

Guidelines on Industrial Infrastructure Upgradation Scheme

1. Background

1.1 Industrial Infrastructure Upgradation Scheme (IIUS) was launched in 2003 as a Central Sector Scheme with a view to enhancing competitiveness of industry by providing quality infrastructure through public-private partnership in selected functional clusters. Central assistance upto 75% of the project cost subject to a ceiling of Rs. 50 crore is given for each project.

1.2 The Scheme had an allocation of Rs. 675 crore during the 10th Plan. However, 26 projects with total cost of Rs. 1766.18 crore and involving central grant of Rs. 952.10 crore were sanctioned under IIUS during the 10th Plan. Six projects have already been completed and remaining projects are at various stages of implementation, excluding one project for Textiles Cluster, Panipat sanction whereof was withdrawn due to non-performance.

1.3 An independent evaluation of the Scheme has been conducted. Based on the outcome of the independent evaluation and experiences gained during the implementation, the Scheme has been slightly modified so as to make it more effective, focus on technological upgradation and avoid initial teething problems for new projects.

2. Objective

2.1 The objective of the IIUS is to enhance the competitiveness of the industry located in clusters by providing quality infrastructure through public-private partnership. A cluster is identified by a product or similar products manufactured mostly by a large number of Small and Medium Enterprises that are located in specific geographical region.

3. Scope

3.1 The Scheme will target existing industrial clusters with high growth potential requiring assistance for upgradation of infrastructure to world class standards. An illustrative list of infrastructure eligible for assistance is given below.

I. Physical Infrastructure

- (i) Transport

- (ii) Road
- (iii) Water Supply
- (iv) Common captive power generating units
- (v) Transmission and distribution infrastructure
- (vi) Common fuel/gas supply system
- (vii) Common effluent treatment plant
- (viii) Solid waste management facilities

II. Information and Communications Technology (ICT) Infrastructure, ICT-induction and Management Consultancy Service Centre.

III. R&D Infrastructure

IV. Quality Certification & Benchmarking Centre

Improvement of soft skills in quality control/Total Quality Management(TQM) technologies and handholding of firms to achieve certificate, benchmarking them vis-à-vis international standards

V. Common Facilities Centre

VI. Information dispersal/International Marketing Infrastructure

VII. Any other physical infrastructure identified by cluster and approved by the Apex Committee.

4. Funding Pattern

4.1 Central assistance will be by way of one time grant-in-aid (not equity) to the Special Purpose Vehicle (SPV) formed by the cluster association for development of the infrastructure. The Central grant will be restricted to 75% of the project cost subject to a ceiling of Rs. 60 crore. The remaining 25% will be financed by other stake holders of the respective cluster/location with a minimum industry contribution of 15% of total project cost, which must be in form of cash and not in kind like the cost of land/existing building. In case of North Eastern States and Jammu & Kashmir, Himachal Pradesh and Uttrakhand, the central grant will be up to 90% of the project cost with minimum industry contribution of 5% of the total project cost.

4.2 The central grant for road, drainage system and water supply system shall be restricted to 25% of the total central grant as these are basically municipal functions.

4.3 No central grant shall be provided for the purchase of land, land development, preliminary and pre-operative expenses and working capital. Government funding will be confined only to creation of durable assets and activities relating to productivity enhancement and no recurring expenditure will be funded by Government under the scheme.

4.4 Upto 5% of the central grant would be allowed to be incurred on administrative expenses. While 3% of central grant would be kept aside by the Department of Industrial Policy & Promotion for formulation, appraisal, monitoring and evaluation of the projects, the SPVs would be allowed to incur 2% of central grant for administrative purposes in execution of the projects. The SPVs will meet administrative expenses beyond the prescribed limit from their own resources.

5. Formulation of Project Proposal

5.1 The project proposal shall be formulated after conducting detailed survey and study of the industrial units existing in the clusters. The critical gaps in the infrastructure impinging upon the competitiveness of the industry should be clearly brought out in the project proposal. The proposal must spell out the indicators that would be positively impacted by the project. It should also suggest the mechanism for operation and maintenance of the infrastructure by levying user charges to make the project sustainable.

5.2 It should be ensured that the project proposal is of highest quality and a consultancy organisation of national repute should be engaged for its preparation. The survey of existing industrial units should be conducted meticulously so as to generate credible data for laying the foundation of the proposal.

5.3 While sanctioning the projects by the Apex Committee, duly represented by different Departments, every care shall be taken that there should be convergence with similar schemes of other Departments so that optimal use of Government resources could be ensured. The CCEA in its meeting held on 1st October, 2007 approved taking up 6 additional projects in industrially less developed States out of total allocation for the IIUS during 11th Five Year Plan. However, the Apex Committee shall endeavor to ensure that under the recast IIUS a reasonable number of projects are sanctioned in the industrially backward States to avoid skewed distribution pattern of projects.

5.4 The cost of the preparation of the Detailed Project Report can be met from the fund separately earmarked for administrative expenses.

6. Appraisal of Project Proposal.

6.1 The Department of Industrial Policy & Promotion would engage an independent agency called Project Management Agency (PMA) which will inter alia carry out both technical and financial appraisal of the project. The appraisal report will assess the critical infrastructure gap, appropriateness of project components and their technical feasibility and costs. It will also study the business model for the sustainability of project and conduct financial viability of the project.

7. 'In -Principle' Approval of Project.

7.1 The Detailed Project Report in prescribed format along with appraisal report of the PMA shall be scrutinized and 'in-principle' approval will be given by an Apex Committee chaired by Secretary, Department of Industrial Policy & Promotion. The composition of the Apex Committee will be as per **Annexure- A**.

7.2 The 'in-principle' approval would be valid for 6 months from the date of issue, which can be extended by another 3 months by the Secretary, Department of Industrial Policy & Promotion. The 'in-principle' approval would be automatically withdrawn if certain milestones, as detailed below, are not achieved within the prescribed timeframe.

8. Final Approval of Project.

8.1 The project will be accorded final approval by the APEX Committee after achieving the following milestones.

- Formation of the SPV and its incorporation
- Procurement of land for the project
- Financial closure of the project, i.e. letters of commitment from State Government/ Banks/ Financial Institution
- Collection of at least 10% of the stipulated financial contribution from industrial units/association
- Preparation of detailed drawings and designs of the works and their detailed cost estimates
- Preparation of detailed specifications of machineries and equipments along

with cost estimates

- A firm implementation schedule(component/activity-wise) specifying milestones and timelines

9. Project Implementation

9.1 The project will be implemented through a Special Purpose Vehicle (SPV), a non-profit making company registered under section 25 of the Companies Act. It will have the representatives from local industries, financial institutions, State & Central Government and R&D organisation. The SPV shall have full operational autonomy to develop, operate and maintain the infrastructure.

10. Project Management Agency

10.1 The Department would engage a professional agency having requisite experience and expertise in infrastructure development for technical and financial appraisal of projects, handholding with the SPVs, monitoring the progress of the projects etc in order to ensure timely implementation of the projects. The cost of engaging PMA shall be met from the funds earmarked separately for appraisal and monitoring of projects under administrative expenses.

10.2 The roles and responsibilities of PMA will be as follows:

- Assisting the Industry Association in establishment and structuring the project specific SPV
- Assisting the SPVs in mobilizing the balance funds for the project
- Assisting the SPVs in obtaining land, all necessary statutory clearances/approvals etc.
- Financial & Technical Appraisal of the Detailed Project Reports
- Assisting the SPVs in selection of agencies/ experts for various services: technical, engineering, capacity building etc.
- Validation of detailed cost estimates
- Assisting the Department in periodical monitoring of the progress of the projects, and disbursement of funds to the SPVs and their utilisation
- Assisting the SPV in developing suitable O&M framework
- Providing other need based advisory services to the Department for effective implementation of the scheme

11. Procurement of Goods and Services

11.1 All procurement of goods, equipments and services shall be done through an open, transparent and competitive process. Appropriate performance guarantee should be built in the agreement to ensure timely completion of the project.

12. Role of the State Government

12.1 The State Government may participate in the projects by way of providing grants to the SPV.

12.2 The State Government will provide necessary assistance to the SPV in procuring land, getting statutory clearances and any other assistance incidental to the implementation of the project. Commissioner/Secretary, Department of Industry shall monitor and supervise the implementation of the project.

12.3 The State Government will appoint a nominee on the Board of Directors of SPV.

13. Release of Funds/Payment Schedule

13.1 The first installment of 30% of the central grant will be released in advance to the SPV after formal sanction of the project cost. The second installment of 30% of the central grant will be released after utilisation of 80% of the first installment of central grant and proportionate contribution from the State Government/Industry/Financial Institution. Similarly, the third installment of 30% will be released after the utilisation of 80% of the second installment of central grant and proportionate contribution from the State Government/Industry/Financial Institution.

13.2 The final instalment of 10% will be released after successful completion of the project.

13.3 While 1st instalment of Central grant will be released as advance, subsequent installments of Central grant shall be released only after recommendation of the PMA regarding application of funds and commensurate physical output.

14. Re-appropriation of central grant.

14.1 The SPV, with the approval of its Board, shall have powers to increase or reduce the cost of individual project components up to 20% of sanctioned cost. The amount of Central grant shall accordingly stand adjusted within the overall limit. Any change beyond this limit shall require the approval of the Apex Committee.

15. Assets.

15.1 The Assets acquired by the SPV out of government assistance shall not be disposed, encumbered or utilized for the purposes other than for which the funds have been released.

15.2 A register of permanent and semi permanent assets acquired wholly or mainly out of the funds provided by GOI should be maintained in the Form GFR 19.

15.3 SPV will fix appropriate user charges for various facilities and services provided by it to fully recover O&M cost and make the project sustainable.

15.4 In case of dissolution of SPV at any point of time, all the assets and any unutilised grant shall vest with the Government of India.

Constitution of Apex Committee

Secretary, Deptt. of Industrial Policy and Promotion	Chairman
AS&FA in the Ministry of Commerce & Industry	Member
Economic Advisor, DIP &P	-do-
Representative, Planning Commission	-do-
Representative, Department of Science and Technology	-do-
Representative, Department of Commerce	-do-
Representative, Department of Heavy Industry	-do-
Representative, Ministry of MSME	-do-
Representative, Ministry of Textiles	-do-
Representative, Ministry of Food Processing Industries	-do-
Representative, Department of Information Technology	-do-
Representative, Ministry of Power	-do-
Representative, Department of Chemicals & Petrochemicals	-do-
Representative, Department of Road Transport & Highways	-do-
Representative, Ministry of Urban Development	-do-
Representative, Financial Institutions	-do-
Secretary, Industries, State Government of the cluster concerned	-do-
Representative, SPV of Industrial Cluster/Industrial Association	Special Invitee
Respective R&D Institution associated with the project	-do-
Joint Secretary, IPP	Member Secretary