



MSE Cluster Development Programme (MSE-CDP)

1. Clusters are defined as sectoral and geographical concentration of micro, small & medium enterprises with interconnected production system leading to firm/unit level specialisation and developing local suppliers of material inputs and human resources. Availability of local market/intermediaries for the produce of the cluster is also a general characteristic of a cluster.

2. Industrial cluster occupies the driver's seat for propelling economic activities in micro & small Enterprises (MSE) sector. The Ministry of Small Scale Industries (SSI), has laid special emphasis for development of cluster and launched a scheme known as Technology Upgradation and Management Programme called UPTECH in 1998. Although it was having a cluster based approach for development of MSE, but was mainly technology-focused comprising of diagnostic study, setting-up of a demonstration plant and organizing workshops, seminars, etc. for quicker diffusion of technology across the cluster of small enterprises. Later, in August 2003, the scheme was renamed as Small Industry Cluster Development Programme (SICDP) and made broad based by adopting holistic pattern of development of the cluster encompassing marketing, exports, skill development, setting up of common facility centre, etc., including technology upgradation of the enterprises.

3. After widening the scope of the scheme, there was a sudden jump in the performance of scheme during 2003-04. Initially, the programme was implemented mainly through the specialised institutions, such as Product & Process Development Centres (PPDC), Tata Energy Research Institutes (TERI), Entrepreneurial Development Institutions like NISIET & EDII, State level consultancy organisations like APTICO, GITCO, etc. During 2003-04, efforts were also made to involve SISIs, the field offices of Ministry, in a big way in implementation of the programme. For this purpose Cluster Development Executives (CDEs) were

developed at SISIs level by imparting them a specialised training in the methodology of cluster development programme. For this purpose, two National Resource Centres (NRC) for SSI cluster development have been established at NISIET, Hyderabad and EDII, Ahmedabad. Eighty three clusters have been taken up for development till 2005-06 (before March, 2006 when the SICDP guidelines were comprehensively revised).

Revision of SICDP Guidelines in March, 2006:

4. Broadly, the Cluster Development Programme (CDP) implemented till March, 2006 consisted of assistance mainly in “soft” areas which encompasses activities like general awareness and trust building, counseling, training and capacity building, exposure visits, credit facilitation, market developments etc. It was felt that the “hard” component, which is directed towards assisting technology improvements, quality standardization and testing mainly in the form of ‘Common Facility Centres’ (CFCs) equipped with a variety of hardware and facilities which individual cluster units cannot afford but are necessary for technology upgradation, ensuring quality standards, need to be suitably incorporated as one of the important component of the CDP implemented by this office.

5. Keeping this in view and the need for providing stimulating environment for innovative and competitive micro & small enterprises, the SICDP guidelines were comprehensively revised in March, 2006 making the cluster programme more broad-based by facilitating substantial economics of scale in terms of deployment of available recourses in the medium to long term. The Government of India’s assistance under the scheme was enhanced upto Rs. 8 crore to support soft as well as hard intervention including setting up of common facility centers. The revised guidelines were given wider publicity and all state governments have been repeatedly requested to send suitable proposals for consideration under this scheme. After issuing the revised Guidelines, three proposals for setting up CFCs have been approved so far during the current year. In addition, diagnostic studies of 105 new clusters have also been taken up to identify the area of interventions required in these clusters.

The New Approach:

6. This Ministry runs various schemes and programmes for promotion and development of micro & small enterprises. The assistance through these schemes and programmes is provided for individual or collective development of MSE. The strategy is now to subsume the essential features of the schemes having collective approach for development of clusters such as Scheme for Integrated Infrastructural Development and Scheme for setting up of Testing Centres/ programmes under SICDP. Although the objective of SICDP is to provide assistance to MSE for common purpose, it is also not less important to strengthen industrial units located in the cluster individually. There are schemes of Ministry of SSI for credit, technology upgradation, quality certification, such as, Credit Guarantee Scheme for investment, Credit Linked Capital Subsidy Scheme for technology upgradation, ISO 9000/14001 reimbursement scheme for certification, etc. through which assistance is provided to an individual micro & small enterprises. Under the new approach, the emphasis

is to dovetail all such schemes under SICDP for the overall development of MSE and optimum utilisation of resources.

7. Several other Ministries/ Departments and agencies have also taken up their versions of “cluster development”. In order to harmonise divergences in the concept as well as content of cluster development programmes, an Empowered Group of Ministers (EgoM) has been constituted very recently under the Chairmanship of the External Affairs Minister. Ministry of SSI has been nominated for servicing the EgoM.