



Initiatives for Cluster Development in India by Ministry of SSI in Collaboration with UNIDO Focal Point Cluster Development Programme

The Ministry of SSI has been implementing a series of Cluster Development Programmes in close collaboration with UNIDO Focal Point Cluster Development Programme, New Delhi. The Ministry is the official counterpart support agency in India for UNIDO's Cluster Development Programme. The Project Steering Committee constituted under the Chairmanship of Additional Secretary & Development Commissioner (SSI) monitors the Project and provides directions and guidance to its activities. The Programme is being implemented in close partnership with selected State Governments and other Development Agencies for enhancing the capacities of the Industry Associations and networks to transfer the best practices and technologies to the selected Clusters.

Significance of cluster approach

International experiences show that small firms are unable to face competitive pressures because of their isolation and in-effective linkages with relevant support organisations and commercial service providers. In countries like Italy, USA, and Germany, clusters of SMEs bound together in strong and dynamic networks and relying upon strong linkages with relevant local/national support institutions have proved competitive in the global context.

Policy Status on Clusters in January 1997 (Beginning of UNIDO's Intervention)

Policy and Programmes : When UNIDO started its interventions on clusters in India, it was felt necessary to have a reliable database on Indian clusters and concerted action at policy level by the Central and State Governments to foster SSI development through a cluster approach. Two programmes were ongoing at the time; one by State Bank of India (since 1988) and the other by SIDBI (since 1991). The UPTECH scheme of the Ministry of SSI was launched in 1998. These programmes focused

primarily on technology upgradation and targeted individual firms. The Abid Hussain Committee Report was the first official document strongly recommending clusters as the focus of SSI development.

Vision at the Policy level

At that time the vision for the policy level was that the policy makers would become aware about the significance of industrial clusters in India and the importance of their cluster support. The concerned Government Ministries / Departments at the national and State levels as well as some of the strategic development institutions like SIDBI, SBI, NSIC, KVIC, NABARD and others would become familiar with the experience of performing clusters and would be able to benchmark the status of Indian clusters in the international context. These institutions and departments would be able to carry out their own cluster development initiatives in a sustainable manner through access to a customized methodology suitable for Indian conditions as well as a training manual





that will incorporate the best national and international practices. It was envisioned that a cadre of trained professionals would be developed, drawn from Central and State Governments and lead agencies involved with SSI development, who would work at the cluster level as Cluster Development Agents (CDAs).

Activities Undertaken by UNIDO

Under the framework of the Cluster Development Programme in India, UNIDO, prepared the first comprehensive database on Indian clusters, organized seminars/ workshops with policy makers, made presentations on the approach to groups of policy makers, exposed policy makers to the Indian and Italian clusters, documented development experiences in selected Indian and international clusters and shared them with policy makers. In addition, UNIDO generated awareness and ensured capacity-building programmes for SIDBI and the State Governments of Andhra Pradesh, Madhya Pradesh, Karnataka, Rajasthan, West Bengal, Tamil Nadu and Gujarat. The vision with regard to awareness generation has therefore been well realized.

As an outcome of its work in the initial years, a major initiative of the UNIDO CDP Focal Point in the fourth year was the design and implementation of an innovative training programme in conjunction with the Entrepreneurship Development Institute of India (EDII), Ahmedabad, for field-level professionals of development agencies and government officials as Cluster Development Agents. This programme was the result of the project's direct interventions in 7 clusters as well as extensive interactions at policy level with different development partners concerned with SME cluster development. The first two editions of the programme were well received and over-subscribed by Central/State Governments and development agencies. International interest in the programme has been generated from Thailand and Pakistan. The second programme had 5 candidates from Pakistan. Several NGOs which work in collaboration with DC (Handicrafts) in artisan clusters also

expressed keenness to imbibe the UNIDO methodology. The third programme for CDAs had a different composition with the majority of the participants nominated by the State Governments and Institutions that are partnering with UNIDO under the project Support to Country Effort in SME Cluster Development. Recognising the significance that the approach has for SME development., SIDBI provided financial assistance to enable 14 participants from the NGO sector including Industry Associations in the CDA training programme.

Another substantial initiative has been a customised training programme for the executives of the Industry Associations or the Network Development Agents (NDAs) with the objective of strengthening the working of the associations for the development of the clusters. So far 3 programmes have been run for about 50 executives. Thus the vision with regard to development of a professionally trained cadre of Cluster Development Agents and Network Development Agents has been realized to a significant extent.

Major Outcomes since inception

- ❖ A comprehensive database on clusters and their significance for Indian economy Documented in "Restructuring and Modernisation of SME clusters in India".
- ❖ The high level committee on SSI headed by Shri Abid Hussain, and constituted by Govt. of India recommends cluster development approach as the centre-piece of the suggested new SSI development approach.
- ❖ The Office of Development Commissioner, SSI initiates a comprehensive cluster development programme based on Abid Hussain Committee recommendations.
- ❖ More than 600 policy makers and field officers sensitized on the importance of Clusters and cluster based development methodology. Another 25 senior policy makers exposed to Italian clusters.



- ❖ State Governments of Andhra Pradesh, Madhya Pradesh, Karnataka, Rajasthan, Tamil Nadu, Gujarat and Chattisgarh have adopted cluster-based approach within the framework of their State Industrial Policy.
- ❖ Important national institutions like Small Industries Development Bank of India (SIDBI), National Small Industries Corporation (NSIC), State Bank of India (SBI), National Bank for Agricultural and Rural Development (NABARD), Development Commissioner (Handicrafts) etc. have actively supported the Cluster Development initiative of UNIDO.
- ❖ Helped formulation and initiation of an Italian modeled Mutual Credit Guarantee Fund (MCGF) Scheme, with SIDBI as the lead organisation in the Hand Block Printed Textile Cluster at Jaipur. This has become an effective forerunner of an MCGF movement in Indian SME clusters. It has already been introduced in the Leather cluster of Ambur. The State Bank of India has already decided to implement the scheme in Kerala in the coir cluster at Alleppy for a network of SMEs.
- ❖ A draft methodology document for cluster development prepared.



- ❖ A training programme for cluster development professionals (CDAs) designed in conjunction with EDII, Ahmedabad. 89 professionals drawn from Central / State Governments and Development Agencies trained as Cluster Development Agents.
- ❖ Training modules designed and run up to equip Executives of Industry Associations on cluster development tools. About 50 executives trained.
- ❖ A short documentary film on cluster development prepared and circulated.
- ❖ A quarterly Newsletter launched from the year 2001.
- ❖ Brochures for Jaipur and Ludhiana clusters developed as tools for international marketing.

Major Outcomes During the Year 2002

1. Conclusion of the programme for support to 4 pilot clusters, Italian Government funded:-
 - ❖ Ludhiana Knitwear
 - ❖ Jaipur Hand Block Printed Textile
 - ❖ Tirupur Knitwear
 - ❖ Pune Food Processing
2. Continuation of the support to 3 directly assisted clusters, Swiss assisted:-
 - ❖ Ahmedabad Drugs & Pharmaceuticals
 - ❖ Ambur Leather and Leather Shoes
 - ❖ Bangalore Machine Tools
3. Initiation of a new Project to assist 3 States and 4 national organisations for their cluster initiatives in 14 clusters and direct assistance to 3 clusters. Italy assisted
 - ❖ 3 States Covered : Andhra Pradesh, Gujarat, Madhya Pradesh
 - ❖ 4 Organisations involved:-
 - : O/o the DC(SSI)
 - : Department of Science & Technology (DST)
 - : State Bank of India
 - : Textiles Commerce
4. Initiation of a new Project to undertake action research and test the application of cluster approach in 2 clusters in India-Swiss assisted.



Development of Ludhiana Woolen Knitwear Cluster under UNIDO Focal Point Cluster Development Programme

A Case Study

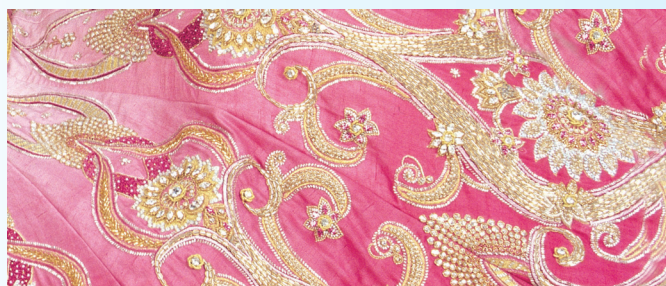
The results of intervention in this cluster may be summarized as follows :

Firm level impact indicators

1. In the model units selected under the project, average estimated savings were made by introducing MIS (USD 10,000), steam boilers (USD 10,000), quality control through improved washing (USD 10,000), store management (USD 20,000). Using new yarns, a growth of 30% was registered as against an industry growth rate of 5%.
2. The various cost cutting and productivity improvement measures introduced in the cluster led to an estimated savings of USD 1.2 million in around 55 units.
3. New marketing ventures at national and international levels led to estimated increased sales of USD 4 million by around 25 firms.
4. Around 22 units have made an estimated additional investment to the tune of USD 8 million in new equipment.

Cluster level impact indicators

1. 45 new yarns were introduced in the cluster.
2. 5 new training programmes introduced in the cluster led to training of around 400 persons and 75 firms. Of these 300 are women and 70 per cent have got employed. This phenomenon has also addressed socio-economic issues related to poverty and women empowerment.
3. Female employment in formal knitwear units has been launched.
4. Several techniques to raise competitiveness like energy saving, store management, better washing, etc., were introduced in the cluster.
5. New marketing tools have been introduced in the cluster. Joint participation in trade fairs has been organized. Consortiums have been launched.



6. A Resource Centre is coming up, which has the potential to become a full-fledged design centre.

Sustainability Indicators

1. The local Industry Association (APPEAL) has become self-sustainable and its membership has increased from 6 to 42. It has a professional secretariat of 3 people. Membership of Knitwear Club increased from 350 to 419 after having declined to 300. Both APPEAL and Knitwear Club are undertaking significant developmental activities.
2. An umbrella organisation of knitwear associations and support institutions – FEKTA has been created as a result of the linkages formed between various associations and support institutions.

