



सूक्ष्म, लघु एवं मध्यम उद्यम

Guidelines

**Scheme for Promotion of
Information and Communication Technology (ICT)
in MSME Sector**

Under

National Manufacturing Competitiveness Programme



सत्यमेव जयते

**Office of the
Development Commissioner
Micro, Small and Medium Enterprises,
Government of India,
Ministry of Micro, Small and Medium Enterprises,
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List of Abbreviations

AA	Appraising Agency
B2B	Business to Business
C-DAC	Centre for Development of Advanced Computing
CEO	Chief Executive Officer
CLCSS	Credit Link Capital Subsidy Scheme
DC (MSME)	Development Commissioner (Micro, Small and Medium Enterprise)
DIC	District Industries Centre
DPR	Detailed Project Report
EM	Entrepreneurship Memorandum
EOI	Expression of Interest
e -RC	e - Readiness Centre
e-Readiness	Electronic Readiness
ERP	Enterprise Resource Planning
GFR	General Finance Rule
GOI	Government of India
HRD	Human Resource Development
ICT	Information and Communication Technology
IT	Information Technology
MIS	Management Information System
MoU	Memorandum of Understanding
MSME	Micro, Small and Medium Enterprises
MSME - DI	Micro, Small and Medium Enterprises – Development Institute
NA	Nodal Agency
NGO	Non Government Organization
NIC	National Informatics Centre
NMCC	National Manufacturing Competitiveness Council
NMCP	National Manufacturing Competitiveness Programme
O&M	Operation and Maintenance
PMAC	Project Monitoring and Appraisal Committee
RFP	Request For Proposal
SPV	Special Purpose Vehicle
TP	Technology Provider

Scheme for Promotion of Information and Communication Technology (ICT) in MSME Sector

1.0 INTRODUCTION

- 1.1** The MSME sector is the backbone of the Indian Economy and one of the prime drivers of employment. Despite its apparent success in the last couple of years, Indian MSME sector is facing many challenges. Apart from the traditional problems, they are also increasingly exposed to international competition. Therefore, MSMEs in India – as everywhere else - need to improve their competitiveness by taking a variety of measures. The use of Information and Communication Technologies (ICT) is one of the important measures, which can greatly help MSMEs in almost every facet of their business.
- 1.2** Over the last few decades, ICT has facilitated business activities in many ways. It has become a key enabler for competitiveness, improved product and service delivery, lowered process costs and has supported Management Information systems (MIS). In some cases, ICT has been at the heart of the business model, offering new ways of doing business. In general, ICT applications have become essential for any enterprise that has to sustain or grow in a global environment.
- 1.3** The Scheme for “Promotion of Information and Communication Technology in MSME Sector” [ICT Scheme for short] envisages for a planned model of IT adoption in potential MSME clusters based on need analysis of stake holders. Under this scheme, 100 clusters will be benefited in respect of standardization of their business process, improvement in delivery time, reduction in inventory carrying cost, improvement in productivity and quality of production, controlling of cost & time, improved customer satisfaction etc., through need based ICT interventions. The total budget under the scheme is Rs. 105.00 crore including Government of India (GoI) contribution of Rs. 47.70 crore.

2.0 SCHEME OBJECTIVES

The main objective of the scheme is to carry out diagnostic mapping of potential clusters and motivate them to adopt the ICT tools and applications for their production & business processes, with a view to improve their competitiveness in national & international market.

The developmental outputs expected from the scheme will be:-

- 1) Large number of MSMEs across the country (about 5,000) will reap the benefits from the scheme.
- 2) ICT interventions will improve competitiveness of MSME sector resulting in enhanced export of these MSMEs and increased share in domestic and international markets.

3) The scheme will facilitate:

- in extending the support of basic ICT infrastructure to MSMEs;
- in sensitizing MSMEs with potential benefits of ICT tools and promote their adoption in the entire chain of business from procurement of raw material to after sales & service;
- encouragement of indigenous development of sector/cluster specific software solutions on need basis;
- standardization of the business processes / activities across the enterprise through ICT application;
- creation of knowledge networks amidst the clusters across the country to facilitate forward and backward linkages;
- awareness towards the adoption of business software such as ERPs, e-procurement, e-marketing etc;
- continuous HRD development in ICT related applications; and
- incentivising MSMEs and Software partners for long term partnership in ICT adoption.

The other related outcomes of the scheme for any MSME unit will be:

- understanding the needs and the demands of the customers;
- reducing total cost associated with production and delivery of personalized products;
- effective collaboration with all members of the value chain (Suppliers, Customers, Contractors and various other collaborators);
- increasing the quality of decisions at all levels in the organization through easy availability of real time information;
- use of ICT as a medium of communication to revamp access to the markets, and facilitating direct, faster and better transactions; and
- evolving internal efficiencies through more intense ICT intake and automation of procedures for cost reduction, capacity enhancement, information access, processing and collaboration.

3.0 SALIENT FEATURES OF THE SCHEME:

The elements of the scheme are listed below:-

3.1 Selection of target clusters:

A total of 100 potential MSME manufacturing clusters having quality production and export potential will be selected for implementation of the scheme.

3.2 Appointment of Technology Providers:

A panel of Technology Providers from the prominent IT industry organizations will be appointed under the scheme to bring in their technology expertise/inputs, sensitize MSMEs on the need and subject of ICT adoption, assist in diagnostic mapping of selected clusters, formation of SPVs, etc.

3.3 Awareness Programme and Feasibility Report:

Awareness Programme will be conducted to sensitize the MSME sector about the scheme and encourage manufacturing MSMEs in the selected clusters to adopt ICT tools. Based on the inputs received during such programmes, a feasibility report containing existing IT status among the MSMEs and possible ICT interventions will be prepared for each selected clusters.

3.4 Preparation of Detailed Project Report (DPR):

A detailed Project Report (DPR) for identifying the requirements of ICT interventions in each of the selected MSME clusters will be prepared. The DPR will provide details on the requirements of hardware and software interventions (including setting up of e-Readiness Centre and suggested software solutions) along with time lines and cost estimates for each activity. The proposal will also include skill development on IT among the MSME employees. The DPR will contain information as regards to the formation of SPV and will also define the roles and responsibilities of different agencies involved in the implementation of various activities under the Scheme.

3.5 Setting up of e-Readiness Centres:

Based on the DPR, e-Readiness Centres (e-RCs) will be set up in the identified clusters (or group of clusters). The e-RCs will host commercial software/locally developed solutions for the use of MSMEs in their business processes on changeable basis. The set up will also facilitate training to MSME staff for upgrading their IT-related skills.

3.6 Subsidy for procurement of hardware and software:

To support upgradation of ICT infrastructure of MSMEs in the selected clusters, a one-time subsidy of 25 per cent will be provided to the MSMEs, subject to the prescribed ceiling, on the institutional finance availed by them for procurement of hardware and software.

3.7 Establishment of National Portal for MSMEs :

A National Portal for MSMEs will be set up to provide e-commerce and e-catalogue related facilities to MSMEs. This portal will have linkages with all the clusters specific portals established under the scheme.

3.8 Evaluation /Impact assessment studies :

Evaluation/impact assessment studies would be undertaken through designated agencies from time to time to ensure achievements of the action plan and for mid-term corrections, so as to make the scheme more effective.

4.0 IMPLEMENTATION OF THE SCHEME

The items highlighted at para 3.1 to 3.8 above will be achieved through the following:

4.1 Project Monitoring & Advisory Committee (PMAC):

At the commencement of Scheme, a Project Monitoring & Advisory Committee (PMAC) will be constituted under the Chairmanship of Additional Secretary and Development Commissioner (AS & DC / MSME) to supervise and monitor the implementation of the Scheme. The constitution of the PMAC is given below:

Sl. No	Designation	Ministry/ Department	Status
1	AS & DC (MSME)	Ministry of MSME	Chairman
2	Joint Secretary or his representative	Department of IT	Member
3	Joint Secretary or Advisor	Ministry of Science & Technology	Member
4	Chief / Dy. Chief	NMCC	Member
5	EA / Director	IF wing of Ministry	Member
6	DG or representative	C-DAC	Member
7	DG or representative	NIC	Member
8	JDC/Director	O/o DC (MSME)	Member secretary

DG – Director General, EA – Economic Advisor, JDC – Joint Dev. Commr.

The representatives from other ministries/departments concerned, industry associations, NGOs, technical Institutions, IT companies etc. working in the field of ICT may also be included as special invitees.

4.1.1 Functions of PMAC

PMAC will hold its meeting on periodic basis and may also take necessary action as deemed fit to achieve the Scheme objectives including reapportionment of fund allocation within the sub-activities. The major role of PMAC will be:-

- i) To identify and allocate potential clusters for Awareness Programme,
- ii) To approve appointment of Technology Providers (TP) and other implementing agencies for the scheme,

- iii) To sanction the preparation of DPR in the identified clusters on the basis of Feasibility Reports (proposed by TP).
- iv) To finalize Fee payable to Appraising Agency(s) for the scheme.
- v) To sanction ICT interventions including funds allocation for different activities on the basis of appraisal report of cluster specific DPR.
- vi) To decide upon re-appropriation of funds within different activities/sub-activities as deemed fit to achieve the objectives of this scheme.
- vii) To periodically monitor the progress of ICT intervention and give directions as required.

4.2 Major activity No. 1 - Selection of Target Clusters :

4.2.1 Objective:

To select a definite number of manufacturing MSME clusters across the country from different industry sector having quality production and export potential for implementation of this scheme. Total target of the scheme is to cover 100 potential MSME clusters through out the country.

4.2.2 Implementation Schedule:

The selection of clusters will be done by Office of DC (MSME) from different sectors across the country in association with stake holders. The selected clusters will be taken up for scheme implementation in a phased manner after due approval of PMAC. It is expected that first batch of clusters will be identified within one month time from the date of commencement of scheme.

4.2.3 Deliverables:

Over 5,000 units from 100 Potential MSME Clusters are likely to reap the benefits from this scheme in terms of improvement in productivity index and enhancement in their competitiveness in domestic / global market.

4.2.4 Eligibility: The potential MSME manufacturing cluster across the country from different sectors which has quality production and export potential will be identified for scheme implementation.

4.3 Major activity No. 2 - Appointment of Technology Providers (TPs).

4.3.1 Objective:

The next activity under the scheme will be to empanel Technology Providers, from prominent IT organizations to bring the technology expertise and inputs for the scheme. The TPs will sensitize the MSMEs on

the need for ICT adoption including its benefits, assist in diagnostic mapping of clusters and formation of SPV, etc.

4.3.2 Implementation:

Office of Development Commissioner (MSME) will empanel Technology Providers by inviting Expression of Interest (EOI) from various IT majors/ companies, etc. For this purpose, Office of DC (MSME) would design specific EOI, which will be issued for advertisement after the approval of PMAC.

The selection process for Technology Providers will start after the identification of target clusters and it is expected that empanelment of technology providers will be completed within 3 months from the date of advertisement for EOI.

A memorandum of understanding (MoU) will be signed between Technology Provider and the Office of the DC (MSME) defining the roles and responsibilities/ deliverables / terms and conditions.

The panel of Technology Providers will be allocated with certain number of clusters for executing the scheme activities. The allocation of clusters will be done by the Office of DC (MSME) through a suitable methodology as decided by PMAC. Thereafter, the technology providers will engage a suitable local IT partners for execution of assigned activities like conducting awareness programme, preparation of feasibility report and Detailed Project Report (DPR) including actions related to formation of SPV.

The designated Technology Provider for the respective cluster with local IT partner (selected by TP) will prepare an execution plan for the programme activities within 2 weeks after allocation of clusters that will consist of the duration of each activity and its time line for execution.

4.3.3 Consultation Fee:

There is no provision for separate consultation fee to the technology providers and all the expenditure incurred including the tax liabilities in delivering the various activities would be adjusted from the funds disbursed to them against the respective activity.

4.3.4 Eligibility Criteria:

The technology providers will be appointed based on the following criteria:

- (a) The agency should have a comprehensive set of technology platform, which should preferably include:

- Multiple solutions that cover operating systems, productivity software, business solutions and web technologies,
 - Specific editions designed for MSMEs,
 - A mix of self-hosted, partner hosted and on-premise versions to provide flexibility to MSMEs.
- (b) The agency has worked on clusters to demonstrate commitment and experience, and
- (c) The agency has an MSME focus area in its organization.

4.3.5 How to apply:

The interested IT firms may apply in response to the advertisement for EoI.

4.4 Major activity No.3 - Awareness Programme & Feasibility Report

4.4.1 Objective:

To sensitize the MSMEs in the identified cluster towards the benefits from the adoption of ICT tools in their production chain and business process and also mapping of existing IT level in MSME units.

4.4.2 Implementation:

The designated local IT partner under the guidance and supervision of the TP will conduct the awareness programme in the allotted MSME cluster.

The programme duration may be of one or two days with participation of at least 30 potential units from the identified cluster. The content of the programme will be decided by programme organizer (TP) covering need for ICT adoption, its benefits for the cluster, including presentation of successful ICT models in the country.

The detailed information of participant units, their IT status in terms of hardware, soft ware and skill level will be obtained during the awareness programme or through sample survey for the preparation of feasibility report.

After the Awareness programme, the TP in association with the local IT partner will prepare a Feasibility Report on the basis of inputs received from the participating units. The feasibility report will contain the existing IT status among the MSMEs (status of hardware / software / IT skill level) of the respective cluster with possible ICT interventions and likely benefits to MSMEs.

The awareness programme will be conducted within 45 days of allocation of cluster(s) and the feasibility report will be submitted in another 15 days. The feasibility report will be examined by the Office of DC (MSME) who will submit the observations to PMAC. Thereafter PMAC, on the basis of the observations, will decide for approving the preparation of Detailed Project Report (DPR) in the identified cluster.

4.4.3 Deliverable:

The MSMEs of 100 clusters will be acquainted and sensitized about the need for ICT adoption in their production chain / business processes and the likely benefits of ICT adoption. Existing IT level in cluster will also be determined, on the basis of which the IT need of the cluster can be addressed.

4.4.4 Funding:

This activity will be funded by the Government of India, which will be upto Rs.1.0 lakh per cluster. The total budget provision for this activity is Rs.100 lakh for 100 clusters. The actual amount payable to the TP for each cluster will be finalised by inviting EOI & RFP (Request for Proposals). The RFP document will define the scope and deliverable for the activity required in each cluster.

This payable amount will be disbursed to the TP in installments in the following manner.

- (a) Initially, 50% amount will be released as advance, on submission of Bond / Bank Guarantee of requisite amount, and
- (b) the remaining amount will be disbursed after the completion of awareness programme and acceptance of feasibility report by the PMAC.

The local IT Partner will submit the claims (which will include all expenditure incurred & taxes) through the Technology Provider. The balance amount (b) above will be released on the basis of satisfactory completion of activities stated in RFP document.

4.4.5 Implementation Schedule:

As part of the scheme about 70 awareness programme in identified clusters will be conducted during the year 2010-11 and remaining 30 programmes during the year 2011-12 .

4.5 Major Activity No. 4 – Preparation of Detailed Project Report (DPR)

4.5.1 Objective:

- i)** Diagnostic mapping of potential clusters in terms of hardware and software interventions with a roadmap of activities including ICT infrastructure, time line and budget details etc.,
- ii)** Formation of SPVs in each identified clusters and to enable them to undertake the responsibility of operation & maintenance of respective e-RC after the intervention period.

4.5.2 Implementation :

The designated Technology Provider alongwith local IT partner will prepare the cluster specific Detailed Project Report (DPR) which will contain detailed information on following points:

- (i)** Existing IT level and possible up-gradation approach,
- (ii)** Suggested hard interventions including setting up of e-readiness Centre (e-RC) in the cluster, if necessary.
- (iii)** Requirement of networking and connectivity in the cluster for ICT adoption,
- (iv)** Specifications for the hardware procurement for e-RC including cost estimates and list of likely vendors.
- (v)** Suggested software solutions for deployment in the cluster which may be either in the form of commercial software, or customized solution, or locally developed cluster/sector based software solutions.
- (vi)** Suggested solutions for e-commerce and e-catalogues for the MSMEs in the clusters.
- (vii)** Construction of Web-portal for the cluster and its linkage with National Portal.
- (viii)** Requirement of Skill Development on IT among the MSME employees including proposal to use e-RC for this purpose.
- (ix)** Specification and cost estimates for the items (v) to (viii) above including likely suppliers/vendors.
- (x)** Programme Schedule / time line of above activities,
- (xi)** Spelling-out clearly the roles and responsibilities of different agencies involved in the implementation (like nodal agency, IT vendors) and a proposal for the formation of Special Purpose Vehicle (SPV).
- (xii)** Proposal for the operation and maintenance (O&M) of e-RC for initial one year. Thereafter, it will be handed over to designated SPV for future O &M.

- (xiii) Defining milestones, deliverables and outcomes expected during / after the implementation of DPR.

The designated Technology Provider would submit the cluster specific DPR to Office of DC (MSME) within 90 days from the date of approval of feasibility Report by the PMAC. Initially, a draft DPR may be submitted within 60 days followed by a presentation on the proposal to the office of DC (MSME).

The draft DPR will be forwarded by the Office of DC (MSME) to the designated appraising agency for review, who may seek clarifications in respect to DPR from the Technology Provider. The final DPR will be submitted within stipulated duration duly incorporating the suggestions / comments from the office of DC (MSME) / appraising agency to avoid delay in implementation of programme activities.

The Appraising Agency will submit its recommendation / comments in the form of an Appraisal Report to the PMAC for consideration. The PMAC will take decision on implementation of DPR proposals, (fully or partially) including the fund allocation against each activity. The DPR will also reflect the need to set up e-RC for the individual cluster.

The designated Technology Provider will encourage prominent Industry Associations, technical institutes located nearby and potential MSME units in the cluster to form SPV either as trust / society and would extend necessary support till the registration of SPV.

4.5.3 Deliverable:

Diagnostic mapping of cluster will provide a roadmap for implementation of ICT tools in terms of hardware & software interventions. The detailed scope of work & deliverables will be enumerated in the RFP document.

DPR will be available as guideline for implementing agency for implementation of various scheme activities.

A legal entity (as a SPV) will be set up to lead the implementation of various activities alongwith the designated nodal agency for a cluster.

4.5.4 Funding:

The activity will be funded by the Government of India, which will be upto Rs.2.0 lakh per cluster. The total budget provision for the activity is Rs.200 lakh for 100 clusters. The actual amount payable to the TP for the preparation of DPR for each cluster will be finalised by inviting EOI & RFP

(Request for Proposals). This amount will be disbursed in installments, in the following manner,

- (a) Initially, 25% of the amount will be released as advance, on submission of Bond / Bank Guarantee of requisite amount,
- (b) Next installment of 40% will be disbursed based on the acceptance of draft DPR, and
- (c) Balance 35% amount will be disbursed based on the acceptance of final DPR and after the formation of SPV in the cluster.

The local IT Partner will submit the claims (which will include all expenditure incurred & taxes) through the Technology Provider. The balance amount (c) above will be released on the basis of satisfactory completion of activities stated in RFP document.

4.5.5 Implementation Schedule:

The preparation of DPR and formation of SPV will be parallel activity. It is expected that SPV formation process may commence before acceptance of cluster-specific DPR by the Office of DC (MSME,) to avoid delay in implementation of activities mentioned in the DPR.

4.6 Major Activity No.5 - Setting up of e-Readiness Centre (e- RC) and Software deployment:

4.6.1 Objective:

- i) e- Readiness Centre (e-RC):** To facilitate a host of ICT support services for the MSMEs in identified clusters through hardware / software interventions.
- ii) Local Solutions:** To deploy customized commercial software / locally developed solution in e-RCs of identified clusters for the use of MSME units on chargeable basis for their business process.
- iii) Training to MSME Staff:** To upgrade the skills of MSME staff of selected clusters to a level required for use of ICT infrastructure.
- iv) Web portal:** To facilitate web-presence to MSME units of potential clusters and to provide access to market (National & International) through B2B interaction, etc.

4.6.2 Implementation:

The designated nodal agency will be responsible for execution of various activities as per the approved DPR in respect of points (i), (ii), (iii) and (iv) above, within the stipulated time frame indicated in the DPR. The Nodal agency along with SPV may engage IT vendor(s) (from the panel in cluster-specific DPR) for the delivery of activities mentioned above.

The software solutions recommended in DPR for deployment in e-RC may be either commercial type available in the market or locally developed solutions but in all cases, the quality certification, security, license and guarantee period, service reliability of vendor etc. need to be ascertained by the Nodal agency before deployment of solutions.

The proposal for skill development should be based on the gap identified in the cluster specific DPR. The skill development modules will be finalized by nodal agency in consultation with cluster units. The training programme will be conducted by the respective e-RC using a pre structured training module. It is expected that about 20 training sessions of duration of at least 5 days with 40 employees per session, would be conducted.

To establish an e-RC, the concerned SPV will provide land & building as per the requirement set out in the cluster-specific DPR. The necessary hardware and software for the centre will be set up by the selected hardware vendor within stipulated time from the date of purchase order issued. The procurement will be done as per the stipulations of GFR. This centre will also host a cluster level web-portal with internet connectivity. The e-RC will facilitate these services to the MSME units either free of cost or on chargeable basis. In this regard, the nodal Agency in consultation with designated technology provider & concerned SPV will take the decision on the services which can be chargeable. The charges should be optimum and affordable by MSMEs. The nodal agency will take consent of PMAC before the implementation of chargeable services. The centre will be operated by nodal agency, or through a local IT vendor as deemed fit, for duration of one year from the date of setting up of the centre. Thereafter, the centre will be handed over to the SPV. The Nodal Agency will also be responsible for the capacity building of SPV so that they can operate the e-RC independently, after the initial intervention period.

Regular appraisal & monitoring of various scheme activities on monthly basis will be done by the Nodal Agency who will forward the status thereon in prescribed format as progress report to the Office of the DC (MSME) for the information of PMAC.

4.6.3 Deliverables:

Customized local software solutions will be available at affordable cost for the use of MSMEs of a particular cluster, which can add value in their production chain and business processes and would lead to increase in productivity as well as to enhance competitiveness.

MSME staff will have enhanced skill level in using various ICT tools.

The MSME Cluster can have an e-RC, well equipped with ICT hardware and software to facilitate various ICT services of common nature to the MSMEs either free of cost or on chargeable basis, as decided by implementing agency. This centre will also extend the consultancy service and skill development support for implementation of typical ICT tools.

4.6.4 Funding:

All activities under para 4.6.1 above will be supported with GoI grant upto 40% of the project cost. The remaining amount will be contributed by the beneficiaries /SPV members. The GoI grant (which will constitute 2 / 3rd of the amount deposited by the SPV) will be disbursed to the Nodal agency in installments after ensuring that the required SPV contribution has been credited in a dedicated bank account opened by the Nodal agency for the specific cluster project. The max. allowable expenditure (in Rs. Lakh) for the components are as under:

Name of components	Quantity	Rate	GoI Contr.	Pvt. Contr.	Total
Preparation of DPR	100 clusters	2.0	200		200
E-readiness centre & Software deployment	100 clusters				
Local solutions		15.0	600	900	1500
Training to MSME staff		6.0	240	360	600
Web portal, e-commerce, e-catalogue		6.0	240	360	600
Operation of e-RC for 1 yr.		12.0	480	720	1200
Hardware		14.0	560	840	1400
Connectivity		5.0	200	300	500
Project implementation, appraisal, deployment & monitoring fees @ 20 % of above	100 clusters	12.0	1200		1200
Sub – total		72.0	3720	3480	7200

- Note:** (1) For the MSMEs owned by women, SC/ST, NER entrepreneurs, the GoI contribution may be increased up to 50%. However, the final decision will be taken by PMAC in this regard.
- (2) Project implementation, appraisal, deployment and monitoring fee will be as follows:
- i) Upto 15% fee for project implementation and co-ordination to Nodal agency and other IT vendor or any outsourced agency as decided by PMAC.
 - ii) Upto 2% fee for DPR appraisal to the Appraisal Agency or any outsourced agency as decided by PMAC.
 - iii) Upto 3% fee as project monitoring fee to Nodal agency or any other independent outsourced agency, as decided by PMAC.
- (3) PMAC will have powers to decide re-apportionment of funds within different sub-activities mentioned above.

The disbursement of GoI contribution for implementation of DPR will be done through the Nodal agency, who will further disburse the funds to SPV or IT Vendor based on the costs allocated against each component of ICT interventions. The phasing of GoI contribution will be done as per the requirement, to complete the scheduled activities. Similarly, the GoI funds for O&M of e-RC will also be released on half yearly basis upto a stipulated period (but not exceeding one year from the date of commissioning of e-RC). The proportionate contribution from the SPV will be ensured before releasing the GoI funds. Necessary Utilization certificate (UC) in the prescribed format will have to be submitted by the Nodal agency to the office of DC (MSME).

4.6.5 Implementation schedule:

The implementation schedule for the above activities will be as per the time frame prescribed in cluster specific DPR. The disbursement of funds against each activity will be done as per the decision taken by PMAC, while sanctioning the cluster specific DPR.

4.6.6 Eligibility:

This is a cluster specific activity and identified cluster units for which the DPR has been sanctioned by PMAC, will derive benefits from this activity.

4.7 Major Activity No.6 - Subsidy to MSME units for the procurement of Hardware & Software:

4.7.1 Objective:

To enhance the existing competitive index and business process performance of MSMEs in identified clusters by upgrading their ICT infrastructure through financial assistance (in the form of subsidy).

4.7.2 Implementation:

Keeping in view the enhanced e-readiness of MSMEs in the identified clusters, interested MSME units will be supported for ICT infrastructure development in their premises, by providing credit linked subsidy under the scheme. About 1000 MSMEs are expected to derive benefits from 100 clusters, under this activity.

A maximum of 10 MSME units per identified cluster will be eligible to avail subsidy, unless PMAC approves higher number of units per cluster on specific demand. The interested MSME unit, after availing the loan from the Bank / Financial institution, can apply to the Nodal agency (where the ICT interventions have been implemented), who will scrutinize the application on first cum first serve basis. The subsidy would be provided only once for a MSME unit.

The MSME unit should have availed loan for the procurement of IT hardware / software for in-house implementation of IT adoption as recommended in the DPR. The DPR should include the information as regards to the eligible items of procurement and also the list of banks for this purpose. The nodal agency will forward the list of eligible applicants to the office of DC (MSME). The proposal for subsidy should be supported with the verification report & recommendation of designated Nodal Agency in the respective cluster.

4.7.3 Funding:

This activity will be supported by GoI subsidy upto 25% of the total expenditure claimed (subject to a maximum subsidy of Rs. 0.75 lakh per unit) by the MSME for the procurement of Hardware / software from any recognized vendor. The total budget ceiling for this activity is Rs.750 lakh. The office of DC(MSME) will release the subsidy to the MSME units through the bank(s). The bank(s) will furnish necessary utilization certificates to the office of DC(MSME) after disbursing the subsidy to the respective units.

4.7.4 Deliverables:

ICT infrastructure of MSME units (availing subsidy) would be improved which would enable them to compete in national and international market. About 1000 MSME units in potential clusters will reap benefit of upgraded ICT infrastructure.

4.7.5 Eligibility:

About 1000 Manufacturing units of 100 identified clusters across the country, which qualify as per the definition of MSME, under the MSMED Act 2006 will be eligible for availing subsidy. The MSME unit should have EM no. or equivalent registration. Preference will be given to micro and small units of the cluster.

4.8 Major Activity No. 7 – Establishing National Portal for MSMEs:

4.8.1 Objective:

To set up a National level portal connected with web portals at cluster level to facilitate e-commerce & e-catalogue related facility to MSMEs.

4.8.2 Implementation

Any Govt. agency / IT company may be engaged to undertake this activity which will be selected by Office of DC (MSME) by inviting EOI. Office of the DC (MSME) will prepare a specific RFP for selection of agency

The RFP document will include all relevant information like brief of scheme, instructions for applicant, draft service level agreement, supplementary information, etc.

The Selected Agency will set up a national portal at specified location as decided by PMAC and will also undertake the integration of all cluster portals with national portal. The scope will include installation of software to provide e-commerce and e-catalogue facility to MSMEs.

It is expected that after the setting up of e-RCs and the cluster web-portals, the National portal will become operational, in next four months.

4.8.3 Funding:

This activity is fully supported through Government of India grant. The total budget for the activity is Rs. 100 lakh. The payment to the outsourced

agency will be released as per the terms & conditions mentioned in RFP document.

4.8.4 Implementation Schedule:

As per the prescribed time line given in RFP document.

4.8.5 Eligibility:

The eligibility criteria for the agencies to be selected for the above activity will be detailed in the EOI & RFP document, as and when issued.

4.8.6 How to Apply:

The procedure for application, qualification etc. for participation in the above activity will be detailed in the EOI & RFP document as and when issued for advertisement.

4.9 Major Activity No. 8 - Impact assessment / mid term evaluation:

4.9.1 Objective:

The main objective of this activity will be to ensure regular monitoring of the implementation of the Scheme vis-à-vis the action plan prepared and also to assess the impact of the same for MSME sector.

4.9.2 Implementation:

Impact studies, evaluation of the Scheme as well as mid- term reviews etc. which is necessary as per the existing Government instructions will be covered under this activity. Administrative expenditures including fees to be paid to the outsourced agencies, if not included elsewhere in the scheme, may also be sanctioned from the budget allocated under this activity.

Offers will be invited, as per the decisions taken by the PMAC, by the office of DC(MSME) for conducting various studies and evaluation of the present Scheme. Fees to be paid to the implementing agency / outsourced agency will be released in installments as decided by the PMAC. The agencies will be engaged as per the procedure stipulated in GFR - 2005, by the Ministry of MSME.

4.9.3 Deliverables:

The impact and evaluation studies will bring out the achievements under the Scheme vis-à-vis the targets envisaged. The mid-term reviews will

indicate the required fine tuning of the Scheme to enhance its effectiveness.

4.9.4 Funding:

This activity is fully supported by Government of India grant. The total budget under this item is Rs.50 lakh and will be disbursed as per the terms & conditions mentioned in RFP document for respective studies.

4.9.5 Implementation Schedule:

As per the prescribed time line given in the respective RFP documents.

4.9.6 Eligibility:

The eligibility criteria for the agencies to be selected for the above activity will be detailed in the RFP documents, as and when issued.

4.9.7 How to Apply:

The procedure for application, qualification etc. for participation in the above activity will be detailed in the RFP documents as and when issued for advertisement.

4.10 Miscellaneous items, National Workshops, etc.

During the implementation of the scheme it may be necessary to take up certain activities such as, advertisements, meetings / discussions / seminars etc.

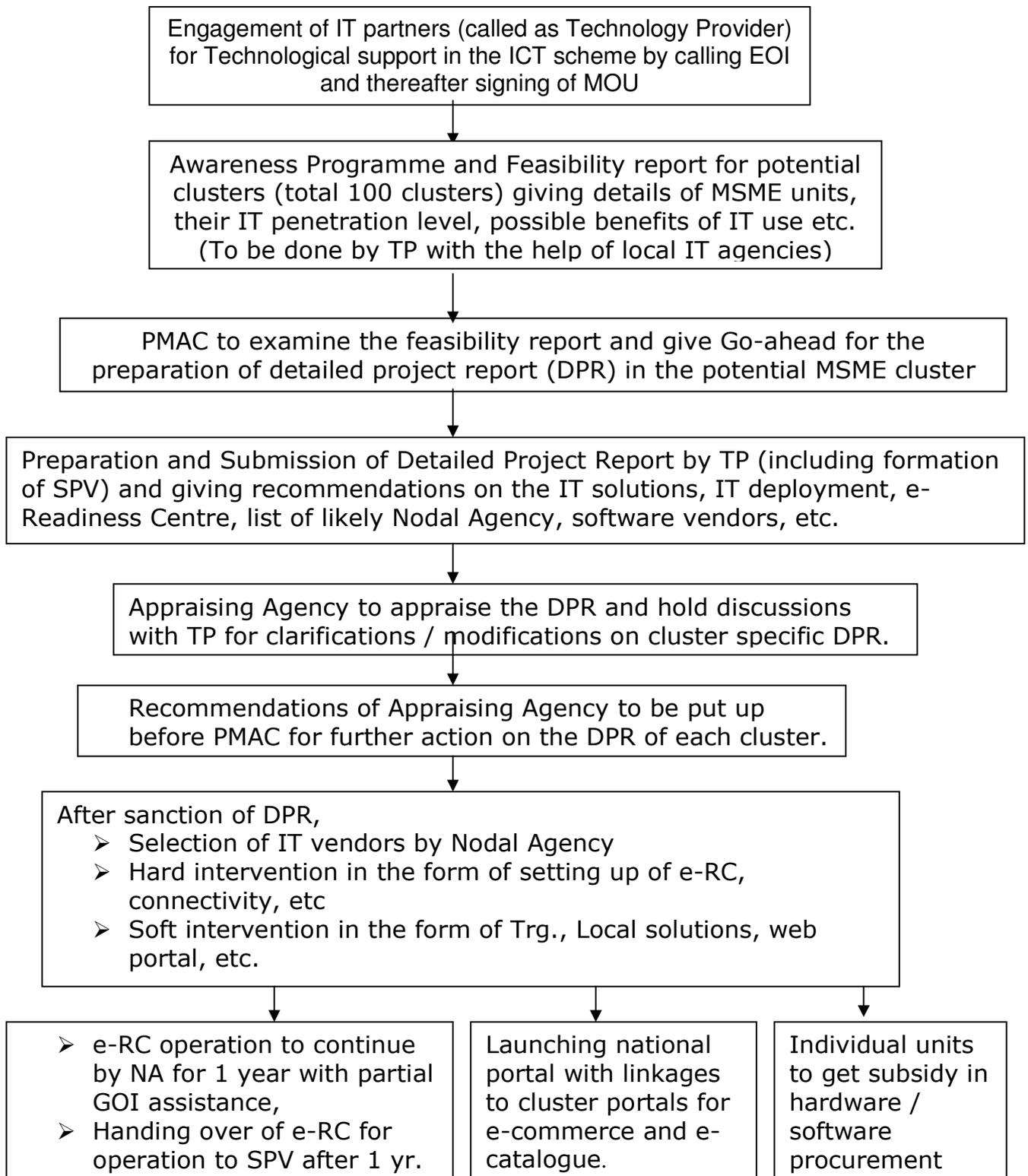
It may also be required to conduct national / regional level workshops with the participation from stakeholders / industry associations / govt. officials to discuss and deliberate scheme progress. The lessons learnt would assist in fine tuning the scheme implementation / effectiveness.

PMAC will decide the scope and fund allocation to these individual activities as per the requirement. The total budget for this sub-head will be limited to Rs. 50 lakh for the duration of the scheme.

5.0 THE IMPLEMENTATION FRAMEWORK

The flow of various activities as part of the implementation of the scheme is given at Figure 1.

Figure.1: FLOW CHART FOR THE IMPLEMENTATION OF ICT SCHEME



6.0 ROLES OF VARIOUS AGENCIES:

The roles and responsibilities of different agencies / Govt. bodies involved in this scheme are described below:

6.1 Government (Ministry of MSME)

Definition:

Ministry of MSME, Govt. of India, acting through Office of DC (MSME) is the main administering agency for the scheme.

Deliverables

- i. Formulating the scheme
- ii. Identifying the clusters in which intervention is required
- iii. Selecting the Technology provider for the scheme through an appropriate process.
- iv. Providing necessary support mechanisms for successful implementation of the scheme
- v. Disbursing funds as per the provisions made in the scheme.

6.2 Project Monitoring & Advisory Committee (PMAC):

As elaborated in para 4.1 above.

6.3 Appraising Agency

Definition:

A distinct Government/ quasi-government/autonomous body working in the field of ICT would be appointed by DC (MSME). For this purpose, C-DAC, an Autonomous body under the Department of IT would be appointed. The fee payable to C-DAC for their services will be finalized by PMAC.

Deliverables:

- i. To review and appraise the Detailed Project Report prepared by Technology Provider (TP) for the identified MSME cluster.
- ii. To discuss the various recommendations of DPR with Technology Provider (TP) and suggest modifications, if necessary.
- iii. To put-up Appraisal Report before PMAC for taking decisions in respect of ICT interventions in the identified MSME clusters.

6.4 Technology Provider:

As given in para 4.3 above.

6.5 Local IT Partners & Vendors

Definition:

Agencies dealing with the software /hardware products and/or services in the Indian IT Industry.

Deliverables:

- (a) Will drive awareness in the cluster on ICT tools, by working along with the Technology Provider and the Cluster units, through various awareness programmes,
- (b) Will encourage the potential MSMEs, prominent local associations, local technical Institutes to form a SPV for the cluster and provide necessary assistance for their registration as a legal entity, if required.
- (c) Will be responsible for solution demonstration and delivery in the e-RC on demand basis as defined in the DPR.
- (d) Will assist in deployment of hardware/software ICT solutions in the potential MSME cluster.
- (e) Will collaborate with the Nodal Agency to ensure scheme deliverables are met,
- (f) Will submit a progress report to the Nodal Agency on the basis of which funds will be disbursed under the scheme, post approval from the Government.

6.6 Nodal Agency

Definition:

A Central or State Govt. Department or its agencies / Autonomous Bodies / Govt. Institutes.

The following entities will be considered (in order of preference) to function as Nodal agency for the identified MSME clusters,

- (i) C-DAC, an Autonomous Body under Department of IT,
- (ii) MSME- DI, under whose proximity, the cluster exists,

- (iii) Any other State Govt. Department or its agencies / Govt. Institutes.

PMAC will decide the appointment of Nodal agency keeping in view the suitability for the specific cluster. PMAC will also finalize the fees payable to Nodal agency, while sanctioning the implementation of DPR.

Deliverables

- (a) Once appointed by the PMAC, it will be responsible for implementing various activities of DPR in the MSME cluster for IT adoption.
- (b) To encourage SPV and its Members for ICT adoption through the various components of the scheme.
- (c) To arrange setting up of e-RC, if necessary, in the MSME cluster and supervise its operation and maintenance for stipulated period.
- (d) To utilize GoI contribution under the scheme which will be maintained through a dedicated project account. This account will also receive proportionate contribution from the SPV.
- (e) To identify and select competent local vendors for procurement of hardware, software ICT solutions for the MSME clusters and ensure their deployment.
- (f) To hand-hold the SPV during the implementation of ICT intervention including selection of suitable IT vendor for operation and maintenance of e-RC during initial period.
- (g) To submit periodic report to Apex Committee (PMAC) regarding the progress of ICT interventions in the selected MSME clusters.
- (h) To perform any other activity under the scheme as decided by the PMAC on chargeable basis.

6.7 The Special Purpose Vehicle (SPV): Definition

The existing Industry Associations having MSME members or a group of MSME units coming together may form SPV. It is possible that any IT

agency / Institute / or industry body, having working relation with the concerned MSME units, can join the SPV with appropriate stakes.

A Special Purpose Vehicle (SPV) for the identified MSME cluster (s) may be required to ensure long term implementation and sustainability of the proposed ICT interventions. The SPV will also become the owner of the assets created out of the scheme funds.

Framework

A SPV could be of any form as:

- “Trust” as per the Indian Trust Act, 1882 or any similar Trust Act or
- A private limited company incorporated as per Indian Companies Act, 1956 or
- A “society” under The Societies Registration Act, 1860 (including any of its State equivalent)
- Any similar entity as approved by PMAC from time to time.

Any existing SPV can also be acceptable for this purpose, if approved by PMAC.

The SPV would perform the following key roles:

- I. Provide a framework for collaborative decision making,
- II. To ensure proportionate contribution for the project implementation,
- III. Catalyze contents aggregation on sustainable basis,
- IV. Lay down operating and financial discipline within e-Readiness Centre.
- V. To encourage ICT skill up gradation among MSME unit employees.
- VI. To submit regular feedback report to the Govt. or other appropriate authority regarding ICT status (post implementation) in the cluster