

**No. G-20014/8/2004-KVI**  
**Government of India**  
**Ministry of Agro and Rural Industries**

Udyog Bhawan, New Delhi  
Dated the 03 October, 2005

**OFFICE MEMORANDUM**

**Subject : Scheme of Fund for Regeneration of Traditional Industries (SFURTI)**

India has a rich tradition in traditional industries. The eco-friendly products of traditional industries not only have great potential for growth in production and export but can also lead to widespread generation of employment opportunities in the rural areas of the country. With a view to making the traditional industries more productive and competitive and facilitating their sustainable development, the Central Government announced the setting up of a fund for regeneration of traditional industries, with an initial allocation of Rs. 100 crore. Pursuant to this announcement, a Central Sector Scheme titled the “Scheme of Fund for Regeneration of Traditional Industries (SFURTI)” has been drawn up and approved at a total cost of Rs. 97.25 crore. The Scheme will be implemented by the Union Ministry of Agro and Rural Industries (ARI) and its organisations and institutions, in collaboration with State Governments, their organisations concerned, non-Governmental organisations, etc. The operational guidelines of the Scheme of Fund for Regeneration of Traditional Industries (SFURTI) are detailed below:

**2. Definition of Traditional Industry and Traditional Industry Clusters**

- (i) Broadly, **traditional industry** means “an activity which produces marketable products, using locally available raw material and skills and indigenous technology”.
- (ii) **Traditional industry cluster**, in the context of this Scheme, refers to a geographical concentration of around 500 beneficiary families of artisans/micro enterprises, suppliers of raw materials, traders, service providers, etc., located within one or two revenue sub-divisions in one or more contiguous District(s).

**3. Objectives of the Scheme**

The objectives of the Scheme are:

- (i) to develop clusters of traditional industries in various parts of the country over a period of five years commencing 2005-06;
- (ii) to make traditional industries more competitive with more market-driven, productive, profitable and sustained employment for traditional industry artisans and rural entrepreneurs;
- (iii) to strengthen the local governance systems of industry clusters, with the active participation of the local stakeholders, so that they are enabled to undertake development initiatives by themselves; and
- (iv) to build up innovated and traditional skills, improved technologies, advanced processes, market intelligence and new models of public-private partnerships, so as to gradually replicate similar models of cluster-based regenerated traditional industries.

**4. Target Sectors and Potential Beneficiaries**

The target sectors and potential beneficiaries will include:

- (i) Artisans, workers, machinery makers, raw material providers, entrepreneurs, institutional and private business development service (BDS) providers engaged in

traditional industries and working in selected clusters of **khadi, coir and village industries, including leather and pottery.**

- (ii) Artisan guilds, cooperatives, consortiums, networks of enterprises, self-help groups (SHGs), enterprise associations, etc.
- (iii) Implementing agencies, field functionaries of Government institutions/organisations and policy makers, directly engaged in traditional industries.

#### 5. **Criteria for Selection of Clusters**

The selection of clusters will be based on their geographical concentration which should be around 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). The clusters would be from khadi, coir and village industries, including leather and pottery. The potential for growth in production and generation of employment opportunities will also be considered in selecting clusters under SFURTI. The geographical distribution of the clusters throughout the country, with at least 10 per cent located in the North Eastern region, will also be kept in view while selecting clusters.

#### 6. **Intervention/Support Measures**

These would consist of the following:

- (i) Replacement of charkhas and looms in khadi sector.
- (ii) Setting up of Common Facility Centres (CFCs).
- (iii) Development of new products, new designs for various khadi and village industry (VI) products, new/improved packaging, etc.
- (iv) Market promotion activities.
- (v) Capacity building activities, such as exposure visits to other clusters and institutions, need-based training, support for establishment of cluster level networks (industry associations) and other need based support.
- (vi) Other activities identified by the Implementing Agency (IA) as necessary for the development of the cluster as part of the diagnostic study and included in the Annual Action Plan for the cluster.

#### 7. **Scheme Steering Committee (SSC)**

The Ministry of Agro and Rural Industries will be the coordinating Ministry providing overall policy, coordination and management support to the Scheme. A **Scheme Steering Committee (SSC)** will be constituted under the chairmanship of Secretary (SSI&ARI), as detailed in [Annexure I](#). The SSC may co-opt representatives of industry associations, R&D institutions and other private sector expert organisations as members/special invitees, depending on functional needs. The SSC may make intra-sectoral adjustments of activities and corresponding funds without affecting the basic objectives and thrust of the Scheme.

#### 8. **Nodal Agencies (NAs)**

The following agencies shall be designated as the Nodal Agencies for the Scheme:

- (i) Khadi and Village Industries Commission
- (ii) Coir Board

Each **Nodal Agency (NA)** will, in turn, identify the **Implementing Agencies (IAs)** based on transparent criteria to be suggested by the NAs and approved by the SSC. The

NA shall be responsible for holding and disbursement of funds to the identified **IAs** and monitoring of the Scheme under the overall supervision of the SSC.

#### **9. Technical Agencies (TAs)**

These shall be reputed national level Institutions with expertise in cluster development methodology and shall provide technical support to the NAs and the IAs. The responsibilities of the TAs will include assisting the NAs in identification of clusters, conducting training of the **Cluster Development Agents (CDAs)** and other officials of the IAs and NAs, validation of cluster action plans, monitoring and evaluation, etc.

#### **10. Implementing Agencies (IAs)**

**Implementing Agencies (IAs)** would be non-Government organisations (NGOs), institutions of the Central and State Governments and semi-Government institutions with suitable expertise to undertake cluster development. Generally, one IA will be assigned only one cluster (unless it is an agency with State-wide coverage). The selection of IAs, based on their regional reputation and experience of working at the grass-roots level, will be done by the NAs, on the basis of transparent criteria to be approved a priori by the SSC which will also finally vet the selection.

In the khadi sector, one or more institutions of 'A' category with at least 500 active spinners and weavers would be selected per khadi cluster. There will be reasonably even geographical distribution of these institutions across the country.

The selection of IAs for the village and coir industry sectors will be from among good NGOs operating in the area with experience of working at the grass roots level, particularly in rural industrialisation.

#### **11. Cluster Development Agent (CDA)**

Each IA shall identify and appoint a **Cluster Development Agent (CDA)**, exclusively for each cluster, who shall be located in the cluster full time and responsible for implementation of the Scheme in the assigned cluster. The CDAs will undergo prescribed training in cluster development methodology to be organised by the NA through the TA. The responsibilities of CDA shall include conducting the diagnostic study, preparation and implementation of the annual action plans of the cluster, promoting linkages with institutions, building the local governance framework, etc.

#### **12. Cluster Development Coordination Group (CDCG)**

Cluster Development Coordination Group (CDCG) will be formed in each cluster with the objective of involving the cluster level stakeholders in the process of cluster development and supporting the activities of the CDA. Representatives of the targeted traditional industry enterprises, support service institutions, banks, State Government agencies and others will be members of the CDCG.

### 13. Financial Assistance

The pattern of financial assistance under the Scheme will be as under:

Sr. No	Component	Funding Pattern
<b>I. Khadi Sector</b>		
1.	Replacement of charkhas and looms for increasing the productivity of khadi spinners and weavers.  (Average cost - Rs. 50 lakh per cluster)	(a) Grant - 75% (b) Beneficiary's contribution (Institutions) – 25 %
2.	Common Facility Centres (CFC) for: (i) ready made warp units for supply of ready-to-use warps for weaving; (ii) post-loom facilities, viz., dyeing and printing; (iii) setting up composite ready made garment manufacturing facilities to convert fabrics into ready-to-wear khadi products; (iv) product testing laboratory to enforce quality standards; and (v) service and maintenance, etc.  (Average cost - Rs. 15 lakh per CFC)	(a) Grant - 75% (b) Beneficiary's contribution (Institutions) – 25 %
3.	Product Development & Design Intervention for:  (i) fabric designing for upholstery; (ii) new designs for high fashion garments; (iii) fabric development, embroidery in silk items; and (v) use of natural dyes, etc.  (Average cost – Rs. 4 lakh per cluster)	(a) Grant - 75% (b) Beneficiary's contribution (Institutions) – 25 %
<b>II. Village Industry and Coir Industry</b>		
1.	Common Facility Centres (CFC) for processing and manufacture of village industry items like testing equipment/laboratory to enforce quality standards specially for processed food items, service and maintenance and other common infrastructure.  (Average cost – Rs. 30 lakh per cluster)	(a) Grant - 75% (b) Beneficiary's contribution (Institutions) – 25 %
2.	Product Development & Design Intervention, viz.: (i) development of new products specially for items like hand bags, shoes, etc.; (ii) new designs for pottery items; and (iii) improved/new design for packaging, specially for herbal and cosmetics, confectionery items.  (Average cost – Rs. 4 lakh per cluster)	(a) Grant - 75% (b) Beneficiary's contribution (Institutions) – 25 %

<b>III.</b>	<b>Market Promotion Assistance</b> for activities such as: (i) organization of and participation in domestic/international exhibitions; (ii) participation in buyer-seller meets; (iii) renovation and upgradation of marketing outlets; and (iv) computerisation of sales outlets, bar-coding, etc.  (Average cost – Rs. 15 lakh per cluster)	Grant – 100 %
<b>IV.</b>	<b>Capacity Building Measures</b> for undertaking following activities: (i) exposure visits to other clusters and institutions (outside) to understand the self-help actions, new products, technology, etc.; (ii) need based training within the clusters (related to global trade issues, skill development, self-help, credit and other need based issues); (iii) support for establishment of cluster level networks (industry associations) in the form of basic office infrastructure, including books; and (iv) other need based support as emerge from the diagnostic study.  (Average cost – Rs. 15 lakh per cluster)	Grant – 100%
<b>V.</b>	<b>Cost of Implementing Agencies (IAs)</b>  (Average Rs. 10 lakh per cluster)	Grant – 100%
<b>VI.</b>	<b>Cost of Cluster Development Agents (CDAs)</b>  (Average Rs. 9 lakh per cluster)	Grant – 100%
<b>VII.</b>	<b>Cost of Technical Agencies (TAs)</b>  (Lumpsum Rs. 4 crore)	Grant – 100%
<b>VII I</b>	<b>Surveys and Studies</b>  (Lump sum Rs. 1.5 crore).	Grant – 100%

The costing indicated above is only indicative. Intra-sectoral adjustment of activities/corresponding funds would be made by the SSC without affecting the basic objectives and thrust of Scheme and the overall costs proposed for sanction.

#### 14. Formulation of Cluster Development Proposals

The cluster development proposals received from the NAs will be considered by the SSC. The SSC shall endeavour to see that the selected clusters are spread over the country reasonably evenly, with at least 10 per cent located in North-Eastern Region. The SSC may make necessary adjustments/changes in the selection of clusters as well as their size and geographical spread. The actual amount of financial assistance per activity/measure of intervention required for development of individual clusters in the selected segments of traditional industries might vary and such variations could be accommodated within the overall costs, based on careful analysis of the diagnostic studies and annual action plans, by the SSC with the help of the NAs, TAs and IAs.

## 15. **Linkages with Existing Schemes**

As the SFURTI takes a holistic approach for cluster development, the Nodal/Implementing Agencies concerned would be encouraged to see that similar ongoing schemes/efforts are dovetailed with SFURTI. To supplement and synergise, it will be seen that as far as possible, the units in the clusters covered under SFURTI avail of benefits under Government programmes like the REGP, PMRY or Mahila Coir Yojana so long as they satisfy the guidelines of those programmes. This will ensure convergence and maximising the benefits of the existing programmes. The existing National Programme for Rural Industrialisation (NPRI) will be subsumed within SFURTI, except those already committed. KVIC will no longer operate its PRODIP and RISC programmes within the clusters selected under SFURTI.

## 16. **Implementation Sequence**

The SSC will identify Technical Agencies (TAs) having expertise in cluster development methodology for providing technical support to the Nodal Agencies and the Implementing Agencies (IAs) undertaking cluster development activities. With the help of the TAs, the Nodal Agencies will identify the clusters and the IA for each cluster. Each IA will identify and appoint a Cluster Development Agent (CDA), exclusively for each cluster, who shall be located in the cluster full time and responsible for implementation of the Scheme in the assigned cluster. The CDAs will conduct the diagnostic studies in the clusters and prepare annual action plans which, after validation, will form the basis for the development of the cluster.

## 17. **Release of Funds**

The release of funds will be cluster specific. The funds would be released directly to the Nodal Agencies on receipt of utilisation certificate and depending on actual physical progress. Funds for development of clusters will be kept in a separate account by the NAs which will be audited.

## 18. **Project Monitoring and Evaluation**

Concurrent and post facto evaluation studies will be conducted, from time to time, to take corrective measures. It is also envisaged to take up evaluation studies of some of the clusters under SFURTI to find out the deficiencies and drawbacks in the implementation of the Scheme.

19. This issues with the concurrence of the Ministry of Finance, Department of Expenditure (Plan Finance II Division) vide its U.O. note no. 19(4)/PF.II/04 dated 08 September 2005 and Integrated Finance Wing, Department of Industrial Policy and Promotion vide its Dy. no. 2010/Fin.I/05 dated 03 October 2005.

**S/d-**  
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**Chief Secretary (All States/Union Territories)**

**Copy to:**

1. All States/UTs Principal Secretary/Secretary, Department of Industries (Small Scale Industries)
2. Adviser (VSE), Planning Commission
3. Joint Secretary (PFII), Department of Expenditure, Ministry of Finance
4. Accountant General (All States/UTs)
5. Additional Secretary & Financial Adviser, Ministry of ARI
6. Chief Controller of Accounts, Ministry of ARI
7. Chief Executive Officer, Khadi & Village Industries Commission, Mumbai
8. Secretary, Coir Board, Kochi, Kerala.
9. Internal Circulation (standard list)

**Constitution of Scheme Steering Committee (SSC)**

Secretary, Ministry of SSI & ARI	Chairman
Additional Secretary and Development Commissioner (Small Scale Industries), Ministry of Small Scale Industries (SSI)	Member
Additional Secretary and Financial Adviser (AS & FA), Ministries of SSI & ARI (or a representative)	Member
Adviser (VSE), Planning Commission (or a representative)	Member
Principal Adviser, PAMD, Planning Commission ( or a representative)	Member
Chief Executive Officer, KVIC	Member
Chairman, Confederation for Promotion of Khadi and Village Industries (CPKVI)	Member
Secretary, Coir Board	Member
Representative of Chairman, State Bank of India (SBI)	Member
Representative of Indian Banks Association (IBA)	Member
Representative of Chairman, National Bank for Agriculture and Rural Development (NABARD)	Member
Cluster Expert - to be nominated by Ministry of ARI	Member
Joint Secretary, Ministry of ARI	Member Convener