



Scaling Up Sustainable Development of MSME Clusters in India

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October 2014

About Project

The MSME foundries, by and large, suffer from poor quality of melting technology leading to high consumption of coke, high carbon emissions, high rejection rate, problems of solid waste disposal and issues relating to health and safety of workers. Since it was found that these problems are particularly acute amongst micro, small and medium foundries in the States of West Bengal, Punjab and Rajasthan, an E.U.-funded project has been taken up for implementation in these three States since 1st May 2012 to assist them in their development. The Foundation for MSME Clusters (FMC), a not-for-profit organization, is the lead agency selected for the implementation of the project. The other agencies which are partners in implementing various components of the project are the Indian Institute for Corporate Affairs under the Ministry of Corporate Affairs, Government of India, SIDBI, Global Reporting Initiative, UNIDO and German Agency for International Co-operation (GIZ).

The project '**Scaling up Sustainable Development of MSME Clusters in India**' seeks to enhance competitiveness of less sustainable MSME clusters together with reduced environmental and social impacts. In order to achieve this overall aim, it also seeks to enable adoption of sustainable environment and social business practices across select foundry clusters, up-scale interventions through Training of Trainers (ToT) and institutionalization, develop and implement voluntary Aggregate Reporting (AR) framework, design, develop and link financial instruments for sustainable production and strengthen policy dialogue and dissemination. The main target group of this project are MSMEs in the foundry clusters located in Batala, Howrah, Jaipur, Jalandhar in the states of Punjab, Rajasthan and West Bengal, their employees and the population living in the surrounding region as well as that of 130 other less sustainable clusters beyond the foundry sector.

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Message from the Project Director

FMC has completed successful interventions in more than 150 MSMEs by ensuring use of cleaner technologies and adoption of more responsible business practices.

MSMEs in India are the drivers of economy, and are assumed to play a key role in shaping India's GDP growth in coming years. MSMEs in India consists of 26.1 million units provide employment to over 60 million persons. MSMEs contribution to GDP is 8% beside 45% to total manufacturing output and 40% to the exports. However, in the current scenario MSMEs are losing on the competitiveness front and are struggling with issues of Energy Efficiency, Environment and Occupational Health and Safety. Hence, there is an urgent need to address all these issues that Indian MSMEs are confronted with especially that of Energy Efficiency and working conditions.

The FMC is now in its 9th year of inception and has demonstrated project development and management capacities seeking bigger challenges year on year. Under its biggest project in terms of scale and scope, the EU-funded project 'Scaling Up Sustainable Development of MSME Clusters in India' has now reached almost half way stage where the project led by FMC has completed successful interventions in more than 150 MSMEs by ensuring use of cleaner technologies and adoption of more responsible business practices. The improved processes and technologies aim to reduce coke usage in 500 enterprises by 28,000 MTs during the project duration and post project saving of 18,000 MTs of coke per annum.



Project Updates

The project is in its third year of execution. Till now more than 150 MSMEs have adopted clean production methods thus reducing their continued coke consumption by 6083 metric tons per annum, thus reducing their carbon footprint. Out of all the cases wherein FMC has completed its work, only 20% have gone for complete equipment change, 80% of the MSME foundry units have preferred for small operational changes. Adoption of simple operational methods often has far more scope for energy efficiency when compared to capital intensive equipment change. The potential to save coke and hence reduce pollution goes up to 25000 tons per annum valued at approximately 6 million USD

The target of the project is to improve workplace conditions and implement an Occupational Health and Safety system in 200 MSMEs. The project has been able to ensure that cumulatively 100 MSMEs have improved work place conditions and adopted socially friendly production methods thus impacting 2200 workers.

It is realised that BMOs are the most trusted vehicle for up-scaling sustainable production among MSMEs. Capacity building of BMOs is the route to overcome the challenges. Work Package 2 of the project enables BMOs to provide the much needed SCP services to MSMEs. Till now the project has trained 63 BMOs.





Work Package 3 of the project helps the BMOs and MSMEs improve their business performance and competitiveness through introduction of Aggregate Reporting methodology at the cluster level and. The methodology has been prepared and the training material has been developed in English as well as in Hindi. Voluntary AR framework has been adopted by 2 BMO. **Work Package 4** addresses the problem of limited availability and access to credit for sustainable production to the MSMEs. The MSMEs currently find it extremely difficult to obtain finance to train their personnel, adopt the most suitable and efficient technology and tackle the wider sustainability issues.

The project’s integrated approach enhances relevant knowledge and skills at regional levels as well as strengthens supporting institutional structures together with fostering market driven incentives and an enabling policy framework. As a result, MSMEs are enabled to exit the vicious circle they are currently in i.e. profit generation at the expense of environmental and social sustainability.

“When the technical expert explained us the usefulness of DBC during the seminar, it sounded just right, but I wanted to see for myself and talk to the owner and supervisor of a company that had actually adopted this technology before saying yes. Others waited for many more to adopt the changes before taking the plunge. It has therefore been a slow start in our cluster but took off once the number reached a critical mass”-

Mukul Gupta
(Vikrant Foundry, Phagwara)

Special Focus: Role of BMOs in Sustainable Development

Business Member Organisations are voluntary organisations that bring together enterprises, usually from a specific business sector to pursue common objectives. Sometimes enterprises in diverse sectors located in a specific geographic area come together and form an association, known as Chamber of Commerce and Industry. Thus BMOs could take two forms namely business/industry associations and chambers of commerce and industry.

BMOs can be a platform for promoting a better investment climate in the developing and developed countries. In order to be a strong and reputable representative of the private sector, BMOs should have the capacity to advocate the interests and concerns of their members; be strong organizations with a proper governance structure and respond to their members needs by delivering required services and information.

BMOs can promote SME growth through facilitation and/or direct provisioning of selected demand-driven services and through advocacy aimed at creating a better business environment. They are in the position to play this dual role because they are intermediary, networking and self-regulatory bodies. It is this unique combination of strengths that makes them effective tools to enhance growth of SMEs in a given country.

FMC believes that the business member organizations (BMOs can play a catalytic role towards responsible production in MSMEs. The BMOs being the most trusted ally of MSEs are best suited to promote this concept in a balanced manner. We also believe that giving recognition to the good work done by BMOs in promoting responsible production will enhance their performance. FMC comes up with a first initiative of its kind to promote sustainability among MSMEs through BMOs and highlight the activities undertaken by them.





*Recognizing role of
BMO's towards
responsible production in
MSMEs*

Award for Responsible BMO's in India

March 19th, 2015

Organised by
Foundation for MSME Clusters (FMC)

About FMC

Foundation for MSME Clusters (FMC) is a non-government, not-for-profit registered Trust. It was set up in the year 2005 with technical support of the United Nations Industrial Development Organisation (UNIDO) Cluster Development Programme. FMC is a pioneer organization for the development of MSMEs through cluster development approach. FMC has supported over 150 MSME clusters, nationally and globally across ten countries for promoting competitiveness, innovation, sustainable production and inclusive growth by organizing studies, training, ground level handholding and providing linkages.

FMC was set up for conceptualisation and implementation of such initiatives for MSME sector across various thematic areas of specialisation that include productivity & competitiveness, energy efficiency, business responsibility, policy & research, common infrastructure development, training & capacity building, marketing and innovation.

Cluster Observatory
Compendium of cluster resources for undertaking cluster initiatives

"A comprehensive online database about clusters in India"
more info visit: www.clusterobservatory.in

We provide information on

- Clusters in India
- Data about clusters and cluster initiatives
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- MSME Schemes etc.
- Flexibility to the viewer to analyse information based on filters available

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