

Guidelines of the Comprehensive Handloom Cluster Development Scheme (CHCDS) – MEGA HANDLOOM CLUSTER

1. BACKGROUND

The handloom sector is the second largest employer in India, providing employment to about 65 lakh persons. The sector represents the continuity of the age-old Indian heritage of hand weaving and reflects the socio-cultural tradition of the weaving communities. The Government of India has been following a policy of promoting and encouraging the handloom sector through a number of policies and programmes. Most of the schematic interventions of the Government of India in earlier Plan periods have been through the State Agencies and Co-operatives in the Handloom sector. However, in the face of growing competitiveness in the textile industry both in the national and international markets and the free trade opportunities emerging in the post MFA environment, a growing need has been felt for adopting a focused yet flexible and holistic approach in the sector to facilitate handloom weavers to meet the challenges of a globalized environment. A need has also been felt to empower weavers to chart out a sustainable path for growth and diversification in line with the emerging market trends.

The handloom sector is suffering due to its very nature of being unorganized and dispersed. There is lack of education, lack of inadequate working capital, inadequate infrastructure, poor exposure to new technologies, absence of market intelligence, stiff competition with mechanized sector and poor institutional framework. Moreover, edifice of our policies and programmes has been built on the cooperative structure, which covers only about 15% of the total weaver population. Those outside the cooperative are largely at the mercy of the market forces and continue to be vulnerable to market volatility of various types. A comprehensive scheme has, therefore to be drawn which, while taking care of modernization, will also cover issues relating to development of basic & technical infrastructure, technology up-gradation, improvement in productivity, skill up-gradation, improving dyeing facilities, value addition, product diversification, environment friendliness, market development etc.

2. MEGA HANDLOOM CLUSTER:

There are 470 handloom clusters, out of which 240 clusters have less than 1000 handlooms and 230 clusters have more than 1000 handlooms. Out of these 230 clusters, there are 41 clusters, which have over 25,000 handlooms. Some of these clusters have very poor infrastructure and common facilities, causing hardships to the weavers. Since these clusters are very large, they would not be covered under the Integrated Handlooms Development Scheme, which caters to the small clusters in the range of 300-500 looms. These clusters will require massive investment to galvanize them to higher production. To overcome these constraints faced by the weavers within the cooperative sector and outside; including those attached to Self Help Groups, NGOs, Small and Medium Enterprises, Master Weavers and unattached weavers,

Comprehensive Handloom Cluster Development Scheme was introduced in 2008-09 for development of 2 Mega Handloom Clusters i.e. Varanasi (Uttar Pradesh) & Sivasagar (Assam). The handloom weavers shall be the focus for assistance under the new scheme. While there are several schemes existing for taking care of specific requirements of the weavers, the main thrust of this scheme would be on need based approach for integrated & holistic development of handloom concentrated areas that will encompass several traditional, ethnic and languishing weaving crafts capable of diversification and meet the requirements of the present day market demands both within the country and abroad.

The Comprehensive Handlooms Cluster Development Scheme will be implemented for development of 2 Mega Handloom Clusters, one each in the State of West Bengal and Tamil Nadu. Each cluster will cover over 25,000 handlooms at upper Central of Rs.70.00 Crore. The scheme will be implemented as a **Central Sector Scheme**.

3. OBJECTIVES AND STRATEGY.

The objective is to develop Mega Handloom Clusters that are located in clearly identifiable geographical locations that specialize in specific products, with close linkages and inter dependents amongst the key players in the cluster by improving the infrastructure facilities, with better storage facilities, technology up-gradation in pre-loom/on-loom/post-loom operations, weaving shed, skill up-gradation, design inputs, health facilities etc. which would eventually be able to meet the discerning and changing market demands both at domestic and at the international level and raise living standards of the millions of weavers engaged in the handloom industry. The broad objectives of the scheme would be as follows:

- To empower handloom weavers and build their capacity to enhance competitiveness of their products in the domestic as well as global market in a sustainable and reliant manner;
- To facilitate collectivization of handloom weavers and service provides for procurement, production, marketing and other support activities to promote sustainable growth and diversification;
- To give a proper thrust to design development through creation of design studio and involvement of professional designers,
- To involve professional marketing chains and marketers to identify the items of production to meet the changing demands of the market,
- To provide requisite support/linkages in terms of adequate core & technical infrastructure, technology, product diversification, design development, raw material banks, marketing & promotion, credit, social security and other components that are vital for sustainability of weavers engaged in the handloom sector;
- To provide for development of handloom clusters in an inclusive and holistic manner in an environment of empowered and participative decision making;

- To encourage convergence of schematic assistance and support services from various schemes and programmes of various government and other agencies in the cluster to optimize resource utilization for betterment of the livelihood, quality of life of handloom weavers and increase income level of the weavers.
- Public Private Partnership (PPP) model in the form of collaboration between the Government, beneficiary weavers & their group, financially creditworthy & commercially linked marketing enterprises and the financial Institutions.

4. Scope of the MEGA HANDLOOM CLUSTERS.

The handloom weavers, due to lack of education, in-adequate working capital and lack of market facilities etc. are unable to meet the requirements of the ever-changing market demands. Coupled with this are cost affecting factors like low level of technology, poor infrastructure facilities viz dye houses, common facility centre, quality control labs, electricity, water, roads, etc. To overcome these bottlenecks and to enable institutional development, it would be essential to federate prominent stakeholders to form a Public Private Partnership (PPP) module. Mega Handloom Clusters in various parts of the country will be taken up for their holistic development, for which comprehensive development plans would be drawn up and implemented on PPP mode. Each Mega Handloom Cluster will cover more than 25,000 looms.

Nature and level of assistance to each of the said clusters will be need based and would include the components that are necessary for meeting the objectives, such as, Technology upgradation, Product Diversification, Raw Material Bank, Credit, Market Development, Forward & Backward Linkages, Human Resource & Skill Development, Social Security, Physical Infrastructure, Export & Marketing, Margin Money for Working Capital, Corpus Fund for Yarn Depot etc.

The above list is only illustrative yet not restrictive. There will be flexibility to suit the local requirements. The Project Approval & Monitoring Committee (PAMC) will decide on merit the inclusion or otherwise of a component/s in the project cost on cluster to cluster basis.

5. PROJECT COMPONENTS:

A. Diagnostic Study and formulation of Detailed Project Report (DPR)

Diagnostic survey of the identified handloom concentrated area is the prime requirement for ascertaining the needs of specific interventions required for making the handloom concentrated area self-sustainable. The Detailed Project Report shall also include the requisite details under each of the activities that would be undertaken for different components of this scheme, including activity-wise financial implications, means of financing pattern of release of funds, implementation schedule and duration etc. This activity shall be carried out by the Cluster Management & Technical Agency (CMTA) as a part of their responsibilities and therefore, this will be met out from the overall Project Management Cost to be paid to CMTA.

B. Formation of Consortium/SPV - Mobilization of weavers

With introduction of economic reforms through liberalization, privatisation and globalisation, India has entered into a new era of economic development and therefore, formation of Consortium/SPV Empowerment programme for handloom weavers is necessary by making them active entrepreneurs-cum primary stake holders of development and bringing them to a visible platform so as to enhance their operational efficiency and competitiveness to face the new challenges and make them viable and self supporting economic entity This activity shall include mobilizing the weavers into groups in the form of SHGs, training of SHGs etc.

C. Technology Up-gradation

Design Development and Technology Up-gradation in handlooms sector is entirely different from that of small-scale industries. Handloom weaving is manual and highly complicated involving numerous processes and it is also very individualistic and local and differs from region to region. Each place has its traditional ways of production. It would, therefore, be essential to study the present weaving practices adopted in the cluster and recommend the better technology available for the looms, which enhances the production and improves the quality and reduces the cost of production and fatigue and on the other hand, increase the level of incomes of the weaver. Assistance would, therefore be given under the scheme for modernization/up-gradation of the pre-loom, on-loom and accessories.

The share of assistance by GOI is upto 80% and the remaining 20% by the SPV/beneficiaries/stakeholders/State Govt. However, the contribution of the State Government will not exceed 10%.

D. Design Development and Product Diversification

It has been recognized that design is a strategic tool that can provide directions to the crafts in a rapidly changing market environment. Thus, a sustainable linkage amongst designers, technologists, marketers and weavers in diverse materials and locations through acceptable programmes at all levels need to be established for promotion and development of handlooms. Assistance will be given under the scheme for upgrading and diversifying the present product range through design development, quality improvement so as to meet the needs of the contemporary market requirements. Assistance will also be provided for setting up a Design studio with Computer Aided Textile Design System and a professionally qualified Designer.

Towards creating infrastructure for the Design Studio, including the CATD System, the share of assistance by GOI is upto 80% and the remaining 20% by the SPV/beneficiaries/stakeholders/State Govt. However, the contribution of the State

Government will not exceed 10%. While the assistance towards engaging the designer will be fully borne by GOI.

E. Corpus for Raw material

The handloom industry in India consumes diverse range of yarns from natural viz. cotton, wool, silk, jute to artificial viz synthetic, cellulose and multiple blends of such yarns to produce different varieties catering to the needs of the different segments of the society both in the domestic and overseas market. Yet, the major problems faced by the handloom sector are availability of raw materials at reasonable price & quality. Considering the significance of raw material to the finished product, it is imperative to augment the availability of different varieties of yarns of acceptable quality at reasonable prices to provide a platform to the value added textile products. It would, therefore, be essential to open yarn depot(s) in the Mega clusters so as to ensure timely supply of quality yarn, dyes and chemicals to the handloom weavers/societies.

Assistance for setting up a depot as well as a revolving fund for purchase of raw materials and operating expenses will, therefore, be given under the scheme. A corpus fund of Rs.5.00 crore will be created for regular supply of yarn through National Handloom Development Corporation, Lucknow in the Mega Handloom Clusters.

F. Credit for working capital

The credit requirement of weavers is the primary and most important factor that needs to be addressed immediately. The organized set up has predominantly supported the weavers only in the cooperative fold, which also at present is in a very precarious shape. Weavers outside the cooperative fold, however, have not received attention from the Government and the large percentage of weavers are either deprived or do not have access to institutional credit. These weavers mainly depend on the Master Weavers and traders who exploit in many ways including charging of exorbitant rate of interest. It is, therefore, imperative that funds are made available to the weavers for accelerating growth in the handloom sector. At the same time, the cost of credit is high, which adds to the cost of handloom products and makes it uncompetitive vis-à-vis powerloom products.

Assistance in the form of margin money/working capital will also be given to ensure better access and availability of credit through formal banking system and micro finance institutions. Assistance upto 5% of the project cost will be provided for margin money during the project period.

To provide subvention of 3% for availing concessional credit from the Financial Institutions.

G. Market Development

Merchandising the Marketing has been recognized as being central to the growth and development of the handloom sector in India. Domestic marketing is important for providing linkage between the producers and the consumer. The handloom weavers, however, do not have an appropriate feedback on market trend. This, many a time, leads to accumulation of stocks causing thereby a bottleneck in the production-delivery cycle.

This part of the scheme is, hence, aimed at achieving twin objectives of creating brand and awareness among the people about Indian Handlooms by organization a number of marketing events at strategic locations throughout the country and providing marketing outlets to the craftsperson's by inviting them for direct sale of their products at remunerative prices. The marketing events will include Buyer Seller Meets, Exhibitions, exposure visit of the weavers to the handloom pockets of other States, development and hosting of website, market intelligence/survey etc. Setting up of Marketing Complex is also admissible under the scheme, which will be set up in PPP mode. The land will be provided by the State Govt. free of cost, failing which the SPV will purchase the land for setting up of Marketing Complex.

The share of assistance by GOI is upto 80% and the remaining 20% by the SPV/beneficiaries/stakeholders/State Govt. However, the contribution of the State Government will not exceed 10%.

H. Exports

The export of handlooms plays a pivotal role in the Indian economy and accounts for a major foreign exchange earner for the country. With free global trade, only those able to provide quality products at competitive price will be able to survive. Whereas opportunities for renewed growth are being created in the developed markets, there is an urgent need to evaluate our strengths and weaknesses so that the handloom sector can withstand the forces of global competition. It has been brought out that handloom sector indicate a better performance in terms of Aggregate Unit Value Realization as compared to the power-loom in export. It is, therefore, high time that the domestic production base shall realize the potentiality of enhancing weavers earning for the same production hours spent for development of exportable variety of goods. Assistance will be given under the scheme to enhance export markets through brand promotion, exhibitions, Buyer-Seller meets, setting up of garment unit, participation in International exhibitions, warehouses, design studio etc.

The share of assistance by GOI is upto 80% and the remaining 20% by the SPV/beneficiaries/stakeholders/State Govt. However, the contribution of the State Government will not exceed 10%.

I. Basic & Technical Infrastructure

Assistance would be available under the scheme for setting up of Common Facility Centre (CFC) to carry out warping, dyeing, pre and post loom operations, for setting up of water treatment plant, effluent treatment plant, testing labs, common workshed for mass production, exhibition hall, display-cum-showroom, conference hall, warehouse and any other item suggested in the Detailed Project Report (DPR). The State Govt. will provide land free of cost for these purposes, failing which the SPV will purchase the land. Grant will not be available for purchase of land. CFC/Dye House will be run on user charge basis and the facilities set up will be available to all weavers in and around the cluster.

Assistance would also be available for development of common infrastructure, which would improve quality of life of weavers and will not exceed 10% of the total assistance to be released under the scheme by the Office of the Development Commissioner for Handlooms. This will contribute indirectly to productivity, as it will facilitate overall working conditions. The infrastructure could be provided in the weavers locality, which include:

- i) Road connectivity to the cluster, where there are no roads
- ii) Repair of roads
- iii) Street lighting
- iv) Bore well
- v) Renovation of primary school building and primary health centres,
- vi) Any other item suggested in the DPR

The share of assistance by GOI is upto 80% and the remaining 20% by the SPV/beneficiaries/stakeholders/State Govt. However, the contribution of the State Government will not exceed 10%.

Assistance would also be available for construction of worksheds to those weavers who do not have a work place of their own to house the loom and are working at other place on the looms of Master Weaver/Society. Assistance for this component will be provided @ Rs.25,000/- per workshed for construction to the BPL weavers while the weavers other than BPL will be assisted by the Central Govt. to the extent of 75% i.e. Rs.18,750/- and the remaining to be borne by the SPV/beneficiaries/ stakeholders/ State Govt.

J. Publicity

With a view to project the handlooms within India and creating awareness about the various handloom products, thus opening up opportunities for boosting the sales of handlooms in India, financial assistance will be considered for internal publicity i.e. production of video films, publicity through print and electronic media, hoarding at strategic locations in the cities, blow-ups, banners, publicity through IT related medium

like dedicated websites, catalogues, fashion shows, making of CD-ROMs etc and also for general advertisement of various important national and international events taking place in India in connection with the handlooms cultural exchange programmes and other events on recommendation of Indian Embassies, printing/publication of brochures/catalogues/folders/State maps on handlooms etc.

The share of assistance by GOI is upto 80% and the remaining 20% by the SPV/beneficiaries/stakeholders/State Govt. However, the contribution of the State Government will not exceed 10%.

K. Skill Up-gradation

Training and retraining are critical inputs for handloom weavers/workers to adapt to produce diversified products with improved qualities to meet the marketing challenges. The Scheme will provide a holistic approach to the issues relating to the upgradation of technical and managerial skills to the handloom weavers/workers in the handloom sector.

The assistance towards skill up-gradation will be fully funded by GOI.

L. Value addition (Garmenting/apparel units etc.)

The handloom sector produces running yardages, which has multifarious end uses. The fabrics so produced in the looms with various end uses are known only after the product is finally produced. Thus, there is a need to set up a garmenting unit where the fabric produced will be converted into the apparels, furnishings etc. having higher realization of value than the basic fabric.

The share of assistance by GOI is upto 80% and the remaining 20% by the SPV/beneficiaries/stakeholders/State Govt. However, the contribution of the State Government will not exceed 10%.

M. Plantation of food plants for mulberry/non-mulberry silk worms

Some clusters faces shortage of muga, eri silk etc., therefore, there is need of increasing the area of plantation of food plants for mulberry/non mulberry silk worms.

The assistance for the components will be met out from the schemes of the Ministry of Textiles.

N. Innovative Ideas

Up to 10% of the budget allocated for the scheme may be utilized towards innovative ideas, which may emerge during the course of implementation of the programme and might have not been incorporated in the scheme at the time of approval.

O. Publicity, Monitoring, Supervision, Research & Seminars, Information Dissemination, Training, Studies, IT enabled monitoring mechanism and Evaluation of Scheme:

Up to Rs.1.00 crore per annum for publicity, monitoring, supervision, research & seminars, information dissemination, administrative expenditure, training, studies, IT enabled monitoring mechanism and evaluation of scheme etc. will be available.

P. PROJECT MANAGEMENT COST

The Project Management fee will be paid to the Cluster Management & Technical Agency (CMTA) for managing the activities of the cluster. CMTA will be selected for the clusters through competitive bidding process.

6. IMPLEMENTATION METHODOLOGY & FRAMEWORK.

A project of this nature, which is need based, multi stakeholder driven holistic and outcome oriented, would require institutional structure and processes that are capable and conducive to achieving the objectives of the programme. The following will be the methodology and process through which the project would be implemented:

- I. Undertaking a detailed diagnostic study of the cluster in order to identify the needs, gaps and also developing baseline reference data.
- II. Preparation of a Detailed Project Report (DPR) covering infrastructural, technical, financial, institutional and implementation aspects based on the diagnostic study. This DPR would clearly establish the expected outcomes of each of the interventions, which are measurable.
- III. Validation of the findings of the diagnostic study and the DPR by the key stakeholders of the cluster, including representative associations/federations of the weavers, support institutions, service providers, State Government and Central Government agencies.
- IV. Establishment of Special Purpose Vehicle (SPV) at cluster level with representation of key stakeholders.
- V. Approval of the DPR by DC (HL) under Ministry of Textiles.
- VI. Procurement of land, wherever needed for any of the interventions of the DPR, by the SPV.
- VII. Implementation of the interventions as per the phasing mentioned in the DPR.
- VIII. Monitoring and evaluation of the implementation of the interventions against the outcomes defined in the DPR.

7. CLUSTER MANAGEMENT & TECHNICAL AGENCY (CMTA).

- (i) The nature of the proposed project warrants proactive technical and managerial assistance on "concept" to "commissioning" basis, for which a Cluster Management & Technical Agency (CMTA), having proven capability in terms of technical, managerial, financial, infrastructure and capacity building expertise that are required to design and execute cluster oriented interventions shall be engaged.

(ii) CMTA will proactively work with the cluster stakeholders and the SPV in implementation of the interventions. The illustrative list of responsibilities of CMTA are given below:

- Conducting diagnostic study.
- Preparing DPR.
- Sensitizing and mobilizing the stakeholders to be part of the proposed project.
- Establishment and structuring of the SPV.
- Assisting the Ministry/SPV in releasing/mobilizing funds for the project. Such mobilization would involve preparation of proposals under relevant schemes of the Government apart from tying up loans from the banks.
- Assisting the SPV in obtaining requisite statutory approvals/clearances.
- Assisting the SPV in identification and engagement of service providers/consultants for various services related to specific handloom technology, processing, designing, skill development, marketing, financing etc, for implementation/execution of the interventions outlined in the DPR.
- Providing interfacing support and linkages between the SPV and various other stakeholders, particularly the Government organizations, buyers and financial institutions.
- Providing periodical progress reports to the Ministry of Textiles with respect to achievements of the stated outcomes.
- CMTA will have its continuous presence in the cluster by setting up an office in the cluster with suitable manpower exclusively.

8. DELIVERABLES/ADVANTAGES OF THE PROPOSED SCHEME.

- Sustenance of employment of weavers in the handloom sector;
- Increase the number of working days in a year;
- Encourage diversification in production to suit the changing market demand both at domestic and international levels;
- Substantial increase in production;
- Reduce the cost of production by way of improvement in infrastructure and augmenting inputs supply;
- Foreign exchange earnings through exports;
- Increase the level of earnings of the handloom weavers;
- Improve standard of living of the handloom weavers;

9. DURATION OF THE PROJECT.

The project duration is 5 years.

10. QUANTUM OF ASSISTANCE.

The quantum of assistance should be need based depending on the requirement of the cluster, the scope of the activities envisaged in the cluster development project, technical, financial and managerial capacity of the cluster development organization,

level of maturity and track record of the cluster etc. The maximum permissible Central cost for each cluster will not exceed Rs.70.00 crore per cluster for a period of 5 Years.

Scheme of other Ministries like MSME, Ministry of Rural/ Urban Development, Commerce etc. shall be sourced to fund the project.

11. RELEASE OF FUNDS

- 15% as 1st instalment
- 25% as 2nd instalment
- 30% as 3rd instalment
- 20% as 4th instalment
- 10% as 5th instalment

12. SPECIAL PURPOSE VEHICLE (SPV)

- (I) A multi stakeholder cluster level legal entity, preferably a company registered under the Companies Act will be set up for each of the clusters. It will be the recipient of grant support from the Ministry of Textiles and other agencies.
- (II) Such SPV shall be responsible for ownership, execution and management of the interventions/facilities created under the project.
- (III) The majority of the equity of such SPV shall be with the weavers/artisans/craftsmen/Entrepreneurs/exporters of the cluster and/or their associations/Cooperatives/Federations/SHGs. The remaining stake will be held by strategic investors such as buyers, retail chain houses, large scale processing units, banks, financial institutions, State Government agencies etc. can be stake holders whose share of equity will not exceed 40%. However, the individual stake of the aforesaid agencies shall not exceed 26%.
- (IV) There shall be one or more than one SPV (a legal entity) in a cluster as the case may be, for speedy & effective implementation of the programme.
- (V) The SPV for each of the clusters will be the focal point and shall be responsible for coordinating the implementation of each of the components of the project, with the following role:
 - SPV would be responsible for maintaining the utilities and infrastructure created by collecting services and user charges.
 - The SPV has to be so structured so as to be self-sustaining with a positive revenue stream.
 - SPV would appoint contractors/consultants in a fair and transparent manner. In order to ensure timely completion of the project, SPV will obtain appropriate performance guarantee from consultants/contractors.

Note: In the case/s, where it is not possible to form the SPV, the mega cluster development programme will be implemented through the State Govt./any other agency.

13. **PROJECT APPROVAL AND MONITORING COMMITTEE (PAMC)**

The Detailed Project Report (DPR) shall be considered and approved by the PROJECT APPROVAL AND MONITORING COMMITTEE (PAMC). The implementation of the projects shall also be reviewed periodically by PAMC. The composition of the PMC is as follows:

- Secretary (Textiles) - Chairman
- Advisor (VSE), Planning Commission - Member
- Additional Secretary & FA, M/o Textiles. - Member
- Joint Secretary (PF-II), D/o Expenditure - Member
- Development Commissioner (Handlooms) - Member
- Joint Secretary (Mega Cluster), M/o Textiles - Member
- Joint Secretary of Schemes of the concerned Ministries/Departments - Member
- Economic Advisor, M/o Textiles - Member
- Director (Mega Cluster), M/o Textiles - Member
- Commissioner/Director In-charge of Handlooms & Textiles of the State Govt. Concerned. - Member
- Addl. Development Commissioner (Handlooms) - Member-Secretary

14. **MONITORING.**

At the cluster level, the project will be monitored by the Board of Directors of the SPV, which shall also comprise District Magistrate of the area, representative of financial Institutions, exporter, designer, State Govt., Officer In-charge of Weavers Service Centre and representative of the office of the Development Commissioner (Handlooms).

At the Hq. level, each project will be monitored by the PROJECT APPROVAL AND MONITORING COMMITTEE (PAMC), headed by Secretary (Textiles).

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