Fostering Business Responsibility in MSME Clusters

Volume II

Role of Implementing Agencies

Indian Institute of Corporate Affairs
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Fostering Business Responsibility in MSME Clusters – Volume II

Role of Implementing Agencies

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'Fostering Business Responsibility in MSME Clusters' is in three volumes – Volume I is for Policy Makers, Volume II for Implementing Agencies (IAs) and Volume III for Cluster Development Agents (CDAs). These volumes are a guide to the varied roles and responsibilities all three have in encouraging Business Responsibility among Micro, Small and Medium Enterprises (MSMEs) through a cluster development approach.

Each volume is divided into two sections. The first section explains the basic concepts of clusters, their development, responsible business and the link between clusters and responsible business. The second section describes the roles and responsibilities of Policy Makers (Volume I), Implementing Agencies (Volume II) and Cluster Development Agents (Volume III), in fostering responsible behaviour in MSMEs through the cluster development approach.

	Policy Makers	IA	CDA
Section I	✓	✓	✓
Section II			
Engaging Stakeholders/Institutional Linkages	National Level	State and Local	Local Level
Mapping of Clusters	✓	✓	✗
Selection of Clusters	✓	✓	✗
Selection of Implementing Agencies/ Programme Management Units (PMUs)	✓	✗	✗
Incentivising Enterprise Social Responsibility (ESR) Agenda	✓	✗	✗
Strengthening the National Resource Base	✗	✗	✗
Identifying CDAs	✗	✓	
Formulating a Cluster Action Plan	✗	✓	✓
Resource Mobilisation and Implementation	✗	✓	✓
Trust Building and Social Capital	✗	✗	✓
Diagnostic Study	✗	✗	✓
Documentation	✓	✓	✓
Monitoring and Evaluation (M&E)	✓	✓	✓

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Foreword – IICA

The role of MSMEs in powering India's sustainable growth agenda cannot be emphasised enough. However, the MSMEs continue to be ill equipped to rise to the challenge of shouldering India's growth which is both sustainable and inclusive. To unlock the real potential of this sector it is important to adopt a holistic approach, which includes socially, environmentally and economically responsible conduct to gain competitiveness both domestically and globally.

The study focuses on the roles each stakeholder can play in enabling the MSMEs to become the engines of growth in the true sense. It elucidates the role of policy makers and implementers in mainstreaming Business Responsibility among the MSMEs, so that they are better equipped to meet the emerging global challenges with regard to sustainability.

The IICA has been a strong proponent of encouraging businesses to integrate responsible business practices especially the MSMEs. The release of the National Voluntary Guidelines on Social, Environment and Economic Responsibilities of Business by the Ministry of Corporate Affairs under the aegis of the IICA-GIZ Business Responsibility Initiative, is a testimony of its efforts in this direction.

The IICA is happy to have contributed to the study and is optimistic that the study will go a long way in fostering responsible business practices in MSME clusters.

Dr. Bhaskar Chatterjee
DG and CEO
Indian Institute of Corporate Affairs

Foreword – GIZ

India's vision, as articulated in the 12th Five Year Plan, of inclusive and sustainable growth will remain a distant dream unless its 26 million strong MSMEs are made more competitive. The MSME sector today grapples with issues such as negative environmental footprint, adverse social impacts, resource inefficiency, and weak compliance with social standards. These bottlenecks are making the MSMEs less competitive thereby posing an imminent threat to their growth. At an aggregated level this means the industrial base of India is beset with unsustainable growth.

It is increasingly being seen that markets, including investors and multi-national companies (of whose supply chain MSMEs form a part), are placing significant importance on enterprises sustainability performance. The focus therefore is to make the MSMEs more competitive. This will happen only when the MSMEs operate in a socially, economically and environmentally responsible manner as enunciated in the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs), released by the Ministry of Corporate Affairs in July 2011.

The IICA-GIZ Business Responsibility Initiative, a bilateral cooperation Project between IICA and the Deutsche Gesellschaft fur Internationale Zusammenarbeit (GIZ), recognises the importance of embedding responsible business practices among the MSMEs through the creation of a conducive ecosystem, including an enabling policy framework and implementation guidance to the stakeholder involved. This study is an endeavour in this direction. It proposes a framework on how Business Responsibility (BR) issues of MSMEs in clusters can be addressed through a 'MSME cluster development approach' with a BR focus. It outlines a methodology that policy makers, implementing agencies (such as business member organisations) and individual cluster development agents can adopt to guide MSMEs towards sustainability and competitiveness.

I congratulate IICA, GIZ and FMC for their efforts in addressing such imminent issues within the Indian MSME sector.

Preface

There is no denying that the MSMEs play a critical role, not just from the economic growth perspective but also from the standpoint of social and environment impact they create given their geographical spread. However, it is often reported that MSMEs tend not to adhere to statutory measures while using contract labour, avoid payment of statutory dues, flout environmental norms, display corrupt behaviour, provide a sub-optimal working environment, and hire child labour among several other social and environmental concerns. There is undue attention on short term profit making and lack of a comprehensive and integrated approach towards achieving sustainability and competitiveness in the long run. An initiative to test the Business Responsibility dimensions in select clusters was undertaken during 2005–08 in a collaborative project named 'Thematic Cooperation between UNIDO and SDC in the Field of SME Cluster/Network Development'. The suggested methodology outlined in the study builds on the work done under the above mentioned project. It examines multiple areas and diverse sectoral issues among MSMEs through the BR lens. The study also endeavours to establish a business case for embedding BR among MSMEs and proposes a corresponding methodology that different stakeholders can adopt in this direction. It concludes that there is a need to enrich the methodology with additional concepts, tools and many more examples and contexts.

This project has been commissioned to the 'Foundation for MSME Clusters' by the IICA-GIZ Business Responsibility Initiative. The project is part of an agreement between GIZ and Ministry of Corporate Affairs, Government of India, under the Indo-German Bilateral Development Cooperation Programme to 'Strengthen the Businesses Social, Environmental and Economic Responsibility Movement in India' which has the key objective of fostering an enabling environment in India for the uptake of responsible business practices in pursuit of sustainable economic development.

Acknowledgements

The objective of this study is to conceptualise and put in place a methodology that will support implementing agencies in their efforts to make MSMEs in clusters become more responsible in how they conduct their businesses. The document provides an input on how to blend social, environmental and energy (SEE) related factors with the traditional cluster development programmes, which were structured towards addressing economic issues prevalent in clusters. This methodology document is meant for Implementing Agencies.

The document draws from the study, 'UNIDO-Methodology – Fostering Responsible Behaviour in MSMEs in Clusters' by Mr. Sudhir Rana, National Expert, UNIDO-CDP, and several case studies which provided a rich source of input. We are grateful to all the authors of the case studies for providing such informative material, especially Ms. Asha Sharma for listing the social schemes available from various Ministries of the Government of India. We thank Dr Tamal Sarkar, Director, Foundation for MSME Clusters, for providing his inputs towards completion of the study. We also acknowledge the contribution of 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. Lastly, we thank Mr. Mukesh Gulati, Executive Director, Foundation for MSME Clusters, for providing valuable inputs and guidance.

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We congratulate the authors of the study Dr. B.P. Murali, MSME Development Consultant, and Mrs. Sukanya Banerjee, Deputy General Manager, Foundation for MSME Clusters for putting together an insightful study.

We acknowledge the contribution of the IICA-GIZ Business Responsibility Initiative, in commissioning the study. We would especially like to extend our gratitude to Mr. Manoj Arora, Former Director, Ministry of Corporate Affairs, Mr. Manfred Haebig, Director Private Sector Development, GIZ India, Ms. Neha Kumar, Senior Technical Expert, GIZ India and Ms. Nandini Sharma, Project Advisor, GIZ India for their conceptual guidance and support.

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

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
BMOs	Business Membership Organisations
BR	Business Responsibility
BVS	Bunkar Vikas Sanstha
CD	Cluster Development
CDA	Cluster Development Agent
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
ICT	Information and Communication Technology
IL&FS	Infrastructure Leasing & Financial Services Limited
IMTMA	Indian Machine Tools Manufacturers' Association
IT	Information Technology
KBK	Kalahandi Balangir Koraput
KVIC	Khadi and Village Industries Commission
LBIPDS	Lathikata Block Industries Periphery Development Society
M&E	Monitoring and Evaluation
MSME	Micro, Small and Medium Enterprises
NABARD	National Bank for Agriculture and Rural Development
NFP	National Focal Point
NGOs	Non-Governmental Organisations
NRHM	National Rural Health Mission
OBC	Other Backward Classes
PMU	Programme Management Units
PRIs	Panchayati Raj Institutions
S&T	Science and Technology
SC	Scheduled Caste
SEE	Social, Environmental and Energy
SEZ	Special Economic Zone
SFP	State Focal Point
SGFI	Sports Goods Foundation of India
SGMEA	Sports Goods Manufacturers and Exporters Association
SHG	Self-Help Group
SIDBI	Small Industries Development Bank of India
SME	Small and Medium Enterprise
SPV	Special Purpose Vehicle

ST	Scheduled Tribe
SWOT	Strengths, Weaknesses, Opportunities, and Threats
UDE	Undesirable effect
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 are being acknowledged worldwide as a strategic mechanism through which regions and nations can attain a 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 the same or a similar range of products[1] and encountering common opportunities (e.g., increasing turnover through quality upgradation or introduction of new products or markets, etc.) and threats[2] (e.g., product obsolescence, lack of markets, etc.). The firms producing 'the product' by which a cluster is known are called principle firms, core firms or principle stakeholders of the cluster. The principle 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 – principle firms, support firms and service providers, technical and financial institutions, and interest groups are a part of the cluster and are called cluster stakeholders.

Clustering of Micro, Small and Medium Enterprises (MSMEs) can lead to several positive outcomes such as:

- Providing the impetus for the creation of external economies like specialised suppliers of raw materials, components and machinery; sector-specific skills, etc.
- Leading to the emergence of specialised technical, administrative and financial services.
- Creating conducive conditions for the development of inter-firm cooperation as well as cooperation among public and private institutions to promote local production, innovation and collective learning.
- Leading to conditions that are conducive for collectively addressing the social and environmental issues that are prevalent in the cluster.

The growth of one set of stakeholders in a cluster could drive the growth of other stakeholders. For instance, the presence and growth of a group of knitwear firms in a particular region is strengthened by the growth of various firms involved in related activities such as dyeing, spinning, designing, trading, exporting, etc. The supporting units provide vital backward and forward linkages to the firms at the core of the cluster – the knitwear units are also 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 leads to a corresponding impact to the other constituents of the value chain.

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

1 'Product' in this document implies both goods and services.
2 'Policy and status paper on cluster development in India', Foundation for MSME Clusters, New Delhi, 2007

Table 1.1 Agglomerations of firms that are not clusters

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 scheme 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 recognise a cluster by specifying the minimum number of units in a given measured location, these conditions are difficult to generalise 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 per cent 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).

Institution	Definition
Development Comissioner (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.
National Bank for Agriculture and Rural Development (NABARD), Cluster Development Programme	Micro enterprises and household units functioning in Self-Help Group (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 (Kalahandi Balangir Koraput) districts and at least 50 traditional artisans in KBK districts and situated within a radius of 3–5 km.
United Nations Industrial Development Organization (UNIDO) Cluster Development Programme	At least 100 Small And Medium Enterprise (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 globalisation, enterprises are increasingly expected to pursue their business keeping in mind the stakeholders' interests and well-being, which depends on the way the enterprises manage their business processes. The enterprises are also realising the fact that they cannot succeed in a society that fails. Businesses, particularly those in the private sector, are repeatedly being asked to rise to the challenge of making the growth process more inclusive. Given their financial strength, they can be major partners in making society more humane and just. This initiative is synonymous to corporate enterprises – therefore the terms Corporate Social Responsibility (CSR) and Business Responsibility (BR) to emphasise inclusivity of Social, Environmental and Energy (SEE) drives of both large corporates and MSMEs.

BR can be defined as:

- '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)

BR refers to a contemporary concept, where companies commit to be sensitive to all stakeholder demands in the scope of their business operations, beyond what is regulated and expected by the community, and beyond the industry norm. BR could manifest itself in initiatives related to tackling SEE related issues.

The facets of BR are illustrated in Figure 1.1:

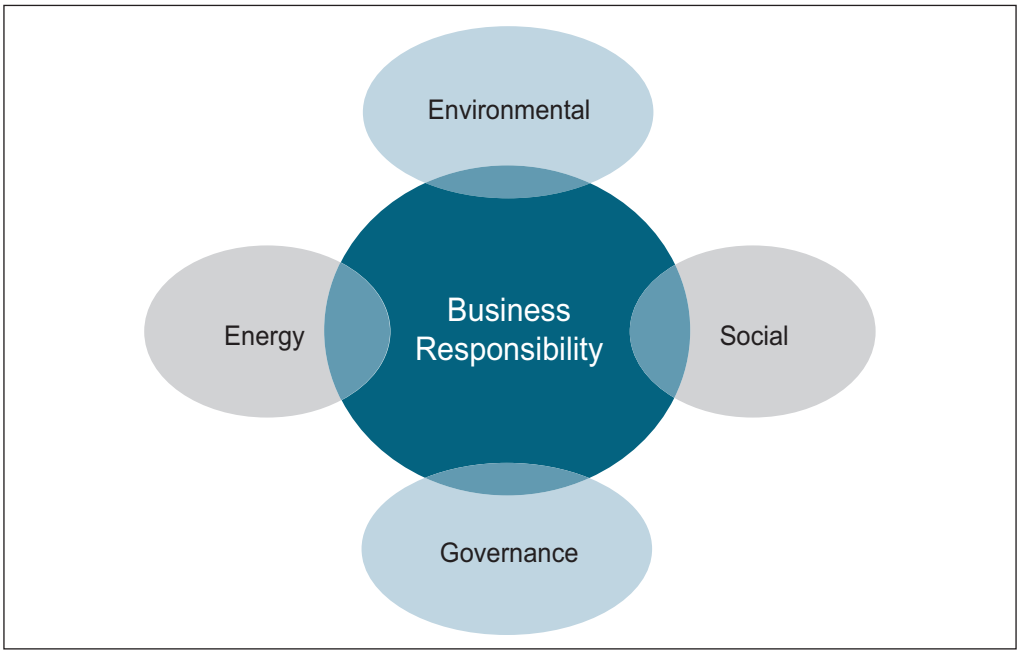


Figure 1.1 Facets of business responsibility

The corporate sector across the world has started realising that competitiveness of a given business can be severely threatened by unsustainable environmental and unviable social structures. Global initiatives such as UN Global Compact, GRI Reporting, SA 8000, ISO 26000, carbon credit trading mechanisms, etc., are some examples towards this new way of thinking. In India, BR platforms have been set up by national level membership organisations such as the Confederation of Indian Industry (CII), Federation of Indian Chambers of Commerce & Industry (FICCI), Associated Chambers of Commerce & Industry of India (ASSOCHAM) and Bombay Chamber of Commerce & Industry (BCCI). At the corporate level some of the well known

initiatives are the TATA CSR Initiative, Microsoft's Project Jyoti, Intel's Outreach Programme, IBM's Computer Literacy Programme, Pepsico's alliance with Basix (a micro-finance firm), etc., which are said to have made major contributions in this field. The actual impact of these initiatives and the relationship of BR with their core business processes may be debatable but it is undeniable that initial steps have been taken towards ensuring responsible behaviour among large corporate enterprises.

On the other hand, there is very little known about the MSMEs and their approach to business responsibility. The available literature about social and ethical behaviour about MSMEs is more critical than positive. 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

Cluster development efforts have primarily focused on the issues of growth and competitiveness as follows[3]:

- 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 this has for local clusters to upgrade.
- Promoting Business Development Service (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 in competing with larger enterprises in local and global markets.

The conventional approach to cluster development efforts in particular and economic development in general could indicate that 'social' considerations might not be in sync with 'economic' development. It is one thing to suggest that business ought to elevate considerations of social well-being of the workforce and community at large, however, if the cluster firms are to

3 Interventions in some clusters are focused on poverty alleviation, i.e., Cluster Development Programme with a focus on poverty alleviation supported by UNIDO.

be engaged in linking their competitiveness with social cohesion or fairness, they must first be convinced that the argument is sound.

Box 1.1 The Samalkha experience – economic benefits elevate social well-being of the community

Samalkha, a small town in the district of Panipat (Haryana), has been well known for its metal casting industry since the 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. 90-95 crores per annum. The production process adopted by these units is traditional, which means that there is a lack of mechanisation and 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 the total energy consumed in the production process) in furnaces known as cupolas. The foundry units used the conventional single blast cupolas, wherein the coke feed ratio was as low as 1:4, i.e., 1 tonne of coke melts 4 tonnes of metal.

To address the issue of high energy consumption, the units had to upgrade the single blast cupolas to double blast cupolas (DBCs). 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 cupolas, FMC (the implementing agency) identified an expert who designed the DBC and supervised the local fabricator who was implementing the design. The cost of installation of this customised DBC is only Rs. 3–5 lakhs (without mechanised charger), which is significantly low as compared to DBCs designed by other institutions.

The outcome: At the time this study was conducted, 11 units had upgraded their cupolas to DBC and 18 units had upgraded their operational practices. The coke feed ratio had improved by 10–30 per cent depending on the duration of the cupola run and the size of cupola. The estimated coke savings in these 11 units was 152.79 tons per annum (taking average coke savings of 13.89 tons per unit). Also by improving cupola operational practices in 18 units the coke savings was 590.15 tons per annum (average coke savings of 32.79 tons per unit). Thus total coke savings per annum from the actions taken in the 29 units in Samalkha was 742.93 tons which is equivalent to Rs. 89,15,200 per annum (Rs. 12 per kg coke). Importantly, the economic benefits of the cluster, i.e., reduction of production cost through reduction of coke consumption, also resulted in the social well-being of the community at large through reduction of carbon emissions.

An important issue which tends to get neglected in developmental policy, programmes and research on competitiveness-upgrading is the fact that small firm clusters usually 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 materials and services are sourced, providing livelihood to the economically backward sections of the community. One needs to understand that, 'competitiveness' and 'inclusive growth' are not stand-alone strategies but are interlinked, as a cluster needs a healthy society for successful functioning and vice versa. For example, education, health care and equal opportunity are essential to a productive workforce in clusters and similarly, society cannot compete with the business sector when it comes to job creation, wealth generation and innovations 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 and 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), cooperative networks, and locally based multi-stakeholder initiatives. As the emerging evidence indicates, such different forms of 'collectivities' are driven forward through distinct local institutional forms within clusters and such networks can potentially lead to positive pro-poor and sustainable outcomes. These outcomes not only address how clusters or networks may positively impact the more marginalised segments of the community or labour force (especially women workers) but addresses wider concerns of 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 strong boost to territorial competitiveness. In particular it is felt that there is a need for 'shift in focus' from economic to social and poverty concerns for policy makers, stakeholders and implementers involved in enterprise development and cluster promotion.

Box 1.2 Developmental initiatives by women weavers in the Barpali Ikat Handloom Weaving Cluster

Maitree, was conceived by a few women following their UNIDO facilitated exposure visit to the Ahmedabad-based SEWA. Maitree was instituted as an organisation of women with the objective of socio-economic development of women weavers in the Ikat Handloom Cluster of Barpali. The Barpali Handloom Cluster comprises 1,567 looms and has a turnover of Rs. 15 crore per annum. Maitree started by creating a network of home based weavers in the entire cluster of Barpali and later increased its spread beyond Barpali. Institutionalisation of such an organisation was needed, given the social status of 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 community in the country.

MAITREE started with 15 members and now has around 300 members from Barpali and five nearby weaving villages. Each member sets aside Re. 1 every day as savings and deposits the same with Maitree every month during their monthly meeting. The organisation now has a pool of more than Rs. 1 lakh as savings, utilised for internal lending to help out women in distress and to avoid their going to moneylenders. A part of these savings are also used for social causes.

Maitree gradually tried putting focused efforts on capacity building of SHGs and its members 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 organise training on financial counselling and skill upgradation for its members and other poor weavers in the village. Maitree has helped alleviate economic and social concerns in the following ways:

- Works with support agencies like Child and Women Welfare Department it organises health awareness camp for rural women and informs villagers about the different government schemes available to them.
- Motivates the villagers to avail the total sanitation scheme; to construct sanitary latrines to reduce instances of various diseases, snake bite, etc.
- Operates a Gyan-Bigyan Kendra, a library cum personality development centre for school going children.
- Organises computer training for women in the local area to teach how to make graphs and designs that can help them in tie and dye yarn preparation for weaving.
- Creates awareness about the need of health insurance. Currently more than 1,950 weavers have enrolled under the health insurance scheme and 860 weavers are covered under the life insurance scheme offered by ICICI Lombard.

With Maitree's initiatives, not only were socio-economic issues of the area tackled but the confidence level of women also rose substantially. The process changed the man-woman equation in both social and economic areas in the family and in society as a whole. Major issues, which had gone unnoticed by society and the government authorities since long, found place in the development agenda of these marginalised women entrepreneurs.

4. Typology of business responsibility initiatives in clusters

UNIDO conducted a study[4] in 11 clusters on how cluster stakeholders perceive business responsibility and based on their observations, BR can be categorised as internal or external and individual or collective, as shown below in Table 1.3.

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

4.1 Internal vs. external BR

Internal and external BR seeks to improve business performance such as lock-in orders with international buyers. As per the UNIDO study, the following can be termed as internal and external BR activities:

4.1.1 Internal BR activities

Activities focusing on labour welfare, account for 19 per cent to 97 per cent of total expenditures on BR. These 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, fine-tune their services such as provision of job contracts in local languages, job security guarantees, display of all policies in a visible area to all, respect of gender-related issues; fixed working hours and leave encashment as an internal BR strategy.

- In terms of contributions to health care, 1 to 27 per cent of total annual BR resources are spent on free medical help, subsidised private health insurance, maternity benefits, healthy work environment, protective gear and accessibility to first aid kits, health club memberships, substance abuse counselling, and information on health related issues.

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

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)'.

4.1.2. External BR activities

Across clusters, external BR activities are dominated by:

- Outward looking BR focused on activities directed towards the overall benefit of the community in which the enterprise operates.
- Charity donations are strongly influenced by religious sentiment and these contributions can take various forms. External charity driven BR activities seek 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'.

4.2 Individual vs. collective BR

- Individual BR activities: These are activities planned and implemented by an individual firm in a cluster.
- Collective BR activities: These are activities conducted jointly with either cluster firms or support organisations.

4.3 Generic social issues[5] vs. 'economic' social issues

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

- Cluster socio-generic BR issues: These issues may be related to religion, education, public health, disability, poverty, women and children, underprivileged sections of 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 could also be labelled as 'generic' social issues.
- Cluster socio-economic BR issues[6]: These BR issues are significantly affected by cluster value chain operation activities and can be related to cluster competitiveness. These issues may be related to product innovation, technology, raw material, wastage, occupational hazards, health and safety, pollution, productivity, unfair labour practices, child labour, corruption, infrastructure, skill development and trainings, bad practices in marketing and after sales services, transparent and truthful marketing and advertisements, proper and optimum utilisation of natural resources, non-use of restricted items and materials, and other value chain steps.

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

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

Thus, in the context of the MSME sector, BR refers to 'responsible behaviour' on the part of the businesses in the following areas:

- Facilitating well-being of the workforce.
- Avoiding actions that could have a 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, etc.) 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.
- Preserving and promoting social values.

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

5.1 Economic dimension

Given the 'economic' focus of cluster development efforts and looking at this aspect from a policy perspective, it would be useful to follow a three-way classification of clusters based on technology intensity as given below:

- 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).
- 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' clusters[7].

Another approach is[8] 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 the majority of its firms, can at least theoretically have any of these nine combinations. While local, national or international markets are self-explanatory; the local production system is mainly based on local resources, whereas national or international production system depends mostly on national and international resources. Such resources

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 5 October 2007 in New Delhi (organised 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.

include sourcing of raw materials, technology, sub-contracting, HRD, etc. A micro enterprise cluster faces challenges such as moving from local production resources and local markets (LL) to local production resources and a national market (LN) and then to national production resources 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.

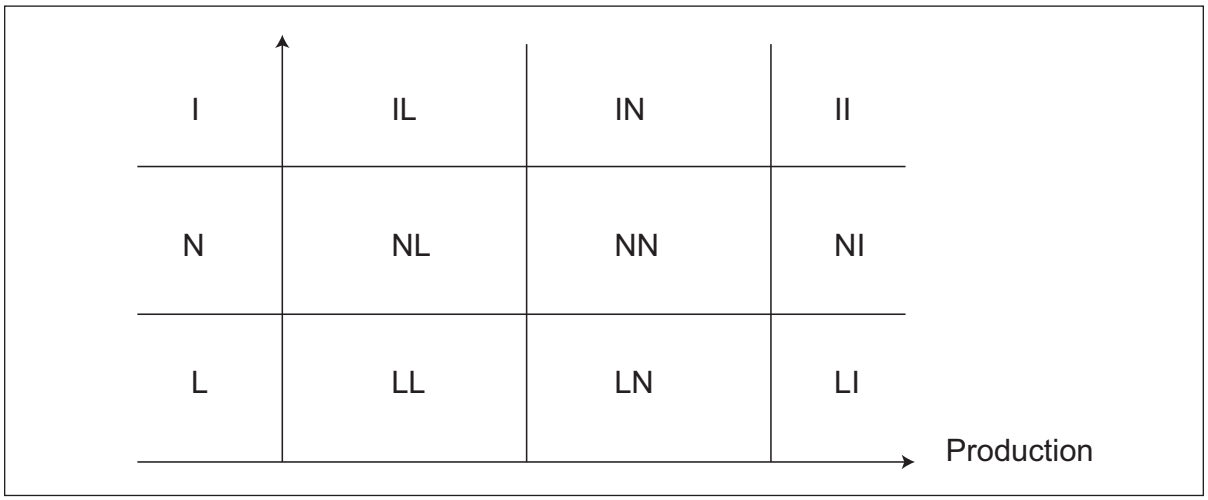


Figure 1.2 Market-production framework

5.2 Non-economic dimensions

As an essential prerequisite to promoting responsible business behaviour, it is important that we understand clusters based on the major BR issues confronting them. Accordingly, a cluster could be typified based on one or more of the following BR issues:

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

While one could 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 them. Using this dimension, clusters can be classified as given below:

Table 1.4 Classification of clusters from the 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 are 'Blind' on the SEE issue.
A – Clusters that are '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 – Clusters that exhibit high level of engagement – taking initiative to address most of the critical SEE issues.

The above classification has implications when clusters are being selected for interventions.

Ministries that are targeting a specific BR issue may support those clusters where that issue is prevalent. For instance, the ministry dealing with labour affairs will 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 relevant issues, 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 them out at the regional/state level.

6. Stakeholders in a cluster

Any effort to promote responsible business behaviour in a cluster must 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.

Table 1.5 gives 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
	Core firms	• Adopting eco-friendly technology. • Compliance with labour standards. • Support community welfare.
	Public Institutions such as: • Ministries dealing with industry, social welfare, environment protection, and the like. • Regulatory bodies engaged in pollution control and labour welfare department. • Other local offices of Government social welfare and environmental departments.	• Affirmative action: Relevant ministries could incentivise clusters to follow socially responsible behaviour. • Regulatory ones could monitor such behaviour.
	Technical institutions such as: • R&D institutions and laboratories • Training institutes • Educational institutions • Vocational institutions	• Provide HRD and technical support to cluster firms (adopting cleaner technologies and training of workers in occupational safety, for instance).

Sl. #	Nature of Institutions	Potential Contribution
	Industry associations/networks	• 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.
	Voluntary organisations	• Form networks that could tackle SEE issues. • Provide technical and management advisory services to cluster stakeholders on issues related to their BR agenda. • Act as an intermediary for some government financing schemes related to social and environmental issues.
	Financial institutions	• Financial support.
	BDS providers	• Offer specialised services to cluster firms for tackling SEE issues. • Provide material and financial support to BR initiatives.
	Trade unions and workers groups	• A good 'entry point' to consensus building on tackling SEE issues.
	Other enterprises in the cluster (large manufacturers, large buyers, suppliers firms dealing in equipments, etc.)	• Offer specialised 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.
	Local community	• Act as pressure group to address SEE issues. • Supplement the efforts of core firms in BR initiatives.
	Opinion leaders	• Sensitise core firms on BR issues. • Use 'social power' or position to propel core firms to act responsibly.

Table 1.6 illustrates 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 and Energy	Health	Generic Social Issues
Core firms	Fare wages. Occupational health and safety.	Clean technology. Use of renewable energy.	Health awareness camps.	Non-formal education. Home for senior citizens. De-addiction centre. Education for girl child Livelihood means for differently-abled persons.
Other enterprises (Buyers, raw material/ machinery suppliers, etc.)	Buyers' insistence on labour standards. Improved standards of safety in equipments.	Energy efficient machines. Bio degradable packaging options.	Health awareness camps.	
Private and public service providers	Skill training. Consultancy on safe working conditions.	Energy audit. Recycling technology.	Diagnostic facility.	
R&D institutions	Reduce drudgery through innovative technology.	Emission reduction technology.	Emission reduction technology.	
SBMOs (Small Business Membership Organisations)	Support skill upgradation. Form SHGs and link to micro-finance.	Common effluent treatment plant.	Health care centres.	
Financial institutions and banks	Linking access to firms with labour practices.	Better access to funding for clean technologies.	–	
Voluntary organisations (VO)	Advocacy. Monitoring child labour.	Act as pressure group.	Organise health camps.	
Regulatory authorities	Monitoring child labour.	System of sanction based on emission, effluents and solid waste.	Monitor compliance to health related regulations.	
Labour union	Advocacy.	–	–	
National and provincial governments	Support to pension fund.	Infrastructure for use of alternate fuel.	Provide health infrastructure.	
Local community	–	Act as pressure group.	–	
Opinion leaders	Sensitise core firms on labour practices.	Mobilise support for collective action.	Mobilise opinion on preventive health care.	
Educational/training institutions	Vocational training for unskilled labour.	Training of workforce to use eco-friendly or energy efficient technology.	–	

7. Why focus on cluster development

Cluster-based development has gained acceptance worldwide, due to its innovative approach 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 (both developed and developing) are known to have undertaken cluster-based development initiatives. Some of the known organisations that have fostered cluster development initiatives are United Nations Industrial Development Organization (UNIDO), International Labour Organisation (ILO), International Finance Corporation (IFC), Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), etc. UNIDO has been the front-runner in developing cluster-based development approaches that have now been replicated in several developing countries across the world.

7.1 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 the existing firms are to examine the relationships that they have with other firms in the cluster and consider the services they offer.

- Are professional services firms specialised enough to cater to the particular needs of firms in the cluster or do the latter need to go elsewhere for specialised advice?
- Can manufacturing firms fit into the supply chain of firms located in the cluster, thereby reducing the need for their customers 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 can link up with firms in the cluster either through standard commercial trading relationships or through non-trading relationships. All firms, public bodies, educational institutions, etc., need to consider what linkages they could forge with the cluster.

While the economic development of a cluster 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 and clean/safe working conditions, for instance); to the community around the cluster (in terms of improved quality of ground water, for instance) and to society at large (safer natural environment, for instance). More on promoting 'responsible business behaviour' is deliberated on in the subsection below.

7.2 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 the 'development of humans'. This section deals with 'economic benefits', which are:

- Facilitating 'specialisation'
- Promoting brand equity
- Attracting investment in peripheral activities
- Attracting investment in core activities
- Synergic effects leading to enhanced competitiveness
- Promoting mutually beneficial 'learning'

7.2.1 Facilitating 'specialisation'

Being engaged in a given manufacturing or service activity, clustering leads to 'specialisation' with attendant benefits such as improved quality and cost-efficiency and thereby competitiveness.

7.2.2 Promoting brand equity

Specialisation could lead to building 'brand equity' and therefore emerging as a preferred supplier of a given range of products – another instance of a factor that contributes to competitiveness.

Box 1.3 Brand equity of the Chanderi Handloom Cluster

Among the handloom clusters in India, the Chanderi Handloom Cluster, Madhya Pradesh, had dressed royalty in the past and still enjoys its elite status because of its centuries old weaving specialty of a finely textured fabric which is a mix of silk and cotton, embellished with exquisite gold woven work. It is one of the easily recognised handloom fabrics 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 a combination of strong colours as well as muted tones.

7.2.3 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.

7.2.4 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 Bengaluru (India), the presence of a large number of SMEs (apart from large Indian corporates) in the software sector, has lead to investments by multinationals as well as Indian investors.

7.2.5 Synergic effects leading to enhanced competitiveness

SMEs can significantly increase their comparative advantages by cooperating 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 upgradation, 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) in order to coordinate their actions and pool their resources for a common development goal.

The success factor has been more scientifically analysed in terms of a 'Triple C' approach which explains this improved performance and competitiveness by means of a customer-oriented, collective and cumulative approach[9]. Customer orientation focuses on the bottom line of success and successful policy interventions guide SMEs to learn about the needs of the customer and also provide technical support to achieve the same. A collective approach lowers transaction cost and encourages 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, thus creating the 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 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 per cent of the firms are exclusively working as subcontracting units, particularly for manufacturing hosiery cloth. The cluster reflects a high degree of specialisation 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 and sourcing assistance are provided by several enthusiastic entrepreneurs that helps galvanise the industry.

7.2.6 Promoting mutually beneficial 'learning'

The uniqueness of cluster dynamics – the real relationship phenomenon between a number of business entities – leads to easy dissemination of technical information. The dynamics lead to

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

accelerated technical learning. This has been witnessed as a 'reverse engineering' phenomenon in the Ludhiana Knitwear Cluster (Punjab, India).

7.3 The SEE benefits of cluster development

7.3.1 Finding and keeping skilled workers

Considering that paucity of skilled labour is an emerging phenomenon, the ability to find and retain a qualified and 'quality workforce' is turning out to be a major challenge for sustenance and growth of businesses, especially for MSMEs. Thus, clusters have to look deeper into the labour pool from non-traditional sources they may have ignored in the past. To attract such skilled human resources, it is essential to invest in training the workforce and provide facilities (education for children, for instance). This is considered an 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 ranking in the Garment Industry. OGTC has signed a MoU with IL&FS for setting up a chain of training centres in OGTC members' units under a scheme introduced by the Ministry of Rural Development, whereby IL&FS is the nodal agency. This scheme provides Below Poverty Line (BPL) youth the opportunity to undergo training and develop skills so that they can find work in the mainstream garment industry. A model Tailors Training Centre has been set up in Pee Empro Exports, Faridabad, in 2010, where 25 fresh BPL candidates were selected from rural areas. However, OGTC had already initiated training in 2007 when a group of trainers were trained and training centres were set up. Around 350 tailors undertook tailor training, of which 240 were employed and are still working in the unit. This is a fairly good retention percentage. Under the initiative of training and providing employment to physically handicapped persons by OGTC, around 97 workers have been provided employment.

7.3.2 Branded as caring

Another kind of pay-off 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 a differentiated image that commands customer loyalties, 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.

7.3.3 Need for compliance

As a cluster becomes increasingly competitive, 'visible', social accountability is considered important. For instance, the position of foundry clusters in Agra was threatened due to their impact of pollutants on the Taj Mahal. The firms were required to take corrective measures out of compulsion.

The requirement of large buyers could 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. Given below is a case of the Jalandhar Sports Goods Cluster wherein child labour was eradicated to retain international clients.

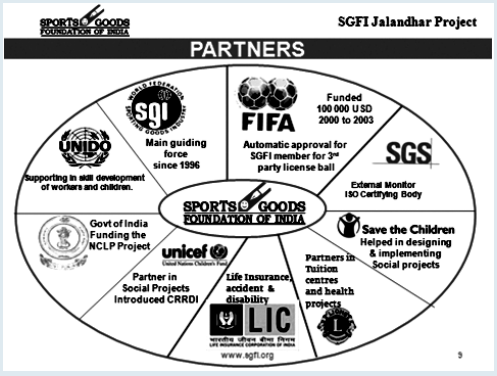
Box 1.6 Tackling child labour issues in the Jalandhar Sports Goods Cluster

The Jalandhar Sports Goods Cluster exports 85 per cent of its products. Thus there were serious repercussions when foreign brands such as Nike, Adidas, Reebok and Mitre amongst others, withdrew their business to save their brand image being tarnished by the incidence of child labour. The child labour issue was not only a national issue but also an international one, as various global organisations 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 employed 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 organisation committed to the prevention and rehabilitation of child labour in the sporting goods industry. The objective of the organisation 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 workers' 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 organisations to fulfil its objectives. This can be seen in the diagram below.



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

SGFI is also running 30 MUSKAAN (Smile) centres that are basically supplementary education centres helping rural children who lack family support for 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.

8. 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 policy makers focus on appealing to the 'emotional' side of the cluster stakeholders as well? 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 could be linked to economic benefits for cluster firms. This could act as a prelude to wider and deeper engagement of cluster stakeholders with 'social' benefits. Figure 1.3 below provides clues to this effect.

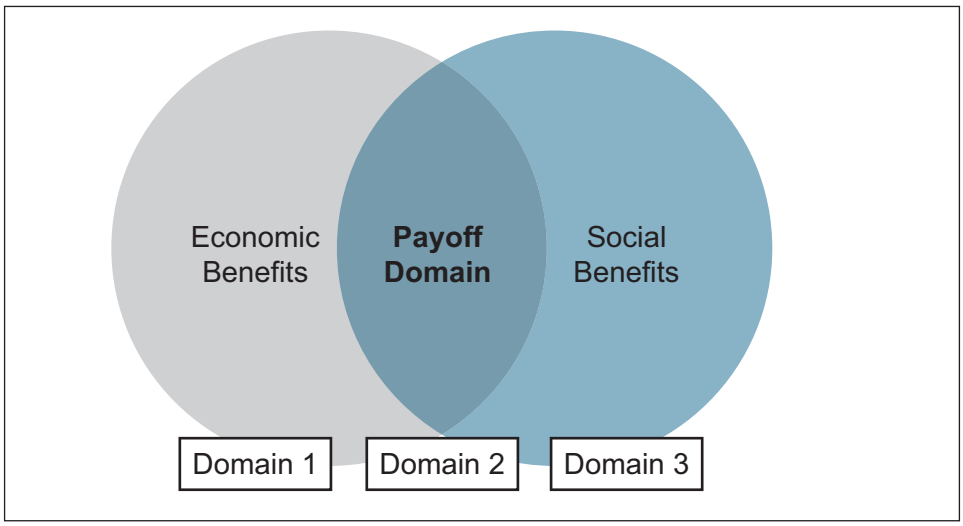


Figure 1.3 Illustration of the pay-off domain

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 third domain amount to pure philanthropy that are difficult to promote given the economic realities of business. However, there is an area of overlap – domain 2, 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. These will provide a competitive edge to the cluster operating in highly competitive export markets. Thus, taking note of what is 'doable', the policy makers can consider incorporating the CDP to tackle BR issues with inherent economic benefits. An approach based on the UNIDO methodology is discussed below.

8.1. Steps involved in cluster development – An overview

8.1.1 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 simultaneously with social and environmental impact, if they are to compete in global markets[10]. The development process facilitates functional and sustainable linkages among various stakeholders and promotes 'coopetition' – 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 shares and which strengthens their capacity to act upon such a vision.

The pillars of UNIDO's cluster development approach are based on the following facts:

- It is need-based, i.e., it is beneficiary-led and managed.
- It is flexible, i.e., it matches the 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.

8.1.2 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:

- 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.
  - Revitalising systemic interactions.
  - Tackling BR issues and consequently, producing a demonstration effect.

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

While 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 about local linkages and support mechanisms. This is an attempt to identify the 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 revitalised.

Understanding socio-economic BR behaviour of the cluster forms a crucial component of diagnostic study. In other words, it requires understanding of SEE issues such as education, public health, health care, poverty, women and child development, underprivileged section of the society, local environment, child-labour, energy consumption, etc. Ideally, the process can start with a meeting with leaders in the field who have proved themselves in economic development and are philanthropists. Feedback received from these experts can provide general insights of the different types of socio-economic issues being faced by the cluster and this information complements the facts received from secondary sources gathered in the first phase.

This 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 which 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 just the sum total of the demands set out by individual cluster stakeholders. It is 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 realisation of the targets set therein, but more ambitiously, a radical change in the way the cluster stakeholders interact with each other 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 is 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 its selection is schematically represented in Figure 1.4.

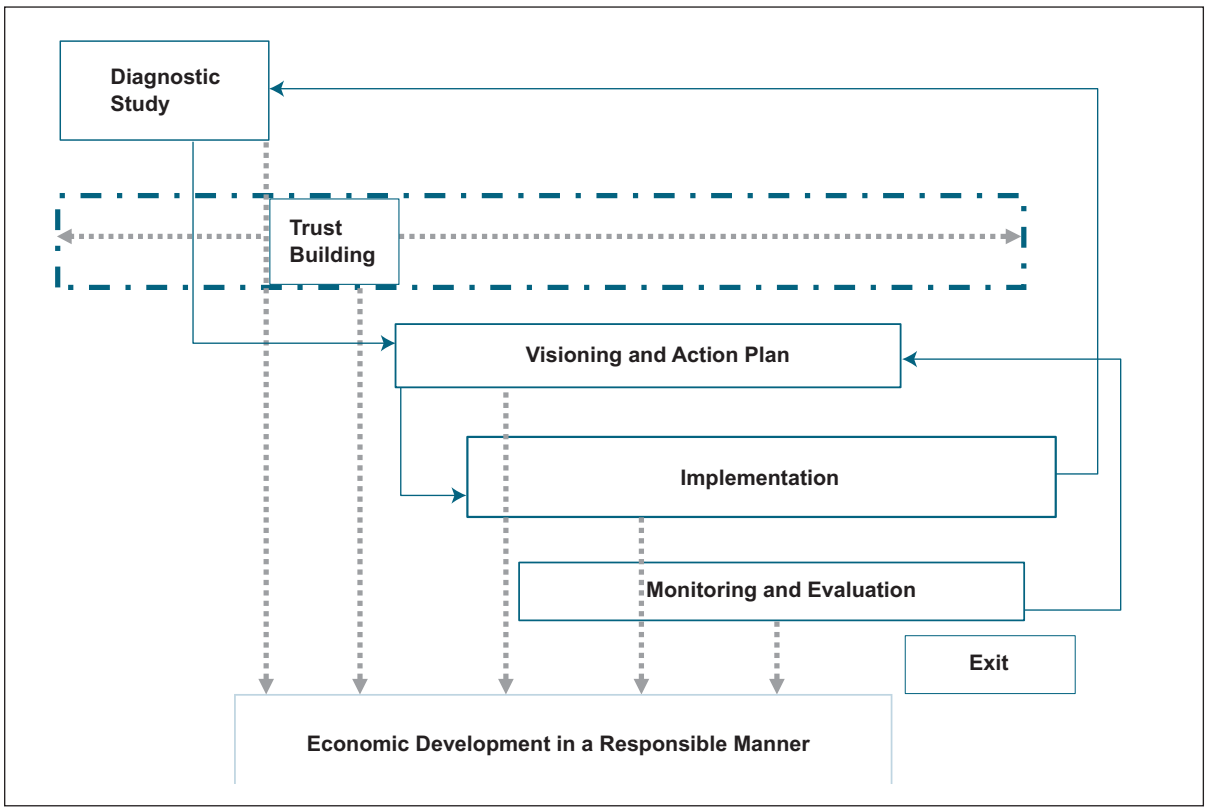


Figure 1.4 Steps of cluster development approach

The next section draws a parallel between M&E focused development orientation and the standard 'economic' orientation to cluster development.

8.2 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 an economic angle.
- Promoting 'business responsible behaviour'.

By and large, enhancing competitiveness has been the mainstay of cluster development initiatives. The need to lend a 'human face' to the process and the realisation, that in the long run, sustainability could be achieved through socially responsible behaviour has prompted modifications in the approach to development interventions. The differences between the cluster development approach which focuses purely on 'economic' aspects and the one that goes a step further to include 'social' aspects are depicted below:

Table 1.7 SEE[11] focus in cluster development

Stages in Cluster Development	Focus on 'Enhancing Competitiveness'	Focus on Promoting 'Socially 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: Economic importance: Development potential of the cluster from a commercial angle. Availability of 'critical mass' of 'core firms'.	Based mainly on: 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: Business processes among core firms. 'Collective capabilities' of cluster stakeholders for 'joint action' for commercial benefits. Common challenges faced and opportunities available in the cluster. 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.	Focus is on understanding: SEE issues confronting the cluster. Vulnerability nodes in the clusters impacting the social well-being 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.

11 SEE implies Social, Environmental and Energy issues.

Stages in Cluster Development	Focus on 'Enhancing Competitiveness'	Focus on Promoting 'Socially Responsible Behaviour'
Action plan	Visualise requirements to enhance competitiveness of the cluster. Accordingly, promote joint actions such as technology upgradation and formation of a consortium to explore new markets. Capacity building initiatives to enhance competitiveness.	Visualise the cluster's BR requirements. Assess how far the principle stakeholders of the cluster can contribute to socio-economical and socio-cultural development of the cluster. Identify 'joint actions' to tackle BR challenges. Assess the prima-facie feasibility of initiating related actions. Capacity building initiatives to foster socially responsible behaviour.
Implementation	Start with simple projects that help build trust among and result in measurable commercial benefits to 'core firms' and demonstrate the advantages of collaboration. Move towards actions that lead to radical change in the way cluster stakeholders interact with one another and conduct their business. Work through institutional mechanisms that can help the cluster perceive opportunities for business growth and accordingly initiate collaborative efforts.	Start with simple projects: That help build trust among stakeholders, result in measurable 'social impact' as also distinct economic benefits to 'core firms'. That demonstrates the advantages of collaborative efforts to benefit the community. Move towards actions that lead to radical change in the way cluster stakeholders perceive the need for socially responsible behaviour and respond proactively. Work through institutional mechanisms that can help the cluster stakeholders be more sensitive to 'social' issues, relate the same to their long-term well being and accordingly initiate collaborative efforts to benefit the community.
M&E	Outcome indicators focus on: 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 and exports. Qualitative indicators such as new/ stronger linkages between core firms and service providers.	Outcome indicators focus on: 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 and better working conditions. Effectiveness of institutions' mechanisms created for or 'owned' by the cluster stakeholders to tackle SEE issues.

9. Cluster governance

Cluster governance[12] is about the focused, collective actions of cluster stakeholders to upgrade a cluster in order to build and maintain a collective and sustainable competitive advantage. 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 addresses the question 'how the value chain itself is moving', how it can be reconfigured and where new synergies can be found. In addition to this view of cluster governance, issues related to business responsibility also have to be factored in.

Going beyond traditional industry association, one could envisage a governance mechanism through a platform in which all cluster-stakeholders participate, such as suppliers, customers, schools, consulting firms, banks and governmental organisations. The aim of the platform is to stimulate the cluster's self-organising capabilities in order to strengthen its competitive position and in the process tackle BR issues. Thus, it can be said that the platform initiates the following activities:

- Takes stock of the impact of cluster operations on SEE issues.
- Stimulates knowledge sharing to enhance understanding of the above among the cluster actors.
- Deliberates on the current level of engagement of cluster stakeholders with SEE issues and the need to enhance the same.
- Establishes linkage between BR mitigating measures and potential economic pay-offs.
- Identifies resources within and outside the cluster and mobilises the same for addressing SEE issues.

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

10. Linking SEE sector promotional schemes with cluster development

Currently, cluster development initiatives are supported by the 'economic ministries' who deal with MSMEs, commerce and industry, textiles, etc. However, inclusion of the BR agenda in cluster development calls for additional support. Such support could be mobilised by tapping the schemes of the 'social sector ministries' dealing with women and child issues, non-formal education, social justice and empowerment, etc. Given below are examples of some of the schemes that could support BR initiatives in clusters.

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

a) Special Health Scheme for Rural Areas (NRHM) under the aegis of Ministry of Health and Family Welfare promotes outreach services among the rural and high density urban slum population of the country. Financial assistance is available for voluntary organisations to assist them in setting 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 better access to health care by utilising the assistance under the scheme. This can lead to economic pay-offs for cluster firms by way of reducing incidences of absenteeism, for instance.

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 for building capacities of SMEs to tackle pollution related issues. This can be economically beneficial for cluster firms by way of reduction in process wastage and creating the potential for recycling.

c) Scheme of Support to Voluntary Agencies for Adult Education and Skill Development under the aegis of Department of Elementary Education and Literacy and Department of Secondary and Higher Education. The scheme helps improve the occupational skills and technical knowledge of neo-literates and trainees and improves their efficiency and productivity. Cluster firms benefit from this 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.

11. 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, some fundamental success factors of cluster development have been identified below.

11.1 Conducive policy framework

While economic policies that enhance competitiveness in a cluster could be well conceived, this is not necessarily enough to promote a cluster's socially responsible behaviour. The policy framework creates an effective 'framework' for tackling BR issues. Cluster policies are required to encourage linkages among the stakeholders (cluster stakeholders and 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) could play a significant role in the development process.

11.2 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 could be a candidate for interventions only because of strategic reasons to facilitate regional development, ignoring its development potential. Examples of the inefficient use of public money are the numerous struggling ICT and biotechnology cluster initiatives funded by so many governmental programmes all over Europe.

11.3 Involvement of stakeholders

Multiple institutions and multiple levels of a given institution, which have an impact on the cluster, need to be identified. Regulatory and 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 are mandated to play only an 'economic' role (raw material suppliers for instance). Identification of such institutions, understanding the prevailing level of interaction among them, and assessment of their potential to contribute towards promoting 'responsible behaviour' of the cluster as a whole is an essential prerequisite to be selected.

Box 1.7 Polio awareness initiative of Ummeed in the Moradabad Brassware Cluster

Incidences of diseases like polio, measles and other viral infections were quite common among the children of the craftsmen of the Moradabad Brassware Cluster. This was mainly due to lack of awareness and wrong beliefs about vaccination. Vaccination was not accepted in the region because of the misconception that the vaccines cause impotency. To address this issue of vaccination, 'Ummeed – A Helping Hand', an NGO formed by six manufacturers cum exporters of the Moradabad cluster, went door to door to try and convince the workers to vaccinate their children. However, the campaign did not meet with much success and the NGO joined hands with the district administration, international health organisations like WHO, UNICEF and Rotary International to increase the acceptance of vaccinations for polio and measles, BCG, DPT, etc., among the community. In the process, Ummeed sensitised religious leaders to convey the message on health facilities as and when they got the opportunity, as they had significant influence over the community. Ummeed has also organised several polio immunisation as well sensitising camps in the high risk areas of Moradabad district.

The initiative of engaging appropriate stakeholders in the process of creating awareness for vaccination resulted in reduction of 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.

11.4 Mutual trust among cluster stakeholders

A key element of cluster development is the quality of 'joint action' by the cluster stakeholders to fulfil a '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.

11.5 External Linkages[13]

Joint actions for cluster growth, when successful, lead to a sense of 'self-sufficiency' among the core firms, e.g., pooling resources for prototype development. Such an approach could 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 look closely at 'external' linkages.

11.6 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 a whole. This is possible only when there is mutual trust among the cluster stakeholders. In the absence of mutual trust, 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 lead to joint actions that enhance cooperation while maintaining competitive spirit.

11.7 Effective implementation agency

The process of cluster development is best facilitated by an external agency in the long run and the cluster stakeholders must themselves set up an appropriate institutional mechanism for sustaining the same. Such an implementing agency provides an appropriate work environment (mainly operational flexibility) and support to the field staff.

11.8 'Cluster development executive (CDE)' – the back bone of the process

The CDE represents the programme implementing agency in the cluster. It acts as a link between different cluster stakeholders and ensures the formulation and execution of the action plan in accordance with the vision and strategy of the cluster. One of the important areas of

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

a CDE's work is to facilitate mutual trust among different stakeholders in the cluster. Trust building is initiated through facilitation of healthy discussions, followed by pilot and short-term activities 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 about the possible benefits from such cluster development activities. Thus, the CDE is required to possess certain necessary competencies, especially in the areas of interpersonal relations, trust building, negotiation, planning and networking.

11.9 Problem solving through 'empowerment'

Having identified BR issues to be tackled and barriers to be overcome for the economic development of the cluster, an enthusiastic implanting agency could focus on 'solutions' immediately. However, it is also important to note that any sustainable intervention is possible only when the cluster stakeholders are 'empowered' to take decisions and action on their own. The process of empowerment could involve formation of institutional mechanisms for sustained actions; provision of information/knowledge required to identify, initiate and sustain remedial actions; skill development training and so on.

11.10 Sustainability

Embarking on the process of cluster development based only on 'public funding' could be appropriate under conditions where cluster stakeholders themselves are unwilling to commit financial resources initially. This hesitation could 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 could be supplemented by support from the government and 'public' institutions.

Section II

Methodology Document for Implementing Agencies

CHAPTER 1
The need for and role of implementing agencies (IA)

1. Need for an implementing agency

1.1 Multiple Institutions but 'Individual' Actions

In a traditional cluster, there are different stakeholders such as principal firms, machinery suppliers, raw material suppliers, support firms, BDS providers, funding institutions, technical institutes, NGOs and regulatory bodies. They each independently carry out various commercial and regulatory activities related to the cluster and do not adhere to a common plan. This problem is enhanced 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 or do not work effectively due to mutual mistrust or the lack of implementing capacities. This situation calls for an external agent/agency which can link up the different cluster stakeholders and help them in understanding their common issues, suggest possible means to address them and help in implementing 'joint initiatives'.

The private sector is seldom willing to play the role of catalyst for promoting joint actions as it is difficult to measure the linkage between collective behaviour and output at an enterprise level. This is a situation where the goal of maximising profits supersedes that of 'public good', without realising that 'joint initiatives' ultimately lead to 'individual benefits'. Thus, to propel the stakeholders to act jointly for collective benefits requires interventions from an institution experienced and devoted to the cause of development.

2. Levels of implementaion for CDP

There should be three levels of implementation of initiatives for cluster develoment.

- The entire process of planning and implementing cluster development programmes has to be spearheaded by an agency/institution that is mandated to carry out development initiatives. Such an umbrella set-up is referred to as 'Programme Implementing Agency'. An IA's role includes:

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

b) Preparing and allocating human resources for faciltating the development process

c) Diagnostic studies

d) Trust building

e) Action plan formulation

f) Implementation of development initiatives

g) Monitoring and evaluation

- The cluster action plan comprises of several groups of activities such as settting up a common facility centre, installing welfare measures for the workforce in the cluster as a whole, offering access to basic education for the the workers' children and the like. These should be implemented by different local institutions depending on their area of expertise. These institutions may be industry associations, industry networks, BDS providers or NGOs.
- At times, 'Special Purpose Vehicles' (SPV) are created to implement initiatives that involve fixed assets that would be commonly owned. For instance, a 'common effluent treatment plant' calling for substantial investment should be implemented by an SPV.

3. Types of implementing agency

Different types of institutions can undertake the role of the implementing agency. Any one of the following may act as the programme implementing agency:

- Association of micro, small or medium enterprises: These are traditional business associations, some of whom are fairly proactive and also undertake activities like providing of training, introduction of cleaner and greener technologies, setting up common infrastructure to tackle waste disposal and community welfare initiatives.
- Field organisations/offices and autonomous/public sector institutions under the banner of various ministries dealing with MSMEs, environment protection and the like.
- State governments and their autonomous/public sector organisations.
- National and international institutions engaged in the promotion and development of the MSME sector.
- Partnership models.
- SPV.

A detailed note on the partnership model and SPV follows.

3.1 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 with 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, prevention of HIV/AIDS, provision of legal aid, recycling of goods, etc., 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 child labour eradication is provided as under:

Box No. 2.1 Child labour eradication initiative – partnership with Myrada and the Silk Reelers Association

Kollegal, which is about 160 km south of Bangalore, practices all the stages of 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 middlemen and indiscriminate price structures.

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

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

The task of convincing the employers was not that simple. To achieve the goal of making sericulture child-labour-free, innovative methods were adopted by Myrada along with the support of the Silk Reeler's Association. The initial headway 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 in the practices of many reelers.

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

However, to make the intervention sustainable, the programme fostered linkages with support organisations, which had a marked presence in the district but were underutilised. These included: Karnataka State Sericulture Research and Development Institute (KSSRDI), Thalghatpura; Central Sericulture Training and Research Institute (CSTRI), Bangalore; Sericulture Department of Government of Karnataka; Silk Exchange & Cocoon Market; Central Silk Board; NABARD; District lead banks; Raw Silk Testing Centre (RSTC), Kollegal; Karnataka Silk Marketing Board (KSMB) and Regional Sericulture Research Station (RSRS), Chamarajnagar.

3.2 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. Also in case all the member enterprises in an existing industry organisation are not willing to take up a common set up of activities it may require a separate formal body to be created for the interested members.

A SPV is a separate legal entity which drives the prior experience of positive collaboration among its members, whether formally or otherwise. This is required as the applicant of proposed cluster development initiatives needs to have sound management. Ideally, therefore, all proposals must emanate from SPV, consisting of the actual/likely beneficiaries organised in any legally recognised 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 utilise 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 organisers should obtain written commitments from 'users' of the proposed facilities so that its positive outcomes can be further enlarged. The CFC may be utilised 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.

The main roles and functions of a SPV are:

- To be responsible for the day-to-day running of the cluster development activities including functioning of hard interventions, i.e., CFC.
- To mobilise 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 organisation had to be created in eastern India is illustrated below.

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

The Mayurbhanj district, in the northern region of Odisha, covers an area of 10,400 sq km, of which 44 per cent is forest area. The forest mainly comprises of the sal tree (Shorea Robusta) and the 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 only eight months in a year, due to the seasonal availability of sal leaf. Almost 7 lakh people are associated with sal leaf activities in the cluster.

The sal leaf business originated in Betnoti, a village in Mayurbhanj district, and eventually spread to other parts of Odisha. In the initial years, the leaves were mostly collected from the forest within a 20–30 km periphery of Betnoti. Over a period of time, this led to deforestation and during the 1970s almost half of the forest areas adjacent to the nearby villages were depleted. The increase in livestock population and uninterrupted human pressure on forests accentuated the problem. The consequences: huge shortage of availability of raw material and threat to the livelihood of the community. The stakeholders anticipated the closure of the sal leaf business.

The dependency of the villagers on sal leaf forests 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, spread to almost a hundred villages of Odisha in phases. In five years (1988) the protection activities had spread to 25 villages and by 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 Village Forest Protection Committees (VFPCs).

JFPC, Buddikhamari, became the federation of the 95 VFPCs. Groups of villagers were assigned the task of guarding their respective forest areas daily, on a rotational basis. At the JFPC level, a patrolling team was formed with the task of monitoring the work at the VFPC level. All these activities were taken up through voluntary contributions by the villagers. About 7,500 households from 95 villages are directly involved in this entire process. This unique effort helped the forest to regenerate and provided the villagers a means for sustenance. It also helped the villagers to strike a balance between conservation and livelihood needs. The forest conservation initiative of the villagers led to reforestation of the protected areas leading to livelihood benefits to the villagers and positive 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, each 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, assuming that the execution capacities are 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 and the technical partner are likely to form a good combination. However, if the issue at hand relates to only a few enterprises either not hitherto organised or if their organisation does not have the mandate to take up the issue, then a new executing partner may have 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 an NGO having a sound financial position.

CHAPTER 2
Cluster selection

1. Why is there a need to select?

Considering that development is a continuous process, any cluster can be selected to facilitate better performance. However, there are a variety of factors, as explained below, that necessitate selection:

- Interventions to facilitate cluster development require application of material, financial and human resources. Such resources, especially 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 optimised. However, this is subject to the objective of the programme.
- Most institutions engaged in cluster development have a 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 should only select those sectors which are 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 may vary from the current level of response by cluster actors to the same. For instance, if a cluster is facing serious SEE issues but the actors are unwilling to respond to the same, the cluster may be a good candidate for an 'awareness programme'. Whereas, in a similar cluster where the actors are willing to respond to the SEE issues but do not have the wherewithal to do so, is a better candidate for interventions.

2. BR angle to selection

Most of the cluster interventions carried out around the globe are focused on economic development, fostering competitiveness and innovation. Thus, the broad guidelines for selecting

potential clusters for those initiatives contains elements which give mainly economic and technical details about the clusters.

For implementing a social responsibility-fostering programme, it is necessary to consider SEE issues as well, not just the economic and technical ones. MSMEs in clusters all over the world are invariably confronted by some or the other social problem that they need to address. For example, in the case of the Jalandhar Sports Goods cluster in North India, the common issue was child labour and in the Tiruchirapalli engineering and fabrication cluster in South India, the key issue 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 or an anti-industry political atmosphere among surrounding communities.

For implementing a social responsibility fostering programme, it is often the common issue and their fit with the implementing agency mandate that will dictate the selection of a cluster. Development agencies have their own mandate. MSME clusters can become important platforms which can help these agencies synergise their objectives with the issues that the cluster faces. For instance, if an agency is interested in addressing labour issues, more specifically the child labour issue, it can choose the clusters that are accused of employing child labour. For example, media has often highlighted the employment of child labour in brick-kilns and ready-made garments' businesses 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 not averse to investing and initiating a programme with an institution like UNIDO.

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

Table 2.1 Typifying clusters 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, the economic issue has been pivotal to selection of clusters. Transiting from such a mandate to the one involving BR focus does not mean sacrificing the 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 9, 6, 8 and 5. In short, it is suggested that the development interventions be, at least initially, focused on those clusters where BR issues are 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 organisation needs to use its resources sensibly, often aiming at combining social and economic impact of development interventions.

3. Steps for cluster selection

The following steps are involved in the selection of clusters:

- Preliminary selection and shortlist of clusters
- Formulation of final selection criteria
- Listing information needs
- Data collection
- Final selection

3.1 Preliminary selection and shortlist of clusters

Subsequent to the mapping exercise, a preliminary shortlist of clusters which have common SEE issues is 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 specialised 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. For instance, 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/s greater international linkages.

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

- Mandate of the concerned ministry or funding institution or development agency: for instance, the ministry dealing with promotion of Science and Technology should shortlist only those clusters that are technology intensive.
- Intensity of SEE issues: Applying 'Cluster Responsibility Perceptions Based Score Card'[14] is an appropriate way to start with the process of shortlisting.

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

- 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 involved. A regional agency will concentrate on a cluster or clusters in its territory.

3.2 Formulation of selection criteria:

The selection criteria has to be a combination of general cluster parameters like depth, geographical location, etc., along with the economic and social parameters as depicted in Figure 2.1 below.

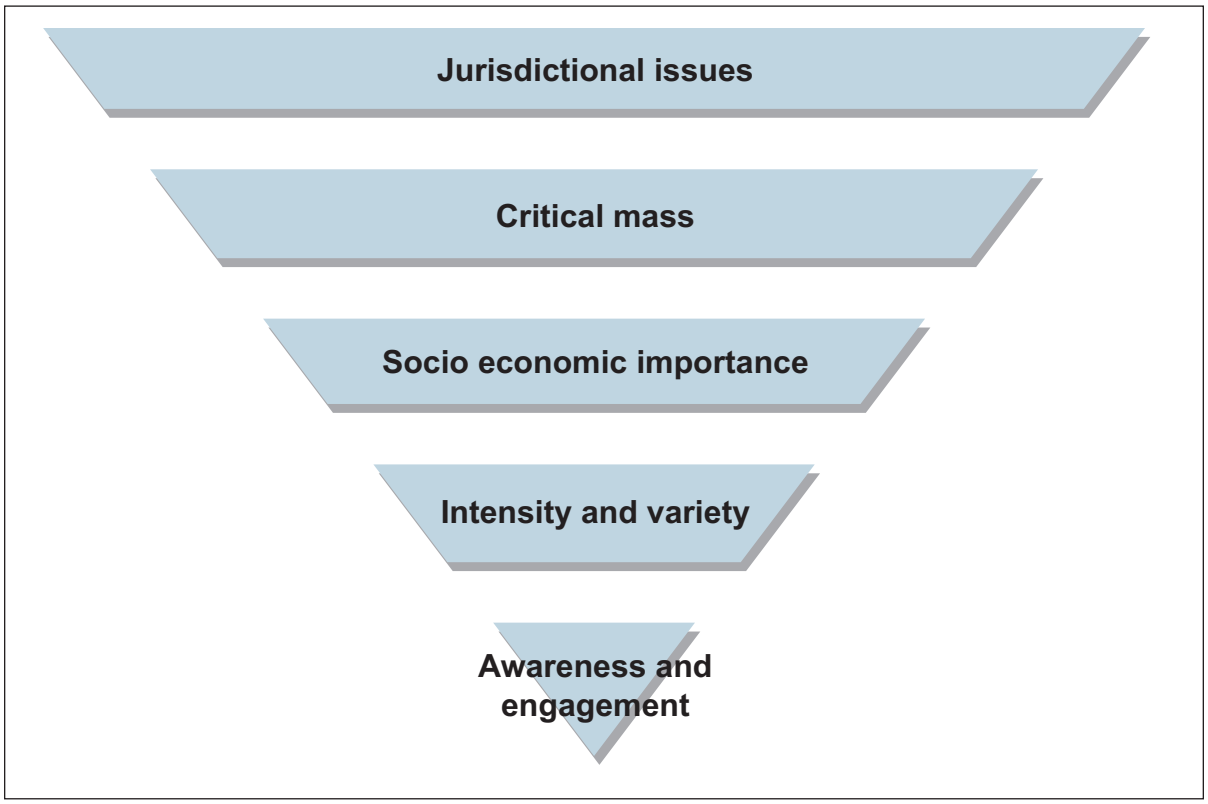


Figure 2.1 Cluster selection criteria

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 institution responsible 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 realising the demonstrative impact of cluster-based interventions should be as many as possible but not less than 50 units which are participating in the cluster development activities. However, for difficult and backward regions or for special entrepreneurs groups which have a sizeable presence of women and disadvantaged communities, the critical mass should not be less than 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 a high export potential can be chosen. Linkages of a cluster with other knowledge-resource institutions, funding agencies and community organisations mandated to work on the social responsibility issues increase the likelihood that the impact of interventions on 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 a variety of SEE issues are required, the following are crucial for the purpose of 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 and inefficient use of non-renewable energy.
- Community health including impact of cluster firms' operations on health and access to health care.

The intensity of such issues is to be gauged from the impact they have on the lives of the workforce and the community. For instance, let's assume that the operations of manufacturing firms in cluster A and B are causing air pollution above the prescribed limits. However, in cluster A, there are more cases of breathing disorders and lung infections as against cluster B where such cases are either not present or are present in negligible numbers. In this situation, 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 prevalent in the Samalkha Foundry Cluster during intervention under the DST and GIZ supported project are:

Highly energy intensive: The traditional production process of the foundry units of Samalkha leads to high consumption of energy. The most energy-intensive operation in a foundry unit is the melting of metal in the furnace known as cupola. This melting operation consumes almost 70 per cent of the total energy consumed in the entire production process of metal casting. So the typology of the 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 leads to an increase in the cost of manufacturing, given the increasing price of coke. Moreover, high consumption of coke leads to high emission of carbon particles in the air, resulting in air pollution.

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 levels of CO_2 at the cupola charging door. Moreover, for manual charging seven workers are engaged.

Improper housekeeping activities: In the working environment of the foundry units in Samalkha, the condition of the units was unhygienic as there was lack of proper ventilation. Proper ventilation is very important for foundry units as the production process results in emission of a huge amount of metallic fumes as well as dust in the form of sand and metal particles. The units are also poorly lit and this creates a dark and gloomy environment for the workers. Moreover, the raw materials, waste metals, molasses and used sand, are not properly managed and remain scattered on the floors of the foundry units. Thus the labourers spent much time in locating raw materials for charging.

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 off on the road-side. Disposal on the road-side results in resentment among the local people and if the solid waste is disposed within the unit, the work environment becomes unhygienic. It is estimated that the total slag generated in the cluster is 3,000 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 SEE issues is a better candidate for interventions. However, it is not the mere awareness that matters. The cluster actors must be in a position to relate SEE issues arising out of the operations of core firms to the well being of the workforce and the community at large.

It is easier for enterprises to come together in a more organised and intense manner in clusters where the key stakeholders are not only aware about but have also taken actions to tackle SEE issues.

Box 2.4 Engagement of KRMC to address water treatment problem

The Kalady rice-mill cluster faced the typical problem of water pollution as in the process of par boiling of rice, paddy is soaked in hot water for 8–9 hours and this gives a brownish colour to the water discharged, along with some methane content. Around 800 litres of effluent are generated while processing one metric ton of raw paddy. The cluster has 72 modern rice mills and employs around 2,500 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., 2,000 tonnes per day, the total effluent discharged per day is 3.2 million litres. Due to the methane content, this discharged water emits an obnoxious smell, which is not favourable for the people residing near the rice mills. Often the rice millers had to face the agony of the local community due to insufficient arrangements for waste-water treatment in the cluster. The cluster stakeholders were quite aware of the need for treatment of effluent discharged by the rice mills. Various consultants visited the cluster to address this issue, but were not able to design a technology to treat the effluent. Even the usage of natural water sources by the rice millers was leading to 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, KRMC approached the National Institute for Interdisciplinary Science & Technology (NIIST), Trivandrum. NIIST studied the problem and conducted extensive lab-level experiments and suggested a pilot test in 2008. An agreement was accordingly entered into with KRMC and NIIST and a sum of Rs. one lakh was paid in advance for the technology. Fabrication of the pilot plant involved a cost of Rs. 3 lakhs. The pilot plant showed satisfactory results. Diamond Foods, a 250 TPD rice mill and one of the members of the consortium, 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 PCB standards. Even the bio-gas generated during the process of effluent treatment is used for lighting. The ETP in Diamond Foods treats about 100,000 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. Diamond Foods got the PCB award for innovative technology.

3.3 Listing information needs

3.3.1 Non-BR parameters

Based on the above criteria, information needs should be listed. The 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
Jurisdictional issues	Location (Within a city/village/ linkage with nearby cities/villages if the executing agency has a specific rural/urban mandate) – Attach a geographical map, if available). Principal product/s: Does the core output of the cluster fall within the sectoral mandate of the implementing agency?	Those clusters within the geographical and sectoral mandate of the implementing agency are to be shortlisted for further assessment.
Critical mass	How many 'core firms' operate in the cluster? What are the types of firms in the cluster? Type Percentage to the total Micro Small Medium Large	Those clusters that have at least 20 to 25 'core firms' which are largely micro/ small or medium sized. Those having quality certification are preferred.
Socio-economic importance of the cluster	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 percentage terms of its turnover)? Details, like of workforce: Total numbers Male/female ratio Percentage of skilled, semiskilled and unskilled; migratory	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. Preference is given to those clusters that exhibit a strong need for improving the BR situation and are viable in terms of adequate turnover, larger share of exports and high value addition.

3.3.2 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 the '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., which SEE issue in the cluster is most severe, based on average response of the cluster stakeholders.
- Diversity/divergence of views of the stakeholders/respondents based on the differences in their response to the severity of the SEE issue.
- Activity undertaken to date to tackle/address the issue by the cluster stakeholders individually or collectively.
- 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 can be found in Annex II.

3.4 Data collection

3.4.1 Secondary data collection

In a situation where selection has to be made from among many clusters calling for attention, data collection to fulfil the information needs will be an expensive and time-consuming process. Hence, to the extent feasible, secondary data sources need to be utilised 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 a few selected knowledgeable persons. An indicative list of information pertaining to non-BR parameters that should be collected is shown as follows:

Table 2.3 Data to be collected through EDS (exploratory-cum-desk study)

	Theme	Particulars	
		Nature of information	Source
1	Jurisdictional issues	Location of clusters Sectoral jurisdiction	Regional cluster map Department of Industries Implementing agency
2	Critical mass	Number of firms, type of firms, ownership pattern and number of firms with quality certification	Department of Industries Local office of industrial development organisations State level consultancy organisations Local industry associations Industrial survey reports
3	Socio-economic importance of the cluster	Corporate/large buyers sourcing from the cluster Importance of the 'core product' in the entire value chain Type of raw material being used in the cluster Turnover Contribution to exports Details, like of workforce	Local industries associations Department of Industries

3.4.2 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 the cluster. However, if the secondary data indicates little scope for development interventions, such clusters are to be eliminated from the list thereby saving resources that otherwise would be invested in primary data collection. Thus, primary data is collected only for those clusters that look 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. The following steps are involved:

a) Preparatory phase

- Identifying information gaps (not related to BR) based on secondary data collection.
- Identifying 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 provide the required information and also those that can contribute to completing the ESR scorecard.
- One-on-one interaction with relevant stakeholders to apprise them of the purpose of the data collection exercise, especially of the 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 the 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 the ESR scorecard needs to be captured through 'Cluster Responsibility Behaviour Template' (part of the ESR scorecard). The template 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 stakeholders individually or collectively till date.
- According priority to actions 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 the ESR scorecard. While the final selection is best made by the specialised implementing agency, the relevant Ministry or state-sponsored agency in charge of development may also wish to participate in the process. In such a situation, it is useful to involve the implementing agency since they possess the necessary expertise and are responsible for the outcome of the interventions.

3.6.1 BR-related parameters

In order to minimise the role of subjectivity; the final selection based on BR-related parameters has to be based on the data obtained through the 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
Awareness and number of BR issues	'Existence of issues' template	a. Score ranges from 0 to 5 (5 signifying that it is most prevalent) b. Take into account the scores for: – Wages and benefits – Collective bargaining – Hours of work – Working conditions, e.g., existence of child labour – Air pollution – Water pollution – Noise pollution c. Maximum total score for the above is 35.Take an average of the scores (35÷7) – a maximum average score of 5.

Criteria	Related Components of ESR Score Card	Approach
Intensity of issues	'Diversity' template	a. Score ranges from 0 to 5, (5 signifying that it is a major issue, '0' being a negligible issue). b. Take into account the scores for: – Wages and benefits – Collective bargaining – Hours of work – Working conditions, e.g., existence of child labour – Air pollution – Water pollution – Noise pollution c. Maximum total score for the above is 35.Take an average of the scores (35÷7) – a maximum average score of 5.
Level of engagement by cluster actors with BR issues	'Efforts' template	a. Score ranges from 0 to 5 ('1' signifying concrete initiative and '5' signifying 'no efforts') b. Take into account the scores for: – Wages and benefits – Collective bargaining – Hours of work – Working conditions, e.g., existence of child labour – Air pollution – Water pollution – Noise pollution c. Maximum total score for the above is 35. Take an average of the scores (35÷7) – a maximum average score of 5. Since the maximum score reflects minimal or no engagement, inverse the score i.e., 1÷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÷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 the final score on a pro-rata basis.

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

3.6.2 Economic parameters

Considering that an economic pay-off to cluster firms is a prerequisite 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

Parameter	Scoring Pattern
Importance of the cluster firm's output to the value chain/supply chain	5-point scale, '5' signifying highest importance
Type of raw material being used in the cluster	5-point scale Usage of readily available, non-polluting and renewable raw material to score '5'
Average annual turnover of the cluster	5-point scale, '5' signifying relatively high turnover
Export from the cluster (as per cent of total turnover)	5-point scale, '5' signifying relatively high per cent of total turnover exported
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.
- Transfer the scores on economic-related parameters. In the process, enter only the consolidated score.
- Assign weights to each of the above as indicated in the table.
- Arrive at the consolidated weighted average score for the cluster.
- The final choice of the cluster from among the shortlisted ones is to be the one with the maximum 'consolidated weighted average score'.

Table 2.6 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

- Collect secondary data.
- Eliminate clusters which are:

  a) Not coming under the jurisdiction of the IA.

  b) Not of a viable critical mass (too few firms).

  c) Not having adequate socio-economic importance.

  – *Employing few workers (less than about 200).*

  – *Low turnover (less than Rs. 20 crore).*

  – *Limited or no contribution to exports.*

  – *Using readily available and/or local raw materials and not classified as 'non-renewable'.*

- Through primary data, fill in the information gaps (not related to BR) identified subsequent to secondary data collection.
- ESR Score Card Administration:

  a) Compile scores from ESR score card as per table 'Scoring system based on BR-related parameters'.

  b) Cluster-wise, assigning scores to each criterion based on the data collected thus far.

  c) Calculating weighted average scores.

  d) Listing clusters in descending orders of scores and selecting the top ones.

CHAPTER 3
Identifying cluster development agents and equipping them with skills

1. Defining a CDA

A cluster development agent (CDA) is a person who conceptualises the overall developmental strategy for a cluster and initiates implementation. The CDA is generally an entity from outside the cluster and has a mandate to work in a cluster for a fixed time frame. 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 the 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 a pivotal role in 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 maximise 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 a functional 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 a breakdown of trust. A CDA leads the cluster and demonstrates 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 at the appropriate time.

One of the important areas of a CDA's work is to facilitate mutual trust among different stakeholders in the cluster because encouraging cluster actors to tackle BR issues through joint actions calls for building trust among them. Trust building is initiated through facilitation of mutual discussions, followed by pilot and short-term activities for 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 of 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 should there be in a cluster?

The ongoing cluster initiatives which are 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 the 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 clusters, more often than not, a team instead of a single CDA is required for the following reasons:

- **Deeper engagement:** With added dimensions of social and environment issues, the engagement of the IA and CDA with the cluster becomes more effective.
- **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.
- **Complexity:** While the issues related to economic aspects of the cluster firms are relatively easy to recognise and communicate, it is not the case when it comes to SEE issues. Identifying SEE issues, establishing its relation to the competitiveness of the cluster and pinpointing the economic pay-offs of tackling such issues is a complex affair.
- **Skill-sets of the CDA:** As a corollary to the above, the skills that a CDA should possess to facilitate action purely on an 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 professional with adequate training and experience in the entire cluster development process with focus on enhancing competitiveness.
- Subject matter specialists related to a major SEE issue: For instance, if a cluster is facing an existential threat to pollution caused by the operations of core firms, the team has to have an 'environmental specialist'.
- A trained professional experienced in need identification and implementation of welfare measures such as improving access to health care, adult literacy, tackling child labour, etc.

4. Characteristics of a CDA

To be effective, a CDA is expected to have the following competencies (knowledge, skills and attitudes):

4.1 Attitudinal characteristics

Considering the role requirements and varying working conditions prevailing in clusters, a CDA needs to have the following attributes:

- Proactive: Taking actions before being asked to do so or being forced to do so by circumstances.
- Open minded and receptive to different viewpoints, ideas, approaches and behaviours that one should expect among various cluster actors with varying interests.
- Be able to objectively analyse the complex mix of inputs without having any preconceived notions.
- Willing to experiment with new ideas.
- Inclination to initiate 'joint initiatives' by cluster actors.
- Willing to work under 'hard' conditions – long working hours and adjust to living conditions prevalent in the cluster.
- Be a neutral player.
- Guiding but not deciding.

4.2 Skills

The CDA needs to possess certain soft skills as:

- **Ability to communicate effectively:** The CDA should be able to articulate his own view point and that of stakeholder groups so that there is no miscommunication of the issues. Ability to grasp local terminology and decipher between what is stated and what is intended makes it possible to communicate well.
- **Conflict resolver:** The CDA should be able to identify the possible areas of conflict among stakeholders, understand different perspectives, recognise 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 biased person as CDA. If a person has potential commercial or non-commercial gains accruing out of support to one group over another, then all efforts need to be made to ensure that this person is not appointed as CDA. Transparency and fairness to all should be the guiding principles.
- **Negotiator:** A CDA should be able to negotiate with the different stakeholders to create a win-win situation. Negotiating skills are similar to conflict resolution skills.
- **Delegator:** Given the high activity level involved in facilitating cluster development, it is necessary for the CDA to build a team for localised support. This makes it possible to

selectively delegate a part of his responsibilities. The CDA should be capable of identifying good leaders and implementers ensuring that the stakeholders can eventually take on all responsibilities themselves.

4.3 Knowledge

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

- **Identifying and prioritising SEE issues:** A CDA should be familiar with the social, economic and environmental issues that are encountered by a cluster. When such issues – especially those arising out of operations of the cluster – have a visible impact, prioritisation turns out to be relatively simple. In the absence of such clear signals, the CDA should have the ability to understand the inter-relationships between the operations of the cluster and the SEE issues of the community.
- **Knowledge of local language, cultural and religious sentiments:** It is essential that a CDA builds an excellent rapport with key stakeholder groups in the cluster for effective 'trust building' – this is 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 a good rapport.

Furthermore, though advantageous, it is not necessary that the CDA possesses technical skills relevant to the cluster. Given below 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 was unsafe working conditions inside the factories. Processes like material handling, welding and gas cutting operations often led to accidents and therefore occupational health and safety became 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 a pilot programme in the cluster for developing a system to address the issues of occupational health and safety. After detailed deliberations, UNIDO initiated a multi-stakeholder pilot initiative with two large buyers, and incorporated the Inspector of Factories, BHELSSIA and UNIDO as partners. The members of the local industry association BHELSSIA participating in the programme had divided loyalty towards the two large buyers who were competing between themselves. The opinion of these two groups differed with regard to how the programme should be structured and the role of their respective buyers. Both the groups were keen not to offend their respective buyers lest it should affect their business operations. None of the groups were 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 could have been called off. Further, there was danger of a split in the association. The Industry association office bearers were in a fix because it was perceived that one of the supplier groups was trying to hijack the initiative.

The CDA without losing any patience and with an open mind heard the different arguments of both the groups separately and realised that there were a lot of unverified 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 their potential reaction to collaborate with their 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 would 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 of CDAS – some options

Given the desired skill-sets of a CDA, it is challenging to identify an appropriate person. The implementing agencies therefore often raise an issue about where to source persons with these

qualities. Such individuals with required competencies should be working within the implementing institution or elsewhere. Thus, a CDA may be from any of the following sources:

- A professional with requisite competencies already working with the implementing institution.
- Facilitators (trainers/motivators) engaged in MSME development.
- MSME consultants.
- Other BDS providers.
- Those from financial or technical institutions (credit officers, technical consultants).
- Officers from state departments or from state-sponsored development institutions.
- Development professionals from NGOs.

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

- Being 'sensitive' to the SEE issues and their impact on the community.
- Having 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 will possibly have varying mandates and varying interests but are required to come together for common good.

6. Job description of a CDA

The work description of a CDA includes:

Preparatory Phase

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

Action Phase

- Facilitate trust building process among the cluster actors.
- Enhance the effectiveness of linkages among 'core firms' and other cluster actors including support institutions.

- Facilitate preparation of an action plan of the cluster addressing the concerns and taking into account the readiness of the stakeholders to engage in positive collective action and the feasibility of implementing such actions.
- Establish relationships between the SEE issues and competitiveness of the cluster as a whole.
- Providing the necessary hand holding and capacity building support to cluster stakeholders in building a suitable governance structure and setting up its formal systems.
- Coordinate the provision of necessary knowledge and funding support to address the cluster SEE issues through business case, philanthropy and regulations.
- Document the process involved, activities undertaken, resources spent, outputs and lessons drawn.
- Regularly monitor and evaluate 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 a 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, organise formal or informal meetings and choose preferred consultants and service providers locally or from outside.

Financial autonomy includes freedom to support pilot activities up to an agreed limit, incur a certain minimum cost of communication and travel which is within reasonable limits, without seeking prior approval every time.

8. Equipping the CDA

Given the complexity of the role of a CDA, one seldom comes across a professional with the 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:

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

  a) Standardise the content and duration of the programme.

  b) Renew the training model to include the process of identifying, prioritising and tackling SEE issues.

  c) Standardise the learning materials based on documents already available with UNIDO and Foundation for MSME Clusters, New Delhi.

- Designing a refresher programme for experienced CDAs covering the process of identifying, prioritising and tackling the 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 of 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 its success. This process is all the more complicated 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 into play. 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 these institutions 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 officials of the implementing agency also have a role to play:

- Establish formal linkages with relevant actors by way of setting up a '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 should linkages be formed?

- **Accessing resources:** In the process of identifying and prioritising SEE issues confronting a cluster, the IA may need to seek knowledge resources externally. For instance, the services of the 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 to merit the attention of the CDA for further interventions. Likewise, services of an expert from the Pollution Control Board are also required while addressing the issue. Thus, the resources required are:

  a) Information and knowledge

  b) Subject matter specialists (human resources) to tackle SEE issues

c) Eco-friendly technologies

d) Financial support for specific interventions (Common Facility Centre for instance)

- **Experience sharing:** There would be institutions, currently operating in the cluster or elsewhere, that are experienced in 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.
- **Promote innovation:** Tackling a given SEE issue in a manner that results in economic pay-offs 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. At this point a collaborative approach involving 'specialist' institutions is called for.
- **Alliance-driven model:** Facilitating 'business responsible' behaviour can be result oriented and sustainable only when 'non-economic' stakeholders also 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 have been set up to contribute to rehabilitation. Likewise, promoting 'green technology' among cluster firms is best accomplished in a sustainable manner by involving the environment ministries apart from finance and MSME-related bodies.
- **Creating a 'Win-win' situation:** Social sector actors can dovetail their development schemes with that of the 'economic sector' and, in the process, share resources for mutual benefits. For instance, while the economic sector actors are supporting development of hand block textile printing cluster, there is fear of an 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 tangible and measurable benefits in terms of fulfilling their mandate.

3. With whom should linkages be formed?

There are two types of linkages that the IA and the CDA have established. Firstly, the IA either at the 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 an 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 the 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

With whom	Scope
Ministries dealing with industry, social welfare, environment protection, and the like. Regulatory bodies engaged in pollution control and labour welfare department.	Interact with senior officials through proposed National Focal Point to mobilise resource support under various schemes relevant to cluster action plan, including the M&E process.
Technical Institutions such as: R&D institutions and laboratories Training institutes Educational institutions Vocational institutions	To help CDA access HRD and technical support for cluster firms (adopting cleaner technologies and training of workers in occupational safety, for instance).
Apex industry/trade associations	Troubleshooting to help CDA draw support from cluster level associations.
Financial institutions	To explore the possibilities of support from national/state level institutions for implementing individual activities such as CFC, ETPs and the like.
National/state level R&D institutions/technology providers Management consultants	Helps CDA access specialised 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 a national level, it is necessary that it participates 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 the 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 shown in Figure 2.2.

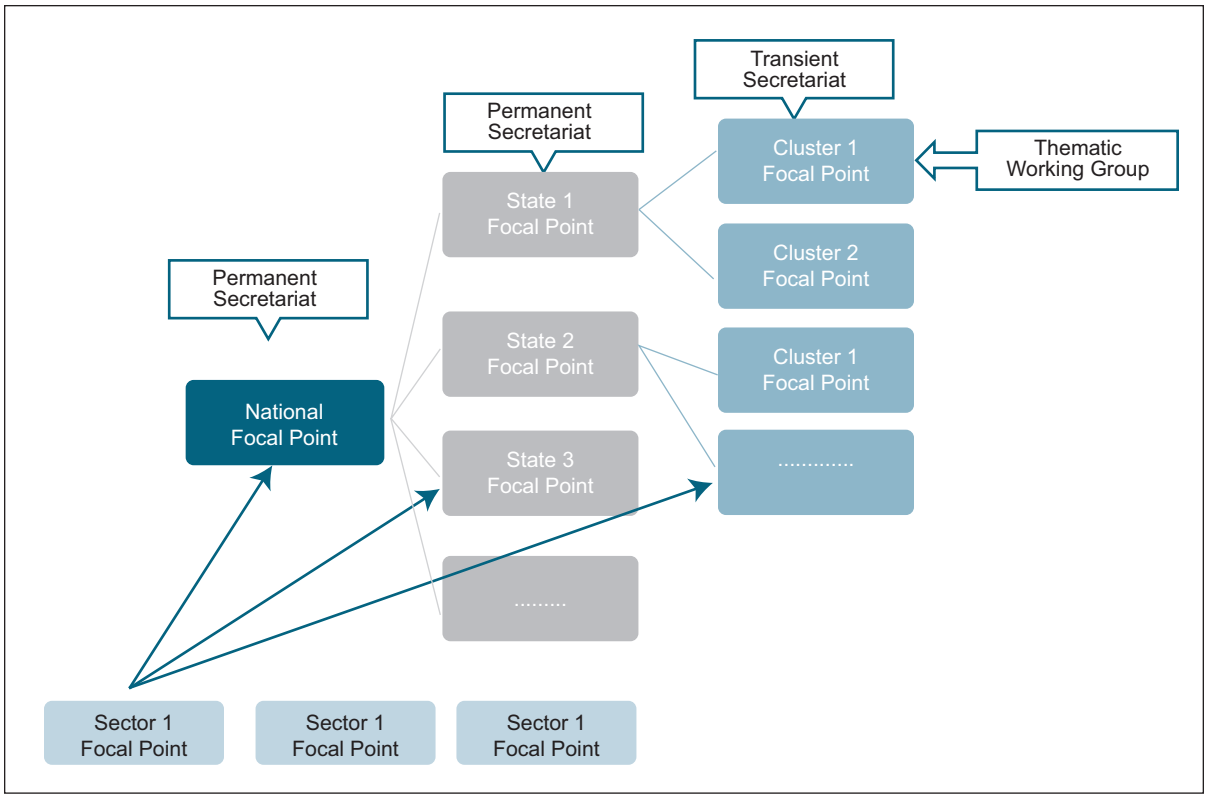


Figure 2.2 Institutional mechanism to foster BR in cluster development

4.1 National level

A 'National Cluster Development Focal Point' (NFP) was proposed as part of a national level initiative as a permanent inter-ministerial coordination and support mechanism. The focal point should be assigned the following roles:

- Inter-ministerial and inter-departmental coordination. The role includes:
  a) Sharing the annual development plans of each constituent of the focal point before such plans are 'frozen'.
  b) Examining ongoing schemes of 'social sector' actors and exploring the possibilities of dovetailing them with cluster development schemes.
- Encourage/facilitate setting up of similar state level focal points.
- Offer sustained support and guidance to state level focal points.
- 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 are maintained.
- On a continuous basis, seek feedback from clusters stakeholders through state level focal points to fine-tune development assistance.

- Develop a 'National registry' of CD initiatives based on inputs from state level focal points, which focus on 'best practices' and then disseminate the same in the cluster.
- Organise 'appreciation programmes' on social sector provisioning in CD initiatives.
- Strengthen existing development agencies to be 'National Resource Organisations'.
- Promote and support cluster-based 'action research' projects related to BR, involving students and faculty members of B-Schools.

The role of IAs includes interaction with NFP for troubleshooting and resource mobilisation, wherever necessary. For instance, through the CDA, should the cluster firms wish to access support from the Ministry of MSME for setting up of a CFC, they should call upon the IA to liaise between the cluster and the NFP.

4.2 At state level

At the state level, it is proposed that a 'focal point' be established – the State Cluster Development Focal Point (SFP) with key 'economic' and 'social' actors as members. 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 Departments of Industries. However, in the absence of such an institutional arrangement, the IA may take the 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 way:

- 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.
- Addressing the operational issues emerging from 'cluster level focal point'.
- Assisting the 'cluster level focal point' to access resources, especially from 'social sector' actors.
- Evolve rational and prudent parameters for the evaluation of BR compliance.
- Carry out social audit to monitor BR compliance.
- Help cluster firms generate an internal checklist to be complied with, for integrating BR behaviour in their processes.
- Institute awards to recognise 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 a 'cell' could be set up as an institutional mechanism. 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 need-based 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 (CFP) – 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 for 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 bodies of cluster firms. The focal point shall cease to function on conclusion of the CDP. The following are the proposed roles:

- Offering feedback on the development plan once the diagnostic study is ready.
- Assisting the Cluster Development Executive (CDE) access knowledge/information from institutions present in the focal point and from other institutions.
- Examining the possibilities of dovetailing 'social sector' development schemes with cluster action plans.
- Facilitating the CDE access support under such relevant schemes, assistance being mainly in terms of going through formalities required to access material support.
- Coordination and integration of ongoing social sector assistance schemes in the geographical area where the cluster is located.
- Monitoring the implementation of CDP and troubleshooting where necessary.

4.5 Thematic working group (WG)

In the process of identifying and prioritising SEE issues and facilitating the formulation and implementation of an action plan, the CDA needs a variety of knowledge inputs. The CDA alone cannot manage the complexity and variety of SEE issues on the strength of his own intellect and information. Hence, working groups that offer 'knowledge resources' or 'soft' inputs to the CDA for enhanced role efficacy are formed.

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, etc.) and then, depending on the support needs, set up separate working groups for each theme. There are generally 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 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 by offering a set of optional solutions and means to evaluate the issue.
- Put forward the relevant issues, causes, and potential solutions to cluster stakeholders including firms as a part of formulating the action plan. This is done only when the CDA deems it fit or necessary to do so.
- Guide 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 IA's role is confined to troubleshooting . For instance, the IA has to interact with the relevant state department in case a given institution is unwilling to be a part of the focal point.

Table 2.8 gives an illustration of linkages established by a bee keeping cluster.

Table 2.8 Kozhikode Bee Keeping Cluster[15]

Institutions with which linkages have been established:

Financial Institutions	Canara Bank, SBI,NABARD,SIDBI, etc.
Micro-finance	NABARD, Kudumbasree (a State sponsored NGO), etc.
Other Institutional linkage	KVIB, Forest Department, Agricultural Department, DRDA, KVIC, Horticorp, Farm information Centre, DIC – Marketing and Inspection Wing, Women Development Corporation, Farm Training Centre, NAFED, Rubber Board, SC/ST Development Department, University of Agriculture, Tourism Development Corporation, NIT, IIM, etc.
Social organisations	Kudumbasree, NGOs, chambers of commerce and others

15 http://www.beecluster.org/

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

Name of department	Schemes/programmes	Scope/target groups
National aforestation programme (Ministry of Environment and Forests)	National aforestation and eco development programme	Vana Samrakshana Samithi and Forest Development Agency
DRDA (PAU) and District Panchayat	SGSY – Employment generation programme WGDP, etc. (For groups and individuals also)	SGSY groups, Watershed development programmes, IGP (Income Generation Programme) groups
Kudumbasree Mission	Poverty eradication programmes	Self-help groups – IGP and micro enterprises
Rubber Board	Plantation Development Scheme	Rubber plantation with micro-credit for beekeeping
ICDS and WDC	Package of micro-credit to women	Self-help groups IGPs and potential individual
NABARD	Micro-finance to SHGs	Potential women group for IGPs
Agricultural Department and Tribal Department	Coconut clusters development programmes Tribal Department Programme	Cluster actors and progressive farmers Tribal women self-help groups
Kerala State Horticulture Mission	Project: National Integrated Bee Research Centre associated with University of Agriculture	Training to beekeepers

Establishing Institutional Linkages:
Action points

- Interact with NFP for troubleshooting and resource mobilisation wherever necessary.
- At the state level, in the absence of an institutional arrangement to support CD activists, initiate the process of setting up of a focal point under the umbrella of the State Industries Department.
- 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:

- Analysis of 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.
- Comparing the 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 using 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, subseqent 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, identifying interventions necessary to fulfill the same, specifying the time frame for implementation, allocating material/human resources and in short, facilitating effective inplementation of the planned activities.

The components of the action plan should fall in the three domains as described below:

- Those intereventions that benfit the cluster from an 'economic' angle and involve economic pay-offs to the core firms (Domain 1 as per Figure 2.3 below). This has been the mainstay of CD programmes.
- Those intereventions that do not necessarily get reflected in 'economic' benefits to the cluster but help in tackling SEE issues emrging out of the operations of the core firms (Domain 3 as per Figure 2.3 below). Such actions amount to pure philanthropy and hence, are difficult to promote, given the economic realities of the business.
- Those intereventions that tackle SEE issues and in the process involve economic pay-offs to the core firms (Domain 2 as per Figure 2.3 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.

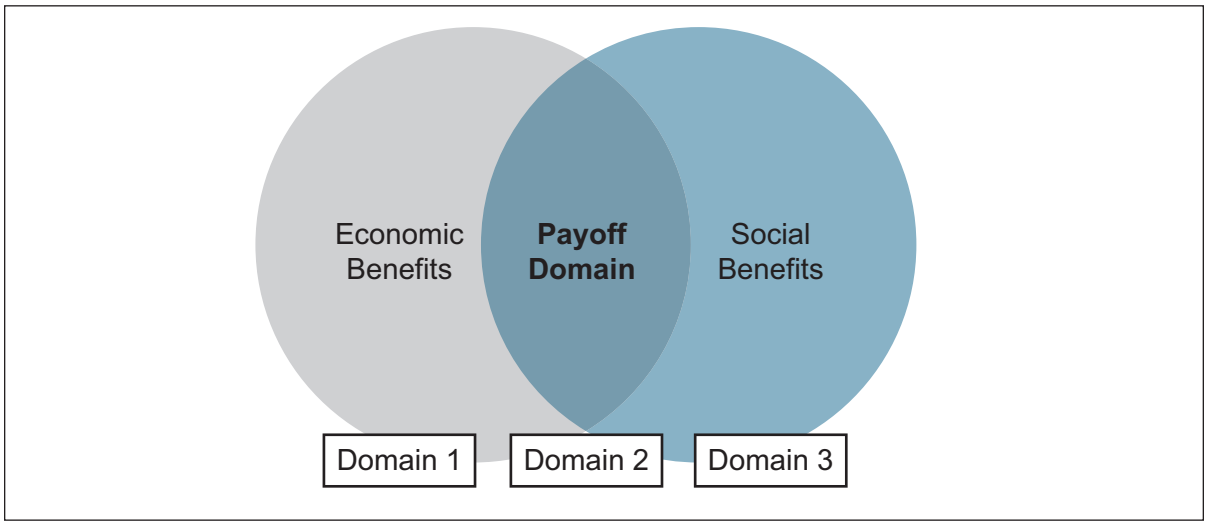


Figure: 2.3 Illustration of the pay-off domain

2. Relevance of an 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 to 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 show resistance to the

systematic ways of identification of the 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. A summary of the action plan and details of the relevant segments should be shared with all the cluster actors.

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

- To review the action plan to ensure relevance of each activity with the overall objective of development.
- To guide the CDA in understanding the need for additional interventions and explore the possibilities of incorporating the same.
- To help the CDA tap resources beyond their reach.
- 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 need 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?

The CDA is the focal point in the process of formulation of an action plan. 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 stakehholders. In this way there is accepatability for the initaitives and the chances of the outcome progressing on the expected lines are high. Thus, the action plan is best prepared by the stakeholders themselves. However, they may not possess sufficent expertise to translate the development needs into specific activities. Thus, the 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 as a whole.

- Enourage 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 and related activities; a time frame for implementation which defines the 'deliverables'; allocation of responsibilites; resource reqirements and their possible sources.

3.2 Role of 'social sector' actors

Given the dual objective of tackling SEE issues and generating 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 a cluster action plan. The following roles are envisaged for these actors:

3.2.1 Prioritising SEE issues

In the process of prioritising the 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 are several issues which need to be addressed such as air pollution, health of the workforce being affected due to exposure to heat and fumes, safe disposal of waste, etc. The Pollution Control Board should give inputs to the CDA on the degree of seriousness of each such issue so that they can be appropriately prioritised.

3.2.2 Identifying optional alleviating measures and making a choice

The CDA or even any other professional working for the IA may not possess the necessary expertise required for identifying possible measures to tackle a given issue. For instance, in a 'foundry' cluster, minimising 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.

3.2.3 Budgeting

A social sector institution should have the expertise to provide 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.

3.2.4 'Selling' ideas

In a situation where economic pay-offs of a given BR-related initiative are not easily comprehendible, the social sector actors should be a crucial source of support to the CDA. For, they can sell the idea to cluster stakeholders on the strength of their 'specialisation' and credibility. For instance, the idea of launching a de-addiction programme should be 'sold' to the core firms by an NGO which has a good track record and the firms should be made aware of the economic benefits of the programme.

3.2.5 Strategic alliance

While formulating an action plan and prior to its implementation, the IA may consider the need to partner with a specialised institution to implement certain activities that call for expertise and resources that are 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 set up. The IA should then partner with a local NGO which is 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 the intended outcome or goal that needs to be defined at the design stage of the action plan. For instance, providing quality health and 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 activities that can help achieve the same.

4.2 Interventions

This will consist of interventions translated into activities to be taken up on a short, medium and long-term basis 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

Objective	Intervention	Major activities
To enhace the quality of life of the workforce.	Improve access to health care.	Organise awareness camps on key health issues (joint action by core firms). Group medical insurance.
	Educating family members of the workforce.	Setting up adult literacy programmes for spouses of workers (through local NGOs). Instituting scholarship for meritorious children of workers.
To increase economic profit to the industries by reusing or recycling non-hazardous waste.	Quantify all the wastes generated by the cluster using a Resource Flow Analysis. Test for the concentration of hazardous material in these wastes to ensure that they are not above the recommended standards as set by the Hazardous Wastes Management, Handling and Transboundry Movement Rules, 2008. http://envfor.nic.in/legis/hsm/HAZMAT_2265_eng.pdf	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.
	Make a list of possible options for reusing non-hazardous wastes that are generated in large quantities.	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.

Objective	Intervention	Major activities
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.	Organise 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.
		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 a time period with indications about commencement and completion time.

4.3 Tentative Budget

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

- Funds that the implementing agency is required to cover:
  a) Professional fees, if any, that are normally charged by the agency for such initiatives.
  b) Organisational overheads.
  c) The cost of offering the services of CDA.
- Funds required by the CDA for meeting day-to-day operational expenses:
  a) Travel cost.
  b) Board/lodging expenses.

c) Other expenses including stationary, photocopying, communication and the like that are not directly related to a given intervention.

- 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 any other institution).
- 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 and mobilise the required resources.

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, a water shed development programme that is taken up by an NGO. Measures to treat effluents should be initiated by the local industries association but implemented by a technical organisation. The two agencies need to coordinate their activities for an effective performance. BDS providers and even individuals should divide the responsibilities depending on their expertise.

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

4.7 Time frame for the cluster action plan

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

- 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 the organising 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 produce visible and measurable results in a matter of weeks/months have a 'demonstration effect' in the sense that the 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.

- Medium-term actions are generally planned for several months ranging from 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 of 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.
- Long-term action plans are for a period of 18 to 36 months and beyond. Such activities may involve setting up of infrastructure to deal with effluent discharge, undertaking plantation to ensure regular supply of renewable source of wood, taking up long-term research and development to develop systems for reduction of energy consumption, etc.

An illustration of the action plan of an organisation 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 defines the following:

- Outcome of the entire cluster development initative 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, agreement/disagreement with the subject matter and initial reaction in-terms of adopting this practice in their organisation.
- Time frame for each such outcome to fructify.
- Individuals/institution/agency responsible for a given outcome.
- 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 the 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 mobilise support for implementation of the plan.
- Using 'peer pressure' for 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 a commitment sought.

6. Characteristics of an effective cluster action plan

The implementing agency should ensure that the action plan confirms 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 initatives 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 Transperancy

Every detail of the action plan need not be known to every stakeholder. Otherwise, there would be an uncalled for 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 activites of the action plan are to be shared with all the stakeholders with detals being shared 'on demand' and with relevant partners. This should be well established through a seminar of all the stakehoders addressed by the CDA once the action plan is finalised.

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 concious' 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 child labour could be the only source of livelihood for some families. Thus, a time frame should be established for the 'abolition' of child labour which is appropriate enough to help families find alternate means of livelihood.

An ambitious action plan may lead to failures, thus reflecting poorly on the CDA and the institutions involved. Any such failure, especially during the initial stages of engagement with the cluster may lead to 'trust deficit' and affect 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 demonstrate success, build trust and empower local capacities to undertake more complex activities.

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

- **Demand:** The need for a given initiative has to be explicit to gain acceptability. Thus, the 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 undealt with needs. It is just that the CDA has to walk the extra mile to help the stakeholders understand the importance of such needs and related initiatives.
- **Resources:** Material, financial and human resources required for implementing a given initiative have 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 can jeopardise its implementation with a negative impact on the entire action plan.
- **Critical mass:** For an initiative to be sustainable there has to be a 'critical mass'. For instance, there could be just two or three firms among the many in the cluster, responsible for water pollution. One has to examine whether it is economically feasible to commit resources for installing a common pollution treatment plant.
- **Linking BR activities with business benefits:** To the extent feasible, the CDA has to clearly outline the commercial benefits of the proposed initiatives. In certain cases, such benefits are obvious and not so obvious in others. Due to the short-sightedness or lack of awareness, the stakeholders may not be in a postion to perceive the commercial benfits of certain BR initatives. 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 techhnology, but by then it may be too late . Thus, for such initiaitves to gain acceptability, it is necessary for the CDA to establish their linkages with the long-term commercial benefits.

- **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 be alert to seek such eventualities during the implementaion of the action plan. This means adding items, not originally planned, to the list of initiatives. Over the years, a retention of almost 70 per cent of the planned activities and substition of the other 30 per cent with new options has been seen.
- **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 buiding of stakeholders in relevant areas.

Formulating A Cluster Action Plan
Action points

- Focus on those intereventions that tackle SEE issues and in the process, involve economic pay-offs to the core firms.
- Ensure that the action plan provides for specific, time bound and measurable outcomes.
- Involve the relevant 'social sector' actors during the process of formulation of the action plan.
- Take advantage of their expertise in identifying and prioritising SEE issues to be tackled as also in generating options to tackle such issues.
- 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.
- 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 mobilisation and implementation

1. Introduction

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

- Mobilising resources
- 'Up-scaling' the development initiatives

2. Mobilising resources

As in the case of any development initiative, the following resources are 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 can be classified into three types.

2.1.1 'Short-term' staff

The efforts of the CDA who is primarily responsible for facilitating implementation of the action plan, have to be supplemented with additional personnel. For, the dual task of tackling SEE issues and in the process, facilitating 'economic development' calls for careful strategising. For instance, one or two 'field investigators' could be required to take up benchmark study of 'quality of life' of the workforce, for a few days.

2.1.2 ''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' being put in place for they may want a specialist to work with them for the entire duration of the project. Thus, the IA has to provide for such resources to be at the disposal of the CDA.

2.1.3 ''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 latter. 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 categorised as under:

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

2.2.1 '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 provided by 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 organising the facilities.
- Hire the facilities for the duration of the project.

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

2.2.2 '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 organise the implementation, with the CDA playing the role of a facilitator. Thus, the IA has to carefully examine the demands placed on it by the CDA for resource mobilisation.

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 a sufficient degree of freedom to the CDA to avail/hire such resources.

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

2.4 Financial resources

2.4.1 Typology

IA has to examine the action plan from a 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 the CDA and organisational 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' (e.g., setting up of common effluent treatment plant).

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

2.4.2 Sources of funds

Conventional sources of funding include relevant ministries (e.g., Ministry of Social Welfare), development finance institutions and state-owned bodies (e.g., Directorate of Handlooms and Handicrafts), multi-lateral funding agencies, large buyers and local banks/financial institutions may be the 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 a number of schemes of assistance where funds 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 organisations
- Non-governmental international donors
- Private sector
- Cluster actors

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

- Woman 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 I[16]. Given below is an illustration of how a cluster can benefit from such schemes.

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

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 the Ministry of Labour, Sports Goods Foundation of India (SGFI), an NGO from the Jalandhar Sports Goods Cluster, has been running four National Child Labour Project (NCLP) schools 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 more 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 per cent basis. Thus, SGFI has been able to get an assistance of Rs. 52.5 lakhs for these seven schools for the next three years. This activity helps in taking care of the important issue of child labour and at the same time the cluster is taking care of its social responsibility of educating the children of their workers. With the success of this scheme, SGFI is thinking of applying for more such schemes in the areas of vocational training of youth.

Annex VI summarises the potential sources of funds.

2.4.3 Resource mobilisation – tips for success

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 contributions 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 not only to 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 their monetary contribution.

Linking BR activities to commercial gains

The extent of the financial contribution of cluster actors to a given intervention is likely to be higher when the latter leads to commercial benefits. When the actors do not see immediate commercial gains, the activity attracts less funding support from them. The CDA/implementing agency has to categorise 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.

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. 'Smaller' activities over shorter periods of time normally generate confidence among the beneficiaries, other cluster actors and regular funding bodies, encouraging the latter to commit more resources. Further, when an activity is carried out successfully for the second or third time, the cluster actors will be more willing to provide financial support, thereby 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. It is generally expected that the demonstration effect when the activity is taken 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.

Financial means of 'core firms'

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

Supporting 'implementing partners'

At times, the IA may avail the services of localised 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 mobilise resources and provide the same to the NGO till the time the beneficiaries themselves are not in a position to meet the costs.

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, as it may not be 'cost effective' or of interest to the funding agencies. There can be exceptions to the case, e.g., when a given activity is likely to have a strong 'demonstration effect' or when it is a pilot exercise that leads to replication on a larger scale.

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.
- Categorise 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 donors are in a position to clearly perceive the overall cluster development plan and the contribution that will be made by each activity to the achievement of 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 to ensure when pursuing cluster development related activities 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 time frame and 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 at this stage that more complex and large scale interventions, which call for wider cooperation among the 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 the local government 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 the necessary technical assistance and some funding support to the Lathikata Block Industries Periphery Development Society (LBIPDS), like:

- Coordination between different stakeholders for initial understanding and need for coming together for the interventions.
- Setting up a professionally managed secretariat at LBIPDS to implement its periphery development agenda and building its capacity.
- Hand holding and development of LBIPDS systems for their health care programme, education initiative, infrastructure development and its internal working.
- Helping to explore new areas related to cluster environmental issues and ensuring that they are taken up in due course.
- Exploring with other expert knowledge organisations, their related periphery areas and developing a concept of working together with a partnership model.
- Helping develop a proper review and monitoring mechanism by their internal and external team.
- Ensuring the sustainability of the model into a full-fledged programme at the end of UNIDO's intervention.
- Making it a demonstrative model for upscaling 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.

Another illustration of how the demonstrative effect blossomed into a cluster wide activity through a limited intervention follows.

Box 2.8 Formation of SHGs in Chanderi

Chanderi is a small town in MP with a population of 30,000 people, 60 per cent of who are engaged in 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 did not even have basic knowledge of how to take care of their health. This in turn affected the quality and quantity of work done by them.

During the initial phase in 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, the strategy for the year 2004 was to create a federation of suitable SHGs and strengthen their federation through appropriate market linkages and training. As a result of this, 42 SHGs were created in 2004 followed by another 18 in the years that followed. 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 subsequent years the focus was towards sustainability of efforts, especially with respect to building management capacity of the various joint forums and identifying appropriate agencies to drive the momentum. Accordingly, 7 SHGs out of 42 collaborated and created Bunkar Vikas Sanstha (BVS), a registered body. This had a demonstrable effect which led to the formation of another similar forum of 70 weavers that was organically linked to BVS. This ultimately led to creation of Chanderi Development Foundation for the benefit of the weavers including women.

Resources mobilisation and implementation
Action points

- The IA has to consider creating a team of CDAs with diverse backgrounds and experience so that they can collectively see the cluster picture holistically.
- Once the BR issues are identified and prioritised, the IA is expected to define the composition of the support team and mobilise participation from relevant subject matter specialists.
- It is necessary for the IA to provide operational freedom to the CDA to identify and recruit technical experts who are more effective at diagnostic study and action plan formulation.
- It is important to note that office of the CDA should be housed in a place that reflects 'neutrality'. In order to avoid perceived biases, it is better that the office should not be linked to a place offered by one of the stakeholders.
- 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 latter can synergise the same with the action plan.
- Given the varied levels of willingness and capacity of different stakeholder groups for engaging in positive action, it is considered prudent to focus willing and capable groups around critical challenges. 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 and evaluation

1. Introduction

As with any developmental initiative, cluster development also needs to be systematically documented, monitored, and evaluated. This will ensure that the lessons learned from the process of developing a cluster can 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 approach to documentation, monitoring and evaluation.

2. Terminology

2.1 Documentation

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

2.2 Monitoring

This is a dynamic process during a project's lifetime, wherein data is collected at pre-decided intervals and compared with corresponding targets which have been set out as a part of the 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?

2.3 Evaluation

This refers to the process of impact assessment of cluster development initiatives in line with the pre-stated objectives. Evaluation also throws light on the extent of utilisation of resources (as against the planned targets). The degree 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?

- For the CDA and the implementing agency, documentation helps to draw lessons from the experience of developing a cluster and apply the same elsewhere for better efficacy.
- Documentation should also be applied by the implementing agency to evaluate the performance of the CDA on a continuous basis and reward him/her accordingly.
- For the sponsors, it provides necessary information which can be used to monitor the progress of the project and effect mid-course corrections wherever necessary.
- Proper documentation also provides 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 the final end-of-project report. Broad indications on areas of documentation are:

Table 2.12 Documents

Theme	Areas of documentation
Selection	Cluster selection criteria Process of selection and parties involved Records of relevant meetings
Diagnostic study	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
Action plan	Objective: Define the desired outcomes of the interventions Activity matrix: including rationale Time frame of activities Tentative budget Resource requirement: HR, material and financial Mechanism for coordinating the activities Target beneficieries: who, how many and nature of benefit Measurable output
Implementation	Schedule of implementation of the activities Record of each activities including events within an activity Implementing partners: who they are and the roles they play Copies of contract with the partners Financials: projected and actual budget for each activity
Output and Outcome	Qualitative and quantitative data on the outcome of each activity as also the overall outcome of the entire project

4. Monitoring

4.1 Monitoring measures

- Whether the implementation system for a given activity is efficient.
- Whether the activities are taking place as per the pre-decided schedule.
- Degrees to which the activities are translated into anticipated outputs, e.g., steps taken for green technology, energy efficiency, promotion of adult literacy, gender sensitisation, 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 utilisation of the budget.

Monitoring provides 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:

- That the CDA gathers information, analyses it and then presents this to CFP.
- That the meetings are held at least once every three months, or more often if necessary.
- A detailed agenda is to be circulated to all the members well in advance of the meetings.
- Proceedings of the meeting are to be recorded and 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, since it is ultimately responsible for the outcome. Noted ahead 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:

- 'Activity' review: Implementation of activities as per plans.
- 'Output' review: Degree to which the activities are translating into anticipated outputs.
- Outcome review: Degree to which the activities and related outputs are contributing to accomplishment of the overall objectives of the interventions.
- 'Financial' review: Proper utilisation of the budget.

4.3.1 Activity review

Monitoring the implementation schedule will help in the following manner:

- Facilitate timely commencement and completion of the activities.
- While minor deviations will provide some lessons, the major ones will prompt corrective actions.
- The relevance of a given activity comes to the fore. This also suggests that when an activity is not getting implemented, it was wrongly conceptualised.
- Alternatively, the need may arise to include certain activities not originally planned. If so, this should be done only once the requirements are clear. These should be approved during the CFP meeting and the budget must be reallocated for that purpose. If there is funding flexibility, then additional budget may also be allocated.

The following table can 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)
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 completed as per schedule if it has been completed within the time limit as indicated against the activity in the action plan approved by CFP. The percentage of activities done will be calculated based on the activities that have been 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 per cent= Grade D, 26–50 per cent= Grade C, 51–75 per cent= Grade B and 76–100 per cent= Grade A.

5. Score: If grade is A or B, give score '0' and if grade is C or D, give score '1'.

In order to draw lessons and take corrective steps, the CDA has to compile qualitative data. For each activity not implemented as per schedule, the reasons must be indicated.

4.3.2 Output review

The 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. In this case, the outcome is derived by how many participants were prompted to take affirmative action to alleviate the problem of effluent disposal.

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 will be one or more activities leading to one or more outcomes and activities will be recorded differently depending on their nature.. 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. Table 2.14 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

1. Beneficiary firms: 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.

2. Exposure to knowledge/practices: This is an outcome of many activities such as familiarisation visits to other clusters, participating in a workshop or seminar, etc.

3. Networks created: Formation of SGH, NGO, consortium, etc.

4. 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.

5. Total cumulative firms benefited for all quarters: No firm should be counted more than once for this purpose. Hence, if a firm is already counted as a beneficiary in any previous quarter, it should not be added for the current quarter.

4.3.2.2 Common facility centre

Not all cluster development programmes require setting up of a common facility centre (CFC). Wherever such an activity is planned, special care has to be exercised in monitoring the same since it involves commitment of substantial funds for creation of fixed assists. 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 the project report been prepared?	
Has the machinery, land and building for CFC been identified?	
Has the bank loan (if any) been cleared?	
Has the contribution of stakeholders been received?	
Has the order for machinery been 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, etc. The extent of the 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 can 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:

1. Use Acronyms – A: Awareness Creation, TR: Training, E: Exposure, F: Financial Support, TH: Technology, (Please add more)

2. 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. This is because 'joint actions' to address BR issues is possible only when there is a high level of trust among the cluster actors. Further, once the implementing agency withdraws from the cluster, the sustainability of developmental efforts depends largely on the level of trust among the actors. Thus, the process of trust building needs to be monitored closely.

There are formal indicators for gauging the 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 so on. However, it is not always feasible to measure trust only through formal indicators. The degree of informal interactions and the extent of information sharing among the stakeholders could also serve as indicators of the level of trust. Some of the developments that can help capture the strength of trust among the stakeholders are illustrated below:

- Cluster principal stakeholders start having formal or informal interactions on the intended subject matter during social gatherings, functions and meetings.
- The number of ethical leaders in the cluster who discuss and take up measures for social responsibility issues.
- The creation or revival of focused networks/associations in the cluster to take up cluster BR issues.
- Increased levels in the number of BR activities being taken up on common and individual platforms.

- Increased level of participation by members in different networks/associations in decision making and execution.
- Increased level of stakeholder commitment in terms of resources, financial or non-financial, for common activities.
- Stronger cooperation among the stakeholders, resulting in a greater and more transparent flow of information.

The following format should be applied to judge these indicators:

Table 2.17 BR cooperation matrix of a hypothetical cluster

Principal stakeholder → / ↓ Stakeholders	A_1	A_2	NW_1	NW_2	T_1	T_2	FI_1	FI_2
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 and there is no impact on the cluster as a whole

2 – Positive linkages and some history of mutual help along with 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: A_1 and A_2 – Associations present in the cluster

NW_1 and NW_2 – Networks present in the cluster

T_1 and T_2 – Linkages of technical institutes in the cluster

FI_1 and FI_2 – Linkages of financial institutes with the cluster

4.3.3 'Outcome' review

As indicated earlier, 'output' is the result of the process whereas 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 the overall developmental goal that is normally long-term in nature.

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

Table 2.18 Outcome review

Sub activities / Review points	Indicators	Outputs		Outcomes	
		Target	Achieve-ment	Target	Achieve-ment
Freedom of association/ labour union	Stakeholders awareness. Appropriate grievance redressal mechanism in place.	100 stakeholders sensitised. 100 MSMEs accepted/ modified a grievance redressal mechanism.		100 firms started following minimum standards of statutory compliances. 5,000 workers have access to minimum standards of statutory compliances.	
Elimination of all forms of forced and compulsory labour	Stakeholders awareness. Appropriate action by MSMEs.	100 stakeholders sensitised. 100 MSMEs acting to eliminate compulsory labour. Setting up mechanism for elimination of forced or compulsory labour.			
Wages and benefits	Stakeholder awareness. Appropriate action by MSMEs.	100 stakeholders sensitised. 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 to				
Legal compliance popularised				
Total number of families benefitted	NA			
Cumulative families benefited for all quarters	NA			

4.3.4 'Financial' review

This involves:

- Taking stock of budgeted expenditure and actuals for each activity.
- Sanctioned budget, utilisation, and reasons for deviations, if any, for the cluster development project as a whole.
- Funding pattern with a focus on extent of contribution of stakeholders (other than main funding institution).

4.3.4.1 Financial review of each activity

The following format may be applied:

Table 2.20 Monitoring expenditure on each activity

Activity title:
Implementation schedule: From ……. To ……

Account Head	Budgeted Expenditure	Actual Expenditure	Deviations	Reasons for Deviations

Where the activity is spread over several weeks or months, the expenditure is to be tracked based on monthly cash flows and complied as per the above format once the activity is completed.

4.3.4.2 Overall Budget

For tracking the budget for the entire cluster development project as a whole, the following format should be used:

Table 2.21 Expenditure review for the project

Activity	Budgeted expenditure	Actual expenditure	Deviations	Reasons for deviations
Total				

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 a higher level of external funding as compared to a 'community hall'. Such patterns need to be observed to be an example for other projects. The suggested format is given below:

Table 2.22 Sources of funds (Activity-wise)

Activity	Total budget	Contribution			
		External funding agency	Other Support Institutions	Cluster Stakeholders	Others
Total budget					

The utilisation of funds need to tracked regularly by means of a quarterly statement for the project as a whole.

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			
Funds disbursed			
Funds utilised			

5. Evaluation

The process of documentation and monitoring work together to facilitate project evaluation. This section deals with the following:

- What to evaluate?
- Who does the evaluation?
- What are the indicators of the evaluation?
- Data for evaluation
- Participatory evaluation

5.1 What to evaluate?

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

- **Efficiency:** Degree of achievements of outcomes as per project document and the reach thereof.
- **Leveraging:** Degree of involvement of cluster stakeholders in owning 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 categorised into – 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 detailed 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 just to the end of the project. The IA is required to apprise SFP of the status of the activities that have been undertaken or not, as per the action plan. As an image building exercise, whenever an activity leads to a significant outcome, the IA should inform SFP. Likewise, whenever an activity does not lead to the 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 are covered through an 'outcome' evaluation whereas the overall impact, including project fallout, are covered through an 'output' evaluation. The indicators can 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 the indicators 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 given:

Table 2.24 Indicators for evaluation of BR initiatives – an illustrative list

Project / Activity/ Theme	Activity focus	Output	Impact Indicators
Child labour	Sensitisation of stakeholders. Children shifted from child labour to informal/formal education.	Number of stakeholders sensitised.	600 children shifted from child labour to informal/ formal education. Number of enterprises employing children has reduced from 70 to 30 per cent.
Social compliances	Firms complying with the buyer's code. Firms obtaining standard social codes certifications.	25 per cent of firms complying with buyer's code. 20 firms obtaining standard social codes certifications.	As a result of compliance, 35 per cent of the firms are linked to markets. About 60 per cent of workers are getting all statutory benefits.
Pollution	Sensitisation of stakeholders. Technical inputs.	Three 'awareness programmes' about pollution control covering owners of about 80 firms. 200 workers trained in operating pollution control devices.	Only 50 per cent of the total solid waste generated by the cluster is being disposed of in a systematic manner. About 40 per cent of firms have proper air pollution control equipments.
Health care	Sensitisation of stakeholders. Improved access to healthcare facilities.	1,000 workers benefited from training programmes on occupational health and safety training. 10 health camps organised.	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 is sourced from:

- 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.

Tabular formats filled in as a part of the monitoring process

The following data from the monitoring process has to be culled out:

- '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.
- Assessment of output indicating number of beneficiaries (wherever relevant) (section 4.3.2.1).
- Efficacy of a Common Facility Centre (if any) (section 4.3.2.2).
- Sufficiency of the interactions with the support institutions (section 4.3.2.3).
- Extent of trust among the stakeholders (section 4.3.2.3 Table 2.17 Format for CDA for monitoring trust level in the cluster).
- Assessment of outcomes (section 4.3).
- Judicious use of the financial resources which are committed for project implementation.

Thereafter, the CDA is required to compare the 'actuals' with the 'projections' as per the cluster action plan. For instance, mobilising the 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 to 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 an awareness workshop, the number of stakeholders making financial contribution to set up the CFC, implementation of the CFC and so on. The 'evaluation' has to focus on what extent the awareness on effluent disposal has filtered down to the concerned individuals, the efficacy of CFC in tackling the issue and the extent to which it has translated into the 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 the findings.
- The process of preparation of an action plan and the contents.
- Implementation of an action plan.
- Output in 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 gaps in the data and to authenticate the evaluation process, the CDAs may like to gather the primary data themselves. This is especially relevant for assessing those indicators that are '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' and amongst those who participated there could still be some who are lacking awareness. In such cases, primary data collection through 'stratified sampling' provides an insight. Evaluation of various project fall out and policy level impacts are also carried out, by carrying out discussions 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 even after the agency withdraws. The sustainability of such efforts manifests itself in several forms, such as:

- Cooperation among firms in the form of networks, joint activities, consortiums and associations.
- Cluster management/administration units that are thriving.
- New support institutions/private entities that have joined the cluster, or have been created in it.
- Emergence of specialised 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 are the following types of actors or 'intermediaries':

- Networks/associations of firms
- Support institutions: Promotional bodies (such as export promotion councils), development finance institutions, state-sponsored R&D institutions, etc.
- Service providers
- CD institutions

The presence of these intermediaries in sufficient numbers and their capacity varies over the period of intervention. Even at the conclusion of a programme of 3 years, these intermediaries may not have matured 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 the highest weight to networks/associations – 60 per cent, followed by support institutions and service providers – 30 per cent and to 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 Table 2.25. 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 a score for an intermediary in each group is provided in the table:

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 an 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 with new format launched; significant funding support from implementing agency; feedback from users acknowledged as a 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 proactive 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.

Table 2.25 is an example with reference to the Chanderi Handloom cluster applying the above system.

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 networks not functioning well	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 Upgradation 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 Institutes	25	0	0	0	0
Total				Please	Fill up
CD Institutions					0
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, most underprivileged and women get overshadowed by the 'powerful' opinions of the rest of the stakeholders. This happens despite efforts to draw a representative sample at the time of gathering primary data. Hence, a participatory approach to evaluation is 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 NGOs and other agencies for developmental projects. The approach is different from the regular evaluation process in the sense that it incorporates the 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, for gathering and analysing the information. Generally, a local team (speaking the local language) is best suited to conduct such an appraisal, with a few outsiders present. There should be a significant representation of women and a mix of sector specialists and social scientists.

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

- The IA has to ensure that documentation, an often neglected task while implementing any development initiative, is comprehensive enough to set an example for replication. The focus has to be more on how the 'social' and 'economic' agenda can be judiciously combined in the process of development.
- While it is the CDA's role to monitor the process, the senior officials of the IA need to be involved in keeping track of the operations not only of the CDA and his team but of the entire project as well.
- 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 'state level focal point' so that support, when necessary, can be sought from senior officials of the state and related organisations.
- The IA has to take the lead in evaluation of the outcome of the CDP as the involvement of the CDA/team alone could be perceived as bias on their part. 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.
- To understand the status of accomplishment of the overall project objectives in terms of promoting socially responsible behaviour, the IA should have a participatory approach to evaluation.
- To assess the preparedness of the relevant stakeholder groups who are to ensure self-governance in the cluster, one can use the 'sustainability index' tool.

Annex I

Relevant Social Sector Schemes that are Applicable in MSME Clusters

Sr. No.	Name of Scheme	Objective/focus of the scheme
Ministry of Woman 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	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	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 empowering 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 institutionalising 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. Inculcating a subsidy-free approach to women's empowerment.

Sr. No.	Name of Scheme	Objective/focus of the scheme
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	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	To mobilise women in small viable groups and make facilities available and access to credit. Provide training for skill upgradation, enable groups of women to take up employment-cum-income generation programmes 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.hctml	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.

Sr. No.	Name of Scheme	Objective/focus of the scheme
6.	Rashtriya Mahila Kosh (RMK) www.wcd.nic.in/ar2007/English/Chapter/ch11.pdf	RMK extends micro-finance services through a client friendly, without collateral and hassle-free loaning for livelihood activities, housing, micro-enterprises, family needs, etc. RMK has also taken a number of promotional measures to popularise the concept of micro-financing, thrift credit, formation and stabilisation of Self Help Groups (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	A significant start will be made for the development of early childhood education (ECE) for the first generation learning families in backward 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 extend 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 and producing training materials, orienting administrative and 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	To meet the growing demands for crèches and to provide day care facilities to the children in the age group of 0–5 years.

Sr. No.	Name of Scheme	Objective/focus of the scheme
9.	Gender Budgeting Scheme http://wcd.nic.in/schemes/gbscheme.pdf	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 gender budgeting. To coordinate and monitor gender budgeting exercises of GBCs and facilitate gender budgeting analysis. To organise workshops to facilitate capacity building and training for various stakeholders including officials of Central and State Governments, PSUs, corporate sector, Panchayati Raj Institutions (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 organising 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.	Scheme for welfare of working children in need of care and protection http://wcd.nic.in/schemes/workchild.pdf	Provision of opportunities including non-formal education, vocational training, etc., to working children to facilitate their entry/re-entry into mainstream education in cases where they 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.

Sr. No.	Name of Scheme	Objective/focus of the scheme
11.	Balika Samridhi Yojana http://wcdhry.gov.in/balika_samridhi_yojana.htm	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 marriage age of girls. To assist the girl to undertake income generating activities.
12.	Kishori Shakti Yojana http://wcd.nic.in/KSY/ksyintro.htm	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	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 coordination 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	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	Provide assistance to NGOs for running crèches for infants (0–6 years). Provide assistance to ensure sleeping facilities, health care, supplementary nutrition, immunisation, etc., for running a creche for 25 infants for eight hours i.e., from 9:00 am to 5:00 pm.

Sr. No.	Name of Scheme	Objective/focus of the scheme
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	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	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	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 and machinery/production process to reduce energy consumption, enhance energy efficiency, reduce CO_2 emissions and improve 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	In order to enable youth to mobilise themselves for their own as well as the community's welfare.
Ministry of Social Justice and Empowerment		

Sr. No.	Name of Scheme	Objective/focus of the scheme
20.	Scheme for Grant-in-Aid to Voluntary Organisations Working for Scheduled Castes http://www.socialjustice.nic.in/ngosch1.pdf	The main objective behind the scheme is to involve the voluntary sector and training institutions of repute to improve educational and socio-economic conditions of the target group i.e., Scheduled Castes with a view to upgrade skills to enable them to start income generating activities on their own or get gainfully employed.
21.	Assistance to NGOs working for SC ST & OBC http://www.socialjustice.nic.in/obcngosch.pdf	To involve the voluntary sector to improve educational and socio-economic 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	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.

Sr. No.	Name of Scheme	Objective/focus of the scheme
23.	Income Generating Programmes for the Disabled http://www.karmayog.org/library/libartdis.asp?r=152&libid=128	Promote economic development activities and self-employment ventures for the benefit of persons with disability. Extend loan to 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 individuals with disability in marketing their finished goods.
24.	Scheme of assistance to disabled persons for purchase of Aids/ Appliances http://www.socialjustice.nic.in/adipmain.php	To assist 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	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	To improve the quality of life of the elderly by providing basic amenities like shelter, food, medical care and entertainment opportunities and by encouraging productive and active ageing by providing support for capacity building of Government/Non-Governmental Organisations/Panchayati Raj Institutions/local bodies and the community at large.
Department of Elementary Education and Literacy, and Department of Secondary and Higher Education, Ministry of Human Resource Development		
27.	Integrated Education for Disabled Children (IEDC) http://www.education.nic.in/iedc_sch_draft.asp	To educate students with disabilities in accordance with the principles of inclusive education by incorporating the 'social model of disability' – the scheme aims to create an environment that respects and values diversities and attempts to increase enrolment, retention and achievement of students with disabilities in general education/regular schools.

Sr. No.	Name of Scheme	Objective/focus of the scheme
28.	Scheme of Support to Voluntary Agencies for Adult Education and Skill Development http://education.nic.in/MHRD.pdf	To improve the occupational skills and technical knowledge of neo-literates and 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	To promote experimentation and innovation, and to complement in diverse ways the goals spelt out in NPE-86 and NCF-2005 for creating environmental consciousness and related behavioural practices among students. Some of the activities envisaged under the scheme are: 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), organisation 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.

Sr. No.	Name of Scheme	Objective/focus of the scheme
30.	Scheme on Non-Formal Education http://www.education.nic.in/cd50years/r/2P/8R/2P8R0301.htm	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 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	To provide employable skills to the youth of the region, entrepreneurial skills, competencies that will enable them to become self-employed, organise 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/organisations 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 unorganised sector, assist in providing any other specialised 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 sensitisation or advocacy.
National Minorities Development and Finance Corporation		
32.	Educational Loan Scheme http://www.nmdfc.org/schems&prog.html http://www.nmdfc.org/refer_manuals11.html	To facilitate job-oriented education amongst the weaker sections of Minorities.
Ministry of Environment and Forests		

Sr. No.	Name of Scheme	Objective/focus of the scheme
33.	Industrial Pollution Abatement through Preventive Strategies http://moef.gov.in/report/0910/Annual_Report_ENG_0910.pdf#page=5	To assist the primary small units and some medium scale units who do not have access to the requisite technical expertise to achieve waste minimisation but excludes procurement of equipment and hardware. Establishing and running Waste Minimisation Circles (WMCs) in clusters of small & medium industries. Capacity building in the area of waste minimisation/cleaner production through training. Waste minimisation 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 minimisation.
34.	Common Effluent Treatment Plants (CETP) http://envfor.nic.in/funding/chap2.pdf	To encourage use of new technologies for CETPs for existing units in SSI clusters, 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	To develop and promote programmes for clean technologies. To develop tools and techniques for prevention of pollution. To formulate strategies and programmes in sustainable development.
36.	GRANT-IN-AID for Greening India http://envfor.nic.in/funding/chap3.pdf	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 of 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.

Annex II

BR-related information needs

- Human Rights

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

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

- Labour (Statuary Compliance Information)

  a) Freedom of Association and Right to Collective Bargaining

  b) How is the workforce in the cluster organised?

  c) Have there been any incidences of Industrial Dispute – strike, walk out or protest in the past 1 to 2 years in the 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) Have there been any incidences of Forced and Bonded Labour in the past 1 to 2 years in the 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

     i) 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) Hours 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 any 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?*

- Energy and Environment

a) Chemicals

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

ii) *If hazardous chemicals are being used, in 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 air pollution or water pollution or community environment in and around the cluster?

c) Waste

i) *Does the cluster have a Common ETP plant?*

ii) *Does the cluster have a Common Solid Waste treatment plant?*

iii) *Does the cluster have an approved Landfill?*

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

v) *Is there a system of monitoring waste disposal in 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, by products of wood, LPG, any other) being used in the cluster?

e) Risk and its Management

i) 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/ utilisation of our natural resources like water, forest and land, etc.)

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

iii) How effective are the Environmental Inspections conducted in the cluster by the Government?

iv) Does the Government have a disaster management plan in the cluster to handle environmental mishaps?

v) What are the Environmental Protective Initiatives (rainwater harvesting, re-forestation, energy efficiency, etc.) taken by the Government?

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

f) Incidence of Graft

i) Have there been any incidents of Corruption or Bribery 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?

g) Other information on cluster

i) Age of cluster

ii) Any historical/geographical reasons for its establishment

iii) Nature of enterprises owners – progressive/dynamic/self-satisfied/religion effect

iv) Nature of working processes/operations – polluting/clean/working condition/ any other

Annex III

List of Possible BR Activities in Clusters

Social Responsibility Area	Particulars of activities
Socio-economic ESR issues	Ethical issues related to marketing and after sales & services
Labour Welfare	Improvement in working conditions Health & safety training 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 the unorganised sector Avoiding gender discrimination of any type
Health care for worker/community	Raising awareness through lectures, seminars and workshops Adolescent health education and counselling Organisation of health camps for the workers, and their families Mobile diagnostic and treatment facilities Convergence of other organisations on health care initiatives Creation of infrastructure and facilities on health care
Education	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

Social Responsibility Area	Particulars of activities
Women & children	Construction and running of short stay homes for women and 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
Environment	Activities related to pollution – air, water, land and noise Activities related to waste management – ETP plants, landfills, incinerators, chemical disposal, etc. Proper and optimum utilisation of natural resources; non-use of restricted items and materials Rain water harvesting Water-shed management Aforestation
Energy	Raising awareness through lectures, seminars, workshops, camps or any other appropriate means about energy-saving measures Energy audits Energy-efficient technologies Use of alternative sources of energy Conversion of by-products and waste into energy
Generic social issues	Actions to mitigate: Alcohol and drug addiction and abuse Child marriage Dowry etc. Human rights violations
Weaker sections of Society	Income generating programmes for the disabled Voluntary action for persons with disabilities Education and rehabilitation of disabled children Care for the elderly and senior citizens

Annex IV

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 Woman and Child Development. It is an autonomous institution and function under the aegis of Ministry of Woman and Child Development, Govt. of India.

Area of welfare activity	Resource / Knowledge organisations	Brief detail
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 mobilisation. 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 Foundation	One of the primary goals of the Foundation is to eliminate child labour by universalising school education. The Foundation mainly works in Andhra Pradesh.
	Butterflies http://www.butterflieschildrights.org/	Butterflies is a registered voluntary organisation 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.

Area of welfare activity	Resource / Knowledge organisations	Brief detail
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: Financing income generating schemes for SCs through the State Channelising Agencies (SCAs) and other recognised 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.

Area of welfare activity	Resource / Knowledge organisations	Brief detail
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 & Family Welfare (NIHFW) http://www.nihfw.org	NIHFW is an apex technical institute, funded by Ministry of Health and Family Welfare for promotion of health and family welfare programmes in the country through education, training, research, evaluation, consultancy and specialised services.

Area of welfare activity	Resource / Knowledge organisations	Brief detail
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 organisation 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 2,500 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.

Annex V

Action plan superimposed on time frame – An illustration

Rourkela Sponge Iron and Allied Industries Cluster Action Plan

Activity		Tentative
Objective	Activity	Coordination man-day
Short-Term Cluster Action Plan (0 to 1 year duration)		
To start pilot initiative no. 1 on periphery development on the multi-stakeholder concept in one of the blocks of Rourkela. This will act as a model for replication and up-scaling in the other four blocks around Rourkela.	Phase 1 (2.5 months) 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 sets up the secretariat, recruits and puts in place a working system with complete allocation of duties and responsibilities for the same. Phase 2 (9.5 months) 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 organisations 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 for planning and implementation of development activities. District and Block administration continue to extend support to the initiatives. Sensitise about waste disposal and air pollution issues in the cluster and initiate awareness/solution activities for the same. Sensitisation about new technologies for 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 fulfil its social responsibility. Replication of such initiatives in other blocks.	Industry= 2.30 l acs UNIDO= 14.30 lacs 1 UNIDO CDA for S. No 1 Total = 16.60 lacs

Budget (Rs.)		Relevant Resources			Measurable Target Output
	Capacity Building	Knowledge	Implementation	Funding	
	Industry = 2.70 lacs UNIDO = 5.30 lacs Total = 8 lacs	UNIDO, CDS, Other Knowledge Organisations	Industry	Industry, District Administration, UNIDO	A society with due support from the District Administration and having a professional secretariat, bank account, 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, to make it ready to work independently within one year. 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 initiatives in preliminary stage of implementation for issues related to waste disposal and air pollution. Pilot initiative journey document is completed and the 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.

Activity		Tentative
Objective	Activity	Coordination man-day
Medium-Term Cluster Action Plan (1 to 3 year duration)		
Consolidation of the existing activities of pilot initiative no. 1 of short-term cluster action plan up-scaling	Action plan for 2 years 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 = 26.60 lacs 1 UNIDO CDA for S. No 2 and 3 Total = 31.20 lacs
Working on environmental issues for pilot initiative no.1 on waste disposal Air pollution Iron ore powder utilisation Energy efficiency	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 e.g., 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 for 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 into the atmosphere.	
Up scaling of the periphery development pilot model in other blocks around Rourkela – initiative no. 2	The activities will be as contained at S. No. 1 and 2 of the above in 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 1 UNIDO CDA for S. No. 4 Total = 31.20 lacs

Budget (Rs.)		Relevant Resources			Measurable Target Output
	Capacity Building	Knowledge	Implementation	Funding	
	Industry= 5.40 lacs UNDIO = 10.40 lacs Total = 15.80 lacs	UNIDO, Other Knowledge Organisations	Industry	Industry, District Administration, UNIDO	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 monitorings carried out, their recommendation shared with members and corrective measures taken.
					Solid waste site identified and cluster firms develop 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 technology identified for palletisation of iron ore and at least 1 firm starts 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.
	Industry= 5.40 lacs UNDIO = 10.40 lacs Total = 15.80 lacs	UNIDO, Other Knowledge Organisations	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

Activity		Tentative
Objective	Activity	Coordination man-day
Long-Term Cluster Action Plan (3 to 5 year duration)		
Working on policy and linkage level issues for pilot initiative no. 1	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/departments 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-stakeholder friendly.	Industry = 4.60 lacs UNIDO = 26.60 lacs 1 UNIDO CDA for S. No 5 and 6 Total = 31.20 lacs
Consolidation of the existing activities of pilot initiative no. 1 of short-term cluster action plan Up-scaling in terms of quality	Action plan for 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.	
Consolidation of the existing activities of pilot initiative no. 1 of short-term cluster action plan Up-scaling in terms of quality	Action plan for 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 1 UNIDO CDA for S. No 7 , 8 and 9 Total = 23.20 lacs
Working on environmental issues for pilot initiative no. 2 on Waste disposal Air pollution Iron ore powder utilisation 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.	
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 Total = 19.20 lacs

Budget (Rs.)	Relevant Resources			Measurable Target Output
Capacity Building	Knowledge	Implementation	Funding	
Industry= 5.40 lacs UNDIO = 10.40 lacs Total = 15.80 lacs	UNIDO, Knowledge Organisations, Technical Institutions	Industry	Industry, District Administration, UNIDO, Funding Organisations	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.
				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 monitorings carried out, their recommendation shared with members and corrective measures taken.
Industry= 5.40 lacs UNDIO = 10.40 lacs Total = 15.80 lacs	UNIDO, Other Knowledge Organisations	Industry	Industry, District Administration, UNIDO	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 monitorings carried out, their recommendation shared with members and corrective measures taken.
				The tentative measurable outputs will be as that of S. No. 3
Industry= 5.40 lacs UNDIO = 10.40 lacs Total= 15.80 lacs	UNIDO, Other Knowledge organisation	Industry	Industry, District Administration, UNIDO	4th Year The tentative measurable outputs will be of S. No. 4 5th year The tentative measurable outputs will be of S. No. 4

Annex VI

Sourcing Funds for Cluster Development: An illustration

Domestic and international marketing

Participation in domestic fairs	DC (Handicrafts), DC (Handlooms), State Govt., SIDBI
Conducting a market survey	SIDBI
Participation in international fairs	Market Development Assistance Scheme of Ministry of Commerce and Small Scale Industries
Buyer seller meet	NSIC, SGS Laboratories
Subcontracting exchange	Min. of Small Scale Industry
Common marketing website	SIDBI

Infrastructure development

'Shilp gram' or Industrial area	Integrated Infrastructure Development scheme (Min. of MSME), State Governments
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 Governments
Testing laboratory	Ministry of Food Processing, NABARD, SIDBI, State Governments
To strengthen infrastructure at export centres	Critical infrastructure balance scheme

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

Technology

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

Complete projects

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

IT training and technical expertise

Information centre, training	Hewlett Packard, NABARD, Horticulture Board of State Governments
Internet connection with computer systems	SIDBI

Working Capital

Raw Material Bank	NSIC, SIDBI
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

Pollution control

Demo plant to highlight benefits to others	SIDBI, State Governments, 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

Quality certification

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

Annex VII

Sports Goods Cluster, Jalandar, Punjab

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

Period	Sr No.	Particulars	Amount	SGFI	UNIDO	PUBLIC
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%)**
01-09-2006 to 31-08-2007	1	Man days cost	6,09,519	1,82,854 (30%)	4,26,657 (70%)	Nil
	2	Office infrastructure/ stationary/electricity/ water/phone/email	2,00,000	60,000 (100%)	Nil	Nil
	3	Capacity building	5,73,000	2,35,550 (35%)	2,35,550 (35%)	2,01,900 (30%)
	4	Travelling (on actual)	1,00,000	50,000 (50%)	50,000 (50%)	NIL
		TOTAL	**15,75,811**	**6,66,394 (42%)**	**7,07,517 45%)**	**2,01,900 (13%)**
01-11-2007 to 30-09-2008	1	Man day cost	8,41,975	3,36,790 (40%)	5,05,185 (60%)	Nil
	2	Office/infrastructure/ stationary/office expenses	1,75,000	1,75,000 (100%)	Nil	Nil
	3	Capacity building	9,79,900	2,93,970 (30%)	3,91,960 (40%)	2,93,970 (30%)
	4	Travelling	5,00,000	3,00,000 (60%)	2,00,000 (40%)	Nil
		TOTAL	**24,96,875**	**11,05,760 (45%)**	**10,97,145 (44%)**	**2,93,970 (11%)**