



Cluster Development and Poverty Alleviation



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Acknowledgement

This document tries to examine the link between cluster and poverty and concludes with some recommendations towards making cluster development an effective approach for poverty alleviation. In order to arrive at robust recommendations it was imperative to examine the available literature and study interventions where the dual dynamics of cluster development or similar approaches have been tried out in poverty intensive areas. We would therefore like to acknowledge various academics and practitioner institutions, from whose work we have learnt tremendously. We are sincerely thankful to them for sharing their valuable time and insight on this issue.

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Abbreviations

AHVV	Baba Saheb Ambedkar Hastshilp Vikas Yojana
APL	Above Poverty Line
BDSP	Business Development Service Provider
BPL	Below Poverty Line
CDA	Cluster Development Agent
CDE	Cluster Development Executive
CDP	Cluster Development Program
CP	Contractual Processor
Crore	10 million
DC (Handicrafts)	Development Commissioner (Handicrafts)
DC (Handlooms)	Development Commissioner (Handlooms)
DHCI	Directorate of Handicraft & Cottage Industries, Govt. of Orissa
DIC	District Industries Centre
HPU	Household Processing Unit
IGIDR	Indira Gandhi Institute of Development Research
IHDS	Integrated Handloom Development Scheme
INTACH	Indian National Trust for Art and Cultural Heritage
Lakh	0.1 million
MSECDP	MSME Cluster Development Programme
MSME	Micro, Small and Medium Enterprises
NABARD	National Bank for Agriculture and Rural Development
NGO	Non-Government Organisation
NID	National Institute of Design, Ahmedabad
NMDFC	National Minority Development and Finance Corporation
OBC	Other Backward Caste
PHS	Poverty Hot Spot
PIC	Poverty Intensive Cluster
SC	Scheduled Caste
SFURTI	Scheme of Fund for Regeneration of Traditional Industries
ST	Scheduled Tribe
TA	Technical Advisor
UJAS	Udyam Jagaran Sansthan
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organisation

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EXECUTIVE SUMMARY

In India, clusters of micro, small and medium enterprises are in existence for decades and sometimes even for centuries. Over 6000 such clusters have been identified. Promoting enterprises situated in these clusters is being done for years. However, it is only of late that holistic programmes and schemes for developing MSME clusters have gathered pace in India. Interestingly, the cluster development process is also being discussed or tested out for its impact on various thematic issues including poverty reduction, corporate social responsibility, human resource development, livelihood financing, etc.

In particular for poverty reduction, UNIDO¹ implemented one such project in two clusters; handloom cluster of Chanderi (Madhya Pradesh) and cashew and fruit processing cluster of Sindhudurg (Maharashtra) during the period 2003-2006. The Project suggested need for appropriate selection of cluster, working simultaneously on both income and capability promotion issues, necessity of working with the poorest and keep a close watch, so that relative poverty is not increased in the local condition, in the process.

This publication tries to deepen the learning by studying similar experiences especially in some poverty intensive clusters (PICs), as well as some near-similar livelihood experiences. The clusters were selected from a poverty hot spot (PHS) state². It was also found relevant to classify the level of poverty by segregating the 'chronic' poor (BPL families) from that of the 'transient' poor, the latter being broadly defined as those who are 'vulnerable, yet not a part of the BPL count'. The principal framework of enquiry was to understand the parameters that will make cluster development initiatives 'inclusive as well as sustainable', consequently having an impact on poverty parameters. The key findings of the study are as follows:

- The chronic poor, even in a cluster, often engage in multiple livelihoods. As a result, single-product focused cluster development strategy is prone to leave out the chronic poor from such developmental exercise. Hence special efforts need to be made to work with such poor primary stakeholders, often engaged in multiple livelihoods. Chronic poor stakeholders are more concentrated in the periphery, rather than in the 'core' areas of a cluster. Concentration of chronic poor is also higher in clusters that are in the germination stage.
- Left to the market alone, poorest stakeholders are affected more adversely during economic down turns. Development of poverty intensive clusters needs a middle path - both supporting hand of NGOs to ensure inclusiveness and standard market promotion agents with a natural tendency for sustainability, are equally necessary.
- Though the natural tendency of programme implementers is to work with more endowed stakeholders, the poor are equally capable to become front runners. Here much depends on the capacity of the programme implementing agency to understand and handle the pressure point of the cluster. The policy should recognize this aspect and support such institutions depending on the need of the cluster.
- Consistent dynamic efforts over extended duration of time are required to bring the chronic poor out of their vicious cycle. Short duration projects looking for quick impact are likely to fail, especially on sustainability. Besides there is also a real danger that such projects may further destabilize the lives and livelihoods of the poor by exposing them to newer risks for which they are least prepared.
- Addressing the income issues is a necessary but not sufficient condition for addressing poverty. It needs to be followed up with capability development issues. However, it is context specific and capability issues can also precede income generation efforts.
- While cluster development promotes active cooperation, many of the poverty intensive under performing clusters are disadvantaged due to the absence of appropriate service providers. Development of such clusters

hinges not only on active cooperation but also on leveraging 'passive cooperation' by linking appropriate service providers to the cluster.

From a policy view point few other issues are of importance: Alleviating chronic poverty through cluster development demands that there be a bridge/transition strategy through which the livelihood situation of the households are stabilised. Once that is done, enterprise-cluster development becomes feasible for the households as a strategy. Accordingly greater resources in a similar proportion should be allocated for any PIC towards project management. Clusters which are not fully mature are more appropriate sites for poverty alleviation as against the mature clusters. It is often seen that poverty exists not in the main cluster locations but in the periphery. Hence, expanding the geographical boundaries of the area where Cluster Development will be implemented is also likely to strengthen livelihoods of a large number of poor. Areas which are remote and cut off due to poor infrastructure are amenable to cluster development and offer considerable scope for making a dent on poverty, provided these handicaps are removed by way of greater accessibility and infrastructure development.

1

Cluster, Cluster Development and Poverty Alleviation

1.1 DEFINING CLUSTERS

A cluster is a geographical concentration of micro, small, medium and large firms producing same or a similar range of products (goods or services). Principal firms³ in a cluster face same or similar set of threats (e.g. product obsolescence or lack of markets) and opportunities (e.g. increasing turnover through quality up-gradation or introduction of new products, or increasing exports through targeted marketing etc.). The principal firms obtain inputs from a range of supporting firms through backward and forward linkages. These include raw material suppliers, machinery manufacturers, buyers, technical and financial service providers, and various interest groups, such as product and umbrella associations. Each of these entities are a part of the cluster and are called cluster stakeholders. The natural geographic spread of a cluster varies and it often covers a village/few villages, a city or even a few blocks and their surrounding areas.

1.2 THE JOURNEY OF CLUSTER DEVELOPMENT IN INDIA

While existence of clusters in India is an age-old phenomenon and developmental initiatives in clusters is not new; the concept of 'holistic cluster development'⁴ in India was launched with a UNIDO programme⁵ in 1997. After a mapping and assessment exercise of clusters across the country (1996), 3 technical cooperation projects⁶ were implemented. To start with UNIDO went for direct implementation of projects in 7 clusters (Phase 1). Soon this was followed up (Phase 2) with a partnership project, wherein UNIDO worked, with an agenda of "growth and competitiveness" in 17 more clusters, along with the Office of the Development Commissioner Small Scale Industries (DCSSI), Government of India, as well as in partnership with six other central/state governments and institutions thereof⁷.

Meanwhile a number of other central and state government agencies also picked up cluster development methodology. Altogether 24 schemes on cluster development initiatives were/are operational by a number of central government agencies and state governments as well as international organizations during the last 10 years (1997 – 2007).

In the light of potential contribution of this approach towards poverty reduction, the Swiss Agency for Development and Cooperation supported an action research Project⁸. The objective of this project was to gain a deeper understanding of the relationship between cluster development and poverty, and to introduce new tools to reduce poverty in clusters more effectively (Phase 3). Under this Project cluster development

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interventions were carried out in the handloom cluster of Chanderi in Madhya Pradesh and the cashew and fruit processing cluster of Sindhudurg in Maharashtra during the period 2003 through 2006.

1.3 POVERTY ALLEVIATION AND CLUSTER DEVELOPMENT – SOME INITIAL LEARNING

Interestingly, though these two clusters (Chanderi and Sindhudurg) were having 'Below Poverty Line' (BPL) population, considerable majority of the principal stakeholders were found to be 'Above Poverty Line' (APL). This was in consonance with a study conducted at the beginning of the project, which had revealed a similar trend in most clusters⁹. The Project identified the poor and not so poor in these clusters through Participatory Poverty Assessment (PPA) techniques and comprehensive diagnostic studies to get a grip on the issues of both these category of stakeholders separately and also for both income and capability dimensions. The experiences of this project and the learning derived thereof were documented in a paper titled "Cluster Development and Poverty Alleviation: Some Policy Suggestions"¹⁰. Some of the major learning/ recommendations of this paper were as follows:

1. Project Initiation

- Selection of cluster: The cluster should be so chosen that it has high incidence of poverty among the principal stakeholders apart from the fact that the product is proven to be marketable and the firms are reasonably concentrated;
- Substantiate the diagnostic study with participatory poverty assessment and an analysis of socio-economic and political relations in the region.

2. Targeting the poor or making the growth inclusive

- Intervention in the cluster should preferably start through a 'transient poor' route - economic development of the transient poor is likely to rope in the 'chronic poor' in the next stage;
- In this process, sustainability is attained by necessarily creating organization of the transient poor, which will institutionalize growth and later be used for roping in the poorest as also promoting capability development;
- Capability development (literacy, health, gender sensitivity) must follow economic development. This will ensure long run sustainability of the growth process.

3. Growth of cluster (both poor and non-poor) stakeholders or making the cluster sustainable

- Promotion of market is a key factor for long run sustainability and should be done by providing appropriate linkage with such market providers;
- Productivity growth and competitiveness of cluster enterprises through proper diffusion of technology, capacity building, financial linkages, and infrastructure development are also necessary;
- Need for creation of network of the poor for future development.

4. Effective project management

- Usage of service providers and empowered network development agents are a must;
- Project duration and contribution to development fund – 5 year period instead of 3 and relatively higher proportion of total development costs would have to be borne either by the implementing agency or support institutions as against the primary stakeholders.

1.4 CHAPTER LAYOUT

In what follows, **Chapter 2** identifies the vastness of the challenge by trying to identify poverty intensive clusters and the nature of poverty thereof. **Chapter 3** identifies the cluster development initiatives that can impact on poverty and also the steps taken for this purpose in the 11th Plan. Again while intervention in clusters for poverty alleviation has not been witnessed elsewhere in the form of cluster development methodology, attempts for poverty alleviation in clusters, through other methodologies are in abundance. Again of late (post 2006) a number of cluster development programmes have also been carried out in clusters with incidence of poverty. **Chapter 4** tries to identify some typologies of such direct cluster development initiatives as well as some near-cluster based initiatives. **Chapter 5** identifies the typology of clusters in Orissa, a state where there is relatively higher incidence of poverty and where cluster development approach has been adopted as a development tool. **Chapter 6** undertakes a brief analysis of all the cluster development and similar case studies, analyses the sustainable and inclusive interventions by groups of poverty intensive stakeholders. **Chapter 7** summarises the major learning.

2

Poverty Clusters in India¹¹

2.1 POVERTY IN INDIA

While poverty in India¹² is much lower now than a few decades ago, some states and regions share a heavier burden than others. Bihar, Madhya Pradesh, Orissa and Uttar Pradesh continue to have high rates of poverty with more than 30 percent¹³ head count ratio (HCR) among their populations. In West Bengal, rural poverty remains high at more than 30 percent. Among these states, Orissa and Bihar are most affected, while Madhya Pradesh and Uttar Pradesh are a notch better. The situation in Rajasthan has improved of late quite considerably with only about 15 percent poor; though urban poverty remains higher at 20 percent. Uttar Pradesh (with or without Uttaranchal) is a state with large population and it is changing perceptibly with prosperity spreading to the eastern part. Thus, while the total number of poor in Uttar Pradesh remains large, they are not in the acute category compared with many others. While this is the picture at the state level, the distribution at the district and sub-district level could provide a more accurate picture of poverty hotspots in India¹⁴. It is evident from these studies that poverty is concentrated in central and eastern India and in parts of interior Maharashtra and south India.

According to the new data emerging from the 61st round (2004–05) of NSS, the poverty picture is worse than what was reported in the “controversial” 55th round (1999-2000) data. Rural poverty is now reckoned at 29.2% and urban poverty at 26.0%, together making an overall of about 28.3% in India. Preliminary calculations reckon that there has been an 8 percentage point poverty reduction in both rural and urban areas in 11 years from 1993-94 to 2004-05. Decomposing the change, it is found that while growth has delivered 10.9 percentage point reduction in rural areas and 12.4 percentage points in urban areas, increased inequality has taken away 2.8 and 4.3 percentage points, respectively, from those reductions in rural and urban areas respectively¹⁵.

2.2 SOCIAL, REGIONAL, OCCUPATIONAL AND GENDER DIMENSIONS OF POVERTY

Poverty remains high among certain communities in India as a legacy of history. Several decades of affirmative actions have not altered this situation. In the year 2000, 7.5 percent Indians belong to Scheduled Tribes (ST), but they constituted 17.5 percent of the pool of the official poor. Similarly, the Scheduled Castes (SC) constituted about 16 percent of the population but in the pool of poverty, they formed a much higher 27 percent. Turning these data around, 44 percent of STs and 36 percent

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of SCs among their communities were classified as poor at the turn of the last century, while the more advanced social groups had 21 per cent poor. Thus poverty is more concentrated among these deprived social groups in India. A large proportion of the workers in the clusters belong to the deprived social groups, such as SCs and Muslims. The STs are even more marginalised but do not have the capacity to set up the enterprises for marketable products in clusters.

Among these groups there is much greater hardship in several regions and communities than the average figures above show. For instance, among STs, more than 50 percent are poor in Orissa, Jharkhand and M.P. (including Chhattisgarh). In Assam, W. Bengal and Maharashtra, 35-50 percent of STs are poor, while in A.P., Gujarat, Karnataka and Rajasthan, 20-30 percent STs are in that category. Further, if we go to the districts of Koraput, Nuapada, Malkangiri (in Orissa), Nandurbar (in Maharashtra), or Jhabua (in M.P.) we find the proportions to be much worse – at about 80 percent or even more. But STs are so marginalised entrepreneurially, that even cluster development probably cannot deliver on that front. If there is any such scope, poverty reduction in them would be very beneficial to this community.

Thus the poverty-clusters in India seem to lie in the undivided states of Bihar and Madhya Pradesh, and in Assam, Orissa and West Bengal. They are found in abundance in the semi-arid regions of Andhra Pradesh (Telengana) and Maharashtra (Marathwada) and interior Karnataka. They are found in parts of arid Gujarat and Rajasthan, particularly among the tribal communities. Looked through the agro-ecological lens, the poverty clusters are found in 'rain fed' unirrigated parts of India in central and eastern states and more acute in the inhospitable terrains where many backward castes and tribes have made their habitats.

When we consider occupational groups, we find that in relatively prosperous regions of India, agricultural labour constitute the main pool of the poor in rural areas, and in urban areas it is casual labour as a group who constitute the greatest proportions. In regions of low income and productivity, poverty is widespread and touches most occupational groups. There, apart from the above cited groups, small and marginal farmers and the artisan classes are also poor. Looking at the picture from the rural perspective, 47 percent of agricultural labour and 28 percent of the self-employed constitute the poverty pool in India. By comparison, artisans constitute 12 percent and non-agricultural labour 7.6 percent¹⁶.

There is also a strong correlation of poverty with women and socially backward class and a general trend in poverty is that among the poor, women are more into poverty as against men. The same is, in general, true for less privileged or socially backward communities. "... (In) India ...age specific mortality rate for females consistently exceeds that of men....The main culprit would seem to be the comparative neglect of female health and nutrition, especially – but not exclusively -- during childhood. There is indeed considerable evidence that female children are neglected in terms of health care, hospitalisation and even feeding....Even though the Indian case has been studied more extensively than others..... Similar evidence of relative neglect of health can be found in the other countries as well...."¹⁷...The incidence of poverty among females tended to be marginally higher than males in both rural and urban areas. The percentage of females living in poor households was 37 (34) per cent in rural (urban) areas in 1993-94 and 27 (25) per cent in 1999-2000 and in contrast the percentage of male persons living in poverty was 36 (32) in rural (urban) areas in 1993-94 and 26 (23) per cent in 1999-2000...."

2.3 POVERTY IN CLUSTERS

From the above discussion we surmise that at least a significant part of the artisan class belong to that segment of the population described as officially 'poor', though poverty is more concentrated among non-artisan occupations, particularly those engaged in agriculture in low productivity regions of India and casual labour in all occupations¹⁸. The backward regions, where productivity and non-farm incomes are low, belong mostly to central and eastern India, in the rain-fed parts with low rural infrastructure support. In these parts even the artisan classes are poor. However the choice of clusters for poverty reduction requires a few other parameters for selection.

In identifying the regions for cluster selection, it seems very probable that artisans in these clusters are likely to be poor¹⁹. However, it is also likely that they are not amongst the poorest, who would be typically outside the cluster enterprises in these regions. In other words the real hotbeds of poverty in India are not likely to be the most appropriate hunting ground for cluster development. Nevertheless, many of the beneficiaries of the eligible clusters would live in the vicinity of the poverty line even if they are not below it, and some may indeed have their heads above the watermark. On several reckonings they will be poor in the multidimensional sense of poverty, and most of those above the official 'poverty line' would be poor in the 'transient' sense even if not poor in the 'chronic' sense of poverty.

A recent strand of the literature on poverty seeks to distinguish between the concepts of chronic and transitory or transient poverty, which is useful in many situations. The chronic poor are those individuals and households who experience poverty for extended periods of time or throughout their lives. It is hypothesized that the duration, multi-dimensionality and severity of poverty build upon one another. The nature of transitory poverty is somewhat different in that the state of being poor may not be for extended periods, but occasionally, though individuals and households are vulnerable to that state in view of their low income and its fluctuating characteristics issuing from livelihood patterns. While not being poor in the strict sense of being below the defined expenditure level, etc., they would be close to that mark and touching it occasionally or periodically²⁰. For instance, a marginal farmer producing a cash crop or a small fisherman may face price or yield uncertainty and face severe income fluctuations that may lead to poverty in phases. Other examples are related to household income generated by a working couple one of whom may face livelihood uncertainties. For instance, from our studies we find that many women working in micro clusters manage to contribute to their family income such that they keep above the poverty line - and are able to send their children to school and remain healthy otherwise. They are however vulnerable to the poverty trap if they lose the livelihood option or face fluctuations in income, their earnings being low. Such a thing could also happen to low paid cluster workers through employment loss for a variety of reasons.

The sustained poverty reduction in these areas would inject dynamism and hopefully improve the living standards and livelihood opportunities to the poorer sections in them. Thus, even though cluster development in these parts may worsen inequality in the short run, the process may eventually benefit all poor in the region by spreading prosperity as clusters develop over time²¹.

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3

Cluster Development Initiatives Likely to Impact on Poverty Alleviation

3.1 CLUSTER DEVELOPMENT SCHEME

A number of cluster development scheme are operational at the level of the Central and State Governments that are directed towards impacting on poverty.

Table 3.1: Poverty Intensive Cluster Development Schemes

Name of Institution/ Ministry	Name of CDP	Programme Launched (Year)
Ministry of MSME	Scheme of Fund for Regeneration of Traditional Industries (SFURTI)	2005-06
Office of the Development Commissioner (MSME), Ministry of MSME	MSME Cluster Development Programme (MSECDP)	2003-04
Office of the Development Commissioner (Handlooms), Ministry of Textiles	Integrated Handloom Development Scheme (IHDS ²³)	2005-06
Office of the Development Commissioner (Handicrafts), Ministry of Textiles	Baba Saheb Ambedkar Hastshilp Vikas Yojna (AHVY)	2001-02
National Minority Development & Finance Corporation (NMDFC), of Ministry of Social Justice and Empowerment	Cluster Development Programme	2005-06

Some major contours of these Schemes – typology of cluster, period of support and broad project management structure, are described below²³.

3.1.1 Scheme of Fund for Regeneration of Traditional Industries (SFURTI)

The SFURTI scheme is meant to cover development of traditional industry clusters. A traditional industry cluster has been defined as “... a concentration of around 500 beneficiary families of artisans/ micro enterprises, suppliers of raw materials, traders, service providers, etc...”. Each cluster will be supported for a period of 5 years. It is operationalised by a three-tier structure with rigorous technical support for conceptualization as well as monitoring. A Scheme Steering Committee (SSC) has been constituted under the Chairpersonship of Secretary (MSME). KVIC and Coir Board have been appointed as Nodal Agencies (NAs). NAs through their field offices (NAFOs) identify clusters and Implementing Agency (IAs). The IAs can include NGOs, institutions of central and state government and semi-government institutions. IAs identify CDAs (appointed by NAs) who implement the programme. A number of Technical Agencies (TAs) do constant monitoring along with

NAFOs and advise IAs regarding various implementation techniques and also provide necessary programme linkages.

3.1.2 Integrated Handloom Development Scheme (IHDS)

IHDS is meant for handloom clusters. Here, clusters are selected on the basis of their uniqueness of design and product, capacity to cater to a niche market as well as resilience to survive in a fiercely competitive environment. While a cluster can be large, for the purpose of the Scheme the size of a cluster will be restricted to 300 to 500 looms. Each cluster is planned to be supported for a period of four years. The Scheme is managed by an Apex Committee, guided by one identified Nodal Agency and implemented by various implementing agencies and their CDAs.

3.1.3 Baba Saheb Ambedkar Hastshilp Vikas Yojna (AHVY)

AHVY Scheme is meant for handicraft clusters with at least 100 artisans per cluster. The Scheme however takes into account the fact that there may be lesser number of artisans in hilly regions and sets a figure of 50 artisans for North Eastern Region, Jammu & Kashmir and other hilly terrains. Each cluster can be supported for a maximum period of 5 years. AHVY is operationalised in a three-tier system. Office of DC (Handicrafts) is at the apex. A committee constituted in the Office of the DC (Handicraft) selects the proposal submitted by potential Implementing Agencies (IA). The IAs can be specialised handicraft agencies, university, NGOs, trusts and cooperative societies. The Committee in consultation with the Regional Selection Committee appoints suitable and reputed Guiding & Monitoring Agencies (GMA) to support Implementing Agencies (IA) at the ground level. GMAs are responsible for guiding the IAs in terms of market intelligence, technology and design input, providing linkage with other development partners, developing a reliable and sustainable supply chain mechanism, etc.

3.1.4 Cluster Development Scheme of National Minority Development & Finance Corporation (NMDFC)

NMDFC has taken the initiative of development of minority²⁴ craft clusters, which include handicrafts and handloom clusters having more than 75 per cent of their population as minorities. NMDFC estimates that there are 500 such clusters. NMDFC will support a cluster for a period of 3 years and will tie up with DC (Handlooms) and DC (Handicrafts) for that purpose. The Scheme will be monitored by an Apex Level Committee with Managing Director, NMDFC as Chairperson.

3.1.5 MSECDP

The MSECDP scheme is meant to cover micro and SSI clusters. A cluster has been defined as concentration of units²⁵ producing same/similar products (or engaged in same line of industrial activity) and are located within a defined geographical area. Each cluster is supported usually for a period of 3 years. The programme will be implemented by the CDE of the implementing agency. In case of projects executed by the State Government, monitoring responsibility will be that of the State Government and will be executed by a Project Steering Committee created by the State Government. In all other cases, the Project will be monitored by Monitoring Committee of the Ministry created for this purpose at the central or at the state level.

3.1.6 State Government Schemes

Cluster development schemes of State Governments of Orissa and Madhya Pradesh are typically directed to towards poverty intensive clusters (see Annexe 2). Besides, schemes of the State Governments of Gujarat (Scheme for Assistance to Cluster Development) and Kerala (Margin Money Scheme for Cluster Development Activities, Grant Assistance to Cluster Development Activity) also includes among other poverty intensive clusters.

3.2 CLUSTER DEVELOPMENT AND THE ELEVENTH PLAN

The draft Eleventh Five Year Plan categorically states that the SME sector as a whole is extremely critical towards reducing the growing inequity amongst the rich and poor segments in the country. The Plan states "...the micro and small enterprise sector comprising of village and cottage industries, handlooms, handicrafts, food processing and agro industries.. are.. the engines of sustained and inclusive growth" and are the "... real potential of employment generation ..."²⁶. Towards achieving the objective of such 'inclusion', cluster

development has been considered as a significant approach by the Plan: “...cluster based approach would be major thrust of the Eleventh Plan in case of all the sectors... including handloom, handicraft, powerlooms, silk and sericulture, unorganized wool sector, khadi and village industries, coir industry, and food processing”. It is estimated that around Rs 2,500 crores will be spent through cluster development programmes. These are indications that other schemes/ministries may also adopt this approach.

4

Dimensions of the Study

4.1 CONTEXT

Cluster development is looked at more seriously as a tool for promotion of MSMEs in particular and entrepreneurship in general, and that too with a direct impact on poverty. In this respect, three things are relevant:

- (1) While the existing knowledge base²⁷ substantially adds to our understanding on clusters and poverty reduction, these have emerged from the analysis of recent interventions using cluster development approach. On the other hand, a number of successful and not-so-successful interventions for development are taking place to promote livelihoods in geographic concentrations, which may be treated as cluster development through a different methodology.
- (2) The cluster movement in India of late has started focusing on poverty related challenges. Thus there is an opportunity for the cluster development methodology to garner valuable wisdom from this domain too.
- (3) The need to understand the potential coverage of cluster development approach in India is paramount, especially in the light of increasing importance of this tool for promotion of micro entrepreneurship

This paper, therefore, attempts to build upon the initial learning by studying selectively (a) cluster development interventions in poverty intensive clusters and (b) interventions that were making a difference to the livelihood of the poor in 'clusters'.

4.2 THE MACRO FRAMEWORK

Here, one may argue that whatever be the scope of an intervention, the bottom line is a function of a two by two matrix, namely, (a) is the intervention sustainable and (b) is the intervention inclusive?

Table 4.1: The Analysis Matrix

	Inclusive	Not-inclusive
Sustainable	Most Desired	Less desired
Not-Sustainable	Least desired	Waste

Broadly, while sustainable and inclusive implementation is the most desired category, non-inclusive yet sustainable interventions are less desired, to the extent that they can enhance relative poverty in the local context. However, inclusive and non-sustainable interventions are the least desired in this classification as they lead to waste in the long run, although in the short run they may contribute by building confidence of the poorest. However on all accounts non-inclusive and non-sustainable intervention is a total waste from all view points.

4.3 STUDY POPULATION

A recent study established that handloom, handicraft, and micro-enterprises clusters are most poverty prone. Therefore, any poverty reduction strategy ought to be located in these. Such clusters are usually the traditional ones that have grown out of specializations in certain locations producing specific products made by skilled and semi-skilled artisans. The enterprises are typically labour intensive in nature, but do not necessarily make niche products. These households typically earn low wages, but, often, do not fall in the chronic poor category. It is commonly found that these workers with family based/acquired skills switch between their vocations as artisans and other livelihood options in agricultural and other non-farm activities to meet their shortfall in income over the annual cycle. Some of them even have to migrate while switching between livelihood options. This study therefore refers to these three cluster categories as Poverty Intensive Clusters (PIC) and concentrates on this group.

Selection of a range of cluster level interventions has been guided by a UNDP supported IGIDR study²⁸ that identifies **poverty hot spot (PHS)** blocks and districts in India. This study attempts to identify the poorest regions of the country at the district and sub-district levels by examining the extent of assetlessness of rural households. It uses the data on ownership of certain specified assets collected as part of Census 2001. These assets include radio, television, telephone, bicycle, car/jeep/van and scooter/motor cycle/moped. It identifies sub-district geographical units as a hotspot if 66% or more of the households do not own any of the assets. Similarly, a district is identified as a poverty hotspot district if 50% or more of the households do not own any of the assets. There are variations on these benchmarks specified in the study.

There may be several instances where a given PIC will not fall in any PHS block/districts. This does not necessarily mean that poverty and poor households will be missing in those clusters. Similarly if a PIC is located in a PHS Block/District, it does not imply that the primary stakeholders of the cluster will be necessarily poor.

4.4 SELECTION OF SAMPLE INTERVENTIONS

(A) Cluster Interventions

For selection from the group of clusters it was imperative to choose from states which have implemented sufficient number of cluster development interventions. Among the state governments that have started the cluster development programme, only two can be classified as PHS states – Orissa and Madhya Pradesh. Both have formulated cluster development programmes (Annex 2). Since, at the time of the study, Orissa was implementing CDP in as many as 17 clusters (Annex 3), it was considered appropriate for this study.

Since the cluster development programme was launched, the three types of clusters - handloom, handicraft and micro enterprise - in Orissa have typically undergone various experiences out of which four clusters were chosen for this study. A visit to each of these sites was organized and interactions were held with

Various Cluster Experiences in Orissa

- Type 1:** Clusters where full-fledged CDP has been initiated;
- Type 2:** Specialized local economy or cluster/sector oriented livelihood development initiatives have been undertaken and have impacted on the cluster;
- Type 3:** Clusters where no such specialized initiatives have been undertaken and are nevertheless working well;
- Type 4:** Clusters where no such specialized initiatives have been undertaken and these are not working well.

Table 4.2: Selected Clusters

		Nature of Cluster*		
		HL	HC	OME
1	Stone Carving Cluster, Puri			
2	Sal Leaf Plate Cluster, Mayurbhanj			
3	Pattachitra Cluster, Raghurajpur, Puri Dist.			
4	Embroidery Cluster, Rayagada Dist.			

* HL-Handloom, HC-Handicraft, OME-Other Micro Enterprise

the stakeholders to understand various aspects of the inclusiveness-sustainability dimensions.

(B) Poverty Alleviation Interventions

In addition to the cluster development interventions, the study also draws from poverty alleviation interventions in the nature of enterprise development, but not necessarily targeted at clusters. Three interventions that have had or are in the process of making significant impact were chosen from across the poorer pockets of the country. The analysis was made on the basis of literature available and/or short visits to the chosen intervention sites. The chosen interventions are:

Table 4.3: Selected Interventions

Selected Inclusive and Sustainable Interventions						
	Nature of Product*			Lead Organisation		
	HL	HC	OME	GO	PVT	NGO
Watch and Jewellery Assembly - MEADOW, Hosur						
Handicrafts - SASHA, Kolkata						
Embroidery, Pugal, District Bikaner						

* HL-Handloom, HC-Handicraft, OME-Other Micro Enterprise

4.5 KEY QUESTIONS

All of these cases of interventions were analyzed to understand:

1. What is the level of coverage of the poor in clusters?
2. Is it necessary that uplift of transient poor must precede the uplift of the chronic poor?
3. If not, then what are the other (e.g. direct development of chronic poor, linkage with chain partners, etc.) typologies of promotion strategies – normal/induced?
4. Are there other forms of organization that are prevalent in these models?
5. Are these models sustainable?
6. Do these structures promote economic and other capability conditions and if so for what types of stakeholders?
7. Are these models consistent with the fact that they necessarily promote the chronic poor?

5

Where are the Poverty Hot Spot (PHS) Clusters in Orissa?

It has been argued that there is high likelihood of identifying PHS clusters among household units in the areas of handicrafts, handlooms and similar other micro enterprises²⁹. Accordingly an attempt was made to find the effective number of clusters both in chronic and transient poverty for the state of Orissa³⁰.

5.1 HANDLOOMS

From a sectoral view point, the handloom sector has the distinction of being the largest source of livelihood in the country, next only to agriculture. Moreover the weavers, the principal stakeholders in the handloom clusters, are "...the disadvantaged social strata and occupational groups which are at the bottom of the economic hierarchy ..."³¹. However, the latest available details estimates³² suggest a general decline in the employment intensity in handlooms from 65.3 lakh persons in 1987-88 to 51.9 lakh persons in 1995-96³³.

Table 5.1: Handlooms in India*

	India	
	1987-88	1995-96
No. of looms	38.9	32.9
No. of active Looms	36.1	29.9
Total no. of weavers	43.7	34.7
Full time weavers	22.4	16.5
Part-time weavers	21.3	18.2
Preparatory work (full time)	10.9	5.3
Preparatory work (part time)	10.7	11.9
Total employment (persons)	65.3	51.9
Total population (weaver)	156.1	128.0

* All figures in Lakh

Table 5.2: Handlooms in Orissa

	Orissa	
	1987-88	1995-96
No. of looms	119000	
No. of active Looms	92000	76645
Total no. of weavers	116834	104676
Full time weavers	88405	81440
Part-time weavers	28429	23236
Preparatory work (full time)	76534	45210
Preparatory work (part time)	50360	58172
Total employment (persons)	243728	208058
Total population (weaver)	415261	

Source: Planning Commission.nic.in/plans/stateplan/sdr_orissa/sdr_orich7&8.doc and Handloom Census 1987-88 (NCAER)

Of the 36.1 lakh active looms in 1987-88 as seen in table 5.1, 22.1 lakh looms were commercial and the remaining 14 lakh looms were for domestic purposes. 90% of the domestic looms are in the north eastern states, with Assam alone accounting for 12.28 lakh of those. Domestic looms have marginal presence in the rest of India. A recent NCAER study, based on NSSO data, shows that the estimated number of looms was 32.7 lakh as on 1999-2000 and 30 lakh in 2000-01³⁴. Of the 43.7 lakh weavers in 1987-88, 4.9 lakh were from Scheduled Castes (9.5%), 10.8 lakh were from Scheduled Tribes (11%) and 28.1 lakh were from other castes. Over 90% of the ST weavers belong to the north-eastern states, with Assam alone accounting for 5.17 lakh weavers.

Similar trends can be seen in Orissa too (Refer to table 5.2). Almost all the looms in Orissa are commercial. In fact as on 1987-88, Orissa had around 5 per cent of the commercial looms of India. The total number of active looms decreased from 92000 in 1987-88 to around 77000 in 1995-96 and so did the number of persons deriving employment out of it from 2.5 lakh to 2 lakh during this period.

Weaving is mostly done by Other Backward Castes including the Bhulia, Kostha, Kuli, Dera, Saraka, Bengali Tanti, Asani Tanti, Gaudia Tanti, Pana Tanti, etc³⁵. Among them the Bhulia, Kostha, Saraka, Gaudia Patara communities practice tie and dye process for which Orissa is famous. Other communities (60%) weave plain handloom. Besides, SC and ST communities are also involved in weaving. There is hardly any presence of upper caste population in weaving. These weavers are mostly concentrated in 73 clusters all across the state.

Table 5.3: Handloom Clusters in Orissa

Name of the Zone	No. of Cluster	Name of the District	Name of the Cluster
Athagarh	4	Cuttack	Tigiria, Badamba, Banki, Narsinghpur
Balasore	3	Balasore	Jaleswar
		Bhadrak	Khaira, Bhadrak
Bargarh	11	Sambalpur	Rengali, Dhankadua
		Bargarh	Attabira, Bargarh, Bheden, Bhatli, Barpali, Bijepur, Gaisilet, Sohela, Padmapur
Baripada	3	Mayurbhanj	Rairangpur, Baripada, Udala
Berhampur	6	Ganjam	Rangeilunda, Hinjilicut, Aska, Jagannathprasad, Kodala
Bhawanipatna	3	Kalahandi	Junagarh
		Nuapara	Sinapali, Khariar
Boudh	4	Boudh	Boudh, Harbhanga, Kantamal
		Kandhamal	Tikabali
Cuttack	9	Cuttack	Nischintakoili, Cuttack
		Jagatsinghpur	Jagatsinghpur, Ragunathpur
		Jajpur	Jajpur Town, Rasulpur, Korie
		Kendrapara	Patkura, Derabisi
Dhenkanal	3	Dhenkanal	Dhenkanal, Parjanga
		Angul	Atthamalik
Keonjhar	1	Keonhar	Anandpur
Khurda	4	Khurda	Bolagarh, Khurda
		Puri	Puri, Pipli
Koraput	4	Koraput	Kotpad
		Malkangiri	Khairaput
		Nawrangpur	Nawrangpur
		Rayagada	Ramanguda
Nayagarh	4	Nayagarh	Bhapur, Nayagarh, Odagaon, Ranpur
Sonepur	11	Sonepur	Birmaharajpur, Sonepur, Ulunda, Binka, Tarava, Dunguripali
		Bolangir	Bolangir, Deogaon, Bangamunda, Loisingha, Patnagarh
		Sundergarh & Deogarh	Sundergarh
Sundergarh	3	Jharsuguda	Lakhanpur, Kolabira
Total	73		

Source: Department of Textiles and Handloom, Government of Orissa

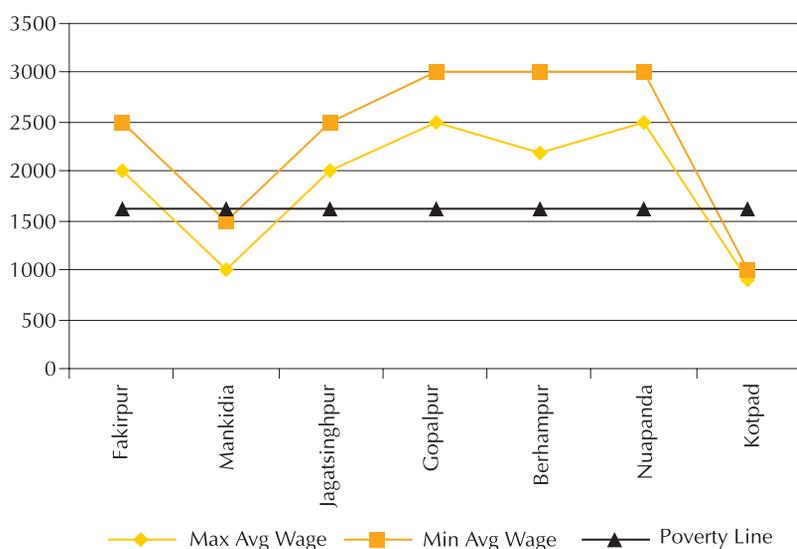
A sample survey by UNIDO Orissa finds the wage structure of the handloom weavers as follows:

Table 5.4: Product Analysis of Some handloom Clusters in Orissa

Dist Code	District	Place	CTD	TT	BS	MC	CC	Average Wage
6	Kendujhargarh	Fakirpur					Y	2K-2.5K
8	Baleshwar	Mankidia		Y			Y	1K-1.5K
11	Jagatsinghpur	Jagatsinghpur					Y	2K-2.5K
19	Ganjam	Gopalpur			Y	Y		2.5K-3K
19	Ganjam	Berhampur			Y	Y		2.2K-3K
25	Nuapada	Nuapada	Y	Y			Y	2.5K-3K
29	Koraput	Kotpad					Y	0.9K-1K

Note: 1K= Rs 1000, CTD: Cotton Tie Dye, TT: Tasar Thana, BS: Behrampur Silk, MC: Medium Variety Cotton, CC: Coarse Variety Cotton

A graphical representation of the wage range shows that the wages are distributed along the rural poverty line value of Rs 1620³⁶ per month for Orissa. Clusters in the district of Ganjam, which are producing high value products, get higher average monthly wages. Here the value of upper range of average wage is nearly twice that of the poverty line. As against this, the lowest average wage range is Rs 900 to Rs 1000 per month for the clusters in the districts of Koraput and Baleshwar respectively. Incidentally while Koraput is a PHS district, Baleshwar is not a PHS district. Thus, wage rate has more to do with the typology of product/market as opposed to whether the cluster is located in a poor block/district.



However, while the wage income from handlooms may be below the poverty line in some cases, at times together with other subsidiary income, it may lift the handloom stakeholders above the poverty line. As a result, weavers fit more appropriately in the category of transient poor as opposed to chronic poor. This fact also got reflected in the PHS

Wage rate has more to do with the typology of product/market as opposed to whether the cluster is located in a poor block/district.

exercise, wherein on a 66 per cent count only 1, and on a 50 per cent count 9, of the 73 handloom clusters were located in the PHS blocks³⁷. Thus the handloom clusters of Orissa do mainly consist of transient as opposed to chronic poor. It may be mentioned here that the number of weavers is reducing and this may be due to relatively better option in other areas or exodus of the chronic poor from the clusters to other green field areas. For example during a PRA exercise carried out at the Barpali Handloom cluster by UNIDO Orissa, it was found that the numbers of Kuli and Kostha weavers have come down heavily.

5.2 HANDICRAFTS

As in the case of handlooms, the data for handicrafts is also not definite. "Annual growth rate could be 2.5%.... During the 9th Plan, employment in the handicrafts sector increased from 52.92 lakh to 58.41 lakh. The Working Group on Textile and Jute for the 10th 5-year plan projected a growth of employment in handicraft sector @ 3% annually. Thus it was presumed that 9.29 lakh more artisans will be employed during the period and, by the end of the 10th 5-year Plan, total employment in the handicrafts sector would be 67.7 lakh. The employment opportunity in the

Table 5.5: Handloom Clusters of Orissa belonging to PHS District

Name of the district	Tehsils where over 66% of households are assetless		Tehsils where 50-66% of households are assetless		Total no: of clusters
	No: of blocks	No: of clusters	No of blocks	No of clusters	
Angul	-	-	3	-	1
Bolangir	-	-	2	-	5
Balasore	-	-	-	-	1
Bargarh	-	-	-	-	9
Boudh	-	-	1	1	3
Bhadrak	-	-	1	-	2
Cuttack	-	-	-	-	6
Deogarh	-	-	1	-	-
Dhenkanal	-	-	5	1	2
Gajapati	9	1	-	-	1
Ganjam	2	-	15	2	5
Jagatsinghpur	-	-	-	-	2
Jajpur	-	-	2	-	3
Jharsuguda	-	-	-	-	2
Kalahandi	2	-	3	-	1
Kandhamal	8	-	6	1	1
Kendrapara	-	-	1	-	2
Kendujhargarh	2	-	6	1	1
Koraput	15	-	4	1	1
Khordha	-	-	-	-	2
Malkangiri	3	-	5	-	1
Mayurbhanj	-	-	2	-	3
Nayagarh	-	-	2	-	4
Nabarangpur	3	-	4	1	1
Nuapada	-	-	4	1	2
Puri	-	-	2	-	2
Rayagada	10	-	-	-	1
Sambalpur	-	-	1	-	2
Sonapur	-	-	-	-	6
Sundargarh	-	-	-	-	1
Total	54	1		9	73

Source: Derived from Census 2001 and Poverty Hot Spots, study by Chandrashekhar and Ray; unpublished and Department of Textiles and Handloom, Government of Orissa

Table 5.6: Typology of Handicraft Clusters of Orissa

Craft Typology	Name of Craft
21 Popular crafts	Brass and bell metal, silver filigree, appliqué, stone carving, stone wire, pattachitra, horn work, lacquer, golden grass, ivory, wood work, artistic mat, wood carving, wooden painted toys, sea shell, palm leaf, clay toy, solapith, costume jewellery, dhokra, papier mache, cane and bamboo
18 Special (typical to the state) crafts	Jari, jaikhadi, cloth flower garlands, glass beads, theatrical dress making, keora leaf, artistic foot wear, coir products
14 Rare (becoming extinct) crafts	Paddy crafts, musical instrument, art leather, lacquer toy, ritual toy, incense, perfumery, durry and carpet, painted wood ware, tussar scroll painting, flexible brass fish, banana fiber, wooden inlay
6 Languishing (can not earn subsistence) crafts	Clay terracotta, lacquered terracotta, tin toys, unbreakable toys, tribal jewellery, betel nut

sector increased from 61.96 lakh in 2003-04 to 63.81 lakh in 2004-05." Orissa, it is estimated, has around 1.04 lakh handicraft artisans practicing 52 different crafts.

A few of thing crafts, brass and bell metal, silver filigree, stone carving, horn work, dhokra, coir products, are export oriented. Distribution of these clusters in the poverty hot spot blocks is as follows:

Table 5.7: Handicraft Clusters of Orissa belonging to PHS District

Name of the district	Tehsils where over 66% of households are assetless		Tehsils where 50-66% of households are assetless		Total no: of clusters
	No: of blocks	No: of clusters	No of blocks	No of clusters	
Angul	-	-	3	-	5
Bolangir	-	-	2	1	7
Balasore	-	-	-	-	8
Bargarh	-	-	-	-	4
Boudh	-	-	2	-	3
Bhadrak	-	-	1	-	3
Cuttack	-	-	-	-	15
Deogarh	-	-	1	1	2
Dhenkanal	-	-	5	-	8
Gajapati	9	6	-	-	7
Ganjam	2	-	15	7	21
Jagatsinghpur	-	-	-	-	10
Jajpur	-	-	2	-	13
Jharsuguda	-	-	-	-	3
Kalahandi	2	2	3	1	5
Kandhamal	8	1	6	10	11
Kendrapara	-	-	1	-	5
Kendujhargarh	2	-	6	-	7
Koraput	15	10	4	3	12
Khordha	-	-	-	-	12
Malkangiri	3	-	5	1	3
Mayurbhanj	-	-	2	-	9
Nayagarh	-	-	2	5	6
Nabarangpur	3	-	4	5	5
Nuapada	-	-	2	-	3
Puri	-	-	-	-	17
Rayagada	10	4	1	-	6
Sambalpur	-	-	-	-	5
Sonapur	-	-	-	-	5
Sundargarh	-	-	4	-	5
Total	54	23	71	34	229

Source: Derived from Census 2001 and Poverty Hot Spots, study by Chandrashekhar and Ray; unpublished and Department of Textiles and Handloom, Government of Orissa

Thus we find that on a 66 per cent count 23, and on a 50 per cent count 34, of the 229 handicraft clusters belong to the poverty hot spot blocks. An analysis of the clusters in poverty hot spots (refer table 5.7 on the next page) shows that the proportion of popular crafts is the least in poverty hot spots.

An analysis of the clusters in poverty hot spots shows that the proportion of popular crafts is the least in poverty hot spots.

This data shows that the incidence of poverty is relatively higher in the handicraft clusters as opposed to handloom, and such poverty is mostly concentrated in the crafts which are not very popular and are restricted to the state, i.e. have a restricted market. It may also be

Table 5.8: Typology of Handicraft Clusters of Orissa

Craft Type	PHS	Total	Per cent in PHS
Popular	31	149	21
Special	3	14	21
Rare	6	11	55
Languishing	11	28	40
Total	51	202	25

noted that the basic capital endowments of the handicraft clusters are much less as compared to the handloom clusters, given the fact that in the latter there is a minimum requirement of a loom. This gets added to the skill requirement and the investment required for that purpose. In comparison, the skill requirement and the risk capital is much lower for each product, e.g. a sari compared to a small craft product. Thus, there is greater incidence of poverty among handicraft artisans. Yet, in many cases, they too, supported by their other sources of income, cross the BPL limits and may also be classified in the transient poor category.

5.3 CONCLUSION

Thus we find that though there is significant presence of micro and artisan clusters in Orissa, their status is not necessarily chronic poor. They can be better classified as transient poor, who are vulnerable, but do not belong to the BPL category. Based on a sample survey of the handloom clusters, it was seen that the earnings of the handloom clusters can put them at best in the transient poverty group. However for the handicraft clusters, the stakeholders have less capital endowment, are relatively poorer and are found more concentrated in the poverty hot spots.

6

Case Studies

CLUSTER INTERVENTIONS CASE STUDIES

- 6.1 Sal Leaf Plate Cluster, Mayurbhanj
- 6.2 Stone Carving Cluster, Puri
- 6.3 *Pattachitra* Cluster, Raghurajpur, Puri District
- 6.4 Embroidery Cluster, Rayagada District

POVERTY ALLEVIATION INTERVENTIONS

- 6.5 Textile and Other Handicrafts, Sarba Shanti Aayog (SASHA), Kolkata MEADOW
- 6.6 Rural Enterprises Private Limited, Krishnagiri District, Tamilnadu
- 6.7 Embroidery, Udyogini, Bikaner District

CLUSTER INTERVENTIONS CASE STUDIES

6.1 Sal Leaf Plate Cluster, Mayurbhanj

CONTEXT³⁸

Collection of Sal leaf from forests is an important livelihood activity for some of the poorest, and often, tribal households in Mayurbhanj district. These households sell those leaves to processing units through intermediaries after stitching either 2 leaves for making *dwipatris* or 5-6 leaves for making *khalis*. The processing units dye-press these into cups and plates respectively and sell them to traders who in turn market them all over the country. A rough estimate shows that total trade from Sal leaf plates and cups in Orissa is about Rs 1,000 crores out of which 50percent comes from Mayurbhanj district. Betnoti town and block is the hub of this industry in Mayurbhanj where around 5000 processing units and 250 traders are concentrated.

The collector-households are more widely spread throughout the Mayurbhanj and its adjacent districts in Orissa, West Bengal and Jharkhand. It is estimated that around 4000 households are engaged in collecting/stitching activity in Baripada block of Mayurbhanj district itself. This has been declared a cluster by the Government of Orissa and a cluster development programme is being implemented by United Nations Industrial Development Organisation (UNIDO) since August 2006 covering processing units and traders in and around Betnoti town and the collector-households in Baripada block.

The cluster is around 45 years old and private traders have played a critical role in its evolution. Initially the *dwipatris* and *khalis* used to be the final product but from the mid-seventies dye-presses were introduced by a few traders. This vastly improved the quality, utility and, consequentially, value of the plates and cups. Subsequently, several new traders as well as new areas in Orissa also initiated the activity and an industry of sorts emerged. An equal credit for the growth of industry in Betnoti can also be attributed to the Budhikamari Joint Forest Protection Committee (JFPC) which has been diligently protecting and managing the forests of the region together with the state forest department. The resultant health of the forests and confidence of the forest department has ensured that the primary collectors as well as the traders have had a regular access to the basic raw material, the sal leaves.

This is a seasonal and part time activity for the collector-households and is mostly carried out by women, children and the elderly. The other important livelihood activities of these households are making sabai-grass ropes, collection of other minor forest produce, agriculture, and wage labour. Income from sal leaf is more critical for the 15 percent landless households as agriculture and sabai-grass ropes are ruled out for them. The average income from sal leaf collection (part time activity) is Rs 15-20 per person per day for 6-8 months in the year. 70 percent of collector-households come from various tribal communities like Bhumji, Khadia, Deori, Tanti, Kalaundi, Santhal and Mahato tribes. The rest are either scheduled castes or other backward castes. Large majority of collectors in this region make only *dwipatris* as large size leaves needed for *khalis* are not available.

The processing units, the designated primary stakeholders of the cluster, can be divided into two categories: household processing units (HPU) and contractual processors (CP). The HPUs are small in size and work with one or two processing machines. They buy stitched leaves from intermediaries either through doorstep delivery or from bi-weekly *haat* (markets) that are specially held for this trading. The pressing activity is usually carried out by family labour. A unit is able to make 2 bags of leaf cups in a day and sell the same to the local traders for Rs. 60. In the event external labour is used, the return to the unit per day reduces to Rs. 20. The CPs on the other hand do job work for traders. The traders purchase the *dwipatris* and *khalis* and supply the same to CPs who charge Rs. 15-20 for each bag of finished product. In the pre-intervention period, several self help groups (SHG) of both collector households and HPUs were promoted by the local administration.

While the industry is still going strong, the traders fear a downturn in the near future. Several cheaper and better substitute products are already in the market dividing the demand for disposable cups and plates, particularly

in the higher value urban markets. New 'clusters' of similar products are emerging in Orissa, West Bengal and Jharkhand. These are obviously competing in the same market space. In many ways these newer clusters are using better technology and therefore are able to produce better and cheaper products. The Betnoti traders are therefore feeling the squeeze from both sides which, according to them, manifests most critically in delayed payments from their clients, usually wholesalers in Delhi.

INTERVENTIONS

Targeting the poorer stakeholders of the cluster, UNIDO has made several efforts towards building skills and capacities of the HPUs and the collector households. Self help groups (SHGs) of both categories of households had been promoted in the past, but remained largely dysfunctional. 103 SHGs of primary collectors and 20 SHGs of HPUs have been revived by ensuring regular conduct of meetings, streamlining monthly savings, and by introducing improved accounting practices. One village level federation of 5 collector SHGs and one federation of 12 HPU-SHGs have been facilitated. Both federations are expected to smoothen the credit flow to the member SHGs for engaging in trading activities. A number of exposure visits of these SHGs have been facilitated including at the Indian Institute of Technology, Kharagpur, markets, processing units, and other SHGs/Federations in several locations. 27 collector SHGs and 2 HPU SHGs availed loans from the local banks.

33 collector households, from the villages that are far away from the market locations, have been facilitated to acquire pressing machine through part subsidy. Consequentially, these households will earn better. Remaining collector households in these villages will also get the margins that today go to bicycle transporters for supplying to HPUs in their own village. However, the number of similar interventions in future would be limited by the raw material available in a given village. Another limitation of such interventions is that this can only be carried out only in the villages that have access to electricity to heat up dyes in the pressing machine.

The UNIDO team is facilitating several experiments in product diversification and technology upgradation at the level of HPUs. New shapes and sizes of both cups and plates are being tried out on a pilot basis. A new variant of the leaf cup produced by fusing one layer of paper with one layer of dwipatri has already found acceptance in the market when tried by one trader-HPU and this is being piloted now at another 20 HPUs. This variant sells for a better price and also saves on the quantity of leaves that need to be plucked from the forest. A steam heated pressing machine, as against the existing electricity heated machine, is also under development with help from a consortium of technical experts based in Rourkela. If this experiment is successful it may enable a large number of collector households to convert themselves into HPUs. An auto cut regulator has also been introduced in the cluster to reduce electricity consumption. 8 HPUs have adopted this technology.

Recognising the importance of continued forest protection, several activities have been undertaken to bolster the efforts of the Budhikamari JFPC. Youths have been trained in forest protection, an awareness rally

Recognising the importance of continued forest protection, several activities have been undertaken to bolster the efforts of the Budhikamari JFPC.

has been conducted, and village level protection committees have been strengthened with the help of a local development organisation, Gram Swaraj. Recognising the importance of non-economic factors, social development activities have been given a lot of emphasis. These include health camps, health and hygiene awareness events, awareness rally to reduce school dropouts, facilitating accident insurance of SHG members, etc. While these are long term strategies to improve the lives and livelihoods of cluster stakeholders, in the immediate these have helped create goodwill for UNIDO team. Issues of the traders are also being addressed, though these are far more complex and require greater resources than currently available. An association of 20 traders has been facilitated after an exposure to similar cluster development interventions in Puri around stone carving. Registration process of this Association is currently underway.

An interesting aspect of the cluster development intervention being implemented here is that the standard principle of working on a single product category has been abandoned and almost equal attention is being given to the sabai grass ropes and other handicraft. This was precipitated by the UNIDO team's concern about the limited possibilities of strengthening livelihoods of the poorest stakeholders of the cluster, the sal leaf collector-households, through only this one activity. Given this concern, the UNIDO team felt that it would be useful to include sabai grass products in the cluster interventions. As mentioned before, around 85 percent of the sal leaf collectors had access to sabai grass and were engaged chiefly in rope making. Therefore, while continuing to working on the sal leaf products, several interventions have been made to improve and diversify products made out of sabai grass. A local development organisation DASI has been engaged to build capacities of the collector households as well as HPU households for making marketable handicrafts from sabai grass. DASI is helping in marketing of the products by facilitating participation of the artisans at exhibitions for retailing as well as for building business networks. DASI has also offered a buy-back arrangement to the artisans. Apart from this, the traditional rope making process is also being improved by way of better productivity and lower costs. A new twisting machine developed in collaboration with IIT Kharagpur, which has increased the productivity of sabai rope by 100 percent, has been adopted by members of 15 SHGs. Both collector households as well as the HPU households are very keen to increase the scale of this activity as they feel that this is easier to manage than sal leaf collections and has better returns.

IMPACT AND KEY LEARNING

It is obviously too early to assess the impact of cluster development interventions on various stakeholders. However certain outputs and outcomes clearly indicate that if similar interventions are sustained for a period of time, the cluster will grow in a sustainable manner. However, whether the growth of the cluster will be inclusive or not will largely depend on the success of efforts towards organising the poorest stakeholders of the cluster and helping them in working on multiple livelihood activities, productivity enhancement, product diversification, market expansion and cost reduction. While the organised structures, the SHGs and the Federations, may or may not survive in the long run, the residual social and economic empowerment is likely to remain. This will create a demand-push from this segment which may manifest in several ways including better terms of contract/rates, greater negotiation power, and redressal of hitherto unserved socio-economic requirements. Over time, this would lead to realignment among the cluster stakeholders in favour of the poor and make the process more inclusive.

6.2 Stone Carving Cluster, Puri

CONTEXT³⁹

Stone carving is an important craft form of Orissa and has been identified as a 'craft with development potential' by the Directorate of Handicrafts and Cottage Industries, Orissa (DHCI). The craft is spread in 12 clusters across 10 districts of the state with 5500-6000 stone carving artisans and a total turnover of Rs. 69 million in the year 2004. Hard granite, semi-hard sand stones and soft stones are carved to produce a wide range of products. These include a) household utensils like large pots for storing drinking water and cattle feed, dining plates, cups and saucers, b) sacred wares including chandan pedi and pedestal for deities, c) icons including images of traditional deities, and d) lifestyle products like *Konark chakra* (wheel), figurines of animals and birds, stone cups, stone lamps, pen stands, visiting cardholders, etc. These products have a growing market at the local, national and international levels.

The Puri-Konark-Bhubhaneshwar is the most prominent stone carving cluster in Orissa, thriving on the massive tourist inflows to the region. United Nations Industrial Development Organisation (UNIDO) has been carrying out a cluster development programme in this cluster since 2004.

The principal stakeholders in the cluster are as follows:

- **Craft Production Unit (CPU)** – These are units established by a master craftsperson, often in a rented premise employing some skilled and semi-skilled artisans. Apart from the employees, a CPU also provides work to independent artisans of the nearby villages as and when they require additional manpower. It is estimated that there are 66 CPUs employing 100 skilled and 500 semi-skilled artisans. The CPUs can be broadly divided into 3 categories based on their size. Category 1: CPUs employing more than 30 artisans with a turnover of Rs. 18-20 Lakh per annum; Category 2: CPUs employing around 12-15 artisans with a turnover of Rs.7-8 Lakh; and Category 3: CPUs having a turnover of Rs 2-3 Lakh and an employee strength of 5-7. 10 per cent, 30 per cent, and 60 per cent CPUs would fall in categories 1, 2 and 3 respectively.
- **Independent Artisans (IA)** – There are around 500 artisans spread across 40 villages who operate independently as self-employed entrepreneurs. The turnover of each IA would be in the range of Rs.30,000-50,000 and sell only at the local markets though there are some exceptions as well. The numbers of such IAs are reducing as more and more are getting absorbed in the existing as well as new CPUs.

70 per cent of the artisans, both employed and independent, are from the Khandayat-Maharana caste. They were traditional wood carvers who have taken to stone carving relatively recently. This community falls in the general caste category. Another 20 per cent of the artisans are from the Ojha community which falls in the general category as well. The rest 10 per cent are mixed castes. It is estimated that as high as 70-80 per cent of the artisans are landless. Since the skill takes a minimum period of 5 years to acquire, the landed agriculturists often do not have time to learn the craft.

The Puri-Konark-Bhubhaneshwar is the most prominent stone carving cluster in Orissa, thriving on the massive tourist inflows to the region

The artisans can be divided into three categories based on skill. Highly skilled – 10 per cent of the artisans earning around Rs. 6,000 per month; Skilled – 40 per cent of the artisans earning around Rs. 3,000-4,000 per month; and Semi-skilled – 50 per cent of the artisans earning in the range of Rs. 1,500-2,000 per month. It is to be noted that a majority of the highly skilled and skilled artisans are now full-time employees of the CPUs and earn regular monthly salaries. The semi-skilled artisans on the other hand are largely wage-employed or independent artisans. This latter category engages in this activity only on a part-time basis; the rest of the time is spent on other livelihood activities. Women particularly fall in the semi-skilled category.

INTERVENTIONS

Over the last couple of years UNIDO has made several efforts to address the problems and opportunities in Puri, Konark, Bhubhaneshwar towns and 15 villages in Puri district. These are:

- **Artisan organisation and institutional development** - 229 artisans have been organised in 8 associations and 11 self help groups. 150 of these group members and another 65 artisans, through artisan credit cards, have availed an additional credit of Rs. 70 Lakh. 25 leaders of cooperatives and SHGs have undertaken training on management of such networks. Exposure visits for production and marketing related issues have been facilitated for 210 artisans. 250 artisans acquired artisan identity cards which will enable them to access several services in future in addition to the empowerment emerging from the recognition of a certain identity. 100 artisans have also taken health insurance policies.
- **Marketing** – Four showrooms have been established by different CPU groups under a common brand name Karigara. A product catalogue has been developed in both print as well as electronic media. The Konark CPU has even bought a computer with internet connection for accessing national and international buyers. As many as 52 new products have been developed by one of the CPU groups in collaboration with FORHEX – a Federation of exporters from Jaipur. Another 70 products in the nature of corporate gifts are under development. A marketing consultant was especially hired for accessing export markets and related capacity building.
- **Production streamlining** – Raw material availability has been improved for the artisans through establishment of one raw material bank and adding new source locations as well as new suppliers. 2 common facility centres (CFC) have been established which are providing services like supply of stones, sizing of stones and common working place for the artisans. 230 artisans including 115 women have been trained for upgrading their skills. More than 400 artisans are using improved working tools. This has improved their productivity as well as quality. 75 non-artisans have been trained in the craft. 55 of these new trainees including 40 women are either employed at a CPU or are functioning like independent artisans.
- **Social development** – 2 health camps have been organised where 60 artisans were treated for various diseases. Another 180 non-artisan families of those villages also accessed these camps creating goodwill for the intervention as well as for the artisans. Similarly 35 and 40 toilets were installed in artisan and non-artisan households respectively. 2 street plays were organised around the issue of health, hygiene and general awareness.

IMPACT AND KEY LEARNING

It is estimated that total additional sales of Rs. 1.81 crores have been facilitated by the cluster development intervention. This includes Rs 6 lakh worth of exports, Rs. 76 Lakh in national markets, and sales through the Karigara showrooms. Monthly income of 200 independent artisans has increased by Rs. 400-500. 50 CPUs have reported an increase in sales of Rs. 700-1,000 per month. Additional sale in the cluster due to infusion of credit is estimated at Rs. 1.06 crores.

There is little doubt that the cluster is high on the sustainability curve. However, inspite of this growth, the really poor residents of the cluster have not been able to latch on to this activity. It may be argued here that

in relatively mature clusters the minimum scale of the enterprise and the minimum skill required are high and the real poor lack the resources to acquire either. In order to enable the poorest to benefit from growth, therefore, focussed interventions towards building a better asset base may need to be fused with the standard cluster development programme.

6.3 *Pattachitra* Cluster, Raghurajpur, Puri District

CURRENT STATUS

Pattachitra is Orissa's traditional painting which is done generally on two surfaces, home-made traditional canvas known as *patta* and dried palm leaf. Though this is practiced in several locations across the state, this art form is most commonly associated with Raghurajpur, a village 12 kilometres before Puri on the Bhubhaneshwar - Puri highway. The Raghurajpur *pattachitra* cluster also includes the neighbouring Dandasahi village, and between them these two villages have 400 artist households. Almost all products of this cluster fall in the decorative wall-hanging category. The current annual turnover of the cluster is estimated to be around Rs. 1.2 crore. 60 per cent of the turnover comes from exhibitions at various levels, 30 per cent from direct sales to the tourists who visit the village, and 10 per cent through traders based at Puri and Bhubhaneshwar.

Raghurajpur is an integral part of the Bhubhaneshwar-Puri-Konark tourist circuit. This circuit gets a huge volume of tourists as it offers a variety of experiences including religious, historical, coastal, and socio-cultural. Raghurajpur is also the native village of one of the greatest exponents of *Odissi* dance, late Guru Kelucharan Mohapatra. The village is also home to '*Gotipua*', an ancient dance form pre-dating *Odissi*. At least 3-4 practicing Gurus are based in the village even today, including Mr Maguni Das, possibly the best known exponent of the dance form. Therefore Raghurajpur truly deserves the 'heritage village' status conferred on it by the state government.

Traditionally *pattachitra* artists belonged to the Chitrakara community who were settled in the region by the royalty during the construction of Jagannath Temple. However, in the last few decades, ever since *pattachitra* has emerged as a profitable enterprise, the Khandayat community has come to dominate the art form. This phenomenon is manifest in Raghurajpur, as shown in the adjoining Table 1. The Khandayats (OBC) are known to be very enterprising. The artisans in the cluster can be divided into three categories:

- a) Master crafts-persons can be referred to as the entrepreneurs of the cluster as they are the interface with the market. This category enjoys such a position because they have superior skills of sketching, can depict the correct facial expressions or body postures, and can compose better layout of each piece. This group naturally derives maximum incomes. The minimum income of artisans of this category is Rs. 5,000 per month. They are about 70 in number. Within this category there is a select group of highly skilled artists as well as State/National awardees, who are able to derive income of Rs. 10,000 per month upwards. Most such artists are based in Raghurajpur and belong to the Khandayat community. This group gets invitations to exhibitions where the margins are highest, estimated at around 40-50 per cent.
- b) Skilled crafts-persons, who form 50 per cent of artist population, handle the entire painting process except for the initial sketching and the final finishing, which is the preserve of the master crafts-persons described above. The income of this group varies widely from Rs. 1,000 per month to Rs. 4,000, depending on the skills.
- c) The third group comprises of semi-skilled under-training artists. This group essentially performs the support functions like preparing the canvas, making colours from different materials, and other low skill demanding tasks. This group of 130 earns Rs. 2,000 or less per month.

In addition to these primary stakeholders, there are about 10 washerman-families that provide the cloth which is then converted into the *patta* canvas by the artists themselves. This cloth, typically, is used-soft-cotton material collected by the washerman-families during death-ceremonies in and around the village. Lately, some youth belonging to certain scheduled caste communities have also started producing and supplying ready to paint *patta*-canvas to the artists, though at a very small scale.

In general, an artist family derives as high as 80 percent of their annual income from this activity, which signifies

Table 6.3.1 Caste Composition of Artists in Raghurajpur

CASTE	NO. OF HH
Khandayat	61
Chitrakara	32
Bania	10
Carpenter	3
Nahaka	2
Other	1

marked rise from 10 years ago when this ratio was around 40 percent. This change has happened because of two reasons: the income from the craft rising at a faster rate than other activities, and the families shifting more and more resources to the craft. Agriculture, horticulture and beetle leaf cultivation comprise the other livelihood activities.

Another clear indicator of the better health of *pattachitra* craft is the fact that families are actively encouraging the youth to take up this vocation. There are at least two-three *gurukuls* in the two villages initiating young boys and girls into the craft through a rigorous 3-4 year apprenticeship. While some apprentices stay at the *gurukuls*, many walk or cycle daily from distances up to 10 kilometres.

However, this prosperity is restricted to Raghurajpur only and is not visible in the neighbouring Dandasahi. Far greater proportion of artisans of this village fall in the poorer category than in Raghurajpur. Dandasahi artisans invariably have to work on extended periods of credit with margins as low as 5 per cent. There are several instances of distress selling during the off-season and even switching of livelihood. The primary reason appears to be lack of access to market and marketing agents, which is highly concentrated at Raghurajpur. The development support is also highly concentrated at Raghurajpur.

INTERVENTIONS

It is difficult to attribute the success of Raghurajpur to any one kind of intervention. It is in fact difficult to even conceive a cause-effect relationship. However, some of the recent interventions are as follows:

- Development Commissioner (Handicrafts) has played a major role in linking the cluster with national market through exhibitions. During last 5 years, the DC (Handicrafts) has sponsored about 40 artisans to attend national level exhibitions. During 2005 and 2006 DC (Handicrafts) had organized a fifteen day skill upgradation training to improve the painting skills of 15 artisans. DC (Handicrafts) has provided I-card to almost all the artisans.
- The Directorate of Handicrafts and Cottage Industries, Orissa (DHCI) has facilitated marketing of *pattachitra* through Utkalika, its marketing wing. Utkalika had also done the costing and pricing of the products which is still used as a reference. The DHCI has also organized exposure trips of the artisans to different handicraft clusters of the country.
- The Department of Tourism has adopted this village as heritage village in the year 2000. The department has facilitated the tourist inflow to the village through advertisements, information dissemination and conducting organized tours etc. It also appointed Indian National Trust for Art and Cultural Heritage (INTACH) for infrastructure development. Some of these include Hotel Panthanivas and Museum cum Display Centre cum common work place. The project expenditure is estimated to be about Rs.1 crore.
- INTACH organized a training program of 3 months duration with 50 participants in the year 2005 and 2006. The training was on developing managerial skill for the business growth such as marketing communication, interior design of the display places, management of

Families are actively encouraging the youth to take up this vocation. There are at least two-three *gurukuls* in the two villages initiating young boys and girls into the craft through a rigorous 3-4 year apprenticeship

common structure etc.

- PARAMPARA, an NGO based in Raghurajpur, is totally devoted to promote *Pattachitra* craft and other crafts and culture related to the area. It has organized many activities during last 10 years. They are :-
 - o Skill Training Program for 200 beginners and semi-skilled artisans.
 - o Organizing promotional workshop with participation of government / non-government., supporting agencies like DC (Handicrafts), DIC, NABARD and banks and local eminent personalities and educational institutions. This has helped the craft to be recognized in the state as well as at the national level and helped in the growth of the craft.
 - o Market Linkage: The organization is linked to the premier handicraft exhibitions at national level organized by DC (Handicrafts) and Dastkar etc. It is working as a major market channel for the cluster and providing employment opportunities to the artisans.
 - o It has provided employment opportunity for fifty artisans for inscribing ancient books of Jainism in palm leaf for 6 months.
 - o Artisan Credit Card provided to 50 artisans with 25,000/- credit limit to each with the support of this organization.

KEY LEARNING

Raghurajpur displays the classical signs of a mature, prosperous cluster as regards presence of poverty and its manifestations. Firstly, there are very few chronic poor present in the village. Almost everyone seems to be latched on to the success of the cluster, which in turn is largely because of the recognition that *pattachitra* has achieved as a saleable art form. Secondly, the average wage rates in Raghurajpur even for low-skill work is much higher than clusters that are not doing so well.

Systematic promotion of tourism in the region in general and Raghurajpur village in specific has been the main driver of development of the cluster. Significantly, this did not require the artisans to actively cooperate with each other beyond what they normally do while staying in the same village. This example demonstrates that if sufficient and sustained resources are available, even 'passive cooperation' can be a sufficient condition for the development of a cluster.

Finally, it must be noted that the 'revival' of the art form and development of artisans into well to do entrepreneurs has taken more than four decades. During this period, there were three-four intervention thrusts that have taken the cluster to the next milestone and the visible prosperity of the cluster is a cumulative result of all those interventions.

6.4 Embroidery Cluster, Rayagada District

CONTEXT

The forested hills in north-western border of Rayagada district, Orissa are home to the Dongoriya Kondhs (DK), a poor and highly vulnerable tribal community. 4500 households inhabit 102 villages spread across three blocks Bissam-Cuttack, Muniguda, and Parsoli. This community has been producing embroidered shawls for their own use for generations. Though this skill exists with a majority of the households, this shawl over the last few decades has become a supplementary source of livelihood for around 50-60 households. The Government of Orissa has declared this region as a cluster and some interventions like design development and promotion of self help groups are underway. However the scale of shawl/other production is low both at the household level as well as at the aggregate level, and the forward-backward linkages are very weak. Therefore it can only be classified as a nascent cluster.

The main sources of livelihoods of the DK community are hill agriculture, horticulture on common land, collection of minor forest produce, wage labour and embroidery. The total annual income per household is in the range of Rs. 12-15000 only. It must be noted that until recently barter system used to account for a large part of their daily requirements where forest produce was exchanged for salt, soap and clothes. Nutrition related needs were also met substantially through forest produce. This has of late come under tremendous pressure with the forest depleting in area as well as in diversity, thereby enhancing the need for cash income. Literacy and health indicators of the DK community are very weak, which further increases their vulnerability. The Dombs, a scheduled caste community, also inhabit these villages and often act as links with local markets for the DKs as their literacy, awareness and mobility is comparatively much higher.

The shawls are made on a base of coarse cotton cloth which till some time back was loomed by some DK households but is now accessed either directly or through other agencies from a village about 20 kilometres away. Alarmingly, even in this one village only a couple of looms are active regularly with another 2-3 joining in when the requirement goes up after getting some order. The embroidery is generally taken up by the young and old women of the household after they have finished the household chores and tended to their agriculture and/or horticulture plots. Given the fact that only a couple of hours a day are spent on the activity, and that each shawl has dense embroidery, a person can take upto 3-4 months to complete one shawl. Therefore, the total volume of production is very low, as are the returns to the family. The cumulative annual turnover of the 'cluster' is estimated to be in the range of Rs.7-8 Lakh.

The predominant method of production is job-work for Dongoriya Kondh Development Authority (DKDA), which is a micro project under the tribal sub-plan established especially to work with this community. The DKDA provides the base cloth to the women and pays them a fixed

The embroidery is generally taken up by the young and old women of the household after they have finished the household chores and tended to their agriculture and/or horticulture plots

wage when the completed shawl is returned. In turn, the DKDA sells the shawls largely through exhibitions, bulk orders and direct retail from its offices. ANWESHA, a Bhubhaneshwar based craft marketing organization, also procured some shawls from the region in the past but lately this has stopped. There are some stray cases of private agents procuring some shawls as well. One Delhi based designer who conducted a design development program a couple of years ago also procures shawls and a few other embroidered products. Universal Services Organisation (USO), a development organisation based in Rayagada, facilitates the participation of the artisans in exhibitions as well as retails from its offices. A local school in the area is also encouraging and training its students in improving their skills to take this up as an enterprise. Some shawls are sold in the weekly haat markets in Chatikona to the visiting domestic and foreign tourists. This region is a prominent part of the so called tribal tourism circuit of Orissa and many tourists in fact purchase shawls directly from the artisans in the villages.

INTERVENTIONS AND IMPACT

DKDA has been working with the community for the last couple of decades and therefore pre-dates the cluster development intervention. It has in fact played a significant role in making the embroidered shawl available to a wider spectrum of consumers. The job-work system instituted by DKDA is a risk-free system for the households as they do not need to make any cash investment from their own sources. This convenience may also have led to the current status quo situation, where a majority of the community looks at embroidery as a mere supplementary source of income. Any sort of urgency to meet the demand of the market is distinctly missing among the artisan-entrepreneurs. The DKDA also provides assistance in other livelihoods like horticulture and agriculture through better seeds and other inputs, irrigation, procurement of produce, etc.

The cluster development programme is being managed by the Department of Handloom and Cottage Industries (DHCI), Government of Orissa for the past couple of years. It had entered into a detailed Memorandum of Understanding (MoU) for a period of 3-4 years with USO for the holistic development of the cluster in 2006. The following interventions took place in the cluster in 2006-07:

- Design development workshop facilitated by a Delhi based designer;
- Formation of 7 self help groups (SHGs) with 96 members; all SHGs have bank accounts;
- Inter-artisan skill enhancement workshop;
- Participation in exhibitions and fairs.

Lately the intervention is being managed directly by the DHCI through its local offices.

One significant impact of these interventions has been that some DK households are now actively interested in taking up shawls/embroidery as an enterprise and are willing to commit more time to this activity. Though agriculture/horticulture continues to be their priority, they realise that the potential of these activities in the future will shrink, given that these are dependent on shrinking forests. This new mindset manifests itself in various ways - a village of 40 households completes 30 shawls in a period of 3 months, something unthinkable in the recent past; a few persons from the community take part in a craft exhibition in Kolkata; and tourists are charged premium market price even when they purchase from an artisan in the village.

A lot more needs to be done if the livelihoods of the households are to be improved through the modus operandi of an embroidery 'cluster'. Far more artisans have to take this up as a more regular enterprise to achieve economies of scale for the cluster. Some households could be encouraged to set up looms for weaving the base cloth. The artisans must be facilitated to emerge with new designs and products so that unexplored markets and segments can be tapped. Linkages with markets have to be strengthened by reaching out and negotiating favourable contracts for the artisans. Financial and other resources have to become accessible to the artisans so that they can move out of low-margin job work to higher margin enterprise.

However, given the vulnerable condition of the community this shift in the livelihood pattern from multiple subsistence activities to one or two significant enterprises (eg. embroidery, horticulture etc.) must be done carefully in a graduated, systematic fashion. It is imperative that the resource base and social capital of the community is substantially strengthened before such a relatively risk prone transition is made.

POVERTY ALLEVIATION INTERVENTIONS

6.5 Textile and Other Handicrafts, Sarba Shanti Aayog (SASHA), Kolkata

CONTEXT

Sarba Shanti Aayog (SASHA), a craft marketing non-government organization conceptualised to promote self-reliance amongst disadvantaged sections of the crafts community, was founded in 1978. SASHA's primary aim is to preserve and promote traditional crafts through innovation in designs and techniques for the artisans so that they remain competitive against cheaper mass-produced goods. It does not provide any subsidy to the producer groups or receives any kind of assistance/grant, but survives on revenue earned in the market. The total turnover of SASHA in 2006-07 was around Rs. 7 crores which more than trebled when compared to turnover of Rs. 2 crores in 1997-98. The market and marketing tasks are performed by SASHA directly, whereas capacity building of the artisans is carried out through another group-organisation, the Enterprise Development Foundation (EDF).

SASHA interestingly has created an entire value-chain through its individual and group producers. There are handloom groups that weave the cloth to specifications and designs; embroidery groups that add value; and finally the stitching groups that create garments and other products that are eventually sold to the customers by SASHA. Through this arrangement, the producer groups are assured of their backward and forward linkages while SASHA is able to retain control over the entire production chain, thus ensuring quality standards required for the international markets. Two associations of producers have also been promoted, one each for handicrafts and handlooms, which distribute and collect orders from different groups.

The artisans come from different economic and social background and most work as part of an informal group or an organisation consisting of displaced and marginalized women, economically disadvantaged rural producers, institutions supporting mentally retarded children and with some individuals as well. Most such artisans are from West Bengal, though certain products are sourced from other states as well including Orissa, Chhattisgarh, Andhra Pradesh. Majority of the groups in West Bengal are captive vendors that supply only to SASHA, whereas groups from other states generally have other clients also. SASHA's efforts over two decades have had a visibly significant impact on livelihood of many of the member groups. The following case study is of one such group of displaced and marginalised women, the Kolaghat Socio Economic Welfare Society.

INTERVENTION

Kolaghat Socio Economic Welfare Society (KSEWS), based in a village near Kolaghat, district East Midnapur, is an inter-religious society that encourages women of all communities having interest and inclination towards craft work to engage in economic activities. Currently the main activities of KSEWS are embroidery and stitching of various garments

SASHA interestingly has created an entire value-chain through its individual and group producers. ... Through this arrangement, the producer groups are assured of their backward and forward linkages while SASHA is able to retain control over the entire production chain

and other products. The Society had an annual turnover of Rs. 26.52 Lakh in the year 2006-07, which shows that the organisation has come a long way from its modest beginning in 1984-85 when its turnover was around Rs.0.10 Lakh only. There are a total of 35 member-employees at KSEWS most of whom are underprivileged women like victim of broken/unaccepted marriage, widows and poor. The Society today has its own land, building, work shed and essential machinery.

Way back in 1978, a flood devastated various villages in and around Asurali town in the district. The then local club members took an initiative in providing relief to the villagers. It was during that period that the need for financial independence of women was felt, as they were among the most neglected groups. In 1983, Mr. Shankar Chakraborty, secretary of the local men's club (Nabarun Sangh), took the initiative of organising a workshop on tailoring and stitching for some of the women in and around the village. He also organised a legal awareness camp in 1984 with support from Social Legal Aid Research and Training Centre (SLARTC) and Sarbik Gram Bikash Kendra (an NGO). After the training, several meetings were held where the village women expressed their desire to start an income generating activity.

It was during this period that SASHA organised a seven day skill upgradation training for its artisans from producer groups in Self Help Handicraft Society (SHHS) and invited some of the women from the villages in Kolaghat. At the end of the workshop the groups were asked to prepare gift items within a price of Rs. 25 for exhibiting at SASHA's shop. The SHHS had given the villagers a whole bundle of cut pieces of different fabrics, which they thought of using, and in 1984 they came up with their first production -- oven gloves, potholders, aprons and bags. With SASHA's motivation, this group established and registered the KSEWS.

It can be argued that most member-employees of KSEWS fall in the transient poor and not the chronic poor category. Essentially the women often did not come from the poorest families but were highly vulnerable in their lives and livelihoods as a result of natural calamities and/or individual circumstances. Of the 35 member-employees, almost 20 are also engaged in farming and agriculture labour. 7 member-employees still reside in kachha house. Before joining the Society, few of them were engaged as domestic help. It has also been observed in case of several member-employees that the income from KSEWS is the main source of cash income for the household and, in that sense, it was the women who, apart from managing the daily chores of household, acted as main breadwinners of the family. The wages to member-employees are paid on the basis of piece rate as well as salary. Of the total member-employees 7 are purely salaried, 7 earn both salary and piece rate and the rest earn on piece rate basis. For embroidery the salary ranges from Rs 800 to Rs 1200 per month and for stitching Rs 2000 to Rs 2500 is paid per month. These incomes, as mentioned earlier, are often the most stable incomes for these households.

This Society is a captive unit of SASHA. The entire production, which is mostly job work, is done for SASHA. Given the fact that 90 percent of SASHA's turnover comes from exports, most products of KSEWS are made for international markets. The table below shows KSEWS's performance over the last three years.

As can be inferred from the table, the turnover of the society has increased by 63 per cent during the period 2006-07, after a plunge of around 14 per cent the previous year. Similar trends are observed in case of profit and expenditures in raw materials, dye and laboratory charges, i.e. a fall during the period 2005-06 compared to previous year followed by a surge in 2006-07. The wage bill has been consistently rising over the years, with an increase of 10.8 percent and 30.9 percent during the period 2005-06 and 2006-07 respectively. However, the Society perceives a decrease in total orders from SASHA during the current period, i.e. 2007-08, which is of major concern to them. SASHA however was clear that by the time the year comes to an end, KSEWS will have more or less similar orders as compared to the previous year.

Table 6.5.1 Financial Summary of KSEWS

Rs in Lakh

	2004-05	2005-06	2006-07
Raw Material	8.23	6.44	11.97
Wages	4.44	4.92	6.44
Dye & Lab charges	0.67	0.5	1.39
Profit	2.34	1.32	2.96
Debtors	3.28	6.51	8.66

IMPACT AND KEY LEARNING

The significance of the intervention of SASHA's at KSEWS and the related garment value-chain lies in the fact that the skill has been newly taught to the women. It did not exist traditionally and there was virtually no existing brand value except maybe of Kantha embroidery. The entire business has been built from scratch working with vulnerable women. Interestingly, SASHA was quite categorical in refuting the hypothesis that one should necessarily begin with transient poor and not with chronic poor. It follows the principle that selection of artisans for an intervention should be based on talent and willingness to learn as against those having better household situation. The market of experience of SASHA's came handy here. In fact, as opposed the income issues, here the intervention started with capability issues followed by income generation issues.

6.6 MEADOW Rural Enterprises Private Limited, Krishnagiri District, Tamilnadu

CONTEXT

MYRADA, a development organization headquartered in Bangalore, has facilitated a partnership between the Hosur based unit of Titan Industries Limited (TITAN) and the rural communities living in and around Hosur. As part of this intervention, young literate women of the region established a private limited company, MEADOW Rural Enterprises Private Limited (MEADOW), in 1997 to carry out various production processes of TITAN on a job-work basis.

The intervention is located in Hosur peri-urban area in Krishnagiri district, formerly part of Dharmapuri district, Tamilnadu. The rural economy is essentially dependent on rainfed agriculture as neither ground nor surface water are available for irrigation. Hosur has been promoted as an industrial area by the State Industrial Promotion Corporation of Tamilnadu (SIPCOT), under the 'industrial dispersion program'. The resultant rapid industrialisation created demand for both labour and services. This became an extremely important source of employment and income for the communities of the area which were otherwise struggling.

TITAN Industries Limited located in Hosur, is a joint sector undertaking owned mainly by the TATA Group and the Government of Tamil Nadu. The TATA group has a strong focus on social responsibility; guided by the philosophy that "CSR is not an externalized activity nor is it philanthropy. It is an internal process critical to the organization."

The member-employee women of MEADOW come from poor families of the region. In the absence of any opportunities and capabilities, these young women in the pre-intervention scenario used to be married off at very early ages. This naturally brought along the resultant problems of ill-health and disempowerment.

Before this intervention commenced, MYRADA had been working in this area for a decade. It had helped women form what they now call Social Affinity Groups (SAGs, more commonly referred to as Self Help Groups) which helped the women to, among other things, articulate their development needs and improve their access to financial services. This went a long way in improving livelihoods of these households. Several children of the SAG members were taken under the Foster Child programme with support of Plan International which ensured reasonable quality education and nutrition to the children. MYRADA has also been implementing watershed programs on a large scale in the region. All of this probably reduces the vulnerability of the families to some extent enabling the women to work and contribute to building up their own enterprise.

INTERVENTION

In 1991-92, at the request of MYRADA, students from IRMA undertook a study to explore possible collaborations between some of the industries in Hosur and the rural population with whom MYRADA was working. They identified several companies with whom MYRADA could work together. One of these companies was TITAN. The first collaboration involved making of rotis for their canteen. But due to quality and hygiene issues, this project was shelved. The next suggestion was laundering uniforms of the TITAN factory workers. This activity was taken up by the SAG "Aishwarya Lakshmi" in the Denkanikotai block and is still being performed by them. Washing of industrial trays used to hold watches and straps was also given to one of the SAG and is also still being done by the women. TITAN pays the SAGs for these activities by means of a direct deposit to the SAG account.

TITAN meanwhile had started the bracelet manufacturing division which included a lot of operations like press operations, linking items, grinding, polishing and assembling. TITAN decided to outsource low value added operations and processes to MEADOW on an experimental basis, which otherwise they were planning to outsource to China and Korea. TITAN helped to set up the first unit - the link assembly unit - and provided training to the women at their own factory. TITAN accepted to outsource key business processes to a company owned and managed by women who are often 8th grade pass only. For employing individuals for similar tasks within TITAN the minimum qualification is Graduation. The employees of MEADOW were provided with rigorous training both at the TITAN factory as well as at the workshops. Job work was the agreed mode of functioning which kept the working capital requirements of MEADOW within manageable limits. TITAN also helped build the corpus of MEADOW by offering higher wages in the initial years. Most importantly it was patient while the women were building up their capacities.

Happy with the output of this initial group and the outcome of the initiative, TITAN gradually increased the activities outsourced to MEADOW. Currently there are several activities performed by MEADOW in the 12 units located in different villages around the Hosur area . The operations in all these units range from simple fixing of straps to the complex movement assembly involving setting of internal components of the watch. All the women went through a training period between 2 weeks to 3 months where they were taught the process and quality related issues. All the assembled pieces go through an internal 100 percent quality check, performed by MEADOW operators themselves.

IMPACT AND KEY LEARNING

Today MEADOW is one of the most preferred vendors for TITAN in three divisions including watch, jewellery and precision engineering. MEADOW is expected to close the financial year 2007-08 with a turnover of Rs. 1.40 crores which would be 35 percent more than 2006-07. It is at present giving employment to around 350 women, who earn average salaries of Rs. 2,500/month in a dignified environment. In addition the women employee members received a total profit-bonus of Rs. 15 Lakh in 2006-07.

MEADOW is set to grow even further in both its turnover and in number of employee-members. As per TITAN estimates, MEADOW is already contributing 65 percent of the manual and semi-mechanised production processes and in the next three years titan would like to see all of such processes transferred to MEADOW. Learning from its experience of working with MYRADA/ MEADOW, TITAN in fact has removed several other vendors from its list for not being responsible towards its employees. TITAN is encouraging meadow to expand its operation by 'outsourcing' more and more production processes to MEADOW. On the other hand, MYRADA is now being approached by several other corporate houses for facilitating similar partnerships with the community. One such instance is garment related partnership with the ITC group which is in advanced stage of negotiations. If this eventually fructifies, it is likely to provide self-owned-employment to another 2000 women. Thus, it is evident that the TITAN-MYRADA-MEADOW partnership has been successful on several fronts and has led to improvement in livelihoods in a holistic sense. Some of the key learning from this intervention are as follows:

- Emergence of a win-win situation – It is clear that intervention and the partnership succeeded only because the community was eventually able to offer certain services to the corporate entity at reasonable prices, even as it was able to get enough returns to meet its current costs and future aspirations. The basic enabling features included the operations of MYRADA and the presence of TITAN and other industries in the same area. Over time, this intervention therefore morphed from being development organization driven linkage program to a classical situation of a large client supporting a vendor to evolve an appropriate range of products and services.
- Community readiness – Every poverty-related intervention demands certain capabilities in the community. For this intervention, with hindsight, it can be said that the crucial factor was the presence of young literate women among households. This was the direct result of MYRADA's other interventions in the region. Additionally, MYRADA consciously developed an explicit and shared

Learning from its experience of working with MYRADA/ MEADOW, TITAN in fact has removed several other vendors from its list for not being responsible towards its employees.

agenda with the community that it was working for non-traditional avenues of income for women which would also lead to improved gender relations. So when the opportunity came by way of TITAN's offer for watch strap manufacturing there was a critical mass of young educated women who came from families that had moved from being chronic poor to probably transient poor.

- Orientation of the corporate entity – The support of TITAN, both financial and non-financial, in helping MEADOW evolve cannot be overstated. It would be safe to say that such a pioneering initiative could not have been successful with any other corporate entity. The orientation of the TATA group in general and the fact that the Hosur unit of TITAN started off as a joint venture with Government of Tamilnadu led to this very progressive local area development outlook. As a result TITAN was willing to invest time and other resources when it saw an opportunity to develop business relations with the communities residing in the region. Today it is reaping the rewards by way of tremendous cost saving evident in the fact that more and more new activities are being taken up by MEADOW.
- Intensive long term support by the development organization – Let there be no confusion on this aspect, if MYRADA had moved out of the picture at any stage, the intervention would not have been successful. An intervention of this nature demands long term intensive support. Of course the role that MYRADA has played during the intervention has changed over time. However till today the Chief Executive Officer of MEADOW continues to be a MYRADA employee. MEADOW has, expectedly, still not reached the stage where its employee members can take complete charge of operations and governance. This is of course not to say that similar interventions in future will necessarily take similar time and effort. Learning from this experience MYRADA is hoping to have a shorter gestation period with the potential collaboration with ITC.

6.7 Embroidery, Udyogini, Bikaner District

CONTEXT

Western Rajasthan is well known for hand embroidery. The sub-sector has four major sub categories - embroidery, aari, applique/patch work and alteration with embroidery being this dominant (60 per cent) sub group. The sector is controlled by around 190-200 manufacturing units, mostly in Barmer district. Chautan, near Barmer, is the biggest centre and has approximately 50 percent of the production units concentrated there are followed by Barmer town, which has around 23 percent of such units. 7-10 large firms, which account for only 4 percent of the total firms, capture 51 percent of the market share. The market is estimated to be around Rs. 100 crores annually.

Pugal accounts for only 5-10 per cent of total volume of embroidery business, largely because of the physical distance from Barmer. As a result the artisans of Pugal were marginalised in the embroidery value chain. They work primarily with local traders who in turn work with the Barmer traders. The 'chain' has several links which often lead to cash flow problems for local traders and as a result they are unable to provide regular and substantial work. The trade was also hampered by the fact that the producer artisans are located in dispersed villages with poor transport infrastructure.

Agriculture, animal husbandry and labour work are the other major sources of livelihood in the region. Agriculture is largely rainfed though a few villages in the region do receive some water for irrigation from the famous Indira Gandhi Canal. Animal husbandry, particularly sheep rearing for wool, used to be very important livelihood activity for several families in the past but its significance has reduced lately. This is the result of land demarcation and allotment to the refugees, which were earlier common lands on which the animals grazed freely. Now that access to grazing land is much less, the households have been forced to either reduce the number of animals significantly or to abandon this activity completely. Apparently the incomes from sheep rearing were much higher than agriculture.

The embroidery workers are mostly women and belong to communities like Meghwals, Rajputs, Suthars, Jats, Muslims, etc. Meghwals, however, possess the highest degree of skills and produce the most intricate designs and patterns. All the communities in the region, however, are orthodox patriarchies where the gender relations appear completely skewed against the women. Given the high migration rate of the region, the women have to fend for the households for extended periods of time in harsh and unfavourable circumstances. As a corollary to this situation, the women embody the poverty and struggles of the region and they need to be at the centre of any strategy for poverty alleviation.

Udyogini, a microenterprise promotion development organisation, has been working in Pugal, of Bikaner district since 2002 to strengthen livelihoods of the households through promoting embroidery as a self owned microenterprise. It is nearly 14 years since Udyogini came into existence as a service provider for microenterprise management services and as an institution for training poor, assetless and mainly illiterate women in the backward states of India. Udyogini's vision and perspective on microenterprises for women has always been to empower women to understand and participate in critical enterprise processes.

The women embody the poverty and struggles of the region and they need to be at the centre of any strategy for poverty alleviation.

INTERVENTIONS

Udyogini began its intervention in Pugal in 2002. It first started working with women from the Meghwal community to produce high end niche products. However, this strategy did not allow Udyogini to work with large number of poor. Therefore, Udyogini began examining alternate strategies to target large numbers of poor more quickly and to develop a production cluster which could be scaled up to garner an increased share of the existing markets apart from diversifying into new markets. It undertook a value chain study to examine the non-niche market for Pugal products. As per this study there was a big middle market of 'B' grade embroidery and Appliqué work and there were a large number of women in Pugal area as well who could produce 'B' grade embroidery.

The strategy was thus changed in 2005 to work with women with low to medium skills doing silk-thread embroidery and upgrade appliqué among those with medium skills, and introduce appliqué to those with no skills. The caste group changed to Rajputs, Suthars, Jats and other castes. The mass market offered volume benefits over time (though a lower rate per piece of embroidery/appliqué) and sustainability. On the other hand, the skill and quality parameters for this segment were not daunting. The model established was: 'to link distribution, production and collection sub centers in villages with a main centre at the block level to handle the receipt of orders, distribution to sub-centres, and collection of finished goods'. A society of women producers called Udyam Jagaran Sansthan (UJAS) was registered for the purpose. It was also envisaged that UJAS would mobilize financial and other resources, and would emerge as a product and institutional brand identity. UJAS has one main centre in Pugal and 6 sub-centres in villages.

A second phase, which commenced in 2006, is primarily focusing on consolidation of the interventions and expanding the number of artisans to around 1500. It is targeting a median income from the activity at around Rs. 550 per month. The production systems are to be further refined, including capacity building of local persons as Business Development Service Providers (BDSPs) to manage operations locally. Towards these objectives, the interventions that have been carried out till September 2007 include:

- a) Sustaining the initiatives of the previous, keeping in mind the volatile market situation where Udyogini is relying on orders and not on developing an inventory;
- b) Small design interventions for an expanded middle to upper market segment, by involving a designer from NID;
- c) Identifying key people who can be incubated as entrepreneurs,
- d) Strengthening UJAS and BDSPs to become more independent in production management and handle at least the job work independently

In order to facilitate better participation of the women, child care centres are being opened with financial support from the Ministry of Women and Child Development in each of the intervention villages. The centre is managed by local women. The money goes directly to UJAS organization. The centres are operational in 6 villages taking care of the children in the age group of 6 months to 6 years. A teacher and a helper have been appointed for each crèche. In each crèche about 25 children are provided a mid-day meal and pre-school activities.

IMPACT AND KEY LEARNING

The total production achieved in the year 2005-06 was Rs. 12.83 Lakh which marginally increased in 2006-07 to Rs.13.16 Lakh. Since production is mainly job work, most of the production is accounted for as wages. The small difference between production and wage account is because production has included some manufacturing for exhibitions and specific individual client requests in which there are other costs (raw materials, etc.). Although 900 women are still involved with Udyogini, about a half can be said to be fully employed (defined on the basis of productivity in the area as 4 hours a day for 20 days a month for 8 months in the year) earning between Rs. 300-800 per month.

UJAS is beginning to receive regular orders from newer markets like New Delhi, Jaipur, Kolkata, Jodhpur, Ludhiana, Chandigarh and Hyderabad. UJAS even got counter space in a retail mart situated at a strategic location in New Delhi. Similarly, Udyogini has successfully acquired another sales counter at a retail outlet in Hyderabad recently on the basis of consignment sale of UJAS products. The main objective of such linkages is to reach out to a growing middle-market segment which will sustain the artisans for a longer period of time. Interestingly, the Barmer traders are now beginning to show interest and started giving some orders to the artisans of Pugal. This interest demonstrated from various quarters of the market augurs well for the future.

Four persons, who served as Udyogini's field assistants in Pugal in charge of production and served as BDSs, were trained as entrepreneurs in order to provide the women of UJAS regular employment and income. Since there were village level clusters that they were already managing, each entrepreneur selected the clusters they want to build their enterprise around. Udyogini built the capacities of the entrepreneurs over a year long period starting in February 2007 during which they worked with a combination of loan and grant facility that secured a part of their costs (mainly salary). This strategy can significantly fuel the growth of UJAS and the artisans.

7

Major Learning and Policy Strategy

A. MAJOR LEARNING

Building on (a) the existing learning as articulated in chapter 1, (b) cluster based case studies that were conducted in the five clusters of Orissa and (c) the three livelihood studies conducted, we could derive the following issues for consideration:

(a) Stakeholders with Single Livelihood?

A large section of the primary stakeholders, in the better endowed clusters, were found to be, at most, 'transient' poor. This was clearly evident in the Pattachitra cluster of Raghurajpur, and the stone carving cluster of Puri. Presence of 'chronic' poor among primary stakeholders is more evident in clusters which have lesser recognition of its "product" or those which are not optimally connected to the market. Most of such chronic poor stakeholders have multiple livelihoods other than the 'cluster product' and are engaged in agriculture, petty trading, wage labour, etc. This was mostly evident in the embroidery cluster of Rayagada and the leaf plate cluster of Baripada. With some degree of probability, this was also found to be true at the macro level as well. Hence to make an impact on poverty special efforts need to be made to work with primary stakeholders having multiple livelihoods/products.

(b) Guiding the Private Sector for Inclusiveness

In the lesser performing clusters, with relatively unorganized or weak market linkage, transient and chronic poor earn a wage rate which is below the average market wage rate of that region. However for performing clusters like Pattachitra (Raghurajpur), where there is a visible sign of growth and prosperity, the wage rate is at a much better level as compared to the lesser performing clusters.

Again, left to market alone, wage rates strictly follow standard market signals, with the better endowed earning a relatively higher wage rate. When a product is doing well, the otherwise marginalized groups may get buoyed up. However, as and when such clusters see a downturn, the same marginalized groups are the first to bear the brunt. Their earnings are also a function of the competitive substitute products available in the market. When competition is strong, the artisans are under greater pressure and may work harder to earn their living. This is particularly true when the growth models are driven by pure market forces in PICs, as is the case with the sal leaf plate cluster of Baripada.

In contrast, reasonably higher wage rate is also evident in the case studies of SASHA and MEADOW. However, here the inclusive dimension of

To create an impact on poverty alleviation, one often needs to work on, at least in the initial stages, multiple livelihoods/products

growth is ensured by the NGO promoters and the business dimension is managed by market needs as defined by the respective business arms for SASHA and by TITAN for MEADOW. Here, the social intent of the private players in augmenting the poor should not be underestimated. However such intentions have to be mobilized and channelized in a strategic manner so that a win-win situation can be created.

Thus it is felt that development in poverty intensive clusters needs a middle path - the supporting hand of NGOs with a mandate for inclusive growth and standard market promotion agents with a natural orientation towards sustainability.

(c) Start with the Poor and then move to the Poorest?

That such interventions need to start with the poor and not the poorest is not necessarily true. It depends much on the orientation and capacity of the implementing institution. Since the majority of intervening institutions work in project-constrained time frames, they prefer to start working with the more endowed stakeholders. At times lack of knowledge of the institution in providing critical linkages (e.g. marketing) pushes them to work with more endowed persons, who provide such basic knowledge. In contrast, organizations which have more solid market bases (e.g. SASHA) have started working even with the poorest, who have the talent to produce what the market wants. The policy should recognize this aspect and support such institutions, having expertise in handling the 'pressure point' of a cluster.

(d) How Time Consuming are such Interventions?

Needless to say, such interventions are time consuming. The tourism induced *pattachitra* cluster had multiple phases of sustained intervention in the 1950s through the 1970s and the subsequent phase of heritage promotion by INTACH. The MYRADA and TITAN initiative of MEADOW is a decade old intervention and still needs handholding support from MYRADA. Contrary to this, development support is usually restricted only for three to five years.

The above experiences show that as a rule, consistent dynamic efforts over extended duration of time are required to bring the chronic poor out of their vicious cycle. Short duration projects looking for quick impacts are not likely to succeed. On the contrary, there is a real danger that such projects may further destabilize the lives and livelihoods of the poor by exposing them to newer risks for which they are not prepared.

(e) Only Income Issues?

Addressing income poverty needs to be followed up by promoting capability issues like health, education and social security. This was evident in the clusters of stone carving (Puri), leaf plate (Baripada), embroidery (Pugal). However this is context specific and capability issues can also come to the forefront. For example, the MEADOW intervention was carried out with those women groups with whom MYRADA was working on the foster child programme of Plan International. SASHA also started business intervention with a six year old group that had initially come together to organise and empower women whose families had been devastated by floods. Thus the issue is creation of trust, building of capacities, and helping the communities overcome various critical socio-economic barriers. Udyogini has actively tried to help the women, and the men, to rise above the crippling gender imbalance prevalent across the region. This has enabled the women to contribute more significantly to the income of the household as also, perhaps more significantly, to have their contribution given its due recognition. Addressing income issues therefore is a necessary step but not sufficient for addressing poverty.

(f) Targeting Appropriate Cluster – Cluster Creation?

Chronic poor are often forced to spread their risks across several subsistence level livelihood activities, as returns from any one activity is inadequate for meeting the needs of the household. As a result, chronic poor are often found in clusters that are in the germination stage. Here employing the standard 'cluster development approach' is premature. For example, the principal areas of activities of the primary stakeholders of the embroidery cluster of Rayagada are agriculture and horticulture products followed by embroidery. As

a product, embroidery has still not achieved the level desirable for a cluster to flourish. Thus the chronic poor need to be guided in phases to graduate to an enterprise mode as 'producers'. In the case of cluster expansion in the embroidery cluster (Pugal), Barmer traders are now seeing it as a viable business possibility. Such 'cluster creation' can cover sizeable chronic poor in contrast to promotion of existing clusters, which have relatively higher presence of transient as opposed to chronic poor. Needless to say, clusters covering women led enterprises have higher chances of impacting on poverty as by definition such clusters contain the relatively more vulnerable groups of the society, e.g. the embroidery cluster of Pugal (Bikaner).

(g) Cluster Catchment

Again, chronic poor cluster stakeholders are often not present in the primary cluster location. They are spread out in the hinterland of the cluster, much beyond the core area, often defined as a place having a radius of 20 to 25 kms, and yet being connected with the relatively non-poor or transient poor stakeholders residing at the core. For example in the Baripada leaf plate cluster, the primary collectors and those making the 'dwipatri' (a sub-unit of the leaf plate) are spread over a wider region beyond the district as well, as against the leaf plate makers who are concentrated in the core area of Baripada. If the policy recognizes this fact then systematic inclusion of these stakeholders in the development plan will require a much larger operational team as compared to a current norm of single cluster development agent initiative. The Baripada cluster has a team of two CDAs, the Puri stone carving cluster has a team of one CDA and 3 support CDAs.

(h) Marketing – a Crucial Ingredient for Success

Marketing has emerged as possibly the most critical issue in poverty clusters, e.g. TITAN in MEADOW, SASHA in KSEWS, UDYOGINI and their BDSP turned entrepreneurs in Pugal, CDP promoting agencies in the cluster of Puri, Baripada. An important lesson learned from the field activities is that for sustained growth in markets, the private sector, that is private enterprises with own business interest in products, can play a meaningful role by generating business and triggering process improvements.

What is emerging is a tripartite division of labour wherein the implementing agency creates social capital through interactions, group formation, training in capacity building, etc.; the private sector provides a strong help to consolidate the social capital while working jointly towards profits and raising awareness to the need of production improvement; and finally the support institutions provide the much needed resources for production upgrading. Achieving such a scenario can do wonders for micro and artisan clusters.

(i) Productivity Growth and Competitiveness of Cluster Enterprises

An important component of competitiveness is based on generating greater value through improved productivity, quality, services (including financial services), infrastructure creation, etc. Productivity is defined

Private enterprises with own business interest in products, can play a meaningful role by generating business and triggering process improvements

as an increase in output without proportionate increase in the cost of inputs. Total factor productivity is a combination of technical improvement and a variety of other contributions to output growth that are not accounted for by factors of production. The growth in factor productivity could be influenced by the overall working environment within and outside the cluster. Some cases of cluster conditions, technical and support institutions and improvements in productivity are provided here to underline its contributions to price and market competitiveness. In particular the channels through which firm level productivity may be enhanced are:

1. Technology adoption/ change and diffusion as in Baripada;
2. Training as in Pugal and Rayagada;
3. Appropriate financing;
4. Creation of critical infrastructure as in stone carving.

(j) Beyond Joint Cooperation

One of the fundamental tenets of cluster development is the promotion of active cooperation or joint action as distinct from passive cooperation which exists even in underperforming clusters. However, there may be certain factors which do not demand active cooperation amongst stakeholders and are underutilized due to poor presence of appropriate service providers. Prime examples of such factors are gross absence of finance, appropriate technology supplier, marketing agents, etc. for which the firms need not wait till some form of cooperation emerges. Thus development of clusters hinges not only on active cooperation but also promotion of 'passive cooperation' by inducing appropriate stakeholders in terms of meeting their respective viability gaps. This was seen in Pugal where Udyogini created BDSPs and converted them to entrepreneurs, TITAN was linked to the poor women of Hosur, tourism was promoted and it pulled along the Raghurajpur cluster, etc.

(k) Need and Role of Dedicated Organization

In most cases, it was a locally rooted dedicated organization that was primarily responsible for effecting the change that ensured inclusiveness. It was the case with MYRADA for MEADOW, SASHA for its network suppliers and UNIDO Orissa CDP team for leaf plate cluster of Baripada and stone carving cluster of Puri. However, for sustainability of impact, it is imperative that the intervening organization continues to actively change its role from being doers to facilitators and finally to advisors. This calls for varying degrees of time and resource allocation on one hand and for capacity building of local stakeholders on the other.

(l) Involving Multi Party Stakeholder

A multi-party stakeholder strategy like cluster development has a higher chance of sustaining the impact as against similar aggregation-based poverty alleviation strategies like formation of producer organizations. The latter more often than not treats only the producer organization as a stakeholder and treats the other stakeholders as 'competitors' of the growth pie. However, the creation of such an organization potentially alters the entire value chain that currently exists. This often leads to unforeseen conflicts that derail the intervention.

B. POLICY STRATEGY

Cluster development approach has been a successful approach for MSME development in the recent past. The cluster development approach has also made an impact on poverty in the clusters, but mostly for the transient as opposed to the chronic poor. Following are some recommendations that can further enhance the impact of cluster development on the chronic poor:

- **Alleviating chronic poverty** through cluster development demands that there be a bridge/transition strategy, through which the livelihood situation of the households can first be stabilised. Only once that is done, enterprise-cluster development becomes feasible for the households and, therefore, as a strategy. Such bridge/transition strategy could encompass asset building, stabilising incomes from existing portfolio of activities, improving general health conditions and increasing levels of education. In other words, capacity building of the chronic poor may form an essential pre-requisite for them to join the mainstream of the cluster activities in their regions. It must be noted here, while asset building and capabilities are important steps in reducing risks and improving accessibility to cluster activities respectively, there are other dimensions to this strategy.

These could be in the nature of young/new generations contemplating taking up these vocations, individuals and groups moving from one occupational type to another, groups of men and women crossing the gender divide in several occupations and including large numbers of social groups such as SCs and STs and ethnic/religious groups such as Muslims, who may frequently face barriers to entry. Many such groups are in the lap of abject poverty and for them to move meaningfully into newer and relatively lucrative vocations may require a specific transition strategy.

- **Cluster development programmes targeting the chronic poor** must have substantive provisions for asset building for individual households. Without addressing the resource poverty of the households, it is unlikely that the really poor would be able to latch on to the growth of the cluster. Additionally, the project duration for a cluster development programme in a Poverty Intensive Cluster (PIC) is likely to be at least 50% more than a non-PIC. Greater resources, therefore, probably in a similar proportion, should be allocated for any PIC for project management.
- **Clusters which are not fully mature** are more appropriate sites for poverty alleviation as against mature clusters. The minimum skill and resources required in a maturing cluster are of lower order and therefore the enterprises of poorer households have a better chance of survival. As a corollary, clusters must be classified according to their maturity and different strategies be adopted for different categories of clusters.
- **Areas which are remote** and cut off due to poor infrastructure are amenable to cluster development and thereby make considerable dent on poverty, provided these handicaps are removed by way of greater accessibility and infrastructure development. Studies from many countries across continents provide ample evidence of the role of communications and connectivity in poverty alleviation.
- **Further, as a general rule** it has been found that the potential for cluster development are greatly hampered by the lack of convergence among various developmental agencies.
- **Expanding the geographical** boundaries of the area where CD will be implemented is also likely to strengthen livelihoods of a large number of poor. It is often seen that poverty exists not in the main cluster locations but in the periphery. This would be possible if the activities of the poor in the periphery are dovetailed into cluster activities and they are given the wherewithal to sustain the link and strengthen it over time.

A multi-party stakeholder strategy like cluster development has a higher chance of sustaining the impact as against similar aggregation-based poverty alleviation strategies like formation of producer organizations

ANNEX 1

UNIDO Cluster Development Approach

1. Fundamental Principles:

- Micro or SME development is an interlinked phenomenon that cuts across several themes (Technology, Skills, Marketing, Financial etc.) – Remember Holistic
- Efficiency and effectiveness of cluster initiatives for enterprises is enhanced significantly by promoting ‘targeted’ (planned) Joint Action, at the core of which lies mutual trust – Remember Social Capital.
- Every cluster resembles a live organic entity and thus requires customized support – Remember non-Schematic
- A cluster can respond to the future challenges if the ability of its key stakeholders with private sector in the lead, is enhanced significantly to undertake collective action – Remember Local Governance framework and Sustainability
- Fostering a competitive market for Business Development Services (BDS) is essential to develop dynamic clusters but requires a strong thrust on stimulation of articulated demand among the MSMEs – Remember Demand Articulation

2. Unique Objectives:

- Stimulate collective efficiency among enterprises
- Build Culture of competitive Cooperation among key cluster stakeholders
- Build Local Governance framework (Enabling a local system of interconnected private and public institutions with private sector in the lead to respond to cluster needs)
- Create competitive market of BDS

3. Unique Methodology:

- Target every cluster activity simultaneously at Micro (enterprise) and Meso (network, associations and local institutional) level
- Deploy full time empowered Cluster Development Agent(s) i.e. CDA(s) with no business stake in the cluster (to diagnose, plan activities, respond fast, resolve conflicts, get activities implemented and monitor development)
- Invest a minimum of 3-4 years time frame for a cluster
- Prioritise Issues of focus: (what needs to be done and when)
- Integrate BDS from outside
- Rarely, if ever, support individual firms
- Articulate demand by groups
- Provide linkages with multiple govt. schemes/support programme
- Cluster stakeholders

4. Expected end of project result

- Culture of competitive cooperation built to solve collective problems
- Significant investment of financial resources shared by private sector for developmental initiatives
- Vibrancy and capacity of key industry associations/networks ensured
- Entire value chain representative groups and institutional framework agreeable to a common articulated or unarticulated cluster vision.

5. Policy Level

- Create an acceptance of the approach at the policy level
- Train and prepare local institutions to widespread this approach

Cluster Facilitators (CDAs): Three key roles

Most clustering initiatives around the world have a facilitator (or a facilitating team) in place, usually resourced in part by a public agency. Typically, the role of the facilitator includes:

1. Communicator and boundary crosser: Connecting stakeholders and opening up communications across the cluster. Providing a neutral voice to facilitate linkages.
2. Strategist: Strategically understanding the cluster, its competitive position, its culture and its development options.
3. Change agent: Facilitating the establishment of collaborative initiatives to upgrade the cluster’s competitiveness, ideally acting as the lubricant rather than the engine.

ANNEX 2

Cluster Development Programme of Orissa and Madhya Pradesh

Scheme: Government of Orissa, Craft Village Scheme

Objective: To create sustainable self employment opportunities for craft persons, higher level of production and design efficiencies in the cluster, market oriented development of major craft clusters of Orissa, building capacities of SHGs so that they sustain on their own and create synergies between the various stakeholders for promotion of craft clusters.

Process of Implementation: (i) Each cluster picked up for intervention will be diagnosed in details. An action plan based upon the gaps identified would be prepared for intervention. (ii) Promoting the concept of collective efficiencies, joint action and self reliance through SHG or other modes of cooperation (iii) Dissemination of best practices from other clusters and awareness building programmes such as exposure visit, workshop, seminars etc. (iv) Market led and need based interventions in skill upgradation, technology, design and product development (v) Joint efforts of crafts persons to link with the markets through multiple channels like NGOs, exporters, marketers, entrepreneurs etc. (vi) Synergy of all support institutions (vii) Effective usage of Business Development Service providers for collective efficiency of the cluster (viii) Building of local capacities for sustenance of the developmental efforts in the cluster. SIDAC would be the apex monitoring & coordinating agency responsible for selection of CDA and would deploy need-based mechanisms of actual implementation, monitoring and review of the programme.

(Source: Personal meetings and interviews)

Scheme: Government of MP, Integrated Cluster Development Programme

Objective: The main aim of this scheme is to develop important clusters of traditional products of KVI & tourism centres to attract tourists in coordination with various departments of the State & Government of India. Provide facilities to sericulture activities as per scheme directives. To take up comprehensive development of living heritage clusters to increase employment opportunities.

Process of Implementation: Under this scheme, on the basis of Cluster's requirement, special project proposal can be entertained & assistance can be granted at a time for total development. Power of assistance approval will be with the State Level Approval Authority.

(Source: Department of Rural Industries, Government of MP)

Scheme: Government of Kerala, Marginal Money Loan and Grant Assistance for Cluster Development Activities.

Objective: To serve the needs of cluster and their development.

Process of Implementation: Common Corporate Entity (CCE) shall form a consortium registered as a Private Ltd. company under the Companies Act and approved by the Director of Industries & Commerce. The application shall be given to the General Manager, District Industries Centre by CCE, who will forward it with due recommendation to the DI&C. Recommendation of the financial institution/bank shall be obtained before the loan is sanctioned. Director of Industries shall have sanctioning powers for margin money loans to any entity including MML for both working capital and term loan. MML will be disbursed to the entity only through the financing institution concerned. The CCE shall be bond to pay the interest (9% p.a) from the date of withdrawal of DD. The Financing agency shall advise the Director, along with its recommendation,

the schedule of repayment of the loan so as to enable the Director to prepare the repayment schedule for the MML. Margin Money loan granted under this scheme is to be repaid by the borrower in 16 equal quarterly instalments. No-collateral security or charge on assets of the CCE during the pendency of loan by the CCE to the financial institutions or banks is required for the MML. But the Government shall have a charge on the assets of the CCE once the term loan liabilities are serviced.

(Source: Department of Industries, Government of Kerala, http://www.keralaindustry.org/cluster_mml.htm)

Scheme: Government of Gujarat, Scheme for Assistance to Cluster Development

Objective: Strengthening existing clusters by providing necessary support to improve competitiveness and meet the global challenges ahead. As part of these initiatives, the State Government intends to encourage Industries Associations for creating necessary common infrastructure facilities at lower cost.

Process of Implementation: The project proposal should preferably be prepared by a recognized institution and should ensure that it contains essential features of a project document. The State Level Approval Committee will grant the approval to the proposals received for cluster development and decide the quantum of assistance for each proposal. The Committee will also prescribe the terms and conditions for implementation of the project and monitor the progress. Applications under the Scheme for various proposals/projects from Clusters of industries at various locations will be received and processed by the Industries Commissionerate, Gandhinagar.

(Source: Office of Industries Commissionerate, Government of Gujarat, <http://ic.gujarat.gov.in/promo-sch/cluster-state-gr.htm>)

ANNEX 3

List of Orissa Clusters where Cluster Development Interventions are going on with support from UNIDO

S. No.	Product	Location/Cities	District
Direct Clusters			
	Handloom Cluster	Barpali	Bargarh
	SSI Cluster	Rourkela	Sundargarh
	Stone Carving Cluster	Bhubhaneshwar	Khurda
	NTPF Clusters	Baripada	Mayurbhanj
Indirect Handicraft			
KBK District			
	Tribal Jewellery	Nabarangpur	Nabarangpur
	Wood Carving	Khairipadar	Kalahandi
	Terracotta	Rayagada	Rayagada
Non-KBK Districts			
	Dhokra Cluster	Kishore Nagar	Angul
	Metal Jewellery	Karmulla	Dhenkanal
	Stone Carving	Soro	Balasore
Indirect Handloom			
	Handloom Cluster	Nuapatna	Athgarh
		Berhampur	Ganjam
		Badbag	Jagatsinghpur
		Gopalpur	Jajpur
		Mankedia	Balasore
Indirect SSI			
	Rice Milling cluster	Bargarh-Sampalpur	Bargarh
	Pharma cluster	Cuttack	Cuttack

End Notes

1. United Nations Industrial Development Organization (UNIDO) worked in the Chanderi and Sindhudurg clusters along with State Level Partners – Department of Rural Industries, Government of Madhya Pradesh and National Bank for Agriculture and Rural Development (NABARD), Pune respectively and with the support of the Swiss Agency for Development and Cooperation (SDC)
2. A PHS state is defined as state which has at least one district where 50 per cent or more of the households do not possess any of the specified assets. In this case Orissa was selected. For details refer chapter 5
3. The firms producing ‘the product’ by which a cluster is known are called principal firms or principal stakeholders of the cluster. The number of principal stakeholders vary and can be as low as 50 (in hilly areas) to as high as 5000 in locally dense clusters.
4. For further details see annexure 1
5. For further reading please see Making Sense of Clusters: Regional Competitiveness and Economic Development, Cortright, J (2006)
6. Project numbers US/GLO/95/144 (1997-2001), US/IND/97/148 (1999 – 2002) and US/IND/01/193 (2001 – 2005)
7. End of Project Reports of these three Projects are available at www.smeclusters.org
8. Project No. US/GLO/02/059 - Thematic Cooperation Between UNIDO and SDC in the Areas of SME Networking and Cluster Development (July 2003 to June 2006)
9. End of Project Report of Chanderi and Sindhudurg, Project number US/GLO/02/093
10. Cluster Development and Poverty Alleviation: Policy Suggestions, by Shovan Ray and Tamal Sarkar
11. The entire sections 2.1, 2.2 and 2.3 have been excerpted from “Cluster Development and Poverty Alleviation – Some Policy Thoughts” by Dr Shovan Ray and Dr Tamal Sarkar
12. In this paper we present poverty data for the reference period ending 1999-2000. New data are emerging on the 61st round for the reference period 2004-05. This is not discussed in this paper though some major trends are indicated
13. All references to the present situation are based on National Sample survey (NSS) data relating to the year 1999-2000
14. For an analysis of poverty hotspots in rural India, see Chandrasekhar and Ray (2005)
15. The profile of poverty described below remains unchanged though the numbers emerging seem to indicate concentrations of poverty in the social groups, regions and occupations indicated below
16. Disaggregated data for the groups are not yet available for the more recent period
17. Sen, Amartya, “Development as Freedom” (2000). Page 106
18. Section 2.2 above gives a detailed account of this distribution in regions, social groups and occupations

19. The official poverty line values are available for the year 1999-2000, separately for rural and urban India and for different states in India. The all-India rural poverty line for that year was Rs.327.56 per capita per month. If a household is assumed to have five members, the rural poverty line was Rs.1638 per month. The corresponding poverty line for urban Indian household was Rs.2271 per month. These are averages for India, varying across states in the range of Rs.1538 in rural Tamil Nadu to Rs.1874 in rural Kerala, and from Rs.1720 in urban Assam and the northeast to Rs.2699 in urban Maharashtra. It may be noted that these lines are estimated on the basis of baskets of goods for consumption whose compositions have very probably changed since they were originally constructed; these are periodically revised for price changes at the state level. Poverty line estimates are not separately available at the cluster level, which is typically at the sub-district level. The values are indicated and may change with the new reference year assumed by NSSO
20. The head count ratio (HCR) merely captures the total number below the earmarked poverty line but does not consider the depth and severity of those below the line. The concepts of 'poverty gap' and 'squared poverty gap' help us to capture these, common expressions for the more exact FGT (Foster-Greer-Thorbecke) measure
21. A number of cluster development schemes are operational at this level of the Central and State Governments that are directed towards impacting or poverty alleviation
22. IHCDP, along with 3 other Schemes of DC (Handlooms), namely DDHPY, IHTP and Workshed-cum-Housing Scheme, have been integrated into one Scheme – Integrated Handloom Development Scheme
23. Not officially verified, but based on secondary data sources. There may be other departments ministries, especially at the state level who are also running such schemes and are not covered by this paper
24. Muslims, Christians, Sikhs, Buddhists and Parsis have been notified as national minorities under the National Minorities Commission Act, 1992
25. For all practical purposes, the spread of a cluster may include a mohalla, a village, a block or a combination of such areas if easily manageable.
26. Source: Draft 11th Five Year Plan
27. Section 1.3
28. Poverty Hotspots in Rural India, S Chandrashekhar and Shovan Ray, Indira Gandhi Institute of Development Research, 2005
29. Data still being collated for microenterprises; therefore the analysis is not included in the report
30. The process of selection of state has been discussed in chapter 2
31. Ministry of Textiles – AR 2005-06
32. These are sourced from handloom census data 1987-88 and 1995-96, the only two census done on handlooms. Data from NSSO 55th Round and 56th Round, suggests a further decline in the number of weavers done subsequently for the years 1999-2000 and 2000-01
33. Macro data suggests that handlooms provide direct or indirect employment to about 65 lakh persons. (Ministry of Textiles AR 2005-06).
34. There has been reportedly an increase over the estimated amount
35. The list of OBC has been confirmed from Source: nbc.nic.in/backward-classes/orissa.htm. Some of the OBC names not mentioned in the list include Jhola, Matara, Gaudia Patara, etc
36. For the year 1999-2000
37. As defined in section 4.3
38. Drawn from diagnostic study of the cluster conducted by UNIDO, Orissa
39. Drawn from diagnostic study of the cluster conducted by UNIDO



Foundation for MSME Clusters was established in the year 2005. The Foundation strives towards

- Making cluster initiatives inclusive
- Preparing cutting edge policies, methodologies and tools
- Promoting effective linkages between clusters and important thematic institutions in the areas of finance, infrastructure, environment, investment, R&D, social responsibility and local governance
- Making available trained and competent professionals and institutions to facilitate cluster-based development
- Preparing models of strong community based civil society organisations to take up sustainable cluster based development initiatives

All these are targeted towards creating an economically progressive, socially connected, environmentally sustainable and spiritually rooted world composed of interconnected yet diverse local socio-economic systems.

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