



India: Strengthening MSME Cluster Ecosystem Through Institutional Network of Enterprise Development Centers

Project Name	Strengthening MSME Cluster Ecosystem Through Institutional Network of Enterprise Development Centers	
Project Number	54367-001	
Country	India	
Project Status	Proposed	
Project Type / Modality of Assistance	Loan Technical Assistance	
Source of Funding / Amount	Loan: Strengthening MSME Cluster Ecosystem Through Institutional Network of Enterprise Development Centers	
	Ordinary capital resources	US\$ 250.00 million
	TA: Strengthening MSME Cluster Ecosystem Through Institutional Network of Enterprise Development Centers	
	Technical Assistance Special Fund	US\$ 1.00 million
Strategic Agendas	Inclusive economic growth Regional integration	
Drivers of Change	Governance and capacity development Private sector development	
Sector / Subsector	Finance - Finance sector development	
Gender Equity and Mainstreaming	Some gender elements	
Description	<p>In India, there are an estimated 63.4 million MSMEs, contributing about 30% to the country's gross domestic product, 40% of exports and employing 111 million persons. Government of India is targeting to increase MSME output contribution to 50%, export contribution to 75% and employment to 150 million by 2024, in line with the target to make India a \$5 trillion economy. The government has prioritized MSME promotion as part of NITI Aayog's Strategy for New India@75, with particular emphasis on (i) easing credit availability; (ii) supporting firms to adopt Industry 4.0 practices, especially technological upgradation to enhance productivity; (iii) facilitating integration of MSMEs with apprenticeship schemes; and (iv) supporting MSME clusters with common facilities to reduce costs and improve quality. The government's vision for MSMEs' transformation is constrained by the fact that the MSME sector in India is dominated by informal microbusinesses who lack the scale, experience, and resources to adopt latest technologies and professional business management tools for operational efficiency, and integrate with global value chains. Also, burdensome regulatory processes and insufficient institutional support for MSMEs' statutory compliances and capacity development exacerbate the operational environment for MSMEs.</p>	
Project Rationale and Linkage to Country/Regional Strategy	<p>MSMEs have been more severely impacted due to their (i) lack of negotiation power with large business partners, (ii) limited access to financial and managerial resources, and (iii) dependence on regular operations for survival. It is reported that nearly 50% of MSMEs had witnessed a 20% 50% decline in their earnings and faced severe financial constraint in May 2020. COVID-19 pandemic has induced urgency in the government initiatives given that economic revival is contingent on MSME sector recovery. To respond to MSMEs' support needs and promote economic recovery through MSME development, the government announced Atmanibhar Bharat Abhiyaan (Self-Reliant India Mission) in May 2020. Under the Mission, a number of measures have been announced for liquidity support to MSMEs, including a 3 trillion (\$40 billion) credit guarantee facility. These financial support need to be efficiently channeled to MSMEs and thereafter effectively utilized for improving their business practices to seize opportunities under a _new normal_ post-COVID-19.</p>	
Impact	Economic output and employment generation by micro, small, and medium-sized enterprises increased (Strategic Action Plan of the Ministry of MSME)	
Outcome	Competitiveness of selected MSME clusters enhanced	
Outputs	EDC/NRCE network established MSMEs' access to enterprise development services enhanced Strategic cluster development promoted	
Geographical Location	Nation-wide	
Safeguard Categories		
Environment	B	
Involuntary Resettlement	C	
Indigenous Peoples	C	
Summary of Environmental and Social Aspects		
Environmental Aspects		
Involuntary Resettlement		
Indigenous Peoples		
Stakeholder Communication, Participation, and Consultation		

During Project Design

During Project Implementation

Business Opportunities

Consulting Services A consulting firm will be engaged using the quality and cost-based selection method with a standard quality cost ratio of 90:10. All consultants will be recruited in line with ADB's Procurement Policy (2017, as amended from time to time).

Procurement The RBL program will exclude activities that involve high-value procurement contracts based on the procurement principles of the new ADB Procurement Policy (2017, as amended from time to time).

Responsible ADB Officer	Karan, Navendu
Responsible ADB Department	South Asia Department
Responsible ADB Division	Public Management, Financial Sector and Trade Division, SARD
Executing Agencies	Ministry of Micro, Small and Medium Enterprises Rm. No. 275-D, Udyog Bhawan New Delhi 110011 India

Timetable

Concept Clearance	12 Oct 2020
Fact Finding	24 Sep 2020 to 05 Oct 2020
MRM	20 Nov 2020
Approval	-
Last Review Mission	-
Last PDS Update	09 Nov 2020

Project Page <https://www.adb.org/projects/54367-001/main>

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