

**Model Memorandum of Agreement (MoA) to
be executed between Nodal Agency (NA) and
Technical Agency (TA) under Scheme of Fund
for Regeneration of Traditional Industries
(SFURTI)**

**MEMORANDUM OF AGREEMENT BETWEEN NODAL AGENCY AND
TECHNICAL AGENCY**

1. Background

1.1. Whereas a Central Sector Scheme titled the “Scheme of Fund for Regeneration of Traditional Industries (SFURTI)” has been drawn up and approved by the Union Ministry of Micro, Small and Medium Enterprises (MSME) and it has been decided to implement the said scheme through a well-knit system of Nodal Agencies (NAs), Implementing Agencies (IAs), Technical Agencies (TAs) and Cluster Development Executives (CDEs).

1.2. Whereas the **Khadi & Village Industries Commission (KVIC)** designated as one of the **Nodal Agencies** has been entrusted with the responsibility of implementation of the Central Sector Scheme in so far as it is related to Khadi & Village Industries.

1.3. Whereas the an organization having requisite expertise in the field has been offering its expertise services in the area of clusters development and willing to render its services as the **Technical Agency** in execution of the present scheme in the areas assigned to it by the Nodal Agency.

1.4. Whereas, the organizations, viz., any Nodal Agency or KVIC and Technical Agency (.....) had preliminary discussions and mutually agreed to enter into this collaborative work arrangement for implementation of the scheme as per the terms and conditions laid down hereunder.

2. DEFINITIONS

2.1 'Approval' means “final approval” given by the Scheme Steering Committee of the Ministry of MSME.

- 2.2 'Fee' shall mean the professional fees payable to TA as per clause 5.
- 2.3 'Grant' shall mean the grant sanctioned by SSC for each project.
- 2.4 'Implementing Agency' or 'IA' means non-Government organizations (NGOs), institutions of Central and State Governments and semi-Government Institutions, field functionaries of State and Central Government, Panchayati Raj Institutions (PRIs) or SPV that will undertake cluster development under the Scheme.
- 2.5 'Nodal Agency' or 'NA' means any designated Nodal Agency recognized by the Ministry of MSME including that of Khadi and Village Industries Commission (Central Office/field office).
- 2.6 'Project(s)' mean the Clusters to be developed by the IAs as per the Scheme, in accordance with detailed project report approved by the SSC.
- 2.7 'Project Cost' means the cost of the Project(s) as approved by the SSC, more clearly the aggregate cost of the components eligible for grant funding under the Scheme. The project cost shall not include the cost of land for each project.
- 2.8 'TA' means 'Technical Agency'.
- 2.9 'Scheme" means the Scheme of Fund for Regeneration of Traditional Industries (SFURTI).
- 2.10 'Scheme Steering Committee' or "SSC" means the committee headed by Secretary, Ministry of MSME for sanctioning of project under the scheme.
- 2.11 'Special Purpose Vehicle' (SPV) means a corporate body registered under the Companies Act/Societies (Registration) Act (or as approved by SSC) formed by the Industry Association/Groups of Entrepreneurs/ Artisans in respect of the projects approved under the Scheme.
- 2.12 Any other term not defined above, shall have the same meaning as described in the guidelines of the 'Scheme of Fund for Regeneration of Traditional Industries (SFURTI) issued by Ministry of MSME vide No.4/4/2017 KVI-I, dated: 27th June 2018 and Circular vide no 4/67/2016-KVI-1 dated 06.07.2016.

3. The objectives of SFURTI as mentioned in the guidelines of the SFURTI shall be applicable.

4. Role & Responsibilities of Technical Agencies: Established national-level institutions, with proven expertise in artisanal and small enterprise cluster development shall be engaged as Technical Agencies

(TAs) to provide close handholding and implementation support to the SFURTI clusters. The TAs shall provide technical support to the NAs and the IAs. The responsibilities of the TAs will include preparation and validation of Cluster Action Plans, conducting training of the Cluster Development Executives (CDEs) and other officials of the IAs and NAs, regular monitoring of the cluster on monthly/ quarterly basis and submit report on quarterly basis, to the respective field office of Nodal Agencies.

- i. Sensitization and awareness generation in the clusters about the scheme among artisans & Stake holders.
- ii. Identification of potential IAs;
- iii. Preparation of **Diagnostic Study Reports (DSRs)** for in-principle approval of the SSC, mapping of technological and skill levels no. of artisans with their existing activities and their present earnings, strategies for delivering the cluster level interventions, outcomes, resultant enhancement of wages of the artisans etc., backward forward linkages, sourcing of raw materials, marketing of finished products etc. and conducting Diagnostic Study and suggest possible Soft, Hard and thematic interventions;
- iv. To identify focus products and product mix for the Cluster for domestic and export markets. That may also include multi products in the cluster and creating linkages with other available network of cluster in the adjoining Primary Cluster within the given budgetary allocation and as per approval of DSR/DPR.;
- v. Preparation of comprehensive DPRs for final approval of SSC containing the following details, namely,- business model for self sustenance, skill up-gradation of artisans, acquiring of new skills, setting up of physical and financial outcome targets for the project, proposed percentage enhancement of productivity and earnings of the artisans, brand building, product segmentation, promotion and advertising through regular publicity modes and participation in fairs and exhibitions, exploring possible export avenues with clear targets etc;
- vi. Assisting the identified IA in establishment and structuring the project specific SPV and formation of working committee
- vii. Assist the NAs/SSC in examining the proposals for in-principle and final approval;
- viii. T.A. will assist the IA in formulating plans, getting approvals, obtaining clearances from statutory institutions, identifying suitable technologies/ equipment for value addition of the products and will assist the IA in setting up of CFCs after identification of land by the IA. More than one CFC is also permitted provided demand is justified for bringing higher productivity in the cluster. TA will assist IAs in selection of agencies / experts for various services and in

- developing suitable operational framework for various interventions and would also assist in periodic monitoring of the progress of the projects and disbursement of funds and finally the TA would formulate a Sustainability Roadmap for the Cluster detailing the exit strategy for the IA and the plan for business operations of the cluster beyond the project duration;
- ix. TA to put in place a suitable business plan detailing the revenue model based on appropriate user fee, mechanism to collect it to enable the SPV to achieve the projected outcomes in terms of productivity, sales, employment, wages enhancement, overall income of the Cluster as projected in the DPR;
 - x. T.A should assist the IA/ SPV in engagement of a Design House / Designer with appropriate terms of reference and detailed scope of work for extending appropriate input of design, product processing, product development and proper packaging in consultation with NA, IA and other stake holders;
 - xi. To assist the IA/ SPV in engagement of Business Development Services (BDS) providers, out sourcing/improving tools and equipment, developing strategies & best practices for credit linkage as far as possible;
 - xii. T.A. would advice IA/CDE for making plans for procurement of raw materials along with various micro and macro level tools and machineries and other processes as identified and mentioned under DSR/DPR. Tools/Kits and Charkhas/implements may also be distributed among artisans as a part of Cluster Level Intervention as per DSR/DPR. TA should assist the IA in establishing a proper, appropriate and transparent system duly examined and vetted by the Cluster Level Committee for distribution of tolls/ kits/ charkhas/ implements among artisans;
 - xiii. TA will draw up a marketing strategy and detailed plan in consultation with NA and IA in regard to the following:
 - a) Product development
 - b) Packaging
 - c) Product pricing
 - d) Product positioning and promotion
 - e) Product mix/ diversification
 - f) Dealer/Distributor Network under offline marketing mode
 - g) Tapping e-commerce for online marketing.
 - h) Determining supply chain and logistics
 - i) Ensuring quality of product and standardization
 - j) Tapping the export potential through appropriate interventions

- k) Assessing the requirement of thematic interventions focusing on branding, e-marketing, new media marketing, innovation, research & development of new products, etc.
- xiv. Miscellaneous activities that need to be ensured by I.A. shall require close supervision by T.A.:
 - a) Awareness and exposure visit of artisans.
 - b) Mandatory opening of Bank Account by Artisans under Jan Dhan Yojana.
 - c) Health insurance of all the artisans under the cluster as applicable under KVIC rules (Jana Shree Bima Yojana & Rashtriya Swasthya Bima Yojana wherever applicable).
 - d) Enrolling under Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) which will offer a renewable one-year life cover of Rs.2 lakh to all savings bank account holders in the age group of 18-50 years, covering death due to any reason, for a premium of Rs.330 per annum.
 - e) Enrolling under the Pradhan Mantri Suraksha Bima Yojana (PMSBY) which will offer a renewable one-year accidental death-cum-disability cover of Rs.2 lakh for partial/permanent disability to all savings bank account holders in the age group of 18-70 years for a premium of Rs.12 per annum per subscriber.
 - f) Issue of Aadhaar based Identity card to artisans mentioning the benefits, privileges, rights as well as their specific responsibilities along with necessary undertakings in regard to the implementation of the programme.
 - g) The Atal Pension Yojana (APY) will focus on the unorganized sector and provide subscribers a fixed minimum pension of Rs.1,000, Rs.2,000, Rs.3,000, Rs.4,000 or Rs.5,000 per month, starting at the age of 60 years, depending on the contribution option exercised on entering at an age between 18 and 40 years. Pension and similar other financial benefits as applicable to be provided adhaar linked.
 - h) Periodic training of Artisans.
 - i) SHGs members may also be extended to these general and miscellaneous supports as extended to the artisans under Cluster Programme.
- xv. TA shall assist IA/SPV in organizing and planning Business Development Strategies, buyer-seller meet and implementation of thematic intervention focusing on branding, e-marketing, new media marketing, innovation, research and development etc. for smooth running of Clusters.

- xvi. Assisting the SPV in mobilizing additional funds for the project. This would involve preparation of proposals under relevant schemes of the Government apart from tying up loans from the banks.
- xvii. TA shall facilitate linkages between the SPV and various other stakeholders, particularly the Government organizations, buyers and financial institutions.
- xviii. T.A. will facilitate in the identification of suitable Technical Consultants in designing appropriate technologies for the cluster within the allocation ceiling for the respective type of cluster.
- xix. T.A. will plan out in consultation with NA to frame the training requirement of artisans and stake holders and grouping their requirements as per the need of the clusters. Accordingly, the TA will assist in the identification of training institutions will be done in defining the courses duration, fees and other necessary requirement as per the cluster.
- xx. Assist the NA for seeking and obtaining approval from the State Governments/UTs before submission of DPR to the SSC for final approval;
- xxi. TA shall create appropriate system for online reporting of progress reports to Nodal Agency and to the Ministry of MSME on monthly and quarterly basis.
- xxii. Any other work assigned from time to time by the NA, Ministry of MSME, for timely completion of project, any changes in nature of intervention, any sorts of addition/alternation in the implementation programme, etc. that may come at any point of time during the project period should very well be considered by TA for execution without any additional cost.
- xxiii. At the end of the Project, TA shall prepare proper documentation covering the entire activities, preparation of case studies and photo documentation along with an end-project report articulating the outcomes in terms of productivity and sales. Listing out the outcomes achieved against the targets fixed at the beginning of the project will also be done.
- xxiv. Formulate an *exit* strategy for the IA and prepare a sustainability roadmap for the Cluster with a business plan for the next five years beyond the project duration.
- xxv. TA shall assist the IA to ensure implementation in such a manner that 50% of the project cost gets utilized in 1stYear as per the guidelines. Therefore, the following tasks should preferably be completed:
 - (i) Constitution of SPV as funds will be released through SPV;
 - (ii) Assist the IA/SPV in appointment of suitable CDE

- (iii) Facilitate opening of dedicated Account
- (iv) Organizing cluster level meetings;
- (v) Assist the IA/ SPV in accessing infrastructure such as water, electricity, road connectivity and obtaining various licenses/ NOCs from concerned department of State Govt.;
- (vi) In case IA is finding difficulties in arranging land in a convenient location having greater connectivity, TA shall compel both NA and IA to approach State Govt. and other agencies of State Govt. for availability of land;
- (vii) In short TA shall assist the IA in ensuring completion of the following tasks in the 1st year:
 - a) Formation of SPV;
 - b) Planning of group wise training for artisans and other stake holders and complete the same in the 1st year; and
 - c) Finalise land, design, tendering and commencement of construction of CFC as per technical specifications.
- xxvi) TA will assist IA to achieve the projected outcomes in terms of production, sales, employment, and enhancement of wages and overall income of the cluster.
- xxvii) TA should assess the need of Working capital required by IA for cluster business cycle.
- xxviii) Assist IAs in selection of agencies/ experts for various services and in developing suitable operational framework for various interventions
- xxix) TA will assist NA in conducting regular monitoring of the cluster on monthly or quarterly basis and will devise a suitable monitoring framework for the same.
- xxx) TA shall assist the IA/SPV to ensure that the second installment of 50% of the total budgetary allocation is utilized during 2nd year.

5. Cost and professional fees:

5.1. The **Professional Fee** (including professional fee, travel, boarding & lodging, communication and all other out of pocket expenses), shall be maximum **8% of the amount of Hard Intervention or Rs.30.00 Lakhs which ever is less (as per guidelines of SFURTI)** of the project cost.

5.2. The proposed Schedule of Payment of Professional fee to TA for Clusters shall be as under:-

	Payment Milestone	Fee Amount
2.1	Release of 1 st Installment	50%of the Professional Fee
2.2	Release of 2 nd Installment	30%of the Professional Fee
2.3	On completion of the Project	20%of the Professional Fee

6. Responsibilities of NA

- 6.1. NA would duly notify and inform all concerned stakeholders including the industry, State Governments, concerned Ministries / organizations of Government of India and Financial Institutions, about the appointment of TA for implementation of SFURTI.
- 6.2. NA shall extend all support required to TA for implementation of the scheme as may be required such as obtaining Government Approvals, Environment Clearances, etc. for setting up of Clusters.
- 6.3. NA shall be responsible to ensure timely disbursement of funds to the IAs on recommendation of TA to ensure time bound completion of projects.
- 6.4. In the event of the delay, if any, caused in implementation of the project by the Implementation Agencies due to delay in release of funds by NA, TA shall not be held responsible for the delay in execution of the projects.

7. Force majeure

- 7.1. Neither party shall be held responsible for non-fulfillment of their respective obligations under this agreement due to the exigency of one or more of the force majeure events such as but not limited to acts of God, war, floods, earthquakes, strikes, lockouts, epidemics, riot, civil commotion, etc. provided on the occurrence and cessation of any such events, the party affected thereby shall give a notice in writing to the other party within one week of such occurrence or cessation. If the force majeure condition continues beyond six months, the parties shall then mutually decide about the future course of action.

8. Termination of Agreement

8.1. Termination by NA: NA may terminate this Agreement, by not less than thirty (30) days' written notice of termination to TA, to be given after the occurrence of any of the events specified in paragraphs (i) to (iii) below:

- (i) if TA does not remedy a failure in the performance of their obligations under the Agreement, within sixty (60) days of receipt after being notified or within such further period as NA may have subsequently approved in writing;
- (ii) if TA becomes insolvent or bankrupt; or
- (iii) if, as a result of Force Majeure, TA is unable to perform a material portion of the Services for a period of not less than sixty (60) days.

8.2. Termination by TA: TA may terminate this Agreement, by not less than thirty (30) days' written notice to NA, such notice to be given if, as the result of Force Majeure, TA is unable to perform a material portion of the Services for a period of not less than sixty (60) days.

8.3. Payment upon Termination: In the event of termination of the Agreement, fee payable to the TA shall be in accordance to the physical and financial milestones achieved up to the date of termination.

8.4. The termination of this Agreement shall not prejudice or affect in anyway the rights and benefits accrued or liabilities and duties imposed on the parties of this agreement.

9. No liability to KVIC

9.1. Nodal Agency shall not be liable in any manner for any act of omission and Commission on the part of the TA during the implementation of the programme.

10. Indemnity

10.1. TA shall at all times indemnify KVIC against all claims / damages etc. by any infringement of any Intellectual Property Right (IPR) while providing the services under a Project.

11. Operational dates

11.1. This Memorandum of Agreement shall come into effect from the date of its signing by both the parties and shall continue to be in operation for a period of three years or till completion of the scheme.

12. ARBITRATION

If any dispute arises out of or in connection with this contract/agreement, or in respect of any defined legal relationship associated herewith or derived there from, the parties agree either to seek an amicable settlement of that dispute by conciliation under the ICADR Conciliation Rules, 1996 or to submit that dispute to Arbitration under the ICADER Arbitration Rules, 1996.

The authority to appoint Conciliator/Arbitrator shall be the International Centre for Alternative Dispute Resolution.

The International Centre for Alternative Dispute Resolution will provide administrative service in accordance with the ICADER Conciliation/Arbitration Rules, 1996.

The place of conciliation/arbitration proceeding shall be Mumbai.

Both the parties sign this Memorandum of Agreement on thisday of 2019.

Signed for

Signed for

TECHNICAL AGENCY

NODAL AGENCY

MODEL MEMORANDUM OF AGREEMENT (MOA) TO BE EXECUTED BETWEEN NODAL AGENCY (NA) AND TECHNICAL AGENCY UNDER SCHEME OF FUND FOR REGENERATION OF TRADITIONAL INDUSTRIES (SFURTI)