

Request for proposal to engage an incubator to develop enterprises through the Tamil Nadu State Rural livelihood Mission.

1. Introduction

SHG women-entrepreneur base, approximately 150-200 women enterprises in each focus state have demonstrated growth potential in terms of size, profitability, formalization, access to bank finance, etc. These entrepreneurs have an established business case but need dedicated support to grow their business. proposes to have dedicated incubators working closely with TN State Rural Livelihood Missions (TNSRLM) to incubate growth-micro and enable them to transition into self-sustaining growth enterprises that create local employment opportunities. These enterprises will, in turn, help in developing models that can be replicated across various states.

The rationale for incubators for this segment emerges from both demand and supply-side factors. The existing incubators in the states are primarily focused on social enterprises or urban entrepreneurs and overlook the rural home-grown entrepreneurs, especially women, who face additional constraints in accessing such services. On the demand side, growth entrepreneurs require specialized business development support as provided by existing service delivery providers.

2. Objectives

The objective of the initiative is to pilot strategies to scale up **at least 150 existing women-owned / women-led growth-oriented enterprises** in a State create models for replicability.

The enterprises supported will be in the **manufacturing and service sectors**, which are hamstrung by various facets of market failure and information asymmetry. The total duration of the incubation component is for **three years**.

Towards this, it is proposed to onboard incubators in the States who have expertise in incubating **rural growth micro-enterprises or working in the social impact space** or incubators with an intent to service this segment.

The incubators will be expected to:

- a) Develop these women-led enterprises (in manufacturing and service sectors) as **formal enterprises and build them as legal entities** with proper business models.
- b) Help the incubated enterprises **increase revenue by 15%** from the baseline (on a year-on-year basis).

- c) **Improve credit creditworthiness** of these enterprises and enable them to access **credit from formal financial institutions**.
- d) Develop **partnerships with innovators/social enterprises/for-profit companies/start ups** to catalyse the growth of rural enterprises.
- e) Create business models for **generating local employment** (an average of three to four jobs).
- f) Capacitate the women entrepreneurs to enable them running the business themselves.
- g) Create model for replicability across the States.

3. Implementing Agency

The implementing agency for this component will be the TNSRLMs existing in each State.

The incubator will be the execution agency, while the NMMU of DAY-NRLM will engage in regular monitoring and oversight.

4. Selection criteria for Incubator

To ensure that the segment of rural women enterprises is served effectively, DAY-NRLM will also evaluate the incubator selected by the SRLM.

It will evaluate the incubator on the following characteristics:

- a) The incubator should be housed in an institute of excellence and should have been an incubator in more than one government-sponsored program.
- b) Should have proven experience working with women's enterprises or with social sector enterprises.
- c) The incubator should have experience in mentoring or supporting manufacturing/service enterprises
- d) The incubator should have experience working in rural or peri-urban areas
- e) Amount of funds raised by the incubator in the past five years will also be considered.

5. Characteristics of Enterprises to be Supported by the Incubator

5.1. Enterprise Type

The incubator will support enterprises dealing with manufacture of goods or rendering of services.

Enterprises dealing primarily with **trading of goods will not be supported** through the incubator component.

Diversity of enterprises from the state is preferable. (Minimum **10 different types of enterprises** should be supported by the incubator in the state.

Maximum **25 numbers** of one type of enterprises to be supported. (eg tailoring enterprises)

5.2. Turnover Range

Three kinds of enterprises can be supported by the incubator:

Registered Enterprises

a) Large Enterprises: A GST registered enterprise with a minimum annual turnover of at least Rs 20 lakh in the previous two financial years excluding covid impacted years.

Unregistered Enterprises

b) Group Enterprises: An enterprise owned by more than one entrepreneur with a **minimum annual turnover of at least Rs 15 lakh** in the previous two financial years excluding covid impacted years.

c) Individual Enterprises: An enterprise owned by an individual with **a minimum annual turnover of at least Rs 12 lakh** in the previous two financial years excluding covid impacted years.

6. Entrepreneurs' selection

- a)** SHG members or SHG-member households must necessarily own these enterprises.
- b)** In the case of SHG members households, the project can support the husband / unmarried son / unmarried daughter/ unmarried brother/ unmarried sister/parents of the SHG member.
- c)** Minimum 2/3rd (or 66%) enterprises supported should be women-owned or women-led enterprises. Women-owned enterprises are those enterprises that are completely owned and managed by women.
- d)** Women-led enterprises are those enterprises where at least 60% members in the enterprise's decision-making body (executive committee) are women.
- e)** The SHG members have completed a minimum period of 12 months of membership in SHG and also who've attended a minimum of 30 weekly meetings in the previous 12 months.
- f)** It is preferred that a maximum of 50% of enterprises supported by the incubator can be individual enterprises and 50% of enterprises supported could be group enterprises.

7. Geography

The incubator component will support enterprises across the whole State with the SRLM presence. At least **10% of total** enterprises supported must

be in **remote blocks** of the State. Remote blocks for the purpose of this component refers to a block which is at a distance of at least 50 km from the nearest town with a population of at least three lakhs (as per 2011 census).

8. Enterprises Ineligible for Incubator Support

The list of enterprises **will not** be supported by the incubator component:

- a) Agriculture and primary production / aggregation activities
- b) Backyard activities (like backyard poultry, pre-preparation weaving activities like warping, bobbin winding, etc.)
- c) Trading / retail enterprises
- d) Enterprises not compliant with minimum health and safety standards
- e) Enterprises not compliant with environmental safeguards
- f) Enterprises operated by the SRLM staff.

9. Services Provided by the Incubator to the Enterprise

The incubator will provide the following services to the enterprise (indicative):

- a) Preparation of growth plan with financials and mentoring support plan.
- b) Professional mentoring support to formulate strategy for growth and guide business operations to achieve growth targets
- c) Raising finance from commercial sources (debt or equity).
- d) Developing strategy for quality control, warehousing, and supply chain for supported enterprises.
- e) Facilitating and **diversification** of market linkages (forward and backward linkages), providing market information and intelligence. The incubator must ensure that the incubated enterprises have more than only 1 buyer (eg. Government in case of a uniform unit or take home ration unit) or raw material supplier, so that the business is de-risked.
- f) Assisting with input need assessment and market estimation
- g) Facilitate registrations, certifications, and licences of the enterprise
- h) Handholding support to grow the business.
- i) Identify the training gaps of the entrepreneurs and provide training and capacity building to the entrepreneur.
- j) Develop partnerships with organisations /startups with technologies / innovations to benefit the rural enterprises
- k) Reduce the business risk and increase the resilience of the incubated enterprises.

10. Challenge Fund

- a) A challenge fund is an innovative financing mechanism to mitigate risks for socially worthwhile projects/ growth projects and make them financially sustainable in the project duration. It is a transparent and competitive process to allocate financial support to enterprises.
- b) The DAY-NRLM will provide a challenge fund as a soft loan/grant to selected individual and group enterprises on a competitive basis; that has the potential to substantially increase enterprise revenue and contribute to the local economy through job creation.
- c) The enterprises availing challenge fund will also receive professional support from the selected incubation agency for growth.
- d) The enterprises to receive awards via the challenge fund would be selected by **a Jury Panel**. The jury shall select individual enterprises and group enterprises to award the Challenge Fund.
- e) The entire process of awarding the challenge fund will be anchored and managed by the incubator, with support from the SRLM.
- f) The incubator and SRLM should ensure that the outcome of the challenge fund is such that all the boundary conditions set for the enterprises to be supported are selected in the challenge fund process (% of individual and group enterprises, % of women owned/ managed enterprises, enterprises meeting the eligibility turnover criteria, enterprises from remote blocks, diversity in the types of enterprises being supported etc.).
- g) The process of shortlisting of the enterprises for participation in the challenge fund round should itself ensure that adequate number of enterprises meeting the boundary conditions are shortlisted for participation in the challenge fund round and the final selection of the jury also closely meets the boundary conditions.

10.1 Types of Challenge Fund Awards

There are two types of challenge fund that can be awarded:

- a) **Grant** to enterprises
- b) **Soft loan** (at 0% rate of interest) to enterprises

Challenge fund award will be provided up to a maximum **of 75% of the enterprise's** fund requirement for growth (Capital expenditure and working capital for one cycle).

10.2 Eligibility for Applying for the Fund

The enterprise must belong to an SHG-member household and preferably be women- owned or women-led. (**Refer the point no:6**). Application for support under the incubator program should be collected only from those SHG members

(or the SHG households) where the SHG members have completed a minimum period of 12 months of membership in SHG and also who've attended a minimum of 30 weekly meetings in the previous 12 months (in states which follow a weekly meeting calendar for the SHGs) or a minimum of 9 monthly meetings in the previous 12 months (in states which follow a monthly meeting calendar for the SHGs), as the case may be.

1. In the case of a group enterprise, a minimum of 51% of members should be members of the DAY-NRLM SHG households.

10.3 Administration of the Challenge Fund

The responsibility of conducting the process of awarding challenge fund lies with the incubator.

1. Both SRLM and the incubator must appoint a nodal person, each responsible for coordinating/organising a competition to administer the challenge fund.
2. The incubator and SRLM will jointly decide the schedule (including the date and venue of the competition) and modus operandi
3. The **notice for applying for the challenge** fund should be disseminated in the field at **least two months (60-days)** before the competition. It will be the responsibility of the SRLM to communicate advance information through the notice to their cadres and staff. This information should also be disseminated through social media and newspapers, etc.
4. DMMU / BMMU shall assist the interested enterprises in applying for the challenge fund, including filling up the application forms. Incubator/SRLMs may also take the support of CRPs / SRPs.
5. The incubator will select and appoint **an independent jury, with at least two representatives from the SRLM** to evaluate applications. The **NRLM representative may be** invited to be part of the jury.
6. The jury shall appraise the applications based on performance indicators, including commercial sustainability of the enterprise, scope of increasing turnover by **at least 15% over the subsequent 12-months** of operation (and maintaining the same for the next 6-months), the scope of creating local jobs, and replicability of the business model. The state may modify the criteria as per their context after seeking the approval of the NRLM with justification.
7. The SRLM will transfer the reward (grant) amount to the incubator within **a maximum of 15-days after the culmination** of the challenge fund event, who will release it to entrepreneurs/enterprises selected by the jury for reward within 15- days of receipt of funds.
8. The SRLM will transfer the **soft loan amount to the concerned BLF**

maximum within 15-days after the culmination of the challenge fund event, who in turn, will release it to entrepreneurs selected by the jury within 15-days of receipt of funds from the SRLM. The SRLM may prepare necessary guidelines for the administration of the challenge fund and the CBO's handling of the challenge fund.

9. The incubator will furnish bank statements reflecting the transfer of payment to the enterprises within 15-days of the receipt of funds. The unspent balance amount, if any, shall also be returned to the SRLM within 15-days from the receipt of funds.
10. While selecting enterprises, the incubator must consider both diversity and depth of type of enterprises. Ideally, no less than five (5) and no more than 25 of any kind of enterprises (e.g., apparel manufacturing/ take-home ration) etc., should be selected.

10.4 Fund Amount

The financing mechanism and amount will differ as per the type of enterprise. 75% of the fund required for enterprise growth (total infrastructure cost and working capital for one cycle) will be awarded as a prize / soft loan to selected enterprises.

Table 1: Suggested Mode of Funds Provision

Enterprise Type	Minimum Annual Turnover*	Is Registration Mandatory	Financing Mechanism	Maximum Number of Enterprises
Large Enterprise	Rs 20 lakh	Yes	Reward	6
Group Enterprise	Rs 15 lakh	No	Reward	6
Individual Enterprise	Rs 12 lakh	No	Reward	6
Group Enterprise	Rs 15 lakh	No	Soft loan (at 0% interest)	132
Individual Enterprise	Rs 12 lakh	No	Soft loan (at 0% interest)	

* The amount stated under minimum annual turnover is the average turnover of the previous two non-COVID-impacted financial years

** The total amount for awarding as grant to individual and group enterprises (as mentioned in section 4.2) is prescribed per state is in the following manner.

- Each incubator will be provided Rs 45 lakh per state to distribute as a reward to individual and group enterprises and Rs 60 lakh for the large enterprises (see table below)
- A maximum of 75% of the total infrastructure cost and working capital for one cycle will be awarded as a reward up to the maximum ceiling as mentioned below.
- If the SRLM and incubator plan to conduct more than two incubation rounds, the reward amount may be apportioned downward appropriately to ensure the overall budget for the class of reward is not breached.
- If a sufficient number of large enterprises are not identified even after two incubation rounds, and 6 winner cannot be declared among the large enterprises, in such case the remaining balance of the 6 winners may be added to the winners in the Group and Individual enterprises based on the selected proportion for the jury round, subject to the cap of reward for each category.

Table 2: Enterprise Types and Rewards to the Winners

Enterprise Type	Maximum First Reward	Maximum Second Reward	Maximum Third Reward	# Rounds	# Winners	Total
Large	Rs 15 lakh	Rs 10 lakh	Rs 5 lakh	2	6	Rs 60 lakh
Group	Rs 7.50 lakh	Rs 3.75 lakh	Rs 1.25 lakh	2	6	Rs 25 lakh
Individual	Rs 6 lakh	Rs 3 lakh	Rs 1 lakh	2	6	Rs 20 lakh
Total						Rs 105 lakh

The policy for disbursement of the challenge fund may be reviewed in due course to incorporate necessary changes, with appropriate approvals from the DAY-NRLM.

10.5 Terms of Reward (Grant)

- a) Each incubator will be provided with a maximum of Rs 105 lakh (per state/UT) to distribute as reward to individual and group enterprises (Rs 45 lakh per state to distribute as reward to individual and group enterprises and Rs 60 lakh for the large enterprises)
- b) Large enterprises (registered, as mentioned in section 4.2) will be eligible to receive a grant if they meet conditions for evaluation by the independent jury constituted as described above.
- c) The top three individual and group enterprises (unregistered, as

mentioned in section 4.2) in each incubation round will be given financial rewards if they meet conditions for evaluation by the independent jury.

- d) A maximum of 75% of the total fund requirement for growth (total infrastructure cost and working capital for one cycle) may be given as a reward, subject to the ceiling defined for the reward (See Table No. 1).
- e) If the SRLM and incubator plan to conduct more than 2 challenge funds rounds, the reward amount (Rs 105 lakh) may be apportioned downwards appropriately to ensure the maximum cap per reward and the total amount allocated for each class of rewards is not breached.
- f) Reward may be transferred in tranches to SHG member's bank account based on the achievement of the milestones as decided in the business plan and as approved by the jury / incubator.

10.5.1. Terms of Soft Loan (Loan at 0% Interest)

Soft loan may be given to enterprises if they meet the conditions for evaluation by the independent jury.

- a) 75% of the total fund requirement for growth (total infrastructure cost and working capital for one cycle), up to the maximum ceiling defined for the type of enterprise in the table above, may be given as a soft loan. The balance of 25% may be raised by a mixture of the following: own funds, loans from banks, loans from CIF, any grants from CSR/convergence, etc. This has to be facilitated by the incubator with the support of the IBCB and Financial Inclusion teams of the SRLMs.
- b) The jury will specify the duration of the soft loan at the time of awarding the loan, but the term cannot be more than three years. The jury may also decide to grant a moratorium period of up to six months for the principal repayment of the soft loan to the enterprise depending upon the business case.
- c) The soft loan amount will be given to the concerned CLF, who will route it further to the enterprise through the SHG.
- d) The loan will be repaid to the concerned CLF of the block in which the enterprise is located. If the CLF is routing the CEF, the amount will become a part of the CIF but will be routed directly to the enterprise's / entrepreneur's account from the CLF at 0% interest. In case there is no CEF, the amount will become a part of the CIF and will be routed directly to the enterprise's / entrepreneur's account from the CLF at 0% interest.
- e) The CLF will earn interest income on the subsequent rotation of the loan amount. The fund routing mechanism may be decided by the state while ensuring minimal time lapse between the fund received from the state and the time it reaches the enterprise's bank account.
- f) The soft loan amount repaid by the entrepreneurs should be clubbed with the CEF (if exists) of the CLF or if CEF is not there then with the CIF of

- the CLF and should become part of the CEF /CIF and used for onward lending at the same rate of interest as the other funds of the CIF/ CEF.
- g) The concerned CLF and BMMU will be responsible for ensuring the repayment of soft loans awarded to the enterprise as part of the challenge fund. This repayment of loan may be to the CLF directly or may be routed through the SHG/VO route, as may be decided by the state. The incubator shall also monitor and track the soft loan repayment status for the duration of the project.
 - h) SRLM should take adequate measures to explain to the supported/funded enterprises that they should use the total reward or soft loan amount for the specific purpose it has been awarded, and there should be no diversion of the funds for any other usage. The state may decide its penalties if any enterprise diverts funds to other uses.
 - i) Soft loan may be transferred in tranches to SHG member's bank account either directly by the CLF or through the CLF-VO-SJHG route as decided by the state, based on the achievement of the milestones as decided in the business plan and as approved by the jury / incubator.

11. Incubation Process

The proposed incubation process is presented below. The primary objective of the process is to recognize indigenous enterprise models and explore ways of replicating them across the DAY-NRLM states/UTs. The states/UTs may modify the process as per their experience and context.

- a) **Procure an incubator to support growth-oriented enterprises**
- b) **Identification of growth-micro enterprises**

Stage 0

- i) SRLM and the incubator will finalise the definition and criteria for selecting growth-micro enterprises based on state context (the definition essentially involves the minimum threshold of revenue, sector, number of employees, the scope for growth, replicability of the enterprise etc.)
- ii) Shall prepare indicators to appraise applications (indicators should measure commercial sustainability of the enterprise, scope of increasing turnover by at least 15% over subsequent 12 months of operation, scope of creating local jobs), and replicability of the business model
- iii) Disseminate information to the potential enterprises/incubates to apply for challenge fund and incubation support at least 60-days prior to organising the challenge fund competition using the states district and block units, the CBOs and community cadre in the field, as well by advertising in the local language press and promotional activities as per the

agreed plan.

Stage 1

- iv) SRLM will invite applications from SHG enterprises for accessing incubation support in the defined format. The state may seek assistance from SRPs /CRPs for filling applications. The BMMU / DMMU must also lend support wherever necessary.
- v) SRLM and incubator will scrutinize applications and shortlist adequate enterprises so that it can finalise 150 enterprises for support.

If the SRLM and incubator are unable to select 150 enterprises in one round, the incubation process may be conducted in 2-3 rounds.

Stage 2

- vi) The incubator will support these shortlisted enterprises in fine-tuning their applications and in preparing a detailed business plan, including collecting some of the baseline information about these shortlisted enterprises and prepare them for the final challenge fund competition.
- c) **Organise challenge fund competition (as per process elaborated in section (10.3))**
- i) Choose a convenient date and venue (preferably at / near the state capital) for the challenge fund competition and disseminate information to the eligible applicants at least 30-days in advance
 - ii) Appoint a jury (with at least two representatives from the SRLM and an invitee from the NRLM). The jury should include industry experts and well-reputed persons in the start-up ecosystem.
 - iii) Organise the challenge fund competition and have entrepreneurs make presentations about their enterprise's commercial sustainability and growth plan
 - iv) Award the challenge fund to selected enterprises
- d) **Transfer of the challenge fund by the SRLM**
- i) **To the incubator**
 - i. The SRLM shall transfer the amount of reward (grant) under the challenge fund to the incubator within 15 days of the culmination of the event
 - ii. The incubator shall transfer the amount to the selected enterprises within 15-days of receipt of funds
 - iii. The incubator will furnish bank statements to the SRLM (both incubator and rewarder's bank accounts) reflecting

transfer of payment to the enterprises at the end of the 15-day period

ii) **To the concerned CLFs**

- i. The SRLM shall transfer the amount of reward (Soft-Loan) to the CLF. The amount of soft-loan for the selected enterprise must be deposited in the accounts of the concerned CLFs within 15-days of the culmination of the event
- ii. The CLF shall transfer the amount directly to the enterprise's / entrepreneur's account within 15-days of receipt of the funds

e) **Provide incubation support to selected enterprises**

- i) The selected enterprises for incubation support would have to be supported for **a minimum of 18 months or until it achieves 15% growth** over baseline revenue, is commercially sustainable, replicable, and can create local employment, whichever is later.
 - ii) Collect and validate baseline information for selected enterprises
 - iii) Engage with the selected enterprises more closely to prepare a detailed growth plan/ validate the business prepared for the challenge fund competition (to increase revenue, employment, profits, etc. that will be achieved through incubation support) and fine-tune/delineate their capital and non-financial business development needs
 - iv) Assist the enterprise in securing financial linkages (to meet requirements over and above the finances received as part of the challenge fund exercise) based on the requirements of the enterprise, ensuring necessary backwards and forward linkages, and assisting with registrations and certifications
 - v) Link enterprises with sector experts or mentors who will provide strategic and operational inputs
 - vi) Ensuring the managers appointed by the incubators for supporting enterprises engage with the enterprises on at least a monthly interval and hand-hold the enterprises for growth and also helping them prepare monthly P&L statements and business MIS statements.
- f) The incubator will use an IT-based application to track enterprise health and share the information on a regular basis with the SRLM/NRLM. The IT application should have the capability to integrate with the DAY-NRLM MIS.
- g) SRLM, along with support from the incubator, will document the scope of replicability of each type of enterprise and steps to achieve the same.

The incubator will plan for exit of incubating an enterprise after a minimum 18-month period of incubation (The 18 months period is exclusive of the Challenge Fund Competition time). It has to ensure that the enterprise is able to meet performance metrics consistently for a period of six-months prior to exit.

12. Selection of Incubator

SRLM may select a suitable incubator from the list of incubators empaneled funded by any government scheme or run by an academic institution of excellence like the IIMs /IITs and other premium institutes. The tentative list of such incubators has been appended in annexure 1.

The incubator must have at least three years of operational excellence and a proven track record of incubation. The same is to be shared with the DAY-NRLM to undergo the evaluation process.

The incubators shall be selected through a process including submitting a performance report of the existing incubator program of the government/the largest funder. Any organization that has not achieved 70% or more of the adjusted targets (till the date of application) of the government/largest funder-supported incubator program may not be selected as an incubator by the SRLM. The achievement of targets must be validated by the respective government department/largest funder.

An advisory body constituted by the DAY-NRLM shall also support the NRLM / SRLM in selecting the incubator. The incubator shall be chosen based on its capability to mentor and support enterprises for growth and provide them with enhanced market access. Any agency should not have blacklisted the incubator.

The project shall be awarded to a state after the incubator selected by the State has been approved by the EC of the MORD / the SRD based on a presentation made by the incubator on its prowess and mentoring strategy for the enterprises in the State to achieve the project objectives.

13. Roles and Responsibilities of incubator

13.1 Incubators

The role of the incubator is envisaged as under:

- a) Provide an undertaking to that the incubator is not claiming reimbursement/benefits from any other state or central government for the

same incubation activity in the same geography and that it has not been blacklisted by any other government agency.

b) Scrutinise and identify enterprises for support

- Develop Challenge Fund competition implementation plan
- Assist enterprises in filing nominations for grant awards under the challenge fund administered by the project

c) Support for identified enterprises

- Baseline information for selected enterprises, including enterprise details and financial performance
- Identify skills gaps and address them either through mentoring or through formal training
- Engage with the selected enterprises to prepare a growth plan (to increase revenue, employment, profits) and delineate the need for specific interventions
- Identify products with the potential for scale up, aggregation, and marketing through the higher-order institutions
- Develop a strategy for quality control, warehousing, and supply chain for supported enterprises
- Provide technical assistance for product refinement and design, and development as per market needs
- Assist enterprises in accessing finance, ensuring necessary backward and forward linkages, supporting with obtaining licenses and certifications, and providing regular mentoring and handholding, especially for raising the balance 25% of the funding required.
- Provide market information/intelligence, conduct input need assessments and quality control checks at various stages
- Mentor and handhold the enterprises for a minimum 18-month period or till that growth is achieved on the journey to achieve 15% year on year growth in revenue and profit in the period (whichever is earlier) and to be financially sustainable
- Ensure registration of enterprises if they are not registered at the time of lending support.

d) Administer the challenge fund

- Set up the process of administering the challenge fund
- Execute the entire selection process, organising the competition for the challenge fund, ensuring transparency, fairness, and an objective selection process
- Identify jury to evaluate applications for receiving the challenge fund. The jury must include a minimum of two representatives (s) from the SRLM / NRLM and also third-party experts.
- Ensure dissemination of the challenge fund within 30 days of the culmination of the event

e) Ensure capacity building/training of entrepreneurs

- Conduct a training needs assessment to understand areas where an entrepreneur may need capacity building (technical skills, business management skills, soft skills) and ensure the provision of training
- Identify a training institute jointly with the SRLM. The incubator should ideally conduct the training as per the SRLM's capacity building norms (refer to section 8 for additional details).

f) Develop and meet performance benchmarks

- Discuss with the SRLM and finalise performance benchmarks, which the enterprises will have to consistently meet for a period of six months, before the incubator withdraws support. Ideally, the incubated enterprise should be supported for a minimum of 18 months or until it achieves 15% growth over baseline revenue, is commercially sustainable, and can create local employment
- Ensure that the health of supported enterprises are tracked regularly and is shared with relevant stakeholders
- Ensure a regular enterprise-wide business MIS and overall project implementation MIS is maintained; This MIS would have the capacity to be integrated with the state / DAY-NRLM national MIS. The same will be tracked in review meetings.
- Develop metrics of assessment of the incubate supported, incorporating the fact that absolute progress may not be possible to track for all the parameters.

g) Development of communication products and SoPs

- Develop documents/toolkits for replication of enterprise models across the state / other states
- Develop knowledge products, SoPs, learning notes, policy briefs, and compendiums encapsulating the knowledge derived from the program.
- Share enterprise stories across relevant platforms – social media, development news platforms, etc.
- NMMU advises that these SoPs and probable customised SoPs could be included by the SRLMs (as per their requirements and local conditions) during their MOU with the incubator agency. A few examples of the SOPs are as follows (but not limited to)
 - i. SoP on the development of the model business plan of an enterprise
 - ii. SoP on the best practices to be incorporated during the promotion of an enterprise or a pool of enterprises
 - iii. SoP on the legal compliance for enterprises/ businesses (Non-Farm & Food focused) with the process for registration
 - iv. SoP, on the analysis of the current business situation of an enterprise
 - v. SoP on growth analysis of the business (How the SRLMs could analyse an enterprise - the toolkit)

- vi. SoP on building supply chain, and integration of forwarding and backward linkages
- vii. SoP on product marketing processes (offline & Online)
- viii. SoP on product packaging, labelling, standardization etc.
- ix. SoP on indicators for the measurement of success of an enterprise
- x. Compendium capturing the complete end to end cycle of the Incubator Program implementation, techniques deployed, mentoring, exit strategy, long-term sustainability techniques, best practices generated, etc.
- xi. Development of a regular enterprise wise business MIS and overall project implementation MIS; The MIS would have the capacity to be integrated with the state / DAY-NRLM national MIS (This MIS should be developed by the incubator before the completion of the Jury Panel round)

h) Active coordination with the SRLM

- Appoint a nodal person in the state to coordinate with the SRLM
 - Participate in review meetings organized by the SRLM and provide regular reports on performance of supported enterprises as per agreed terms
 - Engage with the District Project Manager (DPM) / Block Project Manager (BPM) and other DMMU / BMMU staff to leverage on the last-mile support, wherever required
- i) Develop a mentor pool of industry experts and conduct regular round tables of industry leaders on rural entrepreneurship growth and enterprise promotion (at least six such round tables should be organized)
- j) Develop partnerships with innovators to catalyse the growth of rural enterprises and pilot the usage of their innovations with the incubated enterprises as well as facilitate the adoption of their innovations by other DAY-NRLM supported enterprises (See section 9).

13.2 Roles and Responsibilities Tamil Nadu State Rural Livelihoods Mission

- a. Identify an incubator to partner with
- b. Mobilise applications for seeking incubation support
 - a. Advertise for applications from growth enterprises seeking incubation support
 - b. Engage NRPs / SRPs and DMMUs / BMMUs to assist entrepreneurs in filling applications
- c. Bear costs of capacity building of entrepreneurs
 - a. Select an agency for training / upskilling existing entrepreneurs jointly with the incubator. Meet the training cost of entrepreneurs as per the cost norms

- d. Ensure provision of challenge fund reward and soft loan amount to selected enterprises
 - a. Ensure participation of SRLM representatives in the jury for administering the challenge fund
 - b. Ensure the incubator conducts the competition with transparency and fairness
 - c. Transfer the reward (Grant) amount to the incubator and soft loan amount to the CLF on time
 - d. Make State-level guidelines about the handling of the soft loan amounts received by the CLFs as part of the challenge fund and train the CLFs receiving the soft loan funds about the fund management rules, accounting and reporting.
 - e. Ensure proper utilisation of the challenge fund reward/ soft loan for the desired and defined use.
- e. Monitoring of growth micro-enterprises
 - a. Collaborate with the incubator to arrive at the benchmarks that the enterprises have to consistently meet for a period of 6 months, before the incubator withdraws support. Ideally, the incubated enterprise should be supported for a minimum of 18 months or until it achieves 15% growth over baseline revenue, is commercially sustainable, and can create local employment
 - b. Analyse the data from the MIS / enterprise software and monitor the performance of incubator-supported enterprises.
 - c. Regular field visits by the State Nodal Person and the SRLM team must be made to obtain feedback from the entrepreneurs
 - d. Track the performance of supported enterprises against performance benchmarks
- f. Active coordination with the incubator
 - a. Position staff at the state and district level to oversee enterprise activities under the project
 - b. Appoint a nodal person at the SRLM to coordinate with the incubator
 - c. The SRLM shall inform the concerned DMMU about the enterprises that will be supported in their district and ensure their support
 - d. Organise review meetings at regular intervals (minimum once a month)
 - e. Ensure timely payments to the incubator - within 30 days from the receipt and acceptance of the invoice
 - f. Ensure timely approvals of front-end promotion and other material & processes requested by the incubator
- g. Ensure that the SRLM learns from the incubation process and replicates the learnings for support to replicable enterprises, creating and documenting by the incubator. The SRLM should also make efforts to empanel the mentors used by the incubators as State Resource Persons, so that their technical skills can be used by the SRLM to support enterprises even after the incubator program gets over.

14. Entrepreneur Training and Reimbursement of Training Cost

The Entrepreneurial skilling and training is a critical aspect of ensuring smooth operations of the enterprise. Entrepreneur training is the responsibility of the state-appointed incubator agency. The incubator should ensure the following to ensure reimbursement of entrepreneur training costs:

- a) Conduct and document the training needs analysis of all entrepreneurs supported by the incubator
- b) Select the training partner from the empanelled list of training agencies at the state / national level. The incubator could identify other technical training agencies as per the requirements.
- c) Besides, the incubator can conduct business mentoring & knowledge-based training, considering this may be the incubator's speciality area. However, it has to comply with the DDU-GKY cost norms.
- d) Consider convergence opportunities with skilling programmes, such as RSETI, DDU-GKY offered within the Ministry of Rural Development and by other ministries (Ministry of Skill Development and Entrepreneurship, Ministry of Textiles, Ministry of Micro, Small and Medium Enterprises, etc.)
- e) In case a trade is not available in the empanelled list of agencies, the entrepreneurs can be sent to institutes that are above the SRLM community training cost norms. However, the cost should not exceed the norms applicable for staff/consultant training at the state level
- f) Bear the initial cost of training and keep all necessary documents safe for claiming reimbursement
- g) Monitor the conduct of training periodically and prepare monitoring reports
- h) File the claim for reimbursement as per approved format, complying with approved training norms and attaching necessary documents such as training needs analysis, monitoring reports, etc.
- i) Follow up with the SRLM for the timely release of the training cost.

15. Partnerships for Piloting Innovations

Each incubator shall get **an amount of Rs 50 lakh**, which it shall invest in equity in a **minimum of three and a maximum of five partner organizations**. These organizations must have cutting-edge innovations or technologies to support SHG family-owned manufacturing service enterprises. These partner organizations can be in logistics, technology, market linkages, etc., favorably impacting the NRLM / SRLM

value chain initiatives. These partner agencies should preferably have past relationship with the incubator and should be in the line of business/ service in which they could support/ add value to the enterprises selected under this Programme. An incubator may invest a maximum of Rs 25 lakh from this fund

in one partner organization.

These partner organizations will sign a tripartite agreement with NRLM / SRLM and the incubator to provide SHG-household-owned enterprises access to services for a minimum period of four years at a beneficial rate compared to that charged by other market players. In case the partner organization is unable to sign the tripartite agreement or fails to abide by the agreement, the incubator shall return the amount invested in the partner organization to the SRLM at a pre-decided rate of interest (not less than the Fixed Deposit rate of SBI for a tenure of one year). If the incubator cannot invest in partner organizations, the unspent amount shall be returned to the SRLM along with any interest earned at the end of the engagement period.

16. Human Resources to be Deployed by the Incubator

The incubator shall deploy the following personnel:

- a) Project Lead (part-time)
- b) Manager(s)
- c) Mentors

Apart from this the Incubator should be at liberty to employ resources like subject matter experts, project associates and outreach executives as and when required within the overall budgeted cost.

16.1 Profiles of Human Resources to be Deployed

Table 4: Qualifications for the personnel to be employed by the incubator

Team member	Number of Members	Qualification, Experience, and Responsibilities
Project Lead (part-time)	1	<p>At least 12-15 years of experience in setting up and/or managing a manufacturing business, preferably in the food processing or handicraft sector in a leadership position, answerable for the P&L of the unit.</p> <p>Should have expertise in the entire business operations, especially in sales and business accounts and should have extensive industry contacts.</p> <p>Will be responsible for providing overall direction and guidance to the team. Will interface with government officials, industry experts and other key stakeholders.</p> <p>Qualification: Post-Graduation in Business Management, Development Studies, Rural</p>

		Management, Accounts, Economics, or related fields or a professional degree like CA, ICWA, etc.
Business Managers	2	<p>At least three (03) years of experience in enterprise promotion/management – in a functional area like production/sales/procurement etc.</p> <p>It is advisable that out of the two Business Managers, one of them should have at least three years of sales experience.</p> <p>Will be expected to travel extensively and provide hands-on mentoring to approximately 60-75 enterprises selected for support by the incubator.</p> <p>Shall be responsible for ensuring that his / her supported enterprises grow as per the desired rate and meet other defined business and governance KPI targets, on a monthly, quarterly, and annual basis. Shall seek help from the functional specialists for specific technical support and report to the Project Lead.</p> <p>Qualification: Post-Graduation in Business Management, Development Studies, Rural Management, Accounts, Economics or related fields or a professional degree like CA, ICWA, etc. Preference will be given to candidates from premier institutions like IRMA, IIMs, IITs, NITs, and other such institutions. The educational criteria may be relaxed, in consultation with the SRLM, in case the candidate has higher relevant experience.</p>

The remuneration for the personnel employed for the **project shall not exceed 15%** of their last drawn monthly remuneration, corrected for the number of working days.

In case the team (incubator and the SRLM) feels the need, they can add another Manager if:

- The enterprises supported by each manager are more than 60-75
- The enterprises to be supported are spread out across the state
- The enterprises need the manager to be physically present in the

enterprise or its market

- The time duration of the project requires additional people to ensure parallel working and meet the project objectives within the defined timelines
- The total budget for manpower provided to the incubator is adhered to.

The number of Managers to be hired will depend on the number of enterprises selected for support during the challenge fund process. Incubator may hire one Project Lead (part-time), and one Manager may be hired at the beginning of the project. Additional Managers or human resources may be hired as required in due course.

The personnel selected by the incubator need to be approved by the SRLM / NRLM before they are formally on-boarded. The approval process by the SRLM / NRLM can be through an e-interview process. The Incubator may modify the number of people to be hired as per its own assessment of the work, within the overall budget for the manpower cost.

The Mentors empanelled by the incubator shall be approved by the SRLM / NRLM based on mutually agreed parameters. The selection of Mentors can also be through an e-interview process.

16.2 Variable Reimbursement to the Incubator (Overheads)

The 10% allocation for overheads (Rs 24 lakh) shall be released on a 6-monthly rests to the incubator. The release will be based on achieving targets for the six months. The amount deducted for a period due to underachievement of the target shall not be carried forward to the next period. Any non-achievement of the target due to delays in approvals, etc., by the SRLM / NRLM should be documented in writing by the incubator and submitted with the claim to be considered for any relaxation.

The suggested release per cent is as under:

Table 6: Achievement of Target Vs Percentage of the Allocated Overhead amount

Achievement of Target	Per cent of the Allocated Overheads amount that can be Released
>85% of weighted average target for the period	100%
70% to 84% of weighted average target for the period	65%
50% to 69% of weighted average target for the period	45%

Below 50% of weighted average target for the period	0%
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17. Duration of Assistance

The project shall engage the incubator for a period of three years.

NMMU may assess the performance at the mid-term and revise/adjust based on performance and experience.

18. Fund Release

19.1. Target

Each SRLM shall engage an incubator to provide high-end business development support to growth-oriented micro-enterprises. The incubator shall support at least 150 enterprises within the state. At least 10% of enterprises must be from remote areas (as mentioned in section 4.4).

19.2. Availability of Funds

The total cost envisaged per state is as under:

Table 7: Total Cost per state/UT

Particulars	Quantity	Rate per Unit (Rs Lakh)	Amount (Rs Lakh)	Remarks
Incubator cost			267.00	As calculated in section 10.2
Equity investment for partnerships			50.00	Given once to the incubator
Expenses for selection of applications and organizing challenge fund event	3	10.00	30.00	A maximum of three (3) rounds of incubation support have been considered
Challenge fund (Grant for large – registered enterprises)	6	10.00	60.00	Assuming two (2) large enterprises per incubation round

Challenge fund (Grant for individual and group - unregistered enterprises)	12	***	45.00	***To be given to top three (3) individual and group enterprises, as calculated in section 6.4
Challenge fund (Soft loan for individual and group enterprises)	132	4.00	528.00	Assuming a total of 150 enterprises to be supported. The number of enterprises to which grant will be administered has been excluded.
Capacity building for entrepreneurs including digital tools, digital training platform, digital content, tabs, etc	225	0.40	90.00	One (1) member each from 75 individual enterprises and two (2) members from each 75 group enterprises
Total			1,070.00	

9.3. Fund Release

The following will be the timeline for the release of funds for the incubator:

Table 8: Timeline for fund release to the Incubator Agency

Fund	Time for Release	Released by	Released to
State-level incubator cost	<ul style="list-style-type: none"> Once per year for three years. Costs for first year will be released upon placing required human resources and submission of the inception report. Costs for subsequent years would be released upon plan document for the year, placement of adequate HR, and satisfactory performance report by the SRLM and on submission of a UC for 80% of the funds released in the previous year. Adequate security in terms of a bank guarantee/indemnity bond may be sought by the State as per the State finance rules 	SMMU	Incubator (reimbursement)
Expenses for the selection of enterprises and organizing challenge fund competition	Reimbursement to the incubator based on approved norms	SMMU	Incubator (reimbursement)
Fund for equity investment for partnerships	<ul style="list-style-type: none"> 3 Months post call for applications Reimbursement to the incubator based on approved norms 	SMMU	Incubator
Challenge fund (Grant)	Within 15 days after culmination of the challenge fund competition	SMMU	Incubator
	Within 15 days of receipt of funds from SMMU	Incubator	Growth-micro enterprises
Challenge	Within 15-days after culmination of the challenge fund competition	SMMU	CLF

Fund	Time for Release	Released by	Released to
fund (Soft Loan)	<ul style="list-style-type: none"> ▪ Within 15-days of receipt of funds from SMMU 	CLF	Growth-micro Enterprises
Capacity building of entrepreneurs	Reimbursement to the incubator/training agency based on the approved <ul style="list-style-type: none"> ▪ training norms 	SMMU	Incubator (reimbursement) / training agency

Utilizations certificates shall be submitted to competent authorities as per the financial guidelines released by each SRLM.

19. Monitoring and Reporting

Monitoring and review of the incubators will be at two levels i.e. at the Central level by the NMMU and at the State level by the SRLM.

19.1 Conditions of the Bid

- The TNSRLM reserves the right to hold or cancel the limited tender without assigning any reason in circumstances warranted.
- Decision of the CEO TNSRLM in consultation with NMMU of NRLM will be final in respect of bid finalisation in accordance with NRLM procurement guidelines
- Payment to the successful awardee will be based on deliverables and the agreement signed in accordance with the conditions stipulated under the NRLM scheme

19.2 Review at the State Level

- a) The state nodal person for supporting the incubation component in the SRLM, along with the State Project Manager – Non-Farm and the State Mission Director (or their representative) shall review the progress of the enterprises supported by the incubator every month
- b) Representatives from the incubator agency and DMMU (District Project Manager or equivalent) should also attend the meeting
 - The intimation of the meeting along with the agenda shall be circulated by the state nodal person for incubation at least 07-days prior to the conduct of the meeting through e-mail
 - The meeting shall be minute by the SRLM, and the minutes of the meeting should be shared with all participants and

concerned stakeholders, including NMMU, within 10-days of the meeting being held

- The minutes must necessarily include the profit and loss statement and cash flow of the enterprises supported and their plan for growth
- Documents / plan for replication of enterprise models across state / other states must also be reviewed in the meeting
- The performance of the managers appointed by the incubator shall be reviewed during these monthly reviews, and the quantum of incentive earned by them will be quantified and declared as part of this review
- Apart from this state-level review, the state, district, and block teams are expected to coordinate with the incubator and monitor the incubator support provided to the selected enterprises in their block/district
- A representative of the NMMU shall also be part of this review

Annexure 1- Half-yearly Deliverables to the Incubators under NRLM

Half year	Development Deliverables	Processes Deliverables
1 st	<ul style="list-style-type: none"> • Select 150 Individual / Group enterprise from SHGs with required conditions decided by SRLM • Development of IT Tool for baseline, business plan, tracking and business MIS • Baseline Information of selected 150 Enterprises • Develop Mentor Pool from Industry for the Enterprises selected • 75 enterprises identified given formalization and start support for 18 months. 	<ul style="list-style-type: none"> • Appointment of Project Lead, Business Managers for Incubator Office and establishing separate Office. • Propose & Finalize definition and criteria of selecting growth micro enterprises in consultation with SRLM • Orientation and training to SMMU, DMMU and BMMU officials for support like mobilisation, tracking etc. • Advertise & Invite SHG enterprises for accessing Incubation support and the eligibility criteria for selection. • Identification independent jury for challenge fund as per guidelines
2 nd	<ul style="list-style-type: none"> • 75 enterprises identified given formalization and start support for 18 months. • Training of 75 entrepreneurs in existing training center like RSETI, EDI DDU GKY, TNSDC & empanelled training partners etc for upscaling growth to at least 15% • 75 enterprise handholding to prepare detailed growth plan/validate the business prepared • 75 enterprises given soft loan / challenge fund based on business plan as per guidelines for 15% 	<ul style="list-style-type: none"> • Appraisal of Training and business need for the entrepreneurs • Appraisal of Business plan and prioritising the funds for soft loan and reward fund • Organizing the training of the Entrepreneurs and giving feedback on training • Release of Soft loans and challenge fund • Tracking and Business MIS report through IT platform submission to SRLM

	<p>growth</p> <ul style="list-style-type: none"> • Incubator to support 75 entrepreneurs for forward and backward linkages with mentors for growth. 	
3 rd	<ul style="list-style-type: none"> • Training of 75 entrepreneurs in existing training center like RSETI, EDI DDU GKY, TNSDC & empanelled training partners etc for upscaling growth to at least 15% • 75 enterprise handholding to prepare detailed growth plan/validate the business prepared • 75 enterprises given soft loan based on business plan as per guidelines for 15% growth. • Incubator to support 150 entrepreneurs for forward and backward linkages with mentors 	<ul style="list-style-type: none"> • Appraisal of Training and business need for the entrepreneurs • Appraisal of Business plan and prioritising the funds for soft loan and reward fund • Organizing the training of the Entrepreneurs and giving feedback on training • Release of Soft Loans and challenge fund • Tracking and Business MIS report through IT platform submission to SRLM. • Identification of Innovation & Technology partners for SHG household enterprises • Tracking of repayment of the soft loan and reward amount usage by the enterprises
4 th	<ul style="list-style-type: none"> • Execution of Tripartite agreement with Innovation & Technology Partners identified for SHG household enterprises aggregation & scale up 	<ul style="list-style-type: none"> • Tracking of growth and repayment of the soft loan and reward amount usage by the enterprises

5 th	<ul style="list-style-type: none"> • Achievement of the 15% Growth of enterprises & report of 1st batch of 75 enterprises supported for 18 months • Submission of documents/toolkits for replication of enterprise models across the state/other states. • Training of SMMU and DMMU to handle the IT MIS platform with keys 	<ul style="list-style-type: none"> • Tracking of growth and repayment of the soft loan and reward amount usage by the enterprises • Tracking of growth of SHG household enterprises done by the Innovation & technology Partner
6 th	<ul style="list-style-type: none"> • Achievement of the 15% Growth of enterprises & report of 2nd batch of 75 enterprises supported for 18 months • Submission of documents/toolkits for replication of enterprise models across the state/other states • Handing over the incubator IT platform to the SRLM with keys • Exit Protocol of the Incubator 	<ul style="list-style-type: none"> • Tracking of growth and repayment of the soft loan and reward amount usage by the enterprises • Tracking of growth of SHG household enterprises done by the Innovation & technology Partner • Project completion and hand over report with success stories

Anneture-2

Sl.no	Selection criteria for Incubator	With relevant documents is attached (Yes / no)
1	The incubator should be housed in an institute of excellence and should have been an incubator in more than one govt sponsored program.	
2	Should have proven experience working with women's enterprises or with social sector enterprises.	
3	The incubator should have experience in mentoring or supporting manufacturing/service enterprises	
4	The incubator should have experience working in rural or peri-urban areas	
5	Amount of funds raised by the incubator in the past five years will also be considered.	

Anneture-3

Format C

Price Bid for the Incubator

I/we have clearly understood the details of the scheme and deliverables stipulated in which Engagement of Incubator for Supporting Growth Oriented Micro Enterprises of SHGs under NRLM Scheme is called for. I /we herewith quote the incubator cost for the staffing, travel and incentive in accordance with guidelines prescribed as follows:

No	Particulars	Total Remuneration for 3 years
1	Project Lead	Rs.
2	Business Manager - 1	Rs.
3	Business manager -2	Rs.
4	Travel expenses to staff (Max 20% of remuneration)	Rs.
4	Incentives to the Incubator (Max 20% of the remuneration)	Rs.
5	Total Payment to the Incubator Staff (1+2+3+4)	Rs.
6	Add: Applicable taxes payable by the Incubator for the services	Rs.
7	Gross Amount quoted as incubator Cost (5+6)	Rs.

Gross Incubator Cost quoted is Rs _____ (In words

Rupees

Signature of Authorized Signatory

(Name, Title and Seal)

Signed by

Thiru/Tmt.-----

CEO,

TNSRLM.

Signed by

Thiru/Tmt.-----

Chairperson/CEO,

Witness 1