

DESIGN CLINIC SCHEME

For

DESIGN EXPERTISE TO MSME SECTOR

Up-scaled Guidelines for Professional Design Projects

1. Introduction:

Professional design Projects, as part of the Design Clinic Scheme for Design Expertise to MSME sector, in the form of consultancy projects. Practicing Design Professionals/Design firms/Design education Institutions are encouraged to provide design expertise to the MSMEs by taking up design projects. Design Project can help orient MSMEs to product design, design process and design thinking and generate innovative design solutions to improve competitiveness of MSMEs.

2. Objectives:

- Improving manufacturing competitiveness Indian MSMEs through design.
- Promote Export and/or substitute import by creating innovative products.
- To assist MSMEs by engaging external design expertise in the form of consultancy.
- Provide financial support to take-up design project activity.

3. Applicability:

- The applicability of project funding is to an individual MSME or a group of MSMEs.
- Individual/Group of MSME unit can take up a project by collaborating with an Industrial designer.
- The applicant unit must be a micro/small/medium enterprise as per the definition prescribed in MSMED Act 2006 or as amended later.
- The Designer that a company employs in this programme must be selected from pool of qualified industrial designers authorized for this programme.
- MSME unit have valid Udyog Aadhar Number (UAN) and should have register in www.msmedatabank.in.
- The designer that a unit employs in this scheme should be selected from a pool of qualified Industrial designers empanelled for this scheme. Implementing agencies should verify all the relevant documents as per rules. A copy of Udyog Aadhar shall also be enclosed with proposed Design Projects before submitting to the PMAC.

4. Financial Assistance: The Design Clinic Scheme shall provide financial assistance to support design project undertaken by individual MSMEs or group of MSMEs.

- **Micro units, Individual (upto 3 units)** – Rs. 15,00,000 (with 75% financial assistance) each for 120 design projects
- **Micro units, Group (more than 3 units)** – Rs. 25,00,000 (with 75% financial assistance) each for 80 design projects
- **Small and Medium units, Individual (upto 3 units)** – 25,00,000 (with 60% financial assistance) each for 148 design projects
- **Small and Medium units, Group (more than 3 units)** – 40,00,000 (with 60% financial assistance) each for 60 design projects.

5. Project Proposal:

A detailed project proposal shall have to be prepared. This proposal shall include all aspects of the proposed project and the financial details. The proposal shall be submitted in the prescribed format for approval by the assessment panel of the Design Clinic Centre.

5.1 Design Project Funding for Professionals:

- All applications for funding support for design projects under the Scheme must be in collaboration between a MSME requiring assistance in design and a designer / design company / academic institution which will provide that assistance.

5.2 For micro projects

- The funding support will be given by way of a grant upto a maximum of 75% of the total approved project cost or Rs. 15.00 Lakh, whichever is less, in case of a individual micro units or a group of not more than three micro unit projects.

5.3 For micro projects (more than 3 units)

- The funding support will be given by way of a grant upto a maximum of 75% of the total approved project cost or Rs. 25 Lakh, whichever is less, in case of a group of four or more micro unit projects.

5.4 For SME projects (up to 3 units)

- The funding support will be given by way of a grant upto a maximum of 60% of the total approved project cost or Rs. 25.00 Lakh, whichever is less, in case of a individual SME units or a group of not more than three SME unit projects.

5.5 For SME projects (more than 3 units)

- The funding support will be given by way of a grant upto a maximum of 60% of the total approved project cost or Rs. 40 Lakh, whichever is less, in case of a group of four or more SME unit projects.
- For Micro / SME contribution (up to 3 units / more than 3 units)
- The applicant micro unit (s) in the project is required to contribute at least 25% of the approved project cost such as in the form of cheque /draft and /or RTGS/ NEFT as a matching fund. This should be separately indicated in the audited statement of expenditure.
- The applicant SME (s) in the project is required to contribute at least 40% of the approved project cost such as in the form of cheque / draft and/or RTGS/NEFT as a matching fund. This should be separately indicated in the audited statement of expenditure.
- The matching fund for the project contributed by the applicant MSMEs should be traceable and verifiable, such as in the form of cheque /draft and /or RTGS/ NEFT.

- The funding grant will be reimbursed in 4 stages in 4 equal amounts. It shall be done in the following manner:
 - **Stage 1** – Design research/ directions/ strategy - 25%
 - **Stage 2** – Concept Development - 25%
 - **Stage 3** – Design Detailing and 40% of functional prototype completion - 25%
 - **Stage 4.1**– Prototypes (Functional Prototype and/or Finished Prototype)
 - **Stage 4.2**- Promotional Design Materials

6. Project Duration:

- Project duration will be less than one year.

7. Eligible Applicant:

- The local Industrial designer/ Design Company / academic institution and the local MSME in collaboration are eligible to apply for funding support as co-applicants. An MSME with the consent of the Design Company or academic institution may submit an application as the principal applicant, subject to the following conditions:
 - The Industrial designer/ design company / academic institution and the applicant MSME have to be bodies or companies established or incorporated in India under the Indian Laws with on-going business;
 - The applicant Industrial designer/design company/academic institution will be responsible for carrying out the design project;
 - The applicant design, design company/academic institution and the applicant MSME in a project application must not be an associate or associated person or agent or employee of the other of them before submission of the application
 - The project team members representing the Industrial designer/ Design Company / academic institution must not be directors / shareholders / management team members of the applicant MSME.

7.1 Following are the criteria for qualifying the applicant MSME under Design Clinic:

- The MSME should be a profitable entity in the last 3 years of its operations
- The MSME must demonstrate either an export performance or potential to export
- PMAC can stipulate/relax criteria for this purpose
- Udyog Aadhar Registration.
- www.msmedatabank.in. Registration.

7.2 Following are the criteria for qualifying the co-applicant Industrial Designer/Design Company under Design Clinic:

- The Industrial Designer or the Design company or acclaimed institute in National / International level should have demonstrated expertise and qualification in the problem area that it seeks to solve for the applicant MSME
- It shall be the responsibility of the Industrial designer/design company to complete the project on time and as per agreed scope.

- If the application is approved, the applicant design company / academic institution will become the recipient of the grant, and both the applicant design company/academic institution and the applicant MSME have to sign an agreement with the Design Clinic Centre to ensure that both parties are fully aware of the terms and conditions under which the grant will be offered.
- The grant agreement will be signed between the Principal / Implementing agency and the applicants. Principal / other Implementing agencies will prepare an appropriate legal document (duly incorporating GFR provisions) for this purpose.
- The grant agreement shall contain (a) the terms as set out in the approval letter from the Principal / other Implementing agencies (b) the terms and conditions; and (c) the project proposal in the devised format attached to the approval letter from the implementing agency.
- For administration purpose, the MSME will be called the —**Principal applicant** and the Industrial Designer/Design Company / academic institution will be called —**co-applicant**.

8. Project Budget:

- The principal applicant is required to submit a budget proposed for the project, showing all expenditure and the relevant documents, such as quotation, project brief, or contract.
- When preparing the project budget, the principal applicant is required to provide a brief description of the work steps involved, and the cost breakdown for such steps. Other information such as duration of time and manpower required (e.g. in man-days) will also be helpful. Unspecified cost items such as miscellaneous, sundry and contingency etc. will not be accepted.
- A list of unallowable cost items which cannot be charged to the project account is set out in another point below.
- Both the applicant design company/academic institution and the applicant MSME are required to declare in the application whether any or both of them have sought or are seeking funding support for the project from other public funding sources. Double subvention will not be allowed.

9. Plan for the Project Outcome:

- The principal applicant is required to provide in the application a brief plan on how it will commercialised the project deliverables and preserve IPRs subsisting in the project deliverables and other project materials when discharging the project.

10. Project Coordinator:

- In each application, the principal applicant should nominate a project coordinator.
- If the application is approved, the project coordinator is responsible for overseeing the project generally; monitoring its expenditure and ensuring the proper usage of project funds in accordance with the approved project budget, this Guide and other instructions set for the project and answering enquiries.

11. Timing for Application:

- The Design Clinic Scheme is open for applications throughout the year, unless notified otherwise.

12. Application Procedures:

- Applications for the scheme can be made in multiple ways
- Multiple Professional Design Projects may be allowed for MSMEs subject to fixing a cap by evolving some mechanism.
- Application can be made by the MSME with request for grant without a design company. In such cases Design Clinic Centre will suggest the possible design consultants to the MSME from which to choose from.
- Application can be made by the MSME along with a Design Consultancy which satisfies the criteria given in here.
- Application can be made by the MSME along with an academic institution which satisfies the criteria given in here.
- Applications may be submitted to the Design Clinic Centre by way of electronic submission via the internet at the website.
- Each application can only cover one project.
- Applications not fulfilling required condition will not be considered.
- The applicants will be informed of the assessment result within 3 months after receipt of full information.
- It is recommended that the applicants should plan ahead when submitting their applications and make sure that all requisite documents are submitted.
- No application fee will be charged.

13. Approval of Applications:

- Approval of applications depends on their individual merits, and the funding limit set out above.
- The PMAC reserves the right to reject an application on grounds including:
 - A petition is presented or a proceeding is commenced or an order is made or a resolution is passed for the winding up or bankruptcy of the principal applicant or the co-applicant; or
 - A false inaccurate or incomplete statement or representation is contained in the application or a promise or a proposal is made knowingly or recklessly that it will not be able to fulfil or deliver such promise or proposal; or
 - In the event of a claim alleging or the Government having grounds to believe that any thing(s) or material(s) to be designed or conceived or produced as part of the project deliverables infringe or will infringe any IPRs of any third party; or
 - The principal applicant or the co-applicant is in default of its obligation(s) under other grant agreement with the Government whether or not in relation to the Design Clinic Scheme.

14. Resubmission:

- A declined application may be resubmitted only if it has been revised substantially or if it has been able to produce additional information to address the comments made by the Assessment Panel in its earlier review. The differences of the resubmitted application should be set out clearly vis-à-vis the previous one.
- Any revised application will be treated as a new application.

15. Vetting Procedures:

- Upon receipt of an application, the Design Clinic Centre will conduct a preliminary screening and may seek clarification or supplementary information from both the applicant design company/academic institution and applicant MSME.
- After screening, the Design Clinic Centre will submit the application together with its comments to a Project Assessment Panel (PAP) for consideration. Project proposal should be discussed and reviewed in Project Assessment Panel before presenting it to the PMAC.
- The Project Assessment Panel (PAP) would comprise officials, professionals, industrialists, businessmen, designers, academics or other expert individuals. Its functions are to assess applications, make recommendations, and monitor approved applications. PMAC can include / exclude the members of the Assessment panel.
- The applicant design company/academic institution and applicant MSME and its project team members may be required to attend assessment meetings to present their applications and answer questions.

16. Assessment Criteria:

- In considering an application, due consideration will be given to the following factors, wherever applicable:
 - To what extent the project can help integrate design into business process;
 - To what extent the project can help transform design activity into tradable deliverables that manifests exploitation and deployment in the form of intellectual property, which may comprise patent, copyright, know-how or industrial design;
 - To what extent the project can add value to the products concerned and increase their competitiveness;
 - To what extent the project can help commercialisation of new products and finding pathways to market;
 - Whether the applicant design company/ academic institution or the applicant MSME has been funded by the Design Clinic before and the amount of funding already granted for such previous projects.
 - The overall planning and organisational structure of the project and capability of the project team i.e. the project team members' expertise, experience, qualifications, track record, and the resources available for the project;
 - Whether the proposed budget is reasonable and realistic, and whether the project has been funded or should be funded by other sources;
 - How the design consultant will maintain relationship with MSME after the completion of the project; and
 - Any other relevant factors.
- The overall assessment criteria would be based on the measurable positive difference that a design intervention will bring to the MSME, either in absolute revenues (indicating higher profits) or in percentage terms.
- The Project Assessment Panel will submit its report to PMAC through Principal / other Implementing Agencies giving recommendations on the approval or otherwise for the project. PMAC's decision will be communicated to the applicant (s) by Principal / other Implementing Agencies.

17. Notification of Results:

- The applicants will be informed of the assessment result within 60 clear working days after receipt of full information.
- If an application is recommended for grant, both the principal applicant and co- applicant concerned will be informed of the result together with any terms and conditions that may be imposed by the Assessment Panel in addition to the standard terms and conditions. They may need to revise their application accordingly before the application is approved.
- If an application is declined, reasons will be provided.

18. Withdrawal of Application:

- The principal applicant and co-applicant can write to the Design Clinic centre to withdraw an application at any time before signing the grant agreement.

19. Grant Agreement (Tripartite Agreement):

- For each successful application, the co-applicant Industrial designer/design company/academic institution will be the recipient of the approved grant but both the design company/academic institution and the applicant MSME have to enter into a grant agreement with the Principal / other Implementing Agency. The grant agreement will be signed between the Principal / other Implementing Agencies and the applicants. Principal / other Implementing Agencies will prepare an appropriate legal document (duly incorporating GFR provisions) for this purpose. The grant agreement shall contain (a) the terms as set out in the approval letter from the Principal / other Implementing Agencies; (b) the terms and conditions; and (c) the project proposal in the format attached to the approval letter from the Principal / other Implementing Agencies.
- As part of the documents required supporting an application, the principal applicant for the project has to submit the contract entered into between the applicant Industrial designer/design company/academic institution and the applicant MSME certifying that the latter has engaged the former to carry out the project (—project contract). The project contract should contain the terms and conditions of the engagement.

20. Disbursement of Approved Grant:

- Disbursement of the approved grant will be made at each stage as mentioned at **para 5** depending upon:
 - The submission of the periodic assessment report and Utilization Certificate (UC),
 - Evidence showing that the applicant MSME has duly paid up the matching fund as required,
 - Successful attainment of the stage as per the completion date specified or such other date that the Principal/ other Implementing agencies may approve in writing,
 - Final completion report and the final audited statement of Expenditure in form and substance to the satisfaction of Principal/ other Implementing agencies and complying with the requirements set out before, within 2 months after the project completion date specified in the project proposal or by such other date as the Principal/ other Implementing agencies Centre may approve in writing, and

- Due compliance with the grant agreement and the project contract by both the applicant Industrial designer/design company/academic institution and the applicant MSME.

21. Publicity and Acknowledgement:

- The principal applicant shall provide the Principal/ other Implementing agencies with details of the project achievements, if any, including creation of intellectual property in which IPRs subsist, successful marketing and commercialisation of the project deliverables and awards. The Principal/ other Implementing agencies may from time to time disclose to the public details of such project achievements including announcing them on the web or publications or showcasing at exhibitions for publicity and reference.
- The applicants shall acknowledge the funding support under the Scheme in publicity / media events as well as in publications issued to promote the project. However, the Principal/ other Implementing agencies reserves the right to require the principal applicant and / or the co-applicant to immediately cease and desist from using any promotional materials in which any reference to the Principal / other Implementing agencies / Government or Design Clinic Scheme is found.

22. Reporting Requirements:

- The principal applicant will be required to submit 3 interim reports during the project including the details of performance of the project in a specified format. Specific dates of interim report submission shall be identified by the applicant in the funding application, and accepted by Principal/ other Implementing agencies.
- The principal applicant will be required to submit a completion report including details of the results, performance and evaluation of the project.
- The interim report and completion report should be submitted together with:
 - A financial statement on accrual basis on the financial position of the project audited by an auditor as arranged by the applicant designer/design company/academic institution being the fund recipient. The financial Statement of Expenditure shall be submitted in accordance with the Notes for Auditors of Recipient Organisations issued by Design Clinic centre. Such financial Statement of Expenditure shall contain an audited statement of the total expenditure and incomes of the project. A standard format will be provided and prescribed by the Design Clinic centre; and
 - Evidence showing the contribution of the matching fund by the applicant MSME in cash (in the form of cheque and bank pay-in slip or other documentary evidence acceptable to the Principal / other Implementing agencies) as per norms.
- The completion report and the final financial statement of expenditure and payment evidence set out above shall be submitted within two months from the project completion date specified in the project proposal or by such other date as may be approved by the Design Clinic Centre.
- The applicant industrial designer/design company/academic institution and the applicant MSME are required to make presentation(s) of the outcome of their project to the Assessment Panel and to report the commercialisation status of the project deliverables.
- The applicant industrial designer/design company/academic institution as the fund recipient shall keep all financial statements, books, and records of the project and receipts evidencing expenditure for the project for at least two years after completion of the project, or as otherwise specified by the Design Clinic centre within that two-year period, and allow for inspection at any time.

- Auditors appointed by Design Clinic centre may conduct an examination into the effectiveness with which the fund recipient has used the project funds. The auditors shall have a right of access at all reasonable times to all such documents or information in the custody and control of the recipient as he/she may reasonably require for conducting an examination holding or being accountable for any such document or information, such information and explanation as he/she considers reasonably necessary for that purpose. The auditor will report to the Design Clinic Centre and the Government the results of an examination conducted by him/her.
- Both applicants in the project will be required to complete and return a post- project evaluation questionnaire for their project to report on the achievements of the project in terms of bringing commercial opportunities for the applicant MSME, enhancing its competitiveness and adding value to its products and services.

23. Procurement Procedures:

- The fund recipient shall ensure that all procurements for goods and services for the project will be carried out in an unbiased and fair manner. All quotations shall be kept for the Design Clinic Centre's inspection, if necessary.

24. Project Variation:

- An approved project is required to be carried out strictly in accordance with its proposal appended to the grant agreement and the project contract. Any modification, amendment or addition to the project proposal or the project contract, including change of the project commencement or completion dates, key project staff, scope, methodology and budget, will require prior specific written approval by Design Clinic centre. Failure to comply with the project proposal and the project contract will entitle the Principal/ other Implementing agencies to abstain from releasing the grant money to the applicant design company/academic institution regardless of whether it or the MSME applicant or both are at fault.

25. Allowable Costs:

The allowable cost for design work will generally applicable to the following items

- Need Analysis/ Research – Internal / external agency/ travel & stay / data recording resources/ manpower / recruiting respondents
 - Product
 - Market
 - User
 - Trend
- Workshops/Seminars – travel & stay / data recording resources/ team / skills /refreshments / infrastructure / time / process integration
 - Generate new product ideas
 - Tap new markets
- Concepts and iterations – Stationary / team / skills / infrastructure / time /software & hardware
 - Sketching
 - Renderings

- Soft mock-ups – Time / infrastructure / skills / team / materials
 - Quick mock-ups for concept refinements
- Engineering – Time / Software & hardware / skills / team
 - Data generation for prototyping and manufacturing
- Prototyping – Vendor / engineering support / team / skills / time / printing /transportation / materials
 - Simulate functioning of the actual product

26. Unallowable Costs:

- In general, grant to be made available by the Government through Design Clinic shall only be expended by the applicant design company/academic institution in carrying out the project in accordance with the budget set out in the project proposal. The grant money shall not be used to cover:
 - General administration, office and overhead expenses not directly related to the project;
 - Production cost other than for prototype for demonstration purpose only;
 - Other incidental expenses, e.g. videoconferencing, local /overseas travelling, photocopying;
 - Entertainment expenses and any prizes, either in form of cash or other types of souvenir;
 - Costs related to prior/subsequent year(s) / period(s) adjustment(s); and
 - Capital financing expenses, e.g. mortgage and interest on loans /overdrafts.
- The fund recipients should consult Design Clinic Centre if they have any doubts about whether grant money should be applied in discharge of a particular expenditure.