in respect of issues related to pollution control, waste disposal management, energy efficiencies, health care, education, infrastructure development for the periphery areas and other social issues to make it multi stakeholders friendly. 	Industry = 4.60 lacs UNIDO = 26.60 lacs <u>1 UNIDO CDA for S. No 5 and 6</u> Total = 31.20 lacs	Industry= 5.40 lacs UNDIO = 10.40 lacs <u>Total = 15.80 lacs</u>	UNIDO, Knowledge organisation, Technical institution	Industry	Industry, District administration, UNIDO, funding organizations	<ul style="list-style-type: none"> At least one knowledge/ technical institution each linked to the relevant environmental issues of the cluster and they start taking up pilot initiative in the cluster. Local/ state/ central government/ regulatory agencies start amending their existing schemes to make it applicable through cluster approach
6	Consolidation of the existing activities of pilot initiative 1 of short term cluster action plan Up scaling in terms of quality	<ul style="list-style-type: none"> Action plan for the 4 and 5 year prepared , discussed, approved and implementation starts in the areas of health care, education and infrastructure by the pilot initiative society Proper internal and external monitoring carried out Regular hand holding and capacity building of the society secretariat in new areas of interventions. 						<ul style="list-style-type: none"> Action plan in the areas of health care , education, infrastructure developments implemented successfully and consolidation on qualitative aspect strengthened. At least 12 internal and 6 external monitoring carried out, their recommendation shared with members and corrective measures taken
7	Consolidation of the existing activities of pilot initiative 1 of short term cluster action plan Up scaling in terms of quality	<ul style="list-style-type: none"> Action plan for the 4 and 5 year prepared , discussed, approved and implementation starts in the areas of health care, education and infrastructure by the pilot initiative society Proper internal and external monitoring carried out Regular hand holding and capacity building of the society secretariat in new areas of interventions. 	Industry = 4.60 lacs UNIDO = 18.60 lacs <u>1 UNIDO CDA for S. No 7, 8 and 9</u> Total =23.20	Industry= 5.40 lacs UNDIO = 10.40 lacs <u>Total = 15.80 lacs</u>	UNIDO, Other Knowledge organisation	Industry	Industry, District administration, UNIDO,	<ul style="list-style-type: none"> Action plan in the areas of health care , education, infrastructure developments implemented successfully and consolidation on qualitative aspect strengthened. At least 12 internal and 6 external monitoring carried out, their recommendation shared with members and corrective measures taken

8	Working on environmental issues for pilot initiative no. 2 on a) Waste disposal b) Air pollution c) Iron ore powder utilisation d) Energy efficiency	The activities will be as contained at S. No. 3 of above for initiative no 1. The activities will be spread over 4th and 5th year of the cluster development	<u>lacs</u>					The tentative measurable outputs will be as that of S. No. 3
9	Up scaling of the periphery development pilot model in other blocks around Rourkela – initiative 3	•The activities will be as contained at S. No. 4 of above for initiative no 2. The activities will be spread over 4th and 5th year of the cluster development	Industry = 4.60 lacs UNIDO = 14.60 lacs <u>Total 19.20 lacs</u>	Industry= 5.40 lacs UNIDIO = 10.40 lacs <u>Total= 15.80 lacs</u>	UNIDO, Other Knowledge organisation	Industry	Industry, District administration, UNIDO,	<u>4th Year</u> The tentative measurable outputs will be of S. No. 4 <u>5th year</u> The tentative measurable outputs will be of S. No. 4

1.1 Sourcing Funds for Cluster Development: An illustration

Domestic and International Marketing

1	Participation in domestic fairs	DC (Handicrafts), DC (Handlooms), State Govt. , SIDBI
2	Conducting a market survey	SIDBI
3	Participation in International fairs	Market Development Assistance Scheme of Ministry of Commerce and Small Scale Industries
4	Buyer Seller Meet	NSIC, SGS Laboratories
5	Subcontracting Exchange	Min. of Small Scale Industry
6	Common Marketing Website	SIDBI

1.1.1 Infrastructure Development

'Shilp gram' or Industrial area	Integrated Infrastructure Development scheme (Min. of MSME), State Govt.
Training Institute	Min. of MSME, ICICI, SIDBI
Conducting feasibility study and making bankable proposal	Largely self funded
Industrial Park	Ministry of Textiles, Ministry of Food Processing, State Govt's.
Testing Laboratory	Ministry of Food Processing, NABARD, SIDBI, , State Governments.
To strengthen infrastructure at export centres	Critical Infrastructure balance scheme

1.1.2 Training

International Training Course with European collaboration	India – EU Partnership Programme
Training with Science & Technology Imports	Dept. of S&T of Ministry of S&T, Minorities Finance Development Corporation
International Training on quality, technology, process	Senior Expert Services (Germany), Similarly European and American services

1.2 Technology

Technology tie-ups with Europe	EBIC (European Business Information Centre) of EU
R&D for new machines	SIDBI, DST

1.3 Complete Projects

Turnkey Projects for area development or cluster development	USAID, Shell Foundation, EU, KVIC, DC (H), DC (MSME), State Governments.
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1.4

1.5 IT Training & Technical Expertise

Information Centre, training	Hewlett Packard, NABARD, Horticulture Board of State Governments.
Internet Connection with computer systems	SIDBI

1.5.1 Working Capital

Raw Material Bank	NSIC, SIDBI
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Mutual Credit Guarantee Fund Scheme and Credit Guarantee Schemes	Minorities Finance Development Corporation, SIDBI, Credit Guarantee Fund Corporation of India
Micro Credit Schemes with SHG Training	SIDBI, NABARD

1.5.2 *Pollution Control*

Demo Plant to highlight benefits to others	SIDBI, State Govt., DCSSI (Min. of MSME)
Awareness workshops on new technology process and equipment	
Subsidy to set up pollution control equipments for mass installation	Ministry of Environment.

1.5.3

1.5.4 *Quality Certification*

ISO Certification	Ministry of MSME, SIDBI (Rs 75,000 scheme)
Good Manufacturing Practices (GMP)	State Government like Government of Gujarat, EU assistance through FICCI Quality Form?

1.5.4.1 Sports Goods Cluster, Jalandar, Punjab

Pattern of financial contribution by the funding agency (UNIDO) and Sports Goods Federation of India

Contract No.	Period	Sr No.	Particulars	Amount	SGFI	UNIDO	PUBLIC
1	01-12-2005 to 31-05-2006	1	Man Days Cost + Capacity building + Implementation Cost	6,70,000	1,55,000	5,15,000	Nil
			TOTAL	6,70,000	1, 55,000 (23%)	5, 15,000 (67%)	Nil (0%)
2	01-09-2006 to 31-08-2007	1	Man Days cost	609519	182854 (30%)	426657 (70%)	Nil
		2	Office infrastructure /Stationary/Elect/water/Ph Email	200000	60000 (100%)	Nil	Nil
		3	Capacity Building	573000	235550 (35%)	235550 (35%)	201900 (30%)
		4	Travelling (on actual)	100000	50000 (50%)	50000 (50%)	NIL
			TOTAL	1575811	666394 (42%)	707517 (45%)	201900 (13%)
3	01-11-2007 to 30-09-2008	1	Man Day Cost	841975	336790 (40%)	505185 (60%)	Nil
		2	Office/ Infrastructure/ Stationary/ office expenses	175000	175000 (100%)	Nil	Nil
		3	Capacity Building	979900	293970 (30%)	391960 (40%)	293970 (30%)
		4	Travelling	500000	300000 (60%)	200000 (40%)	Nil
			TOTAL	2496875	1105760 (45%)	1097145 (44%)	293970 (11%)