



Fostering Business Responsibility in MSME Clusters

Volume I

Role of Policy Makers



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Foundation for MSME Clusters
USO House, USO Road, Off Shaheed Jeet Singh Marg
6, Special Institutional Area, New Delhi 110 067
India
www.msme.foundation.org

Indian Institute of Corporate Affairs
Ministry of Corporate Affairs
Plot No- P 6,7,8, Sector-5, IMT Manesar, Gurgaon
India
www.iica.in

Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
B5/1 Safdarjung Enclave, 3rd Floor
New Delhi 110 029
India
www.giz.de
responsiblebusinessindia.org

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info@magnumbooks.org

'Fostering Business Responsibility in MSME Clusters' is in three volumes – Volume I is for Policy Makers, Volume II for Implementing Agencies (IAs) and Volume III for Cluster Development Agents (CDAs). These volumes are a guide to the varied roles and responsibilities all three have in encouraging Business Responsibility among Micro, Small and Medium Enterprises (MSMEs) through a cluster development approach.

Each volume is divided into two sections. The first section explains the basic concepts of clusters, their development, responsible business and the link between clusters and responsible business. The second section describes the roles and responsibilities of Policy Makers (Volume I), Implementing Agencies (Volume II) and Cluster Development Agents (Volume III), in fostering responsible behaviour in MSMEs through the cluster development approach.

	Policy Makers	IA	CDA
Section I	✓	✓	✓
Section II			
Engaging Stakeholders/Institutional Linkages	National Level	State and Local	Local Level
Mapping of Clusters	✓	✓	✗
Selection of Clusters	✓	✓	✗
Selection of Implementing Agencies/ Programme Management Units (PMUs)	✓	✗	✗
Incentivising Enterprise Social Responsibility (ESR) Agenda	✓	✗	✗
Strengthening the National Resource Base	✗	✗	✗
Identifying CDAs	✗	✓	
Formulating a Cluster Action Plan	✗	✓	✓
Resource Mobilisation and Implementation	✗	✓	✓
Trust Building and Social Capital	✗	✗	✓
Diagnostic Study	✗	✗	✓
Documentation	✓	✓	✓
Monitoring and Evaluation (M&E)	✓	✓	✓

Contents

<i>Foreword – Indian Institute of Corporate Affairs</i>	<i>ix</i>
<i>Foreword – Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)</i>	<i>xi</i>
<i>Preface</i>	<i>xiii</i>
<i>Acknowledgements</i>	<i>xv</i>
<i>Abbreviations</i>	<i>xvii</i>
Section I: Understanding Cluster Development and Business Responsibility	1
1. Understanding clusters	3
2. Understanding business responsibility	5
3. The relation between clusters and business responsibility	7
4. Typology of business responsibility initiatives in clusters	11
5. The economic and non-economic dimensions of a cluster	13
6. Stakeholders in a cluster	16
7. Why focus on cluster development	19
8. Cluster development approach – redefined	24
9. Cluster governance	30
10. Linking SEE sector promotional schemes with cluster development	30
11. Necessary and sufficient conditions for cluster development	31
Section II: Steering National Initiatives for Inclusive Growth through Responsible MSME Clusters: A Methodology Framework	37
1. Introduction	39
2. Engaging stakeholders in the development process – need and approach	44
3. Mapping of clusters – the three dimensions	56
4. Selection of clusters for intervention	61

5.	Programme implementation structure	75
6.	Incentivise BR agenda in cluster development programmes	82
7.	Monitoring and Evaluation (M&E)	85
8.	Other national initiatives required to support BR	87

List of Annexes

I.	Relevant Social Sector Schemes that are Applicable in MSME Clusters	97
II.	Illustrative List of Central Ministries, State Departments and Autonomous Bodies that can be Engaged in the Process of Cluster Development	108
III.	Creating Value: National Voluntary Guidelines for the Social, Environmental and Ethical Responsibilities of Businesses	116
IV.	List of Possible BR Activities in Clusters	123

List of Tables

Section I

1.1	Agglomerations of firms that are not clusters	4
1.2	Defining clusters in India	4
1.3	Typology of BR activities in clusters	11
1.4	Classification of clusters from the BR angle	15
1.5	List of institutions and their potential contribution to business responsibility	16
1.6	Cluster stakeholders and potential role in addressing business responsibility	18
1.7	SEE focus in cluster development	28

Section II

2.1	Compendium of development initiatives	40
2.2	Mapping of MSME clusters in terms of energy, environmental and social issues	58
2.3	Matrix reflecting socio-economic significance of a cluster	60
2.4	Developmental potential of a cluster from the economic and BR angle	62
2.5	Information needs for cluster selection – Non-BR parameters	68
2.6	Data to be collected through EDS	69

2.7	Scoring system based on BR-related parameters	72
2.8	Scoring system based on economic parameters	74
2.9	Final selection pattern	75
2.10	Suggested selection criteria for implementing agencies	78

List of Figures

Section I

1.1	Facets of business responsibility	6
1.2	Market production framework	14
1.3	Illustration of the payoff domain	24
1.4	Steps of cluster development approach	27

Section II

2.1	Institutional mechanism to foster BR in cluster development	47
2.2	Cluster selection criteria	64
2.3	Activities to be monitored and evaluated in a three year time frame	86
2.4	Moderated community for knowledge exchange	89
2.5	Moderated SME knowledge portal	90

List of Boxes

Section I

1.1	The Samalkha experience – economic benefits elevate social well-being of the community	8
1.2	Developmental initiatives by women weavers in the Barpali Ikat Handloom Weaving Cluster	10
1.3	Brand equity of the Chanderi Handloom Cluster	20
1.4	Synergic effect of the Tirupur Knitwear Cluster	21
1.5	Skill training initiative of the Okhla Garment Textile Cluster	22
1.6	Tackling child labour issues in the Jalandhar Sports Goods Cluster	23
1.7	Polio awareness initiative of Ummeed in the Moradabad Brassware Cluster	32

Section II

2.1	Child labour eradication initiative – partnership with Myrada and the Silk Reelers Association	45
2.2	Comprehensive Environmental Pollution Index (CEPI) developed to capture the impact of environmental pollution	56
2.3	Variety of SEE issues in the Samalkha foundry cluster	66
2.4	Engagement of KRMC to address water treatment problems	67

Foreword – IICA

The role of MSMEs in powering India's sustainable growth agenda cannot be emphasised enough. However, the MSMEs continue to be ill equipped to rise to the challenge of shouldering India's growth which is both sustainable and inclusive. To unlock the real potential of this sector it is important to adopt a holistic approach, which includes socially, environmentally and economically responsible conduct to gain competitiveness both domestically and globally.

The study focuses on the roles each stakeholder can play in enabling the MSMEs to become the engines of growth in the true sense. It elucidates the role of policy makers and implementers in mainstreaming Business Responsibility among the MSMEs, so that they are better equipped to meet the emerging global challenges with regard to sustainability.

The IICA has been a strong proponent of encouraging businesses to integrate responsible business practices especially the MSMEs. The release of the National Voluntary Guidelines on Social, Environment and Economic Responsibilities of Business by the Ministry of Corporate Affairs under the aegis of the IICA-GIZ Business Responsibility Initiative, is a testimony of its efforts in this direction.

The IICA is happy to have contributed to the study and is optimistic that the study will go a long way in fostering responsible business practices in MSME clusters.



Dr. Bhaskar Chatterjee
DG and CEO
Indian Institute of Corporate Affairs

Foreword – GIZ

India's vision, as articulated in the 12th Five Year Plan, of inclusive and sustainable growth will remain a distant dream unless its 26 million strong MSMEs are made more competitive. The MSME sector today grapples with issues such as negative environmental footprint, adverse social impacts, resource inefficiency, and weak compliance with social standards. These bottlenecks are making the MSMEs less competitive thereby posing an imminent threat to their growth. At an aggregated level this means the industrial base of India is beset with unsustainable growth.

It is increasingly being seen that markets, including investors and multi-national companies (of whose supply chain MSMEs form a part), are placing significant importance on enterprises sustainability performance. The focus therefore is to make the MSMEs more competitive. This will happen only when the MSMEs operate in a socially, economically and environmentally responsible manner as enunciated in the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs), released by the Ministry of Corporate Affairs in July 2011.

The IICA-GIZ Business Responsibility Initiative, a bilateral cooperation Project between IICA and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), recognises the importance of embedding responsible business practices among the MSMEs through the creation of a conducive ecosystem, including an enabling policy framework and implementation guidance to the stakeholder involved. This study is an endeavour in this direction. It proposes a framework on how Business Responsibility (BR) issues of MSMEs in clusters can be addressed through a 'MSME cluster development approach' with a BR focus. It outlines a methodology that policy makers, implementing agencies (such as business member organisations) and individual cluster development agents can adopt to guide MSMEs towards sustainability and competitiveness.

I congratulate IICA, GIZ and FMC for their efforts in addressing such imminent issues within the Indian MSME sector.

Preface

There is no denying that the MSMEs play a critical role, not just from the economic growth perspective but also from the standpoint of social and environment impact they create given their geographical spread. However, it is often reported that MSMEs tend not to adhere to statutory measures while using contract labour, avoid payment of statutory dues, flout environmental norms, display corrupt behaviour, provide a sub-optimal working environment, and hire child labour among several other social and environmental concerns. There is undue attention on short term profit making and lack of a comprehensive and integrated approach towards achieving sustainability and competitiveness in the long run. An initiative to test the Business Responsibility dimensions in select clusters was undertaken during 2005–08 in a collaborative project named ‘Thematic Cooperation between UNIDO and SDC in the Field of SME Cluster/Network Development’. The suggested methodology outlined in the study builds on the work done under the above mentioned project. It examines multiple areas and diverse sectoral issues among MSMEs through the BR lens. The study also endeavours to establish a business case for embedding BR among MSMEs and proposes a corresponding methodology that different stakeholders can adopt in this direction. It concludes that there is a need to enrich the methodology with additional concepts, tools and many more examples and contexts.

This project has been commissioned to the ‘Foundation for MSME Clusters’ by the IICA-GIZ Business Responsibility Initiative. The project is part of an agreement between GIZ and Ministry of Corporate Affairs, Government of India, under the Indo-German Bilateral Development Cooperation Programme to ‘Strengthen the Businesses Social, Environmental and Economic Responsibility Movement in India’ which has the key objective of fostering an enabling environment in India for the uptake of responsible business practices in pursuit of sustainable economic development.

Acknowledgements

The objective of this study is to conceptualise and put in place a methodology that will support policy makers in their efforts to make MSMEs in clusters become more responsible in how they conduct their businesses. The document provides an input on how to blend social, environmental and energy (SEE) related factors with the traditional cluster development programmes, which were structured towards addressing economic issues prevalent in clusters. This methodology document is meant for Policy Makers.

The document draws from the study, 'UNIDO-Methodology – Fostering Responsible Behaviour in MSMEs in Clusters' by Mr. Sudhir Rana, National Expert, UNIDO-CDP, and several case studies which provided a rich source of input. We are grateful to all the authors of the case studies for providing such informative material, especially Ms. Asha Sharma for listing the social schemes available from various Ministries of the Government of India. We thank Dr Tamal Sarkar, Director, Foundation for MSME Clusters, for providing his inputs towards completion of the study. We also acknowledge the contribution of Dr. Megha Shenoy, Research Director, Resource Optimization and Innovation (ROI) for providing valuable inputs on Industrial Ecology and Life Cycle Assessment to enrich the document. Lastly, we thank Mr. Mukesh Gulati, Executive Director, Foundation for MSME Clusters, for providing valuable inputs and guidance.

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We congratulate the authors of the study Dr. B.P. Murali, MSME Development Consultant, and Mrs. Sukanya Banerjee, Deputy General Manager, Foundation for MSME Clusters for putting together an insightful study.

We acknowledge the contribution of the IICA-GIZ Business Responsibility Initiative, in commissioning the study. We would especially like to extend our gratitude to Mr. Manoj Arora, Former Director, Ministry of Corporate Affairs, Mr. Manfred Haebig, Director Private Sector Development, GIZ India, Ms. Neha Kumar, Senior Technical Expert, GIZ India and Ms. Nandini Sharma, Project Advisor, GIZ India for their conceptual guidance and support.

The authors bear all responsibility for facts presented, errors and omissions as well as value judgments passed, if any.

Abbreviations

AICTE	All India Council for Technical Education
AIDS	Acquired Immune Deficiency Syndrome
AIMA	All India Management Association
ASSOCHAM	Associated Chambers of Commerce and Industry of India
BCCI	Bombay Chamber of Commerce and Industry
BDS	Business Development Service
BMOs	Business Membership Organisations
BR	Business Responsibility
BVS	Bunkar Vikas Sanstha
CD	Cluster Development
CDA	Cluster Development Agent
CDE	Cluster Development Executive
CDP	Cluster Development Programme
CDS	Cluster Development Service
CEPI	Comprehensive Environmental Pollution Index
CFC	Common Facility Centre
CFP	Cluster Focal Point
CII	Confederation of Indian Industry
CNG	Compressed Natural Gas
CPCB	Central Pollution Control Board
CRPBSC	Cluster Responsibility Perception Based Score Card
CSO	Civil Society Organisation
CSR	Corporate Social Responsibility
EDI	Entrepreneurship Development Institute of India
EDS	Exploratory-cum-desk study
EPR	End of Project Report
ESR	Enterprise Social Responsibility

FICCI	Federation of Indian Chambers of Commerce and Industry
GRI	Global Reporting Initiative
HIV	Human Immunodeficiency Virus
HRD	Human Resource Development
IA	Implementing Agency
ICT	Information and Communication Technology
IL&FS	Infrastructure Leasing & Financial Services Limited
IMTMA	Indian Machine Tools Manufacturers' Association
IT	Information Technology
KBK	Kalahandi Balangir Koraput
KVIC	Khadi and Village Industries Commission
LBIPDS	Lathikata Block Industries Periphery Development Society
M&E	Monitoring and Evaluation
MSME	Micro, Small and Medium Enterprises
NABARD	National Bank for Agriculture and Rural Development
NFP	National Focal Point
NGOs	Non-Governmental Organisations
NRHM	National Rural Health Mission
OBC	Other Backward Classes
PMU	Programme Management Units
PRIs	Panchayati Raj Institutions
S&T	Science and Technology
SC	Scheduled Caste
SEE	Social, Environmental and Energy
SEZ	Special Economic Zone
SFP	State Focal Point
SGFI	Sports Goods Foundation of India
SGMEA	Sports Goods Manufacturers and Exporters Association
SHG	Self-Help Group
SIDBI	Small Industries Development Bank of India
SME	Small and Medium Enterprise
SPV	Special Purpose Vehicle

ST	Scheduled Tribe
SWOT	Strengths, Weaknesses, Opportunities, and Threats
UDE	Undesirable effect
UGC	University Grants Commission
UN	United Nations
UNIDO	United Nations Industrial Development Organization
WG	Working Group

UNDERSTANDING CLUSTER DEVELOPMENT AND BUSINESS RESPONSIBILITY

1. Understanding clusters

Clusters are being acknowledged worldwide as a strategic mechanism through which regions and nations can attain a higher level of industrial development. Broadly, a cluster of enterprises may be defined as a typical geographical concentration of micro, small, medium and large firms producing the same or a similar range of products¹ and encountering common opportunities (e.g., increasing turnover through quality upgradation or introduction of new products or markets, etc.) and threats² (e.g., product obsolescence, lack of markets, etc.). The firms producing 'the product' by which a cluster is known are called principle firms, core firms or principle stakeholders of the cluster. The principle firms obtain inputs from a range of supporting firms through backward and forward linkages. These include raw material suppliers and manufacturers of parts and machinery; intermediary buyers like traders, exporters and import agents; and technical and financial service providers like banks, technical institutions, private Business Development Service (BDS) providers on quality, environment, design, energy, capital investment, etc. Various interest groups such as product and umbrella associations/forums of firms also contribute towards the dynamics of the cluster. All these – principle firms, support firms and service providers, technical and financial institutions, and interest groups are a part of the cluster and are called cluster stakeholders.

Clustering of Micro, Small and Medium Enterprises (MSMEs) can lead to several positive outcomes such as:

- Providing the impetus for the creation of external economies like specialised suppliers of raw materials, components and machinery; sector-specific skills, etc.
- Leading to the emergence of specialised technical, administrative and financial services.
- Creating conducive conditions for the development of inter-firm cooperation as well as cooperation among public and private institutions to promote local production, innovation and collective learning.
- Leading to conditions that are conducive for collectively addressing the social and environmental issues that are prevalent in the cluster.

The growth of one set of stakeholders in a cluster could drive the growth of other stakeholders. For instance, the presence and growth of a group of knitwear firms in a particular region is strengthened by the growth of various firms involved in related activities such as dyeing, spinning, designing, trading, exporting, etc. The supporting units provide vital backward and forward linkages to the firms at the core of the cluster – the knitwear units are also part of the knitwear cluster. They form a part of the value chain of the end product (that reaches the final user) and the opportunities/threats faced by any actor in the value chain immediately leads to a corresponding impact to the other constituents of the value chain.

While too narrow a definition of a cluster could have implications on development policies, not every agglomeration of firms can be labelled as a cluster as explained:

¹ 'Product' in this document implies both goods and services.

² 'Policy and status paper on cluster development in India', Foundation for MSME Clusters, New Delhi, 2007

Table 1.1 Agglomerations of firms that are not clusters

S.No.	Not a Cluster	Reason
1	A 'sector' that is present in various places all over a state or a country.	Too large a geographical area deprives the units across the area to exploit advantages of proactive joint action.
2	An industrial estate or an industrial park having multiple products.	Too wide a product range means no common opportunities and threats. Hence, little scope of joint action.
3	A network (small group) of enterprises producing similar products.	Too small a number for enabling significant and variety of joint actions. These are often part of a cluster.
4	A cooperative, which promotes cooperation among a number of enterprises under some norm, rule or a public scheme of assistance.	A central feature of dynamic clusters is 'competitive cooperation'. In case of a cooperative, competition does not exist. It is often a part of a cluster.
5	A group of villages, town or city consisting of enterprises producing a diverse range of products or services.	These are clusters in a different sense and are not enterprise based clusters, which are being discussed in this document.

Source: Policy and Status Paper on Cluster Development in India, FMC, 2007.

Although attempts have been made to recognise a cluster by specifying the minimum number of units in a given measured location, these conditions are difficult to generalise across activities/products. In India a number of agencies have come up with a range of definitions, tailored to suit the typology of clusters, which an agency decides/is mandated to cater to, by specifying a certain minimum number of units in a given measured location.

Table 1.2 Defining clusters in India

Institution	Definition
Integrated Handloom Cluster Development Programme (IHCDP), Ministry of Textiles	A handloom cluster has been defined as one having a minimum of 500 looms.
National Minority Development Finance Corporation (NMDFC)	Handloom cluster, which has more than 75 per cent of the population as 'minorities'.
Scheme of Fund for Regeneration of Traditional Industries (SFURTI), Ministry of MSME	A micro village industry cluster having 500 beneficiary families of artisans/micro enterprises, suppliers of raw materials, traders, service providers, etc., located within one or two revenue sub-divisions in a district (or in contiguous districts).

Institution	Definition
Development Commissioner (Handicrafts), Ministry of Textiles	Agglomerations having 100 artisans. In case of North East Region, Jammu & Kashmir and other hilly terrains, the clusters will have a minimum of 50 artisans.
National Bank for Agriculture and Rural Development (NABARD), Cluster Development Programme	Micro enterprises and household units functioning in Self-Help Group (SHG) mode and having a minimum of 50 beneficiaries up to a maximum of 200. In intensive clusters, the number of beneficiaries may go up to 500–700 and can even extend over a block or taluka.
Government of Gujarat	A minimum of 50 industrial units, indulging in the manufacture of the same or related products and located within a radius of 10 km in a particular location.
Government of Orissa Handicraft Cluster	At least 100 traditional artisans practicing the same craft for non-KBK (Kalahandi Balangir Koraput) districts and at least 50 traditional artisans in KBK districts and situated within a radius of 3–5 km.
United Nations Industrial Development Organization (UNIDO) Cluster Development Programme	At least 100 Small And Medium Enterprise (SME) units or 50 handicraft units in a town/city or few villages and their surrounding areas for an industrial (traditional manufacturing) or an artisanal cluster respectively. Further a minimum of 500 handlooms for a handloom cluster.

Source: Policy and Status Paper on Cluster Development in India, FMC 2007.

2. Understanding business responsibility

In the changing context of globalisation, enterprises are increasingly expected to pursue their business keeping in mind the stakeholders' interests and well-being, which depends on the way the enterprises manage their business processes. The enterprises are also realising the fact that they cannot succeed in a society that fails. Businesses, particularly those in the private sector, are repeatedly being asked to rise to the challenge of making the growth process more inclusive. Given their financial strength, they can be major partners in making society more humane and just. This initiative is synonymous to corporate enterprises – therefore the terms Corporate Social Responsibility (CSR) and Business Responsibility (BR) to emphasise inclusivity of Social, Environmental and Energy (SEE) drives of both large corporates and MSMEs.

BR can be defined as:

- 'The continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well

as of the local community and society at large.’ (World Business Council for Sustainable Development)

- ‘Being socially responsible means not only fulfilling legal expectations, but also going beyond compliance and investing more into human capital, the environment and relations with stakeholders.’ (The European Commission)
- ‘Operating a business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of business.’ (Business for Social Responsibility)

BR refers to a contemporary concept, where companies commit to be sensitive to all stakeholder demands in the scope of their business operations, beyond what is regulated and expected by the community, and beyond the industry norm. BR could manifest itself in initiatives related to tackling SEE related issues.

The facets of BR are illustrated in Figure 1.1:

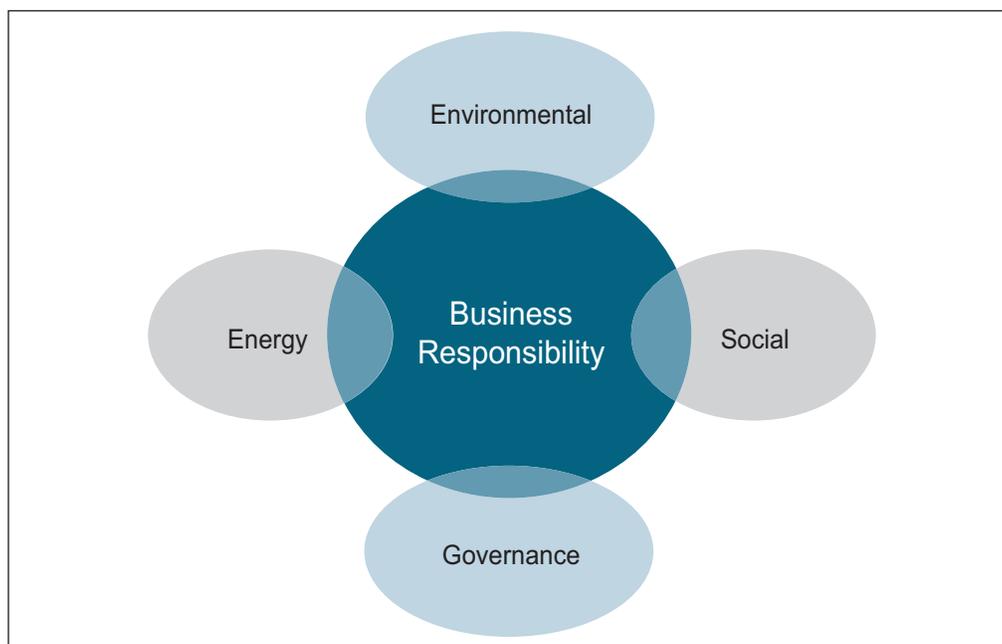


Figure 1.1 Facets of business responsibility

The corporate sector across the world has started realising that competitiveness of a given business can be severely threatened by unsustainable environmental and unviable social structures. Global initiatives such as UN Global Compact, GRI Reporting, SA 8000, ISO 26000, carbon credit trading mechanisms, etc., are some examples towards this new way of thinking. In India, BR platforms have been set up by national level membership organisations such as the Confederation of Indian Industry (CII), Federation of Indian Chambers of Commerce & Industry (FICCI), Associated Chambers of Commerce & Industry of India (ASSOCHAM) and Bombay Chamber of Commerce & Industry (BCCI). At the corporate level some of the well known

initiatives are the TATA CSR Initiative, Microsoft's Project Jyoti, Intel's Outreach Programme, IBM's Computer Literacy Programme, Pepsico's alliance with Basix (a micro finance firm), etc., which are said to have made major contributions in this field. The actual impact of these initiatives and the relationship of BR with their core business processes may be debatable but it is undeniable that initial steps have been taken towards ensuring responsible behaviour among large corporate enterprises.

On the other hand, there is very little known about the MSMEs and their approach to business responsibility. The available literature about social and ethical behaviour about MSMEs is more critical than positive. Little is stated and known about the positive side of MSMEs and their social responsibility, whatever be its nature and volume.

3. The relation between clusters and business responsibility

Cluster development efforts have primarily focused on the issues of growth and competitiveness as follows³:

- Collective efficiency – namely local agglomeration economies and joint action gains.
- Role of local institutions such as business associations, chambers of commerce, enterprise clubs, technical and research bodies, universities, business development service providers, etc.
- Promoting joint initiatives.
- Influence of stakeholders external to the cluster, such as global buyers and global lead firms, who not only link local producers to global markets but also provide a framework for understanding how local clusters are inserted into global value chains, and what implications this has for local clusters to upgrade.
- Promoting Business Development Service (BDS) market.
- Creation of common infrastructure.

This focus is understandable given the relative success of small firm industrial districts in many parts of the developed and the developing world in competing with larger enterprises in local and global markets.

The conventional approach to cluster development efforts in particular and economic development in general could indicate that 'social' considerations might not be in sync with 'economic' development. It is one thing to suggest that business ought to elevate considerations of social well-being of the workforce and community at large, however, if the cluster firms are to

³ Interventions in some clusters are focused on poverty alleviation, i.e., Cluster Development Programme with a focus on poverty alleviation supported by UNIDO.

be engaged in linking their competitiveness with social cohesion or fairness, they must first be convinced that the argument is sound.

Box 1.1 The Samalkha experience – economic benefits elevate social well-being of the community

Samalkha, a small town in the district of Panipat (Haryana), has been well known for its metal casting industry since the 1960s. Currently, there are around 30 foundry units (metal casting also termed as foundry) that are operational in the cluster with an average turnover of Rs. 90-95 crores per annum. The production process adopted by these units is traditional, which means that there is a lack of mechanisation and quality control/assurance systems.

Highly energy intensive: The most energy intensive operation in a foundry unit is the melting of metal (70 per cent of the total energy consumed in the production process) in furnaces known as cupolas. The foundry units used the conventional single blast cupolas, wherein the coke feed ratio was as low as 1:4, i.e., 1 tonne of coke melts 4 tonnes of metal.

To address the issue of high energy consumption, the units had to upgrade the single blast cupolas to double blast cupolas (DBC). Under a project funded by Department of Science and Technology (DST) for Promoting Innovative Clusters and implemented by Foundation for MSME Clusters (FMC), the Samalkha Foundry Cluster was chosen to promote innovative techniques in enhancing the competitiveness of the cluster through strengthening of local ecosystem and institutional linkages.

For upgrading the cupolas, FMC (the implementing agency) identified an expert who designed the DBC and supervised the local fabricator who was implementing the design. The cost of installation of this customised DBC is only Rs. 3–5 lakhs (without mechanised charger), which is significantly low as compared to DBCs designed by other institutions.

The outcome: At the time this study was conducted, 11 units had upgraded their cupolas to DBC and 18 units had upgraded their operational practices. The coke feed ratio had improved by 10–30 per cent depending on the duration of the cupola run and the size of cupola. The estimated coke savings in these 11 units was 152.79 tons per annum (taking average coke savings of 13.89 tons per unit). Also by improving cupola operational practices in 18 units the coke savings was 590.15 tons per annum (average coke savings of 32.79 tons per unit). Thus total coke savings per annum from the actions taken in the 29 units in Samalkha was 742.93 tons which is equivalent to Rs. 89,15,200 per annum (Rs. 12 per kg coke). Importantly, the economic benefits of the cluster, i.e., reduction of production cost through reduction of coke consumption, also resulted in the social well-being of the community at large through reduction of carbon emissions.

An important issue which tends to get neglected in developmental policy, programmes and research on competitiveness-upgrading is the fact that small firm clusters usually cater to the social development agenda by providing employment for the poor. Several industrial clusters have their supply chain extended to household workers spread over several villages and districts from where the materials and services are sourced, providing livelihood to the economically backward sections of the community. One needs to understand that, 'competitiveness' and 'inclusive growth' are not stand-alone strategies but are interlinked, as a cluster needs a healthy society for successful functioning and vice versa. For example, education, health care and equal opportunity are essential to a productive workforce in clusters and similarly, society cannot compete with the business sector when it comes to job creation, wealth generation and innovations that improve standards of living and socio-environmental conditions over time.

In other words, we have to consider how cluster-based activities, including joint action and linkages with stakeholders within the global value chain, can influence the ability of clusters to address wider poverty and social concerns. This includes local joint action articulated through Self-Help Groups (SHGs), cooperative networks, and locally based multi-stakeholder initiatives. As the emerging evidence indicates, such different forms of 'collectivities' are driven forward through distinct local institutional forms within clusters and such networks can potentially lead to positive pro-poor and sustainable outcomes. These outcomes not only address how clusters or networks may positively impact the more marginalised segments of the community or labour force (especially women workers) but addresses wider concerns of social sector provisioning, such as health, gender issues and education, as well as infrastructure provisioning. In some cases, initiatives of this kind can enhance the nature of local territorial advantage, and provide a strong boost to territorial competitiveness. In particular it is felt that there is a need for 'shift in focus' from economic to social and poverty concerns for policy makers, stakeholders and implementers involved in enterprise development and cluster promotion.

Box 1.2 Developmental initiatives by women weavers in the Barpali Ikat Handloom Weaving Cluster

Maitree, was conceived by a few women following their UNIDO facilitated exposure visit to the Ahmedabad-based SEWA. Maitree was instituted as an organisation of women with the objective of socio-economic development of women weavers in the Ikat Handloom Cluster of Barpali. The Barpali Handloom Cluster comprises 1,567 looms and has a turnover of Rs. 15 crore per annum. Maitree started by creating a network of home based weavers in the entire cluster of Barpali and later increased its spread beyond Barpali. Institutionalisation of such an organisation was needed, given the social status of women in the cluster. Though women in the Barpali Handloom cluster were engaged in various economic activities like bleaching and dyeing, opening of yarn and winding, the condition of women in the weaver community is no different from any other community in the country.

MAITREE started with 15 members and now has around 300 members from Barpali and five nearby weaving villages. Each member sets aside Re. 1 every day as savings and deposits the same with Maitree every month during their monthly meeting. The organisation now has a pool of more than Rs. 1 lakh as savings, utilised for internal lending to help out women in distress and to avoid their going to moneylenders. A part of these savings are also used for social causes.

Maitree gradually tried putting focused efforts on capacity building of SHGs and its members especially in the area of self-management, leadership development, financial management, etc. With UNIDO's facilitation, it got a project from Department of Planning and Coordination to organise training on financial counselling and skill upgradation for its members and other poor weavers in the village. Maitree has helped alleviate economic and social concerns in the following ways:

- Works with support agencies like Child and Women Welfare Department it organises health awareness camp for rural women and informs villagers about the different government schemes available to them.
- Motivates the villagers to avail the total sanitation scheme; to construct sanitary latrines to reduce instances of various diseases, snake bite, etc.
- Operates a Gyan-Bigyan Kendra, a library cum personality development centre for school going children.
- Organises computer training for women in the local area to teach how to make graphs and designs that can help them in tie and dye yarn preparation for weaving.
- Creates awareness about the need of health insurance. Currently more than 1,950 weavers have enrolled under the health insurance scheme and 860 weavers are covered under the life insurance scheme offered by ICICI Lombard.

With Maitree's initiatives, not only were socio-economic issues of the area tackled but the confidence level of women also rose substantially. The process changed the man-woman equation in both social and economic areas in the family and in society as a whole. Major issues, which had gone unnoticed by society and the government authorities since long, found place in the development agenda of these marginalised women entrepreneurs.

4. Typology of business responsibility initiatives in clusters

UNIDO conducted a study⁴ in 11 clusters on how cluster stakeholders perceive business responsibility and based on their observations, BR can be categorised as internal or external and individual or collective, as shown below in Table 1.3.

Table 1.3 Typology of BR activities in clusters

	Individual	Collective
Internal	Labour Welfare Cleaner Production	Waste water treatment
External	Charity	Education – Setting up of school

4.1 Internal vs. external BR

Internal and external BR seeks to improve business performance such as lock-in orders with international buyers. As per the UNIDO study, the following can be termed as internal and external BR activities:

4.1.1 Internal BR activities

Activities focusing on labour welfare, account for 19 per cent to 97 per cent of total expenditures on BR. These include fair and timely payment to workers, bonus and gifts and monetary aids for family events, financial saving schemes and interest-free loans, provision of food and accommodation to residential employees, and last but not least, uniforms and protective gear. Particularly in terms of labour welfare, medium-sized enterprises, fine-tune their services such as provision of job contracts in local languages, job security guarantees, display of all policies in a visible area to all, respect of gender-related issues; fixed working hours and leave encashment as an internal BR strategy.

- In terms of contributions to health care, 1 to 27 per cent of total annual BR resources are spent on free medical help, subsidised private health insurance, maternity benefits, healthy work environment, protective gear and accessibility to first aid kits, health club memberships, substance abuse counselling, and information on health related issues.
- Expenditures with respect to environment such as cleaner production and recycling are nominal particularly across Indian clusters, ranging from 1 to 7 per cent of total yearly BR resources.

⁴ Study conducted by Foundation for MSME Clusters under the UNIDO-CDP & CSR Project – A thematic cooperation between United Nations Industrial Development Organization (UNIDO) and Swiss Agency for Development and Cooperation (SDC).

4.1.2. External BR activities

Across clusters, external BR activities are dominated by:

- Outward looking BR focused on activities directed towards the overall benefit of the community in which the enterprise operates.
- Charity donations are strongly influenced by religious sentiment and these contributions can take various forms. External charity driven BR activities seek emotional returns.
- Entrepreneurs are the key drivers and thus want to express their larger responsibility towards the community where 'everyone knows each other, and we, the more fortunate cannot deny the help'.

4.2 Individual vs. collective BR

- Individual BR activities: These are activities planned and implemented by an individual firm in a cluster.
- Collective BR activities: These are activities conducted jointly with either cluster firms or support organisations.

4.3 Generic social issues⁵ vs. 'economic' social issues

Further, BR issues can be categorised as socio-generic or socio-economic, based on their impact on the cluster operations.

- Cluster socio-generic BR issues: These issues may be related to religion, education, public health, disability, poverty, women and children, underprivileged sections of society, animal welfare, old age, etc. These issues may be important to society but their relationship with cluster operations needs to be analysed. Such issues could also be labelled as 'generic' social issues.
- Cluster socio-economic BR issues⁶: These BR issues are significantly affected by cluster value chain operation activities and can be related to cluster competitiveness. These issues may be related to product innovation, technology, raw material, wastage, occupational hazards, health and safety, pollution, productivity, unfair labour practices, child labour, corruption, infrastructure, skill development and trainings, bad practices in marketing and after sales services, transparent and truthful marketing and advertisements, proper and optimum utilisation of natural resources, non-use of restricted items and materials, and other value chain steps.

⁵ The issues that are independent of the cluster are termed as generic social issues. e.g., prevalence of HIV AIDS, alcoholism etc.

⁶ Issues which are taken care of, having a positive impact on the competitiveness of the cluster are termed socio-economic issues. For example, abolition of child labour may make a cluster a preferred source for international buyers.

Thus, in the context of the MSME sector, BR refers to 'responsible behaviour' on the part of the businesses in the following areas:

- Facilitating well-being of the workforce.
- Avoiding actions that could have a negative impact on the natural environment.
- As a corollary to the above, initiating and/or supporting interventions that reduce or prevent pollution (air, water, noise) and those that promote preservation of natural flora and fauna.
- Contributing to or being engaged in initiatives (health care, literacy campaign, etc.) that benefit the community in the immediate vicinity of the business and the society at large as well.
- Complying with legal and 'moral' obligations expected of any business establishment.
- Preserving and promoting social values.

5. The economic and non-economic dimensions of a cluster

5.1 Economic dimension

Given the 'economic' focus of cluster development efforts and looking at this aspect from a policy perspective, it would be useful to follow a three-way classification of clusters based on technology intensity as given below:

- High-tech clusters such as those in the IT and IT-enabled services, computers, biotechnology and related services, precision instrumentation or avionics, etc.
- Traditional manufacturing clusters (non high-tech and non-micro clusters).
- Low-tech poverty-intensive micro enterprise (handloom, handicraft and other micro enterprises) clusters. The traditional manufacturing and micro enterprises' clusters may also be termed as natural enterprises' clusters⁷.

Another approach is⁸ to typify a cluster by its' market and production structure as shown in Figure 1.2 below, where 'L' stands for local, 'N' for national and ' I ' for international. The framework suggests that a cluster, or at least the majority of its firms, can at least theoretically have any of these nine combinations. While local, national or international markets are self-explanatory; the local production system is mainly based on local resources, whereas national or international production system depends mostly on national and international resources. Such resources

⁷ As stated by Mr. Jawhar Sircar, Additional Secretary and Development Commissioner (MSME), at the second Workshop on 'Policy and Status Paper on Cluster Development in India' held on 5 October 2007 in New Delhi (organised by Foundation for MSME Clusters).

⁸ Bianchi, P. and Tommaso (1997), The role of Small & Medium Enterprises in a changing global scenario: Towards a new Policy approach, Consorzio Ferrare Ricerche.

include sourcing of raw materials, technology, sub-contracting, HRD, etc. A micro enterprise cluster faces challenges such as moving from local production resources and local markets (LL) to local production resources and a national market (LN) and then to national production resources for national markets (NN). This naturally makes the cluster product most efficient. Similarly, the challenge for a traditional manufacturing cluster is to move from an 'LN' to 'NN' to 'NI' and ultimately to 'II' framework.

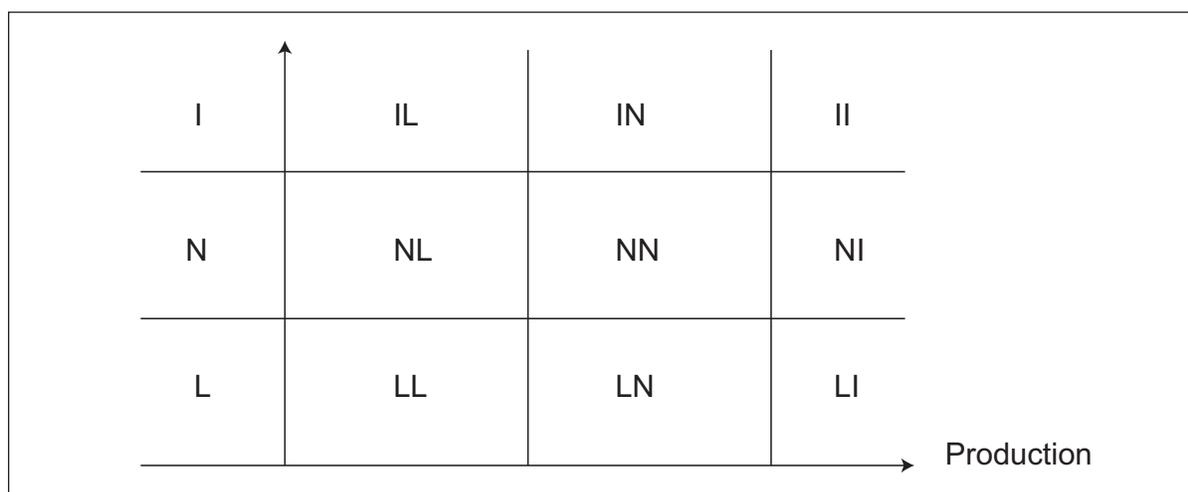


Figure 1.2 Market-production framework

5.2 Non-economic dimensions

As an essential prerequisite to promoting responsible business behaviour, it is important that we understand clusters based on the major BR issues confronting them. Accordingly, a cluster could be typified based on one or more of the following BR issues:

- Labour related issues including child labour, social security, working conditions and occupational safety.
- Environment and energy related issues including effluent discharge, air pollution and use of non-renewable energy.
- Community health including the impact of the cluster firm's operations on health and access to health care.
- Social issues not directly linked to cluster operations: Alcoholism and drugs abuse, HIV, female foeticide; Welfare of minorities and other underprivileged sections.

While one could argue that such issues are omnipresent, it is important to consider the intensity of the issue and the level of engagement of the cluster stakeholders in tackling them. Using this dimension, clusters can be classified as given below:

Table 1.4 Classification of clusters from the BR angle

BR issues \ Level of engagement	Blind	Aware	Engaged		
			Low	Moderate	High
1. Labour related issues	1B	1A	1EL	1EM	1EH
2. Environment and energy	2B	2A	2EL	2EM	2EH
3. Community health	3B	3A	3EL	3EM	3EH
4. Social issues	4B	4A	4EL	4EM	4EH

Note:

B – Clusters that are ‘Blind’ on the SEE issue.

A – Clusters that are ‘Aware’ of the SEE issues but not taking any initiative to address the prevailing issues.

EL – Clusters that exhibit low level of engagement – taking few isolated initiatives to address SEE issue.

EM – Clusters that exhibit moderate level of engagement – taking sustainable initiative to address a few SEE issues.

EH – Clusters that exhibit high level of engagement – taking initiative to address most of the critical SEE issues.

The above classification has implications when clusters are being selected for interventions.

Ministries that are targeting a specific BR issue may support those clusters where that issue is prevalent. For instance, the ministry dealing with labour affairs will support interventions in clusters that fall under the categories of 1B and 1A.

A public financial institution supporting cluster development and looking for demonstration effect may opt to choose clusters where there is sufficient awareness and some visible signs of engagement to address the relevant issues, i.e., clusters falling under category nEL or nEM, n=1,2,3 and 4.

Thus, from a policy standpoint, it will be useful to classify the clusters as above, right at the stage of mapping them out at the regional/State level.

6. Stakeholders in a cluster

Any effort to promote responsible business behaviour in a cluster must involve a variety of institutions/entities. An understanding of the potential contribution that each such stakeholder can make and the linkages among them is an essential part of the development process. The ability of the cluster to address BR issues depends to a great extent on the strength of relationships among various stakeholders who have learned to communicate effectively to address the ever-emerging set of problems/opportunities in the cluster.

Table 1.5 gives an illustrative list of institutions, their roles and potential contribution to the process of tackling the BR issues.

Table 1.5 List of institutions and their potential contribution to business responsibility

Sl. #	Nature of Institutions	Potential Contribution
	Core firms	<ul style="list-style-type: none"> • Adopting eco-friendly technology. • Compliance with labour standards. • Support community welfare.
	Public Institutions such as: <ul style="list-style-type: none"> • Ministries dealing with industry, social welfare, environment protection, and the like. • Regulatory bodies engaged in pollution control and labour welfare department. • Other local offices of Government social welfare and environmental departments. 	<ul style="list-style-type: none"> • Affirmative action: Relevant ministries could incentivise clusters to follow socially responsible behaviour. • Regulatory ones could monitor such behaviour.
	Technical institutions such as: <ul style="list-style-type: none"> • R&D institutions and laboratories • Training institutes • Educational institutions • Vocational institutions 	<ul style="list-style-type: none"> • Provide HRD and technical support to cluster firms (adopting cleaner technologies and training of workers in occupational safety, for instance).

Sl. #	Nature of Institutions	Potential Contribution
	Industry associations/networks	<ul style="list-style-type: none"> • Most appropriate entity to generate awareness, arouse interest and initiate action to tackle SEE issues. • Can act as a pressure group for unwilling or non-conforming firms.
	Voluntary organisations	<ul style="list-style-type: none"> • Form networks that could tackle SEE issues. • Provide technical and management advisory services to cluster stakeholders on issues related to their BR agenda. • Act as an intermediary for some government financing schemes related to social and environmental issues.
	Financial institutions	<ul style="list-style-type: none"> • Financial support.
	BDS providers	<ul style="list-style-type: none"> • Offer specialised services to cluster firms for tackling SEE issues. • Provide material and financial support to BR initiatives.
	Trade unions and workers groups	<ul style="list-style-type: none"> • A good 'entry point' to consensus building on tackling SEE issues.
	Other enterprises in the cluster (large manufacturers, large buyers, suppliers firms dealing in equipments, etc.)	<ul style="list-style-type: none"> • Offer specialised services to cluster firms for tackling SEE issues. • Provide material and financial support to BR initiatives. • Act as a pressure group to enthuse unwilling/inactive cluster firms.
	Local community	<ul style="list-style-type: none"> • Act as pressure group to address SEE issues. • Supplement the efforts of core firms in BR initiatives.
	Opinion leaders	<ul style="list-style-type: none"> • Sensitise core firms on BR issues. • Use 'social power' or position to propel core firms to act responsibly.

Table 1.6 illustrates how a cluster actor can address a particular BR issue.

Table 1.6 Cluster stakeholders and potential role in addressing business responsibility

SEE Issues Stakeholders	Labour	Environment and Energy	Health	Generic Social Issues
Core firms	Fare wages. Occupational health and safety.	Clean technology. Use of renewable energy.	Health awareness camps.	Non-formal education. Home for senior citizens. De-addiction centre. Education for girl child Livelihood means for differently-abled persons.
Other enterprises (Buyers, raw material/ machinery suppliers, etc.)	Buyers' insistence on labour standards. Improved standards of safety in equipments.	Energy efficient machines. Bio degradable packaging options.	Health awareness camps.	
Private and public service providers	Skill training. Consultancy on safe working conditions.	Energy audit. Recycling technology.	Diagnostic facility.	
R&D institutions	Reduce drudgery through innovative technology.	Emission reduction technology.	Emission reduction technology.	
SBMOs (Small Business Membership Organisations)	Support skill upgradation. Form SHGs and link to micro finance.	Common effluent treatment plant.	Health care centres.	
Financial institutions and banks	Linking access to firms with labour practices.	Better access to funding for clean technologies.	–	
Voluntary organisations (VO)	Advocacy. Monitoring child labour.	Act as pressure group.	Organise health camps.	
Regulatory authorities	Monitoring child labour.	System of sanction based on emission, effluents and solid waste.	Monitor compliance to health related regulations.	
Labour union	Advocacy.	–	–	
National and provincial governments	Support to pension fund.	Infrastructure for use of alternate fuel.	Provide health infrastructure.	
Local community	–	Act as pressure group.	–	
Opinion leaders	Sensitise core firms on labour practices.	Mobilise support for collective action.	Mobilise opinion on preventive health care.	
Educational/training institutions	Vocational training for unskilled labour.	Training of workforce to use eco-friendly or energy efficient technology.	–	

7. Why focus on cluster development

Cluster-based development has gained acceptance worldwide, due to its innovative approach of looking at enterprises as a part of the local system that influences the growth and competitiveness of all the stakeholders who are a part of the cluster. More than 50 countries (both developed and developing) are known to have undertaken cluster-based development initiatives. Some of the known organisations that have fostered cluster development initiatives are United Nations Industrial Development Organization (UNIDO), International Labour Organisation (ILO), International Finance Corporation (IFC), Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), etc. UNIDO has been the front-runner in developing cluster-based development approaches that have now been replicated in several developing countries across the world.

7.1 Who benefits from cluster development?

The benefits in terms of higher productivity and increased innovation can be felt by all firms in the cluster. The implications for the existing firms are to examine the relationships that they have with other firms in the cluster and consider the services they offer.

- Are professional services firms specialised enough to cater to the particular needs of firms in the cluster or do the latter need to go elsewhere for specialised advice?
- Can manufacturing firms fit into the supply chain of firms located in the cluster, thereby reducing the need for their customers to go elsewhere to source their inputs?
- Are universities and other higher education establishments providing people with the required skills for the firms in the cluster?
- Are public bodies providing the infrastructure which firms need if they are to be competitive?

The whole point of cluster policy is to examine all of the cluster's needs and encourage other partners to examine how they can link up with firms in the cluster either through standard commercial trading relationships or through non-trading relationships. All firms, public bodies, educational institutions, etc., need to consider what linkages they could forge with the cluster.

While the economic development of a cluster is an important goal of any planned intervention, it is important to note the 'BR agenda' in the process. Helping a cluster exhibit 'responsible behaviour' has to form a part of the agenda. Thus, the development process is to be tuned accordingly. This leads to advantages to the workforce in the cluster in terms of improved 'quality of life' (through access to health care and clean/safe working conditions, for instance); to the community around the cluster (in terms of improved quality of ground water, for instance) and to society at large (safer natural environment, for instance). More on promoting 'responsible business behaviour' is deliberated on in the subsection below.

7.2 The ‘economic’ benefits of cluster development

Though ‘social’ benefits and ‘economic’ benefits need not be mutually exclusive, the outcome of cluster development efforts has to be the ‘development of humans’. This section deals with ‘economic benefits’, which are:

- Facilitating ‘specialisation’
- Promoting brand equity
- Attracting investment in peripheral activities
- Attracting investment in core activities
- Synergic effects leading to enhanced competitiveness
- Promoting mutually beneficial ‘learning’

7.2.1 *Facilitating ‘specialisation’*

Being engaged in a given manufacturing or service activity, clustering leads to ‘specialisation’ with attendant benefits such as improved quality and cost-efficiency and thereby competitiveness.

7.2.2 *Promoting brand equity*

Specialisation could lead to building ‘brand equity’ and therefore emerging as a preferred supplier of a given range of products – another instance of a factor that contributes to competitiveness.

Box 1.3 Brand equity of the Chanderi Handloom Cluster

Among the handloom clusters in India, the Chanderi Handloom Cluster, Madhya Pradesh, had dressed royalty in the past and still enjoys its elite status because of its centuries old weaving specialty of a finely textured fabric which is a mix of silk and cotton, embellished with exquisite gold woven work. It is one of the easily recognised handloom fabrics produced in the country by virtue of it being light weight with intricate motifs. Over the centuries, Chanderi has evolved as a centre of excellence for weaving gold embellished fabrics, mainly saris, known as Chanderi saris. The salient features in relation to designing are fine cotton counts and deniers and a combination of strong colours as well as muted tones.

7.2.3 *Attracting investment in peripheral activities*

The existence of a cluster of several enterprises that draws on common inputs, skills, and infrastructure also stimulates government bodies and private firms to invest in peripheral activities supporting the core activity of the cluster.

7.2.4 *Attracting investment in core activities*

Availability of skilled human resources, support services, including scope for subcontracting, prompts investors to choose a cluster as a preferred investment destination.

In Bengaluru (India), the presence of a large number of SMEs (apart from large Indian corporates) in the software sector, has led to investments by multinationals as well as Indian investors.

7.2.5 *Synergic effects leading to enhanced competitiveness*

SMEs can significantly increase their comparative advantages by cooperating with one another and building linkages with private or public service providers. The small firms can thus build their competitive strength through cost reduction, value chain upgradation, and exploitation of collective economies of scale. Cluster development therefore implies reducing SME isolation by strengthening linkages among all stakeholders of the cluster (SMEs, larger enterprises, and support institutions) in order to coordinate their actions and pool their resources for a common development goal.

The success factor has been more scientifically analysed in terms of a 'Triple C' approach which explains this improved performance and competitiveness by means of a customer-oriented, collective and cumulative approach⁹. Customer orientation focuses on the bottom line of success and successful policy interventions guide SMEs to learn about the needs of the customer and also provide technical support to achieve the same. A collective approach lowers transaction cost and encourages knowledge sharing and mutual learning. These in turn work towards building the cumulative capacity of firms to upgrade and become less dependent on external support, thus creating the capacity to remain competitive in changing environments.

Box 1.4 Synergic effect of the Tirupur Knitwear Cluster

The Tirupur Knitwear Cluster comprising of some 7,010 units – most of which are quite small, compared to national and international standards – is interwoven through several commercial and non-commercial linkages. There is a high degree of subcontracting relationship among them due to the nature of operations. Almost 80 per cent of the firms are exclusively working as subcontracting units, particularly for manufacturing hosiery cloth. The cluster reflects a high degree of specialisation in most areas including machinery supply, besides every area of the manufacturing operation. Innovative services such as pre-production checks, initial and during production checks, product consultancy, laboratory testing and sourcing assistance are provided by several enthusiastic entrepreneurs that helps galvanise the industry.

7.2.6 *Promoting mutually beneficial 'learning'*

The uniqueness of cluster dynamics – the real relationship phenomenon between a number of business entities – leads to easy dissemination of technical information. The dynamics lead to

⁹ Humphrey, J. & Schmitz, H., Principles for Promoting Clusters & Networks of SMEs. Institute of Development Studies, University of Sussex, U.K., 1995.

accelerated technical learning. This has been witnessed as a 'reverse engineering' phenomenon in the Ludhiana Knitwear Cluster (Punjab, India).

7.3 The SEE benefits of cluster development

7.3.1 Finding and keeping skilled workers

Considering that paucity of skilled labour is an emerging phenomenon, the ability to find and retain a qualified and 'quality workforce' is turning out to be a major challenge for sustenance and growth of businesses, especially for MSMEs. Thus, clusters have to look deeper into the labour pool from non-traditional sources they may have ignored in the past. To attract such skilled human resources, it is essential to invest in training the workforce and provide facilities (education for children, for instance). This is considered an internal BR activity.

Box 1.5 Skill training initiative of the Okhla Garment Textile Cluster

The Okhla Garment and Textile Cluster (OGTC) is an amalgamation of 26 garment manufacturers spread all over the city, working towards initiating joint efforts for accomplishing results which will improve their ranking in the Garment Industry. OGTC has signed a MoU with IL&FS for setting up a chain of training centres in OGTC members' units under a scheme introduced by the Ministry of Rural Development, whereby IL&FS is the nodal agency. This scheme provides Below Poverty Line (BPL) youth the opportunity to undergo training and develop skills so that they can find work in the mainstream garment industry. A model Tailors Training Centre has been set up in Pee Empro Exports, Faridabad, in 2010, where 25 fresh BPL candidates were selected from rural areas. However, OGTC had already initiated training in 2007 when a group of trainers were trained and training centres were set up. Around 350 tailors undertook tailor training, of which 240 were employed and are still working in the unit. This is a fairly good retention percentage. Under the initiative of training and providing employment to physically handicapped persons by OGTC, around 97 workers have been provided employment.

7.3.2 Branded as caring

Another kind of payoff is in using social responsibility to create brand loyalty. There is evidence that some corporations, and particularly those locally owned, will operate differently where socially conscious actions create a differentiated image that commands customer loyalties, essential in a highly competitive environment. Good deeds can be converted into profits with the right marketing strategies and business responsibility 'pays off' if consumers value it.

7.3.3 Need for compliance

As a cluster becomes increasingly competitive, 'visible', social accountability is considered important. For instance, the position of foundry clusters in Agra was threatened due to their impact of pollutants on the Taj Mahal. The firms were required to take corrective measures out of compulsion.

The requirement of large buyers could be another reason for clusters to respond to BR issues. The instance of carpet exports from India being affected due to child labour issues is widely known. Given below is a case of the Jalandhar Sports Goods Cluster wherein child labour was eradicated to retain international clients.

Box 1.6 Tackling child labour issues in the Jalandhar Sports Goods Cluster

The Jalandhar Sports Goods Cluster exports 85 per cent of its products. Thus there were serious repercussions when foreign brands such as Nike, Adidas, Reebok and Mitre amongst others, withdrew their business to save their brand image being tarnished by the incidence of child labour. The child labour issue was not only a national issue but also an international one, as various global organisations were involved with the cluster.

The Sports Goods Foundation of India (SGFI), a joint effort of 25 exporters of sports goods, went ahead with a programme to prevent and rehabilitate child labour employed in the cluster. SGFI is registered under Societies Registration Act XXI of 1860 vide Registration No. 1681 of 1998-99 dated 25th January 1999 as an NGO. It is a non-profit organisation committed to the prevention and rehabilitation of child labour in the sporting goods industry. The objective of the organisation is:

- To prevent and progressively eliminate child labour in the manufacture or stitching of soccer balls.
- To facilitate an attitudinal change in the community as well as the workers' families regarding the importance of education and evils of child labour.
- To promote education in the inflatable balls stitching community.

In the process the Foundation partnered with various technical and donor organisations to fulfil its objectives. This can be seen in the diagram below.

To tackle the child labour issue, the Foundation has put in place a proper mechanism of external monitoring and a unique location number is provided to the locations where stitching takes place. SGFI under its ongoing education programme is running eight special schools under the National Child Labour project which is funded by the Government of India and takes care of 400 children from the stitchers' community.

SGFI is also running 30 MUSKAAN (Smile) centres that are basically supplementary education centres helping rural children who lack family support for education to cope up with their studies.

Through such initiatives SGFI was successful in tackling the child labour issue and retaining its international clients like Walmart, Coca Cola, Reebok, Nike, ADIDAS, Gilbert, Mitre, etc.



8. Cluster development approach – redefined

Cluster development programmes tend to concentrate on the growth and competitiveness of firms. Given the need for promoting socially responsible behaviour and the associated ‘development dilemma’, should policy makers focus on appealing to the ‘emotional’ side of the cluster stakeholders as well? Or, should the cluster stakeholders be encouraged to see the ‘economic’ benefits of following responsible behaviour? The issue of social responsibility cannot be viewed in isolation to business competitiveness. It is strongly suggested that the development interventions be, at least initially, focused on those BR issues that could be linked to economic benefits for cluster firms. This could act as a prelude to wider and deeper engagement of cluster stakeholders with ‘social’ benefits. Figure 1.3 below provides clues to this effect.

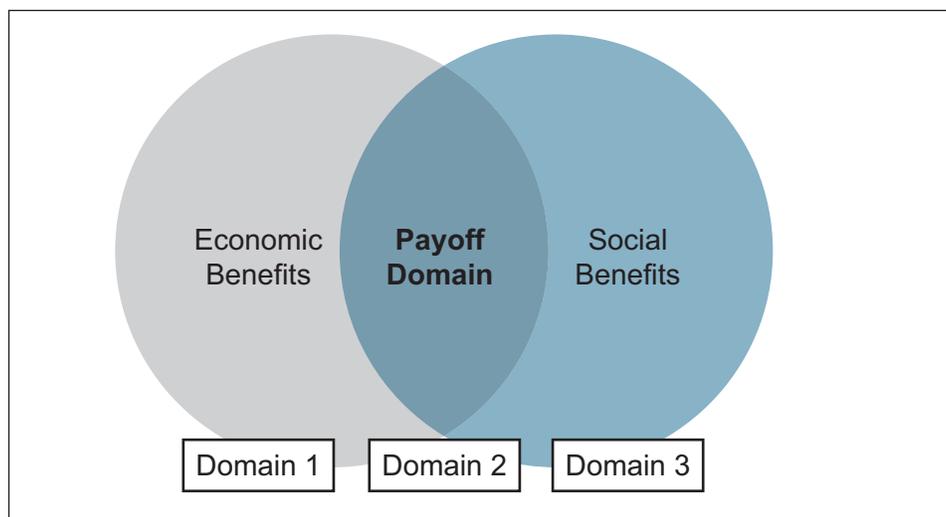


Figure 1.3 Illustration of the payoff domain

Interventions to promote joint actions among cluster stakeholders leading to economic benefits fall in the first domain. This has been the main stay in cluster development programmes (CDP). Actions related to the third domain amount to pure philanthropy that are difficult to promote given the economic realities of business. However, there is an area of overlap – domain 2, where economic interests are served in the process of tackling BR issues. For instance, avoidance of child labour, social security net for the workforce and use of ‘greener’ technologies. These will provide a competitive edge to the cluster operating in highly competitive export markets. Thus, taking note of what is ‘doable’, the policy makers can consider incorporating the CDP to tackle BR issues with inherent economic benefits. An approach based on the UNIDO methodology is discussed below.

8.1. Steps involved in cluster development – An overview

8.1.1 Introduction

The first priority for any business, whether it is small or large, is its survival. For this reason, and even more so for SMEs in developing countries, improving technology, management and marketing practices remain key concerns that need to be addressed simultaneously with social and environmental impact, if they are to compete in global markets¹⁰. The development process facilitates functional and sustainable linkages among various stakeholders and promotes 'coopetition' – a situation where the core firms are encouraged to take joint actions while they compete with each other in the market place. This, in turn, helps the stakeholders develop a consensus-based vision that each of them shares and which strengthens their capacity to act upon such a vision.

The pillars of UNIDO's cluster development approach are based on the following facts:

- It is need based, i.e., it is beneficiary-led and managed.
- It is flexible, i.e., it matches the requirements of the local dynamics.
- It is focused on groups of cluster stakeholders, and not on individual firms.
- The approach blends economic development of the cluster with social consciousness, accountability and actions to tackle BR issues.

8.1.2 UNIDO methodology

The key elements of the UNIDO methodology are:

a. Selection of clusters

This is a critical determinant of the success of the programme. A judicious selection framework based on the cluster's importance, promotability, viability and sustainability helps to ensure:

- An effective and wide reaching impact.
- Available resources are used on clusters where the approach has the greatest likelihood to be a success, in terms of:
 - Contributing to economic success of MSMEs.
 - Revitalising systemic interactions.
 - Tackling BR issues and consequently, producing a demonstration effect.

¹⁰ Ashima Sachdeva, 'Dynamics of Social Responsibility in Small and Medium Enterprises (SMEs) & SME Clusters', A Preliminary Research Note, New Delhi, May 2006.

While economic interests are taken into consideration, it is important to note that the BR angle – the impact of promoting ‘business responsible behaviour’ on the firms in the cluster, the immediate community and society at large – has to be given its due place in the selection criteria. Thus, the selection is to be based on the intensity of BR issues confronting a given cluster and the associated economic benefits accruing to the cluster firms in the process.

b. Diagnostic study

The implementation of the Cluster Development Programme starts by gathering dispersed knowledge through a participatory study, not only about its constraints and potential but also about local linkages and support mechanisms. This is an attempt to identify the obstacles faced by the cluster and opportunities that would become available if barriers to collaboration are dismantled in the selected clusters and if systemic interactions are revitalised.

Understanding socio-economic BR behaviour of the cluster forms a crucial component of diagnostic study. In other words, it requires understanding of SEE issues such as education, public health, health care, poverty, women and child development, underprivileged section of the society, local environment, child-labour, energy consumption, etc. Ideally, the process can start with a meeting with leaders in the field who have proved themselves in economic development and are philanthropists. Feedback received from these experts can provide general insights of the different types of socio-economic issues being faced by the cluster and this information complements the facts received from secondary sources gathered in the first phase.

This participatory process helps to build initial trust among the possible partners and secure the positive involvement of diverse stakeholders.

c. Trust building

Establishing an atmosphere of trust within a cluster is an essential prerequisite for building a realistic action plan for the cluster which will have support from clients, service providers and support agencies.

d. Visioning and action plan formulation

The drafting of an action plan for the cluster as a whole is more than just the sum total of the demands set out by individual cluster stakeholders. It is a roadmap that will help to develop and foster lasting relationships among the cluster stakeholders while at the same time delivering visible results. This is an attempt to embody the vision of the cluster as a whole into a set of activities that can be implemented in collaboration by the various cluster stakeholders leading to ‘economic’ advantages in a ‘socially responsible’ manner.

e. Implementation

The implementation of the action plan is not simply the realisation of the targets set therein, but more ambitiously, a radical change in the way the cluster stakeholders interact with each other and conduct their business. The responsibility for implementation of various activities is progressively shifted to the private sector with support drawn from local institutions. It is in the implementation of the action plan that the advantages to be derived from closer cooperation and greater systemic interaction are disclosed and experienced by the cluster stakeholders. Such a positive experience leads to sustainability of the development process and more importantly, to creation of social capital.

f. Monitoring and evaluation

Monitoring of quantifiable outputs as a result of implementation is an important component of cluster development as it helps disseminating best practices and strengthening trust. In comparison to conventional MSME development programmes, the M&E of cluster development is difficult given the need to:

- Identify subtle and slowly emerging changes in the relationships among cluster stakeholders.
- Define parameters for quantifying 'socially responsible behaviour'.

The process of cluster development as a whole after its selection is schematically represented in Figure 1.4.

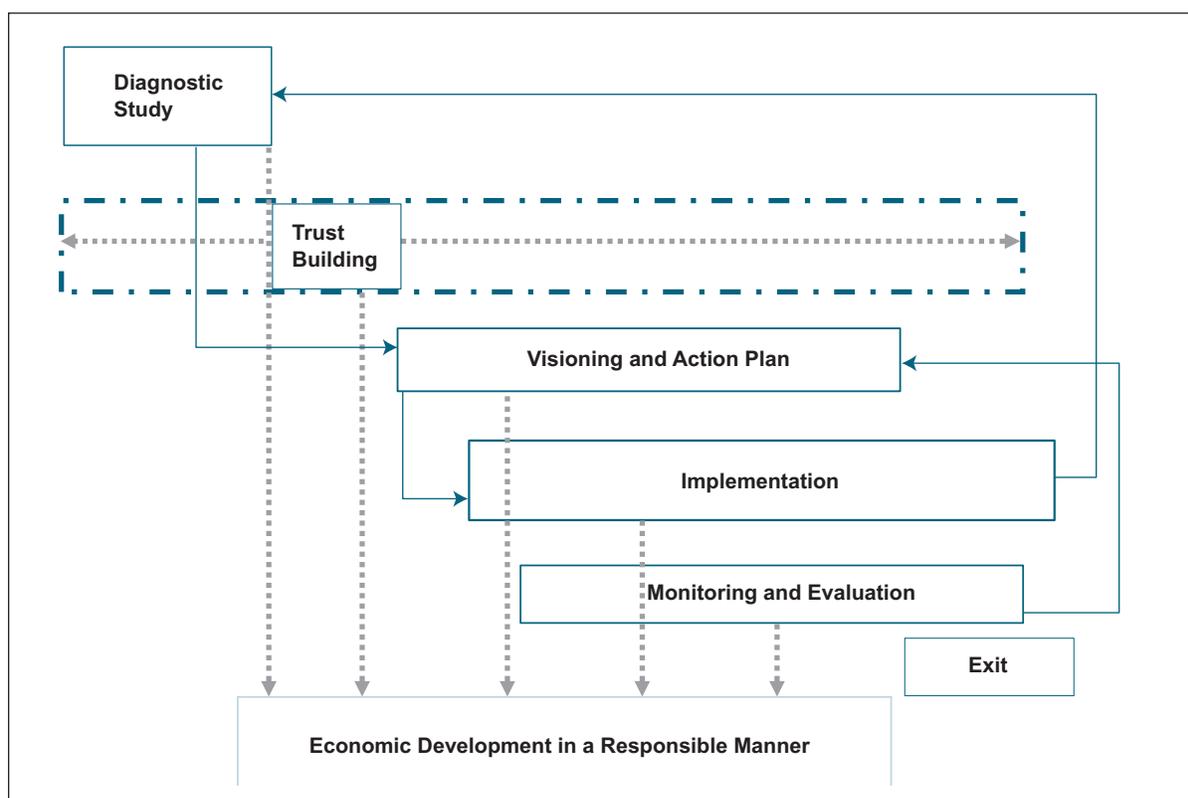


Figure 1.4 Steps of cluster development approach

The next section draws a parallel between M&E focused development orientation and the standard 'economic' orientation to cluster development.

8.2 BR focus in cluster development – the difference

This section attempts to draw a parallel between:

- Planned interventions for cluster development focusing on inducing dynamism in the cluster from an economic angle.
- Promoting 'business responsible behaviour'.

By and large, enhancing competitiveness has been the mainstay of cluster development initiatives. The need to lend a 'human face' to the process and the realisation, that in the long run, sustainability could be achieved through socially responsible behaviour has prompted modifications in the approach to development interventions. The differences between the cluster development approach which focuses purely on 'economic' aspects and the one that goes a step further to include 'social' aspects are depicted below:

Table 1.7 SEE¹¹ focus in cluster development

Stages in Cluster Development	Focus on 'Enhancing Competitiveness'	Focus on Promoting 'Socially Responsible Behaviour'
Overall development strategy	Promoting 'joint initiatives' leading to 'commercial benefits' to the 'core firms'.	Promoting 'joint initiatives' leading to 'SEE benefits' to the community including the workforce.
Selection of clusters	Based mainly on: Economic importance: Development potential of the cluster from a commercial angle. Availability of 'critical mass' of 'core firms'.	Based mainly on: SEE importance: Potential 'SEE benefits' to the cluster stakeholders, immediate community and society at large. Availability of 'critical mass' of 'core firms'.
Diagnostic study	Focus is on understanding: Business processes among core firms. 'Collective capabilities' of cluster stakeholders for 'joint action' for commercial benefits. Common challenges faced and opportunities available in the cluster. The SMEs in the cluster in their pursuit of enhanced competitiveness. SWOT analysis focusing on the ability of the cluster stakeholders to respond to the challenges and opportunities for enhancing competitiveness.	Focus is on understanding: SEE issues confronting the cluster. Vulnerability nodes in the clusters impacting the social well-being of the community. Socio-cultural behaviour in terms of response of the cluster stakeholders to social and environmental issues. SWOT analysis focusing on the ability of the cluster stakeholders to respond to the challenges and opportunities for enhancing competitiveness. Criticality of SEE issues.

¹¹ SEE implies Social, Environmental and Energy issues.

Stages in Cluster Development	Focus on 'Enhancing Competitiveness'	Focus on Promoting 'Socially Responsible Behaviour'
Action plan	<p>Visualise requirements to enhance competitiveness of the cluster.</p> <p>Accordingly, promote joint actions such as technology upgradation and formation of a consortium to explore new markets.</p> <p>Capacity building initiatives to enhance competitiveness.</p>	<p>Visualise the cluster's BR requirements.</p> <p>Assess how far the principle stakeholders of the cluster can contribute to socio-economical and socio-cultural development of the cluster.</p> <p>Identify 'joint actions' to tackle BR challenges.</p> <p>Assess the prima-facie feasibility of initiating related actions.</p> <p>Capacity building initiatives to foster socially responsible behaviour.</p>
Implementation	<p>Start with simple projects that help build trust among and result in measurable commercial benefits to 'core firms' and demonstrate the advantages of collaboration.</p> <p>Move towards actions that lead to radical change in the way cluster stakeholders interact with one another and conduct their business.</p> <p>Work through institutional mechanisms that can help the cluster perceive opportunities for business growth and accordingly initiate collaborative efforts.</p>	<p>Start with simple projects:</p> <p>That help build trust among stakeholders, result in measurable 'social impact' as also distinct economic benefits to 'core firms'.</p> <p>That demonstrates the advantages of collaborative efforts to benefit the community.</p> <p>Move towards actions that lead to radical change in the way cluster stakeholders perceive the need for socially responsible behaviour and respond proactively.</p> <p>Work through institutional mechanisms that can help the cluster stakeholders be more sensitive to 'social' issues, relate the same to their long-term well being and accordingly initiate collaborative efforts to benefit the community.</p>
M&E	<p>Outcome indicators focus on:</p> <p>Commercial benefits to 'core firms'.</p> <p>'Changed' relationships among cluster stakeholders.</p> <p>Willingness and ability to initiate joint actions for business growth.</p> <p>Quantitative indicators such as enhancement in turnover, value addition and exports.</p> <p>Qualitative indicators such as new/ stronger linkages between core firms and service providers.</p>	<p>Outcome indicators focus on:</p> <p>Social benefits to the workforce, the community and the natural environment.</p> <p>Enhanced sensitivity of cluster stakeholders to social issues.</p> <p>Their willingness and ability to initiate joint actions for cleaner environment and better working conditions.</p> <p>Effectiveness of institutions' mechanisms created for or 'owned' by the cluster stakeholders to tackle SEE issues.</p>

9. Cluster governance

Cluster governance¹² is about the focused, collective actions of cluster stakeholders to upgrade a cluster in order to build and maintain a collective and sustainable competitive advantage. In the conventional sense, cluster governance is specifically aimed at facilitating and improving processes of innovation. In other words, it is aimed at the main strategic issue facing the stakeholders involved in processes of innovation in a cluster. It addresses the question 'how the value chain itself is moving', how it can be reconfigured and where new synergies can be found. In addition to this view of cluster governance, issues related to business responsibility also have to be factored in.

Going beyond traditional industry association, one could envisage a governance mechanism through a platform in which all cluster-stakeholders participate, such as suppliers, customers, schools, consulting firms, banks and governmental organisations. The aim of the platform is to stimulate the cluster's self-organising capabilities in order to strengthen its competitive position and in the process tackle BR issues. Thus, it can be said that the platform initiates the following activities:

- Takes stock of the impact of cluster operations on SEE issues.
- Stimulates knowledge sharing to enhance understanding of the above among the cluster actors.
- Deliberates on the current level of engagement of cluster stakeholders with SEE issues and the need to enhance the same.
- Establishes linkage between BR mitigating measures and potential economic payoffs.
- Identifies resources within and outside the cluster and mobilises the same for addressing SEE issues.

Such a platform should ideally lead to initiating joint actions towards SEE issues.

10. Linking SEE sector promotional schemes with cluster development

Currently, cluster development initiatives are supported by the 'economic ministries' who deal with MSMEs, commerce and industry, textiles, etc. However, inclusion of the BR agenda in cluster development calls for additional support. Such support could be mobilised by tapping the schemes of the 'social sector ministries' dealing with women and child issues, non-formal education, social justice and empowerment, etc. Given below are examples of some of the schemes that could support BR initiatives in clusters.

¹² <http://www.druid.dk/conferences/winter2000/gilsing.pdf>

a) Special Health Scheme for Rural Areas (NRHM) under the aegis of Ministry of Health and Family Welfare promotes outreach services among the rural and high density urban slum population of the country. Financial assistance is available for voluntary organisations to assist them in setting up new hospitals/dispensaries in rural areas or to expand and improve the existing hospital facilities. In association with local NGOs, clusters located in rural areas can work towards providing better access to health care by utilising the assistance under the scheme. This can lead to economic payoffs for cluster firms by way of reducing incidences of absenteeism, for instance.

b) Industrial Pollution Abatement through Preventive Strategies under the aegis of Ministry of Forest and Environment provide assistance to SMEs who do not have access to the requisite technical expertise. The assistance is for building capacities of SMEs to tackle pollution related issues. This can be economically beneficial for cluster firms by way of reduction in process wastage and creating the potential for recycling.

c) Scheme of Support to Voluntary Agencies for Adult Education and Skill Development under the aegis of Department of Elementary Education and Literacy and Department of Secondary and Higher Education. The scheme helps improve the occupational skills and technical knowledge of neo-literates and trainees and improves their efficiency and productivity. Cluster firms benefit from this by way of better supply of skilled personnel.

The list of relevant social sector schemes that are applicable in MSME clusters are provided in Annex 1.

11. Necessary and sufficient conditions for cluster development

The variety of cluster types and the unique local framework conditions make clear, that there can be no 'one size fits all' cluster development concept. Dedication to the specific needs of the cluster is a sine qua non of successful cluster development. However, some fundamental success factors of cluster development have been identified below.

11.1 Conducive policy framework

While economic policies that enhance competitiveness in a cluster could be well conceived, this is not necessarily enough to promote a cluster's socially responsible behaviour. The policy framework creates an effective 'framework' for tackling BR issues. Cluster policies are required to encourage linkages among the stakeholders (cluster stakeholders and the community) as well as support public-private partnerships to tackle BR issues. A combination of regulatory measures (a 'public watch dog' to monitor BR issues, for instance) and promotional tools (tax holidays linked to 'responsible behaviour', for instance) could play a significant role in the development process.

11.2 Selection of clusters

For development interventions, a cluster has to be chosen, based on its potential to be more competitive and at the same time tackle major BR issues. At times, a cluster could be a candidate for interventions only because of strategic reasons to facilitate regional development, ignoring its development potential. Examples of the inefficient use of public money are the numerous struggling ICT and biotechnology cluster initiatives funded by so many governmental programmes all over Europe.

11.3 Involvement of stakeholders

Multiple institutions and multiple levels of a given institution, which have an impact on the cluster, need to be identified. Regulatory and promotional bodies of the government, R&D institutions, training/educational institutions, NGOs, material/service providers from the private sector and the like are to be involved. Some such stakeholders are mandated to play only an 'economic' role (raw material suppliers for instance). Identification of such institutions, understanding the prevailing level of interaction among them, and assessment of their potential to contribute towards promoting 'responsible behaviour' of the cluster as a whole is an essential prerequisite to be selected.

Box 1.7 Polio awareness initiative of Ummeed in the Moradabad Brassware Cluster

Incidences of diseases like polio, measles and other viral infections were quite common among the children of the craftsmen of the Moradabad Brassware Cluster. This was mainly due to lack of awareness and wrong beliefs about vaccination. Vaccination was not accepted in the region because of the misconception that the vaccines cause impotency. To address this issue of vaccination, 'Ummeed – A Helping Hand', an NGO formed by six manufacturers cum exporters of the Moradabad cluster, went door to door to try and convince the workers to vaccinate their children. However, the campaign did not meet with much success and the NGO joined hands with the district administration, international health organisations like WHO, UNICEF and Rotary International to increase the acceptance of vaccinations for polio and measles, BCG, DPT, etc., among the community. In the process, Ummeed sensitised religious leaders to convey the message on health facilities as and when they got the opportunity, as they had significant influence over the community. Ummeed has also organised several polio immunisation as well sensitising camps in the high risk areas of Moradabad district.

The initiative of engaging appropriate stakeholders in the process of creating awareness for vaccination resulted in reduction of non-acceptance of vaccination from 500 to 50. Moreover, the incidence of polio in the cluster has reduced from 100 in 1995 to nil in 2010.

11.4 Mutual trust among cluster stakeholders

A key element of cluster development is the quality of 'joint action' by the cluster stakeholders to fulfil a 'shared vision' for the cluster as a whole. The gains from such actions depend on mutual trust and common norms, rules that form a part of social relations between the stakeholders. Methods specific to social norms prevalent in a cluster have to be used to promote mutual trust.

11.5 External Linkages¹³

Joint actions for cluster growth, when successful, lead to a sense of 'self-sufficiency' among the core firms, e.g., pooling resources for prototype development. Such an approach could prevent promotion of external linkages between a given cluster and other similar clusters or with service providers who do not form an integral part of the cluster. Thus, any developmental efforts should focus not only on strengthening linkages among cluster stakeholders but also look closely at 'external' linkages.

11.6 Shared vision

Any effort to develop clusters should start with formulation of a vision, not just for the core firms, but for the cluster as a whole. This is possible only when there is mutual trust among the cluster stakeholders. In the absence of mutual trust, the vision, though well formulated (possibility through the intervention of an external agency in charge of the development process), seldom gets translated into action. Further, the vision should lead to joint actions that enhance cooperation while maintaining competitive spirit.

11.7 Effective implementation agency

The process of cluster development is best facilitated by an external agency in the long run and the cluster stakeholders must themselves set up an appropriate institutional mechanism for sustaining the same. Such an implementing agency provides an appropriate work environment (mainly operational flexibility) and support to the field staff.

11.8 'Cluster development executive (CDE)' – the back bone of the process

The CDE represents the programme implementing agency in the cluster. It acts as a link between different cluster stakeholders and ensures the formulation and execution of the action plan in accordance with the vision and strategy of the cluster. One of the important areas of

13 Günter Clar' Björn Sautter, Sabine Hafner, 'Strategic Cluster Development: Applying Strategic Policy Intelligence to create a Joint Research Agenda', Background paper for the CReATE project, 2008 http://www.lets-create.eu/fileadmin/_create/downloads/del-1-2_cluster-background-paper_revised_final.pdf

a CDE's work is to facilitate mutual trust among different stakeholders in the cluster. Trust building is initiated through facilitation of healthy discussions, followed by pilot and short-term activities among stakeholders. The CDE should also be able to get stakeholders with divergent views to agree on common targets and implementation priorities. The CDE must be able to identify critical areas of interdependence among the stakeholders and convince them about the possible benefits from such cluster development activities. Thus, the CDE is required to possess certain necessary competencies, especially in the areas of interpersonal relations, trust building, negotiation, planning and networking.

11.9 Problem solving through 'empowerment'

Having identified BR issues to be tackled and barriers to be overcome for the economic development of the cluster, an enthusiastic implementing agency could focus on 'solutions' immediately. However, it is also important to note that any sustainable intervention is possible only when the cluster stakeholders are 'empowered' to take decisions and action on their own. The process of empowerment could involve formation of institutional mechanisms for sustained actions; provision of information/knowledge required to identify, initiate and sustain remedial actions; skill development training and so on.

11.10 Sustainability

Embarking on the process of cluster development based only on 'public funding' could be appropriate under conditions where cluster stakeholders themselves are unwilling to commit financial resources initially. This hesitation could be more due to ignorance of the benefits of 'joint action'. However, for the development process to be sustainable, the cluster stakeholders themselves have to have a 'financial stake' that could be supplemented by support from the government and 'public' institutions.

STEERING NATIONAL INITIATIVES FOR INCLUSIVE GROWTH THROUGH RESPONSIBLE MSME CLUSTERS A METHODOLOGY FRAMEWORK

1. Introduction

The issue of business responsibility can no longer be viewed in isolation from business competitiveness. However, for private sector enterprises to assume business responsibility beyond statutory compliances, there must be an economic payoff, at least to begin with. It is strongly suggested that development interventions be, at least initially, focused on those SEE¹⁴ issues that should be linked to economic benefits for cluster enterprises. This should act as a prelude to the wider and deeper engagement of cluster actors with wider sustainability-linked benefits. Promoting such development interventions calls for a variety of initiatives that should emerge from national/state governments, developmental institutions and also Cluster Development Programme (CDP) implementing agencies, not to forget the private sector itself. This section provides guidelines that should be useful to concerned policy makers and senior officials in formulating appropriate development initiatives and refocusing the current ones. The following actionable steps are covered in this section and need to be taken up by the ministries and institutions – public or private – which have been mandated to engage in fostering inclusive development covering social, environmental and economic dimensions at the national/state level:

- a) Engaging stakeholders in the development process: Traditionally, cluster development efforts involve stakeholders in the economic sector such as Ministry of Micro, Small and Medium Enterprises (MSME), Department of Handlooms and Handicrafts, Department of Industrial Policy and Promotion, Small Industries Development Bank of India (SIDBI), NABARD, etc. However, when the Business Responsibility (BR) agenda is to be pursued along with enhancement of competitiveness, the stakeholders from non-economic sectors (Ministry of Labour, Ministry of Environment and Forests, Ministry of Woman and Child Development, Gandhi Labour Institute, etc.) have a role and are to be taken on board through institutional arrangements
- b) Undertaking mapping of clusters at national/state level: Apart from the competitiveness aspects, clusters have to be mapped following a multi-dimensional approach that includes:
 - nature and intensity of SEE issues
 - level of awareness of such issues among cluster actors
 - the extent of their engagement to tackle SEE issues
- c) Selection of clusters for intervention: In addition to the development potential of clusters (in terms of competitiveness), it is necessary to consider the intensity of BR issues while selecting clusters for development interventions
- d) Institute implementation structure for cluster intervention: Efforts for developing MSME clusters are not an emerging phenomenon any more. Significant support programmes that encourage Cluster Development (CD) activities are in place. Thus the number and nature of CD activities is growing. This necessitates formation of an appropriate programme implementation structure to avoid duplication of efforts and enhance the quality of interventions. The implementation structures should offer a wider canvas that includes a variety of BR issues

¹⁴ SEE implies social, environmental and energy related issues.

- e) Incentivise the BR agenda in cluster development interventions: For MSMEs to pursue a BR agenda, there has to be either a strong value system in place or compulsions from regulatory authorities and the market. The very essence of planned intervention is to go beyond such compulsion and encourage clusters to tackle BR issues in a proactive manner. This should be better accomplished through a system of incentives rather than negative sanctions
- f) Monitor and Evaluate (M&E) the progress: Given that dovetailing of the BR agenda with competitiveness is an emerging phenomenon, it is important to put in place a system that provides constant learning and inputs to policy makers

Apart from the above, certain initiatives at macro-level that have to be considered are as under:

- Redefining the CD agenda
- Cluster knowledge base
- Strengthen selected cluster development agencies as national/regional resource centres
- Rating system to promote BR engagement
- Coordinated approach for funding CD initiatives

A compendium of the above mentioned steps is summarised below in Table 2.1 followed by further elaboration in the ensuing sub-sections.

Table 2.1 Compendium of development initiatives

Action points	Responsibility	Remarks
Institutional arrangement to engage stakeholders in BR		
Set up national focal point	Joint action by relevant ministries both in the economic and social sectors, spearheaded by Ministry of MSME, Government of India.	Permanent institutional arrangement to spearhead the process of promoting socially responsible clusters
Set up sector focal points	Relevant body representing a sub-sector	To provide inputs to NFP and SFP for planning CD initiatives and offer technical support on a need basis.
Set up state level focal points	Joint action by relevant departments of state governments, representing economic and social sectors, spearheaded by Ministry/ Department of MSMEs at state level	To be linked to and supported by the Central Government through various ministries and relevant departments at the state level.

Action points	Responsibility	Remarks
Cluster level focal point	Joint action by district level representatives of state departments, representing economic and social sectors, the concerned BMO to be spearheaded by the CDP implementing agency	To be made mandatory by funding institutions
Thematic working group	IA and CDA	Subject matter specialists will offer mainly technical support to the implementation team led by CDA
Dovetailing schemes of social sector actors with those of the cluster development schemes	National/state/cluster level focal points	
Develop a national registry of CD initiatives	National level focal points with inputs from state level counterparts, execution by national CD institutions	To focus on ongoing CD initiatives and best practices related to BR. Should be part of the proposed knowledge exchange
BR Inclusivity		
Code of conduct or BR policy	Large enterprises to frame codes for their supplier MSMEs as also for their own operations. BMOs to sign up for BR guidelines ¹⁵	
BR appreciation programmes	National CD institution in association with national/state level focal points	For office bearers/professional staff of industry associations at national and provincial levels
Incorporate BR in B-school curricula and their system of rating	HRD Ministry, UGC, AICTE and B-schools Rating/accreditation bodies	Current curriculum on CSR to be enlarged and action research encouraged
Mapping of clusters at State/national level		
Classify clusters based on a multi-dimensional approach reflecting: Economic importance Intensity of ESR issues Level of awareness and engagement of cluster actors	National/state level focal points with expert support from specialised CD institutions	Develop indices to: Measure the economic importance of a cluster Reflect intensity of ESR issues Measure the level of awareness and engagement of cluster actors

¹⁵ Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business, IICA.

Action points	Responsibility	Remarks
Widely disseminate the findings of macro-level exercises of cluster mapping to facilitate development interventions	National focal point and MSME Ministry	Macro level cluster map will help CD implementing agencies and social and environmental ministries in identifying action areas
Selection of clusters for interventions		
Support collection/ compilation of data from the economic and BR angles for selection Disseminate the list	State-level focal points in association with national/state CD institutions	Data needed to establish importance of the clusters from the economic and BR angles. Should be a continuous activity. Short-listing helps funding/implementing agencies
Encourage interventions initially in those clusters, where tackling SEE issues has better economic payoffs for cluster enterprises	Funding agencies, CDP implementing agencies, social sector actors working in the area of MSME development and addressing SEE issues	Select those clusters confronting critical SEE issues offering potential for high social benefits and in the process have significant economic payoffs
Programme implementation structure		
Identify and select potential CD Programme Management units (PMUs)	National/state level focal points/funding institutions/ Ministry of MSME	To support CDP implementing agencies To coordinate and monitor their efforts
Develop a data bank and install a registration system of existing and potential implementing agencies for CD	National/state level focal points	To enhance the pool of implementing agencies; cover present and potential institutions
Select implementing agencies based on quantified assessment mechanisms	National/state level focal-point institutions in association with the National CD institution	This should be a continuous process with periodic review. Useful for funding agencies
Incentivise BR agenda in cluster development programmes		
Institute awards for MSME clusters and their representative bodies for recognition and reward	Focal points, funding institutions and relevant ministries, large buyers	To be based on their level of engagement and effectiveness of BR activities
Design a system of financial benefits for cluster enterprises	Funding institutions and relevant ministries	Cluster enterprises to receive benefits (tax deferrals, price preferences in procurement, etc.) reflecting responsible behaviour

Action points	Responsibility	Remarks
Fine-tune promotional schemes of various ministries	Ministry of MSME, other relevant ministries, donor agencies	Schemes such as market development assistance, grants for a Common Facility Centre (CFC), etc., to be made more attractive to clusters reflecting their engagement in BR as evident from rating
Put in place a system of offering credits to clusters/enterprises in a cluster to reflect their level of engagement with SEE issues	National/state level focal-point institutions in association with the National CD institutions	Like carbon credits, there should be BR credits to be exchanged for additional benefits under various promotional schemes
M&E		
Multi-level approach to M&E	Cluster focal point, state focal point, national focal point, implementing agencies, funding agencies, and ministries dealing with social and environmental sectors, Business Membership Organisations (BMOs)	Given that tackling SEE issue is a long term proposition, M&E has to be spread over a period of three years
Other national initiatives		
Redefine CDP agenda to include SEE issues	Ministry of MSME in association with other relevant ministries, funding agencies	More action on the BR front should take place once it is mandatory in all CDPs
Develop cluster knowledge base (interactive portal)	National/state level focal point institutions in association with the national CD institution	Ministry of MSME to spearhead the activity
National/state level resource centres	National/state/sectoral focal points in association with the national CD institution	Strengthen selected cluster development agencies to function as national/regional resource centres
Develop a cadre of CDAs with skills to tackle SEE issues	Funding agencies and other resource institutions	This is a HRD initiative to develop a pool of expertise
Formulate rating system to promote BR engagement	National focal point	This will enable linking incentives to levels of BR engagement
Develop sectoral BR guidelines and BR benchmarks	Sectoral focal point in consultation with technical experts and social and environmental ministries	Compliance to such guidelines has to be the basis of incentivising clusters

Action points	Responsibility	Remarks
Put in place mechanisms to coordinate resource support for CD initiatives from various support institutions	Ministry of MSME, funding agencies and national/state level focal points	Coordinated approach by multiple funding agencies leads to more efficient application of resources

2. Engaging stakeholders in the development process – need and approach

2.1 Introduction

Inclusive development is a long term process fraught with obstacles, where commitment, leadership and communication are keys to success. This is more so when the focus is on facilitating responsible business behaviour among cluster stakeholders, while attempting to enhance the competitiveness of the cluster as a whole. Social sector provisioning brings in some key players such as non-economic ministries (for instance, Environment, and Social Welfare) or social sector actors or the private sector. Such stakeholders should be the ministries, development institutions, private sector, service providers and others engaged in addressing:

- Labour-related issues including child labour, social security and occupational health and safety
- Environmental and energy issues, including impact of cluster operations on natural environment, use of green technology, and energy intensiveness in the use of fossil fuels
- Community health issues, access to health care of workforce and their families, impact of cluster operations on the health of the workforce and the immediate community
- Generic social issues such as incidence of HIV, drug addiction and alcoholism

2.2 Rationale for engagement

Each of the potential stakeholders listed above have their own agendas, often unconcerned about, and at times perceived as conflicting with the economic competitiveness of clusters. Why then should attempts be made to engage them? Following are the possible answers:

- Complexity of cross-impacting issues:** facilitating responsible business behaviour can be result-oriented and sustainable only when non-economic stakeholders contribute their bit. For instance, child labour issues can best be addressed, not with the involvement of cluster enterprises alone, but in cooperation with social and education ministries that should contribute to rehabilitation. Likewise, promoting green technology among cluster enterprises is best accomplished in a sustainable manner by involving Ministry of Environment, apart from Finance and MSME-related bodies

Box No. 2.1 Child labour eradication initiative – partnership with Myrada and the Silk Reelers Association

Kollegal, which is about 160 km south of Bangalore, practices all the stages of sericulture and has a silk exchange, wherein producers of raw silk and reelers are required to sell only through the exchange, thereby reducing the monopoly of middlemen and indiscriminate price structures.

Post-cocoon processing, which comprises silk reeling, twisting, weaving, dyeing and processing and finishing, is mostly carried out in micro units as value addition is lowest at this stage and quality requirements are not stringent. These micro units often engaged child labour as lower wages are paid and children are more adept at reeling and twisting of silk with their nimble fingers in comparison to adults.

The Karnataka State government was highly concerned about the rising issue of child labour and considered addressing this problem in totality with the support of the ILO. The ILO-IPEC Karnataka Child Labour Project was initiated in 2007 with the focus of combating child labour in the sericulture sector with support from Myrada, a local NGO and the Silk Reeler's Association, Kollegal.

The task of convincing the employers was not that simple. To achieve the goal of making sericulture child-labour-free, innovative methods were adopted by Myrada along with the support of the Silk Reeler's Association. The initial headway for successful project implementation was made when the first batch of 16 reelers were convinced to attend a training programme at CSB. The training programme made visible changes in the practices of many reelers.

The employers agreed to pay the daily wages to workers when they attended training programmes so that there was motivation for them to attend such programmes. The project achieved its objective of eliminating child labour in the silk industry with the help of employers and the approach of rising awareness and organising employers and workers towards building better relations among themselves. Around 110 child workers were removed from the sericulture sector and sent to mainstream schools.

However, to make the intervention sustainable, the programme fostered linkages with support organisations, which had a marked presence in the district but were underutilised. These included: Karnataka State Sericulture Research and Development Institute (KSSRDI), Thalghatpura; Central Sericulture Training and Research Institute (CSTRI), Bangalore; Sericulture Department of Government of Karnataka; Silk Exchange & Cocoon Market; Central Silk Board; NABARD; District lead banks; Raw Silk Testing Centre (RSTC), Kollegal; Karnataka Silk Marketing Board (KSMB) and Regional Sericulture Research Station (RSRS), Chamarajnagar.

- b) Cost and time effectiveness:** social sector provisioning in cluster development calls for long and often costly consensus building and consultation processes where several players

are to be involved. Besides governments, organisations such as enterprises, educational and research institutions (colleges and universities), non-profit organisations and trade associations all play important roles in cluster development and have a catalytic effect on clusters. A formalised mechanism for involvement of social sector actors will substantially reduce the efforts otherwise required to convince each of them individually, thus leading to cost-and-time effectiveness

- c) **Creating a win-win situation:** social sector actors can dovetail their development schemes with those of the economic sector and, in the process, share resources for mutual benefits. For instance, while economic sector actors are supporting development of a hand-block textile printing cluster, there is the fear of increase in the usage of water and its cost. Social sector actors can pitch in to provide technology/support for water treatment and recycling and for the safe disposal of waste. In the process, they can reap benefits of tangible and measurable results in terms of fulfilling their mandate

2.3 Who is to be engaged?

A variety of economic and social actors are to be engaged in the process of cluster development. The main actors are:

- Ministries and relevant departments dealing with finance, commerce and MSMEs at state level and their representatives at local/district level
- Ministries and relevant departments dealing with labour, health, social welfare, education and women and child welfare
- Similar state-sponsored institutions and autonomous bodies concerned with economic and social sectors
- NGOs dealing with generic social issues
- Development finance institutions and others offering funding support for CD activities
- Service providers, including those offering BDS and those offering vocational training, non-formal education and other social services and
- Private enterprises, local/national Business Membership Organisations (BMOs), international donor agencies and philanthropic institutions

An illustrative list of actors is provided in Annex II

2.4 Levels of engagement and institutional mechanism

The three levels of engagement proposed are depicted below:

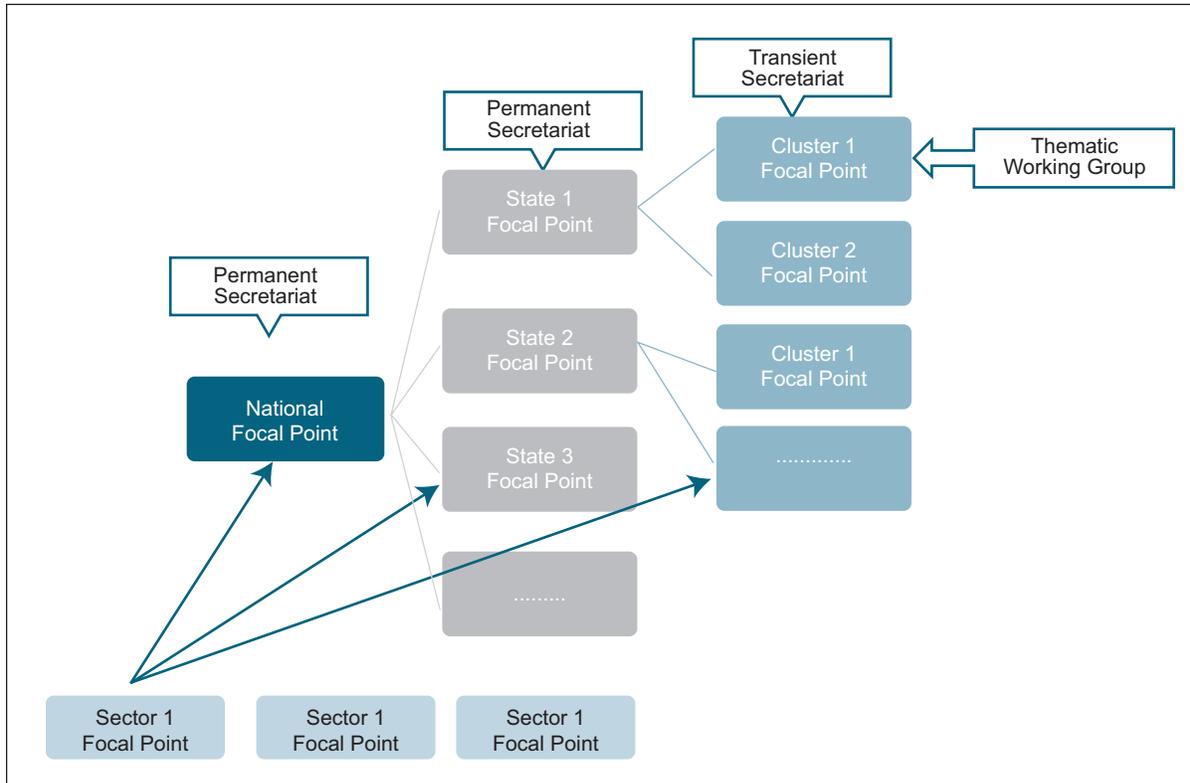


Figure 2.1 Institutional mechanism to foster BR in cluster development

This sub-section deals with the nature of proposed institutional mechanisms and the possible roles at each level.

2.4.1 National level

It is proposed that there should be a 'National Cluster Development Focal Point' as a permanent inter-ministerial coordination and support mechanism. The focal point should be assigned the following roles:

- Inter-ministerial and inter-departmental coordination – the role is in terms of:
 - a) Sharing the annual development plans of each constituent of the focal point before such plans are frozen
 - b) Examine ongoing schemes of social sector actors and explore the possibilities of dovetailing them with cluster development schemes
- Encourage/facilitate setting up of similar state-level focal points

- Offer sustained support and guidance to state-level focal points
- Offer a platform for funding institutions to deliberate on their plans for funding CD initiatives so that the resources are not distributed too thinly and effective levels of synergy are achieved
- On a continuous basis, seek feedback from stakeholders of the clusters through state-level focal points in order to improve development assistance
- Based on inputs from state-level focal points, develop a national registry of CD initiatives focusing on best practices and disseminate the same
- Organise appreciation programmes on social sector provisioning in CD initiatives
- Strengthen existing development agencies to be the national resource organisations
- Engage with the private sector for partnerships in fostering responsible business
- Promote and support cluster-based action research projects related on ESR; involving students and faculty members of B-schools

The focal point needs to have a permanent secretariat and should be hosted by the Ministry of MSME.

2.4.2 Sector focal point

It is an institutional arrangement within the representative body of a given sector. For instance, Indian Machine Tool Manufacturer's Association (IMTMA) is the representative body for the machine tool sub-sector. Within IMTMA there should be institutional mechanism by way of a cell. This cell should provide inputs to NFP and SFP in the process of planning developmental initiatives relevant to the sub-sector. Further, the cell should offer technical support/inputs on a need basis to the CFP dealing with the relevant cluster.

2.4.3 State level

A similar focal point at the state level is to be established with a permanent secretariat and hosted by the concerned state department of industries. The proposed roles are:

- Inter-ministerial and inter-departmental coordination at state level
 - a) Sharing the annual development plans of each constituent of the focal point before such plans are frozen
 - b) Examine ongoing state-level schemes of social sector actors and explore the possibilities of dovetailing them with cluster development schemes
 - c) Act as a clearing house for proposals from institutions seeking funds for CP and those offering the same so that there is a synergic effect
- Addressing the operational issues emerging from cluster level focal points

- Assisting the cluster level focal points to access resources specially from social sector actors
- Data collection pertaining to:
 - a) Clusters in general
 - b) Ongoing cluster development initiatives
 - c) Best practices with special reference to tackling of SEE issues that have led to economic benefits for cluster enterprises
- Organise appreciation programmes on social sector provisioning in CD initiatives
- Human resource development: on a continuous basis, examine the availability of human resources for supporting CD initiatives and organise training programmes for officers from social sector departments (for instance, labour and woman and child welfare) as also from economic sector ones (for instance, fisheries, agriculture and handlooms)
- Evolve rational and prudent parameters for the evaluation of BR compliance
- Carry out social audit to monitor BR compliance
- Help cluster enterprises generate internal checklists, for integrating BR behaviour in their processes
- Build capacities of cluster enterprises through training programmes for incorporating BR standards in existing operations
- Install awards to recognise clusters for their involvement in BR activities

2.4.4 Cluster level

The focal point at this level is related to the cluster being developed and hence it is a time-bound institutional arrangement to be set up once a given cluster is targeted for development. The focal point should be led/chaired by the district collector and be represented by district level officials from various departments, public bodies, funding institutions, local NGOs and the representative body of cluster enterprises. The focal point shall cease to function on conclusion of the CDP. Following are the proposed roles:

- Offering feedback on the development plan once the diagnostic study is ready
- Assisting the Cluster Development Executive (CDE) access knowledge/information from institutions present in the focal point and from other institutions
- Examining the possibilities of dovetailing social sector development schemes with the cluster action plan
- Facilitating CDE access support under such relevant schemes, assistance being mainly in terms of going through formalities required to access material support
- Coordination and integration of ongoing social sector assistance schemes in the geographical area where the cluster is located
- Monitoring the implementation of CDP and troubleshooting where necessary

2.4.5 Thematic working group

In the process of identifying and prioritising SEE issues and facilitating action plan formulation and its implementation, the CDA needs a variety of knowledge inputs. On the strength of its own information, the CDA alone may not be able to manage the complexity and variety of SEE issues. Hence, working groups that offer knowledge resources or soft inputs to the CDA for enhanced role efficacy are to be put in place.

a) What is a working group?

The Working Group (WG) is a small group (around five persons) of subject matter specialists who will mainly offer technical support to the CDA. The CDA is required to classify SEE issues into specific themes (for instance, child labour and ground water quality) and then, depending on the support needs, set up separate working groups for each theme. It is expected that there should be three to five working groups associated with a cluster.

b) Constitution of the working group

WG shall consist of preferably local individuals who have specialised subject matter knowledge and related experience in one or more areas of SEE issues. On need basis, professionals from other locations (preferably from the same state) could be inducted. The full time engagement of members is not envisaged; their contribution will be spread over the duration of the CD project (more so during action plan formulation and implementation).

c) Role

Being on a mission mode, the role of the WG is to support the CDA with regard to tackling a particular SEE issue or a class of related issues. Specifically, the group should:

- Offer technical support or guidance to the CDA in understanding the impact of operations of a cluster on a given SEE issue
- Help the CDA in understanding the intensity of the SEE issue or the potential that it has to develop into a full-blown crisis
- Assist the CDA in generating options for tackling the issue – such assistance should be by way of technical support or offering a set of optional solutions and means to evaluate the same
- When CDA seems fit or necessary, put forward the relevant issues, causes, and potential solutions to cluster stakeholders, including enterprises, as a part of formulating the action plan
- Signpost the CDA with relevant sources of information/support

CDA shall be the focal point of interaction between the IA and WG members. While the CDA will be member secretary of the WG, the meetings (at least the initial ones) are to be chaired by the chairperson of the cluster focal point.

d) Remuneration

Given their advisory role, the WG members are not to be remunerated through consultancy fee. However, any costs to be incurred by them in the process of supporting the CDA are to be reimbursed. Whenever they are invited for meetings, a sitting fee could be offered. During the implementation process, if the service of any WG member is to be sought in the capacity of a consultant, s/he has to be compensated accordingly. As a part of budgeting exercise, it is suggested that adequate provision be made to cover the cost of engaging members of the working groups (travel reimbursement, sitting fees, etc.).

2.4.6 Stakeholders' potential contribution

A variety of actors should contribute to the process of promoting responsible business behaviour. This sub-section deals with their potential to contribute to the process and the mechanism for engaging them.

2.4.6.1 Business Membership Organisations (BMOs)

Representative bodies of enterprises at cluster level, chambers of commerce and apex industry associations have a significant role to play by way of their influence. Once they own the idea of promoting business responsible behaviour, they have the potential to:

- Act as pressure or advocacy groups that should work with cluster enterprises not readily coming forward to tackle BR issues
- Undertake collaborative development initiatives in clusters where CDP is being implemented
- Contribute human resource support to CDP implementing agencies
- Facilitate sustenance of development initiatives after the programme concludes
- Initiate full-fledged cluster development programmes and act as programme implementing agencies. The national, state level and sectoral industry associations must initiate their own cluster development programmes with or without external funding support. Apex bodies such as Confederation of Indian Industry (CII), Federation of Indian Chamber of Commerce and Industry (FICCI) and Indian Machine Tool Industry Association (IMTMA) have undertaken successful initiatives in certain sectors, which are worth emulating. There are several cluster level associations like the Sports Goods Manufacturers & Exporters Association (SGMEA), Okhla Garments and Textile Cluster, Tirupur Exporters Association, etc., that have taken up cluster development activities

This can happen through:

- Appreciation programmes for office bearers of such bodies at national and provincial levels
- Capacity building programmes on the methodology of cluster development with business responsibility targeted at office bearers and professional staff in clusters chosen for development interventions

2.4.6.2 Large private/public sector enterprises as buyers

It is in the business interest of the large private sector enterprises to build up the capacities of their Small and Medium Enterprise (SME) supplier enterprises. There are instances when brand equity of a large company gets eroded due to their suppliers not conforming to BR standards. Direct interest taken up by the mother enterprises only will induce positive response among the supplier enterprises and therefore most of the initiatives will be self-funded.

- Frame a code of conduct¹⁶ or BR policy for their supplier MSMEs. These can be designed in accordance with the respective policies the large buyers implement within their organisations. Thus BR should be made a mandatory clause. This would compel the MSMEs to rework their production techniques and business strategies. For instance, pending the formulation of BR index and related measurement and rating tools, the core enterprises in the cluster should commit themselves to certain BR standards based on the 'National Voluntary Guidelines for the Social, Environmental and Economic Responsibilities of Business'. Following are the key guidelines that businesses should commit to¹⁷:
 - a) assure safety and optimal resource use over the life-cycle of the product – from design to disposal. In designing the product, businesses should ensure that the manufacturing processes and technologies required to produce it are resource-efficient and sustainable
 - b) respect the right to freedom of association, participation, collective bargaining, and provide access to appropriate grievance redressal mechanisms
 - c) provide and maintain equal opportunities at the time of recruitment as well as during the course of employment irrespective of caste, creed, gender, race, religion, disability, or sexual orientation
 - d) Refrain from using child labour, forced labour or any form of involuntary labour, paid or unpaid
 - e) Take cognizance of the work-life balance of its employees, especially that of women
 - f) Provide facilities for the well-being of their employees, including those with special needs. They should ensure timely payment of fair living wages to meet the basic needs and economic security of the employees

16 'Role of large buyers (public and private) in shaping Enterprise Social Responsibility of Micro, Small and Medium sector in India', UNIDO-Bombay Chamber Project

17 Extracts from 'National Voluntary Guidelines for the Social, Environmental and Economic Responsibilities of Business', IICA-GTZ CSR Initiative, New Delhi

- g) Provide a workplace environment that is safe, hygienic and humane and which upholds the dignity of employees. Business should communicate this provision to their employees and train them on a regular basis
- h) Ensure continuous skill and competence upgradation of all employees by providing access to necessary learning opportunities, on an equal and non-discriminatory basis. They should promote employee morale and career development through enlightened human resource interventions
- i) Create systems and practices to ensure a harassment-free workplace where employees feel safe and secure in discharging their responsibilities
- j) Ensuring all individuals impacted by operations have access to grievance mechanisms
- k) Recognise and respect all human rights of all relevant stakeholders and groups within and beyond the workplace, including those of communities, consumers, and vulnerable and marginalised groups
- l) Utilise natural and man-made resources in an optimal and responsible manner and ensure the sustainability of resources by reducing, reusing, recycling and managing waste
- m) Take measures to check and prevent pollution. They should assess the environmental damage and bear the cost of pollution abatement with due regard to public interest
- n) Ensure that benefits arising out of access and commercialisation of biological and other natural resources and associated traditional knowledge are shared equitably
- o) Continuously seek to improve environmental performance by adopting cleaner production methods, promoting use of energy-efficient and environment-friendly technologies and the use of renewable energy

While conformity to the above standards is voluntary, the bodies representing the clusters or the individual enterprises benefiting from the interventions are required to sign a declaration affirming their commitment to the above standards. (See Annex III for details).

- There should be a contractual agreement between the large buyers and the cluster enterprises supplying to them, specifying the role of both the parties in tackling BR issues. The same should be monitored through periodic audits
- Install a system of accreditation of cluster enterprises whereby they are assigned special status, signifying compliance with BR standards leading to increased/improved business prospects
- Given the access to human resources, large buyers should equip/collaborate with the cluster enterprises with skills to tackle SEE issues. For instance, the workforce of the cluster enterprises should be trained by large buyers on how to promote occupational safety

2.4.6.3 Creating BR culture – business schools¹⁸

The first stage of promoting socially responsible behaviour is one of generating awareness of SEE issues as related to operations of businesses. While in the short term efforts are to be made to promote initiatives meant to tackle SEE issues, it is also necessary to develop BR culture among the younger generation. B-schools should be the starting point for such a socialisation process considering their graduates are most likely to occupy positions of influence in the business sector.

As of now, BR related areas are either not covered at all or inadequately covered in the curricula of B-schools and universities.

Following are the suggested measures:

a) At the level of Ministry (Union HRD Ministry and state government ministries of education)

Material and financial support should be provided to promote projects which are related to BR/CSR, community development and which sensitise students, faculty and the stakeholders. In association with Ministry of MSME, the HRD Ministry could initiate cluster-based 'action research' projects related to BR, involving students and faculty members of B-Schools.

b) At the level of regulatory authorities (AICTE/AIMA/UGC, etc.)

- Certified agencies ranking management institutes should also include BR-related activities (both teaching and research) as a key criterion while grading B-schools
- Amendments should be carried out in the overall curricula of B-schools to include BR-related themes

c) At the level of management schools

Management institutions should enhance their contribution to the community by setting up a focus groups or even distinct departments, focusing on education, training and research on BR, related not just to the large corporate sector but to the MSME sector as well.

2.4.5.4 International donor agencies for resource mobilisation

Given the international exposure, the contribution of IDAs towards responsible behaviour could go beyond mere funding. As in the case of other development initiatives, CD projects too are to be supported financially. However, to encourage the inclusion of business responsibility as a part of the CD agenda, the IDAs could consider the following:

¹⁸ 'Role of Business Schools in shaping Enterprise Social Responsibility amongst Micro, Small and Medium Enterprises', Career Institute of Technology & Management (Manav Rachna Educational Institutions) and UNIDO

- Set up exclusive funding arrangements for supporting CD initiatives
- Specifically, relax funding norms to IAs in the case of CD projects with inbuilt SEE agendas
- Put in place a system for incentivising cluster actors that conform to responsible competitiveness
- Taking advantage of their international presence, facilitate exposure of key cluster actors to best practices
- Likewise, facilitate transnational experience sharing among IAs, CDAs and other stakeholders

2.4.6.5 Banks and FIs as credit providers

Banks should provide softer loans (reduced interest rates) and with other relaxed conditions and increased range of services to more responsible businesses, based on their responsibility credit points.

Engaging stakeholders in BR Action points

- Facilitate creation of permanent institutional arrangements at the national level to spearhead the process of promoting socially responsible clusters
- Support creation of similar state level focal points
- While funding CD initiatives, make it mandatory to set up cluster level focal points
- Examine the ongoing schemes of social sector actors and explore the possibilities of dovetailing them with cluster development schemes
- Develop a national registry of CD initiatives focusing on best practices and disseminate the same
- Evolve rational and prudent parameters for the evaluation of BR compliance
- Appreciation programmes and capacity building programmes for office bearers/ professional staff of industry associations at national and provincial levels
- Large enterprises to frame a code of conduct or BR policy for their supplier MSMEs
- Amendments should be carried out in the overall curricula of B-schools to include BR-related themes
- B-Schools to engage in cluster-based 'action research' projects related to BR, involving students and faculty members
- Certification agencies ranking management institutes should also include BR-related activities (both teaching and research) as a key grading criterion

3. Mapping of clusters – the three dimensions

Formulation of programmes/funding schemes for cluster development pre-supposes the access to necessary information. At the initial stage, it is imperative that clusters are mapped at state/national level based not just on their economic importance and development potential but also on the intensity of BR issues. It is suggested that the process of mapping clusters include the following dimensions along with their economic significance:

- The impact of their operations on the natural environment
- Energy intensiveness of the cluster
- The intensity of social issues confronting the cluster

3.1 Mapping from the environmental impact angle

Climate change is of major concern as it represents one of the greatest environmental, social and economic threats facing the planet. Various large and medium corporate enterprises have taken steps to combat climate change and have incorporated energy and environmental concerns along with social issues in their corporate responsibility agenda. However, one needs to consider the fact that environmental and social concerns are not restricted only to large and medium enterprises but also apply to small and micro enterprises as well.

The pollution per unit of production is generally higher in industrial MSMEs than that in corresponding large units, partly due to use of obsolete technologies and poor management practices and partly because most of the units do not come under the orbit of regulatory authorities. As an essential prerequisite to affirmative action, it is necessary that industrial clusters are mapped from the angle of their impact on environmental degradation.

Box 2.2: Comprehensive Environmental Pollution Index (CEPI) developed to capture the impact of environmental pollution

A Comprehensive Environmental Pollution Index (CEPI), which is a rational number to characterise the environmental quality at a given location, following the algorithm of source, pathway and receptor, has been developed. The index captures the various health dimensions of environment, including air, water and land. The present CEPI is intended to act as an early warning tool which is handy to use. It can help in categorising the industrial clusters/areas in terms of priority of planning needs for interventions. Application of CEPI in 88 selected industrial clusters/areas has been an exercise involving the Central Pollution Control Board (CPCB), concerned state pollution control boards/pollution control committees, and IIT Delhi. (Source: Comprehensive Environmental Assessment of Industrial Clusters by Central Pollution Control Board, New Delhi, 2009).

It is suggested that areas having aggregated CEPI scores of 70 and above should be considered as critically polluted industrial clusters/areas. The areas having CEPI between 60 and 70 should be considered as severely polluted areas and should be kept under surveillance and pollution

control measures should be efficiently implemented. The critically polluted industrial clusters/ areas need further detailed investigations in terms of the extent of damage and the formulation of an appropriate remedial action plan.

3.2 Energy intensiveness of the cluster

India is both a major energy producer and consumer. Availability and access to energy are vital for the economic growth of a country. The major concern with regard to energy is the availability of energy to foster the desired economic growth in a cost-effective way. The various energy sources are coal, lignite, oil, natural gas, hydro power, nuclear power and wind power. India is not endowed with large primary energy reserves and the distribution of primary commercial energy resources is quite skewed. Given the scarcity of fossil fuel and the impact of its usage on the natural environment, it is important to incorporate this dimension while mapping clusters.

A recent study¹⁹ of Indian industrial clusters in 10 sub-sectors, which are energy-intensive and environmentally sensitive, offers clues on the approach to mapping. The sub-sectors are foundry, sponge iron, leather tanning, dyes and chemicals, electroplating, brick kilns, ceramics, glassware, cement plants and pulp and paper.

With a total employment of about 5.1 crore persons and 115 industrial clusters, these sub-sectors are internationally significant. For example, foundry enterprises spread around 47 clusters together rank second in the world after China. Sponge iron units across 29 clusters rank first in the world in terms of production. The textile sector in industrial and micro enterprise clusters, with employment of 3.5 crore, is the second largest in the world.

In terms of energy consumption as a part of manufacturing cost, foundries (25%), brick kilns (30–35%), ceramics (35%), glassware (40%), cement plants (45%) and pulp and paper (25–30%) are major consumers. Subsequent analysis of each of these sub-sectors reveals the potential for energy reduction and the measures taken so far. Maximum amount of coal (4 crore tons per annum) is used in the cement sub-sector, followed by paper at 2.73 crore tons and then sponge iron at 2.57 crore tons per annum.

3.3 Social issues

Amongst a variety of social issues, there are some key ones that are impacted by the operations of a given cluster. There are also social issues where a cluster can take affirmative action. Some such issues are noted below:

- Occupational health and safety
- Labour law compliance
- Gender inequality

¹⁹ 'Business Responsibility Issues among MSME Clusters – Magnitude and Way Forward in the Indian Context', Foundation for MSME Clusters, New Delhi, 2011.

- Working conditions
- Access to health care
- Access to education (mainly for the children of workers)

A cluster should be mapped from the angle of such issues.

Following is an illustration of a multi-dimensional cluster map covering energy, environment and social issues:

Table 2.2 Mapping of MSME clusters in terms of energy, environmental and social issues

Sub-sector	Energy Intensity	Environment			Social Issues
		Air	Water	Solid Waste	
Foundry	High	High	Low	Moderate	The foundry industry is mainly concerned with occupational health and safety issues.
Sponge Iron	High	High	Low	Moderate	The sponge iron industry is mainly concerned with occupational health and safety issues of the workers
Leather	Low	Low	High	Moderate	The social issues pertaining to the leather tanning sector are mainly related to occupational health and safety issues associated with the construction and decommissioning of tanning and leather finishing facilities
Textiles	High	Low	Moderate	Moderate	The social issues pertaining to the textile sector include the occupational health and safety hazards during the operational phase of textile manufacturing projects
Dyes and Chemicals	Moderate	Low	High	Low	The social issues in this sector are mainly related to the occupational health and safety of the workers as well as the women labourers employed during packaging. They mostly face respiratory problems due to the presence of various chemical substances.

Sub-sector	Energy Intensity	Environment			Social Issues
		Air	Water	Solid Waste	
Electroplating	Moderate	High	High	High	The social issues in the electroplating industry are mainly related to occupational health and safety issues
Brick	High	High	Low	Moderate	The social issues pertaining to brick kilns are related to the occupational health and safety of the workers as well as the children and women employed in this sector.
Ceramics	High	High	Low	Moderate	The social issues pertaining to the ceramics sector are mainly related to occupational health and safety issues arising during the construction and decommissioning of facilities for making ceramic tiles, sanitary ware and pottery.
Glassware	High	Moderate	Moderate	Moderate	The social issues pertaining to the glass sector are mainly related to occupational health and safety issues and low wages paid to the labours.
Mini Cement Plants	High	High	Moderate	Low	The social issues pertaining to the mini cement plants sector are mainly related to occupational health and safety issues
Paper Industry	High	High	High	Moderate	The social issues pertaining to the paper sector are mainly related to occupational health and safety issues

Source: 'Business Responsibility Issues among MSME Clusters – Magnitude and Way Forward in the Indian Context', Foundation for MSME Clusters, New Delhi

A mix of economic and BR dimensions are to be considered for mapping. For instance, the Union Ministry of Science and Technology along with the state counterparts and other knowledge institutions, will find it useful to assess the clusters that call for significant S&T related inputs. Such information, on an all-India basis, is currently not available and will need to be built. Clusters

around specific agricultural and horticultural products also need to be mapped to encourage food processing industries and procurement. Thus, the economic dimension should include:

- Labour intensity of the cluster enterprises
- Knowledge intensiveness
- Annual turnover
- Contribution to exports
- Potential for innovation and the like

An integrated framework to benchmark clusters based on the diverse areas of their performance will enable various relevant public and private institutions to focus their attention where and when most desired. For example, a rating of all the electroplating clusters on environmental standards and the extent of their compliance can be extremely helpful for public and private stakeholders.

One should, if possible, prepare an index reflecting the various parameters to signify the economic importance of the cluster. Likewise, the BR dimension includes environmental, energy-related and social issues. Following is a suggested matrix for reflecting the socio-economic status of a cluster as a part of the mapping process:

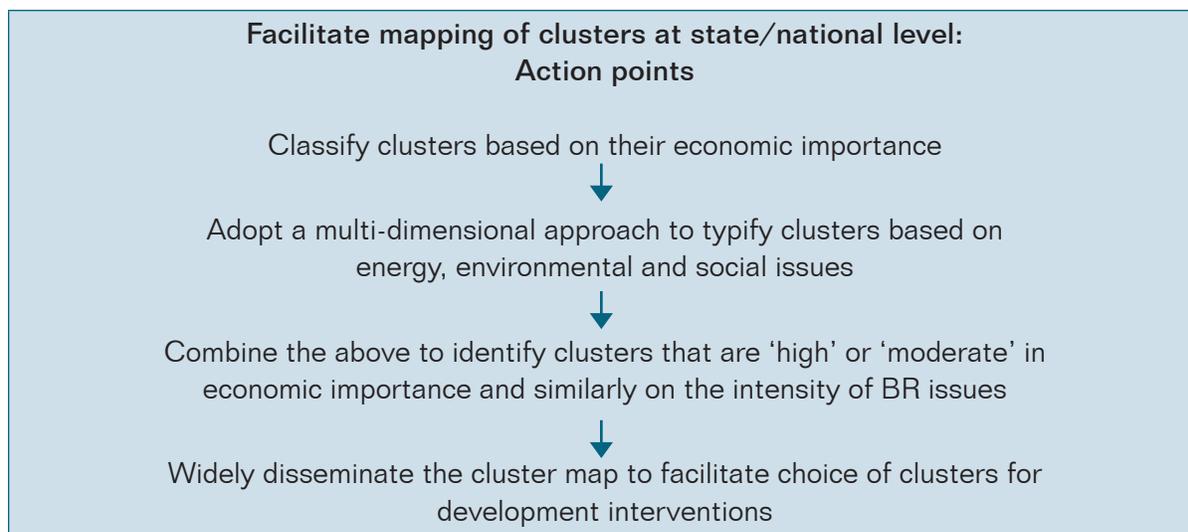
Table 2.3 Matrix reflecting socio-economic significance of a cluster

SEE* significance Economic importance	Low	Medium	High
Low	1	2	3
Medium	4	5	6
High	7	8	9

*SEE – Social, environmental and energy-related issues.

In terms of policy implications, greater importance should be attached to those clusters falling in the quadrants 9, 6, 8 and 5 in the order of priority. Such a socio-economic cluster map, when widely disseminated, acts as a beacon for various institutions engaged in supporting/promoting cluster development.

Mapping should be carried out by a specialised institution under the banner of the industries department of the concerned state government and in association with relevant departments/ministries such as labour, environment and social welfare. The proposed cluster focal point, when operational, should spearhead this activity.



4. Selection of clusters for intervention

4.1 BR angle for selection

Most cluster interventions carried out across the globe focus mainly on economic development, fostering competitiveness and innovation. Thus the broad guidelines for selecting potential clusters contain elements which mainly give economic and technical details about the clusters.

For implementing programmes fostering business responsibility, it is also necessary to consider SEE issues, along with the economic and technical ones. MSMEs in clusters all over the world are invariably confronted by some SEE problem(s) that they are expected to address. For example, in the case of the Jalandhar Sports Goods cluster in North India, the common issue was child labour and in the Tiruchirapalli Engineering and Fabrication Cluster in South India, the key issue faced by most of the enterprises was occupational health and safety. These social issues can be diverse: such as pollution arising out of discharge of effluents; increasing energy costs because of rising usage of carbon based fuels; hazardous working conditions; solid waste disposal and anti-industry political atmosphere among surrounding communities.

For implementing a business responsibility fostering programme, it is common issues and congruence with the implementing agency's own mandate that will often dictate the selection of a cluster. Development agencies have their own mandates. MSME clusters can become important platforms which can help such agencies synergise their objectives with the issues also faced by the clusters. For instance, if an agency is interested in addressing labour issues, more specifically child labour, it can choose the clusters that are accused of using child labour. For example, the media has often highlighted attention to child labour usage in brick kilns and ready-made garments in some of the developing countries. Clusters may also be selected because of government stipulations. For instance, UNIDO chose to work in the Rourkela Sponge Iron Cluster because a Supreme Court order stipulated that all enterprises in the scheduled areas need to undertake peripheral area development, using a part of their net profit. The local enterprises were therefore ready to invest in and initiate a programme with an institution like UNIDO.

Clusters should be typified as indicated below, based on the development potential they have from economic/commercial angle as also from BR angle:

Table 2.4: Developmental potential of a cluster from the economic and BR angle

Development potential from BR angle \ Development potential from economic angle	Low	Medium	High
Low	1	2	3
Medium	4	5	6
High	7	8	9

So far, economic issues have been pivotal for selection of clusters. Transiting from such a mandate to one involving the BR focus does not mean sacrificing the economic objective. More often than not, there is an area of overlap where economic interests are served in the process of tackling SEE issues. One should initially focus on clusters falling under quadrants 9, 8 and 5. In short, it is suggested that the development interventions be focused, at least initially, on those clusters where SEE issues are linked to economic benefits for the enterprises.

The resources (financial, material and human) required to implement a CDP with a mandate to foster responsible behaviour in MSME clusters can be substantial. An organisation needs to use its resources economically, often aiming at combining the social and economic impacts of development interventions.

4.2 Steps for cluster selection

Following are the steps involved in selection of clusters:

- Preliminary selection and short-listing of clusters
- Formulation of selection criteria
- Listing information needs
- Data collection
- Final selection

The details are as follows:

4.2.1 Preliminary selection and short-listing of clusters

Subsequent to a mapping exercise, a preliminary short-list of clusters having common SEE issues can then be made. Short-listing will differ according to developmental and strategic priorities of the ministries, and concerned departments of the provincial or federal governments, development institutions and significantly, those institutions that are funding the cluster development exercise. A regional agency will concentrate on a cluster or the clusters in its territory. A sectoral/functional specialised agency will select similar clusters in different regions. The clusters having the same type of SEE issues can become a platform for the agency that has the mandate to address such issues. For example, if an agency is interested in addressing supply chain issues by focusing on the buyers' codes of conduct, it can choose the cluster(s) that reflect greater international links.

Consequently the following are the factors to be considered for preliminary selection/short-listing of clusters:

- Mandate of the concerned ministry or funding institution or development agency: For instance, the ministry dealing with promotion of science and technology may include in the short-list only those clusters that are technology-intensive
- Intensity of BR issues: Applying 'Cluster Responsibility Perceptions-based Score Card'²⁰ is an appropriate way to start with the process of short-listing.
- Economic importance of the cluster: This should be based on the data from the regional or national cluster map

Short-listing will differ according to the developmental and strategic priorities of the ministries/departments/development funding agencies. A regional agency will concentrate on a cluster or the clusters in its territory.

4.2.2 Formulation of selection criteria

The selection criteria have to be a combination of general cluster parameters like depth, geographical location, etc., along with the economic and social parameters as depicted in the figure below:

²⁰ The Cluster Responsibility Perceptions-based Score Card developed by the UNIDO-CDP and the CSR Project can be a suitable tool for collection of CSR specific cluster data and for identification of cluster CSR issues on the basis of priority and their gravity. The tool is available on the project's website www.weplayfair.com.

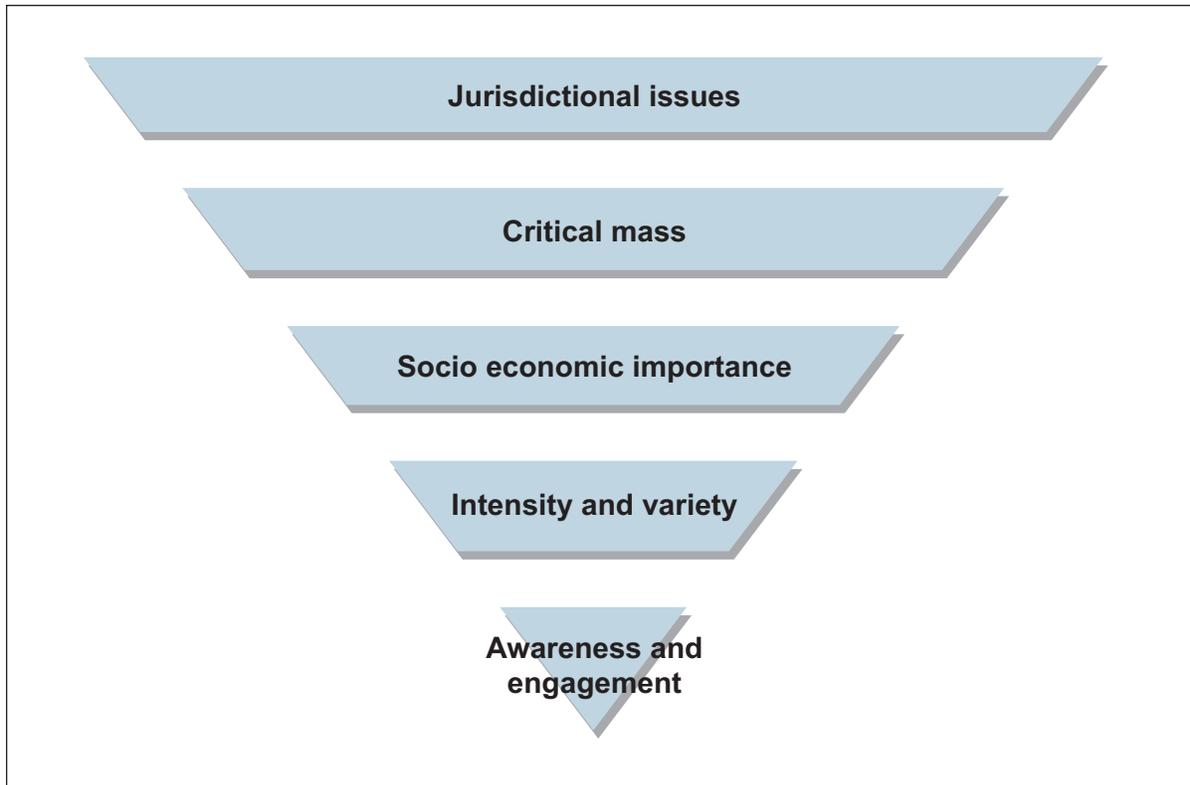


Figure 2.2 Cluster selection criteria

A brief on the above criteria is as follows:

a) Jurisdictional issues

Clusters that fall within the geographical jurisdiction of the implementing agency and are within its sectoral priorities are included in the list. The location of the cluster (urban, semi-urban or rural) is also an important element if the responsible institution has a location specific development mandate/competence, such as for rural development. The set of short-listed clusters then becomes the basis for the selection of the cluster(s) to be supported.

b) Critical mass

The critical mass in a cluster for effectively realising the demonstrative impact of cluster-based interventions should be maximum; not less than say fifty units participating in the cluster development activities. However, for difficult and backward regions and for special entrepreneur groups, having a sizeable presence of women and disadvantaged communities, the critical mass should be say twenty.

c) Socio-economic importance of cluster(s)

Clusters with a larger number of small-scale enterprises; clusters which absorb a significant share of the local workforce or those which have high export potential can be chosen. Linkages of a cluster with other knowledge-resource institutions, funding agencies and community organisations mandated to work on social responsibility issues increase the likelihood that the impact of interventions on responsible behaviour will be greater. Once an external agency withdraws from the process of planned interventions, the ability of the cluster to sustain the same is a crucial choice parameter.

d) Varieties of SEE issues and their intensity

While there should be a variety of SEE issues, the following are also crucial for the purpose of selecting a cluster:

- Labour related issues including child labour, social security net, working conditions and occupational safety
- Environmental and energy issues including effluent discharge, air pollution and inefficient use of non-renewable energy
- Community health issues including impact of cluster firms' operations on health and access to health care

The intensity of such issues is to be gauged from the difference that they make to the lives of the workforce and the community. For instance, operations of manufacturing enterprises in cluster A and B could be causing air pollution above the prescribed limits. However, in cluster A, one would come across several cases of breathing disorders and lung infections as against cluster B where such cases are either not present or present in negligible numbers. In this situation cluster A appears to be a better candidate for interventions.

Box 2.3 Variety of SEE issues in the Samalkha Foundry Cluster

The variety of SEE issues prevalent in the Samalkha Foundry Cluster during intervention under the DST and GIZ supported project are:

Highly energy intensive: The traditional production process of the foundry units of Samalkha leads to high consumption of energy. The most energy-intensive operation in a foundry unit is the melting of metal in the furnace known as cupola. This melting operation consumes almost 70 per cent of the total energy consumed in the entire production process of metal casting. So the typology of the cupola used by a unit in the process is important in determining the energy consumption of that unit. It was found that the foundry units of Samalkha used the conventional cold-blast cupolas, wherein the coke feed ratio was as low as 1:4, i.e., 1 tonne of coke can melt 4 tonnes of metal. This leads to an increase in the cost of manufacturing, given the increasing price of coke. Moreover, high consumption of coke leads to high emission of carbon particles in the air, resulting in air pollution.

Manual charging: In the foundry units of Samalkha, the charge materials are lifted manually for loading into the cupola. This not only increases the risk of the worker falling into the open furnace but also exposes the worker to heat and high levels of CO₂ at the cupola charging door. Moreover, for manual charging seven workers are engaged.

Improper housekeeping activities: In the working environment of the foundry units in Samalkha, the condition of the units was unhygienic as there was lack of proper ventilation. Proper ventilation is very important for foundry units as the production process results in emission of a huge amount of metallic fumes as well as dust in the form of sand and metal particles. The units are also poorly lit and this creates a dark and gloomy environment for the workers. Moreover, the raw materials, waste metals, molasses and used sand, are not properly managed and remain scattered on the floors of the foundry units. Thus the labourers spent much time in locating raw materials for charging.

Solid waste disposal: The solid waste management of the foundry cluster in the form of slag and waste sand is also of concern as disposal of the waste is difficult. Some part of the solid waste is used for making roads and the rest is disposed off on the road-side. Disposal on the road-side results in resentment among the local people and if the solid waste is disposed within the unit, the work environment becomes unhygienic. It is estimated that the total slag generated in the cluster is 3,000 tons per annum and waste sand is 500 tonnes per annum.

e) Awareness and current level of engagement of cluster actors with SEE issues

In clusters where the key stakeholders, including enterprises, are aware of the SEE issues, support of the enterprises for intervention is easier. However, it is not merely awareness that matters; the cluster actors' position, in relation to the SEE issues arising out of the operations of core enterprises, with regard to the well-being of the workforce and the community at large, is important.

In clusters, where the key stakeholders are not only aware of the issues but have also taken actions to tackle SEE issues, it is easier for enterprises to come together in a more organised and intensive manner.

Box 2.4 Engagement of KRMC to address water treatment problems

The Kalady rice-mill cluster faced the typical problem of water pollution as in the process of par boiling of rice, paddy is soaked in hot water for 8–9 hours and this gives a brownish colour to the water discharged, along with some methane content. Around 800 litres of effluent are generated while processing one metric ton of raw paddy. The cluster has 72 modern rice mills and employs around 2,500 people; with only 500 people registered as the rest are employed on a contractual basis. Given the production capacity of the Kalady rice mill cluster, i.e., 2,000 tonnes per day, the total effluent discharged per day is 3.2 million litres. Due to the methane content, this discharged water emits an obnoxious smell, which is not favourable for the people residing near the rice mills. Often the rice millers had to face the agony of the local community due to insufficient arrangements for waste-water treatment in the cluster. The cluster stakeholders were quite aware of the need for treatment of effluent discharged by the rice mills. Various consultants visited the cluster to address this issue, but were not able to design a technology to treat the effluent. Even the usage of natural water sources by the rice millers was leading to resentment as the water sources started drying up.

The Kalady Rice Millers Consortium (KRMC) felt the need of introducing an unconventional but economical ETP system in the cluster for treatment of the discharged water. For technical assistance, KRMC approached the National Institute for Interdisciplinary Science & Technology (NIIST), Trivandrum. NIIST studied the problem and conducted extensive lab-level experiments and suggested a pilot test in 2008. An agreement was accordingly entered into with KRMC and NIIST and a sum of Rs. one lakh was paid in advance for the technology. Fabrication of the pilot plant involved a cost of Rs. 3 lakhs. The pilot plant showed satisfactory results. Diamond Foods, a 250 TPD rice mill and one of the members of the consortium, came forward to put up a plant at a cost of Rs. 30 lakhs. The plant, with a capacity to treat one lakh litres of effluent a day, became operational in 2009 and the treated water complied with PCB standards. Even the bio-gas generated during the process of effluent treatment is used for lighting. The ETP in Diamond Foods treats about 100,000 litres of effluent per day. The treated water that is discharged from the ETP is used for irrigation/gardening, industrial washing, etc. The success of the ETP in Diamond Foods, encouraged seven other mill owners to set up a common ETP using the same technology. However, this is only at a conceptual stage. Diamond Foods got the PCB award for innovative technology.

4.2.3 Listing information needs

i) Non-BR parameters

Based on the above criteria, information needs are to be listed. The following table provides an illustrative list of information needs related to non-BR parameters:

Table 2.5 Information needs for cluster selection – Non-BR parameters

SI	Particulars	Remarks										
1	Jurisdictional issues											
	<p>Location (within a city/village/linkage with nearby cities/villages [if the executing agency has a specific rural/urban mandate] – attach a geographical map, if available)</p> <p>Principle product/s: Does the core output of the cluster fall within the sectoral mandate of the implementing agency?</p>	Those clusters within the geographical and sectoral mandate of the implementing agency are to be short-listed for further assessment										
2	Critical mass											
	<p>How many core enterprises operate in the cluster?</p> <p>What are the types of enterprises in the cluster?</p> <table border="1"> <thead> <tr> <th>Type</th> <th>Percentage to the total</th> </tr> </thead> <tbody> <tr> <td>Micro</td> <td></td> </tr> <tr> <td>Small</td> <td></td> </tr> <tr> <td>Medium</td> <td></td> </tr> <tr> <td>Large</td> <td></td> </tr> </tbody> </table>	Type	Percentage to the total	Micro		Small		Medium		Large		Those clusters which have at least 20 to 25 core enterprises, which are largely micro/small or medium sized, most of them having quality certification, are preferred.
Type	Percentage to the total											
Micro												
Small												
Medium												
Large												
3	Socio-economic importance of the cluster											
	<p>Who are the corporate/large buyers (both national and international) sourcing from the cluster?</p> <p>How important is the product in the value chain/supply chain of the corporate/large buyer? If possible, draw a value chain diagram.</p> <p>What type of raw materials are being used in the cluster?</p> <p>What is the turnover of the cluster?</p> <p>What is the domestic/export contribution of the cluster (as a percentage of its turnover)?</p> <p>Details of the workforce:</p> <p>Total numbers</p> <p>Male/female ratio</p> <p>Percentage of skilled, semi-skilled and unskilled; migratory</p>	<p>Indicates viability in terms of sustenance and growth</p> <p>Points 1 and 2 indicate the need for a strong BR – for instance, large corporate buyers insisting on certain minimum labour standards</p> <p>Clusters that exhibit a strong need for improving BR situations, are viable in terms of adequate turnover and have a larger share of exports and high value addition are preferred</p>										

ii) Information needs for BR-related parameters

Taking stock of the status of BR in a cluster and assessing the related issues confronting the cluster is a part of the process of meeting the information needs. This can be captured through

a diagnostic tool called the Cluster Responsibility Perception-based Score Card. The tool helps in understanding the following:

- Severity of the SEE issues faced by the cluster, based on the average response of the relevant cluster stakeholders
- Diversity/divergence of the views of stakeholders/respondents based on the differences in their responses to the severity of the SEE issues
- Activities undertaken to tackle/address the issues by the cluster stakeholders, individually or collectively, till date
- Priority for actions, based on the severity of the SEE issues and the activities undertaken to tackle the SEE issues identified

A detailed list of BR-related activities that can be undertaken in clusters is placed at Annex IV.

4.2.4 Data Collection

i) Secondary data collection

In a situation where selection has to be made among many clusters calling for attention, data collection to fulfil the information needs would be an expensive and time-consuming process. Hence, to the extent feasible, secondary data sources need to be utilised through an 'exploratory-cum-desk study' or EDS. Further, secondary data helps in deciding on the focus areas for primary data collection. EDS involves taking recourse to published materials and interactions with a selected few knowledgeable persons. An indicative list of information pertaining to the socio-economic importance of the cluster that should be collected is shown below:

Table 2.6 Data to be collected through EDS

Theme	Particulars	
	Nature of information	Source
Socio-economic importance of the cluster	Corporate/large buyers sourcing from the cluster	Department of Industries Implementing agency
	Importance core of the product in the entire value chain	Department of Industries Local office of industrial development organisations
	Type of raw materials being used in the cluster	State-level consultancy organisations
	Turnover	Local industry associations
	Contribution to exports	Industrial survey reports
	Details of workforce	Local industry associations
		Department of Industries

ii) Primary data collection

In the normal course, secondary data collection facilitates decisions on areas of focus for primary data collection but not on selection of clusters. However, if the secondary data indicates little scope for development interventions, such clusters are to be eliminated from the list, thereby saving resources which would otherwise be spent in collection of primary data. Thus primary data is collected for those clusters which are promising.

There are two sets of data to be collected from primary sources:

- Certain socio-economic parameters, as listed in table 2.6 above, for which secondary data is inadequate
- BR-related aspects

However, the focus of primary data collection is on SEE issues. The guidelines provided in the ESR score card (Cluster Responsibility Perception-based Score Card) are to be followed. Following steps are involved:

a) Preparatory Phase

- Identifying information gaps (not related to BR) identified after secondary data collection
- Identify the various stakeholders (core enterprises; material/service providers; R&D institutions; training/educational institutions; private or state-supported development agencies; regulatory agencies and the like) in the cluster
- Identifying those stakeholders which can fill the said information gaps as also those which can contribute to completing the ESR score card
- One-on-one interaction with relevant stakeholders to appraise them of the purpose of the data collection exercise, especially of the ESR score card

b) Primary data collection

This involves three activities:

- Filling the information gaps (not related to BR) identified after secondary data collection
- Gathering necessary information to validate the cluster profile or the set of information indicated in table 2.6 above.
- ESR score card administration: it is to be noted that certain pieces of information related to cluster profile are a part of the ESR score card to avoid repetition.

c) Compilation of responses and their analysis

The responses from all the key stakeholders to the questions, as per the ESR card, need to be captured through the Cluster Responsibility Behaviour Template (part of the ESR score card). The template will then lead to parameters of responsibility behaviour covering the following:

- Severity of the SEE issues faced by the cluster, based on the average response of the relevant stakeholders
- Diversity/divergence of the views of stakeholders/respondents, based on the difference in their responses to the severity of the SEE issues
- Activities undertaken to tackle/address the issues by the cluster stakeholders, individually or collectively, till date
- Priority for actions based on the severity of the SEE issues and activities undertaken to tackle the SEE issues identified

4.2.5 Final selection of cluster(s)

The final selection of the cluster can be by way of a judgment based on interpretation of the results from secondary data as also from the ESR score card. While the final selection is best made by the specialised implementing agency, the relevant ministry or state-sponsored agency in charge of development may wish to do so. In such a situation, it is useful to involve the implementing agency as such agencies possess the necessary expertise and are responsible for the outcome of the interventions.

4.2.5.1 BR-related parameters

In order to minimise the role of subjectivity, the final selection based on BR-related parameters has to be based on the data obtained through the ESR score card. The following approach is suggested:

Table 2.7 Scoring system based on BR-related parameters

#	Criteria	Related components of the ESR score card	Approach
1	Awareness and number of BR issues	'Existence of issues' template	<p>a) Score ranges from '0' to '5' ('5' signifying the most prevalent)</p> <p>b) Take into account the scores for: Wages and benefits Collective bargaining Hours of work Working conditions; child labour Air pollution Water pollution Noise pollution</p> <p>c) Maximum total score for the above is 35. Take an average of the scores ($35 \div 7$) – a maximum average score of 5</p>
2	Intensity of issues	'Diversity' template	<p>a) Score ranges from '0' to '5', ('5' signifying a major issue, '0' signifying a negligible issue)</p> <p>b) Take into account the scores for: Wages and benefits Collective bargaining Hours of work Working conditions; child labour Air pollution Water pollution Noise pollution</p> <p>c) Maximum total score for the above is 35. Take an average of the scores ($35 \div 7$) – a maximum average score of 5</p>

#	Criteria	Related components of the ESR score card	Approach
3	Level of engagement by cluster actors with BR issues	'Efforts' template	<p>a) Score ranges from '0' to '5' ('0' signifying a concrete initiative and '5' signifying 'no efforts')</p> <p>b) Take into account the scores for:</p> <ul style="list-style-type: none"> Wages and benefits Collective bargaining Hours of work Working conditions; child labour Air pollution Water pollution Noise pollution <p>c) Maximum total score for the above is 35. Take an average of the scores ($35 \div 7$) – a maximum average score of 5. Since the maximum score reflects minimal or no engagement, inverse the score i.e., $1 \div 5$. Thus the maximum score reflecting highest level of engagement is 0.2 and the minimum score reflecting lowest level of engagement is approximately 0.03 ($1 \div 35$). Considering that for other parameters, a maximum average score of 5 is taken into account, the inversed scores are to be again converted to a 5-point scale. This is accomplished by equating the maximum score of 0.2 reflecting highest level of engagement with '5' and arriving at final score on pro-rata basis.</p>

Source: The Cluster Responsibility Perceptions-based Card, UNIDO (2008).

4.2.5.2 Economic parameters

Considering that economic payoffs to cluster enterprises are a prerequisite for propelling them to exhibit socially responsible behaviour and that the resources invested in the development process ought to lead to enhancement of competitiveness of the cluster, it is necessary to take into account the economic parameters. Till the time a proper index signifying economic importance of a cluster is worked out, the following approach is suggested:

Table 2.8 Scoring system based on economic parameters

Sl.#	Parameter	Scoring pattern
1	Importance of the cluster firm's output in the value chain/supply chain	Six-point scale, '5' signifying highest importance
2	Type of raw materials being used in the cluster?	Six-point scale, Usage of readily available, non-polluting and renewable raw materials to score '5'
3	Average annual turnover of the cluster	Six-point scale, '5' signifying relatively high turnover
4	Export from the cluster (as percentage of total turnover)	Six-point scale, '5' signifying relatively high percentage of total turnover
5	Total number of employees (all cluster enterprises put together)	Six-point scale, '5' signifying relatively more employees

Source: The Cluster Responsibility Perceptions-based Scorecard, UNIDO (2008).

Thus, the maximum average score for economic importance of the cluster covering all the five parameters is 5.

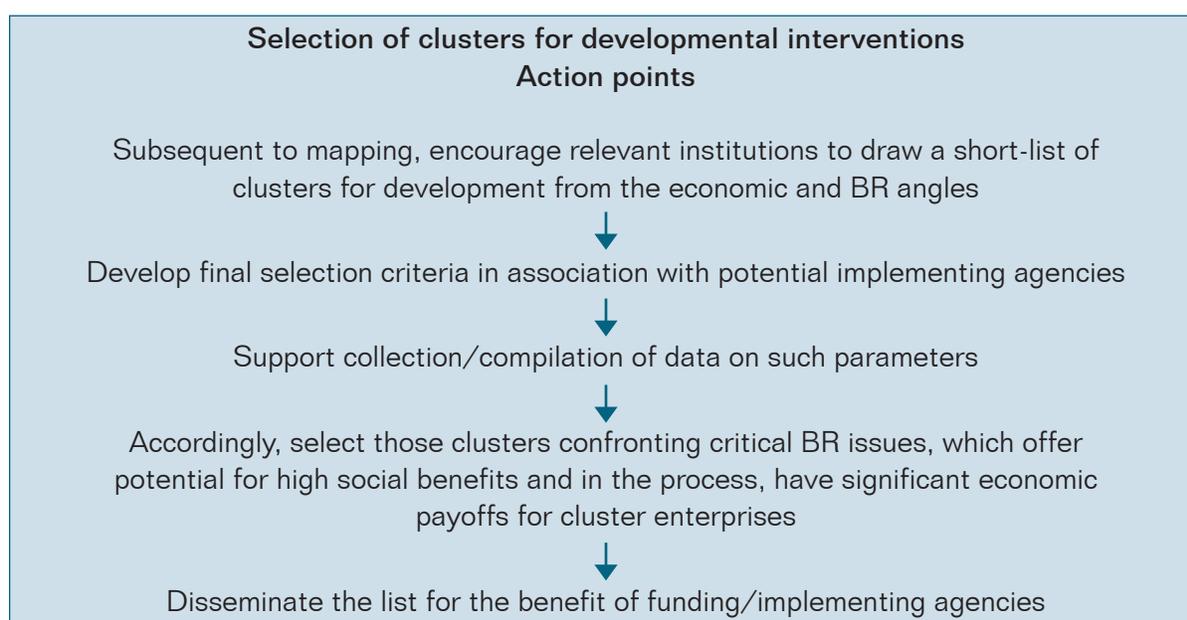
4.2.5.3 Consolidation of scores and final selection

This involves the following steps:

- Transfer the scores on BR-related parameters to the table on final selection format below. In the process, the scores for each of the three parameters are to be entered separately
- Transfer the scores on economic-related parameters. In the process, enter only the consolidated scores
- Assign weights to each of the above as indicated in the table
- Arrive at the consolidated weighted average score for the cluster
- The final choice of the cluster from among the short-listed ones is to be the one with the maximum consolidated weighted average score

Table 2.9 Final selection pattern

Selection Factor		Maximum Score	Weight	Maximum weighted Score
BR-related parameters	Awareness and number of BR issues	5	20	1.00
	Intensity of BR issues	5	25	1.25
	Level of engagement by cluster actors with BR issues	5	15	0.75
	Economic parameters	5	40	2.00
			Total	5.00



5. Programme implementation structure

5.1 Introduction

Apart from the choice of implementing agencies, the programme implementation structure involves putting in place a system to register such institutions and support them.

Currently, institutions such as Entrepreneurship Development Institution of India (EDI), IL&FS Cluster Development Initiative Limited (IL&FS CDI) and Foundation for MSME Clusters (FMC) are working as 'Programme Management Units' (PMUs), supporting IAs. It is proposed that specialised institutions qualified as under be considered as 'Programme Management Units':

- Experience of planning and implementing development initiatives in MSME sector
- A group of dedicated professionals covering a wide variety of specialisations such as management, behavioural science, economics and technology
- National presence
- Effective rapport with members of the development sector, including government organisations, ministries and autonomous bodies

Thus this sub-section deliberates on the following:

- Levels of implementation of CDP
- An overview of potential programme implementing agencies
- Criteria for selection of programme implementing agencies; partnership model for programme implementation
- A brief indication of when SPVs are to be set up
- Choice of agencies to take up diagnostic studies

5.2 Levels of implementation of CDP

There should be levels of implementation of initiatives for cluster development as under:

- The entire process of planning and implementing a cluster development programme has to be spearheaded by an agency/institution that is mandated to carry out development initiatives. Such an umbrella set-up is referred to as 'Programme Implementing Agency'
- The cluster action plan comprises of several activity groups such as setting up of common facility centre, installing welfare measures for the workforce in the cluster as whole, offering access to basic education to the children of the workers. These should be implemented by different local institutions depending on their expertise. These institutions may be industry associations, industry networks, BDS providers or NGOs
- At times, 'Special Purpose Vehicles' (SPVs) are created to implement initiatives that involve commonly owned fixed assets. For instance, a common effluent treatment plant calling for substantial investment should be implemented through a SPV
- As a precursor to the final choice of a cluster for development and to facilitate budget allocation based on the nature of the proposed initiatives, a provincial government may select institutions to carry out a series of diagnostic studies. Implementing the findings of a diagnostic study could be assigned either to the same agency or to a different one

5.3 Potential programme implementing agencies

The following should be the programme implementing agency:

a) Association of micro, small or medium enterprises:

These are traditional business associations and the more well known among them generally undertake policy-based representations. Some of them also undertake development activities like provision of training, introduction of cleaner and greener technologies, setting up of common infrastructure to tackle waste disposal and even undertake community welfare initiatives

b) Field organisations/offices and autonomous/public sector institutions under the banner of various ministries dealing with MSMEs, environment protection and the like

c) State governments and their autonomous/public sector organisations

d) National and international institutions engaged in promotion and development of the MSME sector

5.4 Assessment of potential implementation agencies

As indicated earlier, 'Implementation Agency' refers to the one that is vested with the overall responsibility of planning and implementing cluster development initiatives.

It is suggested that such an institution should:

- Possess prior experience in the development of the MSME sector
- Have at least two professionals trained in the cluster development methodology, at the direct execution level and at a senior level to guide the other
- Have an organisational culture that promotes delegation, accountability and transparency
- Be preferably stationed in the state (if it is a resource agency) with long run commitments

Following is the suggested approach to rate a potential implementing agency:

Table 2.10 Suggested selection criteria for implementing agencies²¹

Criteria	Rationale	Scoring pattern	Related score	Total score
Institutional strengths (25)				
Professionally qualified staff	Higher the institutional capacities better the performance	At least 3 professionals with university degree	1	5
		4 or more such professionals	+2	
		Two or more of them possessing technical undergraduate degree or PG management	+2	
Institutional experience of involvement in the development of the MSME sector	Prior experience will give benefits in terms of immediate results	At least 3 years of experience in offering technical/management consultancy	5	10
		At least 3 years of experience in training/development interventions for enterprise creation	+5	
Financial strength	Financial freedom allows operational flexibility	Not having any reserves as reflected in the account statements for the past three years	0	5
		Financially self-sustaining for the past three years	+3	
		Generating surplus from core activities	+2	

²¹ 'Policy and Status paper on Cluster Development in India', Foundation for MSME Clusters, New Delhi, November 2007

Criteria	Rationale	Scoring pattern	Related score	Total score
Institutional mandate	Convergence of institutional objectives with that of CD initiatives leads to higher level of commitment	MSME development being the key mandate of the institution Not-for-profit institution devoted to social causes (among other activities)	2 +3	5
In-house competencies in cluster development (45)				
Experience in handling MSME cluster development projects	State of readiness to effectively plan and implement CD initiatives	Experience of handling at least one CD project from planning to execution Three or more years of such an experience Two or more CD executives in employment for at least two years	5 +5 +5	15
In-house expertise in offering BDS to MSMEs	Reduced dependency on external support	At least three years of experience in offering paid BDS to MSME sector as evident from annual reports BDS being a core activity/mandate of the institution Five or more specialists in management/technology-related areas in full-time employment for at least three years	5 +5 5	15

Criteria	Rationale	Scoring pattern	Related score	Total score
Experience in handling SEE issues in a developmental setting	Better understanding of the activities to be undertaken	One or two years of experience in handling social, environmental and/or energy conservation related issues	2	15
		Three or more years of such experience	+3	
		Experience of having tackled social issues as a part of developing at least one MSME cluster	+5	
		Two or more social scientists/ specialists in energy/ environment related areas in full-time employment for at least three years	+5	
Implementation capabilities (30)				
Experience in mobilising support from specialised institutions – technical, financial or regulatory (as evident from collaborative projects/ partnerships)	Need for sustainable development	At least one project (of not less than four weeks duration) handled with one or more such specialised institutions	2	10
		Sustained collaboration with two or more such institutions over a period of three or more years	+3	
		Experience of having played a key role in promoting public-private partnership	+5	
Networking with support institutions including government departments	Potential to mobilise support	Presence of one or more senior government officials on the governing body of the institution	2	5
		One or more joint developmental projects implemented in association with one or more support institutions other than state-sponsored ones	+3	

Criteria	Rationale	Scoring pattern	Related score	Total score
Location of the organisation	Close proximity to the cluster will help networking and liaison	HQs in the State where the programme is to be implemented	5	15
		Local/regional office in the district where the programme is to be implemented	+5	
		Presence (project office/camp office) within commutable distance of project area	+5	

5.5 Partnership models with industry associations

There may be different types of NGOs working in a cluster on different social and environmental themes. On the other hand, the industry representative bodies are often more experienced in undertaking economic development initiatives as their main mandate. A partnership between an industry association or a similar body with a relevant local or national NGO can be an effective model to build on mutual synergies. NGOs may be engaged in drug de-addiction, sanitation, adult literacy, HIV/AIDS, provision of legal aid and recycling of goods; whereas more often than not the industry associations may not have the necessary competence and knowledge to take such initiatives to a logical conclusion. Such a partnership may also provide necessary confidence to the potential donors who may like to supplement the resources of such joint ventures.

When there are options to choose among alternate partner agencies, they may offer their respective advantages and disadvantages. The issue at hand plays a significant role in selecting the right agency. For example, if the issue relates to the community, then an agency that enjoys the trust of the community, will be better placed to do the needful; execution capacities of available agencies being equal. However if the issue at hand relates to improvement of business practices such as introduction of cleaner technologies, then the industry association in collaboration with the technical partner are likely to form a good combination. However if the issue at hand relates to a few enterprises which are not organised or part of an organisation which does not have the mandate to take up the issue, then a new executing partner may have to be created.

Hard interventions, such as setting up of a CFC (commissioning on a turnkey basis) should be the responsibility of a Special Purpose Vehicle (SPV)/IA. Implementation of infrastructure development projects should be the responsibility of the concerned state/provincial government through an appropriate agency, which has a good track record in implementing such projects. Such agency may be a public sector corporation or a corporate body or a NGO having a sound financial position. In some cases a Special Purpose Vehicle, a clear legal entity with evidence of prior experience of positive collaboration among its members, is created to carry out such activities.

5.6 Identifying agencies for diagnostic studies

The guiding principles for selection of such agencies which can conduct diagnostic studies are:

- The agencies selected for conducting a diagnostic study should have experience and technological expertise in the concerned industrial sector for which the study is being carried out
- Primarily, such agencies should have a permanent secretariat, professionals to carry out the diagnostic study and an experience of at least five years in similar upgradation programmes

No diagnostic study should be entertained without proper validation by the stakeholders.

Programme Implementation Structure Action points

- At the national and state levels, facilitate development of a data bank of potential institutions that should effectively implement cluster development initiatives
- Insist on a systematic approach for selection of an implementing agency based on a quantified assessment mechanism.
- Encourage cluster support institutions to consider a partnership model (preferably with representative body of cluster enterprises) to implement CDP

6. Incentivise BR agenda in cluster development programmes

Socially responsible behaviour among businesses are driven by a variety of factors including individual value systems and pressure exerted by market forces or regulatory agencies. However, such drivers are not always present among MSME cluster enterprises. Hence, as a strategy to promote socially responsible behaviour, certain measures should be put in place as incentives for cluster enterprises. Similarly, the efforts of the implementing agencies engaged in CD should be incentivised. Following is a summary of such measures:

6.1 Recognition

In order to offer due recognition to MSME clusters and their representative private sector bodies for their involvement in BR activities, awards should be instituted at the state and national levels. The same should be given by the concerned ministries, or still better, by the national focal point. Keeping in view the benefits of multi-stakeholder engagement, the award should be jointly offered by the government and industry associations. Large buyers sourcing from several clusters at a time should institute their own awards for enterprises and clusters.

Further, those exhibiting responsible business behaviour should be assigned the status of 'preferred cluster' by the national/state level focal points.

Apart from encouraging serious players, such measures send strong signals to all concerned that responsible business behaviour finds its importance in defining the identity of a cluster.

6.2 Financial benefits

6.2.1 Benefits to cluster enterprises

Like the benefits offered to enterprises being set up in backward areas, such benefits should also be extended to socially responsible clusters, which have enterprises having a female-majority workforce and those promoted by women entrepreneurs or workers from Scheduled Castes or Scheduled Tribes or physically handicapped workers or enterprises taking special care of labour health and safety, etc. Such incentives should be as under:

- Differential interest rate on borrowings from financial institutions
- Deferment of VAT or GST
- Concessions in rates of income tax
- Liberal terms for financing or subsidising common facility centres

When clusters do not qualify for such benefits because of inaction by a few enterprises, peer group pressure may prompt the latter to follow suit. In such clusters, another approach should be to offer benefits to individual enterprises as this would encourage non-complying enterprises to toe the line.

6.2.2 Benefits to clusters as a whole

While individual enterprises in a cluster are proposed to be incentivised as above, it is suggested that the cluster as a whole be benefited through liberal funding support for implementing its CDP.

Institutions such as Ministry of MSME, SIDBI and Khadi and Village Industries Commission (KVIC) that fund cluster development programmes may formulate support schemes that encourage promoting responsible business behaviour. The public enterprise schemes should provide for the following:

- Enhanced contribution of funding agency: In cases where only a part of the funds required for implementing CDP is forthcoming, expected contribution from beneficiaries (cluster enterprises) should be moderated when the action plan provides for tackling SEE issues
- Longer duration of support: The duration of funding support to CDPs that focus on a combination of SEE issues and cluster competitiveness is to be at least one year more than what is otherwise the practice. For this is an effective promotional measure and it

reflects the need for relatively long term involvement needed to tackle SEE issues (for instance, bringing about a change in the mind-set of the cluster enterprises)

- Assistance to implementing agencies: The full funding of professional costs involved in planning and implementing CDPs encourages implementing agencies to commit top-notch professionals and devote necessary attention to successfully promoting socially responsible behaviour. It is therefore suggested that funding agencies should be more liberal in sanctioning management costs to be borne by the implementing agency. While funding the costs of professional staff, rates (person-day costs) higher than the prevailing levels, should be considered

6.3 Promotional schemes of Ministry of MSME

There are a variety of promotional schemes targeted at small enterprises and administered by the Directorate of MSME, Government of India. For instance, funding is available for individual participation in trade fairs abroad. Such schemes should be made more attractive for cluster enterprises which are rated high on BR compliance. For instance, price preference in procurement by the government and PSUs is already available to small enterprises. Mechanisms in terms of price preference (even moderate, say 5%) for procurement from socially responsible cluster enterprises are in order.

6.4 BR Credit

Carbon credits are available as a means of incentivising eco-friendly businesses. On similar lines, one should consider putting in place a system of offering credits to clusters or individual enterprises in a cluster to reflect their level of engagement with SEE issues. At the initial stage, it should be impractical to expect such credits to be traded like carbon credits. However, a beginning should be made by offering financial incentives by way of differential interest rates on commercial borrowings, increased level of grants for common facility centres and the like in exchange for BR credits.

Bureau of Energy Efficiency (BEE) has put in place a scheme called 'PAT' (perform, achieve, trade) which incentivises individual enterprises for reduction in energy consumption. It is proposed to give specific three-year energy reduction targets to companies (based on industry standards). Any company exceeding the benchmark would be issued energy saving certificates (ES-Certs) that should be traded in the market. As in the case of carbon credits, those not meeting targets would be required to purchase ES-Certs.

Offering such benefits presupposes formulation of 'BR index' and rating based on the same.

Incentivise BR agenda in cluster development programmes

Action Points

- Institute awards for MSME clusters for their involvement in BR activities
- Accord the status of 'preferred cluster' to clusters exhibiting high level of engagement with BR issues
- Design a system of financial benefits (tax deferrals, price preferences in procurement, etc.) for cluster enterprises
- Tweak the promotional schemes of the Ministry of MSME to make them more attractive for cluster enterprises engaging in tackling BR issues
- Put in place a system of offering credits, similar to carbon credits, to clusters or individual enterprises in a cluster to reflect their level of engagement with BR issues

7. Monitoring and Evaluation (M&E)

7.1 Introduction

M&E framework for cluster initiatives should ideally enable corrective action during the ongoing process and provide policy lessons to rework strategies at the cluster level and across the clusters for policy makers. For this purpose both quantitative and qualitative information needs to be duly considered: both have their own significance which complement each other. New tools need to be evolved that balance accountability with flexibility. Excessive focus on standardisation and uniformity for administrative convenience would come in the way of flexibility, which is so essential for a process-based approach to tackle issues, which is the hallmark of a CDP. By and large, the M&E process, should be superimposed on a three-year time frame in the following format:

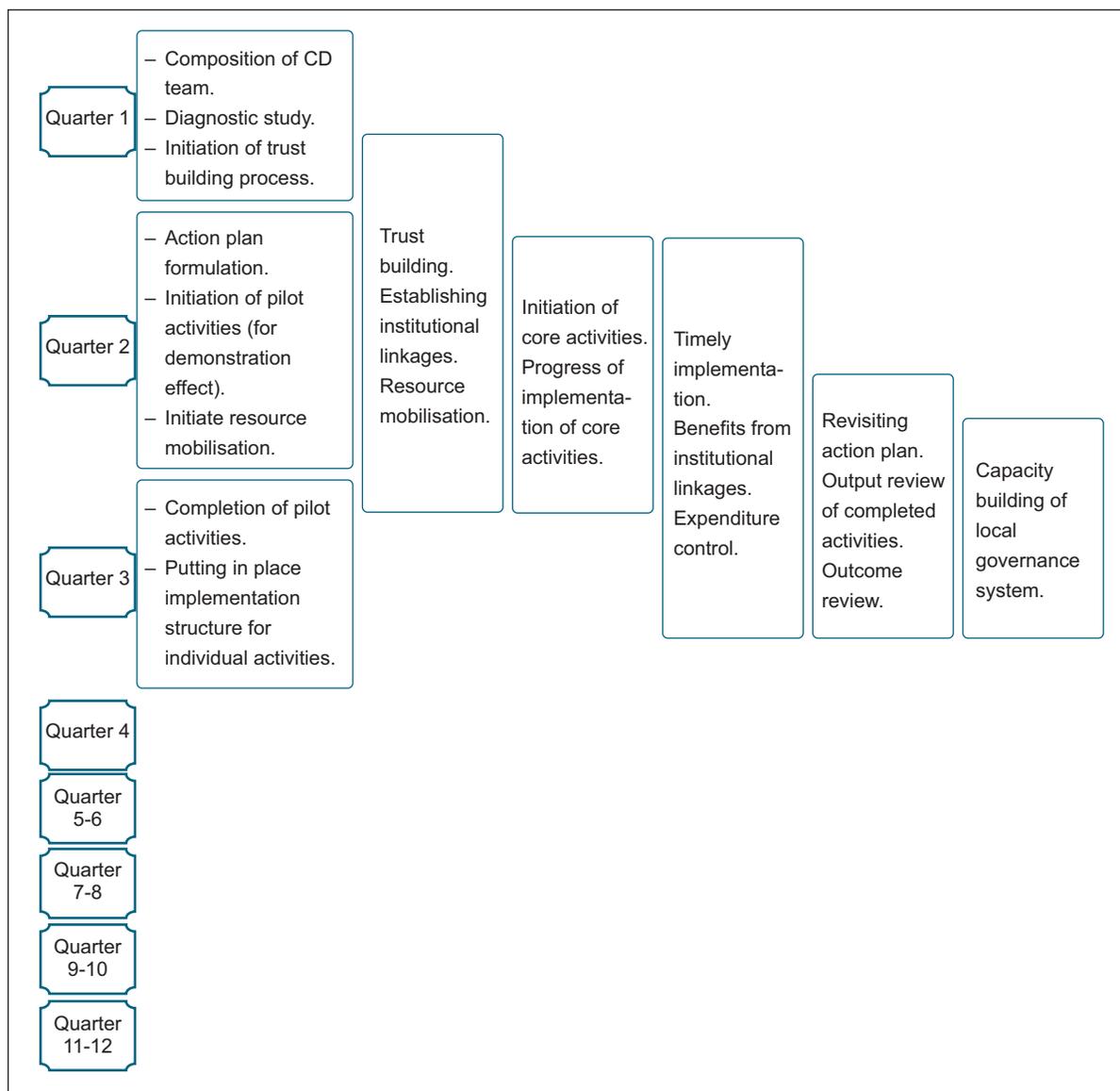


Figure 2.3 Activities to be monitored and evaluated in a three-year time frame

7.2 Levels of M&E

There are three broad levels at which M&E needs to capture information to undertake timely corrective measures. The lowest level is the cluster level, the second is the scheme/programme level and the third is the policy level.

7.2.1 At the cluster level, the results to be measured should be:

- Social benefits to the workforce, the community and the natural environment
- Enhanced sensitivity of cluster actors to social issues

- Their willingness and ability to initiate joint actions for a cleaner environment, better working conditions and for other SEE issues
- Effectiveness of institutional mechanisms created for or owned by the cluster actors for tackling SEE issues

With a view to assess the impact of social sector initiatives, a participatory evaluation process by the community members can be carried out. The entire process needs to be guided by an expert in the process and coordinated by a cross-section of graduate local stakeholders who speak the local language.

7.2.2 At the scheme/programme level, the results to be monitored should be:

- Impact on programme objectives
- Contribution by other agencies and the private sector
- Cluster-based M&E at the Ministry level
- Documentation and dissemination of learning
- Up-scaling

7.2.3 At the policy level M&E may be done based on the following criteria:

- What is the extent of synergy enhancement among various cluster initiatives both in terms of funding, information and knowledge flows among public and private institutions?
- What is the extent to which institutional capacity gaps have been bridged?
- What is the extent to which cluster initiatives have become private sector driven in terms of their management as well as funding of local development initiatives, which may be motivated by business potential and/or social responsibility factors
- How have the cluster initiatives met the diversity of objectives within the overall vision of inclusive development and growth? Regular ratings of clusters on various factors over a three-year time frame can help assess the progress or otherwise

8. Other national initiatives required to support BR

8.1 Redefining CD agenda

While focusing on enhancement of competitiveness as the central agenda of cluster development interventions, it is essential that all those concerned – funding agencies, Ministry of MSME and the like – include the SEE issue as an integral part of the agenda – for this creates an enabling provision for all concerned to focus on promoting socially responsible behaviour.

Thus the renewed agenda for cluster development should include labour standards, health and safety issues and working conditions²². These concerns are tied into the current debates about globalisation of international trade, global standards and corporate social responsibility. In addition to the requirements of specific national and international standards, local clustered producers often need to meet the specific codes of conduct of their individual buyers.

In certain sectors compliance with environmental standards may be important – such as textiles and horticulture. In other sectors labour standards are key – garments, toys and footwear for example. In some sectors it is a combination of environmental and social standards that must be met – as in horticulture.

The recast CD agenda calls for reorientation of the implementing agencies (IA). Hence, the guidelines for IAs must include:

- Diagnostic study: Apart from techno-commercial aspects, The IA and the CDA are required to identify SEE issues confronting the cluster and arrive at the intensity of the same as also the level of engagement. This should be based on the ESR score card, developed by UNIDO and other proposed indices
- At planning level: Those SEE issues which have a bearing on sustenance and growth of cluster enterprises must be addressed, if not generic social issues
- M&E: While monitoring the effectiveness of development initiatives, data on BR indicators is to be obtained and analysed. This is best carried out by the proposed cluster-level focal point. As a part of impact assessment of CDP, the IA must provide data on the level of engagement of cluster enterprises with SEE issues and compare the same with the level prevailing earlier when the diagnostic study was undertaken

8.2 Cluster knowledge base

8.2.1 Database – the initial step

A database related to SEE issues, arising out of cluster operations and linked to the commercial interests of cluster enterprises, as also generic social issues is in order. The database should accomplish the following objectives:

- Creating a body of knowledge on SEE issues as related to clusters
- Offering a formalised, dynamic and interactive learning structure
- Facilitating regular exchange of experiences, lessons learned and best practices related to BR engagement
- Offer a forum for discussions and debates on contemporary issues related to clusters' business responsibility

22 Khalid Nadvi and Stephanie Barrientos, 'Industrial Clusters And Poverty Reduction–Towards a methodology for poverty and social impact assessment of cluster development initiatives', Institute of Development Studies, United Kingdom in cooperation with staff of UNIDO's Small and Medium Enterprises Branch Vienna, 2004

There are already a few dedicated sites set up by EU (www.clusterobservatory.eu/), UNIDO Indian CD project (www.weplayfair.com), Foundation for MSME Clusters, Delhi ([phttp://clusterobservatory.in/index.ph](http://clusterobservatory.in/index.ph)), TCI Networks (<http://www.tci-network.org/tci/about> and others. There is a need for consolidation of dispersed information, regular updating and enhancement of the scope of coverage. With the Internet as the back bone for the database, many features should be incorporated, including knowledge exchange.

8.2.2 Knowledge exchange – a special feature

In recent times there have been many advances in IT, making it possible to create and maintain a virtual community, whose members are connected by means of information technologies, for sharing knowledge and technical expertise. This approach provides knowledge-on-demand to the members of the community. Many such communities are functional and have proved to be an important resource, given their informative value. One such initiative in the development sector is the ‘Solution Exchange’ web platform for exchange of knowledge and ideas, an experiment by the United Nations. It is proposed that such a knowledge exchange be created under the umbrella of a nationally known cluster development institution.

Normally formal communities are moderated so that messages are checked for suitability before being distributed to other members of the discussion group. Members either receive messages as they are sent, in a summarised form or as a compilation of messages (digest) from the moderator (Figure 2). However, in the majority of cases, the information sharing is limited to members of the community and is not available to all those who visit the parent web resource under which these groups operate.

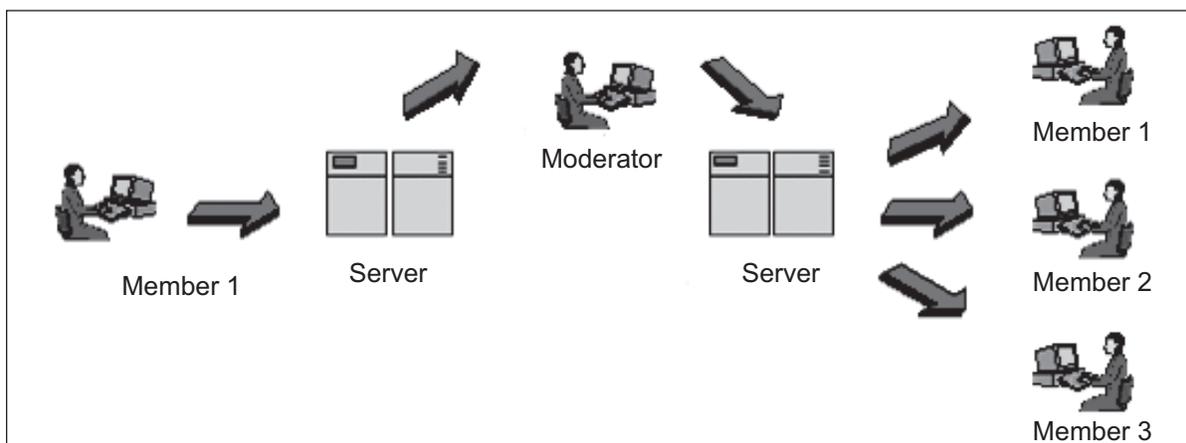


Figure 2.4 Moderated community for knowledge exchange

Providing moderated information compiled from exchanges between the experts on thematic areas to all those who visit the website is not a common practice. The site should also contain information classified as subject-problem-solution pertaining to a specific topic or a subject of interest, derived from valuable exchanges that have taken place among the community members. The end result of this process would be a knowledge base along with solutions to common problems so that there is no need to reinvent the wheel (Figure 2.4).

It is also necessary to create an automated mechanism which allows for adding new pages thematically and updating the links in the knowledge base with customisable looks to pages.

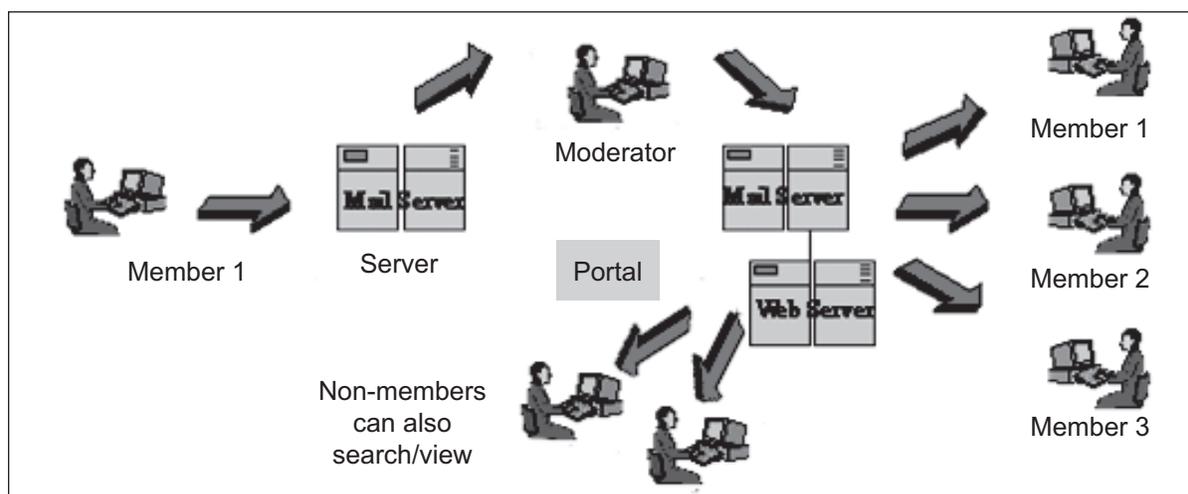


Figure 2.5 Moderated SME knowledge portal

To facilitate such interactions, a dedicated web portal should be put in place and updated regularly and managed by a national institution with experience in CD.

8.3 Resource centres

Strengthen selected cluster development agencies as national/regional resource centres

Currently there are a few national institutions with good standing and there are less than ten regional/state-level institutions engaged in a variety of CD initiatives. Most of them are focusing on a single-point agenda i.e., enhancing the competitiveness of the cluster. The following actions are proposed:

- Formulating schemes to re-skill cluster development professionals to promote socially responsible behaviour. Through a system of grants-in-aid, CD institutions are to be encouraged to follow a time-bound plan to upgrade their human resources. Availability of such trained manpower should then be made a prerequisite for such institutions (including programme implementing agencies) to receive funding support for CD activities
- Enhancing the pool of implementing institutions: In order to ensure quality of cluster initiatives, it is suggested that at least 8–10 national and 25–30 regional institutions be groomed to support the implementation of cluster-based development initiatives. Such institutions need not be created afresh, but should ideally be drawn from among those institutions which have a previous track record in development initiatives, whether from the public or the private sector. An experienced apex institution should be assigned the task of identifying and grooming such new institutions

- ‘Twinning’: As a part of inducting and grooming new institutions to support CD-BR initiatives, an experienced institution may be ‘twinned’ with upcoming institutions to facilitate learning. Such an arrangement could be encouraged through a new scheme or through amendments to existing schemes that support capacity building
- The phenomenon of planned intervention for cluster development is a recent one. More so in the case with facilitating socially responsible behaviour. Thus, a knowledge base in the Indian context and based on Indian experiences needs to be built and strengthened. This calls for support from development finance institutions as also the concerned ministries by way of:
 - a) Identifying research agenda
 - b) Funding selected ‘action research’ projects
 - c) Encouraging academia through an appropriate system of recognition for research contributions that throw light on pursuing the ‘twin agenda’
 - d) Instituting professorial chairs to encourage inter-disciplinary work

8.4 Develop a cadre of human resources to initiative cluster development

8.4.1 Cluster development agent/executive

A conventional approach to cluster development needs multi-dimensional experience keeping in view the focus on promoting joint actions to enhance competitiveness. Adding BR dimension to this makes the process still more delicate and complex. The backbone of any CD initiative is the facilitator, called either as cluster development agent/executive (CDA/CDE) in India or cluster broker as is better known internationally. The human resources available in this domain of expertise are scarce and need to be augmented. Apex institutions like Entrepreneurship Development Institute of India (www.ediindia.org) regularly organise training programmes for potential CDAs. However, such programmes are clearly biased towards enhancing competitiveness of clusters. The following are suggested:

- Re-training of experienced CDAs to equip them with necessary skills for pursuing the ‘twin agenda’.
- Redesigning the CDA training programmes to provide for inclusion of ESR-related inputs

Training institutions, as also relevant funding agencies, are required to act on the above.

8.4.2 ‘Clusterpreneurs’²³

Different individuals and organisations hold different competencies and their usefulness for a cluster may vary during the course of the cluster life cycle. However, there should be an individual, possibly one of the senior entrepreneurs within the cluster emerging as a ‘clusterpreneur’,

²³ Andersson et al., The Cluster Policies Whitebook, 2004

applying an entrepreneurial approach to the development process. For successful clustering, these individuals may, however, need to combine multiple competencies, such as being visionary, facilitative, analytical and excelling in networking. A cluster entrepreneur, or 'clusterpreneur', should typically fulfil the following roles:

- Encourage synergies and build consensus, maintain the balance of achieving short vs. long-term benefits and focus on concrete action plans for specific cluster initiatives
- Being a cluster engineer, this individual takes on the role of a broker – coupling enterprises with enterprises, enterprises with universities, and government agencies with cluster initiative members, on a continuous basis

Implementing agencies should take steps to identify such a person in the cluster and involve him/her right from the stage of preparing the diagnostic study. Funding agencies, as also national resource agencies, should support such 'clusterpreneurs' for building their capacities through a variety of means such as workshops and exchange visits.

8.5 Rating system to promote BR engagement

Promoting BR compliance calls for the following:

- Develop BR index, reflecting the variety and intensity of issues
- Formulate tools to measure compliance
- Accordingly develop a system of rating clusters
- Link promotional measures to the rating

More and more indices to measure and monitor aspects of economic and social life in different countries have been introduced and are now widely used²⁴. One of the first such indices, allowing an international comparison by several organisations, was the Human Development Index of UNDP. Other indices were constructed by academics and consultants in order to measure international competitiveness (e.g., IMD, 2004), economic freedom (Heritage Foundation, 2004), corruption (e.g., for Asia: Political and Economic Risk Consultancy, 2001), etc. Yet, no such index has been proposed to measure social development vis-à-vis the benchmark of international social standards. By setting up recommendations and conventions, ILO promotes an international environment for labour and labour conditions, which is in accordance with specified international standards. This intends to create a level playing field with regard to social competition among nations. Eight fundamental standards of the rights of human beings at the working place have been identified. These standards have to be complied with, irrespective of the levels of development of individual member states, and are called core labour standards. These core labour standards are:

²⁴ Ludo Cuyvers and Daniel Van Den Bulcke, 'The quantification of respect for selected core labour standards: towards a social development index?', Working Paper No. 71, International Labour Office, Geneva July 2005

- Freedom of Association and Protection of the Right to Organise Convention, 1948
- Right to Organise and Collective Bargaining Convention, 1949
- Forced Labour Convention, 1930
- Abolition of Forced Labour Convention, 1957
- Discrimination (Employment and Occupation) Convention, 1958
- Equal Remuneration Convention, 1951
- Minimum Age Convention, 1973
- Worst Forms of Child Labour Convention, 1999

Thus, to start with, it is essential that an index, reflecting various parameters to signify the BR standard in clusters, be formulated along with an index for reflecting the economic importance of the cluster. Such an index can be formulated on the lines of the Comprehensive Environmental Pollution Index (CEPI) developed by the Central Pollution Control Board. The index captures the various health dimensions of environment, including air, water and land. The present CEPI is intended to act as an early warning tool which is handy to use. It can help in categorising the industrial clusters/areas in terms of priority of planning needs for interventions.

8.6 Sectoral BR guidelines

The nature and intensity of SEE issues are by and large sector-specific. For instance, the level of pollutants emitted from a given production activity could be acceptable for a given sub-sector but cannot be generalised across the sectors. The same is the case with energy consumption. Tackling energy related issues may lead to reduction in air pollution in some sub-sectors but not in others. Further, certain social issues may be more pronounced in certain sectors. For instance, the issue of child labour is more pronounced in fireworks manufacturing. Thus, the prevalence and intensity of SEE issues are sector-specific. Within a given sub-sector, the measure for a particular BR parameter should vary depending on the technology level. For instance, the standard for energy consumption of a cupola should be different from the one for an induction furnace. It is therefore necessary to provide guidelines and benchmarks (based on best practices) as applicable to a given sub-sector and a given level of technology. This has to be accomplished through the involvement of sector-specific BMOs as also specialised institutions. For example, the Indian Institute of Foundrymen (IIF) can join hands with Bureau of Energy Efficiency (BEE) and possibly with The Energy and Resources Institute (TERI), to draft guidelines related to energy usage in the foundry sector.

The guidelines have to be applied to rate clusters on their BR response as a prerequisite for incentivising them.

The task can be best be accomplished by sectoral BMOs on their own initiative. If this does not happen, the relevant Central ministries have to take the lead to prompt sectoral BMOs to undertake such initiatives. For instance, CPCB has to prompt IIF to develop such guidelines.

However, the process has to be consultative in the sense that while the sectoral BMO has to take the lead, SMEs that are required to follow the guidelines are to be involved.

8.7 Coordinated approach to funding CD initiatives:

8.7.1 Why coordinate?

As of now, development funding institutions such as SIDBI, KVIC and the Directorate of MSME individually offer support to CDP based on the proposals received from potential implementing agencies. At times, within a given institution, there are serious efforts made to coordinate such funding through a national plan extending to about three years. The support provided by Directorate of Handlooms and Handicrafts is a case in point. Irrespective of the extent of BR agenda in cluster development, it is advantageous to follow a coordinated approach for the following reasons:

- Irrespective of who is funding a given CDP, financial resources should be directed to the most promising clusters, those where there are serious BR issues to be tackled, and where, at the same time, the cluster enterprises stand to gain economically. When one funding agency is unable to support a particular CDP due to limitations of mandate or its priorities, it is possible that another agency should come forward. This is possible in a situation where there is a coordination mechanism in place
- A shift in the development approach from being 'responsive' to being 'proactive' is possible. The funding institutions need not wait for a proposal to be initiated by a potential implementing agency. On its own and at regular intervals, the institution can, within its mandate and based on its priorities, identify clusters and encourage potential implementing agencies to come forward with necessary proposals for support. When there is coordination among funding agencies, this task of identifying clusters for support becomes relatively easy and effective, given the representation of various economic sector and social sector actors
- Reach vs. concentration of resources: In order to have substantive and measurable results, it is desirable that resources be focused on certain pockets – promising ones to begin with. When two or more clusters within, say, a given district are selected for intervention, it is lot easier and more cost-effective to offer support (for instance, technical experts) and monitor initiatives
- Being aware on the focus, extent and nature of funding support available from social sector departments helps the economic sector departments to dovetail their CD proposals accordingly. This creates a 'win-win' situation where the latter are able to direct their resources for result-oriented activities and the former can raise additional resources

8.7.2 Approach to achieve coordination

Once or twice in year, the national funding agencies should meet under the banner of the proposed national focal point. This should be preceded by inviting/accepting proposals from potential implementing agencies seeking support for specific CDPs in pre-identified clusters. During the meet, various funding agencies/departments may share the proposals which they have received as also information regarding the clusters in which they are interested, but for which no proposal is forthcoming. Further, social sector departments or ministries not engaged directly in cluster development should share their priorities and also indicate the extent of funding support available. Such deliberations, along with the inputs sought from state focal points should be the guiding force for decisions on fund allocation.

Other national initiatives

Action points

- As part of all promotional measures, redefine CDP agendas to include development of socially responsible behaviour among cluster enterprises
- Facilitate development of a comprehensive and interactive cluster knowledge base
- Strengthen selected cluster development agencies to become resource centres
- Develop a cadre of human resource persons to energise cluster development
- Develop a BR index, reflecting variety and intensity of issues and formulate tools to measure compliance
- Accordingly, develop a system of rating clusters
- Link promotional measures to the rating system
- At national and state levels, follow a coordinated approach to funding CD initiatives through the proposed national focal point and its counterparts at the state level

Relevant Social Sector Schemes that are Applicable in MSME Clusters

Sr. No.	Name of Scheme	Objective/focus of the scheme
Ministry of Woman and Child Development		
1.	Employment-cum-income Generating Unit for Women (NORAD) www.wcd.nic.in/rus15.htm http://planningcommission.nic.in/plans/annualplan/ap2021pdf/ap2021ch5-6-1.pdf	Formulation and documentation of projects Provide tie-up of marketing arrangements Providing skills, management and training
2.	SWAYAMSIDHA (IWEP)- Integrated scheme for women's empowerment (IWEP) www.wcd.nic.in/iwepdraft.htm	Establishment of self-reliant women's Self-Help Groups (SHGs); Women will be encouraged to form groups according to their socio-economic status and felt needs, after which they will network with other groups. In addition to empowering SHG members per se, by federating and networking strong pressure groups for women's empowerment/rights will be formed. Creation of confidence and awareness among members of SHGs regarding women's status, health, nutrition, education, sanitation and hygiene, legal rights, economic upliftment and other social, economic and political issues. Strengthening and institutionalising the savings habit in rural women and their control over economic resources. Improving access of women to micro-credit. Involvement of women in local-level planning. Convergence of different agencies for women's empowerment and integrated projects accessing delivery of different schemes from a single window. Inculcating a subsidy-free approach to women's empowerment.

Sr. No.	Name of Scheme	Objective/focus of the scheme
3	<p>General Grant-in-Aid Scheme for Assistance to NGOs/Voluntary Organisations</p> <p>http://labour.nic.in/cwl/Grant-In-Aid.pdf</p> <p>www.wcd.nic.in/us9.html#b9</p>	<p>To prohibit child labour in hazardous employment and regulate their working conditions in other employment/occupations.</p> <p>To formulate income generating schemes and other action projects for women labour.</p>
4	<p>Support to training and employment programme for women (STEP)</p> <p>www.wcd.nic.in/rti_step.pdf</p> <p>http://www.wcd.nic.in/rti_stepenclosure1.pdf</p> <p>http://www.wcd.nic.in/rti_stepenclosure2.pdf</p>	<p>To mobilise women in small viable groups and make facilities available and access to credit.</p> <p>Provide training for skill upgradation, enable groups of women to take up employment-cum-income generation programmes by providing backward and forward linkages.</p> <p>Provide support services for further improving training and employment conditions for women.</p>
5.	<p>Crèche & Hostel, for working women</p> <p>www.wcd.nic.in/us12.html</p>	<p>To provide accommodation for single working women, unmarried, widows, divorced, separated, married when husband is out of town:</p> <p>Accommodation to women who are being trained for employment provided the training period does not exceed one year.</p> <p>The number of working women falling in this category should not be more than 30% of the total number of women in the hostel. Accommodation to the girl students for a period of five years on the condition that first preference will be given to working women only. In case of any vacancies accommodation will be provided to the students also but amongst them, preference will be given to those studying in post-school professional courses.</p> <p>The category of women who are being trained for employment and the girl students together should not be more than 30% of the total number of women in hostels.</p>

Sr. No.	Name of Scheme	Objective/focus of the scheme
6.	Rashtriya Mahila Kosh (RMK) www.wcd.nic.in/ar2007/English/Chapter/ch11.pdf	<p>RMK extends micro-finance services through a client friendly, without collateral and hassle-free loaning for livelihood activities, housing, micro-enterprises, family needs, etc.</p> <p>RMK has also taken a number of promotional measures to popularise the concept of micro financing, thrift credit, formation and stabilisation of Self Help Groups (SHGs) and also enterprise development for poor women.</p>
7.	Scheme of Assistance to Voluntary Agencies for Early Childhood Education for 3–6 Age Group Children www.wcd.nic.in/us17.html	<p>A significant start will be made for the development of early childhood education (ECE) for the first generation learning families in backward areas.</p> <p>First programmes of training of ECE teachers and early childhood education centres as adjuncts of primary/middle schools will be started under the State Sector of Plan.</p> <p>Secondly, UNICEF has agreed to extend assistance for the development of ECE programmes in 11 states during the 1981–83 period of Master Plan of Operation. Significant inputs have been offered by UNICEF on workshop/seminars for developing and producing training materials, orienting administrative and supervisory personnel, providing short-term training of early childhood educators and supplying play materials and equipment of a selected number of ECE centres in each of the 11 states.</p>
8.	National crèche fund scheme, 1994 www.wcd.nic.in/childdet.htm	<p>To meet the growing demands for crèches and to provide day care facilities to the children in the age group of 0–5 years.</p>

Sr. No.	Name of Scheme	Objective/focus of the scheme
9.	Gender Budgeting Scheme http://wcd.nic.in/schemes/gbscheme.pdf	<p>To initiate an integrated approach and guide the Gender Budgeting Cells (GBCs) setup by different Central Ministries/Departments by disseminating the concept, tools and strategy of gender budgeting.</p> <p>To coordinate and monitor gender budgeting exercises of GBCs and facilitate gender budgeting analysis.</p> <p>To organise workshops to facilitate capacity building and training for various stakeholders including officials of Central and State Governments, PSUs, corporate sector, Panchayati Raj Institutions (PRIs) and NGOs, etc.</p> <p>To provide assistance to develop training modules/packages, training material and information booklets and manuals for gender budgeting for all stakeholders</p> <p>To encourage State Governments and PRIs in evolving plans and strategies for undertaking gender budgeting by providing assistance, support and consultancy services for organising workshops, seminars, training programmes, etc.</p> <p>To provide assistance to support research studies, surveys, etc. to research institutes, NGOs, etc. for gender budgeting.</p> <p>To pilot action on gender sensitive review of national policies such as fiscal, monetary, environment, trade etc.</p> <p>To pilot action on gender review and gender audit of important legislations</p> <p>Guide and undertake collection of gender disaggregated data.</p> <p>Conduct gender based impact analysis, beneficiary needs assessment and beneficiary incidence analysis</p> <p>Collate and promote best practices on gender budgeting.</p>
10.	Scheme for welfare of working children in need of care and protection http://wcd.nic.in/schemes/workchild.pdf	Provision of opportunities including non-formal education, vocational training, etc., to working children to facilitate their entry/re-entry into mainstream education in cases where they have either not attended any learning system or where for some reasons their education has been discontinued, with a view to preventing their continued or future exploitation.

Sr. No.	Name of Scheme	Objective/focus of the scheme
11.	Balika Samridhi Yojana http://wcdhry.gov.in/balika_samridhi_yojana.htm	<p>To change negative family and community attitudes towards the girl child at birth and towards her mother.</p> <p>To improve enrolment and retention of girl children in schools.</p> <p>To raise the marriage age of girls.</p> <p>To assist the girl to undertake income generating activities.</p>
12.	Kishori Shakti Yojana http://wcd.nic.in/KSY/ksyintro.htm	<p>To improve the nutritional, health and development status of adolescent girls, promote awareness of health, hygiene, nutrition and family care.</p> <p>Link them to opportunities for learning life skills, going back to school, help them gain a better understanding of their social environment and take initiatives to become productive members of the society.</p>
13.	Integrated child development services scheme http://wcd.nic.in/icds.htm	<p>To improve the nutritional and health status of children in the age-group 0–6 years.</p> <p>To lay the foundation for proper psychological, physical and social development of the child.</p> <p>To reduce the incidence of mortality, morbidity, malnutrition and school dropout.</p> <p>To achieve effective coordination of policy and implementation amongst the various departments to promote child development.</p> <p>To enhance the capability of the mother to look after the normal health and nutritional needs of the child through proper nutrition and health education.</p>
Central Social Welfare Board		
14.	Working women's hostel scheme www.wcd.nic.in/cswb1.htm#Support	To provide assistance to organisations to enable them to provide safe and secure hostel facilities for working women.
15.	Crèches (Rajiv Gandhi National creche scheme for the children) www.wcd.nic.in/cswb1.htm#Support	<p>Provide assistance to NGOs for running crèches for infants (0–6 years).</p> <p>Provide assistance to ensure sleeping facilities, health care, supplementary nutrition, immunisation, etc., for running a creche for 25 infants for eight hours i.e., from 9:00 am to 5:00 pm.</p>

Sr. No.	Name of Scheme	Objective/focus of the scheme
Small Industries Development Bank of India (SIDBI)		
16.	Mahila Vikas Nidhi (MVN) (Enterprise Promotion) http://www.sidbi.in/MVN.ASP http://www.smallindustryindia.com/schemes/tread.html	MVN is SIDBI's specially designed fund for economic development of women, especially the rural poor, by providing them avenues for training and employment opportunities.
17.	Micro Credit Scheme (Entrepreneur Development) http://www.smallindustryindia.com/schemes/microfinance.htm http://www.sidbi.in/Micro/index.htm	To create a national network of strong, viable and sustainable Micro Finance Institutions (MFIs) from the informal and formal financial sector to provide micro finance services to the poor, especially women. To support and promote men and women of low-income families to develop micro enterprises through entrepreneurship development to create employment and income generating opportunities to reduce poverty.
18.	Scheme for Energy Saving in MSMEs http://www.smeforum.in/index.php?option=com_content&view=article&id=171:sidbi-financing-scheme-for-energy-saving-projects-in-msme-sector&catid=36:across-the-globe&Itemid=110	The Japan International Cooperation Agency (JICA) has extended a Line of Credit to Small Industries Development Bank of India (SIDBI) for financing energy saving projects in Micro, Small and Medium Enterprises (MSMEs) Sector. The project is expected to encourage MSME units to undertake energy saving investments in plant and machinery/production process to reduce energy consumption, enhance energy efficiency, reduce CO ₂ emissions and improve profitability in the long run.
Ministry of Youth Affairs & Sports		
19.	Scheme for Assistance to Youth Club www.yas.nic.in/yasroot/schemes/clubs.html http://goicharters.nic.in/youthaffairs.htm	In order to enable youth to mobilise themselves for their own as well as the community's welfare.
Ministry of Social Justice and Empowerment		

Sr. No.	Name of Scheme	Objective/focus of the scheme
20.	Scheme for Grant-in-Aid to Voluntary Organisations Working for Scheduled Castes http://www.socialjustice.nic.in/ngosch1.pdf	The main objective behind the scheme is to involve the voluntary sector and training institutions of repute to improve educational and socio-economic conditions of the target group i.e., Scheduled Castes with a view to upgrade skills to enable them to start income generating activities on their own or get gainfully employed.
21.	Assistance to NGOs working for SC ST & OBC http://www.socialjustice.nic.in/obcngosch.pdf	To involve the voluntary sector to improve educational and socio-economic conditions of the target group, with a view to upgrade skill to enable them to start income generating activities on their own.
22.	Scheme of Assistance for the Prevention of Alcoholism & Substance (Drugs) Abuse http://www.socialjustice.nic.in/drugsabuse.pdf	<p>To support activities of non-governmental organisations, working in the areas of prevention of addiction and rehabilitation of addicts.</p> <p>Create awareness and educating the people about the ill-effects of alcoholism and substance abuse on the individual, the family and society at large.</p> <p>Develop culture-specific models for the prevention of addiction and treatment and rehabilitation of addicts.</p> <p>To evolve and provide a whole range of community based services for the identification, motivation, detoxification, counselling, after care and rehabilitation of addicts.</p> <p>To promote community participation and public cooperation in the reduction of demand for dependence-producing substances, collective initiatives and self-help endeavours among individuals and groups vulnerable to addiction and considered at risk.</p> <p>To establish appropriate linkages between voluntary agencies working in the field of addiction and government organisations.</p>

Sr. No.	Name of Scheme	Objective/focus of the scheme
23.	<p>Income Generating Programmes for the Disabled</p> <p>http://www.karmayog.org/library/libartdis.asp?r=152&libid=128</p>	<p>Promote economic development activities and self-employment ventures for the benefit of persons with disability.</p> <p>Extend loan to persons with disability for upgradation of their entrepreneurial skill for proper and efficient management of self-employment ventures.</p> <p>Extend loan to persons with disability for pursuing professional/technical education leading to vocational rehabilitation/self-employment.</p> <p>To assist self-employed individuals with disability in marketing their finished goods.</p>
24.	<p>Scheme of assistance to disabled persons for purchase of Aids/ Appliances</p> <p>http://www.socialjustice.nic.in/adipmain.php</p>	<p>To assist needy disabled persons in procuring durable, sophisticated and scientifically manufactured, modern, standard aids and appliances that can promote their physical, social and psychological rehabilitation, by reducing the effects of disabilities and enhance their economic potential.</p>
25.	<p>Deendayal Disabled Rehabilitation Scheme to promote Voluntary Action for Persons with Disabilities (Revised DDRS Scheme)</p> <p>http://www.socialjustice.nic.in/ddrs.php</p>	<p>To create an enabling environment to ensure equal opportunities, equity, social justice and empowerment of persons with disabilities.</p> <p>To encourage voluntary action for ensuring effective implementation of the People with Disabilities (Equal Opportunities and Protection of Rights) Act of 1995.</p>
26.	<p>Integrated Programme for Older Persons</p> <p>http://www.socialjustice.nic.in/ipop.php</p>	<p>To improve the quality of life of the elderly by providing basic amenities like shelter, food, medical care and entertainment opportunities and by encouraging productive and active ageing by providing support for capacity building of Government/Non-Governmental Organisations/Panchayati Raj Institutions/local bodies and the community at large.</p>
Department of Elementary Education and Literacy, and Department of Secondary and Higher Education, Ministry of Human Resource Development		
27.	<p>Integrated Education for Disabled Children (IEDC)</p> <p>http://www.education.nic.in/iedc_sch_draft.asp</p>	<p>To educate students with disabilities in accordance with the principles of inclusive education by incorporating the 'social model of disability' – the scheme aims to create an environment that respects and values diversities and attempts to increase enrolment, retention and achievement of students with disabilities in general education/regular schools.</p>

Sr. No.	Name of Scheme	Objective/focus of the scheme
28.	<p>Scheme of Support to Voluntary Agencies for Adult Education and Skill Development</p> <p>http://education.nic.in/MHRD.pdf</p>	<p>To improve the occupational skills and technical knowledge of neo-literates and trainees and to raise their efficiency and increase productive ability.</p> <p>To provide academic and technical resource support to zilla saksharata samities in taking up vocational and skill development programmes for neo-literates in both urban and rural areas.</p> <p>To serve as nodal continuing education centres.</p> <p>To organise training and orientation courses for key resource persons, master trainers on designing, development and implementation of skill development programmes.</p> <p>To organise equivalency programmes through 'open' learning systems.</p> <p>To widen the range of knowledge and understanding of the social, economic and political systems.</p> <p>To promote national goals such as secularism, national integration, population, etc.</p>
29.	<p>Environmental Orientation to School Education</p> <p>http://www.iesglobal.org/environmental-orientation.htm</p>	<p>To promote experimentation and innovation, and to complement in diverse ways the goals spelt out in NPE-86 and NCF-2005 for creating environmental consciousness and related behavioural practices among students.</p> <p>Some of the activities envisaged under the scheme are:</p> <p>Encouraging and undertaking curriculum enrichment projects in the area of environment, including making environmental education an integral part of curriculum in school education, leading to development of local-specific teaching-learning materials (e.g., brochures, posters, maps, charts, art and artifacts, models, audio and video materials as well as CDs and websites), organisation of exhibitions, literary gatherings, dramas, debates and discussions, dances, film shows, street-plays, melas and other such activities including those which the panchayats may suggest. Action research/experimental/innovative activities, including activities aimed at generating good primary data on local environmental parameters wherever necessary involving the panchayats.</p>

Sr. No.	Name of Scheme	Objective/focus of the scheme
30.	Scheme on Non-Formal Education http://www.education.nic.in/cd50years/r/2P/8R/2P8R0301.htm	<p>The broad aim of the scheme is to effectively involve voluntary agencies, public trusts, non-profit making companies, social activist groups etc., in the implementation of non-formal education programme for elementary age-group children.</p> <p>There are two types of non-formal centres: one run under SSA, and the other under the National Child Labour Project (NCLP). Under both the schemes, NGOs run the centres with funding from the government.</p>
Ministry of Development of North Eastern Region		
31.	Capacity Building and Technical Assistance http://mdoner.gov.in/index2.asp?sid=263	<p>To provide employable skills to the youth of the region, entrepreneurial skills, competencies that will enable them to become self-employed, organise job fairs within and outside the region, disseminate information and counseling on options relating to career, education including vocational and technical education, both in physical and electronic form, assist in surveys, evaluation in the field of skills and competencies, assist institutions/organisations in the public/private/non-profit/joint sector who can assist in testing of competency levels and certification so as to enhance employability especially in the unorganised sector, assist in providing any other specialised inputs required for human resource development for building of skills and capacities in any sector that is critical for the development of the region, provide technical assistance for development of human resources and capacity building. Emphasis of the scheme will be on actual delivery of skills and not only on sensitisation or advocacy.</p>
National Minorities Development and Finance Corporation		
32.	Educational Loan Scheme http://www.nmdfc.org/schems&prog.html http://www.nmdfc.org/refer_manuals11.html	<p>To facilitate job-oriented education amongst the weaker sections of Minorities.</p>
Ministry of Environment and Forests		

Sr. No.	Name of Scheme	Objective/focus of the scheme
33.	Industrial Pollution Abatement through Preventive Strategies http://moef.gov.in/report/0910/Annual_Report_ENG_0910.pdf#page=5	<p>To assist the primary small units and some medium scale units who do not have access to the requisite technical expertise to achieve waste minimisation but excludes procurement of equipment and hardware. Establishing and running Waste Minimisation Circles (WMCs) in clusters of small & medium industries. Capacity building in the area of waste minimisation/cleaner production through training. Waste minimisation demonstration studies in selected industrial sectors. Preparation of sector specific technical manuals on waste reduction, reuse and recycling.</p> <p>Awareness programmes and preparation of compendium of success stories on cleaner production/waste minimisation.</p>
34.	Common Effluent Treatment Plants (CETP) http://envfor.nic.in/funding/chap2.pdf	<p>To encourage use of new technologies for CETPs for existing units in SSI clusters, a scheme for financial assistance has been formulated. This promotional scheme is being instituted and will be implemented during the Tenth Five Year Plan.</p> <p>To reduce the treatment cost to be borne by an individual member SSI to a minimum while protecting the water environment to a maximum. Wastewater treatment and water conservation are the prime objectives of the CETP.</p>
35.	Clean Technologies http://moef.gov.in/report/0910/Annual_Report_ENG_0910.pdf#page=5	<p>To develop and promote programmes for clean technologies.</p> <p>To develop tools and techniques for prevention of pollution.</p> <p>To formulate strategies and programmes in sustainable development.</p>
36.	GRANT-IN-AID for Greening India http://envfor.nic.in/funding/chap3.pdf	<p>To create an enabling environment through capacity building at various levels for tree planting, and production and use of quality planting material.</p> <p>To make available quality planting material by establishment of high tech nurseries.</p> <p>To create awareness amongst people for improved technology of tree planting and use of quality planting material.</p> <p>To develop and facilitate linkages between production systems of quality planting material and user groups.</p> <p>To contribute towards increase in tree cover in the country by focusing on non-forest lands.</p>

Annex II

Illustrative List of Central Ministries, State Departments and Autonomous Bodies that can be Engaged in the Process of Cluster Development

	Central government	State government	Autonomous bodies
	Labour (including women, child, health and safety at work place, drug abuse etc.)		
1	<ul style="list-style-type: none"> • Ministry of Labour And Employment • Ministry of Social Justice and Empowerment • Ministry of Woman and Child Development • Ministry of Health and Family Welfare 	<ul style="list-style-type: none"> • Department of School Education, Andhra Pradesh (Child Labour) • Labour Employment and Training Department, Andaman & Nicobar • Labour Resources (Employment and Training) Department, Bihar • Rural Development Department, Bihar • Labour Department, Delhi • Labour and Employment Department, Gujarat • Labour Department, Haryana • Labour and Employment Department, Himachal Pradesh • Labour and Employment Department, Jammu and Kashmir • Labour Department, Karnataka • Labour, Employment and Training and Rehabilitation Department, Kerala • Labour Department, Madhya Pradesh • Labour and Employment, Puducherry • Department of Labour, Punjab • Labour Department, Rajasthan • Labour and Employment Department, Tamil Nadu • Social Welfare Department, Delhi 	<ul style="list-style-type: none"> • Employees State Insurance Corporation (ESIC) • Employees State Insurance Corporation, Kerala • V. V. Giri National Labour Institute (VVGNI) • National Institute of Social Defence (NISD)

	Central government	State government	Autonomous bodies
Employment (rural and urban)			
2	<ul style="list-style-type: none"> Ministry of Labour and Employment Ministry of Urban Development 	<ul style="list-style-type: none"> Labour Resources (Employment and Training) Department, Bihar Department of Rural Development, Goa Rural Development Department, Gujarat Employment Department, Haryana Rural Development Department, Haryana Labour and Employment Department, Himachal Pradesh Urban Development Department, Himachal Pradesh Labour and Employment Department, Jammu and Kashmir Labour and Employment, Puducherry Department of Employment and Labour, Punjab Employment Department, Rajasthan Labour and Employment Department, Tamil Nadu Rural Development, Tripura Rural Development, Uttarakhand Rural Development Department, Uttar Pradesh 	<ul style="list-style-type: none"> National Institute for Entrepreneurship and Small Business Development (NIESBUD) National Institute for Micro, Small and Medium Enterprises Nehru Yuva Kendra Sangathan Youth Informatics (Employment) Repatriates Cooperative Finance and Development Bank Limited
Minorities			
3	<ul style="list-style-type: none"> Ministry of Minority Affairs Ministry of Development of North Eastern Region Ministry of Woman and Child Development, Department of Bio Technology 	<ul style="list-style-type: none"> Tribal Welfare Department, Andhra Pradesh Tribal Welfare Department, Andaman & Nicobar Minority Welfare Department, Bihar Social Welfare Department, Bihar Department of Social Welfare, Goa Tribal Development Department, Gujarat Social Justice and Empowerment Department, Himachal Pradesh Backward Classes Department, Karnataka Minorities and Other Backward Classes Department, Manipur Social Welfare Department, Meghalaya Social Welfare Department, Mizoram Backward Classes Most Backward Classes and Minorities Welfare Department, Tamil Nadu Backward Class Welfare Department, Uttar Pradesh 	<ul style="list-style-type: none"> North Eastern Development Finance Corporation (NEDFI) North East India Data Bank National Minority Development Finance Corporation Maulana Azad Education Foundation

	Central government	State government	Autonomous bodies
Environment			
4	<ul style="list-style-type: none"> • Ministry of Environment and Forests • Ministry of MSME. 	<ul style="list-style-type: none"> • Environment Forest Science and Technology Department, Andhra Pradesh • Environment and Forest Department, Andaman & Nicobar • Environment and Forest Department, Assam • Environment and Forest Department, Bihar • Environment Department, Chandigarh • Forest Department, Chhattisgarh • Environment Department, Delhi • Forest Department, Goa • Forest and Environment Department, Gujarat • Environment Department, Haryana • Forest Department, Haryana • Environment Science and Technology Department, Himachal Pradesh • Forest Department, Himachal Pradesh • Forest and Environment Department, Jharkhand • Forest Department, Karnataka • Forest and Wild Life Department, Kerala • Environment and Forest Department, Manipur • Forests and Environment Department, Meghalaya • Forest and Wild Life Department, Puducherry • Department of Science, Technology and Environment, Puducherry • Environment and Forests Department, Tamil Nadu • Department of Forest, Tripura • Forest Department, Uttar Pradesh 	<ul style="list-style-type: none"> • C. P. Ramaswamy Ayar Environmental Education Centre (CPREEC) • Govind Ballabh Pant Institute of Himalayan Environment and Development (GBPIHED) • Indian Council of Forestry Research and Education (ICFRE) • Indian Institute of Forest Management (IIFM) • Indian Plywood Industries Research and Training Institute (IPIRTI) • MMCC

	Central government	State government	Autonomous bodies
Health (Worker and Community)			
5	<ul style="list-style-type: none"> Ministry of Health and Family Welfare 	<ul style="list-style-type: none"> Health Medical and Family Welfare Department, Andhra Pradesh Health Department, Andaman & Nicobar Health and Family Department, Bihar Health and Family Welfare Department, Chhattisgarh Health and Family Welfare Department, Gujarat Health Department, Haryana Health and Family Welfare Departments, Himachal Pradesh Health and Family Welfare Department, Jammu and Kashmir Health and Family Welfare Department, Karnataka Health and Family Welfare Department, Kerala Medical & Health Services Department, Lakshadweep Health Services Department, Manipur Department of Health & Family Welfare Department, Orissa Medical Health & Family Welfare Department, Rajasthan Health Care, Human Services & Family Welfare Department, Rajasthan Environment and Forests Department, Tamil Nadu Medical & Health Department, Uttar Pradesh 	<ul style="list-style-type: none"> Central Social Welfare Board Port Health Organisation, Visakhapatnam All India Institute of Medical Sciences (AIIMS) Food Safety and Standards Authority of India (FSSAI) International Institute for Population Sciences (IIPS) Jawaharlal Institute of Postgraduate Medical Education and Research (JIPMER) Lala Ram Swarup Institute of Tuberculosis and Respiratory Diseases Morarji Desai National Institute of Yoga (MDNIY) Morarji Desai National Institute of Yoga (MDNIY) National AIDS Control Organisation (NACO) National Institute of Ayurveda National Institute of Homoeopathy (NIH) National Institute of Mental Health and Neuro Sciences (NIMHANS) National Institute of Naturopathy (NIN) National Tuberculosis Institute (NTI) North Eastern Indira Gandhi Regional Institute of Health and Medical Sciences (NEIGRIHMS) Post Graduate Institute of Medical Education and Research, Chandigarh Rashtriya Ayurveda Vidyapeeth

	Central government	State government	Autonomous bodies
Education and Youth			
6	<ul style="list-style-type: none"> • Department of Education(MoHRD), • Ministry of Youth Affairs and Sports 	<ul style="list-style-type: none"> • Human Resource Development Department, Bihar • Education Department, Chandigarh • Education Department, Gujarat • Sports Youth and Cultural Activities Department, Gujarat • Industrial Training and Vocational Education Department, Haryana • Technical Education Department, Haryana • Sports and Youth Affairs Department, Haryana • Higher Education Department, Himachal Pradesh • Youth Services and Sports Department, Himachal Pradesh • School Education Department, Jammu and Kashmir • Education Department, Karnataka • Higher Education Department, Kerala • Higher Education Department, Madhya Pradesh • School Education Department, Madhya Pradesh • Youth Affairs and Sports Department, Manipur • Department of School and Mass Education, Orissa • Sports & Youth Services Department, Orissa • School Education Department, Tamil Nadu • Human Resources, Technical Education, Uttarakhand • Basic Education Department, Uttar Pradesh 	<ul style="list-style-type: none"> • Pandit Sundarlal Sharma Central Institute of Vocational Education (PSSCIVE) • National Council of Educational Research and Training (NCERT) • Rajiv Gandhi National Institute of Youth Development (RGNIYD)

	Central government	State government	Autonomous bodies
Senior citizen			
7	<ul style="list-style-type: none"> Ministry of Social Justice and Empowerment 	<ul style="list-style-type: none"> Department of Social Welfare, Andaman & Nicobar Department of Social Welfare, Delhi Department of Rural Development, Goa Department of Social Welfare, Goa Social Welfare Department, Kerala Social Welfare Department, Manipur Social Welfare Department, Meghalaya 	
Disabled			
8	<ul style="list-style-type: none"> Ministry of Social Justice and Empowerment 	<ul style="list-style-type: none"> Women Development Child Welfare and Disabled Welfare Department, Andhra Pradesh, Department of Social Welfare, Andaman & Nicobar Department of Social Welfare, Delhi Department of Social Welfare, Goa Social Justice and Empowerment Department, Gujarat Social Justice and Empowerment Department, Himachal Pradesh Social Welfare Department, Kerala Social Welfare Department, Manipur Social Welfare Department, Meghalaya Social Welfare Department, Mizoram Handicap Welfare Department, Uttar Pradesh 	<ul style="list-style-type: none"> Ali Yavar Jung National Institute for the Hearing Handicapped (AYJNIHH) National Institute for Empowerment of Persons with Multiple Disabilities (NIEPMD) National Institute for the Mentally Handicapped (NIMH) National Institute for the Orthopaedically Handicapped (NIOH) National Institute of Social Defence (NISD) Pandit Deen Dayal Upadhyaya Institute for the Physically Handicapped (PDDUIPH)

	Central government	State government	Autonomous bodies
Animal Welfare			
9	<ul style="list-style-type: none"> • Ministry of Social Justice and Empowerment, • Ministry of Environment and Forests. 	<ul style="list-style-type: none"> • Development Department, Delhi, • Animal Husbandry and Dairying Department, Haryana • Animal Husbandry Department, Himachal Pradesh • Animal Husbandry and Dairy Development Department, Kerala • Animal Husbandry and Veterinary Department, Meghalaya • Animal Husbandry and Veterinary Department, Mizoram • Animal Husbandry and Animal Welfare Department, Puducherry • Department of Animal Husbandry, Fisheries & Dairy Development, Punjab • Animal Husbandry Department, Rajasthan • Animal Husbandry Department, Uttar Pradesh 	
Gender			
10	<ul style="list-style-type: none"> • Ministry of Woman and Child Development, • Department of Bio-Technology 	<ul style="list-style-type: none"> • Women Development Child Welfare and Disabled Welfare Department, Andhra Pradesh, • Department of Social Welfare, Andaman & Nicobar • Women and Child Development Department, Chhattisgarh • Department of Rural Development, Goa • Women and Child Development Department, Haryana • Social Justice and Empowerment Department, Himachal Pradesh • Woman and Child Development Department, Karnataka • Social Welfare Department, Kerala • Women and Child Development Department, Madhya Pradesh • Social Welfare Department, Manipur • Social Welfare Department, Meghalaya • Social Welfare Department, Mizoram • Women and Child Development, Puducherry 	<ul style="list-style-type: none"> • Rashtriya Mahila Kosh (RMK)

	Central government	State government	Autonomous bodies
Child Welfare			
11	<ul style="list-style-type: none"> Ministry of Woman and Child Development 	<ul style="list-style-type: none"> Women Development Child Welfare and Disabled Welfare Department, Andhra Pradesh, Department of Social Welfare, Andaman & Nicobar Women and Child Development Department, Chhattisgarh Women and Child Development Department, Haryana Social Justice and Empowerment Department, Himachal Pradesh Woman and Child Development Department, Karnataka Social Welfare Department, Kerala Women and Child Development Department, Madhya Pradesh Social Welfare Department, Manipur Social Welfare Department, Meghalaya Social Welfare Department, Mizoram Women and child development, Puducherry 	<ul style="list-style-type: none"> National Institute of Public Cooperation and Child Development (NIPCCD)

Creating Value: National Voluntary Guidelines for the Social, Environmental and Ethical Responsibilities of Businesses

Principles and core elements

Principle 1: Businesses should have governance systems underpinned by Ethics, Transparency and Accountability

Brief description of the principle

The principle suggests that businesses committed to sustainable operations should ensure that maximum emphasis is placed on taking decisions that are open, amenable to disclosure and visible to various interested publics. Furthermore, decisions taken by individuals or group of individuals would be open to scrutiny and would be taken on the basis of clear guidelines which are within the ambit of the law. Accountability also emphasises that decisions taken by a businesses, would be attributed to it, especially when it comes to ascertaining the impact of the business on society and the environment. In all its endeavours, businesses should function in ways that encourage openness and honesty. Businesses should inform all of its stakeholders of inherent risks and mitigate them where they occur.

Core Elements

- The social, environmental and ethical responsibilities of the business should be a core agenda of the Board.
- Businesses should behave ethically at all times.
- Businesses should be transparent in their decision-making processes in matters that impact society and the environment.
- Decisions taken by businesses that impact its stakeholders will be taken in the spirit of a free, prior and informed consultative process.
- Businesses should assure access to information about their decisions that impact stakeholders.
- Businesses should not engage in business practices that are abusive, unfair or anti competition.
- Businesses should truthfully discharge their financial obligations towards payment of government dues.

Principle 2: Businesses should promote safe and responsible design, manufacturing, energy and resource use, sourcing, distribution and disposal

Brief Description of the Principle

The principle recognises that the performance and long term competitiveness of an enterprise in relation to the markets, environment and the society in which it operates – including societies which it indirectly impacts as it sources raw-materials and goods across global supply chains have together become critical aspects of measuring the overall effectiveness and usefulness of enterprises, and of their ability to continue with a long term outlook.

The principle emphasises that as a part of their intention to function effectively in the long term; businesses would have to produce goods and services that are in alignment with the overarching expectations of the society, and are environmentally and socially safe.

Simultaneously, the principle emphasises that beneficial goods and services cannot be produced from processes that are inefficient, wasteful or otherwise insensitive to their impact on the environment.

Core Elements

- Businesses should ensure safety over the life-cycle of the product, and resource economy in the design of their products/services, and the attendant processes.
- Businesses must emphasise on producing goods and services through optimal energy and resource use (including water, productive and arable lands, and the like) so that the enterprise and its supply chain continuously improve their performance.
- While adopting technologies that minimise the generation of waste, businesses should ensure that the scientific treatment and disposal of effluents, manufacturing plant waste, plastics, oils, and other resource dross would be done in ways that do not adversely impact stakeholders or the environment.
- Businesses should facilitate the education of its existing and future consumers on safe methods of disposing of their products, at the end of their productive life cycles, in ways that do not harm people or the planet. 'Life-cycle thinking' would be an integral part of their manner in which companies would base their decisions.
- Businesses should develop and adopt environment friendly technologies.
- Businesses should continuously review and improve upon the process of new technology development and acquisition incorporating social, ethical and environmental considerations, while respecting the rights of communities and people who may be owners of traditional knowledge, and other forms of intellectual property.

Principle 3: Businesses should respect Workers' Rights

Brief Description of the Principle

The Principle encompasses all policies and practices relating to work performed within, by or on behalf of any business. The scope of the principle extends beyond the boundaries of relationship that an enterprise has with its direct employees or employees at the workplace that it owns or directly controls. The Principle incorporates work performed by others, including sub-contracted work and home based work.

Core Elements

- Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
- Businesses must not employ child labour, and forced labour or any form of involuntary labour, paid or unpaid.
- Businesses should provide and maintain equality of opportunities without any discrimination on any grounds during the course of employment.
- Businesses should provide a workplace environment that is safe, hygienic and humane and which upholds the dignity of workers. In doing so businesses should clearly define and communicate in writing regarding the employing authority, the scope and nature of the employment to prospective employees working for or on behalf of the company.
- Businesses should take cognisance of the work-life balance of its employees. No business should demand or require any of its employees or those working on its behalf to work beyond the statutory maximum.
- Businesses should:
 - a. provide all workers at all stages of their work experience with access to their training and development of necessary skills for career advancement, on an equal and non-discriminatory basis;
 - b. ensure that, when necessary, workers are helped to transition to new employment through skills recognition systems;
 - c. establish joint worker-management programmes that promote well-being of the workers.
- Businesses should not tolerate any form of harassment, abuse or inhumane treatment to any of its employees and should also not place any of its employees at risk of any harassment, abuse and inhumane treatment in the discharge of their official duties and should take full responsibility to ensure that none of its representatives harass, abuse or treat inhumanely any third party.
- Businesses should provide facilities for the welfare of its employees and their families.

- Businesses should ensure timely payment of adequate wages to meet basic needs and economic security of the employees and their families.

Principle 4: Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged

Brief Description of the Principle

This principle recognises that businesses have responsibility to think and act beyond shareholder interests and should create value for all stakeholders.

Core Elements

- Businesses should proactively identify their stakeholders and understand their concerns.
- Businesses should enunciate policies if they help in responsively addressing the concerns of identified stakeholders.
- Businesses should create formal systematic processes to engage with the stakeholders especially in areas that are weakly governed or are acutely underdeveloped.
- Businesses should listen, frequently communicate, effectively share information and be responsive to stakeholder concerns.
- Businesses should resolve differences with stakeholders in a just, fair and equitable manner.

Principle 5: Businesses should respect Human Rights

Brief Description of the Principle

The Principle encompasses all the rights reflected in Universal Declaration of Human Rights adopted by the UN in 1948. The primary responsibility to ensure all human rights for all rests with the State. Its articles are applicable to ‘every individual and every organ of society’. The International Bill of Rights covers civil, political, economic, social and cultural rights, including the right to development.

The Constitution of India, through its various provisions of fundamental rights and directive principles of state policy, enshrines the achievement of human rights for all its citizens.

The UN Human Rights Council, of which India is a member, unanimously adopted a framework report in June, 2008 by the SRSG on ‘human rights and transnational corporations and other business enterprises’, which encompasses the state duty to protect, the corporate duty to respect and access to remedies. The mandate has been extended to operationalise the above framework.

Core Elements

- Businesses should recognise and provide for comprehensive human rights for all.
- Businesses should appreciate that human rights are inherent, inalienable, universal, indivisible and interdependent in nature.
- Businesses should integrate human rights into its management systems.
- Businesses should develop an understanding of their sphere of influence vis-à-vis the human rights.
- Businesses should avoid complicity with human rights abuses by third parties.
- Businesses must provide for grievance redressal systems and mechanisms.

Principle 6: Businesses should respect and protect the environment

Brief Description of the Principle

The principle recognises that environmental responsibility is a prerequisite for sustainable economic growth and the well-being of societies and interconnectedness of environmental issues at the local, regional and global levels makes it imperative for businesses to address these issues in a comprehensive and systematic manner.

The principle encourages businesses to assume responsibility for the environmental impact of their products, services and activities related to their manufacturing and delivery and work towards improving their environmental performance on these accounts.

Core elements:

- Businesses should take measures to check and prevent pollution; recycle, manage and reduce waste and measure and report its performance on these accounts.
- Businesses should manage natural resources in a sustainable manner and ensure optimal use of resources like land and water so that their access is not denied to local communities in their areas of operation.
- Businesses should proactively respond to the challenges of climate change by adopting cleaner production methods, promoting efficient use of energy and environmentally friendly technologies.
- Businesses should contribute in restoration and regeneration of the environment in their areas of operation and preservation of biodiversity.
- Businesses should develop environment management systems that enable them to tackle the human impact of natural disasters.

Principle 7: Businesses, when engaged in lobbying and policy advocacy, should do so in a responsible manner

Brief Description of the Principle

The principle recognises the fact that businesses operate in the specified legislative and policy frameworks prescribed by the Government which guide their growth and also provides for certain desirable restrictions.

The principle also acknowledges that such legislative and policy frameworks are developed in a collaborative manner with participation of the stakeholders.

The principle also takes into account that lobbying and/or policy advocacy is important and can be a powerful vehicle for growth and development of the business sector if undertaken in the spirit of positive partnership.

Core Elements

- Lobbying and/or policy advocacy position of a business entity should not be in conflict with any of the Principles stated in these guidelines.
- Businesses should utilise legitimate and ethical platforms for their lobbying and/or policy advocacy effort.
- Businesses should disclose their lobbying and/or policy advocacy positions on specific issues in a fair and transparent manner.

Principle 8: Businesses should contribute to the inclusive development agenda of the country

Brief Description of the Principle

The principle responds to the challenges of social and economic development being faced by India.

The principle builds upon the national development agenda that has been articulated in the Government policy from time to time.

The principle, while recognising the value of the energy and enterprise of the business sector, encourages businesses to take lead in contributing to the social and economic development of the country, especially that of the disadvantaged sections of society.

Core Elements

- Businesses must develop an appreciation and understanding of their impacts on development processes and focus their efforts and channelise their resources towards making positive and sustainable contribution in social and economic development.
- Businesses should align their practices to complement and support the developmental priorities at local and national levels.
- Businesses should innovate and invest in products, technologies and processes that promote alignment of their interests with that of society.
- Businesses should encourage and recognise voluntary developmental efforts of their employees.
- Businesses should make efforts to protect and enrich the historical and cultural heritage of the country.
- Businesses operating in regions that are weakly governed or that are acutely underdeveloped should be sensitive to local concerns.
- Businesses should be inclusive in their approach towards stakeholders and promote diversity through affirmative action.

List of Possible BR Activities in Clusters

Social Responsibility Area	Particulars of activities
Socio-economic ESR issues	Ethical issues related to marketing and after sales & services
Labour Welfare	<p>Improvement in working conditions</p> <p>Health & safety training</p> <p>Fair wages</p> <p>Skills up gradation facilities for the workers</p> <p>Special facilities for women workers</p> <p>Group social security (life and medi-claim insurance) for the workers/artisans in the unorganised sector</p> <p>Avoiding gender discrimination of any type</p>
Health care for worker/community	<p>Raising awareness through lectures, seminars and workshops</p> <p>Adolescent health education and counselling</p> <p>Organisation of health camps for the workers, and their families</p> <p>Mobile diagnostic and treatment facilities</p> <p>Convergence of other organisations on health care initiatives</p> <p>Creation of infrastructure and facilities on health care</p>
Education	<p>Scholarships/stipends/stationery/uniform and other help for children of workers and weaker section of the society</p> <p>Tuition centres for workers children's in child labour intensive clusters</p> <p>Non-formal education, adult education, personality development, etc.</p> <p>Vocational training</p> <p>Environmental orientation to school education</p>

Social Responsibility Area	Particulars of activities
Women & children	<p>Construction and running of short stay homes for women and girls</p> <p>Assistance for women and children in difficult circumstances</p> <p>Employment-cum-income generating opportunities for women</p> <p>Activities related to women's empowerment</p> <p>Prevention of atrocities on women</p> <p>Training and employment programme for women</p> <p>Crèche facilities for working women</p> <p>Early childhood education for 3-6 age group children</p>
Environment	<p>Activities related to pollution – air, water, land and noise</p> <p>Activities related to waste management – ETP plants, landfills, incinerators, chemical disposal, etc.</p> <p>Proper and optimum utilisation of natural resources; non-use of restricted items and materials</p> <p>Rain water harvesting</p> <p>Water-shed management</p> <p>Aforestation</p>
Energy	<p>Raising awareness through lectures, seminars, workshops, camps or any other appropriate means about energy-saving measures</p> <p>Energy audits</p> <p>Energy-efficient technologies</p> <p>Use of alternative sources of energy</p> <p>Conversion of by-products and waste into energy</p>
Generic social issues	<p>Actions to mitigate:</p> <p>Alcohol and drug addiction and abuse</p> <p>Child marriage</p> <p>Dowry etc.</p> <p>Human rights violations</p>

Social Responsibility Area	Particulars of activities
Weaker sections of Society	Income generating programmes for the disabled Voluntary action for persons with disabilities Education and rehabilitation of disabled children Care for the elderly and senior citizens

